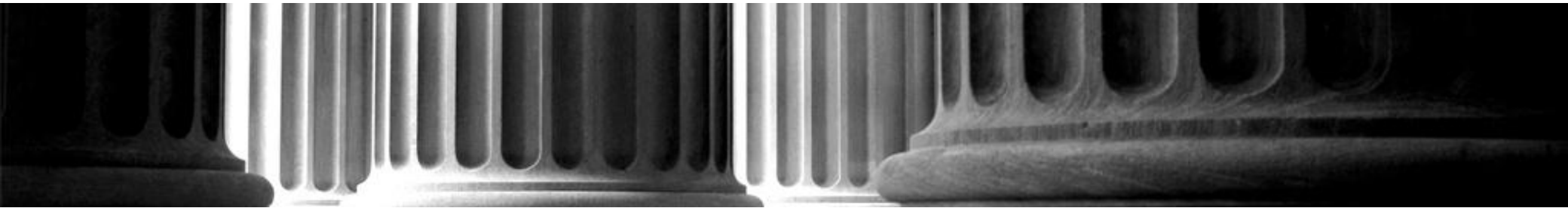




# Polaris Financial Technology Limited



Earnings Announcement - Second Quarter FY 13-14  
October 22, 2013



# Disclaimer



Certain statements in this release concerning our future prospects are forward-looking statements. Forward-looking statements by their nature involve a number of risks and uncertainties that could cause actual results to differ materially from market expectations. These risks and uncertainties include, but are not limited to our ability to manage growth, intense competition among Indian and overseas IT services companies, various factors which may affect our cost advantage, such as wage increases or an appreciating Rupee, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which Polaris FT has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. Polaris FT may, from time to time, make additional written and oral forward-looking statements, including our reports to shareholders. These forward-looking statements represent only the Company's current intentions, beliefs or expectations, and any forward-looking statement speaks only as of the date on which it was made. The Company assumes no obligation to revise or update any forward-looking statements.



# Q2 FY14 Highlights





- **Revenue** stands at **INR 504 Cr** -- up **12%** QoQ
- **Operating Margin** at **33%** ;
- **EBITDA Margin** at **20%** -- **@ INR 101 Cr** (Q1 14 @ INR 80.61 Cr)
- **EBITDA** up **25%** QoQ ; Hits an annual run rate of around INR **400 Cr**
- **4** New client wins in **Q2 FY14**

# Polaris Services – Business Ratios



	FT Sourcing		
	Q2 FY14	Q1 FY14	Q2 FY13
Revenue (USD)	81.25	80.47	82.34
Revenue (INR Cr)	504.25	450.32	448.78
Software Dev Exp	336.62	310.86	294.14
SDE%	66.8%	69.0%	65.5%
Gross Margin	167.64	139.47	154.64
Gross Margin%	33.2%	31.0%	34.5%
S&M Costs	45.98	40.49	41.87
G&A Costs	20.65	18.36	16.50
EBITDA	101.00	80.61	96.25
EBITDA%	20.0%	17.9%	21.4%
R&D Costs	6.40	6.99	5.68
Dep & Fin charges	8.80	8.74	8.56
Profit	85.80	64.88	82.01



# Polaris Product - Operational excellence among Product Peers

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- **Revenue** stands at **INR 139 Cr** -- up **19%** QoQ
- **Operating Margin** at **54%** - - Operating margin consistently over 50%
- **EBITDA Margin** at **17%** -- **@ INR 23 Cr** (Q1 14 @ INR 19.46 Cr)
- **EBITDA** up **18%** QoQ ; Hits an annual run rate of around **INR 100 Cr**
- **9** New client wins in **Q2 FY14**



# Polaris Product – Business Ratios



	FT Intellect		
	Q2 FY14	Q1 FY14	Q2 FY13
Revenue (USD)	22.42	20.81	24.63
Revenue (INR Cr)	139.12	116.48	134.23
Software Dev Exp	64.60	55.17	60.83
SDE%	46.4%	47.4%	45.3%
Gross Margin	74.52	61.30	73.40
Gross Margin%	53.6%	52.6%	54.7%
S&M Costs	34.99	27.03	30.13
G&A Costs	16.49	14.80	9.13
EBITDA	23.04	19.46	34.15
EBITDA%	16.6%	16.7%	25.4%
R&D Costs	20.17	22.18	19.52
Dep & Fin charges	5.17	4.61	4.13
Profit	-2.29	-7.33	10.50

