



Polaris Management meet

CMP: Rs.179

Target Price: Not rated

Industry: Information Technology

Stock Info

Market Capital	Rs.1787.9 cr
Free float	Rs.787 cr
Equity Capital	Rs.49.5 cr
Avg Trading Vol.	159250 (Qtly)
52 WK High/Low	204.4/84.2
Face Value	Rs. 5

BSE Group

B/BSE 500

BSE Code

532254

NSE Symbol

POLARIS

Bloomberg

POL IN

Reuters

POL.S.BO

BSE Sensex

17994

NSE Nifty

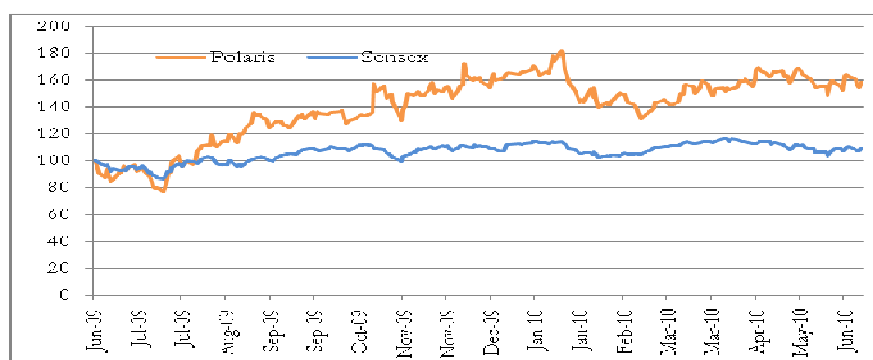
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Shareholding Pattern (30th June'10)

Promoters	29.1%
Domestic Institutions	17.9%
Foreign Institutions	13.8%
Non Promoters Corp.	3.6%
Public & Others	35.8%
Govt. Holdings	0.0%

Visit update

- **Event:** We met the CFO of Polaris Software Lab Mr.Srikanth to discuss the prospective growth of the company and their future plans. The management gave us the confidence that they are well on track to achieve their profit guidance for FY11 as well as their plans to become a top-notch company in the software product space for the highly lucrative BFSI segment.
- **Key takeaways:** A few key takeaways from the meet are as follows:
 1. The company expects the proportion of product business increase from the current 23 per cent to about 26 per cent by the end of FY11. This will help the company to better margins as the margins enjoyed by the product segment is higher at 23 per cent as compared to 14 per cent in the service line.
 2. The company believes that it has a very formidable line of products categorized under the Intellect suite and very soon it can go live in many US, European, Middle-east, and Australia-based companies.
 3. The company currently gets a majority part of their product revenues in the form of license and implementation fees. Going forward, the company expects to get one-third of its product revenue from maintenance. Since maintenance revenue is an annuity based revenue it will bring about visibility of its future revenues.
 4. The company is currently facing a the high attrition rate of 20 per cent that it had to endure in the last quarter. Mr.Srikanth explained to us that a number of measures has been taken to bring it under control. This is one factor we will have to keep an eye on in the coming quarters.
 5. The company aims to clock an EPS of Rs.20.5 in FY11 as compared to Rs.15.5 per share in the previous quarter. Taking into account the fact the company had an EPS of Rs.4.71 in Q1FY11 and an improving business scenario we believe that the guidance is very much achievable.
- **Our view:** We have a positive view on Polaris and believe that the management looks capable of delivering on its words. We will come out with a detailed initiating coverage report on the stock.



Price chart of Polaris

Background

Founded in 1993, Polaris Software Lab Ltd. is one of the world's most sophisticated banking and insurance software company. Headquartered in Chennai, Polaris has been the outsourcing partner for 10 of the top 15 global banks and 6 of the top 10 global insurance companies.

It has offices in more than 24 countries like US, UK, Canada, Australia, France, Germany, etc. It also has 7 fully owned business solutions centres in Chennai, Hyderabad, Mumbai and Gurgaon. Polaris has the distinction of being the world's first CMMi (Capability Maturity Model Integrated) level5 company.

Polaris began its journey more than two decades ago by partnering with Citibank to create India's first ATM system. As a result of its association with Citibank, it gained experience in creating mission critical solutions with leading edge functionality and also successful outsourcing models that enabled Polaris to meet and exceed global standard. In 2003, Polaris went on to acquire Citibank's banking IT arm. Citibank has always been an important part of the company and currently its has close to 23.52 per cent stake in it. Of this about 7.98 per cent is held by Citibank N.A. as a trustee Orbitech Ltd. Citigroup is also its single largest client and contributes ~40 per cent of its total revenues.

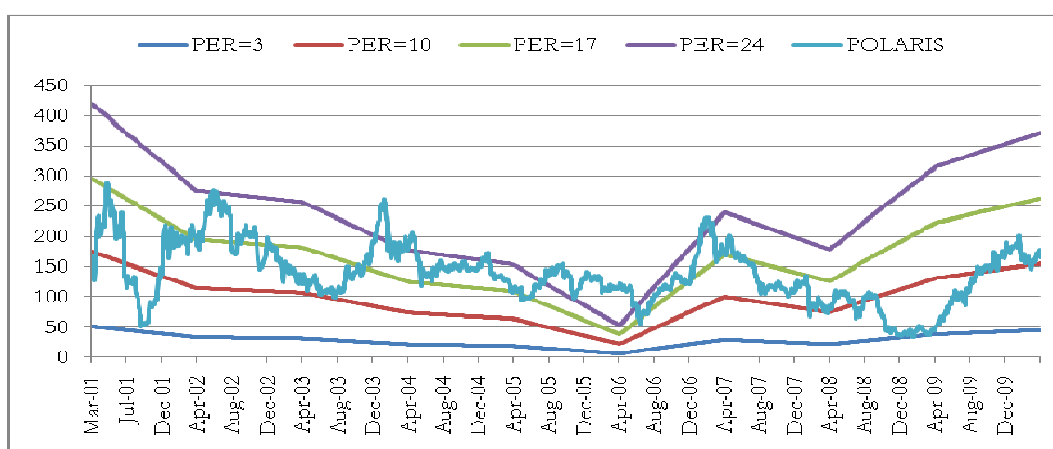


Fig: PE band of Polaris

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Stock Rating Scale

		Absolute Return
BUY	:	>20%
ACCUMULATE	:	12-20%
HOLD	:	5-12%
REDUCE	:	<5%

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