



Registered Office : Adarsh Tech Park, Outer Ring Road, Devarabisanahalli, Bangalore-560 037

Tel : + 91 80 6659 8700 Fax : + 91 80 6696 3333

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eighteenth Annual General Meeting of the Members of Subex Limited will be held at the registered office of the Company situated at Adarsh Tech Park, Outer Ring Road, Devarabisanahalli, Bangalore - 560 037 on Friday, the 28th day of September, 2012 at 12.30 PM to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2012 and Profit and Loss Account for the year ended March 31, 2012 and the reports of the Board of Directors and Auditors of the Company thereon.
2. To appoint a Director in place of Mr. Sudeesh Yezhuvath, who retires by rotation, and being eligible, seeks re-election.
3. To appoint auditor to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, to fix their remuneration and to pass the following resolution as an ordinary resolution:

"RESOLVED THAT M/s. Deloitte Haskins & Sells, Chartered Accountants, Bangalore (ICAI registration number 008072S), be and are hereby appointed as the Auditors of the Company, under Section 224 and other applicable provisions, if any, of the Companies Act, 1956, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the Company in consultation with the Auditors".

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, including any statutory modification or re-enactment thereof for the time being in force, and such other approvals as may be required, approval of the Company be and is hereby accorded to the re-appointment of Mr. Subash Menon as the Managing Director & CEO of the Company, for a period of five years from October 1, 2012 to hold office until September 30, 2017 as per the terms of appointment including salary, commission and perquisites (hereinafter referred to as "Remuneration"), as detailed in the explanatory statement attached hereto, which hereby is approved and sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and/or agreement (including authority from time to time, to determine the amount of salary and commission as also the type and amount of perquisite and other benefits payable to the Managing Director & CEO) in such manner as may be agreed to between the Board of Directors and the Managing Director & CEO, provided however that the Remuneration payable to the Managing Director & CEO shall not exceed the overall ceiling of the total managerial remuneration as provided under Sections 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) or Officer(s) of the Company to give effect to the aforesaid resolution".

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Surjeet Singh, in respect of whom the Company has received a notice in writing from a Member of the Company proposing his candidature for the office of a director, be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation".

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Karthikeyan Muthuswamy, in respect of whom the Company has received a notice in writing from a Member of the Company proposing his candidature for the office of a director, be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation".

By Order of the Board

Place : Bangalore

Vinay M A

Date : August 9, 2012

Company Secretary & Compliance Officer

NOTES:

1. The explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the above-mentioned special business is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The instrument appointing the proxy should be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting. Corporate Members are requested to send a duly certified copy of the Board resolution, authorizing their representative(s) to attend and vote at the Annual General Meeting, pursuant to the provisions of section 187 of the Companies Act, 1956.
4. Members/proxies should bring the attendance slip sent herewith, duly filled in for attending the Meeting.
5. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. The Register of Directors' Shareholdings, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the Members at the Annual General Meeting.
7. The certificate from the Auditors of the Company certifying that the Company's ESOP 2000, ESOP 2005 and ESOP 2008 stock option plans are being implemented in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 shall be available for inspection by the Members at the Annual General Meeting.
8. The Register of Members and Share Transfer Books will remain closed from September 25, 2012 to September 28, 2012 (both days inclusive).
9. Members are requested to notify the Registrar and Share Transfer Agents - M/s Canbank Computer Services Limited, J P Royale, 1st Floor, No. 218, 2nd Main, Sampige Road (Near 14th Cross), Malleswaram, Bangalore - 560 003, of any change in their addresses so as to enable the Company to address future communications to their correct addresses.

10. As part of the "Green Initiative in Corporate Governance", the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically considering its legal validity under the Information Technology Act, 2000. Being a Company with strong focus on green initiatives, Subex has been sending all shareholder communications such as the notice of General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., to shareholders in electronic form to the E-mail Id provided by them and made available to us by the Depositories. Members are requested to register their E-mail Id with their Depository Participant and inform them of any changes to the same from time to time. However, Members who prefer physical copy to be delivered may write to the Company at its registered office or send an E-mail to investorrelations@subex.com by providing their DP Id and Client Id as reference.
11. Members who wish to get any further information as regards the items to be transacted at the meeting are requested to write to the Company Secretary & Compliance Officer at an early date so as to enable the management to reply at the meeting.

By Order of the Board

Place : Bangalore

Date : August 9, 2012

Vinay M A

Company Secretary & Compliance Officer

ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

Item No. 2:

Mr. Sudeesh Yezhuvath

Mr. Sudeesh Yezhuvath heads the overall operations of Subex, excluding the legal and financial functions. He has been associated with Subex since 1993 and has been instrumental in building the software business of Subex. He has been closely involved in the Company's M&A activities, including the integration process post acquisitions.

Mr. Sudeesh Yezhuvath holds a Bachelors degree in Instrumentation and Control. Mr. Sudeesh Yezhuvath has over 18 years of experience in the telecom field and has presented various papers on telecom and business operations in different parts of the world.

Companies/Institutions in which Mr. Sudeesh Yezhuvath holds Directorship and Committee Memberships

Subex Limited
Chief Operating Officer & Wholetime Director
Share Transfer Committee - Member
Investor Grievance Committee - Member

Subex Technologies Limited
Director

Subex Technologies Inc
Director

Subex (UK) Limited
Director

Subex Inc
Director

Subex (Asia Pacific) Pte Ltd
Director

Subex Americas Inc
Director

Subex Azure Holdings Inc
Director

Kivar Holdings Private Limited
Director

Mr. Sudeesh Yezhuvath is brother of Mr. Subash Menon, Founder, Managing Director & CEO. As on the date of this

notice, Mr. Sudeesh Yezhuvath holds 372,243 equity shares of the Company.

Item No. 4:

Mr. Subash Menon

Mr. Subash Menon founded the Company in 1992 and has been its Chief Executive Officer since inception. Under his stewardship, Subex has transformed from a systems integrator in the telecom hardware space to a major player in the telecom software space with a focus in revenue maximisation. Mr. Subash Menon has charted the Company's growth to a global thought leader in the telecom software space with the successful launch of several products and with over 180 customers across more than 70 countries across 6 continents. Mr. Subash Menon has also guided the Company through a successful initial public offering in 1999 and through seven acquisitions. Leading the internationalisation of the Company, Mr. Subash Menon has played a key role in establishing offices in the US, Canada, UK, Dubai, India, Singapore and Australia. Mr. Subash Menon has over 22 years of experience in the areas of general management, sales and marketing. He has presented numerous papers on technology and business in various countries. Mr. Subash Menon has led the Nasscom Product Forum (part of Nasscom, the premier software association in India) as its Chairman. Mr. Subash Menon has resigned from the position of Chairman of the Board of the Company with effect from July 6, 2012 and continues to be the Managing Director and CEO.

Mr. Subash Menon is a graduate in Electrical Engineering from the National Institute of Technology, Durgapur.

Companies/Institutions in which Mr. Subash Menon holds Directorship and Committee Memberships

Subex Limited
Founder, Managing Director & CEO
Sub-Committee on Borrowings-Chairman
General Management Committee - Chairman
Share Transfer Committee - Chairman
Allotment Committee- Member

Subex Technologies Limited
Director

Subex Technologies Inc
Director

Subex (UK) Limited
Director

Subex Inc
Director

Subex (Asia Pacific) Pte Ltd
Director

Subex Americas Inc
Director

Subex Azure Holdings Inc
Director

Kivar Holdings Private Limited
Director

Kivar Environ Private Limited
Director

Puducherry Municipal Services Private Limited
Director

Transinfra Projects Private Limited
Director

Bhilai-Durg Waste Management Private Limited
Director

Raipur Waste Management Private Limited
Director

Mr. Subash Menon is the brother of Mr. Sudeesh Yezhuvath, Chief Operating Officer & Wholetime Director. As on the date of this Notice, Mr. Subash Menon Holds 2,580,601 equity shares of Company.

Item No. 5:

Mr. Surjeet Singh

Mr. Surjeet Singh is a seasoned management professional and business leader with over two decades of multi-industry global experience in leading Finance, Corporate Development, Business Planning and Global operations functions. He has a successful corporate and entrepreneurial track record of building organizations and fostering collaboration in large and culturally diverse cross functional teams. He was till recently the Global Chief Financial Officer of Patni Computer Systems where he played key role in shaping business transformation including significant

improvements in operating metrics and processes, structuring large platform deals with fortune 500 customers, seamless management transitions, upholding highest standards of financial and corporate governance. He was instrumental in helping realize maximum shareholder value with successful exit of majority shareholders at Patni. Prior to this, Mr. Surjeet Singh was part of founding team of Cymbal Corporation, a mid-sized telecom BSS systems integration boutique out of silicon valley which was acquired by Patni in 2004 for \$68M, which at the time was one of the largest cross border services transaction by an Indian company. In early part of his career, Mr. Surjeet Singh held various finance and operations roles at Ranbaxy - a global multinational pharmaceutical company during its internationalization phase in the 90's. Mr. Surjeet Singh is a fellow of the Institute of Costs and Works Accountants, India, Certified Public Accountant from AICPA, USA. He holds a B.S. in Finance from the University of Pune and is a graduate of Advanced Management Program from Harvard Business School.

Companies/Institutions in which Mr. Surjeet Singh holds Directorship and Committee Memberships

Subex Limited
Nominee Director
Audit Committee – Member
Remuneration Committee – Member
Investor Grievance Committee-Member
Sub-Committee on Borrowings-Member
Allotment Committee – Member
General Management Committee- Member
Share Transfer Committee- Member

As on the date of this notice, Mr. Surjeet Singh does not hold any equity shares of the Company.

Item No. 6:

Mr. Karthikeyan Muthuswamy

Mr. Karthikeyan Muthuswamy is the Managing Director of Trident Advisors Private Limited, a Mumbai based investment advisory firm. Prior to Trident Advisors, Mr. Karthikeyan Muthuswamy has worked as a fund manager with M3 Investments and Director with Jeetay Investments, both of which are Mumbai based investment management firms. Mr. Karthikeyan Muthuswamy is a BBA from the University of Madras and a Chartered Financial Analyst.

Companies/Institutions in which Mr. Karthikeyan Muthuswamy holds Directorship and Committee Memberships

Subex Limited
Nominee Director
Remuneration Committee – Member
Investor Grievance Committee-Member
ESOP Committee - Member
Sub-Committee on Borrowings-Member
Allotment Committee – Member
General Management Committee- Member
Share Transfer Committee- Member

PAE Limited
Director

Audit Committee- Member
Remuneration Committee- Member

Trident Advisors Private Limited
Managing Director

Anthony Waste Management Cell Private Limited
Director

First Home Realty Solutions Private Limited
Director

RKM Venture Advisory Private Limited
Director

As on the date of this notice, Mr. Karthikeyan Muthuswamy does not hold any equity shares of the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

The following Explanatory Statement sets out all material facts relating to the special business set out in the accompanying notice of the eighteenth Annual General Meeting of the Members of Subex Limited to be held at Adarsh Tech Park, Outer Ring Road, Devarabisanahalli, Bangalore - 560 037 on Friday, the 28th day of September, 2012 at 12 30 PM.

Item No. 4:

Mr. Subash Menon was re-appointed as the Managing Director & CEO of the Company for the period from October 1, 2007 until September 30, 2012 pursuant the resolution passed by the Board of Directors on April 30, 2007 and approval of the members at the AGM held on July 26, 2007.

The Board of Directors has, pursuant to recommendation of the Remuneration Committee and subject to the approval of the Members, re-appointed Mr. Subash Menon as the Managing Director & CEO of the Company for the period from October 1, 2012 to September 30, 2017, vide its resolution passed on August 9, 2012. Considering the levels of business and comparable remuneration structure prevalent in the industry, the Board has approved the same terms & conditions as was prevalent earlier, the details of which are given below:

- (i) Salary: ₹ 916,667 per month or ₹ 110 lakhs per annum which is eligible for revisions, subject to the approval of the Members of the Company.
- (ii) Commission: The Managing Director & CEO will be eligible for commission payable on a yearly basis and as may be decided by the Remuneration Committee of the Board of Directors subject to the ceiling limits prescribed under the Companies Act, 1956.
- (iii) Perquisites:

The Managing Director & CEO shall be entitled to all the perquisites listed herein below in addition to the salary and commission mentioned above.

- a. Housing: The Company shall provide rent-free furnished residential accommodation, with free gas, electricity and water as per Company policy. In case no accommodation is provided by the Company, the Managing Director & CEO shall be entitled to such house rent allowance subject however to a limit of 60% of his salary. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.
- b. Medical Reimbursement: Reimbursement of medical expenses incurred, including premium paid on health insurance policies, whether in India or abroad, for self and family including hospitalization, surgical charges, nursing charges and domiciliary charges for self and for family.
- c. Leave Travel Concession: For self and family every year incurred in accordance with the rules of the Company.
- d. Club Fees: Fees of clubs, subject to a maximum of three clubs.
- e. Personal Accident Insurance, Mediclaim Insurance and Keyman/other insurance: As per the rules of the Company or as approved by the Board of Directors.
- f. Provident Fund/Pension: Contribution to Provident Fund and Pension Fund as per the policy of the company.
- g. Gratuity: Gratuity payable shall be in accordance with the provisions of the Payment of Gratuity Act, 1972.
- h. Use of Car with Driver: The Company shall provide cars to the Managing Director & CEO subject to a maximum of two cars with driver(s) at a time for business and personal use.
- i. Telephone facility at residence: Telephone facility shall be provided at the Managing Director & CEO's residence.
- j. Security Guard: Reimbursement of security guard's salary, subject to a maximum of two Security Guards at a time.
- k. Gardener: Reimbursement of gardener's salary, subject to a maximum of one gardener.

Other terms and conditions:

- a. In the event of absence or inadequacy of profits in any financial year during the tenure of the Managing Director & CEO, salary and perquisites subject to the limits stipulated under Schedule XIII read with Section 269 ad 309 of the Companies Act, 1956, is payable.
- b. "Family" means the spouse and dependent children of Mr. Subash Menon.
- c. Leave with full pay and allowances shall be allowed as per the Company's rules.
- d. Reimbursement of entertainment expenses actually and properly incurred in the course of business of the Company shall be allowed.
- e. No sitting fees shall be paid to the Managing Director & CEO for attending the meetings of the Board of directors or Committees thereof.

This notice may be treated as an abstract containing terms of re-appointment and remuneration of Mr. Subash Menon as per Section 302 of the Companies Act, 1956. The copies of the relevant documents including resolutions of the Board/ Remuneration Committee are available for inspection by the Members at the registered office of the Company during working hours on any working day till the date of this Annual General Meeting.

Mr. Subash Menon is directly concerned and interested in this resolution, as it relates to the terms of his re-appointment and remuneration. Mr. Sudeesh Yezhuvath, being the brother of Mr. Subash Menon, is also concerned and interested in this resolution.

Except Mr. Subash Menon and Mr. Sudeesh Yezhuvath, none of the Directors are in any way concerned or interested in the resolution.

Your Directors, therefore, recommend the resolution to be passed as a Special Resolution by the Members.

Item No. 5 and 6:

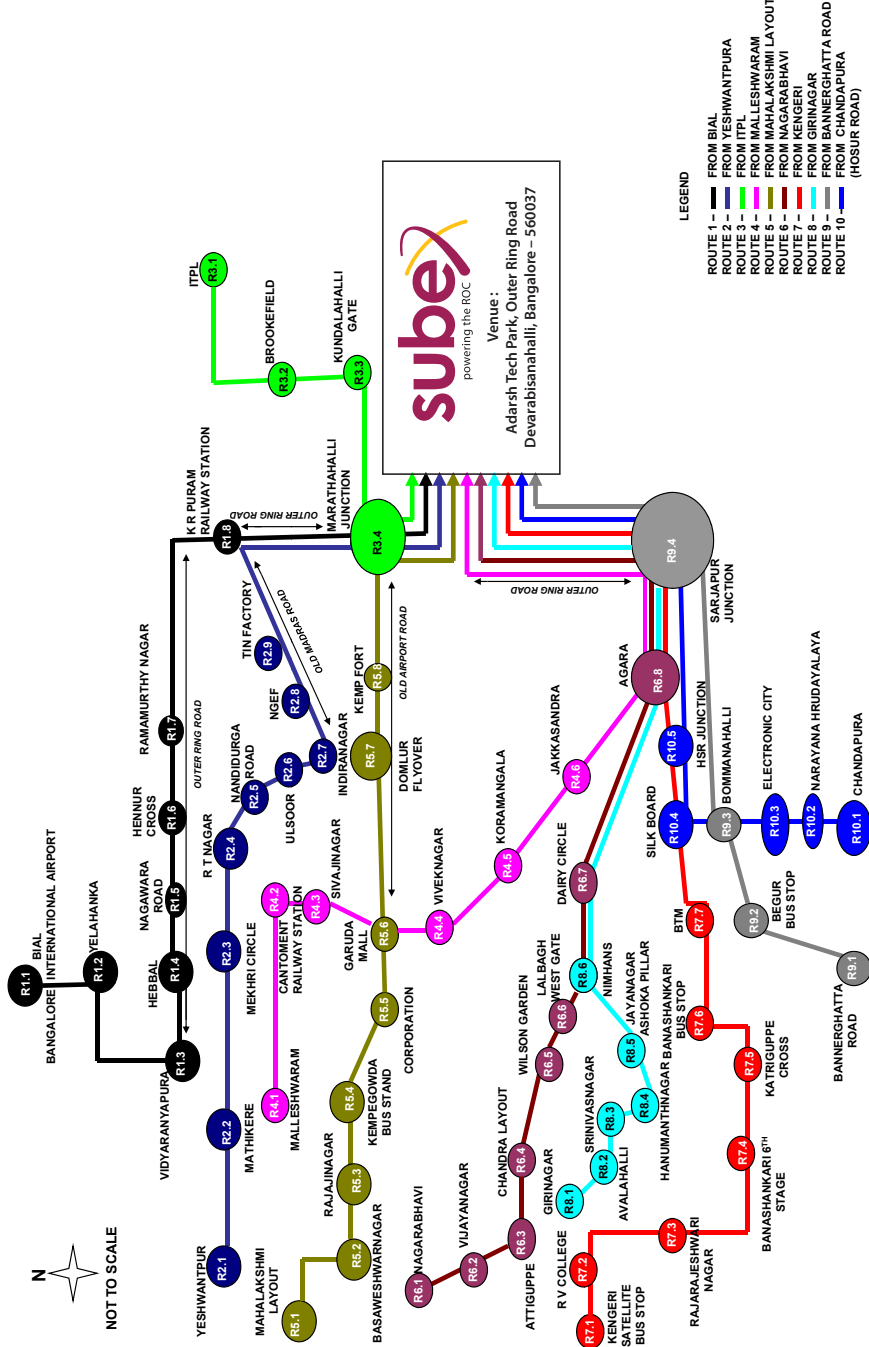
Your Company has issued US \$127,721,000 5.70% secured convertible bonds due 2017 ("FCCBs III") pursuant to a cashless exchange offer with respect to its outstanding US \$ 180,000,000 2% unsecured convertible bonds ("FCCBs I") and US \$ 98,700,000 5% unsecured convertible bonds ("FCCBs II"). Pursuant to the terms and conditions of the FCCBs III as contained in the Trust deed, the Company is required to appoint two Directors as nominated by the bondholders from time to time to the Board of Directors of the Company. In furtherance to this, Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy were nominated by the bondholders. Accordingly, the Board of Directors of your Company appointed Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy as Additional Directors on July 6, 2012 as per the provisions of the Trust deed of FCCBs III and Article 86 of the Articles of Association read with Section 260 of the Companies Act, 1956.

Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy hold office until this Annual General Meeting. As required under section 257 of the Companies Act, 1956, separate notices alongwith the requisite deposit from Members have been received signifying their intention to propose Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy as candidates for the office of Directors at this AGM. The profiles of Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy have been given in an earlier section of this notice.

None of the Directors of the Company, except Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy, are in any way concerned or interested in this resolution.

Your Directors, therefore, recommend the resolutions at item no. 5 and 6 to be passed as Ordinary Resolutions by the Members.

SUBEX AGM - TRANSPORT ROUTE MAP



Attention Members!

- Arrangements have been made for transport to and from the registered office of the Company so as to make it convenient for the Members to attend the 18th Annual General Meeting scheduled to be held on Friday, the 28th day of September, 2012 at 12.30 p.m.
- Members are requested to refer to the map to determine their nearest pick-up location and route number. The details of the pick-up location and the time of pick-up are provided overleaf.
- In case Members wish to avail the transport facility, they are requested to register their availability and pick-up location by calling on 7795077881 or 9980772200 during working hours between September 11, 2012 to September 21, 2012. Your cooperation in this regard is highly solicited as this will help to ensure that the Company is able to effectively service all pick-up locations.
- Members are requested to arrive at the pick-up location well in advance of the pick-up timings provided overleaf so that they can reach the venue of the AGM prior to the meeting.
- All the pick-up vehicles would be hosting Subex banners to enable the Members to easily identify them.
- The return transport from the registered office of the Company shall follow the same route map as provided. The transport would leave Subex premises at 2 P.M. Members are requested to plan their return accordingly.
- Please be informed that no reimbursements shall be made for any expenses incurred by the Members to arrive to the pick-up locations.
- For any clarifications/queries, Members are requested to call on the numbers provided above.

ROUTE 1			
PICK-UP/ROUTE CODE	LOCATION	PICK-UP POINT	PICK-UP TIME
R1.1	BANGALORE INTERNATIONAL AIRPORT	BANGALORE INTERNATIONAL AIRPORT	10.10 AM
R1.2	YELAHANKA	YELAHANKA POLICE STATION	10.35 AM
R1.3	VIDYARANYAPURA	MAIN BUS STOP	10.50 AM
R1.4	HEBBAL	HEBBAL FLYOVER BUS STOP	11.00 AM
R1.5	NAGAVARA	NAGAVARA RING ROAD BUS STOP	11.10 AM
R1.6	HENNUR	HENNUR SIGNAL BUS STOP	11.15 AM
R1.7	RAMAMURTHY NAGAR RING ROAD	RAMAMURTHY FLYOVER BUS STOP	11.30 AM
R1.8	K R PURAM	K.R. PURAM RAILWAY STATION BUS STOP	11.35 AM
	SUBEX		12.00 NOON
ROUTE 2			
PICK-UP/ROUTE CODE	LOCATION	PICK-UP POINT	PICK-UP TIME
R2.1	YESHWANTHPUR	YESHWANTHPUR BUS STOP	10.30 AM
R2.2	MATHIKERE	MATHIKERE BUS STOP	10.35 AM
R2.3	MEKHRI CIRCLE	MEKHRI CIRCLE SIGNAL BUS STOP	10.45 AM
R2.4	RT NAGAR	R T NAGAR BUS STOP	10.50 AM
R2.5	NANDIDURGA ROAD	NANDIDURGA ROAD AIRTEL OFFICE	10.55 AM
R2.6	ULSOOR	PHILIPS BUILDING	11.10 AM
R2.7	INDIRANAGAR	NEAR PANJAB NATIONAL BANK	11.15 AM
R2.8	NGEF	NGEF BUS STOP	11.20 AM
R2.9	TIN FACTORY	TIN FACTORY BUS STOP	11.35 AM
	SUBEX		12.00 NOON
ROUTE 3			
PICK-UP/ROUTE CODE	LOCATION	PICK-UP POINT	PICK-UP TIME
R3.1	ITPL	ITPL BUS STOP	11.10 AM
R3.2	BROOKEFIELD	BROOKEFIELD BUS STOP	11.25 AM
R3.3	KUNDALAHALLI	KUNDALAHALLI GATE BUS STOP	11.35 AM
R3.4	MARATHAHALLI	MARATHAHALLI SIGNAL	11.45 AM
	SUBEX		12.00 NOON
ROUTE 4			
PICK-UP/ROUTE CODE	LOCATION	PICK-UP POINT	PICK-UP TIME
R4.1	MALLESHWARAM	MALLESHWARAM 18TH CROSS BUS STOP	10.35 AM
R4.2	CANTONMENT RAILWAY STATION	CANTONMENT RAILWAY STATION BUS STOP	11.00 AM
R4.3	SIVAJINAGAR	SIVAJINAGAR BUS STOP	11.05 AM
R4.4	VIVEKNAGAR	VIVEKNAGAR BUS STOP	11.25 AM
R4.5	KORAMANGALA	SONY WORLD SIGNAL	11.35 AM
R4.6	JAKKASANDRA	JAKKASANDRA BUS STOP	11.40 AM
	SUBEX		12.00 NOON
ROUTE 5			
PICK-UP/ROUTE CODE	LOCATION	PICK-UP POINT	PICK-UP TIME
R5.1	MAHALAKSHMI LAYOUT	MAHALAKSHMI LAYOUT BUS STOP	10.25 AM
R5.2	BASAWESHWARNAGAR	BASAWESHWARNAGAR BUS STOP	10.35 AM
R5.3	RAJAJINAGAR	RAJAJINAGAR BUS STOP	10.50 AM
R5.4	KEMPEGOWDA BUS STAND	SANGOLLI RAYANNA CIRCLE	11.05 AM
R5.5	CORPORATION	CORPORATION BUS STOP	11.20 AM
R5.6	GARUDA MALL	GARUDA MALL SIGNAL	11.35 AM
R5.7	DOMLUR	DOMLUR FLY OVER BUS STOP	11.45 AM
R5.8	KEMP FORT	KEMP FORT BUS STOP	11.50 AM
	SUBEX		12.00 NOON

ROUTE 6			
PICK-UP/ROUTE CODE	LOCATION	PICK-UP POINT	PICK-UP TIME
R6.1	NAGARABHAVI	NAGARABHAVI SIGNAL BUS STOP	10.20 AM
R6.2	VIJAYANAGAR	VIJAYANAGAR BUS STOP	10.30 AM
R6.3	ATTIGUPPE	ATTIGUPPE BUS STOP	10.40 AM
R6.4	CHANDRA LAYOUT	CHANDRA LAYOUT BUS STOP	10.50 AM
R6.5	WILSON GARDEN	WILSON GARDEN BUS STOP (BIG BAZAR)	11.05 AM
R6.6	LALBAGH WEST GATE	LALBAGH WEST GATE BUS STOP	11.10 AM
R6.7	DAIRY CIRCLE	DAIRY CIRCLE SIGNAL STOP	11.15 AM
R6.8	AGARA	AGARA SIGNAL	11.35 AM
	SUBEX		12.00 NOON
ROUTE 7			
PICK-UP/ROUTE CODE	LOCATION	PICK-UP POINT	PICK-UP TIME
R7.1	KENGERI	SATELLITE BUS STOP	10.20 AM
R7.2	RV COLLEGE	RV COLLEGE BUS STOP	10.30 AM
R7.3	RAJARAJESHWERI NAGAR	RAJARAJESHWERI NAGAR ARCH	10.35 AM
R7.4	BANASHANKARI	BANASHANKARI 6TH STAGE BUS STOP	10.40 AM
R7.5	KATRIGUPPE	KATRIGUPPE BUS STOP	10.50 AM
R7.6	BANASHANKARI	BANASHANKARI BUS STOP	11.00 AM
R7.7	BTM LAYOUT	BTM UDUPI GARDEN	11.20 AM
	SUBEX		12.00 NOON
ROUTE 8			
PICK-UP/ROUTE CODE	LOCATION	PICK-UP POINT	PICK-UP TIME
R8.1	GIRINAGAR	GIRINAGAR POLICE STATION	10.40 AM
R8.2	AVALAHALLI	AVALAHALLI BDA PARK	10.45 AM
R8.3	SRINIVASNAGAR	SRINIVASNAGAR BUS STOP	10.50 AM
R8.4	HANUMANTH NAGAR	HANUMANTH NAGAR BUS STOP	11.00 AM
R8.5	JAYANAGAR	ASHOKA PILLAR STOP	11.10 AM
R8.6	NIMHANS	NIMHANS BUS STOP	11.20 AM
	SUBEX		12.00 NOON
ROUTE 9			
PICK-UP/ROUTE CODE	LOCATION	PICK-UP POINT	PICK-UP TIME
R9.1	BANNERGHATTA	BANNERGHATTA ROAD BUS SROP	10.45 AM
R9.2	BEGUR	BEGUR BUS STOP	11.05 AM
R9.3	BOMMANAHALLI	BOMMANAHALLI BUS STOP	11.15 AM
R9.4	SARJAPUR ROAD	SARJAPUR ROAD JUNCTION	11.45 AM
	SUBEX		12.00 NOON
ROUTE 10			
PICK-UP/ROUTE CODE	LOCATION	PICK-UP POINT	PICK-UP TIME
R10.1	CHANDAPURA	CHANDAPURA BUS STOP	10.30 AM
R10.2	NARAYANA HRUDAYALAYA	NARAYANA HRUDAYALAYA STOP	10.45 AM
R10.3	ELECTRONIC CITY	ELECTRONIC CITY FLYOVER BUS STOP	10.50 AM
R10.4	SILK BOARD	SILK BOARD BUS STOP	11.05 AM
R10.5	HSR JUNCTION	HSR JUNCTION BUS STOP	11.10 AM
	SUBEX		12.00 NOON

**Subex Limited**

Registered Office : Adarsh Tech Park, Outer Ring Road
Devarabisanahalli, Bangalore-560 037

ATTENDANCE SLIP**Annual General Meeting – September 28, 2012**

Reg. Folio No. _____

No. of Shares: _____

DP ID: _____

Client ID: _____

I/We, certify that I/We, am/are a Member/Proxy for the Member of the Company.

I/We hereby record my presence at the Annual General Meeting held at the registered office of the Company situated at Adarsh Tech Park, Outer Ring Road, Devarabisanahalli, Bangalore – 560 037 on Friday, the 28th day of September at 12.30 PM.

.....
Member's/Proxy's name in block letters.....
Signature of Member/Proxy**Note:**

1. Please fill up this attendance slip and hand it over at the entrance of the meeting hall.
2. Members are requested to bring their copies of this notice and explanatory statement to the meeting.
3. A Member may vote either for or against each resolution.

**Subex Limited**

Registered Office : Adarsh Tech Park, Outer Ring Road
Devarabisanahalli, Bangalore - 560 037

PROXY FORM**Annual General Meeting – September 28, 2012**

Reg. Folio No. _____

No. of Shares : _____

DP ID : _____

Client ID: _____

I/We.....of.....

being Member(s) of Subex Limited hereby appoint

of.....or failing him/her.....

of..... as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the registered office of the Company situated at Adarsh Tech Park, Outer Ring Road, Devarabisanahalli, Bangalore – 560 037 on Friday, the 28th day of September at 12.30 PM and at any adjournment thereof.

Signed this day of2012.

Note:

1. This form duly completed and signed must be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.
2. The Members who hold shares in dematerialized form shall quote their demat account number and DP ID number.

Affix
₹ 1/-
Revenue
Stamp





Nurturing a
Strong Foundation

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About Subex Limited

Subex Limited is a leading global provider of Business Support Systems (BSS) that empowers Communications Service Providers (CSPs) to achieve competitive advantage through Business Optimisation - thereby enabling them to improve their operational efficiency to deliver enhanced service experiences to subscribers.

The company pioneered the concept of a Revenue Operations Center (ROC®) – a centralized approach that sustains profitable growth and financial health through coordinated operational control. Subex's product portfolio powers the ROC and its best-in-class solutions such as Revenue Assurance, Fraud Management, Credit Risk Management, Cost Management, Route Optimisation, Data Integrity Management and Interconnect / Inter-party Settlement.

More than a decade of Industry Leadership



Financial Highlights

Particulars (Consolidated)

Amount in ₹ Million

Total Income	4,887.90
Operating Profit (EBITDA) Before Exceptional Items	1,406.33
Depreciation and Amortization	77.96
Profit Before Tax and Exceptional Items	899.85
Profit After Tax and Exceptional Items	318.41
Share Capital	693.11
Reserves and Surplus	752.94
Networth	1,446.05
Gross Fixed Assets	1,044.72
Net Fixed Assets	77.28
Total Assets	10,996.65

Key Indicators

Amount in ₹ Million

Earnings Per Share (₹)	4.59
Cash Earning Per share(₹)	7.50
Book Value Per Share (₹)	20.86
Debt (Including Working Capital Debt) Equity Ratio	4.16
EBITDA/ Sales (%)	29.43
Net Profit Margin(%)	6.66
Return on Year End Net Worth (%)	22.02
Return on Year End Capital Employed (%)	2.90

To Our Shareholders



Subash Menon

Founder, Managing Director & CEO

Dear Shareholder,

Your company has come through a very difficult period. A period marked by a failed acquisition, losses, dropping revenue, negative cash flow and above all, tarnished reputation. A torturous period for all stakeholders during which the world expected us to declare bankruptcy. A period during which our customers worried about our very existence in the years to come – and rightly so. I take this opportunity to thank each one of you for standing by the company and for extending unflinching support. We could not have come through this period without such support and I thank you once again for the same.

Undoubtedly, a period that we would like to put behind us and forget. But doing so without extracting and learning a lesson, will be foolish and an opportunity lost. I am glad to report that your company has not only learnt the appropriate lesson thereby taking advantage of the misfortune, but has also applied that lesson effectively. Our financial results for the financial year which ended on March 31, 2012 proves that beyond any shadow of doubt. Product Revenue, representing the core of our business, grew from ₹ 4,181.2 million to ₹ 4,398.7 million i.e. by 5% while total revenue increased from ₹ 4,827.5 million to ₹ 4,882.0 million. EBITDA increased from ₹ 1,279.3 million to ₹ 1,400.4 million. Operational Profit After Tax, arrived at by excluding Exceptional Items from PAT, recorded a steep increase of 20.5% growing from ₹ 805 million to ₹ 970 million. Above all, Order Intake, a key measure of the expected performance in the future, grew at a healthy pace to US\$ 90 million during the year.

However, the most important event during the year was the potential default of Foreign Currency Convertible Bonds (FCCBs) that were due on the of March 9, 2012. With the support of the bondholders and the shareholders, we successfully restructured the FCCBs thereby averting any catastrophe. Let me deal with that event in detail.

FCCB Restructuring

Your company had contracted US\$ 180 million of FCCBs in March 2007 with a tenor of 5 years. With the high level of erosion in share price, conversion of these FCCBs to equity did not seem a possibility thereby converting them into pure debt repayable in March 2012. Once this eventuality was quite certain, the company proactively restructured the bonds in November 2009. US\$ 141 million worth of bonds were restructured by applying a discount of 30% to the face value and reducing the conversion price from ₹ 656.20 to ₹ 80.31 while the balance (US\$ 39 million worth of bonds) continued as originally issued and were termed as FCCB I. The restructured bonds were termed as FCCB II. Consequent to this restructuring in 2009, US\$ 43.9 million worth of FCCB II bonds were converted into equity thereby reducing the liability to US\$ 54.8 million. Thus, we were left with US\$ 39 million of FCCB I and US\$ 54.8 million of FCCB II in face value. These bonds matured in March 2012 taking the total liability to US\$ 131 million including redemption premium. Given the low share price of the company during the past couple of years, further conversion from bonds to equity was not possible and we were faced with the onerous task of repaying this large sum of US\$ 131 million in March 2012. Further given the financial

state that the company was in, it was not in a position to either use internal generation or external debt to repay the bondholders.

Quite naturally, the only option was to once again restructure the bonds to avoid default. The company launched an Exchange Offer wherein existing holders of both FCCB I and FCCB II could exchange their holdings for a combination of new bonds and new equity in return, with 72:28 as the ratio applied. This ratio meant that while the face value of the existing bonds will be replaced by new bonds, the redemption premium will be converted into equity thereby improving the debt-equity ratio of the company and ensuring that the interest burden did not increase further. A little over 97% of the bonds were exchange in the process which was successfully completed in the 1st week of July 2012. The final result of the Exchange Offer is given below:

- US\$ 127.721 million worth of new bonds valid for 5 years with a conversion price of ₹ 22.79
- US\$ 36.321 million worth of new bonds converted now to equity at ₹ 22.79 per share resulting in 89,335,462 new shares
- US\$ 2.4 million worth of old bonds (as only 97% opted for the exchange) valid for 5 years with the old conversion prices (some at ₹ 80.31 and some at ₹ 656.20)

A New Chapter

With this restructuring, the company has started a new chapter in its life. The troubles and travails of the past 5 years are behind us and we can now, once again, focus on our business without having to fight off competitors highlighting financial distress at the company and without having to drain our resources in placating worried customers. Further, the uncertainty that had hung over the company has lifted and Subexians can once again concentrate on re-building the organization without being concerned about their future.

All of us at Subex thank each and every one of you for the support extended till date and for your continuing support. I assure you that we will do our best to profitably grow the company.

"The only limit to our realization of tomorrow will be our doubts of today; Let us move forward with strong and active faith."

Franklin D. Roosevelt

Transforming through Customer Experience Management



Sudeesh Yezhuvath

Chief Operating Officer & Wholetime
Director

A business, of any kind, exists only because it has an audience to consume its products or services - CUSTOMERS! Understanding them helps grow your business while not valuing the role they play is a clear recipe for failure. It is time to get closer to your customers.

The world's leading IT research firm, Gartner, suggests that, to remain relevant, CSPs must choose at least one of three possible paths that diverge from the traditional CSP business plan. The first option is to become diversified service providers by moving into adjacent industries. The second option is to focus on providing platforms that can enable delivery of third-party content and applications. The third option is for CSPs to leverage their existing network capabilities and become wholesale providers of smart utilities, allowing them to optimize their operational costs.

