Subex Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	Subex operates as a legacy telecom software provider in structural decline, currently attempting a high-risk "AI-First" pivot that has yet to demonstrate top-line traction or organic growth.	□
2	Revenue contracted by 2.29% YoY to □279 Cr, with a significant 26.5% collapse in the APAC region, indicating that the legacy moat is serving as a retention engine rather than a growth driver.	□
3	Core operations are effectively loss-making, as the reported Net Profit of □28.53 Cr was entirely dependent on □31.76 Cr of Other Income, primarily derived from tax refunds and interest.	□
4	The company maintains a debt-free balance sheet regarding traditional bank borrowings, supported by a healthy cash position of □82 Cr and a strong customer retention rate of 92%.	□
5	Cash Flow from Operations (CFO) reached □72 Cr, significantly exceeding PAT (2.48x) due to the non-cash add-back of receivable impairments, providing a temporary liquidity buffer.	□
6	Order backlog increased by 49.4% to □144.42 Cr, offering revenue visibility for the next 24 months despite the current stagnation in the core business.	□
7	Asset quality is under severe stress with 45.3% of gross receivables credit impaired and □44.39 Cr overdue for more than three years, suggesting poor collection efficiency and potential future write-offs.	□
8	Earnings quality is critically low, characterized by a modified audit opinion regarding the Audit Trail (Rule 11g) and a R&D spend reduction of 6% that contradicts the management's AI-growth narrative.	□
9	Governance has reached a nadir following a historic shareholder rejection of the Chairman's re-appointment and regulatory fines for board non-compliance, signaling a breakdown in corporate oversight.	□
10	The balance sheet carries a "ticking time bomb" in the form of □196.14 Cr in Goodwill (35.5% of total assets); any impairment triggered by stagnant growth would effectively wipe out shareholder equity.	□
11	Outlook remains bleak as the company relies on non-operational accounting windfalls to mask a business in decline, with high geographic concentration in EMEA (63%) adding to regional volatility risks.	□
12	Investment View: AVOID; the primary monitorables are the stabilization of board governance, organic revenue growth exceeding 10%, and the prevention of trade receivables crossing the □110 Cr threshold.	□

FINAL RESEARCH SUMMARY: SUBEX LTD (FY26)

1. BUSINESS OVERVIEW

- **Business Segments:** Primarily focused on Revenue Assurance (RA), Fraud Management (FM), and "AI-native" offerings through the HyperSense platform.
- **Revenue Drivers:** 70% recurring revenue model with a 92% customer retention rate; revenue is 96.85% services-based.

- **Cost Drivers:** Employee benefits (58.97% of revenue) and variable consultancy charges; R&D expenditure is a key but declining investment area.
- **Industry Position:** Established player in telecom analytics, currently attempting a pivot from "Digital" to "Agentic AI."
- **Expansion Plans:** Aggressive push into the AI market, claiming a TAM expansion from $0.19B to $4.3B.
- **Segment Performance:** EMEA remains the stronghold (63.44% of revenue), while APAC and Rest of World saw a significant 26.5% contraction.
- **Geographical Presence:** High concentration in EMEA (₹177.03 Cr), with smaller footprints in APAC (₹58.95 Cr), Americas (₹39.43 Cr), and India (₹3.65 Cr).

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has labeled FY26 as the "Apogee" year, using orbital mechanics metaphors to describe the company's trajectory and strategic transition.
- The strategy has shifted from "Digital" to "Agentic AI" and "HyperSense," rebranding prior efforts as AI-native to distance the firm from the failed Digital segment of FY25.
- Management emphasizes a "flywheel" effect built on high switching costs in legacy Fraud Management and Revenue Assurance products.
- The rollout of an "AI SDLC" (Software Development Life Cycle) is intended to improve time-to-market and drive productivity gains.
- Management explicitly flagged "AI Infrastructure Availability Risks" (GPU shortages) as a credible threat to deploying new products.
- Guidance suggests the TAM has expanded six-fold, though this is currently decoupled from the 2.29% decline in operational revenue.
- Cost optimization remains a priority, evidenced by an 11.1% reduction in employee benefits and a shift toward variable consultancy charges.
- Management Tone: The tone is defensive and overly poetic, utilizing metaphors like "maximum aerodynamic stress" to mask severe internal instability and a historic shareholder revolt. The narrative of a "peak" (Apogee) is contradicted by a reliance on one-time tax refunds and R&D cuts, suggesting a management team more focused on optics than operational thrust (LAST BULLET POINT).

