

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Subex Limited ("Subex" or "the Company") has its Equity Shares listed on the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE").

The management of Subex is committed to transparency and disclosure. In keeping with that commitment, we are pleased to disclose hereunder information about the Company, its business, operations, outlook, risks and financial condition.

The financial statements of the Company have been prepared in compliance with the requirements of the Companies Act, 2013 and the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (including amendments thereto). The management of Subex accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect the form and substance of transactions in a true and fair manner, and reasonably present the state of affairs and profits for the year under review.

In addition to the historical information contained herein, the following discussion may include forward looking statements which involve risks and uncertainties, including but not limited to the risks inherent in the Company's growth strategy, dependency on certain clients, dependency on availability of qualified technical personnel and other factors discussed in this report.

COMPANY OVERVIEW

We build industry leading software products and solutions to help businesses infuse trust in their digital ecosystems. With Digital Trust at the core, Subex is now helping Communication Service Providers ("CSP") in their transformation journey to become truly digital enterprises. Our strength lies in understanding the dynamic needs of the telco market and leveraging emerging technologies like AI, ML, Blockchain, and Augmented Analytics to build scalable solutions to help telcos thrive in a competitive environment. Towards this, we have created state-of-the-art solutions covering the areas of privacy, security, identity, intelligence, and risk mitigation, all helping CSPs build a robust ecosystem of trust. Our revenue contributing pie consists of licensing, professional services related to installations and configuration activity, annual support contracts and managed services.

Through HyperSense, an end-to-end augmented analytics platform, Subex empowers communications service providers and enterprise customers to make faster, better decisions by leveraging Artificial Intelligence (AI) analytics across the data value chain. The solution allows users without a knowledge of coding to easily aggregate data from disparate sources, turn data into insights by building, interpreting and tuning AI models, and effortlessly share their findings across the organisation, all on a no-code platform.

Subex has spent over 25 years in enabling 3/4th of the largest 50 Communications Service Providers globally achieve competitive advantage. Being truly a global company, we have more than 300 installations across 90+ countries.

We have a global presence, employing 1000+ people, with headquarters in Bengaluru, India and offices in Singapore, UK, US, UAE and Bangladesh.

More information on (a) an overview of the telecom industry (b) our products (c) Opportunities and challenges and (d) our revenue model is discussed below.

TELECOMS IN THE GLOBAL MACRO CONTEXT

The year 2020 was one marred by the global pandemic which led to losses, both economic and in the terms of lives. The uncertainty caused by COVID-19 was felt by the telecom sector as well, however the effects were not as severe as seen across the broader economy. As per the latest GSMA Mobile Trends, among the five most affected countries (in terms of deaths), the hit on mobile revenue has been about half that on GDP in high-income countries.

- The pandemic also led to the change as to how consumers now use communication technologies.
- With work-from-home and social distancing norms gaining prevalence, there has been a marked rise in data traffic, mostly from fibre, but also mobile networks.
- Network performance has risen to be a key priority for telco operators, towards ensuring connectivity to not only consumers, but also to aid hospitals and medical professionals.

This increased demand for data and connectivity services, coupled with the increasing adoption of digital services and mobile money has enabled telcos to remain resilient, where revenues are concerned.

- This has only been supplemented with the strong mobile traffic growth.
- People are now doing much more online, and this bodes well for telecom operators provided they are able to meet the demand.

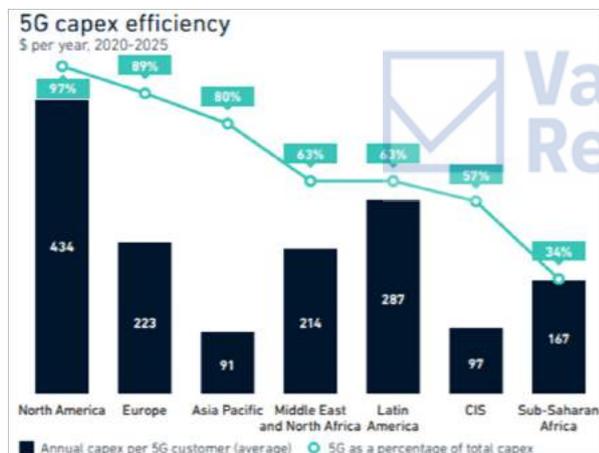
Mobile Internet: Getting to 100% Global Coverage

- Almost 50% of the world's population were on the mobile internet in 2019, equating to 3.8 billion users – an increase of 250 million since the end of 2018.
- With 4G and 3G covering the globe, the question is towards moving the remaining 50% to the mobile internet.
- Today there are almost six times more people living within the footprint of a mobile broadband network but not using mobile internet.
- There remains a significant rural and gender deficit in mobile internet use.

5G sees steady growth

Despite the global pandemic, new 5G deployments continue to take shape.

- Post March 2020, the number of new 5G networks has grown at a steady rate at 8 new 5G networks per month. This is up from fewer than six per month for the same period in 2019.
- There are now 113 operators with 5G networks across 48 countries, accounting for 40% of the global mobile subscriber base.
- The launches so far have been within the more mature markets: China, South Korea and the US. However, developing markets such as South Africa (MTN and Vodacom) and Brazil (Claro) have begun to make in-roads as well.
- As 5G moves towards becoming mainstream, new networks and declining handset prices will drive adoption over the next year and beyond.
- From an investment perspective, forecasts estimate 80% of capex (\$890 billion) to be spend towards 5G over the next five years, reaching 45% population coverage. This is largely being driven by the North American markets.



Revenue Generation and Cost Management Even More Important

With 5G on the horizon, and even in the case of other operators, there will be a need for judicious network investment planning. Objectives which operators will need to bear in mind will be to keep a check of Capex and Opex costs, improve customer experience and generate new revenues.

- Across most regions, revenue generation has become the key driver, especially with the need for renewed growth to pay back 5G investments.
- As a means to lower costs, operators will lay focus on Open network technologies – including open RAN; to lower

operations and lower acquisition costs.

- Open RAN in particular has opened up the possibilities for operators to source network technologies and services from a broader.
- Set of suppliers, thereby helping to reduce costs.
- Open RAN can be a force in helping operators unlock new business opportunities by enabling new ways of building networks.

IoT: a forgotten aspect of 2020

Total IoT connections will double between 2019 and 2025, reaching 24 billion. However, GSMA has cut 2020 off from the forecast as a result of the pandemic and cost pressures in the SME and corporate markets.

- While global IoT revenues will triple by 2025, this is 20% lower.
- IoT revenue was to touch the \$1.1 trillion mark by 2025, however this has now been reduced to \$906bn.
- Security concerns, cost, and integration with existing technologies will persist as the main challenges in deploying IoT based solutions.
- Cost Saving and revenue generation are the two main motivators for installing IoT devices.

Conclusion:

Subex, as a leader in the space of Digital Trust, is uniquely positioned to help telcos to embrace digital transformation. To take advantage of the infinite possibilities that 5G unlocks will require a robust ecosystem of partners, making collaboration the baseline for success. While 5G rollout will create an unfathomable number of use cases allowing services providers to significantly expand the number of services they offer to both businesses and consumers, it also presents new challenges. From sales and marketing to operations, IT, network management, pricing, and billing, there will be enormous changes that service providers must plan for. Subex is well placed to support this transformation and can help service providers plan for the strategic evolution of their value chain. Subex can help catalyze the transformation process of traditional network developers into service enablers for 5G and IoT, and ultimately to service creators, with the ability to collaborate beyond telecoms.

