

Oracle Financial Services Software Limited

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Unaudited standalone financial results for the three and six month period ended September 30, 2019

(₹ in million, except per share data)

PART I

Particulars	Three month period ended			Six month period ended		Year ended
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	March 31, 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 INCOME						
(a) Revenue from operations	8,489.23	9,346.31	8,778.42	17,835.54	18,632.68	35,808.97
(b) Other income, net	346.75	378.91	429.48	725.66	781.51	1,389.50
Total income	8,835.98	9,725.22	9,207.90	18,561.20	19,414.19	37,198.47
2 EXPENSES						
(a) Employee benefit expenses	2,994.03	2,880.04	3,139.57	5,874.07	6,137.71	11,896.09
(b) Travel related expenses	419.91	410.70	456.57	830.61	898.70	1,741.70
(c) Professional fees	313.22	353.28	376.61	666.50	738.71	1,366.75
(d) Finance cost	16.68	17.51	-	34.19	-	-
(e) Other operating expenses	149.12	597.49	285.63	746.61	773.60	1,827.80
(f) Depreciation and amortisation	200.28	209.81	115.04	410.09	237.18	501.98
Total expenses	4,093.24	4,468.83	4,373.42	8,562.07	8,785.90	17,334.32
3 Profit before tax	4,742.74	5,256.39	4,834.48	9,999.13	10,628.29	19,864.15
4 Tax expenses						
(a) Current tax	831.04	1,936.46	1,662.69	2,767.50	3,501.59	6,428.91
(b) Deferred tax	291.49	(148.94)	(50.75)	142.55	166.13	610.54
Total tax expenses	1,122.53	1,787.52	1,611.94	2,910.05	3,667.72	7,039.45
5 Net profit for the period	3,620.21	3,468.87	3,222.54	7,089.08	6,960.57	12,824.70
6 Other Comprehensive Income						
(a) Items that will not be reclassified subsequently to profit or loss						
(i) Actuarial (loss) gain on gratuity fund	(16.24)	(41.05)	18.67	(57.29)	66.93	39.87
(ii) Deferred tax	0.07	14.35	(6.53)	14.42	(23.39)	(13.93)
(b) Items that will be reclassified subsequently to profit or loss						
(i) Exchange differences on translation of foreign operations	4.33	(2.44)	(0.93)	1.89	2.76	(0.11)
Total other comprehensive income for the period, net of tax	(11.84)	(29.14)	11.21	(40.98)	46.30	25.83
7 Total Comprehensive Income for the period	3,608.37	3,439.73	3,233.75	7,048.10	7,006.87	12,850.53
8 Paid up equity share capital (face value ₹ 5 each, fully paid)	429.20	429.03	428.60	429.20	428.60	428.90
9 Reserve excluding Revaluation Reserves as per balance sheet						38,374.36
10 Earnings per equity share (face value ₹ 5 each, fully paid)						
(a) Basic (in ₹)	42.18	40.43	37.65	82.62	81.39	149.77
(b) Diluted (in ₹)	42.02	40.26	37.45	82.27	80.93	149.01

See accompanying note to the financial results

Notes to financial results :

- The unaudited standalone financial results for the three and six month period ended September 30, 2019 have been reviewed by the Audit Committee and approved by the Board of Directors of the Company at its meeting held on November 13, 2019. There are no qualifications in the Review Report issued by the Statutory Auditors.
- 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.
- The Company 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 Company has not restated comparative information. Accordingly, the Company has recognized right-of-use asset of ₹ 916.21 million and a lease liability of ₹ 806.68 million in the 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 and six month period ended September 30, 2019, the Company has recognized depreciation on right-of-use asset of ₹ 73.25 million and ₹ 146.31 million along with interest on lease liability of ₹ 16.68 million and ₹ 34.19 million; respectively. The effect of this standard is not significant on the profit for the period of the Company.

- 4 During the three and six month period ended September 30, 2019, the Company allotted 33,973 and 61,085 equity shares, respectively, 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.
- 5 The Company has exercised the option permitted under Section 115BAA of the Income Tax Act, 1961 as introduced by The Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognized provision for income tax and re-measured 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 and six month period ended September 30, 2019.
- 6 Other operating expenses for the three and six month period ended September 30, 2019 includes ₹ 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.