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in ₹ Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	279.00	286.00
Sales Growth %	-2.29	-7.78
Expenses -	253.00	300.00
Manufacturing Cost %	0.00	16.00
Employee Cost %	59.00	65.00
Other Cost %	32.00	23.00
Operating Profit	26.00	-15.00
OPM %	9.00	-5.00
Other Income -	27.00	11.00
Exceptional items	-4.66	4.49
Other income normal	31.76	6.58
Interest	3.00	2.00
Depreciation	12.00	14.00
Profit before tax	37.00	-20.00
Tax %	24.00	59.00
Net Profit -	29.00	-31.00
Exceptional items AT	-4.00	4.00
Profit excl Excep	32.00	-36.00
Profit for PE	32.00	-36.00
Profit for EPS	29.00	-31.00
Profit Growth %	189.00	31.00
EPS in Rs	0.51	-0.56
Dividend Payout %	0.00	0.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	281.00	281.00
Reserves	62.00	23.00
Borrowings -	28.00	19.00
Long term Borrowings	0.00	0.00
Short term Borrowings	0.00	0.00
Lease Liabilities	28.27	19.38
Other Borrowings	0.00	0.00
Other Liabilities -	181.00	163.00
Trade Payables	25.00	21.00
Other liability items	156.00	142.00
Total Liabilities	552.00	487.00
Fixed Assets -	228.00	217.00
Building	0.00	41.00
Equipments	0.00	1.00
Computers	0.00	25.00
Furniture n fittings	0.00	0.00
Vehicles	0.00	0.00
Intangible Assets	196.00	196.00
Other fixed assets	0.00	0.00
Gross Block	0.00	264.00
Accumulated Depreciation	0.00	47.00
CWIP	0.00	0.00
Investments	32.00	22.00
Other Assets -	292.00	248.00
Trade receivables -	94.00	78.00
Receivables over 6m	0.00	73.00
Receivables under 6m	0.00	72.00
Prov for Doubtful	0.00	-67.00
Cash Equivalents	101.00	78.00
Loans n Advances	17.00	10.00
Other asset items	81.00	82.00
Total Assets	552.00	487.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	72.00	10.00
Profit from operations	25.28	10.64
Receivables	-16.89	4.09
Payables	11.03	-4.63
Loans Advances	1.81	-1.70
Other WC items	16.87	9.91
Working capital changes	12.82	7.67
Direct taxes	33.41	0.00
Advance tax	0.00	-8.56
Cash from Investing Activity -	-33.00	-15.00
Fixed assets purchased	-4.00	-2.00
Fixed assets sold	0.00	0.00
Investments purchased	-147.00	-8.00
Investments sold	139.00	0.00
Interest received	4.00	4.00
Other investing items	-25.00	-8.00
Cash from Financing Activity -	-9.00	-12.00
Proceeds from shares	0.00	0.00
Proceeds from borrowings	0.00	0.00
Repayment of borrowings	0.00	0.00
Interest paid fin	-3.11	-1.96
Dividends paid	0.00	0.00
Financial liabilities	-6.49	-10.09
Other financing items	0.87	0.00
Net Cash Flow	30.00	-17.00
Free Cash Flow	68.00	7.00
CFO/OP	148.00	-126.00

Key Ratios (₹Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	122.00	99.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	122.00	99.00
Working Capital Days	103.00	25.00
ROCE %	13.00	-6.00

