

SUBEX LIMITED

Registered office: RMZ Ecoworld, Outer Ring Road, Devarabisanahalli, Bangalore - 560 103

Statement of Unaudited Standalone Financial Results for the quarter and nine months ended December 31, 2019

(₹ in Lakhs)

Particulars	Quarter ended			Year to date figures for the nine months ended		Year ended
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018	March 31, 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Income						
1 Revenue from operations	284	187	276	690	1,402	1,916
2 Share of profit from Limited Liability Partnerships (net) (Refer note 3)	-	118	-	-	-	-
3 Other income	5	26	1	41	3	10
4 Total income (1+2+3)	289	331	277	731	1,405	1,926
Expenses						
Employee benefits expense	164	148	183	485	565	739
Finance costs	8	8	1	24	2	4
Depreciation and amortisation expense	171	172	158	513	472	625
Marketing and allied service charges	129	133	130	396	383	513
Exchange fluctuation (gain)/loss, net	(4)	(10)	36	(39)	(136)	39
Share of loss from Limited Liability Partnerships before exceptional items (net) (Refer note 3)	248	-	442	288	1,690	1,600
Other expenses	125	142	128	390	736	861
5 Total expenses	841	593	1,078	2,057	3,712	4,381
6 Loss before exceptional items and tax expense (4-5)	(552)	(262)	(801)	(1,326)	(2,307)	(2,455)
Exceptional items						
Provision no longer required written back	100	-	-	100	-	-
Provision for claim settlement [Refer note 4 (ii)]	(1,054)	-	-	(1,054)	-	-
Impairment of intangible asset [Refer note 4 (i)]	(3,599)	-	-	(3,599)	-	-
Share of loss from Subex Assurance LLP [Refer note 3 and 4 (i)]						
Impairment of intangible assets and investment in subsidiary	(16,808)	-	-	(16,808)	-	-
7 Total exceptional items	(21,361)	-	-	(21,361)	-	-
8 Net loss before tax expense (6-7)	(21,913)	(262)	(801)	(22,687)	(2,307)	(2,455)
9 Tax expense, net						
Provision/ (reversal) - foreign withholding taxes (Refer note 5)	-	-	-	-	1	(2)
Total tax expense	-	-	-	-	1	(2)
10 Net loss for the period/ year (8-9)	(21,913)	(262)	(801)	(22,687)	(2,308)	(2,453)
11 Other comprehensive income, net of tax expense						
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Re-measurement loss on defined benefits plan	(2)	(1)	(2)	(4)	(7)	(3)
12 Total comprehensive income for the period/ year (10+11)	(21,915)	(263)	(803)	(22,691)	(2,315)	(2,456)
13 Paid up equity share capital [face value of ₹ 10 (March 31, 2019: ₹ 10)]	56,200	56,200	56,200	56,200	56,200	56,200
14 Other equity	-	-	-	-	-	14,949
15 Loss per share (of ₹ 10/- each) (not annualised in case of the interim periods):						
- Basic	(4.04)	(0.05)	(0.14)	(4.15)	(0.41)	(0.44)
- Diluted	(4.04)	(0.05)	(0.14)	(4.15)	(0.41)	(0.44)

Notes:

- The above results have been reviewed by the Audit Committee and approved by the Board of Directors in their meeting held on February 7, 2020.
- The financial results have been prepared in accordance with the recognition and measurement principles laid down in the applicable Indian Accounting Standards ("Ind AS") prescribed under section 133 of the Companies Act, 2013, read with relevant rules thereunder and in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
- Share of profit/ (loss) from Limited Liability Partnerships are as follows:

Particulars	Quarter ended			Year to date figures for the nine months ended		Year ended
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018	March 31, 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Share of profit/(loss) from Subex Assurance LLP before exceptional items	321	742	20	1,350	(327)	165
Share of loss from Subex Digital LLP	(569)	(624)	(462)	(1,638)	(1,363)	(1,765)
Total (i)	(248)	118	(442)	(288)	(1,690)	(1,600)
Share of loss from Subex Assurance LLP (Exceptional items) (ii) Impairment of intangible asset and investment in subsidiary	(16,808)	-	-	(16,808)	-	-
Total [(i)+(ii)]	(17,056)	118	(442)	(17,096)	(1,690)	(1,600)

The Company has presented share of profit and share of loss from Limited Liability Partnerships ('LLP') on net basis as the management considers the net income/expense to be its return on investment in LLP.