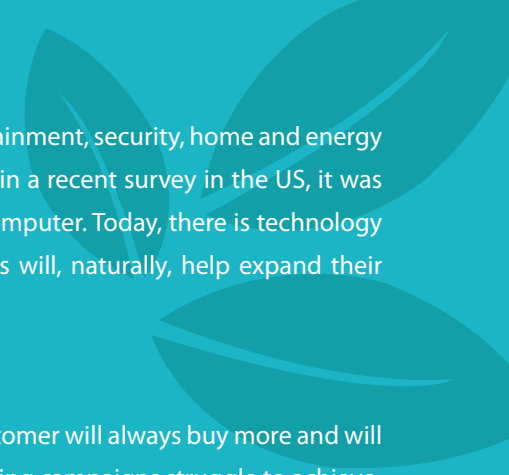
The first option (diversified service provider) and second option (platform provider and enabler) require a deep understanding of the customer experience and capabilities that can manage it. Gartner calls this "customer intimacy." Changing market forces are compelling CSPs to reinvent the wheel when it comes to their existing business approach. And Customer Experience Management - the new buzzword in telecom - forms the core of that business wheel.

Why do we see this change?

It is an understatement to say that telecom is a fast changing business – the speed of change is what we have never seen in any other business. It is also a very young industry, compared to other utilities. There are, however, some interesting aspects to telecom that make it much more than any utility like power or water supply. The phone has become an integrated part of our existence and we feel lost without a connection.

The telecoms market, still relatively young in comparison to other sectors, has seen disruptive but positive changes over the last decade. Mobile telephony itself has seen great growth in the past and it is now estimated that there are more than five billion mobile phones in a world that has about six billion people. Interestingly, this is also a clear indicator that we are approaching saturation in most markets. Average revenue and margin per user have decreased. Competition has emerged from unexpected quarters and eating into business. As close as ten years back, nobody expected that the tribe called 'Over the Top' (OTT) players would even exist but that is exactly what companies such as Skype, Google and Apple are.

And during this phase, technologies and delivery platforms have changed leaving telecom operators struggling to manage growth. But with all challenges, there is the proverbial silver lining; an emerging potential because of the ever-present nature of telecom services itself. The opportunity to focus on your customers! To increase one's share of wallet through enhanced customer experience.



Telecom operators are now looking to meet more needs of their consumers, be it entertainment, security, home and energy management etc. The potential is immense. To put things in perspective for instance, in a recent survey in the US, it was found that about 28% of all those surveyed were happy to watch TV programs on a computer. Today, there is technology available that will help telecom operators provide TV over their connections and this will, naturally, help expand their market. Selling more to your customers is clearly the name of the game today.

Now what does that entail?

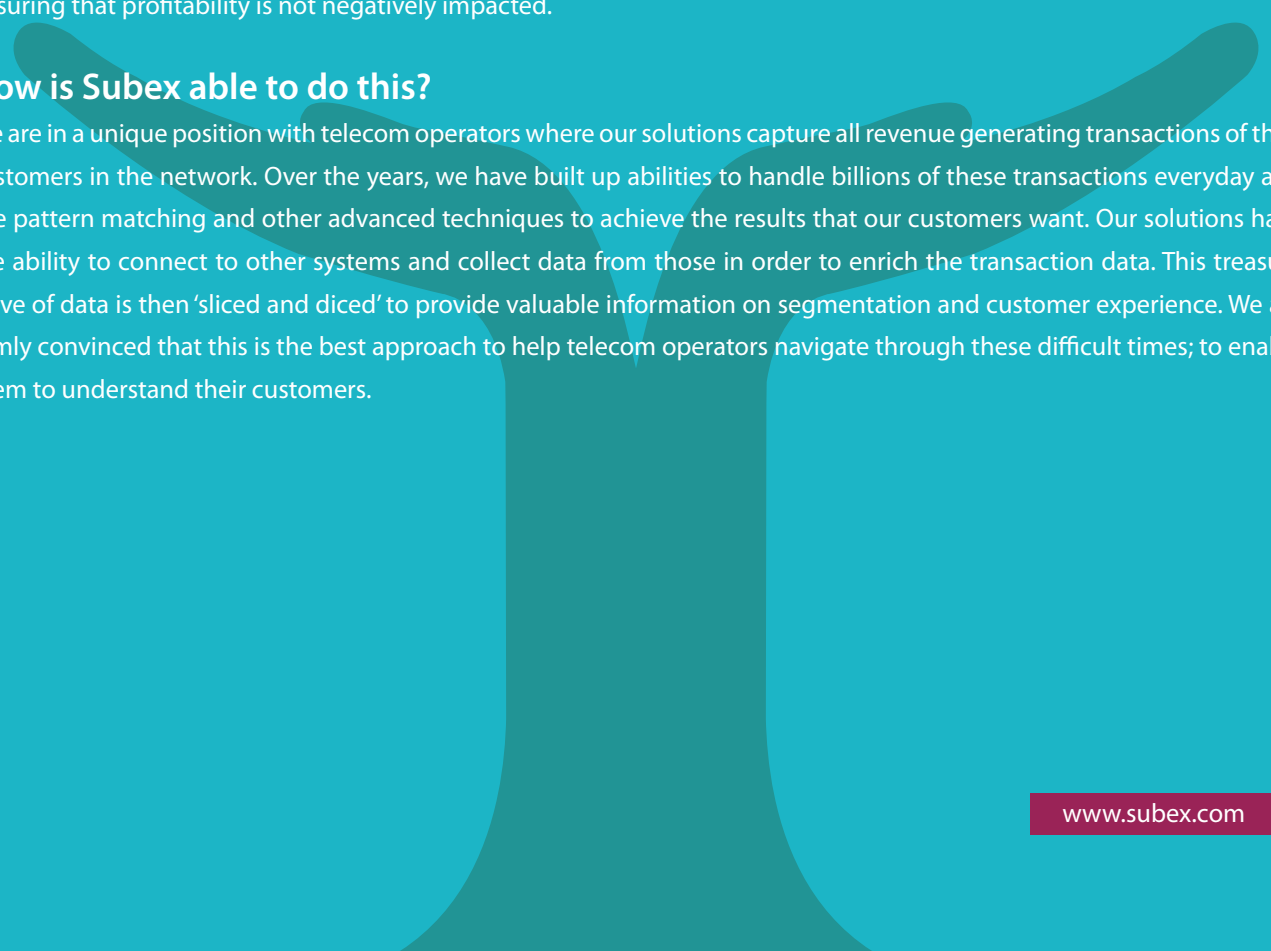
Clearly, knowing your customer well and keeping them satisfied is the key. A happy customer will always buy more and will act as your unofficial brand ambassador that helps you realize returns that your marketing campaigns struggle to achieve.

Customer Experience Management is about understanding what the customer is actually experiencing and using that information to ensure that the experience is positive. Initially, CEM was all about measuring network quality but soon, it became evident that customer experience cannot be measured with a uni-dimensional approach as you can still have a very disgruntled customer who will move out over a wrong bill even when the network quality is brilliant. However, a multi-dimensional, holistic representation of customer experience is very complex and expensive to measure. So, the question is, does a telecom operator want to ensure the best experience to all its customers or do they want to have a segmentation done to provide appropriate levels of customer experiences?

This is where Subex plays an important role

Subex has pioneered a unique approach by first segmenting customers based on high margins and then measuring customer experience to differing levels based on each segment. This is a very pragmatic approach as the problem is now broken down into manageable proportions. A telecom operator is a business, first and foremost and bottom-line orientation should drive the business and its processes. Our approach helps the CSPs to meet these new challenges while ensuring that profitability is not negatively impacted.

How is Subex able to do this?



We are in a unique position with telecom operators where our solutions capture all revenue generating transactions of their customers in the network. Over the years, we have built up abilities to handle billions of these transactions everyday and use pattern matching and other advanced techniques to achieve the results that our customers want. Our solutions have the ability to connect to other systems and collect data from those in order to enrich the transaction data. This treasure trove of data is then 'sliced and diced' to provide valuable information on segmentation and customer experience. We are firmly convinced that this is the best approach to help telecom operators navigate through these difficult times; to enable them to understand their customers.

We Are Prepared



Vinod Kumar

Group President

Volatility has become a way of life. While most economies are making slow economic recovery, disruptions in countries like Egypt and Greece are posing threats to global markets. Amid these challenges, telecom companies have performed relatively well by tight capex management and operational cost reduction. The entry of new players such as internet companies and over the top (OTT) players into the fray has made life very difficult for traditional telecoms players and has forced them to shift from an active to pro-active strategy. As a part of this proactive strategy we are seeing three key themes being pursued by operators:

New Stream of Revenues have become a focus for operators. With a constant reduction in the conventional streams of revenues like voice, SMS and fixed data, alternate streams like mobile payment, location based advanced services; smart grid, eHealth etc. are considered critical to compensate for loss of traditional revenue.

Improving Customer Experience has been at the top of all operators' agenda for some time. But it is never got the investment that it has deserved so far. Massive competitions from existing players and emergence of new players have made retaining existing customers and increasing the revenue from them very critical.

Increasing Efficiency and reducing operational cost have brought about some stability to the operators during these tough market conditions. Further progress can come only by transformation thereby reducing the number or legacy systems and removing complexities from existing processes. Network, systems and processes, product portfolios and business models are being transformed to address the new reality forced upon by the users in the digitally connected world.

These present several challenges and plenty of opportunities to everyone connected with the telecom world. Despite having good answers for tactical needs, it is difficult to predict the disruptive forces of digitization that lie ahead of us. iPhone and then iPad have completely changed the telecom landscape in such a short time frame. The industry is changing so fast that every 18 to 25 months one needs to adapt or die. So how is Subex prepared to face these challenges?

Subex have been providing solutions that empowers telecom operators to achieve competitive advantage through Business Optimisation and thereby enabling them to improve their operational efficiency to deliver enhanced service experiences to subscribers. We have positioned the company to capitalize on some of the biggest external themes of the day, such as analytics and managed services. Internally, we treat growth as a process by focusing on innovation, customer needs and best practice service delivery. We are executing three growth imperatives.

Analytics

Operators are sitting on a gold mine of data regarding their customers, but have not figured out how to make the best use of it. This frontier needs to be traversed if they have to face and beat the competition. Learning from other verticals like retail and financial services, analytics could be an answer. Subex's innovation in this area with our award-winning ROCware analytics platform is adding phenomenal capabilities to operators. ROCware harnesses the wealth of operational data, transforms it into actionable information, and then lets business act on it - all in near-real-time. It is being used to solve business problems as diverse as customer experience management, product performance management, and capacity management, call center cost reduction and churn reduction. Our continued investment in this area is bearing fruits and will continue to bring out more solutions that solve big customer problems.

Managed Services

Simplifying operations, reducing cost and shortening time to market for new services have become a rapidly growing need for telecom operators. Past experiences have taught operators that simply buying and installing technology does not deliver results. To achieve desirable outcome, it needs to be carefully directed and delivered in conjunction with coordinated changes to policy, process and organization. It is not that easy for operators to achieve it when there is pressure on them to reduce budgets and increase cost efficiency. During the past two years, we have evolved our Managed Services practice and have had several engagements. These have unlocked substantial value for our customers from our software solutions. We are building on the initial successes and will continue to grow rapidly in this area.

Grow the core and expand

Investing and winning in adjacent segments is a core competency of Subex. We have continuously looked at areas around our core and came up with solutions such as Revenue Assurance, Credit Management and Cost Management that went on to become market leading solutions. With constant improvement in user experience and embedding more analytics, our new versions have taken significant leap and immensely helped customers to improve productivity. This has helped us to increase win rates and improve market share. Further, we simplified the portfolio by disinvesting our activation business and launched new solutions packages to address adjacent areas like Mobile Money and Content Partner Management. These have served us well and we will continue to focus on our core solutions areas.

There are certain values at Subex that never change: fairness, commitment and innovation. Beyond this as the world change, Subex must evolve as well. The last couple of years have been extremely tough for us. Our team rolled up their sleeves, competed hard, increased productivity and we emerged as a much stronger organization. It takes deep domain knowledge to deliver results and this has been an undisputed strength at Subex. We have invested more than ever to train our team around domain competency. We are doing more planning and our teams are encouraged to take disciplined risks.

Today we must execute in the face of change. Our markets are less predictable, but our teams must still be accountable and outperform the competition. It's all about constantly re-evaluating the position in the market and industry value chain and making suitable changes to the plan. Thus while plans continue to evolve, being prepared will be essential for addressing these challenges and getting the most out of the opportunities that arise. We, at Subex, are definitely prepared and Subex's best days are ahead.

Fostering the Future The 'Subex' Way!



Sekharan Y Menon

President - APAC

Laying a strong foundation is building the base for a secure future; a bedrock that will stand the test of time. A foundation that will not just make you aware of the subtleties but also strengthen your core values and beliefs in the system. A future for the better!

The last financial year will no longer be known for the hardships and troubled times we went through but will stand testimony as the year we completed our rise of phoenix proportions; the year we bid goodbye to our challenges and paved the way for a stronger future - A future that holds promise and immense potential.

Laying the foundation for the future

What creates a strong organization? Is it the value system that is imbibed as a key part of our cultural ethos; the people that drives this organization so passionately or is it our core principles that align ourselves to that common objective? The answer is all of the above and much more.

The founders and early members of Subex family built the foundation of the organization with values of fairness, commitment and innovation; ethos that continue to resonate across the global walls of this organization. Alignment and always keeping in mind the big picture, they walked the talk to ensure these pristine principles were safeguarded. *Today, we call it the 'Subex' way.*

Business-house or Organization?

Companies across the world have grappled with this argument for ages immemorial. What is the primary objective of a business organization? I strongly believe that the fundamental objective of a business house is to make money, putting it crudely. To refine the thought, it is about value creation; for employees and other stakeholders. The key here is the approach adopted that defines the essence and basic difference between a business-house and an organization. While a business-house might just strive towards achieving the end objective, an organization such as Subex lays equal focus on the way it is achieved. And that focus is what we know as ***the 'Subex' way.***

A part-OWNER's Organization

Today, organizations globally understand the key role played by employees in their growth story. Some organizations even go to the extent of stating that employees come first even before their customers, when most of the organization follow the traditional belief of "customer first" approach. We at Subex have achieved that rare distinction of making certain that our employee-first approach pays rich dividends in ensuring that our customer needs never take a backseat. Employees (Subexians) have been and will always be part-OWNERS of this company. This is ***the 'Subex' way.***

In tune with customers

Being customer-oriented is not just about making first impressions or about ensuring smooth delivery and deployment. It is also about exhibiting this behavior consistently. It is about building trust and credibility every single day of our engagement with them. And that is what has made us long-distance runners; every time, all the time. This has always been known as the 'Subex'way.

My own journey with Subex

I have been part of this company for 16 years. In today's world, people would have moved eight jobs or more. I have been in this organization because of the way we built this company with these strong pillars of foundation that I have outlined above. It is relatively easier to manage a company when the going is easy. It is obviously difficult to manage the same company when the chips are seemingly down. But Subex has successfully bent down to pick those chips up and roll in the dice for a better and stronger future. This will go down in history books as ***the 'Subex' way.***

The worst is behind us. The future holds promise and potential of a brighter day. It is heartening to see this kind of sense of belonging and camaraderie among Subexians, our part-OWNERS. Subexians have shown passion to create the best through their unwavering belief in this value-system, shown unending support to the organization's growth. We will work and strive harder to go all out and claim what is rightfully ours – THE FUTURE!

The 4 C's of Subex's Strong Foundation



Paul Skillen

President - EMEA

Lord knows, when it comes to strong foundations, we have endless reference points that range across history from biblical parables to modern earthquakes, all littered with tales of disasters of cataclysmic and nuclear proportions. So let me begin by accepting, without question, the need for nurturing strong foundations onto which we want to build anything of value that will endure. This is important to us at Subex.

'tis always a temptation when discussing strong foundations to embrace the hackneyed clichés and draw the obvious parallels with constructing buildings, which, while helpful, do not give the builders of a modern global organization sufficient answers. Among the key elements that we must master in order to nurture the strong foundations on which Subex will endure are Culture, Change, Commerce and Creativity. Each element expecting constant tending and testing to ensure we will survive, nay, thrive on anything we encounter.

A colorful collection of "C" words. What does that mean to us at Subex?

Culture. We believe in and strive to ensure our culture is the product of core values and ethics that we can be proud of. A culture that is strong enough to bind our team, which is drawn from every continent and all major ethnic and religious backgrounds. In practical terms, we all share a belief in the value of hard work, the value of treating others with respect and the value of integrity in everything we do. It is when things go wrong, which is the nature of life, that this culture provides a compass that allows us to navigate all challenges, be they internal or external to Subex.

Commerce. Everyday the vanguard of Subex find ourselves signing business everywhere from the BRICs to the PIGs navigating everything from political revolution to economic boom and bust. Our flexibility and durability has enabled us to secure good contracts with great Customers and turn a profit in every environment.

Creativity. Building on our success is a great thing but not nearly enough. Times are changing. Our choice is simple, by how much do we want to be driving that change. I am delighted to report that we continue to reinvent ourselves, our business and how we engage with our customers. We have been market leaders in Business Optimisation for the past five years. But that is not enough, Subex is setting the standards and leading the industry in the innovative areas of the ROC®, Data Integrity Management and Capacity Management. Creativity does not stop with product innovation at Subex. Our creativity overflows into how we deliver our services making significant progress in efficiency and customer satisfaction.

Change. "If ever you want to make your God laugh just tell him your plans." Paradoxically, the one thing that I can predict with confidence in my life is that predictions are unreliable. The good news is that, the teams at Subex have demonstrated, time and again, the strength, experience, knowledge and confidence to meet change head-on and turn it into an opportunity. This does not mean that we do not plan, quite the contrary, we take great care in reading our environment and in plotting a course, setting and achieving financial goals along the way. We never ever give up. We get up and fight.

In summary, Culture, Change, Commerce and Creativity are key elements that we nurture at Subex which gives us the strong foundations that will continue to ensure our success as a great business.



Above & Beyond

Subexian Name	Function
Tarique Saleem	Engineering(P)
Arindam Sen	Engineering(P)
Girish D Desai	Engineering(P)
GirisAjeet S Patil	Engineering(P)
Sanjay Murlidhar Dharmani	Engineering(P)
Suresh Gnanasekar	Engineering(P)
Vishal Arhatia	Engineering(P)
Promit Sanyal	Marketing(P)
Vinay Vishal	Engineering(P)
Srikanth Kallakuri	Engineering(P)
Fong Thao	Engineering(P)
Prashanth M	Engineering(P)
Sandeep Naganur	PSO(P)
Ankur Singh	PSaO(P)
Rakesh M S	Engineering(P)
Paras Prakashchandra Dattani	Engineering(P)
George P T	Engineering(P)
Neville Collins	PSO(P)
Will Richards	PSO(P)
Ian Thornton	PSO(P)
Jeeson Thekkekkara	PSO(P)
George Ellis	PSO(P)
Ed Broom	BT
Guy Ryder	BT
Arun R	Engineering(P)
Santosh V	PSO(P)
Sankara Rao Ballari	Engineering(P)
Megha Nidhi Dahal	Engineering(P)
Ramesh S	Engineering(P)

Long Service Award

Yrs	Subexian Name	Function
10 Yrs	Ajmal Yusuf	PSO(P)
10 Yrs	George Desilva	PSO(P)
10 Yrs	Lihui Wang	Engineering(P)
10 Yrs	Troy Rowe	Engineering(P)
10 Yrs	Salvatore Torrente	Product Management(P)
10 Yrs	Tom Melliush	PSO(P)
10 Yrs	Hari Kumar V	Engineering(P)
10 Yrs	Prasad Savadi	Engineering(P)
10 Yrs	Wendy Hayden	Sales(P)
15 Yrs	Sekharan Y Menon	Corporate(P)
15 Yrs	Luka Jankovic	Engineering(P)
15 Yrs	Prema Menon	Facilities & Administration
15 Yrs	Srikanth Nayak	Finance(P)
25 Yrs	Pat Brown	BT
25 Yrs	Steve Astell	BT
25 Yrs	Noel Martin	BT
25 Yrs	Jean Budz	Engineering(P)
25 Yrs	Steve Turner	Engineering(P)

Subex Charitable Trust

Christmas celebration at Swanthanam

SCT had organised Christmas event "Become Santa for special children" where Subexians played carols and distributed gifts for the inmates of this orphanage. Swanthanam is an orphanage for mentally challenged girls.

SCT Mentorship program

SCT had organized mentoring seminar on the subjects - Communication Skills, Personality Development & Career Path. The participants were beneficiaries of Nurture Merit program. The experience program was extremely beneficial to the students who were eager to know more on various career aspects.

Magic Bus Visit

Subexians paid a visit to the Magic Bus program conducted in slums. Magic bus is a non-profit organization which conducts life skills development program through sports-based curriculum. Sports activities and games are structured into each session to make them fun and appealing to the children. Sessions are designed to represent real-life situations and challenges so children are able to relate these back to their daily lives.

Clothes collection

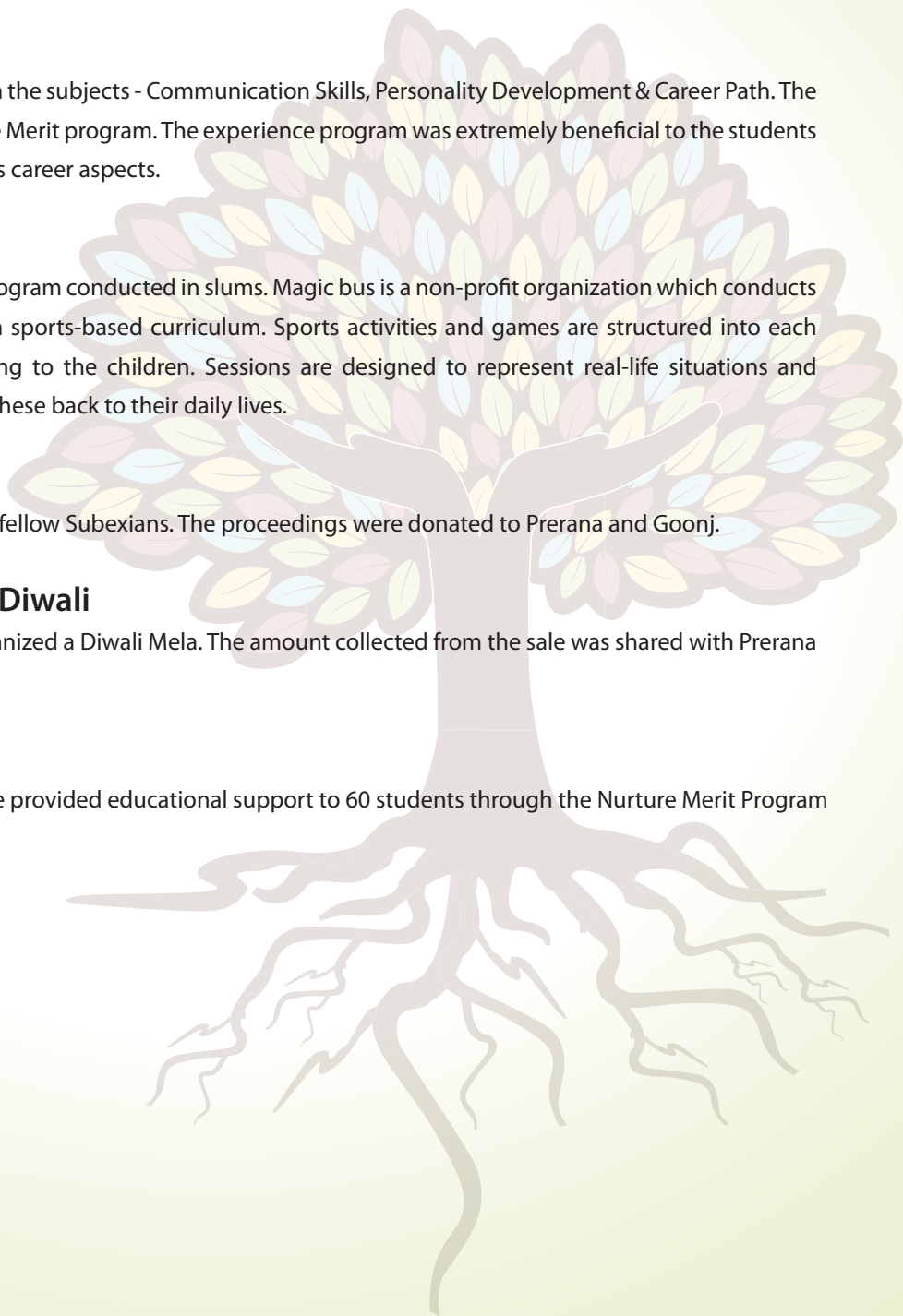
SCT collected clothes, books & toys from fellow Subexians. The proceedings were donated to Prerana and Goonj.

Sale of items on occasion of Diwali

SCT with the support of Prerana had organized a Diwali Mela. The amount collected from the sale was shared with Prerana to meet their day to day needs.

Nurture Merit Program

This is an annual program run by SCT. We provided educational support to 60 students through the Nurture Merit Program



"Since you get more joy out of giving joy to others, you should put a good deal of thought into the happiness that you are able to give."

Eleanor Roosevelt



Board Of Directors



Subash Menon

Founder, Managing Director & CEO



Sudeesh Yezhuvath

Chief Operating Officer & Wholetime Director



Anil Singhvi

Independent Director



Sanjeev Aga

Independent Director



Surjeet Singh

Nominee Director



Karthikeyan Muthuswamy

Nominee Director

Management Team



Subash Menon
Founder, Managing Director & CEO



Sudeesh Yezhuvath
Chief Operating Officer & Wholetime Director



Vinod Kumar
Group President



Anuradha
Senior Vice President - Engineering



Ramanathan J
Vice President - Finance



David Halvorson
General Counsel



Sekharan Y Menon
President - APAC



Paul Skillen
President - EMEA



Greg Leneveu
President - Americas

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general review &
accountability

DIRECTORS' REPORT TO THE MEMBERS OF SUBEX LIMITED

Your Directors have pleasure in presenting the 18th Annual Report of the Company on the business and operations together with the audited results for the year ended March 31, 2012.

FINANCIAL RESULTS

Amount in ₹ Million

	Consolidated		Standalone	
	2011-12	2010-11	2011-12	2010-11
Total Revenue	4,778.26	4,827.50	3,290.11	3,135.53
Profit/(Loss) Before Interest, Depreciation, Tax, Amortization & Exceptional Items	1,406.33	1,379.77	970.02	1,186.77
Interest, Depreciation & Amortization	506.48	530.71	440.41	467.38
Profit/(Loss) Before Exceptional Items & Tax	899.95	849.06	529.61	719.39
Exceptional Items	(547.94)	(17.21)	(509.24)	6.19
Profit/(Loss) Before Tax	351.91	831.85	20.37	725.58
Provision for Taxes	33.50	44.06	(3.60)	10.49
Profit/(Loss) After Tax	318.41	787.79	23.97	715.09
APPROPRIATIONS				
Interim Dividend	-	-	-	-
Preference Dividend	-	-	-	-
Dividend Proposed on Equity Shares	-	-	-	-
Provision for Tax on Dividends	-	-	-	-
Transfer to General Reserve	-	-	-	-
Surplus/(Deficit) Carried to Balance Sheet	318.41	787.79	23.97	715.09

RESULTS OF OPERATIONS

During the financial year ended March 31, 2012, the total revenue on a consolidated basis was ₹ 4,778.26 million. The Company has made a profit of ₹ 318.41 million for the financial year 2011-12 as against profit of ₹ 787.79 million in the previous year.

On standalone basis, the total revenue stood at ₹ 3,290.11 million. The net profit for the financial year 2011-12 was ₹ 23.97 million.

The Directors have not proposed any dividend to be paid for the financial year 2011-12.

BUSINESS

Your Company is a leading global provider of Business Support Systems (BSS) that empowers Communications Service Providers (CSPs) to achieve competitive advantage through Business Optimization, thereby enabling them to improve their operational efficiency to deliver enhanced service experiences to subscribers. The Company pioneered the

concept of Revenue Operations Center (ROC®) - a centralized approach that sustains profitable growth and financial health through coordinated operational control. Subex's product portfolio powers the ROC and it has best-in-class solutions such as revenue assurance, fraud management, credit risk management, cost management, route optimization, data integrity management and interconnect/inter-party settlement.

The Company has been declared global leader in Business Optimization for CSPs for five years in a row by analyst firm Analysys Mason. Business Optimization improve the revenues and profits of the CSPs through identification and elimination of leakages in their revenue chain and includes fraud, revenue assurance, analytics, cost management and credit risk management. Subex conceptualizes and develops software products at its facilities in Bangalore and is focused on the telecom business segment. Subex has sales and support offices in the United States, UK, UAE, India, Singapore and Australia.

Commoditization of the industry is the largest threat that telecom operators around the world are facing. This, coupled with the need to roll out new products and services at regular intervals, is proving to be a tough combination for the telcos. Subex is well positioned to address the needs of the telecom carriers and help them to overcome these challenges. The Company's pioneering platform, the Revenue Operations Centre (ROC®) brings together business intelligence, domain knowledge and workflow support. ROC acts as the underpinning solution on which telcos can build their processes to achieve several objectives like, lower cost, higher margin, higher revenue etc. Further, Subex offers Managed Services around its products which enable the operators to take advantage of our deep domain expertise to improve their operational efficiency.

CHANGES IN SHARE CAPITAL

As at March 31, 2012, the authorised share capital of the Company was ₹ 247,00,00,000 (Rupees Two Hundred and Forty Seven Crores only) divided into 24,50,40,000 (Twenty Four Crores Fifty Lakhs and Forty Thousand only) equity shares of ₹ 10 (Rupees Ten only) each and 2,00,000 (Two Lakhs only) preference shares of ₹ 98 (Rupees Ninety Eight only) each.

At the Extraordinary General Meeting held on June 28, 2012, the authorised share capital of the Company was increased to ₹ 497,00,00,000 (Rupees Four Hundred and Ninety Seven Crores only) divided into 49,50,40,000 (Forty Nine Crores Fifty Lakhs and Forty Thousand only) equity shares of ₹ 10 (Rupees Ten only) each and 2,00,000 (Two Lakhs only) preference shares of ₹ 98 (Rupees Ninety Eight only) each.

During the year ended March 31, 2012, your Company allotted 747 equity shares consequent to exercise of stock options under the ESOP 2005 scheme. As at March 31, 2012, the paid-

up share capital of the Company stood at ₹ 69,31,07,720/- consisting of 6,93,10,772 equity shares of ₹ 10/- each.

On July 17, 2012, the Company allotted 8,93,35,462 equity shares pursuant to mandatory conversion of a principal amount of US\$ 36.321 million out of the Company's US\$ 127.721 million 5.70% Secured Convertible Bonds. As at the date of this report, the paid-up equity share capital of the Company stood at ₹ 1,58,64,62,340/- consisting of 15,86,46,234 equity shares of ₹ 10/- each.

SUBSIDIARIES

SUBEX TECHNOLOGIES LIMITED

For the year ended March 31, 2012, Subex Technologies Limited earned an income of ₹ 483.34 million, on a consolidated basis, as against ₹ 646.31 million last year and a net profit of ₹ 4.93 million as against a net profit of ₹ 7.50 million last year.

Pursuant to the demerger in 2007-08, Subex Technologies Inc became a direct subsidiary of Subex Technologies Limited.

SUBEX (UK) LIMITED

For the year ended March 31, 2012, the consolidated income of Subex (UK) Limited was ₹ 3,809.53 million as against ₹ 3,217.74 million last year, and the net profit was ₹ 335.71 million as against a net profit is ₹ 115.99 million last year.

Subex (Asia Pacific) Pte. Ltd and Subex Inc are direct subsidiaries of Subex (UK) Limited.

SUBEX AMERICAS INC.

For the year ended March 31, 2012, the consolidated income of Subex Americas Inc was ₹ 911.90 million as against ₹ 1,205.44 million last year, and net loss was ₹ 46.20 million as against ₹ 50.80 million last year.

In September 2011, the Company sold its activation business comprising service fulfilment solution to Netcracker Technology Corporation, a company operating in the US. The decision to sell the activation business was an outcome of a change in the Company's strategy to focus on its core products, i.e. ROC and Managed Services.

COMPLIANCE UNDER SECTION 212

The Ministry of Corporate Affairs (MCA) has vide General Circular No. 2/2011 dated February 8, 2011 and General Circular No. 3/2011 dated February 21, 2011 granted a general exemption stating that the provisions of section 212 of the Companies Act, 1956 in relation to subsidiaries' accounts shall not apply subject to compliance of certain conditions. In accordance with the said circulars, the Board of Directors of the Company, has in its meeting held on May 23, 2012, given the consent for not attaching the balance sheet of the subsidiaries concerned alongwith the balance sheet of the Company. However, financial information of the subsidiary companies, as required to be provided by the said circulars, are

disclosed in Note 37 to the Consolidated Financial Statements. The Company will make available the annual accounts of the subsidiary companies and the related information to any investor of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection by any investor at the Registered Office of the Company. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies.

FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs)

As at March 31, 2012, the Company had outstanding FCCBs aggregating to US\$ 39 million under its US\$ 180,000,000 2% Convertible Unsecured Bonds ("FCCBs I") and US\$ 54.80 million under its US\$ 98,700,000 5% Convertible Unsecured Bonds ("FCCBs II"). Both the FCCBs were originally due for redemption on March 9, 2012. In order to have adequate time to complete the restructuring activity, the Company had, pursuant to the approval of the Reserve Bank of India (RBI), extended the maturity period to July 9, 2012.

In July 2012, pursuant to the exchange of US\$ 38 million out of FCCBs I and US\$ 53.40 million out of FCCBs II under a cashless exchange offer, the Company issued US\$127,721,000 5.70% Secured Convertible Bonds ("FCCBs III") with a maturity period due July 2017 with a conversion price of ₹ 22.79 per equity share. As a part of the terms and conditions of FCCBs III, principal amount of US\$ 36.321 million out of FCCBs III were mandatorily converted into equity shares at the aforesaid conversion price. Pursuant to the mandatory conversion, US\$ 91.40 million is currently outstanding under FCCBs III. Also, the maturity period of the un-exchanged FCCBs I worth US\$ 1 million and the un-exchanged FCCBs II worth US\$ 1.40 million now stands extended to March 2017.

EMPLOYEE STOCK OPTIONS SCHEMES

Your Company has introduced various Stock Option plans for its employees. Details of these, including grants to Senior Management issued during the year are given below.

EMPLOYEE STOCK OPTION PLAN-1999 (ESOP - I)

This scheme was instituted during 1999 and managed by Subex Foundation with a corpus of 120,000 equity shares initially. Since the scheme was formulated prior to the promulgation of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Company has discontinued the scheme.

EMPLOYEE STOCK OPTION PLAN-2000 (ESOP - II)

During 1999-2000, your Company established the Employee Stock Option Plan 2000, under which options have been allocated for grant to the employees of the Company and its subsidiaries. The Company has obtained in-principle approval for listing up to a maximum of 883,750 equity shares to be allotted pursuant to exercise of options granted under the

scheme. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

In accordance with the scheme, a Compensation Committee has been formed, which grants options to the eligible employees. The options are granted at a price, which is not less than 85% of the average of the closing price of the equity shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. Unless otherwise resolved, the options granted vest over a period of 1 to 4 years and can be exercised over a period of 3 years from the date of vesting.

During the year 2008-09, the Company amended the ESOP 2000 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company.

During the year 2011-2012, the employees voluntarily surrendered 241,012 stock options under ESOP 2000 scheme. Also, the Company issued equivalent stock options to the aforesaid eligible employees under ESOP 2005 and ESOP 2008 scheme.

The tenure for grant of stock options under ESOP 2000 scheme has expired and the Company is only administering the outstanding stock options issued under the scheme.

EMPLOYEE STOCK OPTION PLAN-2005 (ESOP - III)

Under this scheme, an initial corpus of 500,000 options was created for grant to the eligible employees, with each option convertible into one fully paid-up equity share of ₹ 10/-. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The corpus of the scheme was further enhanced by 1,500,000 options during the financial year 2007-08. The Company has obtained the requisite in-principle approvals from the stock exchanges for the purpose of listing of equity shares arising out of exercise of options granted under the scheme.

The Compensation Committee grants options to the eligible employees in accordance with the provisions of the scheme. The options are granted at a price, which is not less than 85% of the average of the closing price of the equity shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. Unless otherwise resolved, the options granted vest over a period of 1 to 4 years and can be exercised over a period of 3 years from the date of vesting.

During the year 2008-09, the Company amended the ESOP 2005 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company.

During the year 2011-2012, the employees voluntarily surrendered 964,969 stock options under ESOP 2005 scheme. Also, the Company issued equivalent stock options to the aforesaid eligible employees under ESOP 2005 scheme.

EMPLOYEE STOCK OPTION PLAN-2008 (ESOP - IV)

During 2008-09, your Company instituted the Employee Stock Option Plan-2008 vide approval of shareholders through the postal ballot mechanism. A corpus of 2,000,000 options has been created for grant to the eligible employees under the scheme. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Company has obtained the requisite in-principle approvals from the stock exchanges for the purpose of listing of equity shares arising out of exercise of options granted under the scheme.

