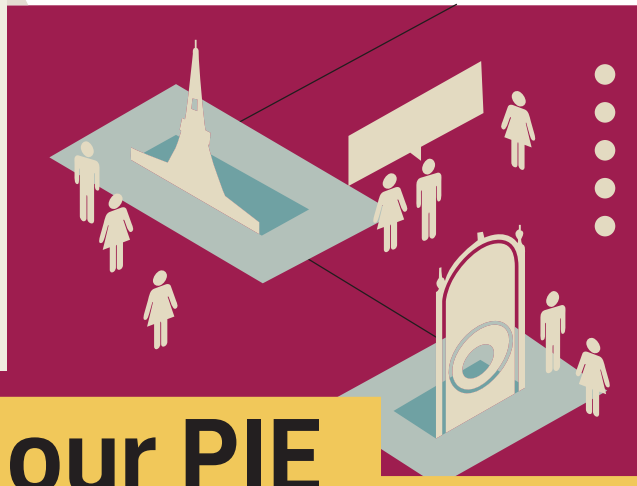




**Subex Limited**  
Annual Report 2012-13



# Growing our PIE

Progress > Innovate > Expand



## Forward-looking statement

In this annual report, we have disclosed forward-looking information to enable investors to study our prospects and make informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion on future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## CONTENTS

Corporate identity	02
Our business model	04
Financial highlights	07
CEO's letter to shareholders	08
COO's message	10
Board of directors	18
Executive leadership team	19
Subex Charitable Trust	20
Star awards	21
Directors' Report	22
Corporate Governance	30
Management Discussion & Analysis	38
Financial Review–Standalone	55
Financial Review – Consolidated	88
Shareholders' Information	121

THE GLOBAL TELECOM  
INDUSTRY IS ONE OF THE MOST  
RAPIDLY-EVOLVING AND  
FASTEST GROWING INDUSTRIES  
THE WORLD OVER.



The global telecom industry is one of the most rapidly-evolving and fastest growing industries the world over.

This dynamic sector is marked by the introduction of new technologies, new services and new products, making it necessary for service providers to possess cutting-edge technologies, knowledge and experience.

Subex is among select global telecom service providers working at the very core of emerging technologies, constantly innovating, customising, delivering and providing industry-leading solutions to customers.

Over the last 20 years, Subex has helped its telecom clients adapt with speed to change and enhance competitiveness. As technologies continue to evolve rapidly, Subex is attractively positioned to take its business ahead through cutting-edge solutions, marking the start of the Company's next growth phase in an exciting journey.



# SUBEX, THE LARGEST GLOBAL BUSINESS SUPPORT SOLUTIONS PROVIDER IN THE AREAS OF REVENUE ASSURANCE AND FRAUD MANAGEMENT.

Subex, works with more than 200 customers across 300 global installations.

29 of these customers belong to the top 50 operators and 33 of the world's 50 biggest telecommunication service providers.



## Lineage

\*Established in 1992

\* A leading global provider of Business Support Systems (BSS) which empower communications service providers (CSPs) to achieve competitive advantage through Business Optimisation

## Presence

\*Headquartered in Bangalore (India), the Company has global delivery centres located in India, the US and the UK

\*Branch offices located in the US, the UK, Dubai, Singapore and Australia

\* The Company's shares are listed on the Bombay Stock Exchange (BSE, India), National Stock Exchange (NSE, India), the London Stock Exchange and the Singapore Stock Exchange

## Products and services

\* The Company is a comprehensive BSS product suite provider to global customers

\* The Company pioneered the concept of Revenue Operations Center (ROC<sup>®</sup>) – a centralised approach that sustains profitable growth and financial health through coordinated operational controls. Subex's product portfolio powers the ROC through best-in-class solutions like revenue assurance, fraud management, asset assurance, capacity management, data integrity management, credit risk management, cost management, route optimisation and partner settlement. The Company also offers a scalable Managed Services program

## Pride

\*The Company has 16 patents (eight granted)

\*Market leader in revenue assurance and fraud management for 2010 and 2011 (Source Gartner)

\*Market leader in Business Optimisation for five successive years (2007 – 2011) (Source: Analysys Mason)

\*Market leader in Financial Assurance in 2012 (Source: Frost & Sullivan)

## Some pride-enhancing customers\*

### Americas

- Bell ● Claro ● Comcast ● Level 3 Communications ● Rogers
- Sprint ● T-Mobile ● Telefonica
- Telmex ● Telus ● Verizon

### EMEA

- BT ● COLT ● Orascom ● du
- MTN ● STC ● Swisscom
- Telecom Egypt ● Telekom Slovenije ● Telenor ● Vodafone
- Zain

### APAC

- Airtel ● BSNL ● dtac ● Idea
- Indosat ● Maxis ● Reliance Communications ● StarHub
- Tata Communications
- Telecom Malaysia ● Telstra
- True

\* List is not exhaustive and represents a sample customer base

Revenue

₹33,147.10  
lakhs

In 2012-13

EBIDTA

₹4,024.92  
lakhs

In 2012-13

Human capital

860

As on March 31, 2013

Global customer base

200

As on March 31, 2013

Subex is the global market leader providing efficient business support solutions to telecom operators worldwide. The Company has created a unique business model which is dynamic, globally relevant with adequate localised domain knowledge.

### Globalised

Subex has created a global business model to encounter slowdowns in particular geographies. With over 300 installations across 70 countries, Subex is aware of consumer behaviours across diverse, global telecom markets, which helps the Company build local operational and market knowledge.

### Localised domain knowledge

The business of telecommunication requires an in-depth knowledge of consumer behavioural patterns in a particular geography. Subex possesses a rich repository of localised domain knowledge achieved by employing people from a particular geography and spreading its network far and wide. This is reflected in the Company's 860 plus strong employee base.

## OUR BUSINESS MODEL

### Analyse and innovate

Subex understands that the need of the hour for the telecom sector is to optimise operational costs to enhance profitability as most of the markets have progressively matured. The Company has successfully analysed the situation and rolled out innovative products. This was illustrated through the recent introduction of ROC Asset Assurance solution which aims at managing and reducing network capex in assets after a careful analysis of the existing investments.

### Low-cost model

Subex has carefully chosen India as a building ground for all its R&D activities, product development and engineering to get low-cost benefits followed by installation through the respective branch offices.

### Evolving

The global telecom space is rapidly evolving with the advent of new technologies especially the increase in the mobile data volume. Subex is continuously keeping pace with evolving technologies and upgrading products and services to become more relevant to its customers. The Company is also proactively plugging sectoral gaps with innovative solutions.

**Experience:** The Company possesses more than 20 years of experience in the telecom industry; the key management team possesses rich industry experience.

**Focused:** A singular focus on the telecom industry with rich experience enabled the Company to emerge as one of the strongest player in the global arena.

**Global presence:** The Company has more than 200 customers across 70 countries with 300 plus installations, reducing revenue concentration from a particular geography.

rich industry experience.

**Product portfolio:** Subex's product portfolio comprises all components of end-to-end Business Optimisation. The Company's Business Optimisation solutions comprise of ROC Revenue Assurance, ROC Fraud Management, ROC Cost Management, ROC Partner Settlement, ROC Route Optimisation, ROC Credit Risk Management, ROC Asset Assurance, ROC Capacity Management and ROC Data Integrity Management. These offerings include analytics, which are enhanced by the ROC platform and analytics capabilities.



## THE EDGE

**Solutions provider:** The Company transformed from just being a license provider to a complete solutions provider of managed services. The Company not only provides the support system, but also manages and provides training.

**Innovative:** The Company constantly keeps pace with the changing industry trends and recently introduced the industry's first solution- ROC Asset Assurance which analyses asset use and their effectiveness, leading to prudent network capex efficiency.

**Intellectual capital:** The Company possesses robust intellectual capital resources represented by 860 employees possessing

**Localised domain knowledge:** The Company's presence in diverse geographies has helped it acquire a localised consumer insight and diverse consumer patterns leading to customised solutions.

**Low cost:** All the R&D activities, product development and engineering activities are carried out from the Company's India Development Centre, resulting in a low cost-high quality advantage.

**Market leader:** The Company has been a global market leader in revenue assurance and fraud management for five consecutive years according to leading analyst firm Analysys Mason.



**94%**  
SIM penetration, 2012

**129%**  
SIM penetration, 2017 (estimated).

**1%**  
Global 4G penetration, 2012.

**10%**  
Global 4G penetration, 2017 (estimated).

**1.1%**  
Global population growth, 2012 to 2017

**4.2%**  
Global subscriber growth, 2012 to 2017 (estimated)

**1,577**  
Quantum (petabytes per month) of global data volume, 2013

**11,156**  
Quantum (petabytes per month) of global data volume, 2017 (estimated).

**1.6**  
Number of billion mobile broadband connections, 2012

**5**  
Number of billion mobile broadband connections expected, 2017 (estimated).

**526**  
Average speed (kbps) of mobile broadband, 2012

**4**  
Projected speed of mobile broadband (mbps), 2017 (estimated).

## OUR BUSINESS IS GROWING ...

**US\$23 billion**  
Estimated loss in SMS revenue incurred by global telecom players due to over-the-top messaging applications by end-2012

**US\$54 billion**  
Forecasted loss by operators, 2016 (estimated)






## OUR FINANCIAL PERFORMANCE IN 2012-13

Particulars (Consolidated)	Amount in ₹ Lakhs
Total Income	33,147.10
Operating Profit (EBITDA) Before Exceptional Items	4,024.92
Depreciation and Amortisation	426.77
Profit Before Tax and Exceptional Items	(1,611.85)
Profit After Tax and Exceptional Items	(5,994.71)
Share Capital	16,664.00
Reserves and Surplus	5,835.68
Networth	22,499.68
Gross Fixed Assets	10,279.57
Net Fixed Assets	466.74
<b>Total Assets</b>	<b>108,797.37</b>
<b>Key Indicators</b>	
Earnings Per Share	(4.40)
Cash Earning Per share	(1.04)
Book Value Per Share	13.50
Debt (Including Working Capital Debt) Equity Ratio	4.39
EBITDA/ Sales (%)	12.14%
Net Profit Margin(%)	-18.09%
Return on Year End Net Worth (%)	-26.64%
Return on Year End Capital Employed (%)	-3.6%



# "WE ARE ON COURSE TO ACHIEVE THE NEXT PHASE OF GROWTH FOR YOUR COMPANY"



Mr. Surjeet Singh, Managing Director & CEO, draws out the Company's roadmap for sustainable growth

## *Dear Shareholders,*

In 2012-13, the global economy remained weak and the global telecom industry saturated, which made it imperative for players to invest in revenue- and profit-protecting initiatives.

As a prominent telecom Business Support Systems (BSS) provider, Subex leveraged its rich experience of having worked in multiple countries, with diverse customers, across diverse fraud patterns and a rich installation experience of having worked on more than 300 systems. This translated into a strong recall, resulting in client accretion in a weak market and the ability to report a reasonable performance even at a time of sectoral weakness.

Ever since our entry into the world of telecom software a decade ago, we have continuously evolved our technology and revenue model. The result has been an ever-expanding set of products and continuing innovation on every front covering technology, products and delivery.

### **Being different**

Over the last 20 years, Subex strengthened its business model through the following realities:

\*The Company leveraged its deep domain knowledge of customers, consumers and telecom usage patterns across geographies

\*The Company leveraged the wage-cum-knowledge arbitrage proposition, resulting in a superior price-value for customers; while all engineering and development activities are carried out in the Company's India delivery centre (including research and development, product development and engineering), the global branch offices support sales and installations

\*The Company established itself as a global player through project delivery with distinctive customer value

\*The Company's wide global presence helped de-risk it from geographic volatility

## Writing the future

In the business of software services and solutions, success is derived from the ability to manage the entire ecosystem. Over the years, the Company strengthened its various capabilities, translating into an attractive opportunity to grow the business.

Innovation: In the business of telecom software services and solutions, there is a growing priority to create products for telecommunication service providers that optimise the cost of operations, enhance productivity and increase profitability.

Subex pioneered the vendor-supplied Fraud Management Systems (FMS) with the Company's first standalone software product offered in 2000. Besides, the Company introduced ROCware – an analytics software, which helps CSPs analyse billions of data inputs with the objective to provide actionable intelligence and insights to CSPs. The Company also provides a sustainable Managed Services offering, generating around 17% of revenues from this segment in 2012-13 and projected to grow to a considerable amount of revenues in 2013-14. Managed Services revenues account for quality predictable revenues that strengthen organisational sustainability. Subex is responding to the evolving needs of its customers through innovative solutions. The Company's newly-launched ROC Asset Assurance is a first-of-its-kind solution which helps

CSPs effectively utilise assets and reduce network capex expenditure.

Expansion: In the business of telecom software services and solutions, there is a growing need to expand the customer base and address significant opportunities. Your Company responded to this need through a two-pronged strategy where it continued to expand its customer base and cross-sell to existing customers.

Process strengthening: In the business of telecom software services and solutions, there is a growing need to strengthen process discipline to accelerate project deliveries. Subex realigned operations around disciplined specialisation where each team worked on a specific product component, specialised in it, following which these were assembled with the objective to reduce delivery time and costs.

The complement of these capabilities translated into a competitive advantage that will accelerate revenues, margins and profits over the foreseeable future.

## Evolving space

These are exciting times for the global telecom industry from a technology perspective.

The advent of smart phones and mobile broadband networks have led to a robust growth in the delivery of mobile data services. Despite challenging economic headwinds, the global mobile market is expected to grow attractively over five years, with an annual growth of 8% in the number of connections between 2012 and 2017.

New services like 4G and other mobile data technologies are driving a paradigm

shift in the global communication service providers. The industry is evolving into a utility service provider, the increase in data and services use incommensurate with an increase in revenues. Over the foreseeable future, one expects to see superior technologies invested in support systems to handle unprecedented volume growth. At Subex, we see this development as an opportunity translating into product up-gradation and a need for new installations.

## Message for our shareholders

At Subex, 2013-14 represents the cusp of a new beginning. A combination of brand visibility, process strengthening, domain focus, innovative solutions and competitive cost structure promise to translate into significant opportunities, qualifications and wins.

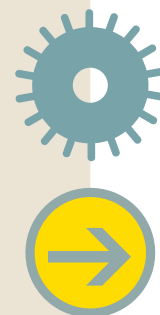
The increase in the proportion of managed services will enhance revenue predictability and cash flows. The analytics software business will enhance revenues. The Company expects to maintain its leadership position in the revenue assurance and fraud management segments. Product upgradation and customisation will evolve products around customer needs and evolving technologies.

Going ahead, I expect these initiatives will lead to significant growth and enhanced value in the hands of our shareholders. All of us at Subex thank each and every one of you for your support and I assure you that we will do our best to grow the Company in a profitable and sustainable way.

Regards,

**Surjeet Singh**

Managing Director & CEO



# "INNOVATION, DOMAIN EXPERTISE AND GLOBAL FOOTPRINT ARE THE ESSENCE OF SUBEX'S DNA"

Mr. Vinod Kumar, Chief Operating Officer



Ever since our entry into the world of telecom software a decade ago, we have evolved at a constant pace with regard to technology and revenue model. The result has been an ever expanding set of products and continuing innovation on every front of the business including technology, products and delivery model. What started off as a single product – fraud management – has now morphed into a holistic platform called Revenue Operation Centre (ROC). ROC covers every part of the revenue chain and presents an end-to-end picture to the users thereby empowering them to improve the efficiency of their operations, resulting in improved revenue and profit.

ROC has evolved as a reliable and complete solution without being plagued by the ill effects of poor inter-operability and lack of data integrity. Several telcos across the world – in both developed and developing countries – have opted for ROC resulting in a high level of traction. The fact that ROC is a pioneering offering has improved both the stature of your Company and its prospects.

## **Analytics- optimising business processes**

Analytics is an integral part of Subex's business optimisation product offering. Operators, today, are sitting on a huge pile of data regarding their customers, but are handicapped by the inability to make use of it. This has created a world of opportunity for the Company to come with solutions that analyses these data near real-time for our customers. ROCware harnesses operational data, transforms it into actionable intelligence and facilitates business decision. It helps an operator to solve business problems as diverse as customer experience management,

product performance management, capacity management and churn reduction.

Subex continues to be on top of the pack for five years consecutively in Business Optimisation according to Analysys Mason and have been awarded market leadership in Financial Assurance in 2012 by Frost & Sullivan.

### Potential growth avenue through managed services

While selling and implementing ROC, it became obvious that the telecom carriers, despite their deep expertise and wide experience, still lacked the knowledge required to take advantage of a broad platform such as ROC. This was aggravated by the non-availability of skilled personnel within their organisation, resulting in non-utilisation of the platform's maximum potential. That presented a new opportunity for the Company – what started off as mere bureau operation has now matured into Managed Services and full-fledged outsourcing.

We were one of the early movers in our space to offer Managed Services and this delivery model is fast emerging as a key differentiator and has also led to a considerable increase in contract size while maintaining a healthy profit margin. Going forward, the Company expects a considerable part of the revenue to be derived from Managed Services.

### Cultural dexterity

The team at Subex has built a truly international business that thinks globally and acts locally. If one were to place a pin on a map of the world in each location that we have business, it would be clear

that the Company's business spans the globe with few exceptions. This is a remarkable achievement which carries both the rewards and resilience of a truly global business.

With over 300 installations across 70 countries, Subex has developed a company structure and culture that has both the durability and diversity to dovetail into the broad range of cultures of our clients and employees. We are in a strong position to leverage the accelerating properties of a low cost centre of operations with detailed and intimate knowledge of the customers and the geographies within which they operate.

### Customer orientation

Subex is a growing organisation and we pay special attention in maintaining a high-level of customer orientation across the organisation. I am convinced that the customer-oriented culture is part of the Subex DNA and that we will replicate it wherever and whenever we work with our customers. Subex's leadership team and Middle Management are not complacent and constantly recognise Subexians who embody the spirit of championing the customer's cause. Customer orientation is what our customers want and it is what we strive to deliver to them everyday.

### Capex management

The impact of the global financial crisis and saturation of telecoms markets across the globe has compelled operators and investors to look into more profitable revenue streams such as mobile content and applications. Moderate to large carriers today have network investments after depreciation and amortisation in excess of

US\$ 50- 100 billion. With constant changes in technology, these networks are expanding at a feverish pace. Annual network spending at these operators is commonly in the range US\$ 0.5-2 billion. A recent PwC survey stated that operators with a collective annual capex of US\$ 200 billion estimated about 20% of their company's capex is spent on assets that don't recover their cost of capital.


To address this need to critical challenge of network capex management, Subex has introduced the industry's first comprehensive programme, ROC Asset Assurance that provides CSPs with the ability to save millions of dollars in network capex along with helping discover, recapture and re-deploy stranded and unutilised assets.

### The path to success

The core of Subex's growth is Fairness, Commitment and Innovation. The Company's deep domain knowledge, global footprint, cost-effective product offerings, localised knowledge and continuous innovation will help us leap to the next phase of growth. Subexians are realising this opportunity as they always have – through an unwavering commitment to our customer to add value and innovate, with the addition of new initiatives such as ROC Asset Assurance and Mobile Money. Being the leader in this area and given the industry-changing nature of our technology, Subex is well positioned to also take advantage of these growth areas through Managed Services. This renewed focus will translate to additional growth opportunities for Subex and Subexians.



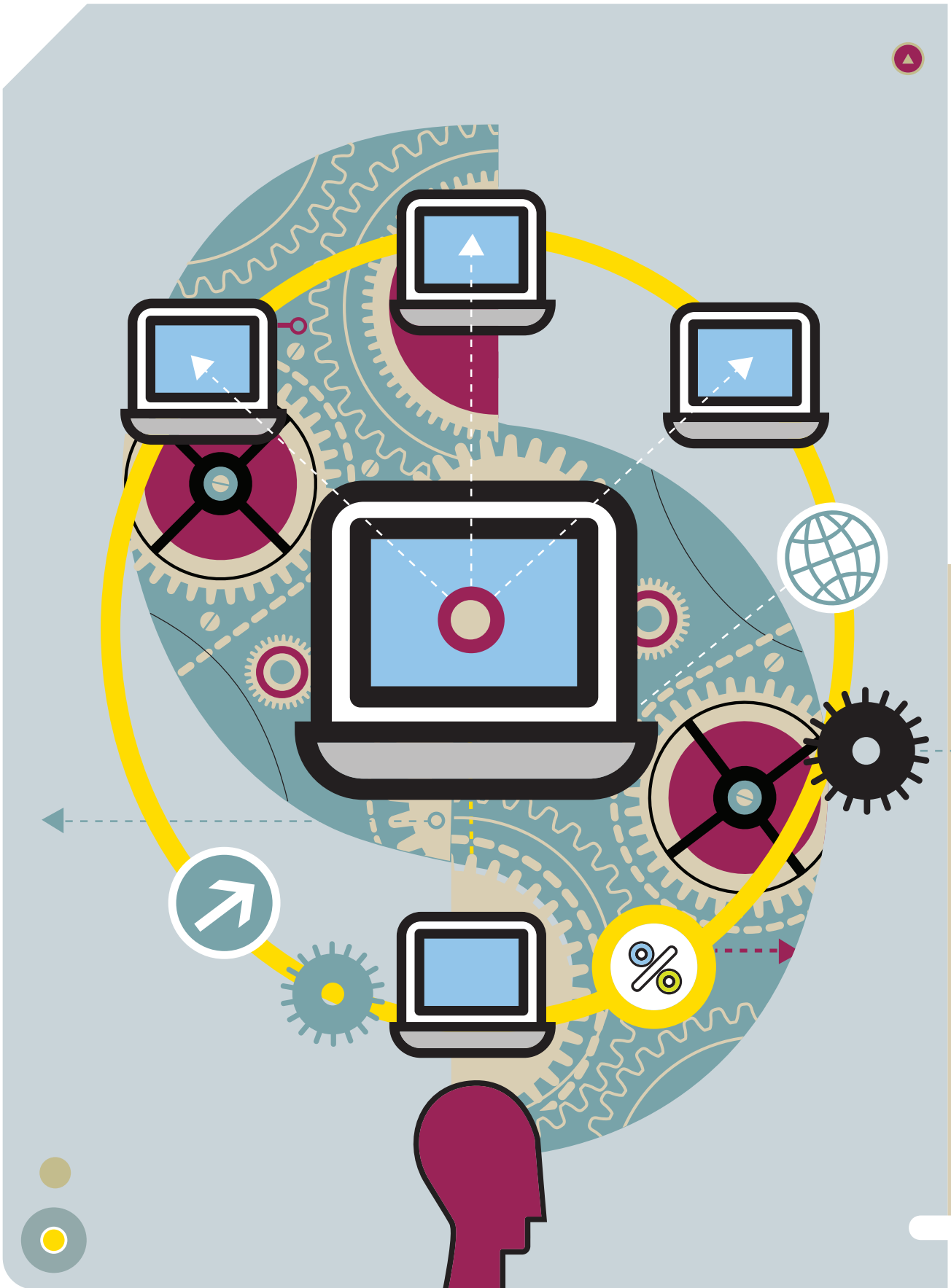
# CONTINUOUS INNOVATION



GLOBAL TELECOM COMPANIES GENERATED A MERE 6% RETURN ON CAPITAL EXPENDITURE OVER THE LAST DECADE (SOURCE: PWC), NEARLY 300 BASIS POINTS LOWER THAN THEIR CAPITAL COST. SUBEX HELPS OPERATORS GENERATE HIGHER CAPEX PRODUCTIVITY THROUGH INNOVATIVE PRODUCTS AND SOLUTIONS.

Subex launched ROC Asset Assurance, a pioneering solution that effectively manages and reduces network capital expenditure. This solution counters low asset disposition, poor data integrity, and weak governance. ROC Asset Assurance solution provides actionable intelligence that is not only descriptive (current stats, trending etc) but also predictive to accurately predict asset exhaustion, procurement, triggering asset warehouse levels and retirement strategies.


The Company enjoys a rich track record in enhancing customer productivity; it was among the first to provide data analytics for telecom players, providing billions of data items with corresponding data integrity tools.







# CLIMBING THE VALUE CHAIN



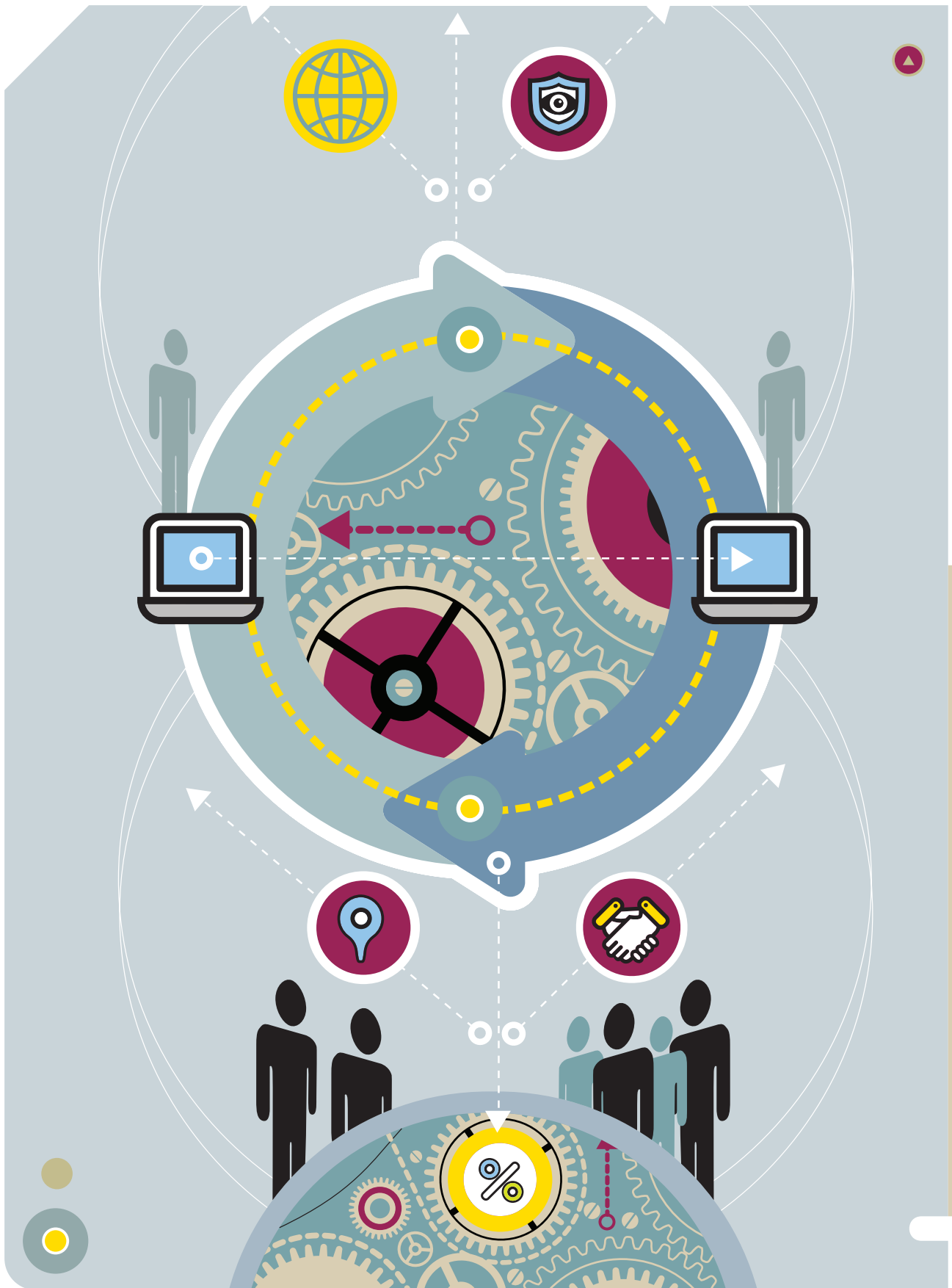
FOLLOWING MARKET SATURATION, AN INCREASING NUMBER OF TELECOM COMPANIES ARE OPTING FOR PAY-PER-USE SUPPORT, ITS REMUNERATION BASED ON A TARGETED ACHIEVEMENT FOLLOWED BY ACHIEVEMENT BONUSES.

This trend has been inspired by the fact that commercial-of-the-shelf (COTS) software products are not always utilised to their maximum capacities coupled with an ongoing pressure to manage business with limited resources.

An increasing number of companies are also looking for vendors to manage support systems facing the aforementioned problems.

Subex is attractively placed to leverage its extensive Business Support System (BSS) experience and provide managed services. The Company's Managed Service experts help global service providers improve their BSS operations significantly, complementing operations and transforming effectiveness.

This new business translated into a dependable revenue stream, growing its share in the Company's revenue cake.



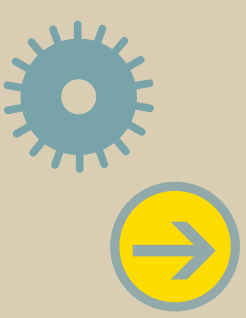




MAKING GROWTH

# SUSTAINABLE

SUSTAINABLE GROWTH IS DERIVED FROM THE ADDITION OF NEW CUSTOMERS ON ONE HAND AND MAXIMISING A SHARE OF THE CUSTOMER'S WALLET ON THE OTHER.



With growing operational complexities as a result of fast-changing technologies and usage patterns, it has become mission-critical for telecom service providers to constantly look at investments in upgrading their systems and processes. For example, a number of operators in developed markets are fast replacing their current fraud management systems. Armed with our holistic approach and specialised offerings, Subex is addressing this emerging opportunity by increasing our sales outreach and engagement.

Besides, the Company is revamping its sales teams (North America, the Middle East and Africa) to drive sales. The Company is evolving the role of its sales teams from a one-off transactional approach to an ongoing consultative arrangement, translating into sustainable revenues.

The result is that the Company is expected to increase revenues attractively over the foreseeable future.

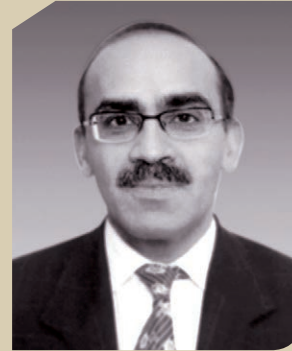
# BOARD OF DIRECTORS



Sanjeev Aga (Independent director)



Surjeet Singh (Managing director & CEO)



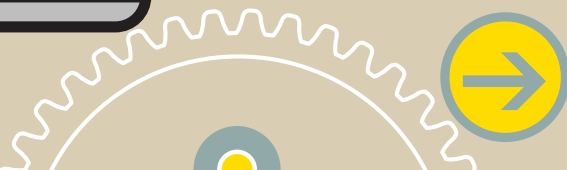
Anil Singhvi (Independent director)



Subash Menon (Non executive director)



Karthikeyan Muthuswamy (Nominee director)



# EXECUTIVE LEADERSHIP TEAM



Surjeet Singh (Managing director & CEO)



Vinod Kumar (Chief operating officer)



Ganesh K.V. (Global head-finance, legal and company secretary)



Sekharan Y. Menon (Chief people and administrative officer)



Shankar Roddam (Market head-sales and client relations-emerging markets)



Ashwin Chalapathy (Global head-consulting, solutions and managed services)



Pankaj Parmar (Global head, delivery and client servicing)



David Halvorson (General counsel)

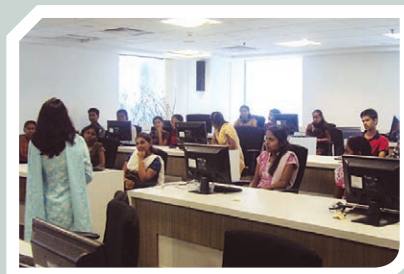


Charles E. Crenshaw (Market head-sales and client relations-Americas)

# SUBEX CHARITABLE TRUST



Christmas celebration at Swanthana Care Home, a home for female children who are mentally challenged and have multiple disabilities



SCT Mentorship Program

Blood Donation Camp organised by Rotary, Bangalore – TTK Blood Bank



# STAR AWARD

## LONG SERVICE AWARD

Employee Name	Emp Function	Reward Name
Martin Heathcote	BT	40 Years
Anne Hill	Presales(P)	30 Years
Vinodkumar Padmanabhan	Corporate(P)	15 Years
Jamie More	PSO(P)	15 Years
Rahul Joseph Alexander	IT(P)	15 Years
Renji George	PSO(P)	15 Years
Santhosh Vellore Rajendramudaliar	PSO(P)	10 Years
Tony Adolphus	BT	10 Years
Veeresh Kanavalli	Engineering(P)	10 Years
Anandakumar K	Engineering(P)	7 Years
Andrew Donaldson	PSO(P)	7 Years
Ankur Singh	PSO(P)	7 Years
Arthur Ronald Hoglund	PSO(P)	7 Years
Arvind P	Engineering(P)	7 Years
Ashwin Menon	Presales(P)	7 Years
Ayush Gupta	Engineering(P)	7 Years
Christopher Hapeman	Managed Services(P)	7 Years
G Santosh Kumar Reddy	Engineering(P)	7 Years
Gaurinandan S Basale	Engineering(P)	7 Years
Gururaghavendran Gopalakrishnan	Engineering(P)	7 Years
Hari Prasadh R	Engineering(P)	7 Years
Harish H S	IT(P)	7 Years
Harsha Burly	Engineering(P)	7 Years
Kalpana T K	Engineering(P)	7 Years
Madhu Packiam Duraisamy	Engineering(P)	7 Years
Manu G Nair	Engineering(P)	7 Years
Mohan Kumara P E	Facilities & Administration	7 Years
Muralidhar I M	Finance(P)	7 Years
Niranjan B R	Engineering(P)	7 Years
Om Prakash Agrawal	IT(P)	7 Years
Pavan Kumar GV	Engineering(P)	7 Years
Prabhu H	Facilities & Administration	7 Years
Premanandan K	Finance(P)	7 Years
Raghu G	Engineering(P)	7 Years
Raghu Theja Setlem	Engineering(P)	7 Years
Rajesh Kumar Padihary	Engineering(P)	7 Years
Ram Prasad A S	Managed Services(P)	7 Years
Ranjit Kumar A	Engineering(P)	7 Years
Ravikiran M G	Engineering(P)	7 Years
Ritesh Kumar Sen	Engineering(P)	7 Years
Rohith P	Engineering(P)	7 Years
Sabarish Kumar R	Engineering(P)	7 Years
Santosh Bhat	PSO(P)	7 Years
Satyanarayana K	Engineering(P)	7 Years
Shailesh Gaurav	HR(P)	7 Years
Shikhar Jain	Presales(P)	7 Years
Somesh Raina	Engineering(P)	7 Years
Soorej M V	Engineering(P)	7 Years
Soumia Annie Jose	Engineering(P)	7 Years
Srinath S	Engineering(P)	7 Years
Subha Chakraborty	BT	7 Years
Subhadip Duttagupta	Engineering(P)	7 Years
Subhasis Nayak	Engineering(P)	7 Years
Sudarshan T S	Engineering(P)	7 Years
Sujatha Chitti	Facilities & Administration	7 Years
Sylvan Sam Sugan S	Engineering(P)	7 Years
Thomas Meeks	Presales(P)	7 Years
Tintu Joseph	PSO(P)	7 Years
Vinay Malla Reddy	Managed Services(P)	7 Years
Vinay Rajpurohit	Engineering(P)	7 Years
Vivek Amai Ramachandra	Engineering(P)	7 Years



# Directors' Report

To  
The Members of Subex Limited

Your Directors have pleasure in presenting the Nineteenth Annual Report of the Company on the business and operations together with the audited results for the year ended March 31, 2013.

## Financial Results

₹ in Lakhs

	Consolidated		Standalone	
	2012-13	2011-12	2012-13	2011-12
Total Revenue	33,147.10	48,878.97	26,677.95	33,902.66
Profit/(Loss) Before Interest, Depreciation, Exceptional Items & Taxes	4,024.92	14,063.28	3,338.21	9,700.20
Interest, Depreciation & Amortization	5,636.77	5,064.79	5,131.07	4,404.15
Profit/(Loss) Before Exceptional Items & Tax	(5,608.47)	3,519.07	(3,456.42)	203.65
Exceptional Items	3,996.62	5,479.42	1,663.56	5,092.40
Profit/(Loss) Before Tax	(5,608.47)	3,519.07	(3,456.42)	203.65
Provision for Taxes	386.24	334.97	-	(36.05)
Profit/(Loss) After Tax	(5,994.71)	3,184.10	(3,456.42)	239.70
<b>APPROPRIATIONS</b>				
Interim Dividend	-	-	-	-
Preference Dividend	-	-	-	-
Dividend Proposed on Equity Shares	-	-	-	-
Provision for Tax on Dividends	-	-	-	-
Transfer to General Reserve	-	-	-	-
Surplus/(Deficit) Carried to Balance Sheet	(5,994.71)	3,184.10	(3,456.42)	239.70





## RESULTS OF OPERATIONS

During the financial year ended March 31, 2013, the total revenue on a consolidated basis was ₹ 33,147.10 Lakhs. The Company has during the year under review incurred a loss of ₹ 5,994.71 Lakhs as against profit of ₹ 3,184.10 Lakhs in the previous year.

On standalone basis, the total revenue stood at ₹ 26,677.95 Lakhs. The loss for the financial year 2012-13 was ₹ 3,456.42 Lakhs as against profit of ₹ 239.70 Lakhs in the previous year.

The Directors have not proposed any dividend to be paid for the financial year 2012-13.

## BUSINESS

Your Company is a leading global provider of Business Support Systems (BSS) that empowers Communications Service Providers (CSPs) to achieve competitive advantage through Business Optimisation, thereby enabling them to improve their operational efficiency to deliver enhanced service experiences to subscribers. The Company pioneered the concept of a Revenue Operations Center (ROC®) – a centralized approach that sustains profitable growth and financial health through coordinated operational control. Subex's product portfolio powers the ROC and it has best-in-class solutions such as revenue assurance, fraud management, credit risk management, partner settlement, route optimisation, cost management, asset assurance, data integrity management and capacity management.

The Company has been declared global market leader in Business Optimisation for CSPs for five years in a row by analyst firm Analysys Mason. Business Optimisation improve the revenues and profits of the CSPs through identification and elimination of leakages in their revenue chain and includes fraud, revenue assurance, partner management, analytics, cost management and credit risk management. Subex conceptualizes and develops software products at its facilities in Bangalore and is focused on the telecom business segment. Subex has sales and support offices in the United States, UK, UAE, India, Singapore and Australia.

Commoditization of the industry is the largest threat that telecom operators around the world are facing. This, coupled with the need to roll out new products and services at regular intervals, is proving to

be a tough combination for the operators. Subex is well positioned to address the needs of the telecom operators and help them to overcome these challenges. The Company's pioneering platform, the Revenue Operations Centre (ROC®) brings together business intelligence, domain knowledge and workflow support. ROC acts as the underpinning solution on which telcos can build their processes to achieve several objectives like, lower cost, higher margin, higher revenue etc. Further, Subex offers Managed Services around its products which enable the operators to take advantage of our deep domain expertise to improve their operational efficiency.

