

The winning edge

FirstMeridian looks at acquisitions and organic business growth



Balakrishnan:
identifying growth
segments

When staffing industry veteran Sudhakar Balakrishnan, 62, decided it was time to branch out after working for two decades in human capital solutions, his aim was to address the needs of an ever-growing and dynamic staffing industry. Previously a country director at Adecco India, Balakrishnan saw a gap in the market for solutions, backed with advanced technology for a human resources platform, and approached various investors for capital to build the organisation. In no time, he had found marquee investors for the venture in Samara Capital, Goldman Sachs and the Hong Kong-based firm Janchor Partners. Thus was born FirstMeridian Business Services in 2018.

Within a short time of four years, FirstMeridian has entered the big league, becoming India's third largest staffing company, providing large-scale manpower to many sectors. The business strategy that Balakrishnan put in place took off initially through acquisitions and later through its well-crafted strategy of providing pan-India human capital solutions.

"Typically in India, the labour market tailwinds are positive, with the Indian economy growing and the demand for comprehensive labour

solutions for large industries," explains Balakrishnan, founder & group CEO, FirstMeridian Business Services. "We identified the typical growth segments for companies and made the right acquisitions to create a base. At FirstMeridian, we have scaled up on that base and, today, we have over 50 branch offices for sourcing and recruitment in 75 cities. In 2018, we started with a little over 60,000 associates with the acquisition and, today, we are at over 100,000 people, and growing the FirstMeridian platform at a consistent pace".

Since its inception, FirstMeridian has kept technology at the forefront of all its offerings. The company's technology applications, including DigiHire, its recruitment platform and DigiHR, its internal human resources management software platform, ensure that the company has standardised back-end processes and systems and a structured tracking of each of its businesses. Technology has played a key role in streamlining internal processes and policies across its companies and establishing a unified system of working. To its clients, FirstMeridian offers technology solutions, including DigiTrac and Infield, to enable better workforce management

as well as to build analytics.

FirstMeridian has scaled the deployment of associates across industries. As on March 2022, the firm had 118,082 associates in various industries, as against 108,832 on 31 December 2021, with a pan-India presence of over 50 branch offices for sourcing and recruitment in 75 cities -- and associates deployed at over 3,500 locations. With over 1,200 plus clients, FirstMeridian has developed a robust business model.

Strategic acquisitions

Acquisitions and branded human capital solutions have been the cornerstone of FirstMeridian's growth strategy. Its acquisitions include Innovsource Services (which had revenue CAGR of 16.96 per cent), V5 Global Services (36.88 per cent) and Affluent Global Services (59.31 per cent), between 20 February 2018-31 March 2019 and the year ended 31 March 2021. Other acquisitions include CBSI India and Cornucopia V5.

In February 2022, FirstMeridian acquired RLabs Enterprise Services Limited, a contract staffing solutions provider with 1,182 professionals as on 31 December 2021, having various skill sets, including systems, applications and products technologies, artificial intelligence and robotics, mobility, cloud computing and enterprise storage. It has a client base of over 30 companies across India. FirstMeridian has already made seven acquisitions since 2018 across verticals bringing new business and strategic technology under its fold.

"We adopt a disciplined approach towards acquisitions, with each potential acquisition transaction going through multiple levels of evaluation from the transaction teams to our board," adds Balakrishnan, who made acquisitions through cash and in some cases equity.

High value staffing

FirstMeridian has been identifying permanent staff for clients charging a one-time recruitment fee for recruitment serving clients in the IT/ ITeS and BFSI sectors. With a team of about 45 recruitment consultants solely in this domain, it can service such

staffing requirements really well. The permanent recruitment services are provided under its 'FirstMeridian Professional' brand.

FirstMeridian provides project-based and hybrid recruitment process outsourcing solutions to different industries to help optimise business operations. The firm's RPO solutions cover a range of end-to-end outsourcing of permanent recruitment and contracting processes, ranging from sourcing, selection, onboarding, attendance, payroll and compliance, with the services provided under its 'PhilippeRead' brand.

On the other hand, pharmaceutical and healthcare talent staffing services for project management, sales, product development, research and development, legal and regulatory departments of the pharmaceutical and healthcare industry are done under the name 'Cornucopia VS'.