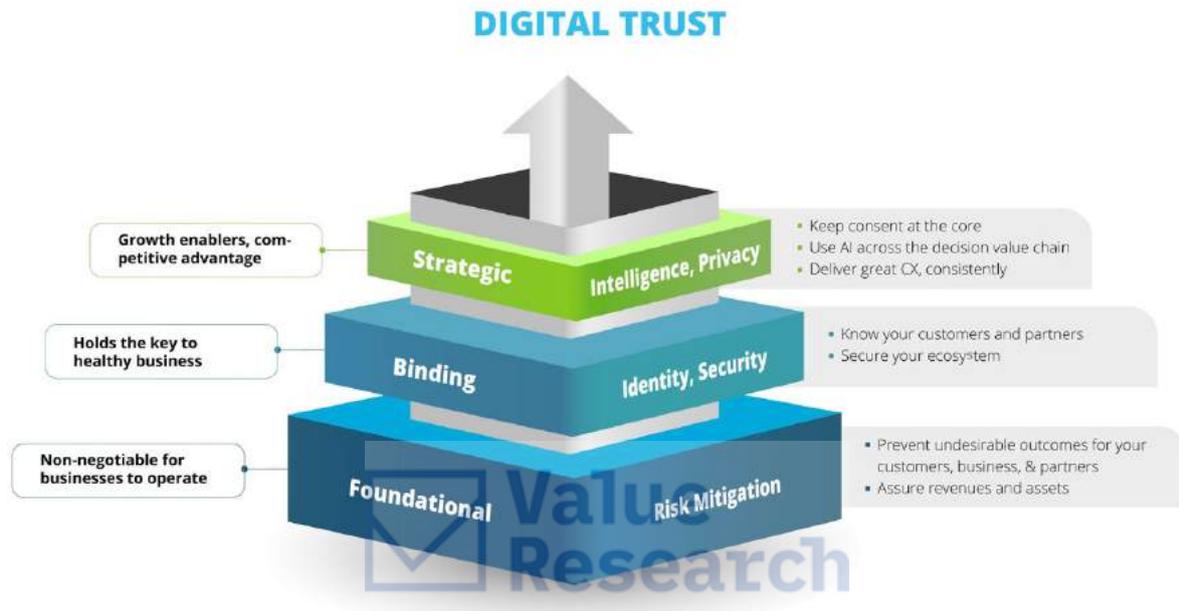
OUR PRODUCTS

Subex offers a Suite of products and solutions that enable Digital Trust for our customers. To this end, Subex's core products around Revenue Assurance and Fraud Management have been enhanced with the power of Artificial Intelligence and Machine Learning. Subex also provides network analytics through its Network Asset Management, Data Integrity Management and Capacity Management solutions.

In a digital world, where multiple partnerships will need to be managed, Subex provides CSPs with a Partner Ecosystem Management solution. To help drive confidence in data, Analytics Center of Trust (ACT) - a solution framework built to help organisations transform from a traditional business to a digital one through the power of data analytics. Subex also provides organisations with confidence in the growing connected world, through its IoT Security solution, Subex secure, which is a multivertical solution focused towards the telecom, government, automotive, and defense segment, to name a few. Subex also helps in transforming the way the business verifies users, through its recently launched product called IDcentral. IDcentral provides a one- stop solution for digital identity, verification and validation services.

All solutions come together to help CSPs prevent fraud losses, collect all revenues, reduce defaulted payments, reduce wasteful expenditure, manage inter-carrier and partner expenses and optimize CAPEX.

PRODUCT PORTFOLIO



Digital transformation has enabled telcos to expand their scope with new and innovative services, while also increasing the size of the ecosystem with new age partners. To realize the full potential, telcos need to create mechanisms that build trust in their offerings, processes and information systems. In other words, Digital Trust is the key to success for telos today. Subex with its 25+ years of experience in helping telcos optimize their business, is now at a forefront of enabling Digital Trust for the telco ecosystem. Focusing on five key tenets of Security, Privacy, Risk Mitigation, Identity and Intelligence, Subex helps businesses thrive by leveraging Digital Trust as a competitive advantage.

Foundation Layer:

The foundation layer is Risk Mitigation and is the non-negotiable layer required to prevent any undesirable outcomes for the business.

Business Assurance

Subex’s Business Assurance solution plays a significant role as a business enabler in this evolving digital ecosystem by providing better visibility into risks surrounding operations, revenue and margins. With Active Risk Intelligence, our re- imagined assurance product stack, operators can assess and address impacts in near real-time or, in some cases, proactively. In today’s reality of multi-service, multi-disciplinary offerings (e.g. Banking, Retail, Digital Content

etc.), the comprehensive AI/ML capabilities in the solution will help our telecom partners identify unknown unknowns, for meaningful course corrections. Furthermore, as operators keep expanding their portfolio to cater to the demands of today’s customers, the ARI suite enables AI-driven predictive and prescriptive business insights for CxOs (Opco & group) across verticals (Marketing, finance, sales, network, etc).

With a product history spanning over two decades, Subex’s Business Assurance is the culmination of the operational experience of being deployed in over 80+ sites globally.

Fraud Management

Built on 25+ years of domain expertise, Subex’s Fraud Management provides 360-degree fraud protection across digital services by leveraging advanced machine-learning and signaling-intelligence. The solution-combines-a-traditional-rules engine with advanced artificial intelligence/ machine learning capabilities to provide increased coverage across all telco services and minimize fraud run-time in the network with real-time blocking capabilities. With Subex’s comprehensive fraud management system, operators can detect more than 350 types of fraud in all telecom environments

Partner Ecosystem Management

Subex Partner Lifecycle Management allows CSPs to significantly reduce time to market for new services and enhance existing services by quickly onboarding new partners to the ecosystem. The solution optimizes OPEX through workflow-based onboarding process interfaces with configurable KPIs to allow quick partner onboarding. CSPs can assess partner health by scoring them on different parameters and monitor their performance to ensure a value-driven partner ecosystem. The partner portal empowers partners with complete business visibility through access to dashboards and reports and make informed decisions.

Digital Services Billing

Subex offers a domain agnostic digital services billing solution that can bill and settle any event irrespective of the source and cater to Data, Content, IoT, M2M, and Utility billing requirements. Utilize configurable modeling capabilities that allow the creation of new revenue streams through configurations, thus allowing quicker settlements and bill roll outs.

Wholesale Billing and Routing

Get a holistic view of your entire range of partner relationships, covering services such as voice, SMS, and data- manage roaming, routing, content settlements, as well as MVNO and other B2B relationships with our wholesale billing solution. We drive efficiencies into your businesses via process automation to gain operational insight to support critical decision-making activities and enable you to achieve a competitive advantage. It covers Interconnect Billing & Settlement, Reconciliation and Dispute Management, OBR, Route Optimization, Contract Lifecycle Management, Route Optimization.

Enterprise Billing

Subex offers a next-gen end-to-end enterprise billing system that provides unmatched rating and billing capabilities for CSPs. It's a converged billing platform that covers partner onboarding, subscription management, service agnostic rating, and billing to financial reporting.

Roaming Settlements

Subex Roaming solution offers a 360-degree view of the roaming services and revenue management to improve profitability. It reduces the fraud possibility by removing the likelihood of paying high-cost traffic cost or lose inbound roaming revenue by supporting NRTRDE (Near Real-Time Roaming Data Exchange) and HUR (High Usage Report). Enhance customer experience and reduce churn by offering personalized services using customer information.

Network Analytics

Network Asset Management

Subex's Network Asset Management is a Telecom Asset Lifecycle Management solution that provides framework and controls to help CSPs make the best use of their assets, thereby helping manage network Capex efficiently. The solution ties the assets' financial parameters to its current utilization and location, creates a 360-degree view of the asset, generates accurate reports for audits, and calculates the return on assets. Also, it simplifies field audits, provides near real-time capacity views, recommendations to optimize network

utilization and optimizes P2R (Plan-to-retire) and cash-to-cash cycle for assets and improves overall operational efficiency.

Data Integrity Management

Subex is the pioneer of data integrity management, with over a decade of experience in data integrity transformations with the world's leading service providers. Data Integrity Management is the industry's first solution for improving the quality of data that drives critical service provider processes, resulting in lower costs and higher service profitability.

Capacity Management

Subex's Capacity Management is an innovative solution that helps CSPs to strategize and plan their network expansion & capacity augment investments keeping Customer Experience & Return on Investments at the center. This helps CSPs improve Customer Experience, increase ROI, optimize Capex, reduce Churn, and increase Net Promoter Scores.

Binding Layer

Binding layer in Digital Trust is the one that is necessary for the sustenance of a healthy business and includes areas like Security and Identity.

Subex Secure (Digital Security)

- Subex Secure is an IoT and OT security solution designed to secure connected and constrained devices and networks. It is an agentless product, enabling networks to introduce multitudinous types of devices securely. Subex Secure offers a way for business to scale IoT deployments without compromising on security or taking on additional risk. It is capable of monitoring billions of devices and their data transmissions. Using a three-tier detection strategy, it identifies threats as they occur on the network. These three strategies are signature-based detection, heuristics and anomaly-based detection. Risks are identified and flagged across these three security layers, thereby allowing seamless movement and allowing the integrity of data.
- Subex Secure's threat database is updated in real-time with signatures gathered from our 60 honeypots located in key cities around the world. Threat intelligence is also gathered from other credible sources.