The Compensation Committee grants options to the eligible employees in accordance with the provisions of the scheme. The options are granted at a price, which is not less than 85% of the average of the closing price of the equity shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. Unless otherwise resolved, the options granted vests over a period of 1 to 4 years and can be exercised over a period of 3 years from the date of vesting.

During the year 2011-2012, the employees voluntarily surrendered 1,019,583 stock options under ESOP 2008 scheme. Also, the Company issued equivalent stock options to the aforesaid eligible employees under ESOP 2008 scheme.

Additional information as at March 31, 2012 required to be disclosed as per Securities and Exchange Board of India (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999 is given as Annexure I to this report.

CORPORATE GOVERNANCE

Your Company strongly believes that the spirit of Corporate Governance goes beyond the statutory form. Sound Corporate Governance is a key driver of sustainable corporate growth and long-term value creation for the stakeholders and protection of their interests. Your Company endeavors to meet the growing aspirations of all stakeholders including shareholders, employees and customers. Your Company is committed to maintaining the highest level of transparency, accountability and equity in its operations. Your Company always strives to follow the path of good governance through a broad framework of various processes.

Your Company has complied with all the requirements as per Clause 49 of the listing agreement of the Stock Exchanges, as amended from time to time. The Auditor's certificate on compliance with Clause 49 is included under section on Corporate Governance in this Annual Report. In addition, your Company has documented its internal policies in line with the Corporate Governance guidelines. The Management

Discussion & Analysis of the financial position of the Company has been provided as a part of this report.

DIRECTORS

As per Article 87 of the Articles of Association of the Company read with section 255 and 256 of the Companies Act, 1956, atleast two-third of the Directors shall be subject to retirement by rotation. One-third of such Directors must retire from office at each Annual General Meeting of the shareholders and a retiring director is eligible for re-election. Accordingly, Mr. Sudeesh Yezhuvath retires by rotation and being eligible, has offered to be re-appointed at the ensuing Annual General Meeting.

The present tenure of Mr. Subash Menon, Founder, Managing Director & CEO will expire on September 30, 2012. The Board of Directors has at its meeting held on August 9, 2012 approved the proposal for re-appointment of Mr. Subash Menon as Managing Director & CEO for the period from October 1, 2012 to September 30, 2017. In accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the said re-appointment is being placed before the Members for their approval at the ensuing AGM. The terms and conditions of the re-appointment including remuneration have been provided in the notice convening the Annual General Meeting.

The Board of Directors has, vide its resolutions dated July 6, 2012, appointed Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy as Additional Directors of the Company to hold office until the next Annual General Meeting of the Company. Separate notices under Section 257 of the Companies Act, 1956 have been received from Members signifying their intention to propose Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy as candidates for the office of Director and accordingly resolutions for their appointment are being placed before the Members at the ensuing Annual General Meeting.

AUDIT COMMITTEE

On May 18, 2012, the Board of Directors approved the resignation of Mr. V Balaji Bhat consequent to which he vacated the office as the Chairman and member of the Audit committee. With immediate effect, Mr. Anil Singhvi was appointed as the Chairman of the Committee and Mr. Subash Menon was appointed as a member of the Committee. At the Board Meeting held on August 9, 2012, Mr. Subash Menon stepped down as a member of the Audit Committee and Mr. Surjeet Singh was inducted as a member of the Audit Committee. The Audit Committee presently has 3 Directors as its members viz. Mr. Anil Singhvi, Mr. Sanjeev Aga and Mr. Surjeet Singh. The role, terms of reference, the authority and power of the Audit Committee are in conformity with the requirements of section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. Further details of the Audit Committee have been provided in the report on Corporate Governance forming part of this Annual Report.

AUDITORS

M/s. Deloitte Haskins & Sells (ICAI registration number 008072S), the Statutory Auditors of the Company retire at the ensuing Annual General Meeting. The Statutory Auditors have communicated their willingness to accept office, if re-appointed and have confirmed that they are eligible as per section 224(1B) to be appointed as statutory auditors of the Company and are not disqualified to hold office as such in terms of section 226 of the Companies Act, 1956.

The Auditors have expressed an unqualified opinion on the financial statements for the year ended March 31, 2012. With regard to point 7(a) of the annexure to the standalone auditor's report, the management has taken note of the same and will put in place adequate measures to monitor the same.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public.

PARTICULARS OF EMPLOYEES

The particulars of employees required under Section 217(2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975 as amended by Companies (Particulars of Employees) Amendment Rules, 2011, read with General Circular No. 23/2011 dated May 3, 2011 issued by MCA, are given at Annexure II appended hereto and forming part of this report. In terms of Section 219(1)(b) (iv) of the Companies Act, 1956, the report and accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary & Compliance Officer at the Registered Office of the Company.

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY

The operations of your Company are not energy-intensive. However, significant measures are taken to reduce energy consumption by using energy-efficient computers and by the purchase of energy-efficient equipment. Your Company constantly evaluates new technologies and invests to make its infrastructure more energy-efficient. Currently your Company uses CFL fittings and electronic ballasts to reduce the power consumption of fluorescent tubes. Air conditioners with energy efficient screw compressors for central air conditioning and air conditioners with split air conditioning for localized areas are used.

B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

Your Company has a strong R&D Division responsible for developing technologies for its products in the telecom

domain. The Company holds several patents for its technological innovations. The telecommunications domain, in which your Company operates, is subject to high level of obsolescence and rapid technological changes. Your Company has developed inherent skills to keep pace with these changes. Since software products are the significant line of business of your Company, the Company incurs expenses on product related Research & Development on a continuous basis. These expenses are charged to revenue under the respective heads and are not segregated and accounted separately.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company has over the years shifted its focus from software services to software products. This has resulted in substantial foreign exchange earnings as compared to previous years. During the year 2011-12 total foreign exchange inflow and outflow is as follows:

- i) Foreign Exchange earnings ₹ 2,972.07 million (Previous Year ₹ 2,893.49 million)
- ii) Foreign Exchange outgo is as below ₹ 1,666.05 million (Previous Year ₹ 1,384.46 million)

CORPORATE SOCIAL RESPONSIBILITY - SUBEX CHARITABLE TRUST

Subex Charitable Trust extends the outlook of Subex as a corporate entity into community service. The trust has been set up to provide for welfare activities for under privileged and the needy in the society. The trust is managed by Trustees elected amongst the employees of the Company. During the year, the Trust has provided active support for education of economically challenged meritorious students, financial assistance to old age homes, orphanages and to individuals who needed medical help. A gist of activities undertaken by the Trust has been provided as a separate section in this Annual Report.

HUMAN RESOURCE MANAGEMENT

The Human Resource function is committed to make real the Subex Vision of "Deliver Value to Excel and Lead". The commitment and hard work of every member of the Subex family has ensured that your Company lives by the values of Fairness, Commitment and Innovation that we espouse.

During the year ended March 31, 2012, your Company surged ahead on a lot of the initiatives that were launched in the previous year. Hiring new members into the Subex team, and focusing on the drivers of Subexian satisfaction were the critical focus areas. To that end your Company focused on further developing its own online Learning Management System called the Subex Academy that was launched last year. This automated platform added significant value to training identification, design, delivery and evaluation. Communication within the Company was stepped up. Attraction, alignment, motivation and learning were the other critical focus areas.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provision of Section 217(2AA) of the Companies Act, 1956, the Board of Directors affirms:

- a) that in the preparation of the annual accounts for the year ended March 31, 2012, the applicable accounting standards have been followed. Pursuant to, and in accordance with, the approval of the Members and the Hon'ble High Court of Karnataka to a proposal for reduction of securities premium and capital reserve obtained during 2009-10, the Company has utilised the Business Restructuring Reserve for adjustment of certain expenses/impairments. Such adjustment being at variance with applicable accounting standards, necessary disclosure has been made in the Notes to the accounts in Standalone and Consolidated Financial Statements.
- b) that the accounting policies have been selected and applied consistently and it has made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for the year ended on that date.
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) that the accounts for the year ended March 31, 2012 have been prepared on a going concern basis.

APPRECIATION / ACKNOWLEDGEMENTS

We thank our clients, vendors, investors and bankers for their continued support during the year. We place on record our appreciation for the co-operation and assistance provided by the Central and State Government authorities particularly SEZ authorities, Customs and Central Excise authorities, Registrar of Companies, Karnataka, the Income Tax department, Reserve Bank of India and various authorities under the Government of Karnataka.

Your Directors also wish to place on record their deep appreciation to Subexians at all levels for their hard work, solidarity, co-operation and support, as they are instrumental in your Company scaling new heights, year after year.

For Subex Limited

Sudeesh Yezhuvath
Chief Operating Officer &
Wholtime Director

Subash Menon
Founder,
Managing Director & CEO

Place: Bangalore
Date : August 9, 2012

ANNEXURE I

Additional Information as at March 31, 2012 as per Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Sl. No.	Particulars	ESOP 2000	ESOP 2005	ESOP 2008
1.	Net options granted as on March 31, 2012	249,725	1,368,525	1,019,289
	Options granted during the year	-	1,461,441	1,019,583
2.	Pricing formula	As mentioned earlier in the report	As mentioned earlier in the report	As mentioned earlier in the report
3.	Options vested but not exercised as on March 31, 2012	9,397	98,823	9,191
4.	Options exercised as on March 31, 2012	237,703	12,439	-
	Options exercised during the year	-	747	-
5.	Money realized by exercise of options during the year	-	30,154	-
6.	The total number of shares arising as a result of exercise of options during the year ended March 31, 2012	-	747	-
7.	Options lapsed/cancelled/ surrendered as on March 31, 2012	986,847	4,346,293	1,314,248
	Options lapsed/cancelled/ surrendered during the year	266,237	1,728,690	1,187,913
8.	Variation of terms of options	None	None	None
9.	No. of employees covered	623	2088	273
10.	Employee wise details of options granted during the year under review to:			
	(i) Senior managerial personnel			
	Mr. Vinod Kumar P	-	39,895	1,00,000
	Ms. Anuradha	-	32,306	75,000
	Mr. Ramanathan J	-	12,000	65,000
	Mr. David Halvorson	-	6,000	4,000
	(ii) other employee receiving a grant in the year of option amounting to 5% or more of options granted during that year			
	Mr. Paul Skillen	-	54,400	92,000
	Mr. Greg Leneveu	-	70,500	132,000
	(iii) identified employees who were granted option, during the year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	-	-	-
11.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per share'	₹ 0.35	₹ 0.35	₹ 0.35

Sl. No.	Particulars	ESOP 2000	ESOP 2005	ESOP 2008
12.	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company is:	Profits would have been lower by ₹ 36.03 million Basic EPS would have been lower by 0.52. There is no impact on the Diluted EPS.		
13.	Weighted-average exercise prices and weighted-average fair values of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Weighted-average exercise price is ₹ 85.22	Weighted-average exercise price is ₹ 39.30	Weighted-average exercise price is ₹ 28.95
14.	Description of the method used during the year to estimate the fair values of options, including the following weighted-average information :	Black Scholes method of valuation		
	i. risk-free interest rate	8.00%		
	ii. expected life	3 Years		
	iii. expected volatility	33.73%		
	iv. expected dividends	0%		
	v. market price on grant date	₹ 43.30		

For Subex Limited

Place : Bangalore
Date : August 9, 2012

Sudeesh Yezhuvath
Chief Operating Officer &
Wholetime Director

Subash Menon
Founder,
Managing Director & CEO

REPORT ON CORPORATE GOVERNANCE

I. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is about commitment to values and ethical business conduct. It is about how an organization is managed. Therefore situation, performance, ownership and governance of the Company are equally important as regards to the structure, activities and policies of the organization. Consequently, the organization is able to attract investors, and enhance the trust and confidence of the stakeholders.

Subex Limited's compliance with the Corporate Governance guidelines as stipulated by the stock exchanges is described in this section. The Company believes that sound Corporate Governance is critical to enhance and retain investor's trust. Subex respects minority rights in its business decisions.

The Company's Corporate Governance philosophy is based on the following principles:

1. Satisfy the spirit of the law and not just the letter of the law.
2. Be transparent and maintain high degree of disclosure levels.
3. Communicate externally, in a truthful manner, about how the Company is run internally.
4. Comply with the laws in all the countries in which the Company operates.

Subex is committed to good Corporate Governance practices. Consistent with this commitment, Subex seeks to achieve a high level of responsibility and accountability in its internal systems and policies. Subex respects the inalienable rights of the shareholders to information on the performance of the Company. The Company's Corporate Governance policies ensures, among others, the accountability of the Board of Directors and the importance of its decisions to all its participants viz., customers, employees, investors,

regulatory bodies etc. Subex Code of Corporate Governance has been drafted in compliance with the code of "Corporate Governance" as promulgated by the Securities and Exchange Board of India (SEBI) in its meeting held on January 25, 2000 and amendments made thereto, from time to time.

II. BOARD OF DIRECTORS

As at the date of this report, the Board of Directors of Subex Limited comprises 6 Directors out of which 2 are Executive Directors, 2 are Independent Directors and 2 are Nominee Directors.

As a part of the Company's recently concluded FCCBs restructuring and in order to ensure compliance of listing agreement, Mr. Subash Menon has resigned from the position of Chairman of the Board of the Company with effect from July 6, 2012. He continues to hold the position of the Managing Director & CEO of the Company.

Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy, nominees of the holders of the Company's US\$ 127,721,000 5.70% secured convertible bonds, were appointed as additional directors on July 6, 2012.

Details of the composition of the Board of Directors and their attendance and other particulars are given below. These details reflect the position as at March 31, 2012 and as such do not include details of additional directors appointed after the end of the financial year.

A. Composition and Category of Directors as on March 31, 2012

Category	No. of Directors	%
Independent Directors	3	60
Promoter and Executive Directors	1	20
Other Executive Directors	1	20
Total	5	100

B. Attendance of Directors at the Board Meetings and the Last AGM and Details About Directorships and Membership in Committees as on March 31, 2012

Director	Position	No. of Board Meetings Held	No. of Board Meetings Attended	Last AGM Attendance	No. of Directorships in Other Companies ▲	No. of Committees in Which the Director is Chairman ■	No. of Committees in Which the Director is a Member ■
Mr. Subash Menon	Founder, Chairman Managing Director & CEO	7	7	Yes	1	-	-
Mr. Sudeesh Yezhuvath	Chief Operating Officer & Wholetime Director	7	5	Yes	1	-	1
Mr. V Balaji Bhat ^a	Independent Director	7	4	Yes	5	4	4
Mr. Vinod R Sethi ^b	Independent Director	3	2	Yes	NA	NA	NA
Mr. Andrew Garman ^c	Independent Director	6	1	Yes	NA	NA	NA
Mr. Harry Berry ^d	Independent Director	6	1	-	NA	NA	NA
Mr. Anil Singhvi	Independent Director	7	5	Yes	6	1	3
Mr. Sanjeev Aga	Independent Director	6	5	-	2	-	2

- ▲ Excluding private limited companies & overseas companies.
- Includes only Audit Committee and Shareholder's Grievance Committee. Memberships in Committees of Subex Limited are included.
- ^ Mr. V Balaji Bhat resigned as a Director of the Company with effect from May 18, 2012
- * Mr. Vinod R Sethi resigned as a Director of the Company with effect from October 31, 2011.
- # Mr. Andrew Garman and Mr. Harry Berry resigned as Directors of the Company with effect from January 31, 2012.

C. Number and Dates of Board Meetings

7 (Seven) Board Meetings were held during the financial year 2011-12. The dates on which meetings were held are as follows:

April 27, 2011
 July 27, 2011
 October 31, 2011
 November 25, 2011
 December 20, 2011
 January 31, 2012
 February 6, 2012

D. Brief Details of Directors Seeking Appointment/ Re-appointment

Mr. Subash Menon

Mr. Subash Menon founded the Company in 1992 and has been its Chief Executive Officer since inception. Under his stewardship, Subex has transformed from a systems integrator in the telecom hardware space to a major player in the telecom software space with a focus in revenue maximisation. Mr. Subash Menon has charted the Company's growth to a global thought leader in the telecom software space with the successful launch of several products and with over 180 customers across more than 70 countries across 6 continents. Mr. Subash Menon has also guided the Company through a successful initial public offering in 1999 and through seven acquisitions. Leading the internationalisation of the Company, Mr. Subash Menon has played a key role in establishing offices in the US, Canada, UK, Dubai, India, Singapore and Australia. Mr. Subash Menon has over 22 years of experience in the areas of general management, sales and marketing. He has presented numerous papers on technology and business in various countries. Mr. Subash Menon has resigned from the position of Chairman of the Board of the Company with effect from July 6, 2012 and continues to be the Managing Director and CEO.

Mr. Subash Menon has led the Nasscom Product Forum (part of Nasscom, the premier software association in India) as its Chairman. Mr. Subash Menon is a graduate in Electrical Engineering from the National Institute of Technology, Durgapur.

Mr. Subash Menon is the brother of Mr. Sudeesh Yezhuvath, Chief Operating Officer & Wholtime Director. As on the date

of this report, Mr. Subash Menon holds 2,580,601 equity shares of the Company.

Mr. Sudeesh Yezhuvath

Mr. Sudeesh Yezhuvath heads the overall operations of Subex, excluding the legal and financial functions. He has been associated with Subex since 1993 and has been instrumental in building the software business of Subex. He has been closely involved in the Company's M&A activities, including the integration process post acquisitions.

Mr. Sudeesh Yezhuvath holds a Bachelors degree in Instrumentation and Control. Mr. Sudeesh Yezhuvath has over 18 years of experience in the telecom field and has presented various papers on telecom and business operations in different parts of the world.

Mr. Sudeesh Yezhuvath is brother of Mr. Subash Menon, Founder, Managing Director & CEO. As on the date of this report, he holds 372,243 equity shares of the Company.

Mr. Surjeet Singh

Mr. Surjeet Singh is a seasoned management professional and business leader with over two decades of multi-industry global experience in leading Finance, Corporate Development, Business Planning and Global operations functions. He has a successful corporate and entrepreneurial track record of building organizations and fostering collaboration in large and culturally diverse cross functional teams. He was till recently the Global Chief Financial Officer of Patni Computer Systems where he played key role in shaping business transformation including significant improvements in operating metrics and processes, structuring large platform deals with fortune 500 customers, seamless management transitions, upholding highest standards of financial and corporate governance. He was instrumental in helping realize maximum shareholder value with successful exit of majority shareholders at Patni. Prior to this, Mr. Surjeet Singh was part of founding team of Cymbal Corporation, a mid-sized telecom BSS systems integration boutique out of silicon valley which was acquired by Patni in 2004 for \$68M, which at the time was one of the largest cross border services transaction by an Indian company. In early part of his career, Mr. Surjeet Singh held various finance and operations roles at Ranbaxy - a global multinational pharmaceutical company during its internationalization phase in the 90's. Mr. Surjeet Singh is a fellow of the Institute of Costs and Works Accountants, India, Certified Public Accountant from AICPA, USA. He holds a B.S. in Finance from the University of Pune and is a graduate of Advanced Management Program from Harvard Business School.

As on the date of this report, Mr. Surjeet Singh does not hold any equity shares of the Company.

Mr. Karthikeyan Muthuswamy

Mr. Karthikeyan Muthuswamy is the Managing Director of Trident Advisors Private Limited, a Mumbai based investment advisory firm. Prior to Trident Advisors,

Mr. Karthikeyan Muthuswamy has worked as a fund manager with M3 Investments and Director with Jeetay Investments, both of which are Mumbai based investment management firms. Mr. Karthikeyan Muthuswamy is a BBA from the University of Madras and a Chartered Financial Analyst.

As on the date of this report, Mr. Karthikeyan Muthuswamy does not hold any equity shares of the Company.

III. AUDIT COMMITTEE

A. Terms of Reference

The Audit Committee has, inter alia, the following mandate:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommendation of appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services;
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- Review of annual financial statements before submission to the Board;
- Review of adequacy of internal control systems;
- Review of adequacy of internal audit function, including the reporting structure coverage and frequency of internal audit, and
- Review of the Company's financial and risk management policies.

The current charter of the Audit Committee is in line with international best practices and the regulatory changes formulated by SEBI and the listing agreements with the Stock Exchanges on which Subex is listed.

B. Composition of Audit Committee as at March 31, 2012

Composition	Category
Mr. V Balaji Bhat, Chairman	Independent Director
Mr. Anil Singhvi	Independent Director
Mr. Sanjeev Aga	Independent Director

Mr. V Balaji Bhat, Independent Director resigned as Director of the Company with effect from May 18, 2012 and vacated the office as the Chairman and member of the Audit committee. Pursuant to the aforesaid resignation, Mr. Anil Singhvi was appointed as the Chairman of the Audit Committee and Mr. Subash Menon was appointed as a member of the Committee. At the Board Meeting held on August 9, 2012, Mr. Subash Menon stepped down as member of the Committee and Mr. Surjeet Singh was inducted as a member of the Audit Committee.

Mr. Vinay M A, Company Secretary & Compliance Officer is the Secretary of the Audit Committee with effect from August 9, 2012.

C. Meetings and Attendance During the Year

During the financial year 2011-12, four Audit Committee meetings were held on April 27, 2011, July 27, 2011, October 31, 2011, and January 31, 2012. The audited financial results for the financial year ended March 31, 2012 were taken on record at the meeting held on May 22, 2012. The quarterly results for the quarters April-June 2011, July-September 2011 and October-December 2011 were taken on record on July 27, 2011, October 31, 2011, and January 31, 2012 respectively.

D. Attendance of Committee Members at the Audit Committee Meetings Held During the Financial Year 2011-12

Member	No. of Audit Committee Meetings Held	No. of Audit Committee Meetings Attended
Mr. V Balaji Bhat	4	3
Mr. Vinod R Sethi*	3	2
Mr. Andrew Garman#	4	1
Mr. Harry Berry#	4	-
Mr. Subash Menon	1	1
Mr. Anil Singhvi@	3	2
Mr. Sanjeev Aga+	2	2

* Mr. Vinod R Sethi resigned as Director of the Company with effect from October 31, 2011.

Mr. Andrew Garman and Mr. Harry Berry resigned as Directors of the Company with effect from January 31, 2012.

@ Mr. Anil Singhvi was appointed as a member of Audit Committee on April 27, 2011.

+ Mr. Sanjeev Aga was appointed as a member of Audit Committee on October 31, 2011.

IV. REMUNERATION COMMITTEE

A. Composition of the Committee

Composition	Category
Mr. Anil Singhvi, Chairman	Independent Director
Mr. V Balaji Bhat	Independent Director
Mr. Sanjeev Aga	Independent Director

Mr. V Balaji Bhat, Independent Director resigned as Director of the Company with effect from May 18, 2012 and vacated the office as the member of the Remuneration committee. At the Board Meeting held on August 9, 2012, Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy were inducted as the members of the Committee.

The Committee considers the performance of the Company as well as general industry trends while fixing the remuneration of Executive Directors. At its meeting held on August 9, 2012, the Committee approved the re-appointment of Mr. Subash Menon as the Managing Director & CEO for a period of 5 years from October 1, 2012 to September 30, 2017, based on the terms and conditions including remuneration which are being placed before the Members for their approval at the ensuing Annual General Meeting.

B. Details of Remuneration of Directors

Amount in ₹ Million

Name	Designation	Salary	Commission	Total
Mr. Subash Menon	Founder Chairman, Managing Director & CEO	21.65	-	21.65
Mr. Sudeesh Yezhuvath	Chief Operating Officer & Wholetime Director	19.74	-	19.74
Mr. Anil Singhvi	Independent Director	-	2.5	2.5
Mr. Sanjeev Aga	Independent Director	-	2.5	2.5

During the financial year under review, 50,000 stock options were granted to Mr. Sanjeev Aga, Independent Director.

C. Details of Shareholding of Non- Executive Directors

In terms of Clause 49(IV)(E)(iv) of the Listing Agreement, the details of shares held by Non-Executive Directors are as under:

Name	No. of Shares Held as at March 31, 2012
Mr. V Balaji Bhat	31,000
Mr. Anil Singhvi	60,000
Mr. Sanjeev Aga	NIL

The Non-Executive Independent Directors are paid sitting fees of ₹ 20,000 per meeting for attendance at the Audit Committee Meetings and ₹ 10,000 per meeting for attendance at the Board Meetings.

The Remuneration Committee determines and recommends to the Board, the compensation payable to the Executive Directors. All Board level compensation is approved by the shareholders, where necessary, and is separately disclosed in the financial statements. Remuneration of Executive Directors consists of a fixed component and a performance based commission. The compensation, however, shall be within the parameters set by the shareholders meetings and the provisions of the Companies Act, 1956. The Executive Directors have entered into service contracts with the Company. Mr. Subash Menon has to provide 6 months notice period if he decides to terminate the contract. If the termination is from the Company, the notice period shall also be 6 months. Mr. Sudeesh Yezhuvath has to provide 3 months notice period if he decides to terminate the contract. If the termination is from the Company, the notice period shall be 12 calendar months. In case of severance from the Company, Mr. Subash Menon is eligible for a separation pay amount equal to 24 (twenty four) months of remuneration (being the sum of salary and house rent allowance payable to him). In case of severance from the Company, Mr. Sudeesh Yezhuvath is eligible for a notice period amount equal to 24 (twenty four) months of remuneration. The Non-Executive Directors are eligible for payment of commission upto 1% of net profits of the Company and grant of upto 50,000 stock options per

Director in a financial year and in the aggregate, as may be decided by the Board of Directors (including a committee thereof). The issuance of stock options is subject to the terms of the stock option schemes of the Company.

V. SHARE TRANSFER COMMITTEE

A. Composition of the Committee

Composition	Category
Mr. Sudeesh Yezhuvath, Chairman	Chief Operating Officer & Wholetime Director
Mr. Subash Menon	Founder, Managing Director & CEO

At the Board Meeting held on August 9, 2012, Mr. Surjeet Singh and Mr. Karthikeyan Muthuswamy were inducted as the members of the Committee.

B. Meetings During the Year

The Company holds Share Transfer Committee Meetings on a periodical basis, as may be required, for approving, inter alia, the transfers/transmissions/rematerialisation of equity shares. The Company has appointed M/s. Canbank Computer Services Limited, a SEBI registered transfer agent, as its Share Transfer Agent with effect from November 6, 2001. The Share Transfer Committee has passed the following resolutions during the financial year 2011-12:

Date of Approval	No. of Transfer Requests Received	Shares Pursuant to the Deeds	Rematerialisation Requests Received	Equity Shares Involved
September 22, 2011	2	1200	-	-

With a view to expedite the transfer process in the interest of investors, SEBI vide its Circular No. CIR/MIRSD/8/2012 dated July 5, 2012 has reduced the time-line for registering the transfer of shares to 15 days with effect from October 1, 2012. In line with the aforesaid circular, the Company will ensure that the share transfers are effected within 15 days of the receipt of request for transfer.

VI. INVESTOR GRIEVANCE COMMITTEE

A. Composition of the Committee

Composition	Category
Mr. V Balaji Bhat, Chairman	Independent Director
Mr. Sudeesh Yezhuvath	Chief Operating Officer & Wholetime Director

Mr. V Balaji Bhat resigned as Director of the Company with effect from May 18, 2012 and vacated the office as the Chairman and member of the Investor Grievance Committee. At the Board Meeting held on May 23, 2012, Mr. Sanjeev Aga, Independent Director was appointed as the Chairman and member of the Investor Grievance Committee. At the Board Meeting held on August 9, 2012, Mr. Surjeet Singh and

Mr. Karthikeyan Muthuswamy were inducted as the members of the Committee.

Mr. Vinay M A, is the Company Secretary & Compliance Officer of the Company with effect from August 9, 2012.

The Committee is responsible for addressing the investor complaints and grievances. The Committee meets on a periodic basis to address the investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. Details of grievances of the investors are provided in the "Shareholders' Information" section of this Annual Report.

VII. ESOP COMMITTEE (Compensation Committee)

The Company has instituted Employee Stock Option Schemes in line with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Committee grants and administers options under the stock options schemes to eligible employees.

A. Composition of the Committee

Composition	Category
Mr. V Balaji Bhat, Chairman	Independent Director
Mr. Subash Menon	Founder Chairman, Managing Director & CEO
Mr. Sanjeev Aga	Independent Director

Mr. V Balaji Bhat resigned as Director of the Company with effect from May 18, 2012 and vacated the office as the Chairman and member of the ESOP Committee. At the Board Meeting held on May 23, 2012, Mr. Anil Singhvi, Independent Director was appointed as a member of the committee and Mr. Sanjeev Aga, Independent Director was appointed as the Chairman of the ESOP Committee. At the Board Meeting held on August 9, 2012, Mr. Subash Menon stepped down as a member of the Committee and Mr. Karthikeyan Muthuswamy was inducted as a member of the Committee.

The Committee meets on a periodic basis to administer the ESOP schemes of the Company.

VIII. GENERAL BODY MEETINGS

A. Location and Time of the Last Three AGMs

Year	Date of AGM	Venue	Time
2008-09	July 29, 2009	Registered Office	3.00 P M
2009-10	September 13, 2010	Registered Office	3.00 P M
2010-11	July 27, 2011	Registered Office	12.00 Noon

B. Location and Time of the Last Three EGMs

Year	Date of EGM	Venue	Time
2009-10	March 4, 2010	Registered Office	3.00 P M
2010-11	February 9, 2011	Registered Office	3.00 P M
2010-11	December 28, 2011	Registered Office	11.30 A M

The following special resolutions were passed at the AGM held on July 27, 2011:

- Re-appointment of Mr. Sudeesh Yezhuvath as the Chief Operating Officer & Wholetime Director of the Company, for the period from April 1, 2011 to hold office until September 30, 2017
- Payment of commission in accordance with the provisions of Section 198, 349 and 350 of the Companies Act, 1956, and issuance of stock options to the Non-Executive Directors of the Company

IX. DISCLOSURES

A. There are no significant related party transactions of the Company of material nature, with the Promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. Transactions with the related parties are disclosed in Note 30.ii to the standalone financial statements and Note 29 to the consolidated financial statements in the Annual Report.

B. A proposal for reduction and utilization of Securities Premium and Capital Reserve under the provisions of section 78 read with section 100 to 104 of the Companies Act, 1956 was approved pursuant to the resolution passed by the Board of Directors on February 8, 2010 and special resolution passed by the Members at the Extraordinary General Meeting held on March 4, 2010. The reduction, as aforesaid, envisages transfer of certain amounts from the Securities premium and Capital Reserves as on April 1, 2009 and thereafter, to a Business Restructuring Reserve (BRR) to be utilized from or after April 1, 2009 for certain Permitted Utilizations as mentioned in the explanatory statement to the notice of the Extraordinary General Meeting held on March 4, 2010. The petition seeking approval of the reduction was approved by the Hon'ble High Court of Karnataka vide its order dated April 21, 2010. The copy of the said order and the minute confirming the reduction was registered by the Registrar of Companies, Karnataka at Bangalore vide its certificate dated May 11, 2010. In accordance with the Proposal, the BRR has been utilised for adjustment of certain expenses/impairments. Such adjustment being at variance with applicable accounting standards, necessary disclosure has been made in Note 24 to the accounts in Standalone financial statements and Note 23 Consolidated financial statements.

C. The Company has not been subjected to any penalties, strictures by stock exchange(s)/SEBI or any statutory authorities on any matter related to capital markets, during the last three years.

D. The Company has complied with the listing conditions laid down in the Listing agreement of the stock exchanges where the equity shares of the Company are listed.

X. MEANS OF COMMUNICATION

A. Annual/Half Yearly and Quarterly Results

The annual/half yearly/quarterly audited/un-audited results are generally published in all editions of Financial Express (English) and Vijay Karnataka (Kannada). The complete

financial statements are posted on the Company's website www.subex.com. Subex also regularly provides information to the Stock Exchanges as per the requirements of the Listing Agreements and updates the website periodically to include information on new developments and business opportunities.

As part of the "Green Initiative in Corporate Governance", the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically considering its legal validity under the Information Technology Act, 2000. Being a Company with strong focus on green initiatives, Subex has been sending all shareholder communications such as the notice of General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., to shareholders in electronic form to the E-mail Id provided by them and made available to us by the Depositories. Members are requested to register their E-mail Id with their Depository Participant and inform them of any changes to the same from time to time. However, Members who prefer physical copy to be delivered may write to the Company at its registered office or send an E-mail to investorrelations@subex.com by providing their DP Id and Client Id as reference.

B. Management's Discussion and Analysis section has been separately dealt with in the Annual Report.

XI. General shareholder information is provided in the "Shareholders' Information" section of the Annual Report.

XII. Auditors' Certificate with regard to compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement entered into with the Stock Exchanges forms part of this Annual Report.

XIII. Compliance with non-mandatory requirements of Clause 49 of the listing agreement.

Clause 49 states that the non-mandatory requirements provided therein may be implemented as per the Company's discretion. However, the disclosures of compliance with mandatory requirements and adoption (and compliance)/ non adoption of non-mandatory requirements shall be made in the section on Corporate Governance in the Annual Report. The Company has complied with the following non-mandatory requirements:

A. The Board

Presently the Company does not have a Chairman and as such disclosures on maintenance of office by a Non-Executive Chairman does not arise. The Company ensures that the persons appointed as Independent Directors have the requisite qualifications and experience which would be of use to the Company and which would enable them to contribute effectively to the Company in their capacity as Independent Directors.

B. Remuneration Committee

The Company has instituted a Remuneration Committee. A detailed note on the Remuneration Committee has been provided earlier in the report.

C. Shareholders' Rights

The Company communicates with investors regularly through E-mails, telephone and face to face meetings like investor conferences, earnings calls, company visits and on road shows. The Company announces quarterly financial results within four weeks of the close of a quarter. The Company publishes the quarterly financial results in leading business newspaper(s) as well as on the Company's website. The Company has not initiated sending half-yearly declaration of financial performance to the household of shareholders so far. However, the Company intends to initiate electronic dissemination of financial results to the members.

D. Audit Qualifications

The auditors have expressed an unqualified opinion on the accounts for the year under review. The Company always endeavours to have unqualified accounts. With regard to point 7(a) of the annexure to the standalone auditor's report, the management has taken note of the same and will put in place adequate measures to monitor the same.

E. Training of Board Members

All new Non-Executive Directors inducted into the Board are given adequate orientation on the Company's businesses, group structure, risk management strategy and policies.

F. Mechanism for Evaluating Non-Executive Board Members

The Company compensates Non-Executive Directors keeping in view the time and attention devoted by them for the Company. While doing so, the Company evaluates the performance of the Non-Executive Directors using various parameters. However the Company is yet to formalize this evaluation by peer group comprising entire Board of Directors, excluding the Director being evaluated.

G. Whistle Blower Policy

The Company has established a mechanism for employees to report concerns about unethical behaviours, actual or suspected fraud or violation of our Code of Conduct. The mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. The employees are informed of this policy through appropriate internal communications. None of the employees have been denied access to this facility.

For Subex Limited

Sudeesh Yezhuvath
Chief Operating Officer &
Wholtime Director

Subash Menon
Founder,
Managing Director & CEO

Place: Bangalore
Date : August 9, 2012

DECLARATION BY THE CEO UNDER CLAUSE 49(I)(D) OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT

To,

The Members of Subex Limited

In accordance with Clause 49(I)(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel including me, have affirmed compliance to their respective Codes of

Conduct, as applicable for the Financial Year ended March 31, 2012.

For Subex Limited

Subash Menon

Founder,

Managing Director & CEO

Place: Bangalore

Date : August 9, 2012

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of Subex Limited

1. We have examined the compliance of conditions of Corporate Governance by Subex Limited ['the Company'] for the year ended March 31, 2012 as stipulated under Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

3. In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Deloitte Haskins & Sells
Chartered accountants

V Balaji

Partner

Membership No. 203685

Place : Bangalore

Date : August 9, 2012

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 Global Depositary Receipts (GDRs) of the Company are listed on the Professional Securities Market of the London Stock Exchange (LSE). The Company's outstanding US\$ 180,000,000 2% Convertible Unsecured Bonds are listed on the London Stock Exchange (LSE). The Company's outstanding US\$ 98,700,000 5% Convertible Unsecured Bonds and US\$ 127,721,000 5.70% Secured Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited (SGX).

The management of Subex is committed to improving the levels of transparency and disclosure. Keeping this in mind, an attempt has been made 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, 1956, and the Generally Accepted Accounting Principles (GAAP) in India or as per the Proposal approved by the Hon'ble High Court of judicature. 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 discussions 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.

1. INDUSTRY

Subex Limited is a leading global provider of Business Support Systems (BSS) that empowers Communications Service Providers (CSPs) to achieve competitive advantage through Business Optimization - thereby enabling them to improve their operational efficiency to deliver enhanced service experiences to subscribers. The Company pioneered the concept of a Revenue Operations Center (ROC®) – a centralized approach that sustains profitable growth and financial health through coordinated operational control. Subex's product portfolio powers the ROC and its best-in-class solutions

such as revenue assurance, fraud management, credit risk management, cost management, route optimization, data integrity management and interconnect/inter-party settlement.

The Company has been declared global leader in Business Optimization for CSPs for five years in a row by analyst firm Analysys Mason. Business Optimization improve the revenues and profits of the CSPs through identification and elimination of leakages in their revenue chain and includes fraud, revenue assurance, analytics, cost management and credit risk management. Subex conceptualizes and develops software products at its facilities in Bangalore and is focused on the telecom business segment. Subex has sales and support offices in the United States, UK, UAE, India, Singapore and Australia.