As part of its value-added services under the general staffing and allied services business, in addition to marketing related staffing solutions, FirstMeridian provides a range of technology-enabled trade marketing solutions, including visual merchandising, brand activation campaigns, loyalty management programmes. The firm has also implemented many tools for clients including real-time analytics dashboard to track status of client-hiring programmes, providing it a strong competitive advantage.

"The FirstMeridian group is driven by tech, which is built in-house," says Raghav Poojary, deputy chief digital officer, FirstMeridian Business Services. "From recruitment operations to onboarding to payroll to associate engagement, the DigiOne platform takes care of everything. We are highly tech focused company automating every department across groups".

FirstMeridian has built a solid roster and a diversified platform catering to almost all major industries in the country. The firm has developed expertise in staffing solutions for the telecommunications, retail, BFSI and construction and infrastructure industries where business has been booming. Its largest vertical, telecom, contributes about ₹492.7 crore to its revenues, which is 23.8 per cent of its total revenues.

The second biggest industry, where FirstMeridian has made a mark is retail, which contributes to about ₹469.7 crore in revenue or about 22.7 per cent. "Retail sales show a positive trend over last year in October owing to festive push," says Manmeet Singh, CEO, V5 Global Services, a FirstMeridian brand solutions company.

On the other hand, BFSI has also been an important growth platform for FirstMeridian, contributing about 14.03 per cent of its total revenue from operations for the nine-month period ended 31 December 2021. So was the construction & infrastructure industry, with 9.78 per cent.

High-end talent staffing

The human resource industry is seeing high growth tailwinds with economic activity, raising demand for general and skilled manpower. In fact, the human resource solutions market is estimated to be at ₹1.45 lakh crore in 2020-21, growing at an annual compounded growth of 13.1 per cent during 2015-16 to 2019-20.

"India's demographics is an advantage, with the second largest working age population in the world, which will drive the growth of staffing solutions in India," affirms a Frost & Sullivan report. "India's working age population is expected to increase by over 113 million from 2021 to 2036".

It is also one of the largest labour markets in the world accounting for 4.3 per cent of the global staffing solutions market in 2020 in revenue. "The total tally of temporary workers in India reached 3.3 million in 2018 from 2.1 million in 2014 recording a CAGR of 16.1 per cent," notes the Indian Staffing Federation.

FirstMeridian had 100 clients in the global technology solutions services vertical, including multinational corporations in the BFSI, IT products, consulting, healthcare, retail and telecommunications sectors, as on March 2022, compared to 93 as at 31 December 2021.

"India has 1,500 plus global in-house centres, employing 1.40 plus million technology talent," says Anurag Gupta, president, IT staffing, FirstMeridian Business Services. "In the last quarter, India has added 19 GICs, which is highest ever in the

last one decade. We expect IT staffing demand to continue to grow at a steady rate, though the requirements will continue to be in emerging technologies in experience range of six plus years. We are also seeing an increased interest from funded start-ups and small and medium businesses to set-up their tech development centres in India. We are also seeing states like Karnataka (KDEM), Telangana (T-Hub) and Tamil Nadu (Guidance), to name a few, supporting start-ups ecosystem and getting GICs set-up in their home state".

The firm has been clocking revenue growth over the years. Revenue from operations increased to ₹2,110.2 crore for 2020-21 from ₹2,058.4 crore in 2019-20. Over the period 2018-19 to 2020-21, FirstMeridian has grown at a healthy CAGR of about 22.84 per cent. The growth has been steady in the first nine months of 2021-22 as well, with revenues amounting to ₹2,069 crore till 31 December 2021.

"At FirstMeridian, our market position puts us in an advantageous position to capitalise on favourable macro-economic landscape and grow our business," says Balakrishnan. "In addition, our scale of operations has enabled us to leverage centralised operations to provide comprehensive solutions to our clients with a short turn-around time". FirstMeridian's marquee clients include Adani Ports & Special Economic Zone, Dell International Services India, PhonePe, Usha International, Exide Industries and Eureka Forbes, to name a few.

With the development of new areas of growth, backed by strong growth in the economy, FirstMeridian is also looking at diversifying its service offerings into other aspects of the human resource services value chain. "We intend to diversify our service offerings by providing more solutions across the entire human resource services value chain. We are also creating new organic business units engaged in engineering and technical staffing, finance, accounting and legal staffing sectors across our entire group of companies with existing cash flow, which will drive our company forward," sums up Balakrishnan. ♦

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