## SHARE CAPITAL

As at March 31, 2013, the authorised share capital of the Company was ₹ 4,97,00,00,000 (Rupees Four Hundred and Ninety Seven Crores only) divided into 49,50,40,000 (Forty Nine Crores Fifty Lakhs and Forty Thousand only) equity shares of ₹ 10 (Rupees Ten only) each and 2,00,000 (Two Lakhs only) preference shares of ₹ 98 (Rupees Ninety Eight only) each.

As at March 31, 2013, the paid-up share capital of the Company stood at ₹ 1,66,63,99,620/- (Rupees One Hundred Sixty Six Crores Sixty Three Lakhs Ninety Nine Thousand Six Hundred and Twenty only) consisting of 16,66,39,962 (Sixteen Crores Sixty Six Lakhs Thirty Nine Thousand Nine Hundred Sixty Two) equity shares of ₹ 10/- each.

## SUBSIDIARIES

### SUBEX TECHNOLOGIES LIMITED

For the year ended March 31, 2013, Subex Technologies Limited earned an income of ₹ 2,323.68 Lakhs, on a consolidated basis, as against ₹ 4,833.43 Lakhs last year and a net loss of ₹ 1,603.37 Lakhs as against a net profit of ₹ 49.30 Lakhs last year.

Pursuant to the demerger in 2007-08, Subex Technologies Inc became a direct subsidiary of Subex Technologies Limited.

### SUBEX (UK) LIMITED

For the year ended March 31, 2013, the consolidated income of Subex (UK) Limited was ₹ 32,152.02 Lakhs as against ₹ 38,095.30 Lakhs last year, and the net profit was ₹ 584.37 Lakhs as against a net profit of ₹ 3,357.06 Lakhs last year.

Subex (Asia Pacific) Pte Limited and Subex Inc are direct subsidiaries of Subex (UK) Limited.

#### **SUBEX AMERICAS INC.**

For the year ended March 31, 2013, the consolidated income of Subex Americas Inc was ₹ 2,728.40 Lakhs as against ₹ 9,119.03 Lakhs last year, and net loss was ₹ 1,516.72 Lakhs as against ₹ 462.03 Lakhs last year.

Subex Azure Holding Inc., is a wholly owned subsidiary of Subex Americas Inc. There were no transactions during the year under review.

#### **COMPLIANCE UNDER SECTION 212**

The Ministry of Corporate Affairs (MCA) has vide General Circular No: 2/2011 dated February 8, 2011 and General Circular No: 3/2011 dated February 21, 2011 granted a general exemption stating that the provisions of section 212 of the Companies Act, 1956 in relation to subsidiaries' accounts shall not apply subject to compliance of certain conditions. In accordance with the said circulars, the Board of Directors of the Company has in its meeting held on May 21, 2013, given the consent for not attaching the balance sheet of the subsidiaries concerned along with the balance sheet of the Company. However, financial information of the subsidiary companies, as required to be provided by the said circulars, are disclosed in Note 39 to the Consolidated Financial Statements. The Company will make available the annual accounts of the subsidiary companies and the related information to any investor of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection by any investor at the Registered Office of the Company. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies.

#### **FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs)**

As on March 31, 2013, the Company had outstanding FCCBs aggregating to US\$ 1,000,000 under its US\$ 180,000,000 2% Convertible Unsecured Bonds ("FCCBs I") and US\$ 1,400,000 under its US\$ 98,700,000 5% Convertible Unsecured Bonds ("FCCBs II"). In July 2012, pursuant to the exchange offer of FCCBs I and FCCBs II, the Company issued US\$ 127,721,000 5.70% secured convertible bonds with a maturity period due July 2017 ("FCCBs III"). Principal amount of US\$ 36,321,000 were mandatorily converted and US\$ 3,250,000 million out of FCCBs III were subsequently converted into equity shares. Pursuant to the mandatory and subsequent conversions, US\$ 88,150,000 is currently outstanding under FCCBs III.

The maturity period of the un-exchanged FCCBs I worth US\$ 1,000,000 and the un-exchanged FCCBs II worth US\$ 1,400,000 was extended to March 2017.

#### **EMPLOYEE STOCK OPTIONS SCHEMES**

Your Company has introduced various Stock Option plans for its employees. Details of these, including grants to Directors and Senior Management issued during the year are given below.

##### **EMPLOYEE STOCK OPTION PLAN-1999 (ESOP-I)**

This scheme was instituted during 1999 and managed by Subex Foundation with a corpus of 1,20,000 equity shares initially. Since the scheme was formulated prior to the promulgation of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Company has discontinued the scheme.

##### **EMPLOYEE STOCK OPTION PLAN-2000 (ESOP-II)**

During 1999-2000, your Company established the Employee Stock Option Plan 2000, under which options have been allocated for grant to the employees of the Company and its subsidiaries. The Company has obtained in-principle approval for listing up to a maximum of 8,83,750 equity shares to be allotted pursuant to exercise of options granted under the scheme. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

In accordance with the scheme, a Compensation Committee has been formed, which grants options to the eligible employees. The options are granted at a price, which is not less than 85% of the average of the closing price of the equity shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. Unless otherwise resolved, the options granted vest over a period of 1 to 4 years and can be exercised over a period of 3 years from the date of vesting.

During the year 2008-09, the Company amended the ESOP 2000 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company.

During the year 2011-12, the employees voluntarily surrendered 2,41,012 stock options under ESOP 2000 scheme. Also, the Company issued equivalent stock options to the aforesaid eligible employees under ESOP 2005 and ESOP 2008 scheme.

The tenure for grant of stock options under ESOP 2000 scheme has expired and the Company is only administering the outstanding stock options issued under the scheme.



### EMPLOYEE STOCK OPTION PLAN-2005 (ESOP-III)

Under this scheme, an initial corpus of 5,00,000 options was created for grant to the eligible employees, with each option convertible into one fully paid-up equity share of ₹ 10/-. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The corpus of the scheme was further enhanced by 15,00,000 options during the financial year 2007-08. The Company has obtained the requisite in-principle approvals from the stock exchanges for the purpose of listing of equity shares arising out of exercise of options granted under the scheme.

The Compensation Committee grants options to the eligible employees in accordance with the provisions of the scheme. The options are granted at a price, which is not less than 85% of the average of the closing price of the equity shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. Unless otherwise resolved, the options granted vest over a period of 1 to 4 years and can be exercised over a period of 3 years from the date of vesting.

During the year 2008-09, the Company amended the ESOP 2005 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company.

During the year 2011-12, the employees voluntarily surrendered 9,64,969 stock options under ESOP 2005 scheme. Also, the company issued equivalent stock options to the aforesaid eligible employees under ESOP 2005 scheme.

### EMPLOYEE STOCK OPTION PLAN-2008 (ESOP-IV)

During 2008-09, your Company instituted the Employee Stock Option Plan-2008 vide approval of shareholders through the postal ballot mechanism. A corpus of 20,00,000 options has been created for grant to the eligible employees under the scheme. The Scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Company has obtained the requisite in-principle approvals from the stock exchanges for the purpose of listing of equity shares arising out of exercise of options granted under the scheme.

The Compensation Committee grants options to the eligible employees in accordance with the provisions of the scheme. The options are granted at a price, which is not less than 85% of the

average of the closing price of the equity shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. Unless otherwise resolved, the options granted vests over a period of 1 to 4 years and can be exercised over a period of 3 years from the date of vesting.

During the year 2011-12, the employees voluntarily surrendered 10,19,583 stock options under ESOP 2008 scheme. Also, the company issued equivalent stock options to the aforesaid eligible employees under ESOP 2008 scheme.

Additional information as at March 31, 2013 required to be disclosed as per Securities and Exchange Board of India (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999 is given as Annexure I to this report.

## CORPORATE GOVERNANCE

Your Company strongly believes that the spirit of Corporate Governance goes beyond the statutory form. Sound Corporate Governance is a key driver of sustainable corporate growth and long-term value creation for the stakeholders and protection of their interests. Your Company endeavors to meet the growing aspirations of all stakeholders including shareholders, employees and customers. Your Company is committed to maintaining the highest level of transparency, accountability and equity in its operations. Your Company always strives to follow the path of good governance through a broad framework of various processes.

Your Company has complied with all the requirements as per Clause 49 of the listing agreement of the Stock Exchanges, as amended from time to time. The Auditor's certificate on compliance with Clause 49 is included in the section on Corporate Governance in this Annual Report. In addition, your Company has documented its internal policies in line with the Corporate Governance guidelines. The Management Discussion & Analysis on the financial position of the Company has been provided as a part of this report.

## DIRECTORS

As per Article 87 of the Articles of Association of the Company read with section 255 and 256 of the Companies Act, 1956, at least two-third of the Directors shall be subject to retirement by rotation. One-third of such Directors must retire from office at each Annual General Meeting of the shareholders and a retiring director is eligible for re-election. Accordingly, Mr. Anil Singhvi retires by rotation and being eligible, has offered to be re-appointed at the ensuing Annual General Meeting.

On September 27, 2012, Mr. Subash Menon resigned from the office of Managing Director & CEO of the Company and he continues on the Board as a Non-Executive Director.

Mr. Surjeet Singh resigned as Nominee Director from the Board of the Company on October 5, 2012. Subsequently, at the Board of Directors meeting held on October 5, 2012, Mr. Surjeet Singh was appointed as an Additional Director and as Managing Director & CEO for a period of one year from October 5, 2012 to October 4, 2013. In accordance with the provisions of sections 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the said appointment as Managing Director is being placed before the Members for their approval at the ensuing Annual General Meeting.

Further, pursuant to the provisions of section 260 of the Companies Act, 1956, Mr. Surjeet Singh holds office as an Additional Director upto the date of the ensuing Annual General Meeting. A separate notice under section 257 of the Companies Act, 1956 has been received from a Member signifying the intention to propose Mr. Surjeet Singh as a candidate for the office of Director and accordingly resolutions for his appointment is being placed before the members at the ensuing Annual General Meeting.

At the Board Meeting on October 5, 2012, Mr. Sudeesh Yezuvath ceased to be the Chief Operating Officer (COO) of the Company and consequent to which he vacated his office as the director also.

## AUDIT COMMITTEE

The Audit Committee presently has 3 Directors as its members viz. Mr. Anil Singhvi, Chairman, Mr. Sanjeev Aga and Mr. Surjeet Singh. The role, terms of reference, the authority and power of the Audit Committee are in conformity with the requirements of section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. Further details of the Audit Committee have been provided in the report on Corporate Governance forming part of this Annual Report.

## AUDITORS

M/s. Deloitte Haskins & Sells (ICAI registration number 0080725), the Statutory Auditors of the Company retire at the ensuing Annual General Meeting. The Statutory Auditors have communicated their willingness to accept office, if re-appointed and have confirmed that they are eligible as per section 224(1B) to be appointed as statutory auditors of the Company and are not disqualified to hold office as such in terms of section 226 of the Companies Act, 1956.

## FIXED DEPOSITS

Your Company has not accepted any deposits from the public.

## PARTICULARS OF EMPLOYEES

The particulars of employees required under Section 217(2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975 as amended by Companies (Particulars of Employees) Amendment Rules, 2011, read with General Circular No. 23/2011 dated May 3, 2011 issued by MCA, are given at Annexure II appended hereto and forming part of this report. In terms of Section 219(1)(b) (iv) of the Companies Act, 1956, the report and accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Global Head- Finance, Legal & Company Secretary at the Registered Office of the Company.

### INFORMATION UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

#### A. CONSERVATION OF ENERGY

The operations of your Company are not energy-intensive. However, significant measures are taken to reduce energy consumption by using energy-efficient computers and by the purchase of energy-efficient equipment. Your Company constantly evaluates new technologies and invests to make its infrastructure more energy-efficient. Currently your Company uses CFL fittings and electronic ballasts to reduce the power consumption of fluorescent tubes. Air conditioners with energy efficient screw compressors for central air conditioning and air conditioners with split air conditioning for localized areas are used.

#### B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

Your Company has a strong R&D Division responsible for developing technologies for its products in the telecom domain. The Company holds several patents for its technological innovations. The telecommunications domain, in which your Company operates, is subject to high level of obsolescence and rapid technological changes. Your Company has developed inherent skills to keep pace with these changes. Since software products are the significant line of business of your Company, the Company incurs expenses on product related Research & Development on a continuous basis. These expenses are charged to revenue under the respective heads and are not segregated and accounted separately.

## FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company has over the years shifted its focus from software services to software products. This has resulted in substantial foreign exchange earnings as compared to previous years. During the year 2012-13, total foreign exchange inflow and outflow is as follows:

- i) Foreign Exchange earnings ₹ 15,195.31 Lakhs (Previous Year ₹ 29,720.70 Lakhs)
- ii) Foreign Exchange outgo is as below ₹ 2,760.06 Lakhs (Previous Year ₹ 2,222.95 Lakhs)

## CORPORATE SOCIAL RESPONSIBILITY – SUBEX CHARITABLE TRUST

Subex Charitable Trust extends the outlook of Subex as a corporate entity into community service. The trust has been set up to provide for welfare activities for under privileged and the needy in the society. The trust is managed by Trustees elected amongst the employees of the Company. During the year, the Trust has provided active support for education of economically challenged meritorious students, financial assistance to old age homes, orphanages and to individuals who needed medical help. A gist of activities undertaken by the Trust has been provided as a separate section in this Annual Report.

## HUMAN RESOURCE MANAGEMENT

Working environment and organization's culture plays a key role in attracting right talents into any organization and retaining them. Your Company continued with its focused efforts in maintaining such a great working environment and organization culture that was built and developed over a period of time, since its inception. All senior members of your Company worked really hard and supported Human Resource function in maintaining this.

During the year ended March 31, 2013, your Company surged ahead on a lot of the initiatives that were launched in the previous year. Continued infusion of fresh talent and ongoing development and up-skilling of existing talent were the critical focus areas. Online Learning Management System called the Subex Academy, that was launched in the previous year has been completely rolled out. Your Company also refined the Subexians (Employee) engagement programme, which is an extremely critical (Employee) retention tool.

## DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provision of Section 217(2AA) of the Companies Act, 1956, the Board of Directors affirms:

- a) that in the preparation of the annual accounts for the year ended March 31, 2013, the applicable accounting standards have been followed. Pursuant to, and in accordance with, the approval of the Members and the Hon'ble High Court of Karnataka to a proposal for reduction of securities premium and capital reserve obtained during 2009-10, the Company has utilised the Business Restructuring Reserve for adjustment of certain expenses/impairments. Such adjustment being at variance with applicable accounting standards, necessary disclosure has been made in the Notes to the accounts in Standalone and Consolidated Financial Statements.
- b) that the accounting policies have been selected and applied consistently and it has made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2013 and of the loss of the Company for the year ended on that date.
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) that the accounts for the year ended March 31, 2013 have been prepared on a going concern basis.

## APPRECIATION/ACKNOWLEDGEMENTS

We thank our clients, vendors, investors and bankers for their continued support during the year. We place on record our appreciation for the co-operation and assistance provided by the Central and State Government authorities particularly SEZ authorities, Customs and Central Excise authorities, Registrar of Companies, Karnataka, the Income Tax department, Reserve Bank of India and various authorities under the Government of Karnataka.

Your Directors also wish to place on record their deep appreciation to Subexians at all levels for their hard work, solidarity, co-operation and support, as they are instrumental in your Company scaling new heights, year after year.

For Subex Limited

Karthikeyan Muthuswamy  
Director

Place : Mumbai, India  
July 9, 2013

Surjeet Singh  
Managing Director & CEO  
California, USA  
July 11, 2013

## > Annexure I

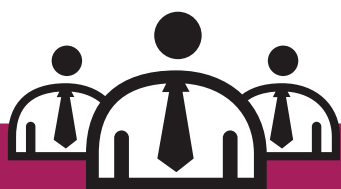
Additional Information as at March 31, 2013 as per Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Sl. No	Particulars	ESOP 2000	ESOP 2005	ESOP 2008
1.	Net options granted as on March 31, 2013	2,42,373	11,43,586	7,30,806
	Options granted during the year	-	1,24,100	-
2.	Pricing formula	As mentioned earlier in the report	As mentioned earlier in the report	As mentioned earlier in the report
3.	Options vested but not exercised as on March 31, 2013	4,670	8,64,489	4,57,293
4.	Options exercised as on March 31, 2013	2,37,703	12,439	-
	Options exercised during the year	-	-	-
5.	Money realized by exercise of options during the year	-	-	-
6.	The total number of shares arising as a result of exercise of options during the year ended March 31, 2013	-	-	-
7.	Options lapsed/cancelled/ surrendered as on March 31, 2013	9,94,199	46,95,332	16,02,731
	Options lapsed/cancelled/ surrendered during the year	7,352	3,49,039	2,88,483
8.	Variation of terms of options	None	None	None
9.	No. of employees covered	623	2,291	273
10.	Employee wise details of options granted during the year under review to:			
	(i) Senior managerial personnel Mr. Ganesh K V	-	10,000	-
	(ii) other employee receiving a grant in the year of option amounting to 5% or more of options granted during that year	-	-	-
	(iii) identified employees who were granted option, during the year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant;	-	-	-
11.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per share'	₹ (2.56)	₹ (2.56)	₹ (2.56)

Sl. No	Particulars	ESOP 2000	ESOP 2005	ESOP 2008
12.	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options.	Losses would have been higher by ₹ 25.24 Lakhs		
	The impact of this difference on profits and on EPS of the Company is:	Basic EPS would have been lower by 0.02. There is no impact on the diluted EPS.		
13.	Weighted-average exercise prices and weighted-average fair values of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Weighted-average exercise price is ₹ 82.63	Weighted-average exercise price is ₹ 34.04	Weighted-average exercise price is ₹ 28.79
14.	Description of the method used during the year to estimate the fair values of options, including the following weighted-average information :	Black Scholes method of valuation		
	i. risk-free interest rate	8.00%		
	ii. expected life	3 years		
	iii. expected volatility	64.85%		
	iv. expected dividends	0%		
	v. market price on grant date	₹ 15.44		

Karthikeyan Muthuswamy  
 Director  
 Mumbai, India  
 July 9, 2013

For Subex Limited  
 Surjeet Singh  
 Managing Director & CEO  
 California, USA  
 July 11, 2013



# Report On Corporate Governance

## I. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is about commitment to values and ethical business conduct. It is about how an organization is managed. Therefore situation, performance, ownership and governance of the Company are equally important as regards to the structure, activities and policies of the organization. Consequently, the organization is able to attract investors, and enhance the trust and confidence of the stakeholders.

Subex Limited's compliance with the Corporate Governance guidelines as stipulated by the stock exchanges is described in this section. The Company believes that sound Corporate Governance is critical to enhance and retain investor's trust. Subex respects minority rights in its business decisions.

The Company's Corporate Governance philosophy is based on the following principles:

- ▶ Satisfy the spirit of the law and not just the letter of the law
- ▶ Be transparent and maintain high degree of disclosure levels
- ▶ Communicate externally, in a truthful manner, about how the Company is run internally
- ▶ Comply with the laws in all the countries in which the Company operates

Subex is committed to good Corporate Governance practices. Consistent with this commitment, Subex seeks to achieve a high level of responsibility and accountability in its internal systems and policies. Subex respects the inalienable rights of the shareholders to information on the performance of the Company. The Company's Corporate Governance policies ensures, among others, the accountability of the Board of Directors and the importance of its decisions to all its participants viz., customers, employees, investors, regulatory bodies etc. Subex Code of Corporate Governance has been drafted in compliance with the code of "Corporate Governance"

as promulgated by the Securities and Exchange Board of India (SEBI) in its meeting held on January 25, 2000 and amendments made thereto, from time to time.

## II. BOARD OF DIRECTORS

As on March 31, 2013, the Board of Directors of Subex Limited comprises 5 Directors out of which 1 is an Executive Director, 1 is a Non-Executive Director, 2 are Independent Directors and 1 is a Nominee Director.

At the Board Meeting held on September 27, 2012 Mr. Subash Menon resigned from the position of Managing Director and Chief Executive Officer of the Company with immediate effect. Mr. Subash Menon continues as a Non-Executive Director of the Company.

At the Board Meeting held on October 5, 2012 the Board accepted the resignation of Mr. Surjeet Singh as the Nominee Director and he was appointed as Managing Director and CEO of the Company with immediate effect.

Mr. Sudeesh Yezhuvath ceased to be the Chief Operating Officer and Wholetime Director of the Company with effect from October 5, 2012.

Details of the composition of the Board of Directors and their attendance and other particulars are given below. These details reflect the position as at March 31, 2013 and as such do not include details of changes in Directorships after the end of the financial year.

### A. Composition and Category of Directors as on March 31, 2013

Category	No. of Directors	%
Independent Directors	2	40
Executive Directors	1	20
Non-Executive Directors	1	20
Nominee Directors	1	20
Total	5	100



## B. Attendance of Directors at the Board Meetings and the Last Annual General Meeting and Details about Directorships and Membership in Committees as on March 31, 2013

Director	Position	No. of Board Meetings Held	No. of Board Meetings Attended	Last AGM Attendance	No. of Directorships in Other Companies ▲	No. of Committees in Which the Director is Chairman ■	No. of Committees in which the Director is a Member ■
Mr. Surjeet Singh#	Managing Director & CEO	5	5	Yes	1	-	2
Mr. Anil Singhvi	Independent Director	7	6	No	7	2	4
Mr. Sanjeev Aga	Independent Director	9	7	No	3	1	4
Mr. Karthikeyan Muthuswamy	Nominee Director	5	5	Yes	1	-	2
Mr. Subash Menon ^	Non-Executive Director	9	6	No	-	-	-
Mr. Sudeesh Yezhuvath*	Chief Operating Officer & Wholetime Director	7	6	Yes	NA*	NA*	NA*

▲ Excluding private limited companies & overseas companies

■ Includes only Audit Committee and Shareholder's Grievance Committee. Memberships in Committees of Subex Limited are included

# Mr. Surjeet Singh was appointed as Managing Director & CEO of the Company with effect from October 5, 2012

^ Mr. Subash Menon resigned from the position of Managing Director & CEO of the Company with effect from September 27, 2012

\* Mr. Sudeesh Yezhuvath ceased to be the Chief Operating Officer and Wholetime Director of the Company with effect from October 5, 2012

Mr. Surjeet Singh, member of the Audit Committee was present at the Annual General Meeting to answer the queries of the shareholders. There were no queries from the shareholders during the meeting.

## C. Number and Dates of Board Meetings

9 (Nine) Board Meetings were held during the financial year 2012-13.

The dates on which meetings were held are as follows:

1. May 23, 2012
2. June 12, 2012
3. June 13, 2012
4. July 5, 2012
5. August 9, 2012
6. September 27, 2012
7. October 5, 2012
8. November 8, 2012
9. February 7, 2013

## D. Brief Details of Directors Seeking Appointment /

### Re-appointment:

#### Mr. Anil Singhvi

Anil Singhvi is the Chairman of Ican Investments Advisors Pvt Ltd. Prior to establishing Ican Investments, he was Advisor to Reliance ADA Group for about 2 years. He has over 30 years of experience in Corporate sector, out of which 22 years were spent with Ambuja Cements Ltd, where he rose from Manager to Managing Director & CEO.

A Chartered Accountant, Anil Singhvi played a defining role in making of Ambuja Cements. He has conceptualized and advised merger of Enam, one of the largest investment banks in India, with Axis Bank, a

deal involving around US\$ 500 million. He is on the Board of various companies, some of which are Hindustan Construction Co. Ltd, HCC Infrastructure Company Ltd, Camlin, Mastek Limited, Future Capital, IDFC Securities Ltd and Foundation for Liberal and Management Education (FLAME).

As on the date of this report, Mr. Anil Singhvi holds 60,000 equity shares of the Company.

#### Mr. Surjeet Singh

Mr. Surjeet Singh is a seasoned management professional and business leader with over two decades of multi-industry global experience in leading Finance, Corporate Development, Business Planning and Global operations functions. He has a successful corporate and entrepreneurial track record of building organizations and fostering collaboration in large and culturally diverse cross functional teams. He was till recently the Global Chief Financial officer of Patni Computer Systems where he played key role in shaping business transformation including significant improvements in operating metrics and processes, structuring large platform deals with fortune 500 customers, seamless management transitions, upholding highest standards of financial and corporate governance. He was instrumental in helping realize maximum shareholder value with successful exit of majority shareholders at Patni. Prior to this, Mr. Surjeet Singh was part of founding team of Cymbal Corporation, a mid-sized telecom BSS systems integration boutique out of silicon valley which was acquired by Patni in 2004 for US\$ 68M, which at the time was one of the largest cross border services transaction by an Indian company. In early part of his career, Mr. Surjeet Singh held various finance and operations roles at Ranbaxy – a global multinational pharmaceutical company during its internationalization phase in the 90's. Mr. Surjeet Singh is a fellow of the Institute of Costs and Works Accountants, India, Certified Public Accountant from AICPA, USA. He holds a B.S. in Finance from the University of Pune and is a graduate of Advanced Management Program from Harvard Business School.

As on the date of this report, Mr. Surjeet Singh does not hold any equity shares of the Company.

### III. AUDIT COMMITTEE

#### A. Terms of Reference

The Audit Committee has, inter alia, the following mandate:

- ▶ Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- ▶ Recommendation of appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services;

- ▶ Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- ▶ Review of annual financial statements before submission to the Board;
- ▶ Review of adequacy of internal control systems;
- ▶ Review of adequacy of internal audit function, reporting structure coverage, frequency of internal audit, and findings of any internal investigations by the internal auditors;
- ▶ Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- ▶ Review of the Company's financial, risk management policies and Whistle Blower mechanism.

The current charter of the Audit Committee is in line with international best practices and the regulatory changes formulated by SEBI and the Listing Agreements with the Stock Exchanges on which Subex is listed.

All members of the Audit Committee are financially literate and have related financial management expertise.

#### B. Composition of Audit Committee as at March 31, 2013

Composition	Category
Mr. Anil Singhvi (Chairman)	Independent Director
Mr. Sanjeev Aga	Independent Director
Mr. Surjeet Singh	Managing Director and CEO

At the Board Meeting held on August 9, 2012, Mr. Subash Menon stepped down as a member of the Committee and Mr. Surjeet Singh, was inducted as a member of the Audit Committee. Mr. Anil Singhvi was appointed as the Chairman of the Audit Committee on May 18, 2012.

Mr. Vinay M A resigned as the Secretary of the Audit Committee on November 30, 2012. Pursuant to the above resignation, Mr. Ganesh K. V. Global Head – Finance, Legal and Company Secretary was appointed as the Secretary of the Audit Committee with effect from November 30, 2012.

#### C. Meetings and Attendance during the Year

During the financial year 2012-13, four Audit Committee meetings were held on May 22, 2012, August 9, 2012, November 8, 2012, and February 7, 2013. The audited financial results for the financial year ended March 31, 2013 were taken on record at the meeting held on May 21, 2013. The quarterly results for the quarters April-June 2012, July-September 2012 and October-December 2012 were taken on record on August 9, 2012, November 8, 2012, and February 7, 2013 respectively.

#### D. Attendance of Committee Members at the Audit Committee Meetings Held During the Financial Year 2012-13:

Member	No. of Audit Committee Meetings Held	No. of Audit Committee Meetings Attended
Mr. Anil Singhvi	4	4
Mr. Sanjeev Aga	4	4
Mr. Surjeet Singh	3	3
Mr. Subash Menon *	1	1

\* Mr. Subash Menon stepped down as the member of the committee on August 9, 2012. Also he resigned from the position of Managing Director & CEO of the Company with effect from September 27, 2012

### IV. REMUNERATION COMMITTEE

#### A. Composition of the Committee

Composition	Category
Mr. Anil Singhvi (Chairman)	Independent Director
Mr. Sanjeev Aga	Independent Director
Mr. Surjeet Singh	Managing Director and CEO
Mr. Karthikeyan Muthuswamy	Nominee Director

The Committee considers the performance of the Company as well as general industry trends while fixing the remuneration of Executive Directors. The existing Remuneration Committee was re-named as Appointment and Remuneration Committee at the meeting held on September 27, 2012. It was also decided that the said Committee have as additional terms of reference, the recommendation of appointment of Directors, including Managing Director and Wholtime Director by whatever name called by the Company.

At its meeting held on February 7, 2013, the Committee approved the terms and conditions of the remuneration of Mr. Surjeet Singh, which are being placed before the Members for their approval at the ensuing Annual General Meeting.

#### B. Details of Remuneration of Directors

Name	₹ in Lakhs		
	Salary	Commission	Total
Mr. Surjeet Singh <sup>@</sup>	6.64	-	6.64
Mr. Anil Singhvi <sup>#</sup>	-	-	-
Mr. Sanjeev Aga <sup>§</sup>	-	-	-
Mr Subash Menon <sup>†</sup>	107.69	-	107.69
Mr Sudeesh Yezhuvath <sup>*</sup>	108.39	-	108.39

In view of the losses incurred by the Company during the year ended March 31, 2013, the excess of the managerial remuneration paid to the directors over the limits prescribed under Schedule XIII of the Companies Act, 1956 has been treated as monies due from the Directors, being held by them in trust for the Company, and is included under 'Short-term loans and advances' amounting to ₹123.80 Lakhs.

<sup>@</sup> Mr. Surjeet Singh was appointed as Managing Director & CEO of the Company with effect from October 5, 2012

<sup>#</sup> Mr. Anil Singhvi was appointed as an Independent Director of the Company with effect from April 11, 2011

<sup>§</sup> Mr. Sanjeev Aga was appointed as an Independent Director of the Company with effect from May 17, 2011

<sup>†</sup> Mr. Subash Menon resigned from the position of Managing Director & CEO of the Company with effect from September 27, 2012 and he continues on the Board as a Non-Executive Director

<sup>\*</sup> Mr. Sudeesh Yezhuvath ceased to be the Chief Operating Officer and the Wholtime Director of the Company with effect from October 5, 2012

#### C. Details of Shareholding of Non-Executive Directors:

In terms of Clause 49(V)(E)(iv) of the Listing Agreement, the details of shares held by Non-Executive Directors are as under:

Name	No. of Shares Held as at March 31, 2013
Mr. Anil Singhvi	60,000
Mr. Sanjeev Aga	NIL
Mr. Subhash Menon	25,80,601

The Non-Executive Independent Directors are paid sitting fees of ₹ 20,000 per meeting for attendance in the Audit Committee Meetings and ₹ 10,000 per meeting for attendance at the Board Meetings.

The Appointment and Remuneration Committee determines and recommends to the Board, the compensation payable to the Executive Directors. All Board level compensation is approved by the shareholders, where necessary, and is separately disclosed in the financial statements. The compensation, however, is within the parameters set by the provisions of the Companies Act, 1956.

#### D. Attendance of Committee Members at the Remuneration Committee Meetings Held During the Financial Year 2012-13:

Member	No. of Remuneration Committee Meetings Held	No. of Remuneration Committee Meetings Attended
Mr. Anil Singhvi	2	2
Mr. Sanjeev Aga	2	2
Mr. Surjeet Singh	2	2
Mr. Karthikeyan Muthuswamy	2	2

Mr. Balaji Bhat resigned as a Director of the Company with effect from May 18, 2012.

## V. SHARE TRANSFER COMMITTEE

### A. Composition of the Committee

Composition	Category
Mr. Subash Menon (Chairman)	Non Executive Director
Mr. Surjeet Singh	Managing Director & CEO
Mr. Karthikeyan Muthuswamy	Nominee Director
Mr. Sudeesh Yezhuvath*	Chief Operating Officer & Wholetime Director

At the Board Meeting held on August 9, 2012, Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy were inducted as the members of the Committee.

\* Mr. Sudeesh Yezhuvath ceased to be part of the Share Transfer Committee with effect from October 5, 2012.

### B. Meetings during the Year

The Company holds Share Transfer Committee Meetings on a periodical basis, as may be required, for approving, inter alia, the transfers/transmissions/rematerialisation of equity shares. The Company has appointed M/s. Canbank Computer Services Limited, a SEBI registered transfer agent, as its Share Transfer Agent with effect from November 6, 2001. There were no share transfers during the financial year 2012-13. Hence, there were no meetings of the Share Transfer Committee during the year under review.

With a view to expedite the transfer process in the interest of investors, SEBI vide its circular no. CIR/MIRSD/8/2012 dated July 5, 2012 has reduced the time-line for registering the transfer of shares to 15 days with effect from October 1, 2012. In line with the aforesaid circular, the Company will ensure that the share transfers are effected within 15 days of the receipt of request for transfer.

## VI. INVESTOR GRIEVANCE COMMITTEE

### A. Composition of the Committee

Composition	Category
Mr. Sanjeev Aga (Chairman)	Independent Director
Mr. Sudeesh Yezhuvath *	Chief Operating Officer & Wholetime Director
Mr. Surjeet Singh	Managing Director & CEO
Mr. Karthikeyan Muthuswamy	Nominee Director

At the Board Meeting held on May 23, 2012, Mr. Sanjeev Aga, Independent Director was appointed as the Chairman and member of the Investor Grievance Committee. At the Board Meeting held on August 9, 2012, Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy, were inducted as the members of the Committee.

Mr. Ganesh K .V., Global Head – Finance, Legal and Company Secretary is the Secretary of the Committee with effect from November 30, 2012.

The Committee is responsible for addressing the investor complaints and grievances. The Committee meets on a periodic basis to address the investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. Details of grievances of the investors are provided in the "Shareholders' Information" section of this Annual Report.

\* Mr. Sudeesh Yezhuvath ceased to be part of the Investor Grievance Committee with effect from October 5, 2012.

## VII. ESOP COMMITTEE (Compensation Committee)

The Company has instituted Employee Stock Option Schemes in line with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Committee grants and administers options under the stock options schemes to eligible employees.

### A. Composition of the Committee

Composition	Category
Mr. Sanjeev Aga (Chairman)	Independent Director
Mr. Anil Singhvi	Independent Director
Mr. Karthikeyan Muthuswamy	Nominee Director

At the Board Meeting held on May 23, 2012, Mr. Sanjeev Aga, Independent Director was appointed as the Chairman and member of the ESOP Committee and Mr. Anil Singhvi, Independent Director was appointed as a member of the committee. At the Board Meeting held on August 9, 2012, Mr. Subash Menon stepped down as a member of the Committee and Mr. Karthikeyan Muthuswamy, was inducted as a member of the Committee.

The Committee meets on a periodic basis to administer the ESOP schemes of the Company.

## VIII. GENERAL BODY MEETINGS

### A. Location and Time of the Last Three Annual General Meeting (AGM)

Year	Date of AGM	Venue	Time
2009-10	September 13, 2010	Registered office	3:00 P M
2010-11	July 27, 2011	Registered office	12:00 Noon
2011-12	September 28, 2012	Registered office	12:30 PM

### B. Location and Time of the Last Three Extraordinary General Meeting (EGM)

Year	Date of EGM	Venue	Time
2011-12	December 28, 2011	Registered office	11:30 A M
2012-13	June 28, 2012	Registered office	11:30 A M
2012-13	August 17, 2012	Registered office	11:30 A M

No special resolution was passed at the Annual General Meeting held on September 28, 2012.

## IX. DISCLOSURES

- A. There are no significant related party transactions of the Company of material nature, with the Promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. Transactions with the related parties are disclosed in Note 31 to the standalone financial statements and Note 30 to the consolidated financial statements in the Annual Report.
- B. A proposal for reduction and utilization of Securities Premium and Capital Reserve under the provisions of section 78 read with section 100 to 104 of the Companies Act, 1956 was approved pursuant to the resolution passed by the Board of Directors on February 8, 2010 and special resolution passed by the Members at the Extraordinary General Meeting held on March 4, 2010. The reduction, as aforesaid, envisages transfer of certain amounts from the Securities premium and Capital Reserves as on April 1, 2009 and thereafter, to a Business Restructuring Reserve (BRR) to be utilized from or after April 1, 2009 for certain Permitted Utilizations as mentioned in the explanatory statement to the notice of the Extraordinary General Meeting held on March 4, 2010. The petition seeking approval of the reduction was approved by the Hon'ble High Court of Karnataka vide its order dated April 21, 2010. The copy of the said order and the minute confirming the reduction was registered by the Registrar of Companies, Karnataka at Bangalore vide its certificate dated May 11, 2010. In accordance with the Proposal, the BRR has been utilised for adjustment of certain expenses/impairments. Such adjustment being at variance with applicable accounting standards, necessary disclosure has been made in Note 25 to the accounts in standalone and Note 24 to the consolidated financial statements.
- C. The Company has a Risk Management Policy in place to manage risks inherent in various aspects of its business.
- D. The Company has obtained a certificate from the CEO/CFO as required by Clause 49 (V) of the Listing Agreement.
- E. In compliance with Clause 49 (1) (D) of the Listing Agreement, the Company has adopted a Code of Conduct (the 'Code'). This Code is applicable to the Members of the Board, Senior Management Personnel and all employees of the Company and Subsidiaries. All the members of the Board and the Senior Management Personnel have affirmed compliance to the Code, as at March 31, 2013. A declaration to this effect, signed by the Managing Director & CEO is provided in the CEO and CFO certification section of the Annual Report.

- F. In compliance with Clause 47 (c) of the Listing Agreement, the Company has obtained certificates from a Practising Company Secretary. The same were filed with the Stock Exchanges within the stipulated period.
- G. The Company has not been subjected to any penalties, strictures by Stock Exchange(s)/SEBI or any statutory authorities on any matter related to capital markets, during the last three years.
- H. The Company has complied with the listing conditions laid down in the Listing agreement of the Stock Exchanges where the equity shares of the Company are listed.

## X. MEANS OF COMMUNICATION

### A. Annual/Half Yearly and Quarterly Results

The annual/half yearly/quarterly audited/un-audited results are generally published in all editions of Financial Express (English) and Vijay Karnataka (Kannada). The complete financial statements are posted on the Company's website [www.subex.com](http://www.subex.com). Subex also regularly provides information to the Stock Exchanges as per the requirements of the Listing Agreements and updates the website periodically to include information on new developments and business opportunities.

As part of the "Green Initiative in Corporate Governance", the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically considering its legal validity under the Information Technology Act, 2000. Being a Company with strong focus on green initiatives, Subex proposes to send all shareholder communications such as the Notice of General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., henceforth to shareholders in electronic form to the E-mail Id provided by them and made available to us by the Depositories. Members are requested to register their E-mail Id with their Depository Participant and inform them of any changes to the same from time to time. However, Members who prefer physical copy to be delivered may write to the Company at its registered office or send an E-mail to [investorrelations@subex.com](mailto:investorrelations@subex.com) by providing their DP Id and Client Id as reference.

### B. Management's Discussion and Analysis section has been separately dealt with in the Annual Report.

XI. General shareholder information is provided in the "Shareholders' Information" section of the Annual Report.

**XII.** Auditors' Certificate with regard to compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement entered into with the Stock Exchanges forms part of this Annual Report.

**XIII.** Compliance with non-mandatory requirements of Clause 49 of the Listing Agreement

Clause 49 states that the non-mandatory requirements provided therein may be implemented as per the Company's discretion. However, the disclosures of compliance with mandatory requirements and adoption (and compliance)/non adoption of non-mandatory requirements shall be made in the section on Corporate Governance in the annual report. The Company has complied with the following non-mandatory requirements:

**A. The Board**

Presently the Company does not have a Chairman and as such disclosures on maintenance of office by a Non-Executive Chairman does not arise. The Company ensures that the persons appointed as Independent Directors have the requisite qualifications and experience which would be of use to the Company and which would enable them to contribute effectively to the Company in their capacity as Independent Directors.

