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CHAIRMAN'S ADDRESS AT THE TWENTY FIRST ANNUAL GENERAL MEETING OF THE COMPANY



On behalf of Polaris Financial Technology, I welcome you all to the 21st Annual General Meeting.

I had mentioned at our Annual General Meeting last year that we were moving into the next era of our growth journey, what is internally known as Polaris 4.0. This effort has translated into a planned restructuring, followed by a decision to demerge the Products Business.

The demerger of the Products business is a decisive step and a win-win for customers, employees and investors alike. From a customer perspective, the new structure aligns investments, competencies, decision making and processes to drive the next level of value creation. Customers will be able to enjoy deeper focus through vertical-led practices & solutions in our Services business, while being able to accelerate their transformation agenda with our next-gen Products.

From the employee's perspective, alignment to individual talents and aspirations will become a lot sharper, opening up clear streams for career advancement. From an investor's perspective, shareholders will get an additional share of Intellect, a new horizon business. Expanded leadership capacity, greater customer centricity and sharper focus will drive higher value in both businesses.

It is in times of change that relationships are tested. As we walk the last mile of the demerger process, I gratefully acknowledge your trust and support during this period.

SECTION 1: A YEAR OF TRANSITION

Yes, the last year was a defining year for our company. In the quarters leading to the demerger announcement, I must admit we were faced with several challenges.

Firstly, the entire process of restructuring was misinterpreted by certain sections of the market with an M&A flavour. This caused serious concerns and uncertainty

both in customer as well as our employee ecosystems. It was also a drain on our energies, which were already focused on creating a customer-centric organization.

Secondly, any restructuring of this magnitude required considerable focus on re-aligning various internal functions and processes.

My leadership team and I had to therefore focus on making sure there was minimal impact to several mission critical deliveries and at the same time build the foundation for the next phase of our growth journey and align our talent capital.

Sustaining our growth and margin levels, despite the turbulence, is reflective of the company's maturity in managing change.

1. In terms of consolidated revenue, our company grew 7% reaching Rs 2424 crores
2. Profit after Tax for the year was Rs 199 crores
3. EPS stood at Rs 20.01
4. A dividend of 125%, ie Rs. 6.25 per share has been proposed.
5. Services contributed Rs.1,914 crores and Products contributed Rs.510 crores, representing 79% and 21% of the total revenue, respectively.
6. Global revenue contributions continued to remain balanced with 55% from the Americas, 20% from Europe and 25% from the Growth markets.

SECTION 2: THUMBS-UP FROM THE MARKETPLACE

During any major shift, the market and the company look out for signals of acceptance of the model. Two major questions that any Management team will look at is:

1. Are we winning new clients?
2. Are we able to attract top notch talent?

I am delighted to share with you that we have had a very encouraging response on both fronts.

Let me share a few noteworthy client wins in both Services and Products business, reflective of customer conviction in the new journey.

- A leading US bank offering a wide range of banking solutions and services from customer deposits, working capital loans, Trade Finance and Corporate FX chose Polaris to upgrade its Corporate Banking Platform for its extensive US operations.
- One of the largest full-service universal banks in the APAC region offering products and services to Retail and Corporate markets chose Polaris to upgrade its Mobile Banking applications, given Polaris' extensive implementation experience and robust frameworks.
- Riksbank, the oldest Central Bank in Europe, which formulates monetary policy to maintain price stability, chose Intellect® Quantum Collateral Management System (QCMS) for supporting the bank's services for Swedish payments system, open market operations, bank credit operations and agency central bank arrangements.
- The Trade division of a UK-based global financial services provider with a rich banking history of over 300 years chose to leverage the Payment product from the iGTB - Global Transaction Banking suite to accelerate their growth.

The second important indicator for the success of the new organisation design directly comes from the talent that we are able to attract in the market. I am very happy to share that senior leadership from our global competition as well as from global banks have joined us, enhancing the existing leadership pipeline. We had 25 senior leaders across the globe choosing to participate in Polaris 4.0. Just to give you a flavour of the new talent that has come on board, we have Mark Wilson, formerly the Managing Director of FundTech's London operations, Alfred Carpetto from KeyBank, Lee Taylor, formerly an MD at JPMC, Phil Cantor from Smartstream, Shreesh Tiwari from Mckinsey, Kelvin Loh and Philip Bethell from Misys, Hemant Jhahria from Citibank, Paramdeep Singh from GE, Mark Broadhurst from Aviva and Richard West from Fineos, UK.

Our company began this financial year with a robust cash reserves of Rs 691 cr (as against Rs 490 cr in the previous year), providing a sizeable war chest for growth as well as investments.

Before I share the journey ahead for the Services business and the Products (Intellect) business, let me take a few minutes to give you an overview of the market landscape and the opportunities in front of us.

