

Cash-rich Midsize IT Cos Eye Acquisitions to Boost Digital Skills

IT services firms look to gain specific skills or geographic presence through acquisitions

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Pune: Mid-size IT services providers are expected to step up mergers and acquisitions this year, as these cash-rich firms chase higher growth on the back of a robust 2020-21 financial year, led by increased client spends on digital transformation initiatives amid the Covid-19 pandemic.

The mid-tier companies are looking to gain specific skills or geographic presence through acquisitions. Pune-based Persistent Systems is looking for potential targets in the \$10-\$50 million range, said chief executive Sandeep Kalra.

"We are looking at adding capabilities from an M&A perspective and go deeper in the areas of cloud, data, security or Salesforce, or into geographies like Europe," Kalra said.

The company had cash reserves of \$268 million at the end of March.

Similarly, Zensar, which last acquired digital agency Indigo Slate in 2018, is looking at tuck-in acquisitions under its new CEO.

"We have a good track record for making strategic acquisitions to enhance our competitiveness and to continue adding value to our customers. In the coming months, we will be evaluating strategic tuck-in acquisitions in areas such as data, cloud, engineering and others, in line with our recently declared business growth strategy," said Ajay Bhutoria, chief executive of Zensar.

Industry experts said with even

Looking Out

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KPIT says it had decided to pursue strategic acquisitions in the year ahead

EXPERTS SAY Mid-size IT services firms continue to sit on considerable cash on their books



with large dividend payouts, these companies continue to sit on considerable cash on their books.

KPIT, which provides IT services to the automobile industry, said it had put in place a new dividend policy to maximise returns to shareholders, and had decided to pursue strategic acquisitions in the year ahead.

"The acquisitions will not be big, but niche technology ones in the range of \$20 million to accelerate our strategy," said chief executive Kishor Patil. Most of these companies have been growing well and have a significant geographic presence, said Aniket Pande, lead analyst — IT & Telecom, Prabhudas Lilladher.