

SUBEX LIMITED

Registered office: RMZ Ecoworld, Outer Ring Road, Devarabisanahalli, Bangalore - 560 103
Statement of Unaudited Standalone Financial Results for the quarter ended June 30, 2020

(₹ in Lakhs)

Particulars	Quarter ended			Year ended
	June 30, 2020	March 31, 2020	June 30, 2019	March 31, 2020
	Unaudited	Audited (Refer note 10)	Unaudited	Audited
Income				
1 Revenue from operations	575	389	219	1,079
2 Share of profit from Limited Liability Partnerships before exceptional items (net) (Refer note 3)	754	2,177	-	1,889
3 Other income	3	161	10	202
4 Total income (1+2+3)	1,332	2,727	229	3,170
Expenses				
Employee benefits expense	155	131	173	616
Finance costs	6	6	8	28
Depreciation and amortisation expense	49	49	170	562
Marketing and allied service charges	131	134	134	530
Exchange fluctuation (gain)/ loss, net	(14)	5	(25)	(34)
Share of loss from Limited Liability Partnerships before exceptional items (net) (Refer note 3)	-	-	158	-
Other expenses	105	185	123	577
5 Total expenses	432	510	741	2,279
6 Profit/ (loss) before exceptional items and tax expense (4-5)	900	2,217	(512)	891
Exceptional items				
Provision no longer required written back	-	-	-	100
Impairment of intangible asset [Refer note 4 (i)]	-	-	-	(3,599)
Provision for claim settlement [Refer note 4 (ii)]	-	-	-	(1,054)
Share of loss from Subex Assurance LLP [Refer note 3 and 4 (i)]	-	-	-	(16,808)
7 Total exceptional items	-	-	-	(21,361)
8 Net profit/ (loss) before tax expense (6-7)	900	2,217	(512)	(20,470)
Tax expense, net				
Provision for MAT credit [Refer note 5(i)]	-	425	-	425
Reversal - foreign withholding taxes [Refer note 5(ii)]	-	(307)	-	(307)
Total tax expense	-	118	-	118
10 Net profit/ (loss) for the period/ year (8-9)	900	2,099	(512)	(20,588)
11 Other comprehensive income/(loss), net of tax expense				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Re-measurement (loss)/ gain on defined benefits plan	(1)	(17)	(1)	(21)
12 Total comprehensive income/(loss) for the period/ year (10+11)	899	2,082	(513)	(20,609)
13 Paid up equity share capital [face value of ₹ 10 (March 31, 2020: ₹ 10)]	56,200	56,200	56,200	56,200
14 Other equity	-	-	-	(6,176)
15 Earning/ (loss) per share (of ₹ 10/- each) (not annualised in case of the interim periods) (Refer note 8):				
- Basic	0.17	0.39	(0.09)	(3.78)
- Diluted	0.17	0.39	(0.09)	(3.78)

Notes:

- 1 The above results have been reviewed by the Audit Committee and approved by the Board of Directors in their meeting held on August 10, 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 Share of profit/ (loss) from Limited Liability Partnerships are as follows:

Particulars	(₹ in Lakhs)			
	Quarter ended			Year ended
	June 30, 2020	March 31, 2020	June 30, 2019	March 31, 2020
	Unaudited	Audited (Refer note 10)	Unaudited	Audited
Share of profit from Subex Assurance LLP before exceptional items	1,296	2,528	287	3,878
Share of loss from Subex Digital LLP	(542)	(351)	(445)	(1,989)
Total	754	2,177	(158)	1,889
Share of loss from Subex Assurance LLP (Exceptional items)				(16,808)
Impairment of intangible asset and investment in subsidiary	-	-	-	
Total [(i)+(ii)]	754	2,177	(158)	(14,919)

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.

