Oracle Financial Services Software Limited

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Unaudited consolidated financial results for the three and six month period ended September 30, 2020

PART I

(₹ in million, except per share data)

	Particulars	Three month period ended			Six month period ended		Year ended
		September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	**INCOME**						
	(a) Revenue from operations	11,973.93	13,372.57	11,624.81	25,346.50	24,375.82	48,612.76
	(b) Other income, net	176.59	477.68	461.37	654.27	781.58	1,773.39
	Total income	**12,150.52**	**13,850.25**	**12,086.18**	**26,000.77**	**25,157.40**	**50,386.15**
2	**EXPENSES**						
	(a) Employee benefit expenses	5,566.10	5,455.25	5,298.48	11,021.35	10,428.54	21,178.01
	(b) Travel related expenses	167.27	213.83	599.33	381.10	1,183.58	2,255.81
	(c) Professional fees	332.02	424.94	337.74	756.96	732.14	1,452.45
	(d) Finance cost	53.17	42.72	25.97	95.89	53.26	473.65
	(e) Other operating expenses	130.07	377.86	205.23	507.93	659.11	1,439.61
	(f) Depreciation and amortization	272.22	265.89	256.04	538.11	521.41	1,063.81
	Total Expenses	**6,520.85**	**6,780.49**	**6,722.79**	**13,301.34**	**13,578.04**	**27,863.34**
3	**Profit before tax**	**5,629.67**	**7,069.76**	**5,363.39**	**12,699.43**	**11,579.36**	**22,522.81**
4	Tax expenses						
	(a) Current tax	1,713.69	2,201.16	1,505.99	3,914.85	4,006.08	6,315.25
	(b) Deferred tax	(4.70)	70.66	268.95	65.96	210.97	1,585.39
	Total tax expenses	**1,708.99**	**2,271.82**	**1,774.94**	**3,980.81**	**4,217.05**	**7,900.64**
5	**Net profit for the period**	**3,920.68**	**4,797.94**	**3,588.45**	**8,718.62**	**7,362.31**	**14,622.17**
6	**Other Comprehensive Income**						
	(a) Items that will not be reclassified subsequently to profit or loss						
	(i) Actuarial gain (loss) on gratuity fund	27.44	(17.54)	(16.24)	9.90	(57.29)	(96.44)
	(ii) Deferred tax	(6.91)	4.42	0.07	(2.49)	14.42	23.38
	(b) Items that will be reclassified subsequently to profit and loss						
	(i) Exchange differences on translation of foreign operations	(100.44)	153.15	140.90	52.71	235.34	1,108.95
	Total other comprehensive income for the period, net of tax	**(79.91)**	**140.03**	**124.73**	**60.12**	**192.47**	**1,035.89**
7	**Total comprehensive income for the period**	**3,840.77**	**4,937.97**	**3,713.18**	**8,778.74**	**7,554.78**	**15,658.06**
8	**Net profit attributable to:**						
	Equity holders of the Company	3,920.68	4,797.94	3,588.45	8,718.62	7,362.31	14,622.17
	Non-controlling interests	-	-	-	-	-	-
9	**Total comprehensive income attributable to:**						
	Equity holders of the Company	3,840.77	4,937.97	3,713.18	8,778.74	7,554.78	15,658.06
	Non-controlling interests	-	-	-	-	-	-
10	Paid up equity share capital (face value ₹ 5 each, fully paid)	429.96	429.78	429.20	429.96	429.20	429.40
11	Reserve excluding Revaluation Reserves as per balance sheet						65,266.40
12	Earnings per equity share (face value ₹ 5 each, fully paid)						
	(a) Basic (in ₹)	45.60	55.84	41.82	101.44	85.82	170.38
	(b) Diluted (in ₹)	45.44	55.65	41.65	101.07	85.45	169.66

See accompanying note to the financial results

Notes to financial results :

1 The above unaudited consolidated financial results for the three and six month period ended September 30, 2020 have been reviewed by the Audit Committee and approved by the Board of Directors of the Company at its meeting held on November 02, 2020. There are no qualifications in the Review Report issued by the Statutory Auditors.