**Stabilized Operating margins over last 6 quarters**

**Higher Marketing Cost**

Note: Product business ratio excludes Identrust operations



- Polaris FT **Revenue** stands at **INR 643Cr**; up **14% QoQ**;
- Polaris FT **EBITDA** stands at **INR 124 Cr**; up **24% QoQ**
- Polaris FT **PAT** at **INR 60 Cr**; up **38% QoQ**
- **EPS** for the Quarter @ **INR 6.01**
- **Cash & Cash Equivalents** stood at **INR 518 Cr**
- Head count stands at **12,519** as of 30<sup>th</sup> September'13
- **13** new clients added

# Polaris - Consolidated Financials



Rs.Lakhs

Particulars	QUARTER ENDED			YEAR ENDED
	September 30, 2013	June 30, 2013	September 30, 2012	March 31, 2013
<b>INCOME</b>				
Gross Income from software services, products and Business Process Management	64,337.31	56,680.15	59,907.95	230,833.36
<b>Net Income from software services, products and Business Process Management</b>	<b>64,337.31</b>	<b>56,680.15</b>	<b>59,907.95</b>	<b>230,833.36</b>
<b>EXPENDITURE</b>				
Software development expenses	40,121.24	36,603.38	36,711.83	145,672.43
Selling and marketing expenses	8,097.14	6,752.81	7,200.17	27,877.34
General and Administrative exp	3,714.56	3,316.61	3,332.74	14,864.30
<b>Total Expenditure</b>	<b>51,932.94</b>	<b>46,672.80</b>	<b>47,244.74</b>	<b>188,414.07</b>
<b>Profit before interest, depreciation &amp; amortization</b>	<b>12,404.37</b>	<b>10,007.35</b>	<b>12,663.21</b>	<b>42,419.29</b>
Research & development expenses	2,656.67	2,916.55	2,520.15	10,772.77
Depreciation/ Amortization	1,355.41	1,297.69	1,294.87	5,369.09
Finance Charges	41.69	38.67	61.79	249.08
<b>Profit after interest, depreciation &amp; amortization</b>	<b>8,350.60</b>	<b>5,754.44</b>	<b>8,786.40</b>	<b>26,028.35</b>
Forex impact on Hedge accounting (AS30)	(3,329.40)	(1,584.85)	(1,318.21)	(4,970.26)
Other Income	1,904.68	1,496.79	(780.73)	3,250.86
Minority Interest/ Share of profit/(loss ) of Associate Companies	(58.80)	(80.19)	166.59	675.04
<b>Profit before tax</b>	<b>6,867.08</b>	<b>5,586.19</b>	<b>6,854.05</b>	<b>24,983.99</b>
Provision for taxation	885.69	1,265.78	1,340.89	4,903.67
<b>Profit after tax</b>	<b>5,981.39</b>	<b>4,320.41</b>	<b>5,513.16</b>	<b>20,080.32</b>



# Polaris - Q2FY14

**Business Highlights**

**Key Wins, Accolades &  
Management Vision**





*Arun Jain, Founder, Chairman & CEO, Polaris Financial Technology Limited said, “This was the first complete Quarter after we announced our restructuring in June 2013. I must congratulate the Management Teams of our four business units for being able to restructure themselves around the customer quickly and efficiently. I am also happy to see that, despite so many changes, this Quarter has shown green shoots of growth after a few flat quarters. We are in the right direction and poised to deliver greater value to the Financial Services industry with products and services designed for unprecedented operational productivity.”*

*Nat Narayanasamy, Group CFO, Polaris Financial Technology Limited said, “We have successfully completed the divestment of IdenTrust with a positive impact of about Rs. 14 Crore on a consolidated basis. We continue to keep our cash focus and have maintained a cash position of over Rs. 500 Crore”*

