

POLARIS Investor  
Presentation  
Q3 FY 2009-10

World's leading provider of  
Financial Technology

Performing Steadily.

**CFO**

**R SRIKANTH**

# Financial Highlights

Oct,2009 – Dec,2009

US Dollars

## The Primary Performance Metrics

- Revenue Growth 4 % **(Q-O-Q)**
  - USD 72.55 million from USD 69.93 million
- Operating Profit (EBITDA) growth of 5%
  - USD 11.73 million from USD 11.14 million
- Profit Growth 18 %
  - USD 8.58 million from USD 7.27 million

# Financial Highlights

Oct,2009 – Dec,2009

Indian Rupee

## The Primary Performance Metrics

(Q-O-Q)

- Revenue Growth 0.2%
  - Rs. 338.9 Crore from Rs. 338.3 Crore
- Operating Profit (EBITDA) growth 2%
  - Rs. 54.78 Crore from Rs. 53.87 Crore
- Profit Growth 14%
  - Rs. 40 Crore from Rs. 35 Crore
- EPS – Q3 annualized
  - Rs 16.24 (from Rs. 14.28 in Q2)

## Three Drivers

OTIF Delivery – 98%, Benchmark collection efficiency

Prudent Cost Management and Forex management

Consistent EBITDA to free cash conversion and zero debt

Performing consistently.