2 These financials results have been prepared in accordance with the recognition and measurement principles laid down in the Ind AS 34 - Interim Financial Reporting as prescribed under Section 133 of the Companies Act, 2013 (the 'Act') read with relevant rules of the Companies (Indian Accounting Standards) Rules, 2015 (as amended) and the other accounting principles generally accepted in India.

3 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 the three and six month period ended September 30, 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.

4 The Code on Social Security, 2020 ("Code") relating to employee benefits during the employment and post-employment benefits received Presidential assent on September 28, 2020. The effective date from which these changes are applicable is yet to be notified. The OFSS group will assess and record the impact of the Code if any, when it becomes effective.

5 During the three and six month period ended September 30, 2020, the Company allotted 35,484 and 112,173 equity shares, respectively, of face value of ₹ 5 each on exercise of stock options by eligible employees under the prevailing ESOP schemes of the Company.

6 Upon adoption of the Appendix C on "Uncertainty over Income-tax Treatments" of Ind AS 12, Income Taxes, the OFSS group had reassessed during the year ended March 31, 2020 its estimate of uncertain income-tax position. Based on its reassessment, during the year ended March 31, 2020, the OFSS group had recorded net tax expense of ₹ 485.13 million, including charge of ₹ 284.51 million pertaining to earlier years. Consequent to the tax expense, during the year ended March 31, 2020, the OFSS group had 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 year ended March 31, 2020, had 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 year ended March 31, 2020 of ₹ 6,315.25 million included the income tax expense of ₹ 485.13 million for the year ended March 31, 2020 and reversals of income tax provisions of ₹ 720.27 million arising on account of reassessment as mentioned above, thereby having a resultant impact of net tax credit of ₹ 235.14 million in the year ended March 31, 2020.

7 The deferred tax charge of the OFSS group for the year ended March 31, 2020 was ₹ 1,585.39 million. 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 year ended March 31, 2020, the OFSS group had reassessed its estimate of the quantum of undistributed profits of all the subsidiaries and based on its reassessment had 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 year ended March 31, 2020 of OFSS group as mentioned hereinabove.

8 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 reversal of tax expense is resulting from the remeasurement of the tax liability pursuant to changes in the US tax legislations.

9 **Particulars of Other income, net**

(₹ in million)

Particulars	Three month period ended			Six month period ended		Year ended
	September 30, 2020	**June 30, 2020**	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**	**March 31, 2020**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**	**Audited**
Finance income	252.54	323.07	408.80	575.61	778.05	1,658.14
Exchange (loss) gain, net	(141.98)	(43.44)	18.84	(185.42)	(82.52)	(66.12)
Miscellaneous income, net	66.03	198.05	33.73	264.08	86.05	181.37
Total	**176.59**	**477.68**	**461.37**	**654.27**	**781.58**	**1,773.39**

10 **Statement of assets and liabilities**

(₹ in million)

	Particulars	As at	
		September 30, 2020	**March 31, 2020**
		Unaudited	**Audited**
A	**ASSETS**		
1	**Non-current assets**		
	(a) Property, Plant and Equipment	2,121.81	2,305.20
	(b) Capital work-in-progress	2.10	0.49
	(c) Right-of-use asset	957.72	1,134.40
	(d) Investment property	102.00	102.00
	(e) Goodwill	6,086.63	6,086.63
	(f) Financial assets	1,415.56	1,447.09
	(g) Deferred tax assets (net)	1,066.95	1,013.68
	(h) Income tax assets (net)	7,808.72	7,979.21
	(i) Other non-current assets	386.03	389.63
		19,947.52	**20,458.33**

Statement of assets and liabilities (continued)

(₹ in million)