**B. Remuneration Committee**

The Company has a Remuneration Committee. A detailed note on the Remuneration Committee has been provided earlier in the report.

**C. Shareholders' Rights**

The Company communicates with investors regularly through E-mails, telephone and face to face meetings like investor conferences, earnings calls, company visits and on road shows. The Company publishes the quarterly financial results in leading business newspaper(s) as well as on the Company's website.

**D. Audit Qualifications**

The auditors have expressed an unqualified opinion on the accounts for the year under review.

**E. Whistle Blower Policy**

The Company has established a mechanism for employees to report concerns about unethical behaviours, actual or suspected fraud or violation of our Code of Conduct. The mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism. The employees are informed of this policy through appropriate internal communications. None of the employees have been denied access to this facility.

For Subex Limited

Karthikeyan Muthuswamy  
Director  
Mumbai, India  
July 9, 2013

Surjeet Singh  
Managing Director & CEO  
California, USA  
July 11, 2013



## DECLARATION BY THE CEO UNDER CLAUSE 49(I)(D) OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT

To,  
The Members of Subex Limited

In accordance with Clause 49(I)(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel including me, have affirmed compliance to their respective Codes of Conduct, as applicable for the Financial Year ended March 31, 2013.

Place : Mumbai  
Date : May 21, 2013

For Subex Limited  
Surjeet Singh  
Managing Director & CEO

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## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,  
The Members Of Subex Limited

1. We have examined the compliance of conditions of Corporate Governance by Subex Limited ("the Company"), for the year ended on March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement except that the Chairman of the Audit Committee was not present at the Annual General Meeting to answer shareholders queries as required under sub clause II(A)(iv) of Clause 49.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Place: Bangalore  
Date: July 11, 2013

For Deloitte Haskins & Sells,  
Chartered Accountants  
Registration No. 0080725

Monisha Parikh  
Partner  
Membership No. 47840



# Management Discussion and Analysis

## Overview

Subex Limited ("Subex" or "the Company") has its Equity Shares listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE). The Global Depository Receipts (GDRs) of the Company are listed on the Professional Securities Market of the London Stock Exchange (LSE). The Company's outstanding US\$ 1,000,000 out of US\$ 180,000,000 2% Convertible Unsecured Bonds are listed on the London Stock Exchange (LSE). The Company's outstanding US\$ 1,400,000 out of US\$ 98,700,000 5% Convertible Unsecured Bonds and US\$ 88,150,000 out of US\$ 127,721,000 5.70% Secured Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited (SGX). As a part of the terms and conditions of US\$ 127,721,000 5.70% Secured Convertible Bonds, principal amount of US\$ 36,321,000 out of US\$ 127,721,000 5.70% were mandatorily converted into equity shares at the conversion price of ₹ 22.79/-. Pursuant to the mandatory conversion and subsequent conversion of US\$ 3,250,000 currently US\$ 88,150,000 is outstanding under US\$ 127,721,000 5.70% Secured Convertible Bonds.

The management of Subex is committed to improving the levels of transparency and disclosure. Keeping this in mind, an attempt has been made to disclose hereunder, information about the Company, its business, operations, outlook, risks and financial condition.

The financial statements of the Company have been prepared in compliance with the requirements of the Companies Act, 1956, and the Generally Accepted Accounting Principles (GAAP) in India or as per the Proposal approved by the Hon'ble High Court of judicature. The management of Subex accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect the form and substance of transactions in a true and fair manner, and reasonably present the state of affairs and profit/loss for the year under review.

In addition to the historical information contained herein, the following discussion may include forward looking statements which involve risks and uncertainties, including but not limited to the risks inherent in the Company's growth strategy, dependency on certain clients, dependency on availability of qualified technical personnel and other factors discussed in this report.

## 1. INDUSTRY

Subex Limited is a leading global provider of Business Support Systems (BSS) that empowers Communications Service Providers (CSPs) to achieve competitive advantage through Business Optimisation - thereby enabling them to improve their operational efficiency to deliver enhanced service experiences to subscribers. The Company pioneered the concept of a Revenue Operations Center (ROC<sup>®</sup>) – a centralized approach that sustains profitable growth and financial health through coordinated operational control. Subex's product portfolio powers the ROC and its best-in-class solutions such as revenue assurance, fraud management, credit risk management, partner settlement, route optimisation, cost management, asset assurance, data integrity management and capacity management.

The Company has been declared global market leader in Business Optimisation for Communications Service Providers for five years in a row by analyst firm Analysys Mason and global market leader in Revenue Assurance and Fraud Management by Gartner. Business Optimisation improves the revenues and profits of the Communications Service Providers through identification and elimination of leakages in their revenue chain and includes fraud, revenue assurance, analytics, partner management, cost management and credit risk management. Subex conceptualizes and develops software products at its facilities in Bangalore and is focused on the telecom business segment. Subex has sales and support offices in the United States, UK, UAE, India, Singapore and Australia.



Commoditization of the industry is the largest threat that telecom operators around the world are facing. This, coupled with the need to roll out new products and services at regular intervals, is proving to be a tough combination for the telcos. Subex is well positioned to address the needs of the telecom carriers and help them to overcome these challenges. Our pioneering platform, the Revenue Operations Centre (ROC®) brings together business intelligence, domain knowledge and workflow support. ROC acts as the underpinning solution on which telcos can build their processes to achieve several objectives like, lower cost, higher margin, higher revenue etc. Further, Subex offers Managed Services around its products which enable the operators to take advantage of our deep domain expertise to improve their operational efficiency.

## 2. OPPORTUNITIES AND THREATS

### Strategy

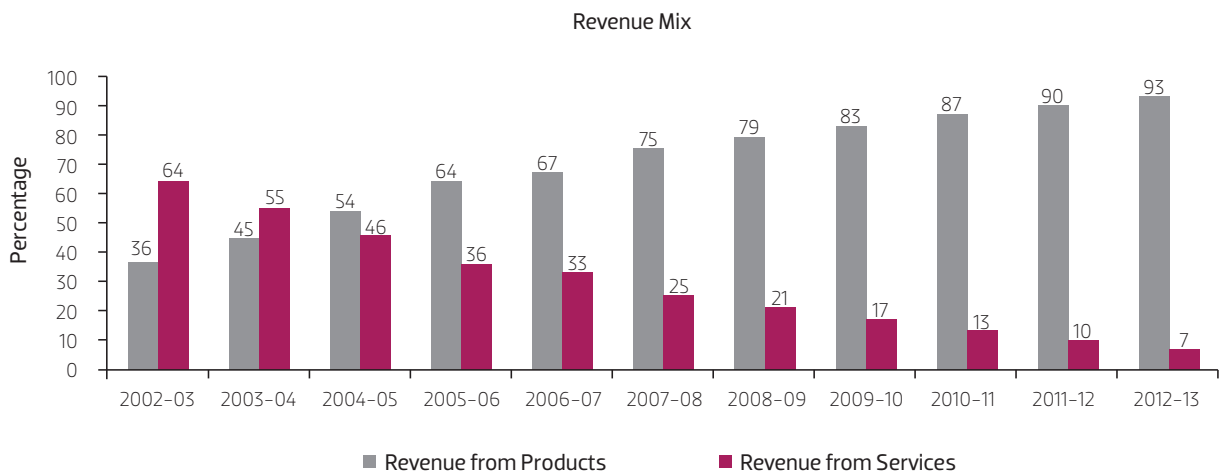
Strategy is a critical aspect in any business. The key elements of our strategy are our offering, positioning and customer acquisition and retention. We have always been at the leading edge of technology

and have evolved new concepts to enable our customers to keep pace with changing scenarios. Using our products, we have structured several solutions that address and solve key problems faced by our customers. These solutions are offered as a well integrated platform called ROC. In addition to this, we also offer ROC in the form of Managed Services thereby ensuring that our customers gain significantly from our solutions. This three pronged strategy has helped us to weather the storm over the past couple of years.

## 3. BUSINESS SEGMENTS AND INDUSTRY OUTLOOK

### 3.1 Business Segments

Subex operates in two business segments – telecom software products and telecom software services. The former is the key focus area for the Company and is being discussed in detail. The latter is staff augmentation services for Telcos in the United States and is fast losing its significance as can be seen from the business mix data provided herein.



### 3.2 Telecom Software Products

#### Solutions for Business Optimisation

Subex offers the Revenue Operations Centre (ROC®) Solution Suite for Business Optimisation, which has solutions for Revenue Assurance, Fraud Management, Credit Risk Management, Partner Settlement, Route Optimisation, Cost Management, Asset Assurance, Data Integrity Management and Capacity Management.

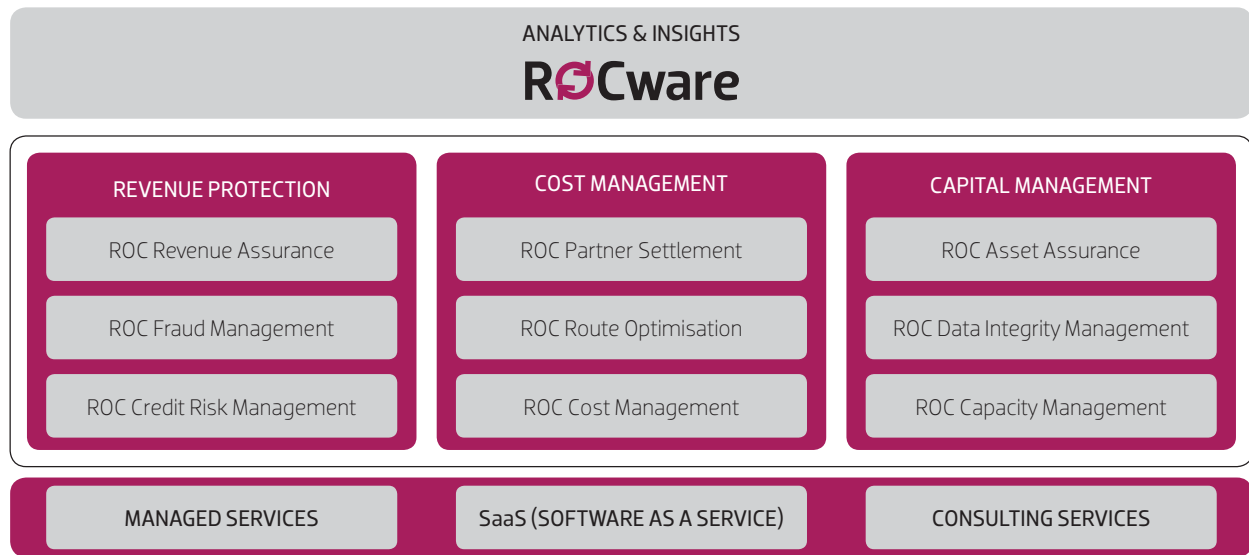
#### Revenue Operations Centre (ROC)

ROC functions as a financial command and control centre for the telcos by,

- ▶ delivering real-time and actionable insights to effectively monitor and control the operational and tactical response
- ▶ providing an integrated platform that sits on top of all Subex BSS products or third party systems
- ▶ linking service provider operations directly to financial health

ROC allows for the correlation of data across business systems, creating an end-to-end view of the customer based on products, services, revenues, margins, costs, and more. ROC also enables service providers to define key cross-domain metrics and KPIs, specific to their business strategy that can be monitored and tracked.

## Subex ROC® Portfolio



#### ROC Revenue Assurance

ROC Revenue Assurance is the telecom industry's first revenue assurance solution that simplifies RA. It tackles critical challenges across the entire revenue chain with ease. It offers two path breaking concepts – RevenuePad and Zen which simplifies and speeds up the process of revenue recovery. It helps customers address revenue assurance challenges inherent to individual service verticals: Wireless, Fixed, Cable MSPs, and MVNOs. It also helps them address revenue assurance issues across multiple functional areas, such as service fulfillment, usage integrity, retail billing, interconnect/wholesale billing, and content settlement.

This helps customers dramatically reduce the time required to implement or extend the coverage of their revenue assurance practices. Moreover, customers can easily reconfigure or remodel existing solution to accommodate changing business requirements. ROC Revenue Assurance is designed not only to detect potential revenue loss, but also to proactively assist an operator with its investigation, diagnosis and recovery of these revenues. ROC Revenue Assurance is highly effective in both traditional circuit-switched and Next Generation packet-switched service environment.



ROC Revenue Assurance detects the symptoms of leakage, prevents incidents before they reach the customer bill, accelerates resolution times, and enables Revenue Assurance teams to align their successes with broader organizational goals – such as higher margins and customer satisfaction.

**ROC® Revenue Assurance's Philosophy** – ROC Revenue Assurance philosophy is to simplify RA. It achieves this through two industry-first capabilities: RevenuePad and Zen. RevenuePad is the command center for Enterprise-wide RA that helps service providers to chart their RA roadmap, provides guidance on which assurance areas and metrics to cover, and offer Visual aides to isolate problem areas. Zen is the industry's first Virtual RA Analyst, which directly gives root causes of leakages, improving analyst productivity by more than 90%. Not only this, ROC Revenue Assurance is mobile device enabled. So, executives can gauge RA health, analyze key metrics and make business critical decisions while on the move.

#### **ROC Fraud Management**

ROC Fraud Management is built to drive fraud prevention by eliminating known frauds, uncovering new fraud patterns, minimizing fraud run time, augmenting internal controls, and supporting continuous fraud management process improvement. ROC Fraud Management detects known fraud types and patterns of unusual behaviour, helps investigate these unusual patterns for potential fraud, and uses the knowledge, thus generated, to upgrade and protect against future intrusions.

The solution is characterized by its unique architecture that harnesses the power of proven rules-based alarms and pattern matching driven by advanced statistical techniques. Adding power to this hybrid detection system is a set of potent case management tools. These tools provide relevant case data that are made easily accessible through a single window in a fast web-based GUI.

ROC Fraud Management's high flexibility allows operators of different sizes to customize rules to suit unique network and business requirements. A configurable workflow management tool integrates the investigation process with detection.

ROC Fraud Management has the ability to detect fraud types in all telecom environments: Wireline (PSTN, ISP, VoIP), and Wireless (2G, 2.5G, 3G); and across all services: Postpaid, Payment, VAS, MMS and M-commerce.

#### **ROC Credit Risk Management**

The ROC Credit Risk Management solution empowers operators to continuously assess and mitigate risk presented by subscribers throughout their lifecycle. It tracks risk in near real-time during:

- ▶ Subscriber acquisitioning
- ▶ Ongoing usage
- ▶ Collections and recovery

The solution provides the operator with a holistic view that helps in understanding subscriber risk profile and thereby aids its management.

Further, it can quickly, and seamlessly, accommodate new service information to provide an accurate picture of the exposure at any point in time. Allowing the operator to easily, and quickly, define various risk indicators and controls enables the solution to adapt to local cultural and regulatory requirements. This also enables the operator to stay agile in changing socio-economic conditions that affect the overall level of risk in a region.

#### **ROC Partner Settlement**

The ROC Partner Settlement solution allows operators to quickly and accurately settle charges with interconnect, network and content partners on a single, modular platform. In today's fiercely competitive telecom landscape, dwindling voice margins and heavy investments in next generation service (NGN) enablers such as 3G, 4G have forced Communication Service Providers (CSPs) to look at new revenue generation opportunities while driving efficiencies to maintain margins from traditional services.

ROC Partner Settlement gives service providers the freedom to experiment with new NGN service offerings without having to worry about the scalability of its billing function. A flexible solution ensures that different packaging and pricing strategies around content can be easily modeled in the system. Complicated multi-partner revenue share contracts can be modeled and analyzed for profitability before the actual contract is put into place. On the other hand, shrinking margins from voice services have highlighted the need for visibility of each deal's impact on a service provider's bottom line. It's no longer just about billing accurately and managing agreements. Having an analytical view of the wholesale business is the need of the hour. ROC Partner Settlement helps you have a converged view of your wholesale business by managing the entire order to cash & procure to pay lifecycles.

#### **ROC Route Optimisation**

Telecom operators need to respond quickly to the abrupt and volatile changes in service provider rates in order to remain competitive. Subex's ROC Route Optimisation solution answers this need, allowing subscribers to benefit from competitively priced high quality service.



ROC Route Optimisation delivers value through the following capabilities:

- ▶ Analyses various service parameters such as cost, traffic forecast, network capacity and quality
- ▶ Uses analysis output to streamline service providers' routing process
- ▶ Establishes competitive sales rates for services
- ▶ Executes the Automated Routing Management System to establish automatic switch connection and generate
- ▶ Man-Machine Language commands for switch update

These capabilities round up our comprehensive route optimisation solution, helping you derive the best breakouts and cost routes. Our processes also enable communication service providers to establish focused efficiency-increasing task automation, thereby reducing data redundancies.

#### **ROC Cost Management**

ROC Cost Management is a state-of-the-art revenue management offering from Subex, which helps service providers effectively monitor and manage the cost of services. It enables operators to efficiently manage the process of identification, collection and comparison of cost related data across multiple sources such as partner invoices, inventory, orders, and call detail records.

It ensures the profit margins and operational agility through reduction of service delivery costs. It is built on a highly integrated platform using components-based technology to provide striking performance, scalability, interoperability and reliability.

The solution collects, collates and correlates the information from switches, inventory, billing, partner invoices, and financial systems to provide deeper insights about the cost aspects in an easier to understand format through dashboards & reports. It enhances margins by optimizing leased circuit costs, reducing interconnect costs, assuring access costs and by automating invoice verification process.

#### **ROC Asset Assurance**

Subex's ROC Asset Assurance provides an operator a complete, holistic view into current assets, consumption and placement of the assets, with subsequent recommendations on what, where, when, and why to spend capex. ROC Asset Assurance is a solution which helps operators to manage telecommunications network assets across all dimensions of the asset life cycle, providing complex analytics that are not only descriptive (show current states, trending, etc.), but also predictive, to accurately predict asset exhaustion, procurement triggering, necessary asset warehouse levels, impacts

of failure and growth rates on sparing levels, and retirement strategies.

#### **ROC Data Integrity Management**

Subex is the pioneer of Data Integrity Management, with over a decade of experience in data integrity transformations with the world's leading service providers. ROC Data Integrity Management is the industry's first Data Integrity Management solution for improving the quality of data that drives key service provider processes, resulting in lower costs and higher service profitability. ROC Data Integrity Management combines three powerful data integrity functions: multi-layer network and service discovery; data reconciliation; and discrepancy analytics. Leveraging inherent cross-domain intelligence and extensive off-the-shelf network equipment support, ROC Data Integrity Management discovers devices and logical services in diverse network environments and reconciles this data with the OSS/BSS on a continuous, controlled basis. The result is consistent, relevant data throughout service provider operations, enhancing the effectiveness and value of service fulfillment, service assurance, and billing systems.

#### **ROC Capacity Management**


Subex's Capacity Management solution enables CSPs to prevent an availability or performance impact on business critical applications due to capacity issues. It provides the critical link between discovering the network 'as-is' and presenting the data in a normalized and appropriate format. It further engages analytics functions to provide actionable intelligence and also predict scenarios and their impact on network capacity which would help CSPs to plan capacity investments accordingly. It provides a holistic view of capacity through which it helps CSPs see threshold violations on key links and resolve capacity issues based on near real-time data.

#### **Managed Services**

Subex Managed Services experts are helping service providers around the world improve their BSS operations significantly, not just in the long term, but also on a day-to-day basis. We complement existing operations just as much as transform their business. The following figure illustrates how we add value to service provider operations.

#### **Mobile Money**

Subex, a leader in fraud management is leveraging its ROC Fraud Management solution to prevent mobile money fraud. The solution's real time in-line controls prevents fraud in real time. It validates registrations, financial flow, commissions and controls responses and transactions all in realtime, thus assuring the business process. Its powerful rule based engine monitors transactions for potential



fraud and misuse. It performs thorough customer checks and provides risk scorecards with the help of its Know Your Customer controls. Since mobile money transactions contain highly sensitive information, the solution provides complete security by way of data encryption, masking and role based access.

#### **ROCcloud**

Subex is recognized as the leader in the business optimisation space and has pioneered the concept of the ROC – the Revenue Operations Center – to enable profitable growth through coordinated operational control. The same ROC is delivered as a service to suit the needs of small and medium telcos in the form of ROCcloud.

#### **Analytics**

##### **ROCware Platform**

ROCware is our award-winning business response platform that harnesses the wealth of operational data you have, transforms it into actionable information, and then lets you act on it – all in near-real-time.

##### **Payment Channel Assurance**

Subex's ROCware can be instrumental in providing the Payment Channel Assurance capability to Service Providers. It can help them align payment channels with billing and General Ledger.

##### **ROCware Propensity Profiler**

Subex's ROCware Propensity Profiler helps CSPs predict behaviors and issues before they occur and improve metrics throughout the business. While most other solutions take a reactive approach to issues, ROCware Propensity Profiler not only identifies the issue and its cause but also has the capability to predict what is going to happen next. It analyzes the huge volumes of operational data and converts them into actionable intelligence which can be then easily used by CSPs to make appropriate decisions. There is also a human element involved which is instrumental in obtaining actionable intelligence, and Subex's experts in this field provide unmatched value in getting the desired results. ROCware Propensity Profiler helps CSPs accurately predict metrics like propensity to churn, propensity to contact, propensity to be dissatisfied etc.

##### **ROCware Product Performance Management**

Subex's ROCware Product Performance Management is the ideal solution for operators looking to monitor performance of newly launched products, and make informed decisions to improve uptake and customer experience. It helps operators detect or pre-empt rollout problems before they are visible to customers by constant monitoring of service delivery metrics. It also facilitates multi-dimensional product performance analysis down to market and subscriber levels for in-depth views into how the launch worked in

specific regions/ clusters/ groups etc. Moreover it collects real time quote-to-cash data, compares these metrics to target service level agreements, and trends key performance indicators (KPIs) over time to provide the service provider complete visibility into the performance of service delivery functions and quickly isolate problem areas requiring attention.

#### **3.3 Customer Base**

Subex today serves over 300 installations spread across 70 countries. This includes 29 of the top 50 telcos globally. A partial list of customers is given below:

**APAC** – Aircel, Airtel, Bakrie Telecom, BSNL, CAT, Celcom, Dialog, Dtac, Etisalat, Hanoi Telecom, Hutchison Telecom, Idea, Indosat, Maxis, MTNL, Reliance Communications, Starhub, TelBru, Telcom, Telstra, TM, True, TATA, Vodafone, YTL Solutions

**Americas**– Americatel, Bell Canada, Centennial, Cincinnati Bell Wireless, Claro, Comcast, Cricket, Etecsa, Frontier, Glo, Hawaiian Telcom, Grupo ICE, Level 3, Porta, Rogers, Sprint, Telesur, Telefonica, Telmex, Telus, T Mobile, Verizon

**EMEA**– Airtel, Atalntique Telecom, Avea, Azercell, Bezeq International, BTC, BT, Cable & Wireless, Cell C, Colt, Coolwave, Cora, Cyta, Du, Eagle, Econet, ecoop, 8-el, emt, Finnet, Goecell, iKatel, Interoute, Kcell, Lebara, Mascom, Matrix, Melita, Mirs, Mobinil, Moldcell, Mcel, MTN, Ncell, Nedjma, O2, One, Orange, Orascom, Ooredoo, Qicomm, Romtelecom, Roshan, Sabafon, Skanova, Starcomms, STC Kuwait, Swisscom, Syriatel, Tcell, Telecom Egypt, Telekom Slovenije, Telenor, Telfort, TeliaSonera, TEO, Totem, TP, Turk Telecom, UPC, Vodafone, Warid, Wavecrest, Zain, Zong, Zon

#### **3.4 Revenue Model**

Subex licenses its software solutions on per subscriber or per transaction basis for every service stream of our customers, resulting in continuous growth in license revenues depending on the growth of the networks where the solutions are installed. Another sustainable revenue stream is the support revenue calculated as a function of the license revenue.

Further, we also have an additional stream of revenue namely, customization. While the above mentioned streams are directly related to the license model, we also have embarked on an additional stream of revenue namely Managed Services, which has been detailed below.

##### **Managed Services**

Recognizing the strategic imperative of outsourcing in today's environment, Subex offers a flexible and scalable Managed Services program that enables service providers to successfully meet the ever changing business, technology and customer requirements.

Subex Managed Services offering is designed to offer true competitive advantage by focusing on strategic, operational and cost benefits that address service providers' current and future challenges and risks.

Subex Managed Services program is designed to add both strategic and tactical value to service providers' operations and enable better customer experience while also enhancing their operational efficiency, service agility and profitability. With Subex at the helm of its operations, service providers can redirect critical resources at core business functions generating more revenue and saving costs.

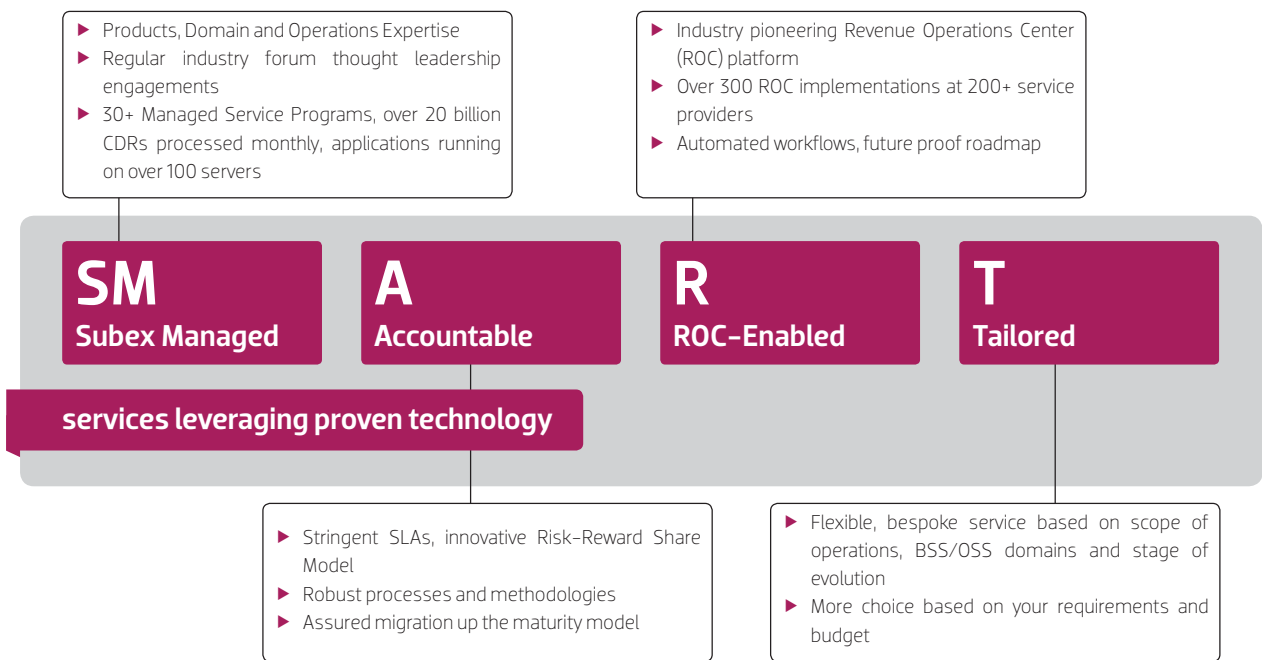
Subex understands that no two service provider requirements are

alike and hence offers the flexibility to pick and choose services based on:

- ▶ Scope of Operations: Ranging from standard operations to large scale transformational programs
- ▶ BSS/OSS Domains: Drawing from Subex's established expertise on various BSS/OSS domains
- ▶ On-Site Support: High caliber, experienced resources to ensure functional continuity and high resource efficiency

## Subex Managed Services

smart services leveraging proven technology



### On-demand, Software-as-a-Service (SaaS) – ROCcloud

Small and medium telcos have Business Support System (BSS) needs that are very different from those of larger telcos. In the same vein, most BSS products are developed to address the needs of large telcos. They are loaded with a host of standard features, not all of which are relevant to smaller organizations, and necessitate a substantial investment in licenses and resources. Quite naturally, it is difficult to justify this investment in most small and medium organizations.

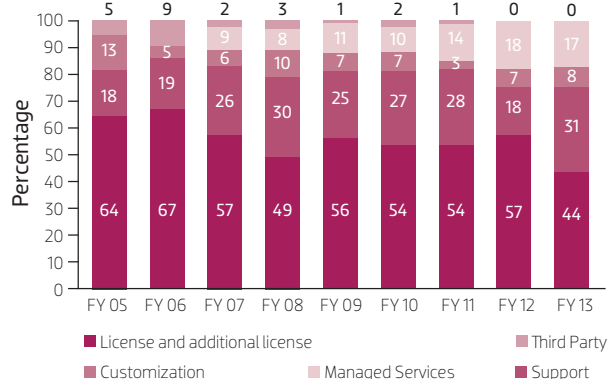
ROCcloud brings Subex's proven Revenue Operations Center

(ROC) to small and medium telcos. It is an on-demand Business Support Systems (BSS) ideally suited for small and medium telcos. ROCcloud employs a monthly subscription based usage model and is delivered over the web in a completely secure environment. It utilizes shared infrastructure at various locations across the globe. It is a pre-configured service with minimal customization needed and no implementation services required. ROCcloud is currently available for fraud management; addressing all common fraud threats.

The following graph gives the revenue from each of the stream during the past several years:



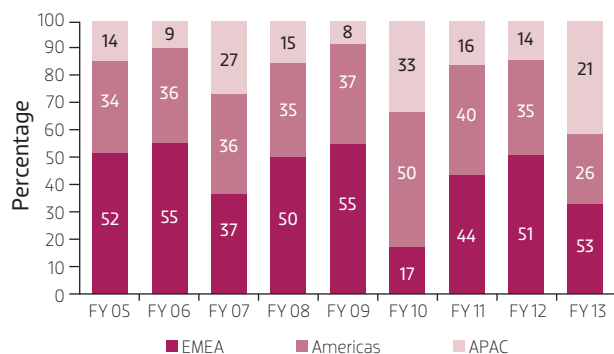
Revenue Composition



### 3.5 Geographical Mix

We have a dominant presence in both developing and developed markets. This is quite evident from the geographical mix given below.

Geographical Mix



## 4. RISKS AND CONCERNS

Risks are an inherent part of any business activity. Following are the risks associated with our business:

### 4.1 Market

The business model of communications service providers is highly dependent on consumer behaviour and any reduction on spending by consumers will negatively impact the fortunes of the telcos. That will result in reduction of investment by the telcos and a consequent contraction of market for our products. The communications industry continues to experience consolidation and an increased formation of alliances among communications service providers and between communications service providers and other entities. Should one of our significant customers consolidate with a service provider using a competing product and decide to discontinue the use of our product(s), this could have a negative material impact on our business. These consolidations and alliances may cause

us to lose customers or require us to reduce prices as a result of enhanced customer leverage, which would have a material adverse effect on our business. We may not be able to offset the effects of any price reductions. We may not be able to expand our customer base to make up any revenue declines if we lose customers.

Subex is fully dependant on the telecom industry. As such, any vagaries in the telecom business environment will considerably impact the fortunes of the Company.

### 4.2 Technology and Personnel

Our industry is characterized by rapid technological changes and frequent new service offerings. Significant technological changes could make our products and services obsolete, less marketable or less competitive. We must adapt to our rapidly changing market by continually improving the features, functionality, reliability and capability of our products to meet changing customer needs. Launching new products is a key element of our growth and our ability to bring new products with high demand to the market in a timely manner will increase our growth prospects and profitability.


Subex has set up processes and methodologies to address this threat and to turn it into a strategic advantage by being in the forefront of technological evolution. Regular skill upgradation programs and training sessions that include attending global conferences, employing specialized consultants etc. are undertaken.

Retention of software personnel is another major risk being faced by Subex. Towards this, the Company provides an empowered atmosphere with extensive mentoring, career counseling and constant learning opportunities in cutting edge and challenging technologies.

### 4.3 Intellectual Property

The telecom software industry is characterised to a large extent by its reliance on proprietary technology. The Company and its subsidiaries own or have licenses to use the technologies embedded in its products. The Company depends on a combination of technical innovations, copyrights, trade secrets and non-disclosure agreements for the protection of this technology. The Company and its subsidiaries also maintains patent and trademarks, and patent and trademark application filings, as it deems appropriate. The Company and its subsidiaries also have copyrights vested in their software products and related materials. However, as is common industry practice, the Company has not generally pursued registrations of its copyrights.

There can, however, be no assurance that the Company's claims to any intellectual property rights will successfully protect what it considers to be the Company's intellectual property from third-party use in any or all of the jurisdictions in which it does business, either now or in the future. To the extent that the Company's innovations



and products are not protected by patents, copyrights or other intellectual property rights, third parties (including competitors) may be able to make use of the Company's know-how.

In addition, legal protection of the Company's intellectual property rights in one country will not necessarily provide protection in other countries. The laws of many countries do not protect intellectual property rights to as great an extent as those of many western countries. Effective protection of the Company's intellectual property rights may be unavailable or limited in certain countries. For example, many countries, particularly certain developing countries, do not favour the aggressive enforcement of trademarks, patents and other measures to protect intellectual property. Limited intellectual property rights make piracy and misappropriation, which are endemic to the software industry, more difficult to prevent. Moreover, even when the Company has adequate intellectual property rights to stop an infringer, it may lack the resources to detect all infringements, to trace the source of the infringement or to enforce its rights against the infringer.

Much of the Company's technology and many of the Company's processes depend upon the knowledge, experience and skills of the Company's personnel. To protect rights to the Company's know-how and technology, the Company generally requires all employees and advisors to enter into confidentiality agreements that prohibit the disclosure of confidential information. These agreements also require disclosure and assignment to the Company of ideas, developments, discoveries and inventions. These agreements may not effectively prevent disclosure of the Company's confidential information, provide meaningful protection for the Company's confidential information or assign to the Company all such intellectual property rights. The enforceability of these agreements also varies from jurisdiction to jurisdiction, and it is difficult to police disclosures by persons who leave the Company's employment. Should any of these possibilities occur, it would have a material adverse effect on the Company's business, financial condition and results of operations.

#### 4.4 Infringement

The Company and its subsidiaries have not received any notification of an alleged infringement of any other party's proprietary technology. However, the Company and its subsidiaries may in the future face claims of infringing the intellectual property rights

of others or that their customers are infringing such third party intellectual property rights through use of the Company's products. If any of the Company's products are found to infringe the patents or other intellectual property rights of others, or if the Company settles a claim in a manner adverse to it, the Company's development, manufacture and sale of such products could be severely restricted or prohibited. Intellectual property litigation can involve complex factual and legal questions and its outcome is uncertain. Any claim relating to infringement of intellectual property rights may require it to pay substantial damages and seek licences to continue to use such intellectual property, which licences may not be available on commercially acceptable terms or at all. Even if the Company were to be successful, any intellectual property litigation could be costly and time-consuming, and would divert the attention of management and key personnel from the Company's business operations. As a result of any intellectual property infringement suit brought against the Company or its customers, the Company may be forced to stop or delay developing, manufacturing or selling products that are claimed to infringe a third party's intellectual property rights.

Furthermore, the Company is required to indemnify its customers against third-party claims of infringement of intellectual property arising out of the Company's customers' use of its products and services. Typically, the Company's liability for such indemnification is not limited by limitation of liability provision in customer contracts.


Further, the Company is often in possession of proprietary information of its customers. There is a risk that such information may be wrongly used or disclosed or may be misappropriated by employees of the Company resulting, among other things, in a breach by the Company of contractual obligations to its customers.

Any of these factors could have a material adverse effect on the Company's business, financial condition and results of operations.

#### 4.5 Variability of Quarterly Operating Results

The quarterly operating results of the Company have varied in the past due to reasons like seasonal pattern of hardware and software capital spending by customers, information technology investment trends, achievement of milestones in the execution of projects, hiring of additional staff and timing and integration of acquired businesses. Hence, the past operating results and period to period comparisons may not indicate future performance. The management is attempting to mitigate this risk through expansion





of client base geographically and increase of steady annuity revenue. Despite those efforts, variability could continue.

#### 4.6 Statutory Obligations

Subex has registered with Special Economic Zone for software development activities and has availed Customs Duties, Sales Tax and Central Excise exemptions. The non-fulfillment of export obligations may result in penalties as stipulated by the Government and this may have an impact on future profitability.

#### 4.7 Environmental Matters

Software development, being a pollution free industry, is not subject to any environmental regulations.

#### 4.8 Foreign Exchange

Subex has substantial exposure to foreign exchange related risks on account of revenue from export of software and outstanding liabilities. These are hedged with banks and risks mitigated to the extent possible. Despite this, particularly given the volatility in the foreign exchange market, there could be significant variations.

#### 4.9 Taxation

Consequent to the end of STPI related tax benefits for Subex, we have moved to a Special Economic Zone (SEZ). While tax protection is expected to continue under the SEZ scheme, there is a significant amount of uncertainty in the regulatory environment. This could potentially lead to incidence of higher tax.

#### 4.10 Contractual Obligation

In terms of the contract entered into by Subex with its customers in the ordinary course of business, it is obliged to perform and act according to the contractual terms and regulations. Failure to fulfill the contractual obligations arising out of such contracts may expose Subex to financial and other risks.

The management has taken sufficient measures to cover all of its contractual risks and does not foresee any major liability due to its non fulfillment of any contractual terms and conditions.

#### 4.11 Debt Obligations

As on March 31, 2013, the Company had outstanding FCCBs aggregating to US\$ 1,000,000 under its US\$ 180,000,000 2% convertible unsecured bonds ("FCCBs I") and US\$ 1,400,000 under its US\$ 98,700,000 5% Convertible Unsecured Bonds ("FCCBs II"). In

July 2012, pursuant to the exchange offer of FCCBs I and FCCBs II, the Company issued US\$ 127,721,000 5.70% secured convertible bonds with a maturity period due July 2017 ("FCCBs III"). Principal amount of US\$ 36,321,000 were mandatorily converted and US\$ 3,250,000 million out of FCCB III were subsequently converted into equity shares. Pursuant to the mandatory and subsequent conversions US\$ 88,150,000 is currently outstanding under FCCBs III.

The maturity period of the un-exchanged FCCBs I worth US\$ 1,000,000 and the un-exchanged FCCBs II worth US\$ 1,400,000 was extended to March 2017.

The ability of the Company to successfully meet the debt obligations under the FCCBs depends on its internal accruals, additional fund raising in the form of debt or equity and possible conversion of FCCBs into equity shares prior to redemption.

## 5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Management maintains internal control systems designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and properly recorded, and accounting records are adequate for preparation of financial statements and other financial information. The internal audit function also carries out Operations Review Audits to improve the processes and strengthen control of the existing processes. The Audit Committee periodically reviews the functions of internal audit.

Pursuant to clause 49 of the Listing Agreement, the CEO/CFO has to accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and that they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

The adequacy of the Company's internal controls are tested from time to time and control deficiencies, if any, identified during the assessments are addressed appropriately.

