



# Programmed to succeed

Ivan Fernandez, managing director of Ducont, a top wireless application provider in the GCC, is an example of what people can achieve with determination and perseverance. The son of a driver, his rise to prominence is exemplary. Here he speaks to **Utpal Bhattacharya** about his aspirations and ambitions.

## What brought you to the GCC?

I used to work as a scientist in the Bhabha Atomic Research Centre (BARC) in India. My specialisation in BARC was image processing. I used to write complex algorithms for detecting flaws in nuclear rods.

I came to the Gulf in 1988 as a result of a newspaper article. It said that banks in the GCC were looking for automated signature systems and that these were not available. Since I was into image processing, I knew that it was possible to create a system, so I called the editor of the newspaper, got the contact details of the writer and took up the challenge to come and join a start-up in Bahrain.

## Were you not happy at BARC?

It was a very secure job at BARC. In my very first year, I was awarded one of the best scientists for developing an online image grabber mechanism. I was around 23-24 years old then. I am one who is always looking for challenges, so I grabbed the first opportunity that offered me the challenge I was looking for.

## Which Bahraini company was it?

It was a start-up and they were more into Arabisation, so I started developing a proprietary solution for automated signatures when I landed in Bahrain. Our first customer was the Saudi American Bank. Within a year, we went live with signature verification for the bank. Then word started spreading and we started getting calls without even marketing the system.

## What happened next?

One of the banks we went to in order to implement our system was Saudi Arabia's United Saudi Commercial Bank. We found that the bank's system had inadequate memory for our product, so we could not implement our system and they asked us to go.

But I took up the challenge. I re-wrote their whole banking system, created enough memory and implemented our system. The bank was very impressed. I was then invited to meet the chairman, Prince Walid bin Talal. And they offered me a job to re-write their entire banking system.

At that time, I was also being offered a job at IBM's R&D department. I looked at the two and came to the conclusion that joining the bank would mean a lot of learning for me, as I was an electronics and communication engineer with no idea of banking. At IBM, I would be one among many.

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*Ivan Fernandez*

## When did you venture out on your own?

In 1995, I left the bank to set up Synectics in Bangalore. Today, everybody accepts Indian software. But India was opening up at that time and I wanted to see if the western world would accept a good Indian product.

## What did you do at Synectics?

We started developing branch automation systems on personal computers (PCs). Until then, banks would not touch PCs for mission critical applications, as they felt that mainframes were more secure than PCs. I was, of course, warned against getting into this venture, as not only were we an unknown brand, but also we were trying

to introduce a new technology to run a mission critical application.

I went ahead starting the operations in a garage in Bangalore. Those were difficult days, as banks wouldn't give us appointments. It took us until the end of 1996 for private banks in India to start listening to us. They gave us opportunities to pilot. Once we did the pilots, they started seeing the difference between apples and oranges. Finally, the Centurion Bank, the Times Bank and the IndusInd Bank tied up with us.

Around that same time, Arab Bank in Jordan was looking for branch automation. We bid for the project and gave them an entire workflow environment. Even here we faced scepticism. Of course, we were successful. That was in 1997.

## You must have been competing with some of the bigwigs.

We were with the likes of Misys and Unisys. By then, we had also signed up with Logica for international distribution.

## What happened with Synectics?

In 1998, we won Hatton National Bank in Sri Lanka. That was Misys' third loss against us, so they called me suggesting that we collaborate. Misys had 400 clients, and for me, collaboration with them was like a bonus. We agreed, but their CEO told me that they would want to acquire us. It was a shock at first, as we were yet to break even as a business.

After talking to my partner, we agreed. But we still had a hurdle, as we had a first refusal agreement with Logica. We were their international distributors. To cut a long story short, both bid. We went with Logica, though, as their offer was more interesting. They were giving us full authority to drive the market and an earn-out period of two years, compared to five years for Misys.

### **Who was your partner at Synectics?**

I started Synectics alone. Six months down the line, my ex-boss from United Saudi Commercial Bank called me to ask if he could join me. He was a British national and was exceptionally skilled when it came to marketing and packaging. I knew him well, having worked under him, so I said if he was fine with coming and working in India, he was welcome. He agreed.

### **Do you think it was a good decision to sell?**

At that time, people said it was not a good decision. But two years later, when the dotcom bust happened, everybody said it was the best decision we could have taken. Had it not been for our exit, our growth would have been challenged.

Besides, that's what brought me to Dubai to head Logica's business in the Middle East. It was 1998 and it was also then that I started thinking about my next step.

### **Was Ducont the next step?**

Mobile phones were used for their voice service then by everybody. But I felt that these could have great data capability. That's when I wrote a comprehensive business plan. Initially, I wanted to do it in Logica, but large companies normally do not encourage small scale innovations, as they want big things to hit their top line immediately.

I started Ducont in Dubai Internet City (DIC) with the business plan, which was also a finalist of the e-biz challenge instituted by DIC. In fact, before the e-biz challenge, a number of venture capital (VC) firms wanted me to do this project in Silicon Valley. But my family refused to go there. They wanted to stay in Dubai, so I had to settle down here.

### **Did you start big from day one?**

My initial capital was US\$2 million when I started in 2000. I started with a huge office. We had a seating capacity of 72 people. But then the dotcom boom bust and we had to cut costs drastically to survive.

