

## CORPORATE RESULTS

**Subex shows 5-fold increase in profit to ₹58.7 crore**

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Subex, a telecom software product company that counts leading global telecom operators as its customers, has reported a five-fold increase in profits at ₹58.7 crore for the financial year ending March 31, 2016. The company converted ₹447 crore of the ₹492 crore of outstanding foreign currency convertible bond (FCCB) debt to equity.

The Bengaluru-based company, on Tuesday, reported a 10 per cent decline in revenues for FY16 at ₹323.3 crore, owing to the increased focus on managed services, which offers smaller but recurring payouts, which now make up 35 per cent of the company's earnings.

Subex had reported profits of ₹10.2 crore on revenues of ₹359.8 crore in FY15.

"As we have seen through cloud adoption and mobility, customers want to variabilise their IT (information technology) spending. Since the trend is towards that direction, I think it was important that we moved our model to a services model. This has given us a long-term hook into the customer domain but has led to a little bit of fiscal decline," said Surjeet Singh, managing director and chief executive officer at Subex.

By converting a significant portion of its FCCB debt to equity, the long-term debt overhang and related interest cost will stop weighing down Subex's balance sheet. Singh said the move will open up avenues for investments in the business and enhance value for shareholders in the long term.

Singh, a former chief financial officer of Patni Computers who led its merger with iGate (now sold to Capgemini) was brought in to turn around Subex after its founder Subhash Menon resigned over mismanagement of the company.

Since then, Singh has rejigged the business and focused on long-term contracts for its managed services offerings.

Contracted revenue or potential signed orders stood at an all-time high of \$140 million, which was aided by long-term contracts for its managed services offerings last financial year. It also won a total of \$51 million worth of new business during FY16, compared with \$45 million in FY15.

The next area of focus to grow the business would be to grow service offerings such as analytics to its telecom customers. With an increasingly crowded market, Subex said it would have an edge over its rivals since it has been handling client data for several years and had built a name for itself in the telecom sector.

From a growth perspective, while 45 per cent of Subex's revenues are driven by Southeast Asia and Middle East regions, it is expecting growth to be driven by emerging markets. Also, the company expects revenues to grow from Western Europe since it hasn't tapped that market as well yet.

"We are growing in all emerging markets, that's where all the greenfield customers are. We have every customer in India for example. South East Asian countries, Middle East, Africa, all these regions are high-growth markets and with things like LTE (long-term evolution), there are more feature additions," Singh said. The company's stock traded at ₹10.04, with little movement in the fag end of the trading day on Tuesday on the BSE.