## 6. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

### 6.1 Key Financials and Ratio Analysis

₹ in Lakhs

Financial Highlights / Year ending 31st March	2013		2012		2011	
	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Total income	33,147.10	26,677.95	48,878.97	33,902.66	49,279.20	32,933.00
Operating Profits (EBITDA) before Exceptional Items	4,024.92	3,338.21	14,063.28	9,700.20	13,797.70	11,867.70
Depreciation & Amortization	426.77	225.92	779.60	364.90	1,045.02	555.00
Profit/(Loss) before tax & after Exceptional Items	(5,608.47)	(3,456.42)	3,519.07	203.65	8,318.50	7,255.80
Profit/(Loss) after tax & Exceptional Items	(5,994.71)	(3,456.42)	3,184.10	239.70	7,879.00	7,150.90
Equity Dividend %	Nil	Nil	Nil	Nil	Nil	Nil
Share Capital	16,664.00	16,664.00	6,931.08	6,931.08	6,931.00	6,931.00
Reserves & Surplus	5,835.68	16,870.39	7,172.35	14,015.80	14,011.00	24,243.90
Net Worth	22,499.68	33,534.39	14,103.43	20,946.88	20,942.00	31,174.90
Gross Fixed Assets	10,279.57	7,096.86	10,447.13	7,370.52	16,386.48	7,254.90
Net Fixed Assets	466.74	333.05	772.80	474.80	1,303.80	637.30
Total Assets	1,08,797.37	1,47,548.90	1,09,609.37	1,45,873.05	1,06,435.80	1,05,428.60
<b>Key Indicators</b>						
Earning Per Share (Year end)	(4.40)	(2.54)	4.59	0.35	12.47	11.32
Cash Earning Per Share (Year end)	(1.04)	(1.44)	7.50	3.73	7.68	7.61
Book Value Per Share	13.50	20.12	20.35	30.22	30.22	44.98
Debt (Including Working Capital)	3.25	1.96	4.27	2.80	2.61	1.70
Equity Ratio						
EBITDA / Sales - %	12.18%	12.57%	29.43%	29.48%	28.58%	37.85%
Net Profit Margin - %	(18.13%)	(13.02%)	6.66%	0.73%	16.32%	22.81%
Return on year end Net Worth %	(26.64%)	(10.31%)	22.58%	1.14%	37.62%	22.94%
Return on year end Capital	(6.27%)	(3.48%)	4.29%	0.30%	10.43%	8.50%
Employed %						

## 7. COMMENTARY ON FINANCIAL STATEMENTS

### 7.1 Share Capital

7.1.1 Of the equity paid-up capital, the Company had issued the following shares towards consideration other than cash.

- ▶ 1,15,000 shares of ₹ 10/- each, towards the balances in the current account of partners, Mr. Subash Menon and Mr. Alex J. Puthenchira, on the takeover of Subex Systems, a partnership firm, by the Company during 1993-94.
- ▶ 46,26,940 shares of ₹ 10/- each to all eligible shareholders as on March 31, 1999 in the ratio of 1:1 by capitalizing the General Reserves.
- ▶ 12,840 shares of ₹ 10/- each to the erstwhile owners of M/s. IVth Generation Inc., towards part consideration of the cost of acquisition of that Company at ₹ 1,023/- per share during 1999-2000.

- ▶ 1,08,78,784 shares of ₹ 10/- each to all eligible shareholders as on January 6, 2006 in the ratio of 1:1 by capitalizing the securities premium.
- ▶ 11,09,878 shares of ₹ 10/- each to the GDR holders as on April 7, 2006 at ₹ 400/-.
- ▶ 1,17,28,728 shares of ₹ 10/- each to the GDR holders as on June 22, 2006 towards consideration of the cost of acquisition of Azure Solutions Ltd at ₹ 532.24 per share

7.1.2 During 2006-07 the Company issued 2,19,551 (including Bonus shares, wherever options are eligible) shares of ₹ 10/- each to various Employees on exercise of Stock Options granted under the Employee Stock Option Plan (ESOP – II & III).

7.1.3 During 2007-08, the Company issued 31,364 (including Bonus shares, wherever options are eligible) shares of ₹ 10/- each to various Employees on exercise of Stock Options granted under the Employee Stock Option Plan (ESOP – II & III).



7.1.4 During 2009-10, the Company issued 1,203 equity shares of ₹ 10/- each under its ESOP III scheme and 1,210 equity shares of ₹ 10/- each under its ESOP II scheme to various Employees on exercise of Stock Options.

7.1.5 During 2009-10, the Company issued 40,00,000 equity shares of ₹ 10/- each, on a preferential basis, to M/s Woodbridge Consultants, an entity belonging to Promoters/Promoter group, at ₹ 80/- per share.

7.1.6 During 2009-10, the Company issued 1,91,33,637 equity shares allotted upon conversion of FCCBs aggregating to principal amount of US\$ 31,900,000 out of its US\$ 98,700,000 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof.

7.1.7 During 2010-11, the Company issued 41,24,254 equity shares of ₹ 10/- each, on a preferential basis, to M/s KBC Aldini Capital Mauritius Limited, at ₹ 81/- per share.

7.1.8 During 2010-11, the Company issued 71,97,607 equity shares allotted upon conversion of FCCBs aggregating to principal amount of US\$ 12,000,000 out of its US\$ 98,700,000 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof.

7.1.9 During 2010-11, the Company issued 3,765 equity shares of ₹ 10/- each under its ESOP III scheme and 1,260 equity shares of ₹ 10/- each under its ESOP II scheme, to various Employees upon exercise of Stock Options.

7.1.10 During 2011-12, the Company issued 747 equity shares of ₹ 10/- each under its ESOP III scheme to various Employees upon exercise of Stock Options.

7.1.11 There are no calls in arrears.

7.1.12 During 2012-13, the Company issued 9,73,29,190 equity shares allotted upon conversion of FCCBs to principal amount of US\$ 39,571,000, out of its US\$ 127,721,000 5.70% Secured Convertible Bonds, in accordance with the terms and conditions thereof.

## 7.2 Reserves And Surplus

7.2.1 Capital Reserve of ₹ 130 Lakhs was created by credit of the notional premium on 12,840 equity shares of ₹ 10/- each valued at a price of ₹ 1,023/- per share and issued to the owners of IVth Generation Inc, USA as part consideration for the transfer of their shareholding to Subex Systems Ltd.

During the year 2010-11, additions to capital reserve due to reversal of accrued interest on conversion of FCCBs into equity shares amounted to ₹ 1,598.9 Lakhs, reductions due to transfer to Business Restructuring Reserve amount to ₹ 400 Lakhs and deferred interest on restructured FCCBs amounted to ₹ 1,222.7 Lakhs.

During the year 2011-12, the balance in capital reserve of ₹ 346.70 Lakhs was transferred to Business Restructuring Reserve.

During the year 2012-13, the balance of Foreign Currency Translation Reserve of ₹ 2,765.65 Lakhs has been included in the Reserves and Surplus to bring it in line with Revised Schedule VI.

7.2.2 Securities Premium Account represents the premium collected on:

- ▶ 9,71,000 equity shares issued at a premium of ₹ 65/- per share through an Initial Public Offer in 1999-2000.
- ▶ 3,30,800 equity shares issued at a premium of ₹ 740/- per share to Mutual Funds and Bodies Corporate on a preferential basis during 1999-2000.
- ▶ 18,87,000 equity shares issued at a premium of ₹ 88/- per share to holders of ROCCPS on conversion of preferential shares at ₹ 98/- each, namely Intel Capital, Toronto Dominion Bank and UTI Venture Funds.
- ▶ 15,38,459 equity shares issued at a premium of ₹ 290/- per share to holders of FCCBs on conversion of the bonds at a price of ₹ 300/- per share.
- ▶ 11,09,878 equity shares issued at a premium of ₹ 390/- per share to holders of GDR at a price of ₹ 400/-.
- ▶ 1,17,28,728 equity shares issued at a premium of ₹ 522.24 per share to holders of GDR at price of ₹ 532.24
- ▶ 2,58,353 (including Bonus shares, wherever options are eligible) equity shares allotted to the employees under ESOP II & III Scheme as per the provisions of the Scheme at various premiums.
- ▶ 2,63,31,244 equity shares were allotted upon conversion of FCCBs aggregating to principal amount of US\$ 43.9 Million, out of its US\$ 98.7 Million 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof
- ▶ 40,00,000 equity shares were allotted, on a preferential basis, to M/s Woodbridge Consultants, an entity belonging to Promoters/Promoter group, at an issue price of ₹ 80 per share including a premium of ₹ 70 per share
- ▶ 41,24,254 equity shares of ₹ 10/- each, allotted on a preferential basis, to M/s KBC Aldini Capital Mauritius Limited, at an issue price of ₹ 81 per share including a premium of ₹ 71 per share
- ▶ 747 shares of ₹ 10/- each were allotted to the employees under ESOP III scheme as per the provisions of the scheme at various premiums.

7.2.3 Business Restructuring Reserve

- ▶ During the year 2009-10, ₹ 50,000 Lakhs and ₹ 17,000 Lakhs were transferred to Business Restructuring Reserve from securities premium and capital reserve respectively. Out of the

said amount, ₹ 64,997.90 Lakhs were utilized and consequently, the balance in Business Restructuring Reserve as of March 31, 2010 is ₹ 2,002.10 Lakhs on consolidated basis.

- ▶ During the year 2010-11, ₹ 17,000 Lakhs and ₹ 400 Lakhs were transferred to Business Restructuring Reserve from securities premium and capital reserve respectively. Out of the said amount, ₹ 18,303.70 Lakhs were utilised and consequently, the balance in Business Restructuring Reserve as of March 31, 2011 is ₹ 1,098.40 Lakhs on consolidated basis.
- ▶ During the year 2011-12, ₹ 346.70 Lakhs were transferred from Capital Reserve and ₹ 854.30 Lakhs un-utilized provisions were transferred back to Business Restructuring Reserve. Out of the said amount, ₹ 629.20 Lakhs were utilized and consequently, the balance in Business Restructuring Reserve as of March 31, 2012 is ₹ 1,670.20 Lakhs on consolidated basis.
- ▶ During 2012-13, ₹ 271.10 Lakhs were transferred to Securities premium Account. Out of the said amount, ₹ 1,318.48 Lakhs were utilized and consequently, the balance in Business Restructuring Reserve as of March 31, 2013 is ₹ 80.63 Lakhs on consolidated basis.

### 7.3 Employee Stock Options

In accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Company amortizes the excess of market price of the underlying equity shares as on the date of the grant of the option over the exercise price of the option, to be adjusted over the period of vesting. The net amount carried in respect of stock options outstanding at March 31, 2013 amounts to ₹ 123.78 Lakhs (Previous Year: ₹ 113.50 Lakhs).

### 7.4 Borrowings

On consolidated basis, the Short term borrowings of ₹ 19,387.91 Lakhs (Previous Year: ₹ 12,436.50 Lakhs) outstanding in the books as at March 31, 2013 consists of ₹ 16,550.46 Lakhs from banks secured by the charge on Fixed/Current Assets and personnel guarantee of the director of the Company apart from the corporate guarantee in which the director is interested as well as guarantee of Subex Technologies Ltd, ₹ 937.56 Lakhs working capital loan secured by Corporate Guarantee of the Holding Company.

On Standalone basis, the Short term borrowings of ₹ 16,550.46 Lakhs (Previous Year: ₹ 10,893.91 Lakhs) outstanding in the books as at March 31, 2013, ₹ 16,550.46 Lakhs from Banks secured by the charge on Fixed/Current Assets and personnel guarantee of the director of the Company apart from the corporate guarantee in which the director is interested as well as guarantee of Subex Technologies Ltd.

### 7.5 Long Term Borrowings (including current provisions)

On a consolidated basis and standalone basis Current maturities of long term debt as at March 31, 2013 consists of:

- a. ₹ 542.81 Lakhs (Previous Year: ₹ 19,841.30 Lakhs) relating to Foreign Currency Convertible Bonds issued in fiscal 2006-07. The bonds carry interest of 2% per annum and are redeemable by March 9, 2017 as a result of re-structure (the same was considered as current portion in previous year). These bonds are listed in the Professional Securities Market of London Stock Exchange. The premium payable on these bonds is accrued over the life of the bonds and is carried under Other Long Term Liabilities.
- b. ₹ 759.99 Lakhs (Previous Year: ₹ 27,879.50 Lakhs) relating to Foreign Currency Convertible Bonds issued in fiscal 2009-10 as a result of restructuring existing bonds mentioned in (a) above. The bonds carry interest of 5% per annum and are redeemable by March 9, 2017. These bonds are listed on the Singapore Exchange Securities Trading Limited. The premium payable on these bonds is accrued over the life of the bonds and is carried under Other Long Term Liabilities.
- c. ₹ 47,852.27 Lakhs (Previous Year: ₹ Nil) relating to Foreign Currency Convertible Bonds issued in fiscal 2012-13 as a result of restructuring existing bonds mentioned in (a), (b) above. The bonds carry interest of 5.70% per annum and are redeemable by July 7, 2017. These bonds are listed on the Singapore Exchange Securities Trading Limited. The premium payable on these bonds is accrued over the life of the bonds and is carried under Other Long Term Liabilities.

### 7.6 Fixed Assets

7.6.1 During the year, the Company added ₹ 125.73 Lakhs on consolidated basis and ₹ 105.44 Lakhs on standalone basis, to its gross block. The Company disposed off certain assets no longer required. The Company's net block of fixed assets was ₹ 466.74 Lakhs (Previous year ₹ 772.80 Lakhs) on consolidated basis and ₹ 333.05 Lakhs (Previous year ₹ 474.80 Lakhs) on standalone basis.

### 7.7 Investments

7.7.1 During 1999, the Company had acquired the whole of the outstanding common stocks numbering 3,000 of no par value of IVth Generation, Inc., New Jersey, USA, Consequent to the acquisition, IVth Generation Inc, a wholly owned subsidiary of the Company, has been renamed as "Subex Technologies Inc." During 2007-08, the Company filed an application with Hon'ble High Court of Karnataka to transfer the Services Business Division (which included the investment in Subex Technologies Inc.,) to Subex Technologies Ltd, a wholly owned subsidiary of Subex Limited under a scheme of arrangement. On obtaining the order from the Hon'ble High Court

of Karnataka, the Company has transferred the Services business to Subex Technologies Limited with effect from September 1, 2007 (appointed date) at an aggregate consideration of ₹ 31,00,00,000. In accordance with the order of the Hon'ble High Court, the Company shall receive 30,00,000 shares of Subex Technologies Limited valued at ₹ 3,00,00,000 in settlement of the consideration with the balance ₹ 28,00,00,000 being treated as unsecured loan taken by the subsidiary from the Company.

7.7.2 On June 23, 2006, the Company acquired the entire share holding of Azure Solutions Ltd, UK. The consideration was discharged by issue of 1,17,28,728 GDRs each representing one equity share of ₹ 10/- at a premium of ₹ 522.24 per share and cash of ₹ 2,145.70 Lakhs.

7.7.3 During the year 2007-08, the Company completed the acquisition of Syndesis Limited, Canada, a Company engaged in Service Assurance and fulfillment space in the Telecom service industry. Pursuant to the acquisition, Syndesis Limited has been renamed as Subex Americas Inc.

7.7.4 During the year 2009-10, the Company recognized an amount of ₹ 50,000 Lakhs as diminution in carrying value of investments in Subex Americas Inc. Consequently, the investment carrying value as of March 31, 2010 is ₹ 27,495.70 Lakhs.

7.7.5 During the year 2010-11, the Company recognized an amount of ₹ 15,000 Lakhs as diminution in carrying value of investments in Subex Americas Inc. Consequently, the investment carrying value as of March 31, 2011 is ₹ 12,495.70 Lakhs.

7.7.6 During the year 2010-11, the Company recognized an amount of ₹ 400 Lakhs as diminution in carrying value of investments in Subex Technologies Limited. Consequently, the investment carrying value as of March 31, 2011 is ₹ Nil.

## 7.8 Trade Receivables

7.8.1 The major customers of the Company are the telecom and cellular operators overseas and in India. The receivables are spread over a large customer base. There is no significant concentration of credit risk on a single customer.

7.8.2 All the debtors are generally considered good and realizable and necessary provision has been made for debts considered to be bad and doubtful. The level of sundry debtors is normal and is in tune with business trends requirements.

7.8.3 Sundry Debtors as a percentage of total revenue is 22.18% as against 15.36% in the previous year, on a consolidated basis.

7.8.4 The age profile on consolidated basis is as given below:

Period in days	March 31, 2013		March 31, 2012	
	Value	%	Value	%
Less than 180 days	7,230.84	98.6	6,824.80	92.99
More than 180 days	102.00	1.4	514.56	7.01
<b>Total</b>	<b>7,332.84</b>	<b>100.00</b>	<b>7,339.38</b>	<b>100.00</b>

The age profile on standalone basis is as given below:

Period in days	March 31, 2013		March 31, 2012	
	Value	%	Value	%
Less than 180 days	51,708.28	82.94	59,245.70	99.2
More than 180 days	10,633.30	17.06	435.48	0.8
<b>Total</b>	<b>62,341.57</b>	<b>100.00</b>	<b>59,681.20</b>	<b>100.00</b>

7.8.5 The management believes that the overall composition and condition of sundry debtors is satisfactory post assessment of doubtful receivables. The provision for doubtful debts stands at ₹ 4,727.80 Lakhs (Previous Year ₹ 1,523.33 Lakhs ) on consolidated basis and ₹ 3,886.90 Lakhs (Previous Year ₹ 1,392.89 Lakhs ) on standalone basis.

## 7.9 Cash and Cash Equivalents

The bank balances includes both rupee accounts and foreign currency accounts. The Margin Money deposit of ₹ 296.36 Lakhs (Previous Year: ₹ 150.22 Lakhs ) on Standalone basis and ₹ 627.91 Lakhs (Previous Year: ₹ 185.62 Lakhs ) on consolidated basis with the bankers is for establishing bank guarantee/ issuing corporate credit cards.

## 7.10 Long-terms Loans and Advances

7.10.1 Security Deposits represent rent deposit, electricity deposit, telephone deposits and advances of like nature.

7.10.2 Advance Taxes comprise of advance income taxes, net of provision for taxation represents payments made towards tax liability pending assessment and refunds due. MAT credit entitlement represents the net available credit of the Minimum Alternate tax for future years.

### 7.10.3 Loans due from Group Companies (Standalone basis)

	₹ in Lakhs	
	2012-13	2011-12
Subex (UK) Limited	-	-
Subex (Asia Pacific) Pte Ltd	-	-
Subex Americas Inc	1,706.73	1,608.82
Subex Inc	-	-
Subex Technologies Ltd	1,705.70	1,699.70

### 7.11 Statement of Profit & Loss

#### 7.11.1 Income

The Company derives its income from providing Software Development Services and licensing of Software Products.

The segment wise break up of income on consolidated basis is given below:

Particulars	₹ in Lakhs except percentages			
	2012-13		2011-12	
	Value	%	Value	%
Software Products	30,734.27	92.97	42,949.20	89.88
Software Services	2,323.68	7.03	4,833.43	10.12
<b>Total</b>	<b>33,057.95</b>	<b>100.00</b>	<b>47,782.63</b>	<b>100.00</b>

7.11.2 Geographically, the Company earns income from export of software services and products to USA, EMEA and Asia Pacific.

#### 7.12 Other Income

7.12.1 Other income consists of income derived by the Company from bad debts recoveries, interest on deposits from banks, interest on Inter Company Loans.

#### 7.13 Expenditure

7.13.1 The employee benefits expenses decreased to ₹ 20,669.02 Lakhs (Previous year: ₹ 25,358 Lakhs ) on consolidated basis and decreased to ₹ 6,532.02 Lakhs (Previous year: ₹ 7,892.47 Lakhs ) on standalone basis.

The Company incurred administration and other expenses at 23.04% of its total Income during the year as compared to 17.57% during the previous year on consolidated basis and 62.09% of its total income during the year as compared to 45.56% during the previous year on a standalone basis.

#### 7.14 Operating Profits

During the year, on consolidated basis, the Company earned an Operating Profit/(Loss) before Interest, depreciation, tax and exceptional items of ₹ 4,024.92 Lakhs being 12.14% of total income as against ₹ 14,063.28 Lakhs at 28.77% during the previous year. On a standalone basis, the Company earned Operating Profit/(Loss)

before Interest, depreciation, tax and exceptional items of ₹ 3,338.21 Lakhs being 12.51% of total income as against ₹ 9,700.20 Lakhs at 28.61% during the previous year.

#### 7.15 Interest & Bank Charges

The Company incurred an expenditure of ₹ 5,210 Lakhs (Previous year: ₹ 4,285.19 Lakhs ) on consolidated basis and ₹ 4,905.15 Lakhs (Previous year: ₹ 4,039.25 Lakhs ) on standalone basis. The interest paid is related to temporary overdrawals and working capital loan. The interest on FCCBs provided alone amounted to ₹ 2,212.06 Lakhs (Previous Year: ₹ 1,045.40 Lakhs ).

#### 7.16 Depreciation

7.16.1 The provision for depreciation for the year amounted to ₹ 426.77 Lakhs (Previous year: ₹ 779.60 Lakhs) on consolidated basis and ₹ 225.92 Lakhs (Previous year: ₹ 364.90 Lakhs) on standalone basis.

7.16.2 The intangible assets i.e. IPRs and goodwill are being depreciated over 5 years in accordance with the Company's assessment of useful life thereof. The asset has been fully depreciated.

#### 7.17 Provision for Tax

The Company has provided for its tax liability in India and overseas after considering the exemptions for income from software services and products under the various applicable tax enactments.

#### 7.18 Net Profit

On consolidated basis, the net profit of the Company amounted to loss of ₹ 5,994.71 Lakhs , as against a profit of ₹ 3,184.10 Lakhs during the previous year. On standalone basis, the net profit of the Company amounted to loss of ₹ 3,456.42 Lakhs as against a profit of ₹ 239.70 Lakhs during the previous year.

#### 7.19 Earnings per Share

Basic Earnings/(Loss) per share computed on the basis of number of common stock outstanding, as on the Balance Sheet date is ₹ (4.40) per share (Previous year: ₹ 4.59 per share) on consolidated basis ₹ (2.54) per share (Previous year: ₹ 0.35 per share) on standalone basis.

## 8. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

### Subexians

Our greatest assets are our people – Subexians! Subexians are our biggest differentiator and how we define our capability requirements, training needs and retention strategies becomes crucial. The Subex



work culture hinges on our core values of Fairness, Innovation and Commitment and nurtures initiative and creativity, bringing out the best in every Subexian. We know that when Subexians realize their full potential, we can achieve our broader business goals. The Subex population is spread across the globe in our multiple offices. The larger centers are our offices in Bangalore, London, Singapore, Dubai and Denver. As of March 31, 2013, we had 860 Subexians on our rolls globally.

Human Resources at Subex is centralized at our corporate headquarters in Bangalore, with regional HR teams providing local support aligned to the global HR strategy. The HR team provides a competitive edge to the business by enabling and supporting a very unique business model of value based delivery, processes and programs on global product development and delivery capabilities on the one hand and complex distributed managed services delivery capabilities on the other. HR at Subex consistently strives to adopt leading best practices in designing and deploying HR process and programs across various areas like recruitment, total rewards management, talent management, organizational development, performance management, change management, learning and development, mergers and acquisitions etc.

#### **Recruitment**

During the year, the recruitment team had to execute a well thought out manpower planning and analysis exercise and adopt global recruitment best practices to fulfill the organization's talent requirements. In addition to the well established processes like "Coffee with the Hiring Manager", "Post-offer feedback", Subexian referral program, partner feedback, interviewer feedback, etc., which are already entrenched in the Subex way of adding talent to our team, the focus this year was on optimizing the overall recruitment cost by adopting innovative recruitment approaches.

The main sources for hires were referrals from Subexians (the best bring the best!), campus recruitments, website postings and walk-ins. We explored innovative processes on the campus recruitment side, where we introduced a process of "hiring for learnability". This process, we believe, will add scalability to our model while continuing to give us great technical talent like we have had before.

One of the key focus areas that your Company has set, in the previous year, of adding the capability of doing "just-in-time" recruitment for the managed services part of the business, has yielded results and this helped a lot on mobilizing Managed Service projects within the permissible time, without having to carry a large bench strength.

#### **Induction and Training**

Welcoming new Subexians into our fold continues to be extremely critical for us. We believe that the quality of induction that new hires go through determines how successful they are in the Company and

has a huge impact on retention. We have customized the induction based on the role and function that new Subexians join in. This has resulted in having more targeted induction, yielding greater benefits.

As happened in the previous years, for the new engineering recruits that we welcomed into Subex this year, we had a packed agenda spanning across 3 months. In addition to the regular induction, they also went through additional training programs tailored to their area of technology. In addition, we provided them with out-bound training at Pegasus to inculcate in them our Subex values and help them bond as a team.

On the learning and development side, the focus this year was on taking Subex Academy to the next level and improving the efficiency of skill and knowledge development. Subex Academy is a global Learning and Development Platform (supporting instructor led training, on the job learning, as well as e-learning) that enable a role based curriculum led approach to learning, while streamlining the training process as well as ensuring global reach and appropriateness of content. This automated platform added significant value to training identification, design, delivery and evaluation. This has been very well received by Subexians globally and is a giant stride on the path of continuous learning and skill development!

#### **Performance Management System**

Foundation Competencies are the basic Values based competencies required by all in Subex. Excel competencies are those that are required to do your current job really well. Lead Competencies focus on the future needs and are the skills required to succeed in leadership roles. Technical Competencies take care of the core areas of the role - knowledge about our products, the various technologies and domains. These, along with the KRAs help build and reinforce the performance oriented culture at Subex.

#### **Compensation**

Compensation at Subex is multi-dimensional and consists of salary, benefits, stock options, health and disability insurance.

The Company benchmarks its compensation package against industry data and strives to achieve a balanced position. The Company provides robust and comprehensive cash compensation and benefits as per industry trends. We also arrive at the salary bands of Subexians by conducting comprehensive job matching, data validation and quality audits.

Your Company focuses a lot on Employee reward and recognition programme, as this is another important motivational aspect. We have achieved 30% penetration with our Reward and Recognition Programme "STAR". In other words 30% of Subexians were included in STAR, the Reward and Recognition programme, which carries monetary benefits.



# FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

TO  
THE MEMBERS OF SUBEX LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of **SUBEX LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

### Emphasis of Matter

- (a) We draw attention to Note 25 to the financial statements, as more fully explained therein, during the year the Company has in accordance with the Proposal approved by the Hon'ble High Court of Karnataka in prior years, debited amounts aggregating to ₹ 1,318.48 Lakhs (net) to the Business Restructuring Reserve, instead of recording such expenses for the year ended March 31, 2013, in the Statement of Profit and Loss, as required by Accounting Standard 5 'Net Profit or Loss for the Period, Prior Period Items'.
- (b) We draw attention to Note 39.9 (a) to the financial statements regarding treatment of the managerial remuneration paid in excess of the applicable limits under Schedule XIII of the Companies Act, 1956, aggregating to ₹ 123.80 Lakhs.
- (c) We draw attention to Note 36(d) to the financial statements regarding the service tax demand of ₹ 3,607.60 Lakhs on import of certain services against which the Company has filed an appeal with the concerned authority.
- (d) We draw attention to Note 26 (b) to the financial statements, regarding the treatment of amounts due on the restructuring of the foreign currency convertible bonds based on legal advice.
- (e) We draw attention to Note 39(10) regarding the management's assessment that the amounts recoverable from one of its subsidiaries are good and that there is no diminution, other than temporary, in the carrying value of its investment in the said subsidiary and hence no provision has been made at this stage for the reasons stated therein.

Our opinion is not qualified in respect of the above matters.

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

- (d) In our opinion, read with paragraph (a) in the Emphasis of Matter paragraph, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
- (e) On the basis of the written representations received from the directors as on March 31, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
(Firm Registration No. 008072S)

Monisha Parikh  
Partner  
(Membership No. 47840)

MUMBAI, May 21, 2013

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

1. Having regard to the nature of the Company's business/ activities/results during the year, clauses vi, viii, xii, xiii, xiv, xvi, xix and xx of paragraph 4 of the Order are not applicable to the Company.
2. In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) Most of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals.  
  
According to the information and explanations given to us no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
3. In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
4. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate

internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

6. To the best of our knowledge and belief and according to the information and explanations given to us, there are no contracts or arrangements that needed to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956.
7. In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
8. According to the information and explanations given to us in respect of statutory dues:
  - (a) Other than Stamp duty dues, Provident Fund dues, withholding tax dues and Employees' State Insurance dues

where there have been delays in remittances of such dues with the appropriate authority, the Company has generally been regular in depositing undisputed dues, including Investor Education and Protection Fund, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities during the year.

- (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2013 for a period of more than six months from the date they became payable, except for Withholding tax dues (including interest thereon) of ₹ 73.60 Lakhs pertaining to earlier years and ₹ 3.06 lakhs of current year.
- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2013 on account of disputes are given below:

Statute	Nature of Dues	Forum where dispute is pending	Period to which the amount relates	Amount involved ₹ in Lakhs
Income Tax Act, 1961	Income tax (Incl. Interest)	HON. HIGH COURT OF KARNATAKA	2005-06	19.49
Income Tax Act, 1961	Income tax (Incl. Interest)	HON. HIGH COURT OF KARNATAKA	2006-07	178.75
Income Tax Act, 1961	Income tax (Incl. Interest)	HON. HIGH COURT OF KARNATAKA	2008-09	1.25
Finance Act 2006	Service tax (excluding penalty and interest)	CESTAT	2006-09	3,607.60

9. The Company does not have accumulated losses at the end of the financial year and has incurred cash losses only in the current financial year but not in the immediately preceding financial year.
10. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions and debenture holders.
11. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not, *prima facie*, prejudicial to the interests of the Company.
12. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised

on short-term basis have not been used during the year for long-term investment.

13. Accordingly to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
14. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm Registration No. 0080725)

MUMBAI, May 21, 2013

**Monisha Parikh**  
Partner  
(Membership No. 47840)

## BALANCE SHEET AS AT

₹ in Lakhs

	NOTE NO.	MARCH 31, 2013	MARCH 31, 2012
<b>A EQUITY AND LIABILITIES</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
(a) Share Capital	3	16,664.00	6,931.08
(b) Reserves and Surplus	4	16,870.39	14,015.80
<b>SUB TOTAL - SHAREHOLDERS' FUNDS</b>		<b>33,534.39</b>	<b>20,946.88</b>
<b>2. NON - CURRENT LIABILITIES</b>			
(a) Long-term Borrowings	5	49,155.07	-
(b) Other Long-term Liabilities	6	517.93	-
(c) Long-term Provisions	7	500.61	531.68
<b>SUB TOTAL - NON CURRENT LIABILITIES</b>		<b>50,173.61</b>	<b>531.68</b>
<b>3. CURRENT LIABILITIES</b>			
(a) Short-term Borrowings	8	16,550.46	10,893.91
(b) Trade Payables - Other than acceptances	39.6	43,088.40	43,663.65
(c) Other Current Liabilities	9	4,158.78	69,773.75
(d) Short-term Provisions	10	43.26	63.18
<b>SUB TOTAL - CURRENT LIABILITIES</b>		<b>63,840.90</b>	<b>124,394.49</b>
<b>TOTAL</b>		<b>147,548.90</b>	<b>145,873.05</b>
<b>B ASSETS</b>			
<b>1. NON-CURRENT ASSETS</b>			
(a) Fixed Assets			
(i) Tangible Assets	11.A	333.05	474.80
(ii) Intangible Assets	11.B	-	-
(b) Non Current Investments	12	77,234.42	77,234.42
(c) Deferred Tax Assets (net)	34	133.88	133.88
(d) Long-term Loans and Advances	13	2,418.70	2,339.45
(e) Other Non - Current Assets	14	12,688.50	5.00
<b>SUB TOTAL - NON-CURRENT ASSETS</b>		<b>92,808.55</b>	<b>80,187.55</b>
<b>2. CURRENT ASSETS</b>			
(a) Trade Receivables	15	51,708.28	59,681.18
(b) Cash and Bank Balances	16	387.65	155.89
(c) Short-term Loans and Advances	17	730.39	2,426.97
(d) Other Current Assets	18	1,914.03	3,421.46
<b>Sub Total - CURRENT ASSETS</b>		<b>54,740.35</b>	<b>65,685.50</b>
<b>TOTAL</b>		<b>147,548.90</b>	<b>145,873.05</b>
Corporate Information and Significant Accounting Policies	1 & 2		
See accompanying notes forming part of the financial statements			

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

Monisha Parikh  
Partner

Mumbai  
Date: May 21, 2013

For and on behalf of the Board of Directors

Surjeet Singh  
Managing Director & CEO

Karthikeyan Muthuswamy  
Director

Ganesh K.V.  
Global Head - Finance,  
Legal and Company Secretary

Anil Singhvi  
Director

Sanjeev Aga  
Director

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED

₹ in Lakhs

	NOTE NO.	MARCH 31, 2013	MARCH 31, 2012
1. Revenue from Operations	19	26,555.90	32,901.10
2. Other Income	20	122.05	1,001.56
<b>3. Total Revenue</b>		<b>26,677.95</b>	<b>33,902.66</b>
<b>4. Expenses</b>			
(a) Cost of Hardware, Software and Support Charges	39(7)	243.30	864.66
(b) Employee Benefits Expense	21	6,532.02	7,892.47
(c) Finance Costs	22	4,905.15	4,039.25
(d) Depreciation and Amortisation Expense	11	225.92	364.90
(e) Other Expenses	23	16,564.42	15,445.33
<b>Total Expenses</b>		<b>28,470.81</b>	<b>28,606.61</b>
<b>5. Profit/(Loss) before exceptional items and Tax (3 - 4)</b>		<b>(1,792.86)</b>	<b>5,296.05</b>
6. Exceptional Items	24	1,663.56	5,092.40
<b>7. Profit/(Loss) before Tax (5 - 6)</b>		<b>(3,456.42)</b>	<b>203.65</b>
<b>8. Tax expense</b>			
(a) Current Tax Expense for current year		-	150.18
(b) (Less): MAT credit		-	(174.13)
(c) Deferred Tax		-	(12.10)
<b>Total Tax expense</b>		<b>-</b>	<b>(36.05)</b>
<b>9. Profit/(Loss) for the year (7 - 8)</b>		<b>(3,456.42)</b>	<b>239.70</b>
<b>10. Earnings/(Loss) Per Share (Face value of ₹ 10/- each)</b>			
(a) Basic		₹ (2.54)	₹ 0.35
(b) Diluted		₹ (2.54)	₹ 0.35
Corporate Information and Significant Accounting Policies See accompanying notes forming part of the financial statements	1 & 2		

In terms of our report attached  
For **Deloitte Haskins & Sells**  
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**Monisha Parikh**  
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Mumbai  
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Director

**Sanjeev Aga**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED

₹ in Lakhs

	MARCH 31, 2013	MARCH 31, 2012
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax, for the year	(3,456.42)	203.65
<b>Adjustments for :</b>		
(a) Depreciation and amortization expense	225.92	364.90
(b) Interest Income	(118.43)	(161.53)
(c) Finance costs	4,905.15	4,039.25
(d) (Profit)/Loss on sale/write off of assets	1.43	(7.62)
(e) Expense/(Gain) on employee stock option scheme	10.28	(327.26)
(f) Provision for doubtful Trade and other receivables	1,741.12	666.60
(g) Unrealised exchange (Gain)/Loss- Forward contracts	-	1,239.38
(h) Unrealised exchange (Gain)/Loss- Others	(316.31)	2,160.09
<b>Operating profit/(loss) before working capital changes</b>	<b>2,992.74</b>	<b>8,177.46</b>
<b>Changes in working capital</b>		
<b>Adjustments for (increase)/decrease in operating assets</b>		
(a) Trade receivables	(4,085.72)	(4,510.90)
(b) Short-term loans and advances	93.74	147.80
(c) Long-term loans and advances	(1.08)	(9.90)
(d) Other current assets	570.48	(743.40)
(e) Other Non-current assets	(343.50)	(5.00)
<b>Adjustments for increase/(decrease) in operating liabilities</b>		
(a) Trade payables	(43.63)	222.46
(b) Other current liabilities	(1,445.43)	(174.90)
(c) Other Long-term liabilities	-	-
(d) Short-term provisions	(19.68)	9.70
(e) Long-term provisions	(31.07)	(17.73)
<b>Cash generated from/(used in) operations</b>	<b>(2,313.15)</b>	<b>3,095.59</b>
Net tax (paid)/refunds and others	(78.42)	(512.10)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>(2,391.57)</b>	<b>2,583.49</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(a) Capital expenditure on fixed assets, including capital advances	(112.74)	(254.19)
(b) Proceeds from sale of fixed assets	20.40	28.44
(c) Interest received - Others	18.12	1.64
(d) Interest received- Subsidiaries	78.46	157.24
(e) Loans given to Subsidiaries	(103.86)	-
(f) Loans repaid by Subsidiaries	-	2,589.31
(g) Investment in deposits	(145.00)	(88.70)
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>(244.62)</b>	<b>2,433.74</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED

₹ in Lakhs

	MARCH 31, 2013	MARCH 31, 2012
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
(a) Proceeds from issue of Equity shares	-	0.40
(b) Net increase/(decrease) in working capital borrowings from banks	6,656.55	1,864.65
(c) Repayment of Other short-term borrowings	(1,000.00)	(2,000.00)
(d) Repayment of Long-term borrowings	-	(66.57)
(e) Dividends paid	(1.15)	(1.83)
(f) Finance cost	(2,923.43)	(4,833.49)
<b>Net cash flow from/(used in) financing activities (C)</b>	<b>2,722.97</b>	<b>(5,036.84)</b>
<b>Net increase/(decrease) in Cash and cash equivalents (A+B+C)</b>	<b>86.78</b>	<b>(19.61)</b>
Cash or Cash equivalents at the beginning of the year	1.59	21.20
<b>Cash or Cash equivalents at the end of the year</b>	<b>88.37</b>	<b>1.59</b>
<b>*Cash and cash equivalents</b>		
Cash on hand	-	-
Balance with Banks		
in Current Accounts	78.93	1.12
in EEFC accounts	9.44	0.47
<b>Total</b>	<b>88.37</b>	<b>1.59</b>
Corporate Information and Significant Accounting Policies	1 & 2	
<b>Notes:</b>		
(i) See accompanying notes forming part of the financial statements		

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Monisha Parikh**  
Partner

Mumbai  
Date: May 21, 2013

For and on behalf of the Board of Directors

**Surjeet Singh**  
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Global Head - Finance,  
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**Anil Singhvi**  
Director

**Sanjeev Aga**  
Director

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

#### 1. CORPORATE INFORMATION

Subex Limited, a public limited Company incorporated in 1994, is a leading global provider of Operations and Business Support Systems (OSS/BSS) to Communication Service Providers (CSPs) worldwide in the Telecom industry.

