



Assessment of Staffing Solutions Market in India

Support for an Initial Public Offering (IPO)

Submitted to
FirstMeridian

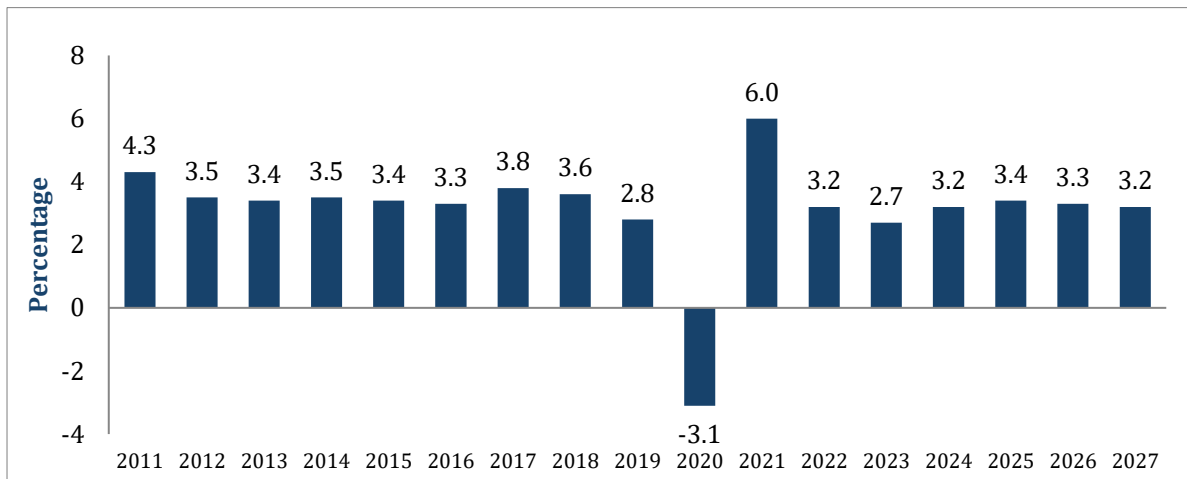
January 2023

INDIA MACROECONOMIC OVERVIEW

Global Economic Outlook

Global economic outlook for the near-term in terms of real GDP is a growth of 3.2% in CY 2022 and 2.7% in CY 2023. This would be driven by growth in the Asian and the USA markets and recoveries from the pandemic throughout the rest of the world.

Real GDP Growth Trend & Forecast, Global, 2011 - 2027



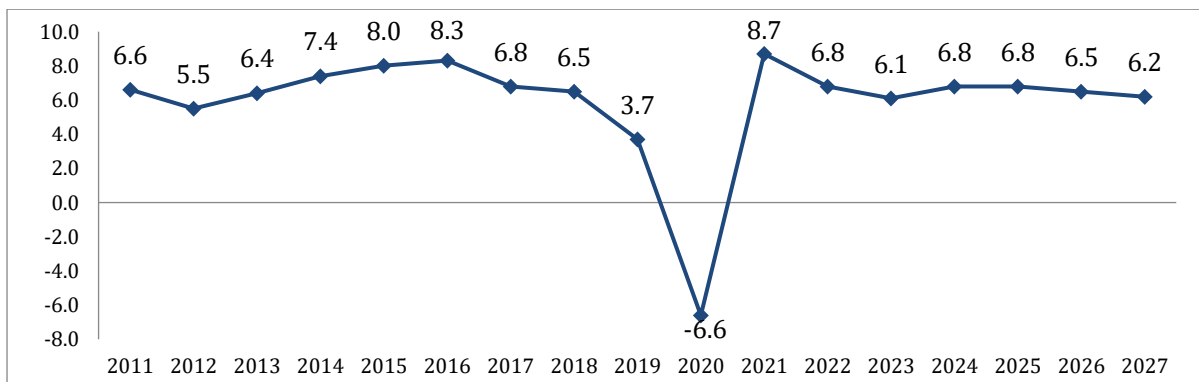
Source: IMF, November 2022

India Macro-economic Analysis

India GDP Growth and Outlook

The real GDP growth rate in CY 2020 declined to -6.6%, compared to 3.7% in CY 2019. There was a rebound of 8.7% growth in CY 2021, and the IMF has forecasted a growth of 6.8% and 6.1% in CY 2022 and CY 2023 respectively. The near-term growth would be led by pent-up domestic demand and favorable external demand.. In the long-term, growth is expected to be driven by investments in infrastructure, services sector, manufacturing sector and exports.

Real GDP Forecast, India, 2011 – 2027 (Percentage)



Source: IMF, November 2022

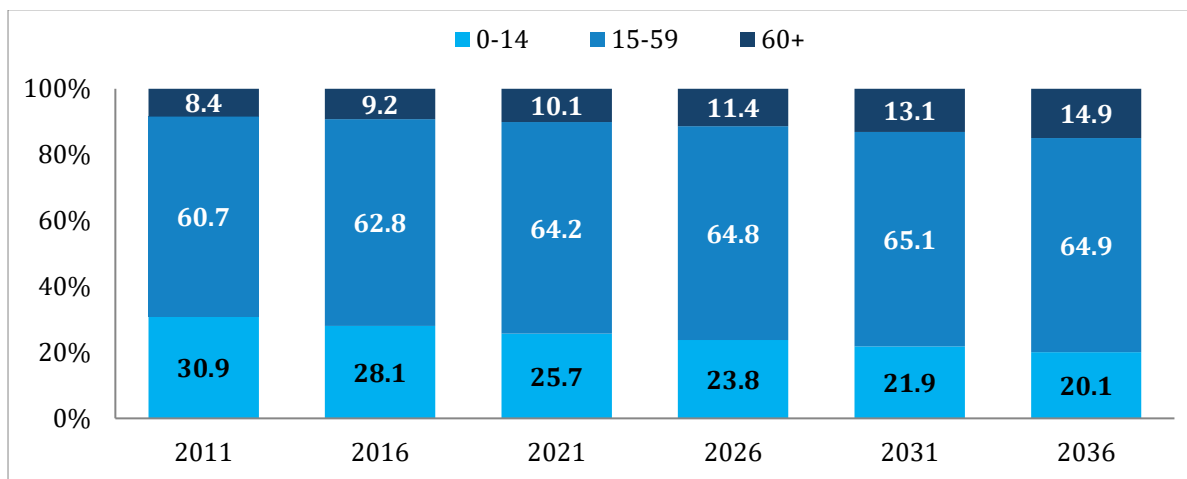
Demographic Overview of India

India’s population has been witnessing a steady growth and is expected to overtake China by 2036. The country’s population is expected to increase to 1.52 billion by 2036, growing at 0.9% CAGR between 2011 and 2036. During the period, the country’s median age is expected to increase from 24.9 years in 2011 to 34.4 years in 2036.

Demographic dividend is an important factor for economic growth. India’s working age population (15 – 59 years of age) is expected to account for 64.9% of the total population in 2036.

The Indian economy has a potential to grow at a rapid rate strongly supported by a growth in its working age population which is expected to add over 113 million people to the working age population from 2021 – 2036.

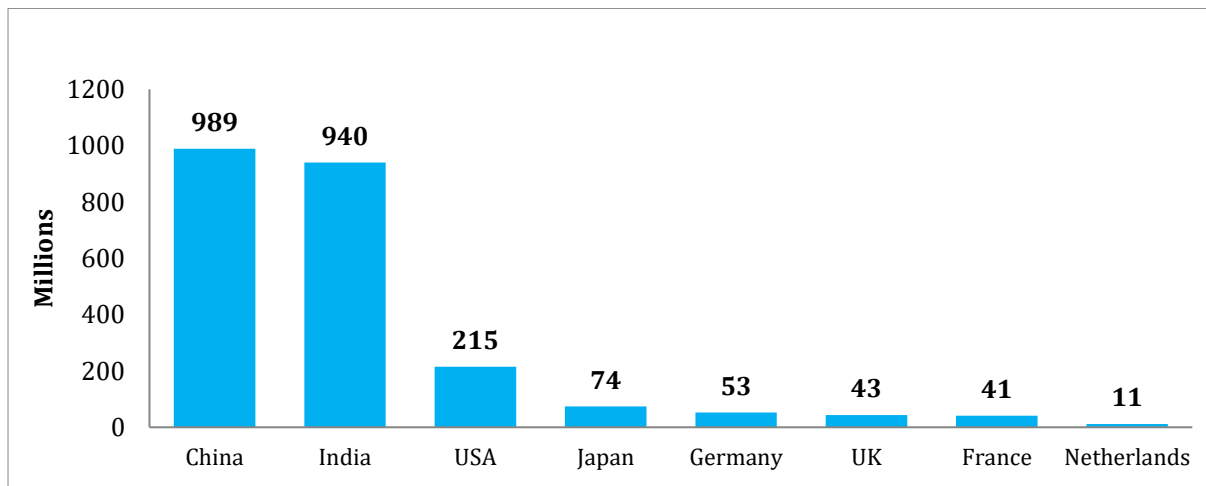
Population Forecast Percent Breakdown by Age Group, India, 2011 – 2036



Source: Report of the Technical Group on Population Projections, July 2020

India has the advantage of having the second largest working age population in the world and this is a critical element that would drive the growth of the Staffing Solutions market in India.

Working Age Population (Age 15 – 64 years) Comparison, Global, 2021

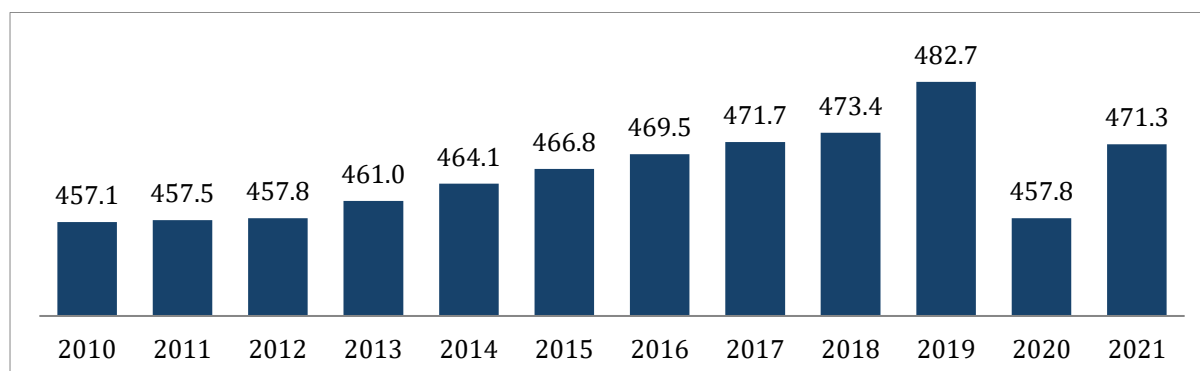


Source: World Bank

Size of Labor Force in India

The total labor force was 482.7 million in 2019 and 471.3 million in 2021. Prior to 2020, the labor force had recorded a CAGR of 0.6% from 2010 – 2019. The COVID-19 crisis resulted in a decline in the labor force by 5.2% in 2020. The labor force has been growing consistently, except for the impact of COVID-19 related lockdowns in 2020. The future growth is expected to be robust as all structural drivers such as education enrolment, population growth rate, labor force participation rate, public and private sector investment across key sectors like infrastructure and industry are projected to remain strong post COVID-19.

Total Labor Force, India, 2010 – 2021 (Million)



Source: World Bank

Increase in Formalization of the Economy

In India, the Central and State Governments have the requisite authority to legislate and enforce acts related to labour. Currently, there are over 40 national (federal) labour acts and rules and close to 100 state laws governing this segment of the economy. As per the Ministry of Labour and Employment, there are several laws aimed at promoting labour welfare, industrial peace, social justice, and overall economic development.

Labour Laws, India

Acts and Rules	Number of Acts and Rules
Laws regarding Industrial Relations	4
Laws related to Industrial Safety & Health	3
Laws aimed at Child & Women Labour	3
Laws focusing on Social Security	8
Laws Targeting Labour Welfare	15
Laws related to Employment & Training	2
Laws regarding Wages	7
Total	42

Source: Ministry of Labour and Employment

With the objective of simplifying and modernizing labour regulations, the central government has proposed to replace 29 existing laws through new labour codes. The Indian President has given consent to three labour codes namely The Code on Social Security 2020, The Industrial Relations Code 2020 and The Occupational Safety, Health, and Working Conditions Code, 2020 subsuming 25 labour laws. Earlier in 2019, The Code on Wages-2019 was enacted which would subsume four wage and

remuneration related labour laws, with a mandate to regulate wages and bonus payments across all kind of employments.

Minimum Wages in India

The Indian parliament passed the Minimum Wage Act in 1948. This act fixes the minimum wage for specific 'scheduled employment' categories. The provisions of the Minimum Wages Act are applicable on every employment that employs more than 1000 personnel in a State. Under this Act, certain minimum wages have been fixed or revised for employees engaged to do any work whether skilled, unskilled, manual or clerical (including out-workers) in any employment listed in the schedule to the Minimum Wages Act, wherein no worker is obliged to work for a wage that is less than the minimum prescribed rate. There are several factors that have been taken into consideration while determining the minimum prescribed rate. These include level of income, paying capacity, prices of essential commodities, productivity, and local conditions.