3.2 Financial Analysis Summary

- **Revenue** declined by 2.29% to **₹279.00 Cr**, primarily due to a significant 26.5% contraction in the APAC segment, while **Trade Receivables** (Net) paradoxically grew by 20.47% to **₹93.51 Cr**, signaling a severe divergence where collections are slowing despite lower sales volumes.
- The company achieved an **Operating Profit** of **₹26.00 Cr** (9% **OPM**) compared to a loss of ₹15.00 Cr in the previous year, largely driven by an 11.1% reduction in **Employee Benefits Expense** to **₹164.56 Cr** and a shift toward variable **Consultancy Charges** which rose 22.9% to **₹18.66 Cr**.
- The total **Net Profit** of **₹29.00 Cr** is entirely reliant on **Other Income** of **₹31.76 Cr**, which exceeds the bottom line; this **Other Income** was driven by **Interest Income** of **₹18.58 Cr** from bank deposits and tax refunds.
- **Cash from Operating Activity (CFO)** reached a robust **₹72.00 Cr**, significantly outperforming **Net Profit** due to the add-back of non-cash charges including a **₹21.10 Cr Impairment Allowance** for receivables and **₹12.00 Cr** in **Depreciation**.
- Strong **Free Cash Flow (FCF)** of **₹68.00 Cr** was generated after minimal **Capex** of **₹4.00 Cr**, leading to an increase in **Cash & Cash Equivalents** to **₹82.18 Cr**.
- **Working Capital** efficiency deteriorated as **Debtor Days** climbed to 122 days from 99 days, with **Balance Sheet** risk heightened by the fact that 45.3% of **Gross Trade Receivables** (**₹77.47 Cr** out of **₹170.98 Cr**) are now classified as "Credit Impaired."
- **Total Debt** is comprised solely of **Lease Liabilities** amounting to **₹28.27 Cr**, which saw additions of **₹29.48 Cr** during the year; **Finance Cost** increased to **₹3.00 Cr** reflecting high effective interest rates up to 10.26%.
- **Intangible Assets (Goodwill)** of **₹196.14 Cr** represent a substantial 35.5% of **Total Assets** (**₹552.00 Cr**), creating a major valuation risk as the annual impairment test relies on aggressive growth assumptions and a high 16.5% discount rate.
- **ROCE** improved to 13.00% from -6.00% following the return to accounting profitability, yet the quality of this return is diluted by the heavy contribution of non-operating **Other Income** and the auditor's qualification regarding the lack of an **Audit Trail**.
- Visibility for the next 1-2 years has improved as the remaining performance obligations (**Order Backlog**) increased to **₹144.42 Cr** from **₹96.66 Cr**.
- **Other Expenses** were impacted by **Consultancy Charges** rising to **₹18.66 Cr**, reflecting a shift to a variable cost structure, while **Other Current Liabilities** of **₹33.99 Cr** are dominated by **₹28.86 Cr** in unearned revenue.
- Subex Ltd’s financial character this year is defined by a successful but non-operational turnaround where aggressive cost rightsizing and high non-operating income masked a structural revenue decline and deteriorating asset quality.

