

Oracle Financial Services Software Limited

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

PART I		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
Particulars		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	INCOME						
	(a) Revenue from operations	11,624.81	12,751.01	12,132.77	24,375.82	25,581.35	49,589.03
	(b) Other income, net	461.37	320.21	496.60	781.58	977.93	1,760.92
	Total income	12,086.18	13,071.22	12,629.37	25,157.40	26,559.28	51,349.95
2	EXPENSES						
	(a) Employee benefit expenses	5,298.48	5,130.06	5,661.83	10,428.54	11,173.11	21,958.10
	(b) Travel related expenses	599.33	584.25	638.46	1,183.58	1,242.16	2,466.95
	(c) Professional fees	337.74	394.40	411.01	732.14	843.58	1,492.07
	(d) Finance cost	25.97	27.29	-	53.26	-	-
	(e) Other operating expenses	205.23	453.88	433.70	659.11	1,089.83	2,225.79
	(f) Depreciation and amortization	256.04	265.37	124.80	521.41	256.18	537.17
	Total Expenses	6,722.79	6,855.25	7,269.80	13,578.04	14,604.86	28,680.08
3	Profit before tax	5,363.39	6,215.97	5,359.57	11,579.36	11,954.42	22,669.87
4	Tax expenses						
	(a) Current tax	1,505.99	2,500.09	1,908.67	4,006.08	4,258.27	8,206.10
	(b) Deferred tax	268.95	(57.98)	(69.37)	210.97	157.35	604.79
	Total tax expenses	1,774.94	2,442.11	1,839.30	4,217.05	4,415.62	8,810.89
5	Net profit for the period	3,588.45	3,773.86	3,520.27	7,362.31	7,538.80	13,858.98
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	46.51
	(ii) Deferred tax	0.07	14.35	(6.53)	14.42	(23.39)	(14.07)
	(b) Items that will be reclassified subsequently to profit and loss						
	(i) Exchange differences on translation of foreign operations	140.90	94.44	570.21	235.34	923.15	194.05
	Total other comprehensive income for the period, net of tax	124.73	67.74	582.35	192.47	966.69	226.49
7	Total comprehensive income for the period	3,713.18	3,841.60	4,102.62	7,554.78	8,505.49	14,085.47
8	Net profit attributable to:						
	Equity holders of the Company	3,588.45	3,773.86	3,520.27	7,362.31	7,538.80	13,858.98
	Non-controlling interests	-	-	-	-	-	-
9	Total comprehensive income attributable to:						
	Equity holders of the Company	3,713.18	3,841.60	4,102.62	7,554.78	8,505.49	14,085.47
	Non-controlling interests	-	-	-	-	-	-
10	Paid up equity share capital (face value ₹ 5 each, fully paid)	429.20	428.96	428.36	429.20	428.36	428.76
11	Reserve excluding Revaluation Reserves as per balance sheet						48,936.15
12	Earnings per equity share (face value ₹ 5 each, fully paid)						
	(a) Basic (in ₹)	41.82	44.00	41.15	85.82	88.22	161.94
	(b) Diluted (in ₹)	41.65	43.81	40.93	85.45	87.71	161.11
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, 2019 have been reviewed by Audit Committee and approved by the Board of Directors of the Company at its meeting held on November 13, 2019. The Statutory Auditors of the Company have carried out a Limited Review of the consolidated financial results for the three and six month period ended September 30, 2019. 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 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 and six month period ended September 30, 2019, the OFSS group has recognized depreciation on right-of-use asset of ₹ 121.54 million and ₹ 242.14 million along with interest on lease liability of ₹ 25.97 million and ₹ 53.26 million; respectively. The effect of this standard is not significant on the profit for the period of the OFSS group.
- 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 eligible employees under the prevailing ESOP schemes of the
- 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 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.