# Polaris - Key Wins



- **Polaris FT Intellect** – A leading bank in Canada, chose **Intellect iBDM** to integrate customer data across all the Capital Markets systems
- **Polaris FT Intellect** – A Prominent Indian State-owned commercial bank, chose **Intellect iGTB** as a single platform to fuel its entire cash management banking business
- **Polaris FT Intellect** – Largest private bank in Indonesia chose **Intellect iGTB** to provide next generation transaction banking capability
- **Polaris FT Intellect** -- A leading central bank chose **Intellect Treasury** and **Intellect Market Risk** to cover the bank's Front, Mid & Back Office operations
- **Polaris FT Intellect** – A leading commercial bank in Bangladesh chose **Intellect Core Banking Solution** for centralization and automation of their business processes
- **FT Sourcing** -- A technology leader of self-service solutions in hardware, software and banking services and a leading provider of ATM software selected **Polaris** as a partner in testing their releases
- **FT Sourcing** -- A leading bank in Qatar, chose **Polaris** for implementation of third party products
- **FT Sourcing** -- One of the largest ICT user organizations in the Queensland government chose **Polaris** as its preferred testing services vendor for various service categories
- **FT Sourcing** - - A leading provider of technology-driven-solutions, chose Polaris ADM Services

# Polaris – Awards & Recognitions

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- **Polaris FT** – Positioned as **Leader** by **Gartner** in their report ‘**Magic Quadrant for International Retail Core Banking**’ for 2013
- **Polaris FT** – Recognized as ‘**Major Contender**’ and among the global best in **Banking AO PEAK Matrix** by **Everest Group**
- **Polaris iGTB** was recognized by **Gartner** as one amongst the Global Top 7 vendors with primary focus on broad FS application with a **strong Payment solution**
- **Polaris FT Intellect CBX** was rated ‘**Best In Class**’ for **User Experience and Design & Security** -- in **CEB Tower Group's** report on Commercial Online Banking
- **Polaris FT Intellect Payment services hub** was rated by **Tower** as ‘Best in Class’ in Payments Operations and recognized among the **Top 2 Vendors with the highest amount of Standard Functions**
- **Polaris FT Intellect Treasury, Risk Hub & Indigo GoTx** were profiled among “**Global Seven**” **TMS Vendor** that are able to commit to Global Treasury Changing Needs in **Aite Group’s** Report



# Polaris - Financial & Operational Metrics



# Polaris - Revenue Segmentation



Break up by Segments (\$ mn)	Q2 FY14	Q1 FY14	Q2 FY13
Services	80.16	79.26	81.21
BPO	1.09	1.21	1.14
Products	22.42	20.82	24.63
Total	103.67	101.29	106.98

Break up by Segments	Q2 FY14	Q1 FY14	Q2 FY13
Services	77.3%	78.3%	75.9%
BPO	1.1%	1.2%	1.1%
Products	21.6%	20.5%	23.0%

# Polaris - Client Metrics



Client Concentration	Q2 FY14	Q1 FY14	Q2 FY13
Top 5	41.8%	40.50%	39.50%
Top 10	55.8%	53.20%	52.30%
US\$ 1+ Mn accounts	39	43	34
US\$ 3+ Mn accounts	13	8	10
US\$ 5+ Mn accounts	8	8	5
US\$ 10+ Mn accounts	4	5	9
US\$ 25+ Mn accounts	3	3	3
Active FT Clients	264	266	269

# Polaris – Financial Info



		Q2 FY14	Q1 FY14	Q2 FY13
<b>Cash &amp; Cash Eqv (INR Cr)</b>		<b>518</b>	<b>571</b>	420
<b>Major Cash Outflow Items</b>		<ul style="list-style-type: none"> <li>• Dividend pay INR 58 Cr</li> <li>• Capex 13Cr</li> </ul>	<ul style="list-style-type: none"> <li>• Capex 13Cr</li> <li>• Employee Annual Payment 37 Cr</li> </ul>	<ul style="list-style-type: none"> <li>• Capex 9 Cr</li> </ul>
<b>DSO Days</b>	<b>Billed</b>	<b>68</b>	59	69
	<b>Unbilled</b>	<b>44</b>	48	43
	<b>Total</b>	<b>112</b>	107	112
<b>USD INR Rate</b>		Q2 FY14	Q1 FY14	Q2 FY13
<b>Average Rate</b>		<b>62.06</b>	55.96	54.50
<b>Closing Rate</b>		<b>62.61</b>	59.39	52.86
<b>HR Metrics</b>		Q2 FY14	Q1 FY14	Q2 FY13
<b>Attrition</b>		<b>22.7%</b>	21.3%	18.1%