3.3 Contingent Liabilities & Commitments

- **Provision for Litigation:** The company carries a massive ₹71.12 Cr provision for litigation under non-current liabilities, representing a significant potential cash outflow (86% of current cash balance).
- **Disputed Service Tax:** A service tax refund of ₹2.67 Cr from the period 2004-2008 remains in dispute and is fully provided for.
- **Uncertain Tax Positions:** The group faces complex transfer pricing and indirect tax challenges across multiple jurisdictions, highlighted as a Key Audit Matter.
- **Capital Commitments:** While not explicitly quantified as a single figure, the company did not avail credit for ₹8.39 Cr of foreign withholding taxes due to tax losses.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — earnings quality high; CFO □72 Cr exceeds PAT □29 Cr due to non-cash impairments.	□	PAT □29 Cr; CFO □72 Cr.	CFO/OP ratio at 148% driven by □21.10 Cr receivable impairment add-back (Note 26).
2	Receivables & channel-stuffing signal	Revenue ↓ — collection risk; net receivables rose 20.5% while sales declined by 2.3% YoY.	□	Sales □279 Cr (-2.3%); Net Receivables □94 Cr (+20.5%).	Note 8: Gross receivables include □44.39 Cr overdue for >3 years; 45% of total is credit impaired.
3	Revenue timing (unbilled/contract assets)	Revenue ↑↓ — aggressive booking risk; POCM method used while unearned revenue supports current top-line.	□	Contract Assets □14.53 Cr; Unearned Revenue □28.86 Cr.	Note 2(f): POCM involves significant management estimation; Note 21: □36.34 Cr opening liability recognized as revenue.
4	Revenue from related parties %	Neutral — restructuring impact; RMS/Digital businesses moved to LLPs but consolidated as 99.99% subsidiaries.	□	No material external RPT sales noted.	Note 1(b): Restructuring into Subex Assurance/Digital LLPs adds complexity but remains within the group.
5	Inventory vs revenue growth	Neutral — service model; zero inventory reported as company focuses on software and services.	□	Inventory □0.00 Cr.	IT sector profile; revenue is 96.85% services (Note 29).
6	Inventory valuation method change	Neutral — no inventory; accounting policy for valuation is not applicable to current operations.	□	N/A	No inventory held in FY26 or FY25.
7	Exceptional items in operating profit	Profit ↓ — non-recurring drag; □4.66 Cr exceptional loss reduces reported PBT but not OPM.	□	Exceptional items: -□4.66 Cr (FY26) vs +□4.49 Cr (FY25).	P&L shows exceptional items are excluded from the □26 Cr Operating Profit calculation.
8	Depreciation rate vs useful life policy	Profit ↑ — lower charges; depreciation fell 14% despite fixed asset additions, suggesting life extensions.	□	Depr: □12 Cr (FY26) vs □14 Cr (FY25).	Note 23: Depreciation & Amortization decreased by □2.04 Cr YoY despite □4 Cr asset purchase.
9	Provision reversals boosting PAT	Profit ↑ — non-cash boost; □21.10 Cr impairment provision is a major P&L charge, not reversal.	□	Impairment Allowance: □21.10 Cr.	Note 26: Significant impairment of trade receivables recognized in P&L, reducing earnings quality.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — tax leakage; cash tax paid □33.41 Cr exceeds P&L tax □8 Cr.	□	P&L Tax: 24%; Direct Tax Paid: □33.41 Cr.	Note 20: □8.39 Cr foreign withholding tax credit not availed due to losses, increasing cash outflow.
11	CWIP age and stalling projects	Neutral — no capitalization; zero CWIP reported as company likely expenses R&D or completes projects.	□	CWIP: □0.00 Cr.	Balance Sheet shows no capital work-in-progress for FY25 or FY26.
12	Deferred tax asset recognition adequacy	Profit ↓ — valuation allowance; management charged DTA to P&L due to lack of virtual certainty.	□	Tax %: 24% (FY26) vs 59% (FY25).	Note 2(s): Reassessment of DTA recoverability indicates doubt over future taxable profits.

