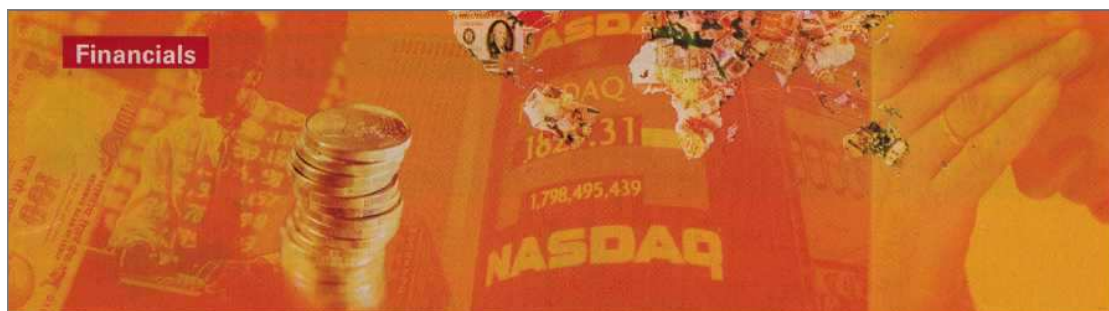


## DATAQUEST

The Business of Infotech



# Product Companies: Dreams Turn Into Reality

Strong growth and strategic acquisitions enable quantum leap

**T**he dream of the Indian software industry has always been to create a product for the world markets and that dream is now slowly coming true with product companies taking up leadership positions in certain niches across the globe. The acquisition of i-flex by Oracle is really an acknowledgement of the global software industry that the Indian product companies have finally come of age.

These product companies have focused on India's core strengths in providing cost competitive software development as well as its strengths in creating robust technologies that can operate in varying conditions. This success should embolden many of the smaller product companies as well

as entrepreneurs to look at building product companies so that one day India will be known for its software products as much as it is known for its software and BPO services.

We had covered these two companies a year and a half ago, and during this period both these companies have moved from strength-to-strength proving beyond doubt that the Indian software advantage extends to products as well. The two companies have grown both organically and inorganically focusing on consolidating their market-share in the respective niches they occupy. Going forward, they are expanding their operations to cover related product areas and this could well be the trend for these companies in the foreseeable future.

### Cranes Software International

**C**ranes Software is a scientific and engineering products and solutions provider focusing on product development, consulting, distribution, and training. The company's services and solutions division is a provider of software services in the area of wireless, mathematical modeling and simulation, digital signal processing and real time embedded systems. Product related revenues constitute almost 97% of revenues, making the company almost a pure product play.

For the last quarter ended December 31, 2005, the company reported excellent results with revenues amounting to Rs 46.1 crore, a 67%

growth as compared to Rs 27.5 crore in the same quarter of the previous year. The net profit for the same period stood at Rs 15.7 crores, up 182% as against Rs 9.3 crore.

During the fiscal 2006, Cranes acquired two companies including selected ongoing business undertaken by Karna Softek India, the wholly owned subsidiary and Indian development center of Karna Global Technologies. Cranes will pay a consideration

not exceeding Rs 42 mn in cash for the acquisition. Karna has developed software in the area of e-banking software and its clients especially in the Middle East markets. This marks

Particulars	Quarter Ended		Variance (%)	Year Ended March-05
	Dec-05	Dec-04		
Revenues	46	28	68	51
Other Income	2	0	NA	2
Operating Profit	30	16	83	31
Operating Margin (%)	65	60	NA	60
Net Profit	16	9	182	15
Equity				10
EPS (Rs)				32

Note: All figures in Rs crore unless indicated otherwise  
All figures are rounded-off

# DATAQUEST

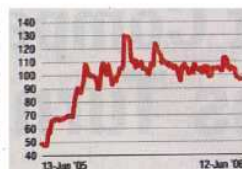
The Business of Infotech

## Financials

the entry of Cranes into the banking domain, which according to the company, is an area of focus for the future. The company also acquired the ongoing business of the Texas-based, InventX, a project management software company with clients including Texas Instruments, World Vision, Novartis, Dell, and Target.

The consideration for the acqui-

sition would be upto \$1 mn in cash and 1,000,000 equity shares of Cranes Software to be issued before October 2006. The company also announced setting up of a partnership with Kanoo Group in the Middle East markets. The partnership will offer customized



solutions in the areas of analytics, enterprise project and portfolio management, six sigma consulting and enterprise applications by leveraging its own products, IPs, and capabilities. The shares of Cranes Software currently trades at Rs 97.

## Subex Systems

**B**angalore-based Subex Systems is a telecom software product company with a focus on products that assist telecom operating companies to maximize revenues. The company's suite of products called Rev Max, including Ranger A, fraud management tool and InCharge, a revenue assurance package aimed at the telcos across the globe.

The company reported healthy figures for the quarter ended March 2006, wherein revenues grew 39% amounting to Rs 49.3 crore, as compared to Rs 35.4 crore earned in the previous fiscal. Revenues from the sale of products and services rose 65% and 35% respectively, amounting to Rs 31.3 crore and Rs 18.0 crore. The net profit for the same period was Rs 8.4 crores, up 3.8% as compared to Rs 8.0 crore achieved for the same quarter last year.

Subex's clientele includes leading telcom operating companies such as AmericaTel, Global Crossing, Sprint, Teleglobe, Sonatel Mobiles, Cora, Cyprus Telecommunications Authority, Cosmorum, and MobilFon in Europe. Operators such as BPL Mobile, Es-

cotel, Hutch, Idea, JTB Brunel, and MTN Sri Lanka are its clients in Asia Pacific.

During the financial year ended March 2006, Subex entered into an agreement to merge with Azure, which has revenue of \$31 mn and 190 employees. Azure is one of the world's largest revenue assurance companies headquartered in London and has an R&D center in Ipswich, UK. Azure was spun out of British Telecommunications (BT) in April 2003 and is backed by New Venture Partners, Doughty Hanson Technology Ventures, and Intel Capital, among other investors. This is one of the largest mergers in the Indian software industry. It will also enable Subex to position itself as a stronger player in the revenue

Particulars	Quarter Ended		Variance (%)	Year Ended March 2006
	March 31, 2006	March 31, 2005		
Revenues	49	35	39	181
Other Income	0	0	41	3
Operating Profit	13	11	23	51
Operating Margin (%)	27	30	NA	28
Net Profit	8	8	4	39
Equity				24
EPS (Rs)				18

Note: All figures in Rs crore unless indicated otherwise. All figures are rounded-off



assurance markets in the telecom sector. We believe the company will continue to make acquisitions in the near term to expand its range of offering in the telco markets to further leverage its domain knowledge and customer relationships in the telecoms market. Going ahead, for FY07, the company expects product revenues to grow to Rs 240 crore, showing over 100% growth. Net profits are expected to stand between Rs 65 crore, against almost 100% growth over the previous year. Subex is currently traded at Rs 435 per share.