

**POLARIS SOFTWARE LAB LIMITED**

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**CHAIRMAN'S ADDRESS AT THE SIXTEENTH  
ANNUAL GENERAL MEETING OF THE COMPANY**

Dear Shareholders,

On behalf of Polaris, let me extend a very warm welcome to you.

As we meet today, there are discussions of green shoots of global recovery. While the crisis began with the US housing market about 2 years ago, in the last 18 months, the world has faced the most serious of the economic problems in the last half a century. Some of the events that unfolded, from the Bear Stearns acquisition for \$2 a share in March 2008, to Lehman Brothers collapse in September 2008 to General Motors filing for bankruptcy last month, has left a deep impact on economies, nations and companies alike. Yes, the principles of economics were deeply challenged and business rules re-written.

The Governments & central banks and political & business leadership of the nations are working in tandem towards managing the crisis and minimizing the impact.

Against this backdrop, I am happy to share, that your company was not only able to grow but deliver better than the industry results. I am happy to share that your company crossed a very significant milestone of USD 300 million annual revenues. To put this number in perspective, we have grown three fold in the last 6 years, from USD 110 Million in Fiscal 2003.

For the year ended 31<sup>st</sup> March 2009, your company achieved annual revenue growth of 25% at Rs. 1378 crore and annual profit growth of 79% at Rs. 131 crore. Operating Profit (EBITDA) stood at Rs. 234 crore. In view of company's good performance, your Board of Directors had approved a total dividend of 55% of the equity share capital.

Such extraordinary performance was possible due to the unique position in the marketplace that is differentiated products backed by Intellectual Property assets and a full spectrum of services backed by Impeccable delivery and deep domain expertise. I am happy to share with all of you that during last year, Polaris was rated amongst the Top 8 in IT services in banking, globally, and Intellect Banking Products are rated amongst the leading platforms by global analysts and research organizations.

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**I am reminded of a saying that, "Success always comes when preparation meets opportunities".**

In the last 5 years, we have prepared ourselves in 3 dimensions to emerge as the largest financial technology company from India and we have set ourselves on the path of Global Financial Technology leadership.

Firstly, through the strategic investment for complete roadmap of Intellect™ product and platforms based on a next generation technology i.e., Services Oriented Architecture (SOA). Intellect today is the most comprehensive banking platform available in the marketplace with 87 major ‘live’ sites (including Intellect SEEC) across 15 countries.

Secondly, our formidable list of strategic accounts of 100 customers that include 10 of the Top 15 Global Banks and 6 of the Top 10 Insurance companies. This client base has an aggregated IT budget of over \$60 Billion. A sizable portion of this is towards modernizing existing legacy platforms and deploying specialized solutions in the sub verticals within the banking domain.

Thirdly, our simplified execution framework for Repeatable, Predictable and Profitable Growth by measuring and improving critical operational metrics on a weekly basis. For example, our collection efficiency of 47 DSO (day sales outstanding) is a clear reflection of customer satisfaction achieved through excellent project delivery and robust operational processes.

The above has been made possible due to a strong sales infrastructure across 24 countries, efficient operational infrastructure in 7 fully owned Business Solution Centers and a treasure trove of Intellectual Property infrastructure including 70 Business Services, 200 SOA component and 9 platforms.

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**“Our thoughts create our reality -- where we put our focus is the direction we tend to go.”**

Now, I would like to take you through how your company’s growth engines performed during 2008-2009.

**Growth Engine 1 - Account Expansion** – This year we continued to focus on expansion in existing accounts by cross-sell and won new accounts. During the year, your company expanded its account base through 58 wins. Some of the highlights in this space were:

1. We participated in the strategic initiatives of 3 among the Top 10 banks in modernizing their legacy platforms
2. Three large customers chose Polaris as their strategic outsourcing partner. Of the three two customers are from Europe and one Fortune 500 company in the US
3. Polaris acquired SEEC Inc., a US based exclusive Insurance technology company which brought us marquee accounts in Insurance business including Allstate, Prudential, New York Life Insurance among others.

As of the close of the fiscal, 200 customers across the globe trust Polaris for its ability to connect technology to business and profit chains.

**Growth Engine 2 – ‘Intellect’ Expansion** – During the last year, Intellect brand gained new heights with global implementations in developed and emerging economies. Intellect registered 21 new wins during the year, the significant ones being a large credit card player in Latin America, a global Top 5 bank in the US, 2 Fortune 10 banks in UK, Tamweel in Egypt, 2 leading banks in Middle East, Saigon Hanoi Bank in Vietnam and the leading public and private sector banks in India.