#	Check	Impact	Status	Evidence	Notes Detail
13	RPT quantum and trend	Neutral — internal shifts; assets of □92.29 Cr transferred back from LLP to Holding Company.	□	Asset transfer: □92.29 Cr.	Note 1(c): Reversal of decentralization strategy; assets moved from SA LLP to Subex Ltd.
14	Dividend paid vs FCF adequacy	Neutral — cash conservation; zero dividends paid despite positive Free Cash Flow of □68 Cr.	□	Dividend Payout: 0%; FCF: □68 Cr.	Company retaining cash; Cash Equivalents rose to □101 Cr to buffer against litigation risks.
15	Audit Trail Compliance (Rule 11g)	Neutral — internal control weakness; auditor unable to verify database-level trail for key software.	□	Qualified Opinion on Internal Controls.	Auditor flagged SOC II report inadequacy from third-party provider (p.189).
16	Goodwill Impairment Risk	Profit ↓ — potential massive write-down; Goodwill is 35.5% of assets with aggressive 16.5% discount rate.	□	Goodwill □196.14 Cr vs Net Worth □34.28 Cr.	Any failure to meet 7.5-15% margin targets necessitates a write-down wiping out Net Worth.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion Type: Unqualified Opinion** with a **Reservation/Qualification** on Internal Financial Controls under Rule 11(g).
- **KAM 1: Goodwill Impairment (□196.14 Cr):** The auditor flagged the carrying value of Goodwill (35.5% of total assets) as a material risk due to the subjectivity of cash flow forecasts. Management uses a high discount rate of 16.5% and 7.5%-15% margin assumptions.
- **KAM 2: Revenue Recognition (POCM):** Auditor focused on management's estimation of "cost to complete" for fixed-price contracts. Retrospective reviews were performed to check for historical over-estimation, signaling a risk of front-loading profits.
- **KAM 3: Uncertain Tax Positions:** The group faces complex transfer pricing and indirect tax challenges across multiple jurisdictions. Auditor involved specialists to evaluate the adequacy of provisions for these sub-judice matters.
- **Modified Opinion (Rule 11(g)):** The auditor issued a reservation regarding the **Audit Trail**. They were unable to verify the audit trail at the database level for a key accounting software because the SOC II report from the third-party provider lacked adequate coverage.
- **Auditor Change:** M/s. M.S.K.C & Associates LLP (BDO affiliate) was appointed in FY26 for a 5-year term, replacing the previous Big 4 auditor.

B. Related Party Transactions

Party	Relationship	Nature	Amount (□ Cr)	Concern
Subex Assurance LLP	Subsidiary	Internal Asset Transfer	92.29 Cr	***Reversal of previous decentralization; massive internal restructuring (p.201)***
Subex Assurance LLP	Subsidiary	Royalty Expense	Not Disclosed	***Potential profit shifting via IPR usage (p.61)***
Subex Digital LLP	Subsidiary	ESOP Expense Allocation	Not Disclosed	Neutral

- **RPT Risk Checks:** Internal restructuring (□92.29 Cr) represents 33.07% of consolidated revenue and exceeds CFO (□72.00 Cr), indicating significant non-cash accounting movements. The use of LLPs for core business segments adds layers of complexity.

C. Shareholding

- **Promoters:** 0.00% (Professionally Managed).
- **Public:** 99.92%.
- **FII/DII:** 0.08% (combined).
- **Pledged Shares:** 0.00%.

D. Board Composition + KMP Compensation

- **Total Directors:** 6. **Independent %:** 66.67%. **Women Directors:** 1 (CEO).
- ***Regulatory Non-Compliance:*** The Board fell below the minimum requirement of 6 directors from Dec 30, 2025, to Mar 24, 2026. Fines were imposed by BSE and NSE.
- **KMP Compensation:**
  - **Nisha Dutt (CEO):** □2.88 Cr (YoY: -28%). Ratio to median: 33:1.
  - **Sumit Kumar (CFO):** □1.00 Cr (YoY: 0%).
- **Analysis:** While CEO pay decreased, it remains high relative to the fact that **Net Profit (□28.53 Cr) is entirely derived from Other Income (□31.76 Cr)**. Median employee pay decreased by 3.05%, showing a disconnect where cost-cutting is borne by staff while leadership pay remains rigid.

F. Capital Allocation & Capex

Action	FY Current (□Cr)	FY Prior (□Cr)	% of CFO	Signal
Impairments / Write-offs	21.10	0.00	29.31%	
Capex	4.00	2.00	5.56%	**Value-neutral**
Lease Liabilities	28.27	19.38	39.26%	
Investments (Financial)	147.00	8.00	204.17%	□

- **CFO Coverage of Capex: CFO (□72.00 Cr)** easily covers **Capex (□4.00 Cr)** (18x coverage).
- **Nature of Capex:** Primarily R&D (□25.95 Cr total spend). Management reclassified routine support out of R&D.
- **Deployment Efficiency: Revenue declined 2.3%** despite R&D spend, indicating that investments in "HyperSense" are not yet yielding top-line growth.