# Polaris Services

## Business Metrics



# Polaris Services Metrics



Revenue by Geography	Q2 FY14	Q1 FY14	Q2 FY13
Americas	54.4%	53.2%	54%
Europe	20.6%	20.9%	23%
India	6.3%	6.1%	5%
Rest of World	18.7%	19.8%	18%

# Polaris Services Metrics



Revenue by Verticals	Q2 FY14	Q1 FY14	Q2 FY 13
Retail Banking	15.4%	16.6%	20.5%
Corporate Banking	21.4%	29.0%	29.1%
Treasury & Capital Markets	49.8%	41.8%	39.6%
Insurance & others	13.4%	12.6%	10.8%

# Polaris Services Metrics



Break up of Service Revenues	Q2 FY14	Q1 FY14	Q2 FY13
App Main	40.7%	39.3%	39.3%
App Dev	39.9%	39.5%	37.8%
Testing	17.2%	18.3%	21.4%
Others	2.2%	2.9%	1.5%

Revenue by	Q2 FY14	Q1 FY14	Q2 FY13
Fixed Bid	32.9%	32.3%	32.3%
Time & Material	67.1%	67.7%	67.7%

Capacity Utilization *	82.6%	82.7%
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\* Utilization figures are only for FT Sourcing Business



# Polaris Product

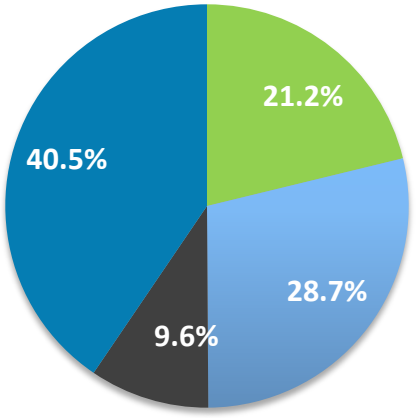
## Business Metrics



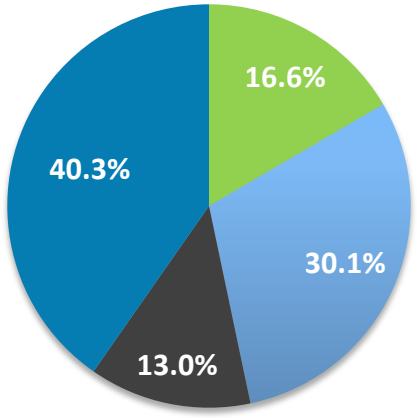
# Polaris Product Business – Revenue by Geography