The Company pioneered the concept of a Revenue Operations Center (ROC) – a centralized approach that sustains profitable growth and financial health for the CSPs through coordinated operational control. Subex' s product portfolio powers the ROC and its best-in-class solutions enable new service creation, operational transformation, subscriber-centric fulfillment, provisioning automation, data integrity management, revenue assurance, cost management, fraud management and interconnect/inter-party settlement. Subex also offers a scalable Managed Services Program. The CSPs achieve competitive advantage through Business Optimization and Service Agility and improve their operational efficiency to deliver enhanced service experiences to their subscribers. The Company has a development center in India and sales offices in the form of wholly owned subsidiaries/ branches in UK, USA, Singapore, Australia, Dubai and Canada.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### I. Basis for preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 except to the extent permitted under the Proposal approved by the Hon'ble High Court of Karnataka (Refer Note 25). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

##### II. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialised.

##### III. Revenue recognition

Revenue from Contracts for software product license includes fees for transfer of licenses, installation and commissioning. This revenue is recognized on the basis of milestones achieved, determined based on percentage of completion of work completed at each milestone as compared to the work involved in the overall scope of the contract. In the event of any expected losses on a contract, the entire amount is provided for in the accounting period in which such losses are first anticipated.

Revenue from sale of software licenses (including additional licenses) are recognized on transfer of such licenses.

In case of composite contracts involving granting of license and support services, license revenues are recognized on transfer of the license if identified separately and in other cases, they are recognized over the period of the contract along with revenue from support services.

Revenue from Software development is recognized on the basis of chargeable time or achievement of prescribed milestones as relevant to each contract.

Sale of hardware under reseller arrangements are recognized on dispatch of goods to customers and are recorded net of discounts, rebates for price adjustment, projections, shortage in transit, taxes and duties.

Maintenance and service income is recognised on time proportion basis.

##### IV. Tangible Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and other direct expenditure incurred. Assets acquired on hire purchase are capitalised at gross value and interest thereon is charged to revenue.



## NOTES FORMING PART OF FINANCIAL STATEMENTS

Exchange differences arising on restatement/settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Fixed assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in the project cost till commissioning of the project.

### V. Intangible Assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase/completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset (Refer Note: 2.XI for accounting for R&D expenses).

### VI. Depreciation & Amortisation

Fixed assets and Intangibles are depreciated/amortised using the straight-line method over the useful life of assets. Depreciation is charged on pro-rata basis for assets purchased/sold during the year.

The rates of depreciation/amortisation adopted are as under:

Particulars	Depreciation/Amortisation Rates (%)
Computers (including Software)	25
Furniture & Fixtures	20
Vehicles	20
Office equipments	20
Intellectual Property Rights	20
Goodwill	20

Individual assets costing less than ₹ 5,000 are depreciated in full, in the year of purchase.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

### VII. Employee Stock Option Plans

The Company has formulated Employee Stock Option Schemes (ESOS) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees of the Company and its subsidiaries to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. The Company has used intrinsic value method to account for the compensation cost of stock options. Intrinsic value is the amount by which the quoted market price on the day prior to the grant of the options under ESOS exceeds the exercise price of the option. In accordance with the SEBI guidelines, the intrinsic value is amortised on a straight line basis over the vesting period.

### VIII. Employee Benefits

Employee benefits include provident fund, gratuity fund, employee state insurance, compensated absences, retention and performance linked payouts.

**Defined Contribution Plans:** The Company's contribution to provident fund and employee state insurance scheme is considered as defined contribution plan and is charged as an expense as they fall due based on the amount of contribution required to be made.

**Defined Benefit Plans:** For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are

## NOTES FORMING PART OF FINANCIAL STATEMENTS

recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

**Short-term Employee Benefits:** The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include retention and performance linked payouts and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

**Long-term Employee Benefits:** Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

### IX. Other Income

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

### X. Leases

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight line basis.

### XI. Research and Development

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Tangible Fixed Assets and Intangible Assets.

### XII. Foreign Currency Transactions

#### Initial recognition

Transactions in foreign currencies entered into by the Company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

#### Measurement of foreign currency monetary items at the Balance Sheet date

Foreign currency monetary items (other than derivative contracts) of the Company and its net investment in non-integral foreign operations outstanding at the Balance Sheet date are restated at the year-end rates.

In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the Balance Sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at the average exchange rates prevailing during the year. Exchange differences arising out of these translations are charged to the Statement of Profit and Loss.



## NOTES FORMING PART OF FINANCIAL STATEMENTS

### Treatment of exchange differences

Exchange differences arising on settlement/restatement of short-term foreign currency monetary assets and liabilities of the Company and its integral foreign operations are recognised as income or expense in the Statement of Profit and Loss. The exchange differences on restatement/settlement of loans to non-integral foreign operations that are considered as net investment in such operations are accumulated in a "Foreign currency translation reserve" until disposal/recovery of the net investment.

The exchange differences arising on restatement/settlement of long term foreign currency monetary items are:

- capitalised, if related to acquisition of depreciable fixed assets, and depreciated over the remaining useful life of such assets; or
- amortised over the maturity period of such items in other cases.

The Company has adopted the amendments to Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" that were notified during the year ended March 31, 2012. Pursuant to this amendment, exchange fluctuations arising on restatement of all long term monetary foreign currency assets and liabilities at rates different from those at which they were initially recorded or reported in the previous financial statements (whichever is later), are accumulated in a Foreign Currency Monetary Item Translation Difference account and are amortised over the balance period of such long term asset/liability (Refer Note 28).

**Accounting for Forward contracts:** Premium/discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date.

**Accounting for Derivatives:** Derivative contracts in the nature of foreign currency swaps, currency options, forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable forecast transactions, which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Forward contracts.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

### XIII. Investments

Long-term investments are stated at cost less diminution in the value of investments that is other than temporary.

### XIV. Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in the foreseeable future. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company and can be measured reliably.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

### XV. Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.



## NOTES FORMING PART OF FINANCIAL STATEMENTS

### XVI. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit/(loss) before tax, is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

### XVII. Provisions and Contingencies

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not provided for but disclosed in the notes to the financial statements.

### XVIII. Impairment of Assets

The carrying values of assets/cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

### XIX. Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

### XX. Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organization and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the Executive Management in deciding how to allocate resources and in assessing performance.

### XXI. Operating Cycle

Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 3 Share Capital

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
<b>AUTHORISED</b>		
49,50,40,000 Equity Shares of ₹10/- each (Previous Year: 24,50,40,000 Equity Shares of ₹10/- each)	49,504.00	24,504.00
2,00,000 Preference Shares of ₹98/- each	196.00	196.00
Total	49,700.00	24,700.00
<b>ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARES</b>		
16,66,39,962 Equity Shares of ₹10/- each (Previous Year : 6,93,10,772 Equity Shares of ₹10/- each)	16,664.00	6,931.08
Total	16,664.00	6,931.08

#### NOTES

#### A. Reconciliation of the number of Equity shares at the beginning and at the end of the reporting period

₹ in Lakhs

Particulars	Opening Balance	Fresh Issue	ESOP	Conversion of FCCB	Closing Balance
<b>Equity Shares</b>					
Year ended March 31, 2013	6,93,10,772	-	-	9,73,29,190	16,66,39,962
Year ended March 31, 2012	6,93,10,025	-	747	-	6,93,10,772

#### Reconciliation of the amount outstanding at the beginning and at the end of the reporting period

₹ in Lakhs

Particulars	Opening Balance	Fresh Issue	ESOP	Conversion of FCCB	Closing Balance
<b>Equity Shares</b>					
Year ended March 31, 2013	6,931.08	-	-	9,732.92	16,664.00
Year ended March 31, 2012	6,931.00	-	0.08	-	6,931.08

B. The Company has only one class of Equity Share, having a par value of ₹10/-. The holder of equity shares is entitled to one vote per share and such amount of dividend per share as declared by the Company. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution to all other parties concerned. The distribution will be in proportion to number of equity shares held by the shareholders.

#### C. Details of shares held by each shareholder holding more than 5% shares

Class of shares/Name of Shareholder	AS AT MARCH 31, 2013		AS AT MARCH 31, 2012	
	No. of shares held	% holding in that class of shares	No. of shares held	% holding in that class of shares
<b>Equity shares</b>				
GIC Singapore	-	-	34,98,288	5.05%
KBC Aldini Capital Mauritius Limited	-	-	8,52,920	1.23%
QVT Mauritius West Fund	1,33,47,888	8.07%	-	-
Suffolk (Mauritius Limited)	1,73,72,221	10.50%	-	-
Deutsche Bank AG London -CB Account	1,08,92,721	6.59%	-	-
Nomura Singapore Limited	1,02,34,433	6.19%	-	-
Merill Lynch Capital Markets	1,01,92,621	6.16%	-	-
Promoter and Promoter Group (See Note E below)	84,74,044	5.12%	81,01,801	11.69%

Bank of New York is the depository of GDRs on behalf of GDR holders holding 69,89,399 shares representing 4.23% of total shareholding (Previous Year : 70,08,746 shares representing 10.11%). The Company does not have details of individual GDR holders/beneficiaries to determine if anyone holds more than 5% of the beneficial interest individually in the equity shares.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 3 Share Capital (Contd.)

- D As at March 31, 2013, 21,95,88,093 shares (As at March 31, 2012, 3,94,88,476 shares) were reserved for issuance as follows:
- 4,670 shares (As at March 31, 2012, 12,022 shares) of ₹10 each towards outstanding employee stock options scheme under 'ESOP 2000' granted/available for grant.
  - 11,31,147 shares (As at March 31, 2012, 19,87,561 shares) of ₹10 each towards outstanding employee stock options scheme under 'ESOP 2005' granted/available for grant.
  - 7,30,806 shares (As at March 31, 2012, 20,00,000 shares) of ₹10 each towards outstanding employee stock options scheme under 'ESOP 2008' granted/available for grant.
  - 67,174 shares (As at March 31, 2012, 26,19,811 shares) of ₹10 each towards conversion of foreign currency convertible bonds (FCCB I) available for conversion. Refer note 26.
  - 8,39,721 shares (As at March 31, 2012, 32,869,082 shares) of ₹10 each towards conversion of foreign currency convertible bonds (FCCB II) available for conversion. Refer Note 26.
  - 21,68,14,575 shares (As at March 31, 2012 NIL) of ₹10 each towards conversion of Foreign currency convertible bond (FCCB III) available for conversion. Refer note 26.

#### E Details of shares held by Promoter and Promoter Group\*:

₹ in Lakhs

Name of Shareholders	AS AT MARCH 31, 2013		AS AT MARCH 31, 2012	
	No. of shares held	% holding	No. of shares held	% holding
Subash Menon	25,80,601	1.56%	25,80,601	3.72%
Kivar Holdings Private Limited (KHPL) (including Woodbridge Consulting & Investments Inc, which merged with KHPL)	55,21,200	3.34%	55,21,200	7.97%
Sudeesh Yezhuvath	3,72,243	0.23%		
<b>Total Promoter and promoter group</b>	<b>84,74,044</b>	<b>5.13%</b>	<b>81,01,801</b>	<b>11.69%</b>

\*as confirmed by the registrar

- F Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:

Aggregate number of shares

Particulars	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Company had issued Equity shares of ₹10 each to the GDR holders as of June 22, 2006 towards consideration of cost of acquisition of Azure Solutions Limited at ₹532.24 per share.	1,17,28,728	1,17,28,728
In accordance with the terms of FCCBs III, out of the principal face value of US\$ 127.721 Million, an amount of US\$ 36.321 Million were mandatorily converted into Equity shares on July 17, 2012. (Refer note 26)	8,93,35,462	-

### NOTE 4 Reserves and Surplus

₹ in Lakhs

	NOTE NO	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
<b>Capital Reserve</b>			
Opening Balance		-	346.70
Less : Transferred to Business Restructuring Reserve		-	(346.70)
<b>Closing balance</b>		-	-
<b>General Reserve</b>		1,779.76	1,779.76
<b>Securities Premium Account</b>			
Opening Balance		316.20	7,333.90
Transferred from Business Restructuring Reserve		271.10	-
Additions during the year on account ESOP and conversion of FCCBs		10,505.40	0.32

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 4 Reserves and Surplus (Contd.)

₹ in Lakhs

		AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Write back from/(Accrual for) redemption premium on FCCBs (Net)		(574.70)	(7,018.02)
Write back of expenses on issue of Shares		97.20	-
<b>Closing Balance</b>		<b>10,615.20</b>	<b>316.20</b>
<b>Business Restructuring Reserve</b>			
Opening Balance		1,670.20	3,898.44
Transferred from/(to) Securities Premium/Capital Reserve		(271.10)	346.69
Unutilised provisions created from BRR in earlier years now reversed		-	253.20
Amounts utilised for Permitted Utilisations (Net) (Refer note 25)		(1,318.48)	(2,828.13)
<b>Closing Balance</b>		<b>80.62</b>	<b>1,670.20</b>
<b>Share Options Outstanding Account</b>			
Opening Balance		197.00	718.80
Add: Amounts recorded on Grants during the year		56.60	155.70
Add: Written back to the Statement of Profit and loss/other accounts during the year		(115.11)	(677.50)
<b>Closing Balance</b>		<b>138.49</b>	<b>197.00</b>
Less : Deferred Stock Compensation Expenses		(14.71)	(83.46)
<b>Share Options Outstanding Account (Net)</b>		<b>123.78</b>	<b>113.54</b>
<b>Foreign Currency Monetary Item Translation Difference Account</b>			
	28		
Opening Balance -(Debit)/Credit		(357.00)	-
(Add)/Less: Effect of foreign exchange rate variation during the year		(3,157.10)	(5,890.63)
(Add)/Less: Amortisation for the year		748.45	5,533.63
<b>Closing Balance</b>		<b>(2,765.65)</b>	<b>(357.00)</b>
<b>Surplus/(Deficit) in Statement of Profit and Loss</b>			
Opening balance		10,493.10	10,253.40
Add : Profit/(Loss) for the year		(3,456.42)	239.70
<b>Closing Balance</b>		<b>7,036.68</b>	<b>10,493.10</b>
<b>Total Reserves and Surplus</b>		<b>16,870.39</b>	<b>14,015.80</b>

### NOTE 5 Long-term Borrowings

₹ in Lakhs

		AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
<b>Secured</b>			
Foreign Currency Convertible Bonds (Refer note 26)		47,852.27	-
<b>Unsecured</b>			
Foreign Currency Convertible Bonds (Refer note 26)		1,302.80	-
<b>Total</b>		<b>49,155.07</b>	<b>-</b>

### NOTE 6 Other Long term Liabilities:

₹ in Lakhs

		AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Accrual for premium payable on redemption of bonds		517.93	-
<b>Total</b>		<b>517.93</b>	<b>-</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 7 Long-term Provisions

₹ in Lakhs

	As at March 31, 2013	As at March 31, 2012
<b>Provision for Employee Benefits</b>		
Provision for compensated absences	77.55	97.79
Provision for gratuity	257.96	268.79
Provision for Tax (Net of Advance Tax of ₹132.90 Lakhs)	165.10	165.10
(As at March 31, 2012 ₹132.90 Lakhs)		
<b>Total</b>	<b>500.61</b>	<b>531.68</b>

### NOTE 8 Short-term Borrowings

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
<b>Loans repayable on demand</b>		
From Banks/Financial Institutions		
Secured (Refer Note (i) below)	16,550.46	9,893.91
From Financial Institutions		
Unsecured (Refer Note (ii) below)	-	1,000.00
<b>Total</b>	<b>16,550.46</b>	<b>10,893.91</b>

- (i) The secured loans from banks are secured by first charge on receivables, current assets and fixed assets of the Company. First ranking charge on 'FCCB Repayment fund' on a paripassu basis jointly and equally with bondholders of Company's US\$ 127,721,000 5.70% secured Foreign Currency Convertible Bonds due 2017. Paripassu First Charge by way of Hypothecation of Stocks and Book Debts and other Current Assets of the Company both present and future stored at Company premises at RMZ Ecoworld. This is further covered by a personal guarantee of a director of the Company apart from corporate guarantee in which a director is interested as well as a guarantee of Subex Technologies Ltd.
- (ii) Secured by a personal guarantee and shares pledged of a director of the Company.

### NOTE 9 Other Current Liabilities

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Current Maturities of Long-term Borrowings - FCCB (Unsecured)(Refer note 26)	-	47,720.75
Current maturities of Long-term borrowings - Hire Purchase Loans from Banks (Secured) (Refer note (i) below)	0.92	25.03
Interest accrued but not due on borrowings	2,082.19	109.47
Unclaimed Dividends (Refer note 39.2)	2.92	4.08
Unearned Revenue	1,724.31	1,552.80
Advances from customers	-	428.27
Accrual for premium payable on redemption of bonds	-	18,421.50
Estimated Liability on Forward Contracts	-	1,239.38
Other Payables		
Statutory remittances	348.44	272.47
<b>Total</b>	<b>4,158.78</b>	<b>69,773.75</b>

- (i) Secured against the Hypothecation of vehicles financed under these loans. Hire Purchase loans amount to ₹0.90 Lakhs as at March 31, 2013 (₹25 Lakhs as at March 31, 2012). The interest rate on these loans range from 9% to 20%.



## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 10 Short-term Provisions

₹ in Lakhs

	As at March 31, 2013	As at March 31, 2012
Provision for Employee Benefits		
Provision for compensated absences	10.98	8.50
Provision for gratuity	31.08	10.95
Warranty	-	42.29
Provision for Tax ( Net of Advance Tax of ₹ Nil ) (As at March 31, 2012 ₹ Nil)	1.20	1.44
<b>Total</b>	<b>43.26</b>	<b>63.18</b>

### NOTE 11 Fixed Assets

₹ in Lakhs

SL. NO	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at April 1, 2012	Additions	Disposals	As at March 31, 2013	Upto March 31, 2012	For the year	Withdrawn on Deletions	Upto March 31, 2013	As at March 31, 2013	As at March 31, 2012
<b>11.A</b>	<b>Tangible Assets</b>										
1	Computers	2,680.50	99.90	220.90	2,559.50	2,309.90	162.91	200.80	2,272.01	287.49	370.60
	Previous year balance	(2,476.70)	(203.80)	-	(2,680.50)	(2,059.80)	(250.10)	-	(2,309.90)	(370.60)	
2	Furniture & Fixtures	65.30	0.89	-	66.19	55.50	3.20	-	58.70	7.49	9.80
	Previous year balance	(57.20)	(8.10)	-	(65.30)	(53.00)	(2.50)	-	(55.50)	(9.80)	
3	Vehicles	241.60	-	157.50	84.10	212.90	25.26	156.61	81.55	2.55	28.70
	Previous year balance	(347.90)	(0.60)	(106.90)	(241.60)	(232.10)	(67.20)	(86.40)	(212.90)	(28.70)	
4	Office Equipments	271.50	4.65	0.70	275.45	205.80	34.55	0.42	239.93	35.52	65.70
	Previous year balance	(261.40)	(10.80)	(0.70)	(271.50)	(161.00)	(45.10)	(0.30)	(205.80)	(65.70)	
	<b>Total Tangible Assets</b>	<b>3,258.90</b>	<b>105.44</b>	<b>379.10</b>	<b>2,985.24</b>	<b>2,784.10</b>	<b>225.92</b>	<b>357.83</b>	<b>2,652.19</b>	<b>333.05</b>	<b>474.80</b>
	Previous Year	(3,143.20)	(223.30)	(107.60)	(3,258.90)	(2,505.90)	(364.90)	(86.70)	(2,784.10)	(474.80)	
<b>11.B</b>	<b>Intangible Assets</b>										
1	Goodwill	137.67	-	-	137.67	137.67	-	-	137.67	-	-
	Previous year balance	(137.67)	-	-	(137.67)	(137.67)	-	-	(137.67)	-	-
2	Intellectual Property Rights	3,973.95	-	-	3,973.95	3,973.95	-	-	3,973.95	-	-
	Previous Year	(3,973.95)			(3,973.95)	(3,973.95)			(3,973.95)	-	
	<b>Total intangible Assets</b>	<b>4,111.62</b>	<b>-</b>	<b>-</b>	<b>4,111.62</b>	<b>4,111.62</b>	<b>-</b>	<b>-</b>	<b>4,111.62</b>	<b>-</b>	<b>-</b>
	Previous Year	(4,111.62)	-	-	(4,111.62)	(4,111.62)	-	-	(4,111.62)	-	-
	<b>TOTAL</b>	<b>7,370.52</b>	<b>105.44</b>	<b>379.10</b>	<b>7,096.86</b>	<b>6,895.72</b>	<b>225.92</b>	<b>357.83</b>	<b>6,763.81</b>	<b>333.05</b>	<b>474.80</b>
	Previous Year	(7,254.82)	(223.30)	(107.60)	(7,370.52)	(6,617.52)	(364.90)	(86.70)	(6,895.72)	(474.80)	

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 12 Non-Current Investments (At cost, unless otherwise stated)

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
(Long term, trade, unquoted)		
Investments in Equity shares In wholly owned subsidiaries		
39,99,994 equity shares of ₹10 each fully paid up in Subex Technologies Limited, India {Net of provision for other than temporary diminution ₹400 Lakhs (Previous year - ₹400 Lakhs)}		
50,39,565,245 Equity shares fully paid, Par Value of GBP 0.00001 each, in Subex (UK) Ltd.	64,738.68	64,738.68
100 equity shares fully paid, no-par value, in Subex Americas Inc, Canada {Net of provision for other than temporary diminution ₹65,000 Lakhs (Previous year - ₹65,000 Lakhs)}	12,495.74	12,495.74
<b>Total</b>	<b>77,234.42</b>	<b>77,234.42</b>
Aggregate amount of unquoted investments (At cost)	142,634.42	142,634.42
Aggregate provision made for other than temporary diminution in value of long term investments	65,400.00	65,400.00

### NOTE 13 Long-term Loans and Advances (Unsecured, considered good)

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Advance Tax (net of provision for ₹332.80 Lakhs) (As at March 31, 2012 ₹332.80 Lakhs)	1,250.30	1,172.13
Balances with government authorities - Service Tax Credit Receivable	266.90	266.90
Security Deposits	727.37	726.29
MAT credit entitlement	174.13	174.13
<b>Total</b>	<b>2,418.70</b>	<b>2,339.45</b>

### NOTE 14 Other Non - Current Assets

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
<b>Long-term Trade Receivables</b>		
(Unsecured)	10,633.30	-
Considered Good		
Outstanding for more than six months from the due date		
Considered Doubtful	2,488.00	1,392.89
Less: Provision for Doubtful trade receivables	(2,488.00)	(1,392.89)
	<b>10,633.30</b>	<b>-</b>
Unbilled Revenue	343.50	-
Loans and advances to related parties		
Unsecured, considered good (Refer note 31)	1,711.70	5.00
Doubtful (Refer note 31)	1,694.66	1,694.66
Less: Provision for doubtful loans and advances	(1,694.66)	(1,694.66)
<b>Total</b>	<b>12,688.50</b>	<b>5.00</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 15 Trade Receivables

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
(Unsecured)		
Outstanding for a period exceeding six months from due date		
Considered Good	-	435.48
<b>Other Trade receivables</b>		
Considered Doubtful	1,398.90	-
Less: Provision for Doubtful trade receivables	(1,398.90)	-
	-	-
<b>Other Trade receivables</b>		
Considered Good	51,708.28	59,245.70
<b>Total</b>	<b>51,708.28</b>	<b>59,681.18</b>

### NOTE 16 Cash and Bank Balances

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Cash on hand	-	-
Balance with Banks		
in Current Accounts	78.93	1.12
EEFC Accounts	9.44	0.47
	88.37	1.59
Other bank balances		
in Earmarked Accounts		
Unclaimed dividend Accounts (Refer Note 39.2)	2.92	4.08
Margin Money Deposits	296.36	150.22
	299.28	154.30
<b>Total</b>	<b>387.65</b>	<b>155.89</b>

### NOTE 17 Short-term Loans and Advances

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Loans and advances to related parties		
Unsecured, considered good (Refer note 31)	6.04	1,608.84
Loans and advances to employees (Unsecured, considered good)	183.58	179.82
Advance recoverable (Refer note 39.9)	233.80	-
Prepaid expenses (Unsecured, considered good)	206.39	350.71
Balances with government authorities (Unsecured, considered good)		
Service Tax Credit Receivable	43.65	270.50
Others (Unsecured, considered good)		
Advance to Suppliers	56.93	17.10
<b>Total</b>	<b>730.39</b>	<b>2,426.97</b>

### NOTE 18 Other Current Assets (Unsecured, considered good)

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Unbilled Revenue	1,857.50	3,350.32
Accruals:		
Interest accrued but not due on deposits	24.50	2.66
Recoverable Expenses	32.03	68.48
<b>Total</b>	<b>1,914.03</b>	<b>3,421.46</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 19 Revenue from Operations

₹ in Lakhs

	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Income from Sale of Products (and related services)		
Platform Based Solutions	3,268.03	2,091.30
Standalone Product Solutions	23,287.87	30,809.80
<b>Total</b>	<b>26,555.90</b>	<b>32,901.10</b>

### NOTE 20 Other Income

₹ in Lakhs

	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Exchange Fluctuation gain (Net)	-	724.35
Interest income		
Interest on deposit accounts from banks	39.97	4.30
Interest on Inter Company loans	78.46	157.24
Other non-operating income		
Provision for Doubtful Debts written back/Bad Debts recovered	2.17	63.17
Profit on sale of Fixed Assets (Net)	-	7.62
Miscellaneous Income	1.45	44.88
<b>Total</b>	<b>122.05</b>	<b>1,001.56</b>

### NOTE 21 Employee Benefits Expense

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Salaries & Wages	6,016.28	7,408.40
Contribution to Provident Fund and Other Funds	339.93	338.10
Expense on Employee Stock Option Scheme (ESOP)	5.56	(112.38)
Staff Welfare Expenses	170.25	258.35
<b>Total</b>	<b>6,532.02</b>	<b>7,892.47</b>

### NOTE 22 Finance Costs

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Interest Expenses on:		
Foreign Currency Convertible Bonds	2,212.06	1,045.40
Other Borrowings	2,436.94	2,917.70
Other Borrowings Costs - Bank Charges	256.15	76.15
<b>Total</b>	<b>4,905.15</b>	<b>4,039.25</b>

### NOTE 23 Other Expenses

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Software Purchases	40.32	20.42
Rent	940.95	906.12
Power, Fuel and Water Charges	161.67	216.19
Repairs & Maintenance	320.18	344.62
Insurance	125.39	116.70
Communication Costs	99.76	104.18
Printing & Stationery	33.74	30.95
Travelling & Conveyance	1,204.85	1,190.45
Rates & Taxes Including Filing Fees	170.25	72.91
Advertisement & Business Promotion	33.69	63.48
Consultancy Charges	88.28	106.55
Payments to Auditors (Refer Note 38)	79.23	78.10
Marketing & Allied Service Charges	12,354.25	11,448.94
Provision for Doubtful trade and other receivables	77.55	666.60
Miscellaneous Expenses	10.27	79.12
Loss on sale of Fixed Assets (Net)	1.43	-
Exchange Fluctuation loss (Net)	822.61	-
<b>Total</b>	<b>16,564.42</b>	<b>15,445.33</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 24 Exceptional Items

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Exchange (Gain)/Loss on Restatement of FCCBs	-	5,533.60
Exchange (Gain)/Loss on intra group foreign currency loans and advances	-	(226.30)
Reversal of stock compensation expenses pursuant to voluntary surrender of options	-	(214.90)
Exceptional Provision for Doubtful trade and other receivables	1,663.56	-
<b>Total</b>	<b>1,663.56</b>	<b>5,092.40</b>

### NOTE 25 Accounting under the Proposal approved by the Hon'ble High court

- a) During the year ended March 31, 2010, the shareholders of the Company approved the Board's proposal (hereinafter referred to as 'the Proposal' for transferring amounts from the Securities Premium and Capital Reserves as on or arising after April 1, 2009) (upto March 31, 2012) to a Business Restructuring Reserve (BRR) to be utilised from April 1, 2009 for certain Permitted Utilisations as mentioned in the Proposal.

The Proposal was approved by the Hon'ble High court of Karnataka on May 4, 2010 and was registered with the Registrar of Companies on May 11, 2010, thereby completing all the requirements for the order to be effective.

- b) Adjustments in the BRR during the previous year ended March 31, 2011

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2011:

- transfer of ₹ 17,400.00 Lakhs during the year from the balances in Securities Premium Account and Capital Reserve to the BRR
- utilization of the BRR for permitted utilisations to the extent of ₹ 15,503.70 Lakhs (net).

- c) Adjustments in the BRR during the previous year ended March 31, 2012

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2012:

- transfer of ₹ 346.69 Lakhs during the year from the balances in Capital Reserve to the BRR
- utilization of the BRR for permitted utilisations to the extent of ₹ 2,574.93 Lakhs (net of reversals).

- d) Adjustments in the BRR during the current year ended March 31, 2013

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2013:

- transfer of ₹ 271.10 Lakhs during the year to Securities Premium,
- towards FCCB restructuring expenses ₹ 359.58 Lakhs,
- towards reversal of unbilled revenue ₹ 206.00 Lakhs,
- towards provision for Receivables ₹ 752.90 Lakhs.

- e) Had the Proposal not provided for the above, the effect of accounting under the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 would have been as under

Amount in ₹ Lakhs except as otherwise indicated

In the Statement of Profit and loss	MARCH 31, 2013	MARCH 31, 2012
Revenue would have been lower by:	206.00	-
The loss under Exceptional items would have been higher as follows:		
- One time non-recurring expenses including restructuring fees, advisory fees, marketing expenses and reversal of long term retention benefit plan (net)	359.58	2,574.93
- Provision towards trade receivables	752.90	-
<b>Sub-Total</b>	<b>1,112.48</b>	<b>2,574.93</b>
<b>Profit/(loss) after Tax would have been lower/higher by</b>	<b>1,318.48</b>	<b>2,574.93</b>
<b>Basic Earnings/(Loss) per share would have been – ₹</b>	<b>(3.50)</b>	<b>(3.37)</b>
<b>Diluted Earnings/(Loss) per share would have been – ₹</b>	<b>(3.50)</b>	<b>(3.37)</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 26 Foreign Currency Convertible Bonds (FCCBs)

- a) During the year 2006–07, the Company issued Foreign Currency Convertible Bonds (FCCB I) aggregating to US\$ 180 Million, with an interest rate of 2% p.a. payable semi-annually in arrears, with terms of conversion being:
- Exchange rate for conversion of FCCB : ₹ 44.08/ US\$ 1
  - Conversion price : ₹ 656.20 per share
  - Redemption date : March 09, 2012
  - Premium payable on redemption : US\$ 14.05 Million
  - Listing on the London Stock Exchange

The bonds were available for conversion at any point in time during the period prior to the redemption date. During the year 2009–10, the Company presented to restructure the FCCBs I by offering a discount of ~30% on the face value of the existing bonds in return for new FCCBs ("FCCBs II") having a face value of US\$ 126 Million.

Pursuant to the offer, the FCCBs I Bondholders, with a face value of US\$ 141 Million exchanged their bonds for new FCCBs with a face value of US\$ 98.70 Million. The remaining FCCBs I bondholders holding bonds with a face value of US\$ 39 Million (out of the original bondholders holding US\$ 180 Million) did not choose the option for restructuring. The terms and conditions applicable for the new FCCB II bonds, for the US\$ 98.70 Million face value, were as under :

- Interest rate : 5% p.a. payable semi annually
- Exchange rate for conversion of FCCB : ₹ 48.17/ US\$ 1
- Conversion price : ₹ 80.31 per share
- Redemption date : March 09, 2012
- Premium payable on redemption : US\$. 23.23 Million
- Listing on the Singapore Exchange Securities Trading Limited

Both the bonds were initially redeemable on or by March 9, 2012, if not converted into equity shares as per terms of issue. Based on an approval received from the Reserve Bank of India and bond holders, the redemption date was extended to July 09, 2012.

Out of the US\$ 98.70 million of FCCBs II, bonds having a face value of US\$ 31.90 million were converted into equity shares as of March 31, 2010 and bonds with a face value of US\$ 12 million were converted during the year ending March 31, 2011, retaining a closing balance of US\$ 54.80 Million outstanding FCCBs II bonds.

- b) Pursuant to the approval of the holders of "US\$ 180 Million 2% convertible unsecured bonds", [of which US\$ 39 Million was outstanding ("FCCBs I")] and "US\$ 98.70 Million 5% convertible unsecured bonds", [of which US\$ 54.80 was outstanding ("FCCBs II")], at their respective meetings held on July 5, 2012 and exchange offers received under the exchange offer memorandum dated June 13, 2012, holders of US\$ 38 Million out of FCCBs I and US\$ 53.40 Million out of FCCBs II offered their bonds for exchange and secured bonds with a face value of US\$ 127.72 million ("FCCBs III") were issued with maturity date of July 7, 2017. The Company has been legally advised that there is no tax incidence arising from the above restructuring.
- c) The terms and conditions of FCCB III are as under:
- Interest rate : 5.70% p.a. payable semi annually
  - Exchange rate for conversion of FCCB : ₹ 56.06/ US\$ 1
  - Equity Conversion price : ₹ 22.79 per share
  - Redemption date : July 07, 2017
  - Listing on the Singapore Exchange Securities Trading Limited
  - Second ranking paripassu charge in respect of all movable properties, present & future, covered under the Existing security and First ranking charge in respect of all movable properties, present & future, other than & to the extent covered by the existing security. First ranking charge on FCCB Repayment fund on a paripassu basis jointly & equally with SBI & Axis Bank Ltd. The promoters of the Company have pledged their share towards securing the repayment of FCCB III.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 26 Foreign Currency Convertible Bonds (FCCBs) (Contd.)

vii. Mandatory conversion of bonds with a face value of US\$ 36.32 Million into equity shares at the aforesaid conversion price on July 17, 2012.

During the year FCCB III with face value of US\$ 3.25 Million were converted into equity shares of the Company, retaining a closing balance of US\$ 88.15 Million.

d) Pursuant to approval of the RBI dated April 27, 2012 and requisite approvals under the trust deed of the holders of the Company's US\$ 180 million convertible unsecured bonds and US\$ 98.70 million convertible unsecured bonds the maturity period of the un-exchanged portion of FCCBs I of face value US\$ 1 Million and FCCBs II of face value US\$ 1.40 Million stands extended to March 9, 2017, with its other terms and conditions remaining unchanged.

e) **FCCB I** : As at March 31, 2013, the face value of the US\$ 1 Million FCCBs (Previous Year: US\$ 39 Million) amounts to ₹ 542.81 Lakhs (Previous Year: ₹ 19,841.27 Lakhs) and is included in Note 5 – Long Term Borrowings.

The premium payable on maturity has been accrued by a charge to Securities Premium.

**FCCB II** : As at March 31, 2013, the face value of the US\$ 1.40 Million FCCBs (Previous Year: US\$ 54.80 Million) amounts to ₹ 759.99 Lakhs (Previous Year: ₹ 27,879.48 Lakhs) and is included in Note 5 – Long Term Borrowings.

The premium payable on maturity has been accrued by a charge to Securities Premium.

**FCCB III** : As at March 31, 2013, the face value of the US\$ 88.15 Million FCCBs (Previous Year: US\$ Nil) amounts to ₹ 47,852.27 Lakhs (Previous Year: ₹ Nil) and is included in Note 5 – Long Term Borrowings.

### NOTE 27 Employees Stock Option Plan (ESOP)

The Company during the years 1999–2000, 2005–2006 and 2008–2009 has established ESOP II, ESOP III and ESOP IV respectively.

These schemes have been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. As per these schemes, the Compensation Committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the highest volume of shares are traded for 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years and can be exercised over a maximum period of 3 years from the date of vesting.

The Company has obtained in-principle approval for listing of shares upto a limit as mentioned below.

ESOP II : 8,83,750 shares

ESOP III : 20,00,000 shares

ESOP IV : 20,00,000 shares

#### EMPLOYEES' STOCK OPTION DETAILS AS ON THE BALANCE SHEET DATE ARE

Particulars	MARCH 31, 2013		MARCH 31, 2012	
	Options (No's)	Weighted Average Exercise Price per Stock Option (₹)	Options (No's)	Weighted Average Exercise Price per Stock Option (₹)
Options outstanding at the beginning of the year				
ESOP – II	12,022	85.22	2,78,259	71.71
ESOP – III	13,56,086	39.30	16,15,233	104.11
ESOP – IV	10,19,289	28.95	11,87,619	54.17
Granted during the year				
ESOP – II	-	-	-	-
ESOP – III	1,24,100	12.82	14,61,441	31.61
ESOP – IV	-	-	10,19,583	28.44

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 27 Employees Stock Option Plan (ESOP)

Particulars	MARCH 31, 2013		MARCH 31, 2012	
	Options (No's)	Weighted Average Exercise Price per Stock Option (₹)	Options (No's)	Weighted Average Exercise Price per Stock Option (₹)
Exercised during the year				
ESOP – II	-	-	-	-
ESOP – III	-	-	747	-
ESOP – IV	-	-	-	-
Cancelled, Surrendered or Lapsed during the year				
ESOP – II	7,352	-	2,66,237	-
ESOP – III	3,49,039	-	17,19,841	-
ESOP – IV	2,88,483	-	11,87,913	-
Options outstanding at the end of the year				
ESOP – II	4,670	82.63	12,022	85.22
ESOP – III	11,31,147	34.04	13,56,086	39.30
ESOP – IV	7,30,806	28.79	10,19,289	28.95
Options exercisable at the end of the year				
ESOP – II	4,670	-	9,397	-
ESOP – III	8,64,489	-	98,823	-
ESOP – IV	4,57,293	-	9,191	-
Options available for Grant at the end of the year				
ESOP – II	-	-	-	-
ESOP – III	8,56,414	-	6,31,475	-
ESOP – IV	12,69,194	-	9,80,711	-

[Weighted average remaining contractual life (considering vesting and exercise period)]

ESOP – II At March 31, 2012: 1.54 Years  
At March 31, 2013: 1.07 Years

ESOP – III At March 31, 2012: 3.81 Years  
At March 31, 2013: 3.07 Years

ESOP – IV At March 31, 2012: 4.16 Years  
At March 31, 2013: 3.46 Years

#### Fair Value Methodology

The fair value of options used to compute pro-forma net income and earnings per equity share have been estimated on the date of grant using Black-Scholes model.

The key assumptions used in Black-Scholes model for calculating fair value is: risk-free interest rate of 8% (Previous year 8%), expected life: 3 years (Previous year: 3 years), expected volatility of share: 64.85% (Previous year 33.73%), and expected dividend yield: 0% (Previous year 0%) The variables detailed herein represent the average of the assumptions during the pendency of the grant dates.