- Considering the challenges and significant investment requirements of telecom operators which has resulted in longer opportunity conversion cycle and lower spends towards IT solutions, the management has carried out the annual impairment exercise in respect of its intangible assets and investment in subsidiaries and basis valuation carried out by an external expert has made an impairment provision of ₹ 3,599 Lakhs towards carrying value of intangible asset and ₹ 16,808 Lakhs towards the carrying value of investment in subsidiary.
 - On January 23, 2020, the Company has entered into settlement agreement with former MD & CEO and former COO of the company in respect of long drawn litigation wherein certain claims were made against the Company. In terms of the settlement agreement, the Company has paid an amount of ₹ 820 lakhs (net of ₹ 234 lakhs recoverable from such ex-employees) which has been provided for as at December 31, 2019. Accordingly, the aforesaid litigation is amicably settled.
- Represents provision in respect of withholding taxes deducted/ deductible by the overseas customers of the Company.
- The Board of Directors in its meeting held on February 07, 2020, has approved a scheme of Capital Reduction in accordance with Section 52 of the Companies Act, 2013 and Section 66 of the Companies Act, 2013 read with National Company Law Tribunal ('NCLT') (Procedure for reduction of share capital of Company) Rules, 2016 and other applicable provisions of the Companies Act, 2013. Subject to the consent of the Shareholders and the approval from NCLT and other statutory authorities as and where applicable, the Accumulated Losses of ₹ 38,401 Lakhs as at December 31, 2019 shall be written off against the paid-up share capital of the Company for an amount of ₹ 28,100 Lakhs by reducing the face value of the equity shares from ₹ 10/- to ₹ 5/- each and Securities Premium Account balance for an amount of ₹ 10,301 lakhs.
- The Company is engaged in the business of software products and related services, which are monitored as a single segment by the Chief Operating Decision Maker, accordingly, these, in the context of Ind AS 108 on Operating Segments Reporting are considered to constitute one segment and hence the Company has not made any additional segment disclosures.
- Subex Employee Welfare and ESOP Benefit Trust (hereinafter referred to as the "ESOP Trust"), registered and authorised to acquire shares of the Company through secondary market for providing share-based payments to its employees, is consolidated in the standalone financial results of the Company and the shares reacquired and held by ESOP Trust are treated as treasury shares and recognised at cost and deducted from other equity. The shares held by the Trust were reduced on a weighted average basis from outstanding number of shares for computation of basic and diluted EPS of the Company.
- Effective April 1, 2019, the Company adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Accordingly, comparatives for the year ended March 31, 2019 have not been retrospectively adjusted. On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) of ₹ 311 Lakhs and a lease liability of ₹ 326 Lakhs. The cumulative effect of applying the standard resulted in ₹ 32 Lakhs being debited to retained earnings, net of taxes.

Place: Bengaluru
Date: February 7, 2020

Vinod Kumar Padmanabhan
Managing Director & CEO

For further details on the results, please visit our website: www.subex.com

SUBEX LIMITED

Registered office: RMZ Ecoworld, Outer Ring Road, Devarabisanahalli, Bangalore - 560 103
Statement of Unaudited Consolidated Financial Results for the quarter and nine months ended December 31, 2019

(₹ in Lakhs)

Particulars	Quarter ended			Year to date figures for the nine months ended		Year ended
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018	March 31, 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Income						
1 Revenue from operations	9,609	8,567	8,228	26,071	24,625	34,812
2 Other income	52	140	27	228	61	101
3 Total income (1+2)	9,661	8,707	8,255	26,299	24,686	34,913
Expenses						
Employee benefits expense (Refer note 4)	4,556	4,437	4,872	13,302	14,230	19,105
Finance costs	133	142	54	425	162	216
Depreciation and amortisation expense	367	378	116	1,116	345	483
Exchange fluctuation loss/(gain), net	512	(292)	128	(39)	(683)	(171)
Other expenses	2,750	2,331	2,599	7,149	7,954	10,572
4 Total expenses	8,318	6,996	7,769	21,953	22,008	30,205
5 Profit before exceptional items and tax expense (3-4)	1,343	1,711	486	4,346	2,678	4,708
Exceptional items						
Impairment of goodwill [Refer note 5(i)]	(31,473)	-	-	(31,473)	-	-
Provision no longer required written back	761	-	-	761	-	-
Provision for claim settlement [Refer note 5(ii)]	(1,054)	-	-	(1,054)	-	-
6 Total exceptional items	(31,766)	-	-	(31,766)	-	-
7 Net (loss)/ profit before tax expense (5-6)	(30,423)	1,711	486	(27,420)	2,678	4,708
8 Tax expense, net						
Current tax charge	80	1	68	82	176	274
Provision - foreign withholding taxes (Refer note 6)	163	263	227	647	645	885
Deferred tax charge/ (credit) (Refer note 7)	606	817	(15)	1,964	625	1,027
Total tax expense	849	1,081	280	2,693	1,446	2,186
9 Net (loss)/ profit for the period/ year (7-8)	(31,272)	630	206	(30,113)	1,232	2,522
10 Other comprehensive income, net of tax expense						
<i>Items that will be reclassified subsequently to profit or loss:</i>						
Net exchange differences gain/(loss) on translation of foreign operations	595	(124)	(298)	205	(508)	(390)
<i>Items that will not be reclassified subsequently to profit or loss:</i>						
Re-measurement loss on defined benefits plan	(20)	(25)	(15)	(55)	(44)	(38)
Total other comprehensive income	575	(149)	(313)	150	(552)	(428)
11 Total comprehensive income for the period/ year (9+10)	(30,697)	481	(107)	(29,963)	680	2,094
12 Paid up equity share capital [face value of ₹ 10 (March 31, 2019: ₹ 10)]	56,200	56,200	56,200	56,200	56,200	56,200
13 Other equity	-	-	-	-	-	23,210
14 (Loss)/earnings per share (of ₹ 10/- each) (not annualised in case of the interim periods)						
- Basic	(5.77)	0.12	0.04	(5.51)	0.22	0.45
- Diluted	(5.77)	0.12	0.04	(5.51)	0.22	0.45