Commoditization of the industry is the largest threat that telecom operators around the world are facing. This, coupled with the need to roll out new products and services at regular intervals, is proving to be a tough combination for the telcos. Subex is well positioned to address the needs of the telecom carriers and help them to overcome these challenges. Our pioneering platform, the Revenue Operations Centre (ROC®) brings together business intelligence, domain knowledge and workflow support. ROC acts as the underpinning solution on which telcos can build their processes to achieve several objectives like, lower cost, higher margin, higher revenue etc. Further, Subex offers Managed Services around its products which enable the operators to take advantage of our deep domain expertise to improve their operational efficiency.

2. OPPORTUNITIES AND THREATS

Strategy

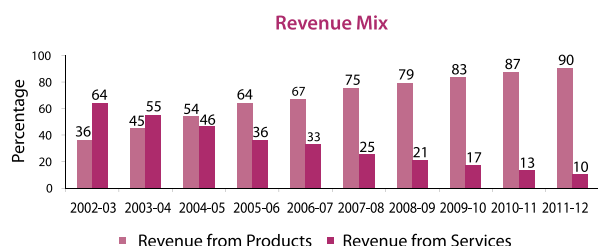
Strategy is a critical aspect in any business. The key elements of our strategy are our offering, positioning and customer acquisition and retention. We have always been at the leading edge of technology and have evolved new concepts to enable our customers to keep pace with changing scenarios. Using our products, we have structured several solutions that address and solve key problems faced by our customers. These solutions are offered as a well integrated platform called ROC. In addition to this, we also offer ROC in the form of Managed Services thereby ensuring that our customers gain significantly from our solutions. This three pronged strategy has helped us to weather the storm over the past couple of years.

3. BUSINESS SEGMENTS AND INDUSTRY OUTLOOK

3.1 Business Segments

Subex operates in two business segments – telecom software products and telecom software services. The former is the key

focus area for the Company and is being discussed in detail. The latter is staff augmentation services for telcos in the United States and is fast losing its significance as can be seen from the business mix data provided herein.



3.2 Telecom Software Products

Solutions for Business Optimization

Subex offers the Revenue Operations Centre (ROC®) Solution Suite for Business Optimization, which has solutions for Revenue Assurance, Fraud Management, Credit Risk Management, Partner Settlement, Route Optimization, Cost Management and Data Integrity Management.

Revenue Operations Centre (ROC®)

ROC functions as a financial command and control centre for the telcos by,

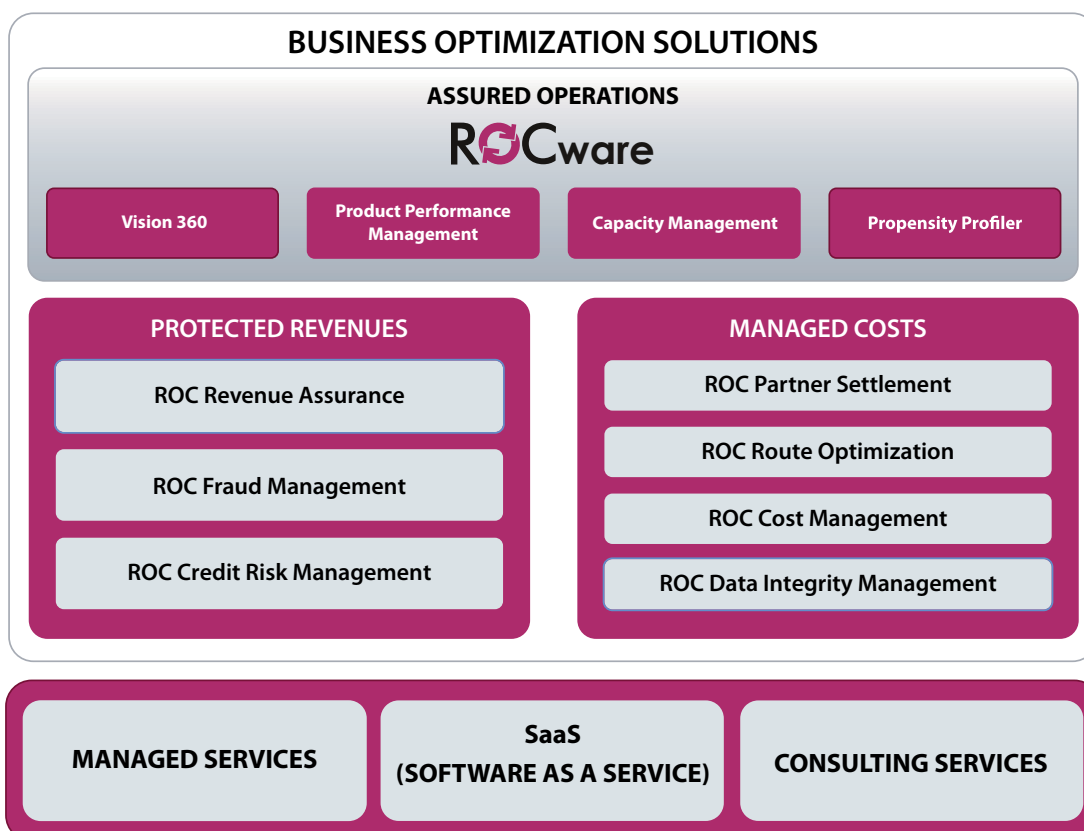
- delivering real-time and actionable insights to effectively monitor and control the operational and tactical response
- providing an integrated platform that sits on top of all Subex BSS products or third party systems
- linking service provider operations directly to financial health

ROC allows for the correlation of data across business systems, creating an end-to-end view of the customer based on products, services, revenues, margins, costs, and more. ROC also enables service providers to define key cross-domain metrics and KPIs, specific to their business strategy that can be monitored and tracked.

ROC Fraud Management

ROC Fraud Management is built to drive fraud prevention by eliminating known frauds, uncovering new fraud patterns, minimizing fraud run time, augmenting internal controls, and supporting continuous fraud management process improvement. ROC Fraud Management detects known fraud types and patterns of unusual behaviour, helps investigate these unusual patterns for potential fraud, and uses the knowledge, thus generated, to upgrade and protect against future intrusions.

Subex ROC® Portfolio



The solution is characterized by its unique architecture that harnesses the power of proven rules-based alarms and pattern matching driven by advanced statistical techniques. Adding power to this hybrid detection system is a set of potent case management tools. These tools provide relevant case data that are made easily accessible through a single window in a fast web-based GUI.

ROC Fraud Management's high flexibility allows operators of different sizes to customize rules to suit unique network and business requirements. A configurable workflow management tool integrates the investigation process with detection.

ROC Fraud Management has the ability to detect fraud types in all telecom environments: Wireline (PSTN, ISP, VoIP), and Wireless (2G, 2.5G, 3G); and across all services: postpaid, Payment, VAS, MMS and M-commerce.

ROC Revenue Assurance

ROC Revenue Assurance is the telecom industry's first revenue assurance solution that simplifies RA. It tackles critical challenges across the entire revenue chain with ease. It offers two path breaking concepts – RevenuePad and Zen which simplifies and speeds up the process of revenue recovery. It helps customers address revenue assurance challenges inherent to individual service verticals: Wireless, Fixed, Cable MSPs, and MVNOs. It also helps them address revenue assurance issues across multiple functional areas, such as service fulfillment, usage integrity, retail billing, interconnect/wholesale billing, and content settlement.

This helps customers dramatically reduce the time required to implement or extend the coverage of their revenue assurance practices. Moreover, customers can easily reconfigure or remodel existing solution to accommodate changing business requirements. ROC Revenue Assurance is designed not only to detect potential revenue loss, but also to proactively assist an operator with its investigation, diagnosis and recovery of these revenues. ROC Revenue Assurance is highly effective in both traditional circuit-switched and Next Generation packet-switched service environment.

ROC Revenue Assurance detects the symptoms of leakage, prevents incidents before they reach the customer bill, accelerates resolution times, and enables Revenue Assurance teams to align their successes with broader organizational goals - such as higher margins and customer satisfaction.

ROC® Revenue Assurance's Philosophy - ROC Revenue Assurance philosophy is to simplify RA. It achieves this through two industry-first capabilities: RevenuePad and Zen. RevenuePad is the command center for Enterprise-wide RA that helps service providers to chart their RA roadmap, provides guidance on which assurance areas and metrics to cover, and offer Visual aides to isolate problem areas. Zen is the industry's first Virtual RA Analyst, which directly gives root causes of leakages, improving analyst productivity by more than 90%. Not only this, ROC Revenue Assurance is mobile device enabled. So, executives can gauge RA health, analyze

key metrics and make business critical decisions while on the move.

ROC Credit Risk Management

The ROC Credit Risk Management solution empowers operators to continuously assess and mitigate risk presented by subscribers throughout their lifecycle. It tracks risk in near real-time during:

- Subscriber acquisition
- Ongoing usage
- Collections and recovery

The solution provides the operator with a holistic view that helps in understanding subscriber risk profile and thereby aids its management.

Further, it can quickly, and seamlessly, accommodate new service information to provide an accurate picture of the exposure at any point in time. Allowing the operator to easily, and quickly, define various risk indicators and controls enables the solution to adapt to local cultural and regulatory requirements. This also enables the operator to stay agile in changing socio-economic conditions that affect the overall level of risk in a region.

ROC Cost Management

ROC Cost Management is a state-of-the-art revenue management offering from Subex, which helps service providers effectively monitor and manage the cost of services. It enables operators to efficiently manage the process of identification, collection and comparison of cost related data across multiple sources such as partner invoices, inventory, orders, and call detail records.

It ensures the profit margins and operational agility through reduction of service delivery costs. It is built on a highly integrated platform using components-based technology to provide striking performance, scalability, interoperability and reliability.

The solution collects, collates and correlates the information from switches, inventory, billing, partner invoices, and financial systems to provide deeper insights about the cost aspects in an easier to understand format through dashboards & reports. It enhances margins by optimizing leased circuit costs, reducing interconnect costs, assuring access costs and by automating invoice verification process.

ROC Partner Settlement

The ROC Partner Settlement solution allows operators to quickly and accurately settle charges with interconnect, network and content partners on a single, modular platform. In today's fiercely competitive telecom landscape, dwindling voice margins and heavy investments in next generation service (NGN) enablers such as 3G, 4G have forced CSPs to look at new revenue generation opportunities while driving efficiencies to maintain margins from traditional services.

ROC Partner Settlement gives service providers the freedom to experiment with new NGN service offerings without having to worry about the scalability of its billing function. A flexible solution ensures that different packaging and pricing strategies around content can be easily modeled in the system. Complicated multi-partner revenue share contracts can be modeled and analyzed for profitability before the actual contract is put into place. On the other hand, shrinking margins from voice services have highlighted the need for visibility of each deal's impact on a service provider's bottom line. It's no longer just about billing accurately and managing agreements. Having an analytical view of the wholesale business is the need of the hour. ROC Partner Settlement helps you have a converged view of your wholesale business by managing the entire order to cash & procure to pay lifecycles.

ROC Route Optimization

Telecom operators need to respond quickly to the abrupt and volatile changes in service provider rates in order to remain competitive. Subex's ROC Route Optimization solution answers this need, allowing subscribers to benefit from competitively priced high quality service.

ROC Route Optimization delivers value through the following capabilities:

- Analyses various service parameters such as cost, traffic forecast, network capacity and quality
- Uses analysis output to streamline service providers' routing process
- Establishes competitive sales rates for services
- Executes the Automated Routing Management System to establish automatic switch connection and generate
- Man-Machine Language commands for switch update

These capabilities round up our comprehensive route optimization solution, helping you derive the best breakouts and cost routes. Our processes also enable communication service providers to establish focused efficiency-increasing task automation, thereby reducing data redundancies.

ROC 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. ROC Data Integrity Management is the industry's first Data Integrity Management solution for improving the quality of data that drives key service provider processes, resulting in lower costs and higher service profitability. ROC Data Integrity Management combines three powerful data integrity functions: multi-layer network and service discovery; data reconciliation; and discrepancy analytics. Leveraging inherent cross-domain intelligence and extensive off-the-shelf network equipment support, ROC Data Integrity Management discovers devices and logical

services in diverse network environments and reconciles this data with the OSS/BSS on a continuous, controlled basis. The result is consistent, relevant data throughout service provider operations, enhancing the effectiveness and value of service fulfillment, service assurance, and billing systems.

3.3 Customer Base

Subex today serves over 300 installations spread across 70 countries. This includes 28 of the top 50 telcos globally. A partial list of customers is given below:

APAC – Aircel, Airtel, Bakrie Telecom, BSNL, CAT, Celcom, Dialog, Dtac, Hutchison Telecom, Idea, Indosat, Maxis, MTNL, Reliance Communications, Starhub, Telkom, Telstra, TATA, True, Vodafone, YTL Solutions

Americas - Americatel, Bell Canada, Centennial, Claro, Comcast, Cricket, Etecsa, Frontier, Glo, Level 3, Porta, Rogers, Sprint, Telesur, Telefonica, Telmex, Telus, T Mobile, Verizon, Videotron

EMEA - Airtel, Atalntique Telecom, Avea, BT, Cable & Wireless, Cell C, Colt, Coolwave, Cora, Cyta, Du, Eagle, Econet, ecoop, 8-el, emt, Goecell, Kcell, Mascom, Matrix, Mobinil, Moldcell, Mcel, MTN, O2, Orange, Qicomm, Roshan, Starcomms, STC Kuwait, Swisscom, Tcell, Telecom Egypt, Telenor, Telfort, Teliasonera, Totem, UPC, Vodafone, Warid, Wavecrest, Zain, Zong, Zon

3.4 Revenue Model

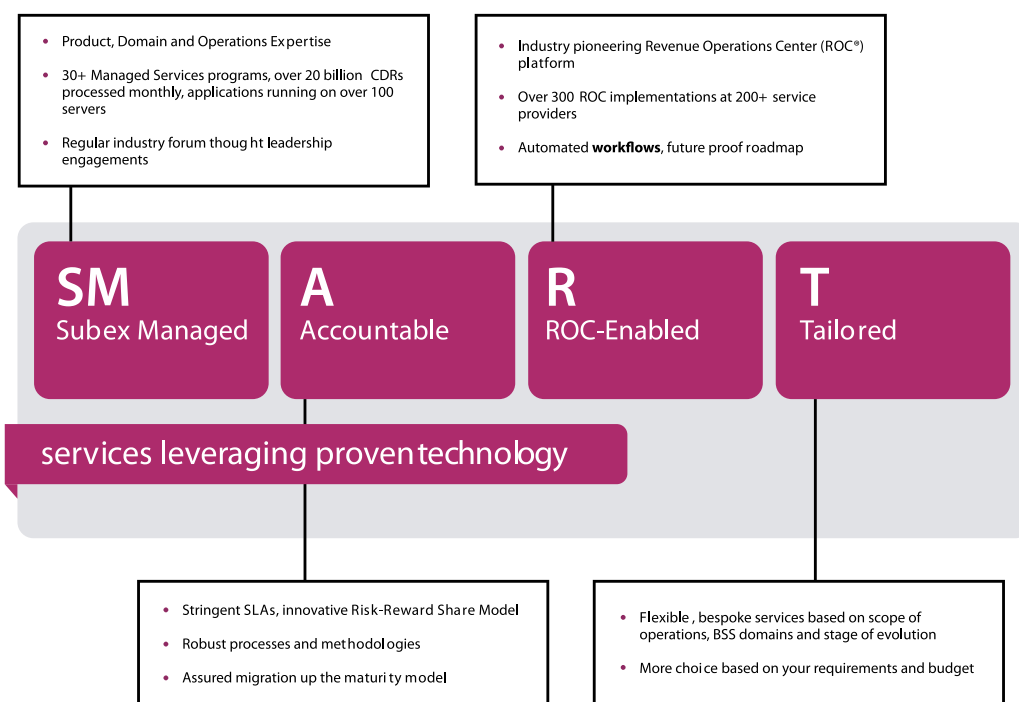
Subex licenses its software solutions on per subscriber or per transaction basis for every service stream of our customers, resulting in continuous growth in license revenues depending on the growth of the networks where the solutions are installed. Another sustainable revenue stream is the support revenue calculated as a function of the license revenue.

Further, we also have an additional stream of revenue namely, customization. While the above mentioned streams are directly related to the license model, we also have embarked on an additional stream of revenue namely Managed Services, which has been detailed below.

Managed Services

Recognizing the strategic imperative of outsourcing in today's environment, Subex offers a flexible and scalable Managed Services program that enables service providers to successfully meet the ever changing business, technology and customer requirements. Subex Managed Services offering is designed to offer true competitive advantage by focusing on strategic, operational and cost benefits that address service providers' current and future challenges and risks.

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
- 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

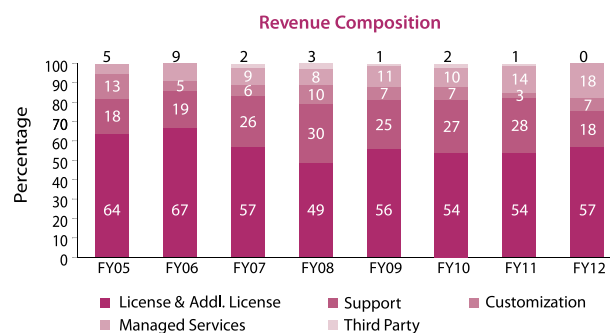
On-demand, Software-as-a-Service (SaaS) – ROCcloud

Small and medium telcos have BSS needs that are very different from those of larger telcos. In the same vein, most BSS products are developed to address the needs of large telcos. They are loaded with a host of standard features, not all of which are relevant to smaller organizations, and necessitate a substantial investment in licenses and resources. Quite naturally, it is difficult to justify this investment in most small and medium organizations.

ROCcloud brings Subex's proven Revenue Operations Center (ROC) to small and medium telcos. It is an on-demand business support system ideally suited for small and medium telcos. ROCcloud employs a monthly subscription based usage model and is delivered over the web in a completely secure environment. It utilizes shared infrastructure at various locations across the globe. It is a pre-configured service with

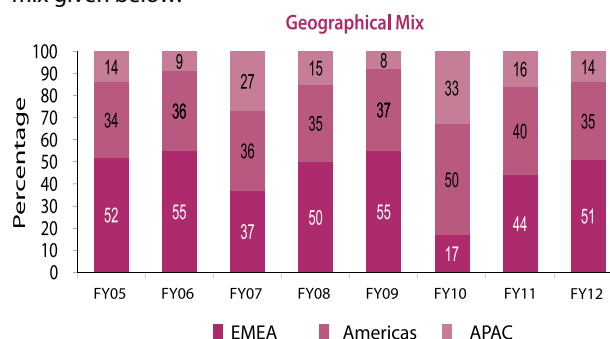
minimal customization needed and no implementation services required. ROCcloud is currently available for fraud management, addressing all common fraud threats.

The following graph gives the revenue from each of the streams during the past several years:



3.5 Geographical Mix

We have a dominant presence in both developing and developed markets. This is quite evident from the geographical mix given below.



4. RISKS AND CONCERNS

Risks are an inherent part of any business activity. Following are the risks associated with our business:

4.1 Market

The business model of communications service providers is highly dependant on consumer behaviour and any reduction on spending by consumers will negatively impact the fortunes of the telcos. That will result in reduction of investment by the telcos and a consequent contraction of market for our products. The communications industry continues to experience consolidation and an increased formation of alliances among communications service providers and between communications service providers and other entities. Should one of our significant customers consolidate with a service provider using a competing product and decide to discontinue the use of our product(s), this could have a negative material impact on our business. These consolidations and alliances may cause us to lose customers or require us to reduce prices as a result of enhanced customer leverage, which would have a material adverse effect on our business. We may not be able to offset the effects of any price reductions. We may not be able to expand our customer base to make up any revenue declines if we lose customers.

Subex is fully dependant on the telecom industry. As such, any vagaries in the telecom business environment will considerably impact the fortunes of the Company.

4.2 Technology and Personnel

Our industry is characterized by rapid technological changes and frequent new service offerings. Significant technological changes could make our technology and services obsolete, less marketable or less competitive. We must adapt to our rapidly changing market by continually improving the features, functionality, reliability and capability of our products to meet changing customer needs. We may not be able to adapt to these challenges or respond successfully or in a cost-effective way. Our failure to do so would adversely affect our ability to compete and retain customers or market share. Launching new products is a key element of our growth and an inability to bring new products with high demand to the market in a timely manner will reduce our growth and profitability.

Subex has set up processes and methodologies to address this threat and to turn it into a strategic advantage by being in the forefront of technological evolution. Regular skill upgradation programs and training sessions that include attending global conferences, employing specialized consultants etc. are undertaken.

Retention of software personnel is another major risk being faced by Subex. Towards this, the Company provides an empowered atmosphere with extensive mentoring, career

counseling and constant learning opportunities in cutting edge and challenging technologies.

4.3 Intellectual Property

Our success depends to a significant degree upon the protection of our software and other proprietary technology rights. We rely on trade secret, copyright and trademark laws and confidentiality agreements with Subexians and third parties, all of which offer only limited protection. The steps we have taken to protect our intellectual property may not prevent misappropriation of our proprietary rights or the reverse engineering of our solutions. Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in several countries are uncertain and may afford little or no effective protection of our proprietary technology. Consequently, we may be unable to prevent our proprietary technology from being exploited abroad, which could require costly efforts to protect our technology. Policing the unauthorized use of our products, trademarks and other proprietary rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of management resources, either of which could harm our business. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

4.4 Infringement

Third parties could claim that our current or future products or technology infringe their proprietary rights. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, and could distract our management from our business. Third parties may also assert infringement claims against our customers. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers. We also generally indemnify our customers if our services infringe the proprietary rights of third parties. If anyone asserts a claim against us relating to proprietary technology or information, while we might seek to license their intellectual property, we might not be able to obtain a license on commercially reasonable terms or on any terms.

4.5 Variability of Quarterly Operating Results

The quarterly operating results of the Company 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. The management is attempting to mitigate this risk through expansion of client base geographically and increase of steady annuity revenue. Despite those efforts, variability could continue.

4.6 Statutory Obligations

Subex has registered with Special Economic Zone for software development activities and has availed Customs Duties, Sales Tax and Central Excise exemptions. The non-fulfillment of export obligations may result in penalties as stipulated by the Government and this may have an impact on future profitability.

4.7 Environmental Matters

Software development, being a pollution free industry, is not subject to any environmental regulations.

4.8 Foreign Exchange

Subex has substantial exposure to foreign exchange related risks on account of revenue from export of software and outstanding liabilities. These are hedged with banks and risks mitigated to the extent possible. Despite this, particularly given the volatility in the foreign exchange market, there could be significant variations.

4.9 Taxation

Consequent to the end of STPI related tax benefits for Subex, we have moved to a Special Economic Zone (SEZ). While tax protection is expected to continue under the SEZ scheme, there is a significant amount of uncertainty in the regulatory environment. This could result in litigations which may lead to incidence of higher tax.

4.10 Litigation

There is an increasing trend in litigation regarding intellectual property rights, patents and copyrights in the software industry. There also exist other corporate legal risks. Currently, Subex has no material litigation pending against it in any court in India or abroad.

4.11 Contractual Obligation

In terms of the contract entered into by Subex with its customers in the ordinary course of business, it is obliged to perform and act according to the contractual terms and regulations. Failure to fulfill the contractual obligations arising out of such contracts may expose Subex to financial and other risks.

The management has taken sufficient measures to cover all of its contractual risks and does not foresee any major liability due to its non fulfillment of any contractual terms and conditions.

4.12 Debt Obligations

As at March 31, 2012, the Company had outstanding FCCBs aggregating to US\$ 39 million under its US\$ 180,000,000 2% Convertible Unsecured Bonds ("FCCBs I") and US\$ 54.80 million under its US\$ 98,700,000 5% Convertible Unsecured Bonds ("FCCBs II"). In July 2012, pursuant to the exchange of US\$ 38 million out of FCCBs I and of US\$ 53.40 million out of FCCBs II under a cashless exchange offer, the Company issued US\$ 127,721,000 5.70% Secured Convertible Bonds with a maturity period due July 2017 ("FCCBs III"). As a part of the terms and conditions of FCCBs III, principal amount of US\$ 36.321 million were mandatorily converted into equity shares, pursuant to which US\$ 91.40 million is currently outstanding under FCCBs III. Also, the maturity period of the un-exchanged FCCBs I worth US\$ 1 million and the un-exchanged FCCBs II worth US\$ 1.40 million now stands extended to March 2017.

The ability of the Company to successfully meet the debt obligations under the FCCBs depends on its internal accruals, additional fund raising in the form of debt or equity and possible conversion of FCCBs into equity shares prior to redemption.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Management maintains internal control systems designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and properly recorded, and accounting records are adequate for preparation of financial statements and other financial information. The internal audit function also carries out Operations Review Audits to improve the processes and strengthen control of the existing processes. The Audit Committee periodically reviews the functions of internal audit.

Pursuant to clause 49 of the Listing Agreement, the CEO/CFO has to accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and that they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

The adequacy of the Company's internal controls are tested from time to time and control deficiencies, if any, identified during the assessments are addressed appropriately.

6. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

6.1 Key Financials and Ratio Analysis

Amount in ₹ Million except as otherwise indicated

Financial Highlights/Year Ending 31 st March	2012		2011		2010	
	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Total Income	4,887.90	3,390.27	4,927.92	3,293.30	4,747.81	3,239.50
Operating Profits (EBITDA) Before Exceptional Items	1,406.33	970.02	1,379.77	1,186.77	947.23	999.19
Depreciation & Amortization	77.96	36.49	104.50	55.50	163.58	88.15
Profit/(Loss) Before Tax & After Exceptional Items	899.85	529.61	849.06	719.39	309.49	489.14
Profit/(Loss) After Tax & Exceptional Items	318.41	23.97	787.79	715.09	1,002.96	1,368.61
Equity Dividend %	Nil	Nil	Nil	Nil	Nil	Nil
Share Capital	693.11	693.11	693.10	693.10	579.83	579.83
Reserves & Surplus	752.94	1,437.28	1,401.10	2,424.39	2,150.17	2,989.15
Net Worth	1,446.05	2,130.39	2,094.20	3,117.49	2,730.00	3,568.98
Gross Fixed Assets	1,044.72	737.06	1,638.65	725.49	1,605.11	708.83
Net Fixed Assets	77.28	47.48	130.38	63.73	195.75	97.53
Total Assets	10,996.65	10,898.80	10,643.58	10,542.86	12,102.90	11,730.59
Key Indicators						
Earning Per Share (Year end)	4.59	0.35	12.47	11.32	25.87	35.30
Cash Earning Per Share (Year end)	7.50	3.73	7.68	7.61	7.87	(2.06)
Book Value Per Share	20.86	30.74	30.22	44.98	47.08	61.55
Debt (Including Working Capital) Equity Ratio	4.16	2.75	2.61	1.70	2.32	1.73
EBITDA/Sales - %	29.43%	29.48%	28.58%	37.85%	20.46%	31.21%
Net Profit Margin - %	6.66%	0.73%	16.32%	22.81%	21.66%	42.75%
Return on Year End Net Worth %	22.02%	1.13%	37.62%	22.94%	36.74%	38.35%
Return on Year End Capital Employed %	4.27%	0.30%	10.43%	8.50%	11.06%	14.03%

7. COMMENTARY ON FINANCIAL STATEMENTS

7.1 Share Capital

7.1.1 Of the equity paid-up capital, the Company had issued the following shares towards consideration other than cash.

- 115,000 shares of ₹ 10/- each, towards the balances in the current account of partners, Mr. Subash Menon and Mr. Alex J. Puthenchira, on the takeover of Subex Systems, a partnership firm, by the Company during 1993-94.
- 4,626,940 Shares of ₹ 10/- each to all eligible shareholders as on March 31, 1999 in the ratio of 1:1 by capitalizing the General Reserves.
- 12,840 shares of ₹ 10/- each to the erstwhile owners of M/s. IVth Generation Inc., towards part consideration of the cost of acquisition of that Company at ₹ 1,023/- per share during 1999-2000.
- 10,878,784 Shares of ₹ 10/- each to all eligible shareholders as on January 6, 2006 in the ratio of 1:1 by capitalizing the securities premium.
- 1,109,878 Shares of ₹ 10/- each to the GDR holders as on April 7, 2006 at ₹ 400/-.
- 11,728,728 Shares of ₹ 10/- each to the GDR holders as on June 22, 2006 towards consideration of the cost of acquisition of Azure Solutions Limited at ₹ 532.24 per share

7.1.2 During 2006-07 the Company issued 219,551 (including Bonus shares, wherever options are eligible) shares of

₹ 10/- each to various Employees on exercise of Stock Options granted under the Employee Stock Option Plan (ESOP – II & III).

7.1.3 During 2007-08, the Company issued 31,364 (including Bonus shares, wherever options are eligible) shares of ₹ 10/- each to various Employees on exercise of Stock Options granted under the Employee Stock Option Plan (ESOP – II & III).

7.1.4 During 2009-10, the Company issued 1,203 equity shares of ₹ 10/- each under its ESOP III scheme and 1,210 equity shares of ₹ 10/- each under its ESOP II scheme to various Employees on exercise of Stock Options.

7.1.5 During 2009-10, the Company issued 4,000,000 equity shares of ₹ 10/- each, on a preferential basis, to M/s Woodbridge Consultants, an entity belonging to Promoters/Promoter group, at Rs 80/- per share.

7.1.6 During 2009-10, the Company issued 19,133,637 equity shares allotted upon conversion of FCCBs aggregating to principal amount of US\$ 31.9 million, out of its US\$ 98.7 million 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof.

7.1.7 During 2010-11, the Company issued 4,124,254 equity shares of ₹ 10/- each, on a preferential basis, to M/s KBC Aldini Capital Mauritius Limited, at Rs 81/- per share.

7.1.8 During 2010-11, the Company issued 7,197,607 equity shares allotted upon conversion of FCCBs aggregating to principal amount of US\$ 12.0 million, out of its US\$ 98.7 million 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof.

7.1.9 During 2010-11, the Company issued 3,765 equity shares of ₹ 10/- each under its ESOP III scheme and 1,260 equity shares of ₹ 10/- each under its ESOP II scheme, to various Employees upon exercise of Stock Options.

7.1.10 During 2011-12, the Company issued 747 equity shares of ₹ 10/- each under its ESOP III to various Employees upon exercise of Stock Options.

7.1.11 There are no calls in arrears.

7.2 Reserves and Surplus

7.2.1 Capital Reserve of ₹ 13.00 million was created by credit of the notional premium on 12,840 equity shares of ₹ 10/- each valued at a price of ₹ 1,023/- per share and issued to the owners of IVth Generation Inc, USA as part consideration for the transfer of their shareholding to Subex Systems Limited.

During the year 2010-11, additions to capital reserve due to reversal of accrued interest on conversion of FCCBs into equity shares amounted to ₹ 159.89 million, reductions due to transfer to Business restructuring reserve amount to ₹ 40 million and deferred interest on restructured FCCBs amounted to ₹ 122.27 million.

During the year 2011-12, the balance in capital reserve of 34.67 million was transferred to Business Restructuring Reserve.

7.2.2 Securities Premium Account represents the premium collected on:

- 971,000 equity shares issued at a premium of ₹ 65/- per share through an Initial Public Offer in 1999-2000.
- 330,800 equity shares issued at a premium of ₹ 740/- per share to Mutual Funds and Bodies Corporate on a preferential basis during 1999-2000.
- 1,887,000 equity shares issued at a premium of ₹ 88/- per share to holders of ROCCPS on conversion of preferential shares at Rs 98/- each, namely Intel Capital, Toronto Dominion Bank and UTI Venture Funds.
- 1,538,459 equity shares issued at a premium of ₹ 290/- per share to holders of FCCBs on conversion of the bonds at a price of ₹ 300/- per share.
- 1,109,878 equity shares issued at a premium of ₹ 390/- per share to holders of GDR at a price of ₹ 400/-.
- 11,728,728 equity shares issued at a premium of ₹ 522.24 per share to holders of GDR at price of ₹ 532.24
- 258,353 (including Bonus shares, wherever options are eligible) equity shares allotted to the employees under

ESOP II & III Scheme as per the provisions of the Scheme at various premiums.

- 26,331,244 equity shares were allotted upon conversion of FCCBs aggregating to principal amount of US\$ 43.9 million, out of its US\$ 98.7 million 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof
- 4,000,000 equity shares allotted, on a preferential basis, to M/s Woodbridge Consultants, an entity belonging to Promoters/Promoter group, at an issue price of Rs 80 per share including a premium of ₹ 70 per share
- 4,124,254 equity shares of ₹ 10/- each, allotted on a preferential basis, to M/s KBC Aldini Capital Mauritius Limited, at an issue price of ₹ 81 per share including a premium of ₹ 71 per share.
- 747 shares of ₹ 10/- each were allotted to the employees under ESOP III Scheme as per the provisions of the Scheme at various premiums.

7.2.3 Business Restructuring Reserve

- During the year 2009-10, ₹ 5,000 million and ₹ 1,700 million were transferred to Business Restructuring Reserve from securities premium and capital reserve respectively. Out of the said amount, ₹ 6,499.79 million were utilised and consequently, the balance in Business Restructuring Reserve as of March 31, 2010 is ₹ 200.21 million on consolidated basis.
- During the year 2010-11, ₹ 1,700 million and ₹ 40 million were transferred to Business Restructuring Reserve from securities premium and capital reserve respectively. Out of the said amount, ₹ 1,830.37 million were utilised and consequently, the balance in Business Restructuring Reserve as of March 31, 2011 is ₹ 109.84 million on consolidated basis.
- During the year 2011-12, ₹ 34.67 million were transferred from Capital Reserve and ₹ 85.43 million un-utilised provisions were transferred back to Business Restructuring Reserve. Out of the said amount, ₹ 62.92 million were utilised and consequently, the balance in Business Restructuring Reserve as of March 31, 2012 is ₹ 167.02 million on consolidated basis.

7.3 Employee Stock Options

In accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Company amortizes the excess of market price of the underlying equity shares as on the date of the grant of the option over the exercise price of the option, to be adjusted over the period of vesting. The net amount carried in respect of stock options outstanding at March 31, 2012 amounts to ₹ 11.35 million (Previous Year: ₹ 63.17 million).

7.4 Deferred Tax

In accordance with the generally accepted accounting principles in India on Accounting for Direct Taxes, Deferred Tax assets has been restated to ₹ 13.39 million (Previous Year 12.18 million) on a standalone and consolidated basis and Net Deferred Tax Assets to ₹ 14.12 million (Previous Year – 11.29 million) on consolidated basis.

7.5 Borrowings

On consolidated basis, the Short term borrowings of ₹ 1,243.65 million (Previous Year: ₹ 1,264.95 million) outstanding in the books as at March 31, 2012 consists of ₹ 100 million pertaining to the working capital loan from Financial Institutions, secured by a Pledge of promoter shares and personal guarantee of promoter, ₹ 1,132.02 million from Banks secured by the charge on Fixed/Current Assets.

On standalone basis, the Short term borrowings of ₹ 1,089.39 million (Previous Year: ₹ 1,102.92 million) outstanding in the books as at March 31, 2012 consists of ₹ 100 million pertaining to the working capital loan from Financial Institutions, secured by a Pledge of promoter shares and personal guarantee of promoter, ₹ 989.39 million from Banks secured by the charge on Fixed/Current Assets.

7.6 Current Maturities of Long term Borrowings - FCCBs (Unsecured)

On a consolidated basis and standalone basis Current maturities of long term debt as at March 31, 2012 consists of:

- a. ₹ 1,984.13 million (Previous Year: ₹ 1,739.21 million) relating to Foreign Currency Convertible Bonds issued in fiscal 2006-07. The bonds carry interest of 2% per annum and are redeemable by July 9, 2012. These bonds are listed in the Professional Securities Market of London Stock Exchange. The premium payable on these bonds is accrued over the life of the bonds and is carried under Other Current Liabilities.
- b. ₹ 2,787.95 million (Previous Year: ₹ 2,443.80 million) relating to Foreign Currency Convertible Bonds issued in fiscal 2009-10 as a result of restructuring existing bonds mentioned in (a) above. The bonds carry interest of 5% per annum and are redeemable by July 9, 2012. These bonds are listed on the Singapore Exchange Securities Trading Limited. The premium payable on these bonds is accrued over the life of the bonds and is carried under Other Current Liabilities.

7.7 Fixed Assets

7.7.1 The value of intangible assets, based on the valuation report by independent valuers, is being depreciated over 5 years in accordance with the Company's assessment of useful

life thereof and has been fully written off during the year.

7.7.2 During the year, the Company added ₹ 30.54 million on consolidated basis and ₹ 22.33 million on standalone basis, to its gross block. The Company disposed off certain assets no longer required. The Company's net block of fixed assets was ₹ 77.28 million (Previous year ₹ 130.38 million) on consolidated basis and ₹ 47.48 million (Previous year ₹ 63.73 million) on standalone basis.