SECTION 3: MARKET LANDSCAPE: USHERING THE ERA OF 'DIGITAL' EVERYTHING!

Almost every recent report from the Industry experts such as Mckinsey, AT Kearney, PwC have indicated the next major explosion in the Banking, Financial Services & Insurance sector. This is the Digital banking wave..or perhaps I should say, a Tsunami! Every Bank, whether in developed or growth markets is gearing up for this tectonic shift.

I must caution you that the word "digital" should not be restricted to just channels such as mobiles or tablets. It is true that banks are under serious pressure to create seamless experience across channels. But digital encompasses a much bigger canvas. It includes a new era of customer experience on the outside integrated with a leaner and more efficient operating model, from the inside.

The Analysts are quoting a whopping figure of over \$50 Billion spend on Digital transformation by the Banks this year alone. And this is just the beginning! Gartner has forecast that by 2015, 25% of businesses will employ a Chief Digital Officer. It has gone on to predict that 20% of CIOs have already begun to take the role of a Chief Digital Officer. Thus, the digital wave would be the largest disruptor in the Financial spectrum.

We spotted the green shoots of this trend 5 years ago and started investing diligently to build two radical technologies. [Canvas Technology](#), a transformative distribution technology for channel solution design, development and deployment, is an 'ahead-of-trends' product that enables the financial institutions to offer a unique omni-channel platform for end customers as well as internal users, thereby creating an integrated and continuous experience. Banks are beginning to refer to this as "Digital Outside". Drawing inspiration from the Airline hub, our [Hub Technology](#) addresses the needs of a dynamic business environment facilitating seamless interactions among the various stakeholders along with end to end process orchestration and centralised risk management. This is grabbing the attention in Banking circles as an enabler for their agile operations, also known as "Digital Inside" strategy.

Both Canvas technology and Hub technology are serious external validations of not just the strength of our R&D capabilities but also our ability to spot futuristic trends well ahead of time.

Now, let me give you an overview of our Services business and Products business.

SECTION 4: SERVICES BUSINESS (POLARIS)

Services is a growing business with revenues of Rs. 2,000 Crores, and EBIDTA of Rs. 364 Crores annually, generating over Rs. 200 Crores in cash.

We first organised the Services entity into 6 client-centric units (SBUs) and specific solution centric units (Practices). Each SBU is a P&L centre, owning the relationship as well as the delivery for its clients.

Over two decades of focus in the BFSI domain means that "vertically-focused" services and solutions would be the sweet spot for Polaris, going forward. But it is very important that we focus on the vital few rather than spreading ourselves thin. As we set out to make the business plan for the year, our company has chosen 4 areas to drive the next level of growth: 1. Digital Banking 2. Payments 3. Risk & Compliance 4. Data & Analytics.

This portfolio rationalisation means that we will have to make difficult choices of giving up a few engagements, where our vertical expertise is not leveraged.

We are also evangelising our flagship High Performance Outsourcing (HPO) model, moving one big notch up the value chain. Globally, the conventional outsourcing model is being hampered with a rookie work force, an order-taking mindset and an absence of skin-in-the-game. Apart from demanding greater specialisation, clients are also looking for sustainable productivity gains, without compromising on the quality or experience of the work force. This is where our AUTHORITY on specific areas such as Payments or Risk Management can truly bring major benefits to the clients. The HPO model is hinged on 3 pillars - a client specific innovation lab, a client specific academy and a performance guarantee..

Jitin Goyal, CEO of the Services business is actioning a holistic strategy to build and leverage the competencies in the 4 chosen areas, while strengthening our proposition for High Performance Outsourcing initiatives.

SECTION 5: PRODUCTS BUSINESS (INTELLECT)

This business has a rich repository of over 20 products , generating revenues of over Rs. 500 Crs. annually and with reference sites in 30 countries across a landscape of 200 customers. The restructuring will now allow the products business to be more sharply aligned to business needs of customers.

With over a decade of significant R&D and product development investments, we are proud to state that our Intellect suite of products is by far the largest and most technologically advanced in the industry, in this space.

Why do I say, that we are the most promising products business?

1. First, we need visible proof points that our product is globally competitive and thus, can aspire for leadership position. 45% of our current revenues come from the Developed markets such as Europe & Americas

2. Second, we must demonstrate delivery capabilities and must have a reference-able installed base. We have more than 200 references across the globe

3. Third, we must prove that we can deliver high margins on the product sale to claim product maturity and cost controls. We have been delivering 50% plus gross margins in our product business.

We have 4 Lines of business within Intellect.

