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October 19, 2022

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai- 400 001
Fax: 022-2272 2037/2039/2041/3121
BSE Scrip Code: 532348

The Secretary
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot no. C/1
G Block, Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051
Fax: 022-2659 8237/38; 2659 8347/48
NSE Symbol: SUBEXLTD

Dear Sir/Madam,

Sub: Review of CRISIL Corporate Credit Rating for Subex Limited

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that CRISIL vide its letter ref no. RL/GDS21072/301927/Corporate Credit Rating/1022/44925/96327563 dated October 19, 2022 has revised the corporate credit rating of the Company.

The letter received from CRISIL is enclosed herewith

Please take note of the same.

Thanking you.

Yours truly
For Subex Limited

G V Krishnakanth
Company Secretary & Compliance Officer

Subex Limited

CIN - L85110KA1994PLC016663

Registered Address : Pritech Park - SEZ, Block-09, 4th Floor B Wing
Survey No. 51 to 64/4, Outer Ring Road, Bellandur Village, Varthur Hobli, Bengaluru - 560 103. India

CONFIDENTIAL

RL/GDS21072/301927/Corporate Credit Rating/1022/44925/96327563
October 19, 2022



Mr. Sumit Kumar
Chief Financial Officer
Subex Limited
Pritech Park, SEZ B Wing, 9th Block, 4th Floor
Outer Ring Road, Bellandur
Bengaluru Urban - 560103

Dear Mr. Sumit Kumar,

Re: Review of CRISIL Corporate Credit Rating for Subex Limited

All ratings assigned by CRISIL Ratings are kept under continuous surveillance and review.

CRISIL Ratings has, after due consideration, downgraded the Corporate Credit rating (CCR) of Subex Limited to CCR BBB+/Negative (pronounced as CCR triple B plus rating with Negative outlook) from CCR A-/Stable (pronounced as CCR A minus rating with Stable outlook). This rating indicates Moderate degree of strength with regard to honoring debt obligations.

As per our Rating Agreement, CRISIL Ratings would disseminate the rating through its publications and other media, and keep the rating under surveillance. CRISIL Ratings reserves the right to withdraw, or revise the rating at any time, on the basis of new information, or unavailability of information, or other circumstances which CRISIL Ratings believes may have an impact on the rating. Please visit www.crisilratings.com and search with the name of the rated entity to access the latest rating/s.

Should you require any clarifications, please feel free to contact us.

With warm regards,

Yours sincerely,

Jayashree Nandakumar
Associate Director - CRISIL Ratings

Nivedita Shibu
Associate Director - CRISIL Ratings



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CRISIL Rating Scale for Corporate Credit Ratings:

CCR AAA	The rating indicates <i>highest</i> degree of strength with regard to honoring debt obligations
CCR AA	The rating indicates <i>high</i> degree of strength with regard to honoring debt obligations
CCR A	The rating indicates <i>adequate</i> degree of strength with regard to honoring debt obligations
CCR BBB	The rating indicates <i>moderate</i> degree of strength with regard to honoring debt obligations
CCR BB	The rating indicates <i>inadequate</i> degree of strength with regard to honoring debt obligations
CCR B	The rating indicates <i>high risk</i> and greater susceptibility with regard to honoring debt obligations
CCR C	The rating indicates <i>substantial risk</i> with regard to honoring debt obligations
CCR D	The rating indicates that the entity is in <i>default</i> of some or all of its debt obligations.
CCR SD	The rating indicates that the entity has selectively defaulted on a specific issue or class of debt obligations but will continue to meet its payment obligations on other issues or classes of debt obligations.

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Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL

An S&P Global Company

Rating Rationale

October 17, 2022 | Mumbai

Subex Limited

Rating downgraded to 'CCR BBB+/Negative'

Rating Action

Corporate Credit Rating	CCR BBB+/Negative (Downgraded from 'CCR A-/Stable')
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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has downgraded its rating on the corporate credit rating of Subex Limited (SL; part of the Subex Group) to 'CCR BBB+/Negative' from 'CCR A-/Stable'.

The rating action reflects weakened business risk profile marked by decline in group revenue by 8.6% year on year to Rs.340.93 crore in FY22 while the operating margin has declined from 25.5% to 10.4% during the same period. Scale of operation has remained stagnant for the group in the last few fiscals. Further, in the last few quarters scale and margin have been impacted due to change in organizational structure wherein major revenue contributing division has been exchanged between the parent company SL and its subsidiary i.e., Subex Assurance LLP (SAP). Incremental employee cost and other expenses were incurred for this restructuring which coupled with reduced revenue contribution has led to decline in profitability in the last 2-3 quarters. Management has stated that this internal restructuring has now been fully completed. However, the stabilization of this restructuring would be a key rating monitorable over the medium term.

The rating continues to reflect the established market position with strong client relationship in telecom software service segment, an experienced management team and strong financial risk profile. These strengths are partially offset by the group's customer and end user industry concentration in revenue profile and moderate scale of operations.

