

Benefits of the acquisition & integration of Azure Solutions Ltd.

Product revenue increases by 252% from Rs.210.37 million to Rs.741.16 million, quarter-on-quarter

PAT increases by 356% from Rs.37.46 million to Rs.171.00 million, quarter-on-quarter

CONSOLIDATED HIGHLIGHTS

Unaudited financial results for the quarter ended 30th September 2006

(Rs. in millions)

Sl.	Particulars	For the quarter ended 30th September 2006	For the quarter ended 30th June 2006	For the half year ended 30th September 2006	For the year ended 31st March 2006
1	Sales - Product & Product related - Services	741.16 289.82	210.37 224.09	951.53 513.91	1166.82 647.52
		1,030.98	434.46	1,465.44	1,814.34
2	EBIDTA	245.22	85.80	331.02	531.15
3	Profit after taxation	171.00	37.46	208.46	378.48
4	Earnings per share-Basic-Not Annualized (Rs.Per Share)	4.94	1.56	7.11	7.62
5	Earnings per share-Diluted-Not Annualized (Rs.Per Share)	4.92	1.55	7.07	17.53

Notes :

- The consolidated results have not been subjected to limited review by statutory auditors
- The above results were taken on record and approved by the Board of Directors in its meeting held on 28th Oct. 2006.
- The previous year / period figures have been re-grouped and / or re-arranged to conform with the current quarter.
- The acquisition of Azure Solutions Limited on 23rd June 2006 has positioned the company as a premier global provider of revenue maximization solutions to the telcos worldwide with long term, multi-elements contracts. This has resulted in the company having to evolve common policies and practices across all its group companies worldwide. Consequently, some of the accounting policies have been realigned and adopted for all companies across the group. The revenues from contracts for sale of software licences in various entities, which were recognised at different periods, are being recognised, w.e.f 1st April 2006, over the contract period. Without such changes in policies, the company's revenue from products for the quarter and half year ended September 30, 2006 would have been Rs.874.01 million and Rs.1084.38 million respectively and the profit after tax would have been Rs.303.85 million and Rs.341.31 million respectively.
- The realignment of the accounting policies during the current year is transitional and the differences are expected to even out over the balance quarters. Consequently, the annual guidance remains unchanged.
- Pursuant to the acquisition of Azure Solutions Ltd on the 22nd June 2006, the consolidated results of the company include results of operation of the company's subsidiaries belonging to the erstwhile Azure Group, namely Subex Azure (UK) Ltd, Subex Azure, Inc., Subex Azure (Asia Pacific) Pte Ltd. In addition, the results of Subex Technologies, Inc and Subex Technologies Ltd are also part of the above results.
- The above results for the quarter include write back of provisions no longer required and the profit recorded by Subex Azure (UK) Ltd on the sale of security business which is not being pursued by the group post acquisition as per the terms of Share Purchase Agreement with the erstwhile owners.
- The group has incurred costs amounting to Rs.66.56 million on severance payments to employees in the UK subsidiary, out of which Rs. 51.17 million have been carried forward for amortising over the next 14 quarters until 31st March 2010 as per prescribed accounting standard and the balance Rs.15.39 million are charged to the income statement.

By Order of the Board

Bangalore
28th October 2006

Subash Menon
Founder Chairman, Managing Director & CEO

Unaudited standalone financial results for the quarter ended 30th September 2006

(Rs. in millions)

Sl.	Particulars	Quarter ended 30th September		Half year ended 30th September		For the year ended 31st March 2006
		2006	2005	2006	2005	2006
		Unaudited		Unaudited		Audited
1	Sales - Product & Product related - Services - Total	317.60 288.18 605.78	2,69.55 149.30 418.85	527.97 512.27 1,040.24	538.72 292.28 831.00	1,166.82 645.34 1,812.16
2	Other Income	6.43	4.06	44.65	7.83	29.03
3	Expenditure					
	- Cost of Hardware, Software & Services	34.32	17.89	51.60	53.76	77.00
	- Commission on Sales	0.98	-	1.74	-	55.85
	- Personnel Cost	344.51	217.01	665.80	421.90	946.13
	- Other Expenditure	82.77	50.86	128.59	109.86	222.77
	- Interest	15.07	6.07	23.86	12.25	26.42
	- Total	477.65	291.83	871.59	597.77	1,328.17
4	Profit after interest but before depreciation and taxation	134.56	131.08	213.31	241.06	513.02
5	Depreciation	26.68	22.39	54.92	44.94	90.79
6	Taxes					
	Income Tax	18.41	7.33	29.27	11.96	32.77
	Fringe Benefit Tax	0.74	0.42	1.30	0.84	1.89
	Deferred Tax	(2.72)	(2.20)	(3.91)	(5.40)	(3.94)
7	Net Profit	91.45	103.14	131.73	188.72	391.49
8	Paid up Share Capital					
	- Equity (Face value of Rs.10/-)	346.41	108.39	346.41	108.39	217.58
9	Reserves excluding revaluation reserves	-	-	-	-	1,597.75
10	Earnings per share-Basic-Not Annualized (Rs.Per Share)	2.64	9.74	4.49	18.25	18.23
11	Earnings per share-Diluted-Not Annualized (Rs.Per Share)	2.63	9.69	4.47	18.15	18.13
12	Aggregate of public shareholding:*					
	- Number of Shares	18,984,480	-	18,984,480	-	-
	- Percentage of holding (to total shareholding)	54.80%	-	54.80%	-	-

