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IT Staff-Augmentation Firm

*Vetted contract developers & tech talent on demand - recurring per-resource margin,
flexible team scaling*

IT & TECH

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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This document is confidential and prepared for planning purposes. All financial figures are illustrative model assumptions for an Indian MSME context and must be validated against live quotes, local rates and professional advice before any investment or borrowing decision.

1. Executive Summary

This plan sets out an **IT Staff-Augmentation Firm** in India — a business that supplies contract developers, engineers & tech talent to client companies on a time-and-materials / per-resource-per-month basis, embedding vetted professionals into clients' teams. It earns the margin between client billing rate and the contractor's cost, plus placement & managed-team fees, meeting the acute, persistent shortage of tech talent.

Companies everywhere struggle to hire tech talent fast enough, and staff augmentation lets them scale teams flexibly without long hiring cycles — a large, recurring, fast-growing market domestically & for export/global clients. India's vast developer pool makes this cost-competitive. A well-run firm with a strong bench, vetting & account relationships earns steady, recurring per-resource margins, though it is working-capital-heavy (contractors paid before client collection).

The promoter — an IT/recruitment professional — seeks total funding of **₹20 lakh** (₹7 lakh promoter + ₹13 lakh working-capital finance, eligible under Mudra/CGTMSE), targeting **₹90 lakh** revenue in Year 1 and **₹3 crore** by Year 3. (*Recurring per-resource margin, working-capital- & bench-driven model.*)

2. Business Description, Vision & Legal Structure

Concept: A staff-augmentation firm supplying vetted contract tech talent to client teams - flexible, fast & reliable scaling.

Vision: To be a trusted tech-talent partner helping companies scale engineering flexibly.

Mission: Supply vetted, reliable tech professionals that integrate seamlessly into client teams - on demand.

Legal structure options

- **Proprietorship / LLP** — LLP recommended as the bench & clients grow.
- **Private Limited** — for scaling, larger contracts & export.

Regulatory anchor: staff augmentation is a manpower/services business — GST on services (export zero-rated LUT), **contract-labour & statutory (EPF/ESI) compliance** for deployed staff, MSA/contractor agreements & IP/NDA, and background verification. The core dynamic is working capital: contractors are paid monthly before/around client payment (30–60 day terms). Bench quality/vetting, account relationships, bill-rate vs. cost margin & WC discipline determine success.

3. Promoter & Ownership

Led by a promoter with IT-recruitment, staffing or delivery experience. Delivery uses recruiters/sourcers, account managers, a bench of contract engineers, and HR/compliance & payroll. Year-one ownership rests with the promoter; ownership and profit-sharing are editable inputs.

4. Market Analysis — India & Global

Tech-talent demand persistently outstrips supply, and companies increasingly use staff augmentation to scale teams flexibly & fast — a large, recurring market domestically & for global/export clients (who tap India's talent). Remote work has expanded the model. Demand is strong & recurring; the market rewards bench quality, speed, vetting & account relationships.

Demand drivers

- **Persistent tech-talent** shortage.
- **Flexible, fast team** scaling.
- **Remote & global** hiring.
- **India talent** cost advantage.
- **Project & product** team needs.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	IT staffing/augmentation demand (India + export)	Very large
SAM	Reachable clients in the firm's tech/niche	Substantial
SOM (Yr 1-3)	Contractors deployed (billing)	15 → 45

Target segments

- Startups & product companies.
- IT firms (sub-contracting).
- Enterprises (flexible teams).
- Global/export clients.

5. Competition & Competitive Advantage

Landscape: other staffing firms, freelancer platforms, in-house recruiting, and global vendors. The firm competes on bench quality, speed, vetting, account relationships & reliability.