GLOBAL STAFFING SOLUTIONS MARKET ANALYSIS

Market Definitions

Staffing Solutions Market is segmented into two broad categories, such as:

Temporary Staffing/ Flexi Staffing

- *General Staffing*: This includes white, blue and grey collared staffing focused on job profiles such as sales and marketing, delivery of products, front-end personnel, supervisors, telemarketing, customer service, network operators, telecom tower maintenance executives, medical representatives, executives for content generation and running campaigns etc. across end user industries such as E-commerce, Banking, Retail and Consumer, Logistics, Telecom, Manufacturing, Hospitality, Healthcare, Tourism, Agriculture etc.
- *IT Staffing*: This includes white collared staffing focused on the needs of IT and ITeS industry. Job requirements met include software programmers and developers, web designers, web planners, program managers, development project manager, development leads, test engineers, cloud engineers, infrastructure support engineers, data warehouse maintenance personnel, hardware engineers for real time support for data servers, full stack developers, DevOps etc.
- *Professional Staffing*: This includes white collared staffing for skilled and highly-skilled job functions such as sales and marketing, pharmaco vigilance, pharma research & development, design and engineering, EPC, finance and accounting, legal etc. across end user industries such as Banking, Healthcare, Hospitality, and Manufacturing etc.

Permanent Staffing

- *Search*: Search includes CXO positions and board level executives with management and domain expertise.
- *Recruitment & Recruitment Process Outsourcing (RPO) Solutions*: Permanent staffing of senior, middle and junior level positions and outsourcing of the recruitment process.

Introduction to Staffing Solutions Outsourcing

Introduction to Human Resources (HR) Solutions: The most common HR functions outsourced by organizations include recruitment (both permanent and temporary), background verification, payroll management, compliance and outplacement. The primary driver for outsourcing of these activities is their non-core nature for most organizations along with the significantly higher scale benefits that service providers provide in these areas as compared to the end customer themselves.

Benefits of Temporary Staffing, Global

Benefits to customers	Benefits to candidates
<ul style="list-style-type: none">• Helps manage volatility in business	<ul style="list-style-type: none">• Provides basic livelihood
<ul style="list-style-type: none">• Lowers burden of payroll and compliance management	<ul style="list-style-type: none">• Fills as a steppingstone to permanent employment
<ul style="list-style-type: none">• Reduces hiring and support costs	<ul style="list-style-type: none">• Acts as a training ground to hone skills
<ul style="list-style-type: none">• Helps in quick ramp-up of resources in a new market	<ul style="list-style-type: none">• Imparts flexibility to pursue some other form of education/ vocational training
<ul style="list-style-type: none">• Acts as a pool of talent for future hires	<ul style="list-style-type: none">• Helps in maintaining a better work life balance

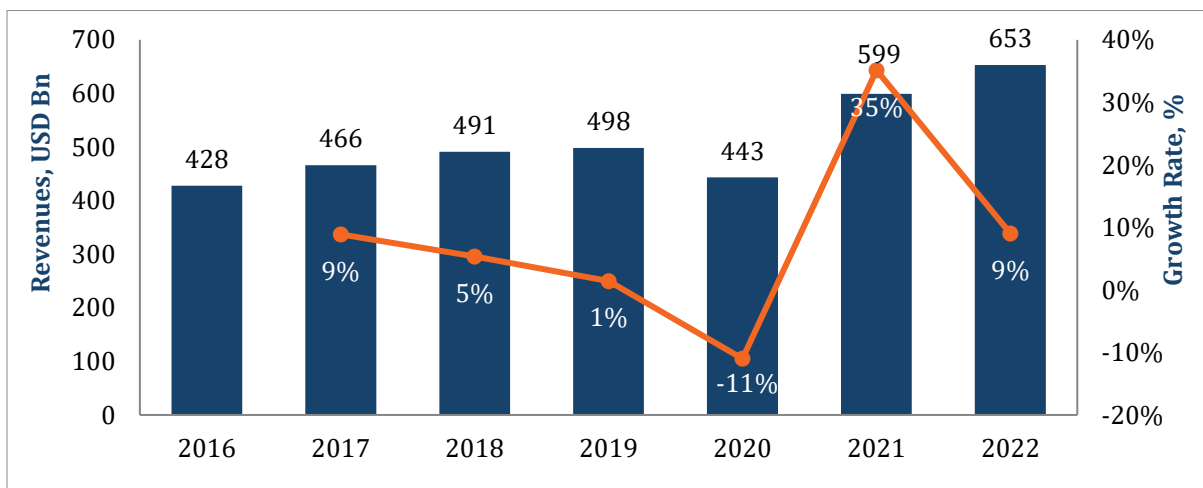
- Helps manage rapid redundancy in skillsets of existing workforce

Globalization, technological innovations, demographic shifts and climate change have been creating economic and employment opportunities across the world. Overall employment in the long-term is expected to be driven by global demand-supply gap and technology adoption. New job creation and demand for niche skills would set a strong growth platform for the HR Solutions and Staffing Solutions Market over the next 5 years.

Global Staffing Solutions Market Overview

Staffing Industry Analysts (SIA), a global advisor on staffing solutions, estimates the Global Staffing Solutions Market at USD 599 billion in 2021 and forecasts the same to reach USD 653 billion in 2022¹. Of the total market, 86% is from the Temporary Staffing Solutions segment and the remaining 14% is from other services such as Permanent Recruitment in 2021. The market recorded a CAGR of 5.2% from 2016 – 2019 and the COVID-19 impact on the total market is estimated at 11% de-growth in 2020.

Staffing Solutions Market: Historic Revenues & Forecasts, Global, CY2016 – CY2022



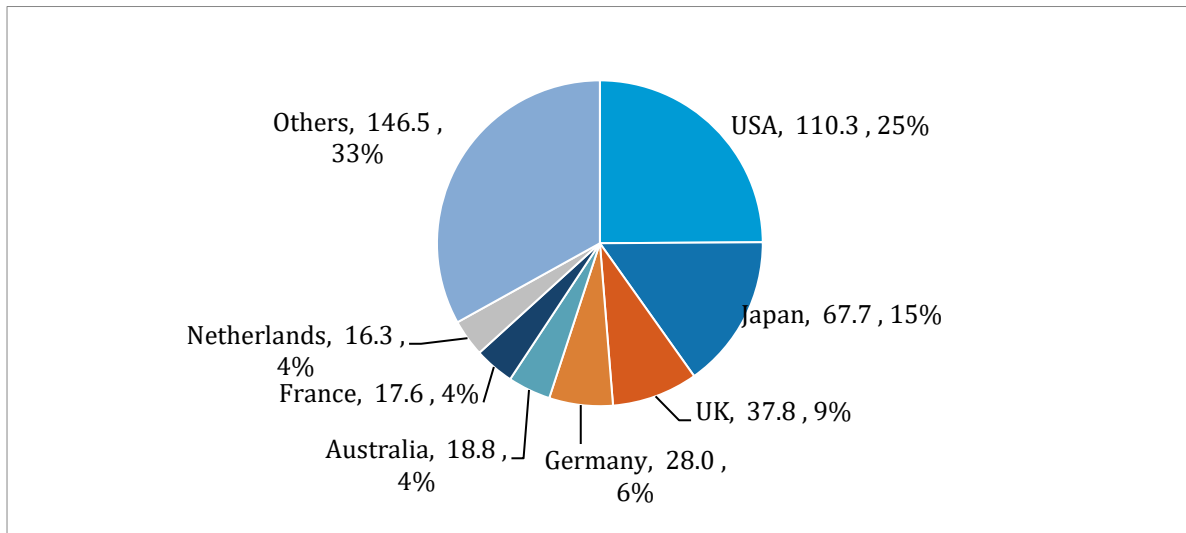
Source: Staffing Industry Analysts and Frost & Sullivan Analysis

Growth in Staffing Solutions market has been driven by the increased acceptance by organizations which are gradually increasing their share of temporary or flexi staff in their total workforce. As industry becomes familiar with the benefits associated with temporary staffing and regulatory regime is rationalized, more experienced staff may join the staffing segment.

The United States of America (USA), Japan, the United Kingdom (UK), Germany, Australia, and France are the top 6 countries in terms of revenues in 2020. These countries cumulatively account for 63.3% of the total revenues.

¹ <https://www2.staffingindustry.com/Editorial/Daily-News/Global-staffing-industry-revenue-forecast-to-grow-9-this-year-SIA-61858>

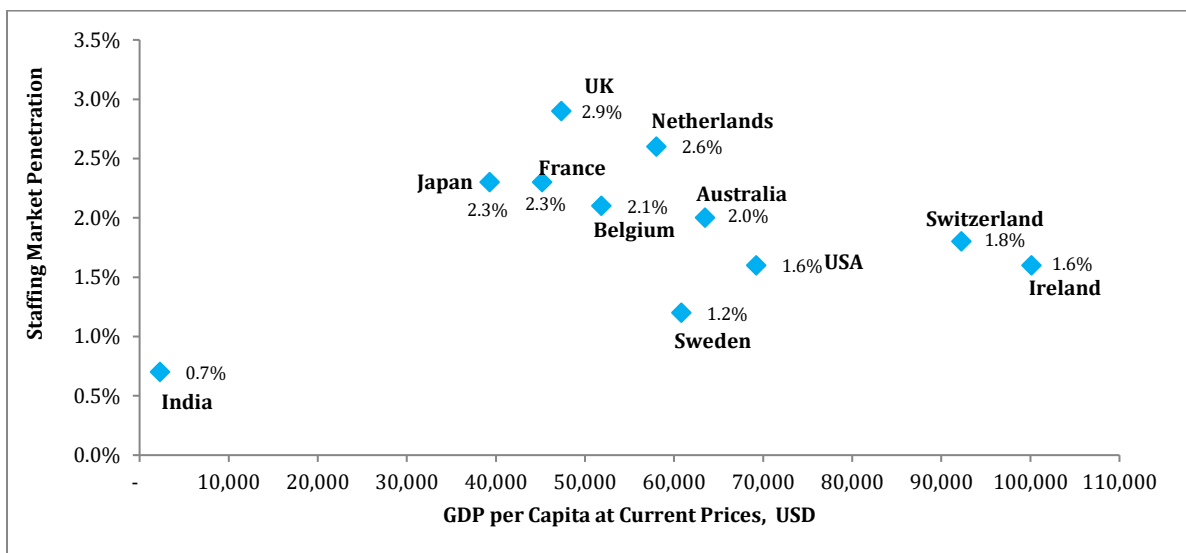
Staffing Solutions Market: Revenue Breakdown by Region, Global, 2020 (USD Billion)



Source: Economic Report 2022 by World Employment Confederation

Global staffing penetration in 2020 stood at 1.5% as per the World Employment Confederation Economic Report 2022. The penetration rate is defined as the daily average number of agency workers divided by the working population. The UK and Netherlands are the leading countries in terms of market penetration at 2.9% and 2.6% respectively in 2020.

Top 10 Staffing Solutions Market by Penetration & India, Global 2020



Note: India's market penetration is for 2018

Source: World Employment Confederation Economic Report 2022, IMF and Frost & Sullivan analysis

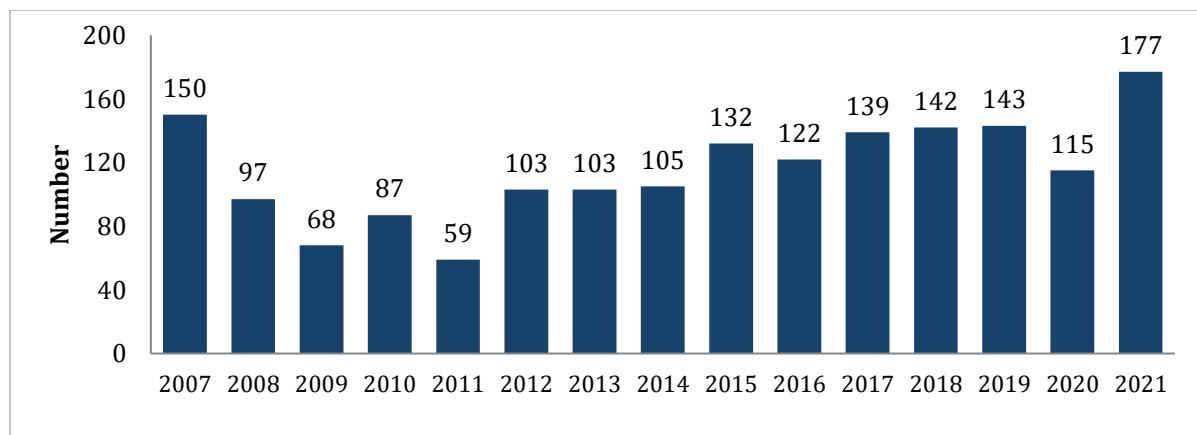
Labor market regulation is the crucial factor determining the penetration of staffing. Penetration rates higher than the global average indicate market maturity in top geographies such as the UK, Netherlands, France, Japan, USA etc. Countries with lower penetration such as India, China, Poland, Spain etc. have the potential to experience high growth through favorable regulatory environment, investments in end user segments and positive employment outlook.

Key Global Trends

Key trends impacting the Staffing Solutions industry are:

- *Flexible Employment and Future of Work:* Increasing preference for flexible work in the form of temporary employment and freelancing or gig working is a structural change being witnessed in workforces across the world. While developed markets are way ahead on this curve, the emerging economies are also catching up. As the share of millennial and Gen Z increases in the working age population, work place flexibility is expected to be a standard rather than a preference as it is today. This is expected to result in a wide range of employment forms such as full-time, part-time, contract work, agency work, remote working and self-employment. Increasing flexibility in employment forms and acceptance of the same from both employers and employees would drive the growth of the Staffing Solutions market.
- *Investment in Reskilling Initiatives:* The current workforce requires extensive training to enable them to cope with the dynamic ways jobs are getting done today. There is a high potential for staffing companies to enable their clients in this transition. Staffing companies are making investments and/or partnering with training companies. For example Randstad US partnered with Udemy, a company that provides 7000 business courses, to offer free educational courses to American workforce in November 2020.
- *Market Consolidation / Mergers and Acquisitions (M&A):* The HR Solutions market is undergoing consolidation as large service providers are seeking to achieve economic benefits associated with building operational scale and scope. Benefits at the local site level include the cross-utilization of resources between and within sites, leveraging of overhead costs and sharing of best practices. At the national and international level, benefits are in the form of ability to service a client across locations, thus increasing the service provider's credibility and enhancing the probability of winning a multi-city/multi-country contract. M&A has been a key growth strategy for staffing companies. This is driven by the need to gain competitive edge in terms of offering a broad range of services to clients. The Global Staffing Solutions market has witnessed 100+ deals every year since 2012. Acquisitions continue to fuel growth for larger players in the staffing industry, with professional staffing businesses being of interest amongst potential buyers. M&A activities remained high in fast growth markets such as the Professional Staffing such as Healthcare, Life Sciences etc. and IT Staffing segments.

