Oracle Financial Services Software Limited

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Unaudited standalone 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	8,564.53	10,039.21	8,489.23	18,603.74	17,835.54	35,255.08
	(b) Other income, net	228.33	379.27	346.75	607.60	725.66	1,691.59
	Total income	**8,792.86**	**10,418.48**	**8,835.98**	**19,211.34**	**18,561.20**	**36,946.67**
2	**EXPENSES**						
	(a) Employee benefit expenses	3,041.23	3,065.60	2,994.03	6,106.83	5,874.07	11,909.23
	(b) Travel related expenses	64.96	195.13	419.91	260.09	830.61	1,593.78
	(c) Professional fees	304.37	400.92	313.22	705.29	666.50	1,311.47
	(d) Finance cost	12.35	13.56	16.68	25.91	34.19	80.18
	(e) Other operating expenses	124.64	326.77	149.12	451.41	746.61	1,134.50
	(f) Depreciation and amortisation	210.56	208.18	200.28	418.74	410.09	831.72
	Total expenses	**3,758.11**	**4,210.16**	**4,093.24**	**7,968.27**	**8,562.07**	**16,860.88**
3	**Profit before tax**	**5,034.75**	**6,208.32**	**4,742.74**	**11,243.07**	**9,999.13**	**20,085.79**
4	Tax expenses						
	(a) Current tax	1,268.24	1,654.68	831.04	2,922.92	2,767.50	4,560.70
	(b) Deferred tax	(19.35)	(2.69)	291.49	(22.04)	142.55	(301.47)
	Total tax expenses	**1,248.89**	**1,651.99**	**1,122.53**	**2,900.88**	**2,910.05**	**4,259.23**
5	**Net profit for the period**	**3,785.86**	**4,556.33**	**3,620.21**	**8,342.19**	**7,089.08**	**15,826.56**
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)	(92.36)
	(ii) Deferred tax	(6.91)	4.42	0.07	(2.49)	14.42	23.25
	(b) Items that will be reclassified subsequently to profit or loss						
	(i) Exchange differences on translation of foreign operations	(4.65)	(4.94)	4.33	(9.59)	1.89	35.57
	Total other comprehensive income for the period, net of tax	**15.88**	**(18.06)**	**(11.84)**	**(2.18)**	**(40.98)**	**(33.54)**
7	**Total Comprehensive Income for the period**	**3,801.74**	**4,538.27**	**3,608.37**	**8,340.01**	**7,048.10**	**15,793.02**
8	Paid up equity share capital (face value ₹ 5 each, fully paid)	429.96	429.78	429.20	429.96	429.20	429.40
9	Reserve excluding Revaluation Reserves as per balance sheet						54,653.61
10	Earnings per equity share (face value ₹ 5 each, fully paid)						
	(a) Basic (in ₹)	44.04	53.03	42.18	97.06	82.62	184.39
	(b) Diluted (in ₹)	43.87	52.85	42.02	96.71	82.27	183.62

See accompanying note to the financial results

Notes to financial results :

1 The unaudited standalone 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 2, 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 Company 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 investment in subsidiaries, which are not significant to the standalone financial results for the three and six month period ended September 30, 2020. In assessing the recoverability of these assets, the Company has used internal and external sources of information up to the date of approval of these standalone 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 Company's financial results may differ from that estimated as at the date of approval of these standalone financial results. The Company 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 Company 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 of face value of ₹ 5 each on exercise of stock options by the eligible employees under the prevailing Employee Stock Option Plan ('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 Company 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 Company had recorded net tax expense of ₹ 57.46 million, which included charge of ₹ 103.90 million pertaining to earlier years and credit of ₹ 46.44 million for the year ended March 31, 2020. Consequent to the tax expense, during the year ended March 31, 2020, the Company had recognised the related interest expense of ₹ 16.48 million, including ₹ 8.24 million pertaining to earlier years, which had been disclosed as part of finance cost.
Further, the Company 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 Company and its reassessment of existing income tax position.
The current tax expense for the year ended March 31, 2020 of ₹ 4,560.70 million included the income tax expense of ₹ 57.46 million 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 ₹ 662.81 million.

7 Other operating expenses for the three and six month period ended September 30, 2019 include ₹ 2.89 million and ₹ 241.75 million respectively; towards provision for impairment of inter-company loan (including commitment thereof) granted to Oracle (OFSS) BPO Services Limited, a step-down subsidiary company.