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	408.80	369.25	369.25	778.05	714.90	1,319.73
Exchange gain (loss), net	18.84	(101.36)	83.14	(82.52)	166.34	226.97
Miscellaneous income, net	33.73	52.32	44.21	86.05	96.69	214.22
Total	461.37	320.21	496.60	781.58	977.93	1,760.92

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	2,345.49	2,450.09
(b) Capital work-in-progress	8.61	4.53
(c) Right-of-use asset	1,369.86	-
(d) Investment property	102.00	102.00
(e) Goodwill	6,086.63	6,086.63
(f) Financial assets	719.45	649.80
(g) Deferred tax assets (net)	412.87	617.03
(h) Income tax assets (net)	7,666.84	7,486.56
(i) Other non-current assets	412.46	711.88
	19,124.21	18,108.52
2 Current assets		
(a) Financial assets		
(i) Trade receivables	9,074.75	9,474.76
(ii) Cash and bank balances	11,954.24	11,562.69
(iii) Other bank balances	24,853.81	16,716.93
(iv) Other current financial assets	1,990.68	3,357.06
(b) Income tax assets (net)	157.03	28.45
(c) Other current assets	2,055.80	2,066.01
	50,086.31	43,205.90
TOTAL - ASSETS	69,210.52	61,314.42

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	428.76
(b) Other equity	56,894.23	48,936.63
	57,323.43	49,365.39
2 Non-current liabilities		
(a) Financial liabilities		
(i) Lease liability	901.34	-
(ii) Other financial liabilities	34.34	32.38
(b) Other non-current liabilities	2.55	160.62
(c) Provisions	1,095.08	1,005.21
(d) Deferred tax liability (net)	17.90	29.80
(e) Income tax liabilities (net)	131.78	106.84
	2,182.99	1,334.85
3 Current liabilities		
(a) Financial liabilities		
(i) Lease liability	476.10	-
(ii) Trade payables		
Payable to micro and small enterprises	2.01	3.17
Payable to others	692.84	564.48
(iii) Other current financial liabilities	2,294.76	2,723.47
(b) Other current liabilities	4,216.56	5,064.67
(c) Provisions	1,285.79	1,290.03
(d) Income tax liabilities (net)	736.04	968.36
	9,704.10	10,614.18
TOTAL - EQUITY AND LIABILITIES	69,210.52	61,314.42

9 Consolidated statement of cash flow

(₹ in million)

Particulars	Six month period ended,	
	September 30, 2019	September 30, 2018
	Unaudited	Unaudited
Cash flows from operating activities		
Profit before tax	11,579.36	11,954.42
Adjustments to reconcile profit before tax to cash (used in) provided by operating activities :		
Depreciation and amortization	521.41	256.18
(Profit)/loss on sale of fixed assets, net	(0.41)	1.12
Impairment loss recognized/(reversed) on contract assets	109.16	(541.28)
Impairment loss recognized on other financial assets	3.94	1.88
Bad debts	-	727.96
Finance income	(778.05)	(714.90)
Employee stock compensation expense	279.99	320.47
Effect of exchange rate changes in cash and cash equivalent	(129.19)	(585.44)
Effect of exchange rate changes in assets and liabilities	194.45	196.21
Finance cost	53.26	-
Deferred rent	-	(2.51)
Operating Profit before Working Capital changes	11,833.92	11,614.11

Consolidated statement of cash flow (continued)

(₹ in million)

Particulars	Six month period ended,	
	September 30, 2019	September 30, 2018
	Unaudited	Unaudited
Movements in working capital		
Decrease (increase) in other non-current assets	109.53	(42.53)
Decrease (increase) in trade receivables	365.56	(422.41)
Decrease in other financial assets	1,424.35	1,919.74
(Increase) in other current assets	(118.97)	(1,477.92)
Increase in non-current financial liabilities	2.19	3.52
(Decrease) in other non-current liabilities	(7.74)	(22.58)
Increase in non-current provisions	32.59	109.50
Increase (decrease) in trade payables	126.77	(59.11)
(Decrease) in other current financial liabilities	(277.31)	(168.36)
(Decrease) increase in current liabilities	(866.46)	18.68
(Decrease) in current provisions	(9.94)	(27.11)
Cash from operating activities	12,614.49	11,445.53
Payment of domestic and foreign taxes	(4,522.73)	(3,738.51)
Net cash provided by operating activities	8,091.76	7,707.02
Cash flows from investing activities		
Purchase of property, plant and equipment	(273.56)	(130.28)
Proceeds from sale of property, plant and equipment	0.38	0.08
(Placement) refund of deposits for premises and others	(0.36)	22.32
Bank fixed deposits having maturity of more than three months matured	12,779.37	22,156.28
Bank fixed deposits having maturity of more than three months booked	(21,033.60)	(17,361.23)
Interest received	853.36	895.65
Income from investment in sublease	18.85	-
Net cash (used in)/provided by investing activities	(7,655.56)	5,582.82
Cash flows from financing activities		
Proceeds from issue of shares under employee stock option plan	38.12	656.80
Sale of treasury shares	85.15	87.53
Equity dividend paid	(50.32)	(11,125.69)
Tax on equity dividend paid	-	(2,288.39)
Repayment of lease liability	(193.53)	-
Interest paid on lease liability	(53.26)	-
Net cash (used in) financing activities	(173.84)	(12,669.75)
Net increase in cash and cash equivalents	262.36	620.09
Cash and cash equivalents at beginning of the period	11,562.69	8,060.99
Effect of exchange rate changes in cash and cash equivalents	129.19	585.44
Cash and cash equivalents at end of the period	11,954.24	9,266.52
Component of cash and cash equivalents		
Balances with banks:		
In current accounts*	11,678.01	8,911.79
In deposit accounts with original maturity of less than three months**	209.92	239.56
In unclaimed dividend account***	66.31	115.17
Total cash and cash equivalents at end of the period	11,954.24	9,266.52