The impact on the EPS of the Company if fair value method is adopted is given below: Amount in ₹ Lakhs except as otherwise indicated

Particulars	MARCH 31, 2013	MARCH 31, 2012
Net Profit for the year (as reported)	(3,456.42)	239.70
Add : Stock-based employee compensation relating to grants after Apr 1, 2006	5.56	(327.30)
Less : Stock-based compensation expenses determined under fair value based method for the above grants	30.80	33.00
<b>Net Profit/(loss) - (proforma)</b>	<b>(3,481.66)</b>	<b>(120.60)</b>
Basic earnings per share (as reported) - ₹	(2.54)	0.35
Basic earnings per share (proforma) - ₹	(2.56)	(0.17)
Diluted earnings per share (as reported) - ₹	(2.54)	0.35
Diluted earnings per share (proforma) - ₹	(2.56)	(0.17)



## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 28

The Company adopted the amendments to Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" that were notified during the year ended March 31, 2012. Pursuant to this amendment, exchange fluctuations arising on restatement of all long term monetary foreign currency assets and liabilities at rates different from those at which they were initially recorded or reported in the previous financial statements (whichever is later), are accumulated in a Foreign Currency Monetary Item Translation Difference account and are amortised over the balance period of such long term asset/liability. Consequently, exchange fluctuation losses (net) arising on restatement of such items have been deferred to the extent of ₹ 2,765.65 Lakhs (Previous Year: ₹ 357.00 Lakhs) at March 31, 2013 and the loss for the year is lower by a corresponding amount.

### NOTE 29 Employees Benefit's Plans

#### a) Defined Contribution Plans

The Company makes contributions to Provident Fund, Employee State Insurance scheme contributions which are defined contribution plan for qualifying employees. Under the Scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized ₹ 229.59 Lakhs (Year ended March 31, 2012 ₹ 307.51 Lakhs) for Provident Fund contributions ₹ 2.04 Lakhs (Year ended March 31, 2012 ₹ 2.09 Lakhs) for Employee state insurance scheme contribution in the Statement of Profit and Loss.

#### b) Defined Benefit Plans

The Company offers Gratuity benefits to employees, a defined benefit plan. The following table sets out the funded status of Gratuity liability and the amounts recognised in the financial statements:

Amount in ₹ Lakhs except Assumptions

		Gratuity	
		MARCH 31, 2013	MARCH 31, 2012
<b>I</b>	<b>Components of employer expense</b>		
1	Current Service cost	56.77	74.31
2	Interest cost	20.63	23.00
3	Expected return on plan assets	(0.59)	(1.61)
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses/(Gains)	31.51	(67.20)
8	Total expense recognized in the Statement of Profit and Loss	108.32	28.50
<b>II</b>	<b>Actual Contribution and Benefit Payments for the year</b>		
1	Actual benefit payments	99.26	43.00
2	Actual Contributions	98.84	15.21
<b>III</b>	<b>Net asset/(liability) recognized in Balance Sheet</b>		
1	Present value of Defined Benefit Obligation (DBO)	(296.40)	(286.84)
2	Fair value of plan assets	7.36	7.10
3	Funded status [Surplus/(Deficit)]	(289.04)	(279.74)
4	Unrecognized Past Service Costs	-	-
5	Net asset/(liability) recognized in Balance Sheet	(289.04)	(279.74)
	- Current	(31.08)	(10.95)
	- Non current	(257.96)	(268.79)

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 29 (Contd.)

Amount in ₹ Lakhs except Assumptions

		Gratuity	
		MARCH 31, 2013	MARCH 31, 2012
<b>IV</b>	<b>Change in Defined Benefit Obligations during the year</b>		
1	Present Value of DBO at beginning of year	286.84	299.40
2	Current Service cost	56.77	74.31
3	Interest cost	20.63	23.00
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	-	-
7	Acquisitions	-	-
8	Actuarial (gains)/ losses	31.42	(66.87)
9	Benefits paid	(99.26)	(43.00)
10	Present Value of DBO at the end of year	296.40	286.84
<b>V</b>	<b>Change in Fair Value of Assets during the year</b>		
1	Plan assets at beginning of year	7.10	33.00
2	Acquisition Adjustment	-	-
3	Expected return on plan assets(estimated)	0.59	1.61
4	Actuarial Gain/(Loss)	0.09	0.30
5	Actual Company contributions	98.84	15.19
6	Benefits paid	(99.26)	(43.00)
7	Plan assets at the end of period	7.36	7.10
<b>VI</b>	<b>Actuarial Assumptions</b>		
1	Discount Rate	8.10%	8.70%
2	Expected Return on plan assets	8.50%	8.60%
3	Salary escalation	6.00%	6.00%
4	Attrition Rate	9.00%	5.00%

Five Year Data	Period Ending				
	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013
Defined Benefit Obligation at end of the period	(153.28)	(193.23)	(299.41)	(286.84)	(296.40)
Plan Assets at end of the period	15.04	50.84	33.04	7.10	7.36
Funded Status	(138.24)	(142.39)	(266.37)	(279.74)	(289.04)
Experience Gain/(Loss)adjustments on Plan Liabilities	8.08	3.85	(4.83)	54.12	11.31
Experience Gain/(Loss)adjustments on Plan Assets	0.33	-	0.38	0.31	(0.09)
Actuarial Gain/(Loss) due to change on assumptions	(12.23)	6.84	-	12.77	(42.73)

- The composition of the plan assets held under the funds managed by the Insurer is as follows:

Fund Type	2013	2012
	%	
Equity Instruments	5.22	4.68
Debt Instruments	79.73	74.88
FD and Other Asset	15.05	20.44

- Estimated amounts to be contributed in the immediate next year ₹ 31.08 Lakhs (Previous year: ₹ 10.95 Lakhs)
- The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.
- The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 29 (Contd.)

#### Actuarial Assumption for long term compensated absences

	MARCH 31, 2013	MARCH 31, 2012
Discount rate	8.10%	8.70%
Expected return on plan asset	NA	NA
Salary escalation rate	6.00%	6.00%
Attrition	9.00%	5.00%

- The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.
- The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors

### NOTE 30

Since the Company prepares consolidated financial statements in addition to these financial statements, both of which form part of the annual report of the Company, as permitted by Accounting Standard 17 "Segment reporting", the segment information is presented on the basis of the consolidated financial statements.

### NOTE 31 Related Party Information

#### i. Related Parties

##### Wholly Owned Subsidiaries

- Subex Americas Inc.
- Subex (UK) Ltd
- Subex Technologies Ltd
- Subex Azure Holdings Inc.
- Subex (Asia Pacific) Pte Ltd
- Subex Inc.
- Subex Technologies Inc.

##### Key Management Personnel

- Surjeet Singh, Managing Director & CEO, October 5, 2012 onwards
- Subash Menon, Managing Director & CEO upto September 27, 2012
- Sudeesh Yezhuvath, Wholetime Director & Chief Operating Officer upto October 5, 2012

#### ii. Details of the transactions with the related parties:

₹ in Lakhs

Particulars	Subsidiaries		Key Management Personnel	
	2012-13	2011-12	2012-13	2011-12
Marketing and allied Service Charges and reimbursement (including software development charges)*				
i) Subex (UK) Ltd	5,689.76	6,136.91	-	-
ii) Subex Inc.	5,676.42	6,589.82	-	-
iii) Subex Americas Inc.	278.65	970.81	-	-
iv) Subex (Asia Pacific) Pte Ltd	709.42	538.63	-	-

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 31 Related Party Information (Contd.)

₹ in Lakhs

Particulars	Subsidiaries		Key Management Personnel	
	2012-13	2011-12	2012-13	2011-12
Income from Software Development and Services:				
i) Subex (UK) Ltd	8,005.93	8,730.91		
ii) Subex Inc.	4,175.86	3,861.81		
iii) Subex (Asia Pacific) Pte Ltd	1,480.44	1,529.83		
iv) Subex Americas Inc.	1,533.05	3,726.62		
Salary and Perquisites (Also refer Note 39.9)				
Subash Menon			107.69	216.51
Sudeesh Yezhuvath			108.39	197.41
Surjeet Singh			6.64	-
Interest received on Inter Company Loans				
i) Subex UK Ltd	-	-		
ii) Subex Americas Inc.	784.55	157.24		
iii) Subex Inc.	-	-		
iv) Subex (Asia Pacific) Pte Ltd	-	-		
Expenses allocated to/(from):				
i) Subex (UK) Ltd	(2.60)	111.90		
ii) Subex Inc.	-	52.01		
iii) Subex (Asia Pacific) Pte Ltd	(0.41)	3.91		
iv) Subex Americas Inc.	(1.60)	23.81		

₹ in Lakhs

As at:	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
<b>Amount due as at year end from/(to)</b>				
i) Subex (UK) Ltd	(897.90)	(2,348.72)	-	-
ii) Subex Inc.	(1,791.41)	(1,060.01)	-	-
iii) Subex (Asia Pacific) Pte Ltd	5,198.81	4,771.01	-	-
iv) Subex Americas Inc.	15,759.92	15,459.21	-	-
v) Surjeet Singh	-	-	5.97	-
<b>Loans/advances outstanding as at year end from/(to)</b>				
i) Subex (UK) Ltd	-	-	-	-
ii) Subex (Asia Pacific) Pte Ltd	-	-	-	-
iii) Subex Americas Inc.	1,706.70	1,608.82	-	-
iv) Subex Inc.	-	-	-	-
v) Subex Technologies Ltd#	1,705.70	1,699.70	-	-
<b>Outstanding Guarantees given from/(to)Z</b>				
i) Subex Technologies Inc	2,171.40	2,171.40	-	-

\* Amount paid/ payable in Foreign Currency.

# Advances to Subex Technologies Ltd has been provided during the financial year 2010-11 to an extent of ₹ 1,694.66 Lakhs out of utilisation of BRR.

### NOTE 32 Operating Leases

The Company had non-cancellable leasing arrangement for its office premises which on renewal during the year got converted into cancellable operating lease arrangement. Rental expenses for operating leases included in the Statement of Profit and Loss for the year is ₹ 940.95 Lakhs (Previous year: ₹ 906.12 Lakhs)

The future minimum lease payments for non-cancelable operating leases were:

₹ in Lakhs

	March 31, 2013	March 31, 2012
Within one year	-	974.31
Due in a period between one year and five years	-	4,338.21
Due after five years	-	1,999.62

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 33 Earnings per Share (EPS)

Amount ₹ Lakhs except as otherwise indicated

	MARCH 31, 2013	MARCH 31, 2012
Profit after Tax attributable to shareholders (A)	(3,456.42)	239.70
Add: Interest on FCCBs	-	-
Add/(Less): Exchange Fluctuation on FCCB	-	-
<b>Adjusted Profits after Tax for Diluted EPS (B)</b>	<b>(3,456.42)</b>	<b>239.70</b>
Weighted Average Number of Shares (in Lakhs) for Basic EPS (C)	1,362.43	693.11
Effect of Existence of Dilutive Instruments (FCCBs and ESOPs) – (in Lakhs)	0.10	0.80
Weighted Average Number of Shares (in Lakhs) for Diluted EPS (D)	1,362.53	693.91
Earnings per Share – Basic [(A)/(C)] – ₹	(2.54)	0.35
Earnings per Share – Diluted [(B)/(D)] – ₹ (Refer Note below).	(2.54)	0.35

Face value of shares: ₹10/- each

Note: FCCBs outstanding as at March 31, 2013 are anti-dilutive and hence have not been considered for purposes of Dilutive EPS in year ended March 31, 2013.

Certain of the FCCBs as at March 31, 2012 were anti-dilutive and hence were not considered for purposes of Dilutive EPS in year ended March 31, 2012.

### NOTE 34 Deferred Tax

The deferred tax asset recognised comprises of the tax impact arising from timing differences on:

₹ in Lakhs

Particulars	MARCH 31, 2013	MARCH 31, 2012
Leave Encashment and Gratuity	62.80	62.80
Differences between the book balance and tax balance of Fixed assets	71.08	71.08
<b>Total</b>	<b>133.88</b>	<b>133.88</b>

### NOTE 35 Details of Warranty

₹ in Lakhs

Year	Opening Balance	Additions During the year	Utilization/Reversal during the year	Closing Balance
2012-13	42.29	-	42.29	-

### NOTE 36 Commitments and Contingent Liabilities

(a) Receivables factored: Current Year – Nil (Previous Year: ₹ 2,661.10 Lakhs).

(b) Claims against the Company not acknowledged as debt:

I. Current Year – ₹15.97 Lakhs (Previous Year: ₹15.97 Lakhs). These claims relate to Indian Income Tax demands which are being contested by the Company.

II. Others: Current year – ₹956.84 Lakhs (Previous Year: Nil)

(c) Guarantees given to Subex Technologies Inc ₹ 2,171.40 Lakhs (Previous year: ₹ 2,171.40 Lakhs)

(d) The Company has received a demand of service tax of ₹3,607.60 Lakhs and equivalent amount of penalties under the provisions of the Finance Act, 1994 along with the consequential interest, for the period from April, 2006 to July, 2009 towards service tax payable on import of certain services. The Company has filed an appeal contesting the demand before the Central Excise and Service Tax Appellate Tribunal (CESTAT), Bangalore. The Company has also obtained a stay against the said demand on March 27, 2013. In view of the Company, the demand is not sustainable. Further, the Company contends that in the event of the demand being upheld by the Appellate Authority, the Company is eligible to avail the service tax as input credit upon payment of the tax, excluding penalty and interest, if any.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 37 Other Information pursuant to Schedule VI of the Companies Act, 1956.

₹ in Lakhs

	YEAR ENDED MARCH 31, 2013	YEAR ENDED MARCH 31, 2012
<b>CIF Value of Imports :</b>		
Import of systems and solutions	124.41	79.72
Capital goods	60.72	121.83
<b>Expenditure in foreign currency (on accrual basis)</b>		
Traveling expenses	541.71	518.51
Interest expense	2,212.12	1,696.21
Product marketing expense and other expenditure incurred overseas for software development. Also refer note 30(ii).	6.23	8.23
<b>Earnings in foreign exchange (on accrual basis)</b>		
Income from software development services and products	15,195.31	29,720.70
Marketing and allied service charges		
i) Subex (UK) Ltd	5,655.11	6,136.93
ii) Subex Inc	5,676.43	6,589.81
iii) Subex Americas Inc	278.62	970.82
iv) Subex (Asia Pacific) Pte Ltd	709.41	538.61

### NOTE 38 Payments to Auditors

₹ in Lakhs

Particulars	2012-13	2011-12
As Auditors – Statutory audit	65.00	65.00
For Taxation matters	1.50	1.50
<b>For Other services</b>	10.00	10.00
For Reimbursement of expenses	2.73	1.60
<b>Total</b>	<b>79.23</b>	<b>78.10</b>

### NOTE 39 Others

- Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) Nil (Previous year – ₹ 17.31 Lakhs)
- Unclaimed dividend of ₹ 2.92 Lakhs as at March 31, 2013 (Previous Year – ₹ 4.08 Lakhs) represent dividends not claimed for the period from 2005–2006. No part thereof has remained unpaid or unclaimed for a period of seven years from the date they become due for payment requiring a transfer to the 'Investor Education and Protection Fund'. During the current year, the Company has transferred ₹ 0.59 Lakhs (Previous Year – ₹ 1.80 Lakhs) to Investor Protection Fund.
- Direct Taxes paid and others in the Cash Flow Statement comprises outflows on account of permitted utilizations from the BRR of ₹ 359.58 Lakhs (Previous Year – ₹ 120.50 Lakhs) and Direct Taxes Nil. (Previous Year – ₹ 391.70 Lakhs).
- Personnel Cost for the year includes expenditure on Research and Development of ₹ 1,108.71 Lakhs (Previous year – ₹ 1,295.12 Lakhs). This is as certified by the management and relied upon by the auditors.
- The Company has entered into the following derivative instruments for the purposes of hedging the risks associated with foreign exchange exposures.

#### (a) Forward contracts to hedge foreign currency risk on export receivables

Amount in Lakhs

Particulars	March 31, 2013			March 31, 2012		
	Foreign Currency	Buy/Sell	Amount (₹)	Foreign Currency	Buy/Sell	Amount (₹)
Forward contracts						
- USD contracts	-	-	-	US\$ 361.31	Sell	17,328.52

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 39 Others (Contd.)

Amount in Lakhs

The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	MARCH 31, 2013		MARCH 31, 2012	
	Amount (₹)	Foreign currency	Amount (₹)	Foreign currency
Receivable towards Export of Goods & Services	42,232.30	USD 778.41	21,994.00	USD 432.31
	16,493.72	GBP 199.43	16,402.60	GBP 201.42
(Including receivables from wholly owned subsidiaries)	6,532.71	SGD 149.42	6,979.81	SGD 172.43
	-	-	66.40	AUD 1.33
	329.93	EUR 4.72	166.32	EUR 2.52
	1.81	AED 0.11	49.50	AED 3.61
	53.52	QAR 3.63	15.71	QAR 1.12
	71.32	CHF 1.31	70.41	CHF 1.31
	-	-	53.12	CAD 1.02
	-	-	2.53	CNY 0.31
Loans/ Advances to wholly owned subsidiaries	516.81	CAD 9.71	493.72	CAD 9.71
	1,189.92	USD 21.90	1,115.12	USD 21.91
Bank Balance	10.36	USD 0.19	0.87	USD 0.02
Loan (being other amounts payable in foreign currency)	2,766.26	USD 30.29	-	-
	-	GBP 13.78	-	-
	-	EUR 0.18	-	-
	-	-	(30.94)	CAD (0.61)

#### (b) The amounts payable in foreign currency on account of:

Amount in Lakhs

Particulars	MARCH 31, 2013		MARCH 31, 2012	
	Amount (₹)	Foreign currency	Amount (₹)	Foreign currency
Import of goods and services	22.71	USD 0.41	166.42	USD 3.31
	5.00	CAD 0.12	36.81	GBP 0.51
	0.22	SGD 0.10	-	-
Capital goods (including intangibles)	1.43	GBP 0.11	7.12	GBP 0.11
	20.91	EUR 0.31	-	-
	15.42	CHF 0.22	-	-
Towards interest on Foreign Currency loans	2,213.42	USD 40.61	109.42	USD 2.21
Redemption premium accrued on FCCB's	517.93	USD 9.66	18,421.50	USD 362.12
	-	-	9.92	AED 0.71
	-	-	63.62	CAD 1.21
	-	-	1.31	EUR 0.01
Marketing and Allied Service Charges and Software charges payable to wholly owned subsidiaries	15,409.21	GBP 187.41	15,539.50	GBP 190.8
	-	-	0.22	MYR 0.00
	1,140.52	SGD 26.12	1,181.20	SGD 29.22
	16,858.52	USD 310.61	26,689.50	USD 524.61
	-	-	31.00	AUD 0.62
	-	-	2.51	CNY 0.32

6. The dues to Micro and Small enterprises as defined in The Micro, Small & Medium Enterprises Development Act, 2006, The details of same are as follows :

₹ in Lakhs

Disclosure required under Section 22 of the Micro, Small and Medium Enterprise Development Act, 2006		
Particulars	MARCH 31, 2013	MARCH 31, 2012
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	1.20	-
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 39 Others (Contd.)

₹ in Lakhs

Disclosure required under Section 22 of the Micro, Small and Medium Enterprise Development Act, 2006		
Particulars	MARCH 31, 2013	MARCH 31, 2012
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	0.20	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	0.20	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

7. The Company purchases hardware and software to fulfill its obligations under contracts for sale of its Products. There were no inventory of such hardware/software at the beginning and end of the year.

The breakup of balances included in line 4(a) in the Statement of Profit and Loss is as under

₹ in Lakhs

Particulars	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Software charges	19.81	678.31
Purchased hardware/ Software	223.49	186.35
<b>Total</b>	<b>243.30</b>	<b>864.66</b>

8. The Company has 'International transactions' with 'Associated Enterprises' which are subject to Transfer Pricing regulations in India. The Management of the Company, is of the opinion that such transactions with Associated Enterprises are at arm's length and hence in compliance with the aforesaid legislation. Consequently, this will not have any impact on the financial statements, particularly on account of tax expense and that of provision for taxation.
9. a) In view of the losses incurred by the Company during the year ended March 31, 2013, the excess of the managerial remuneration paid to the directors over the limits prescribed under Schedule XIII of the Companies Act, 1956 has been treated as monies due from the directors, being held by them in trust for the Company, and is included under 'Short-term loans and advances' amounting to ₹123.80 Lakhs.
- b) Other advances to directors ₹110.00 Lakhs (Previous year: Nil).
10. During the year, the Company has rescheduled the terms of repayment of dues from its subsidiary viz. Subex Americas Inc., amounting to ₹15,599.00 Lakhs of trade receivables and ₹1,706.73 Lakhs of advances. In the opinion of the management, considering the future operational plans and cash flows, the said dues are considered good and recoverable. Further, based on the management's assessment, there is no diminution, other than temporary, in the carrying value of its investment in the said subsidiary of ₹12,495.74 Lakhs and accordingly, no provision is required to be made at this stage.



## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 39 Others (Contd.)

11. Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges

Loans and advances in the nature of loans given to subsidiaries:

Amount in ₹ Lakhs

Name of the party	Relationship	Amount outstanding as at March 31, 2013	Maximum balance outstanding during the year
Subex Americas Inc.	Wholly Owned Subsidiaries	1,706.73 (1,608.82)	1,841.87 (4,008.82)
Subex Technologies Ltd.	Wholly Owned Subsidiaries	1,705.70 (1,699.70)	1,705.70 (1,699.70)

Note : Figures in brackets relate to previous year.

### NOTE 40

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosures.

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

Monisha Parikh  
Partner

Mumbai  
Date: May 21, 2013

For and on behalf of the Board of Directors

Surjeet Singh  
Managing Director & CEO

Karthikeyan Muthuswamy  
Director

Ganesh K.V.  
Global Head - Finance,  
Legal and Company Secretary

Anil Singhvi  
Director

Sanjeev Aga  
Director

# INDEPENDENT AUDITORS' REPORT

TO  
THE BOARD OF DIRECTORS OF SUBEX LIMITED

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **SUBEX LIMITED** (the "Company"), and its subsidiaries (the Company and its subsidiaries constitute "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence

about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements/ financial information of the subsidiaries referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the loss of the Group for the year ended on that date; and

- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

#### Emphasis of Matter

- (a) We draw attention to Note 24 to the consolidated financial statements, as more fully explained therein, during the year the Company has in accordance with the Proposal approved by the Hon'ble High Court of Karnataka in prior years, debited amounts aggregating to ₹1,318.48 Lakhs (net) to the Business Restructuring Reserve, instead of considering the same as expense for the year ended March 31, 2013, as required by Accounting Standard 5 'Net Profit or Loss for the Period, Prior Period Items'.
- (b) We draw attention to Note 37.8 (a) to the consolidated financial statements regarding treatment of the managerial remuneration paid in excess of the applicable limits under Schedule XIII of the Companies Act, 1956, aggregating to ₹123.80 Lakhs.
- (c) We draw attention to Note 35(c) to the consolidated financial statements regarding the service tax demand of ₹3,607.60 Lakhs on import of certain services against which the Company has filed an appeal with the concerned authority.
- (d) We draw attention to Note 25(a) to the consolidated financial statements, regarding the tax treatment on restructuring of the foreign currency convertible bonds based on legal advice.
- (e) We draw attention to Note 38 regarding the management's assessment that the goodwill arising from the consolidation of one of its subsidiaries is not impaired and hence no provision has been made at this stage for the reasons stated therein.

Our opinion is not qualified in respect of the above matters.

#### Other Matter

We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets (net) of ₹1,145.81 Lakhs as at March 31, 2013, total revenues of ₹2,323.68 Lakhs and net cash inflows amounting to ₹105.44 Lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
(Firm Registration No. 008072S)

Monisha Parikh  
Partner  
(Membership No. 47840)

MUMBAI, May 21, 2013  
MP/JST/PJ/MAR2013

## CONSOLIDATED BALANCE SHEET AS AT

₹ in Lakhs

	Note No.	MARCH 31, 2013	MARCH 31, 2012
<b>A EQUITY AND LIABILITIES</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
(a) Share Capital	3	16,664.00	6,931.08
(b) Reserves and Surplus	4	5,835.68	7,172.35
<b>SUB TOTAL - SHAREHOLDERS' FUNDS</b>		<b>22,499.68</b>	<b>14,103.43</b>
<b>2. NON - CURRENT LIABILITIES</b>			
(a) Long-term Borrowings	5	53,769.37	-
(b) Other Long-term Liabilities	6	517.93	-
(c) Long-term Provisions	7	553.41	585.05
<b>SUB TOTAL - NON CURRENT LIABILITIES</b>		<b>54,840.71</b>	<b>585.05</b>
<b>3. CURRENT LIABILITIES</b>			
(a) Short-term Borrowings	8	19,387.91	12,436.50
(b) Trade Payables - Other than acceptances		4,892.84	8,009.13
(c) Other Current Liabilities	9	6,828.53	74,203.91
(d) Short-term Provisions	10	347.70	271.35
<b>SUB TOTAL - CURRENT LIABILITIES</b>		<b>31,456.98</b>	<b>94,920.89</b>
<b>TOTAL</b>		<b>1,08,797.37</b>	<b>1,09,609.37</b>
<b>B ASSETS</b>			
<b>1. NON - CURRENT ASSETS</b>			
<b>(a) Fixed Assets</b>			
(i) Tangible Assets	11.A	466.74	772.80
(ii) Intangible Assets	11.B	-	-
		466.74	772.80
(b) Goodwill on Consolidation		85,642.22	86,568.81
(c) Deferred Tax Assets (net)	33	141.20	141.20
(d) Long-term Loans and Advances	12	2,645.76	2,408.85
(e) Other Non - Current Assets	13	1,313.94	-
<b>SUB TOTAL - NON - CURRENT ASSETS</b>		<b>90,209.86</b>	<b>89,891.66</b>
<b>2. CURRENT ASSETS</b>			
(a) Trade Receivables	14	7,332.84	7,339.38
(b) Cash and Bank Balances	15	5,082.66	241.95
(c) Short-term Loans and Advances	16	997.94	1,211.82
(d) Other Current Assets	17	5,174.07	10,924.56
<b>SUB TOTAL - CURRENT ASSETS</b>		<b>18,587.51</b>	<b>19,717.71</b>
<b>TOTAL</b>		<b>1,08,797.37</b>	<b>1,09,609.37</b>
Corporate Information and Significant Accounting Policies	1 & 2		
See accompanying notes forming part of the financial statements			

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

Monisha Parikh  
Partner

Mumbai  
Date: May 21, 2013

For and on behalf of the Board of Directors

Surjeet Singh  
Managing Director & CEO

Karthikeyan Muthuswamy  
Director

Ganesh K.V.  
Global Head - Finance,  
Legal and Company Secretary

Anil Singhvi  
Director

Sanjeev Aga  
Director

## CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED

₹ in Lakhs

	NOTE NO.	MARCH 31, 2013	MARCH 31, 2012
1. Revenue from Operations	18	33,057.95	47,782.63
2. Other Income	19	89.15	1,096.34
<b>3. Total revenue</b>		<b>33,147.10</b>	<b>48,878.97</b>
<b>4. Expenses</b>			
(a) Cost of Hardware, Software and Support Charges		817.16	869.88
(b) Employee Benefits Expense and sub-contract charges	20	20,669.02	25,358.00
(c) Finance Costs	21	5,210.00	4,285.19
(d) Depreciation and Amortisation Expense	11	426.77	779.60
(e) Other Expenses	22	7,636.00	8,587.81
<b>Total Expenses</b>		<b>34,758.95</b>	<b>39,880.48</b>
<b>5. Profit/(Loss) before exceptional items and Tax (3 - 4)</b>		<b>(1,611.85)</b>	<b>8,998.49</b>
6. Exceptional Items	23	3,996.62	5,479.42
<b>7. Profit/(Loss) before Tax (5 - 6)</b>		<b>(5,608.47)</b>	<b>3,519.07</b>
8. Tax expense			
(a) Current Tax Expense for current year		354.08	537.20
(b) Short provision for tax relating to prior years		32.16	-
(c) (Less): MAT credit		-	(174.13)
(d) Deferred Tax		-	(28.10)
<b>Total Tax expense</b>		<b>386.24</b>	<b>334.97</b>
<b>9. Profit/(Loss) for the year (7 - 8)</b>		<b>(5,994.71)</b>	<b>3,184.10</b>
10. Earnings/(Loss) Per Share (Face value of ₹10/- each)			
(a) Basic	32	₹ (4.40)	₹ 4.59
(b) Diluted	32	₹ (4.40)	₹ 4.59
Corporate Information and Significant Accounting Policies	1 & 2		
See accompanying notes forming part of the financial statements			

In terms of our report attached  
For **Deloitte Haskins & Sells**  
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Monisha Parikh  
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Mumbai  
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Sanjeev Aga  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED

₹ in Lakhs

	MARCH 31, 2013	MARCH 31, 2012
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax, for the year	(5,608.47)	3,519.07
<b>Adjustments for :</b>		
(a) Depreciation and amortization expense	426.77	779.60
(b) Interest Income	(40.02)	(34.48)
(c) Finance costs	5,210.00	4,285.19
(d) (Profit)/Loss on sale/write off of assets - net	40.49	(2.70)
(e) Expense/(Gain) on employee stock option scheme	10.28	(522.03)
(f) Provision for doubtful Trade and other receivables	3,240.43	666.60
(g) Unrealised exchange (Gain)/Loss- Forward contracts	-	1,239.37
(h) Unrealised exchange (Gain)/Loss- Others	143.76	2,256.30
(i) Goodwill Written off	926.70	-
<b>Operating profit/(loss) before working capital changes</b>	<b>4,349.94</b>	<b>12,186.92</b>
<b>Adjustments for (increase)/decrease in operating assets</b>		
(a) Trade receivables	(2,900.94)	(2,295.54)
(b) Short-term loans and advances	227.48	874.62
(c) Long-term loans and advances	24.69	(4.37)
(d) Other current assets and non-current assets	3,646.39	(2,112.15)
<b>Adjustments for increase/(decrease) in operating liabilities</b>		
(a) Trade payables	(2,861.01)	(2,057.19)
(b) Other current liabilities	(3,622.20)	(710.97)
(c) Short-term provisions	70.15	(3.32)
(d) Long-term provisions	31.09	(18.11)
<b>Cash generated from/(used in) operations</b>	<b>(1,034.41)</b>	<b>5,859.89</b>
Net tax (paid)/refunds and others	(702.53)	(664.69)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>(1,736.94)</b>	<b>5,195.20</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(a) Capital expenditure on fixed assets, including capital advances	(132.86)	(336.20)
(b) Proceeds from sale of fixed assets	20.40	149.10
(c) Interest received - Others	21.87	31.83
(d) Investment in deposits	(440.94)	(16.67)
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>(531.53)</b>	<b>(171.94)</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED

₹ in Lakhs

	MARCH 31, 2013	MARCH 31, 2012
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
(a) Proceeds from issue of Equity shares	-	0.40
(b) Repayment of Long-term borrowings	-	(66.50)
(c) Net increase/(decrease) in working capital borrowings	7,855.61	1,787.03
(d) Repayment of Short-term borrowings	(1,000.00)	(2,000.00)
(e) Proceeds from Long-term borrowings	4,616.78	-
(f) Dividend paid	(1.15)	(1.83)
(g) Finance cost	(3,077.32)	(4,985.59)
<b>Net cash flow from/(used in) financing activities (C)</b>	<b>8,393.92</b>	<b>(5,266.49)</b>
<b>Net increase/(decrease) in Cash and Cash equivalents (A+B+C)</b>	<b>6,125.45</b>	<b>(243.23)</b>
Effect of Exchange Differences on restatement/ translation of foreign currency cash and cash equivalents	(1,725.87)	57.89
Cash or Cash equivalents at the beginning of the year	52.25	237.59
<b>Cash or Cash equivalents at the end of the year</b>	<b>4,451.83</b>	<b>52.25</b>
<b>*Cash and cash equivalents</b>		
Cash on hand	0.77	0.83
Balance with Banks	-	-
in Current Accounts	4,441.62	50.95
in Deposit Accounts	-	-
in EEFC Accounts	9.44	0.47
<b>Total</b>	<b>4,451.83</b>	<b>52.25</b>
Corporate Information and Significant Accounting Policies	1 & 2	
<b>Notes:</b>		
(i) See accompanying notes forming part of the financial statements		

In terms of our report attached  
For **Deloitte Haskins & Sells**  
**Chartered Accountants**

**Monisha Parikh**  
Partner

Mumbai  
Date: May 21, 2013

For and on behalf of the Board of Directors

**Surjeet Singh**  
Managing Director & CEO

**Karthikeyan Muthuswamy**  
Director

**Ganesh K.V.**  
Global Head - Finance,  
Legal and Company Secretary

**Anil Singhvi**  
Director

**Sanjeev Aga**  
Director

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

Subex Limited, a public limited company incorporated in 1994, is a leading global provider of Operations and Business Support Systems (OSS/BSS) to communication service providers (CSPs) worldwide in the Telecom industry.

The Company pioneered the concept of a Revenue Operations Center (ROC) – a centralized approach that sustains profitable growth and financial health for the CSPs through coordinated operational control. Subex' s product portfolio powers the ROC and its best-in-class solutions enable new service creation, operational transformation, subscriber-centric fulfilment, provisioning automation, data integrity management, revenue assurance, cost management, fraud management and interconnect/inter-party settlement. Subex also offers a scalable Managed Services Program. The CSPs achieve competitive advantage through Business Optimization and Service Agility and improve their operational efficiency to deliver enhanced service experiences to their subscribers. The Company has a development center in India and sales offices in the form of wholly owned subsidiaries/ branches in UK, USA, Singapore, Australia, Dubai and Canada.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### I. Basis for preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 except to the extent permitted under the Proposal approved by the Hon'ble High Court of Karnataka (Refer Note 24). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

#### II. Principles of Consolidation

The financial statements of the Company and its wholly owned subsidiaries have been combined on a line by line basis by adding together like items of assets, liabilities, income and expense. The intra-group balances and intra-group transactions are eliminated.

The excess of cost to the Company of its investments in the subsidiary over it's share of the equity of the subsidiary, at the date on which the investments in the subsidiary Company was made, is recognized as 'Goodwill on Consolidation' being an asset in the consolidated financial statements.

The following entities are considered in the consolidated financial statements.

SL. NO.	Name of Entity	Country of Incorporation	% age of ownership held at March 31, 2013	% age of ownership held at March 31, 2012
1	Subex Technologies Ltd.	India	100	100
2	Subex Technologies Inc. (Wholly owned subsidiary of Subex Technologies Ltd., India)	United States of America	100	100
3	Subex (UK) Limited	United Kingdom	100	100
4	Subex Inc. (Wholly owned subsidiary of Subex (UK) Ltd.)	United States of America	100	100
5	Subex (Asia Pacific) Pte. Ltd. (Wholly owned subsidiary of Subex (UK) Ltd.)	Singapore	100	100
6	Subex Americas Inc.	Canada	100	100
7	Subex Azure Holdings Inc. (wholly owned subsidiary of Subex Americas Inc.)	United States of America	100	100

The financial statements of the Company and its subsidiaries ("Group") are prepared under uniform accounting policies in accordance with the generally accepted accounting principles in India.





## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### III. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialised.

### IV. Revenue recognition

Revenue from Contracts for software product license includes fees for transfer of licenses, installation and commissioning. This revenue is on the basis of milestones achieved, determined based on percentage of completion of work completed at each milestone as compared to the work involved in the overall scope of the contract. In the event of any expected losses on a contract, the entire amount is provided for in the accounting period in which such losses are first anticipated.

Revenue from sale of software licenses (including additional licenses) are recognized on transfer of such licenses.

In case of composite contracts involving granting of license and support services, license revenues are recognized on transfer of the license if identified separately and in other cases, they are recognized over the period of the contract along with revenue from support services.

Revenue from Software development is recognized on the basis of chargeable time or achievement of prescribed milestones as relevant to each contract.

Sale of hardware under reseller arrangements are recognized on dispatch of goods to customers and are recorded net of discounts, rebates for price adjustment, projections, shortage in transit, taxes and duties.

Maintenance and service income is recognised on time proportion basis.

### V. Tangible Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and other direct expenditure incurred. Assets acquired on hire purchase are capitalised at gross value and interest thereon is charged to revenue.

Exchange differences arising on restatement/settlement of long term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Fixed assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in the project cost till commissioning of the project.

### VI. Intangible Assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase/completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset (Refer note: 2.XII for accounting for R&D expenses).

### VII. Depreciation & Amortisation

Fixed assets and Intangibles are depreciated/amortised using the straight-line method over the useful life of assets. Depreciation is charged on pro-rata basis for assets purchased/sold during the year.

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

The rates of depreciation/amortisation adopted are as under:

PARTICULARS	Depreciation/Amortisation Rates (%)
Computers (including Software)	25
Furniture & Fixtures	20
Vehicles	20
Office equipments	20
Intellectual Property Rights	20
Goodwill	20

Individual assets costing less than ₹ 5,000 are depreciated in full, in the year of purchase.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

### VIII. Employee Stock Option Plans

The Group has formulated Employee Stock Option Schemes (ESOS) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees of the Company and its subsidiaries to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. The Company has used intrinsic value method to account for the compensation cost of stock options. Intrinsic value is the amount by which the quoted market price on the day prior to the grant of the options under ESOS exceeds the exercise price of the option. In accordance with the SEBI guidelines, the intrinsic value is amortised on a straight line basis over the vesting period.

### IX. Employee Benefits

Employee benefits include provident fund, gratuity fund, compensated absences, retention and performance linked payouts.

**Defined contribution plans:** The Group's contribution to provident fund is considered as defined contribution plan and is charged as an expense as they fall due based on the amount of contribution required to be made.

**Defined benefit plans:** For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

**Short-term employee benefits:** The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include retention and performance linked payouts and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

- in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- in case of non-accumulating compensated absences, when the absences occur.

**Long-term employee benefits:** Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### X. Other income

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

### XI. Leases

Assets leased by the Group in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Group are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight line basis.

### XII. Research and development

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Tangible Fixed Assets and Intangible Assets.

### XIII. Foreign currency transactions

#### Initial recognition

Transactions in foreign currencies entered into by the Company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

#### Measurement of foreign currency monetary items at the Balance Sheet date

Foreign currency monetary items (other than derivative contracts) of the Group outstanding at the Balance Sheet date are restated at the year-end rates.

In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the Balance Sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at the average exchange rates prevailing during the year. Exchange differences arising out of these translations are charged to the Statement of Profit and Loss

#### Treatment of exchange differences

Exchange differences arising on settlement/restatement of short-term foreign currency monetary assets and liabilities of the Company and its integral foreign operations are recognised as income or expense in the Statement of Profit and Loss.

The exchange differences arising on restatement/settlement of long term foreign currency monetary items are:

- capitalised, if related to acquisition of depreciable fixed assets, and depreciated over the remaining useful life of such assets; or
- amortised over the maturity period of such items in other cases.

The Company has adopted the amendments to Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" that were notified during the year ended March 31, 2012. Pursuant to this amendment, exchange fluctuations arising on restatement of all long term monetary foreign currency assets and liabilities at rates different from those at which they were initially recorded or reported in the previous financial statements (whichever is later), are accumulated in a Foreign Currency Monetary Item Translation Difference account and are amortised over the balance period of such long term asset/liability (Refer Note -27).

Accounting for Forward contracts: Premium/discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date.

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting for Derivatives: Derivative contracts in the nature of foreign currency swaps, currency options, forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable forecast transactions, which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Forward contracts.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

### On consolidation:

In the case of non-integral operations, assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations are included in 'Exchange Reserve on consolidation' under Reserves & Surplus.

