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The dark horse of the technology sector

In 1976, during lunchtime at Delhi Cloth Mills, DCM, a group of six young engineers at the office canteen were discussing their work woes at DCM's calculator division. Despite them all having jobs that paid them well, they were an unhappy lot - they wanted to do more riding on their own gumption. They decided to quit their jobs and start a venture of their own. The man who was fueling the ambitions of his five other colleagues at that canteen was a 30-year-old engineer from Tamil Nadu, Shiv Nadar. And this is how the story of Hindustan Computers Limited, HCL began.

Nadar and his five colleagues quit DCM in the summer of 1976. They decided to set up a company that will make personal computers. They had gathered enough technical expertise at DCM's calculator division but like all start-ups, getting funds was the problem. But Nadar's passion for his new dream company and the support of his enthusiastic colleagues soon made the task very easy.

Founder, Chairman and CEO, HCL Technologies, Shiv Nadar told CNBC-TV18, "The first person I met was Arjun and he was also a management trainee like me. He was a couple of batches junior to me, we became very good friends and we are still very good friends. Then the rest of them all worked for DCM and we all are of similar age, so we used to hang out together, crib together, have fun together, work together."



Nadar would first have to gather cash to give wings to his idea of manufacturing computers. He floated a company called Microcomp Limited - through which he would sell teledigital calculators. This venture threw up enough cash to allow the founders to give shape to their ultimate dream to manufacture computers in India, at a time when computers were just sophisticated cousins of the good old calculator but support also came from the Uttar Pradesh Government. Finally, the founders put together Rs 20 lakhs and HCL was born.

The year after HCL was floated, the Indian government reigned in the ambitions of the foreign companies in India. This pronounced the death knell of companies like IBM and Coca-Cola while bells began to ring for Indian entrepreneurships like HCL.

Managing Editor, The Smart Manager, Dr. Gita Piramal says, "Few Indian businessmen were happy when George Fernandes became Industry Minister in 1977, when the Janata Party came to power. Foreign businessmen were even less happy that Coca-Cola and IBM left India. IBM's leaving, left a major vacuum and this was the vacuum in which Shiv Nadar spotted an opportunity. He stepped in and customers began to trickle in."

HCL started shipping its in-house microcomputers around the same time as its American counterpart Apple, and took only two more years to introduce its 16 bits processor. By 1983, it indigenously developed a relational data based management system, a networking operational system and client-server architecture, almost at the same time as its global peers. The road to the top was now in sight and HCL took it a step further by exploring foreign shores.

HCL's first brush with international business came about in 1979 when it set up a venture in Singapore; it was called Far East computers. HCL was only three years old and its net worth was around Rs 3 crore. Shiv Nadar set up an ambitious target for the venture and notched up sales of Rs 1 million in the very first year.

Co-Founder, HCL Technologies, Ajai Chowdhry says, "We discovered that there was a good opportunity to enter Singapore with our own hardware we had manufactured in Singapore. But the strategy was very clearly around selling computerization rather than computers and so we actually took the whole idea of hardware, software solution and service and packaged it and presented it as computerization."

Even as it was basking in its success in Singapore, HCL planned a whole new area of expansion and it tapped into a territory that was lying unexplored in the country - computer education. Sensing the increasing demand for computer training, HCL set up NIIT in 1981 to impart high quality IT education in India.

Nadar explains, "We knew many people in IIT and Indian Institute of Science. We formed an advisory panel and asked them, can you help us navigate this whole thing and they were very enthusiastic about this and they of course shaken up a little bit when they saw that we started advertising in Bombay - selling education as a commercial project."

From calculators to IT education, the first five years of HCL was a combination of growth and expansion riddled with

uncertainty but the company was now gearing up to set a much bigger target for itself and an announcement from the government would help it takeoff to those soaring heights.

In 1984, the Indian government announced a new policy that would change the fortunes of the entire computer industry. The government opened up the computer market and permitted import of technology. With new guidelines and regulations in place, HCL grabbed the opportunity to launch its own personal computer.



The demand for personal computers was slowly but surely mounting in the Indian market. Most banks were shifting to the UNIX platform. A few companies approached HCL for personal computers, so, the founders flew all over the world to bring back PCs they could take apart, study and reproduce and indigenously upgrade. Their first innovative personal computer was ready in three weeks ♦ times and soon they launched their first range of computers, and they called it the Busybee.

Chowdhry says, ♦ In a lot of ways, it opened up the market because one thing was that, you no longer had to develop basic stuff in India - like operating systems but on the other hand it opened new opportunities like banking because as per government policy, all banking computers must be UNIX based. So, feverishly we set out creating a UNIX based computer and we bought the UNIX source code and created that product out of nothing. ♦

In two years, HCL became one of the largest IT companies in India. The founders now went to different corners of the country to set up sales and marketing offices and it now needed the brightest minds to take it to the next level of competition. Campus recruitment in management and technical institutes began in full swing and HCL grabbed some of the best talent by offering pay packages that outscored some of the best companies of the time - Rs 2,000 per month to start with.

