

INTERVIEW ▶ ARUN JAIN, CHAIRMAN & CEO, POLARIS SOFTWARE LAB LTD

'Sub-prime situation should stabilise in three months'

Polaris Software Lab Limited, a Rs 1,032-crore company is a leading provider of banking software in India. Under the leadership of Arun Jain, its chairman and chief executive officer, the Chennai-based company has been rated as one of the top ten information technology companies in the country by NASSCOM, the IT industry body. Polaris's flagship product Intellect is used by many Indian private-sector banks and the company is continuously innovating to match the changing needs of the banking industry. Jain was in Mumbai recently to address the Banking Tech Summit organised by the Confederation of Indian Industry. In a freewheeling conversation with Viveat Susan Pinto, he talks about his company's expansion into new markets, the impact of the sub-prime crisis in the US and the challenges posed by the rising rupee.

Excerpts:

'We would derisk our business by increasing our revenues spread in the world rather than moving into other verticals'

group alone, for instance, has a \$7 billion budget. It's huge. For us, derisking our business model would be increasing our revenue spread in the world rather than moving into other verticals. Currently, 38% of our revenues come from the US; 32% from Europe and 30% from Asia. We would like to expand our geographical spread. Some of our key markets currently are

Banking and finance has been your core competence. Do you think it is important to also get into other areas to derisk your business model?

I don't think there is any risk attached to our business model. Banking and finance is a large segment. If you take into account the IT budgets of the top 22-25 banks in the world, it comes to about \$60 billion. Citi-

UK, US, Japan, Germany, Singapore and the Middle East. There are six markets, however, where we are not present. We would like to get there. These include Africa, Eastern Europe, Southern Europe, China, Latin America and Russia. The potential in these markets is huge. They are volume markets and getting there is important for us.

Most of the new markets on your target list are non-English speaking countries. How are you tackling the language issue?

We are aware of the challenges involved in entering these markets. Each one requires focused attention. Our idea is to get into two markets every year. That way the target would be achievable.

Are you planning to acquire companies in these markets?

Yes, we would. We are also open to the idea of joint ventures or partnerships. Anything that will facilitate our smooth entry into these markets is open for consideration by us. I am conscious of the fact that local support is required, so tying up to strengthen our distribution or acquiring a company that is in the product space there or has a good customer base would be very much there on our priority list.

How would you rate your competitors such as i-flex?

i-flex and Polaris are similar-sized companies. However, our journey on the product business front started much later than i-flex's. They began in 1992 and have taken 15 years to reach the position they are in now. On the other hand, we began in 2002-03 by acquiring OrbiTech from Citibank.



The acquisition gave us 56 intellectual property rights (IPRs) in the banking space. We invested in a service-oriented architecture (SOA), launched Intellect and have never looked back since then. Most private-sector banks in the country use our products and are our customers. One of our major customers, for instance, is ICICI Bank. We also have many blue-chip clients abroad. To sum it up, we see ourselves growing strong year after year.

What is the share of exports in your revenues? How much has the sub-prime crisis impacted your business?

Our share of exports in revenue is almost 90%. The sub-prime issue has impacted us in the sense that banks who would have otherwise invested in new projects are now holding back since they are coming to terms with the full extent of the losses on that front. Their investment in existing business operations is there. So, it is not as if budgets have been drastically slashed. But yes, the impact is there. It will play out for the next two to three months. But we see the situation stabilising by the month of June-July this year.

What is your exposure to the mortgage business in the US?

None. We have no exposure at all to the mortgage business. We are into retail, corporate and investment banking.

What strategies have been employed by Polaris to tackle the rupee appreciation?

Rupee appreciation has disturbed us over the last three quarters. A 16% fall in the value

of the rupee over the last one year has meant that there has been an impact on the business. There is no denying to that. If this fall had been 3% every year, we would have handled it. But, the fall has been steep in a short period of time, which has impacted almost everybody in the business. Though rupee appreciation has disturbed us, we were in a way prepared for it because issues such as these are bound to be there in a product business like ours.

Let me tell you that getting into the product business was not an exciting proposition for a number of IT companies before. However, this has changed now. Following the rupee appreciation, many companies such as Tata Consultancy Services and Infosys Technologies are making significant announcements on that front. We have a headstart though, over these companies and we will continue to invest in the business in the future.

What has been the investment in the product business so far?

The total investment on the product business' side is over Rs 300 crore.

Intellect has made the transition from a homogeneous product for all segments in banking and finance to different versions targeting various subsets. How did that turnaround come about?

A bank provides a number of services and being able to adequately address their needs was a prime concern and challenge for us. The OrbiTech acquisition in 2002-03 gave us 56 IPRs. We have utilised this to provide a range of products within the Intellect umbrella. Each one targets a subset implying that every end of the business is addressed. Such a product is bound to drive customer interest.

How are you reining in costs at a time when IT companies are facing pressure on their margins?

We are trying to bring down delay time on projects, cut unnecessary costs without affecting employee morale etc. However, our bigger focus is on increasing the productivity of the workforce. Multi-skilling of personnel, supply chain management and so on. Improvement on these fronts will result in cost savings for us.

'We are impacted by sub-prime as banks that would have invested in new projects are now holding back the money'