

'Niche players like us are getting

Q&A Chennai-based Polaris Software Labs is one of the few

information technology companies to focus almost solely on the banking, financial services and insurance (BFSI) segment, drawing almost 95 per cent of its revenue from this sector. While the company was impacted by the recession, Chairman & CEO **ARUN JAIN** retains his ambition of figuring among the top five players globally in the BFSI space. He spoke with **Shivani Shinde** on the improving business environment, pipeline and growth areas for Polaris. Edited excerpts:

Citigroup recently sold 6 per cent of your company's shares in the open market. What's the likely impact?

Good for the company, as a single firm had over 40 per cent stake

in Polaris. (OrbiTech, an entity controlled by Citigroup, sold nearly 6 per cent of its holding in the company. Citi held 43.33 per cent in Polaris as of June 30). This will prompt others to join, and diversify our portfolio.

Besides, you have to understand the market dynamics. There is hardly any liquidity. This action allows for that. But, this does not impact our relation with Citi, which is 40 per cent of our revenue. This shows we have been delivering higher value, for them to continue to work with us. Normally, it is difficult to perform on the same turf, as there are other competitors who want to throw you out.

Your company has Rs 400 crore in cash. What do you plan to do with it?

We are looking for acquisitions but are yet to find the right fit. A lot of time goes in evaluating these targets. This year, we are targeting two acquisitions, either for account expansion or to enter a new geography.

Industry leaders have been hinting at stability in the BFSI segment globally. Do you agree?

Yes, in a way the financial sector is in a much better situation. But new business translating into projects is still slow. Let me reiterate our thinking. The BFSI sector will continue to invest in technology. This will happen even if business is good or bad, as banks need it to serve customers. Unlike other sectors, technology is a necessity within the banking sector. I have been saying that this has been a knee-jerk reaction from banks, and a temporary phase.

Most of the new projects will start from January 2010 onwards. We still see a lag effect on project finalisation till the March quarter. However, projects required on an urgent basis and which were held will get revived. In the last two quarters (Jan-June 09), projects that were non-discretionary in nature were stopped or cancelled. These projects got revived in

Business Standard

recognised'



the July to August period. But the new projects will start from January onwards.

Do you see large transactional deals taking place?

In case of large IT deals, you need to ask whether they are al-

ready completed or how many are left in market place. My belief is that the deals we saw in the period of 2006 and 2007 will not appear again. Or will not be of that magnitude. This market has a three-four year cycle. The reason being, most of the large banks have their offshore sys-

tems in place. The next phase will take place when customer shifts happen from one vendor to another.

Do you see vendor consolidation taking place as well?

I do not think vendor consolidation is happening. Rather, niche players are getting recognised. In the pure technology business (hardware or server systems, etc.), there is consolidation. The other is derivative-based systems which is about business leading business. This is where niche players like us are getting recognised.

So, where do you see Polaris fit in?

We see ourselves as a niche player. Earlier, the CIOs were looking at cost-arbitrage savings. But now the boardroom discussion is around how the IT vendor can give us a competitive advantage. We are engaged with five of the top 10 banks globally, where we are working together to launch

smart banking systems for the global market. Currently, these initiatives are still small in revenue, but have the potential to turn into large projects, as it requires implementation in 30-40 countries. These initiatives have been signed over the last 18 months and will be Polaris' growth engines for the future. Some of these will see a ramp-up from February 2010. Each deal in this segment will be upwards of \$4-5 million. Because of these initiatives, we are getting noticed. At the recently concluded Sibos Exhibition, our stall received high traction. We made 100 leads and we have 75 definite business opportunities.

What is working for Polaris?

I think what has worked for us is the investments we made in the last four years. We are running the way we were supposed to. From April 2009, we launched the Polaris 3.0 phase, which is about creating market leadership. Whatever solution we have created over this time and the

solutions heritage from Citi, are now finding good traction.

The focus will be on two levers. First will be geography expansion. Chile, Egypt and Vietnam will be the hub for straight product implementation. The second part will be packaging all the solutions that we have and look at account expansion. We are following at least 52 of the product deals. A good number will get closed this quarter. I would not like to get into too many details, as we would be announcing our results. But I can say that the deal closure this quarter will be better than last quarter.

Do you think getting out of AIG was a good decision?

It was a good decision. I think we left at the right time. The money was also used for the right acquisitions. But AIG is still not clear on the technology platform. The master services agreement is not fully actionable from the perspective it should have been.