Staffing Solutions Market – M&A Activity, Global, 2021



Source: Kroll Corporate Finance

- *Diversification into Value Accretive Segments such as Professional Staffing and other HR Solutions:* Integrated HR solutions are a standard model followed by most large service providers in the market. This entails offering a broad portfolio of services under the same company but may have different brand names. Presence across services also helps in reducing macroeconomic risks in periods of economic downturn. This is also driving most staffing companies globally to build a presence in Professional Staffing services.

Overview of Service Providers

The Global Staffing Solutions Market is highly fragmented with around 190,000 companies operating across 41 countries as per the World Employment Confederation Report 2022. In 2021, the top three companies accounted for only 11.3% of the total market and this highlights the fragmented nature of the competition landscape.

Staffing Solutions Market – Revenues of Key Companies, Global, 2021

Staffing Company	Total Revenues in 2021 (USD billion)
Randstad	25.37
Adecco Group	21.53
ManpowerGroup	20.72
Recruit Holdings Co. Ltd	20.39
Allegis Group	0.46 (2019)
Kelly Services Inc.	4.91

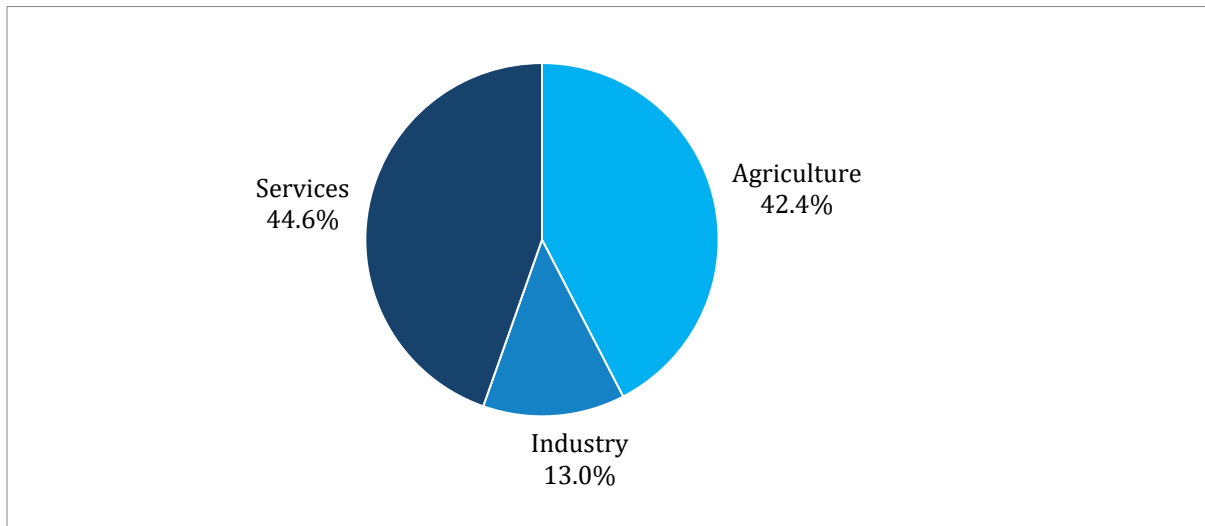
Source: Company Websites, Annual Reports and Frost & Sullivan Research

INDIAN STAFFING SOLUTIONS MARKET ANALYSIS

Employment Overview and Outlook

Services sector is the largest employer in India with a share of 44.6% in FY2019 followed by Agriculture and Industry with a share of 42.4% and 13.0% respectively. Non-financial services such as Healthcare, IT/ ITeS, Education, Hotels etc. are the largest segment within the Services sector.

Breakdown of Employment by Sectors, India, FY2019



Source: Periodic Labor Force Surveys 2018-2019

Increasing size of labor force, evolving legal framework and job formalization are the key trends defining the employment sector in India. IT/ ITeS, Financial Services, Manufacturing, Healthcare, Retail, and Hospitality are the key end user segments anticipated to drive employment opportunities in the long-term in India. Automation and technology adoption across end user segments are redefining the job functions and skills that would drive the demand in the future. Digital technology related job roles and skills are expected to be in demand over the next five to ten years.

Staffing Solutions Market Analysis

Industry Structure and Revenue Models

HR Solutions Market in India is segmented into Temporary Staffing, Permanent Staffing and other HR solutions such as Payroll, Time and Attendance and Recruitment Process Outsourcing. Temporary Staffing is the largest segment and is further divided into General Staffing, IT Staffing, and Professional Staffing.

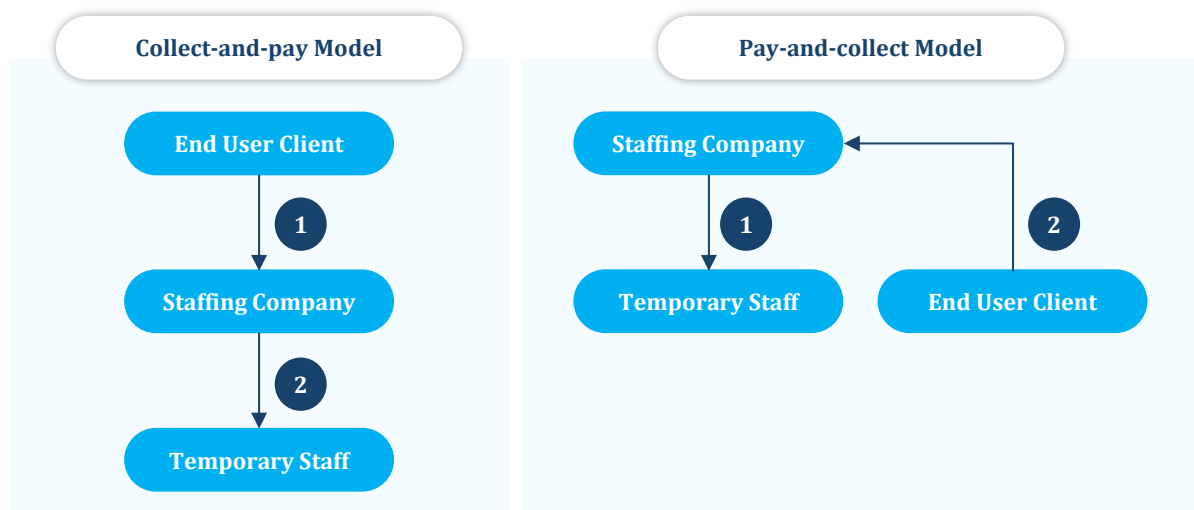
HR Solutions Industry Structure, India



Revenue Models: There are two prevalent billing models in the Temporary Staffing Solutions market in India such as the

- *Collect-and-pay*: In this model the staffing companies bill the end user organizations, collect the revenue for the services offered and then pay the temporary staff. This model is predominantly used in General Staffing only.
- *Pay-and-collect*: After billing the end users, staffing companies pay the salaries of the temporary staff first and then collect the revenues from clients. This is the prevalent model in IT Staffing and Professional Staffing.

Staffing Solutions Market: Revenue Models, India



Source: Frost & Sullivan Analysis

In terms of billing to end user organizations there are three prevalent models such as Fixed Fee model, Rate Card model and Percentage of Salary model.

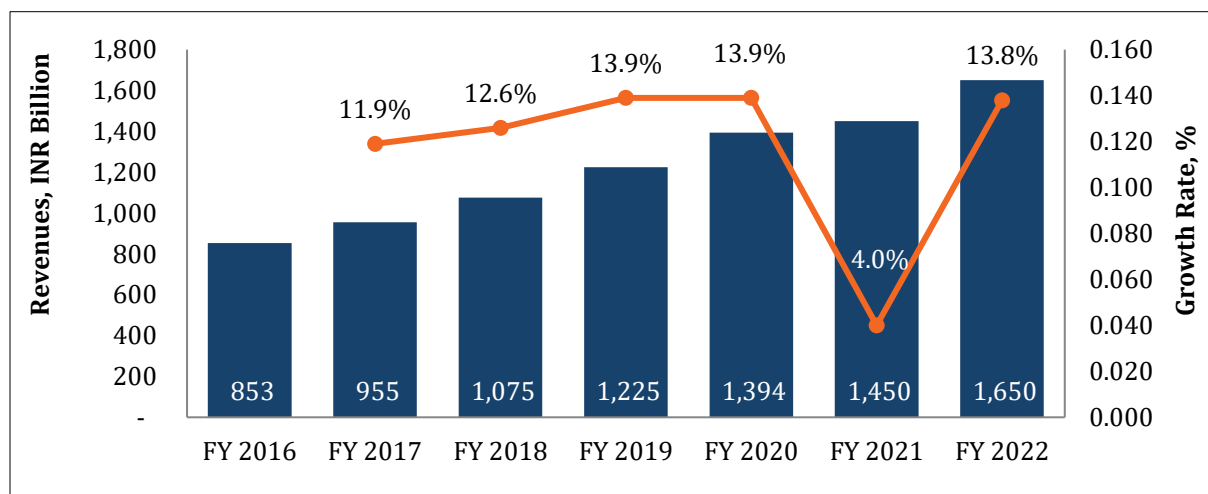
- **Fixed Fee:** The staffing companies bill the end users a fixed fee per month for every employee placed with them. This fixed fee would vary depending on the skill set and positions/ job functions. This model is more prevalent in the General Staffing Solutions segment.
- **Rate Card:** The staffing companies charge the end users based on a rate card or bill rates per hour that varies across skill set and experience of the candidates. This is the common method in IT Staffing and Professional Staffing segments.
- **Percentage of Salary:** End user organizations are charged a certain percentage on the total cost of the temporary staff.

The profit margins vary depending upon the job description and experience. Temporary staff with specialized skill sets and wide experience yield more gross margins.

Market Overview

The HR Solutions market size in FY2022 is estimated at INR 1,650 billion. The market witnessed strong growth in the past five years. The market grew by a CAGR of 13.1% between FY2016 – FY2020. COVID-19 pandemic impacted the market growth and resulted in a marginal 4.0% growth in FY2021.

HR Solutions Market: Historic Revenue Trend, India, FY2016 – FY2022

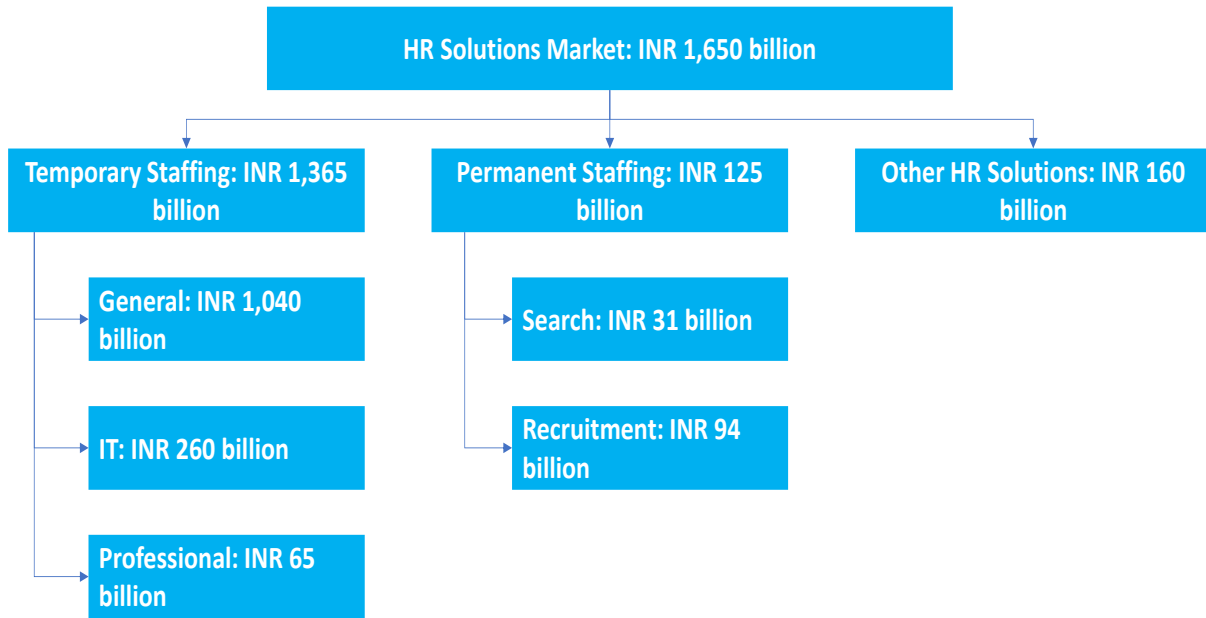


Source: Frost & Sullivan Analysis

India accounts for 3.4% of the Global Staffing Solutions market in FY 2022 in revenue terms. Though this value seems insignificant, in terms of volumes Indian market is the 6th largest in the world and accounts for 5.7% of the total global market and has the potential to grow exponentially in the long-term. As per the Indian Staffing Federation, the total temporary workers in India reached 3.3 million in 2018 from 2.1 million in 2014 recording a CAGR of 16.1%.

The General Staffing is the largest segment (in volume terms) with a market share of 50% followed by IT Staffing at 25.0% of the total market in FY2021.

HR Solutions Market: Breakdown by Segments, India, FY 2022



Source: Frost & Sullivan Analysis

Market Drivers

Key growth enablers that are driving the Staffing Solutions market in India are the need for flexible workforce, availability of large manpower resources, growth in gig economy and regulatory compliance.