### XIV. Investments

Long term Investments are stated at cost less diminution in the value of investments that is other than temporary.

### XV. Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in the foreseeable future. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company and can be measured reliably.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

### XVI. Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### XVII. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit/(loss) before tax, is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

### XVIII. Provisions and Contingencies

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not provided for but disclosed in the notes to the financial statements.



## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### XIX. Impairment of Assets

The carrying values of assets/cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

### XX. Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

### XXI. Segment reporting

The Group identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the Executive Management in deciding how to allocate resources and in assessing performance.

### XXII. Operating Cycle

Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3 Share Capital

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
<b>AUTHORISED</b>		
49,50,40,000 Equity Shares of ₹ 10/- each (Previous Year: 24,50,40,000 Equity Shares of ₹ 10/- each)	49,504.00	24,504.00
2,00,000 Preference Shares of ₹ 98/- each	196.00	196.00
<b>Total</b>	<b>49,700.00</b>	<b>24,700.00</b>
<b>ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARES</b>		
16,66,39,962 Equity Shares of ₹ 10/- each (Previous Year : 6,93,10,772 Equity Shares of ₹ 10/- each)	16,664.00	6,931.08
<b>Total</b>	<b>16,664.00</b>	<b>6,931.08</b>

#### NOTES

##### A. Reconciliation of the number of Equity shares at the beginning and at the end of the reporting period

Particulars	Opening Balance	Fresh issue	ESOP	Conversion of FCCB	Closing Balance
<b>Equity Shares</b>					
Year ended March 31, 2013	6,93,10,772	-	-	9,73,29,190	16,66,39,962
Year ended March 31, 2012	6,93,10,025	-	747	-	6,93,10,772

##### Reconciliation of the amount outstanding at the beginning and at the end of the reporting period

₹ in Lakhs

Particulars	Opening Balance	Fresh issue	ESOP	Conversion of FCCB	Closing Balance
<b>Equity Shares</b>					
Year ended March 31, 2013	6,931.08	-	-	9,732.92	16,664.00
Year ended March 31, 2012	6,931.00	-	0.08	-	6,931.08

B. The Company has only one class of Equity Share, having a par value of ₹ 10/-. The holder of equity shares is entitled to one vote per share and such amount of dividend per share as declared by the Company. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution to all other parties concerned. The distribution will be in proportion to number of equity shares held by the shareholders.

##### C. Details of shares held by each shareholder holding more than 5% shares

Class of shares/Name of shareholder	AS AT MARCH 31, 2013		AS AT MARCH 31, 2012	
	No. of shares held	% holding	No. of shares held	% holding
<b>Equity shares</b>				
GiC Singapore	-	-	34,98,288	5.05%
KBC Aldini Capital Mauritius Limited	-	-	8,52,920	1.23%
QVT Mauritius West Fund	1,33,47,888	8.07%	-	-
Suffolk (Mauritius Limited)	1,73,72,221	10.50%	-	-
Deutsche Bank AG London -CB Account	1,08,92,721	6.59%	-	-
Nomura Singapore Limited	1,02,34,433	6.19%	-	-
Merill Lynch Capital Markets	1,01,92,621	6.16%	-	-
<b>Promoter and Promoter Group (See Note E below)</b>	<b>84,74,044</b>	<b>5.12%</b>	<b>81,01,801</b>	<b>11.69%</b>

Bank of New York is the depository of GDRs on behalf of GDR holders holding 69,89,399 shares representing 4.23% of total shareholding (Previous Year : 70,08,746 shares representing 10.11%). The Company does not have details of individual GDR holders/beneficiaries to determine if anyone holds more than 5% of the beneficial interest individually in the equity shares.

##### D As at March 31, 2013, 21,95,88,093 shares (As at March 31, 2012, 3,94,88,476 shares) were reserved for issuance as follows:

- 4,670 shares (As at March 31, 2012, 12,022 shares) of ₹ 10 each towards outstanding employee stock options scheme under 'ESOP 2000' granted/available for grant.
- 11,31,147 shares (As at March 31, 2012, 19,87,561 shares) of ₹ 10 each towards outstanding employee stock options scheme under 'ESOP 2005' granted/available for grant.

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3 Share Capital (Contd.)

- iii) 7,30,806 shares (As at March 31, 2012, 20,00,000 shares) of ₹ 10 each towards outstanding employee stock options scheme under 'ESOP 2008' granted/available for grant.
- iv) 67,174 shares (As at March 31, 2012, 26,19,811 shares) of ₹ 10 each towards conversion of Foreign Currency Convertible Bonds (FCCB I) available for conversion. Refer note 25
- v) 8,39,721 shares (As at March 31, 2012, 32,869,082 shares) of ₹ 10 each towards conversion of Foreign Currency Convertible Bonds (FCCB II) available for conversion. Refer Note 25
- vi) 21,68,14,575 shares (As at March 31, 2012 NIL) of ₹ 10 each towards Conversion of Foreign Currency Convertible Bonds (FCCB III) available for conversion. Refer note 25

#### E Details of shares held by Promoter and Promoter Group\*:

Name of Shareholders	AS AT MARCH 31, 2013		AS AT MARCH 31, 2012	
	No. of shares held	% holding	No. of shares held	% holding
Subash Menon	25,80,601	1.56%	25,80,601	3.72%
Kivar Holdings Private Limited (KHPL) (including Woodbridge Consulting & Investments Inc, which merged with KHPL)	55,21,200	3.34%	55,21,200	7.97%
Sudeesh Yezhuvath	3,72,243	0.23%		
<b>Total Promoter and promoter group</b>	<b>84,74,044</b>	<b>5.13%</b>	<b>81,01,801</b>	<b>11.69%</b>

\*as confirmed by the registrar

- F Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:

Particulars	Aggregate number of shares	
	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Company had issued Equity shares of ₹ 10 each to the GDR holders as of June 22, 2006 towards consideration of cost of acquisition of Azure Solutions Limited at ₹ 532.24 per share.	1,17,28,728	1,17,28,728
In accordance with the terms of FCCBs III, out of the principal face value of US\$ 127.721 Million, an amount of US\$ 36.321 Million were mandatorily converted into equity shares on July 17, 2012. (Refer note 25)	8,93,35,462	-

### NOTE 4 Reserves and Surplus

₹ in Lakhs

	NOTE NO.	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
<b>Capital Reserve</b>			
Opening Balance		-	346.74
Add: Additions during the year on account of reversal of			-
Accrued interest on conversion of FCCBs into Equity shares		-	-
Less: Transferred to Business Restructuring Reserve		-	(346.74)
<b>Closing balance</b>		-	-
<b>General Reserve</b>		<b>1,779.76</b>	<b>1,779.76</b>
<b>Securities Premium Account</b>			
Opening Balance		316.20	7,333.90
Transferred from/(to) Business Restructuring Reserve		271.10	-
Add: Additions due to conversion of FCCBs, ESOP and preferential placement of equity shares		10,505.40	0.32
Less: Expenses on issue of shares		-	-
Write back from/(Accrual for) redemption premium on FCCBs (net)		(574.70)	(7,018.02)
Less/Add: Expenses on issue of Shares		97.20	-
<b>Closing Balance</b>		<b>10,615.20</b>	<b>316.20</b>

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 4 Reserves and Surplus (Contd.)

₹ in Lakhs

	NOTE NO.	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
<b>Business Restructuring Reserve</b>			
Opening Balance		1,670.21	1,098.40
Transferred from/(to) Securities Premium/Capital Reserve		(271.10)	346.74
Unutilised provisions created from BRR in earlier years now reversed		-	854.30
Amounts utilised for Permitted Utilisations		(1,318.48)	(629.23)
<b>Closing Balance</b>		<b>80.63</b>	<b>1,670.21</b>
<b>Share Options Outstanding Account</b>			
Opening Balance		197.00	718.80
Add : Amounts recorded on Grants during the year		56.59	155.70
Less : Written back to the Statement of Profit and loss/other accounts during the year		(115.10)	(677.50)
Closing Balance		138.49	197.00
Less : Deferred Stock Compensation Expenses		(14.71)	(83.50)
<b>Share Options Outstanding Account (net)</b>		<b>123.78</b>	<b>113.50</b>
<b>Foreign Currency Monetary Item Translation Difference Account</b>			
	27		
Opening Balance –(Debit)/Credit		(357.00)	-
(Add)/Less : Effect of foreign exchange rate variation during the year		(3,157.10)	(5,890.63)
(Add)/Less: Amortisation for the year		748.45	5,533.63
<b>Closing Balance</b>		<b>(2,765.65)</b>	<b>(357.00)</b>
<b>Exchange Reserve on Consolidation</b>			
Opening Balance		(4,178.42)	(1,823.51)
Effect of Foreign exchange rate variations during the year		(1,653.01)	(2,354.91)
<b>Closing Balance</b>		<b>(5,831.43)</b>	<b>(4,178.42)</b>
<b>Surplus/(Deficit) in Statement of Profit and Loss</b>			
Opening balance		7,828.10	4,644.00
Add : Profit/(Loss) for the year		(5,994.71)	3,184.10
<b>Closing Balance</b>		<b>1,833.39</b>	<b>7,828.10</b>
<b>Total Reserves and Surplus</b>		<b>5,835.68</b>	<b>7,172.35</b>

### NOTE 5 Long-term Borrowings

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
<b>Secured</b>		
Foreign Currency Convertible Bonds (Refer note 25)	47,852.27	-
<b>Unsecured</b>		
Foreign Currency Convertible Bonds (Refer note 25)	1,302.80	-
From Others (Refer note (i))		
Unsecured	4,614.30	-
<b>Total</b>	<b>53,769.37</b>	<b>-</b>

(i) Represents loan taken by Subex Americas Inc, which has been guaranteed by Subex (UK) Limited.



## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 6 Other Long term Liabilities

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Accrual for premium payable on redemption of bonds	517.93	-
<b>Total</b>	<b>517.93</b>	<b>-</b>

### NOTE 7 Long-term Provisions

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
<b>Provision for Employee Benefits</b>		
Provision for compensated absences	77.55	97.76
Provision for gratuity	257.96	268.77
Provision for other employee benefits	-	0.62
Provision for Tax (Net of Advance Tax of ₹ 934.90 Lakhs As at March 31, 2012 ₹ 934.90 Lakhs)	217.90	217.90
<b>Total</b>	<b>553.41</b>	<b>585.05</b>

### NOTE 8 Short-term Borrowings

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
<b>Loans repayable on demand</b>		
From Banks/ Financial Institutions		
Secured (Refer note (i) below)	16,550.46	11,320.20
Unsecured (Refer note (ii) below)	937.55	116.30
From Others		
Unsecured (Refer note (iii) for previous year and (iv) for Current Year)	1,899.90	1,000.00
<b>Total</b>	<b>19,387.91</b>	<b>12,436.50</b>

- (i) "The secured loans from banks are secured by first charge on receivables, current assets and fixed assets of the Company. Jointly and equally with first ranking charge on "FCCB Repayment fund" on a paripassu basis with bondholders of Company's US\$127,721,000 5.70% secured Foreign Currency Convertible Bonds due 2017.
- Paripassu First Charge by way Hypothecation of Stocks and Book Debts and Other Current Assets of the Company both present and future stored at Company premises at RMZ Ecoworld,
- This is further covered by a personal guarantee of a director of the Company apart from corporate guarantee in which a director is interested as well as a guarantee of Subex Technologies Ltd."
- (ii) Represents loan taken by Subex Technologies Inc which is secured by a corporate guarantee from Subex Ltd
- (iii) Secured by a personal guarantee and shares pledged of a director of the Company.
- (iv) Represents loan taken by Subex Americas Inc, which has been guaranteed by Subex (UK) Ltd.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 9 Other Current Liabilities

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Current Maturities of Long-term Borrowings – FCCB (Unsecured) (Refer note 25)	–	47,720.75
Current Maturities of Long-term borrowings – Hire Purchase Loans from Banks (Secured) (Refer note (i) below)	0.92	25.03
Interest accrued but not due on borrowings	2,282.16	203.34
Unclaimed Dividends (Refer note 37.2)	2.92	4.08
Unearned Revenue	3,905.43	5,306.59
Advances from customers	–	679.60
Accrual for premium payable on redemption of bonds	–	18,421.50
Estimated Liability on Forward Contracts	–	1,239.37
Other Payables	–	–
Statutory remittances	637.10	603.65
<b>Total</b>	<b>6,828.53</b>	<b>74,203.91</b>

(i) Secured against the Hypothecation of vehicles financed under these loans. Hire Purchase loans amount to ₹ 0.90 Lakhs as at March 31, 2013 (₹ 25 Lakhs as at March 31, 2012). The interest rate on these loans range from 9% to 20%.

### NOTE 11 Fixed Assets

₹ in Lakhs

SR. NO	PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
		As at 1-Apr-12	Adjustments*	Additions	Deletions	As at 31-Mar-13	Upto 31-Mar-12	Adjustments	For the year	Withdrawn on Deletions	Upto 31-Mar-13	As at 31-Mar-13	As at 31-Mar-12
11.A	Tangibles Fixed Assets												
1	Computers	5,263.10	74.45	120.19	220.90	5,236.84	4,605.70	58.64	358.40	200.80	4,821.94	414.90	657.40
	Previous year balance	(9,681.10)	(1,005.40)	(283.90)	(5,707.30)	(5,263.10)	(8,640.80)	(921.80)	(641.30)	(5,598.20)	(4,605.70)	(657.40)	
2	Furniture & Fixtures	136.50	4.88	0.89	–	142.27	120.70	4.52	5.84	–	131.06	11.21	15.80
	Previous year balance	(803.50)	(105.20)	(8.10)	(780.30)	(136.50)	(780.70)	(102.70)	(16.30)	(779.00)	(120.70)	(15.80)	
3	Vehicles	241.60	–	–	157.50	84.10	212.90	–	25.26	156.61	81.55	2.55	28.70
	Previous year balance	(347.90)	–	(0.60)	(106.90)	(241.60)	(232.10)	–	(67.20)	(86.40)	(212.90)	(28.70)	
4	Office Equipments	524.80	4.89	4.65	0.70	533.64	453.90	4.68	37.27	0.29	495.56	38.08	70.90
	Previous year balance	(871.60)	(84.80)	(12.80)	(444.40)	(524.80)	(748.00)	(81.56)	(53.50)	(429.16)	(453.90)	(70.90)	
5	Leasehold Improvements	169.50	1.60	–	–	171.10	169.50	1.60	–	–	171.10	–	–
	Previous year balance	(570.70)	(79.40)	–	(480.60)	(169.50)	(569.40)	(79.20)	(1.30)	(480.40)	(169.50)	–	
	<b>Total Tangible Assets</b>	<b>6,335.50</b>	<b>85.82</b>	<b>125.73</b>	<b>379.10</b>	<b>6,167.95</b>	<b>5,562.70</b>	<b>69.44</b>	<b>426.77</b>	<b>357.70</b>	<b>5,701.21</b>	<b>466.74</b>	<b>772.80</b>
	Previous Year	(12,274.80)	(1,274.80)	(305.40)	(7,519.50)	(6,335.50)	(10,971.00)	(1,185.26)	(779.60)	(7,373.16)	(5,562.70)	(772.80)	
11.B	Intangibles												
1	Goodwill	137.67	–	–	–	137.67	137.67	–	–	–	137.67	–	–
	Previous year balance	(137.67)	–	–	–	(137.67)	(137.67)	–	–	–	(137.67)	–	–
2	Intellectual Property Rights	3,973.95	–	–	–	3,973.95	3,973.95	–	–	–	3,973.95	–	–
	Previous year balance	(3,973.95)	–	–	–	(3,973.95)	(3,973.95)	–	–	–	(3,973.95)	–	–
	<b>Total intangible Assets</b>	<b>4,111.62</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,111.62</b>	<b>4,111.62</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,111.62</b>	<b>–</b>	<b>–</b>
	Previous Year	(4,111.62)	–	–	–	(4,111.62)	(4,111.62)	–	–	–	(4,111.62)	–	–

Note: The above assets represent the assets owned by the Company and there are no assets taken on finance lease or given on operating lease.

\* Adjustments represent exchange fluctuation arising on account of conversion of fixed assets from foreign currency to reporting currency

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 10 Short-term Provisions

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Provision for Employee Benefits		
Provision for compensated absences	263.30	161.49
Provision for gratuity	83.20	66.13
Warranty	-	42.29
Provision for Tax (Net of advance tax ₹ Nil) (As at March 31, 2012 ₹ Nil)	1.20	1.44
<b>Total</b>	<b>347.70</b>	<b>271.35</b>

### NOTE 12 Long-term Loans and Advances (Unsecured, considered good)

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Advance Taxes (Net of Provision of ₹176.50 Lakhs) (As at March 31, 2012 ₹176.00 Lakhs)	1,430.30	1,172.67
Balances with government authorities - Service Tax Credit Receivable	266.90	266.90
Security Deposits	774.43	795.15
MAT credit entitlement	174.13	174.13
<b>Total</b>	<b>2,645.76</b>	<b>2,408.85</b>

### NOTE 13 Other Non-current Assets

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Long-term Trade Receivables (Unsecured)		
Outstanding for a period exceeding six months from due date		
Considered Doubtful	4,080.60	1,523.33
Less: Provision for Doubtful trade receivables	(4,080.60)	(1,523.33)
	-	-
Unbilled Revenue	1,313.94	-
<b>Total</b>	<b>1,313.94</b>	<b>-</b>

### NOTE 14 Trade Receivables

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
(Unsecured)		
Outstanding for a period exceeding six months from due date		
Considered Good	102.00	514.56
Considered Doubtful	647.20	-
Less: Provision for Doubtful trade receivables	(647.20)	-
Other Trade receivables	-	-
Considered Good	7,230.84	6,824.82
<b>Total</b>	<b>7,332.84</b>	<b>7,339.38</b>

### NOTE 15 Cash and Bank Balances

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Cash on Hand	0.77	0.83
Balance with Banks		
in Current Accounts	4,441.62	50.95
in EEFC Accounts	9.44	0.47
	4,451.83	52.25
Other bank balances		
in Earmarked Accounts		
Unclaimed dividend Accounts (Refer note 37.2)	2.92	4.08
Margin Money Deposits	627.91	185.62
	630.83	189.70
<b>Total</b>	<b>5,082.66</b>	<b>241.95</b>

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 16 Short-term Loans and Advances (Unsecured, considered good)

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Advance recoverable (Refer note 37.8)	233.79	-
Loans and advances to employees	342.08	264.35
Prepaid expenses	311.33	637.72
Balances with government authorities		-
Service Tax Credit Receivable	43.67	270.51
Others		-
Advance to Suppliers	67.07	39.24
<b>Total</b>	<b>997.94</b>	<b>1,211.82</b>

### NOTE 17 Other Current Assets

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Unbilled Revenue	5,135.91	10,026.74
Accruals:		-
Interest accrued on deposits	29.92	2.66
Others:		-
Receivable on sale of Activation assets (pertaining to Activation business)	-	763.13
Recoverable Expenses	8.24	132.03
<b>Total</b>	<b>5,174.07</b>	<b>10,924.56</b>

### NOTE 18 Revenue from Operations

₹ in Lakhs

	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Income from Sale of Products (and related services)	30,734.27	42,949.20
Income from Sale of Services	2,323.68	4,833.43
<b>Total</b>	<b>33,057.95</b>	<b>47,782.63</b>

### NOTE 19 Other Income

₹ in Lakhs

	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Exchange Fluctuation gain (net)	-	589.32
Interest income		
Interest on deposit accounts from banks	40.02	34.48
Other non-operating income		
Bad Debts recovered	2.17	63.17
Profit on sale of Fixed Assets (net)	-	2.70
Insurance claims received	-	357.30
Miscellaneous Income	46.96	49.37
<b>Total</b>	<b>89.15</b>	<b>1,096.34</b>

### NOTE 20 Employee Benefits Expense and Sub-contract Charges

₹ in Lakhs

	FOR THE YEAR ENDED MARCH 31, 2013	FOR THE YEAR ENDED MARCH 31, 2012
Salaries & Wages	18,130.48	21,729.78
Contribution to Provident Fund and Other Funds	1,096.53	1,289.91
Expense on Employee Stock Option Scheme (ESOP)	11.27	(118.43)
Staff Welfare Expenses	864.49	1,207.11
	20,102.77	24,108.37
Sub-contract Charges	566.25	1,249.63
<b>Total</b>	<b>20,669.02</b>	<b>25,358.00</b>

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 21 Finance Costs

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Interest Expenses on:		
Foreign Currency Convertible Bonds	2,212.06	1,045.40
Other Borrowings	2,611.50	3,101.20
Other Borrowings Costs – Bank Charges	386.44	138.59
<b>Total</b>	<b>5,210.00</b>	<b>4,285.19</b>

### NOTE 22 Other Expenses

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Software Purchases	54.23	62.20
Rent	1,426.53	1,524.21
Power, Fuel and Water Charges	193.12	286.81
Repairs & Maintenance	681.90	827.54
Insurance	184.60	179.23
Communication Costs	500.55	725.98
Printing & Stationery	46.42	63.35
Travelling & Conveyance	2,540.43	2,701.14
Rates & Taxes Including Filing Fees	186.92	141.18
Advertisement & Business Promotion	247.34	405.55
Consultancy Charges	392.67	613.38
Payments to Auditors (Refer Note 36)	80.53	79.40
Commission on Sales	182.25	186.95
Provision for Doubtful trade and other receivables	170.51	666.60
Miscellaneous Expenses	53.00	124.29
Loss on sale of Fixed assets (Net)	40.49	-
Exchange Fluctuation Loss (Net)	654.51	-
<b>Total</b>	<b>7,636.00</b>	<b>8,587.81</b>

### NOTE 23 Exceptional Items

₹ in Lakhs

	AS AT MARCH 31, 2013	AS AT MARCH 31, 2012
Exchange (Gain)/Loss on Restatement of FCCBs	-	5,533.63
Exchange (Gain)/Loss on intra group foreign currency loans & advances	-	(190.40)
(Gain)/Loss on sale of assets pertaining to activation business net of redundancy costs	-	(56.22)
Other Redundancy Costs	-	596.01
Reversal of stock compensation expenses pursuant to voluntary surrender of options	-	(403.60)
Impairment of goodwill from Subex Technologies Limited	926.70	-
Exceptional Provision for Doubtful trade and other receivables	3,069.92	-
<b>Total</b>	<b>3,996.62</b>	<b>5,479.42</b>

### NOTE 24 Accounting under the Proposal approved by the Hon'ble High Court

- a) During the year ending March 31, 2010, the shareholders of the Company approved the Board's proposal (hereinafter referred to as 'the Proposal') for transferring amounts from the Securities Premium and Capital Reserves as on or arising after April 1, 2009 (upto March 31, 2013) to a Business Restructuring Reserve (BRR) to be utilised from April 1, 2009 for certain Permitted Utilisations as mentioned in the Proposal.

The Proposal was approved by the Hon'ble High Court of Karnataka on May 4, 2010 and was registered with the Registrar of Companies on May 11, 2010, thereby completing all the requirements for the order to be effective.

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 24 Accounting under the Proposal approved by the Hon'ble High Court (Contd.)

- b) Adjustments in the BRR during the previous year ended March 31, 2011  
In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2011:
- Transfer of ₹17,400.00 Lakhs during the year from the balances in Securities Premium Account and Capital Reserve to the BRR
  - Utilization of the BRR for permitted utilisations to the extent of ₹15,503.70 Lakhs (net)
- c) Adjustments in the BRR during the previous year ended March 31, 2012  
In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2012:
- Transfer of ₹346.74 Lakhs during the year from the balances in Capital Reserve to the BRR,
  - Reversals of the provisions to the BRR for an aggregate amount of ₹225.07 Lakhs (net of reversals).
- d) Adjustments in the BRR during the current year ended March 31, 2013  
In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2013:
- Transfer of ₹271.10 Lakhs during the year to Securities Premium
  - Utilised for FCCB reconstruction ₹359.58 Lakhs
  - Provision for Unbilled Revenue created ₹206.00 Lakhs
  - Provision for Receivables created ₹752.90 Lakhs
- e) Had the Proposal not provided for the above, the effect of accounting under the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 would have been as under:

Amount in ₹ Lakhs except as otherwise indicated

In the Statement of Profit and loss.	MARCH 31, 2013	MARCH 31, 2012
Revenue would have been lower by:	958.90	-
The loss under Exceptional items would have been higher as follows:		
One time non-recurring expenses including restructuring fees, advisory fees, marketing expenses and reversal of long term retention benefit plan (net)	359.58	225.07
<b>Sub-Total</b>	<b>359.58</b>	<b>225.07</b>
Profit/(loss) after Tax would have been lower/higher by	1,318.48	225.07
Basic Earnings/(Loss) per share would have been – ₹	(5.36)	4.92
Diluted Earnings/(Loss) per share would have been – ₹	(5.36)	4.91

### NOTE 25 Foreign Currency Convertible Bonds (FCCBs)

- a) During the year 2006-07, the Company issued Foreign Currency Convertible Bonds (FCCB I) aggregating to US\$ 180 Million, with an interest rate of 2% p.a. payable semi-annually in arrears, with terms of conversion being:
- i) Exchange rate for conversion of FCCB : ₹ 44.08/ US\$ 1
  - ii) Conversion price : ₹ 656.20 per share
  - iii) Redemption date : March 09, 2012
  - iv) Premium payable on redemption : US\$14.05 Million
  - v) Listing on the London Stock Exchange

The bonds were available for conversion at any point in time during the period prior to the redemption date. During the year 2009-10,

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 25 Foreign Currency Convertible Bonds (FCCBs) (Contd.)

the Company presented to restructure the FCCBs I by offering a discount of ~30% on the face value of the existing bonds in return for new FCCBs ("FCCBs II") having a face value of US\$ 126 Million.

Pursuant to the offer, the FCCBs I Bondholders, with a face value of US\$ 141 Million exchanged their bonds for new FCCBs with a face value of US\$ 98.70 Million. The remaining FCCBs I bondholders holding bonds with a face value of US\$ 39 Million (out of the original bondholders holding US\$ 180 Million) did not choose the option for restructuring. The terms and conditions applicable for the new FCCB II bonds, for the US\$ 98.70 Million face value, were as under :

- i. Interest rate : 5% p.a. payable semi annually
- ii. Exchange rate for conversion of FCCB : ₹ 48.17/ US\$ 1
- iii. Conversion price : ₹ 80.31 per share
- iv. Redemption date : March 09, 2012
- v. Premium payable on redemption : US\$23.23 Million
- vi. Listing on the Singapore Exchange Securities Trading Limited

Both the bonds were initially redeemable on or by March 9, 2012, if not converted into equity shares as per terms of issue. Based on an approval received from the Reserve Bank of India and bond holders, the redemption date was extended to July 09, 2012.

Out of the US\$ 98.70 million of FCCBs II, bonds having a face value of US\$ 31.90 million were converted into equity shares as of March 31, 2010 and bonds with a face value of US\$ 12 million were converted during the year ending March 31, 2011, retaining a closing balance of US\$ 54.80 Million outstanding FCCBs II bonds.

- b) Pursuant to the approval of the holders of "US\$ 180 Million 2% convertible unsecured bonds", [of which US\$ 39 Million was outstanding ("FCCBs I")] and "US\$ 98.70 Million 5% convertible unsecured bonds", [of which US\$ 54.80 was outstanding ("FCCBs II")], at their respective meetings held on July 5, 2012 and exchange offers received under the exchange offer memorandum dated June 13, 2012, holders of US\$ 38 Million out of FCCBs I and US\$ 53.40 Million out of FCCBs II offered their bonds for exchange and secured bonds with a face value of US\$ 127.72 million ("FCCBs III") were issued with maturity date of July 7, 2017. The Company has been legally advised that there is no tax incidence arising from the above restructuring.
- c) The terms and conditions of FCCB III are as under:
- i. Interest rate : 5.70% p.a. payable semi annually
  - ii. Exchange rate for conversion of FCCB : ₹ 56.06/ US\$ 1
  - iii. Equity Conversion price : ₹ 22.79 per share
  - iv. Redemption date : July 07, 2017
  - v. Listing on the Singapore Exchange Securities Trading Limited
  - vi. Second ranking paripassu charge in respect of all movable properties, present & future, covered under the Existing security and First ranking charge in respect of all movable properties, present & future, other than & to the extent covered by the existing security. First ranking charge on FCCB Repayment fund on a paripassu basis jointly & equally with SBI & Axis Bank Ltd. The promoters of the Company have pledged their share towards securing the repayment of FCCB III.
  - vii. Mandatory conversion of bonds with a face value of US\$ 36.32 Million into equity shares at the aforesaid conversion price on July 17, 2012.

During the year FCCB III with face value of US\$ 3.25 Million were converted into equity shares of the Company, retaining a closing balance of US\$ 88.15 Million.

- d) Pursuant to approval of the RBI dated April 27, 2012 and requisite approvals under the trust deed of the holders of the Company's US\$ 180 million convertible unsecured bonds and US\$ 98.70 million convertible unsecured bonds the maturity period of the un-exchanged portion of FCCBs I of face value US\$ 1 Million and FCCBs II of face value US\$ 1.40 Million stands extended to March 9,

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 25 Foreign Currency Convertible Bonds (FCCBs) (Contd.)

2017, with its other terms and conditions remaining unchanged.

- e) **FCCB I** : As at March 31, 2013, the face value of the US\$ 1 Million FCCBs (Previous Year US\$ 39 Million) amounts to ₹ 542.81 Lakhs (Previous Year: ₹ 19,841.27 Lakhs) and is included in Note 5 – Long Term Borrowings.

The premium payable on maturity has been accrued by a charge to Securities Premium.

**FCCB II** : As at March 31, 2013, the face value of the US\$ 1.40 Million FCCBs (Previous Year US\$ 54.80 Million) amounts to ₹ 759.99 Lakhs (Previous Year: ₹ 27,879.48 Lakhs) and is included in Note 5 – Long Term Borrowings.

The premium payable on maturity has been accrued by a charge to Securities Premium.

**FCCB III** : As at March 31, 2013, the face value of the US\$ 88.15 Million FCCBs (Previous Year US\$ Nil) amounts to ₹ 47,852.27 Lakhs (Previous Year: ₹ Nil) and is included in Note 5 – Long Term Borrowings.

### NOTE 26 Employees Stock Option Plan (ESOP)

The Company during the years 1999–2000, 2005–2006 and 2008–2009 has established ESOP II, ESOP III and ESOP IV respectively.

These schemes have been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. As per these schemes, the Compensation Committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the highest volume of shares are traded for 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years and can be exercised over a maximum period of 3 years from the date of vesting.

The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option are expensed over the vesting period as per the SEBI guidelines.

The Company has obtained in-principle approval for listing of shares up to a limit as mentioned below.

ESOP II : 8,83,750 shares

ESOP III : 20,00,000 shares

ESOP IV : 20,00,000 shares

Employees' Stock Options Details as on the Balance Sheet Date are:

Particulars	2012-13		2011-12	
	Options (No.'s)	Weighted average exercise price per stock option (₹)	Options (No.'s)	Weighted average exercise price per stock option (₹)
<b>Options outstanding at the beginning of the year</b>				
ESOP – II	12,022	85.22	2,78,259	71.71
ESOP – III	13,56,086	39.30	16,15,233	104.11
ESOP – IV	10,19,289	28.95	11,87,619	54.17
<b>Granted during the year</b>				
ESOP – II	-	-	-	-
ESOP – III	1,24,100	12.82	14,61,441	31.61
ESOP – IV	-	-	10,19,583	28.44



## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 26 Employees Stock Option Plan (ESOP) (Contd.)

₹ in Lakhs

Particulars	2012-13		2011-12	
	Options (No.'s)	Weighted average exercise price per stock option (₹)	Options (No.'s)	Weighted average exercise price per stock option (₹)
<b>Exercised during the year</b>				
ESOP – II	-	-	-	-
ESOP – III	-	-	747	-
ESOP – IV	-	-	-	-
<b>Cancelled, Surrendered or Lapsed during the year</b>				
ESOP – II	7,352	-	2,66,237	-
ESOP – III	3,49,039	-	17,19,841	-
ESOP – IV	2,88,483	-	11,87,913	-
<b>Options outstanding at the end of the year</b>				
ESOP – II	4,670	82.63	12,022	85.22
ESOP – III	11,31,147	34.04	13,56,086	39.30
ESOP – IV	7,30,806	28.79	10,19,289	28.95
<b>Options exercisable at the end of the year</b>				
ESOP – II	4,670	-	9,397	-
ESOP – III	8,64,489	-	98,823	-
ESOP – IV	4,57,293	-	9,191	-
<b>Options available for Grant at the end of the year</b>				
ESOP – II	-	-	-	-
ESOP – III	8,56,414	-	6,31,475	-
ESOP – IV	12,69,194	-	9,80,711	-

[Weighted average remaining contractual life (considering vesting and exercise period)]

ESOP – II At March 31, 2012: 1.54 Years  
At March 31, 2013: 1.07 Years

ESOP – III At March 31, 2012: 3.81 Years  
At March 31, 2013: 3.07 Years

ESOP – IV At March 31, 2012: 4.16 Years  
At March 31, 2013: 3.46 Years

#### Fair Value Methodology

The fair value of options used to compute proforma net income and earnings per equity share have been estimated on the date of grant using Black-Scholes model.

The key assumptions used in Black-Scholes model for calculating fair value is: risk-free interest rate of 8% (Previous year: 8%), expected life: 3 years (Previous year: 3 years), expected volatility of share: 64.85% (Previous year: 33.73%), and expected dividend yield: 0% (Previous year: 0%) The variables detailed herein represent the average of the assumptions during the pendency of the grant dates.

The impact on the EPS of the Company if fair value method is adopted, is given below: Amount in ₹ Lakhs except as otherwise indicated

Particulars	MARCH 31, 2013	MARCH 31, 2012
Net Profit for the year (as reported)	(5,994.71)	3,184.10
Add : Stock-based employee compensation relating to grants after Apr 1, 2006	11.27	(522.09)
Less : Stock-based compensation expenses determined under fair value based method for the above grants	30.80	33.00
<b>Net Profit (proforma)</b>	<b>(6,014.24)</b>	<b>2,629.01</b>
Basic earnings per share (as reported) - ₹	(4.40)	4.59
Basic earnings per share (proforma) - ₹	(4.41)	3.79
Diluted earnings per share (as reported) - ₹	(4.40)	4.59
Diluted earnings per share (proforma) - ₹	(4.41)	3.79

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 27 (Contd.)

The Company adopted the amendments to Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" that were notified during the year ended March 31, 2012. Pursuant to this amendment, exchange fluctuations arising on restatement of all long term monetary foreign currency assets and liabilities at rates different from those at which they were initially recorded or reported in the previous financial statements (whichever is later), are accumulated in a Foreign Currency Monetary Item Translation Difference account and are amortised over the balance period of such long term asset/liability. Consequently, exchange fluctuation losses (net) arising on restatement of such items has been deferred to the extent of ₹ 2,765.65 Lakhs (Previous Year ₹ 357.00 Lakhs) at March 31, 2013 and the loss for the year are lower by a corresponding amount.

### NOTE 28 Employee Benefit Plans

#### a) Defined Contribution Plans

The Group makes contribution to Provident Fund and Employee State Insurance scheme which are defined contribution plan, in respect of employees in India. In respect of employees in overseas subsidiaries, the Group makes contributions to certain defined contribution plans, based on respective local laws. Under these plans, a specified percentage of payouts are required to be contributed by the Group. The Group recognized ₹ 936.23 Lakhs (Year ended March 31, 2012 ₹ 1,234.86 Lakhs) towards contributions to these plans.

#### b) Defined Benefit Plans

The Group offers the Gratuity benefits to employees, a defined benefit plan. The following table sets out the funded status of Gratuity liability in respect of parent Company and its domestic subsidiaries and the amounts recognised in the consolidated financial statements:

Amount in ₹ Lakhs except assumption

		Gratuity	
		MARCH 31, 2013	MARCH 31, 2012
<b>I</b>	<b>Components of employer expense</b>		
1	Current Service cost	108.70	100.85
2	Interest cost	20.63	23.00
3	Expected return on plan assets	(0.59)	(1.60)
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses/(Gains)	31.51	(67.20)
8	Total expense recognized in the Statement of Profit and Loss	160.25	55.05
<b>II</b>	<b>Actual Contribution and Benefit Payments for year</b>		
1	Actual benefit payments	99.26	43.00
2	Actual Contributions	-	-
<b>III</b>	<b>Net asset/(liability) recognized in Balance Sheet</b>		
1	Present value of Defined Benefit Obligation (DBO)	(348.46)	(342.00)
2	Fair value of plan assets	7.30	7.10
3	Funded status [Surplus/(Deficit)]	(341.16)	(334.90)
4	Unrecognized Past Service Costs	-	-
<b>IV</b>	<b>Net asset/(liability) recognized in Balance Sheet</b>		
	- Current	(83.20)	(66.13)
	- Non current	(257.96)	(268.77)

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 28 Employee Benefit Plans (Contd.)

Amount in ₹ Lakhs except assumption

		Gratuity	
		MARCH 31, 2013	MARCH 31, 2012
<b>V</b>	<b>Change in Defined Benefit Obligations during the year</b>		
1	Present Value of DBO at beginning of year	342.00	305.90
2	Current Service cost	108.70	100.85
3	Interest cost	20.63	23.00
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	-	-
7	Acquisitions	-	-
8	Actuarial (gains)/losses	24.93	(66.90)
9	Currency translation adjustment	(48.54)	22.15
10	Benefits paid	(99.26)	(43.00)
11	Present Value of DBO at the end of year	348.46	342.00
<b>VI</b>	<b>Change in Fair Value of Assets during the year</b>		
1	Plan assets at beginning of year	7.06	33.00
2	Acquisition Adjustment		-
3	Expected return on plan assets (estimated)	0.59	1.60
4	Actuarial Gain/(Loss)	0.09	0.30
5	Actual Company contributions (less risk premium, ST)	99.00	15.20
6	Benefits paid	(99.26)	(43.00)
7	Plan assets at the end of period	7.60	7.10
<b>VII</b>	<b>Actuarial Assumptions</b>		
1	Discount Rate	8.10%	8.70%
2	Expected Return on plan assets	8.50%	8.60%
3	Salary escalation	6.00%	6.00%
4	Attrition Rate	9.00%	5.00%

Five Year Data	Period Ending				
	Mar 31, 09	Mar 31, 10	Mar 31, 11	Mar 31, 12	Mar 31, 13
Defined Benefit Obligation at end of the period	(153.28)	(193.23)	(299.41)	(348.50)	(348.46)
Plan Assets at end of the period	15.04	50.84	33.04	7.10	7.60
Funded Status	(138.24)	(142.39)	(266.37)	(341.40)	(340.86)
Experience Gain/(Loss) adjustments on Plan Liabilities	8.08	3.85	(4.83)	54.12	11.31
Experience Gain/(Loss) adjustments on Plan Assets	0.33	-	0.38	0.31	(0.09)
Actuarial Gain/(Loss) due to change on assumptions	(12.23)	6.84	-	12.77	(42.73)

- The composition of the plan assets held under the funds managed by the Insurer is as follows:

Fund Type	2013	2012
	%	
Equity Instruments	5.22	4.68
Debt Instruments	79.73	74.88
FD and Other Asset	15.05	20.44

- Estimated amounts to be contributed in the immediate next year ₹ 31.08 Lakhs (Previous year: ₹ 10.95 Lakhs)
- The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations
- The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 28 Employee Benefit Plans (Contd.)