*Current account includes ₹ 12.91 million (September 30, 2018 ₹ 6.08 million) on account of restricted cash and bank balances held by i-flex Employee Stock Option Trust controlled by the Company.

**Deposit accounts includes ₹ 5.00 million (September 30, 2018 ₹ Nil) 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.

10 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, 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	10,198.34	11,353.27	10,567.84	21,551.61	22,537.82	43,527.29
IT solutions and consulting services	1,130.90	1,116.89	1,287.20	2,247.79	2,476.71	4,945.07
Business process outsourcing services	295.57	280.85	277.73	576.42	566.82	1,116.67
	11,624.81	12,751.01	12,132.77	24,375.82	25,581.35	49,589.03
(b) Segment results						
Product licenses and related activities	4,883.70	5,821.48	4,979.85	10,705.18	11,298.85	21,465.57
IT solutions and consulting services	197.50	286.27	154.77	483.77	197.51	635.61
Business process outsourcing services	97.30	86.71	76.06	184.01	160.98	323.37
	5,178.50	6,194.46	5,210.68	11,372.96	11,657.34	22,424.55
Finance income	408.80	369.25	369.25	778.05	714.90	1,319.73
Other un-allocable (expenses), net	(223.91)	(347.74)	(220.36)	(571.65)	(417.82)	(1,074.41)
Profit before tax	5,363.39	6,215.97	5,359.57	11,579.36	11,954.42	22,669.87
(c) Segment assets						
Product licenses and related activities	19,921.00	21,997.53	21,969.83	19,921.00	21,969.83	20,650.04
IT solutions and consulting services	2,224.83	2,323.70	2,501.40	2,224.83	2,501.40	2,198.82
Business process outsourcing services	633.23	652.70	510.18	633.23	510.18	447.13
Unallocable	46,431.46	42,076.70	30,826.08	46,431.46	30,826.08	38,018.43
	69,210.52	67,050.63	55,807.49	69,210.52	55,807.49	61,314.42
(d) Segment liabilities						
Product licenses and related activities	9,017.55	10,147.60	9,449.83	9,017.55	9,449.83	8,807.22
IT solutions and consulting services	916.38	1,010.90	995.04	916.38	995.04	845.94
Business process outsourcing services	331.14	347.09	107.95	331.14	107.95	117.43
Unallocable	1,622.02	2,130.74	1,930.79	1,622.02	1,930.79	2,178.44
	11,887.09	13,636.33	12,483.61	11,887.09	12,483.61	11,949.03

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

(₹ in million, except per share data)

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
Revenue from operations	8,489.23	9,346.31	8,778.42	17,835.54	18,632.68	35,808.97
Net profit for the period	3,620.21	3,468.87	3,222.54	7,089.08	6,960.57	12,824.70
Earnings per equity share (face value ₹ 5 each, fully paid)						
Basic (in ₹)	42.18	40.43	37.65	82.62	81.39	149.77
Diluted (in ₹)	42.02	40.26	37.45	82.27	80.93	149.01

12 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