

POWERING THE SUBEX TURNAROUND

DeCODE

Darlington
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WITH Subash Menon, what you see is what you get. Not an iota of excess emotion on the table and no time wasted on the vagaries of the weather. With him, it's cut to the chase at the outset.

Having known him for years, it was expected that he would arrive on the dot—not too ahead of time and certainly not late either. Our meeting is scheduled for 11.30 am at the coffee shop at The Oberoi, Bangalore, and there he comes at 11.28 am and says 'hello'. Nothing has changed.

"How have you been," he asks and instructs his communications person to move and sit opposite him so that he does not have to look on either side of the table as he speaks. "It's been a tough couple of years at Subex. But things are turning around."

Subex had acquired Canadian software product firm Synthesis for \$165 million in 2007, not too long after it acquired UK firm Azure for \$140 million. The Azure integration went well, but the Synthesis one was taking time. Before long, Subash realised that the move to acquire Synthesis was not yielding the desired benefits. "We did our customary due diligence, but I guess it was not enough. We did not take into account what could happen if the economy got hit."

And since Subex had raised \$180 million through the FCCB route to fund the Synthesis buy, the financial situation of the company entered shaky turf after a sustained good run. Subex, for a long time, was very dear to its investors and the financial analyst community. The stock was doing very well, but once the crisis came to light the scrip started its downward journey. And Subex was one of India's biggest software product success stories, and it must have been a bitter pill to swallow for Subash.

"Well we lost some bit of trust. I could see the analyst community was losing interest in us. But I was not going to go anywhere. I received all the bouquets when the going was good, so why would I shy away from the brickbats."

So Subash decided to bite the bullet and strive harder. Now, the good thing with Subex is that it has a group of dedicated top management professionals. COO Sudeesh Yezhuvath and group president Vinod Kumar, along with APAC head Sekharan Menon formed the management backbone at Subex,

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Subash Menon, founder chairman, managing director & CEO, Subex

and they were well suited to meet the demands of the situation. With the help of this support team, Subash started plotting his way back.

With the macroeconomic situation improving, fortunes at Subex too started to turn around. Being in the OSS/BSS space, with world leading capabilities in fraud management and revenue assurance, Subex was always regarded as a leader in its arena. Its reputation as a high quality solutions provider had never taken a beating even while being in a financial turmoil, and soon Subex started to win the big

contracts again.

The last quarter results proved how much the company has managed to cut back the deficits. The firm registered revenues of Rs 124.7 crore, with a net profit of over Rs 30 crore. The top line had grown 7% year-on-year, and the bottom line turned a loss of Rs 3.2 crore in the year ago quarter to a profit of Rs 30.7 crore. Subex was back in the reckoning again.

The FCCBs issued to fund the Synthesis acquisition had to be restructured, as the share prices had crashed and Subex was nowhere near conversion

rate. As the bonds had lost value and were due for redemption in March 2012, Subex had to go in for a restructuring. The new conversion rate is Rs 80.33, which is around its current share price. About 78% of the bonds have been restructured and hence about \$141 million got slashed down to \$98.7 million. Subex is confident of paying off the remaining \$39 million, and the company is on course to putting its financial worries behind.

To know Subash a little better, it is important to know a bit of his background. He hails from Chittoor, a small town in the Palghat district of Kerala. His dad was a Communist and was a producer of movies which highlighted the Leftist ethos. Subash has Left leanings and believes that he is a true Communist. "According to my beliefs, a Communist is someone who loves mankind and shares his wealth. And unless you create wealth, you can't share it. I believe someone like Warren Buffet is a Communist, as he creates wealth and shares it around."

Even while pursuing his engineering course as a student, he knew that he wanted to become an entrepreneur. Though Subash worked in a few firms during his initial days, that was only part of the plan to gain some experience. He had discussed his plans to start a firm with his close friend Alex. "Hence the name Subex—a combination of our names. Alex was strong in technology, while I was good at sales. I knew the combination would click. Also, we were very good friends and I wanted to start a business with him."

Subex was born in 1992. Though Alex was not part of the company then (he developed cold feet after his marriage), he came on board in 1994. Subex dabbled in telecom hardware in its initial days, up until the late 1990s. "We wanted to become a software company at that stage, but no one was willing to back us. We approached up some venture funds but they did not have any faith in a company without any software expertise. That's when we decided to go public."

The IPO went off pretty well, and with the fund thus raised Subex started its software journey. Then came the task of choosing which segment to get into. One big consideration was to fly under the radar and not get spotted by big players, who could easily snap it up or finish it for good. Another aspect was obviously the opportunity to grow in India. Hence, the OSS/BSS space was chosen.

One thing that you cannot accuse Subash of, is lack of clarity. His powers of quick decision making is legendary within Subex. His decision making is never ambiguous and once the decision is taken, he stands by it come what may. His work schedule is also very demanding, and he prefers it that way. He maintains a 6 am to 12 midnight working day, and never seems to tire. His body language is also extremely positive at all times. It's very difficult to read his mind, and even more difficult to see whether he is going through a trough or riding a crest.

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