7.8 Investments

7.8.1 During 1999, the Company had acquired the whole of the outstanding common stocks numbering 3,000 of no par value of IVth Generation, Inc., New Jersey, USA, Consequent to the acquisition, IVth Generation Inc, a wholly owned subsidiary of the Company, has been renamed as "Subex Technologies Inc." During 2007-08, the Company filed an application with Hon'ble High Court of Karnataka to transfer the Services Business Division (which included the investment in Subex Technologies Inc.,) to Subex Technologies Limited, a wholly owned subsidiary of Subex Limited under a scheme of arrangement. On obtaining the order from the Hon'ble High Court of Karnataka, the Company has transferred the Services business to Subex Technologies Limited with effect from September 1, 2007 (appointed date) at an aggregate consideration of ₹ 310 million. In accordance with the order of the Hon'ble High Court, the Company shall receive 3,000,000 shares of Subex Technologies Limited valued at ₹ 30 million in settlement of the consideration with the balance ₹ 280 million being treated as unsecured loan taken by the subsidiary from the Company

7.8.2 On June 23, 2006, the Company acquired the entire share holding of Azure Solutions Limited, UK. The consideration was discharged by issue of 11,728,728 GDRs each representing one equity share of ₹ 10/- at a premium of ₹ 522.24 per share and cash of ₹ 214.57 million.

7.8.3 During the year 2007-08, the Company completed the acquisition of Syndesis Limited, Canada, a company engaged in Service Assurance and fulfillment space in the Telecom service industry. Pursuant to the acquisition, Syndesis Limited has been renamed as Subex Americas Inc.

7.8.4 During the year 2009-10, the Company recognized an amount of ₹ 5,000 million as diminution in carrying value of investments in Subex Americas Inc. Consequently, the investment carrying value as of March 31, 2010 was ₹ 2,749.57 million.

7.8.5 During the year 2010-11, the Company recognized an amount of ₹ 1,500 million as diminution in carrying value of investments in Subex Americas Inc. Consequently, the investment carrying value as of March 31, 2011 was ₹ 1,249.57 million.

7.8.6 During the year 2010-11, the Company recognized an amount of ₹ 40 million as diminution in carrying value of investments in Subex Technologies Limited. Consequently, the investment carrying value as of March 31, 2011 was Nil.

7.9 Trade Receivables

7.9.1 During the year, on a standalone basis the Company has securitized a portion of its receivables amounting to ₹ 266.11 million (Previous year: ₹ 368.01 million) and on consolidated basis ₹ 756.95 million (Previous Year: ₹ 1,082.01 million).

7.9.2 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.

7.9.3 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.

7.9.4 Trade receivables as a percentage of total revenue is 15.36% as against 11.22% in the previous year, on a consolidated basis.

7.9.5 The age profile on consolidated basis is as given below:

Period in days	Amount in ₹ Million			
	March 31, 2012		March 31, 2011	
	Value	%	Value	%
Less than 180 days	682.48	92.99	530.53	97.95
More than 180 days	51.46	7.01	11.08	2.05
Total	733.94	100.00	541.61	100.00

The age profile on standalone basis is as given below:

Period in days	Amount in ₹ Million			
	March 31, 2012		March 31, 2011	
	Value	%	Value	%
Less than 180 days	2,200.37	98.06	1,768.53	99.44
More than 180 days	43.55	1.94	9.91	0.56
Total	2,243.92	100.00	1,778.44	100.00

7.9.6 The management believes that the overall composition and condition of sundry debtors is satisfactory. The provision for doubtful debts stands at ₹ 152.33 million (Previous Year ₹ 84.09 million) on consolidated basis and ₹ 139.29 million (Previous Year ₹ 72.64 million) on standalone basis.

7.10 Cash and Cash Equivalents

The bank balances includes both rupee accounts and foreign

currency accounts. The Margin Money deposit of ₹ 15.02 million (Previous Year: 5.97 million) on standalone basis and ₹ 18.56 million (Previous Year: 16.72 million) on consolidated basis with the bankers is for establishing bank guarantee/ issuing corporate credit cards.

7.11 Long-term Loans and Advances

7.11.1 Security Deposits represent rent deposit, electricity deposit, telephone deposits and advances of like nature.

7.11.2 Advance Taxes comprise advance income taxes, net of provision for taxation represents payments made towards tax liability pending assessment and refunds due. MAT credit entitlement represents the net available credit of the Minimum Alternate tax for future years.

7.11.3 Loans due from Group Companies (Standalone Basis)

	Amount in ₹ Million	
	2011-12	2010-11
Subex (UK) Limited	-	-
Subex (Asia Pacific) Pte Limited	-	-
Subex Americas Inc	160.88	400.88
Subex Inc	-	-
Subex Technologies Limited	169.97	169.47

Advances to Subex Technologies Limited has been provided during the financial year 2010-11 to an extent of ₹ 169.47 million out of utilisation of Business Restructuring Reserve.

7.12 Short term Loans and Advances

7.12.1 Loans and advances to employees represents advances to employees which are recoverable.

7.12.2 Prepaid expenses represent amounts paid in advances towards insurance, Interest and other expenses.

7.12.3 Service Tax credit receivables represent towards input credit available for set off against payables/refund to be received from the service tax department.

7.12.4 Advances to Suppliers represent amount paid to vendors in advance.

7.13 Profit & Loss Account

7.13.1 Income

The Company derives its income from providing Software Development Services and licensing of Software Products.

The segment wise break up of income on consolidated basis is given below:

Amount in ₹ Million except percentages

Particulars	2011-12		2010-11	
	Value	%	Value	%
Software Products	4,294.92	89.88	4,181.18	86.61
Software Services	483.34	10.12	646.32	13.39
Total	4,778.26	100.00	4,827.50	100.00

7.13.2 Geographically, the Company earns income from export of software services to USA and software products to most of the countries.

7.14 Other Income

7.14.1 Other income consists of income derived by the Company from bad debts recoveries, reversal of provision for doubtful debts and profit on sale of fixed assets and insurance claim received.

7.15 Expenditure

7.15.1 The employee benefits expenses decreased to ₹ 2,535.80 million (Previous year: ₹ 2,648.51 million) on consolidated basis and decreased to ₹ 789.25 million (Previous year: ₹ 798.16 million) on standalone basis.

The Company incurred administration and other expenses at 17.57% of its total Income during the year as compared to 16.64% during the previous year on consolidated basis and 45.56% of its total income during the year as compared to 39.28% during the previous year on standalone basis.

7.16 Operating Profits

During the year, on consolidated basis, the Company earned an Operating Profit/(Loss) before Interest, depreciation, tax and exceptional items of ₹ 1,406.33 Million being 28.77% of total income as against ₹ 1,379.77 million at 28.00% during the previous year. On a standalone basis, the Company earned Operating Profit/(Loss) before Interest, depreciation, tax and exceptional items of ₹ 970.02 million being 28.61% of total income as against ₹ 1,186.77 million at 36.04% during the previous year.

7.17 Interest and Bank Charges

The Company incurred an expenditure of ₹ 428.52 million (Previous year: ₹ 426.21 million) on consolidated basis and ₹ 403.92 million (Previous year: ₹ 411.88 million) on standalone basis. The interest paid is related to temporary overdrafts and securitized receivables. The interest on FCCBs

provided alone amounted to ₹ 104.54 million (Previous Year : ₹ 94.33 million).

7.18 Depreciation

7.18.1 The provision for depreciation for the year amounted to ₹ 77.96 million (Previous year: ₹ 104.50 million) on consolidated basis and ₹ 36.49 million (Previous year: ₹ 55.50 million) on standalone basis.

7.18.2 The intangible assets i.e. IPRs and goodwill are being depreciated over 5 years in accordance with the Company's assessment of useful life thereof. Accordingly, an amount of Nil (Previous year ₹ 18.50 million) has been charged towards depreciation.

7.19 Provision for Tax

The Company has provided for its tax liability in India and overseas after considering the exemptions for income from software services and products under the various applicable tax enactments.

7.20 Net Profit

On consolidated basis, the net profit of the Company amounted to ₹ 318.41 million, as against ₹ 787.79 million during the previous year. On standalone basis, the net profit of the Company amounted to ₹ 23.97 million as against ₹ 715.09 million during the previous year.

7.21 Earnings Per Share

Basic Earnings/(Loss) per share computed on the basis of number of common stock outstanding, as on the Balance Sheet date was ₹ 4.59 per share (Previous year: ₹ 12.47 per share) on consolidated basis and ₹ 0.35 per share [Previous year: ₹ 11.32 per share] on standalone basis.

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

Subexians

Our greatest assets are our people - Subexians! Subexians are our biggest differentiator and how we define our capability requirements, training needs and retention strategies becomes crucial. The Subex work culture hinges on our core values of Fairness, Innovation and Commitment and nurtures initiative and creativity, bringing out the best in every Subexian. We know that when Subexians realize their full potential, we can achieve our broader business goals. The Subex population is spread across the globe in our multiple offices. The larger centers are our offices in Bangalore, London,

Singapore, Dubai and Denver. As of March 31, 2012, we had 868 Subexians on our rolls globally.

Human Resources at Subex is centralized at our corporate headquarters in Bangalore, with regional HR teams providing local support aligned to the global HR strategy. The HR team provides a competitive edge to the business by enabling and supporting a very unique business model of value based delivery, processes and programs on global product development and delivery capabilities on the one hand and complex distributed managed services delivery capabilities on the other. HR at Subex consistently strives to adopt leading best practices in designing and deploying HR process and programs across various areas like recruitment, total rewards management, talent management, organizational development, performance management, change management, learning and development, mergers and acquisitions etc.

Recruitment

During the year, the recruitment team had to execute a well thought out manpower planning and analysis exercise and adopt global recruitment best practices to fulfill the organization's talent requirements. In addition to the well established processes (like "Coffee with the Hiring Manager", "Post- offer feedback", Subexian referral program, partner feedback, interviewer feedback, etc.), already entrenched in the Subex way of adding talent to our team, the focus this year was on enhancing the quality of the various touch-points with potential Subexians through employer branding and strong messaging.

The main sources for hires were referrals from Subexians (the best bring the best!), campus recruitments, placement consultants, website postings and walk-ins. We explored innovative processes on the campus recruitment side, where we introduced a process of "hiring for learnability". This process, we believe, will add scalability to our model while continuing to give us great technical talent like we have had before.

One of the key focus areas for the recruitment team was to attract high quality resources into Subex. A new challenge was to add the capability of doing "just-in-time" recruitment for the managed services part of the business.

Induction and Training

Welcoming new Subexians into our fold continues to be extremely critical for us. We believe that the quality of induction that new hires go through determines how successful they are in the Company and has a huge impact on retention. We have customized the induction based on the role and function that new Subexians join in. This has resulted

in having more targeted induction, yielding greater benefits.

For the new engineering recruits that we welcomed into Subex this year, we had a packed agenda spanning across 3 months. In addition to the regular induction, they also went through additional training programs tailored to their area of technology. In addition, we provided them with out-bound training at Pegasus to inculcate in them our Subex values and help them bond as a team.

On the learning and development side, the focus this year was on Subex Academy - a global Learning and Development Platform (supporting instructor led training, on the job learning, as well as e-learning) that enable a role based curriculum led approach to learning, while streamlining the training process as well as ensuring global reach and appropriateness of content. This automated platform added significant value to training identification, design, delivery and evaluation. This has been very well received by Subexians globally and is a giant stride on the path of continuous learning!

This year also saw 25 Subexians get certified in Fraud Management through the TUFF certification (an internationally recognized Fraud Management certification).

Performance Management System

Foundation Competencies are the basic Values based competencies required by all in Subex. Excel competencies are those that are required to do your current job really well. Lead Competencies focus on the future needs and are the skills required to succeed in leadership roles. Technical Competencies take care of the core areas of the role - knowledge about our products, the various technologies and domains. These, along with the KRAs help build and reinforce the performance oriented culture at Subex.

Compensation

Compensation at Subex is multi-dimensional and consists of salary, benefits, stock options, health and disability insurance.

The Company benchmarks its compensation package against industry data and strives to achieve a balanced position. The Company provides robust and comprehensive cash compensation and benefits as per industry trends. We also arrive at the salary bands of Subexians by conducting comprehensive job matching, data validation and quality audits.

We have achieved 36% penetration (i.e. 36% of Subexians were rewarded in the past year monetarily) with the Rewards and Recognition program called STARS. The satisfaction levels of Subexians with the recognition culture at Subex came out as high on the Subexian Satisfaction Survey – a testimonial to the efficacy of the program.

financial review

subex limited (standalone)

AUDITORS' REPORT

1. We have audited the attached Balance Sheet of Subex Limited (the "Company") as at March 31, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our opinion, we draw attention to Note 2.1.b to the financial statements regarding Foreign Currency Convertible Bonds having a face value of US\$ 93.8 million (equivalent ₹ 4,772.08 million) which are redeemable on 9th July 2012 along with premium of US\$ 37.28 million (equivalent ₹ 1,896.62 million) and the related costs that are determinable on redemption and the management's plans for meeting the redemption obligations. The Company's ability to continue as a going concern is dependent on the successful outcome of the management plans.
4. Without qualifying our opinion, we draw attention to Note 24 to the financial statements. As more fully explained therein, during the year the Company has in accordance with the Proposal approved by the Hon'ble High Court of Karnataka in prior years, debited amounts aggregating to Rs 257.49 million (net of reversals) to the Business Restructuring Reserve, instead of recording such net expenses in the Statement of Profit and Loss, as required by Accounting Standard 5 'Net Profit or Loss for the Period, Prior Period Items'.
5. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
6. Further to our comments in paragraphs 3 and 4 above and in the Annexure referred to in paragraph 5 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956; except to the extent indicated in paragraph 4 above for the reasons stated therein;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon and our comments in paragraph 4 above, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
7. On the basis of the written representations received from the Directors as on March 31, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 008072S)

V. Balaji

Partner

Place: Bangalore

Date : May 23, 2012

(Membership No. 203685)

ANNEXURE TO THE AUDITORS' REPORT (Referred to in paragraph 5 of our report of even date)

1. Having regard to the nature of the Company's business/activities/result, clauses iii (b) to (d), iii (f), iii (g), v, vi, viii, xii, xiii, xiv, xix and xx of CARO are not applicable.
2. In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
3. In respect of its inventory:
- (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
- (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
4. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the Company's transactions of purchase of goods and services are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
6. In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
7. According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues, including Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities during the year except for (a) Provident Fund dues, where there were delays ranging from 1 day to 38 days and (b) Income-tax dues where there were delays ranging from 16 to 72 days.
- (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2012 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2012 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (₹ Million)
Income Tax Act, 1961	Income tax (Incl. Interest)	Hon. High Court of Karnataka	2005-06	1.90
Income Tax Act, 1961	Income tax (Incl. Interest)	Hon. High Court of Karnataka	2006-07	17.87
Income Tax Act, 1961	Income tax (Incl. Interest)	Hon. High Court of Karnataka	2008-09	0.12

8. The Company does not have accumulated losses as at March 31, 2012. The Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
9. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions and debenture holders.
10. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
11. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
12. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
13. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
14. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 008072S)

V. Balaji
Place: Bangalore
Date : May 23, 2012

V. Balaji
Partner
(Membership No. 203685)

BALANCE SHEET AS AT

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
A EQUITY AND LIABILITIES			
1 SHAREHOLDERS' FUNDS			
(a) Share Capital	3	693.11	693.10
(b) Reserves and Surplus	4	1,437.28	2,424.39
Sub Total - SHAREHOLDERS' FUNDS		2,130.39	3,117.49
2 NON - CURRENT LIABILITIES			
(a) Long-term Borrowings	5	-	3.73
(b) Long-term Provisions	6	53.17	77.65
Sub Total - NON - CURRENT LIABILITIES		53.17	81.38
3 CURRENT LIABILITIES			
(a) Short-term Borrowings	7	1,089.39	1,102.92
(b) Trade Payables - Other than acceptances		642.16	573.28
(c) Other Current Liabilities	8	6,977.38	4,441.45
(d) Short-term Provisions	9	6.31	1,226.34
Sub Total - CURRENT LIABILITIES		8,715.24	7,343.99
TOTAL		10,898.80	10,542.86
B ASSETS			
1 NON - CURRENT ASSETS			
(a) FIXED ASSETS	10		
i) Tangible Assets		47.48	63.73
ii) Intangible Assets		-	-
(b) Non Current Investments	11	7,723.44	7,723.44
(c) Deferred Tax Assets (net)	33	13.39	12.18
(d) Long-term Loans and Advances	12	233.94	191.38
(e) Other Non - Current Assets	13	0.50	-
Sub Total - NON - CURRENT ASSETS		8,018.75	7,990.73
2 CURRENT ASSETS			
(a) Trade Receivables	14	2,243.92	1,778.44
(b) Cash and Cash Equivalents	15	15.59	8.68
(c) Short-term Loans and Advances	16	242.69	497.48
(d) Other Current Assets	17	377.85	267.53
Sub Total - CURRENT ASSETS		2,880.05	2,552.13
TOTAL		10,898.80	10,542.86
Corporate Information and Significant Accounting Policies	1 & 2		
See accompanying notes forming part of the financial statements			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

V. Balaji
Partner

Subash Menon
Founder Chairman
Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer
& Wholtime Director

Ramanathan J
Vice President- Finance &
Company Secretary

Bangalore
May 23, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED

	NOTE NO.	For the year ended MARCH 31, 2012 (₹ in Million)	For the year ended MARCH 31, 2011 (₹ in Million)
1 Revenue from Operations	18	3,290.11	3,135.53
2 Total revenue		3,290.11	3,135.53
3 Expenses			
(a) Cost of Hardware, Software and Support Charges	38.8	86.47	14.72
(b) Employee Benefits Expense	19	789.25	798.16
(c) Other Expenses	20	1,544.53	1,293.65
Total Expenses		2,420.25	2,106.53
4 Profit before other Income, exceptional items, interest, tax, depreciation and amortisation (2 - 3)		869.86	1,029.00
5 Other Income	21	100.16	157.77
6 Profit before exceptional items, interest, tax, depreciation and amortisation (4 + 5)		970.02	1,186.77
7 Finance Costs	22	403.92	411.88
8 Depreciation and amortisation expense	10	36.49	55.50
9 Profit/(Loss) before exceptional Items and tax (6 - 7 - 8)		529.61	719.39
10 Exceptional Items	23	509.24	(6.19)
11 Profit/(Loss) before Tax (9 - 10)		20.37	725.58
12 Tax expense			
(a) Current Tax Expense for current year (net of reversal of ₹ 2.4 million (Previous year ₹ Nil) relating to earlier years)		15.02	10.49
(b) (Less): MAT credit		(17.41)	-
(c) Deferred Tax		(1.21)	-
Total Tax expense		(3.60)	10.49
13 Profit/(Loss) for the year (11 - 12)		23.97	715.09
14 Earnings/(Loss) Per Share (Face value of ₹ 10/- each)	32		
(a) Basic		0.35	11.32
(b) Diluted		0.35	7.88
Corporate Information and Significant Accounting Policies	1 & 2		
See accompanying notes forming part of the financial statements			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

V. Balaji
Partner

Subash Menon
Founder Chairman
Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer
& Wholtime Director

Ramanathan J
Vice President- Finance &
Company Secretary

Bangalore
May 23, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED

	For the year ended MARCH 31, 2012 (₹ in Million)	For the year ended MARCH 31, 2011 (₹ in Million)
A Cash flow from Operating Activities		
Net Profit/(Loss) before tax	20.37	725.58
Adjustments for		
(a) Depreciation and amortization expense	36.49	55.50
(b) Interest Income	(16.15)	(32.14)
(c) Finance costs	403.92	411.88
(d) (Profit)/Loss on sale/write off of assets	(0.76)	(0.41)
(e) Expense/(Gain) on employee stock option scheme	(32.73)	2.62
(f) Provision for doubtful Trade and other receivables	66.66	-
(g) Unrealised exchange (Gain)/Loss- Forward contracts	123.94	(63.81)
(h) Unrealised exchange (Gain)/Loss- Others	216.01	(66.23)
Operating profit/(loss) before working capital changes	817.75	1,032.99
Changes in working capital		
Adjustments for (increase)/decrease in operating assets		
(a) Trade receivables	(451.08)	(298.58)
(b) Short-term loans and advances	14.78	98.22
(c) Long-term loans and advances	(0.99)	-
(d) Other current assets	(74.34)	(87.31)
(e) Other Non-current assets	(0.50)	-
Adjustments for increase/(decrease) in operating liabilities		
(a) Trade payables	22.25	(77.49)
(b) Other current liabilities	(17.49)	(93.43)
(c) Other Long-term liabilities	-	-
(d) Short-term provisions	0.97	9.93
(e) Long-term provisions	(1.78)	-
Cash generated from/(used in) operations	309.57	584.33
Net tax (paid)/refunds and others (Refer Note 38.3)	(51.22)	(57.01)
Net cash flow from/(used in) operating activities (A)	258.35	527.32
B Cash Flow from Investing activities		
(a) Capital expenditure on fixed assets, including capital advances	(25.41)	(24.08)
(b) Proceeds from sale of fixed assets	2.85	2.79
(c) Interest received - Others	0.16	2.02
(d) Interest received- Subsidiaries	15.72	30.12
(e) Loans given to Subsidiaries	-	(42.55)
(f) Loans repaid by Subsidiaries	258.93	-
Net cash flow from/(used in) investing activities (B)	252.25	(31.70)

CASH FLOW STATEMENT FOR THE YEAR ENDED

	For the year ended MARCH 31, 2012 (₹ in Million)	For the year ended MARCH 31, 2011 (₹ in Million)
C Cash Flow from Financing Activities		
(a) Proceeds/(Utilisation) from issue of Equity shares	0.04	334.55
(b) Net increase/(decrease) in working capital borrowings	186.46	395.97
(c) Repayment of Long-term borrowings	(6.66)	(717.50)
(d) Repayment of Short-term borrowings	(200.00)	-
(e) Dividends paid- Refer Note 38.2	(0.18)	(0.05)
(f) Finance cost	(483.35)	(498.23)
(g) Expenditure incurred on issue of Shares	-	(31.22)
Net cash flow from/(used in) financing activities (C)	(503.69)	(516.48)
Net increase/(decrease) in Cash and cash equivalents (A+B+C)	6.91	(20.86)
Effect of Exchange Differences on restatement of foreign currency cash and cash equivalents	-	0.05
Cash or Cash equivalents at the beginning of the year	8.68	29.49
Cash or Cash equivalents at the end of the year (Refer Note 15)	15.59	8.68
* Cash and cash equivalents		
<i>Cash on hand</i>	-	-
<i>Balance with Banks</i>		
<i>in Current Account</i>	0.11	1.96
<i>in Deposit Account</i>	-	-
<i>in EEFC accounts</i>	0.05	0.16
<i>In earmarked accounts</i>		
<i>Unclaimed dividend accounts</i>	0.41	0.59
<i>Margin Money Deposits</i>	15.02	5.97
Total	15.59	8.68

Corporate Information and Significant Accounting Policies

1 & 2

Notes:

- (i) The earmarked account balances with banks can be utilised only for the specific identified purposes.
- (ii) See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

V. Balaji
Partner

Subash Menon
Founder Chairman
Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer
& Wholtime Director

Ramanathan J
Vice President- Finance &
Company Secretary

Bangalore
May 23, 2012

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Subex Limited, a public limited company incorporated in 1994, is a leading global provider of Operations and Business Support Systems (OSS/BSS) to Communication Service Providers (CSPs) worldwide in the Telecom industry.

The Company pioneered the concept of a Revenue Operations Center (ROC) – a centralized approach that sustains profitable growth and financial health for the CSPs through coordinated operational control. Subex's product portfolio powers the ROC and its best-in-class solutions enable new service creation, operational transformation, subscriber-centric fulfillment, provisioning automation, data integrity management, revenue assurance, cost management, fraud management and interconnect/inter-party settlement. Subex also offers a scalable Managed Services Program. The CSPs achieve competitive advantage through Business Optimization and Service Agility and improve their operational efficiency to deliver enhanced service experiences to their subscribers. The Company has a development center in India and sales offices in the form of wholly owned subsidiaries/ branches in UK, USA, Singapore, Australia, Dubai and Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

I. Basis for Preparation of Financial Statements

- a. The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 except to the extent permitted under the Proposal approved by the Hon'ble High Court of Karnataka (Refer Note 24). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except for the adoption of the provisions of Para 46A of Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" regarding the accounting for exchange differences arising on long term foreign currency monetary items that was notified during the year ended March 31, 2012. (Refer Note 27).
- b. The Company has outstanding foreign Currency Convertible Bonds (FCCBs) having face value of US\$

93.8 million (equivalent ₹ 4,772.08 million) which are redeemable on 9th July 2012 along with premium of US\$ 37.28 million (equivalent ₹ 1,896.62 million), (refer Notes 25A and 25B) and the related costs that are determinable on redemption. The Company is in discussion with the bond holders to meet this obligation by way of a cashless exchange offer of new bonds with a maturity upto July 2017. The Company has also obtained the approval from Reserve Bank of India(RBI) in support of this restructuring based on which the Company expects to conclude this restructuring by the date of redemption of the FCCBs and thereby meet all repayment obligations that arise on account of FCCBs. Consequently these financial statements are prepared on a going concern basis.

II. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/ materialise.

III. Revenue Recognition

Revenue from Contracts for software product license includes fees for transfer of licenses, installation and commissioning. This revenue is recognized on the basis of milestones achieved, determined based on percentage of completion of work completed at each milestone as compared to the work involved in the overall scope of the contract. In the event of any expected losses on a contract, the entire amount is provided for in the accounting period in which such losses are first anticipated.

Revenue from sale of software licenses (including additional licenses) are recognized on transfer of such licenses.

In case of composite contracts involving granting of license and support services, license revenues are recognized on transfer of the license if identified separately and in other cases, they are recognized over the period of the contract along with revenue from support services.

Revenue from Software development is recognized on the basis of chargeable time or achievement of prescribed milestones as relevant to each contract.

NOTES FORMING PART OF FINANCIAL STATEMENTS

Sale of hardware under reseller arrangements are recognized on dispatch of goods to customers and are recorded net of discounts, rebates for price adjustment, projections, shortage in transit, taxes and duties.

Maintenance and service income is recognised on time proportion basis.

IV. Tangible Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and other direct expenditure incurred. Assets acquired on hire purchase are capitalised at gross value and interest thereon is charged to revenue.

Exchange differences arising on restatement/settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Fixed assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in the project cost till commissioning of the project.

V. Intangible Assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase/completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset. (Refer Note: 2.XI for accounting for R&D expenses).

VI. Depreciation & Amortisation

Fixed assets and Intangibles are depreciated/amortised using the straight-line method over the useful lives of assets. Depreciation is charged on pro-rata basis for assets purchased/sold during the year.

The rates of depreciation/amortisation adopted are as under:

Particulars	Depreciation/ Amortisation Rates (%)
Computers (including Software)	25
Furniture & Fixtures	20
Vehicles	20
Office equipments	20
Intellectual Property Rights	20
Goodwill	20

Individual assets costing less than ₹ 5,000 are depreciated in full, in the year of purchase.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

VII. Employee Stock Option Plans

The Company has formulated Employee Stock Option Schemes (ESOS) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees of the Company and its subsidiaries to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. The Company has used intrinsic value method to account for the compensation cost of stock options. Intrinsic value is the amount by which the quoted market price on the day prior to the grant of the options under ESOS exceeds the exercise price of the option. In accordance with the SEBI guidelines, the intrinsic value is amortised on a straight line basis over the vesting period.

VIII. Employee Benefits

Employee benefits include provident fund, gratuity fund, compensated absences, retention and performance linked payouts.

Defined Contribution Plans: The Company's contribution to provident fund is considered as defined contribution plan and is charged as an expense as they fall due based on the amount of contribution required to be made.

Defined Benefit Plans: For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service

NOTES FORMING PART OF FINANCIAL STATEMENTS

cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short-term Employee Benefits: The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include retention and performance linked payouts and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long-term Employee Benefits: Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

IX. Other Income

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

X. Leases

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight line basis.

XI. Research and Development

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Tangible Fixed Assets and Intangible Assets.

XII. Foreign Currency Transactions

Initial recognition

Transactions in foreign currencies entered into by the Company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement of foreign currency monetary items at the Balance Sheet date

Foreign currency monetary items (other than derivative contracts) of the Company and its net investment in non-integral foreign operations outstanding at the Balance Sheet date are restated at the year-end rates.

In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the Balance Sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at the average exchange rates prevailing during the year. Exchange differences arising out of these translations are charged to the Statement of Profit and Loss

Treatment of exchange differences

Exchange differences arising on settlement/ restatement of short-term foreign currency monetary assets and liabilities of the Company and its integral foreign operations are recognised as income or expense in the Statement of Profit and Loss. The exchange differences on restatement/ settlement of loans to non-integral foreign operations that are considered as net investment in such operations are accumulated in a "Foreign currency translation reserve" until disposal/recovery of the net investment.

NOTES FORMING PART OF FINANCIAL STATEMENTS

The exchange differences arising on restatement/settlement of long term foreign currency monetary items are:

- capitalised, if related to acquisition of depreciable fixed assets, and depreciated over the remaining useful life of such assets; or
- amortised over the maturity period of such items in other cases.

Accounting for Forward contracts: Premium/discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date.

Accounting for Derivatives: The Company enters into derivative contracts in the nature of foreign currency swaps, currency options, forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable forecast transactions. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Forward contracts.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence

XIII. Investments

Long-term investments are stated at cost less diminution in the value of investments that is other than temporary.

XIV. Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in the foreseeable future. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company and can be measured reliably.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax

liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

XV. Cash and Cash Equivalents (for Purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

XVI. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit/(loss) before tax, is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

XVII. Provisions and Contingencies

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not provided for but disclosed in the notes to the financial statements.

XVIII. Impairment of Assets

The carrying values of assets/cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value

NOTES FORMING PART OF FINANCIAL STATEMENTS

based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

XIX. Earnings Per Share

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their

conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

XX. Segment Reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organization and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

NOTES FORMING PART OF FINANCIAL STATEMENTS

	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Note : 3		
Share Capital		
AUTHORISED		
245,040,000 Equity Shares of ₹ 10/- each (Previous Year: 128,040,000 Equity Shares of ₹ 10/- each)	2,450.40	1,280.40
200,000 Preference Shares of ₹ 98/- each	19.60	19.60
Total	2,470.00	1,300.00
ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARES		
69,310,772 Equity Shares of ₹ 10/- each (Previous Year : 69,310,025 Equity Shares of ₹ 10/- each)	693.11	693.10
Total	693.11	693.10

NOTES

A Reconciliation of the number of Equity shares at the beginning and at the end of the reporting period

Particulars	Opening Balance	Fresh Issue	ESOP	Conversion of FCCB	Closing Balance
Equity shares					
Year ended March 31, 2012	69,310,025	-	747	-	69,310,772
Year ended March 31, 2011	57,983,139	4,124,254	5,025	7,197,607	69,310,025

Reconciliation of the amount outstanding at the beginning and at the end of the reporting period

Particulars	Opening Balance (₹ Million)	Fresh Issue (₹ Million)	ESOP (₹ Million)	Conversion of FCCB (₹ Million)	Closing Balance (₹ Million)
Equity shares					
Year ended March 31, 2012	693.10	-	0.01	-	693.11
Year ended March 31, 2011	579.83	41.24	0.05	71.98	693.10

- B The Company has only one class of Equity Share, having a par value of ₹ 10/-. The holder of equity shares is entitled to one vote per share and such amount of dividend per share as declared by the Company. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution to all other parties concerned. The distribution will be in proportion to number of equity shares held by the shareholders.

- C Details of shares held by each shareholder holding more than 5% shares

Class of Shares/Name of shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of Shares Held	% Holding in that Class of Shares	No. of Shares Held	% Holding in that Class of Shares
Equity shares				
GIC Singapore	3,498,288	5.05	3,085,274	4.45
KBC Aldini Capital Mauritius Limited	852,920	1.23	4,124,254	5.95
Promoter and Promoter Group (See Note E below)	8,101,801	11.69	8,101,801	11.69

Bank of New York is the depository of GDRs on behalf of GDR holders holding 7,008,746 shares representing 10.11% of total shareholding (Previous Year : 9,192,035 shares representing 13.26%). The Company does not have details of individual GDR holders/beneficiaries to determine if anyone holds more than 5% of the beneficial interest individually in the equity shares.

NOTES FORMING PART OF FINANCIAL STATEMENTS

- D As at March 31, 2012, 39,488,476 shares (As at March 31, 2011, 39,755,460 shares) were reserved for issuance as follows:
- 12,022 shares (As at March 31, 2011, 278,259 shares) of ₹ 10 each towards outstanding employee stock options scheme under 'ESOP 2000' granted/available for grant.
 - 1,987,561 shares (As at March 31, 2011, 1,988,308 shares) of ₹ 10 each towards outstanding employee stock options scheme under 'ESOP 2005' granted/available for grant.
 - 2,000,000 shares (As at March 31, 2011, 2,000,000 shares) of ₹ 10 each towards outstanding employee stock options scheme under 'ESOP 2008' granted/available for grant.
 - 2,619,811 shares (As at March 31, 2011, 2,619,811 shares) of ₹ 10 each towards conversion of foreign currency convertible bonds available for conversion. Refer Note 25A.
 - 32,869,082 shares (As at March 31, 2011, 32,869,082 shares) of ₹ 10 each towards conversion of foreign currency convertible bonds available for conversion. Refer Note 25B

E Details of shares held by Promoter and Promoter Group

Name of the Shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of Shares Held	% Holding in that Class of Shares	No. of Shares Held	% Holding in that Class of Shares
Subash Menon	2,580,601	3.72%	2,580,601	3.72%
Kivar Holdings Private Limited (KHPL) (including Woodbridge Consulting & Investments Inc, which merged with KHPL)	5,521,200	7.97%	5,521,200	7.97%
Total Promoter and Promoter Group	8,101,801	11.69%	8,101,801	11.69%

F Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date

Particulars	Aggregate Number of Shares	
	As at March 31, 2012	As at March 31, 2011
Company had issued Equity shares of ₹ 10 each to the GDR holders as of June 22, 2006 towards consideration of cost of acquisition of Azure Solutions Limited at ₹ 532.24 per share.	11,728,728	11,728,728

NOTES FORMING PART OF FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Note : 4			
Reserves and Surplus			
Capital Reserve			
Opening Balance		34.67	37.05
Add : Additions during the year on account of reversal of Accrued interest on conversion of FCCBs into Equity shares		-	37.62
Less : Transferred to Business Restructuring Reserve		(34.67)	(40.00)
Closing balance		-	34.67
General Reserve		177.98	177.98
Securities Premium Account			
Opening Balance		733.39	2,206.53
Transferred to Business Restructuring Reserve		-	(1,700.00)
Add : Additions during the year on account of conversion of FCCBs, ESOP and preferential placement of equity shares		0.03	785.71
Less : Expenses on issue of shares		-	(31.22)
Write back from/(Accrual for) redemption premium on FCCBs (Net)		(701.80)	(527.63)
Closing Balance		31.62	733.39
Business Restructuring Reserve	24		
Opening Balance		389.84	200.21
Transferred from Securities Premium/Capital Reserve		34.67	1,740.00
Unutilised provisions created from BRR in earlier years now reversed		25.32	-
Amounts utilised for Permitted Utilisations (Net)		(282.81)	(1,550.37)
Closing Balance		167.02	389.84
Share Options Outstanding Account			
Opening Balance		71.88	74.40
Add: Amounts recorded on Grants during the year		15.57	6.45
Less: Written back to the Statement of Profit and loss/other accounts during the year		(67.75)	(8.97)
Closing Balance		19.70	71.88
Less : Deferred Stock Compensation Expenses		8.35	8.71
Share Options Outstanding Account (Net)		11.35	63.17
Surplus/(Deficit) in Statement of Profit and Loss			
Opening balance		1,025.34	310.25
Add : Profit/(Loss) for the year		23.97	715.09
Closing Balance		1,049.31	1,025.34
Total Reserves and Surplus		1,437.28	2,424.39

NOTES FORMING PART OF FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Note : 5			
Long-term Borrowings (Secured)			
Other Loans and Advances - Hire Purchase Loan from Banks	A	-	3.73
Total		-	3.73
A. Secured against the Hypothecation of vehicles financed under these loans. Hire Purchase loans amount to ₹ 2.50 million as at March 31, 2012 (₹ 9.16 million as at March 31, 2011). The interest rate on these loans range from 9% to 20%.The amounts due to be repaid within one year from the balance sheet are included under Other Current Liabilities. Refer Note 8.			
Note : 6			
Long-term Provisions			
Provision for Employee Benefits			
Provision for compensated absences		9.78	11.80
Provision for gratuity	28	26.88	26.63
Provision for Tax		16.51	39.22
(net of advance tax ₹ 13.29 million) (As at March 31, 2011 ₹ 13.29 million)			
Total		53.17	77.65
Note : 7			
Short-term Borrowings			
Loans repayable on demand			
From banks			
Secured	A	989.39	740.35
Unsecured		-	62.57
From Financial Institutions			
Unsecured	B	100.00	100.00
Other Loans and Advances			
Term Loans from Banks - Unsecured		-	200.00
Total		1,089.39	1,102.92
A The Secured Loans from Banks are secured by a first charge on, present and future, Current and Fixed assets of the company. Further portion of promoter shares are pledged for these facilities.			
B A Promoter of the company has provided a personal guarantee and the shares held by the promoters have been pledged towards these loans.			

