

Oracle Financial Services Software Limited

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Audited Consolidated financial results for the three month period ended and year ended March 31, 2020

PART I		Three month period ended			Year ended	
		March 31, 2020	December 31, 2019	March 31, 2019	March 31, 2020	March 31, 2019
Particulars		Audited	Unaudited	Audited	Audited	Audited
1	INCOME					
	(a) Revenue from operations	12,635.48	11,601.46	12,149.15	48,612.76	49,589.03
	(b) Other income, net	371.22	620.59	613.19	1,773.39	1,760.92
	Total income	13,006.70	12,222.05	12,762.34	50,386.15	51,349.95
2	EXPENSES					
	(a) Employee benefit expenses	5,535.33	5,214.14	5,327.83	21,178.01	21,958.10
	(b) Travel related expenses	481.41	590.82	571.27	2,255.81	2,466.95
	(c) Professional fees	373.52	346.79	283.99	1,452.45	1,492.07
	(d) Finance cost	395.76	24.63	-	473.65	-
	(e) Other operating expenses	592.90	187.60	747.54	1,439.61	2,225.79
	(f) Depreciation and amortization	274.06	268.34	162.17	1,063.81	537.17
	Total Expenses	7,652.98	6,632.32	7,092.80	27,863.34	28,680.08
7	Profit before tax	5,353.72	5,589.73	5,669.54	22,522.81	22,669.87
8	Tax expenses					
	(a) Current tax	1,263.14	1,046.03	1,922.62	6,315.25	8,206.10
	(b) Deferred tax	1,398.31	(23.89)	486.89	1,585.39	604.79
	Total tax expenses	2,661.45	1,022.14	2,409.51	7,900.64	8,810.89
9	Net profit for the period	2,692.27	4,567.59	3,260.03	14,622.17	13,858.98
10	Other Comprehensive Income					
	(a) Items that will not be reclassified subsequently to profit or loss					
	(i) Actuarial (loss) gain on gratuity fund	(56.39)	17.24	16.53	(96.44)	46.51
	(ii) Deferred tax	13.30	(4.34)	(3.60)	23.38	(14.07)
	(b) Items that will be reclassified subsequently to profit and loss					
	(i) Exchange differences on translation of foreign operations	760.05	113.56	(271.43)	1,108.95	194.05
	Total other comprehensive income for the period, net of tax	716.96	126.46	(258.50)	1,035.89	226.49
11	Total comprehensive income for the period	3,409.23	4,694.05	3,001.53	15,658.06	14,085.47
12	Net profit attributable to:					
	Equity holders of the Company	2,692.27	4,567.59	3,260.03	14,622.17	13,858.98
	Non-controlling interests	-	-	-	-	-
13	Total comprehensive income attributable to:					
	Equity holders of the Company	3,409.23	4,694.05	3,001.53	15,658.06	14,085.47
	Non-controlling interests	-	-	-	-	-
14	Paid up equity share capital (face value ₹ 5 each, fully paid)	429.40	429.29	428.76	429.40	428.76
15	Reserve excluding Revaluation Reserves as per balance sheet of previous accounting year				65,266.40	48,936.15
16	Earnings per equity share (face value ₹ 5 each, fully paid)					
	(a) Basic (in ₹)	31.36	53.21	38.03	170.38	161.94
	(b) Diluted (in ₹)	31.24	53.00	37.86	169.66	161.11
See accompanying note to the financial results						

Notes to financial results :