Analytical Approach:

For arriving at the ratings CRISIL Ratings has consolidated the business and financial risk profiles of SL and its subsidiaries Subex Assurance LLP; Subex Technologies Limited, Subex Digital LLP, Subex Americas INC, Subex UK Limited, Subex Middle East Limited, Subex Bangladesh Private Limited, Subex Asia Pacific Pte Limited and Subex Inc, collectively referred to as the Subex group.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position with strong client relationship in telecom software service segment:** The Subex group provides revenue assurance and fraud management software solutions to its customers amongst other products; which are of critical importance to the customers in the telecom segment. With its ability to meet changing requirement of customers and provide robust support services, the group has been able to secure repeat contracts from its key customers like British Telecom Limited, Telstra International Limited, Optus Systems Private limited etc. CRISIL Ratings believes the group shall benefit from its strong client relationship in the telecom segment over the medium term.
- **Experienced Management team:** The group is managed by Mr. Vinod Kumar who has an experience of more than 4 decades giving strategic direction and turning around entities. Additionally, Mr Vinod Kumar along with his core management teams, have a strong domain knowledge and understanding of software requirements for various end-users, which benefits the group.
- **Strong financial risk profile:** The financial risk profile is strong marked by a comfortable capital structure and robust debt protection metrics. Due to absence of external debt, the capital structure remains strong and is expected to remain so over the medium term. The group is likely to fund its incremental working capital requirements and capital investments through its internal accruals and cash balances Further debt protection metrics are strong marked by an interest coverage of around 13.11 times for fiscal 2022; the interest component primarily being finance lease charges. Supported by absence of debt funded acquisitions and capital expenditure, the financial risk profile is expected to remain strong over the medium term.

Weaknesses:

- **Modest scale of operations:** The scale of operations is modest as reflected in revenues of around Rs.340.93 in FY22. Subex group has recently concluded internal restructuring wherein major revenue contributing domains which were earlier handled by the subsidiaries is brought down under the parent company i.e., Subex Limited. This is expected to

increase the standalone revenue contribution of Subex Limited. However, at the group level the same is not expected to have any major impact. Subex limited continues to face intense competition in the software application industry which reflected muted growth marked by revenue CAGR of less than 1% in the last six fiscals ended FY22. Further there are players who are building core competencies around several products/services which overlap with that of this group's offerings, thereby, exposing Subex group to competition. The moderate scale of operations shall continue to constrain the business risk profile over the medium term.

- **Customer and end user industry concentration in revenue profile:** The group derives almost its entire revenues from the telecom segment. Any slowdown in the telecom segment could adversely impact the group's ability to add new customers and add new projects from existing customers. This is partially mitigated by launch of new products to other end-user segments like banking and financial institutions. However revenue contribution from these products are currently low at around 5% of the overall revenues. Diversification in end user industry and customer profile resulting in an improvement in revenues shall remain a key monitorable.

Liquidity: Strong

Liquidity remains strong supported by large cash and equivalents and absence of debt. The group is expected to generate cash accrual of around Rs.15-20 crore annually against no major repayment obligations. Liquidity is further supported by unencumbered cash and bank balances of more than Rs.100 crore. This is likely to support the group's incremental working capital requirements. The group does not have any debt funded capital expenditure/acquisition plans over the medium term supporting the liquidity. Contingent liabilities comprising of income tax and service tax disputes were at around Rs.103 crore as on March 31, 2022. Crystallization of these liabilities and its impact on the liquidity shall remain a key monitorable. The group does not have any fund based working capital limits.

Outlook: Negative

CRISIL Ratings believes SL shall benefit from its established market position over the medium term

Rating Sensitivity factors

Upward Factors

- Significant revenue growth while improvement in operating profitability to more than 20 percent
- Sustenance of strong financial risk profile

Downward Factors

- Decline in business profile, resulting in a decrease in cash accrual to less than Rs.13 crore
- Any large debt funded acquisition impacting the financial risk profile

About the Group

SL is a technology company listed on the National Stock Exchange and BSE Ltd. Subex Assurance LLP is a wholly owned subsidiary of Subex Limited. The group provides business support systems to telecommunication companies, which improves their revenue and profits through the identification and elimination of leakages in their revenue chain and includes fraud, revenue assurance, analytics, partner management, cost management and credit risk management.

Key Financial Indicators Consolidated

As on / for the period ended March 31		2022	2021
Operating income	Rs crore	340.93	372.99
Reported profit after tax	Rs crore	21.0	53.2
PAT margins	%	6.16	14.26
Adjusted Debt/Adjusted Net worth	Times	0.00	0.03
Interest coverage	Times	13.11	26.89

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Cr)	Complexity Levels	Rating Assigned with Outlook
NA	NA	NA	NA	NA	NA	NA	NA

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Subex Limited	100%	Parent company
Subex Assurance LLP	100%	Subsidiary

Annexure - Rating History for last 3 Years

	Current	2022 (History)	2021	2020	2019	Start of 2019

Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Corporate Credit Rating	LT	0.0	CCR BBB+/Negative		--	18-10-21	CCR A-/Stable		--		--	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria

[CRISILs Bank Loan Ratings](#)

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Criteria for Consolidation](#)

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