

Subex Sells Biz Unit to Part Pay Bondholders

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Telecom software product maker Subex is selling part of its business to US technology firm Netcracker to partly pay back foreign currency bond holders in March and service debt. The company had raised money in 2007 through foreign currency convertible bonds (FCCBs) due for conversion in March 2012.

As on March 2011, the company had outstanding foreign currency convertible bonds (FCCBs) with face value of ₹418.3 crore which are redeemable in March 2012, if not converted earlier.

Subex's activation business, which is being sold for an undisclosed sum, contributes 20% of its product revenues and comprises of three products which came from an earlier acquisition of Canada based Syndesis in 2007. Subex had funded the \$164 million acquisition through the FCCBs. Nearly 100 Subex employees will be transferred to Netcracker, part of the \$40-billion NEC group.

Subash Menon, founder and chief executive officer of Subex, said: "With this transaction, we have gone back to our original script before Syndesis

happened." The business which is being sold contributed nearly \$15 million of the company's revenues. "The activation business was not growing and we were losing money on it sometimes because it wasn't a fit with our offerings. We have taken a strategic decision to focus on our core products. This decision will help us grow revenues over 20% annually with positive growth in EBITDA," Menon added.

Ever since the acquisition in 2007, Subex has had a rocky ride. Its shares plunged at the markets from a high of over Rs 800 in early 2007 to less than Rs 20 in March 2009 at the height of the downturn.

With the acquisition not yielding desired growth and the financial crisis slowing down spending in the telecom sector, the company made a loss of ₹6.19 crore for the year 2008 and losses mounted to ₹178.21 crore in 2009. However, in 2010, the company turned around with ₹136.86 crore in profits. For the year ended March 2011, Subex reported a profit of ₹71.51 crore.

After the company announced the sale, shares of the company touched a high of ₹51 before closing at ₹48.70, up 3.84% from its previous close, on the BSE.



Subex CEO Subash Menon