

Subex to sell unit to Netcracker

By Bureau

Bangalore, Sept 20: Indian software product firm Subex on Tuesday said it is selling off its money losing 'activation' business to Netcracker, a subsidiary of the \$40-billion NEC group. By divesting the business, the firm will be able to report higher profitability and raise capital to pay off part of its debt, the company said. The value of the transaction was not disclosed.

The activation business consisted of service fulfilment products such as Net Provisioning, Net Optimizer and Vector-

products that came from its disastrous \$164 million acquisition of Syndesis in 2007. Funded through \$180 million of foreign currency convertible bond, the acquisition went haywire during the 2009 slowdown. Subex has FCCBs worth \$94 million outstanding now.

The activation business formed 20% of Subex's products business in FY11 and was worth around \$15 million. Since it was hardly profitable, it had been pulling down the firm's overall margins.

Subash Menon, founder chairman, MD and CEO of Subex, said that the firm's core

business had an ebitda of 38-39%. In FY11, the firm had an overall ebitda of 33%. As part of the deal, around 100 Subex employees will be shifted to Netcracker. The deal is expected to close by the end of this month.

Subex said that post the divestment, it would be able to focus better on its core business of revenue assurance, fraud management, partner settlement, data integrity management solutions as well as the managed services business, which is seeing traction among cash-crunched telcos ever since the financial crisis.

"We are going back to our

original script. We focused on our core business prior to 2007 and did very well. This decision will enable us in growing our revenues with positive growth in ebitda and will make us a significant force in the industry," he said.

Menon estimates the addressable market size for its remaining business — which it calls business optimisation products and services — to be about \$1.56 billion in 2011. The market is growing at 12% and Subex wants to beat the market by growing at 20%, thereby gaining share.