IDcentral (Digital Identity)

Today, each individual has multiple digital interactions which give rise to something known as a digital footprint. This digital footprint is a combination of various attributes like phone number, email ID, device info, social network data etc. that when put together form the digital identity of that individual. IDcentral specializes in bringing together these different attributes to create verifiable digital identities leveraging alternate sources of data. IDcentral is the next-generation digital identity analytics platform, that helps businesses across various domains to increase their profitability and reduce risk. It is one of the largest repositories of data in the world with access to 200 plus data points of 700 million individuals. IDcentral's wide range of solutions include:

- Onboarding solutions: Enables document-less, presence-less, and secure online customer onboarding for enterprises. This includes solutions like locality verification using telecom CDR data, name/age/gender verification with government and telecom data, low touch verification, and risk prediction of MSISDN and email IDs using telecom and consortium data, AML + PEP + Sanctions lists.
- Credit solutions: Enables credit processing for underserved population and provide early default warning. This includes solutions like income range prediction with telecom data, locality verification with telecom data, alternate data credit scores, and early default vectors using telecom and consortium data.
- Fraud solutions: Enables E-com, M-wallet, Fintechs in preventing various kinds of identity and transactional frauds by using advanced analytics on usage, device, behavioral, Network, and telecom data. This includes addressing linked account abuse/fraud, ATO frauds, CNP frauds, Card present frauds.
- It acts as a one-stop shop for identity analytics solutions by harvesting data from multiple sources and adding layers of intelligence to enable the creation of a real-time frictionless digital identity.

Strategic Layer:

The strategic layer is the one that helps business in creating competitive advantage and brand reputation. Privacy, Real time insights, intelligence form the part of this layer.

HyperSense

HyperSense is a cloud-native and SaaS-based platform that democratizes AI across the entire data value chain providing agility, elasticity, and scalability. It is a cohesive augmented analytics platform that enables business users to easily unify data from disparate sources, automate tedious and complex data science processes, and turn the data into insights through auto visualization. It leverages AI-driven decision analytics and widens access to data, data science, artificial intelligence (AI), and machine learning (ML) by anyone in an organization.

HyperSense has dedicated studios designed for enterprise-scale AI adoption.

Data Management Studio

Gives a bird's eye view of every metric that matters. Collect, structure, and gives a 360-degree view of all the data from multiple sources and business functions in one place. One can manage, view and access complex enterprise data with ease.

Business Modelling Studio

Runs rules in real-time and generate actionable intelligence from data. Create complex business rules and chain them together into workflows to simulate business environments and processes with a no-code AI-enabled rule engine system.

AI Studio

Helps to build, test, deploy, and manage complex AI models in minutes. Gives access an end-to-end data science studio that provides AI automation capabilities across the entire data science cycle and become a citizen data scientist with no-code AI.

Business Intelligence Studio

Helps enterprises make quick and better decisions by visualizing the data. Visualize, analyze, and share complex business data insights. Leverage AI augmentation to auto-visualizes business data and gain actionable insights.

Process Automation Studio

Automates resolution workflows to seamlessly manage complex business case. Creates a visual representation of business cases and investigate the business case over a period to resolve a problem, claim, or request with an AI-enabled resolution workflow.

Analytics Center of Trust (Advanced Analytics)

Subex Analytics Center of Trust (ACT) is an end-to-end advanced analytics framework that helps CSPs truly leverage their data to drive business outcomes. Subex ACT enables CSPs to get the most from their Analytics program from the very start, i.e., strategizing the analytics roadmap, to setting up a trusted business intelligence layer, till the end, i.e., generating analytics driven business outcomes. ACT comprises of three components.

- Strategy: Leveraging over 25 years of expertise in telecom analytics, Subex helps to create the right analytics strategy by establishing CSPs current maturity, define the business vision and identifying the required roadmap.
- Trusted DataLake & BI: Subex's ACT is powered by an intelligent Information Infrastructure, which acts as the brain of the system delivering real-time insights on the shifts in trends across the spectrum. Subex's BI is built around Hadoop and big data capabilities, powered by machine learning (ML) and artificial intelligence (AI).
- Insights: Insights advanced analytics service, powers the ACT infrastructure, delivering next-generation Analytics-as-a-Service to Telcos across the globe. The solution leverages Subex's expertise in BSS/OSS and Telecom Analytics to provide actionable business intelligence to relevant business users at the right time. By combining the best in both machine and human intelligence, the solution transcends traditional approaches, accelerating the digital journey of organisations. Insights provide actionable insights around key focus areas: Product, Customer, Risk and Revenue.

Consulting & Assessment Services

Subex with its more than 25 years of experience in telecom domain, end-to-end encounter in defining strategy to execution and use of relevant tools that are compliant with global forums such as TM Forum and CFCA; is the right partner of choice in consulting and assessment services for global telcos.

Subex offers consulting and assessment services in the following domains:

- Maturity assessment: Benchmarking of their revenue assurance and fraud management processes concerning global standards and provide metrics across people skills, processes, technology usage and measurement strategies.
- Business operations assessments: Gap analysis of existing processes and provide the roadmap to close these gaps using "analyse, evaluate, assess and recommend" framework.
- Risk management: Identify the risks in the revenue chain and plug leakages promptly, through regular end to end assessment of the existing business and revenue streams. Subex's custom framework is based on a thorough understanding of risks, creating a Risk Control Matrix utilising TM Forum standards, and developing comprehensive standard operating procedures.
- Business process re-engineering: Review of the existing business processes and then design and implement the new business process after considering the best industry practices.
- System integration and IT support operations: While migrating from legacy OSS/BSS infrastructure, Subex provides extensive checklists and exhaustive test cases, making sure that migration cost is reduced. Subex can also help in carrying out customised health-check of RA and FM IT operations of telcos.
- Product and service margin assurance: Assessment of the target market and holistic margin and profitability check for the entire service and product catalogue.
- Portfolio optimisation: Optimising offering portfolio by holistic assessment of products and offerings considering subscriber base, price points, usage patterns, revenue share and benefit comparison with other offerings.
- BSS / OSS Domains: Drawing from Subex's established expertise on various BSS / OSS domains.
- On-Site Support: High caliber, experienced resources to ensure functional continuity and high resource efficiency.

OPPORTUNITIES

With digital transformation all around us, Digital Trust has become a key priority for Telecom Operators. Our portfolio with its focus on AI for Privacy, Security, Identity, Predictability, and Risk Mitigation is well suited to help telecom operators build and deliver Digital Trust.

- In aftermath of COVID-19 we are witnessing a dramatic increase in enterprise digital intensification. As most businesses are driven towards digital transformation, Cyber Crime, Fraud and Business risks have seen a dramatic increase. This is likely to result in stronger demand for risk assurance, security and fraud management solutions.
- We are also seeing a step up in 5G roll outs across the globe and as a consequence we are witnessing a number of new use cases especially in the B2B2x space. This is likely to result in telco revenue shifting from being consumer heavy to B2B2x enterprise heavy. Subex with Partner Ecosystem is well placed to benefit from this shift.
- Telcos are targeting enterprise services with 4G and 5G applications in manufacturing, health care, distance learning and transportation. Increasingly these services will rely on IoT and MEC networks. Subex is well positioned to help carriers in the areas of Capacity Management, Partner Management, Asset Assurance, Business Assurance, Partner Management, IoT Security and AI driven Augmented Analytics.
- We continue to see demand for data bandwidth increase relentlessly. At the same time revenues for telecom operators are likely to stay flat over the next 5 years period. Operators who do efficient network spends which combines capacity with customer experience and ROI will succeed. We see an opportunity to use our deep understanding of network performance KPIs and our capabilities in artificial intelligence in delivering cutting edge Network Capacity Management solutions to telecom operators.

Managed Services

Our Managed Services offerings are designed to drive outcome and protect revenues by enhancing customer experience. Pillared on four main aspects, i.e. Cost, Quality, Time-to-market and Capability, the engagement is aimed to provide rapid ROI, increase efficiency, and in-turn deliver maximum value. Driven by robust technology-led capabilities, Subex Managed Services offers a variety of engagement models providing complete flexibility to operators based on their business needs.

Subex Managed Services program is designed to add both strategic and tactical value to service providers' operations and enable better customer experience while also enhancing their operational efficiency, service agility and profitability. With Subex at the helm of its operations, service providers can redirect critical resources at core business functions generating more revenue and saving costs.

Subex understands that no two service provider requirements are alike and hence offers the flexibility to pick and choose services based on:

- Scope of Operations: Ranging from standard operations to large scale transformational programs.

