



THE MONDAY QUIZ

- 1) WHO** was recently named the new CEO of mid-cap information technology firm Cyient?
- 2) WHICH** digital payments co-partnered Perplexity to integrate a real-time AI search in its app?
- 3) WHICH** company partnered Amazon Web Services last week on enhanced GPU and AI services for India?
- 4) WHAT** did ChatGPT maker OpenAI announce last week, close to 2 years after launch of GPT-4.0?
- 5) WHICH** company announced the launch of its AI-hub data centre in Lucknow last week?

Cognizant delays salary hike to Aug again, for second year

CEO S. Ravi Kumar's early proclamation of a hike is possibly being done to arrest attrition

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As of December, Cognizant's voluntary attrition is higher than peers such as TCS, Infosys and HCL Technologies.

Cognizant Technology Solutions Corp. will give annual salary increases to its employees from August this year, making it the second time the Nasdaq-listed company has delayed salary hikes by at least five months. In a town hall at the company's refurbished Kolkata office on Thursday, Cognizant chief executive S. Ravi Kumar promised salary hikes from 1 August though bonuses to eligible employees will be rolled out in March. "Cognizant will award bonuses in March. Associates will receive e-letters with the bonus details during the week of 10 March," read Cognizant's internal memo shared with employees and seen by *Mint*. The company instructed managers to communicate the bonuses to their team members by 11 March. The Teaneck, New Jersey-based company typically gives hikes and bonus around March, but since Ravi Kumar took over as chief executive, bonuses are given in March while hikes are given in August. Cognizant last announced hikes ranging between 1% and 5% last August.

Kumar's early proclamation of a hike this year is possibly being done to arrest attrition. Voluntary attrition in tech services arm, which makes up the bulk of the company's workforce, was up to 15.9% at 2024-end from 13.8% a year-ago. Attrition refers to the number of people who have left a company.

As of December, Cognizant's voluntary attrition is higher than peers such as Tata Consultancy Services Ltd, Infosys Ltd and HCL Technologies Ltd, which reported attrition of 13%, 13.7%, and 13.2%, respectively, over the last 12 months. Attrition for TCS and Infosys includes attrition for their IT services vertical, whereas HCL Tech excludes

digital process automation wing.

Kumar, since taking over the corner office, is in the midst of turning its fortune around. Cognizant's full-year revenue declined in 2023, but in 2024, full-year revenue grew 1.98% to \$19.74 billion. Still, most of this growth was on

Cognizant acquired Belcan last September for \$1.3 billion to strengthen its position in the engineering research and development (ER&D) sector. In January 2024, it acquired Thirdera for \$430 million to build an artificial intelligence offering.

firm even announced its plans to close 45% of its office space in India, which had about 73% of 355,300 employees. Its earlier policies of eliminating middle-to senior-level talent make it challenging to retain talent.

The delay in rolling out hikes aligns with industry practice as the largest homegrown software service providers are looking to combat uncertain macroeconomic condition and shore up operating margins. "It is unusual the firm announced hikes this early," said an employee. "This announcement is probably about retaining employee confidence."

"The fact that Kumar announced the hikes five months before it would be effective is a cause for concern," said a former executive seeking anonymity. An email sent to Cognizant on Saturday remained unanswered.

For an extended version of the story go to livemint.com

COMEBACK PLAYBOOK

COGNIZANT'S full year revenue fell in 2023, but in 2024 revenue grew 1.98% to \$19.74 billion

Q4 earnings show acquisitions drove 2% of 2024 growth, indicating a decline in its core business

IT bought Thirdera for \$430 mn in Jan 2024 for AI growth & Belcan for \$1.3 bn in Sept to boost ER&D

DELAYED hikes align with industry norms as top local IT firms tackle uncertainties to protect margins

the back of acquisitions.

Cognizant noted in its fourth-quarter earnings that its recently completed acquisitions of Belcan and Thirdera made up 200 basis points, or 2%, of its 2024 revenue growth. This implies its business, discounting its acquisitions, declined last year.

Indian IT services companies follow an April-March financial year, whereas Cognizant follows a January-December one. Another reason for high attrition is Kumar's policy of going after redundancies. Four months after he joined as CEO, Cognizant said it would sack 3,500 employees in 2023. The

Ex-VH exec fund eyes greenshoe option

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A Junior VC (AJVC), a fund launched by former Venture Highway—now acquired by General Catalyst—executive Aviral Bhatnagar in August 2024, has been oversubscribed by investors and is likely to tap the greenshoe option.

Bhatnagar, who previously led investments in software-as-a-service, consumer and AI sectors at a VC firm until April last year, had launched the firm in August, aiming to raise a corpus of nearly ₹100 crore. "We're oversubscribed and we are very actively considering exercising our greenshoe option," Bhatnagar said.

The AJVC fund has a greenshoe option of ₹50 crore. It had received approval from

Securities and Exchange Board of

India for a category II vehicle in August last year. The fund's limited partners include domestic family offices, large-scale tech founders, business leaders and a few American and European family offices as well, he said.