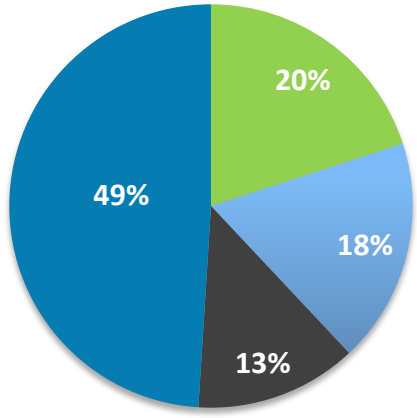
**Q2 FY14**



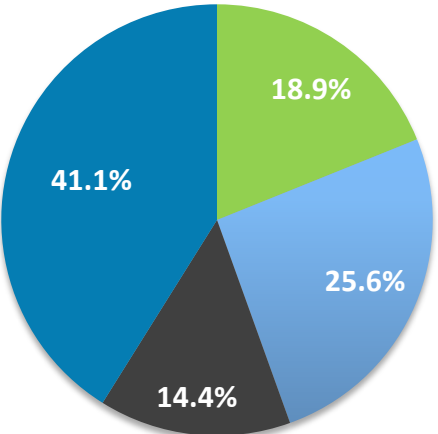
**Q1 FY14**



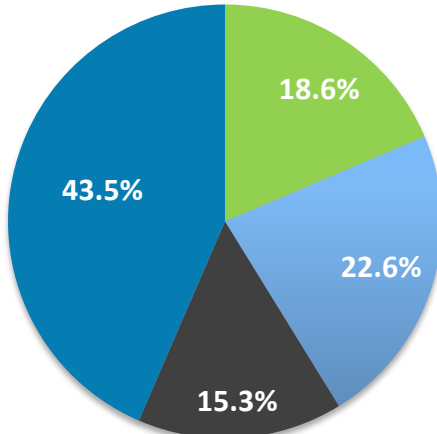
**Q2 FY13**



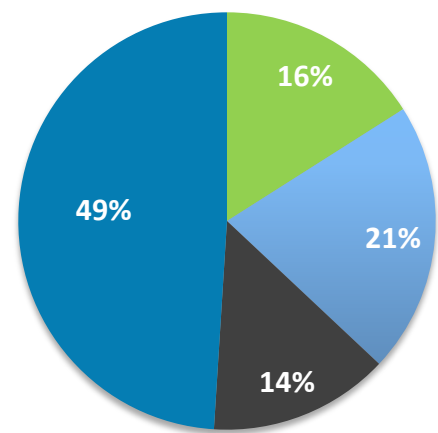
**LTM Q2 FY14**



**LTM Q1 FY14**



**LTM Q2 FY13**



■ US ■ Europe ■ India ■ RoW

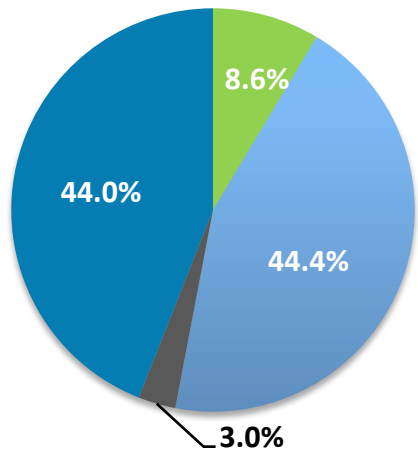
Note: Product business ratio excludes Identrust operations



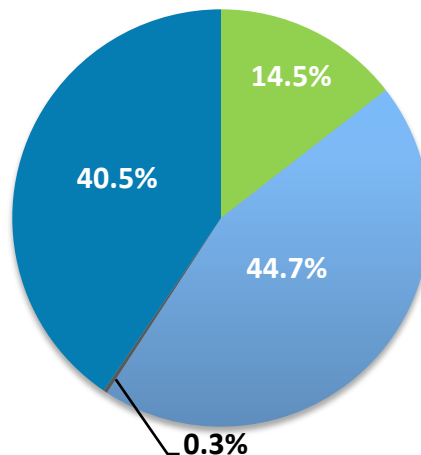
# Polaris Product Business – Revenue by Verticals



