

# 'Being the second bidder was part of strategy'

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*Delhi, Dec. 15*

Three months after it emerged as a surprise bidder for SAP consulting company Axon Group, trumping rival Infosys' offer with its own 650 pence a share bid, HCL Technologies on Monday announced the completion of the Axon buyout.

The deal is not only transformational in nature for the Delhi-based HCL Technologies, but at about £440 million price tag, it is also the largest acquisition in the Indian IT industry.

In an interview with *Business Line*, HCL Technologies' CEO, Mr Vineet Nayar, talks about the strategy behind the ambitious takeover and also why it was important for HCL to be the second bidder in the race. Excerpts:

**Axon is finally an HCL Tech company. How do you look back at the last three months, when the company was locked in a bidding battle?**

This is a huge sense of responsibility. Acquisition is an additional responsibility you are taking on behalf of 2,500 more employees (of Axon), and on behalf of shareholders, and the existing 55,000 employees of HCL.

It is an additional responsibility that you are going to make it work. I am a big rafting fan...In some sense we are in an economic turn where you have to raft upstream, and Axon offers a very interesting opportunity. It gives you the oars to raft up the stream. So the environment is right and it is an exciting time.

**During the course of the**



► **HCL Axon would be an independent business unit and will have its independent way of working. Mr Vineet Nayar, CEO, HCL Technologies**

**acquisition, you had said that there is an entire gameplan to ensure that the Axon deal is clinched. Could you elaborate on the strategy adopted to ensure the completion of the acquisition in what seemed to be an intensely competitive and difficult environment?**

The first strategy was that people should not be aware that we are extremely keen on Axon, and that we will pay anything, or go to any extent to acquire it. So HCL Technologies' appetite to pay was a closely guarded secret.

Secondly, although we were the first in the race, we knew that being the first will tip our hand and we did not want that.

We actually wanted to be the second in race and we knew that some other players will step in sooner than later. We were waiting for it to happen. In other words, it was important for us to be the second bidder in race.

Once that happened, we did the financing transaction. The way the loan was put together was that the moment the client was qualified, it was an 'AAA' rated acquisition because Infosys too was interest-

ed in the company. The same would have been true with any global giants wanting to go after it.

We then went into the market and brought in competitive bids from various bankers for the acquisition which was already certified, and so we were able to cut a very sweet deal on interest rates. As a result, the interest rate is now at 5.2 per cent against 10-11 per cent in case of treasury income.

Also, we wanted to ensure that the Axon management with us, so we engaged the management significantly more. We talked to them, they saw the win because we expressed this as a reverse merger; we did the cultural diagnostic surveys. We enthused the Axon team.

**Any layoffs in Axon?**

No. I plan to talk to the employees of Axon worldwide and Mr Steve Cardell will talk to HCL Technologies employees in order to enthuse the two organisations. Our attempt is to emerge among the Top 3 in the world in the SAP space we are in.

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