- 1 The audited consolidated financial results for the three month period ended and year ended March 31, 2020 have been reviewed by Audit Committee and approved by the Board of Directors of the Company at its meeting held on May 14, 2020. There are no qualifications in the report issued by the Statutory Auditors.
- 2 These financial results have been prepared in accordance with the Indian Accounting Standards (Ind AS) as prescribed under Section 133 of the Companies Act, 2013 read with relevant rules of the Companies (Indian Accounting Standards) Rules, 2015 (as amended) and other accounting principles generally accepted in India.
- 3 The figures for the three month period ended March 31, 2020 and March 31, 2019 are the balancing figures between audited figures in respect of the full financial year ended March 31, 2020 and March 31, 2019 respectively and unaudited published year-to-date figures up to December 31, 2019 and December 31, 2018 respectively, being the end of the third quarter of the respective financial years, which were subjected to limited review.
- 4 The OFSS group has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying value of trade receivables, unbilled receivables, contract assets and goodwill, which are not significant to the consolidated financial results for three month period ended and year ended March 31, 2020. In assessing the recoverability of these assets, the OFSS group has used internal and external sources of information up to the date of approval of these consolidated financial results, and based on current estimates, expects the net carrying amount of these assets will be recovered. The impact on account of Covid-19 on the OFSS group's consolidated financial results may differ from that estimated as at the date of approval of these consolidated financial results. The OFSS group will continue to monitor any material impact due to changes in future economic conditions.
- 5 The OFSS group has adopted Ind AS 116 'Leases' with effect from April 1, 2019 using the modified retrospective method. Cumulative effect of initially applying the standard has been recognized on the date of initial application and hence the OFSS group has not restated comparative information. Accordingly, the OFSS group has recognized Right-of-use asset of ₹ 1,605.51 million and a lease liability of ₹ 1,562.11 million in the consolidated financial statements on the date of initial application. There is no impact on the retained earnings. Due to adoption of Ind AS 116, the nature of expenses have changed from rent in previous periods to depreciation cost on right-of-use asset and finance cost for interest on lease liability. During the three month period ended and year ended March 31, 2020, the OFSS group has recognized depreciation on right-of-use asset of ₹ 121.90 million and ₹ 486.03 million along with interest on lease liability of ₹ 21.96 million and ₹ 99.85 million; respectively. The effect of this standard is not significant on the profit for the period of the OFSS group.
- 6 During the three month period ended and year ended March 31, 2020, the Company allotted 22,253 and 100,151 equity shares, respectively, of face value of ₹ 5 each on exercise of stock options by eligible employees under the prevailing ESOP schemes.
- 7 The Company has exercised the option permitted under Section 115BAA of the Indian Income Tax Act, 1961 as introduced by The Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognized provision for income tax and remeasured its deferred tax asset at the rate prescribed in the said section. Impact of this change has been recognized in the statement of profit and loss account for the three month period ended and year ended March 31, 2020.
- 8 Upon adoption of the Appendix C on "Uncertainty over Income-tax Treatments" of Ind AS 12, Income Taxes, the OFSS group has reassessed during the three month period ended March 31, 2020 its estimate of uncertain income-tax position. Based on its reassessment, during the three month period ended and the year ended March 31, 2020, the OFSS group has recorded net tax expense of ₹ 281.33 million and ₹ 485.13 million respectively, both including charge of ₹ 284.51 million pertaining to earlier years. Consequent to the tax expense, during the three month period ended March 31, 2020, the OFSS group has recognised the related interest expense of ₹ 373.80 million, including ₹ 269.75 million pertaining to earlier years, which has been disclosed as part of finance cost. Further, the OFSS group in the three month period ended March 31, 2020, has reversed income tax provisions pertaining to earlier years of ₹ 720.27 million arising out of adjudication of certain disputed matters in favour of the OFSS group and its reassessment of existing income tax position. The current tax expense of the OFSS group for the three month period ended and year ended March 31, 2020 of ₹ 1,263.14 million and ₹ 6,315.25 million includes the income tax expense of ₹ 281.33 million and ₹ 485.13 million for the three month period ended and the year ended March 31, 2020 respectively and reversals of income tax provisions of ₹ 720.27 million for the three month period ended March 31, 2020 arising on account of reassessment as mentioned above, thereby having a resultant impact of net tax credit of ₹ 438.94 million and ₹ 235.14 million in the three month period ended and year ended March 31, 2020 respectively.
- 9 The deferred tax charge of the OFSS group for the three month period ended and year ended March 31, 2020 is ₹ 1,398.31 million and ₹ 1,585.39 million respectively. OFSS group recognises deferred tax liability on the undistributed profits of subsidiaries by assessment of the undistributed profits which are expected to be distributed in the foreseeable future for each subsidiary as at every year end. During the three month period ended March 31, 2020, the OFSS group has reassessed its estimate of the quantum of undistributed profits of all the subsidiaries and based on its reassessment has recorded deferred tax expense of ₹ 1,432.62 million, including ₹ 1,252.33 million pertaining to earlier years. This deferred tax charge of ₹ 1,432.62 million, forms part of the deferred tax charge for the three month period ended and year ended March 31, 2020 of OFSS group as mentioned hereinabove.
- 10 The tax expense for the year ended March 31, 2020 includes reversal of tax expense of ₹ 354.21 million which was recognized in the previous year. The tax expense for the three month period ended December 31, 2019 includes reversal of tax expense of ₹ 354.21 million and ₹ 205.05 million which was recognized in the previous year and six month period ended September 30, 2019, respectively. The reversal of tax expense is resulting from the remeasurement of the tax liability pursuant to changes in the US tax legislations.