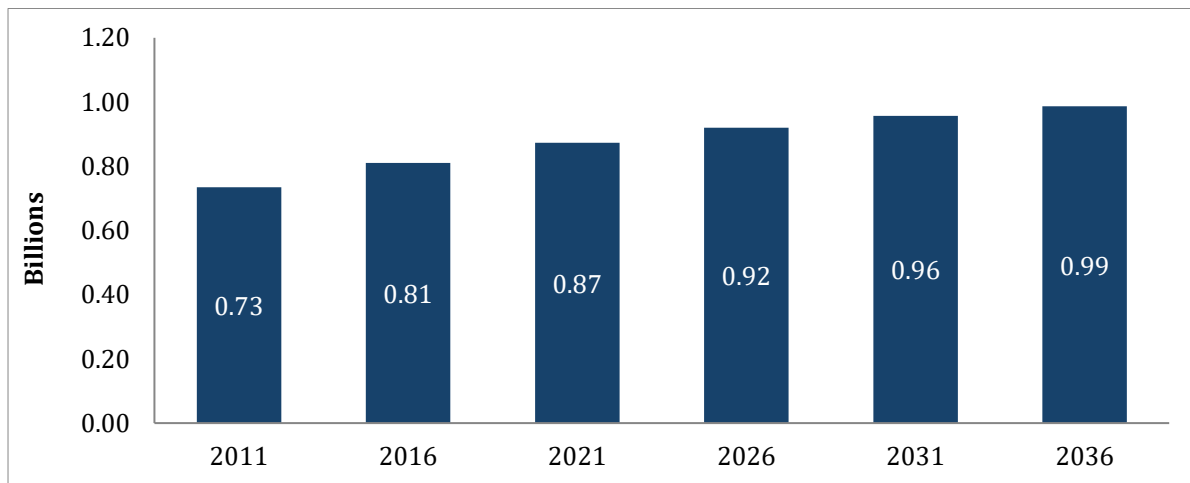
Staffing Solutions Market: Market Drivers, India, –2023 - 2026

Market Drivers	Impact: 2023-2026
Supply Side Market Drivers	
Presence of large pool of resources/ working age population	High
Rise in gig economy	Medium - High
Demand Side Market Drivers	
Manpower scalability and flexibility	High
Ease of compliance	Medium – High
Government reforms related to EPF, ESIC and GST	Medium - High
Increasing formalization of economy driven by labor reforms	Medium
Shorter hiring process	Medium

Source: Frost & Sullivan

Presence of large pool of resources: India has a large pool of working age resources which has supported the growth of the Staffing Solutions market. Increasing preference for gig working among millennial is also contributing to the growth of this market. Deploying temporary staff with the required skill set lowers the time and effort spent on training.

Staffing Solutions Market: Growth in Working Age Population, India, 2011 – 2036



Source: Ministry of Health & Family Welfare

Rise in gig economy: Gig economy is defined as a pool of resources who take up temporary and flexible jobs. Technology enabled platforms connect the consumer/end user to a gig worker to hire them for a short period. Gig workers include self-employed people, freelancers, independent contractors and part-time workers. Key driving factors of the gig economy are:

- Millennials and their unconventional approach to work
- Emergence of a start-up culture
- MNCs preference to work with part-time employees
- Growth in freelancing platforms

End user segments such as Media, Real Estate, Hospitality, Technology, Healthcare, BFSI, Manufacturing, Management Consulting, and Education are working with gig workers today and are expected to drive the demand for gig workers in the next 5 years. Increasing preference for gig working is expected to increase the penetration of staffing in India and have a direct impact on the growth of the Staffing Solutions Market.

Manpower scalability and flexibility: Workplace dynamics and requirements have changed radically over the last decade. Today organizations need skilled manpower to deal with the dynamic and bespoke industry demand. Opting for temporary staffing enables companies to recruit employees based on the demand situation. This helps in making the end user company agile to the needs of the industry while making the company lean and the manpower compliance management easy. Moreover, many organizations have fluctuating demand for manpower depending on seasonality economic scenario etc. where temporary staffing can address the issues. Choosing temporary staff enables user organizations to convert their fixed costs into variable costs.

Ease of compliance: India has a complex regulatory compliance requirement with more than 1,500 Acts, 72,000+ compliances and 6,600+ filings across central and state governments. Labour laws have the maximum number of compliance and filing requirements. Various states have implemented their own rules leading to variations in submission dates, formats, regulatory authorities and duty structures among others. Non-compliance can result in severe legal and financial implications for companies.

With the adoption of flexi-staffing or temporary staff, compliance related to labour laws become the responsibility of staffing companies and this significantly reduces the efforts required from end users/clients.

Government reforms related to EPF, ESIC and GST: Key reforms that have contributed to the growth of the Staffing Solutions Market in India are:

- **ESIC Reform - Employees' State Insurance (Central) Third Amendment Rules:** With this amendment the wage threshold has been extended from INR 15,000 – INR 21,000 per month (INR 25,000 for employees with disability). Now all employees who earn INR 21,000 or less per month are to be mandatorily enrolled for employee insurance under ESI Act.

Impact on Job Formalization:

- As more employees get insured under the ESI Act, a large number of unorganized workforces would get social security benefits like the organized sector.
- **GST Reform - The Constitution (One Hundred and First Amendment) Act:** Goods and Services Tax (GST) removes multiple taxes that were in practice and is encouraging unorganized companies to register under GST and this is enabling job formalization.

Impact on Job Formalization:

- Today end user companies are more inclined towards doing businesses with organized Staffing Solutions firms for claiming input tax credit under GST and avail hassle free business.
- GST is acting as an incentive for companies to be part of the formal tax structure to get the benefits, there by facilitating job formalization.
- Organized Staffing Solutions companies are witnessing significant growth due to the preference of end users for organized partners for hiring, there by automatically creating more formal jobs.

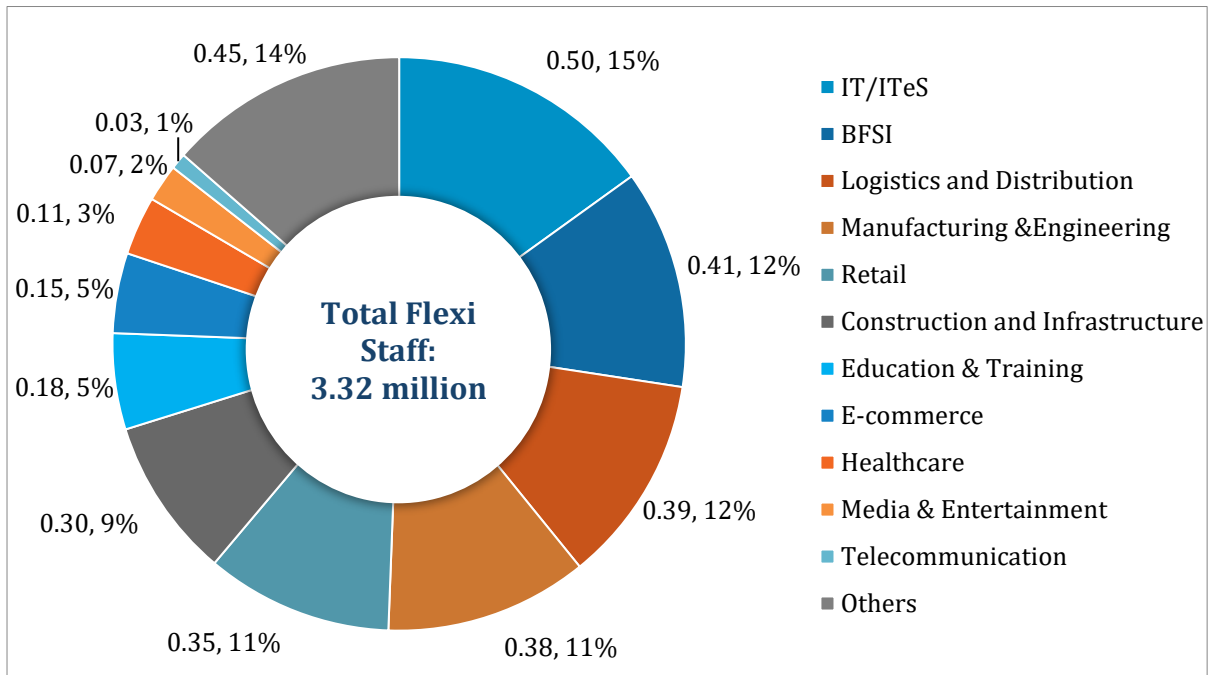
Increasing formalization of economy driven by labour reforms: Recent labour reforms in social security and wages have resulted in an increase in minimum wages across various skill sets and this is also contributing to the growth of the industry revenues.

Shorter hiring process: Staffing companies have a ready pool of skilled and semi-skilled resources which provides an uninterrupted hiring experience for end users. This significantly reduces the time spent on hiring and on finding the right talent.

Market by End User Segmentations

IT/ITeS is the largest segment that deploys temporary staff in India. Around 15.1% of the total temporary staff in 2018 was working with the IT/ITeS segment. BFSI is the second largest segment with a share of 12.3% followed by Logistics and Distribution with a share of 11.7% of the total temporary staff.

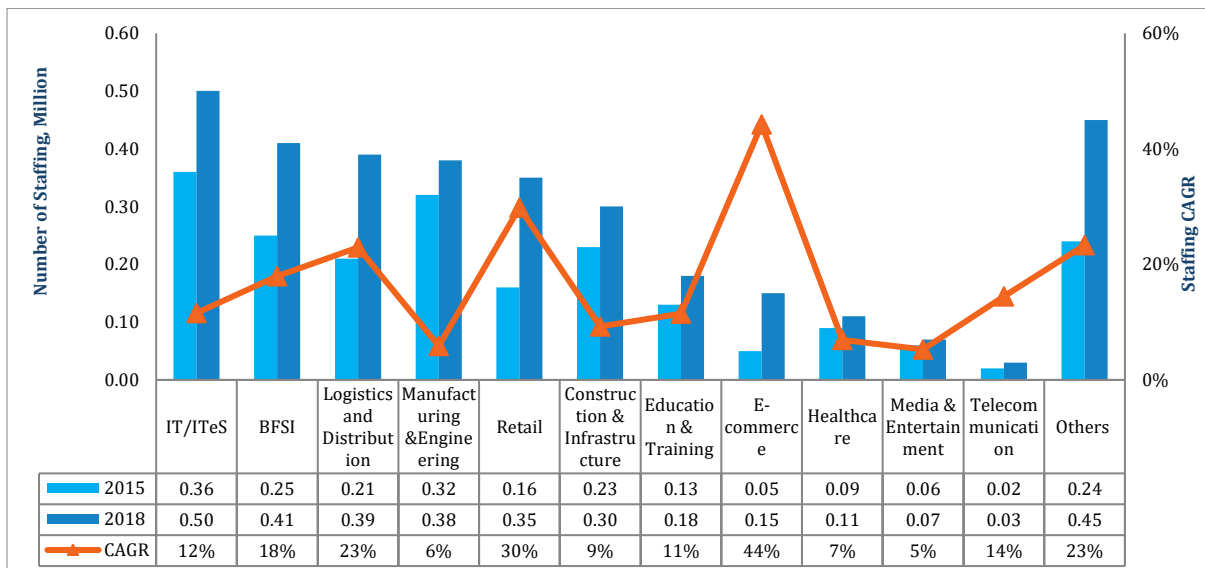
Staffing Solutions Market: Temporary Staff by End User Segments, India, 2018



Source: Indian Staffing Federation; Others include Automotive, Government etc.

E-commerce and Retail have been the top segments driving the demand for temporary staff in the last five years. The number of temporary staff in E-commerce grew by a CAGR of 44.0% during 2015 – 2018 and in Retail segment the CAGR was recorded at 30.0%. Other segments that have witnessed high growth are Logistics and Distribution, BFSI, Telecommunications and IT/ITeS.

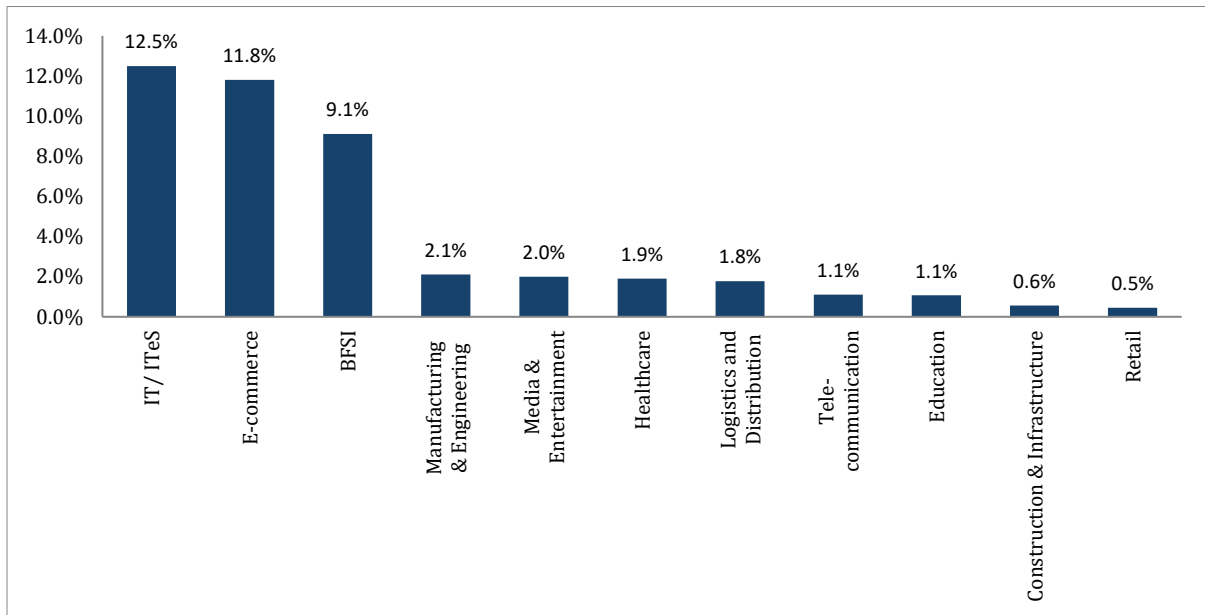
Staffing Solutions Market: Growth by End User Segments, India, 2015 & 2018



Source: Indian Staffing Federation and Frost & Sullivan Analysis

IT/ITeS, E-commerce and BFSI segments have the highest penetration rates for temporary staff at 12.5%, 11.8% and 9.1% respectively. Other segments such as Manufacturing, Media and Entertainment, Healthcare and Logistics and Distribution have a market penetration of 2.1%, 2.0%, 1.9% and 1.8% respectively.