### **It was all your own capital at the beginning?**

Yes, fortunately, I had the exit money from Logica. But I soon realised that the capital was vanishing quickly, so our three offices became one and our development centre moved to Bangalore. We had to shrink to survive. Of course, from 2004, it was a completely different story.

### **You raised external funding in 2002?**

Yes, Injazat Capital invested US\$2 million for a 25 per cent stake in Ducont in 2002. That investment



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helped me to sustain the business during the really turbulent times of 2002 and 2003.

### **Did Injazat bring only money, or did it bring other values like VCs are supposed to?**

They did promise to bring a lot of value other than money, as the fund itself had investors like Islamic Development Bank, Gulf Finance House and Dubai Islamic Bank. To be honest, we got none of those clients.

### **Don't you feel that you should have gotten more from your VC partner?**

It is a very complex question to answer. If they had told me that they could only offer us money, then I would not have agreed to it. However, it is also not easy to get people committed in writing to what they are supposed to do. It was verbal assurances from them.

It is very easy to say that I will put you in touch with somebody in some organisation, but business does not happen like that. Our partners did give us the phone numbers and names of people and we went to them. I personally also went to these meetings for two years, but then I found out that we were wasting our time and also theirs.

We ended up going the professional route of selling and were much more successful. Today we are all very happy, as all of our businesses have come because of our competence and not our relationships.

### **When did you get your big break?**

In 2002, the Dubai government announced its e-government initiative, mostly targeting the internet. We went and told them that we could replicate that with mobile phones. Dubai Police give us our first opportunity and then recommended us to other departments. When Dubai's e-government committee was formed, they told us to run all their mobile initiatives for them. Today, we are happily running the entire mobile initiative of the Dubai government on our platform, right from the municipality to Salik.

We also work with nearly 40 banks in the Gulf, whereas our nearest competitor might work with five banks.

Today, Ducont is a well-known regional brand working with most telecom operators including du, whose entire campaign ran on our platform when they started.

### **Injazat exited last December?**

Yes. They were closing the fund. But it also gave us the option to look for a partner that had a presence in other parts of the world. That's how

we signed up with Zylog Systems. It is a publicly-listed company in India with offices in the US, the UK and the Far East, but not in the Middle East.

Since Zylog insisted on a 51 per cent stake in the company, I agreed to dilute some of my ownership as well, along with Injazat's. Within a month of Zylog becoming the majority shareholder of Ducont, we won Indian Overseas Bank as our first Indian bank customer.

### Did Injazat make good money from investing in Ducont?

Good money to me is a multiple of three to four times of what you invest. Anything less is not great money. They were there with us for five years, so if they made twice their investment, then I might say it is fine.

### Did they get an IRR of, say, 15 per cent?

Normally in private equity you set a target of 25-30 per cent. That sort of return they could not get out of it. But they were happy, as we were a company that gave them the least of headaches.

### Where does the cash generated from the dilution you made to your equity go?

It does not go back into the company, but to the shareholders.

### So now Ducont is owned by Zylog and your family?

Yes, that's right.

### What's next from Ducont?

I believe that mobility has huge potential. We have achieved significant success in the Gulf. Now we want to replicate our achievements in developing countries like India, Argentina, Chile and Africa, where there are a number of phones, but not enough applications. Our immediate focus now is India. But in the long term, we aim to be a global brand.

### You have enough cash now for these expansion plans?

Yes. After the last time I went for funding in 2002, we have not looked at raising any more money.

### How has this financial crisis affected your business?

In the first quarter, our top line achieved our target for the first five months. This was the result of our diversification last year. In 2005, we started some work in radio-frequency identification, payments and specialised automation. Last year,



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we also looked at some aspects of technology outsourcing and suddenly saw that with the downtrend, banks were looking to get into technology outsourcing.

Our product business is also 40 per cent higher than the first quarter of last year. We are booking orders from as far as Afghanistan without having to go there.

Yes, we have our own challenges, but our expansion plans have helped us in mitigating the risks that are there in the current market.

### Are you still hiring?

We are not hiring, but we are getting people from Zylog and exchanging teams. We also have similar arrangements with other partners like HCL.

### Do you still get involved in the everyday operations of the company?

No, I don't. I have a CEO who runs sales and a CTO who is in charge of the technical side. The other good thing is that most of my staff has stuck to me from the very beginning.

### What made them stick to you?

I have ensured that they were part of the company's success. Most of my staff also has stock options. I did the same in Synectics. Some of my employees are entrepreneurs in their own right today.

### You do a lot of work in promoting new entrepreneurs?

Yes. I come from a very poor background. My father was a driver and never believed I could ever become an engineer. When I turned 18, he told me to take a heavy driving licence and come to the Gulf, where he was driving in those days.

But I pursued my dream and got a seat in engineering in a government college. It was a tough journey and I could study electronics and communications only because I did not have to pay any fees, which were covered by my scholarship.

I feel that talent should be encouraged. And that's what I do with entrepreneurs. I am involved with TIE. I am also very attached to a western Indian entrepreneurs association for the Canara region.

I believe that obstacles do not matter if you pursue your dreams doggedly. I also believe that success is not just making money. Success is all about reaching the goal that one sets for oneself. If you achieve that goal, money and everything else will come to you.