**COO**

**GOVIND SINGHAL**

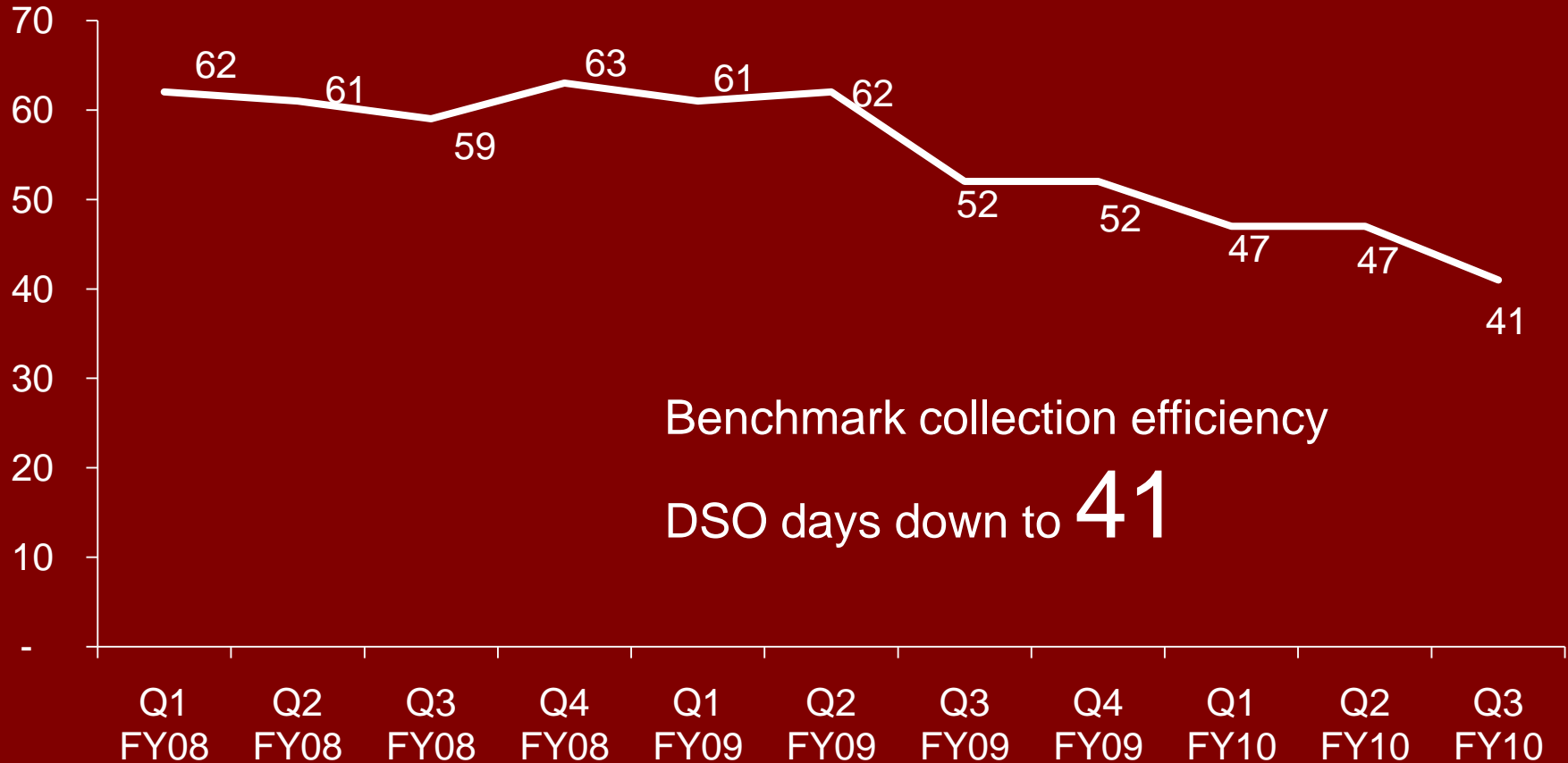
# Financial Highlights

## Receivables

11 Quarters

Improved consistently

Debtor Outstanding (days)