Staffing Solutions Market: Market Penetration by Segments, India, 2018



Source: Indian Staffing Federation

COVID-19 Impact on Staffing Solutions Market in India

COVID-19 has impacted macro-economic growth in India and the Staffing Solutions market also had similar implications. Staffing Solutions market witnessed a growth of 4.0% in FY2021 despite the global pandemic. Despite national wide lockdowns, a few key sectors such as IT and ITeS, BFSI, Telecom, Healthcare, E-commerce and Logistics contributed to the growth of the Staffing Solutions market in FY2021. Major staffing companies experienced a declining trend in revenues during the COVID-19 from Q4 FY2020 and Q1 FY2021 but were seen returning to the growth trajectory very quickly in the Q2 of FY2021 itself and from thereon experienced steady growth in revenues.

Key trends associated with COVID-19 that are impacting the Staffing Solutions market are:

- **Remote or Hybrid Working Model:** COVID-19 has accelerated the deployment of digitalization and hybrid working models in India, particularly in the IT industry. In the short- to medium-term it is expected that at least 35 – 40%² of a company's total workforce would be working from home.
- **Rise in Freelancing Platforms:** There has been a significant rise in freelancing platforms in India – 80 in 2009 to 330 platforms in 2021. This has enabled the Staffing companies to tap into rural workforce as well due to the remote working models in place due to the current pandemic.

Market Outlook and Forecasts

IT/ ITeS Segment Outlook

The IT industry is a key and critical element of the Indian services sector. A majority of the revenues for the Indian IT industry come from exports. India has a 55% share in the global outsourcing market which has been estimated at USD 200-250 billion³ globally. According to Software Technology Park of India (STPI), the software exports from their registered units increased by 7% to reach INR 5,000 billion in FY2021. Rapid digitalization and transition to remote working environments proactively implemented by companies across the sectors has helped the IT segment sustain growth despite the global pandemic.

² <https://www.peoplesmatters.in/article/recruitment/indian-staffing-landscape-in-2021-28875>

³ <https://www.ibef.org/industry/information-technology-india.aspx>

As of FY2020, the Indian IT industry directly employed more than 4.5 million people and registered an estimated 138,000 new hires in 2020 alone. Revenues from the Indian IT industry are expected to reach USD 350 billion⁴ by FY2026 increasing from USD 195 billion⁵ in FY2021.

The growth in IT industry is expected to create more jobs in the future and the need to ramp up manpower without too much of a build-up in bench means that IT industry would have to depend on Staffing Services to bridge their requirement gaps.

BFSI Segment Outlook

BFSI segment includes commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. Growth in working population and disposable incomes are creating demand for banking and financial services. Enhanced spending on infrastructure and continuation of policy reforms that drive investments are expected to provide growth impetus and the sector is rapidly evolving to adapt to the changing market dynamics. India is expected to become the fourth largest private wealth market globally by 2028. Technological advancements have brought mobile and internet banking services to the forefront. BFSI sector is expected to create around 1.6 million jobs as per a report by National Skills Development Corporation (NSDC)⁶.

E-Commerce Segment Outlook

E-commerce industry in India has been on an upward growth trajectory over the last five years and is expected to grow steeply in the medium to long term. A dynamic and young population, increasing smartphone and internet penetration and increasing disposable incomes are some of the key drivers for the E-Commerce industry in India. As of 2020, India already has over 795 million⁷ internet users, with an estimated 61% of these being in the urban areas of the country. Rural areas have traditionally lagged in terms of smartphone and internet penetration, but this scenario is changing with more users from Tier 2, Tier 3 cities as well as rural areas seeking better connectivity and internet based services. These unserved and underserved regions of the country present a significant market potential that will form a cornerstone of e-commerce growth in the country.

Telecommunications Segment Outlook

Indian Telecommunications Industry is the second largest market in the world with a telephone subscriber base of 1,189.62 million as of October 2021 and a broadband subscriber base of 798.95⁸. Expansion in 3G and 4G and the onset of 5G technologies in India are expected to increase the demand for telecom services over the next five years. Capacity expansions by major telecom companies and BSNL's 4G upgrade are also contributing to the sector's growth. PLI schemes for segment and expansion into rural markets would also add to the growth of the segment.

Growth in the segment would create employment opportunities in the long-term. The most demanded job functions would be around RF engineers, field engineers, software engineers, and developers. Around 22 million skilled works would be in demand by 2025 for 5G based technologies such as Internet of Things (IoT), Artificial Intelligence (AI), robotics and cloud computing⁹.

Retail Segment Outlook

⁴ <https://www.ibef.org/news/indian-it-sector-sees-highest-growth-in-a-decade-adds-45-lakh-new-jobs>

⁵ <https://economictimes.indiatimes.com/tech/information-tech/nasscom-pegs-indian-it-industry-revenue-at-194-billion-for-fy21/articleshow/80923715.cms>

⁶ <https://bfsi.economictimes.indiatimes.com/news/industry/which-skills-are-in-demand-for-emerging-jobs-in-bfsi-space/82259174>

⁷ https://www.business-standard.com/article/economy-policy/internet-users-up-nearly-4-to-over-825-million-in-q4-of-fy21-traidata-121082701105_1.html

⁸ https://traigov.in/sites/default/files/PR_No.59of2021.pdf

⁹ <https://www.ibef.org/industry/telecommunications.aspx>

Electronics is the fastest growing industry in the country. The total electronics market (which includes domestic electronics production and imports of electronic finished goods) in India is valued at INR 6,711 billion in FY2021, which is expected to grow at a CAGR of 25.5% to reach INR 20,873 billion in FY2026, as per Frost & Sullivan analysis. Domestic production accounts for approximately 74% of the total electronics market in FY2021, valued at INR 4,975 billion, and are expected to grow to approximately 96% by FY2026, valued at INR 20,133 billion, owing to various government initiatives and the development of India's electronic ecosystem. Consumption of electronics would be driven by favorable demographics, increasing disposable incomes, changing lifestyles and consumer preferences, growing brand consciousness and easy consumer credits.

Fashion retail is another high growth segment within the Retail industry. Increasing middle-class, higher disposable incomes and rising young population are driving the demand for fashion retail in India. The global pandemic affected the growth of fashion retail in FY2021 because of the lockdown restriction, but the growth is expected to reach pre-pandemic levels in FY2022 with the sector expected to grow at around 15%-17% in Q1 of FY2022 and later grow by a CAGR of 25% from FY2022 – FY2025¹⁰.

Pharmacy retail segment in India has witnessed significant growth in the last few years driven by increase in healthcare spending, favorable demographics and epidemiological transition. The market is currently in transition phase from unorganized to organized sector with the entry of large corporates and the growth in e-pharmacies. Entry of corporates in this space is expected to bring in investments and organizational support and accelerate the growth of organized retail and e-pharmacies. Apart from the increasing consumer adoption, the e-pharmacy segment has witnessed higher investor interest with around USD 700 million¹¹ invested in 2020.

Growth in the overall Retail segment is expected to create 30 million¹² new jobs by 2030 as per the Retail 4.0 Report released by NASSCOM in partnership with Technopak.

Logistics & Distribution Segment Outlook

Warehousing in India is still at a nascent stage and offers immense growth potential driven by investments in sectors such as e-Commerce, Fast Moving Consumer Durable (FMCD), Fast Moving Consumer Good (FMCG), Manufacturing and Retail. India's per capita warehousing stock is at 0.02 square meters while the USA, China and the UK have 4.4 square meters, 0.8 square meters and 1.09 square meters respectively¹³. This low penetration makes India's warehousing market more attractive and this is complemented by the increase in per capita income and population growth.

The top cities such as Mumbai, NCR, Pune, Chennai, Kolkata, Bengaluru, Ahmedabad and Hyderabad together hold 30.6 million square meters of warehousing space in FY2021. The total land area committed to warehouse development in these 8 cities is estimated at 22,488 acres. As 30.6 million square meters already exists, there is a potential to develop 19 million square meters of warehousing space in the future. Rapid growth of the E-Commerce and 3PL (third party logistics) industries caused storage demand to expand at a CAGR of 44% from FY 2017 to FY2020. While the pandemic in FY2021 reduced demand for warehouse assets throughout the year, the longer-term demand potential for warehousing properties remains strong¹⁴.

Rise in 3PL and 4PL Services: The Indian 3PL market is expected to grow at a CAGR of about 11.5% from 2020 - 2025¹⁵. Growth in Manufacturing, FMCG, Retail, and E-commerce industries are likely to propel the growth for 3PL and 4PL services. Indian businesses are looking for new logistical capabilities

¹⁰ <https://economictimes.indiatimes.com/industry/services/retail/fashion-retailing-may-recover-up-to-80-of-pre-pandemic-sales-this-fiscal-report/articleshow/86559434.cms?from=mdr>

¹¹ <https://www.investindia.gov.in/team-india-blogs/e-pharmacies-bridging-gap-indian-healthcare#:~:text=Currently%2C%20there%20are%20close%20to,reach%20%24%204.5B%20by%202025>

¹² <https://www.thehindu.com/business/Industry/25-million-new-jobs-in-indian-retail-sector-by-2030-study/article34020291.ece>

¹³ <https://content.knightfrank.com/research/2269/documents/en/india-warehousing-market-report-2021-i-1-8217.pdf>

¹⁴ <https://content.knightfrank.com/research/2269/documents/en/india-warehousing-market-report-2021-i-1-8217.pdf>

¹⁵ <https://www.constructionworld.in/urban-infrastructure/warehouse-and-logistics/Trends-this-year-in-logistics-and-supply-chain/25409>

and complex solutions from 3PL service providers to help them manage supply chain processes more effectively, reduce traditional logistics costs, and handle more complex tasks.

While manufacturing was one of the early adopters of 3PL and 4PL services, other industries are likely to benefit from outsourcing their supply chain management to experts, allowing them to focus on rebuilding and strengthening their core businesses.

Construction and Infrastructure Segment Outlook

The country's construction sector accounts for 9% of the GDP in 2020. The segment attracts substantial FDIs which is a critical element contributing to the growth of the sector. As per the Department for Promotion of Industry and Internal Trade (DPIIT), FDIs in the Construction sector reached USD 25.4 billion in June 2021. The segment is expected to grow by an average annual growth rate of 7.0%¹⁶ up to 2025.

Key highlights of the construction and infrastructure segment are:

- *Industrial Corridors*: 11 industrial corridors are expected to be developed;
- *Railway Stations/ Lines*: 600 stations are expected to be redeveloped; and
- *Mega Ports*: 14 Coastal Economic Zones (CEZ) and six new ports are planned

Increasing Demand for Commercial Space: There is demand for office space, hotels, and retail and entertainment units

The National Infrastructure Pipeline (NIP) for FY 2019–2025 is a key government initiative to provide world-class infrastructure to Indian citizens and improve their quality of life. Its objective is to improve project preparation and attract investments into the infrastructure segment. Under this initiative, India has an investment budget of USD 1.4 trillion for infrastructure.

The Real Estate sub-segment is expected to reach USD 1 trillion¹⁷ by 2030 from the current USD 200 billion in 2021, growing at a CAGR of 19.6% and contribute to 13% of GDP. The growth would be driven by the demand for corporate office spaces and urban and semi-urban accommodations. Real estate developers, in order to meet the growing need for managing multiple projects across cities, are expected to invest in centralised processes to source material and organise manpower. This is expected to result in the segment qualified professionals for roles such as project management, architecture and engineering.

Media & Entertainment Segment Outlook

The Media and Entertainment (M&E) segment in India is a sunrise sector for the economy. The segment is currently in growth phase driven by rising consumer demand, demand for regional entertainment and regional channels, favorable policies and FDI inflows. The segment is forecast to grow by a CAGR of 23.9% from 2020 to 2024¹⁸.

Television sub-segment is expected to remain the major contributor by 2024. OTT & Gaming sub-segment is expected to witness the highest growth at 29.5% from 2021 – 2026. Key growth drivers include rising demand for content among users, increasing per capita income among consumers and affordable subscription packages.

Increasing demand for content across television, cinema and OTT platforms are expected to create around four million jobs by 2025¹⁹. With the rise in OTT viewers demand is anticipated to increase for app developers, content creators, content curators, editors, etc.

