

maximize...!



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Subex Systems Limited
Annual Report 2001 - 2002

Year at a Glance

Feb 02

Subex launches its revenue maximization suite, RevMax™ at the 3GSM World Congress in Cannes, France.

Jan 02

Subex wins the HR Excellence Award for 'Organization with Innovative HR Practices' from India HRD Congress.

Jan 02

Subex's Chairman and Managing Director speaks on 'Leveraging an EBSS solution for improved customer relationship and effective marketing' under the forum for 'Customer, Partner & Management focused strategies for maximizing revenue' at The 5th Annual Billing and Customer Care conference in New Delhi.

Nov 01

Subex launches its new product eProficio™ - Electronic Business Support System (EBSS) at the GSM Africa event in Cape Town, South Africa.

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Aug 01

First European installation at Cyprus Telecommunications Authority (CYTA).

May 01

Subex makes headlines by acquiring the product line of Canada-based Magardi, Inc.

May 01

First African installation goes live at Econet Wireless, Nigeria.

April 01

Subex opens a new support center in the South African capital, Johannesburg to support its increasing presence in the continent.



2001 - 02

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Board of Directors

Subash Menon	<i>Chairman and Managing Director</i>
Alex J. Puthenchira	<i>Executive Director</i>
Sudeesh Yezhuvath	<i>Wholetime Director</i>
V. Balaji Bhat	<i>Director</i>
K. Bala Chandran	<i>Director</i>
Vinod R. Sethi	<i>Director</i>

Company Secretary

S. Rama Kumar

Bankers

State Bank of India
 ICICI Banking Corporation Limited
 Corporation Bank
 First Union Bank, Piscataway, New Jersey
 Royal Bank of Canada, Ottawa

Auditors

M/s. Deloitte Haskins & Sells
 Chartered Accountants

Internal Auditors

M/s. P. Chandrasekar
 Chartered Accountants

Registrars & Transfer Agents

Canbank Computer Services Ltd.,
 R & T Centre, Hotel Broadway Complex,
 No. 19, K.G. Road, Bangalore - 560 009.
 Tel : 2872461, 2872462
 Fax : 2872804
 E-mail : ccslrnt@vsnl.com
 ccslrnt@bgl.vsnl.net.in

Registered Office

721, 7th Main Mahalaxmi Layout,
 Bangalore - 560 086
 Tel : +91-80-349 7581
 Fax : +91-80-349 1490
 E-mail : info@subexgroup.com

Board of Directors



Subash Menon



Alex J. Puthenchira



Sudeesh Yezhuvath



V. Balaji Bhat

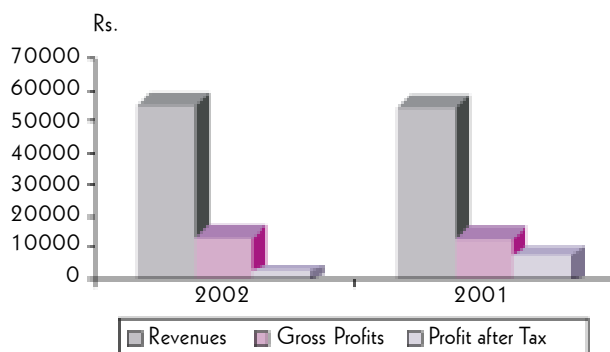


K. Bala Chandran



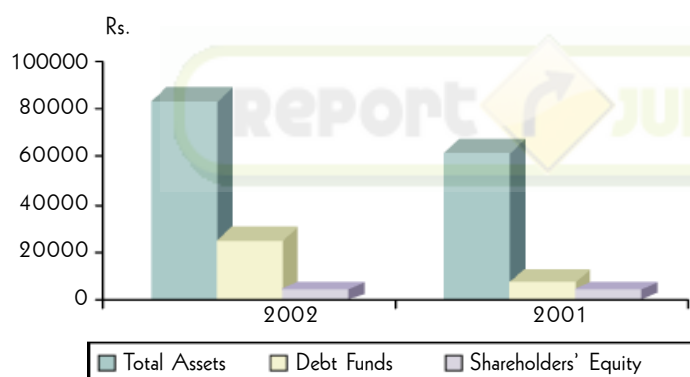
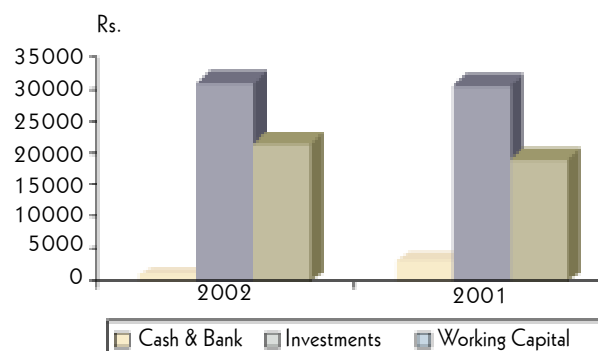
Vinod R. Sethi

Financial Highlights



While revenues & gross profits increased by 6.1% & 4.6%, profit after tax decreased by 145.6%.