1. Global Consumer Banking: Led by Jaideep Billa, the Global Consumer Banking business will focus on Core Banking, Lending, Wealth, Cards, Active Branch and Quantum Core for Central Banks. Seamless omnichannel banking with lifecycle assurance optimises first time cost of ownership and technology running costs. Intellect Quantum CBS is the specialist Core Banking Solution specifically engineered for the unique requirements of Central Banks.

2. Global Transaction banking (iGTB): iGTB is the world's first complete Global Transaction Banking Platform. With a rich suite of Customer On-boarding, Cash Management, Payments, Liquidity and Trade Finance, we are an authority on vertical and integrated products that enable banks meet their ambition to be the Principal Banker to their Corporate customers. With an active Global Advisory Board including Transaction bankers from leading banks, this business is led by Manish Maakan.

3. Integrated Risk & Treasury Management (iRTM): Banks are shifting gears from 'Managing' Risk to 'Leveraging' Risk! Some of the largest Treasury operations in the world run on Intellect. Led by Venkatesh Srinivasan, the iRTM business is steadily gaining ground in the replacement market over legacy monoliths. The team has now launched Intellect Basel III – LRM Platform Solution with Zf Visualisation that addresses the most arduous challenges in the area of Liquidity Risk Management.

4. Intellect Insurance (iSEEC): With strong vertical specialisation, the Insurance business is providing differentiated solutions in Claims, Life Claims, Distributed Solutions, Underwriting Workstation, Business apps and components. Strong customer relationships are reflected in over 90% cross-sell revenues. Our insurance products offer the right mix to life and non-life insurers to focus on their strategic imperatives while reducing time to market of technology initiatives by up to 60%. The Insurance business is headed by Pranav Pasricha.

Giving excellent global coverage in terms of reach and leadership, the GTB business is head quartered in London, the Insurance business in New York, the Consumer banking division in Singapore and the Risk & Treasury business in Mumbai.

In the year 2013-14, our company has been mentioned in 55 analyst reports, including those by Gartner, Forrester Research, CEB Tower Group, and the Aite Group, clearly positioning us in the leadership quadrant in Financial Technology.

The challenge however is to ensure that right products are chosen for the right markets and importantly, backed by the right investments in sales, marketing and distribution infrastructure. Most of our global competition invest anywhere between 30 and 50% of their turnover into Sales & Marketing. This business will invest close to 30% towards Sales & Marketing in the next two years.

SECTION 6: DESIGN FOR DIGITAL TRANSFORMATION

Our company is poised to ride this huge wave in the coming years. You may recall that we set up the world's first design center for digital transformation, FT 8012, last year. I am delighted to share that our company has hosted over a 100 clients to explore their digital aspirations in this center. In this august forum, let me have the privilege of sharing that our company will set up dedicated digital labs for our strategic clients in the US and UK.

An action packed year is incomplete without sharing the progress on another special initiative that is close to our hearts – the Ullas initiative, our Social Connect program. We are able to ignite the dreams of over one lakh high school students in the rural areas and over 8000 students across Delhi, Mumbai, Hyderabad and Chennai this year. Our company's significant emotional and social quotient is aptly demonstrated through the Ullas program that has repeatedly won India's Best CSR program award.

I must congratulate the recent ruling by the Government on 2% of the Profits to be deployed towards Social connect programs. Our company has been contributing 1% of the profits since 1997 and for us, this is a logical expansion.

You have all been Pillars of our growth journey, from a fledgling company in the 90's to a globally respected Institution. You have enriched our association with your conviction in our journey as well as by advising the Leadership on a multitude of opportunities. On behalf of the Board and the Leadership, please accept my sincere thanks for standing by us through crests and troughs.

Uncertainty and stress are probably synonyms for evolution and change. It is extremely hard on the Leadership as it naturally means difficult paths and difficult choices. I must appreciate and thank the Polaris leadership team for having the courage to take the road less travelled, don new and challenging roles and move ahead with an inspiring agility.

Our company has been built on 3 pillars, Dreams, Quality and Relationships. Weaving dreams is a shade easier than believing in those dreams and drive value creation, day after day, night after night. Our employees deserve all the appreciation for building innovative and robust solutions that have earned the Financial Technology Specialist brand to Polaris. I have been deeply humbled by their endearing "Can do" attitude despite chasing complex demands from the clients along with seemingly impossible deadlines.

Given the association that the company and I share with many of you, I must say that this year has also been a landmark year for me, as a Founder Entrepreneur & CEO. Over the last few years, I made a personal transition from a hands-on CEO to more of a Solution designer & Chief Architect. This year, I took another big step in my own personal journey by bringing in five CEOs and learning to move to the role of Coach and Mentor. I will continue to provide active support to each of the businesses as they chase their dreams in their new orbits.

The soul of a start up is back in our businesses. My leadership team and I look forward to your continued support and encouragement.