¹⁶ <https://www.investindia.gov.in/sector/construction>

¹⁷ IBEF and Invest India

¹⁸ IBEF and India Investment Grid

¹⁹ <https://www.financialexpress.com/opinion/the-billion-screens-transition-of-media-and-entertainment-sector-in-times-of-coronavirus/2242713/>

End User Segment wise Drivers for Adoption of Temporary Staffing

Drivers for Adoption for Temporary Staffing by End User Segments, India, 2022

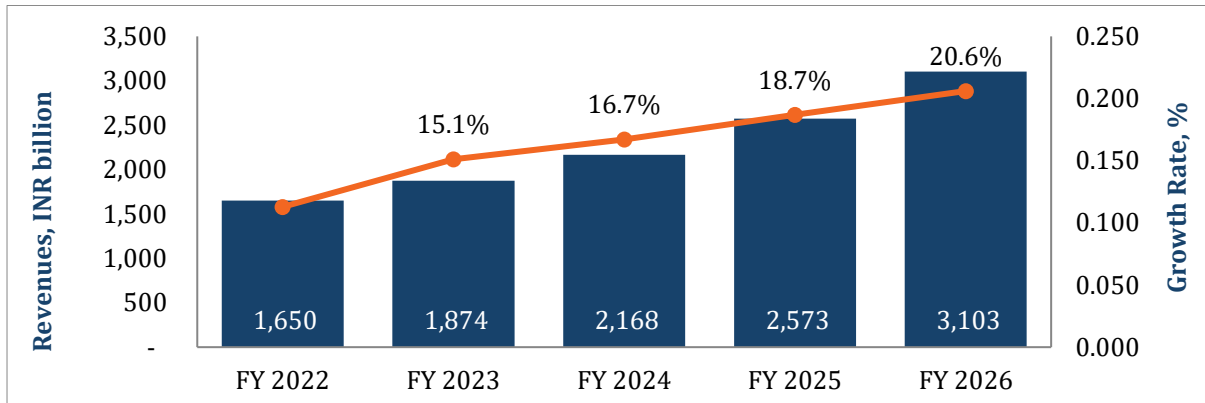
End User Segment	Key Drivers
Education & Training	<ul style="list-style-type: none"> • There is demand for niche skillset workforce for a shorter duration • Administrative and clerical jobs are the most common job roles supporting the growth of the Staffing Solutions market • Growth in EdTech segment and the increasing number of start-ups is driving numerous reach out programs that create demand for sales people, content developers, and teaching staff for both onsite and remote locations. • Schools and colleges are increasingly outsourcing admin staff and support staff • Test preparation schools outsource front office executives and telecallers • This segment is under penetrated currently and has huge growth potential in the long-term
Pharmaceutical & Healthcare	<ul style="list-style-type: none"> • Marketing and Business Development for pharmaceutical and medical instrument companies are done by temporary manpower • High growth in the sector and current vaccination drive for COVID-19 are creating demand for skilled manpower, which has the potential to be met through staffing • R&D hubs are witnessing increase in activities associated with clinical trials and new vaccine development, which create demand for manpower. • Regulatory services, pharmaco vigilance and technology adoption are creating demand for medical coders and medical transcriptions, which are outsourced to staffing companies • Investments in pharmaceutical manufacturing in creating demand for sales and distribution people • Growth in e-pharmaceuticals is creating demand for sales and delivery people • Growth in testing labs and home labs are creating demand for sample collection • India is slowly adopting niche patient care services such as bed side assistance which is creating demand for helpers and nurses.
Others: Government	<ul style="list-style-type: none"> • Focus on rural development programs is creating demand for skilled manpower with local language expertise. This is driving the market for Staffing Solutions • Job functions in demand for staffing are IT, data entry and support staff • Public Sector Units (PSU) and government undertakings outsource entry level, junior level and support functions to staffing companies • Various government schemes launched by the central and state governments create demand for manpower that are met through staffing • Public utilities such as metros, airports and railways outsource manpower across job functions
Others: Agriculture	<ul style="list-style-type: none"> • Seed and Fertilizer companies outsource manpower for running campaigns, sales and front-line people to interact with farmers • Machinery companies such as tractor manufacturers outsource sales people to staffing companies

Source: Indian Staffing Federation and Frost & Sullivan Analysis

India HR Solutions Market Forecast

The HR Solutions Market is forecasted to grow at a CAGR of 17.1% from FY 2022 to FY 2026 to reach INR 3,103 billion.

HR Solutions Market: Revenue Forecast, India, FY2022 – FY2026



Source: Frost & Sullivan Analysis

Competitive Overview

The competitive landscape is highly fragmented in India, with more than 2000 companies operating in this market. The organized market consists of 20-30 companies and is dominated by international and national companies. Major players in this segment include Quess Corp Limited, TeamLease Services Limited, FirstMeridian Business Services Limited, Randstad India Private Limited, ManpowerGroup Services India Private Limited, Adecco India Private Limited, Collabera Technologies Private Limited, Persolkelly India Private Limited etc. Major companies have country-wide presence and serve almost all the end-user segments and have a vast client base.

Staffing Solutions Market: Competitive Structure, India, FY2022

Number of Companies	More than 2000
Major Indian Companies	<ul style="list-style-type: none"> • Quess Corp • Team Lease • First Meridian <p>These companies have more than INR 25,000 million revenues</p>
MNC Companies	<ul style="list-style-type: none"> • Adecco • Manpower Group • Randstad • Collabera • Kelly Services • Allegis • Others
Other Indian Companies	<ul style="list-style-type: none"> • Genius Consultants • ABC Consultants • Lobo Staffing • Weavings • Others
Key Competitive Advantages for Major	<ul style="list-style-type: none"> • Strong recruitment engine • Retention of skilled workforce • Statutory compliance

Number of Companies	More than 2000
Indian Companies and MNC Companies	<ul style="list-style-type: none"> • Brand reputation • Ability to adopt advanced technologies for recruitment process • Nationwide presence • Domain expertise across multiple sectors

Source: Frost & Sullivan Analysis

Key Staffing Companies, India, FY2022

Competitor Segment	Company Name	Number of Associates FY 2022	Revenue from Operations, INR Million, FY 2022	EBITDA % FY 2022
Major Indian Companies	Quess Corp	437,000	136,918	4.59%
	TeamLease	285,230	64,798	1.09%
	FirstMeridian	118,082	28,621	2.00%
MNC Companies	Adecco	Not Available	12,807 (FY2021)	4.65% (FY2021)
	Randstad	57,000 + (FY 2021)	21,646 (FY2021)	1.16% (FY2021)
	Manpower Group	Not Available	16,622(FY2021)	0.65% (FY2021)

Quess Corp, TeamLease and FirstMeridian values represent consolidated financials

Quess Corp revenues indicate overall company revenues and not from staffing services only.

Source: Company Websites, Annual Reports and Frost & Sullivan Analysis

Quess Corp, Team Lease, First Meridian, Randstad and Manpower Group are the top five companies in terms of revenues in FY 2022. They have a combined market share of 13.8% in FY 2022.

Quess Corp is India's leading business services provider providing managed outsourcing services. The company has three business segments namely Workforce Management, Operating Asset Management and Global Technology Solutions. Staffing is part of the Workforce Management business unit and it is the leading staffing company in India with around 437,000 associates and a market share of 5.6% of the Staffing Solutions market in FY 2022. They also provide staffing solutions to Southeast Asia, North America and the Middle East.

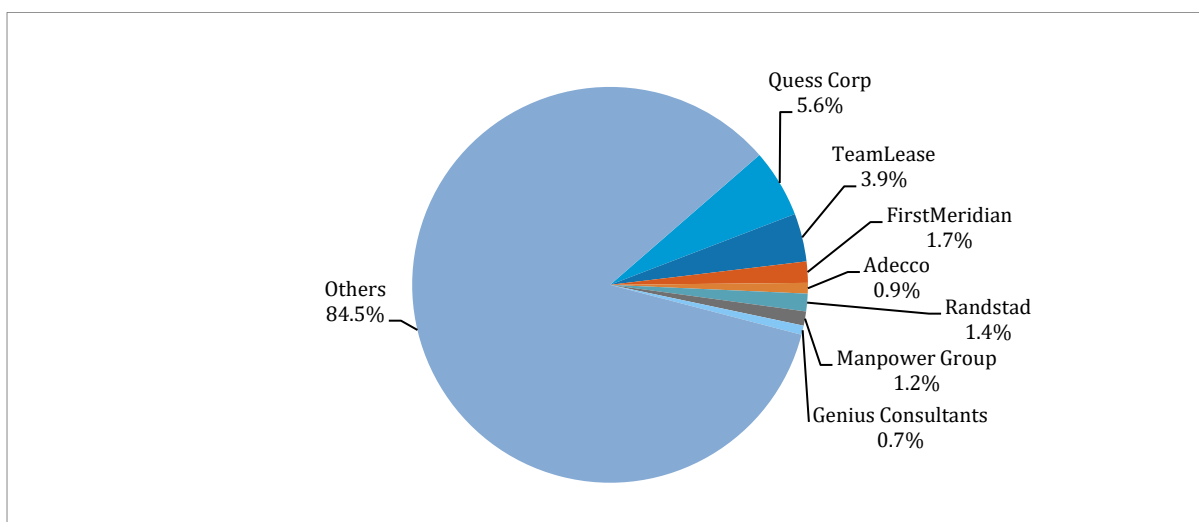
Team Lease Services is another major human resource company offering a wide range of solutions to more than 3,500 clients across 60 industries. The company has hired more than 18 lakh people in the last 19 years. Team Lease also operates the first Vocational University of India Team Lease has a market share of 3.9% of the Staffing Solutions Market in FY 2022.

First Meridian is the third largest staffing company in terms of revenues and offers diverse range of services such as General Staffing, IT Staffing and Professional Staffing. First Meridian has a market share of 1.7% of the Staffing Solution Market in FY 2022 and serves more than 450 customers. The company has been expanding its business through acquisitions quite aggressively in the recent times. First Meridian acquired Innovsource, V5 Global, RLabs. Affluent Global and CBSI to establish itself in the Staffing Market in India. It acquired Cornucopia in July 2021 to strengthen their presence in Pharmaceutical and Healthcare segments and RLabs in early 2022 to expand their IT Staffing business. Their long-term growth strategy has supported FirstMeridian to position themselves as the fastest growing company in the Staffing Solutions market in India; among the top 3 companies, FirstMeridian had recorded the highest growth rate of 27.0% between FY2019 and FY2022.

Company Name	Overall Revenue from Operations, INR Million				CAGR FY2019 FY2022 %
	FY2019	FY2020	FY2021	FY2022	
Quess Corp	85,270	109,915	108,369	136,918	17.10%
TeamLease	44,476	52,007	48,815	64,798	13.36%
FirstMeridian	13,984	20,584	21,102	28,621	26.96%

Source: Annual reports

Staffing Solutions Market: Revenue Share Analysis, India, FY 2022



* Others include Lobo Staffing, Futurz, CalibeHR etc.

Source: Frost & Sullivan Analysis

Industry Challenges

High barriers to scale: The Staffing Solutions market is highly unorganized today and there exist high barriers to scale up operations. Staffing companies need a nation-wide physical footprint, domain knowledge across multiple end user segments and strong technology backbone to scale up their operations. This remains a major challenge for small companies operating in India.

High cost of compliance: Compliance is one of the key reasons for end user organization seeking staffing companies. Staffing companies need to invest in manpower and technology and develop capabilities for compliance which remains a major challenge for smaller companies.

Talent/ Skills Gap: India has the second largest working age population in the world but at the same time faces a huge gap in skill sets. According to the India Skills Report 2022 by Wheebox, only 48.7% of the total youth population in India is employable. The study also highlights that 75% of the companies interviewed mentioned that there is a skill gap in India. With existing skill gap and growing demand for skilled jobs, staffing companies are challenged to find the right candidates.

Talent retention: The most important factor for any staffing company is to have a strong database of candidates and a vast network to maintain a large pool of talent. Candidates switch between companies for various reasons including salaries, work environment, and lead time between contracts. The Indian IT industry has high levels of attrition and sourcing, and retaining talent is a challenge for IT staffing companies.

Alternate Sourcing Options: Increasing usage of social and professional media networks such as LinkedIn and Facebook and online staffing platforms by the clients for their hiring needs is posing challenges to the staffing companies. In order to surmount this, many staffing companies are offering value added services such as RPO, Service Level Agreements (SLA) linked managed services contracts and supervision of candidate on job. Additionally, staffing companies have started focusing on providing temporary staff with niche skillsets thereby differentiating themselves from their peers and focusing on increasing the revenue per hire.

Availability for specific location and on-time: Favorable policies, growing consumer segment and increasing investments are driving pan-India growth today. Retail, e-commerce, BFSI, telecommunications are all expanding in Tier 2, Tier 3 and rural areas and this creating demand for staffing across metros, small towns and villages and finding the right skill set for specified sites and delivering the manpower on-time is a challenge

General Staffing Solutions Segment Analysis

Temporary General Staffing in India is a fairly nascent industry when compared to developed markets like United States, Japan, France and Germany. However, in the last five years this segment has evolved into a strong contributor to the country’s economy.

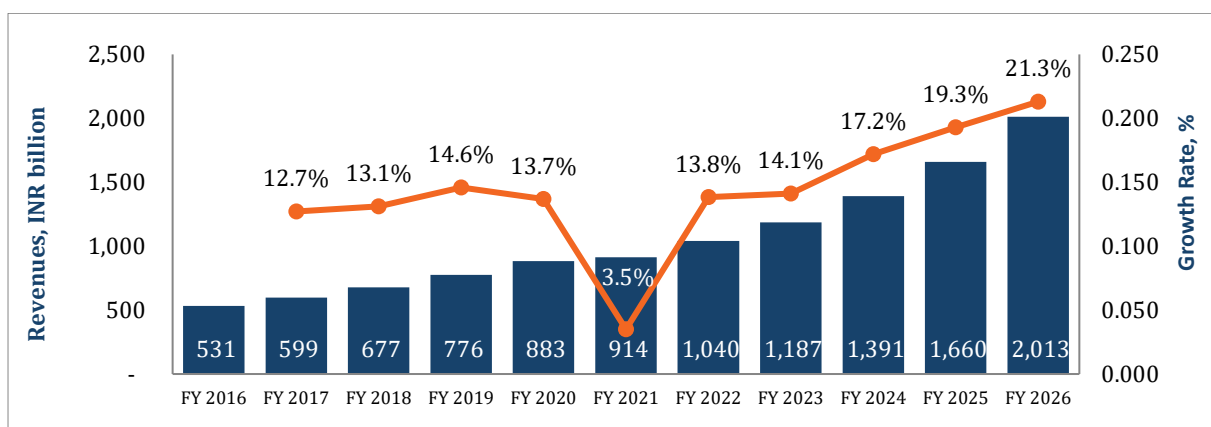
General Staffing Solution segment includes temporary staff placed in the E-commerce, Retail, Telecom, BFSI, Healthcare, Hospitality and Manufacturing segments. This includes blue and grey collared workers. These employees are paid minimum wages applicable in the state where the end-user company operates. The average salary in this segment is INR 10,000 – 30,000 per month.