Cash & Bank balances decreased by 127.8%, Investment & Working capital increased by 1.2% & 12.2% respectively.



Total Assets and Debt funds increased by 31.9% and 134.1%.

Year ended March 31

Particulars (Rs. '000)	2002	2001
Revenues	592,508	557,884
Gross profit	173,659	165,988
Profit after tax	41,843	102,772
Basic earnings per share (Rs.)	5.87	14.42
Cash and bank balances	18,828	42,889
Investments	330,184	326,221
Working capital	232,026	206,763
Total assets	896,164	679,382
Loan funds	304,633	130,094
Shareholders' equity	71,257	71,257



VALUE

client speak

"We felt that RevMax™ suite's approach by Subex fits us the best. Moreover, taking into consideration Subex's experience in the African market and the flexibility of their products, we zeroed in on Subex"

—Ms Cheryl Packwood,
Director General
Cora de Comstar, Ivory Coast





Subash Menon
Chairman & Managing Director

September 17, 2002

Dear Shareholder,

The telecom industry, which your company operates in, has been experiencing an unprecedented downturn with carriers across the world cutting capital expenditure. Some of the large carriers have declared bankruptcies and several small ones have closed down. Many others are in the throes of consolidation. On the whole, the much acclaimed telecom industry is going through a phase of metamorphosis which threatens to erode investor confidence, in this industry, for years to come and to stymie growth for the next few years. Your company, like others, is not immune to these winds of change and the same have reflected in our financial performance for the year ended 31st March, 2002. While we have managed to grow at a rate of 23% comparing the software business post the closure of the Telecom Division (which contributed about Rs. 70 million to the revenue in FY01), profitability has been impacted severely dropping to 7.5%. Thus, while the revenues have grown from about Rs. 480 million in FY01 (software products and services revenues only) to Rs. 592 million in FY02, Profit After Tax (PAT) has declined from Rs. 103 million to Rs. 44.7 million, due to the restructuring of offshore software development business and provisions towards doubtful receivables.

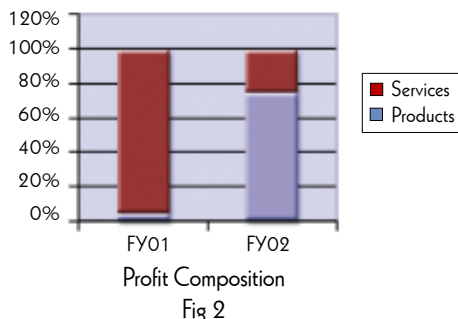
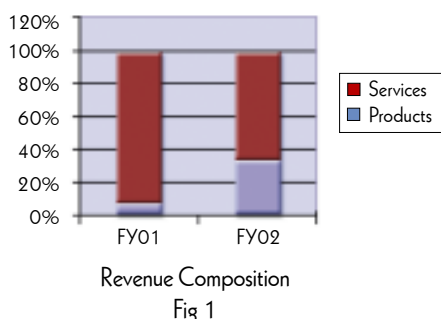
Acquisition

Your company completed the acquisition of the business assets of Magardi, Inc. on the 29th of May, 2001. The operations have been integrated with the activities of the Software Products Division of your company wherein software development has been shifted to India and sales & marketing of the acquired products has been launched aggressively. The prime concern with regard to any acquisition, namely integration, has thus been addressed effectively.

This acquisition and the subsequent integration has resulted in a positive impact on the performance of the products division during FY02. This is discussed in more detail in the relevant section of this letter.

Software Products Business

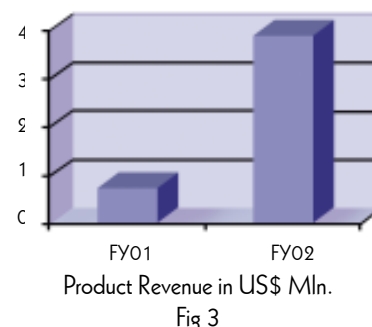
Amidst the gloom in the sector and the unsatisfactory financial performance of your company, I am happy to report a silver lining that is expected to boost our prospects in the future. Blazing a new path in the software business segment in the country in general and in the telecom software business segment in particular, we have grown quite substantially in the application software products arena. Our special commitment to this part of the business and the continued focus achieved increasingly throughout the year has started to bear fruits in a very satisfying manner as shown in Figures 1 & 2.