Telcom Operators are transforming to platform players with new lines of businesses focused on entertainment, ecommerce, Industrial Automation, autonomous transportation, smart utility and cities. To succeed telecom operators are turning to increasing use of data for operational and strategic decision making. However, there are challenges. The journey from data to insights has several manual steps which are prone to errors and biases, it has a high dependency on skilled data scientists, data itself continues to reside in silos in the telco world. To address this latent need Subex has launched HyperSense an augmented analytics platform which uses AI to the journey from data preparation to insight generation and insight explanation. Subex's new platform enables citizen data scientists by automating many aspects of data science, machine learning, and AI model development, management and deployment. We see a strong demand for this platform among the Telecom Operators.

THREATS

- COVID-19 crisis continues to create uncertainty over economic recovery. Barring a handful of industries, this statement is probably applicable to all other businesses for the next few months. While the telecom industry is resilient to the COVID-19 crisis, it is not spared of uncertainty. And this uncertainty does impact opex and capex spend priorities.
- Telecom operators today offer a variety of products and services to its customers. Order management, provisioning, fulfillment, billing and customer care are becoming increasingly complex. Thus, demand on decision support solutions like Fraud Management and Revenue Assurance, to handle very complex use cases continue to grow. We at Subex have invested in technology upgrades and have invested in advanced AI labs to address these growing expectations of our customers.
- As Telcos turn into platform players and grow multiple lines of new businesses, there is increased decentralization of purchasing power and decision making among these lines of businesses. We at Subex recognize this challenge and have doubled down on ensuring greater relevance of our portfolio and visibility to our portfolio among these decentralized centers within telcos.
- As cloud computing makes further inroads into telecom service providers, so do a number of new cloud-based SaaS software vendors each offering niche capabilities in the area of decision analytics. We at Subex recognize these as new competitions and are transforming our entire portfolio to cloud native stack. HyperSense Augmented analytics platform is cloud and Kubernetes native platform capable of supporting cloud, hybrid and on-premise deployments balancing the realities of our customers and prospects,
- COVID-19 has resulted in multiple lockdowns and in general difficult in working from office. In response Subex has shifted to flexi working norms whereby Subexians are able to work and deliver from any where in the world. Necessary technology to support work from anywhere has been made available to all Subexians.

Key Announcements in FY20

Telefónica partners with Subex for next-gen fraud prevention

Subex announced a partnership with Telefónica, one of the largest mobile network providers in the world, to provide the latest version of Subex Fraud Management Solution. As part of the engagement, the operator will be deploying Subex's Fraud Management, to all opcos in Telefónica's Hispam unit: Argentina, Chile, Venezuela, Ecuador, Mexico, Peru, Uruguay, and Colombia.

Subex selected by Saudi Telecom Company for its integrated Revenue Assurance and Fraud Management solution

Subex announced that it has been selected by Saudi Telecom Company ("stc") to deploy an integrated Revenue Assurance and Fraud Management (iRAFM) solution. This deal marks another chapter in the long-standing partnership between Subex and stc,

through the earlier deployments of Subex's Revenue Assurance and an award-winning Fraud Management engagement, which began in 2003. By virtue of this decision, stc will be aiming to consolidate their technology stack with the latest solution from Subex, including replacement of other legacy systems.

Subex and SkyLab team up to secure the shipping industry

Subex and SkyLab, a leader in 5G Multi-Access Edge Computing (MEC) and Industrial IoT have announced a partnership to offer IoT and OT cybersecurity solutions and services to the maritime sector.

These solutions offered jointly by Subex and SkyLab have been successfully deployed and are already securing ships and maritime infrastructure across oceans. The industry can look up to this partnership to protect their critical assets from cyberattacks and cybercrime.

Subex joins O-RAN Alliance to help accelerate the adoption of open radio access networks

Subex announced that it has become a member of the O-RAN Alliance to support the development and standardisation of Open RAN (radio access networks). With its expertise in advanced network analytics based on machine learning, Subex joins the alliance to help drive innovation in the radio access network domain – ultimately facilitating Open RAN that leverages embedded artificial intelligence (AI) to maximise network performance.

Tech Mahindra and Subex Partner to Drive Scale Adoption of Blockchain-based Solutions for Telecom Operators Globally

Tech Mahindra, a leading provider of digital transformation, consulting, and business re-engineering services and solutions, and Subex, an industry leader in providing services based on Digital Trust, have announced strategic partnership to roll-out blockchain based solutions for telecom operators globally. These solutions will enable fraud mitigation and drive operational efficiencies for Communication Service Providers by reducing compliance complexities and faster time-to-market.

Subex launched Partner Ecosystem Management platform.

Subex announced the launch of its Partner Ecosystem Management platform that will allow CSPs to accelerate their digital services portfolio expansion. The platform will allow CSPs to create a value driven partner ecosystem and significantly improve time to market for new services by identifying and quickly onboarding diverse partners. It will also enable digital trust among CSPs and their partners by creating a transparent partner ecosystem.

REVENUE MODEL

Our revenue generally comes from four streams: (1) licensing; (2) professional services related to installations and configuration activity; (3) annual support contracts; and (4) managed services.

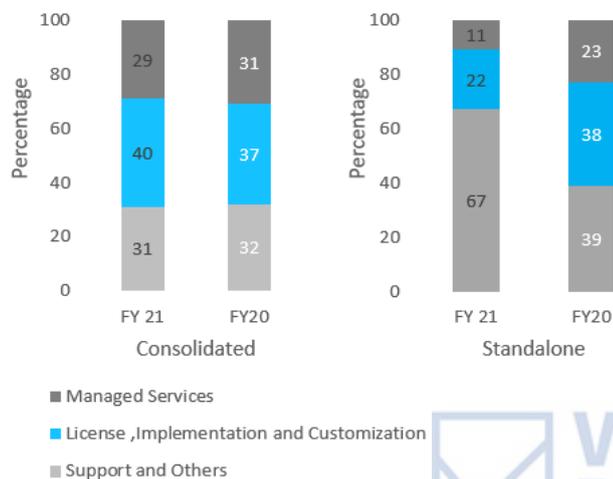
We generally license our software products on per subscriber or per transaction basis. This means that when our customers experience growth, we can also expect to benefit from that growth. Typically, there are significant professional services revenues associated with each new software installation as well as with upgrades.

Our annual support contracts are generally priced as a function of the total license fees paid by the customer. Thus, our annual

support contracts would also tend to experience growth when our customers experience growth. Importantly, annual support contract revenue tends to be recurring revenue.

Finally, we have been experiencing increasing success with managed service revenue. Like annual support contracts, managed services provides a relatively predictable recurring revenue stream. At the same time, our managed service offering provides us with an opportunity to maintain a continuous touch point with the customer so we can better understand their needs and we have opportunity to educate them on our offerings and skills.

Revenue Composition



RISKS AND CONCERNS

As our valued investor, we are certain you understand our business environment, prevailing economic conditions, geo-political circumstances, and other specific risks that may affect our future business decisions and financial performance. It is not possible to detail out every risk since we operate in a very competitive and rapidly changing global environment . New risk factors emerge from time to time, the year 2020 was one of our most challenging years in recent times, just as it was for any other business since the global COVID-19 pandemic lead to uncertainty and ambiguity across the globe. There could still be dramatic changes in the business however due to lack of precedents, and the fact that the pandemic is still ongoing, we are unable to provide specific details on how this could impact Subex's business. We are providing some information on several risks which we are aware of and they are stated herein: (a) reduction in consumer and business purchasing; (b) consolidation of our customer base; (c) dependence on communications, service providers as our major customers; (d) security; (e) improper disclosure of personal data could result in liability and harm to our reputation; (f) technology changes and obsolescence may impact our business; (g) recruiting and retention of personnel is challenging; (h) adequately protecting our intellectual property may not be possible; (i) allegations of infringement of third-party intellectual property poses risks; (j) variability of our quarterly operating results makes comparisons difficult; (k) non-compliance with statutory obligations may result in fines and penalties; (l) non-compliance with environmental regulations may lead to fines and penalties; (m) foreign exchange

fluctuations may lead to variability in our revenue; (n) SEZ related taxation benefits may be uncertain; (o) failure to fulfill contractual obligation may lead to claims; and (p) debt obligations. Below, we will discuss each of these risks in some more detail. There are, of course, additional risks faced by us, which are not specified here.

Reduction in Consumer and Business Purchasing.

We depend on our customers – primarily CSPs. If our primary customers face reduced revenue, we will also face reduced revenue. CSPs primary customers are consumers and businesses. Of course, reductions in spending by consumers or businesses will reduce revenue of CSPs and this will result in decreased spending by the CSPs which means reduced revenue for us.

