

# SMEs go slow on M&As as inflation begins to bite

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**E**MERGING businesses, which till about two months back were in top gear on acquisitions, JVs and PE deals, are now going slow. While last year 72% of total acquisitions abroad were carried out by SMEs and mid-cap companies, this year the figure could be much lower, say industry experts. Some blame it on inflation while others say this is just a correction.

For the past two years SMEs and mid-cap firms have been bullish on deals. According to an Ernst & Young report released a couple of months back by Ficci, of 86 M&As, over 70% were done abroad were by SMEs. This, however, may just change. "Entrepreneurs in

this space are becoming more cautious and are analysing quite a bit before going in for a deal. This is the result of inflation, which has pushed up costs," says Vijay Chandok, senior GM, SME, at ICICI Bank.

Emerging companies are now concentrating on cutting costs and are likely to resume deals post December. However, year-on-year, say analysts, there is a 50% rise in the total number of deals compared to last year, and it's only the last couple of months that have been dull on the deal front. "I think it is a correction than a slowdown. The deals have gone down by at least 20%, but it is more because of entrepreneurs concentrating on their core business and not investing in anything and everything," said an investment banker. Logistics companies were the fron-

trunners as far as deals in emerging businesses were concerned in the first quarter, closely followed by real estate, broking, IT and fashion companies. Automobile companies were among the top ten sectors which acquired companies abroad. Sanjay Aggarwal, national industry director, financial services, KPMG, said, "There is only scattered data available on how many deals have been done in this segment. So it is very difficult to know whether the deals have increased or not. But one thing is very clear that the deal size has become bigger in this segment, and it continues to be so."

The emerging IT companies, however, are still bullish on acquisitions. Recently OnMobile, a leading VAS player in India acquired Telisma S.A., a France-based speech recognition software provider.