



**BLACK DRAGON**  
CAPITAL

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# CASE STUDY: INDUS

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Indus was a fintech company located in India which demonstrated the unique investment approach of Black Dragon Capital. The company operating in an area Black Dragon knows well, it was in an attractive and growing, albeit competitive sector, had strong technology, a solid management team and Black Dragon believed it could drive significant value. Through their thesis driven approach, application of the Black Dragon Toolkit, and deep operational engagement Black Dragon was able to drive significant value upon exit. The transaction was negotiated directly with the management team and Board of Directors without the use of an investment bank.

## Background

Indus was owned by R Systems International Ltd, a publicly traded company in India that had long provided key development services to financial institutions around the world. Indus had a solid lending product suite, a strong customer base, a capable management team, and steady and growing revenue. However, the company had failed to realize its full potential, in part because the parent managed the company as a service company rather than a software company that requires continuous innovation and investment. While R Systems was a good and supportive owner, the Management team continued to feel the limitations of an owner whose primary business was in the services sector. A subscale company with revenues of just over \$10m that was only moderately growing was often too small for traditional private equity and not growing fast enough for growth or late-stage venture equity.

## Enter Black Dragon Capital (BDC)

Black Dragon Capital was familiar with the company due to its deep roots in the financial services market and its knowledge and participation in the Indian market. BDC was more focused on how they could help the company take it to the next level in the emerging digital lending application market and was impressed with the management team and the product suite. Black Dragon's unique operational approach and the background of the principals allowed an instant connection to the management team and some of the ideas Black Dragon had to unleash value. They shared many of the same views on the future of the market and Black Dragon's experience in global markets provided unique insights.

## Why Indus?

Black Dragon's investment thesis was that digitization is enabling massive growth in personal consumer lending in developing economies. Black Dragon believed it was the right solution for markets worldwide. Indus appeared poised for significant growth. Black Dragon believed Indus was really a product company trapped inside a services company. Outside of R Systems it would be able create a new product-centric culture and thrive.



*“Black Dragon's unique knowledge of our industry coupled with their in-depth operational expertise resulted in a remarkable partnership with our management team. Together, we were able to reach new milestones that really brought Indus to the next level in a very satisfying way. As fellow entrepreneurs, they knew how to get the most out of the journey.”*

*- Raj Swaminathan, former CEO of Indus*

## Applying The Black Dragon Toolkit

The Black Dragon Toolkit consists of three components:

- The Black Dragon Leadership Index
- The Black Dragon Playbook
- The Black Dragon Way

Combined and executed correctly, these tools assure a successful and efficient business transformation. Put the right team in place, give it the tools to transform the business, and build a sustaining culture of innovation and accountability. Each business is unique, and the markets it competes in are constantly evolving, so an open minded and agile leadership team are critical to success.

## The Leadership Index

Without the right leadership in place, the transformation will not succeed. What separates the Black Dragon Leadership Index from other Leadership assessment methods is its iterative approach. Black Dragon continuously assesses leadership performance and fit. Some leaders are well-suited for specific phases of the business transformation while being a poor fit for other phases. Not all leaders are able to transition from a cost optimization phase to a growth phase. Many times, different skills sets are required for each phase of a company's growth and development.

In Indus' case, the executive team had been working together for several years and had met the challenge of being a product development group working within the confines of a larger service organization. CEO Raj Swaminathan and his enthusiasm for Black Dragon's plans for Indus made him the obvious choice to lead the newly independent organization. The question was, could the current team adapt and begin to grow or where were they part of the challenging performance under the prior owners.

Black Dragon's approach to management is best described as “identify and unleash” according to CEO, Founder, and Managing Partner Louis Hernandez, Jr. Ultimately, both the CEO, and the CFO, Shankar Seetharaman, remained in their roles and led the

transformation of the company. They were complemented with key leaders with functional skill sets to drive the next phase of the company's growth and development.

The management team remained intact for the entire ownership period of Black Dragon Capital.

## The Black Dragon Playbook

The Black Dragon Playbook is the most prominent toolkit component because it guides the whole transformation process and contains an array of tools. As the diagram below shows, the Playbook is not a one-time, linear process it is an ongoing cycle of improvement for optimizing a business.



