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CHAIRMAN'S ADDRESS AT THE TWENTIETH ANNUAL GENERAL MEETING OF THE COMPANY



On behalf of Polaris Financial Technology, I extend you a warm welcome to the 20th Annual General Meeting.

Your company has delivered significant value to global customers for over two decades including the world's leading Financial Institutions. We enable them to unravel the complexities of ongoing innovation, modernise disparate legacy technology, meet evolving regulations and balance run-the-business and change-the-business, in order to achieve their global ambitions.

I am delighted to share with you that, in a challenging environment, we have registered revenues of Rs.2,258 crores, an increase of 10% from Rs.2,049 crores in the previous year. Profit after tax for the year ended March 31, 2013 was Rs.201 crores, compared to Rs.220 crores in the previous year. Our cash reserves grew significantly to Rs.490 crores from Rs.390 crores in the previous year, reflecting collection and operational efficiencies.

Last year marked a turning point for our Services business as your company qualified as the Strategic Vendor for 2 Fortune 50 banks in the US and UK, to accelerate their transformation initiatives. This is a singular recognition of the company's approach to services with a "solution" mindset.

The Product business encountered lumpiness with a few large deals delayed due to the subdued economic environment in Europe. However, the company continued to build a good pipeline by winning 38 new deals.

Your company is one of the richest in terms of Intellectual Property in the world today. We have received widespread recognition and are the only company in this industry feted in over 50 Analyst Reports in a single year. This includes the most coveted position of Leader in Gartner's Magic Quadrant for International Retail Core Banking for the third consecutive year.

Your company was also rated as the only Global Pursuer for all Global and New Deals in Forrester's Global Banking Platform Deals 2012. Polaris' Reserve Bank of India 10-year engagement was among the top 9 deals announced and the only one by an Indian player, as cited in Everest's Group Report on IT application outsourcing in banking.

We have completed 20 years of Operations. The purpose has however been **consistent** since inception, that we need to be a Financial Technology specialist.

- We consciously took the path of remaining singularly focused in the Financial Technology vertical and today have deep expertise in Building, Maintaining, Expanding and Extending highly complex & Integrated Financial Technology Infrastructure.
- Our Customer growth strategy has been around three vertices, 1. Deepening Relationships, 2. Acquiring New Accounts and 3. Engage in transformational deals. Accordingly, 80% of our

Services Revenue come from 20 strategic accounts. We acquired 4 new aspirational logos in FY 13 and were able to take on a major transformational engagement.

- In the same platform last year, I had mentioned that scale alone was not sufficiently exciting or enough to create enduring organisations. Your company places tremendous emphasis in being experts in our chosen field. This means, we have to tackle complexity in the financial technology world “head-on”. Since your company has deep and long standing engagements with some of the largest banks in the world, we have had first-hand feel for how complex the banking system has become, with multiple generations of technologies, sticky-tape solutions, rapidly evolving user segments, regulatory changes, stringent compliance norms and above all, the all pervasive mobility dimension.
- In this landscape, your company envisages a huge canvas of opportunities thru COMPLEXITY REDUCTION. We have chosen the route of “Design Thinking” to reduce complexity and drive UNPRECEDENTED PRODUCTIVITY for Banks & Financial Institutions. Our view is mere cost arbitrage will no longer be a competitive advantage for the IT industry. Customer expectations are clearly moving towards serious business value creation. Companies like yours, with deep domain expertise & design differentiation are indeed best placed to drive the next wave of transformational engagements and serious productivity gains.

Now, let us review the opportunities in front of Polaris today. We are envisaging the types of opportunities into 3 categories, or 3 Worlds, from a global perspective.

In **World 1**, comprising financial institutions in highly developed countries like the US, Western Europe, technology upgrade is key, as they were the pioneers and early adopters of technology in order to optimize financial operations.

World 2, where financial institutions embarked on their technology journey in the '90's and have accelerated their technology adoption in the last decade. These institutions have a large appetite for new products that enable them to acquire new customers and increase their speed and scale of operations.

World 3, comprising small banks in developed as well as emerging markets, the focus is to build competitive advantage with the larger banks and help them leverage their deep customer relationships.

With our deep footprint and proven track record in all the 3 Worlds, your company is poised sharply to leverage these opportunities with its unique competency in connecting business, technology and operations.