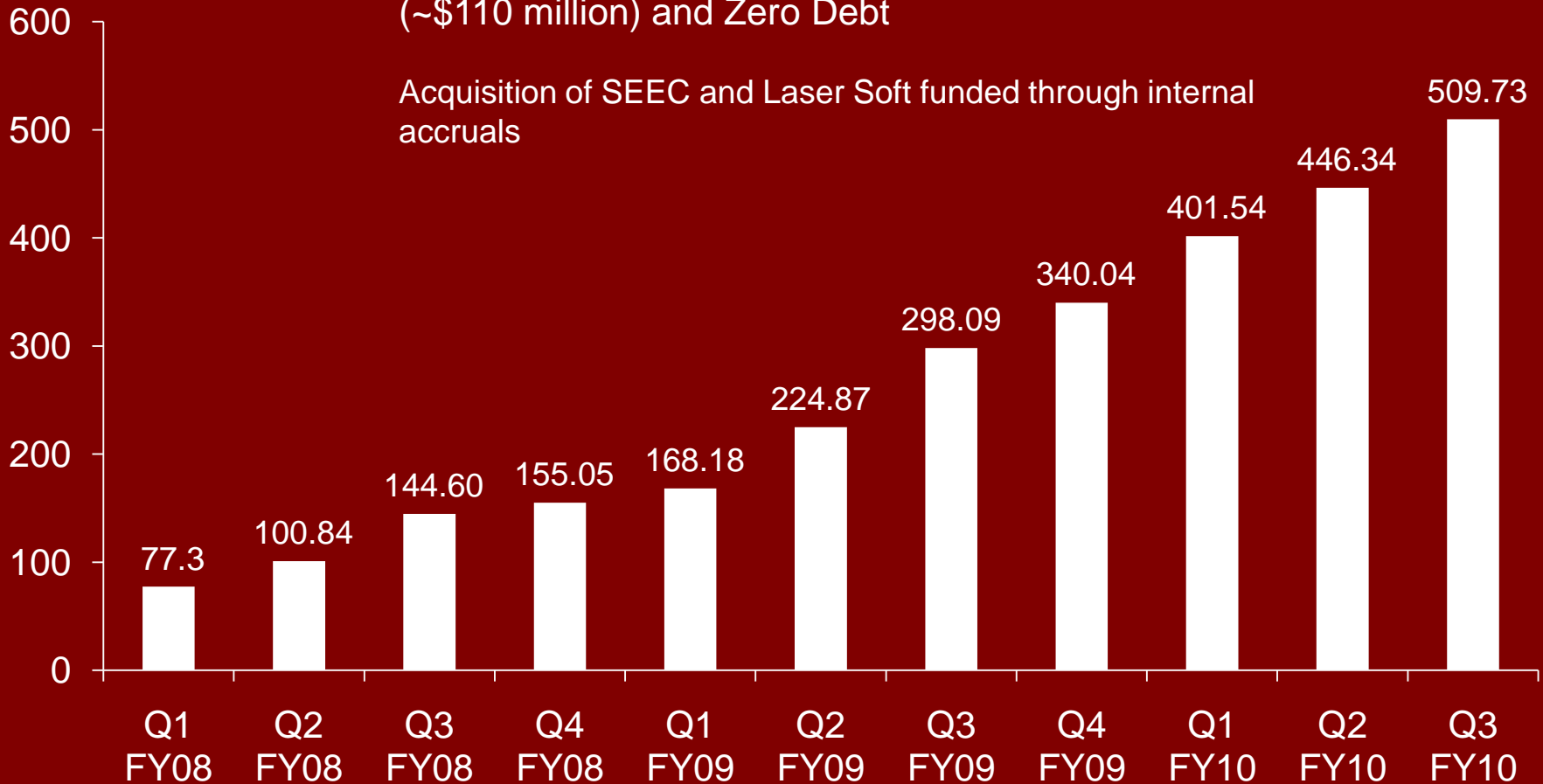
# Financial Highlights

## Cash Flow

Growing consistently

Cash & Cash Eq. crossed **Rs. 500 crore**  
(~\$110 million) and Zero Debt

Acquisition of SEEC and Laser Soft funded through internal accruals



# Financial Highlights

ROCE

Balance Sheet

| (in Rs. Cr)           | Qtr<br>Dec, 2009 | Qtr<br>Sep, 2009 | Qtr<br>Jun, 2009 | FY 2009 | FY 2008 |
|-----------------------|------------------|------------------|------------------|---------|---------|
| Capital Employed      | 856.00           | 840.56           | 802.36           | 772.67  | 657.49  |
| Returns               | 40.07            | 35.20            | 31.84            | 130.71  | 73.22   |
| ROCE<br>(*annualized) | 18.7%*           | 16.8%*           | 15.5%*           | 17%     | 11%     |

Sustainable Performance.

**CEO**

**ARUN JAIN**

# During the Quarter

- **Highlights**

- During the quarter, the company recorded 30 wins
- Three customers in North America and two customers in Europe chose Polaris for their Financial Technology outsourcing needs
- Polaris registered highest sales of Intellect during the quarter with 14 wins
- Intellect revenues grew to 20.11% of the company revenues in the quarter
- The company won two large Intellect core banking deals, one each in Vietnam and Japan. This was the third major core banking win in the Vietnam region
- The company won Intellect Liquidity deals one each in the US and Asia Pacific

- **Analyst Recognition in the Marketplace**

- Polaris featured amongst the Bank Technology Executive's most admired vendors for Core Banking by Aite Group
- Polaris Payment Services Hub was featured in a report for its ability to suit both 'Build' and 'Buy' alternatives for banks; by the world's leading information technology and research and advisory company

- **Awards and Recognition**

- Laser Soft, Polaris' wholly owned subsidiary won NDTV Business Leadership Awards 2009, under the 'Inclusion and Diversity' category
- The company was reassessed at CMMi Level 5 for software services, Intellect GUB product spanning all micro verticals within BFSI across all business solution centers

- **Product Launch**

- Polaris launched Intellect Insurance Portal developed using cutting edge technology to provide higher functionality at the right price point for the growing insurance market in developing countries

# POLARIS

A Financial Technology Corporation.

# Appendix

## Metrics

# Financial Highlights Quarterly - Consolidated

|   | Rs lakhs   |            |            |
|---|------------|------------|------------|
| Profit and Loss Account - Q on Q                  | Q3 - FY 10 | Q2 - FY 10 | Q3 - FY 09 |
| Particulars                                       |            |            |            |
| Income from Software Service & Products           | 33,888.55  | 33,830.55  | 37,257.80  |
| Software Development expenses                     | 21,846.50  | 22,065.44  | 23,234.77  |
| Gross Profit                                      | 12,042.05  | 11,765.11  | 14,023.03  |
| Sales and Marketing expenses                      | 3,610.04   | 3,551.65   | 3,504.45   |
| General and Administrative expenses               | 2,954.39   | 2,826.01   | 2,978.35   |
| Operating Profit before Interest and Depreciation | 5,477.62   | 5,387.45   | 7,540.23   |
| Depreciation and Amortisation                     | 864.57     | 873.67     | 880.01     |
| Finance charges                                   | 21.62      | 17.27      | 17.77      |
| Operating Profit after Interest and Depreciation  | 4,591.43   | 4,496.51   | 6,642.45   |
| Other Income                                      | 499.56     | 404.94     | 466.09     |
| Exchange Gain / (Loss)                            | (420.38)   | (858.16)   | (2,854.15) |
| Share of Profit/(Loss) of associate companies     | -          | (41.61)    | 23.63      |
| Profit Before Tax                                 | 4,670.61   | 4,001.68   | 4,278.02   |
| Provision for Taxation                            | 663.22     | 482.06     | 561.29     |
| Profit After Tax(PAT)                             | 4,007.39   | 3,519.62   | 3,716.73   |
| PAT % on Revenue                                  | 11.83%     | 10.40%     | 9.98%      |

