

SUBEX LIMITED
ANNUAL REPORT
2007-2008

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highlights **2007-2008**

- completed acquisition of Syndesis
- honoured by AT&T as outstanding supplier
- won ISV partner of the year award from Sun Microsystems
- changed name to Subex Limited
- won award from UKTI for successful listing at the London Stock Exchange
- made it to the Deloitte Technology Fast 50 India listing for the third year running
- Subash Menon appointed as chairman of the NASSCOM product forum
- consolidated all offices to a single location in Bangalore

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committing to seeing things
differently to produce the best value
in all fairness - the Subex way.

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key financials & indicators

Year ended March 31, 2008

PARTICULARS (Consolidated)	FIGURES IN RS. MILLION EXCEPT KEY INDICATORS
Total income	5408.9
Export Sales	4836.94
Operating Profits (EBDITA)	-107.54
Depreciation & Amortization	184.04
Profit before Tax	-617.05
Profit after Tax	-680.72
Share Capital	348.47
Reserves & Surplus	7050.66
Net Worth	6792.52
Gross Fixed Assets	1505.82
Net Fixed Assets	388.77
Total Assets	18463.32

Key Indicators

Earning per Share (Year end)	-19.52
Cash Earning per Share (Year end)	-31.01
Book Value per Share	194.92
Debt (including working capital) Equity Ratio	1.36
EBDITA / Sales - %	-2.21
Net Profit Margin - %	-14.02
Return on year end Net Worth %	-10.02
Return on year end Capital Employed %	-0.67

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we are confident that all the initiatives of the past 12 months and the progress achieved so far will help us gain our target.

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chairman's letter to the shareholders

Dear Shareholder,

Financial year 2008 was quite turbulent and tumultuous. Two main elements buffeted us during the year and wreaked havoc with the financials. The first one was the level of complexity that we experienced while integrating Syndesis (the company that we acquired in April 2007) with our company and the other was the postponement of contracts by customers. Let me take a quick look at the figures before delving into the details of these issues.

While the total revenue of the company increased by 42% to reach Rs.4855.91 million, product revenue recorded a growth of 58%. The contribution of products to the total revenue stood at 75% and the company made a net loss of Rs.680.72 million.

Acquisition of Syndesis

We acquired Syndesis at a total cost of US\$ 180 million in April 2007. The rationale behind the acquisition was two fold. While we wanted to become an even more significant partner to the telcos by offering a wider and well integrated portfolio of products, we also aimed to expand our addressable market opportunity by entering an adjacent space. By March 2006, we had already achieved market leadership in the Revenue Maximization space and continuing growth seemed to be at risk. The solution was to enter a new, but adjacent area that would open up more opportunities. This strategy was supportive of the approach to address a new trend that was emerging. Most of the telcos, particularly the large ones, were demanding platforms that could handle multiple tasks in the OSS stream. Thus, an acquisition in the Service Fulfillment space seemed to help us to meet the twin objectives.

Any move into a new space is fraught with risk owing to the complexities resulting from lack of familiarity with the space. Keeping this in mind, we had conducted an extensive due diligence to assess the risks and to prepare for the same. However, the true complexity that we experienced was more than what was estimated by us. Clearly we were ill equipped. This resulted in reduced revenue while the costs had not come down adequately leading to operational loss. To this was added the issue of a customer delaying contracts. Quite naturally, that delay also led to reduced revenue further increasing the operational loss. These two issues resulted in an operational loss of about US\$ 20 million on revenue of US\$ 91 million from products.

Solution

Your company is used to posting stellar performance and is not the sort that was posted in FY08. With the performance going downhill, it was imperative to get to the root cause of the issues and set them right at the earliest. A thorough study was conducted and the underlying problems were ascertained. The final solution had three components – completion of integration at the earliest, reduction of cost and faster conversion of backlog and orders booked to revenue. The company then went about implementing the solution.

Implementing the Solution – Integration

Integration was originally planned for completion by Jan 2008. Owing to the complexity, this period was at risk. Additional manpower was deployed to ensure that integration was completed as originally planned. I am glad to report that the same was achieved and all aspects of integration – transition of technology, merging of teams, functional training, redundancy etc. – were completed by January 2008.

Implementing the Solution – Cost Reduction

Software products business is very non-linear and so, the variability in expenses is very limited. Consequently, even when revenue reduces, the cost remains without much reduction. While this is a very positive feature when revenue is on the rise, it is extremely negative when the reverse happens. With the completion of the integration, the originally expected cost reduction of about US\$ 12 million (for a full year) was achieved. It was required to reduce the cost further. The company has taken several measures to meet this objective. The result is expected to be a reduction of about 10% in the overall cost per Subexian per annum from the level in FY08.