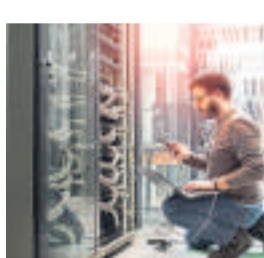
Bhatnagar is the solo-general partner for the fund managing investments to portfolio. Now, a venture firm, he previously set it up as a blog that offered insights on the ecosystem. The fund, while being sector agnostic, will focus on backing early-stage startups, primarily in pre-seed stage. These include startups in pre-revenue stage, with paper plans, working prototype and early revenue, he added. "We plan to do 12 to 15 investments every year. That's the goal."

For an extended version of the story go to livemint.com

GLOSSARY

Multi-token prediction: This is a technique used in large language models (LLMs) to improve their efficiency and performance. Instead of predicting one token at a time, these models are trained to predict multiple tokens simultaneously. A token is a basic unit of data, usually a word or a piece of text, that is used as input for a machine learning model. Predicting multiple tokens at once allows for faster text generation, making the model more efficient.

Content delivery network: Abbreviated as CDN, this is a system of servers that store and deliver content to users. A CDN stores copies of data such as images, videos and web pages in data centres across the world. When a user requests content, the CDN delivers it to the user from the closest server, reducing the distance data needs to travel. This reduces time to load content.



Load balancing: A crucial technique in modern computing, especially for applications and services that need to handle a large number of users or requests. It is the practice of distributing network traffic or workload across

multiple servers or resources. Instead of one server handling all the requests, the work is spread out, preventing any single point of failure.

Vulnerability brokering: This involves the discovery and sale of software vulnerabilities that can be potentially exploited by attackers. Most of the time, these vulnerabilities are zero-day vulnerabilities. After the purchase, these exploits are shared with vendors or third-parties like security firms, government agencies or even criminal organizations.

THE MONDAY QUIZ ANSWERS:
1) Sukam Banerjee 2) Paytm 3) Orient Technologies
4) GPT-4.5 5) Sify Infinit Spaces

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Debt mutual funds: A smart choice to balance portfolios

If you are looking for a relatively limited exposure to market risk, debt mutual funds are an option worth exploring. Debt funds offer diversification and have a relatively lower risk as compared to equity funds.



Ms Investor: What is a debt mutual fund scheme?

Mr Mutual Fund: It is a type of mutual fund scheme which invests predominantly in fixed-income securities like corporate bonds, government securities, treasury bills and other money market instruments. It aims to provide with a regular income stream through interest income from underlying fixed-income securities.

Mr Investor: Should we have debt funds in our portfolio?

Mr Mutual Fund: Investing in debt mutual fund schemes can be a suitable way of diversifying your portfolio depending on your risk-profile.

Ms Investor: What are the risks and benefits, including tax, of investing in debt funds?

Mr Mutual Fund: Debt funds allow retail investors to access money markets or wholesale debt markets in which they cannot directly invest. As per the latest tax slab, debt funds purchased on or after 1 April 2023 will be taxed as per the slab rate

irrespective of the holding period i.e. no specific LTCG rates would be applicable. There will be no indexation benefits for the debt funds. For debt funds purchased before 1 April 2023:

- **For redemption up to 22 July 2024:** The period of holding for LTCG classification would be above 3 years. The LTCG tax rate would be 20% with indexation, while STCG would be taxed as per the slab rate applicable.
- **For redemption from 23 July 2024:** The period of holding for LTCG classification would be above 2 years. The LTCG tax rate would be 12.5% without indexation while STCG would be taxed as per the slab rate applicable.

Mr Investor: What are the different types of debt funds?

Mr Mutual Fund: There are various types of debt funds catering to different investor needs and risk appetites:

- **Liquid Funds:** They usually invest in short-term debt and money market instruments that possess a maturity of up to 91 days. Ideal for those who are looking forward to a high liquidity and low-risk factor.
- **Ultra-Short Duration Funds:** These funds invest in debt and money market instruments such that the Macaulay duration of the portfolio is between 3 to 6 months.
- **Short Duration Funds:** These invest in debt and money market instruments such that the Macaulay duration of the portfolio is between 1-3 years. These are suitable for investors with a horizon greater than one year and looking to benefit in a rising interest rate scenario.
- **Medium Duration Funds:** These invest in debt and money market instruments such that the Macaulay duration of the portfolio is between 3 to 4 years—suitable for those

- with moderate risk appetite.
- **Long Duration Funds:** These funds invest in debt and money market instruments such that the Macaulay duration of the portfolio is greater than 7 years. These funds have increased interest rate risk.
- **Dynamic Bond Funds:** These funds are dynamically managed and can invest across durations based on interest rate movements—suitable for those who can take a higher risk.
- **Credit Risk Funds:** These funds invest a minimum of 65% in AA and below highest-rated corporate bonds. Investing in debt mutual fund schemes requires a balanced approach, and an understanding of various factors like the types of funds, their suitability, diversification benefits and so on. Understanding these can help you make informed decisions and optimize the risk/reward profile of your portfolio.

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