# Balance Sheet - Consolidated

Rs lakhs

| Sources of Funds                          | Dec 31, 2009     | Sep 30, 2009     |
|---|------------------|------------------|
| Shareholders Funds                        |                  |                  |
| Share Capital                             | 4,942.80         | 4,934.42         |
| Share application money pending allotment | 3.45             | 61.26            |
| Reserves & Surplus                        | 80,653.29        | 79,060.36        |
| Total                                     | 85,599.54        | 84,056.04        |
| Loan Funds - Secured Loans                | 310.27           | 18.01            |
| Deffered Tax Liability                    | 673.75           | 689.11           |
| <b>Total Sources of Funds</b>             | <b>86,583.56</b> | <b>84,763.16</b> |
| Application of Funds                      |                  |                  |
| Gross Fixed Assets including Capital WIP  | 56,417.51        | 55,108.36        |
| Accumulated Depreciation                  | 34,188.34        | 32,812.54        |
| Net Fixed Assets                          | 22,229.17        | 22,295.82        |
| Goodwill                                  | 5,006.90         | 1,987.62         |
| Investments other than Mutual Funds       | 917.82           | 917.46           |
| Deferred Tax Asset                        | 1,046.55         | 1,020.94         |
| Current Assets                            |                  |                  |
| Cash & Cash Equivalents                   | 50,973.28        | 44,633.65        |
| Debtors Billed                            | 15,588.13        | 17,907.35        |
| Revenue Accrued & to be billed            | 10,070.62        | 9,905.35         |
| Loans & Advances                          | 8,737.16         | 7,903.32         |
| Total                                     | 85,369.19        | 80,349.67        |
| Current Liabilities & Provisions          |                  |                  |
| Current Liabilities                       | 22,562.30        | 18,346.92        |
| Provisions                                | 5,423.77         | 3,461.43         |
| Total                                     | 27,986.07        | 21,808.35        |
| Net Current Assets                        | 57,383.12        | 58,541.32        |
| <b>Total Application of Funds</b>         | <b>86,583.56</b> | <b>84,763.16</b> |

# Cash Flow Statement - Consolidated

Rs lakhs

| Particulars   | Dec 31, 2009     | Sep 30, 2009     |
|---|------------------|------------------|
| <b>Cash flows from operating activities</b>                                       |                  |                  |
| Profit before taxation  | 4,670.61         | 4,001.68         |
| Adjustments for:  |                  |                  |
| Depreciation  | 864.57           | 873.67           |
| Interest income   |                  |                  |
| Dividend income   | (33.15)          | (33.01)          |
| Exchange differences on translation of foreign currency cash and cash equivalents | (394.27)         | (341.86)         |
| Unrealised exchange (gain) / loss   | 76.53            | (223.91)         |
| Provision for doubtful debts  | (263.93)         | (187.30)         |
| ( Profit) / Loss on sale of fixed assets  | 75.00            | 75.00            |
| Lease finance charges   | (4.11)           | 3.21             |
| Share of loss/(profit) on associate companies                                     | 0.54             | 0.68             |
| Decrease / (Increase) in sundry debtors   | -                | 41.61            |
| Decrease/ (Increase) in loans and advances  | 3,387.44         | (450.18)         |
| Increase/(Decrease) in current liabilities and provisions                         | 329.12           | 2,026.82         |
| Net Taxes paid/Refund received  | 2,006.21         | 203.30           |
| Net cash flows from operating activities  | (869.09)         | (444.94)         |
| Cash flows from investing activities  | 9,845.45         | 5,544.76         |
| Purchase of fixed assets and changes in capital work in progress                  |                  |                  |
| Acquisition of Laser Soft Infosystems Limited                                     | (597.93)         | (415.19)         |
| Proceeds from sale of fixed assets  | (3,441.38)       | -                |
| Interest received   | 7.67             | 4.43             |
| Dividend received   | 33.15            | 33.01            |
| Net cash flows from investing activities  | 394.27           | 341.86           |
| Cash flows from financing activities  | (3,604.22)       | (35.88)          |
| Proceeds from share capital issued on exercise of stock options                   | 8.38             | 0.62             |
| Proceeds from share premium on exercise of stock options                          | 122.74           | 8.78             |
| Change in secured loans   | 225.19           | (8.82)           |
| Lease finance charges   | (0.54)           | (0.68)           |
| Dividends paid during the year  | (7.53)           | (1,433.23)       |
| Net cash flows from financing activities  | 348.24           | (1,433.33)       |
| Exchange differences on translation of foreign currency cash and cash equivalents | (76.53)          | 223.91           |
| Exchange differences on translation of foreign subsidiaries                       | (418.61)         | 180.00           |
| Total increase / (decrease) in cash and equivalents during the period             | 6,094.32         | 4,479.45         |
| Cash and cash equivalents at the beginning of the Period                          | 44,633.65        | 40,154.20        |
| Cash and cash equivalents at the beginning of the Period – Lasersoft              | 245.31           | -                |
| <b>Cash and cash equivalents at the end of the Period</b>                         | <b>50,973.28</b> | <b>44,633.65</b> |