8 During the six month period ended September 30, 2019, the Company has acquired 100% equity shares of Mantas India Private Limited at ₹ 20.28 million towards restructuring of ownership in Indian step-down subsidiary of the Company.

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	237.16	305.35	366.13	542.51	688.26	1,508.73
Exchange (loss) gain, net	(26.55)	53.03	(35.30)	26.48	(4.43)	103.64
Miscellaneous income, net	17.72	20.89	15.92	38.61	41.83	79.22
Total	**228.33**	**379.27**	**346.75**	**607.60**	**725.66**	**1,691.59**

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	2,044.46	2,213.94
	(b) Capital work-in-progress	1.45	0.16
	(c) Right-of-use asset	473.71	622.57
	(d) Investment property	102.00	102.00
	(e) Financial assets		
	(i) Investments in subsidiaries	7,682.18	7,681.61
	(ii) Other non-current financial assets	1,387.37	1,376.59
	(f) Deferred tax assets (net)	759.94	740.39
	(g) Income tax assets (net)	7,318.59	7,705.59
	(h) Other non-current assets	333.93	345.25
		20,103.63	**20,788.10**
2	**Current assets**		
	(a) Financial assets		
	(i) Trade receivables	3,192.24	4,154.31
	(ii) Loan	80.00	106.00
	(iii) Cash and cash equivalents	2,064.37	1,993.84
	(iv) Other bank balances	22,804.22	30,545.37
	(v) Other current financial assets	3,154.61	1,656.02
	(b) Other current assets	2,104.81	1,424.00
		33,400.25	**39,879.54**
	TOTAL - ASSETS	**53,503.88**	**60,667.64**

Statement of assets and liabilities (continued)

(₹ in million)

	Particulars	As at	
		September 30, 2020	March 31, 2020
		Unaudited	Audited
B	**EQUITY AND LIABILITIES**		
1	**Equity**		
	(a) Equity share capital	429.96	429.40
	(b) Other equity	47,756.73	54,653.61
		48,186.69	**55,083.01**
2	**Non-current liabilities**		
	(a) Financial liabilities		
	(i) Lease liability	273.54	283.25
	(b) Provisions	1,173.33	1,150.97
		1,446.87	**1,434.22**
3	**Current liabilities**		
	(a) Financial liabilities		
	(i) Lease liability	152.31	269.35
	(ii) Trade payables		
	- Payable to micro and small enterprises	3.82	2.58
	- Payable to others	122.20	263.00
	(iii) Other current financial liabilities	1,610.83	1,577.10
	(b) Other current liabilities	956.84	1,060.07
	(c) Provisions	1,013.35	951.83
	(d) Income tax liabilities (net)	10.97	26.48
		3,870.32	**4,150.41**
	TOTAL - EQUITY AND LIABILITIES	**53,503.88**	**60,667.64**

11 Statement of cash flows

(₹ in million)

	Particulars	Six month period ended	
		September 30, 2020	September 30, 2019
		Unaudited	Unaudited
	Cash flows from operating activities		
	Profit before tax	11,243.07	9,999.13
	Adjustments to reconcile profit before tax to cash provided by operating activities :		
	Depreciation and amortization	418.74	410.09
	(Profit) on sale of fixed assets, net	-	(0.33)
	Employee stock compensation expense	194.31	224.03
	Provision for impairment of inter-company loan (including commitment thereof)	-	241.75
	Finance income	(542.51)	(688.26)
	Effect of exchange rate changes in cash and cash equivalents	13.62	2.64
	Unrealized exchange loss (gain), net	22.80	24.07
	Finance cost	25.91	34.19
	Impairment loss (reversed) recognised on financial assets	(16.49)	87.06
	Impairment loss recognized on other financial assets	2.97	3.76
	Bad debts	42.33	-
	Operating Profit before Working Capital changes	11,404.75	10,338.13

Statement of cash flows (continued)

(₹ in million)