Thus, 33% of the revenue has contributed 74% of the profits. Needless to say, this amply justifies the focus of the company on products. We expect to increase the tilt in the revenue composition in favour of this segment to further improve the profitability of the company that will be witnessed in the years to come, starting with the financial year FY03. The products business has recorded a growth of about 400% as shown in Figure 3.

Software Services Business - Offshore

The offshore software services business unit of the company was mainly developing products for its customers in the US. These customers, who are vendors of telecom software and hardware products have been battered by the downturn and hence had to downsize quite considerably and cut costs on an unprecedented scale. This resulted in a mass cancellation of contracts rendering the unit financially unviable. As a step to improve the financial strength of the company and to direct the management



bandwidth and resources at more promising areas, the Board of Directors decided to withdraw from this business segment. Consequently, the personnel were transferred to the products division and sales & marketing activities were discontinued. The company does not foresee a revival of demand in this segment in the near future.

Software Services Business - Consulting

The consulting software services business unit of the company, which derives a significant portion of its' revenues from contracts awarded by AT&T, experienced a considerable contraction of business during the first ten months of the year. I am glad to report that this unit has witnessed huge growth in demand since February of 2002. While addition of new customers has progressed at a relatively slow pace, we have managed to grow deeper into each account thereby strengthening our relationship with those customers. The company is confident of an excellent performance by this unit in the future. During the year, the company undertook extensive cost reduction measures at this unit to improve the profitability. Results of these measures have been experienced in the recent months.

New Products

While our flagship product Ranger™ has been quite successful, we need to introduce more products to maintain the momentum of growth and to emerge as a significant player in this segment on a global basis. To this end, we have launched two new products during the year – eProficio™ and INcharge™. Both these products are in the initial version (Ver. 1.0) with new releases planned in due course of time. Further, all the three products now form part of the RevMax™ suite which has been launched to alter the positioning of the company by moving up the value chain.

The strategic positioning that is being attempted through the launch and marketing of RevMax™ has been adequately augmented by the new products owing to the application of the same. eProficio™, an Electronic Business Support System, is aimed at improving customer satisfaction thereby reducing churn while increasing revenues and optimizing costs. INcharge™, an inter-carrier billing verification system, identifies the revenue leakages in the inter-carrier billing process and assists in enhancing the profitability in interconnect agreements. Thus, both the products effectively further the philosophy of RevMax™, that is to maximize revenue while reducing cost and improving profit.

Additional Investment – A Strategic Approach

In keeping with our plans to grow at a brisk pace in the software applications segment for telecom operators the world over, your company intends to make strategic investments in sales, marketing and research & development. Global sales & marketing efforts, at par with those undertaken by the majors in the industry, is absolutely essential to propel us to the forefront.

Towards this end, a fund raising activity is in progress. The proceeds will primarily be used to strengthen the sales & marketing infrastructure and activities. The steps to be undertaken will include opening up of new sales & support offices to address new geographies, additional sales & marketing personnel, setting up of extensive and high-end test beds for the products etc. However, the investments will be made in a prudent manner to ensure maximum returns.

Further, as a matter of prudence, your company has also provided for doubtful debts to the tune of about Rs. 20 million. However, efforts are continuing to collect these receivables. This provision is largely with respect to a customer who is unable to pay solely due to foreign exchange issues in their country and does not indicate any problem with the product or its' implementation.

Business Outlook

While the depressed conditions are expected to last for another 12 to 18 months in the telecom industry, various market research reports indicate a bright future for the BSS/OSS (Business Support Systems / Operations Support Systems) sector that your company specializes in. According to a study conducted by a global market research firm, the BSS/OSS industry is expected to clock a growth of 15% from 2002 to 2005 resulting in the global BSS/OSS revenue growing from US\$ 31 billion to US\$ 48 billion. These projections are supported by other findings related to the overall situation that the carriers find themselves in.