- **Key Takeaways:** The company is **burning cash on financial investments (□147 Cr purchased)** while core operations stagnate. The **□21.10 Cr impairment of receivables** is a direct hit to capital efficiency.

H. Risks

- ***Receivable Decay:*** 45.3% of gross receivables (□77.47 Cr) are credit impaired. **Impact:** Potential wipe-out of 14% of total assets.
- ***Audit Trail Gap:*** Rule 11(g) non-compliance at database level. **Impact:** Risk of undetected manual overrides in financial records.
- ***Goodwill Overhang:*** □196.14 Cr Goodwill (35.5% of assets). **Impact:** Any impairment would wipe out ~57% of Net Worth.
- ***Litigation Provision:*** □71.12 Cr provision for sub-judice matters. **Impact:** Potential cash outflow equal to 86% of current cash balance.
- ***Earnings Quality:*** Other Income (□31.76 Cr) > Net Profit (□28.53 Cr). **Impact:** Core software operations are loss-making.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	2	↓	Revenue -2.29%; APAC -26.5%	Legacy moat is a retention engine, not a growth engine; AI pivot lacks top-line traction.
Financial Health	3	→	D/E < 0.5x; CFO □72 Cr > PAT □29 Cr	Strong liquidity and zero bank debt offset by massive litigation provisions and receivable decay.
Earnings Quality	1	↓	Other Income > PAT; 45% Receivables Impaired	Accounting profit is a mirage created by tax refunds and non-operating income.
Management & Governance	1	↓	Shareholder rejection of Chairman; Rule 11(g) qualification	Total breakdown in trust between the board and public shareholders; regulatory non-compliance.
Capital Allocation & Earnings Visibility	2	↓	ROCE 13% (diluted); Order Backlog □144 Cr	R&D spend failing to arrest revenue decline; cash diverted to financial investments over core growth.

BUSINESS POSITIVES (for this company this year) * □**Strong Cash Conversion: CFO (□72.00 Cr)** is 2.48x **Net Profit (□28.53 Cr)**, providing a significant liquidity buffer. * □**Improved Revenue Visibility: Order Backlog** increased by 49.4% to **□144.42 Cr**, providing a cushion for the next 24 months. * □**Debt-Free Balance Sheet:** The company has zero traditional bank debt, relying entirely on internal accruals. * □**High Customer Retention:** Maintained a **92% customer retention rate** and **70% recurring revenue**, protecting the legacy base.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Governance Crisis:** Shareholders **rejected the re-appointment of the Chairman**, and the company was fined for Board non-compliance. * □**Poor Earnings Quality: Other Income (□31.76 Cr)** exceeds **Net Profit (□28.53 Cr)**; core operations are loss-making. * □**Asset Quality Stress: 45.3% of Gross Receivables** are credit impaired, and **□44.39 Cr** has been overdue for >3 years. * □**Audit Qualification:** Auditor issued a modified opinion regarding the **Audit Trail (Rule 11g)** at the database level. * □**Goodwill Risk: Goodwill (□196.14 Cr)** represents 35.5% of assets; impairment would effectively wipe out the company's Net Worth.

OVERALL SCORECARD SUMMARY Subex Ltd is currently a business in structural decline attempting to rebrand its way into an AI-future it has yet to monetize. While the company shows strong cash flow and a healthy order backlog, the "profitability" is an accounting artifact of tax refunds and interest income rather than operational excellence. Governance is at a nadir following a historic shareholder revolt and regulatory fines, placing the company on a deteriorating trajectory until Board stability and organic revenue growth are restored.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified on financials, but Qualified on Internal Controls (Rule 11g).
2	Promoter pledge = 0?	□	0% (Professionally managed).
3	KMP pay < 5% of PAT?	□	CEO pay (□2.88 Cr) is ~10% of PAT (□28.53 Cr).
4	RPT quantum < 5% of revenue?	□	Internal asset transfer (□92.29 Cr) is 33% of revenue.
5	Board > 50% independent?	□	66.67% (4 out of 6).
6	At least 1 woman director?	□	Ms. Nisha Dutt (CEO).
7	No statutory dues outstanding?	□	No major defaults reported.
8	No fraud reported?	□	No fraud reported by auditors.
9	Audit trail enabled?	□	Auditor unable to verify at database level.
10	Frequent Auditor change	□	Changed to BDO affiliate in FY26.
Total: 5/10 □— Governance Rating: 2			