The current regulatory regime governing labor laws are undergoing changes in order to increase job formalization and recognize temporary agency work as a separate entity with unique features.

Market Size and Overview

The General Staffing Solutions Segment market is estimated to be INR 1,040 billion in FY 2022. The segment has recorded a CAGR of 13.5% from FY 2016 – FY 2020. During the pandemic in FY2021, the segment witnessed a growth of 3.5%. From FY 2022 – FY 2026 the General Staffing Solutions segment market is forecast to grow at a CAGR of 18.0% to reach INR 2,013.0 billion.

General Staffing Solutions Segment Market: Historic & Forecast Revenue Trend, India, FY2016 – FY2026



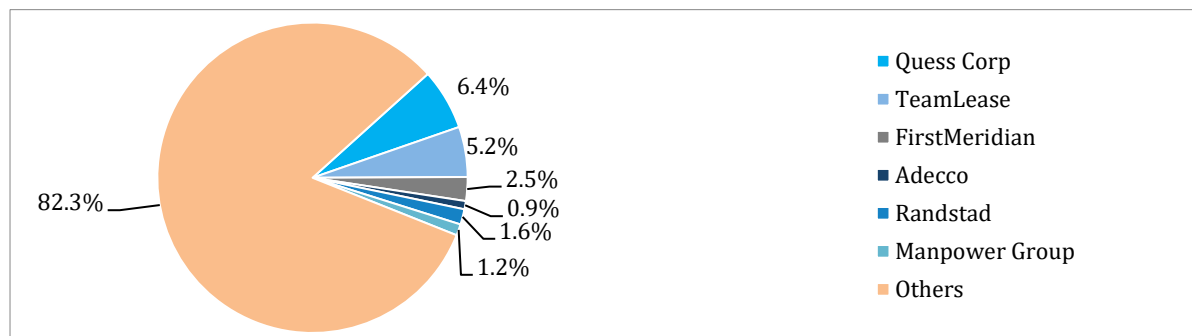
Source: Frost & Sullivan Analysis

Market Share Analysis

Quess Corp, Team Lease and First Meridian are the top 3 companies in the General Staffing Solutions Segment market with a share of 6.4%, 5.2% and 2.5% respectively. While Quess Corp and Team Lease have been market incumbents, First Meridian who entered the market in 2018 has grown significantly through acquisitions and organic growth and captured leadership position in a short span of time.

Attrition rates are very high in this segment and hence developing a strong recruitment team is crucial for staffing companies. Technology adoption for recruitment process is seen as a key competitive factor among major companies to stay ahead of competition. This segment is driven by economies of scale and this is seen as a factor that drives market consolidation; the top three companies in this segment have a combined market share of 14.1% of the total segment market in FY2022.

General Staffing Solutions Segment Market: Market Share Analysis, India, FY 2022



Source: Frost & Sullivan Analysis

IT Staffing Solutions Segment Analysis

IT Staffing involves providing skilled IT professionals, on contract, by staffing companies to end user companies for a defined duration. Based on a contractual agreement, staffing agencies screen, hire and deploy IT professionals to the customer’s site. The contracts are either time-based or project-based where the salaries and other benefits of professional flexi-staff are met by the staffing company.

Market Size and Overview

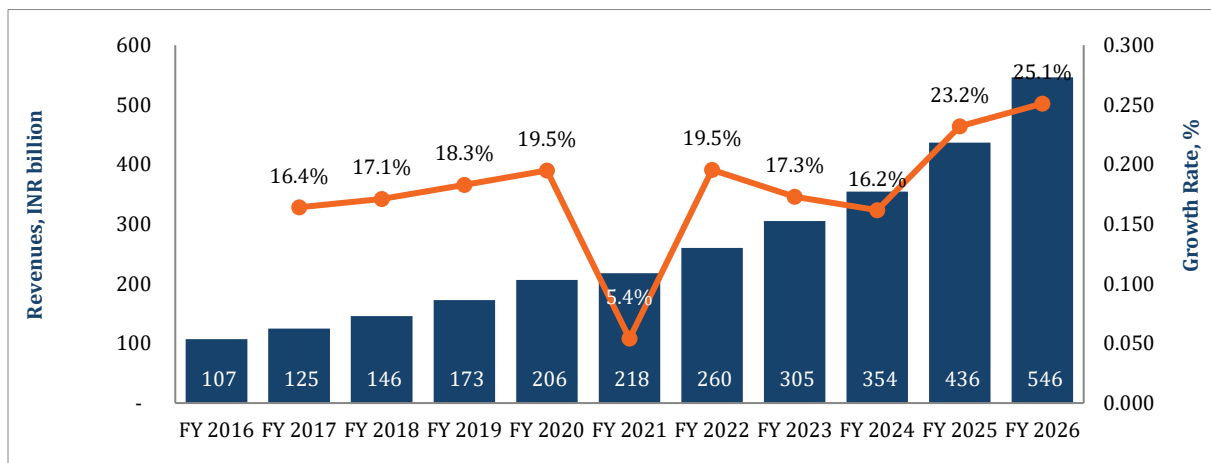
In any IT company, about 70.0 – 75.0% of the employees are deployed in projects and the remaining 25.0 – 30.0% is on the bench awaiting deployment. When IT outsourcing slowed down during 2008 – 2009 subprime crisis, the IT industry was forced to cut down on headcounts. The axe fell heavily on the bench with companies no longer having the luxury of maintaining large benches awaiting deployment. This experience of IT companies resulted in a paradigm shift to staffing and bench maintenance where they started looking at the temporary staffing model as the bridge to tide over business volatility.

Most of the IT jobs outsourced in the past 4-5 years were at the entry level which included programmers, software engineers, system administrators etc. Recently, IT companies have started to outsource mid-level and senior positions too. Moreover, Engineering, Healthcare and Consumer Service sectors have also started recruiting their IT staff through temporary staffing agencies.

The Indian IT industry has been a pioneer in driving the growth of the Temporary Staffing Solutions market. Because of the cyclical growth witnessed in the past and to keep the costs under check, the IT industry has modified its hiring policies in favor of temporary staffing. Currently, temporary staff account for only 5.0% of the overall workforce in an IT company. Moving forward, with increasing competition, more companies are expected to hire temporary staff in order to overcome margin pressures and maintain lean benches. This is expected to increase the industry share from the present 5.0% to 20.0% in the next five years.

The IT Staffing Solutions Segment market is estimated to be INR 260 billion in FY 2022. The segment has recorded a CAGR of 17.8% from FY 2016 – FY 2020. During the COVID-19 pandemic in FY2021, the segment witnessed a growth of 5.4%. From FY 2022 – FY2026 the IT Staffing Solutions segment market is forecast to grow at a CAGR of 20.4% to reach INR 546.0 billion.

IT Staffing Solutions Segment Market: Historic & Forecast Revenue Trend, India, FY2016 – FY2026



Source: Frost & Sullivan Analysis

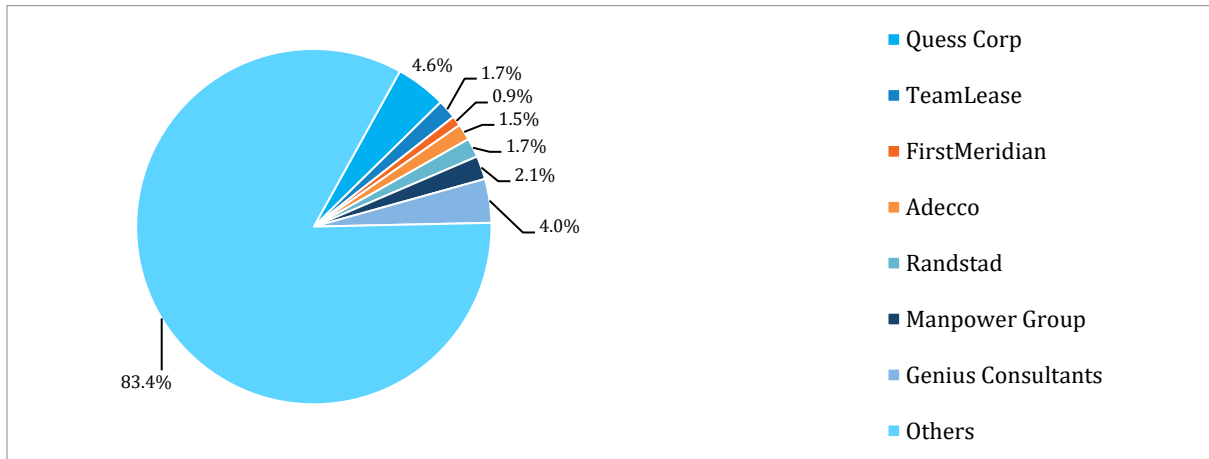
A key challenge in the segment is the shift towards process automation. IT companies are deploying automated processes so that the employees can handle more work, thereby enhancing productivity or to remove human component from tasks with high levels of repetition and low value addition. This trend is expected to bring down the volume of recruitment in the IT industry, thereby affecting IT staffing companies.

Market Share Analysis

IT Staffing Segment market is more fragmented than the General Staffing Solutions Segment in India. High growth witnessed by the segment in the last decade and low entry barriers have resulted in a large base of small to medium companies and this has resulted in a highly competitive market.

But with the recent labor and other job formalization reforms, small companies are finding it difficult to run their businesses, as there is growing emphasis on social security benefits and compliance. COVID-19 has emphasized more on the need for social security benefits, and this is expected to have an impact on the market consolidation in the future.

IT Staffing Solutions Segment Market: Market Share Analysis, India, FY 2022



Source: Frost & Sullivan Analysis

Professional Staffing Solutions Segment Analysis

Professional Staffing Solutions Segment is a niche and evolving market in India. With the growing preference for temporary staff in this segment, the market is expected to witness high growth in the medium- and long-term.

This segment includes white collared jobs such as sales and marketing, healthcare, design and engineering etc. across end user industries such as Banking, Healthcare, Hospitality, Manufacturing etc. The average salary in this segment is INR 25,000 – 50,000 per month. Depending on the skill set and job functions this may be as high as INR 1 lakh and above on a case-to-case basis.

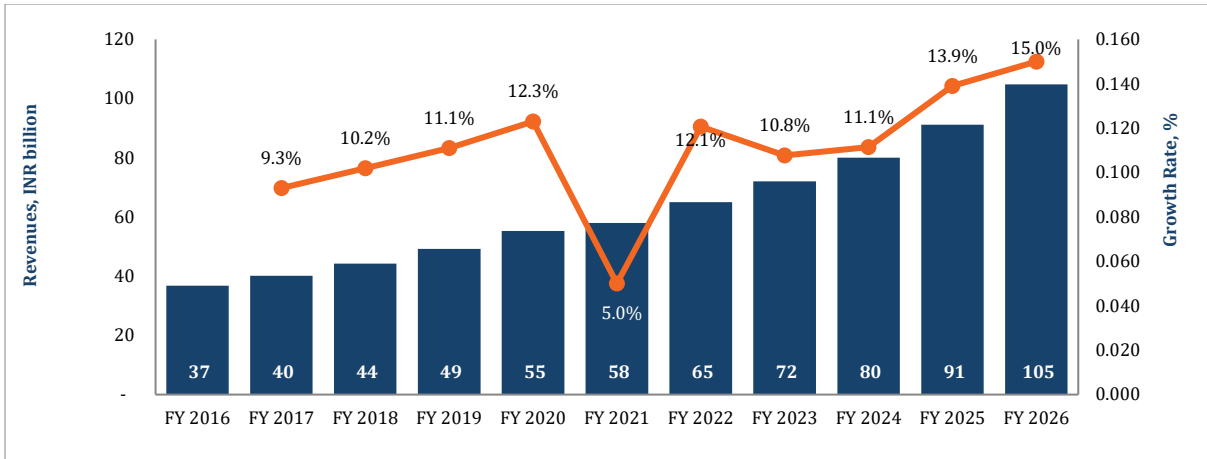
Healthcare is one of the key segments which is expected to create demand for Professional Staffing Solutions in India. The COVID-19 pandemic has highlighted the lack of skilled healthcare professionals, particularly doctors, nurses and allied health professionals across the healthcare value chain. As per the CEO of Apollo Medskills there is a shortage of 10 lakh doctors, 20 lakh nurses, and 40 lakh allied workers and support staff across India²⁰. With the surge in pandemic there is an increasing demand for sample collection and at-home medical services, which are creating demand for Staffing Services. India's largest vaccination drive is also creating demand for healthcare professionals. It is estimated that every vaccine center requires about 11 staff and the key skills in demand are for inoculators, vaccination officers, crowd management and post vaccine observers. As per the Government of India's estimation, there is a demand for about 200,000 new inoculators and 300,000 – 400,000 additional healthcare support workers for the planned vaccination program. Staffing Services market stands to benefit from this demand both in the short-term and long-term.

Market Size and Overview

The Professional Staffing Solutions Segment market is valued at INR 65 billion in FY 2022. The segment registered a CAGR of 10.7% from FY 2016 – FY 2020. During the pandemic in FY2021, the segment grew by 5.0%. From FY 2022 – FY2026 the Professional Staffing Solutions segment market is forecast to grow at a CAGR of 12.7% to reach INR 105 billion.