Consolidation in our customer base

CSPs have gone through considerable consolidation. The consolidation, or merger, of one CSP with another can have at several impacts on us. First, it will simply reduce the overall size of the market; each consolidation effectively reduces the number of potential customers for our products. Secondly, it can and does happen that one of our existing customers can undergo a consolidation. In that event, the other party to the consolidation may already have competing products and the combined company may choose to continue with the use of the competing product rather than use our products/services. Of course, it can also happen that the two companies, when combined, choose to use our products which may have a positive impact on our revenue. Another possibility is that two existing customer merge. The consolidation of two customers will have an adverse effect on our revenue as the combined company attempts to reduce their consolidated spending. Finally, larger customers simply have more negotiating power leading to reduced prices for our products. The Company strives to have a deep penetration within the accounts that it serves so as to provide an edge over competitors and be a preferred choice during such consolidations.

Dependence on the Communications Service Providers as our major customers

We mentioned above our customers are primarily CSPs. We are fully dependent on CSPs as our major customer base. As a result, we are fully susceptible to any downturns or negative changes in the CSP industry.

Security

You must be well aware that security threats are prevalent everywhere today. This is, perhaps, especially true in the technology industry where we participate. The security vulnerabilities take many forms. Hackers may attempt to compromise computer systems and networks. Fraudsters may attempt to steal the identity of our personnel to gain access to our computer systems, networks and even banking systems. Terror activity could have an adverse impact on our business. We may fail to adequately design our products leaving our customers exposed to hacking and other network vulnerabilities. Perhaps this concern – of failure to adequately design our products leading to exposure of our customer's information is one of the largest concerns. If one of our customers faced a security breach allegedly as a result of use of our products, it would cause significant reputational risk to us and may lead to claims against us.

We devote significant resources to mitigate security threats including threats to our internal IT systems, with respect to our products and with respect to physical security of our buildings. But there cannot be any guarantee that these efforts will avoid security breaches.

Improper disclosure of personal data could result in liability and harm our reputation

You are probably aware of the global trend towards more sensitivity regarding improper disclosure of personal data. This global trend has a number of impacts on us. There are additional laws and regulations in many jurisdictions. This not only leads to increased administrative costs of compliance and increased difficulties in doing business but violations of these laws and regulations involve higher and higher fines and penalties. At the same time, we are storing and processing increasingly large amounts of personal data which leads to increased potential exposure.

We take what we consider to be appropriate steps to provide for the security and protection of all data including personal data. But, despite these efforts, it is possible our practices may not prevent the improper disclosure of personal data. Improper disclosure of this information could harm our reputation, lead to legal exposure, lead to claims against us by customers including claims for indemnification or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue.

It is important to note that our potential liability for customer financial damages associated with losses of personal data is generally not limited by limitation of liability provisions in customer contracts.

In addition to risks related to improper disclosure of personal data, new laws and regulations are being implemented. One significant new regulation is the European General Data Protection Regulation ("GDPR") which went into full effect in May 2018. Compliance efforts related to these laws and regulations is significant and could be a distraction from other activities. Further, even without any actual improper disclosure of personal data, non-compliance could result in large fines. Still further, customer focus on these laws and regulations could delay or jeopardize sales and installations of Subex products.

Technology changes and obsolescence may impact our business

We experience rapid technological changes which could make our technology and services obsolete, less marketable or less competitive. These changes result in our need to continually improve the features, functionality, reliability and capability of our products which poses development challenges and expenses. We may not be able to adapt to these changes successfully or in a cost-effective way which may adversely affect our ability to compete and retain customers or market share.

While the rapid technological changes require us to change our products, launching new products is also a key element of our growth. An inability to bring new products with high demand to the market in a timely manner will reduce our growth and profitability.

We make strong efforts to put in place processes and methodologies to address these issues and to turn it into a strategic advantage by being in the forefront of technological evolution. For example, regular skill upgradation programs and training sessions that include attending global conferences and employing specialized consultants etc. are undertaken.

Recruiting and Retention of Personnel is challenging

Subex's talent acquisition strategy is to hire candidates with the right competencies required by the business at the right time, a judicious mix of lateral hires and fresh graduates. We are an equal opportunity employer and focus on meritocracy at all stages of hiring, strictly based on role-mapping career architecture. We have a robust process to source and select the best talent, both for entry-level roles as well as lateral hires through our website, channel partners, referral campaigns, campus placements, and internal job postings. Given the difficult situation arising from the pandemic in FY22, a lot of our hiring was done virtually, and we hired close to 574 Subexians.

Adequately Protecting Our Intellectual Property may not be possible

We operate in a global environment; protecting our proprietary technology in the many different jurisdictions we operate in, which is challenging. We depend on a combination of technical innovations, as well as copyrights and trade secrets for protection of our technology. We also maintain patent and trademark protection, as and where applicable and required. However, some jurisdictions have limited laws protecting technologies and other jurisdictions, even if they have laws protecting technology related innovations, are curtailed by limited or difficult enforcement systems. Even in jurisdictions which are equipped with adequate laws and enforcement systems, detection of infringement of our rights may be difficult and even if detected, engaging in litigation to enforce our rights would be expensive.

Departure of our personnel, especially to a competitor, is a particular risk to our technology and intellectual property rights. We generally require all employees and advisors to sign agreements which require that our information be maintained as confidential during and after their employment/engagement. These agreements also assign or otherwise vest rights in the intellectual property developed by these employees and advisors to the company. Even so, these agreements may not effectively prevent disclosure of our information or effectively assign rights to us. Further, detection of violation of these agreements may be difficult and it may be difficult to enforce these agreements even when such violations are detected. Any exposure of our information by former employees or any failure to adequately have rights assigned to us, may have a material adverse effect on our business, financial condition, the results of our operations and our reputation.

Allegations of Infringement of Third- Party Intellectual Property poses Risks.

We may face claims by third parties that our products infringe their intellectual property rights. Whether or not we ultimately prevail in any intellectual property dispute, defending the dispute may be expensive, it may distract our management and other key personnel and its outcome is uncertain. Further, if any of our products are found to infringe the intellectual property rights of others, or if we settle a claim in an adverse manner, it may restrict or prohibit further development, manufacture, and sale of our products. A loss or adverse settlement may require us to pay substantial sums of money in terms of damages. We may also be forced to seek licenses to continue to use the product that contains the specific intellectual property. These licenses may not be available on commercially acceptable terms or may not be available at all.

Furthermore, we are required to indemnify our customers against third-party claims of infringement of intellectual property arising out of our customers' use of our products and services. Typically, our liability for such indemnification is not limited by limitation of liability provisions in our customer contracts.

Further, we are often in possession of proprietary information of our customers. This information may be wrongly used or disclosed or may be misappropriated by employees of the Company or others. This would result in a breach of our contractual obligations to our customers. Any such breach may subject us to a significant claim(s) from the customer for damages and may also significantly damage our reputation.

We have a consistent protocol of requiring NDAs before disclosure of our trade secrets/confidential information to third parties. Employees sign confidentiality terms as a part of their employment agreement.

Historically, we have not received any allegation of infringement of third-party intellectual property against our products nor our services. However, especially since we invest in and introduce new product lines, allegations of infringement of third-party intellectual property rights, against us or our customers with respect to our products or services, or any allegation of breach of our confidentiality obligations to our customers could arise and this could have a materially adverse impact on our business, financial condition the results of our operations and our reputation.

Variability of Our Quarterly Operating Results Makes Comparisons Difficult

Our quarterly operating results have varied in the past due to reasons like seasonal pattern of hardware and software capital spending by customers, information technology investment trends, achievement of milestones in the execution of projects, hiring of additional staff and timing and integration of acquired businesses. Hence, the past operating results and period to period comparisons may not indicate future performance. Our management is attempting to mitigate this risk through expansion of our client base geographically, increasing annuity revenue such as through managed services and also looking to grow revenues from Horizon 2 areas of IOT Security, ROC Insights etc.

Non-compliance with statutory obligations may result in fines and penalties

We face certain statutory obligations. Some of these obligations arise from the fact that we have registered with Special Economic Zone for software development activities and have availed Customs Duties and Goods and Service Tax exemptions. The non-fulfillment of export obligations or other non-compliance with statutory obligations may result in penalties as stipulated by the Government and this may have an impact on future profitability. The Company has team of in-house attorneys and engages outside counsel/consultants on a need basis. An ongoing monitoring mechanism has been established with respect to applicable laws.