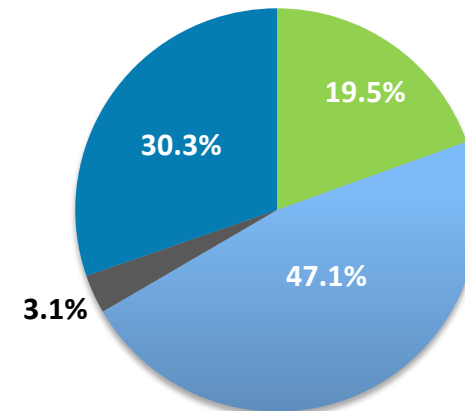
Q2 FY14



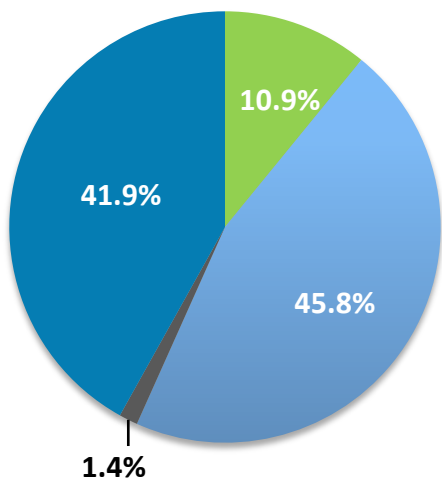
Q1 FY14



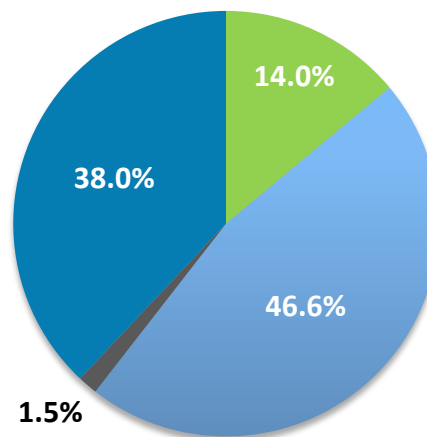
Q2 FY13



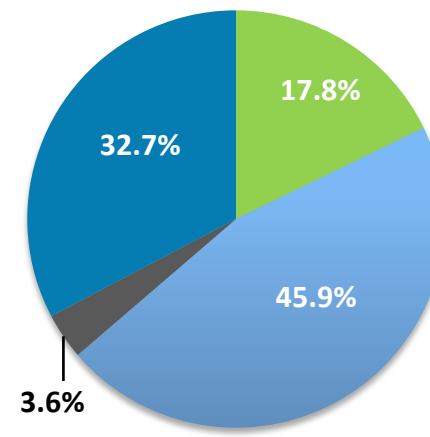
LTM Q2 FY14



LTM Q1 FY14

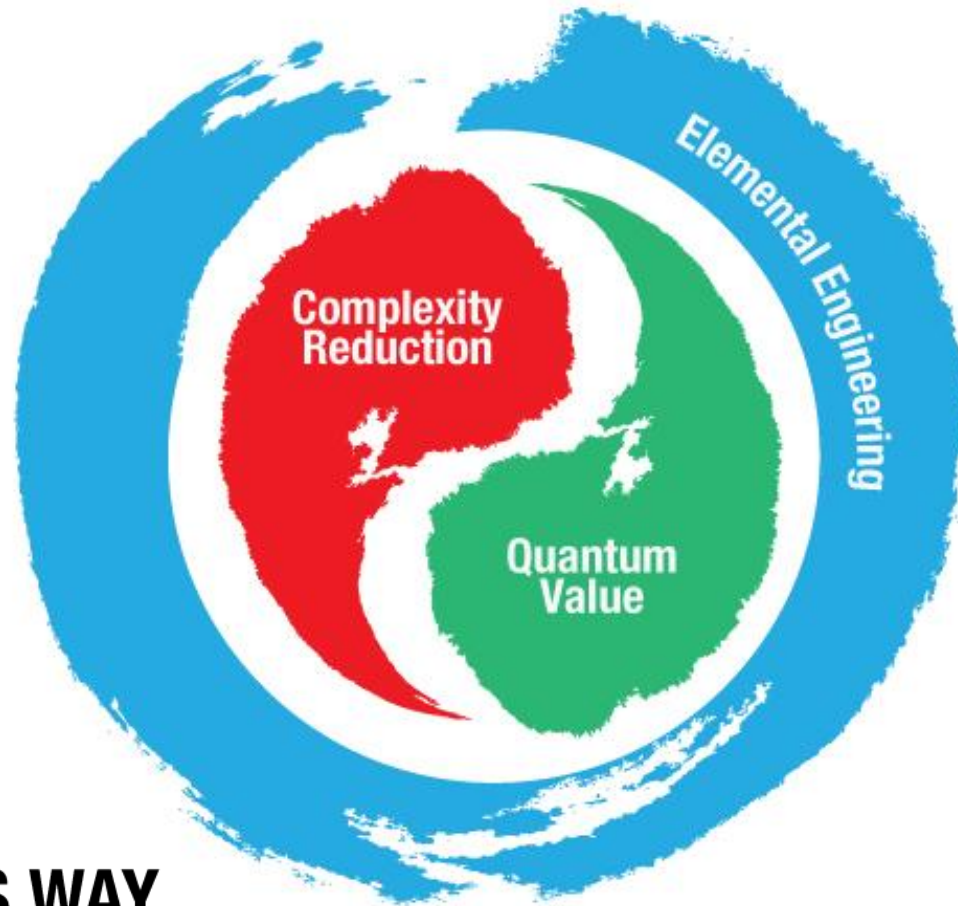


LTM Q2 FY13



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## **THE POLARIS WAY...** High Performance FT

# Thank You

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