- 4 (i) During the previous year ended March 31, 2020, 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 had carried out the annual impairment exercise as at December 31, 2019 in respect of its intangible assets and investment in subsidiaries and basis valuation carried out by an external expert had 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. In view of the COVID -19 pandemic, the management has reassessed its projections and assumptions and has concluded that, the carrying value of its intangible asset and investments in its subsidiaries as at June 30, 2020 is appropriate.
(ii) During the previous year ended March 31, 2020, the Company had 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). Accordingly, the aforesaid litigation is amicably settled.
- 5 (i) During the previous quarter and year ended March 31, 2020, the MAT credit entitlement of ₹ 425 Lakhs has been provided for considering the uncertainty as regards to its utilisation.
(ii) Represents provision in respect of withholding taxes deducted/ deductible by the overseas customers of the Company. During the previous quarter and year ended March 31, 2020, the Company has reversed an amount of ₹ 308 Lakhs considering it is no longer necessary on account of favourable assessment order received allowing foreign tax credit in respect of AY 2016-17.
- 6 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. The abovementioned scheme has also been approved by Shareholders with requisite majority via postal ballot on June 25, 2020. Subject to 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.
- 7 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.
- 8 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.
- 9 The Company has considered internal and certain external sources of information including economic forecasts, budgets required to meet performance obligations and likely delays on contractual commitments, upto the date of approval of these standalone financial results, in determining the possible impact from the COVID-19 pandemic. The Company has used the principles of prudence in applying judgements, estimates and assumptions and based on the current estimates, the Company expects to fully recover the carrying amount of its assets. The impact of the global health pandemic may be different from that estimated as at the date of approval of these standalone financial results and the Company will continue to closely monitor any material changes to its assessment of economic impact of COVID- 19 pandemic.
- 10 The figures of last quarter of previous year are the balancing figures between the audited figures in respect of the full financial year ended March 31, 2020 and the published unaudited year to date figures for the nine months ended December 31, 2019.

Place: Bengaluru
Date: August 10, 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 ended June 30, 2020

(₹ in Lakhs)

Particulars	Quarter ended			Year ended
	June 30, 2020	March 31, 2020	June 30, 2019	March 31, 2020
	Unaudited	Audited (Refer note 12)	Unaudited	Audited
Income				
1 Revenue from operations	8,870	10,427	7,895	36,498
2 Other income	96	335	36	563
3 Total income (1+2)	8,966	10,762	7,931	37,061
Expenses				
Employee benefits expense (Refer note 4)	4,557	4,152	4,309	17,454
Finance costs	110	119	122	477
Depreciation and amortisation expense	366	392	371	1,508
Exchange fluctuation gain, net	(189)	(848)	(259)	(887)
Other expenses	1,542	3,297	2,096	10,513
4 Total expenses	6,386	7,112	6,639	29,065
5 Profit before exceptional items and tax expense (3-4)	2,580	3,650	1,292	7,996
Exceptional items				
Impairment of goodwill [Refer note 5(i)]	-	-	-	(31,473)
Provision no longer required written back	-	-	-	761
Provision for claim settlement [Refer note 5(ii)]	-	-	-	(1,054)
6 Total exceptional items	-	-	-	(31,766)
7 Net profit/ (loss) before tax expense (5-6)	2,580	3,650	1,292	(23,770)
8 Tax expense, net				
Current tax charge	1	35	1	117
Provision for MAT credit [Refer note 6 (i)]	-	425	-	425
Provision - foreign withholding taxes [Refer note 6 (ii)]	346	105	223	754
Deferred tax charge/ (credit) (Refer note 7)	717	(114)	540	1,849
Total tax expense	1,064	451	764	3,145
9 Net profit/ (loss) for the period/ year (7-8)	1,516	3,199	528	(26,915)
10 Other comprehensive income/(loss) net of tax expense				
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Net exchange differences (loss)/ gain on translation of foreign operations	(38)	(200)	(266)	5
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Re-measurement (loss)/ gain on defined benefits plan	(4)	21	(10)	(34)
Total other comprehensive income/(loss)	(42)	(179)	(276)	(29)
11 Total comprehensive income/(loss) for the period/ year (9+10)	1,474	3,020	252	(26,944)
12 Paid up equity share capital [face value of ₹ 10 (March 31, 2020: ₹ 10)]	56,200	56,200	56,200	56,200
13 Other equity	-	-	-	(4,661)
14 Earnings/ (loss) per share (of ₹ 10/- each) (not annualised in case of the interim periods) (Refer note 10):				
- Basic	0.28	0.59	0.10	(4.94)
- Diluted	0.28	0.59	0.10	(4.94)

