

May 4, 2010

## CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF SUBEX LIMITED

CARE has reaffirmed the '**CARE BBB-' [Triple B Minus]** rating assigned to the Long-term Bank Facilities of Subex Ltd (Subex). This rating is applicable for facilities having tenure of over one year. Facilities with this rating are considered to offer moderate safety for timely servicing of debt obligations and carry moderate credit risk. CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Particulars	Amount (Rs. crore)	Rating
Fund-based Working Capital Limit	166	' <b>CARE BBB-</b> '

### Rating Rationale

The rating factors in the experience of the promoters and management in the software product development business, wide product range with high market share in revenue maximization area, large client base with global presence, successful integration of acquired subsidiaries and decline in personnel cost leading to the company registering operating profit in FY09 and H1FY10. The rating is constrained by relatively higher gearing level mainly due to the Foreign Currency Convertible Bonds (FCCBs), decline in revenue during H1FY10 and highly competitive nature of the industry. The rating also takes into account the restructuring of FCCBs.

Conversion of FCCBs into equity, before March 2012 (due date for redemption) would remain the key rating sensitivity. In addition to this, the company's ability to introduce new products under both Revenue Maximization and Service Fulfillment areas, improve the profitability margins and manage foreign exchange risk would be other key rating sensitivities.

### Company Profile

Subex was founded originally as Subex Systems Ltd. in 1994 by Mr. Subash Menon. Subex offers software products and services to telecom customers in Revenue Maximisation and Service Fulfillment area. Subex has six products for revenue maximisation solutions and seven for service fulfillment solutions. It has sales and support offices in the US, Canada, UK, UAE, India, Singapore and Australia. Subex is an ISO 9001:2000 certified company and has three wholly-owned subsidiaries, namely, Subex Technologies Ltd, Subex (UK) Ltd, Subex Americas Inc., which in turn have nine wholly-owned subsidiaries.

On a total income of Rs.603 cr, Subex incurred a loss of Rs.188 cr in FY09. During H1FY10, Subex registered a PAT of Rs.32 cr on a total income of Rs. 240 cr.

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