

United Press

The Web: Indian tech M&As growing

Published: July 19, 2006 at 11:56 AM

By GENE KOPROWSKI
UPI Technology Columnist

CHICAGO, July 19 (UPI) -- Indian technology companies are no longer just taking computer-related projects -- Web development, software coding and IT drudge work -- from their U.S. and European counterparts as outsourcing suppliers. They are actively acquiring U.S. and European technology firms in software development and Internet commerce, sources tell UPI's The Web.

Is this a replay of the late 1980s when Japanese firms gobbled up U.S. tech firms -- and a pending sign of U.S. economic weakness? Hardly. It's simply a sign of the maturation of the international technology marketplace.

"Indian companies are attempting to move up the value chain as prices for qualified labor rise in India," Professor Usha C.V. Haley, director of the global business center at the University of New Haven in West Haven, Conn., told The Web. "India is attempting to move from primarily back-office grunt work to primary development for penetration of first-world markets, yet many Indian companies lack brand recognition and patents."

Last week news broke that India's Patni, a global IT consultancy and solutions provider, had acquired ZAiQ, a design and verification company in Woburn, Mass. As part of the deal, Patni obtains ZAiQ's Application-Specific Integrated Circuit (ASIC) design capabilities and Intellectual Property (IP), as well as expertise in Field-Programmable Gate Arrays (FPGA) and System-on-a-Chip (SoC) technologies -- opening the path for it in vertical markets such as consumer electronics, wireless and computing.

Earlier this year Kanbay International, an Indian outsourcing company specializing in the financial-services sector, acquired Adjoined Consulting, a U.S.-based technology consulting firm. The acquisition bolstered Kanbay's domain expertise to include consumer and industrial products, telecom and life sciences while augmenting its technical expertise to include SAP, Oracle and BI skills.

Last fall Mastek Ltd., a global technology solutions provider, through its U.S. subsidiary, Majesco Software Inc., dba MajescoMastek, gained a strategic presence in America's insurance industry through the acquisition of Entegram LLC, a Windsor, Conn., based software solutions company.

There has also been activity in the Internet and e-commerce sector, and even more deals are anticipated.

"India has a substantial number of qualified people to engage in R&D; indeed India has the second largest number of doctors, engineers and PhDs in the world after the USA," said Haley. "However, because of the fast-moving nature of high-tech industries, mergers and acquisitions provide quick avenues to access markets and technologies when development from scratch may take far too long. The relevant question for success then becomes that of effective management of synergies."

Growth of interest in the Internet is also stimulating changes for Indian firms. According to the Internet & Mobile Association of India, the number of Indian Internet users is poised to burgeon from 38.5 million today to more than 100 million by next year. E-commerce transactions there will reach

\$262 million for 2005-06 -- and almost 58 percent, \$152 million, is coming from travel and travel-related sectors. Airline ticket sales online are expected to total \$88 million, while railway ticket sales come in at a close second at \$63 million. The growth of online sales of air tickets has gained additional momentum from the IATA's deadline of December 2007 for 100 percent online ticketing in India. Along those lines, just this week, Sify, an Internet, network and e-commerce services company, acquired Globe Travels, a firm that issues e-tickets in the India-U.S. travel space, marking its entry into the online travel business.

A research professor at Webster University, Christopher Kummer, who is also the director of the Institute of Mergers, Acquisitions and Alliances (MANDA), told The Web that his group is conducting a study on Indian companies that acquire firms in Europe. "The strategic motives might be quite similar," said Kummer.

--

Gene Koprowski is a Lilly Endowment award-winning columnist for United Press International. E-mail: hitech@upi.com