Clearly, this journey has challenges and there are some head winds and tail winds

Last year was a tough year for the BFSI vertical. Whenever there is an economic down turn, pretty much the first industry that gets impacted is the Financial Services. From the strategic technology partner perspective, your company faced two major challenges in the last fiscal

- Vendor consolidation initiatives in a few engagements, for cost optimization.
- Postponement of specific solution/product buying decisions, due to reduction in discretionary spend

Against an aspiration of 15-18% growth in revenues, we were only able to grow our FT Services revenue by 13%, to 1730 Cr and a marginal growth of 2% in FT Products.

I must also admit that our investments in Sales & Marketing have been sub-optimal in the past, given the fact that we have had to constantly balance our quarterly agenda, annual agenda, investment agenda and profitability agenda. With a complete suite of next generation banking products that are garnering attention of the global market place, it is becoming extremely critical to equip all the growth regions with comprehensive sales organizations and strong marketing and branding programs to position Polaris as a premium and visible brand. These investments were made in the last year and we will build on this in the coming years.

Another big challenge and therefore, a focus area for your company is to nurture Talent within the company – shifting the paradigm to “Design-Thinking”. These profiles are not readily available in the market place. However, I must also state that your company has made significant investments in building a robust “learning eco system” for collaborative design. I have personally taken the lead in rolling out a unique program on Design Thinking for 13000 employees across the organization.

FT 8012, the World’s first Design Center for Financial Technology

Polaris unveiled the FT 8012 Design Center, the world's first financial technology design facility, created to uniquely connect business, technology and operations to design and engineer solutions that drive unprecedented operational productivity. This innovative 30,000 square feet design facility was inaugurated by Michael Harte, Group CIO of Commonwealth Bank of Australia and a revolutionary thought leader. He strongly endorsed Design thinking as the significant game-changer for the banking & financial services industry.

Today, this center is emerging as the most sought-after venue for all our customer conversations. Collaborative workshops are being scheduled at the center where transformation agendas are discussed from ideation through custom modeling and deployment. The Design Center is already earning critical acclaim from customers, analysts and industry media.

With four design patents for the FT 8012 Design Center, and 11 patents filed for the transformative technologies that can be experienced at the facility, the center is tangible evidence of Thought Leadership that your company has been consistently demonstrating.

Poised to ride the next big technology wave

Our unwavering focus on FT research has led to the launch of 5 radical technologies that are poised to drive next generation banking & insurance.

1. Canvas Technology that spans the Banking Enterprise App Store, FT App Exchange and Workspace Design, and will drive front office efficiency
2. Hub Technology for process optimization and centralized risk management, that will drive back office efficiencies
3. Octopus, our Workplace Technology for collaborative project management and delivery ahead of schedule
4. MPX, for Smart Requirement Management with knowledge shelving and wiring.
5. FT Grid, our cloud based technology for both Inclusive Banking and Exclusive Banking

As we leverage our Thought Leadership to meet the emerging needs of the global Financial Services industry, our focus will be on maximizing shareholder value with a new organization design to enable the next stage of growth in a challenging environment.

New Organisation Design towards a Customer-Centric Organisation

In January 2013, based on leadership deliberations and recommendations from the Boston Consulting Group (BCG), the Board of Directors of the company authorized the management team to explore options to provide an impetus for the next stage of growth and to maximize shareholder value. A Task Force was set up with senior leaders of the company, and subsequent to its recommendations to the Board, your company has restructured its business into separate Services and Products divisions.

Both divisions have been empowered with independent management teams and strategies aligned to their respective customers' needs. Your company has appointed five CEOs for each distinct and specialized line of business across Services and Products for greater customer focus and agility.

The restructuring exercise is across the organization in terms of structure, people, processes and systems, and represents radical change to orient the company around the customer. The company is well on its way through the restructuring process and expects to complete it in this Quarter.

With the new organizational design in place, we look forward to the next era of our growth journey. Your company is poised to unleash its full potential by carefully balancing the six enterprise capitals – Customer capital, IP Capital, Brand Capital, Execution Capital, Finance Capital and Human Capital.

My leadership team and I are grateful for your support and look forward to reporting on progress as it unfolds. Thank You.