The firm's edge

- **Vetted, quality bench.**
- **Fast fulfilment & speed.**
- **Account relationships & retention.**
- **Tech/niche specialisation.**
- **Reliability & low replacement.**

6. Services & Revenue Model

Service	Model	Basis
Contract staff augmentation	Per resource/month (bill-cost margin)	Recurring (core)
Managed / dedicated teams	Team retainer	Recurring
Permanent placement	One-time (% of CTC)	Add-on
Contract-to-hire	Contract + conversion fee	Hybrid
Niche/specialist supply	Premium rate	Higher margin

The core is recurring per-resource margin (client bill-rate – contractor cost, typically 20–40% markup); managed teams & niche supply add value; placement adds one-time income. Deployed headcount × margin × retention drives economics; WC discipline is essential.

7. Go-to-Market — Marketing & Sales

- **Account & client relationships** (repeat demand).
- **Tech/niche specialisation.**
- **IT-firm sub-contracting** & export.
- **Strong bench & fast fulfilment.**
- **Referrals & reliability** reputation.

Sales approach

Build a vetted bench & client accounts → fulfil roles fast & reliably → retain & expand deployments → grow accounts & niches. Deployed headcount, retention & margin drive recurring, scalable revenue.

8. Operations Plan

- **Base:** an office (or remote-first) with recruiting & delivery ops.
- **Process:** client requirement → source & vet → deploy contractor → manage & payroll → bill & collect → replace/redeploy.
- **Bench & vetting:** sourcing, technical vetting, background verification, retention.
- **Compliance & payroll:** EPF/ESI, contract-labour, contractor agreements, timely payroll.
- **Capacity:** deployed headcount; scale by recruiters, bench & accounts.

Staffing workflow

Stage	Activity	Metric
Requirement	Client role	Demand
Source	Vet & match	Fill speed
Deploy	Onboard	Headcount
Manage	Payroll/support	Retention
Bill	Collect	Margin/DSO

9. Regulatory, Licences & Compliance (India)

- **Labour compliance:** EPF, ESI, contract-labour (CLRA), minimum wages & statutory dues for deployed staff.
- **Contracts & IP:** MSA, contractor agreements, IP/work-for-hire & NDA; background verification.
- **Business & tax:** proprietorship/LLP or Pvt Ltd; PAN/TAN; GST (services; export zero-rated LUT); TDS; Udyam (MSME).
- **Data & forex:** DPDP-aligned candidate/client data; forex/FEMA for export billing.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / Head	1	1	1
Recruiters / sourcers	2	4	7
Account managers	1	3	5
HR, payroll & compliance	1	2	3
Deployed contractors (billing)	15	30	45
Total (core, ex-deployed)	5	10	16

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0-1	Office, recruiting, bench, first clients
Launch	Month 1-3	First deployments & billing
Traction	Month 3-8	Headcount & accounts build; break-even nears
Scale	Year 2	More deployments; managed teams; export
Growth	Year 3	~45 deployed; strong recurring margin

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. They are not projections of guaranteed results. Recurring per-resource margin; working-capital-heavy.

12.1 Project cost & means of finance

Capital requirement	₹
Office & recruiting setup	3,00,000
ATS, tools & IT	2,00,000
Branding & business development	2,00,000
Working-capital buffer (payroll float)	13,00,000
Total project cost	20,00,000
Promoter contribution	7,00,000
WC/term loan (Mudra / CGTMSE)	13,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
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Staff-augmentation billing	82,00,000	1,70,00,000	2,70,00,000
Placement & managed teams	8,00,000	18,00,000	30,00,000
Total revenue	90,00,000	1,88,00,000	3,00,00,000
Contractor cost (pass-through)	64,00,000	1,32,00,000	2,08,00,000
Core staff salaries	12,00,000	24,00,000	38,00,000
Office, ATS & overheads	4,00,000	7,00,000	10,00,000
Marketing & admin	3,50,000	6,50,000	9,00,000
Interest on WC/loan	1,40,000	1,80,000	2,20,000
Total expenses	84,90,000	1,71,30,000	2,67,20,000
Net profit (before tax)	5,10,000	16,70,000	32,80,000
Net margin	5.7%	8.9%	10.9%

12.3 Unit economics & break-even

- **Per contractor:** monthly margin = bill-rate – (contractor cost + statutory); 20–40% markup typical; niche/specialist earn more.
- **Headcount & retention:** deployed headcount × margin × retention (low replacement) drives economics; recruiter productivity matters.
- **Break-even:** reached around month 4–7 as deployments build; WC/payroll float is the key discipline.