Actuarial assumption for long term compensated absences

	MARCH 31, 2013	MARCH 31, 2012
Discount rate	8.10%	8.70%
Expected return on plan asset	NA	NA
Salary escalation rate	6.00%	6.00%
Attrition	9.00%	5.00%

- The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.
- The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors

### NOTE 29 Segmental Reporting

The Group has identified business segment as its Primary reporting segment with Secondary segments reported geographically. The accounting policies adopted for segment reporting are in line with the accounting policies of the Group outlined in Note 2. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Revenue, expenses, assets and liabilities which are not allocable to segments on reasonable basis have been included under "unallocated revenue/expenses/assets/liabilities."

#### Information about Primary Business Segment:

The Group's operations comprise two Business segments viz, (a) Software Products and (b) Services. Under the business segment of Software products, the Group provides Software Products (and related services) in the Revenue Assurance space to Communication Service providers (CSPs) who operate in the Telecom industry.

The Staff Augmentation business of the Group is organized under the Services segment and is carried out through its subsidiaries Subex Technologies Limited and Subex Technologies Inc.

₹ in Lakhs

	Products		Services		Unallocable		Consolidated	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Revenues	30,734.27	42,949.20	2,323.68	4,833.43	-	-	33,057.95	47,782.63
Segment results before interest, taxes & exceptional item	4,202.94	13,187.60	(604.79)	96.08	-	-	3,598.15	13,283.68
Unallocable Income, net of unallocable expense	(3,069.92)	53.18	(926.70)	-	-	(5,532.60)	(3,996.62)	(5,479.42)
Interest expense	-	-	-	-	(5,210.00)	(4,285.19)	(5,210.00)	(4,285.19)
<b>Profit/(Loss) Before Tax</b>	<b>1,133.02</b>	<b>13,240.78</b>	<b>(1,531.49)</b>	<b>96.08</b>	<b>(5,210.00)</b>	<b>(9,817.79)</b>	<b>(5,608.47)</b>	<b>3,519.07</b>
Tax expenses (Net)	-	-	-	-	-	-	(386.24)	334.97
<b>Profit/(Loss) After Tax</b>							<b>(5,994.71)</b>	<b>3,184.10</b>

#### Particulars of Segment Assets & Liabilities

₹ in Lakhs

	Products		Services		Unallocable		Consolidated	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Segment Assets	1,06,545.70	1,06,461.70	506.00	1,302.80	-	-	1,07,051.70	1,07,764.50
Unallocable Assets:	-	-	-	-	-	-	1,745.67	1,844.93
<b>Total Assets</b>							<b>1,08,797.37</b>	<b>1,09,609.43</b>
Segment Liabilities	9,345.44	16,291.50	772.65	184.00	-	-	10,118.09	16,475.50
Unallocable Liabilities:	-	-	-	-	-	-	76,179.60	79,030.50
<b>Total Liabilities</b>							<b>86,297.69</b>	<b>95,506.00</b>

Segment assets include all assets relating to the segment and consist principally of Fixed assets, Receivables, Other current assets and non-current assets and Goodwill (on consolidation). Unallocable asset includes advance tax, MAT credit and deferred tax.

Segment liabilities include all liabilities relating to the segment and consist principally of Trade payables and other operating liabilities.

Unallocable liabilities include loans, provision for tax and deferred tax liability.

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 29 Segmental Reporting (Contd.)

Addition to assets		₹ in Lakhs	
	2012-13	2011-12	
Products	122.90	304.90	
Services	2.83	0.50	

Total amount of expense included in the segment result for depreciation and amortisation in respect of segment assets for the period.

Particulars	Products		Services		Consolidated	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Depreciation	420.51	772.60	6.26	7.00	426.77	779.60

Total amount of significant non-cash expenses, other than depreciation and amortization in respect of segment assets that are included in segment expense and, therefore, deducted in measuring segment result.

	Products		Services		Consolidated	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Expense on Employee Stock Option Scheme (ESOP) (net)*	11.27	(522.00)	-	-	11.27	(522.00)
Provision for Doubtful trade and other receivables	3,240.43	666.60	-	-	3,240.43	666.60
<b>Total</b>	<b>3,251.70</b>	<b>144.60</b>	<b>-</b>	<b>-</b>	<b>3,251.70</b>	<b>144.60</b>

\* Amount in bracket indicates balance credited to Statement of Profit and Loss (net of expenses).

#### Information about Secondary Business Segment

The Group operations spans across the world and are categorized geographically as (a) Americas, (b) EMEA and (c) APAC and rest of the World. 'Americas' comprises the Group's operations in North America, South America and Canada. 'EMEA' comprises the Group's operations in Europe, Middle East and Africa and the Group's operations in the rest of the world are organized under 'APAC and the rest of the world'. Segment revenue by geographical location are as follows:

	Products		Services		Consolidated	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
AMERICAS	8,009.78	12,117.50	2,323.68	4,833.40	10,333.46	16,950.90
EMEA	16,386.44	24,274.83	-	-	16,386.44	24,274.83
APAC and rest of the world	6,338.05	6,556.90	-	-	6,338.05	6,556.90
<b>Total</b>	<b>30,734.27</b>	<b>42,949.23</b>	<b>2,323.68</b>	<b>4,833.40</b>	<b>33,057.95</b>	<b>47,782.63</b>

Assets and additions to tangible and intangible fixed assets by geographical area: The following table shows the carrying amount of segment assets and additions to tangible and intangible fixed assets by geographical area in which the assets are located:

Location	2012-13		2011-12	
	Carrying Amount of Segment Assets	Additions to Fixed assets and Intangible assets	Carrying Amount of Segment Assets	Additions to Fixed assets and Intangible assets
AMERICAS	3,314.99	12.50	12,959.60	46.90
EMEA	7,215.82	2.16	6,581.50	33.60
APAC and rest of the world	96,395.19	111.04	87,918.00	224.90
<b>Total</b>	<b>1,06,926.00</b>	<b>125.70</b>	<b>1,07,459.10</b>	<b>305.40</b>

Note: Segment assets relating to the Services business are located primarily in Americas and APAC regions

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 30 Related Party Information

#### Related Parties

#### Key Management Personnel

Surjeet Singh, Managing Director & CEO, October 5, 2012 onwards

Subash Menon, Managing Director & CEO upto September 27, 2012

Sudeesh Yezhuvath, Wholetime Director & Chief Operating Officer upto October 5, 2012

₹ in Lakhs

Particulars	Key Management Personnel	
	2012-13	2011-12
Details of the transactions with the related parties:		
a) Salary and Perquisites (Also refer Note 37.8)		
Subash Menon	107.69	216.51
Sudeesh Yezhuvath	108.39	197.41
Surjeet Singh	224.60	
b) Amount due as at year end from/(to)		
Surjeet Singh	(70.00)	-

### NOTE 31 Operating leases

The Group had entered into non cancelable leasing arrangement for its India office premises which on renewal this year became cancelable. Rental expenses for operating leases included in the Statement of Profit and Loss for the year is ₹ 1,426.53 Lakhs (Previous year ₹ 1,524.21 Lakhs)

The future minimum lease payments for non-cancelable operating leases were:

₹ in Lakhs

	MARCH 31, 2013	MARCH 31, 2012
Within one year	-	1,300.82
Due in a period between one year and five years	-	4,661.83
Due after five years	-	1,999.62

### NOTE 32 Earnings per Share (EPS)

Amount in ₹ in Lakhs except otherwise than indicated

Particulars	2012-13	2011-12
Profit after Tax attributable to shareholders (A)	(5,994.71)	3,184.10
Add : Interest on FCCBs	-	-
Add/(Less) : Exchange Fluctuation on FCCB	-	-
<b>Adjusted Profits after Tax for Diluted EPS (B)</b>	<b>(5,994.71)</b>	<b>3,184.10</b>
Weighted Average Number of Shares (in Lakhs) for Basic EPS (C)	1,362.43	693.11
Effect of Existence of Dilutive Instruments (FCCBs and ESOPs) (in Lakhs)	0.10	0.80
Weighted Average Number of Shares (in Lakhs) for Diluted EPS (D)	1,362.53	693.91
Earnings per Share – Basic [(A)/(C)] – ₹	(4.40)	4.59
Earnings per Share – Diluted [(B)/(D)] – ₹	(4.40)	4.59

Face value of shares: ₹ 10/- each

Note: FCCBs outstanding as at March 31, 2013 are anti-dilutive and hence have not been considered for purposes of Dilutive EPS in year ended March 31, 2013.

Certain of the FCCBs as at March 31, 2012 were anti-dilutive and hence were not considered for purposes of Dilutive EPS in year ended March 31, 2012.

### NOTE 33 Deferred Taxes

₹ in Lakhs

The deferred tax asset and liability recognised comprises of the tax impact arising from timing differences on:

Particulars	MARCH 31, 2013	MARCH 31, 2012
Leave Encashment and Gratuity	62.80	62.80
Differences between the book balance and tax balance of Fixed assets	78.40	78.40
<b>Total Deferred tax Assets</b>	<b>141.20</b>	<b>141.20</b>

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 34 Details of Warranty

₹ in Lakhs

Year	Opening Balance	Additions During the year	Utilization/reversal during the year	Closing Balance
2012-13	42.29	-	(42.29)	-

### NOTE 35 Contingent liabilities

(a) Receivables factored: Current Year – Nil (Previous year – ₹7,569.51 Lakhs).

(b) Claims against the Company not acknowledged as debt:

₹ in Lakhs

	MARCH 31, 2013	MARCH 31, 2012
Income Tax Demands	3,151.11	3,151.11
Value Added Taxes & Central Sales Tax	27.80	-
Others	1,001.04	-

(c) The Company has received a demand of service tax of ₹3,607.60 Lakhs and equivalent amount of penalties under the provisions of the Finance Act, 1994 along with the consequential interest, for the period from April, 2006 to July, 2009 towards service tax payable on import of certain services. The Company has filed an appeal contesting the demand before the Central Excise and Service Tax Appellate Tribunal (CESTAT), Bangalore. The Company has also obtained a stay against the said demand on March 27, 2013. In view of the Company, the demand is not sustainable. Further, the Company contends that in the event of the demand being upheld by the Appellate Authority, the Company is eligible to avail the service tax as input credit upon payment of the tax, excluding penalty and interest, if any.

### NOTE 36 Payments to Auditors

#### A. Statutory Auditors

₹ in Lakhs

Particulars	2012-13	2011-12
As Auditors – Statutory audit	65.00	65.00
For Taxation matters	1.51	1.51
For Other services	10.00	10.00
For Reimbursement of expenses	2.73	1.60
<b>Total</b>	<b>79.23</b>	<b>78.10</b>

#### B. Other auditors for the Subsidiaries

₹ in Lakhs

Particulars	2012-13	2011-12
Audit fees	1.30	1.30
For Taxation matters	-	-
For Other services	-	-
For Reimbursement of expenses	-	-
<b>Total</b>	<b>1.30</b>	<b>1.30</b>

### NOTE 37 Others

- Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) is Nil (Previous year – ₹17.31 Lakhs).
- Unclaimed dividend of ₹2.92 Lakhs as at March 31, 2013 (Previous Year – ₹4.08 Lakhs) represent dividends not claimed for the period from 2005-2006. No part thereof has remained unpaid or unclaimed for a period of seven years from the date they become due for payment requiring a transfer to the 'Investor Education and Protection Fund'. During the current year, the Company has transferred ₹0.59 Lakhs (Previous Year – ₹1.80 Lakhs) to Investor Protection Fund.
- Direct Taxes paid and Others in the Cash Flow Statement comprises outflows on account of permitted utilisations from the BRR of ₹359.58 (Previous Year – ₹120.50 Lakhs) and Direct Taxes of ₹Nil (Previous Year – ₹544.30 Lakhs).

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 37 Others (Contd.)

- Personnel Cost for the year includes expenditure on Research and Development of ₹ 1,108.71 Lakhs (Previous year - ₹ 1,295.12 Lakhs). This is as certified by the management and relied upon by the auditors.
- The Company has entered into the following derivative instruments for the purposes of hedging the risks associated with foreign exchange exposures.

Forward contracts to hedge foreign currency risk on export receivables:

Amount in Lakhs

Particulars	MARCH 31, 2013			MARCH 31, 2012		
	Foreign Currency	Buy/Sell	Amount (₹)	Foreign Currency	Buy/Sell	Amount (₹)
Forward contracts						
- USD contracts	--	-	--	USD 361.31	Sell	17,328.52

- The year-end foreign currency exposures that have not been hedged by derivative instruments or otherwise are given below.

Amount in Lakhs

MARCH 31, 2013		MARCH 31, 2012	
Amount (₹)	Foreign currency	Amount (₹)	Foreign currency
-	AED 0.00	1.71	AED 0.10
475.35	AUD 8.39	852.50	AUD 16.11
71.25	CHF 1.25	70.42	CHF 1.30
735.29	EUR 10.58	687.81	EUR 10.12
252.15	GBP 3.07	33.10	GBP 0.41
73.87	MYR 4.22	0.10	MYR 0.00
43.31	OMR 0.31	8.21	OMR 0.10
53.52	QAR 3.59	15.70	QAR 1.10
9.93	SEK 1.19	3.10	SEK 0.40
23.90	SGD 0.55	26.33	SGD 0.61
9,719.16	USD 179.04	-	-

Note: The above does not include exposure on intra-group balances, being eliminated on consolidation.

Particulars	MARCH 31, 2013		MARCH 31, 2012	
	Amount (₹)	Foreign currency	Amount (₹)	Foreign currency
(b) Bank Balances	2,451.41	USD 45.15	2.39	USD 0.05
	64.86	AED 4.38	4.34	AED 0.31
	0.07	AUD 0.001	3.19	AUD 0.06
	27.56	CAD 0.51	-	-
	38.68	EUR 0.55	58.78	EUR 0.86
c) Loan (being other amounts payable in foreign currency)	2,766.25	USD 30.29	-	-
		GBP 13.77	-	-
		EUR 0.18	-	-
	-	-	(30.93)	CAD (0.61)
(d) Import of goods and services	22.71	USD 0.41	166.42	USD 3.31
	5.00	CAD 0.12	36.81	GBP 0.51
(e) Capital goods (including intangibles)	0.22	SGD 0.10	-	-
	1.43	GBP 0.11	7.12	GBP 0.11
	20.91	EUR 0.31	-	-
	15.42	CHF 0.22	-	-
(f) Towards interest on Foreign Currency loans	2,213.42	USD 40.61	109.42	USD 2.21
Towards Foreign Currency Convertible Bonds (FCCB's)	49,155.07	USD 886.51	47,720.75	USD 938.09
Redemption premium accrued on FCCB's	517.93	USD 9.66	18,421.50	USD 362.10



## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 37 Others (Contd.)

7. The Company has 'International transactions' with 'Associated Enterprises' which are subject to Transfer Pricing regulations in India. The Management of the Company, is of the opinion that such transactions with Associated Enterprises are at arm's length and hence in compliance with the aforesaid legislation. Consequently, this will not have any impact on the financial statements, particularly on account of tax expense and that of provision for taxation.
8. a) In view of the losses incurred by the Company during the year ended March 31, 2013, the excess of the managerial remuneration paid to the directors over the limits prescribed under Schedule XIII of the Companies Act, 1956 has been treated as monies due from the directors, being held by them in trust for the Company, and is included under 'Short-term loans and advances' amounting to ₹123.80 Lakhs.
- b) Other advances to directors ₹110.00 Lakhs (Previous year Nil)

### NOTE 38

During the year, the Company has assessed the carrying value of goodwill arising from its investment in its subsidiary viz Subex Americas Inc, amounting to ₹18,606.00 Lakhs. Based on management's assessment there is no impairment of goodwill taking into account the future operational plans and cash flows as prepared by the management and accordingly no impairment loss is required to be recognized at this stage.

### NOTE 39 Details of the subsidiaries consolidated for the year ended March 31, 2013

₹ in Lakhs

Particulars	Subex (Asia Pacific) Pte Ltd	Subex (UK) Limited	Subex Americas Inc.	Subex Incorporated	Subex Technologies Inc.	Subex Technologies Limited
	(Note 2 below)	(Note 2 below)	(Note 2 & 3 below)	(Note 2 below)	(Note 1 below)	(Note 1 below)
Country of Incorporation	Singapore	UK	Canada	USA	USA	India
Capital	-	40.60	38,274.10	-	2,090.50	400.00
Reserves*	(3,161.30)	10,337.40	(56,827.00)	(2,265.20)	348.90	(124.90)
Total Assets	9,918.30	31,164.90	36,233.50	19,896.10	3,396.40	284.01
Total Liabilities	13,079.60	20,786.90	54,786.40	22,161.30	957.00	8.91
Details of investment (other than Subsidiaries)	-	-	-	-	-	-
Turnover	3,013.70	16,870.00	2,728.40	12,268.30	2,323.70	-
Profit/(Loss) before taxation	(231.20)	833.90	(1,495.30)	332.00	(1,230.80)	(372.60)
Provision for taxation	122.20	207.80	21.40	20.30	-	-
Profit after taxation	(353.40)	626.10	(1,516.70)	311.70	(1,230.80)	(372.60)
Proposed Dividend	-	-	-	-	-	-
Base Currency	SGD	GBP	USD	USD	USD	INR
Exchange Rate	43.70	82.20	54.30	54.30	54.30	1.00

\*Inclusive of exchange reserve on consolidation

#### Note:

1. These details are extracted from the financial statements of the subsidiaries audited by the independent auditors of Subex Technologies Limited.
2. The information in respect of these entities are extracted from the financial summary considered in the consolidated financial statements, which have been subject to audit, by the statutory auditors solely for the purpose of the inclusion of these balances in the consolidated financial statements.
3. The details given in respect of Subex Americas Inc. are on a consolidated basis. The subsidiaries of Subex Americas Inc. that have been consolidated are as follows:

**Subsidiary**  
Subex Azure Holding Inc.

**Country of Incorporation**  
United States of America



## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 40

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosures.

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Monisha Parikh**  
Partner

Mumbai  
Date: May 21, 2013

For and on behalf of the Board of Directors

**Surjeet Singh**  
Managing Director & CEO

**Karthikeyan Muthuswamy**  
Director

**Ganesh K.V.**  
Global Head – Finance,  
Legal and Company Secretary

**Anil Singhvi**  
Director

**Sanjeev Aga**  
Director

## > Shareholders' Information

### REGISTERED OFFICE

The Registered office of the Company is at RMZ Ecoworld, Outer Ring Road, Devarabisanahalli, Bangalore – 560 037.

### DATE AND VENUE OF THE ANNUAL GENERAL MEETING (AGM)

Date : August 14, 2013  
 Venue : The LaLiT Ashok Bangalore, "Lalit 3 & 4", 1st Floor, Kumara Krupa High Grounds, Bangalore – 560001  
 Time : 2:00 PM

### DATES OF BOOK CLOSURE

From August 7, 2013 to August 14, 2013 (both days inclusive)

### BOARD MEETINGS & FINANCIAL CALENDAR

Financial year : April 1, 2013 to March 31, 2014

Calendar of Board Meetings to adopt the accounts (tentative and subject to change):

For quarter ending June 30, 2013	4th week of August, 2013
For quarter ending September 30, 2013	4th week of October, 2013
For quarter ending December 31, 2013	4th week of January, 2014
For the year ending March 31, 2014	3rd week of May, 2014

### DIVIDEND

The Directors have not proposed any dividend to be paid for the financial year 2012-13.

### LISTING ON STOCK EXCHANGES

Equity Shares of the Company are quoted on the National Stock Exchange of India Limited (NSE) since September 5, 2003 and on the BSE Limited (BSE) since July 31, 2000. The Company has paid listing fees for the year 2013-14 in accordance with the provisions of the Listing Agreement with NSE and BSE.

The Global Depository Receipts (GDRs) of the Company are listed on the Professional Securities Market of London Stock Exchange since March 9, 2007.

The Company's outstanding US\$ 180 million, 2% Coupon Convertible

Unsecured Bonds are listed on the London Stock Exchange since March 9, 2007.

The Company's outstanding US\$ 98.7 million 5% Convertible Unsecured Bonds, issued pursuant to the restructuring of US\$ 180 million, 2% Coupon Convertible Unsecured Bonds, have been listed on the Singapore Exchange Securities Trading Limited since November 6, 2009.

The Company's US\$ 127.721 million 5.70% Convertible Secured Bonds, issued pursuant to the restructuring of US\$ 180 million 2% Convertible Unsecured Bonds and US\$ 98.7 million 5% Convertible Unsecured Bonds, have been listed on the Singapore Exchange Securities Trading Limited since July 10, 2012.

The stock codes of the Company at the Stock Exchanges are as follows:

Name and address of the Stock Exchange	Stock code
National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No. C/1, G Block Bandra Kurla Complex, Bandra (East) Mumbai- 400051	SUBEX
BSE Limited, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400001	532348
London Stock Exchange 10 Paternoster Square London EC4M 7LS	SUBX
Singapore Exchange Securities Trading Limited 2 Shenton Way #19-00 SGX Centre 1 Singapore 068804	4AFB (SUBEX US\$ 98.7 million 5% bonds) 2EUB (SUBEX US\$ 127.721 million 5.70% bonds)

The International Securities Identification Number (ISIN) for the Company's Equity Shares in dematerialized form is INE754A01014.

## CUSTODIAL FEE

Pursuant to the Securities and Exchange Board of India (SEBI) Circular No. MRD/DoP/SE/Dep/Cir-4/2005 dated January 28, 2005 issuer companies are required to pay custodial fees to the depositories with effect from April 1, 2005. The said circular has been partially modified vide SEBI's Circular No. MRD/DoP/SE/Dep/Cir-2/2009 dated February 10, 2009. The Company has, in accordance with the aforesaid circulars, paid custodial fees for the year 2013-14 to NSDL

and CDSL on the basis of the number of beneficial accounts maintained by them as on March 31, 2013.

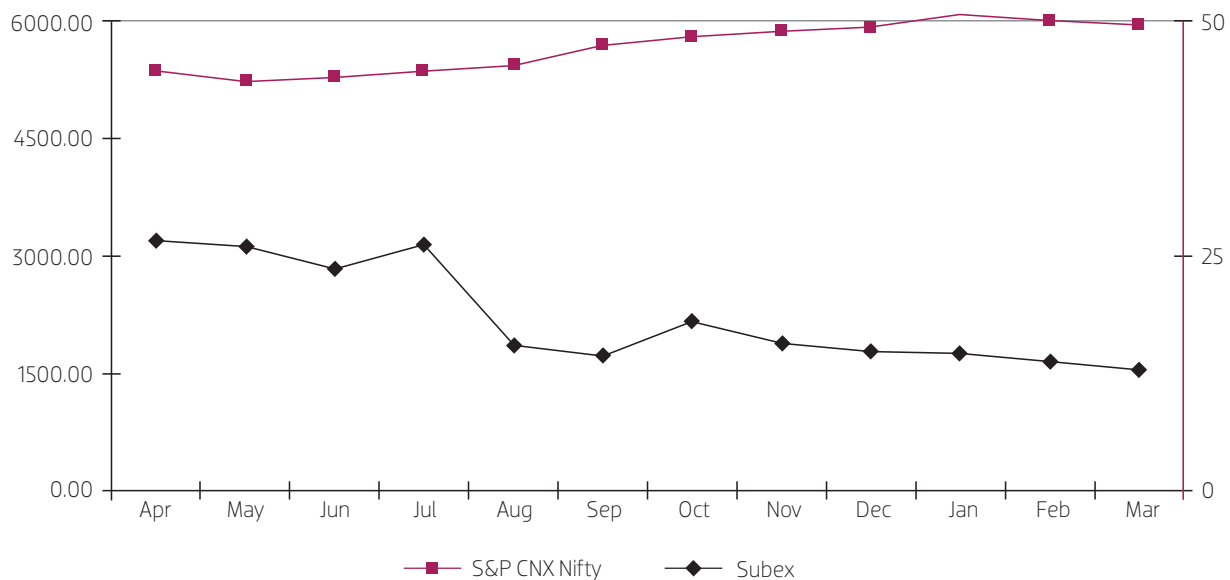
## STOCK MARKET DATA RELATING TO EQUITY SHARES LISTED IN INDIA

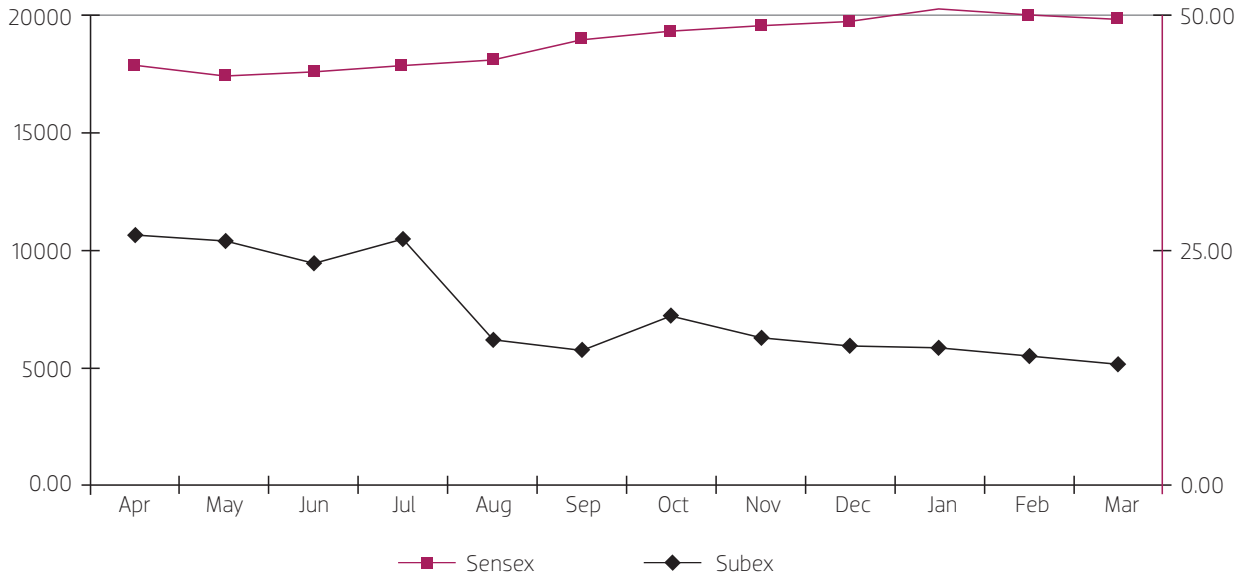
Monthly high and low quotes during each month in the financial year 2012-13 as well as the volume of shares traded on NSE and BSE are as under:

Month	NSE			BSE		
	High ₹	Low ₹	Volume Nos.	High ₹	Low ₹	Volume Nos.
Apr-12	26.70	23.65	74,44,972	26.65	23.55	42,14,575
May-12	26.05	22.70	87,14,250	25.90	22.70	42,44,188
Jun-12	23.55	22.15	32,51,051	23.55	22.20	17,99,039
Jul-12	26.15	14.80	3,73,47,238	26.15	14.85	1,59,56,974
Aug-12	15.50	11.30	2,05,15,704	15.56	11.35	1,08,76,116
Sep-12	14.30	12.40	1,83,18,313	14.30	12.41	1,20,48,284
Oct-12	18.05	13.30	6,24,75,790	18.07	13.27	3,16,02,438
Nov-12	15.75	13.30	60,79,253	15.76	13.31	28,63,959
Dec-12	14.80	13.15	81,96,061	14.85	13.13	32,86,036
Jan-13	14.50	11.85	80,09,966	14.57	11.82	39,45,624
Feb-13	13.75	10.40	82,02,533	13.81	10.42	45,06,093
Mar-13	12.95	9.90	1,04,81,984	12.95	9.91	53,07,401
<b>TOTAL</b>			<b>19,90,37,115</b>	<b>TOTAL</b>		<b>10,06,50,727</b>

\*The monthly high and low quotes are calculated on the basis of the closing prices of the month.

## SUBEX LIMITED SHARE PRICE VERSUS NSE S&P CNX NIFTY AND SENSEX





## SHAREHOLDING PATTERN

Distribution of Shareholding:

No. of Equity Shares held	As on March 31, 2013		As on March 31, 2012	
	No. of share holders	% to total share holders	No. of share holders	% to total share holders
1 – 5000	52,850	75.27	52,565	82.57
5001 – 10000	8,112	11.55	5,696	8.95
10001 – 20000	4,332	6.17	2,681	4.21
20001 – 30000	1,547	2.20	895	1.41
30001 – 40000	742	1.06	447	0.70
40001 – 50000	723	1.03	398	0.63
50001 – 100000	1,028	1.46	528	0.83
100001 and above	882	1.26	452	0.70
<b>TOTAL</b>	<b>70,216</b>	<b>100.00</b>	<b>63,662</b>	<b>100.00</b>

Categories of Shareholders:

Category	As on March 31, 2013			As on March 31, 2012		
	No. of share holders	Voting Strength %	No. of shares held	No. of share holders	Voting Strength %	No. of shares held
Public & Others	69,009	83.99	13,89,17,848	62,451	52.36	3,62,86,857
Companies/ Bodies Corporate	1,147	7.48	1,23,80,644	1,146	13.51	93,66,826
Core Promoters	3	5.12	84,74,044	2	11.69	81,01,801
Mutual Funds	Nil	Nil	Nil	1	1.77	12,24,490
ESOP- employee shareholders	50	0.25	4,18,235	52	0.33	2,29,792
FII	7	3.16	52,19,387	10	20.34	1,41,01,006
<b>TOTAL</b>	<b>70,216</b>	<b>100.00</b>	<b>16,54,10,158</b>	<b>63,662</b>	<b>100.00</b>	<b>6,93,10,772</b>

## R & T AGENTS AND SHARE TRANSFER SYSTEM

Canbank Computers Services Limited, J P Royale, 1st Floor, No. 218, 2nd Main, Sampige Road (Near 14th Cross), Malleswaram, Bangalore – 560 003, were appointed as 'Registrar and Transfer Agent' both in respect of shares held in physical form and dematerialized form vide a tripartite agreement dated December 5, 2001 in respect of shares held with NSDL and a tripartite agreement dated November 27, 2001 in respect of shares held with CDSL.

### Process for Transfer of Shares:

With a view to expedite the transfer process in the interest of investors, SEBI vide its Circular No. CIR/MIRSD/8/2012 dated July 5, 2012 has reduced the time-line for registering the transfer of shares to 15 days with effect from October 1, 2012.

Share transfers would be registered and returned within a period of fifteen days from the date of receipt, if the documents are clear in all respects. The Company holds Share Transfer Committee Meetings as may be required for approving the transfers/transmissions of equity shares.

Share transfers and other communication regarding share certificates, updation of records, e-mail ids, etc. may be addressed to:

M/s Canbank Computer Services Limited,  
J P Royale, 1st Floor,  
No.218, 2nd Main,  
Sampige Road (Near 14th Cross),  
Malleswaram,  
Bangalore – 560 003  
Tel Nos. +91 80-23469661/62, 23469664/65  
Fax Nos. +91 80-23469667/68  
E-mail: [canbankrta@ccsl.co.in](mailto:canbankrta@ccsl.co.in)  
Website: [www.canbankrta.com](http://www.canbankrta.com)

## SHARES HELD IN PHYSICAL AND DEMATERIALISED FORM

As on March 31, 2013, 99.97 % of the Company's shares were held in dematerialized form and the rest in physical form.

## OUTSTANDING GDRs/ADRs/WARRANTS/ CONVERTIBLE INSTRUMENTS AND THEIR IMPACT ON EQUITY

As on March 31, 2013, 6,989,399 GDRs were outstanding. As on March 31, 2013, the Company had outstanding FCCBs aggregating to US\$ 1 million under its US\$ 180,000,000 2% Convertible Unsecured Bonds ("FCCBs I") and US\$ 1.4 million under its US\$ 98,700,000 5% Convertible Unsecured Bonds ("FCCBs II"). The details of impact of the aforesaid instruments on the equity of the Company have been provided under the shareholding pattern for the year ended March

31, 2013 available on the Company's website under the Investors section.

In July 2012, pursuant to the exchange of US\$ 38 million out of FCCBs I and US\$ 53.40 million out of FCCBs II under a cashless exchange offer, the Company issued US\$ 127.721 million 5.70% Secured Convertible Bonds ("FCCBs III") with a maturity period due July 2017 with a conversion price of Rs. 22.79 per equity share. As a part of the terms and conditions of FCCBs III, principal amount of US\$ 36.321 million out of FCCBs III were mandatorily converted into equity shares at the aforesaid conversion price. Pursuant to the mandatory conversion and subsequent conversion of US\$ 3.25 million of FCCBs III, currently US\$ 88.15 million is outstanding under FCCBs III. Also, the maturity period of the un-exchanged FCCBs I worth US\$ 1 million and the un-exchanged FCCBs II worth US\$ 1.40 million now stands extended to March 2017.

## LEGAL PROCEEDINGS

There are no legal proceedings against the Company which are material in nature except those disclosed in Note no. 36 in the notes to the standalone financial statements.

## NOMINATION

Pursuant to the provisions of Section 109A of the Companies Act, 1956, members may file nomination in respect of their shareholdings. Any member willing to avail this facility may submit to the Company the prescribed Form 2B (in duplicate), if not already filed. Form 2B can be obtained with the help of M/s Canbank Computer Services Limited, the R&T Agents. Members holding shares in electronic form are requested to give the nomination request to their respective Depository Participants directly.

## UPDATION OF E-MAIL ADDRESS

As part of the "Green Initiative in Corporate Governance", the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically considering its legal validity under the Information Technology Act, 2000. Being a Company with strong focus on green initiatives, Subex has been sending all shareholder communications such as the notice of General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., to shareholders in electronic form to the E-mail Id provided by them and made available to us by the Depositories. Members are requested to register their E-mail Id with their Depository Participant and inform them of any changes to the same from time to time. However, Members who prefer physical copy to be delivered may write to the Company at its registered office or send an E-mail to [investorrelations@subex.com](mailto:investorrelations@subex.com) by providing their DP Id and Client Id as reference.

## PROCEDURE FOR CLAIMING UNPAID DIVIDEND

In terms of Section 205A(5) of the Companies Act, 1956, monies transferred to the Unpaid Dividend Account of the Company, which remain unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government.

Brief particulars of dividend declared on the equity share capital are given below:

Year to Which Dividend Pertains	Declared at the AGM/ Board Meeting Held on	Nature of Dividend	% of Dividend	Due date for Transfer to the Fund
2003-04	August 24, 2004	Final	20	See note below*
2004-05	January 27, 2005	Interim	10	See note below*
2004-05	July 28, 2005	Final	20	See note below*
2005-06	October 28, 2005	Interim	15	See note below*
	August 28, 2006	Final	10	October 4, 2013
2006-07	January 29, 2007	Interim	15	March 7, 2014
	July 26, 2007	Final	20	September 1, 2014

The Company declared bonus at 1:1 in the years 2000-01 and 2005-06.

\* The final dividend for the financial year 2003-04 and 2004-05 and the interim dividend declared for the financial year 2004-05 and 2005-06 which was unclaimed for 7 years from the date of payment being due, was transferred to the Investor Education and Protection Fund.

Members can claim the unpaid dividend from the Company before transfer to the Investors Education and Protection Fund. It may be noted that the unpaid dividend cannot be claimed from the Company after it has been transferred to the Investors Education and Protection Fund.

Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company will be

making available the requisite details of unpaid dividend to the Ministry of Corporate Affairs (MCA) and will also be uploading the same on its website. The Investors may refer to these details in order to ascertain the unpaid dividend standing to their credit.

## INVESTOR GRIEVANCES

Investor grievances received from April 1, 2012 to March 31, 2013:

Nature of complaints	Received	Cleared
Non-receipt of share certificates/ refund orders/call money notice/allotment advice/dividend warrant	4	4
Letters from NSDL, Banks etc.	-	-
Correction/change of bank mandate of refund order/Change of address	-	-
Postal returns of cancelled stock invests / refund orders/ share certificates / dividend warrants	-	-
Other general query	-	-
<b>Total</b>	<b>4</b>	<b>4</b>

During the year ended March 31, 2013, the Company has attended to all the investors' grievances/correspondence within a period of 10 days from the date of receipt of the same, if the requisite documents, if any, were clear and complete in all respects.

## ADDRESS FOR CORRESPONDENCE

For any queries, please write to:

Ganesh K. V.

Global Head – Finance, Legal and Company Secretary  
Subex Limited, RMZ Ecoworld, Outer Ring Road, Devarabisanahalli,  
Bangalore – 560 037, India.

Telephone: +91 80 6659 8700 Fax: +91 80 6696 3333

Email: [investorrelations@subex.com](mailto:investorrelations@subex.com)

## WEBSITE

Company's website [www.subex.com](http://www.subex.com) contains comprehensive information about the Company, products, press releases and investor relations. It serves as a source of information to the shareholders by providing key information like Board of Directors and the committees, financial results, shareholding pattern, distribution of shareholding, dividend etc.









## About Subex

Subex Limited is a leading global provider of Business Support Systems (BSS) that empowers communications service providers (CSPs) to achieve competitive advantage through Business Optimisation – thereby enabling them to improve their operational efficiency to deliver enhanced service experiences to subscribers.

The Company pioneered the concept of a Revenue Operations Center (ROC®) a centralized approach that sustains profitable growth and financial health through coordinated operational control. Subex's product portfolio powers the ROC and its best-in-class solutions such as revenue assurance, fraud management, asset assurance, capacity management, data integrity management, credit risk management, cost management, route optimization and partner settlement.

Subex also offers a scalable Managed Services program and has been the market leader in Revenue Assurance and Fraud Management for 2 years in a row according to Gartner (2010 & 2011). Subex has also been enjoying market leadership in Business Optimisation for five consecutive years according to Analysys Mason (2007, 2008, 2009, 2010 & 2011). Business Optimisation includes fraud, revenue assurance, analytics, cost management and credit risk management. Subex has been awarded the Global Telecoms Business Innovation Award for 2012 along with Idea Cellular and 2011 along with Swisscom for fraud management. Subex has also been awarded the Global Market Share Leader in Financial Assurance 2012 by Frost & Sullivan.

Subex's customers include 29 of top 50 operators\* and 33 of the world's 50 biggest# telecommunications service providers worldwide. The Company has more than 300 installations across 70 countries.

\*Total Telecom Top 500 Telecom Brands, 2013

#Forbes' Global 2000 list, 2013



[www.subex.com](http://www.subex.com)

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12303 Airport Way,  
Bldg. 1, Ste. 390,  
Broomfield, CO 80021

Tel : +1 303 301 6200

Fax : +1 303 301 6201

### UK

#### Subex (UK) Limited

3rd Floor, Finsbury Tower,  
103-105 Bunhill Row,  
London, EC1Y 8LZ UK

Tel : +44 20 7826 5420

Fax : +44 20 7826 5437

### SINGAPORE

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