

CHANGING FOCUS

Subex to sell its activation business

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BANGALORE

Telecom software firm **Subex Ltd** is selling its activation business to **NetCracker Technology Corp.** for an undisclosed sum.

The sale will enable Subex to grow its revenue at more than 20% a year, chairman, managing director and chief executive Subash Menon said on Tuesday.

The business that is being sold brought in \$15 million (around ₹72 crore) to Subex's product revenue of ₹427.96 crore in 2010-11.

The US-based NetCracker, a provider of support systems to telecom firms, is a subsidiary of Japan's **NEC Corp.**

Subex added the activation business to its portfolio when it bought Canadian telecom software firm **Syndesis Ltd** for \$164 million in 2007.

"The activation business did not work out for us for a number of reasons," Menon said, referring to losses arising from this business over the past few years.

In a separate interview with television channel **CNBC-TV18**, he said the company's operating profit expressed as a proportion of revenue would have been at least 39% last year had the activation busi-

ness not been there, compared with 33% it was.

The activation business offers software and other products to telecom operators to activate and provide services on networks.

Subex said it will use the money from the asset sale for acquisitions, to repay debt and for operational costs.

The company had a debt of ₹536 crore in June, its vice-president of finance **Ramanathan J.** had said then.

Dipen Shah, senior vice-president and head of private client group research at brokerage **Kotak Securities Ltd**, said the sale could have been prompted by the company's need for cash, particularly with regard to foreign currency convertible bonds (FCCBs) maturing in March 2012.

The sale means a return to status quo for Subex, said Shah. "Strategy-wise, it is more difficult as it is going back to its core business. The whole process of being an end-to-end player is reversed," he said.

Subex shares rose nearly 4% to ₹48.70 a piece on the **Bombay Stock Exchange** on Tuesday.