Professional Staffing Solutions Segment Market: Historic & Forecast Revenue Trend, India, FY2016 – FY2026

²⁰ <https://www.nationalskillsnetwork.in/covid-19-impact-strengthening-indias-healthcare-workforce-through-effective-skilling/>

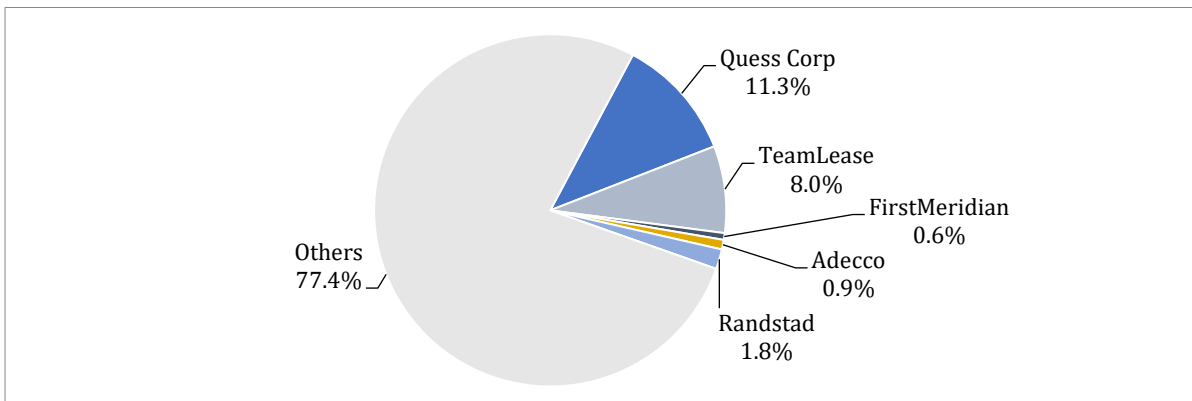


Source: Frost & Sullivan Analysis

Market Share Analysis

Total number of staffing companies operating in this segment is less when compared with IT and General Staffing Solution market. This is attributable to the high-skilled nature of the job requirement and the emphasis on quality laid by end user organizations.

Professional Staffing Solutions Segment Market: Market Share Analysis, India, FY 2022



Source: Frost & Sullivan Analysis

Permanent Staffing Solutions Segment Analysis

Permanent Staffing Solutions comprises of two main segments, 'Search' and 'Recruitment'. Search is a niche category focusing on hiring CXOs and Board level positions in an organization. Recruitment is mainly attributed to mid- and junior/entry-level hiring.

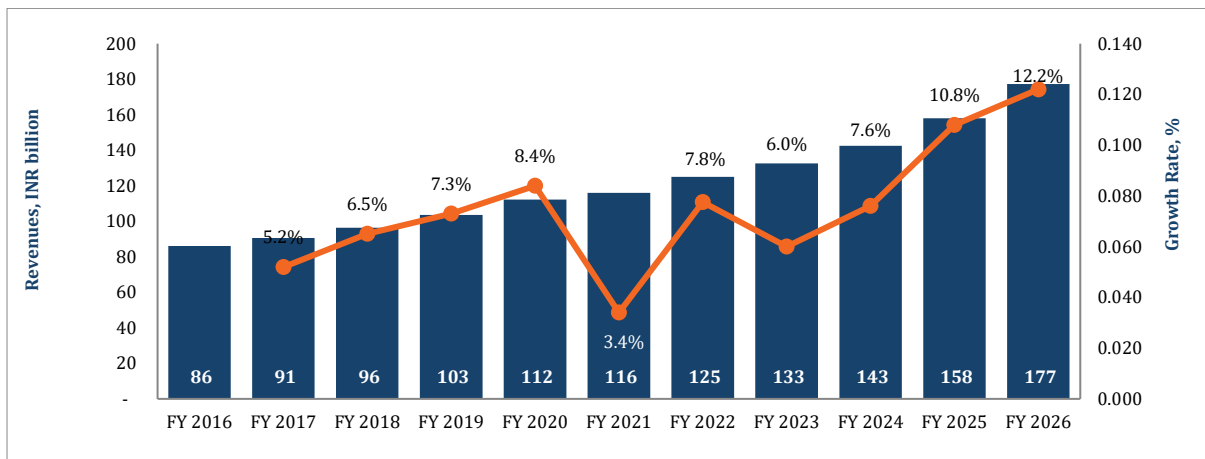
Market Size and Overview

As organizations start looking for skilled executives with domain and management skills, along with the evolution of new roles such as the CSOs, the search for talent is expected to get tougher. We expect greater reliance by industry on recruitment and staffing agencies to fulfil their talent requirements.

Organizations are trying to increase women manpower in their top management teams in India. This is driven by the need to tap into an existing talent pool and educated and qualified manpower. Search for female C-level executives has been on the rise. However, the success rate in finding the right candidate has not kept pace with the demand.

Permanent Staffing Solutions segment is estimated at INR 125 billion in FY 2022 and has recorded a CAGR of 6.8% from FY 2016 – FY 2020. In the COVID-19 year (FY2021) the segment grew by 3.4% and the same is forecasted to grow by a CAGR of 9.1% from FY 022 – FY2026 to reach INR 177 billion.

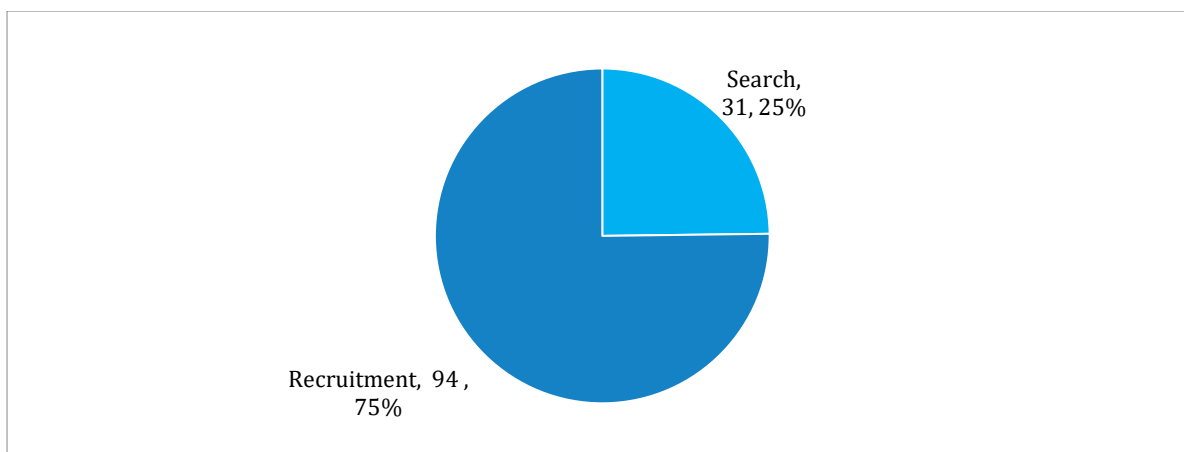
Permanent Staffing Solutions Segment Market: Historic & Forecast Revenue Trend, India, FY2016 – FY2026



Source: Frost & Sullivan Analysis

Recruitment forms a substantial part of the Permanent Staffing segment catering to the junior and mid-level positions, at 75% of the total market for Permanent Staffing Solutions and the remaining 25% is contributed by the Search sub-segment.

Permanent Staffing Solutions Segment Market: Breakdown by Sub-segments, India, FY 2022 (INR Billion)



Source: Frost & Sullivan Analysis

Recruitment Process Outsourcing (RPO) as an offering

Globally, companies have recognized and incorporated RPO as an integral part of their HR function and have derived significant cost synergies even while achieving significant widening of the HR management span. RPO is however still at a nascent stage in India with organizations evaluating the pros and cons of incorporating RPOs as part of their HR strategy. RPO services are mainly needed for junior- and mid-level employees due to the high volume of recruitments that happen at this level. There are three types of RPO services being offered in the market – End-to-End, Project, and Process based RPO.

- **End-to-End RPO:** In this process, the entire recruitment process is outsourced. It includes activities such as writing job descriptions, sourcing, running internal referral programs, screening, short-listing, background checks, on-boarding etc. This includes offering similar service to multiple office locations of a single company.
- **Project based RPO:** In this type of service, the entire process of recruitment is outsourced but is limited to a single office set-up. For example, if an organization is setting up a new project office in a particular city, then the organization would outsource the entire manpower requirement to an RPO service provider.
- **Process based RPO:** In this type of service, a part, or few parts of the entire process is outsourced. For example, an organization might outsource just the sourcing and screening activities of a recruitment process.

Competition Overview

Permanent Staffing Solutions Segment Market is highly fragmented with large MNCs such as Kelly Services, Michael Page and Randstad and large Indian companies such as ABC Consultants are dominating the market. There are also numerous small regional and local recruitment companies operating in the market. Top executive search firms include Egon Zehnder International Inc., Russell Reynolds Associates Inc., and Spencer Stuart, Michael Page International Plc. etc.

Key Financial Information of Major Companies

Revenue from Operations Trend (INR Million)

Company	FY2020	FY2021	H1 FY2022 [#]	FY 2022	H1 FY 2023 [#]
Quess Corp	109,915	108,369	62,147	136,918	82,526
TeamLease	52,007	48,815	29,003	64,798	38,345

Adecco	21,320	12,807	NA	NA	NA
Randstad	20,506	21,646	NA	NA	NA
Genius Consultants	11,720	11,323	NA	12,349	NA
ManpowerGroup	18,447	16,622	NA	NA	NA
FirstMeridian*	20,584	21,103	13,062	28,621	17,352

NA – Not Available

Source: Annual Reports and Investor Presentations

Quess Corp, TeamLease and FirstMeridian values represent consolidated financials

* From the company

Represents six-month period April to September 30, 2022

Growth Rate of Revenue from Operations Trend

Company	FY2020	FY2021	FY 2022	H1FY2022 & H1FY2023
Quess Corp	NA	-1.41%	26.34%	32.79%
TeamLease	NA	-6.14%	32.74%	32.32%
Adecco	NA	-39.93%	NA	NA
Randstad	NA	5.56%	NA	NA
Genius Consultants	NA	-3.39%	9.06%	NA
ManpowerGroup	NA	-9.89%	NA	NA
FirstMeridian*	NA	2.52%	35.63%	32.84%

Represents six-month period April to September 30, 2022

EBITDA Trend (INR Million)

Company	FY2020	FY2021	H1 FY2022 [#]	FY 2022	H1 FY 2023 [#]
Quess Corp	6,580	4,580	3,040	6,230	2,880
TeamLease	748	974	640	1,424	570
Adecco	-80	5,950	NA	NA	NA
Randstad	2,491	2,500	NA	NA	NA
Genius Consultants	2,632	481	NA	422	NA
ManpowerGroup	1,863	1,084	NA	NA	NA
FirstMeridian*	437	397	251	593	567

NA – Not Available

Source: Annual Reports and Investor Presentations

Quess Corp, TeamLease and FirstMeridian values represent consolidated financials

Quess Corp and Teamlease values are sourced from their investor presentations.

* From the company

Represents six-month period April to September 30, 2022

EBITDA formula used: $EBITDA = (\text{Profit before tax} + \text{finance cost} + \text{depreciation \& amortization} - \text{other income})$

EBITDA Margin Trend

Company	FY2020	FY2021	H1 FY2022 [#]	FY 2022	H1 FY 2023 [#]
Quess Corp	5.98%	4.23%	4.89%	4.55%	3.49%
TeamLease	1.60%	2.00%	2.20%	2.20%	1.50%
Adecco	-0.04%	4.65%	NA	NA	NA
Randstad	1.21%	1.16%	NA	NA	NA
Genius Consultants	2.25%	0.43%	NA	0.34%	NA
ManpowerGroup	1.01%	0.65%	NA	NA	NA
FirstMeridian*	2.12%	1.88%	1.92%	2.07%	3.27%

NA – Not Available

Source: Annual Reports and Investor Presentations

Quess Corp, TeamLease and FirstMeridian values represent consolidated financials

* From the company

Represents six-month period April to September 30, 2022

EBITDA formula used: $EBITDA = (\text{Profit before tax} + \text{finance cost} + \text{depreciation \& amortization} - \text{other income}) / \text{Revenue from operations}$

PAT Margin Trend

Company	FY2020	FY2021	H1 FY2022 [#]	FY 2022	H1 FY 2023 [#]
Quess Corp	-3.91%	0.68%	1.38%	1.83%	1.30%
TeamLease	0.67%	1.60%	-0.77%	0.61%	1.51%
Adecco	-0.62%	2.31%	NA	NA	NA
Randstad	0.44%	0.62%	NA	NA	NA
Genius Consultants	1.76%	0.59%	NA	0.68%	NA
ManpowerGroup	-0.21%	0.39%	NA	NA	NA
FirstMeridian*	-0.95%	-1.59%	-0.31%	1.19%	2.46%

NA – Not Available

Source: Annual Reports and Investor Presentations

Quess Corp, TeamLease and FirstMeridian values represent consolidated financials

* From the company

Represents six-month period April to September 30, 2022

Formula used: $PAT \% = PAT / \text{Overall Revenues}$

Working Capital Days Trend (including cash and cash equivalent)

Company	FY2020	FY2021	H1 FY2022 [#]	FY 2022	H1 FY 2023 [#]
Quess Corp	20.16	31.86	38.21	21.35	37.78
TeamLease	-0.46	21.44	31.27	16.70	25.47
Adecco	18.76	71.22	NA	NA	NA
Randstad	4.40	34.04	NA	NA	NA
Genius Consultants	10.14	11.50	NA	12.12	NA
ManpowerGroup	-19.29	1.95	NA	NA	NA
FirstMeridian*	7.00	18.00	16	23	19.00

NA – Not Available

Source: Annual Reports and Investor Presentations

Quess Corp, TeamLease and FirstMeridian values represent consolidated financials

** From the company*

Represents six-month period April to September 30, 2022

*Formula used: Working Capital Days (including cash & cash equivalent) = (Current assets – Current liabilities) * 365 / Revenue from operations*