Notes:

- The above results have been reviewed by the Audit Committee and approved by the Board of Directors in their meeting held on August 10, 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.
- The financial results of Subex Limited (Standalone information):

(₹ in Lakhs)

Particulars	Quarter ended			
	June 30, 2020	March 31, 2020	June 30, 2019	March 31, 2020
	Unaudited	Audited (Refer note 12)	Unaudited	Audited
Total income	1,332	2,727	516	3,170
Net profit/ (loss) before tax expense	900	2,217	(512)	(20,470)
Net profit/ (loss) for the period/ year	900	2,099	(512)	(20,588)
Total comprehensive income for the period/ year	899	2,082	(513)	(20,609)

- Employee benefits expenses for the quarters ended June 30, 2020, March 31, 2020, and June 30, 2019 are net of reversal of provision no longer required, in respect of employee incentives relating to sales and delivery commissions, amounting to ₹ 333 Lakhs, ₹ 678 Lakhs and ₹ 450 Lakhs, respectively, and that for the year ended March 31, 2020 amounting to ₹ 692 Lakhs.
- During the previous year ended March 31, 2020, 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 had carried out the annual impairment exercise as at December 31, 2019 in respect of carrying value of goodwill and basis valuation carried out by an external valuation expert, had made an impairment provision of ₹ 31,473 Lakhs towards carrying value of goodwill. In view of the COVID -19 pandemic, the management has reassessed its projections and assumptions and has concluded that, the carrying value of its goodwill as at June 30, 2020 is appropriate.
 - During the previous year ended March 31, 2020, the Company had 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). Accordingly, the aforesaid litigation is amicably settled.
- During the previous quarter and year ended March 31, 2020, the MAT credit entitlement of ₹ 425 Lakhs has been provided for considering the uncertainty as regards to its utilisation.
 - Represents provision in respect of withholding taxes deducted/ deductible by the overseas customers of the Group. During the previous quarter and year ended March 31, 2020, the Group has reversed an amount of ₹ 308 Lakhs considering it is no longer necessary on account of favourable assessment order received allowing foreign tax credit in respect of AY 2016-17.
- Deferred tax charge/ (credit), comprises of 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. The liability for the quarter and year ended March 31, 2020 in respect of tax benefits from amortisation of intangibles is net of provision no longer considered necessary amounting to ₹ 1,014 Lakhs considering the favourable assessment order in respect of AY 2016-17 with respect to foreign tax credit allowance.
- 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. The abovementioned scheme has also been approved by Shareholders with requisite majority via postal ballot on June 25, 2020. Subject to 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 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.
- 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.
- The Group has considered internal and certain external sources of information including economic forecasts, budgets required to meet performance obligations and likely delays on contractual commitments, upto the date of approval of these consolidated financial results, in determining the possible impact from the COVID-19 pandemic. The Group has used the principles of prudence in applying judgements, estimates and assumptions and based on the current estimates, the Group expects to fully recover the carrying amount of its assets. The impact of the global health pandemic may be different from that estimated as at the date of approval of these consolidated financial results and the Group will continue to closely monitor any material changes to its assessment of economic impact of COVID- 19 pandemic.
- The figures of last quarter of previous year is the balancing figures between the audited figures in respect of the full financial year ended March 31, 2020 and the published unaudited year to date figures for the nine months ended December 31, 2019.

Place: Bengaluru
Date: August 10, 2020

Vinod Kumar Padmanabhan
Managing Director & CEO

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