NOTES FORMING PART OF FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Note : 8			
Other Current Liabilities			
Current Maturities of Long-term Borrowings - FCCBs (Unsecured)	25	4,772.08	4,183.01
Current maturities of Long-term borrowings - Hire Purchase Loans from Banks (Secured)	5.A	2.50	5.43
Interest accrued but not due on borrowings		10.94	9.59
Unclaimed Dividends	38.2	0.41	0.59
Unearned Revenue		155.28	154.84
Advances from customers		42.83	38.73
Accrual for premium payable on redemption of bonds	25	1,842.15	-
Estimated Liability on Forward Contracts	38.5.a	123.94	-
Other Payables			
Statutory remittances		27.25	49.26
Total		6,977.38	4,441.45
Note : 9			
Short-term Provisions			
Provision for Employee Benefits			
Provision for compensated absences		0.85	0.98
Provision for gratuity	28	1.09	-
Warranty	34	4.23	4.23
Provision - Others			
Provision for premium payable on redemption of bonds	25	-	1,140.35
Deferred Interest on Restructured FCCBs		-	80.78
Provision for Tax (net of advance tax ₹ Nil) (As at March 31, 2011 ₹ Nil)		0.14	-
Total		6.31	1,226.34

Note : 10
Fixed Assets

Amount in ₹ Million

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at April 1, 2011	Additions	Disposals	As at March 31, 2012	Upto March 31, 2011	For the year	Withdrawn on Deletions	Upto March 31, 2012	As at March 31, 2012	As at March 31, 2011
10 A	Tangible assets										
1	Computers	247.67	20.38	-	268.05	205.98	25.01	-	230.99	37.06	41.69
2	Furniture & Fixtures	5.72	0.81	-	6.53	5.30	0.25	-	5.55	0.98	0.42
3	Vehicles	34.79	0.06	10.69	24.16	23.21	6.72	8.64	21.29	2.87	11.58
4	Office Equipments	26.14	1.08	0.07	27.15	16.10	4.51	0.03	20.58	6.57	10.04
	Total Tangible Assets	314.32	22.33	10.76	325.89	250.59	36.49	8.67	278.41	47.48	63.73
	Previous Year	297.66	24.08	7.42	314.32	218.63	37.00	5.04	250.59	63.73	79.03
10 B	Intangible assets										
1	Goodwill	13.77	-	-	13.77	13.77	-	-	13.77	-	-
2	Intellectual Property Rights	397.40	-	-	397.40	397.40	-	-	397.40	-	-
	Total intangible Assets	411.17	-	-	411.17	411.17	-	-	411.17	-	-
	Previous Year	411.17	-	-	411.17	392.67	18.50	-	411.17	-	18.50

NOTES FORMING PART OF FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Note : 11			
Non-Current Investments (At cost, unless otherwise stated)			
(Long term, trade, unquoted)			
Investments in Equity Instruments In wholly owned subsidiaries			
3,999,994 equity shares of ₹ 10 each fully paid up in Subex Technologies Limited, India {Net of provision for other than temporary diminution ₹ 40 million (Previous year - ₹ 40 million)}		-	-
5,039,565,245 Equity shares fully paid, Par Value of GBP 0.00001 each, in Subex (UK) Limited		6,473.87	6,473.87
100 equity shares full paid, no-par value, in Subex Americas Inc, Canada {Net of provision for other than temporary diminution ₹ 6,500 million (Previous year - ₹ 6,500 million)}		1,249.57	1,249.57
Total		7,723.44	7,723.44
Aggregate amount of unquoted investments (At cost)		14,263.44	14,263.44
Aggregate provision made for other than temporary diminution in value of long term investments		6,540.00	6,540.00
Note: 12			
Long-term Loans and Advances (Unsecured, considered good)			
Advance Taxes (net of Provision for tax ₹ 111.45 million, As at March 31, 2011 ₹ 113.83 million)		117.21	93.06
Balances with government authorities - Service Tax Credit Receivable		26.69	26.69
Security Deposits		72.63	71.63
MAT credit entitlement		17.41	-
Total		233.94	191.38
Note: 13			
Other Non - Current Assets			
Long-term Trade Receivables (Unsecured)			
Outstanding for a period exceeding six months from due date			
Considered Doubtful		139.29	72.64
Less: Provision for Doubtful Debts		(139.29)	(72.64)
		-	-
Loans and advances to related parties			
Unsecured, considered good	38.12	0.50	-
Doubtful	30.ii.e.v	169.47	169.47
Less: Provision for doubtful loans and advances		(169.47)	(169.47)

NOTES FORMING PART OF FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Total		0.50	-
Note : 14			
Trade Receivables			
(Unsecured)			
Outstanding for a period exceeding six months from due date			
Considered Good		43.55	9.91
Other Trade receivables			
Considered Good		2,200.37	1,768.53
Total		2,243.92	1,778.44
Note : 15			
Cash and Cash Equivalents			
Cash on hand		-	-
Balance with Banks			
in Current Account		0.11	1.96
in Deposit Account		-	-
in EEFC accounts		0.05	0.16
in earmarked accounts			
Unclaimed dividend accounts	38.2	0.41	0.59
Margin Money Deposits		15.02	5.97
Total		15.59	8.68
Note : 16			
Short-term Loans and Advances			
Loans and advances to related parties			
Unsecured, considered good	30.ii.e.iii & 38.12	160.88	400.88
Loans and advances to employees (Unsecured, considered good)		17.98	12.73
Prepaid expenses (Unsecured, considered good)		35.07	18.87
Balances with government authorities (Unsecured, considered good)			
Service Tax Credit Receivable		27.05	64.35
Others (Unsecured, considered good)			
Advance to Suppliers		1.71	0.65
Total		242.69	497.48
Note : 17			
Other Current Assets (Unsecured, considered good)			
Unbilled Revenue		335.03	203.72
Accruals:			
Interest accrued on deposits		0.27	-
Recoverable Expenses		6.85	-
Foreign Currency Monetary Item Translation Difference Account	27	35.70	-
Outstanding forward contract - Asset	38.5.a	-	63.81

NOTES FORMING PART OF FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Total		377.85	267.53
Note: 18			
Revenue from Operations			
Income from Sale of Products (and related services)			
Platform Based Solutions		209.13	2.70
Standalone Product Solutions		3,080.98	3,132.83
Total		3,290.11	3,135.53
Note: 19			
Employee Benefits Expense and Sub-contract Charges			
Salaries & Wages		740.84	736.22
Contribution to Provident Fund and Other Funds	28	33.81	29.86
Expense on Employee Stock Option Scheme (ESOP)		(11.24)	2.62
Staff Welfare Expenses		25.84	29.46
Total		789.25	798.16
Note: 20			
Other Expenses			
Software Purchases		2.04	5.15
Rent	31	90.61	88.49
Power, Fuel and Water Charges		21.62	22.08
Repairs & Maintenance		34.47	34.06
Insurance		11.67	13.17
Communication Costs		10.42	12.24
Printing & Stationery		3.09	4.68
Travelling & Conveyance		119.04	117.47
Rates & Taxes Including Filing Fees		7.29	5.67
Advertisement & Business Promotion		6.35	6.34
Consultancy Charges		10.66	14.92
Payments to Auditors	37	7.81	7.86
Marketing & Allied Service Charges		1,144.89	959.83
Provision for Doubtful trade and other receivables		66.66	-
Miscellaneous Expenses		7.91	1.69
Total		1,544.53	1,293.65
Note: 21			
Other Income			
Exchange Fluctuation gain (Net)		72.44	98.22
Interest income			
Interest on deposit accounts from banks		0.43	2.02
Interest on Inter Company loans	30	15.72	30.12
Other non-operating income			
Provision for Doubtful Debts written back/Bad Debts recovered		6.32	15.34
Profit on sale of Fixed Assets (Net)		0.76	0.41
Miscellaneous Income		4.49	11.66

NOTES FORMING PART OF FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Total		100.16	157.77
Note : 22			
Finance Costs			
Interest Expenses on:			
Foreign Currency Convertible Bonds		104.54	94.33
Other Borrowings		291.77	311.37
Other Borrowings Costs - Bank Charges		7.61	6.18
Total		403.92	411.88
Note : 23			
Exceptional Items			
Exchange (Gain)/Loss on Restatement of FCCBs		553.36	(2.98)
Exchange (Gain)/Loss on intra group foreign currency loans and advances		(22.63)	(3.21)
Reversal of stock compensation expenses pursuant to voluntary surrender of options		(21.49)	-
Total		509.24	(6.19)

NOTES FORMING PART OF FINANCIAL STATEMENTS

24. Accounting Under the Proposal Approved by the Hon'ble High Court

- a) During the year ending March 31, 2010, the shareholders of the Company approved the Board's proposal (hereinafter referred to as 'the Proposal') for transferring amounts from the Securities Premium and Capital Reserves as on or arising after April 1, 2009 (upto March 31, 2012) to a Business Restructuring Reserve (BRR) to be utilised from April 1, 2009 for certain Permitted Utilisations as mentioned in the Proposal.

The Proposal was approved by the Hon'ble High court of Karnataka on May 4, 2010 and was registered with the Registrar of Companies on May 11, 2010, thereby completing all the requirements for the order to be effective.

b) Adjustments in the BRR during the previous year ended March 31, 2011

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2011:

- transfer of ₹ 1,740 million during the year from the balances in Securities Premium Account and Capital Reserve to the BRR
- utilization of the BRR for permitted utilisations to the extent of ₹ 1,550.37 million (net)

c) Adjustments in the BRR during the current year ended March 31, 2012

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2012:

- transfer of ₹ 34.67 million during the year from the balances in Capital Reserve to the BRR
- utilization of the BRR for permitted utilisations to the extent of ₹ 257.49 million (Net).

- d) Had the Proposal not provided for the above, the effect of accounting under the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 would have been as under

Amount in ₹ Million except as otherwise indicated

In the Statement of Profit and Loss	March 31, 2012	March 31, 2011
Provision for doubtful debts/ write-off of unrealizable assets would have been higher by:	-	100.00
The loss under Exceptional items would have been higher as follows:		
- Diminution in carrying value of Investments	-	1,540.00
- One time non-recurring expenses including restructuring fees, advisory fees, marketing expenses and unrealizable advances, etc. (net)	257.49	390.78
- One time non-recurring Long term Retention benefit plan accrued/(reversed)	-	(480.41)
Sub-Total	257.49	1,450.37
Profit after Tax would have been lower by	257.49	1,550.37
Basic Earnings/(Loss) per share would have been – ₹	(3.37)	(13.22)
Diluted Earnings/(Loss) per share would have been – ₹	(3.37)	(13.22)

Note: Out of the balance outstanding in the Business Restructuring Reserve, an amount of ₹ Nil (as at March 31, 2011, ₹ 280 million) is reserved for adjustment in Consolidation.

25. A. Foreign Currency Convertible Bonds (FCCBs)

During the year 2006-07, the Company issued Foreign Currency Convertible Bonds (the Old FCCBs) aggregating to US\$ 180 million. During the year 2009-10, the Company restructured the Old FCCBs by offering in exchange new FCCBs having a face value of US\$ 126 million. Pursuant to the offer, Old FCCBs with a face value of US\$ 141 million were exchanged for new FCCBs with a face value of US\$ 98.7 million. The remaining bondholders holding Old FCCBs with a face value of US\$ 39 million (out of the original bondholders holding US\$ 180 million) did not choose the option for restructuring. The bonds were initially redeemable on or by March 9, 2012, if not converted into equity shares as per terms of issue. Based on an approval received from the Reserve Bank of India and bond holders, these bonds are now redeemable on July 9, 2012.

NOTES FORMING PART OF FINANCIAL STATEMENTS

As at March 31, 2012, the face value of the US\$ 39 million FCCBs amounts to ₹ 1,984.13 million (Previous Year: 1,739.21 million) and is included in Note 8 - Other Current Liabilities as Current Maturities of Long-term borrowings-FCCBs (Unsecured).

The other terms and conditions governing the US\$ 39 million Old FCCBs outstanding are as follows:

- a) Conversion Price – ₹ 656.20 per share
- b) Exchange Rate for purpose of conversion - 1 US\$ = ₹ 44.08
- c) Interest of 2% per annum payable semi-annually in arrears
- d) Premium payable on maturity US\$ 14.05 million
- e) Listing on the London Stock Exchange

The premium payable on maturity is being accrued prorata by a charge to Securities Premium/BRR over the term of the FCCBs.

B. New Foreign Currency Convertible Bonds (New FCCBs)

During the financial year 2009-10, in terms of the Company's offer to exchange and restructure its outstanding Old FCCBs, the Company received Old FCCBs with a face value of US\$ 141 million for issue of New FCCBs with a face value of US\$ 98.7 million. The bonds were initially redeemable on or by March 9, 2012, if not converted into equity shares as per terms of issue. Based on an approval received from the Reserve Bank of India and bond holders, these bonds are now redeemable on July 9, 2012.

Other terms and conditions governing the new FCCBs are as follows:

- a) Conversion Price – ₹ 80.31 per share
- b) Exchange Rate for purpose of conversion - 1 US\$ = ₹ 48.17
- c) Compensating the bond holders for the reduction in principal amount by providing an increased interest element in the New FCCBs of 5% per annum payable semi-annually in arrears
- d) Premium payable on maturity – US\$ 23.23 million.
- e) Listing on the Singapore Exchange Securities Trading Limited

Out of the US\$ 98.7 million new FCCBs, bonds having a face value of US\$ 31.9 million were converted into equity shares as of March 31, 2010 and bonds with a face value of US\$ 12 million were converted during the year ending March 31, 2011. Consequently new FCCBs outstanding at March 31, 2012 amount to US\$ 54.8 million (₹ 2,787.95 million), (Previous Year: ₹ 2,443.80 million) and are included in other current liabilities under Note 8 – Other Current Liabilities as Current Maturities of Long-term borrowings-FCCBs (Unsecured).

The premium payable on maturity is being accrued prorata by a charge to Securities Premium/BRR over the term of the FCCBs.

26. Employees Stock Option Plan (ESOP)

The Company during the years 1999-2000, 2005-2006 and 2008-09 has established ESOP II, ESOP III and ESOP IV respectively.

These schemes have been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. As per these schemes, the Compensation Committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the highest volume of shares are traded for 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years and can be exercised over a maximum period of 3 years from the date of vesting.

The Company has obtained in-principle approval for listing of shares upto a limit as mentioned below.

ESOP II : 883,750 shares

ESOP III : 2,000,000 shares

ESOP IV : 2,000,000 shares

NOTES FORMING PART OF FINANCIAL STATEMENTS

Employees' Stock Options Details as on the Balance Sheet Date are

Particulars	2011-12		2010-11	
	Options (No's)	Weighted Average Exercise Price Per Stock Option (₹)	Options (No's)	Weighted Average Exercise Price Per Stock Option (₹)
Options outstanding at the beginning of the year				
ESOP – II	278,259	71.71	300,848	74.04
ESOP – III	1,615,233	104.11	1,582,488	113.72
ESOP – IV	1,187,619	54.17	598,954	53.34
Granted during the year				
ESOP – II	-	-	-	-
ESOP – III	1,461,441	31.61	232,800	51.77
ESOP – IV	1,019,583	28.44	715,000	54.83
Exercised during the year				
ESOP – II	-	-	1,260	-
ESOP – III	747	-	3,765	-
ESOP – IV	-	-	-	-
Cancelled, Surrendered or Lapsed during the year				
ESOP – II	266,237	-	21,329	-
ESOP – III	1,719,841	-	196,290	-
ESOP – IV	1,187,913	-	126,335	-
Options outstanding at the end of the year				
ESOP – II	12,022	85.22	278,259	71.71
ESOP – III	1,356,086	39.30	1,615,233	104.11
ESOP – IV	1,019,289	28.95	1,187,619	54.17
Options exercisable at the end of the year				
ESOP – II	9,397	-	195,189	-
ESOP – III	98,823	-	820,819	-
ESOP – IV	9,191	-	82,464	-
Options available for Grant at the end of the year				
ESOP – II	-	-	-	-
ESOP – III	631,475	-	373,075	-
ESOP – IV	980,711	-	812,381	-

[Weighted average remaining contractual life (considering vesting and exercise period)]

ESOP – II At March 31, 2011 : 2.07 Years At March 31, 2012: 1.54 Years

ESOP – III At March 31, 2011 : 2.98 Years At March 31, 2012: 3.81 Years

ESOP – IV At March 31, 2011 : 4.88 Years At March 31, 2012: 4.16 Years

Fair Value Methodology

The fair value of options used to compute pro-forma net income and earnings per equity share have been estimated on the date of grant using Black-Scholes model.

The key assumptions used in Black-Scholes model for calculating fair value is: risk-free interest rate of 8%, expected life: 3 years, expected volatility of share: 33.73% (Previous Year: 48.39%) and expected dividend yield: 0% (Previous Year: 0%). The variables detailed herein represent the average of the assumptions during the pendency of the grant dates.

NOTES FORMING PART OF FINANCIAL STATEMENTS

The impact on the EPS of the Company if fair value method is adopted is given below:

Amount in ₹ Million except as otherwise indicated		
Particulars	March 31, 2012	March 31, 2011
Net Profit for the year (as reported)	23.97	715.09
Add : Stock-based employee compensation relating to grants after Apr 1, 2006	(32.73)	2.62
Less : Stock-based compensation expenses determined under fair value based method for the above grants	3.30	37.39
Net Profit/(loss) - (proforma)	(12.06)	680.32
Basic earnings per share (as reported) - ₹	0.35	11.32
Basic earnings per share (proforma) - ₹	(0.17)	10.77
Diluted earnings per share (as reported) - ₹	0.35	7.88
Diluted earnings per share (proforma) - ₹	(0.17)	7.53

27. The Company adopted the amendments to Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" that were notified during the year ended March 31, 2012. Pursuant to this amendment, exchange fluctuations arising on restatement of all long term monetary foreign currency assets and liabilities at rates different from those at which they were initially recorded or reported in the previous financial statements (whichever is later), are accumulated in a Foreign Currency Monetary Item Translation Difference account and are amortised over the balance period of such long term asset/liability. Consequently, exchange fluctuation losses (Net) arising on restatement of such items have been deferred to the extent of ₹ 35.7 million at March 31, 2012 and the profit for the year is higher by a corresponding amount.

28. Employee Benefit Plans

a) Defined Contribution Plans

The Company makes contributions to Provident Fund, a defined contribution plan for qualifying employees. Under the Scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised ₹ 30.96 million (Year ended March 31, 2011 ₹ 29.18 million) for Provident Fund contributions in the Statement of Profit and Loss.

b) Defined Benefit Plans

The Company offers Gratuity benefits to employees, a defined benefit plan. The following table sets out the funded status of Gratuity liability and the amounts recognised in the financial statements:

Amount in ₹ Million except Assumptions			
		Gratuity	
		March 31, 2012	March 31, 2011
I	Components of employer expense		
1	Current Service cost	7.43	6.32
2	Interest cost	2.30	1.89
3	Expected return on plan assets	(0.16)	(0.34)
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	-	4.08
7	Actuarial Losses/(Gains)	(6.72)	0.44
8	Total expense recognized in the Statement of Profit and Loss	2.85	12.39
II	Actual Contribution and Benefit Payments for year ended March 31, 2012		
1	Actual benefit payments	4.30	2.16
2	Actual Contributions	-	-

NOTES FORMING PART OF FINANCIAL STATEMENTS

Amount in ₹ Million except Assumptions

		Gratuity	
		March 31, 2012	March 31, 2011
III	Net asset/(liability) recognized in Balance Sheet as at March 31, 2012		
1	Present value of Defined Benefit Obligation (DBO)	28.68	29.93
2	Fair value of plan assets	0.71	3.30
3	Funded status [Surplus/(Deficit)]	(27.97)	(26.63)
4	Unrecognized Past Service Costs	-	-
5	Net asset/(liability) recognized in Balance Sheet	(27.97)	(26.63)
IV	Change in Defined Benefit Obligations during the year ended March 31, 2012		
1	Present Value of DBO at beginning of year	29.94	19.32
2	Current Service cost	7.43	6.32
3	Interest cost	2.30	1.89
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	-	4.08
7	Acquisitions	-	-
8	Actuarial (gains)/ losses	(6.69)	0.48
9	Benefits paid	(4.30)	(2.16)
10	Present Value of DBO at the end of year	28.68	29.93
V	Change in Fair Value of Assets during the year ended March 31, 2012		
1	Plan assets at beginning of year	3.30	5.08
2	Acquisition Adjustment	-	-
3	Expected return on plan assets(estimated)	0.16	0.34
4	Actuarial Gain/(Loss)	0.03	0.04
5	Actual Company contributions(less risk premium, ST)	1.52	-
6	Benefits paid	(4.30)	(2.16)
7	Plan assets at the end of period	0.71	3.30
VI	Actuarial Assumptions		
1	Discount Rate	8.70%	8.30%
2	Expected Return on plan assets	8.60%	8.50%
3	Salary escalation	6.00%	6.00%
4	Attrition Rate	5.00%	5.00%

Experience History	Period Ending				
	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012
Defined Benefit Obligation at end of the period	(10.30)	(15.33)	(19.32)	(29.94)	(28.68)
Plan Assets at end of the period	1.09	1.50	5.08	3.30	0.71
Funded Status	(9.21)	(13.83)	(14.24)	(26.64)	(27.97)
Experience Gain/(Loss)adjustments on Plan Liabilities	(1.13)	0.81	0.39	(0.48)	5.41
Experience Gain/(Loss)adjustments on Plan Assets	-	0.03	0.00	0.04	0.03
Actuarial Gain/(Loss) due to change on assumptions	(0.13)	(1.22)	0.68	-	1.28

- The composition of the plan assets held under the funds managed by the Insurer is not provided, since the information is not available
- Estimated amounts to be contributed in the immediate next year ₹ 1.095 million (Previous year ₹ Nil)
- The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet

NOTES FORMING PART OF FINANCIAL STATEMENTS

date for the estimated term of the obligations.

- The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors

Actuarial Assumption for long term compensated absences

	March 31, 2012	March 31, 2011
Discount rate	8.7%	8.3%
Expected return on plan asset	NA	NA
Salary escalation rate	6%	6%
Attrition	5%	5%

29. Since the Company prepares consolidated financial statements in addition to these financial statements, both of which form part of the annual report of the Company, as permitted by Accounting Standard 17 "Segment reporting", the segment information is presented on the basis of the consolidated financial statements.

30. Related Party Information

i) Related Parties

Wholly Owned Subsidiaries

Subex Americas Inc.
Subex (UK) Limited
Subex Technologies Limited
Subex Azure Holdings Inc.
Subex (Asia Pacific) Pte. Ltd
Subex Inc.
Subex Technologies Inc.

Key Management Personnel

Subash Menon, Founder Chairman, Managing Director & CEO
Sudeesh Yezhuvath, Chief Operating Officer & Wholetime Director

Note – Related parties are as identified by the Company based on information available and relied upon by auditors.

ii) Details of the transactions with the related parties:

Amount in ₹ Million

Particulars	Subsidiaries		Key Management Personnel	
	2011-12	2010-11	2011-12	2010-11
a) Marketing and allied Service Charges and reimbursement (including software development charges)*				
i) Subex (UK) Limited	613.69	445.21	-	-
ii) Subex Inc.	658.98	601.90	-	-
iii) Subex Americas Inc.	97.08	36.15	-	-
iv) Subex (Asia Pacific) Pte. Ltd	53.86	66.28	-	-
b) Income from Software Development and Services:				
i) Subex (UK) Limited	873.09	648.05	-	-
ii) Subex Inc.	386.18	307.41	-	-
iii) Subex (Asia Pacific) Pte. Ltd	152.98	332.91	-	-
iv) Subex Americas Inc.	372.66	428.63	-	-

NOTES FORMING PART OF FINANCIAL STATEMENTS

Particulars	Subsidiaries		Key Management Personnel	
	2011-12	2010-11	2011-12	2010-11
c) Salary and Perquisites (Also refer Note 38.10 and 38.11)				
Subash Menon	-	-	21.65	21.21
Sudeesh Yezhuvath	-	-	19.74	19.57
d) Amount due as at year end from/(to)				
i) Subex (UK) Limited	(234.87)	(226.66)	-	-
ii) Subex Inc.	(106.00)	368.99	-	-
iii) Subex (Asia Pacific) Pte. Ltd	477.10	429.83	-	-
iv) Subex Americas Inc.	1,545.92	837.39	-	-
e) Loans outstanding as at year end from/(to)				
i) Subex (UK) Limited	-	-	-	-
ii) Subex (Asia Pacific) Pte. Ltd	-	-	-	-
iii) Subex Americas Inc.	160.88	400.88	-	-
iv) Subex Inc.	-	-	-	-
v) Subex Technologies Limited [#]	169.97	169.47	-	-
f) Interest received on Inter Company Loans				
i) Subex (UK) Limited	-	0.03	-	-
ii) Subex Americas Inc.	15.72	28.25	-	-
iii) Subex Inc.	-	-	-	-
iv) Subex (Asia Pacific) Pte Ltd	-	1.84	-	-
g) Expenses allocated to/(from):				
i) Subex (UK) Limited	11.19	1.43	-	-
ii) Subex, Inc.	5.20	1.18	-	-
iii) Subex (Asia Pacific) Pte. Ltd	0.39	0.07	-	-
iv) Subex Americas Inc.	2.38	0.91	-	-

* Amount paid/ payable in Foreign Currency.

Advances to Subex Technologies Limited has been provided during the financial year 2010-11 to an extent of ₹169.47 million out of utilisation of BRR.

31. Operating Leases

The Company has entered into operating lease arrangements for its office facilities. These leases are for periods ranging from 1 to 5 years with an option to the Company for renewing at the end of the initial term. Rental expenses for operating leases included in the Statement of Profit and Loss for the year is ₹ 90.61 million (Previous year - ₹ 88.49 million).

The future minimum lease payments for non-cancelable operating leases were:

	Amount in ₹ Million	
	March 31, 2012	March 31, 2011
Within one year	97.43	97.33
Due in a period between one year and five years	433.82	417.36
Due after five years	199.96	313.85

The lease agreement for the above non-cancellable lease provides for escalation of rentals, which has been factored in the future minimum rentals disclosed above.

NOTES FORMING PART OF FINANCIAL STATEMENTS

32. Earnings Per Share (EPS)

Amount in ₹ Million except as otherwise indicated

	2011-12	2010-11
Profit after Tax attributable to shareholders (A)	23.97	715.09
Add : Interest on FCCBs	-	54.83
Add/(Less) : Exchange Fluctuation on FCCB	-	8.91
Adjusted Profits after Tax for Diluted EPS (B)	23.97	778.83
Weighted Average Number of Shares (in million) for Basic EPS (C)	69.31	63.18
Effect of Existence of Dilutive Instruments (FCCBs and ESOPs) – (in million)	0.08	35.65
Weighted Average Number of Shares (in million) for Diluted EPS (D)	69.39	98.83
Earnings per Share – Basic [(A)/(C)] - ₹	0.35	11.32
Earnings per Share – Diluted [(B)/(D)] - ₹	0.35	7.88

Face value of shares: ₹ 10/- each

Note : FCCBs outstanding as at March 31, 2012 are anti-dilutive and hence have not been considered for purposes of Dilutive EPS in year ended March 31, 2012.

Certain of the FCCBs as at March 31, 2011 were anti-dilutive and hence were not considered for purposes of Dilutive EPS in year ended March 31, 2011.

33. Deferred Taxes

The deferred tax asset recognised comprises of the tax impact arising from timing differences on:

Amount in ₹ Million

Particulars	March 31, 2012	March 31, 2011
Leave Encashment and Gratuity	6.28	-
Differences between the book balance and tax balance of Fixed assets	7.11	12.18
Total	13.39	12.18

34. Details of Warranty

Amount in ₹ Million

Year	Opening Balance	Additions During the Year	Utilisation/Reversal During the Year	Closing Balance
2011-12	4.23	-	-	4.23

35. Contingent Liabilities

(a) Receivables factored: Current Year - ₹ 266.11 million (Previous year - ₹ 368.01 million).

(b) Claims against the Company not acknowledged as debt: Current Year – ₹ 1.59 million (Previous year – ₹ 64.52 million). These claims relate to Indian Income Tax demands which are being contested by the Company.

36. Other Information Pursuant to Schedule VI of the Companies Act, 1956.

Amount in ₹ Million

	Year ended March 31, 2012	Year ended March 31, 2011
CIF Value of Imports :	7.97	9.04
Import of systems and solutions	12.18	13.07
Capital goods		
Expenditure in foreign currency (on accrual basis)		
Traveling expenses	51.85	49.39
Interest expense	169.62	161.78
Product marketing expense and other expenditure incurred overseas for software development. Also refer note 30(ii).	0.82	1.64
Earnings in foreign exchange (on accrual basis)	2,972.07	2,882.13
Income from software development services and products		
Miscellaneous Income	-	11.36

NOTES FORMING PART OF FINANCIAL STATEMENTS

37. Payments to Auditors

Amount in ₹ Million

Particulars	2011-12	2010-11
As Auditors – Statutory audit	6.50	6.50
For Taxation matters	0.15	0.15
For other services	1.00	1.00
For Reimbursement of Expenses	0.16	0.21
Total	7.81	7.86

38. Others

- Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) ₹ 1.73 million (Previous year - ₹ 3.41 million)
- Unclaimed dividend of ₹ 0.41 million as at March 31, 2012 (Previous Year - ₹ 0.59 million) represent dividends not claimed for the period from 2004-2007. No part thereof has remained unpaid or unclaimed for a period of seven years from the date they become due for payment requiring a transfer to the 'Investor Education and Protection Fund'. During the current year, the Company has transferred ₹ 0.18 million (Previous Year - ₹ 0.05 million) to Investor Protection Fund.
- Direct Taxes paid and others in the Cash Flow Statement comprises outflows on account of permitted utilisations from the BRR of ₹ 12.05 million (Previous Year - ₹ 20.91 million) and Direct Taxes of ₹ 39.17 million. (Previous Year - ₹ 36.10 million).
- Personnel Cost for the year includes expenditure on Research and Development of ₹ 129.51 million (Previous year - ₹ 107.42 million). This is as certified by the management and relied upon by the auditors.
- The Company has entered into the following derivative instruments for the purposes of hedging the risks associated with foreign exchange exposures.

- (a) Forward contracts to hedge foreign currency risk on export receivables

Amount in Million

Particulars	March 31, 2012			March 31, 2011		
	Foreign Currency	Buy/Sell	Amount (INR)	Foreign Currency	Buy/Sell	Amount (INR)
Forward contracts						
- USD contracts	\$ 36.13	Sell	1,732.85	\$ 31.50	Sell	1,444.30

- (b) The yearend foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Amount in Million

Particulars	March 31, 2012		March 31, 2011	
	Amount (₹)	Foreign Currency	Amount (₹)	Foreign Currency
Receivable towards Export of Goods & Services	2,199.40	USD 43.23	920.43	USD 20.64
	1,640.26	GBP 20.14	1,039.42	GBP 14.48
(Including receivables from wholly owned subsidiaries)	697.98	SGD 17.24	59.32	SGD 15.81
	6.64	AUD 0.13	5.09	AUD 0.11
	16.63	EUR 0.25	12.95	EUR 0.20
	4.95	AED 0.36	8.75	AED 0.72
	1.57	QAR 0.11	1.38	QAR 0.11
	7.04	CHF 0.13	-	-
	5.31	CAD 0.10	-	-
	0.25	CNY 0.03	-	-
Loans to wholly owned subsidiaries	49.37	CAD 0.97	44.48	CAD 0.97
	111.51	USD 2.19	356.40	USD 7.99

NOTES FORMING PART OF FINANCIAL STATEMENTS

(c) Other amounts payable in foreign currency on account of:

Amount in ₹ Million

Particulars	March 31, 2012		March 31, 2011	
	Amount (₹)	Foreign Currency	Amount (₹)	Foreign Currency
Import of goods and services	16.64	USD 0.33	5.12	USD 0.11
	3.68	GBP 0.05		
	2.65	EUR 0.04	2.44	EUR 0.03
Capital goods (including intangibles)	0.71	GBP 0.01	3.80	USD 0.09
Towards interest on Foreign Currency loans	10.94	USD 0.22	9.59	USD 0.22
Differential interest on restructured FCCB's	-	-	80.79	USD 1.81
Towards Foreign Currency Convertible Bonds (FCCB's)	4,772.08	USD 93.80	4,183.01	USD 93.80
Redemption premium accrued on FCCB's	1,842.15	USD 36.21	1,140.35	USD 25.57
Marketing and Allied Service Charges and Software charges payable to wholly owned subsidiaries	0.99	AED 0.07	0.80	AED 0.07
	6.36	CAD 0.12	0.95	CAD 0.02
	0.13	EUR 0.00	129.47	EUR 2.04
	1,553.95	GBP 19.08	963.32	GBP 13.42
	0.02	MYR 0.00	13.07	MYR 0.89
	118.12	SGD 2.92	52.14	SGD 1.47
	2,668.95	USD 52.46	1,229.98	USD 27.58
	-	-	6.26	THB 4.25
	3.10	AUD 0.06	-	-
	0.25	CNY 0.03	-	-

6. The dues to Micro and Small enterprises as defined in The Micro, Small & Medium Enterprises Development Act, 2006, are identified by the Company based on inquiries with the parties and information available with the Company is ₹ Nil (Previous Year : Nil). This has been relied upon by the auditors.

7. Revenue is net of ₹ Nil (Previous Year: ₹ 20.62 million) being reversal of Unbilled Revenues.

8. The Company purchases hardware and software to fulfill its obligations under contracts for sale of its Products. There were no inventory of such hardware/software at the beginning and end of the year.

The breakup of balances included in line 3(a) in the Statement of Profit and Loss is as under -

Amount in ₹ Million

Particulars	For the Year Ended March, 31 2012	For the Year Ended March, 31 2011
Software charges	67.83	-
Purchased hardware/software	18.64	14.72
Total	86.47	14.72

9. The Company has 'International transactions' with 'Associated Enterprises' which are subject to Transfer Pricing regulations in India. The Management of the Company, is of the opinion that such transactions with Associated Enterprises are at arm's length and hence in compliance with the aforesaid legislation. Consequently, this will not have any impact on the financial statements, particularly on account of tax expense and that of provision for taxation.

NOTES FORMING PART OF FINANCIAL STATEMENTS

10. Remuneration to wholetime directors relating to earlier years which were subject to approval of Central Government as at March 31, 2010 aggregated to ₹ 56.26 million. During the year ended March 31, 2011, the Company received the approval for a portion of the above and accordingly, an amount of ₹ 33.27 million was charged to the Statement of Profit and Loss for the year ended March 31, 2011 and the balance was recovered from the wholetime directors by March 31, 2011.
11. The Company has been legally advised that exchange differences arising out of the restatement/settlement of FCCBs, is of a capital nature as contemplated under Section 349(5)(d) of the Companies Act, 1956 and not be deducted from the profits of the Company in determining the remuneration and commission payable to directors. Accordingly, exchange losses of ₹ 553.36 million (Previous year - exchange gain of ₹ 2.98 million) have been adjusted in determining the net profits of the Company under Section 349 of the Companies Act.
12. Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges

Loans and advances in the nature of loans given to subsidiaries:

<i>Amount in ₹ Million</i>			
Name of the Party	Relationship	Amount Outstanding as at March 31, 2012	Maximum Balance Outstanding During the Year
Subex Americas Inc.	Wholly Owned Subsidiaries	160.88 (400.88)	400.88 (400.88)
Subex Technologies Limited	Wholly Owned Subsidiaries	169.97 (169.47)	169.97 (169.47)

Note: Figures in bracket relate to the previous year.

