

Analyst & Advisor: Abhishek Jain
www.stocksidea.com
+91-98260-41144

*Stocks idea
Equity Research*

Subex Ltd— BUY—72—INR

Sector — Software
Regd.Off.— Adarsh Tech Park, Devarabisannalli, Bangalore – 560086
Listed — NSE, BSE.

Company overview—

Subex systems a banglore based software company was incorporated as a private limited company on Dec'94. Company commenced operations after the takeover of a partnership firm engaged in the manufacturing of telecom equipment and accessories. Company has significant portion of the revenues from telecom testing and measurement equipments and cellular infrastructure solutions. During 1999 company made a foray into telecom software services and products major growth driver, which was a major growth driver for the company.

Company provides both offshore and onsite consultancy services and also has a software product Ranger for the cellular market. Software services of the company are mainly for the high margin export markets. With increasing competition, product differentiation and subsequently pricing will become a key differentiator for these telecom companies. It is at that juncture that they would start feeling the pinch in bottom lines and would try and get every piece of revenue owed to them but is losing. This augurs well for a telecom software product company like Subex. Except Reliance, VSNL and BSNL every telecom company in India is Subex's customer. Company has a strong presence in the Asian, African, Eastern European and Middle Eastern markets.

Products & services—

Subex Systems is global telecom software products company that offering comprehensive and flexible solutions. Subex has a global presence across North America, Europe and Asia. Subex's Ranger™ has the largest installed base worldwide for Fraud Management Systems. Subex has over 70 leading telecom companies in its customers list and they span across 42 countries in the Americas, EMEA and Asia Pacific. Company is an ISO 9001 certified company. Company has significant portion of the revenues from telecom testing and measurement equipments and cellular infrastructure solutions. Company's differentiating factors are its customer support and product features.

Company's business can be mainly divided into 3 categories i.e. Test & Measurement Equipment, Cellular Infrastructure Solutions and Telecom Software.

Test & Measurement Equipment:

Division provides solutions and systems for test and measurement application for major telecom and data communication technologies like Fibre Optic, Frame relay ATM, ISDN, GSM, XDSL and SDH/ PDH. Equipments are mainly used to measure performance so that they can be compared with specifications. Company's customers in this division include Department of

Telecommunications, Basic telecom Operators, PSUs, Railways, Defense, cable manufacturers etc.

Cellular Infrastructure Solutions:

Division's services are basically used to strengthen the signals for cellular phones both indoors and outdoors. The division also offers fraud control devices for cellular operators. Thus the clients are mainly cellular operators.

Telecom Software:

Division provides telecom applications in operation support systems, revenue assurance etc. Company has a huge growth potential worldwide given the rising demand for telecom software globally. Except that, company also works as a distributor to various foreign telecom equipment manufacturers for which it receives commission.

Financials—

1st quarter results for apr-jun 2009

Description	Amount(Rs. million)
Net Sales / Income from Operations	1,176.09
Other Services	232.56
Product & Product Related	943.53
Expenditure	-1,073.53
Cost of Hardware, Software & Services	-31.42
Depreciation & Amortization	-46.76
Other Expenditure	-178.61
Personal Cost	-816.74
Profit from Operations before Other Income, Interest and Exceptional Items	102.56
Other Income	51.45
Profit before Interest and Exceptional Items	154.01
Interest	-123.77
Profit after Interest but before Exceptional Items	30.24
Exceptional Items	330.44
Restatement of FCCBs	506.70
Exchange Gain / (Loss) on Restatement of intra group foreign currency loans & advances	-176.26
Profit (+)/ Loss (-) from Ordinary Activities before Tax	360.68
Tax	-9.40
Tax Expense	-9.40
Net Profit (+)/ Loss (-) from Ordinary Activities after Tax	351.28
Extraordinary Items	0.00
Net Profit	351.28

Minority Interest	0.00
Share of Profit & Loss of Asso	0.00
Net Profit after Mino Inter & Share of P & L	351.28
Any Other	0.00
Income Attributable to Consolidated Group	351.28
Cost of Investment In Sub	0.00
Equity Capital	348.47
Face Value (in Rs)	10.00
EPS after Extraordinary items (in Rs)	
Basic EPS after Extraordinary items	10.08
Percentage of Public Shareholding	61.78

Valuation—

The company has developed significant skill and knowledge base in the telecom segment, which will help in acquire a sizeable share of the telecom sector. The company's telecom software services and products division will be the major growth driver in the coming years. Company has business alliances with well-known international telecom companies, which it plans to capitalize on its software services. Some of the partners include Oracle Corporation, Ericsson Cables, EXFOE-O Engineering Inc, Allgon Systems etc.

At current market price, Stock is trading at very attractive valuation of 5.42 P/E multiple of its estimated earnings of FY2010. We recommend investors to "Buy" Subex Limited" at every dips with long-term investment horizon.

We invite Readers to send Valuable feedback, stock and subscription queries at E-mail Id- investment_guru1@yahoo.com

Disclaimer: Research group www.stocksidea.com has prepared this document. The information and opinions contained in the document have been compiled from sources believed to be reliable. We don't warrant its accuracy, completeness and correctness. Stock market is highly unpredictable & risk involved in investment into the securities, we don't take any liability of any kind of loss or profit due to investment made in securities mentioned in the articles. Our group members may have investment positions in the securities mentioned in the article referred herein and may make purchases or sale thereof while this report is in circulation. This is not an offer to buy or sell the securities mentioned in the articles; calls made here in are for informational purposes only.