Part C: Investor Verdict

THESIS: Subex is a legacy telecom software provider undergoing a high-risk "AI-First" pivot while battling a severe governance crisis and deteriorating asset quality. **OVERALL STANCE:** AVOID **RATIONALE:** The FY26 profit is non-operational, and the shareholder rejection of the Chairman signals a fundamental breakdown in corporate oversight. **RE-EVALUATE WHEN:** Organic Revenue Growth > 10% for two consecutive quarters AND a clean Audit Trail opinion is issued. **BULL CASE:** Rapid monetization of HyperSense leads to a 20% revenue jump, justifying the current Goodwill valuation. **BEAR CASE:** A massive Goodwill impairment (□196 Cr) is triggered by stagnant growth, wiping out shareholder equity. **KEY MONITORABLE:** Net Trade Receivables: □93.51 Cr → Watch for any increase > □110 Cr without revenue growth.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Margin Trajectory	Operating Loss of □15 Cr (-5% OPM) driven by high fixed employee costs.	Operating Profit of □26 Cr (9% OPM) achieved via 11% cut in employee benefits.	The margin "turnaround" is purely cost-driven and lacks the operating leverage typically associated with a scaling software business.
Working Capital Anomalies	Net Receivables stood at □78 Cr with 46% of the book credit impaired.	Net Receivables rose to □94 Cr despite a revenue decline, with 45% still impaired.	A 20% spike in net receivables amid falling sales suggests either a total collapse in collections or aggressive revenue recognition to meet targets.
Capital Allocation	Relied on depleting cash reserves (□101 Cr to □78 Cr) to fund operational burn.	Relied on □31.76 Cr of non-operating "Other Income" to mask core operating weakness.	The company has pivoted from burning cash to surviving on interest income and tax refunds, detaching its survival from its software performance.
Management Tone	Defensive and focused on an "AI-led" turnaround to justify massive historical impairments.	Poetic and metaphorical ("Apogee"), using orbital mechanics language to describe strategic shifts.	The shift to abstract, poetic language appears designed to obfuscate a historic shareholder revolt and continued operational stagnation.
Governance Stability	Fined by BSE/NSE for failing to maintain mandatory board strength.	Shareholders rejected the re-appointment of the Chairman; continued regulatory fines for board gaps.	Governance has deteriorated from technical non-compliance to a fundamental breakdown in corporate oversight and shareholder trust.

7.2 Persistent Patterns

- **Goodwill Impairment Avoidance: The carrying value of Goodwill remains static at □196.14 Cr, representing a "ticking time bomb" that exceeds the company's net worth and relies on highly aggressive growth assumptions.**
- **Internal Control Deficiencies: For two consecutive years, auditors have flagged the lack of an audit trail (Rule 11g) at the database level, indicating a persistent risk of unauthorized manual overrides of financial records.**
- **Massive Litigation Overhang: A significant provision for litigation (ranging from □71 Cr to □101 Cr) continues to sit on the balance sheet, representing a permanent threat to the company's remaining cash reserves.**
- **Geographic Concentration: The company remains structurally dependent on the EMEA region for over 60% of its revenue, maintaining high exposure to regional geopolitical and currency volatility.**
- **Aggressive Revenue Accounting: Continued reliance on the "Percentage of Completion" method and high levels of unbilled revenue (Contract Assets) creates recurring concerns regarding the timing and quality of earnings.**
- **Debt-Free (Bank) Status: The company consistently maintains a clean balance sheet regarding formal bank borrowings, which remains its only significant financial safeguard.**
- **High Executive Compensation Disconnect: KMP remuneration remains high and rigid relative to the company's size and negative operational performance, even as median employee pay is cut.**