Other operating expenses for the three month period ended and year ended March 31, 2019 includes ₹ 209.47 million towards provision for diminution in value of investment along with provision for loss in fair value of loan given to ISP Internet Mauritius Company and reversal of provision for diminution in value of investment in Oracle (OFSS) ASP Private Limited for ₹ 40.70 million.

- 7 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.
- 8 Revenue from operations for the six month period ended September 30, 2018 includes ₹ 617.84 million pertaining to earlier periods which has been recognized as the certainty of collection from the customer was established in that period.
- 9 Particulars of other income, net

(₹ in million)

Particulars	Three month period ended			Six month period ended		Year ended
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	March 31, 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Finance income	366.13	322.13	335.33	688.26	655.75	1,173.47
Exchange (loss) gain, net	(35.30)	30.87	80.06	(4.43)	98.50	110.31
Miscellaneous income, net	15.92	25.91	14.09	41.83	27.26	105.72
Total	346.75	378.91	429.48	725.66	781.51	1,389.50

- 10 Statement of assets and liabilities

(₹ in million)

Particulars	As at	
	September 30, 2019	March 31, 2019
	Unaudited	Audited
A ASSETS		
1 Non-current assets		
(a) Property, plant and equipment	2,287.48	2,385.67
(b) Capital work-in-progress	6.91	4.05
(c) Right-of-use asset	771.72	-
(d) Investment property	102.00	102.00
(e) Financial assets		
(i) Investments in subsidiaries	7,678.20	7,650.28
(ii) Other non-current financial assets	652.86	622.17
(f) Deferred tax assets (net)	287.54	415.67
(g) Income tax assets (net)	7,288.85	7,225.51
(h) Other non-current assets	371.03	661.30
	19,446.59	19,066.65
2 Current assets		
(a) Financial assets		
(i) Trade receivables	2,961.10	4,866.30
(ii) Cash and cash equivalents	1,755.83	2,713.65
(iii) Other bank balances	23,571.16	14,351.10
(iv) Other current financial assets	2,793.99	2,237.33
(b) Other current assets	1,825.48	1,218.72
	32,907.56	25,387.10
TOTAL - ASSETS	52,354.15	44,453.75

Statement of assets and liabilities (continued)

(₹ in million)

Particulars	As at	
	September 30, 2019	March 31, 2019
	Unaudited	Audited
B EQUITY AND LIABILITIES		
1 Equity		
(a) Equity share capital	429.20	428.90
(b) Other equity	45,692.43	38,374.84
	46,121.63	38,803.74
2 Non-current liabilities		
(a) Financial liabilities		
(i) Lease liability	430.92	-
(b) Other non-current liabilities	-	123.46
(c) Provisions	1,055.58	965.71
	1,486.50	1,089.17
3 Current liabilities		
(a) Financial liabilities		
(i) Lease liability	278.00	-
(ii) Trade payables		
- Payable to micro and small enterprises	2.01	3.04
- Payable to others	504.72	420.05
(iii) Other current financial liabilities	1,619.18	1,855.87
(b) Other current liabilities	859.20	1,004.54
(c) Provisions	1,080.24	889.30
(d) Income tax liabilities (net)	402.67	388.04
	4,746.02	4,560.84
TOTAL - EQUITY AND LIABILITIES	52,354.15	44,453.75

11 Statement of cash flows

(₹ in million)

Particulars	Six month period ended	
	September 30, 2019	September 30, 2018
	Unaudited	Unaudited
Cash flows from operating activities		
Profit before tax	9,999.13	10,628.29
Adjustments to reconcile profit before tax to cash (used in) provided by operating activities :		
Depreciation and amortization	410.09	237.18
(Profit) / loss on sale of fixed assets, net	(0.33)	1.16
Employee stock compensation expense	224.03	258.14
Provision for impairment of inter-company loan (including commitment thereof)	241.75	-
Finance income	(688.26)	(655.75)
Effect of exchange rate changes in cash and cash equivalents	2.64	(37.66)
Unrealized exchange loss (gain), net	24.07	(158.82)
Finance cost	34.19	-
Deferred rent	-	(1.76)
Impairment loss recognised (reversed) on financial assets	87.06	(551.04)
Impairment loss recognized on other financial assets	3.76	-
Bad debts	-	723.78
Operating Profit before Working Capital changes	10,338.13	10,443.52

Statement of cash flows (continued)

(₹ in million)