During the year Intellect prepared itself for a Global launch of its most comprehensive version Intellect 10.0, a unique ‘industry strength’ platform that can co-exist with legacy systems as well as support the road map for future modernization. Recently, Intellect 10.0 was launched to the key decision makers and the influencers in the BFSI industry in Latin America, USA, Asia Pacific and Middle East countries.

Since its launch in 2005, Intellect has grown its revenues 5 times to Rs. 241 crores and contributes to 18% to company’s revenues. Intellect is running in 15 countries and the vision is to take it to 50 countries in the next 5 years.

**Growth Engine 3 - Country Expansion** – During the year, we had identified 3 countries – Egypt, Chile and Vietnam as part of our country expansion strategy.

**Growth Engine 4 – Insurance Business** – Having built the services expertise in Insurance, it was logical to acquire Intellectual Property in order to bring a differentiated proposition to the Insurance segment.

Your company completed the acquisition of SEEC Inc., a worldwide SOA based Insurance solution provider that brought in IP consisting of a library of over 300 Business Component. With this acquisition our customers in this space have leapfrogged to 23.

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Having covered the opportunities, I would now like to draw your attention to the challenges that we experienced in our growth journey in the last fiscal.

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## **Challenges**

One of the key challenges your company faced is the delay in decision cycle due to the turbulence in the market place. Consequently we observe that some of the deals that were in the final stages of closure are being deferred by 3 to 6 months, as some of the Financial Institutions are going through re-alignment to the market landscape. This has put considerable pressure on the sales force. The silver lining in the cloud has been that your company continues to see a healthy sales funnel with an increasing number of new opportunities identified in these tough market conditions.

Modernization of legacy platforms which your company envisioned as a potential market opportunity estimated over \$18.5 Billion in the next 7-10 years could not pick up momentum this year. But Independent research organizations have emphatically stated that this is the way forward and that given the increasing cost pressures in maintaining and growth pressures to cater to an increasingly demanding customers, smart legacy modernization is not an option, but a given ! Your company is a pioneer in this area with a unique methodology of non-disruptive modernization so that the banks can actually ‘Change the bank’ while it is ‘Running’.

The phenomenal annual growth of 25% and the profit growth of 79% takes on a deeper significance as your company was able to buck the trend during the market slump.

## Balanced Portfolio

Your company has consistently focused on balancing its portfolio, from the risk and growth perspective. Your company has prudently worked on customer risk, service business risk and geography risk.

- a. Customer risk – We have been able to expand our customer landscape to 80 strategic accounts. Over the years, the company’s exposure to the revenues from its largest client has come down from the level of 60% to over 40% on a growing revenue base.
- b. Service business risk - We picked up the early warning signal of likely margin pressures in the pure services business and expanded our offering portfolio to banking products.
- c. Geography risk – We have maintained a balanced geography portfolio with 39% of revenues coming from the US, 30% from Europe and 31% from Asia Pacific.

This provides some amount of balance to market vagaries, economic upheavals as well as the currency fluctuations.

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I would now like to share that your company is well integrated with the larger community through the Ullas Trust, the company’s Corporate Social Responsibility initiative. I am happy to share that this year your company has won the BSE-NASSCOM-TIMES Foundation Social and Corporate Governance Award for 2008 in the Best CSR across all industries and across India. Through this initiative your company has touched the lives of over 20,000 meritorious students who have been mentored by Polaris employees. These students come from Corporation and Government schools in the metros of Chennai, Delhi, Mumbai and Hyderabad and all districts of Tamil Nadu.

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It is said that ‘[Anyone can steer a ship when the sea is calm!](#)’ This has been a watershed year. A year that had no precedence. A year full of shocks and surprises. When the sea turns rough, it takes experts, it takes ‘believers’ to steer the ship.

I would like to conclude by saluting the power and passion of the members of Polaris team that took the various challenges head-on with their unwavering focus and delivered extra-ordinary results.

Your company has all the ingredients for Repeatable, Predictable and Profitable Growth. This year we have re-calibrated our dreams to be among the Top 5 Financial Technology companies in the world.

Thank you.  
Arun Jain  
Founder and Chairman  
Polaris Software Lab