Certifications and compliance

Subex is certified for both Information Security and Quality Management System Periodic reviews and internal audits are carried out based on a defined program. These audits cover the Delivery and Corporate functions based on the scope of certification

for management systems which is currently defined as per the requirements of ISO 27001:2013, GDPR and ISO 9001:2015. A system is in place to identify and manage process changes methodically. There is people involvement across organization in the activities of process development, implementation and reviews, there by achieving continual improvement. A centralized repository is in place to cover all policies, processes and controls, which is easily accessible to all employees to ensure strict process adherence.

Non-compliance with Environmental Regulations may lead to fines and Penalties

Software development, being generally a pollution free industry, means we are not subject to significant environmental regulations. Nonetheless, non-compliance with applicable environment regulations may lead to significant fines and penalties. We do adhere to the guidelines for disposing of E-wastes as stipulated by the E-Waste (Management and Handling) Rules.

Foreign Exchange Fluctuations May Lead to Variability in Our Revenue

We have substantial exposure to foreign exchange related risks on account of revenue from export of software and outstanding liabilities. There is a natural hedge to the extent of expense incurred in same currency. Despite this, particularly given the volatility in the foreign exchange market, there could be significant variations. Our management is attempting to mitigate this risk through hedging by obtaining forward contracts against its revenue and receivables.

Failure to Fulfill Contractual Obligation May Lead to Claims

We enter into contracts with our customers in the ordinary course of business, under which we are obligated to perform and act according to the contractual terms enumerated under them. Any failure to fulfill these contractual obligations may expose us to financial, reputational and other risks.

We are confident we have taken sufficient measures to assure it meets the contractual obligations under the customer contract. Nonetheless, there cannot be any assurance that a customer will not allege a breach by us of our obligations.

Debt Obligation

The Company did not have any debt obligation as on March 31, 2021.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

In accordance with the provision of Section 134(5)(e) of the Companies Act, 2013, and as per the provisions of the SEBI (LODR), Regulations, 2015, the Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. Such Internal Financial Controls were found to be adequate for a Company of this size. The controls are largely operating effectively since there has not been identification of any material weakness in the Company. The Directors have in the Directors Responsibility Statement under paragraph (e) confirmed the same to this effect. The Company has policies and procedures in place for ensuring proper and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and timely preparations, reliable financial information. The Company has adopted accounting policies which are in line with Indian Accounting Standards ("Ind AS").

Pursuant to the provisions of the Section 134(5)(f) of the Act, the Company during the year devised proper systems and continued to ensure compliance with the provisions of all applicable laws. Any matter that required attention was immediately dealt with. The compliance system was largely found to be adequate and operating effectively. The Directors have in the Directors Responsibility Statement under paragraph (f) confirmed the same to this effect.

The Internal Auditors monitor and evaluate the effectiveness and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiaries. Based on the report of Internal Auditors, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

Subex is certified for ISO 9001:2015 (Quality Management System) and ISO 27001:2013 (Information Security Management System). Internal audits are conducted periodically for projects and support functions to adhere to these international standards. These audits are conducted across Bengaluru, UK and US locations to ensure processes are followed to provide a better customer experience. Summary of the audits are shared across organization to help understand strengths and weaknesses in the system. People involvement in organization process initiatives is one that approaches towards achieving better compliance, standardizing activities to consistently achieve better customer satisfaction.

This year Subex focused on additional security awareness programs and improve the existing business continuity controls owing to the pandemic. Additionally, we continued to identify and involve relevant stakeholders to review and align the processes to Subex's Business objectives.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Financial Highlights/ Year Ended March 31	2020-21		2019-20	
	Consolidated	Standalone	Consolidated	Standalone
Revenue from operations	37,203	2,916	36,498	1,079
Total Income	37,677	5,510	37,061	3,170
Earnings Before Interest, Exceptional Items & Taxes (EBIT)	8,472	302	7,910	(1,172)
Profit/(Loss) before Exceptional items & tax	8,650	2,882	7,996	891
Exceptional Items	287	(231)	(31,766)	(21,361)
Profit/(Loss) before tax	8,937	2,651	(23,770)	(20,470)
Tax expenses	3,765	29	3,145	118
Profit/ (Loss) after tax	5,172	2,622	(26,915)	(20,588)
Other comprehensive income/(loss)	624	-	(29)	(21)
Equity dividend %	10%	10%	Nil	Nil
Share Capital	28,100	28,100	56,200	56,200
Reserves & Surplus	26,755	22,066	(4,661)	(6,176)
Net worth	54,855	50,166	51,539	50,024
Gross Property, Plant & equipment, right-of-use asset and other intangible assets	5,786	6,259	8,215	6,599
Net Property, Plant & equipment, right-of-use asset and other intangible assets	3,139	874	4,861	1,157
Total Assets	72,666	57,919	68,098	55,128

Ratios where there has been a significant change from fiscal 2020 to fiscal 2021

Key Indicators	2020-21		2019-20	
	Consolidated	Standalone	Consolidated	Standalone
Debtor Turnover Ratio	4.0	1.9	4.1	1.2
Current Ratio	3.2	0.9	2.7	0.6
Debt/Equity Ratio	0.05	-	0.09	0.01
Net Profit Margin %	13.9	89.9	(73.7)	(1,908.0)
Return on year end Net Worth (excluding exceptional items) %	10.4	5.7	7.4	1.2
Return on year end capital employed% (EBIT/CapitalEmployed)	14.8	0.6	14	(2.3)

- Debtors turnover ratio is computed as turnover divided by average debtors. On consolidated basis, decrease in debtor's turnover ratio is on account of increase average debtors in FY20-21. On standalone basis, increase is on account of increase in revenue from ₹ 1,079 lakhs in FY 2019-20 to ₹ 2,916 lakhs in FY 2020-21 .

- Current ratio is computed as current assets by current liabilities. Increase in ratio is due to increase in current assets on both standalone and consolidated basis as compared to previous year.
- Debt equity ratio is computed as total of borrowings and lease liabilities divided by net worth. Decrease in debt equity ratio is on account of decrease in the lease liabilities.
- Return on net worth on consolidated basis is computed as net profit or loss attributable to equity shareholders (excluding exceptional gains of ₹ 287 lakhs and exceptional loss of ₹ 31,766 lakhs for 2020-21 and 2019-20 respectively) by average shareholders equity. Return on net worth on standalone basis is computed as net profit or loss attributable to equity shareholders (excluding exceptional loss of ₹ 231 lakhs and ₹ 21,361 lakhs for 2020-21 and 2019-20 respectively) by average shareholders equity.
- Net profit margin is computed as net profit or loss by turnover of the company. Variation in ratios has been explained in the below commentary.
- Return on year end capital employed is computed as earnings before interest and tax by capital employed. There has been increase in EBIT from ₹ 7,910 lakhs in 2019-20 to ₹ 8,472 lakhs in 2020-21 on consolidated basis and from negative EBIT of ₹ 1,172 lakhs in 2019-20 to positive EBIT of ₹ 302 lakhs in 2020-21 on standalone basis.

COMMENTARY ON FINANCIAL STATEMENTS

Share Capital

As at March 31, 2021, the issued, subscribed and paid-up share capital of the Company was ₹ 2,81,00,14,675 (Rupees Two hundred and eighty one crores, fourteen thousand, six hundred and seventy five only) divided into 56,20,02,935 (Fifty six crores, twenty lakhs, two thousand nine hundred and thirty five only) equity shares of ₹ 5 (Rupees five only) each. The National Company Law Tribunal, Bengaluru Bench, vide its Order dated September 23, 2020 approved the Scheme of Reduction of Equity Share Capital of the Company from ₹ 562 Crores to ₹ 281 Crores by reducing the face value of the equity shares from ₹ 10/- each to ₹ 5/- each. The Company has not allotted equity shares in FY 2020-21.

Reserves and Surplus

Securities premium

On standalone and consolidated basis, the balance of security premium as at March 31, 2020 amounted to ₹ 26,712 lakhs. During the year 2020-21, ₹ 33 lakhs has been transferred to securities premium on exercise of share options by employees. Also, an amount of ₹ 10,301 lakhs has been utilized to write-off the accumulated losses, in accordance with the scheme of Capital reduction approved by the NCLT on September 23, 2021. As at March 31, 2021, the balance of security premium was ₹ 16,444 lakhs.

