

G.V. Kumar, CEO and MD, Megasoft Ltd

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G.V. Kumar, CEO and MD, Megasoft Ltd, is an Electrical Engineer with a Masters Degree in Business Administration. He brings over 17 years of leadership and innovation experience in the IT and Telecom arena. GV started his career with the Godrej group as a trainee and quickly rose through the rank and became the CEO of a Godrej group company at the age of 30. In 2000, GV left Godrej and established XIUS India Ltd. As the Founder and CEO of XIUS, GV boldly led the concept, creation and vision to move into the IT products business when every other company preferred a services approach, which was counter to the traditional IT services & programming model so prevalent at that time. He established XIUS as a cutting-edge telecom technology company, offering products and services in the area of Real time Subscriber Authentication, Charging and Pre-paid Roaming for telecom operators. XIUS & Megasoft merged in 2004 and GV was appointed the CEO of the new entity.

Established in 1994, **Megasoft** is a transnational technology company, focused on telecom. XIUS, the telecom division of Megasoft is a leader in delivering innovative revenue-generating solutions to mobile operators worldwide XIUS architects' infrastructure, prepaid and mobile payments solutions that are flexible, scalable and robust - clearing the way for mobile operators to rapidly deliver differentiated services in order to gain first mover advantage and build subscriber loyalty. XIUS has more than 100 installations throughout the world.



Speaking with **Yash Ved** of **IIFL**, G.V. Kumar says, "We are looking to acquire a mobile application or telecom infrastructure company for around US\$50 mn

Brief us about your journey so far?

The company was started in 1994 as IT staffing and IT enabled company. In 1999, we opened back office in Chennai. We entered the capital market in 2001. In 2004, we merged with another company called XIUS, which became the telecom division of Megasoft, which is a leading global provider of Advanced Roaming, OSS and Convergent Service Delivery Infrastructure solutions to Wireless & Wire line Network Operators and Service Providers.

From 2004, we started to focus on telecom products globally, slightly away from IT staffing and IT services. We have divested IT services last year and now fully focussed on the mobile telecom market. The company is clearly seeing growth coming back in the telecom sector. With all the cost optimization measures put in place last year, we are operating on a 30% EBITDA levels currently

Brief us about your revenue segments in percentage terms.

About 75% of business comes from the US, 10% from Latin America and 15% from rest of the world.

Are you planning any acquisitions?

The company is looking to acquire a mobile applications or telecom infrastructure company for around US\$50mn (around Rs2.25bn). The process for the same will begin later this year. We are looking at generating cash and long term contracts. We want to expand business globally and slowly go into Asian markets. We will further expand our business in both South America and North America.

Brief us about your promoter holding?

iLabs group, which is one the founding private equity investor, holds around 18% stake, while 7.5% is owned by promoter & Chairman Mr. Ravi Sanna Reddy and 5% is owned by me.

Brief us about your hiring plans?

We have a total of about 500 employees. We are planning to hire more 60 employees.

Brief us about your Q1 financials?

The company has reported a robust financial performance for the quarter ended 31st March 2010. The company has returned to profitability in Q1 2010, posting a net profit of Rs.41.7mn as against a net loss of Rs45.7mn for the quarter ended December 2009.

Improved cash collections results in debtor days getting reduced to 110 days from 240 days year on year. Strong cash flows enabled the company to retire Rs260mn of debt during the fourth quarter alone. Growth in US pre-paid mobile market benefited the company through increased revenues from this sector.

What is the outlook for 3G services?

From subscribers' point of view, 3G services are excellent for real time mobile applications like games, streaming videos, etc. From operators' point of view, availability of additional bandwidth and spectrum for data, opens up higher value revenue streams, (much better than voice) including mobile Apps and many IT companies are poised to launch new mobile Apps – all in all 3G looks very promising.

What is the current debt?

We have a debt of US\$34mn.