39. The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosures.

financial review

subex limited (consolidated)

AUDITORS' REPORT TO THE BOARD DIRECTORS OF SUBEX LIMITED

1. We have audited the attached Consolidated Balance Sheet of Subex Limited (the "Company"), its subsidiaries (the Company and its subsidiaries constitute the "Group") as at March 31, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of ₹ 143.15 million as at March 31, 2012, total revenues of ₹ 483.34 million and net cash inflows amounting to ₹ 0.05 million for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.
4. Without qualifying our opinion, we draw attention to Note 2.I.b to the financial statements regarding Foreign Currency Convertible Bonds having a face value of US\$ 93.8 million (equivalent ₹ 4,772.08 million) which are redeemable on 9th July 2012 along with premium of US\$ 37.28 million (equivalent ₹ 1,896.62 million) and the related costs that are determinable on redemption and the management's plans for meeting the redemption obligations. The Company's ability to continue as a going concern is dependent on the successful outcome of the management plans.
5. Without qualifying our opinion, we draw attention to Note 23 to the financial statements. As more fully explained therein, during the year the Company has in accordance with the Proposal approved by the Hon'ble High Court of Karnataka in prior years, credited amounts aggregating to ₹ 22.51 million (net of expenses) to the Business Restructuring Reserve, instead of recording such net gains in the Statement of Profit and Loss, as required by Accounting Standard 5 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'.
6. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 ('Consolidated Financial Statements'), as notified under the Companies (Accounting Standards) Rules, 2006, except for our comments in paragraph 5 above.
7. Further to our comments in paragraphs 4 and 5 above, based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements, read with the notes thereon and our comments in Paragraph 6 above, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;
 - (ii) in the case of Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 008072S)

V. Balaji
Partner

Place : Bangalore
Date : May 23, 2012

(Membership No. 203685)

CONSOLIDATED BALANCE SHEET AS AT

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
A EQUITY AND LIABILITIES			
1 SHAREHOLDERS' FUNDS			
(a) Share Capital	3	693.11	693.10
(b) Reserves and Surplus	4	752.94	1,401.10
Sub Total - SHAREHOLDERS' FUNDS		1,446.05	2,094.20
2 NON - CURRENT LIABILITIES			
(a) Long-term Borrowings	5	-	3.73
(b) Deferred Tax Liabilities (net)		-	0.89
(c) Long-term Provisions	6	58.51	82.56
Sub Total - NON - CURRENT LIABILITIES		58.51	87.18
3 CURRENT LIABILITIES			
(a) Short-term Borrowings	7	1,243.65	1,264.95
(b) Trade Payables - Other than acceptances		800.91	1,020.09
(c) Other Current Liabilities	8	7,420.40	4,928.70
(d) Short-term Provisions	9	27.13	1,248.46
Sub Total - CURRENT LIABILITIES		9,492.09	8,462.20
TOTAL		10,996.65	10,643.58
B ASSETS			
1 NON - CURRENT ASSETS			
(a) FIXED ASSETS	10		
i) Tangible Assets		77.28	130.38
ii) Intangible Assets		-	-
		77.28	130.38
(b) Goodwill on Consolidation		8,656.89	8,656.89
(c) Deferred Tax Assets (net)	32	14.12	12.18
(d) Long-term Loans and Advances	11	240.89	228.37
(e) Other Non - Current Assets	12	-	-
Sub Total - NON - CURRENT ASSETS		8,989.18	9,027.82
2 CURRENT ASSETS			
(a) Trade Receivables	13	733.94	541.61
(b) Cash and Cash Equivalents	14	24.20	41.07
(c) Short-term Loans and Advances	15	121.18	152.11
(d) Other Current Assets	16	1,128.15	880.97
Sub Total - CURRENT ASSETS		2,007.47	1,615.76
TOTAL		10,996.65	10,643.58

Corporate Information and Significant Accounting Policies

1 & 2

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

V. Balaji
Partner

Subash Menon
Founder Chairman
Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer
& Wholtime Director

Ramanathan J
Vice President- Finance &
Company Secretary

Bangalore
May 23, 2012

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED

	NOTE NO.	For the year ended MARCH 31, 2012 (₹ in Million)	For the year ended MARCH 31, 2011 (₹ in Million)
1 Revenue from Operations	17	4,778.26	4,827.50
2 Total revenue		4,778.26	4,827.50
3 Expenses			
(a) Cost of Hardware, Software and Support Charges		86.99	79.66
(b) Employee Benefits Expense and Sub-contract Charges	18	2,535.80	2,648.51
(c) Other Expenses	19	858.78	819.98
Total Expenses		3,481.57	3,548.15
4 Profit before other Income, exceptional items, interest, tax, depreciation and amortisation (2 - 3)		1,296.69	1,279.35
5 Other Income	20	109.64	100.42
6 Profit before exceptional items, interest, tax, depreciation and amortisation (4 + 5)		1,406.33	1,379.77
7 Finance Costs	21	428.52	426.21
8 Depreciation and amortisation expense	10	77.96	104.50
9 Profit/(Loss) before exceptional Items and tax (6 - 7 - 8)		899.85	849.06
10 Exceptional Items	22	547.94	17.21
11 Profit/(Loss) before Tax (9 - 10)		351.91	831.85
12 Tax expense			
(a) Current Tax Expense for current year (net of reversal of ₹ 2.4 million (Previous year ₹ Nil) relating to earlier years)		53.72	44.06
(b) (Less): MAT credit		(17.41)	-
(c) Deferred Tax		(2.81)	-
Total Tax expense		33.50	44.06
13 Profit/(Loss) for the year (11 - 12)		318.41	787.79
14 Earnings/(Loss) Per Share (Face value of ₹ 10/- each)	31		
(a) Basic		4.59	12.47
(b) Diluted		4.59	8.62
Corporate Information and Significant Accounting Policies		1 & 2	
See accompanying notes forming part of the financial statements			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

V. Balaji
Partner

Subash Menon
Founder Chairman
Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer
& Wholtime Director

Ramanathan J
Vice President- Finance &
Company Secretary

Bangalore
May 23, 2012

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED

	For the year ended MARCH 31, 2012 (₹ in Million)	For the year ended MARCH 31, 2011 (₹ in Million)
A Cash flow from Operating Activities		
Net Profit/(Loss) before tax	351.91	831.85
Adjustments for		
(a) Depreciation and amortization expense	77.96	104.50
(b) Interest Income	(3.45)	(2.00)
(c) Finance costs	428.52	426.21
(d) (Profit)/Loss on sale/write off of assets- Net	(0.27)	0.54
(e) Expense/(Gain) on employee stock option scheme	(52.20)	6.05
(f) Provision for doubtful Trade and other receivables	66.66	-
(g) Unrealised exchange (Gain)/Loss- Forward contracts	123.94	(63.81)
(h) Unrealised exchange (Gain)/Loss- Others	225.63	(0.52)
Operating profit/(loss) before working capital changes	1,218.70	1,302.82
Adjustments for (increase)/decrease in operating assets		
(a) Trade receivables	(229.55)	(117.83)
(b) Short-term loans and advances	87.46	104.12
(c) Long-term loans and advances	(0.44)	-
(d) Other current assets	(211.22)	(419.10)
Adjustments for increase/(decrease) in operating liabilities		
(a) Trade payables	(205.72)	(293.94)
(b) Other current liabilities	(71.10)	27.82
(c) Short-term provisions	(0.33)	16.02
(d) Long-term provisions	(1.81)	-
Cash generated from/(used in) operations	585.99	619.91
Net tax (paid)/refunds and others - Refer Note 36.3	(66.47)	(87.72)
Net cash flow from/(used in) operating activities (A)	519.52	532.19
B Cash Flow from Investing activities		
(a) Capital expenditure on fixed assets, including capital advances	(33.62)	(40.15)
(b) Proceeds from sale of fixed assets	14.91	2.76
(c) Interest received - Others	3.18	2.00
Net cash flow from/(used in) investing activities (B)	(15.53)	(35.39)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED

	For the year ended MARCH 31, 2012 (₹ in Million)	For the year ended MARCH 31, 2011 (₹ in Million)
C Cash Flow from Financing Activities		
(a) Proceeds/(Utilisation) from issue of Equity shares	0.04	334.55
(b) Net increase/(decrease) in working capital borrowings	178.70	558.00
(c) Repayment of Short-term borrowings	(200.00)	
(d) Repayment of Long-term borrowings	(6.65)	(875.02)
(e) Dividends paid- Refer Note 36.2	(0.18)	(0.05)
(f) Finance cost	(498.56)	(512.56)
(g) Expenditure incurred on issue of Shares	-	(31.22)
Net cash flow from/(used in) financing activities (C)	(526.65)	(526.30)
Net increase/(decrease) in Cash and cash equivalents (A+B+C)	(22.66)	(29.50)
Effect of Exchange Differences on restatement/ translation of foreign currency cash and cash equivalents	5.79	(1.82)
Cash or Cash equivalents at the beginning of the year	41.07	72.39
Cash or Cash equivalents at the end of the year (Refer Note 14)	24.20	41.07
* Cash and cash equivalents		
<i>Cash on hand</i>	0.08	0.07
<i>Balance with Banks</i>		
<i>in Current Account</i>	5.10	23.53
<i>in Deposit Account</i>	-	-
<i>in EEFC accounts</i>	0.05	0.16
<i>In earmarked accounts</i>		
<i>Unclaimed dividend accounts</i>	0.41	0.59
<i>Margin Money Deposits</i>	18.56	16.72
Total	24.20	41.07

Corporate Information and Significant Accounting Policies

1 & 2

Notes:

- The earmarked account balances with banks can be utilised only for the specific identified purposes.
- See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

V. Balaji
Partner

Subash Menon
Founder Chairman
Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer
& Wholtime Director

Ramanathan J
Vice President- Finance &
Company Secretary

Bangalore
May 23, 2012

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Subex Limited, a public limited company incorporated in 1994, is a leading global provider of Operations and Business Support Systems (OSS/BSS) to Communication Service Providers (CSPs) worldwide in the Telecom industry.

The Company pioneered the concept of a Revenue Operations Center (ROC) – a centralized approach that sustains profitable growth and financial health for the CSPs through coordinated operational control. Subex's product portfolio powers the ROC and its best-in-class solutions enable new service creation, operational transformation, subscriber-centric fulfillment, provisioning automation, data integrity management, revenue assurance, cost management, fraud management and interconnect/inter-party settlement. Subex also offers a scalable Managed Services Program. The CSPs achieve competitive advantage through Business Optimization and Service Agility and improve their operational efficiency to deliver enhanced service experiences to their subscribers. The Company has a development center in India and sales offices in the form of wholly owned subsidiaries/ branches in UK, USA, Singapore, Australia, Dubai and Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

I. Basis for preparation of Financial Statements

- a. The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 except to the extent permitted under the Proposal approved by the Hon'ble High Court of Karnataka (Refer Note 23). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except for the adoption of the provisions of Para 46A of Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" regarding the accounting for exchange differences

arising on long term foreign currency monetary items that was notified during the year ended March 31, 2012. (Refer Note 26).

- b. The Company has outstanding Foreign Currency Convertible Bonds (FCCBs) having face value of US\$ 93.8 million (equivalent ₹ 4,772.08 million) which are redeemable on 9th July 2012 along with premium of US\$ 37.28 million (equivalent ₹ 1,896.62 million) (refer Notes 24A and 24B) and the related costs that are determinable on redemption. The Company is in discussion with the bond holders to meet this obligation by way of a cashless exchange offer of new bonds with a maturity upto July 2017. The Company has also obtained the approval from Reserve Bank of India (RBI) in support of this restructuring based on which the Company expects to conclude this restructuring by the date of redemption of the FCCBs and thereby meet all repayment obligations that arise on account of FCCBs. Consequently these financial statements are prepared on a going concern basis.

II. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/ materialise.

III. Principles of Consolidation

The financial statements of the Company and its wholly owned subsidiaries have been combined on a line by line basis by adding together like items of assets, liabilities, income and expense. The intra-group balances and intra-group transactions are eliminated.

The excess of cost to the Company of its investments in the subsidiary over its share of the equity of the subsidiary, at the date on which the investments in the subsidiary Company was made, is recognized as 'Goodwill on Consolidation' being an asset in the consolidated financial statements.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

The following entities are considered in the consolidated financial statements.

Sl. No.	Name of Entity	Country of Incorporation	% of Ownership Held at March 31, 2012	% of Ownership Held at March 31, 2011
1	Subex Technologies Limited	India	100	100
2	Subex Technologies Inc. (Wholly owned subsidiary of Subex Technologies Limited, India)	United States of America	100	100
3	Subex (UK) Limited	United Kingdom	100	100
4	Subex Inc. (Wholly owned subsidiary of Subex (UK) Limited)	United States of America	100	100
5	Subex (Asia Pacific) Pte. Ltd (Wholly owned subsidiary of Subex (UK) Limited)	Singapore	100	100
6	Subex Americas Inc.	Canada	100	100
7	Subex Azure Holdings Inc. (wholly owned subsidiary of Subex Americas Inc.)	United States of America	100	100
8	Syndesis Development India Private Limited*	India	100	100

* During the year Syndesis Development India Private Limited (wholly owned subsidiary of Subex Americas Inc.) has been wound up under the Easy Exit Scheme introduced by Ministry of Corporate Affairs.

The financial statements of the Company and its subsidiaries are prepared under uniform accounting policies in accordance with the generally accepted accounting principles in India.

IV. Revenue Recognition

Revenue from Contracts for software product license includes fees for transfer of licenses, installation and commissioning. This revenue is on the basis of milestones achieved, determined based on percentage of completion of work completed at each milestone as compared to the work involved in the overall scope of the contract. In the event of any expected losses on a contract, the entire amount is provided for in the accounting period in which such losses are first anticipated.

Revenue from sale of software licenses (including additional licenses) are recognized on transfer of such licenses.

In case of composite contracts involving granting of license and support services, license revenues are recognized on transfer of the license if identified separately and in other cases, they are recognized over the period of the contract along with revenue from support services.

Revenue from Software development is recognized on the basis of chargeable time or achievement of prescribed milestones as relevant to each contract.

Sale of hardware under reseller arrangements are recognized on dispatch of goods to customers and are recorded net of discounts, rebates for price adjustment, projections, shortage in transit, taxes and duties.

Maintenance and service income is recognised on time proportion basis.

V. Tangible Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and other direct expenditure incurred. Assets acquired on hire purchase are capitalised at gross value and interest thereon is charged to revenue.

Exchange differences arising on restatement/settlement of long term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Fixed assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in the project cost till commissioning of the project.

VI. Intangible Assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

purchase/completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset (Refer Note: 2.XII for accounting for R&D expenses).

VII. Depreciation & Amortisation

Fixed assets and Intangibles are depreciated/amortised using the straight-line method over the useful lives of assets. Depreciation is charged on pro-rata basis for assets purchased/sold during the year.

The rates of depreciation/amortisation adopted are as under:

Particulars	Depreciation/ Amortisation Rates (%)
Computers (including Software)	25
Furniture & Fixtures	20
Vehicles	20
Office equipments	20
Intellectual Property Rights	20
Goodwill	20

Individual assets costing less than ₹ 5,000 are depreciated in full, in the year of purchase.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

VIII. Employee Stock Option Plans

The Company has formulated Employee Stock Option Schemes (ESOS) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees of the Company and its subsidiaries to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. The Company has used intrinsic value method to account for the compensation cost of stock options. Intrinsic value is the amount by which the quoted market price on the day prior to the grant of the options under ESOS exceeds the exercise price of the option. In accordance with the SEBI guidelines, the intrinsic value is amortised on a straight line basis over the vesting period.

IX. Employee Benefits

Employee benefits include provident fund, gratuity fund, compensated absences, retention and performance linked payouts.

Defined Contribution Plans: The Company's contribution to provident fund is considered as defined contribution plan and is charged as an expense as they fall due based on the amount of contribution required to be made.

Defined Benefit Plans: For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short-term Employee Benefits: The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include retention and performance linked payouts and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

- in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- in case of non-accumulating compensated absences, when the absences occur.

Long-term Employee Benefits: Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

X. Other Income

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

XI. Leases

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight line basis.

XII. Research and Development

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Tangible Fixed Assets and Intangible Assets.

XIII. Foreign Currency Transactions

Initial recognition

Transactions in foreign currencies entered into by the Company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction

Measurement of foreign currency monetary items at the Balance Sheet date

Foreign currency monetary items (other than derivative contracts) of the Company outstanding at the Balance Sheet date are restated at the year-end rates.

In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the Balance Sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at the average exchange rates prevailing during the year. Exchange differences arising out of these translations are charged to the Statement of Profit and Loss.

Treatment of exchange differences

Exchange differences arising on settlement/restatement of short-term foreign currency monetary assets and liabilities of the Company and its integral foreign operations are recognised as income or expense in the Statement of Profit and Loss.

The exchange differences arising on restatement/settlement of long term foreign currency monetary items are:

- capitalised, if related to acquisition of depreciable fixed assets, and depreciated over the remaining useful life of such assets; or
- amortised over the maturity period of such items in other cases.

Accounting for Forward Contracts: Premium/discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date.

Accounting for Derivatives: The Company enters into derivative contracts in the nature of foreign currency swaps, currency options, forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable forecast transactions. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Forward contracts.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

On Consolidation:

In the case of non-integral operations, assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations are included in 'Exchange Reserve on consolidation' under Reserves & Surplus.

XIV. Investments

Long term Investments are stated at cost less diminution in the value of investments that is other than temporary.

XV. Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in the foreseeable future. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company and can be measured reliably.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

XVI. Cash and Cash Equivalents (for Purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

XVII. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit/(loss) before tax, is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

XVIII. Provisions and Contingencies

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not provided for but disclosed in the notes to the financial statements.

XIX. Impairment of Assets

The carrying values of assets/cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

XX. Earnings Per Share

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

XXI. Segment Reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Note : 3		
Share Capital		
AUTHORISED		
245,040,000 Equity Shares of ₹ 10/- each (Previous Year: 128,040,000 Equity Shares of ₹ 10/- each)	2,450.40	1,280.40
200,000 Preference Shares of ₹ 98/- each	19.60	19.60
Total	2,470.00	1,300.00
ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARES		
69,310,772 Equity Shares of ₹ 10/- each (Previous Year : 69,310,025 Equity Shares of ₹ 10/- each)	693.11	693.10
Total	693.11	693.10

NOTES

A Reconciliation of the number of Equity shares at the beginning and at the end of the reporting period

Particulars	Opening Balance	Fresh Issue	ESOP	Conversion of FCCB	Closing Balance
Equity shares					
Year ended March 31, 2012	69,310,025	-	747	-	69,310,772
Year ended March 31, 2011	57,983,139	4,124,254	5,025	7,197,607	69,310,025

Reconciliation of the amount outstanding at the beginning and at the end of the reporting period

Particulars	Opening Balance (₹ Million)	Fresh Issue (₹ Million)	ESOP (₹ Million)	Conversion of FCCB (₹ Million)	Closing Balance (₹ Million)
Equity shares					
Year ended March 31, 2012	693.10	-	0.01	-	693.11
Year ended March 31, 2011	579.83	41.24	0.05	71.98	693.10

- B The Company has only one class of Equity Share, having a par value of ₹ 10/-. The holder of equity shares is entitled to one vote per share and such amount of dividend per share as declared by the Company. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution to all other parties concerned. The distribution will be in proportion to number of equity shares held by the shareholders.

- C Details of shares held by each shareholder holding more than 5% shares

Class of Shares/Name of Shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of Shares Held	% Holding in that Class of Shares	No. of Shares Held	% Holding in that Class of Shares
Equity shares				
GIC Singapore	3,498,288	5.05	3,085,274	4.45
KBC Aldini Capital Mauritius Limited	852,920	1.23	4,124,254	5.95
Promoter and Promoter Group (See Note E below)	8,101,801	11.69	8,101,801	11.69

Bank of New York is the depository of GDRs on behalf of GDR holders holding 7,008,746 shares representing 10.11% of total shareholding (Previous Year : 9,192,035 shares representing 13.26%). The Company does not have details of individual GDR holders/beneficiaries to determine if anyone holds more than 5% of the beneficial interest individually in the equity shares.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

- D As at March 31, 2012, 39,488,476 shares (As at March 31, 2011, 39,755,460 shares) were reserved for issuance as follows:
- 12,022 shares (As at March 31, 2011, 278,259 shares) of ₹ 10 each towards outstanding employee stock options scheme under 'ESOP 2000' granted/available for grant.
 - 1,987,561 shares (As at March 31, 2011, 1,988,308 shares) of ₹ 10 each towards outstanding employee stock options scheme under 'ESOP 2005' granted/available for grant.
 - 2,000,000 shares (As at March 31, 2011, 2,000,000 shares) of ₹ 10 each towards outstanding employee stock options scheme under 'ESOP 2008' granted/available for grant.
 - 2,619,811 shares (As at March 31, 2011, 2,619,811 shares) of ₹ 10 each towards conversion of foreign currency convertible bonds available for conversion. Refer Note 24.A
 - 32,869,082 shares (As at March 31, 2011, 32,869,082 shares) of ₹ 10 each towards conversion of foreign currency convertible bonds available for conversion. Refer Note 24.B

E Details of shares held by Promoter and Promoter Group

Name of the Shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of Shares Held	% Holding in that Class of Shares	No. of Shares Held	% Holding in that Class of Shares
Subash Menon	2,580,601	3.72%	2,580,601	3.72%
Kivar Holdings Private Limited (KHPL) (including Woodbridge Consulting & Investments Inc, which merged with KHPL)	5,521,200	7.97%	5,521,200	7.97%
Total Promoter and Promoter Group	8,101,801	11.69%	8,101,801	11.69%

- F Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date

Particulars	Aggregate Number of Shares	
	As at March 31, 2012	As at March 31, 2011
Company had issued Equity shares of ₹ 10 each to the GDR holders as of June 22, 2006 towards consideration of cost of acquisition of Azure Solutions Limited at ₹ 532.24 per share.	11,728,728	11,728,728

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Note : 4			
Reserves and Surplus			
Capital Reserve			
Opening Balance		34.67	37.05
Add : Additions during the year on account of reversal of Accrued interest on conversion of FCCBs into Equity shares		-	37.62
Less : Transferred to Business Restructuring Reserve		(34.67)	(40.00)
Closing balance		-	34.67
General Reserve		177.98	177.98
Securities Premium Account			
Opening Balance		733.39	2,206.53
Transferred from/(to) Business Restructuring Reserve		-	(1,700.00)
Add : Additions due to conversion of FCCBs, ESOP and preferential placement of equity shares		0.03	785.71
Less : Expenses on issue of shares		-	(31.22)
Write back from/(accrual for) redemption premium on FCCBs (Net)		(701.80)	(527.63)
Closing Balance		31.62	733.39
Business Restructuring Reserve			
	23		
Opening Balance		109.84	200.21
Transferred from/(to) Capital Reserve		34.67	40.00
Transferred from/(to) Securities Premium		-	1,700.00
Unutilised provisions created from BRR in earlier years now reversed		85.43	-
Amounts utilised for Permitted Utilisations		(62.92)	(1,830.37)
Closing Balance		167.02	109.84
Share Options Outstanding Account			
Opening Balance		71.88	74.40
Add: Amounts recorded on Grants during the year		15.57	6.45
Less: Written back to the Statement of Profit and loss/other accounts during the year		(67.75)	(8.97)
Closing Balance		19.70	71.88
Less : Deferred Stock Compensation Expenses		8.35	8.71
Share Options Outstanding Account (Net)		11.35	63.17
Exchange Reserve on Consolidation			
Opening Balance		(182.35)	(205.33)
Effect of Foreign exchange rate variations during the year		(235.49)	22.98
Closing Balance		(417.84)	(182.35)
Surplus/(Deficit) in Statement of Profit and Loss			
Opening balance		464.40	(323.39)
Add : Profit/(Loss) for the year		318.41	787.79
Closing Balance		782.81	464.40
Total Reserves and Surplus		752.94	1,401.10

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Note : 5			
Long-term Borrowings (Secured)			
Other Loans and Advances - Hire Purchase Loan from Banks	A	-	3.73
Total		-	3.73
A. Secured against the Hypothecation of vehicles financed under these loans. Hire Purchase loans amount to ₹ 2.50 million as at March 31, 2012 (₹ 9.16 million as at March 31, 2011). The interest rate on these loans range from 9% to 20%. The amounts due to be repaid within one year from the balance sheet are included under Other Current Liabilities. Refer Note 8.			
Note : 6			
Long-term Provisions			
Provision for Employee Benefits			
Provision for compensated absences		9.78	11.79
Provision for gratuity	27.b	26.88	26.64
Provision for other employee benefits		0.06	0.10
Provision for Tax (net of advance tax ₹ 138.10 million) (As at March 31, 2011 ₹ 28.08 million)		21.79	44.03
Total		58.51	82.56
Note : 7			
Short-term Borrowings			
Loans repayable on demand			
From banks			
Secured	A	1,132.02	770.82
Unsecured		11.63	194.13
From Financial Institutions			
Unsecured	B	100.00	100.00
Other Loans and Advances			
Term Loans from Banks - Unsecured		-	200.00
Total		1,243.65	1,264.95

A The Secured Loans from Banks are secured by a first charge on, present and future, Current and Fixed assets of the company. Further portion of promoter shares are pledged for these facilities.

B A Promoter of the company has provided a personal guarantee and the shares held by the promoters have been pledged towards these loans.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Note : 8			
Other Current Liabilities			
Current Maturities of Long-term Borrowings - FCCB (Unsecured)	24	4,772.08	4,183.01
Current maturities of Long-term borrowings - Hire Purchase Loans from Banks (Secured)	5.A	2.50	5.43
Interest accrued but not due on borrowings		20.33	9.59
Unclaimed Dividends	36.2	0.41	0.59
Unearned Revenue		530.66	616.35
Advances from customers		67.96	45.42
Accrual for premium payable on redemption of bonds	24	1,842.15	-
Estimated Liability on Forward Contracts	36.5	123.94	-
Other Payables			
Statutory remittances		60.37	68.31
Total		7,420.40	4,928.70
Note : 9			
Short-term Provisions			
Provision for Employee Benefits			
Provision for compensated absences		16.15	20.38
Provision for gratuity	27.b	6.61	2.72
Warranty	33	4.23	4.23
Provision - Others			
Provision for premium payable on redemption of bonds	24	-	1,140.35
Deferred Interest on Restructured FCCBs		-	80.78
Provision for Tax (net of advance tax ₹ Nil) (As at March 31, 2011 ₹ Nil)		0.14	-
Total		27.13	1,248.46

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Note : 10 Fixed Assets

		GROSS BLOCK						DEPRECIATION				NET BLOCK	
Sl. No.	Particulars	As at April 1, 2011	Adjustments	Additions	Deletions	As at March 31, 2012	Upto March 31, 2011	Adjustments	For the year	With-drawn on Deletions	Upto March 31, 2012	As at March 31, 2012	As at March 31, 2011
10 A	Tangible assets												
1	Computers	968.11	100.54	28.39	570.73	526.31	864.08	92.18	64.13	559.82	460.57	65.74	104.03
2	Furniture & Fixtures	80.35	10.52	0.81	78.03	13.65	78.07	10.27	1.63	77.90	12.07	1.58	2.28
3	Vehicles	34.79	-	0.06	10.69	24.16	23.21	-	6.72	8.64	21.29	2.87	11.58
4	Office Equipments	87.16	8.48	1.28	44.44	52.48	74.80	8.16	5.35	42.92	45.39	7.09	12.36
5	Leasehold Improvements	57.07	7.94	-	48.06	16.95	56.94	7.92	0.13	48.04	16.95	-	0.13
	Total Tangible Assets	1,227.48	127.48	30.54	751.95	633.55	1,097.10	118.53	77.96	737.32	556.27	77.28	130.38
	Previous Year	1,193.94	5.35	40.15	11.96	1,227.48	1,016.69	3.05	86.50	8.64	1,097.10	130.38	177.25
10 B	Intangible assets												
1	Goodwill	13.77	-	-	-	13.77	13.77	-	-	-	13.77	-	-
2	Intellectual Property Rights	397.40	-	-	-	397.40	397.40	-	-	-	397.40	-	-
	Total intangible Assets	411.17	-	-	-	411.17	411.17	-	-	-	411.17	-	-
	Previous Year	411.17	-	-	-	411.17	392.67	-	18.50	-	411.17	-	18.50

Amount in ₹ Million

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Note : 11			
Long-term Loans and Advances (Unsecured, considered good)			
Advance Taxes (net of provision of ₹ 109.39 million) (As at March 31, 2011 ₹ 121.83 million)		117.27	122.60
Balances with government authorities - Service Tax Credit Receivable		26.69	26.69
Security Deposits		79.52	79.08
MAT credit entitlement		17.41	-
Total		240.89	228.37
Note : 12			
Other Non-current Assets (Unsecured, considered good)			
Long-term Trade Receivables (Unsecured)			
Outstanding for a period exceeding six months from due date			
Considered Doubtful		152.33	84.09
Less: Provision for Doubtful Debts		(152.33)	(84.09)
Total		-	-
Note : 13			
Trade Receivables (Unsecured)			
Outstanding for a period exceeding six months from due date			
Considered Good		51.46	11.08
Other Trade receivables			
Considered Good		682.48	530.53
Total		733.94	541.61
Note : 14			
Cash and Cash Equivalents			
Cash on hand		0.08	0.07
Balance with Banks			
in Current Account		5.10	23.53
in EEFC accounts		0.05	0.16
in earmarked accounts			
Unclaimed dividend accounts	36.2	0.41	0.59
Margin Money Deposits		18.56	16.72
Total		24.20	41.07

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Note: 15			
Short-term Loans and Advances (Unsecured, considered good)			
Loans and advances to employees		26.44	20.17
Prepaid expenses		63.77	64.97
Balances with government authorities			
Service Tax Credit Receivable		27.05	64.35
Others			
Advance to Suppliers		3.92	2.62
Total		121.18	152.11
Note : 16			
Other Current Assets			
Unbilled Revenue		1,002.67	817.16
Accruals:			
Interest accrued on deposits		0.27	-
Others:			
Receivable on sale of Activation assets (pertaining to Activation business)		76.31	-
Recoverable Expenses		13.20	-
Foreign Currency Monetary Item Translation Difference Account	26	35.70	-
Outstanding forward contract - Asset	36.5	-	63.81
Total		1,128.15	880.97
Note: 17			
Revenue from Operations			
Income from Sale of Products (and related services)		4,294.92	4,181.18
Income from Sale of Services		483.34	646.32
Total		4,778.26	4,827.50
Note: 18			
Employee Benefits Expense and Sub-contract Charges			
Salaries & Wages		2,172.98	2,255.33
Contribution to Provident Fund and Other Funds	27	128.99	112.02
Expense on Employee Stock Option Scheme (ESOP)		(11.84)	6.05
Staff Welfare Expenses		120.71	130.49
		2,410.84	2,503.89
Sub-contract Charges		124.96	144.62
Total		2,535.80	2,648.51

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

	NOTE NO.	AS AT MARCH 31, 2012 (₹ in Million)	AS AT MARCH 31, 2011 (₹ in Million)
Note: 19			
Other Expenses			
Software Purchases		6.22	8.71
Rent	30	152.42	160.59
Power, Fuel and Water Charges		28.68	31.61
Repairs & Maintenance		82.75	87.14
Insurance		17.92	19.25
Communication Costs		72.60	68.40
Printing & Stationery		6.34	8.90
Travelling & Conveyance		270.11	276.16
Rates & Taxes Including Filing Fees		14.12	13.29
Advertisement & Business Promotion		40.56	28.61
Consultancy Charges		61.47	70.91
Payments to Auditors	35	7.81	7.86
Commission on Sales		18.69	28.09
Provision for Doubtful trade and other receivables		66.66	-
Miscellaneous Expenses		12.43	9.92
Loss on sale of Fixed assets (Net)		-	0.54
Total		858.78	819.98
Note: 20			
Other Income			
Exchange Fluctuation gain (Net)		58.93	43.33
Interest income			
Interest on deposit accounts from banks		3.45	2.00
Other non-operating income			
Bad Debts recovered		6.32	15.34
Profit on sale of Fixed Assets (Net)		0.27	-
Insurance claims received		35.73	-
Miscellaneous Income		4.94	39.75
Total		109.64	100.42
Note : 21			
Finance Costs			
Interest Expenses on:			
Foreign Currency Convertible Bonds		104.54	94.33
Other Borrowings		310.12	319.38
Other Borrowings Costs - Bank Charges		13.86	12.50
Total		428.52	426.21
Note : 22			
Exceptional Items			
Exchange (Gain)/Loss on Restatement of FCCBs		553.36	(2.98)
Exchange (Gain)/Loss on intra group foreign currency loans and advances		(19.04)	20.19
(Gain) on sale of assets pertaining to activation business net of redundancy costs		(5.62)	-
Other Redundancy Costs		59.60	-
Reversal of stock compensation expenses pursuant to voluntary surrender of options		(40.36)	-
Total		547.94	17.21

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

23. Accounting Under the Proposal Approved by the Hon'ble High Court

- a) During the year ending March 31, 2010, the shareholders of the Company approved the Board's proposal (hereinafter referred to as 'the Proposal') for transferring amounts from the Securities Premium and Capital Reserves as on or arising after April 1, 2009 (upto March 31, 2012) to a Business Restructuring Reserve (BRR) to be utilised from April 1, 2009 for certain Permitted Utilisations as mentioned in the Proposal.

The Proposal was approved by the Hon'ble High court of Karnataka on May 4, 2010 and was registered with the Registrar of Companies on May 11, 2010, thereby completing all the requirements for the order to be effective.

b) Adjustments in the BRR during the previous year ended March 31, 2011

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2011:

- transfer of ₹ 1,740 million during the year from the balances in Securities Premium Account and Capital Reserve to the BRR,
- utilization of the BRR for permitted utilisations to the extent of ₹ 1,830.37million.

c) Adjustments in the BRR during the current year ended March 31, 2012

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2012:

- transfer of ₹ 34.67 million during the year from the balances in Capital Reserve to the BRR,
- reversals of the provisions to the BRR for an aggregate amount of ₹ 22.51 million (net of expenses).

- d) Had the Proposal not provided for the above, the effect of accounting under the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 would have been as under:

Amount in ₹ Million except as otherwise indicated

In the Statement of Profit and Loss	Year Ended March 31, 2012	Year Ended March 31, 2011
Provision for doubtful debts/ write-off of unrealizable assets would have been higher by:	-	100.00
The loss under Exceptional items would have been higher as follows:		
- Diminution in carrying value of Goodwill on consolidation	-	1,709.47
- Reversal of unutilised Provisions for Long term Employee Benefits and Withholding taxes	(85.43)	-
- One time non-recurring expenses including restructuring fees, advisory fees, marketing expenses and unrealizable advances etc. (Net)	62.92	20.90
Sub-Total	(22.51)	1,730.37
Profit after Tax would have been lower by	(22.51)	1,830.37
Basic Earnings/(Loss) per share would have been – ₹	4.92	(16.50)
Diluted Earnings/(Loss) per share would have been – ₹	4.91	(16.50)

24. A. Foreign Currency Convertible Bonds (FCCBs)

During the year 2006-07, the Company issued Foreign Currency Convertible Bonds (the Old FCCBs) aggregating to US\$ 180 million. During the year 2009-10, the Company restructured the Old FCCBs by offering in exchange new FCCBs having a face value of US\$ 126 million. Pursuant to the offer, Old FCCBs with a face value of US\$ 141 million were exchanged for new FCCBs with a face value of US\$ 98.7 million. The remaining bondholders holding Old FCCBs with a face value of US\$ 39 million (out of the original bondholders holding US\$ 180 million) did not choose the option for restructuring. The bonds were initially redeemable on or by March 9, 2012, if not converted into equity shares as per terms of issue. Based on an approval received from the Reserve Bank of India and bond holders, these bonds are now redeemable on July 9, 2012.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2012, the face value of the US\$ 39 million FCCBs amounts to ₹ 1,984.13 million (Previous Year: 1,739.21 million) and is included in Note 8 - Other Current Liabilities as Current Maturities of Long terms borrowings-FCCBs (Unsecured).

The other terms and conditions governing the US\$ 39 million Old FCCBs outstanding are as follows:

- a) Conversion Price – ₹ 656.20 per share
- b) Exchange Rate for purpose of conversion - 1 US\$ = ₹ 44.08
- c) Interest of 2% per annum payable semi-annually in arrears
- d) Premium payable on maturity US\$ 14.05 million
- e) Listing on the London Stock Exchange

The Premium payable on maturity is being accrued prorata by a charge to Securities Premium/BRR over the term of the FCCBs.

B. New Foreign Currency Convertible Bonds (New FCCBs)

During the financial year 2009-10, in terms of the Company's offer to exchange and restructure its outstanding Old FCCBs, the Company received Old FCCBs with a face value of US\$ 141 million for issue of New FCCBs with a face value of US\$ 98.7 million. The bonds were initially redeemable on or by March 9, 2012, if not converted into equity shares as per terms of issue. Based on an approval received from the Reserve Bank of India and bond holders, these bonds are now redeemable on July 9, 2012.

Other terms and conditions governing the new FCCBs are as follows:

- a) Conversion Price – ₹ 80.31 per share
- b) Exchange Rate for purpose of conversion - 1 US\$ = ₹ 48.17
- c) Compensating the bond holders for the reduction in principal amount by providing an increased interest element in the New FCCBs of 5% per annum payable semi-annually in arrears
- d) Premium payable on maturity – US\$ 23.23 million.
- e) Listing on the Singapore Exchange Securities Trading Limited

Out of the US\$ 98.7 million new FCCBs, bonds having a face value of US\$ 31.9 million were converted into equity shares as of March 31, 2010 and bonds with a face value of US\$ 12 million were converted during the year ending March 31, 2011. Consequently new FCCBs outstanding at March 31, 2012 amount to US\$ 54.8 million (₹ 2,787.95 million), (Previous Year: ₹ 2,443.80 million) and are included in other current liabilities under Note 8 – Other Current Liabilities as Current Maturities of Long terms borrowings-FCCBs.(Unsecured).

25. Employees Stock Option Plan (ESOP)

The Company during the years 1999-2000, 2005-2006 and 2008-09 has established ESOP II, ESOP III and ESOP IV respectively.

These schemes have been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. As per these schemes, the Compensation Committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the highest volume of shares are traded for 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years and can be exercised over a maximum period of 3 years from the date of vesting.

The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option are expensed over the vesting period as per the SEBI guidelines.

The Company has obtained in-principle approval for listing of shares upto a limit as mentioned below.