Retained earnings

- On a standalone basis, as at March 31, 2020, there was deficit balance in retained earnings amounting ₹ 36,325 lakhs. During the year, 2020-21, the Company has written-off the accumulated losses of ₹ 38,401 lakhs by utilizing ₹ 10,301 lakhs from securities premium and ₹ 28,100 lakhs from the paid-up share capital of the Company, in accordance with the scheme of Capital reduction approved by the NCLT on September 23, 2021. Also, the Company has earned a profit of ₹ 2,622 lakhs and distributed interim dividend of ₹ 2,746 lakhs. As at March 31, 2021, there was a surplus in the retained earnings amounting to ₹ 1,952 lakhs.
- On a consolidated basis, as at March 31, 2020, there was deficit balance in retained earnings amounting ₹ 19,828 lakhs. During the year, 2020-21, the Company has written-off the accumulated losses of ₹ 38,401 lakhs

by utilizing ₹ 10,301 lakhs from securities premium and ₹ 28,100 lakhs from the paid-up share capital of the Company, in accordance with the scheme of Capital reduction approved by the NCLT on September 23, 2021. Also, the Company has earned a profit of ₹ 5,172 lakhs and distributed interim dividend of ₹ 2,746 lakhs. As at March 31, 2021, there was a surplus in the retained earnings amounting to ₹ 20,987 lakhs.

Exchange differences on translating the financial statements of a foreign operation.

- During the year 2019-20, the balance of Foreign Currency Translation Reserve of ₹ 12,206 lakhs has been included in the Reserves and Surplus to bring it in line with Schedule III of the Act.
- During the year 2020-21, the balance of Foreign Currency Translation Reserve of ₹ 11,570 lakhs has been included in the Reserves and Surplus to bring it in line with Schedule III of the Act.

Total equity attributable to equity holders of the company.

- On a standalone basis, the total equity attributable to equity holders of the Company has increased to ₹ 50,166 lakhs as at March 31, 2021, as compared to ₹ 50,024 lakhs as at March 31, 2020.
- On a consolidated basis, the total equity attributable to equity holders of the Company has increased to ₹ 54,855 lakhs as at March 31, 2021 from ₹ 51,539 lakhs as at March 31, 2020. The movement was primarily on account of profits earned during the year, interim dividend paid to the share holders and exchange gain on foreign currency translation.

Employee Stock Options Plan

Under the Subex Employees Stock Option Scheme-2018 Company has granted 12,40,500 options during the year ended March 31, 2021 as compared to 1,28,00,000 options during March 31, 2020. The net amount carried in respect of stock options outstanding at March 31, 2021 amounts to ₹ 232 lakhs (Previous year : ₹ 114 lakhs).

Property, plant, equipment, right-of-use asset and other intangible assets

During the year, the Company added ₹ 1,084 lakhs on consolidated basis and ₹ 55 lakhs on standalone basis, to its gross block. The Company disposed-off certain assets no longer required. Also, the Company has classified land use-rights related net block to right-of-use assets on account of adoption of Ind AS 116 – Leases. As at March 31, 2021, the balance in right-of-use asset stands at ₹ 1,962 lakhs on consolidated basis and ₹ 46 lakhs on standalone basis. Refer note 28 of consolidated financial statement and 27 of standalone financial statement for further details.

The Company's net block of property, plant and equipment, right-of-use asset and other intangible assets was ₹ 3,139 lakhs (Previous year ₹ 4,861 lakhs) on consolidated basis and ₹ 874 lakhs (Previous year ₹ 1,157 lakhs) on standalone basis.

Goodwill

On a consolidated basis, carrying value of goodwill as at March 31, 2021 and March 31, 2020 stood at ₹ 34,409 lakhs.

During the previous year 2019-20, considering the challenges and significant investment requirements of telecom operators which had resulted in longer opportunity conversion cycle and lower spends towards IT solutions, the management had carried out the annual impairment exercise in respect of carrying value of goodwill and had made an impairment provision of ₹ 31,473 lakhs towards carrying value of goodwill. During the year 2020-21, there is no change in the carrying value of goodwill.

Investments

On a standalone basis, the total investment value as at March 31, 2021 and as at March 31, 2020 stood at ₹ 47,561 lakhs.

During the previous year 2019-20, 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 in respect of its investment in Subex Assurance LLP and had made an impairment provision of ₹ 16,808 lakhs towards its carrying value. As at March 31, 2021, there is no change in the carrying value of the investment in Subex Assurance LLP and it remained at ₹ 44,756 lakhs.

During the year 2020-21 and previous year 2019-20, there is no diminution in the carrying value of investment in Subex Digital LLP and Subex Americas Inc. The carrying value of these investments remains at ₹ 1,869 lakhs and ₹ 936 lakhs respectively.

Trade Receivables

The major customers of the Company are the telecom and cellular operators overseas and in India. The receivables are spread over a large customer base. There is no significant concentration of credit risk on a single customer.

All the debtors are generally considered good and realizable and necessary provision has been made for debts considered to be bad and doubtful. The level of sundry debtors is normal and is in tune with business trends requirements.

The management believes that the overall composition and condition of trade receivables is satisfactory post assessment of doubtful receivables. As at March 31, 2021, on a standalone basis trade receivable amounted to ₹ 2,184 lakhs (previous year; ₹ 915 lakhs) net of provision for doubtful debts of ₹ 2,239 lakhs (previous year; ₹ 2,262 lakhs).

On a consolidated basis trade receivable amounted to ₹ 9,215 lakhs (previous year ₹ 9,206 lakhs) net of provision for doubtful debts of ₹ 2,088 lakhs (previous year ₹ 2,178 lakhs).

Cash and Cash Equivalents

On a standalone basis, balance in current and deposit accounts stood at ₹ 397 lakhs as at March 31, 2021, as compared to ₹ 392 lakhs as at March 31, 2020.

On a consolidated basis, balance in current, EEFC and deposit accounts stood at ₹ 14,294 lakhs as at March 31, 2021 as compared to ₹ 9,043 lakhs as at March 31, 2020.

Long-terms Loans and Advances

It represents rent deposit, electricity deposit, telephone deposits and employee advances of like nature.

Borrowings

On a consolidated basis, short-term borrowings as at March 31, 2021 stood at ₹ 584 lakhs (Previous year Nil).

Income

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 are considered to constitute one segment and hence the Company has not made any additional segment disclosures.

Geographically, the Company earns income from export of software products and related services to USA, EMEA & Asia Pacific region.

With effect from January 01, 2021, the Company has carried out strategic re-organization and decided to centralize certain key Sales and Business support functions, to drive better efficiency of scale and overall operations. Accordingly, all such employees in sales and business support functions from other group entities in India have been transferred to the Company.

Pursuant to the above re-organization, common costs pertaining to sales and business support function amounting to ₹ 1,406 lakhs (including ₹ 422 lakhs up for the period from April 01, 2020 to December 31, 2020) has been recovered by the Company with an agreed mark-up from other group entities and is reflected under revenue from operations.

Other Income

Other income consists of income derived by the Company from interest on deposits from banks, refund of research and development expense.

Expenditure

The employee benefits expenses increased to ₹ 19,720 lakhs compared to previous year at ₹ 17,454 lakhs on consolidated basis. Increase on consolidated is majorly on account of new additions to the headcount and increase in the sales commission expense.

With effect from January 01, 2021, the Company has carried out strategic re-organization and decided to centralize certain key Sales and Business support functions, to drive better efficiency of scale and overall operations. Accordingly, all such employees in sales and business support functions from other group entities in India have been transferred to the Company resulting in increase of employee benefits expense on standalone basis from ₹ 616 lakhs during previous year to ₹ 1,361 lakhs during year ended March 31, 2021.

Pursuant to above re-organization an amount of ₹ 135 lakhs (including ₹ 117 lakhs for the period from April 01, 2020 to December 31, 2020) has been charged to the Company by other group entities and is reflected under marketing and support charges.

Operating Profits

During the year, on consolidated basis, the Company earned an operating profit before interest, depreciation, tax, amortization and exceptional items of ₹ 9,850 lakhs being 26.5% of total revenue (excluding other income) as against ₹ 9,418 lakhs at 25.8% total revenue (excluding other income) during the previous year. Increase is majorly on account of growth in revenue by 2%, i.e. ₹ 705 lakhs compensated by increase in expense by ₹ 273 lakhs.

On a standalone basis, the Company incurred operating profit before Interest, depreciation, tax and exceptional items of ₹ 495 lakhs (excluding other income and share of profit/loss from LLP's) being 17% of total income (excluding other income and share of profit/loss from LLP's) as against operating loss of ₹ 610 lakhs at 57% during the previous year. Increase in profit is majorly on account of increase in revenue by ₹ 1,837 lakhs, compensated by increase in employee cost by ₹ 745 lakhs.

Interest

During the year ended March 31, 2021, Company recognized interest expense totaling to ₹ 296 lakhs (Previous year: ₹ 477 lakhs) on a consolidated basis and ₹ 14 lakhs (Previous year: ₹ 28 lakhs) on a standalone basis.