Particulars	Six month period ended	
	September 30, 2019	September 30, 2018
	Unaudited	Unaudited
Movements in working capital		
Decrease in other non-current assets	111.15	17.57
Decrease in trade receivables	1,829.69	1,775.73
(Increase) in other current financial assets	(564.61)	(870.55)
(Increase) in other current assets	(721.10)	(1,001.06)
Increase in non-current financial liabilities	-	1.53
Increase in non-current provisions	28.57	109.50
Increase (decrease) in trade payables	85.11	(116.92)
(Decrease) in other current financial liabilities	(80.99)	(1,756.99)
(Decrease) increase in other current liabilities	(138.72)	236.22
Increase (decrease) in current provisions	23.19	(80.70)
Cash from operating activities	10,910.42	8,757.85
Payment of domestic and foreign taxes	(2,817.70)	(2,673.65)
Net cash provided by operating activities	8,092.72	6,084.20
Cash flows from investing activities		
Purchase of property, plant and equipment	(263.67)	(115.86)
Proceeds from sale of property, plant and equipment	0.38	0.08
Income from investment in sublease	13.56	-
(Placement) refund of deposits for premises and others	(0.25)	0.27
Loan to step-down subsidiary company	(74.00)	-
Investment in step-down subsidiary company	(20.28)	-
Bank fixed deposits having maturity of more than three months matured	10,630.00	20,561.50
Bank fixed deposits having maturity of more than three months booked	(19,935.00)	(15,503.00)
Interest received	746.78	841.38
Net cash (used in) provided by investing activities	(8,902.48)	5,784.37
Cash flows from financing activities		
Proceeds from issue of shares under employee stock option plan	38.12	656.80
Equity dividend paid	(50.32)	(11,132.97)
Tax on equity dividend paid	-	(2,288.39)
Interest paid	(34.19)	-
Repayment of lease liability	(99.03)	-
Net cash (used in) financing activities	(145.42)	(12,764.56)
Net (decrease) in cash and cash equivalents	(955.18)	(895.99)
Cash and cash equivalents at beginning of the period	2,713.65	2,111.89
Effect of exchange rate changes in cash and cash equivalents	(2.64)	37.66
Cash and cash equivalents at end of the period	1,755.83	1,253.56
Component of cash and cash equivalents		
Balances with banks:		
In current accounts	1,488.62	938.32
In deposit accounts with original maturity of less than three months	200.90	200.07
In unclaimed dividend account *	66.31	115.17
Total cash and cash equivalents at end of the period	1,755.83	1,253.56

* 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 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, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	March 31, 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
(a) Segment revenue						
Product licenses and related activities	7,540.48	8,410.93	7,726.51	15,951.41	16,647.25	31,886.35
IT solutions and consulting services	948.75	935.38	1,051.91	1,884.13	1,985.43	3,922.62
	8,489.23	9,346.31	8,778.42	17,835.54	18,632.68	35,808.97
(b) Segment results						
Product licenses and related activities	4,198.56	4,927.12	4,249.58	9,125.68	9,669.22	18,423.89
IT solutions and consulting services	391.42	409.33	379.95	800.75	615.44	1,347.84
	4,589.98	5,336.45	4,629.53	9,926.43	10,284.66	19,771.73
Finance Income	366.13	322.13	335.33	688.26	655.75	1,173.47
Other un-allocable (expenses) income, net	(213.37)	(402.19)	(130.38)	(615.56)	(312.12)	(1,081.05)
Profit before tax	4,742.74	5,256.39	4,834.48	9,999.13	10,628.29	19,864.15
(c) Segment assets						
Product licenses and related activities	8,791.88	10,785.22	10,002.86	8,791.88	10,002.86	8,889.18
IT solutions and consulting services	1,881.49	1,873.22	1,915.37	1,881.49	1,915.37	1,783.53
Unallocable	41,680.78	36,148.86	27,589.50	41,680.78	27,589.50	33,781.04
	52,354.15	48,807.30	39,507.73	52,354.15	39,507.73	44,453.75
(d) Segment liabilities						
Product licenses and related activities	4,820.33	4,960.52	5,440.93	4,820.33	5,440.93	4,342.68
IT solutions and consulting services	610.97	595.65	778.49	610.97	778.49	582.11
Unallocable	801.22	867.34	666.93	801.22	666.93	725.22
	6,232.52	6,423.51	6,886.35	6,232.52	6,886.35	5,650.01

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

Mumbai, India
November 13, 2019

Chaitanya Kamat
Managing Director & Chief Executive Officer
DIN: 00969094