Notes:

- 1 The above results have been reviewed by the Audit Committee and approved by the Board of Directors in their meeting held on February 7, 2020.
- 2 The financial results have been prepared in accordance with the recognition and measurement principles laid down in the applicable Indian Accounting Standards (“Ind AS”) prescribed under section 133 of the Companies Act, 2013, read with relevant rules thereunder and in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
- 3 The financial results of Subex Limited (Standalone information):

(₹ in Lakhs)

Particulars	Quarter ended			Year to date figures for the nine months ended		Year ended
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018	March 31, 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Total income	289	331	277	731	1,405	1,926
Net loss before tax expense	(21,913)	(262)	(801)	(22,687)	(2,307)	(2,455)
Net loss for the period/ year	(21,913)	(262)	(801)	(22,687)	(2,308)	(2,453)
Total comprehensive income for the period/ year	(21,915)	(263)	(803)	(22,961)	(2,315)	(2,456)

- 4 Employee benefits expense for the quarters ended December 31, 2019, September 30, 2019, and December 31, 2018 are net of reversal of provision no longer required, in respect of employee incentives relating to sales and delivery commissions, amounting to ₹ Nil Lakhs, ₹ 438 Lakhs and ₹ Nil respectively, and that for the nine months ended December 31, 2019 and December 31, 2018 amounting to ₹ 888 Lakhs and ₹ 35 Lakhs and that for the year ended March 31, 2019 amounting to ₹ 40 Lakhs.
- 5 (i) Considering the challenges and significant investment requirements of telecom operators which has resulted in longer opportunity conversion cycle and lower spends towards IT solutions, the management has carried out the annual impairment exercise in respect of carrying value of goodwill and basis valuation carried out by an external valuation expert, has made an impairment provision of ₹ 31,473 Lakhs towards carrying value of goodwill.
- (ii) On January 23, 2020, the Company has entered into settlement agreement with former MD & CEO and former COO of the company in respect of long drawn litigation wherein certain claims were made against the Company. In terms of the settlement agreement, the Company has paid an amount of ₹ 820 lakhs (net of ₹ 234 lakhs recoverable from such ex-employees) which has been provided for as at December 31, 2019. Accordingly, the aforesaid litigation is amicably settled.
- 6 Represents provision in respect of withholding taxes deducted/ deductible by the overseas customers of the Group.
- 7 Deferred tax charge/ (credit), comprises of deferred tax liability arising on account of tax benefits from amortisation of intangible assets of Subex Assurance LLP, net of deferred tax assets arising on account of carry forward losses and other taxable temporary differences, which arose mainly on account of business restructuring effected from November 1, 2017, wherein, the Company’s RMS business and the Digital business was transferred on going concern basis to Subex Assurance LLP and Subex Digital LLP respectively.
- 8 The Board of Directors in its meeting held on February 07, 2020, has approved a scheme of Capital Reduction in accordance with Section 52 of the Companies Act, 2013 and Section 66 of the Companies Act, 2013 read with National Company Law Tribunal (“NCLT”) (Procedure for reduction of share capital of Company) Rules, 2016 and other applicable provisions of the Companies Act, 2013. Subject to the consent of the Shareholders and the approval from NCLT and other statutory authorities as and where applicable, the Accumulated Losses of ₹ 38,401 Lakhs as at December 31, 2019 shall be written off against the paid-up share capital of the Company for an amount of ₹ 28,100 Lakhs by reducing the face value of the equity shares from ₹ 10/- to ₹ 5/- each and Securities Premium Account balance for an amount of ₹ 10,301 lakhs.
- 9 The Group is engaged in the business of software products and related services, which are monitored as a single segment by the Chief Operating Decision Maker, accordingly, these, in the context of Ind AS 108 on Operating Segments Reporting are considered to constitute one segment and hence the Group has not made any additional segment disclosures.
- 10 Subex Employee Welfare and ESOP Benefit Trust (hereinafter referred to as the “ESOP Trust”), registered and authorised to acquire shares of the Company through secondary market for providing share-based payments to its employees, is consolidated in the standalone financial results of the Company and the shares reacquired and held by ESOP Trust are treated as treasury shares and recognised at cost and deducted from other equity. The shares held by the Trust were reduced on a weighted average basis from outstanding number of shares for computation of basic and diluted EPS of the Company.
- 11 Effective April 1, 2019, the Group adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Accordingly, comparatives for the year ended March 31, 2019 have not been retrospectively adjusted. On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) of ₹4,816 Lakhs and a lease liability of ₹5,052 Lakhs. The cumulative effect of applying the standard resulted in ₹442 Lakhs being debited to retained earnings, net of taxes.

Place: Bengaluru
Date: February 7, 2020

Vinod Kumar Padmanabhan
Managing Director & CEO

For further details on the results, please visit our website: www.subex.com