11 Particulars of Other income, net

(₹ in million)

Particulars	Three month period ended			Year ended	
	March 31, 2020	December 31, 2019	March 31, 2019	March 31, 2020	March 31, 2019
	Audited	Unaudited	Audited	Audited	Audited
Finance income	447.46	432.63	317.90	1,658.14	1,319.73
Exchange (loss) gain, net	(135.56)	151.96	242.27	(66.12)	226.97
Miscellaneous income, net	59.32	36.00	53.02	181.37	214.22
Total	371.22	620.59	613.19	1,773.39	1,760.92

Particulars	As at	
	March 31, 2020	March 31, 2019
	Audited	Audited
A ASSETS		
1 Non-current assets		
(a) Property, Plant and Equipment	2,305.20	2,450.09
(b) Capital work-in-progress	0.49	4.53
(c) Right-of-use Assets	1,134.40	-
(d) Investment property	102.00	102.00
(e) Goodwill	6,086.63	6,086.63
(f) Financial assets	1,447.09	649.80
(g) Deferred tax assets (net)	1,013.68	617.03
(h) Income tax assets (net)	7,979.21	7,486.56
(i) Other non-current assets	389.63	711.88
	20,458.33	18,108.52
2 Current assets		
(a) Financial assets		
(i) Trade receivables	9,253.66	9,474.76
(ii) Cash and bank balances	13,315.94	11,562.69
(iii) Other bank balances	31,652.17	16,716.93
(iv) Other current financial assets	2,501.59	3,357.06
(b) Income tax assets (net)	806.28	28.45
(c) Other current assets	2,225.47	2,066.01
	59,755.11	43,205.90
TOTAL - ASSETS	80,213.44	61,314.42
B EQUITY AND LIABILITIES		
1 Equity		
(a) Equity share capital	429.40	428.76
(b) Other equity	65,266.40	48,936.63
	65,695.80	49,365.39
2 Non-current liabilities		
(a) Financial liabilities		
(i) Lease liability	681.50	-
(ii) Other financial liabilities	45.55	32.38
(b) Other non-current liabilities	-	160.62
(c) Provisions	1,198.74	1,005.21
(d) Deferred tax liability (net)	1,975.56	29.80
(e) Income tax liabilities (net)	1,156.30	106.84
	5,057.65	1,334.85
3 Current liabilities		
(a) Financial liabilities		
(i) Lease liability	465.32	-
(ii) Trade payables		
Payable to micro and small enterprises	2.65	3.17
Payable to others	352.27	564.48
(iii) Other current financial liabilities	2,195.30	2,723.47
(b) Other current liabilities	4,967.81	5,064.67
(c) Provisions	1,291.06	1,290.03
(d) Income tax liabilities (net)	185.58	968.36
	9,459.99	10,614.18
TOTAL - EQUITY AND LIABILITIES	80,213.44	61,314.42

