

IT majors eye European SAP cos

19 Nov 2008, 0107 hrs IST, Pankaj Mishra, ET Bureau

BANGALORE: Leading Indian tech firms, including Infosys and Wipro, are evaluating SAP service providers such as BearingPoint and IDS Scheer for a potential acquisition, as they seek to increase their revenues from customers that run SAP software in Europe. While BearingPoint counts Volkswagen among its large SAP services customers, IDS Scheer offers SAP-based consulting and services to companies such as Audi, Bayer, CropScience and BMW.

A senior official at a leading Indian IT company confirmed that his company is indeed looking at opportunities such as BearingPoint and IDS Scheer. "BearingPoint has been open to M&A for some time now, and we could be interested in the European or SAP unit of the company than doing an overall acquisition," he said requesting anonymity. "IDS Scheer is also a good opportunity, especially because of its services and product competencies, and could be easier to execute since the promoter holding is over 70%." "These deals are being discussed for around 1-1.5 times of the target's revenues," he added.

BearingPoint reported a net loss of \$30.5 million and revenues of \$801 million for the September quarter. When contacted by ET, a BearingPoint spokesperson declined to comment. However, the company admitted during its third quarter results that the M&A opportunities are being discussed.

"BearingPoint retained financial advisors to explore ways to improve its capital structure and liquidity in light of its evolving cash position. These alternatives initially included a merger or sale of the company as a whole, a sale of all or substantially all of the assets of the company or the sale by the company of any of its six principal business units," the company said in a statement.

UK-based Clearwater Corporate Finance is working with some of the Indian IT firms. "We cannot name our clients, but there are things in the pipeline and 2009 might see some of these deals happening," Emma Leathley, senior analyst with the firm told ET.

SAP-based service providers in Europe have been on the acquisition radar of the top Indian IT firms. In August this year, Infosys offered to acquire UK-based Axon Group for \$755 million. However, Axon has now recommended a higher, counter-offer of \$780 million made by HCL Technologies.

Infosys chief executive Kris Gopalakrishnan said on Monday that his company is still seeking acquisitions in Europe and Japan for up to \$700 million. When contacted by ET, both Wipro and Infosys officials declined to comment on any specific M&A opportunities being evaluated by their companies. A Wipro official however told ET last week that his company is currently in discussions for M&A opportunities in Europe.

India's biggest software services company TCS also believes that local skills are critical for addressing the lucrative SAP services market in Europe.

"There are good M&A opportunities in Germany for addressing the market better," said Girish Ramachandran, director TCS Europe. **"To expand in SAP services Indian companies will need to create a much stronger onshore delivery model in their key markets. Acquisitions are one way to achieve this," said Peter Schumacher, president and CEO of Frankfurt, Germany-based Value Leadership Group.**

Germany-based IDS Scheer reported revenues of around \$496.4 million in 2007, is also among the companies being evaluated for acquisition by the Indian tech firms. IDS Scheer chairman August-Wilhelm Scheer was quoted by the German magazine WirtschaftsWoche earlier this month that “a sale would not be an unrealistic development if the restructuring programme fails to boost profitability.”

However, lack of exposure to offshore outsourcing could be a bottleneck when it comes to integrating with the Indian companies, added Mr. Schumacher. IDS Scheer did not respond to the email queries sent by ET on Monday.

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