Owing to a huge investment binge in network equipment and other hardware in the past few years, carriers today are inundated with disparate pieces of equipment that fail to operate in a cohesive manner. Decision support systems and management information systems required to garner and analyze vital information regarding revenue leakages, customer behaviour, market trends, demographic dependencies etc. fall far short of the needs. Further, software solutions that are critical to achieve seamless operation with regard to provisioning of services, billing, customer care, performance monitoring etc. are woefully inadequate in today's networks. Thus, it can be logically ascertained that carriers will have to invest in software solutions to fill these lacunae in their operations. Hence the buoyancy in the telecom application software segment, about the future.

Further, it has been established beyond doubt that revenues from data, alongwith those from commercial transactions, will form the main element in the growth of the carriers in the future. The advent of these revenue streams will significantly enhance the vulnerability of the telecom operators on the revenue leakage front. This scenario is bound to create attractive opportunities for companies like ours that are focused on revenue maximization solutions. While the revenues from voice services are clearly declining, the possibilities of revenue leakages are increasing, resulting in an enhanced need for revenue maximization solutions. And while the ratio of revenue leakages to revenue may remain constant or might even reduce, the absolute loss and its' relative significance with respect to the profits will continue to grow. Therein lies the opportunity for offerings like RevMax™.

I take this opportunity to thank all the customers, the vendors, the shareholders and Subexians for their excellent support in these testing times. Let me assure you that the Board of Directors and the management of your company will continue to strive to maximize your returns.

Subash Menon

Subex deple
its tools fo
African cell

Press Trust of India
BANGALORE, 3 JUNE

Asia Pacific News

Subex Systems adds to
India's Subex Systems v
company's revenue ma

INcharge was one of
to support a carrier
carrier plug this re

product range
with its inter-carrier billi

COMPUTERS/SOFTWARE HEADL
Subex began as a telecoms hardware
products and services three years
of revenue came from software
Like i-flex solutions
Talisma Corp
is among

Subex's 3rd win
in West Africa

India-based telecom software
company Subex Systems Ltd of
Bangalore, has won a contract from
Cora de Comstar, a GSM operator
in Africa's Ivory Coast, to supply its
revenue maximisation suite,
RevMax™. The contract has been
awarded for two of Subex's
which form part of the

CITY-BASED telecom software
company Subex Systems Limited
announced today that it has
employed its products
Eproficio

Product focus to help Subex profits

REUTERS [FRIDAY, JUNE 14, 2002 11:43:32 AM]
BANGALORE: After a long but worthy
Subex Systems is reaping the rewards
margin products in an industry

companies, its president and co-found
support system
Epiacio, a company release

Cora de Comstar is a GSM
operator headquartered
capital of Ivory
jointly by

Sonatel Signs on Subex

9-Sonatel Mobiles in Senegal
contract for its Ranger fra
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Subex gets contr BPL mobile

PTI [TUESDAY, APRIL 2, 2002 4:45:15 PM]

BANGALORE: Subex System
s announced
Mobile

Mission Statement

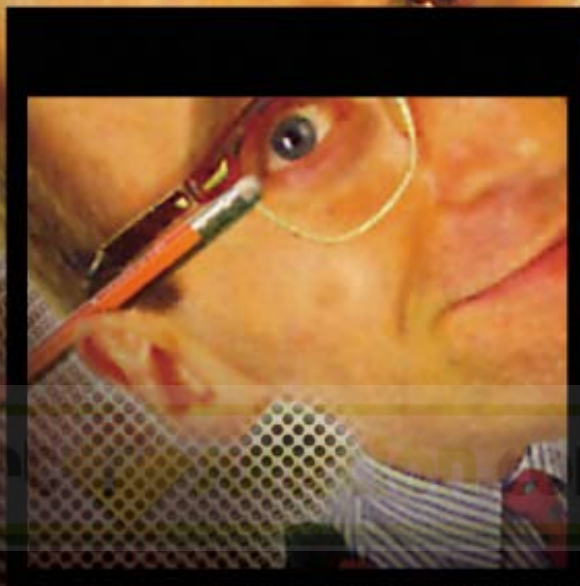
Ensure creation of value by providing a differentiating edge to
the activities of our customers, investors, vendors and Subexians
through technnovative solutions while fulfilling our social
obligations and maintaining high professional and ethical
standards.

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client speak

"We were particularly satisfied with
Ranger's end-to-end approach and
inherent flexibility"

Bruno Clery,
General Director,
Sonatel Mobiles



LEARNING

client speak

"Our requirement is for a partner and a system that can meet the demands of this market and we believe we have found the right choice in Subex and its product, Ranger™"

—Douglas Mboweni,
Chief Information Officer,
Econet Wireless, Nigeria

