



Analytics, managed services, SaaS to drive cross-border M&A in IT: Martin Wolf

BY Sainul Abudheen

The head of I-banking firm specializing in IT sector feels Indian companies need to 'go big or go niche'.

Indian companies are uniquely poised for growth through cross-border M&As by leveraging their strong balance sheet and long-term price competitiveness, according to Martin D. Wolf, president and founder, [Martin Wolf M&A Advisors](#), an I-banking firm which specializes in IT sector.

Delivering keynote address at an event in Bangalore, Wolf also said that adoption of cloud computing, managed services and SaaS-based delivery models will drive global cross-border M&A activity. "Analytics and managed services are the two hottest sectors in India in terms of cross-border M&A," he said.

According to him, legacy software firms such as IBM and Oracle, which are entering 2013 with inorganic growth fuelled by the cloud computing buzz, will drive overall growth and Indian IT companies can follow the lead and strike M&As.

He, however, said that there are some threats to M&A activity in India: "Dormant Indian IPO market, IT sector wage inflation, investment in R&D as percentage of earnings and slower GDP growth rate are some of the current threats. European debt crisis and the rise of China are also a cause of worry for India."

According to Wolf, Indian companies need to go big or go niche. They need to develop a culture of innovation to stay ahead of competitors and become more relevant to customers by going higher on the value chain.

"M&A can bridge the gap between resources and capabilities. Diversification of your customer base is essential. So, be smart or the deal will fail," Wolf cautioned.

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A recent Martin Wolf study found that deal volumes and total deal values in IT space in India have been trending up consistently since 2010. Larger number of small deals rather small number of big deals hints at the consolidation trend within the industry. Vendors are using acquisition to broaden their offerings and strengthen competitiveness.

Higher growth rates in niche markets are commanding a valuation premium. Certain markets are facing disruption from currency instability and changes in the tax and regulatory environment, he said.

“Geographically, Asia Pacific is substantially lower than North America and Europe in terms of deal volumes in the last 8-9 years, while globally M&A is on the rise. Among Tier 1 Indian IT services companies, M&A is picking up again after a sharp decline in 2009. The year 2011 saw a lot of M&A activity in Tier 2 with a record 17 number of deals,” Wolf said.

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