	Particulars	As at	
		September 30, 2020	March 31, 2020
		Unaudited	Audited
2	**Current assets**		
	(a) Financial assets		
	(i) Trade receivables	8,365.13	9,253.66
	(ii) Cash and bank balances	16,100.37	13,315.94
	(iii) Other bank balances	23,930.10	31,652.17
	(iv) Other current financial assets	2,262.47	2,501.59
	(b) Income tax assets (net)	928.70	806.28
	(c) Other current assets	2,056.58	2,225.47
		53,643.35	**59,755.11**
	TOTAL - ASSETS	**73,590.87**	**80,213.44**
B	**EQUITY AND LIABILITIES**		
1	**Equity**		
	(a) Equity share capital	429.96	429.40
	(b) Other equity	58,857.87	65,266.40
		59,287.83	**65,695.80**
2	**Non- current liabilities**		
	(a) Financial liabilities		
	(i) Lease liability	601.99	681.50
	(ii) Other financial liabilities	49.92	45.55
	(b) Provisions	1,221.11	1,198.74
	(c) Deferred tax liability (net)	2,093.17	1,975.56
	(d) Income tax liabilities (net)	1,533.65	1,156.30
		5,499.84	**5,057.65**
3	**Current liabilities**		
	(a) Financial liabilities		
	(i) Lease liability	337.33	465.32
	(ii) Trade payables		
	Payable to micro and small enterprises	3.82	2.65
	Payable to others	346.35	352.27
	(iii) Other current financial liabilities	2,190.38	2,195.30
	(b) Other current liabilities	4,332.97	4,967.81
	(c) Provisions	1,386.55	1,291.06
	(d) Income tax liabilities (net)	205.80	185.58
		8,803.20	**9,459.99**
	TOTAL - EQUITY AND LIABILITIES	**73,590.87**	**80,213.44**

11 **Consolidated statement of cash flow**

(₹ in million)

Particulars	Six month period ended September 30, 2020 Unaudited	Six month period ended September 30, 2019 Unaudited
Cash flows from operating activities		
Profit before tax	12,699.43	11,579.36
Adjustments to reconcile profit before tax to cash (used in) provided by operating activities :		
Depreciation and amortization	538.11	521.41
(Profit) on sale of fixed assets, net	(1.37)	(0.41)
Impairment loss (reversed)/recognized on contract assets	(57.80)	109.16
Impairment loss recognized on other financial assets	2.90	3.94
Bad debts	45.32	-
Finance income	(575.61)	(778.05)
Employee stock compensation expense	244.48	279.99
Effect of exchange rate changes in cash and cash equivalent	102.67	(129.19)
Effect of exchange rate changes in assets and liabilities	70.74	194.45
Finance cost	95.89	53.26
Operating Profit before Working Capital changes	13,164.76	11,833.92
Movements in working capital		
(Increase) in other non-current financial assets	(0.18)	-
Decrease in other non-current assets	4.00	109.53
Decrease in trade receivables	951.99	365.56
Decrease in other financial assets	196.50	1,424.35
Decrease (increase) in other current assets	175.25	(118.97)
Increase in non-current financial liabilities	2.43	2.19
(Decrease) in other non-current liabilities	-	(7.74)
Increase in non-current provisions	32.27	32.59
(Decrease) increase in trade payables	(4.34)	126.77
(Decrease) in other current financial liabilities	(36.85)	(277.31)
(Decrease) in current liabilities	(686.90)	(866.46)
Increase (decrease) in current provisions	91.03	(9.94)
Cash from operating activities	13,889.96	12,614.49
Payment of domestic and foreign taxes	(3,510.53)	(4,522.73)
Net cash provided by operating activities	**10,379.43**	**8,091.76**
Cash flows from investing activities		
Purchase of property, plant and equipment	(100.07)	(273.56)
Proceeds from sale of property, plant and equipment	1.38	0.38
Refund (placement) of deposits for premises and others	0.35	(0.36)
Bank fixed deposits having maturity of more than three months matured	30,954.20	12,779.37
Bank fixed deposits having maturity of more than three months booked	(23,827.30)	(21,033.60)
Interest received	1,151.31	853.36
Income from investment in sublease	20.90	18.85
Net cash provided by/(used in) investing activities	**8,200.77**	**(7,655.56)**
Cash flows from financing activities		
Proceeds from issue of shares under employee stock option plan	40.50	38.12
Sale of treasury shares	-	85.15
Equity dividend paid	(15,471.75)	(50.32)
Repayment of lease liability	(220.75)	(193.53)
Interest paid	(41.10)	(53.26)
Net cash (used in) financing activities	**(15,693.10)**	**(173.84)**

Consolidated statement of cash flow (continued)

(₹ in million)