*Total public shareholding as defined under the clause 40 A of the listing agreement (excludes shares held by founders and GDR holders).

Segment-wise revenue & results

(Rs. in millions)

	For the quarter ended 30th September		For the half year ended 30th September		For the year ended 31st March
	2006	2005	2006	2005	2006
	Unaudited		Unaudited		Audited
1. Segmental Revenue					
a) Product & Product related	317.60	2,69.55	527.97	538.72	1,166.82
b) Services	288.18	149.30	512.27	292.28	645.34
Total	605.78	418.85	1,040.24	831.00	1,812.16
2. Segmental Profit (Loss) before tax, depreciation & interest					
a) Product & Product related	127.79	126.36	200.03	235.34	497.73
b) Services	21.84	10.79	37.14	17.96	29.85
Total	149.63	137.15	237.17	253.30	527.59
Less : Interest	15.07	6.07	23.86	12.25	26.42
Other un-allocable income net of un-allocable expenditure	-	-	-	-	11.85
Depreciation	26.68	22.39	54.92	44.94	90.79
Profit before taxation	107.88	108.69	158.40	196.11	422.23

Notes :

- The above results were taken on record and approved by the Board of Directors in its meeting held on 28th October 2006.
- The previous year/period figures have been re-grouped and/or re-arranged to conform with the current quarter.
- The company has granted 87,100 options under its ESOP 2000 scheme and 19,500 under its ESOP 2005 during the quarter ended 30th September 2006.
- During the quarter, the company has allotted 17,674 shares pursuant to the exercise of 8,837 options by eligible employees.
- The acquisition of Azure Solutions Limited on 23rd June 2006 has positioned the company as a premier global provider of revenue maximization solutions to the telcos worldwide with long term, multi-elements contracts. This has resulted in the company having to evolve common policies and practices across all its group companies worldwide. Consequently, some of the accounting policies have been realigned and adopted for all companies across the group. The revenues from contracts for sale of software licences in various entities, which were recognised at different periods, are being recognised, w.e.f 1st April 2006 over the contract period. Without such changes in policies, the company's revenue from products for the quarter and half year ended 30th September 2006 would have been Rs.412.23 million and Rs.622.60 million respectively and the profit after tax would have been Rs.186.08 million and Rs.226.35 million respectively.
- The realignment of the accounting policies during the current year is transitional and the differences are expected to even out over the balance quarters. Consequently, the annual guidance remains unchanged.
- Restating the results for the quarter and half year ended 30th September 2005 and for the year ended 31st March 2006 under the realigned accounting policies is not practicable, given that such restatement would require the company to recompute revenues of prior periods, the supporting data for which is not available at present.
- Information on investor complaints pursuant to Clause 41 of the Listing Agreement for the quarter ended 30th September 2006 is : Opening Balance - Nil, Received - 4, Attended - 4, Closing Balance - Nil
- Certain fixed assets are used in the company's business interchangeably, segment-wise disclosure on capital employed has not been furnished.
- Some statements in this release concerning our performance may be forward looking statements which involve risks and uncertainties that could cause actual results to vary materially from those in such statements. These risks and uncertainties include, and are not limited to, fluctuations in earnings, intense competition, success of investments and our ability to successfully integrate our acquisitions.
- The statutory auditors have carried out a limited review of the stand alone unaudited results of the company.

By Order of the Board

Bangalore
28th October 2006

Subash Menon
Founder Chairman, Managing Director & CEO