# Highlights

|                          | Q3 FY 10 | Q2 FY 10 | Q3 FY 09 |
|--------------------------|----------|----------|----------|
| Revenue (INR) QoQ Growth | 0.17%    | 4%       | 6%       |
| New Clients              | 30       | 16       | 13       |
| DSO                      | 41       | 47       | 52       |

# Geography Revenue Concentration

|                                 | Q3 FY 10       | Q2 FY 10       | Q3 FY 09       |
|---------------------------------|----------------|----------------|----------------|
| <b>US/North America</b>         | <b>43.14%</b>  | <b>43.02%</b>  | <b>39.65%</b>  |
| <b>Europe</b>                   | <b>26.26%</b>  | <b>27.54%</b>  | <b>29.22%</b>  |
| <b>India</b>                    | <b>8.73%</b>   | <b>8.06%</b>   | <b>8.66%</b>   |
| <b>Asia Pacific &amp; Japan</b> | <b>21.87%</b>  | <b>21.38%</b>  | <b>22.47%</b>  |
| <b>Total</b>                    | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> |

# Revenue Mix

|          | Q3 FY 10 | Q2 FY 10 | Q3 FY 09 |
|----------|----------|----------|----------|
| Onsite   | 49.90%   | 51.23%   | 53.77%   |
| Offshore | 50.10%   | 48.77%   | 46.23%   |
| Total    | 100.00%  | 100.00%  | 100.00%  |

# Client Concentration

|   | Q3 FY 10      | Q2 FY 10      | Q3 FY 09      |
|---|---------------|---------------|---------------|
| <b>Client Contribution to Revenue (%)</b> |               |               |               |
| <b>Top Client</b>                         | <b>18.25%</b> | <b>17.73%</b> | <b>13.72%</b> |
| <b>Top 5 Clients</b>                      | <b>42.62%</b> | <b>42.77%</b> | <b>41.47%</b> |
| <b>Top 10 Clients</b>                     | <b>55.23%</b> | <b>55.97%</b> | <b>53.47%</b> |

# Associate Information

|                                | Q3 FY 10    | Q2 FY 10     | Q3 FY 09    |
|--------------------------------|-------------|--------------|-------------|
| <b>Total Employee Strength</b> | <b>9324</b> | <b>8,805</b> | <b>9887</b> |
| <b>Software Professionals</b>  | <b>91%</b>  | <b>91%</b>   | <b>91%</b>  |
| <b>S G &amp; A Staff</b>       | <b>9%</b>   | <b>9%</b>    | <b>9%</b>   |

# Capex

| Capital Expenditure ( Rs in Cr )         | Q3 FY 10    | Q2 FY 10    | Q3 FY 09    |
|--|-------------|-------------|-------------|
| <b>PSL and its Overseas Subsidiaries</b> | 5.98        | 3.96        | 4.21        |
| <b>Optimus</b>                           | -           | 0.19        | 0.17        |
| <b>Total</b>                             | <b>5.98</b> | <b>4.15</b> | <b>4.38</b> |