Particulars	Year ended	
	March 31, 2020	March 31, 2019
	Audited	Audited
Cash flows from operating activities		
Profit before tax	22,522.81	22,669.87
Adjustments to reconcile profit before tax to cash (used in) provided by operating activities :		
Depreciation and amortization	1,063.81	537.17
(Profit) on sale of fixed assets, net	(0.31)	(0.51)
Impairment loss (reversed) on contract assets	(107.23)	(628.50)
Impairment loss recognized on other financial assets	7.06	3.42
Bad debts	200.18	865.89
Finance income	(1,658.14)	(1,319.73)
Employee stock compensation expense	544.01	610.67
Effect of exchange rate changes in cash and cash equivalent	(849.69)	5.75
Effect of exchange rate changes in assets and liabilities	769.91	(205.99)
Finance cost	473.65	-
Deferred rent	-	2.73
Operating Profit before Working Capital changes	22,966.06	22,540.77
Movements in working capital		
(Increase) in other non-current financial assets	(809.22)	-
Decrease in other non-current assets	135.53	21.99
Decrease in trade receivables	633.32	616.44
Decrease in other current financial assets	1,160.39	2,117.45
(Increase) in other current assets	(211.02)	(1,483.53)
Increase (decrease) in non-current financial liabilities	10.20	(1.71)
(Decrease) in other non-current liabilities	(10.39)	(28.35)
Increase in non-current provisions	97.09	125.38
(Decrease) increase in trade payables	(216.52)	44.29
(Decrease) in other current financial liabilities	(439.25)	(615.23)
(Decrease) increase in current liabilities	(347.73)	191.03
(Decrease) in current provisions	(31.78)	(89.51)
Cash from operating activities	22,936.68	23,439.02
Payment of domestic and foreign taxes	(7,718.49)	(9,642.90)
Net cash provided by operating activities	15,218.19	13,796.12
Cash flows from investing activities		
Purchase of property, plant and equipment	(535.86)	(767.41)
Proceeds from sale of property, plant and equipment	0.40	2.82
Refund of deposits for premises and others	5.16	28.18
Bank fixed deposits having maturity of more than three months matured	19,852.25	25,063.29
Bank fixed deposits having maturity of more than three months booked	(34,485.01)	(23,232.79)
Interest received	1,281.42	1,114.20
Income from investment in sublease	40.55	-
Net cash (used in)/provided by investing activities	(13,841.09)	2,208.29
Cash flows from financing activities		
Proceeds from issue of shares under employee stock option plan	43.19	749.91
Sale of treasury shares	85.15	165.75
Equity dividend paid	(36.08)	(11,124.23)
Tax on equity dividend paid	-	(2,288.39)
Repayment of lease liability	(449.47)	-
Interest paid	(116.33)	-
Net cash (used in) financing activities	(473.54)	(12,496.96)
Net increase in cash and cash equivalents	903.56	3,507.45
Cash and cash equivalents at beginning of the year	11,562.69	8,060.99
Effect of exchange rate changes in cash and cash equivalents	849.69	(5.75)
Cash and cash equivalents at end of the year	13,315.94	11,562.69

Consolidated statement of cash flow (continued)

(₹ in million)

Particulars	Year ended	
	March 31, 2020	March 31, 2019
	Audited	Audited
Component of cash and cash equivalents		
Balances with banks:		
In current accounts*	12,935.04	9,734.89
In deposit accounts with original maturity of less than 3 months	300.35	1,711.17
In unclaimed dividend account**	80.55	116.63
Total cash and cash equivalents	13,315.94	11,562.69

* Current account includes ₹ 0.76 million (March 31, 2019 ₹ 0.08 million) on account of restricted cash and bank balances held by i-flex Employee Stock Option Trust controlled by the Company.

**These balances will be utilized only towards the respective unclaimed dividend.

14 Reporting segmentwise revenue, results, assets and liabilities

Segment revenue and expense:

Revenue is generated through licensing of software products, maintenance fees as well as by providing software solutions to the customers including consulting services and business process outsourcing services. The income and expenses which are not directly attributable to a business segment are classified as unallocable income and expenses.

Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of trade receivables net of allowances, unbilled revenue, deposits for premises property, plant and equipment and right-of-use asset. Segment liabilities primarily includes trade payables, deferred revenues, advance from customer, employee benefit obligations, lease liability and other liabilities. While most of such assets and liabilities can be directly attributed to individual segments, the carrying amount of certain assets and liabilities used jointly by two or more segments is allocated to the segment on a reasonable basis. Assets and liabilities that cannot be allocated between the segments are shown as part of unallocable assets and liabilities.

(₹ in million)

Particulars	Three month period ended			Year ended	
	March 31, 2020	December 31, 2019	March 31, 2019	March 31, 2020	March 31, 2019
	Audited	Unaudited	Audited	Audited	Audited
(a) Segment revenue					
Product licenses and related activities	11,317.22	10,276.86	10,595.36	43,145.69	43,527.29
IT solutions and consulting services	1,014.68	1,013.45	1,277.60	4,275.92	4,945.07
Business process outsourcing services	303.58	311.15	276.19	1,191.15	1,116.67
	12,635.48	11,601.46	12,149.15	48,612.76	49,589.03
(b) Segment results					
Product licenses and related activities	5,719.28	4,934.99	5,179.96	21,359.45	21,465.57
IT solutions and consulting services	160.63	133.60	347.42	778.00	635.61
Business process outsourcing services	85.89	118.20	72.77	388.10	323.37
	5,965.80	5,186.79	5,600.15	22,525.55	22,424.55
Finance income	447.46	432.63	317.90	1,658.14	1,319.73
Other un-allocable (expenses), net	(1,059.54)	(29.69)	(248.51)	(1,660.88)	(1,074.41)
Profit before tax	5,353.72	5,589.73	5,669.54	22,522.81	22,669.87
(c) Segment assets					
Product licenses and related activities	20,482.81	20,489.35	20,650.04	20,482.81	20,650.04
IT solutions and consulting services	2,018.19	2,110.13	2,198.82	2,018.19	2,198.82
Business process outsourcing services	705.31	671.52	447.13	705.31	447.13
Unallocable	57,007.13	50,985.96	38,018.43	57,007.13	38,018.43
	80,213.44	74,256.96	61,314.42	80,213.44	61,314.42
(d) Segment liabilities					
Product licenses and related activities	9,303.69	9,283.14	8,807.22	9,303.69	8,807.22
IT solutions and consulting services	831.99	932.23	845.94	831.99	845.94
Business process outsourcing services	317.63	330.38	117.43	317.63	117.43
Unallocable	4,064.33	1,572.04	2,178.44	4,064.33	2,178.44
	14,517.64	12,117.79	11,949.03	14,517.64	11,949.03

15 The Board of Directors of the Company at its meeting held on May 8, 2020, declared an interim dividend of ₹ 180 per equity share of ₹ 5 each for the financial year 2019-20. The Board of Directors did not recommend final dividend for the financial year ended March 31, 2020.

16 **Audited standalone results for the three month period ended and year ended March 31, 2020**

(₹ in million, except per share data)

Particulars	Three month period ended			Year ended	
	March 31, 2020	December 31, 2019	March 31, 2019	March 31, 2020	March 31, 2019
	Audited	Unaudited	Audited	Audited	Audited
Revenue from operations	9,063.56	8,355.98	8,828.27	35,255.08	35,808.97
Net profit for the period	5,030.12	3,707.36	2,969.02	15,826.56	12,824.70
Earnings per equity share (face value ₹ 5 each, fully paid)					
Basic (in ₹)	58.58	43.19	34.62	184.39	149.77
Diluted (in ₹)	58.36	43.02	34.47	183.62	149.01

17 The above results are also available on Company's website: www.oracle.com/financialservices

For and on behalf of the Board of Directors
Oracle Financial Services Software Limited

Mumbai, India
May 14, 2020

Chaitanya Kamat
Managing Director & Chief Executive Officer
DIN: 00969094