Particulars	Six month period ended September 30, 2020 Unaudited	Six month period ended September 30, 2019 Unaudited
Movements in working capital		
(Increase) in other non-current financial assets	(0.18)	-
Decrease in other non-current assets	9.11	111.15
Decrease in trade receivables	925.50	1,829.69
(Increase) in other current financial assets	(1,512.11)	(564.61)
(Increase) in other current assets	(679.88)	(721.10)
Increase in non-current provisions	27.95	28.57
(Decrease) Increase in trade payables	(141.62)	85.11
Increase (Decrease) in other current financial liabilities	23.55	(80.99)
(Decrease) in other current liabilities	(103.19)	(138.72)
Increase in current provisions	60.55	23.19
Cash from operating activities	10,014.43	10,910.42
Payment of domestic and foreign taxes	(2,563.24)	(2,817.70)
Net cash provided by operating activities	**7,451.19**	**8,092.72**
Cash flows from investing activities		
Purchase of property, plant and equipment	(91.36)	(263.67)
Proceeds from sale of property, plant and equipment	-	0.38
Income from investment in sublease	13.73	13.56
Refund (placement) of deposits for premises and others	0.07	(0.25)
Loan repaid by (provided to) step-down subsidiary company	26.00	(74.00)
Investment in step-down subsidiary company	-	(20.28)
Bank fixed deposits having maturity of more than three months matured	30,025.00	10,630.00
Bank fixed deposits having maturity of more than three months booked	(22,856.00)	(19,935.00)
Interest received	1,094.51	746.78
Net cash provided by (used in) investing activities	**8,211.95**	**(8,902.48)**
Cash flows from financing activities		
Proceeds from issue of shares under employee stock option plan	40.50	38.12
Equity dividend paid	(15,471.75)	(50.32)
Finance cost	(25.91)	(34.19)
Repayment of lease liability	(121.83)	(99.03)
Net cash (used in) financing activities	**(15,578.99)**	**(145.42)**
Net increase (decrease) in cash and cash equivalents	84.15	(955.18)
Cash and cash equivalents at beginning of the period	1,993.84	2,713.65
Effect of exchange rate changes in cash and cash equivalents	(13.62)	(2.64)
Cash and cash equivalents at end of the period	**2,064.37**	**1,755.83**
Component of cash and cash equivalents		
Balances with banks:		
In current accounts	1,783.19	1,488.62
In deposit accounts with original maturity of less than three months	200.69	200.90
In unclaimed dividend account *	80.49	66.31
Total cash and cash equivalents at end of the period	**2,064.37**	**1,755.83**

* 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. The income and expenses which are not directly attributable to a business segment are shown 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 include 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	7,672.87	9,096.61	7,540.48	16,769.48	15,951.41	31,668.22
IT solutions and consulting services	891.66	942.60	948.75	1,834.26	1,884.13	3,586.86
	8,564.53	**10,039.21**	**8,489.23**	**18,603.74**	**17,835.54**	**35,255.08**
(b) Segment results						
Product licenses and related activities	4,698.33	5,806.05	4,198.56	10,504.38	9,125.68	18,079.34
IT solutions and consulting services	374.98	315.79	391.42	690.77	800.75	1,403.85
	5,073.31	**6,121.84**	**4,589.98**	**11,195.15**	**9,926.43**	**19,483.19**
Finance income	237.16	305.35	366.13	542.51	688.26	1,508.73
Other un-allocable (expenses), net	(275.72)	(218.87)	(213.37)	(494.59)	(615.56)	(906.13)
Profit before tax	**5,034.75**	**6,208.32**	**4,742.74**	**11,243.07**	**9,999.13**	**20,085.79**
(c) Segment assets						
Product licenses and related activities	8,902.15	9,355.60	8,791.88	8,902.15	8,791.88	8,298.18
IT solutions and consulting services	1,960.71	1,962.30	1,881.49	1,960.71	1,881.49	1,722.75
Unallocable	42,641.02	38,753.67	41,680.78	42,641.02	41,680.78	50,646.71
	53,503.88	**50,071.57**	**52,354.15**	**53,503.88**	**52,354.15**	**60,667.64**
(d) Segment liabilities						
Product licenses and related activities	4,281.11	4,762.02	4,820.33	4,281.11	4,820.33	4,628.65
IT solutions and consulting services	801.79	832.36	610.97	801.79	610.97	719.59
Unallocable	234.29	234.85	801.22	234.29	801.22	236.39
	5,317.19	**5,829.23**	**6,232.52**	**5,317.19**	**6,232.52**	**5,584.63**

13 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

Chaitanya Kamat
Managing Director & Chief Executive Officer
DIN: 00969094

Mumbai, India
November 2, 2020