The adrenaline rush of the first half of the 1980s and the rapid expansion strategy soon caught up with HCL. A turning point came in 1989, when HCL on the basis of a report by McKinsey and Company decided to venture into the American computer hardware market. HCL America was born but the project fell flat on its face. HCL had failed to follow a very crucial step necessary to enter the US market. A big disappointment was on its way.

Piramal says, ♦ For every entrepreneur, the US will always remain the dream market. It ♦s the biggest market in the world and Shiv Nadar obviously was drawn to it but he really didn ♦t know what he was getting into. The computers he made didn ♦t get environmental clearances. In fact, HCL probably turned into his biggest mistake but HCL and Shiv himself, he is a very strong person, he understood he was making a mistake, he saw that Infosys and Wipro are doing really well in software and he was not too proud to change gears and finally HCL did enter the software market. ♦

It didn ♦t take too long for HCL to brush off the disappointment in the US. Its first failure in the US was set aside in 1991 and HCL entered into a partnership with HP (Hewlett-Packard) to form HCL HP Limited. It opened new avenues for HCL and gave opportunities to firm up its revenues. In three years, another new possibility came knocking at its door and in 1994, HCL looked beyond PCs and tied up with Nokia cellphones and Ericsson switches for distribution.



Chowdhry explains, ♦ In 1991, when India didn ♦t have enough foreign exchange. We were in the hardware business and we didn ♦t have enough funds. That ♦s the time when a clear thought entered our minds - that we should globalize and in the very early days, we actually created a joint venture with Hewlett-Packard.

In 1997, HCL was already a multi-dimensional company spun off HCL Technologies Limited to mark their entry into the global software space. It made up its mind to focus on software development, which was twenty years behind its entrepreneurial journey, Shiv Nadar was now ready to take on global competition with all his might. From 70s to 90s, the HCL story was one of steady rise but in the face of its rapid expansion and continuous flow of achievements, Shiv Nadar didn ♦t anticipate that he would be in for a rude shock and that it would come from someone very close.

In 1998, Arjun Malhotra, Shiv Nadar ♦s comrade and friend decided to leave the company to start his own TechSpan, headquartered in Sunnyvale, California. He was also one of the largest shareholders in HCL Infosystems at that time. For Shiv Nadar, it was time to think afresh.

The revenues were shrinking from the hardware sector and Nadar now decided to redesign HCL. The company once again needed funds to grow and this time around, Nadar decided to look at the capital market. An initial public offer (IPO) was made on the Indian Stock Exchange in 1999, which was a stupendous success.

President, HCL Technologies, Vineet Nayar says, ♦The shareholders supported us and then I think we started with Rs 580 an IPO and went up to Rs 2,800 or something like that. So, it was a dream run, I think the shareholders bought the argument we were making, they liked the articulation of the strategy, they liked the management team and they liked the vision we were painting and they supported the stock full time and that was a turning point for HCL. ♦

Shiv Nadar now put aside his dream of becoming a global hardware major and venture into software with an open mind and a clean slate. Technology was opening up vistas of opportunities in the software sector and HCL now wanted to build new businesses. Global business became a priority, so, now they started a BPO in Ireland in 2001. His partner in this ambitious venture was British Telecom.



The years that followed saw HCL in an expansion mode. In 2005 alone, HCL signed a software development agreement with Boeing for its 787 dreamliner programme. Next came a venture with NEC, Japan. It even brought out the joint ventures Deutsche Bank and British Telecom ♦s Apollo Contact Center. In the same year, HCL Infosystems launched its sub Rs 10,000 personal computer and joined hands with AMD and Microsoft to bridge the digital divide.

HCL INFOSYSTEMS LTD The successes of 2005 spilled over into 2006 and the company now produced over 75,000 machines in a single month, with more parallel joint ventures growing on its list. But in spite of this overwhelming success, Shiv Nadar would not rest. There was a nagging sense of dissatisfaction and perhaps not having exploited its full potential that still drove Nadar and the company to achieve much more.

Thirty years after starting his company, Shiv Nadar really does not have much to complain about. Hindustan Computers Ltd today is an empire worth USD 3.5 billion with staff strength of 34,000. But then dissatisfaction has been the quintessential factor that has made Shiv Nadar the visionary that he was and continues to be. Dissatisfaction once drove him to quit his job at DCM and it is that same quality even today, that is driving him to achieve much more when he can quite easily rest on his laurels.