

Mid-size IT cos log into M&A to grow

Consolidation Drive

M&As in IT/ITES involving an Indian company in 2010

Date	Acquirer	Acquiree	Deal Size	Stake
Dec, 2010	Mastek	SEG Software	N/A	100%
Nov, 2010	Ajit Isaac	Magna	Rs 100cr	100%
Nov, 2010	Capgemini	Thesys	N/A	N/A
Nov, 2010	Zensar	Akbia	N/A	N/A
Oct, 2010	Cedar	Tulip		8.49%
Sep, 2010	Accelya	Kale	N/A	36.51%
June, 2010	Symphony	Proteans	N/A	N/A
June, 2010	NTT Data	Intelligroup	Rs 897cr	
April, 2010	Invensys	Skelta	N/A	N/A
April, 2010	Polaris	Indigo TX	N/A	N/A
April, 2010	Autotask	VARstreet	N/A	N/A

Pranav Nambiar | TNN

Bangalore: The Patni acquisition by iGate underscores the broader trend in the IT sector where mid-size companies, finding it difficult to grow, are looking to merge with business rivals or sell out. The post-recession period has brought in large business orders for IT behemoths and specialized companies, but generic mid-size IT firms haven't benefited as much. Industry estimates peg the annual growth rate of top-tier IT firms like Infosys and TCS at around 20-25% this fiscal, while the corresponding growth rates for tier II companies are estimated in the

range of 10-15%.

IT sector analysts go as far back as early 2008 to pick up indications of consolidation in the IT sector: Mid-size IT firm MindTree had then acquired Aztecsoft to boost its capabilities in outsourced product development (OPD) and testing. Deals like these are now becoming common and the trend is set to intensify in 2011. According to data provided by Venture Intelligence, in 2010, the IT sector saw 115 M&A deals—largely in the small and mid-sized IT space. This figure was lower at 92 in 2009.

Arup Roy, senior research analyst at Gartner, says marginal players are facing tough times. "We can expect more

M&As in IT/ITES

Year	No. Of Deals	No. Of Announced Deals	Amount \$M
2010	115	39	987
2009	92	34	1423
2008	151	68	3325

Source: Venture Intelligence

Largest M&A In Their Respective Years

Target Company	Acquirer	Amount \$M	Date
Axon	HCL	682	Dec, '08
Satyam	Tech Mahindra	605	Apr, '09
Intelligroup	NTT Data	199	Jun, '10

Source: Venture Intelligence

consolidation next year: Companies that do not have the size and scale to take advantage of new business opportunities will be obliterated," he said.

Amit Singh, executive director at Aventus Capital, who advised the Patni brothers on the transaction, said the deal would "open doors to a significantly higher number of \$100 million-plus M&A deals in the Indian IT space as scale becomes inevitable differentiators in the industry". The deal, he said, also reopens the argument for a combined tech services and BPO play; "as the transaction marries iGate's BPO-ish skills with Patni's tech services and development platform," he said.