

Big jump in mergers, buys in IT, BPO sectors

Aquisitions, PE deals worth \$3.9 b sealed during Jan-Oct

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Staging a comeback on the M&A league, the offshore IT and BPO industry witnessed buyouts and PE deals worth almost \$3.9 billion between January and October this year.

All through the year the M&A counters were abuzz, witnessing some big-ticket deals as well. Offshore companies such as iGate, Genpact and Wipro homed in on buyout targets, while the UK-based international services firm Serco acquired domestic BPO major Intelnet. Companies that received PE funding during the year were Yatra Online, Snapdeal.com and Naaptol Online, among others.

Data compiled by advisory firm Grant Thornton show acquisition-related activity in the first ten months of this year was four times higher than the year-ago period (in value terms) and the highest after 2006. As many as 175

deals were announced this year, against 118 in 2010 and 78 in 2009.

REASONABLE VALUATIONS

"As IT and BPO companies get into more value-added work, they want to pick up new domain expertise, which, at times, can be difficult to build only through lateral hiring...hence the acquisitions...Also the valuations are reasonable now," says Mr Som Mittal, president of software association, Nasscom.

The M&A deals worth \$3.2 billion were announced in the first ten months of 2011, while PE deals raked in another \$657 million, Grant Thornton data show. This adds up to almost \$3.9 billion worth of acquisitions/PE deals for January-October, compared to \$887 million in 2010 and \$797 million in 2009. The previous high was in January-October 2006, when acquisition and PE deals worth \$4.2 billion were recorded.

The first wave of acquisitions saw large IT companies going after BPO targets, while the second entailed overseas players enhancing their offshore capability. The third wave was all about monetisation of captive units, said Mr Sid Pai, Partner and Managing Director at sourcing firm TPI.

FOURTH WAVE

"The industry is riding the fourth wave of M&A deals. Standalone BPO players want to become full service BPO vendors, and IT players with broad capabilities want to make a full services play by acquiring niche capabilities...everyone wants to increase their presence across markets," he says.

"The action is back after the global slowdown. It is being fuelled by a consolidation in the industry as well as acquisition activity in the BPO space," says Mr Harish HV, Partner at Grant Thornton India.

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