

## RBI Deal is Testimony of Our Tech: Polaris Software's Jain



Building a products company in the IT space is tough business,

says **Arun Jain**, the CMD of Chennai-based Polaris Software Lab, who finds investors aren't easily convinced. The recent \$55-million deal with Reserve Bank of India, however, could be a sign of things to come. Jain tells ET's **Sriram Srinivasan** and **Sangeetha Kandavel**. Edited excerpts:

**Some of the smaller firms have already been sold out to bigger companies? You aren't in the tier I space? What is your status?**

We have chosen our space to be financial technology. So the space isn't tier I, tier II or tier III. In 2002, we decided that we will be a company that provides financial services. From offshoring and outsourcing, we moved into financial technology. For this I need products, services and consulting. Today, global financial institu-

tions are looking for unique products along with services. We focused on innovating. In the last two years, we have seen very good traction and the RBI deal (a \$55-million deal) is testimony to that. It's easy to sell the company to an American corporation, saying we don't have product capability in India. We can keep on complaining that there's no global company like Microsoft in India. There won't be. Because there is investor pressure to encash quickly. We are confident of going to Europe and America for selling our products. And in the last two years we are finding a lot of traction. The RBI deal is a testament that our technology is superior. In spite of existing players in banking, like Infosys and TCS, they have chosen Polaris. This is the path we have chosen. It's a tough path. We have been beaten by the Investors Street, because investors want all the cash to be kept in the bank. When we were investing Rs 450 crore from the services profit in-

to it, our share price came down.

**So, what's the kind of growth you are looking at?**

We are looking at a sustained 25% growth. But we should be aware of threats from big firms and be ahead of them. People are realising that products will become an inherent part of the IT story. Suddenly, TCS has put a very senior person in products. And Kamath sahib is saying they will set up a separate products company. I don't think two years back if I had said we would win a single deal of \$55 million, any investor would have trusted. If we put the RBI deal in international context, it would be 1:3 or 1:4 the size. So, internationally, it would be about \$150-200 million. As soon as a \$350-million company has such a deal, it would be a totally different ball game. It could be a turning point.

**Given this, what will be your**



**Arun Jain, CMD, Polaris Software**

**biggest challenge?**

Our challenge will be to scale up. What I'm working on is the balance between quarterly results and scaling up for global needs. We need to see how to scale up on the back-end and marketing sides. We need skills which are significantly different from a cost-arbitrage business. Dollars for marketing is another challenge.

**You bought IdenTrust recently.**

**What do you look for when you decide to acquire another company?**

The key dimension is market share. Any leadership company which has good technology and can enable us to leverage our product sale better will fit us. For instance, the IdenTrust deal we did last month. This is a technology to build fool-proof digital security. If we assume that by 2015, 40% of transactions will be digital, you need digital security. The acquisition of LaserSoft is another example. They had 40 accounts in India and we did not have any Indian presence for quite some time. This deal helped us, and now we could win the RBI deal. Customer assets and technology are the two reasons for acquisitions.

**How do you rate your BPO Optimus?**

It's not a successful venture. We were early in the game and were the first ones to start a domestic BPO. We

started in 2002, thinking that credit card business will grow and will be outsourced. But it hasn't grown that well. We have to shift Optimus from credit card to some other banking operation.

**How is your relationship with the Citigroup the customer?**

It's a 25-year customer relationship. In Indian history, this is the longest relationship any vendor has had with the customer. It is a \$150-million revenue relationship, and has grown 15-20% year on year. It's almost 40% of our revenues now. It used to be 70% at one time. Large customers like Citibank give us stability of business. More than 40% is risky. The Citibank investment arm is different from the Citibank business arm. In 2002, they had a 43% stake with us. At present their stake is 19%. How they want to sell the stake, when they want to shed it, is there a pressure point? All this is the decision of their CEO.