As straightforward as the Playbook activities appear, it is a further Black Dragon differentiator that dramatically improves the likelihood of success: Every member of the Black Dragon Capital leadership assigned to work with a portfolio company team is an experienced operator in that company's sector.

Completing the market and value chain research, along with the product profitability analysis led the Black Dragon and Indus teams to identify Indus' comprehensive consumer finance product suite tool as an area poised for exceptional growth. The Indus Product suite comprising Loan Origination, Receivable Management, Loan Servicing and Collections modules provided a comprehensive suite of solution-sets and an integrated offering for any business across the entire Consumer finance and Commercial Finance value chain. The platform could support a variety of loan types for both commercial and consumer needs.

***“Black Dragon's product profitability, geographic, and sector analysis proved to be very helpful for assessing where the opportunities were. They were open to our suggestions on modifying the analysis and worked hand in hand with us in driving the Transformation Plan. The most impressive part was that Louis Hernandez, Jr. himself and the rest of the Black Dragon team were on the ground with us making it happen. It was a wonderful partnership!”***

***- Shankar Seetharaman, former CFO of Indus.***

The Indus' software was a best of breed solution for banks and domestic financial services companies due to what the team learned from the market sector, geographic analysis and the product profitability analysis. Indus had already established a solid presence in the fast-growing Consumer Lending businesses across India and Asian markets. As the professional and middle classes grew, so did the desire for financing options. The Consumer Lending System was already gaining traction across business segments with its integration across multiple Core Banking systems too. Expansion into large global Captive Auto-Finance businesses and other big-ticket operations were a likely follow-on initiative for the Indus product and development teams.

Black Dragon provided the tools to create a more focused and profitable business by targeting the highest growth opportunities, where the company had a right to win, and create a leaner and more directed cost structure. While BDC provided the tools, ultimately it was the Indus management team that executed, improvised, and sought input from Black Dragon as needed to make the strategy real. Together, they worked closely on the execution of the transformation plan and the company soon began to experience accelerated growth and earnings.

## The Black Dragon Way

The Black Dragon Way is designed to help the management team identify the culture needed to navigate successfully through the transformation. A performance culture that is steeped in transparency, accountability, teamwork, and compassion. As the transformation progresses, the importance of the Black Dragon Playbook does not wane. Continuous focus on macroeconomic and market trends are necessary. Course corrections are made as needed. It is The Black Dragon Way that ensures the discipline and processes that achieved the desired results are codified and become entrenched in company culture. Just as importantly, cultural values such as personal integrity, accountability, and acting with the appropriate sense of urgency are instilled as part of transformation.

## The Bottom Line

The company saw its revenue grow approximately 78% in a few years, and adjusted EBITDA by approximately 48%. The company was in the middle of transitioning to a SaaS based model but with these results, began attracting the attention of suitors. Rather than move to the next phase of development, BDC with the support of management, sold the company to a publicly traded company Ebix, which management felt could drive incremental sales over time

With strong leadership and expert advice from Black Dragon Capital and its advisors, Indus met its strategic goals in the consumer finance and lending sector in three years and achieved impressive results. Some of the highlights of Indus' performance include:

- Deployment of Indus software in over 100 banking and finance, automotive OEM finance, telecom, and insurance companies worldwide
- Geographic expansion beyond India to Europe, the Middle East, and Asia (from roughly 20% of revenue generated outside of the domestic Indian market to approximately 50%)
- Expanded market focus from banking to a leadership position in auto finance and telecom credit (10% of sales outside banking to 35% in four years)
- Revenue growth 47% through the investment period, and EBITDA growth 48% through the investment period.<sup>1</sup>
- Significant multiple of invested capital and IRR for investors.

As Louis Hernandez, Jr. said at the time of the transaction, "Black Dragon Capital accomplished what it does best, which is to help a company accelerate its growth and realize its potential. As former entrepreneurs, we know the passion, intensity and joy of building something you believe in. I'm very happy for Black Dragon and more satisfied for the incredible team at Indus."

<sup>1</sup> BDC invested in Indus in June 2015 and exited in July 2018. We have used full years before entry and exit - 2014 and 2017, respectively, for the calculation of growth numbers.