ESOP II : 883,750 shares

ESOP III : 2,000,000 shares

ESOP IV : 2,000,000 shares

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Employees' Stock Options Details as on the Balance Sheet Date are :

Particulars	2011-12		2010-11	
	Options (No's)	Weighted Average Exercise Price Per Stock Option (₹)	Options (No's)	Weighted Average Exercise Price Per Stock Option (₹)
Options outstanding at the beginning of the year				
ESOP – II	278,259	71.71	300,848	74.04
ESOP – III	1,615,233	104.11	1,582,488	113.72
ESOP – IV	1,187,619	54.17	598,954	53.34
Granted during the year				
ESOP – II	-	-	-	-
ESOP – III	1,461,441	31.61	232,800	51.77
ESOP – IV	1,019,583	28.44	715,000	54.83
Exercised during the year				
ESOP – II	-	-	1,260	-
ESOP – III	747	-	3,765	-
ESOP – IV	-	-	-	-
Cancelled, Surrendered or Lapsed during the year				
ESOP – II	266,237	-	21,329	-
ESOP – III	1,719,841	-	196,290	-
ESOP – IV	1,187,913	-	126,335	-
Options outstanding at the end of the year				
ESOP – II	12,022	85.22	278,259	71.71
ESOP – III	1,356,086	39.30	1,615,233	104.11
ESOP – IV	1,019,289	28.95	1,187,619	54.17
Options exercisable at the end of the year				
ESOP – II	9,397	-	195,189	-
ESOP – III	98,823	-	820,819	-
ESOP – IV	9,191	-	82,464	-
Options available for Grant at the end of the year				
ESOP – II	-	-	-	-
ESOP – III	631,475	-	373,075	-
ESOP – IV	980,711	-	812,381	-

[Weighted average remaining contractual life (considering vesting and exercise period)]

ESOP – II At March 31, 2011 : 2.07 Years At March 31, 2012 : 1.54 Years

ESOP – III At March 31, 2011 : 2.98 Years At March 31, 2012 : 3.81 Years

ESOP – IV At March 31, 2011 : 4.88 Years At March 31, 2012 : 4.16 Years

Fair Value Methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the date of grant using Black-Scholes model.

The key assumptions used in Black-Scholes model for calculating fair value is: risk-free interest rate of 8%, expected life: 3 years, expected volatility of share: 33.73% (Previous Year: 48.39%) and expected dividend yield: 0% (Previous Year: 0%). The variables detailed herein represent the average of the assumptions during the pendency of the grant dates.

The impact on the EPS of the Company if fair value method is adopted is given below:

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Amount in ₹ Million except as otherwise indicated

Particulars	March 31, 2012	March 31, 2011
Net Profit for the year (as reported)	318.41	787.79
Add : Stock-based employee compensation relating to grants after Apr 1, 2006	(52.20)	6.21
Less : Stock-based compensation expenses determined under fair value based method for the above grants	3.30	37.39
Net Profit (proforma)	262.91	756.61
Basic earnings per share (as reported) - ₹	4.59	12.47
Basic earnings per share (proforma) - ₹	3.79	11.98
Diluted earnings per share (as reported) - ₹	4.59	8.62
Diluted earnings per share (proforma) - ₹	3.79	8.30

26. The Company adopted the amendments to Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" that were notified during the year ended March 31, 2012. Pursuant to this amendment, exchange fluctuations arising on restatement of all long term monetary foreign currency assets and liabilities at rates different from those at which they were initially recorded or reported in the previous financial statements (whichever is later), are accumulated in a Foreign Currency Monetary Item Translation Difference account and are amortised over the balance period of such long term asset/liability. Consequently, exchange fluctuation losses (Net) arising on restatement of such items have been deferred to the extent of ₹ 35.70 million at March 3, 2012 and the profit for the year is higher by a corresponding amount.

27. Employee Benefit Plans

a) Defined Contribution Plans

The Group makes contribution to Provident Fund, a defined contribution plan, in respect of employees in India. In respect of employees in overseas subsidiaries, the Group makes contributions to certain defined contribution plans, based on respective local laws. Under these plans, a specified percentage of payouts are required to be contributed by the Group. The Group recognised ₹ 126.14 million (Year ended March 31, 2011 ₹ 111.34 million) towards contributions to these plans.

b) Defined Benefit Plans

The group offers the Gratuity benefits to employees, a defined benefit plan. The following table sets out the funded status of Gratuity liability and the amounts recognised in the financial statements:

Amount in ₹ Million except Assumptions

		Gratuity	
		March 31, 2012	March 31, 2011
I	Components of Employer Expense		
1	Current Service cost	7.43	6.32
2	Interest cost	2.30	1.89
3	Expected return on plan assets	(0.16)	(0.34)
4	Curtailement cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	-	4.08
7	Actuarial Losses/(Gains)	(6.72)	0.44
8	Total expense recognized in the Statement of Profit and Loss	2.85	12.39
II	Actual Contribution and Benefit Payments for year ended March 31, 2012		
1	Actual benefit payments	4.30	2.16
2	Actual Contributions	-	-

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Amount in ₹ Million except Assumptions

		Gratuity	
		March 31, 2012	March 31, 2011
III	Net asset/(liability) recognized in Balance Sheet as at March 31, 2012		
1	Present value of Defined Benefit Obligation (DBO)	28.68	29.93
2	Fair value of plan assets	0.71	3.30
3	Funded status [Surplus/(Deficit)]	(27.97)	(26.63)
4	Unrecognized Past Service Costs	-	-
5	Net asset/(liability) recognized in Balance Sheet	(27.97)	(26.63)
IV	Change in Defined Benefit Obligations during the year ended March 31, 2012		
1	Present Value of DBO at beginning of year	29.94	19.32
2	Current Service cost	7.43	6.32
3	Interest cost	2.30	1.89
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	-	4.08
7	Acquisitions	-	-
8	Actuarial (gains)/ losses	(6.69)	0.48
9	Benefits paid	(4.30)	(2.16)
10	Present Value of DBO at the end of year	28.68	29.93
V	Change in Fair Value of Assets during the year ended March 31, 2012		
1	Plan assets at beginning of year	3.30	5.08
2	Acquisition Adjustment	-	-
3	Expected return on plan assets (estimated)	0.16	0.34
4	Actuarial Gain/(Loss)	0.03	0.04
5	Actual Company contributions (less risk premium, ST)	1.52	-
6	Benefits paid	(4.30)	(2.16)
7	Plan assets at the end of period	0.71	3.30
VI	Actuarial Assumptions		
1	Discount Rate	8.70%	8.30%
2	Expected Return on plan assets	8.60%	8.50%
3	Salary escalation	6.00%	6.00%
4	Attrition Rate	5.00%	5.00%

Experience History	Period Ending				
	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012
Defined Benefit Obligation at end of the period	(10.30)	(15.33)	(19.32)	(29.94)	(28.68)
Plan Assets at end of the period	1.09	1.50	5.08	3.30	0.71
Funded Status	(9.21)	(13.83)	(14.24)	(26.64)	(27.97)
Experience Gain/(Loss) adjustments on Plan Liabilities	(1.13)	0.81	0.39	(0.48)	5.41
Experience Gain/(Loss) adjustments on Plan Assets	-	0.03	0.00	0.04	0.03
Actuarial Gain/(Loss) due to change on assumptions	(0.13)	(1.22)	0.68	-	1.28

- The composition of the plan assets held under the funds managed by the Insurer is not provided, since the information is not available
- Estimated amounts to be contributed in the immediate next year ₹ 1.095 million (Previous year ₹ Nil)
- The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.
- The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Actuarial Assumption for long term compensated absences

	March 31, 2012	March 31, 2011
Discount rate	8.7%	8.3%
Expected return on plan asset	NA	NA
Salary escalation rate	6%	6%
Attrition	5%	5%

28. Segmental Reporting

The Group has identified business segment as its Primary reporting segment with Secondary segments reported geographically. The accounting policies adopted for segment reporting are in line with the accounting policies of the Group outlined in Note 2. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Revenue, expenses, assets and liabilities which are not allocable to segments on reasonable basis have been included under "unallocated revenue/expenses/assets/liabilities".

Information about Primary Business Segment:

The Group's operations comprise two Business segments viz (a) Software Products and (b) Services. Under the business segment of Software products, the Group provides Software Products (and related services) in the Revenue Assurance space to Communication Service providers (CSPs) who operate in the Telecom industry.

The Staff Augmentation business of the Group is organized under the Services segment and is carried out through its subsidiaries Subex Technologies Limited and Subex Technologies Inc.

Amount in ₹ Million

	Products		Services		Consolidated	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Revenues	4,294.92	4,181.18	483.34	646.32	4,778.26	4,827.50
Segment results before interest & taxes	1,318.76	1,264.89	9.61	10.38	1,328.37	1,275.27
Unallocable Income, net of unallocable expense					(547.94)	(17.21)
Interest expense					(428.52)	(426.21)
Profit/(Loss) before tax					351.91	831.85
Tax expenses (Net)					33.50	44.06
Profit/(Loss) After Tax					318.41	787.79

Particulars of Segment Assets & Liabilities

Amount in ₹ Million

	Products		Services		Consolidated	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Segment Assets	10,717.57	10,353.29	130.28	155.51	10,847.85	10,508.80
Unallocable Assets:						
Advance Income Taxes					117.27	122.60
MAT credit entitlement					17.41	-
Deferred tax assets (Net)					14.12	12.18
Total Assets					10,996.65	10,643.58
Segment Liabilities	1,629.15	1,779.80	18.40	36.22	1,647.55	1,816.02
Unallocable Liabilities:						
Loans					6,018.23	5,457.12
Provisions for Tax					21.93	44.03
Deferred tax liability					-	0.89
Others					1,862.89	1,231.32
Total Liabilities					9,550.60	8,549.38

Segment assets include all assets relating to the segment and consist principally of Fixed assets, Receivables, Other current assets and non-current assets and Goodwill (on consolidation).

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Segment liabilities include all liabilities relating to the segment and consist principally of Trade payables and other operating liabilities.

Addition to Assets

Amount in ₹ Million

Particulars	2011-12	2010-11
Products	30.49	40.15
Services	0.05	-

Total amount of expense included in the segment result for depreciation and amortisation in respect of segment assets for the period.

Amount in ₹ Million

	Products		Services		Consolidated	
Particulars	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Depreciation	77.26	103.88	0.70	0.62	77.96	104.50

Total amount of significant non-cash expenses, other than depreciation and amortization in respect of segment assets that are included in segment expense and, therefore, deducted in measuring segment result.

Amount in ₹ Million

	Products		Services		Consolidated	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Expense on Employee Stock Option Scheme (ESOP) (net)*	(52.20)	6.05	-	-	(52.20)	6.05
Provision for Doubtful trade and other receivables	66.66	-	-	-	66.66	-
Total	14.46	6.05	-	-	14.46	6.05

* Amount in bracket indicates balance credited to Statement of Profit and Loss (net of expenses)

Information about Secondary Business Segment

The Group operations spans across the world and are categorized geographically as (a) Americas, (b) EMEA and (c) APAC and rest of the World. 'Americas' comprises the Group's operations in North America, South America and Canada. 'EMEA' comprises the Group's operations in Europe, Middle East and Africa and the Group's operations in the rest of the world are organized under 'APAC and the rest of the world'. Segment revenue by geographical location of customers are as follows:

Amount in ₹ Million

	Products		Services		Consolidated	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
AMERICAS	1,211.75	1,300.33	483.34	646.32	1,695.09	1,946.65
EMEA	2,427.48	2,139.30	-	-	2,427.48	2,139.30
APAC, and rest of the world	655.69	741.55	-	-	655.69	741.55
Total	4,294.92	4,181.18	483.34	646.32	4,778.26	4,827.50

Assets and additions to tangible and intangible fixed assets by geographical area: The following table shows the carrying amount of segment assets and additions to tangible and intangible fixed assets by geographical area in which the assets are located:

Amount in ₹ Million

Location	2011-12		2010-11	
	Carrying Amount of Segment Assets	Additions to Fixed Assets and Intangible Assets	Carrying Amount of Segment Assets	Additions to Fixed Assets and Intangible Assets
AMERICAS	1,295.96	4.69	717.68	8.69
EMEA	658.15	3.36	214.80	5.84
APAC, and rest of the world	8,893.74	22.49	9,576.02	25.62
Total	10,847.85	30.54	10,508.80	40.15

Note : Segment assets relating to the Services business are located primarily in Americas and APAC regions

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

29. Related Party Information

(a) Related Parties

Key Management Personnel

Subash Menon, Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath, Chief Operating Officer & Wholetime Director

Note : Related parties are as identified by the Company' based on information available and relied upon by auditors.

Details of the transactions with the related parties:

Particulars	Amount in ₹ Million	
	Key Management Personnel	
	2011-12	2010-11
Salary and Perquisites (Also refer Note 36.9)		
Subash Menon	21.65	40.78
Sudeesh Yezhuvath	19.74	19.57

30. Operating leases

The Group has entered into operating lease arrangements for its office facilities. These leases are for periods ranging from 1 to 5 years with an option to the Group for renewing at the end of the initial term. Rental expenses for operating leases included in the Profit and Loss account for the year is ₹ 152.42 million (Previous year ₹ 160.59 million)

The future minimum lease payments for non-cancelable operating leases were:

	Amount in ₹ Million	
	March 31, 2012	March 31, 2011
Within one year	130.08	142.20
Due in a period between one year and five years	466.18	477.37
Due after five years	199.96	313.85

The lease agreement for the above non-cancellable lease provides for escalation of rentals at the end of 3 years of the lease, which has been factored in the future minimum rentals disclosed above.

31. Earnings per Share (EPS)

	Amount in ₹ Million except as otherwise indicated	
	2011-12	2010-11
Profit after Tax attributable to shareholders (A)	318.41	787.79
Add : Interest on FCCBs	-	54.83
Add/(Less) : Exchange Fluctuation on FCCB	-	8.91
Adjusted Profits after Tax for Diluted EPS (B)	318.41	851.53
Weighted Average Number of Shares (in million)for Basic EPS (C)	69.31	63.18
Effect of Existence of Dilutive Instruments (FCCBs and ESOPs) (in million)	0.08	35.65
Weighted Average Number of Shares (in million)for Diluted EPS (D)	69.39	98.83
Earnings per Share – Basic [(A)/(C)] - ₹	4.59	12.47
Earnings per Share - Diluted [(B)/(D)] - ₹	4.59	8.62

Face value of shares: ₹ 10/- each.

Note : FCCBs outstanding as at March 31, 2012 are anti-dilutive and hence have not been considered for purposes of Dilutive EPS in year ended March 31, 2012.

Certain of the FCCBs as at March 31, 2011 were anti-dilutive and hence were not considered for purposes of Dilutive EPS in year ended March 31, 2011.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

32. Deferred Taxes

The deferred tax asset and liability recognised comprises of the tax impact arising from timing differences on:

Amount in ₹ Million		
Particulars	March 31, 2012	March 31, 2011
Leave Encashment and Gratuity	6.28	-
Differences between the book balance and tax balance of Fixed assets	7.84	12.18
Total Deferred tax Assets	14.12	12.18
Differences between the book balance and tax balance of Fixed assets	-	(0.89)
Total Deferred tax Liability	-	(0.89)

33. Details of Warranty

Amount in ₹ Million				
Year	Opening Balance	Additions During the year	Utilisation/reversal during the year	Closing Balance
2011-12	4.23	-	-	4.23

34. Contingent Liabilities

- Receivables factored : Current Year - ₹ 756.95 million (Previous year - ₹ 1,082.01 million).
- Claims against the Company not acknowledged as debt: Current Year – ₹ 1.59 million (Previous year - ₹ 64.52 million). These claims relate to Indian Income Tax demands which are being contested by the Company.

35. Payments to Auditors

Amount in ₹ Million		
Particulars	2011-12	2010-11
As Auditors – Statutory audit	6.50	6.50
For Taxation matters	0.15	0.15
For other services	1.00	1.00
For Reimbursement of Expenses	0.16	0.21
Total	7.81	7.86

36. Others

- Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) ₹ 1.73 million (Previous year - ₹ 5.35 million).
- Unclaimed dividend of ₹ 0.41 million as at March 31, 2012 (Previous Year - ₹ 0.59 million) represent dividends not claimed for the period from 2004-2007. No part thereof has remained unpaid or unclaimed for a period of seven years from the date they become due for payment requiring a transfer to the 'Investor Education and Protection Fund'. During the current year, the Company has transferred ₹ 0.18 million (Previous Year - ₹ 0.05 million) to Investor Protection Fund.
- Direct Taxes paid and Others in the Cash Flow Statement comprises outflows on account of permitted utilisations from the BRR of ₹ 12.05 million (Previous Year - ₹ 20.91 million) and Direct Taxes of ₹ 54.43 million (Previous Year - ₹ 66.81 million)
- Personnel Cost for the year includes expenditure on Research and Development of ₹ 129.51 million (Previous year - ₹ 132.92 million). This is as certified by the management and relied upon by the auditors.
- The Company has entered into the following derivative instruments for the purposes of hedging the risks associated with foreign exchange exposures.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Forward contracts to hedge foreign currency risk on export receivables:

Amount in ₹ Million

Particulars	March 31, 2012			March 31, 2011		
	Foreign Currency	Buy/Sell	Amount (INR)	Foreign Currency	Buy/Sell	Amount (INR)
Forward contracts						
- USD contracts	\$ 36.13	Sell	1,732.85	\$ 31.50	Sell	1,444.30

6. The year-end foreign currency exposures that have not been hedged by derivative instruments or otherwise are given below.

Amount in ₹ Million

March 31, 2012		March 31, 2011	
Amount (INR)	Foreign currency	Amount (INR)	Foreign currency
0.17	AED 0.01	4.91	AED 0.40
85.25	AUD 1.61	67.74	AUD 1.47
7.04	CHF 0.13	-	-
68.78	EUR 1.01	49.67	EUR 0.78
3.31	GBP 0.04	10.59	GBP 0.15
0.01	- MYR	1.61	MYR 0.11
0.82	OMR 0.01	6.69	OMR 0.06
1.57	QAR 0.11	1.42	QAR 0.12
0.31	SEK 0.04	-	-
-	-	0.26	THB 0.18
-	-	0.29	SAR 0.02
2.63	SGD 0.06	-	-

Note: The above does not include exposure on intra-group balances, being eliminated on consolidation.

7. Revenue is net of ₹ Nil (Previous Year: ₹ 3.42 million) being reversal of Unbilled Revenues.
8. The Company has 'International transactions' with 'Associated Enterprises' which are subject to Transfer Pricing regulations in India. The Management of the Company, is of the opinion that such transactions with Associated Enterprises are at arm's length and hence in compliance with the aforesaid legislation. Consequently, this will not have any impact on the financial statements, particularly on account of tax expense and that of provision for taxation.
9. Remuneration to wholetime directors relating to earlier years which were subject to approval of Central Government as at March 31, 2010 aggregated to ₹ 56.26 million. During the year ended March 31, 2011, the Company received the approval for a portion of the above and the balance of ₹ 33.27 million was charged to the Statement of Profit and Loss for the year ended March 31, 2011 and the balance was recovered from the wholetime directors by March 31, 2011.
10. The Company has been legally advised that exchange differences arising out of the restatement/settlement of FCCBs, is of a capital nature as contemplated under Section 349(5)(d) of the Companies Act, 1956 and not be deducted from the profits of the Company in determining the remuneration and commission payable to directors. Accordingly, exchange losses of ₹ 553.36 million (Previous year - exchange gain of ₹ 2.98 million) have been adjusted in determining the net profits of the Company under Section 349 of the Companies Act.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

37. Details of the subsidiaries consolidated for the year ended March 31, 2012

Amount in ₹ Million

Particulars	Subex (Asia Pacific) Pte Ltd (Note 2 below)	Subex (UK) Limited (Note 2 below)	Subex Americas Inc. (Note 2 & 3 below)	Subex Inc. (Note 2 below)	Subex Technologies Inc. (Note 1 below)	Subex Technologies Limited (Note 1 below)
Country of Incorporation	Singapore	UK	Canada	USA	India	India
Capital	-	4.06	3,827.41	-	209.05	40.00
Reserves	(259.94)	964.60	(5,382.40)	(241.49)	147.52	24.77
Total Assets	285.19	1406.09	1060.78	520.88	374.82	64.92
Total Liabilities	545.13	437.43	2615.77	762.37	18.25	0.15
Details of Investment (other than Subsidiaries)	-	-	-	-	-	-
Turnover	249.27	2,142.94	911.90	1,417.32	509.15	0.00
Profit Before Taxation	9.41	309.39	(46.20)	54.53	5.31	(0.90)
Provision for Taxation	23.56	14.07	0.00	0.00	(6.18)	5.66
Profit After Taxation	(14.15)	295.33	(46.20)	54.53	11.49	(6.56)
Proposed Dividend	-	-	-	-	-	-
Base Currency	SGD	GBP	USD	USD	USD	INR
Exchange Rate	40.4775	81.4575	50.8750	50.8750	50.8750	1.0000

Note:

- These details are extracted from the financial statements of the subsidiaries audited by the independent auditors of Subex technologies Limited.
- The details in respect of these entities are extracted from the financial statements of the respective subsidiaries which were audited by the statutory auditors for the purpose of being included in the consolidation financial statements of the Company.
- The details given in respect of Subex Americas Inc. is on a consolidated basis. The subsidiaries of Subex Americas Inc. that have been consolidated are as follows:

Subsidiary	Country of Incorporation
Subex Azure Holdings Inc.	United States of America

- The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification /disclosures.

SHAREHOLDERS' INFORMATION

REGISTERED OFFICE

The Registered office of the Company is at Adarsh Tech Park, Outer Ring Road, Devarabisanahalli, Bangalore – 560 037.

DATE AND VENUE OF THE ANNUAL GENERAL MEETING (AGM)

Date : September 28, 2012

Venue : Adarsh Tech Park, Outer Ring Road,
Devarabisanahalli, Bangalore – 560 037

Time : 12.30 PM

DATES OF BOOK CLOSURE

From September 25, 2012 to September 28, 2012 (both days inclusive)

BOARD MEETINGS & FINANCIAL CALENDAR

Financial year : April 1 to March 31

Calendar of Board Meetings to adopt the accounts (tentative and subject to change):

For quarter ending June 30, 2012 – on August 9, 2012

For quarter ending September 30, 2012 – 4th week of
October, 2012

For quarter ending December 31, 2012 – 4th week of
January, 2013

For the year ending March 31, 2013 – 3rd week of
May, 2013

DIVIDEND

The Directors have not proposed any dividend to be paid for the financial year 2011-12.

LISTING ON STOCK EXCHANGES

Equity Shares of the Company are quoted on the National Stock Exchange of India Limited (NSE) since September 5, 2003 and on the BSE Limited (BSE) since July 31, 2000. The Company has paid listing fees for the year 2012-13 in accordance with the provisions of the Listing Agreement with NSE and BSE.

The Global Depositary Receipts (GDRs) of the Company are listed on the Professional Securities Market of London Stock Exchange since March 9, 2007.

The Company's outstanding US\$ 180 million 2% Coupon Convertible Unsecured Bonds have been listed on the London Stock Exchange since March 9, 2007.

The Company's outstanding US\$ 98.7 million 5% Convertible Unsecured Bonds, issued pursuant to the restructuring of US\$

180 million 2% Coupon Convertible Unsecured Bonds, have been listed on the Singapore Exchange Securities Trading Limited since November 6, 2009.

The Company's US\$ 127.721 million 5.70% Convertible Secured Bonds, issued pursuant to the restructuring of US\$ 180 million 2% Convertible Unsecured Bonds and US\$ 98.7 million 5% Convertible Unsecured Bonds, have been listed on the Singapore Exchange Securities Trading Limited since July 10, 2012.

The stock codes of the Company at the Stock Exchanges are as follows:

Name and address of the Stock Exchange	Stock code
National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051	SUBEX
BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001	532348
London Stock Exchange 10 Paternoster Square London, EC4M 7LS	SUBX
Singapore Exchange Securities Trading Limited 2 Shenton Way #19-00 SGX Centre 1 Singapore 068804	4AFB (SUBEX US\$ 98.7 million 5% bonds) 2EUB (SUBEX US\$127.721 million 5.70% bonds)

The International Securities Identification Number (ISIN) for the Company's Equity Shares in dematerialized form is INE754A01014.

CUSTODIAL FEE

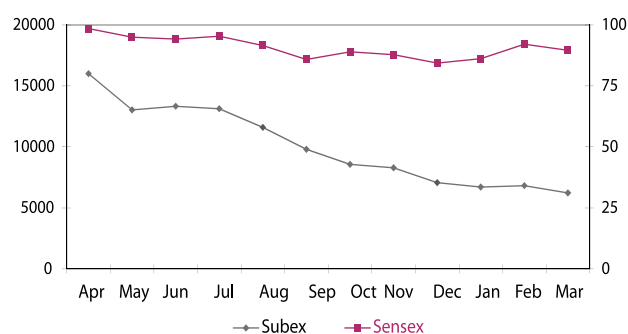
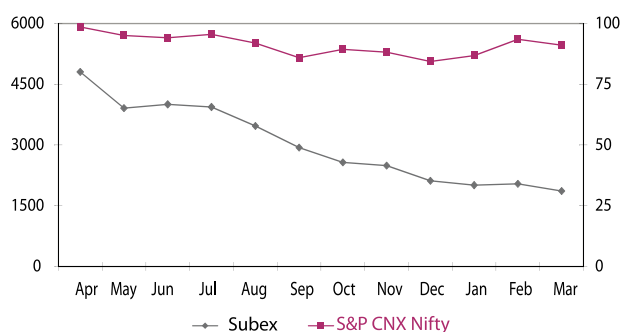
Pursuant to the Securities and Exchange Board of India (SEBI) Circular No. MRD/DoP/SE/Dep/Cir-4/2005 dated January 28, 2005 issuer companies are required to pay custodial fees to the depositories with effect from April 1, 2005. The said circular has been partially modified vide SEBI's Circular No. MRD/DoP/SE/Dep/Cir-2/2009 dated February 10, 2009. The Company has, in accordance with the aforesaid circulars, paid custodial fees for the year 2012-13 to NSDL and CDSL on the basis of the number of beneficial accounts maintained by them as on March 31, 2012.

STOCK MARKET DATA RELATING TO EQUITY SHARES LISTED IN INDIA

Monthly high and low quotes during each month in the financial year 2011-12 as well as the volume of shares traded on NSE and BSE are as under:

Month	NSE			BSE		
	High ₹	Low ₹	Volume Nos.	High ₹	Low ₹	Volume Nos.
Apr-11	80.10	56.55	54,700,960	80.05	56.40	29,212,126
May-11	65.20	57.15	18,979,922	65.15	57.25	10,847,709
Jun-11	66.70	54.70	22,840,210	66.70	54.70	12,557,909
Jul-11	65.60	55.55	43,059,877	65.65	55.70	22,259,407
Aug-11	57.85	42.10	14,211,804	58.00	42.20	8,496,153
Sep-11	48.95	41.95	12,341,993	49.00	42.00	6,432,686
Oct-11	42.85	40.45	12,198,126	42.85	40.40	6,682,540
Nov-11	41.55	29.05	15,356,689	41.45	29.15	6,965,859
Dec-11	35.30	23.55	12,855,676	35.35	23.65	5,588,578
Jan-12	33.45	25.40	15,709,540	33.55	25.40	6,949,396
Feb-12	34.05	29.80	2,979,959	34.15	29.80	1,998,109
Mar-12	31.10	24.20	10,355,848	31.15	24.10	6,573,891
TOTAL			235,590,604	TOTAL		124,564,363

SUBEX LIMITED SHARE PRICE VERSUS NSE S&P CNX NIFTY AND SENSEX



SHAREHOLDING PATTERN

Distribution of Shareholding:

No. of Equity Shares Held	As on March 31, 2012		As on March 31, 2011	
	No. of Shareholders	% to Total Shareholders	No. of Shareholders	% to Total Shareholders
1 – 5000	52,565	82.57	47,720	85.12
5001 – 10000	5,696	8.95	4,267	7.61
10001 – 20000	2,681	4.21	1,989	3.55
20001 – 30000	895	1.41	608	1.08
30001 – 40000	447	0.70	335	0.60
40001 – 50000	398	0.63	316	0.56
50001 – 100000	528	0.83	444	0.79
100001 and above	452	0.70	383	0.69
TOTAL	63,662	100.00	56,062	100.00

Categories of Shareholders:

Category	As on March 31, 2012			As on March 31, 2011		
	No. of Shareholders	Voting Strength %	No. of Shares Held	No. of Shareholders	Voting Strength %	No. of Shares Held
Public & Others	62,451	52.36	36,286,857	54,806	40.99	28,409,375
Companies/Bodies Corporate	1,146	13.51	9,366,826	1,178	11.49	7,962,242
Core Promoters	2	11.69	8,101,801	3	11.69	8,101,801
Mutual Funds	1	1.77	1,224,490	4	2.43	1,682,482
ESOP-employees shareholders	52	0.33	229,792	54	0.25	177,609
FII's	10	20.34	14,101,006	17	33.15	22,976,516
TOTAL	63,662	100.00	69,310,772	56,062	100.00	69,310,025

R & T AGENTS AND SHARE TRANSFER SYSTEM

Canbank Computers Services Limited, J P Royale, 1st Floor, No. 218, 2nd Main, Sampige Road (Near 14th Cross), Malleswaram, Bangalore-560 003, were appointed as 'Registrar and Transfer Agent' both in respect of shares held in physical form and dematerialized form vide a tripartite agreement dated December 5, 2001 in respect of shares held with NSDL and a tripartite agreement dated November 27, 2001 in respect of shares held with CDSL.

Process for Transfer of Shares:

With a view to expedite the transfer process in the interest of investors, SEBI vide its Circular No. CIR/MIRSD/8/2012 dated July 5, 2012 has reduced the timeline for registering the transfer of shares to 15 days with effect from October 1, 2012.

Share transfers would be registered and returned within a period of fifteen days from the date of receipt, if the documents are clear in all respects. The Company holds Share Transfer Committee Meetings up to four times a month, as may be required, for approving the transfers/transmissions of equity shares.

Share transfers and other communication regarding share certificates, updation of records, e-mail ids, etc. may be addressed to:

M/s Canbank Computer Services Limited,
J P Royale, 1st Floor, No. 218, 2nd Main,
Sampige Road (Near 14th Cross),
Malleswaram, Bangalore - 560 003
Tel Nos. +91 80-23469661/62, 23469664/65
Fax Nos. +91 80-23469667/68
E-mail: canbankrta@ccsl.co.in
Website: www.canbankrta.com

SHARES HELD IN PHYSICAL AND DEMATERIALIZED FORM

As on March 31, 2012, 99.93% of the Company's shares were held in dematerialised form and the rest in physical form.

OUTSTANDING GDRs / ADRs / WARRANTS / CONVERTIBLE INSTRUMENTS AND THEIR IMPACT ON EQUITY

As on March 31, 2012, 7,008,746 GDRs were outstanding. As on March 31, 2012, the Company had outstanding FCCBs

aggregating to US\$ 39 million under its US\$ 180,000,000 2% Convertible Unsecured Bonds ("FCCBs I") and US\$ 54.80 million under its US\$ 98,700,000 5% Convertible Unsecured Bonds ("FCCBs II"). The details of impact of the aforesaid instruments on the equity of the Company have been provided under the shareholding pattern for the year ended March 31, 2012 available on the Company's website under the Investors section.

In July 2012, pursuant to the exchange of US\$ 38 million out of FCCBs I and US\$ 53.40 million out of FCCBs II under a cashless exchange offer, the Company issued US\$127,721,000 5.70% Secured Convertible Bonds ("FCCBs III") with a maturity period due July 2017 with a conversion price of ₹ 22.79 per equity share. As a part of the terms and conditions of FCCBs III, principal amount of US\$ 36.321 million out of FCCBs III were mandatorily converted into equity shares at the aforesaid conversion price. Pursuant to the mandatory conversion, US\$ 91.40 million is currently outstanding under FCCBs III. Also, the maturity period of the un-exchanged FCCBs I worth US\$ 1 million and the un-exchanged FCCBs II worth US\$ 1.40 million now stands extended to March 2017.

LEGAL PROCEEDINGS

There are no legal proceedings against the Company which are material in nature.

NOMINATION

Pursuant to the provisions of Section 109A of the Companies Act, 1956, members may file nomination in respect of their shareholdings. Any member willing to avail this facility may submit to the Company the prescribed Form 2B (in duplicate), if not already filed. Form 2B can be obtained with the help of M/s Canbank Computer Services Limited, the R&T Agents. Members holding shares in electronic form are requested to give the nomination request to their respective Depository Participants directly.

UPDATION OF E-MAIL ADDRESS

As part of the "Green Initiative in Corporate Governance", the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically considering its legal validity under the

Information Technology Act, 2000. Being a Company with strong focus on green initiatives, Subex has been sending all shareholder communications such as the notice of General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., to shareholders in electronic form to the E-mail Id provided by them and made available to us by the Depositories. Members are requested to register their E-mail Id with their Depository Participant and inform them of any changes to the same from time to time. However, Members who prefer physical copy to be delivered may write to the Company at its registered office or send an E-mail to

investorrelations@subex.com by providing their DP Id and Client Id as reference.

PROCEDURE FOR CLAIMING UNPAID DIVIDEND

In terms of Section 205A(5) of the Companies Act, 1956, monies transferred to the Unpaid Dividend Account of the Company, which remain unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government.

Brief particulars of dividend declared on the equity share capital are given below:

Year to Which the Dividend Pertains	Declared at the AGM / Board Meeting Held on	Nature of Dividend	% of Dividend	Due Date for Transfer to the Fund
2003-04	August 24, 2004	Final	20	See note below*
2004-05	January 27, 2005	Interim	10	See note below*
2004-05	July 28, 2005	Final	20	September 3, 2012
2005-06	October 28, 2005	Interim	15	December 4, 2012
	August 28, 2006	Final	10	October 4, 2013
2006-07	January 29, 2007	Interim	15	March 7, 2014
	July 26, 2007	Final	20	September 1, 2014

The Company declared bonus at 1:1 in the years 2000-01 and 2005-06.

* The final dividend for the Financial Year 2003-04 and the interim dividend declared for the financial year 2004-05 which was unclaimed for 7 years from the date of payment being due, was transferred to the Investor Education and Protection Fund.

Members can claim the unpaid dividend from the Company before transfer to the Investor Education and Protection Fund.

It may be noted that the unpaid dividend cannot be claimed from the Company after it has been transferred to the Investor Education and Protection Fund.

Pursuant to the Provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company will be making available the requisite details of unpaid dividend to the MCA and will also be uploading the same on its website. The Investors may refer to these details in order to ascertain the unpaid dividend standing to their credit.

INVESTOR GRIEVANCES

Investor grievances received from April 1, 2011 to March 31, 2012:

Nature of Complaints	Received	Cleared
Non-receipt of share certificates/refund orders/call money notice/allotment advice/dividend warrant	12	12
Letters from NSDL, Banks etc.	-	-
Correction/change of bank mandate of refund order/change of address	-	-
Postal returns of cancelled stock invests/refund orders/share certificates/dividend warrants	-	-
Other general query	-	-
Total	12	12

During the year ended March 31, 2012, the Company has attended to all the investor grievances/correspondence within a period of 10 days from the date of receipt of the same, if the requisite documents, if any, were clear and complete in all respects.

ADDRESS FOR CORRESPONDENCE

For any queries, please write to:

Vinay M A
Company Secretary & Compliance Officer
Subex Limited, Adarsh Tech Park, Outer Ring Road,
Devarabisanahalli, Bangalore – 560 037, India.

Telephone: +91 80 6659 8700 Fax: +91 80 6696 3333
e-mail: vinay.a@subex.com; investorrelations@subex.com

WEBSITE

Company's website www.subex.com contains comprehensive information about the Company, products, press releases and investor relations. It serves as a source of information to the shareholders by providing key information like Board of Directors and the committees, financial results, shareholding pattern, distribution of shareholding, dividend etc.

Subex Limited is a leading global provider of Business Support Systems (BSS) that empowers Communications Service Providers (CSPs) to achieve competitive advantage through Business Optimisation - thereby enabling them to improve their operational efficiency to deliver enhanced service experiences to subscribers.

The company pioneered the concept of a Revenue Operations Center (ROC®) – a centralized approach that sustains profitable growth and financial health through coordinated operational control. Subex's product portfolio powers the ROC and its best-in-class solutions such as Revenue Assurance, Fraud Management, Credit Risk Management, Cost Management, Route Optimisation, Data Integrity Management and Interconnect / Inter-party Settlement.

Subex also offers a scalable Managed Services program and has been the market leader in Revenue Assurance and Fraud Management according to Gartner (2010 & 2011). Subex has also been enjoying market leadership in Business Optimisation for five consecutive years according to Analysys Mason (2007, 2008, 2009, 2010 & 2011). Business Optimisation includes fraud, revenue assurance, analytics, cost management and credit risk management. Subex has been awarded the Global Telecoms Business Innovation Award for 2012 along with Idea Cellular and 2011 along with Swisscom for Fraud Management.

Subex's customers include 28 of top 50 operators* and 33 of the world's 50 biggest# Telecommunications Service Providers worldwide. The company has more than 300 installations across 70 countries.

*GTB Carrier Guide, 2011

#Forbes' Global 2000 list, 2011



www.subex.com

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12101 Airport Way,
Suite 300 Broomfield,
Colorado 80021
USA

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Fax: +1 303 301 6201

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3rd Floor, Finsbury Tower,
103-105 Bunhill Row,
London, EC1Y 8LZ
UK

Phone: +44 20 7826 5420
Fax: +44 20 7826 5437

Subex (Asia Pacific) Pte. Ltd

175A, Bencoolen Street,
#08-03 Burlington Square,
Singapore 189650

Phone: +65 6338 1218
Fax: +65 6338 1216