12.4 Projected Cash Flow — Year 1 (quarterly, illustrative)

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	13,00,000	9,60,000	9,40,000	9,80,000
Collections	16,00,000	21,00,000	25,00,000	28,00,000
Contractor payroll & operating	19,00,000	21,00,000	24,40,000	27,00,000
Loan/interest	40,000	20,000	20,000	20,000
Closing balance	9,60,000	9,40,000	9,80,000	10,60,000

The critical dynamic: contractors are paid monthly while clients pay on 30–60 day terms — a significant payroll float. The WC buffer/CC limit & disciplined collections are essential; the margin is on billing, not the pass-through cost.

12.5 Key Performance Indicators to Monitor

- **Headcount:** deployed contractors; fill rate; fill speed.
- **Margin:** markup %; margin per contractor; niche mix.
- **Retention:** contractor & account retention; replacement rate.
- **Working capital:** payroll float; DSO; WC utilisation.

13. Funding Requirement & Bankability

Total ask: **₹13 lakh WC/term finance** against ₹7 lakh promoter contribution — the core need is a **working-capital/cash-credit line for the payroll float** (contractors paid before client collection); eligible under Mudra/CGTMSE. Year-2 net profit ~₹16.7 lakh gives a sound DSCR; deployed headcount, retention & margin underpin bankability; invoice/receivable finance can augment WC as headcount scales.

13.1 Funding utilisation

Use of funds	₹	% of total
Working-capital buffer (payroll float)	13,00,000	65%
Office & recruiting setup	3,00,000	15%
ATS, tools & IT	2,00,000	10%
Branding & business development	2,00,000	10%
Total	20,00,000	100%

14. Risk Analysis & Mitigation

Risk	Mitigation
Payroll-float / payment delays	WC/CC line; net terms; receivable finance; collection discipline
Contractor attrition / replacement	Retention, engagement & bench depth; fast replacement
Statutory non-compliance	EPF/ESI/CLRA compliance; specialist HR/payroll
Client concentration	Diversified accounts (domestic + export)
Bench quality/mismatch	Rigorous vetting; niche focus; feedback loops

15. SWOT Analysis

Strengths Persistent demand; recurring margin; scalable; India talent; export upside.	Weaknesses Working-capital heavy (payroll float); thin-ish margins; attrition & compliance; account-dependent.
Opportunities Talent shortage; remote/global; managed teams; niche/specialist; export.	Threats Staffing & freelancer-platform competition; payment delays; compliance cost; rate pressure.

16. Recommended AiSevak Tools for This Business

This staff-augmentation firm would use AiSevak's IT & Tech vertical tools in delivery:

- **Staffing ops:** ATS/sourcing, bench/deployment-tracking, account-CRM and billing tools.

- **Compliance & payroll:** EPF/ESI/CLRA, contractor-agreement/IP and GST/TDS tools (with HRtech, Legal & Finance verticals).
- **Practice:** Business Plan, per-contractor margin and Break-even tools to model the firm.

17. Key Assumptions & Notes

- Recurring per-resource margin (20–40% markup); contractor cost is pass-through; niche earns more.
- ~15 deployed (Yr 1) to ~45 (Yr 3); payroll float precedes client collection (30–60 days).
- WC/CC finance ~11% p.a.; EPF/ESI/CLRA compliance; export billing GST zero-rated (LUT).
- Bench quality, fill speed, retention, margin & WC discipline are decisive; figures exclude GST.

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