

HCL buys UK-Axon Group for \$658 m

Our Bureau
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HCL TECHNOLOGIES, India's fifth-largest IT services firm by sales, on Monday closed the acquisition of UK-based Axon Group for \$658 million, marking the largest tech buyout by an Indian firm. HCL Axon, the new entity formed after the buyout, is now chasing outsourcing deals worth \$1.2 billion.

HCL Axon will be the SAP services division of HCL Technologies and has been formed by the reverse merger of HCL's SAP practice and Axon Group. It will have 4,500 con-

sultants and estimated revenues of about \$500-600 million.

The acquisition catapults HCL among the top 10 SAP services players globally. "The acquisition is more relevant today than yesterday because customers are seeking new solutions. They don't want to cut costs but want to get more out of them," HCL Technologies CEO Vineet Nayar said.

HCL had identified enterprise applications services (EAS) as a key opportunity under its Blue Ocean strategy. The acquisition brings HCL Axon's expertise in designing, implementing and supporting solutions for companies using SAP as their enterprise plat-

form. From an 11% contribution to revenues, EAS will now account for 25% of HCL revenues.

"Axon's strengths of blueprinting and implementation fit well with HCL's operational capabilities," Steve Cardell, the former Axon CEO who will now be HCL Axon president, said. He will report to Mr Nayar.

The merger with HCL allows the combined entity to participate in larger deals, Mr Cardell added. HCL Axon, for instance, is bidding for a large deal in the US that involves SAP implementation and infrastructure management, an area where HCL is strong.

HCL raised a \$400-million loan

from Standard Chartered to finance the deal. It also picked up a 10.43% stake in Axon from the open market for \$42.28 million.

The deal tops the \$600-million acquisition of US-based Infocrossing by Wipro last year.

HCL signs deals worth over \$1 billion this quarter, HCL Technologies has signed contracts worth over \$1 billion in the October-December quarter, its chief executive said. "This has been the biggest ever quarter in HCL's history, in terms of bookings," CEO Vineet Nayar said. The contracts were signed with companies in the US and Europe.