For the year ended March 31, 2021, expenditure includes interest on Lease liability recognized as per Ind AS 116, Leases amounting ₹ 269 lakhs (Previous year ₹ 452 lakhs) and ₹ 14 lakhs (Previous year ₹ 28 lakhs) on a consolidated and standalone basis respectively.

Depreciation

During the year ended March 31, 2021, depreciation expense amounted to ₹ 1,378 lakhs (Previous year: ₹ 1,508 lakhs) on consolidated basis and ₹ 193 lakhs (Previous year: ₹ 562 lakhs) on standalone basis.

For the year ended March 31, 2021, depreciation and amortization include depreciation on right of use asset recognized as per Ind AS 116- Leases, amounting ₹ 1,028 lakhs (Previous year ₹ 1,116 lakhs) and ₹ 54 lakhs (Previous year ₹ 66 lakhs) on a consolidated and standalone basis respectively.

Tax Expense

For the year ended March 31, 2021, there was a tax expense of ₹ 29 lakhs (Previous year: tax expense charge of ₹ 118 lakhs) on a standalone basis.

During the year ended March 31, 2021 tax expense includes current tax charge of ₹ 35 lakhs and reversal of foreign WHT of ₹ 6 lakhs.

During the previous year 2019-20, tax expense includes the provision of MAT credit entitlement of ₹ 425 lakhs for considering the uncertainty as regards to its utilization, offset by reversal of provision on foreign withholding tax amounting ₹ 307 lakhs on account of favorable assessment order received during the year ended March 31, 2020 allowing foreign tax credit in respect of AY 2016-17.

On a consolidated basis, tax expense was ₹ 3,765 lakhs (previous year; ₹ 3,145 lakhs).

Tax expense for the year March 31, 2021 includes tax charge of ₹ 696 lakhs (Previous year ₹ 117 lakhs), provision of MAT credit entitlement of ₹ NIL (Previous year ₹ 425 lakhs), deferred tax of ₹ 2,670 lakhs (Previous year ₹ 1,849 lakhs) and provision on Foreign tax credit of ₹ 399 (Previous year ₹ 754 lakhs net of reversal of ₹ 308 lakhs on account of favorable assessment order received during the year ended March 31, 2020 allowing foreign tax credit in respect of AY 2016-17).

Net Profit

On consolidated basis, the net profit of the Company amounted to ₹ 5,172 lakhs as against a net loss of ₹ 26,915 lakhs during the previous year. Total Comprehensive profit for the year is ₹ 5,796 lakhs as compared to the loss of ₹ 26,944 lakhs during previous year.

On standalone basis, the net profit of the Company amounted to ₹ 2,622 lakhs as against a net loss of ₹ 20,588 lakhs during the previous year. Total Comprehensive profit for the year is ₹ 2,622 lakhs as compared to loss of ₹ 20,609 lakhs during previous year.

Earnings per Share

Basic Earnings per share computed based on number of common stock outstanding, as on the Balance Sheet date is ₹ 0.96 per share (Previous year: Loss of ₹ 4.94 per share) on a consolidated basis and ₹ 0.49 per share [Previous year: Loss of ₹ 3.78 per share] on a standalone basis.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

Subexians

FY21 turned out to be a year of experimentation as the overall corporate environment was impacted due to the pandemic. Remote working became the norm and we tried to enable all Subexians to work as effectively and productively as possible through this year.

The focus on the key areas or themes around which a Subexian's lifecycle is built- Leadership, Empowerment, Appreciation & Recognition and Career Development & Learning continued. Our endeavor was to enhance the Subexian experience throughout his/her lifecycle spanning recruitment, onboarding, performance, learning & growth and offboarding. As an organization, we take

pride in ensuring the experience of each Subexian is positive and meaningful.

Our employees are spread across the globe and the larger centers are our offices located in Bengaluru, London, Denver, Dubai and Singapore. As of March 31, 2021, we had 1000+ full time Subexians on our rolls globally.

Human Resources at Subex is centralized at our corporate headquarters in Bengaluru, with regional HR teams providing local support aligned to the global HR strategy. The function is a key enabler in the Company's growth path by driving focused initiatives for talent development.

Our existing HR policies continue. Work from home, Sabbatical, Certification, Team Outing are examples of a few policies which are employee focused. We recognized that remote working is a reality and the new way of working. With that premise, we have introduced a Work from Anywhere (WFA) policy that prima facie, allows Subexians to work from anywhere, with guidelines on how to have that enabled.

The Subex Handbook

As we grow, it is imperative that we document the vast amount of information about Subex as an organization, and the work we do. We needed a central repository about Subex and its functions for the easy access and consumption of any Subexian, new or old. Addressing this need, we have put together a Subex Handbook, a ready reckoner for everything one needs to know about Subex.

This Subex Handbook is a living repository and will undergo continuous updations.

Key hires for the year

Over the period of the last twelve months, we have hired senior executives from the industry to fuel our growth strategy and help take Subex to the next frontier of growth. Our current Chief Technology Officer (CTO), Suresh Chintada, was hired during FY21. Some of the other senior executives we hired include Damon Acton, Regional Vice President of IoT Sales for Americas, Vivek Anand, Head – IoT Sales, APAC and Gautam Sarkar, Vice President and Head of Technology Solutions.

Recruitment

A lot of our recruitment was executed remotely given the pandemic environment. To add to the rigour and efficacy of the recruitment process, we initiated steps that would enable us to show measurable impact on the growth and quality of the workforce.

The well-established processes like Coffee with the Hiring Manager, Post-offer feedback, Subexian referral program, partner feedback, interviewer feedback, Buddy Programme etc., continue. The focus last year was also on hiring key global talent to fuel our growth objectives. Our campus hires and internship programmes were successfully conducted as we are cognizant of the need to bring on board fresh, young minds to infuse innovation within Subex.

Subexian Onboarding

Most of our onboarding last year was carried out remotely. Our onboarding process has always been well recognized and appreciated. Our robust and comprehensive onboarding process with a clear goal of creating a great day-one experience continued. All paperwork is typically done online before the joining date and

this has helped save tremendous amount of time for new joiners when they join Subex. The process does not limit to only day one. Quantifiable processes to cover the new joiner's 30-60-90 training plan, regular polls and interventions take place to assess employee engagement. The new joiner training is then followed up with an on-the-job training to strengthen the knowledge and skills learnt during the training period.

Performance Management

This year the focus continued on encouraging and developing high performance with the aim of driving meritocracy. The HR team in consultation with business drove multiple high performance programs in the form of rewarding high performers with enhanced roles and incentive benefits. We introduced and established two key initiatives to support the performance of Subexians – Leadership Performance Expectation (LPE) centered around performance evaluation for certain grades and above and Career Architecture to help each Subexians in their learning and growth journey. These together with other interventions we are working on, aim to provide a 360 degrees experience for all Subexians in their growth and learning journey.

Learning & Growth

Learning & development analysis is a continuous process to align people skills with business goals. We have attempted to bring all learning at Subex together, under one roof, in order for Subexians to provide a consistent and robust learning experience. In continuation with the programmes and initiatives of last year, like the skill / competency matrix, we have also brought in a streamlined focus on curated learning, with a mix of external and internal training focused at specific groups and sections of Subexians.

Rewards & Recognition

We understand the importance of what appreciating and rewarding good performance and talent is. We revamped our rewards and recognition programme and have further automated it with additional features to help Subexians promote and establish a sound recognition culture. Although a recognition program involves costs, the outcome is significant. Some of the advantages are –

- Increases the repetition of desired behaviors, thereby aligning people with the desired organizational goals
- Better employee job satisfaction
- Enhances team spirit
- Lowers employee turnover by acting as a retention tool.
- Lowers incidences of negative behavior, reduces absenteeism, increases productivity, and decreases stress on the job
- Maintains a strong employer brand
- Acts as an allied HR process for meeting learning goals
- In addition to the specific initiatives we launched last year, like WoW, which continue, we also introduced Subexian profiling platforms through the Internal Communications channel that appreciate and communicate the work done by Subexians to the entire organization

Compensation

One of the main cornerstones of an employee's willingness to stay with an organization is compensation, and we recognize that. Subex is committed to the growth and development of its employees and will continue to invest in mind, money and effort towards this. We look at compensation holistically at Subex, and provide a suitable combination of fixed salary, variable salary, benefits, health and disability insurance, etc.

We constantly keep abreast of industry trends and benchmarks and try to maintain a balanced approach to compensation. We also arrive at the salary bands of Subexians by conducting comprehensive job matching, data validation and quality audits.