Implementing the Solution – Conversion to Revenue

The revenue chain of the company has several links namely, pipeline, order intake, execution of projects and conversion to revenue. With the completion of integration, execution of the projects became quite smooth. Further, several initiatives were taken to improve the efficiency of delivery. These improvements, coupled with better execution, has brought about a significant progress in the rate of conversion of orders booked to revenue. We expect the revenue per Subexian per annum to increase by about 30% from the level in FY08.

The combined effect of reduction in cost and increase in revenue earned per Subexian will have a salutary effect on profitability. And that is the focus for the current financial year FY09.

Way Forward

Your company has always posted financial results that demonstrated superior operational excellence. This was not true in FY08. Our key objective in FY09 is to turn the tide and post financial results that are in line with your expectations. We are confident that all the initiatives of the past 12 months and the progress achieved so far will help us to gain that target. Let me sign off for now by thanking every one of you for the support and for the faith reposed in me and my colleagues during these trying times. Dear shareholders, we will not leave any stone unturned in our efforts to meet your expectations. We will not fail you.

SUBASH MENON
FOUNDER CHAIRMAN,
MANAGING DIRECTOR & CEO



products & solutions

Revenue Maximization solutions

Moneta™ Revenue Assurance System is a first-of-its-kind, complete RA solution, designed to tackle critical revenue assurance challenges across the entire revenue chain. It offers a set of pre-configured solution templates to address RA challenges inherent to individual service verticals – Wireless, Fixed, Cable, MSPs & MVNOs.

Nikira™ Fraud Management System is a state-of-the-art solution built to deliver on a 3-step philosophy of Detect-Investigate-Protect. Nikira detects known fraud types and patterns of unusual behaviour; helps investigate these unusual pattern for potential fraud and uses the knowledge thus generated to upgrade and protect against the future.

Prevea™ Risk Management System empowers operators to continuously assess and mitigate risk presented by subscribers throughout their lifecycle, by tracking risk in realtime during subscriber acquisition, ongoing usage and collections & recovery.

Concilia™ Interconnect Billing System allows operators to quickly and accurately settle charges with their network partners. It provides operators with the ability to manage these major costs & revenues on a day-to-day, hour-to- hour basis.

Symphona™ Interparty Management System enables operators to bill their customers and settle with their partners on a single modular platform. The system is able to support multiple business models and multiple currency transactions within a single implementation through seamless addition of necessary modules.

Optima™ Route Optimization System is designed to provide operators with the tools to manage network cost information. The system is capable of taking into account factors such as call quality rate information, capacity and network costs in calculating the optimum choice of operators.

Subex Cost Assurance Solution protects and enhances operator margins by having a complete view of the profit equation. The Solution collects, collates and correlates the information from Switch, Inventory, Billing, Partner Invoices, and Financial systems to provide deeper insights about the cost aspects in an easier to understand format through Dashboards & Reports. The Solution focuses on Circuit assurance, Carrier to Carrier compensation assurance, Access assurance, Payment assurance, Accruals & Dispute management."

Fulfillment and Assurance solutions

Syndesis Adaptive Resource Manager® is the industry's only 'live' inventory management solution which offers service providers a low-risk path to operational transformation and highly accurate inventory management.

Syndesis Application Configuration Manager® automates the configuration, management, and detailed discovery of applications, policy servers, subscriber databases, and other service delivery platforms, making self-service a reality for the mass market.

Syndesis Controller® offers pre-integrated, best-in-class Order Management, Service Catalog Management and Technical Workflow solution, providing the basis for the automation of the complete order-to-bill cycle and enhancing scalability and visibility for the entire fulfillment process.

Syndesis Express® provides complete subscriber-centric fulfillment for IPTV, VoIP, Business Ethernet and other targeted advanced service offerings from a wholly integrated architecture, enabling rapid service definition; integrated service design and activation across connectivity and applications; and real-time subscriber self-management.

Syndesis NetOptimizer® takes the risk, time and effort out of the toughest service migrations through service-aware automation, transforming over-engineered network into right-sized networks.

Syndesis NetProvision® increases your revenues and drives down your time-to-market and operations costs by automating the design and activation of complex, application-aware connectivity, enabling flow-through provisioning of next-gen data and IP services across multi-vendor, multi-technology networks.

Syndesis TrueSource® employs an operations-wide approach to solving data integrity problems, combining three powerful data integrity functions: multi-layer network and service discovery, data reconciliation, and discrepancy analytics.

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telecommunications service providers have experienced enormous changes in the past few years. But these changes are only the beginning as the voice and connectivity providers of yesterday re-invent themselves as the content providers and aggregators of tomorrow.

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