Particulars	Six month period ended September 30, 2020 Unaudited	Six month period ended September 30, 2019 Unaudited
Net increase in cash and cash equivalents	2,887.10	262.36
Cash and cash equivalents at beginning of the period	13,315.94	11,562.69
Effect of exchange rate changes in cash and cash equivalents	(102.67)	129.19
Cash and cash equivalents at end of the period	**16,100.37**	**11,954.24**
Component of cash and cash equivalents		
Balances with banks:		
In current accounts*	15,813.14	11,678.01
In deposit accounts with original maturity of less than three months**	206.74	209.92
In unclaimed dividend account***	80.49	66.31
Total cash and cash equivalents at end of the period	**16,100.37**	**11,954.24**

*Current account includes ₹ 1.76 million (September 30, 2019 ₹ 12.91 million) on account of restricted cash and bank balances held by i-flex Employee Stock Option Trust controlled by the Company.
**Deposit accounts includes ₹ 6.05 million (September 30, 2019 ₹ 5.00 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 unpaid dividend.

12 **Reporting segment wise 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			Six month period ended		Year ended
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
(a) Segment revenue						
Product licenses and related activities	10,577.62	11,921.91	10,198.34	22,499.53	21,551.61	43,145.69
IT solutions and consulting services	1,048.43	1,147.23	1,130.90	2,195.66	2,247.79	4,275.92
Business process outsourcing services	347.88	303.43	295.57	651.31	576.42	1,191.15
	11,973.93	**13,372.57**	**11,624.81**	**25,346.50**	**24,375.82**	**48,612.76**
(b) Segment results						
Product licenses and related activities	5,532.34	6,646.41	4,883.70	12,178.75	10,705.18	21,359.45
IT solutions and consulting services	163.03	237.38	197.50	400.41	483.77	778.00
Business process outsourcing services	153.13	105.86	97.30	258.99	184.01	388.10
	5,848.50	**6,989.65**	**5,178.50**	**12,838.15**	**11,372.96**	**22,525.55**
Finance income	252.54	323.07	408.80	575.61	778.05	1,658.14
Other un-allocable (expenses), net	(471.37)	(242.96)	(223.91)	(714.33)	(571.65)	(1,660.88)
Profit before tax	**5,629.67**	**7,069.76**	**5,363.39**	**12,699.43**	**11,579.36**	**22,522.81**

Reporting segment wise revenue, results, assets and liabilities (continued)

(₹ in million)

Particulars	Three month period ended			Three month period ended		Year ended
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
(c) Segment assets						
Product licenses and related activities	18,804.37	21,233.58	19,921.00	18,804.37	19,921.00	20,482.81
IT solutions and consulting services	2,003.69	2,070.23	2,224.83	2,003.69	2,224.83	2,018.19
Business process outsourcing services	676.34	595.37	633.23	676.34	633.23	705.31
Unallocable	52,106.47	46,647.31	46,431.46	52,106.47	46,431.46	57,007.13
	73,590.87	**70,546.49**	**69,210.52**	**73,590.87**	**69,210.52**	**80,213.44**
(d) Segment liabilities						
Product licenses and related activities	8,493.87	9,538.90	9,017.55	8,493.87	9,017.55	9,303.69
IT solutions and consulting services	799.52	943.49	916.38	799.52	916.38	831.99
Business process outsourcing services	294.14	302.93	331.14	294.14	331.14	317.63
Unallocable	4,715.51	4,480.47	1,622.02	4,715.51	1,622.02	4,064.33
	14,303.04	**15,265.79**	**11,887.09**	**14,303.04**	**11,887.09**	**14,517.64**

13 **Unaudited standalone results for the three and six month period ended September 30, 2020**

(₹ in million, except per share data)

Particulars	Three month period ended			Six month period ended		Year ended
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenue from operations	**8,564.53**	**10,039.21**	**8,489.23**	**18,603.74**	**17,835.54**	**35,255.08**
Net profit for the period	**3,785.86**	**4,556.33**	**3,620.21**	**8,342.19**	**7,089.08**	**15,826.56**
Earnings per equity share (face value ₹ 5 each, fully paid)						
Basic (in ₹)	44.04	53.03	42.18	97.06	82.62	184.39
Diluted (in ₹)	43.87	52.85	42.02	96.71	82.27	183.62

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

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

Mumbai, India
November 02, 2020

Chaitanya Kamat
Managing Director & Chief Executive Officer
DIN: 00969094