

TRANSCRIPT

32nd Annual General Meeting of
Oracle Financial Services Software Limited

August 4, 2021, 5.00 PM IST

Through Video Conferencing / Other Audio Visual Means

Moderator:

Good evening everyone. Welcome to the thirty-second Annual General Meeting of Oracle Financial Services Software Limited. The meeting is now live. I am Ms. Shalaka Apte and I am the moderator for the day.

Let me invite the Chairperson of the Board, Mr. Venkatachalam.

S Venkatachalam:

Good evening my dear shareholders.

It is my pleasure to welcome all of you to the 32nd Annual General Meeting ("AGM") of Oracle Financial Services Software Limited.

I am the Chairperson of the Board, and also the Chairperson of the Stakeholders' Relationship Committee. I am joining this meeting from the Registered Office of the Company, situated in Mumbai.

Let me request my fellow Directors and Company Secretary here to introduce themselves.

Chaitanya Kamat:

Thank you Venkat. Good evening everybody. I am Chaitanya Kamat, Managing Director and Chief Executive Officer of your Company. I am also the Chairperson of the Business Responsibility Committee. Happy to be here.

Makarand Padalkar:

Good evening. My name is Makarand Padalkar, Executive Director and Chief Financial Officer of your Company.

Onkarnath Banerjee:

Good evening dear Shareholders. I am Onkarnath Banerjee, Company Secretary and Compliance Officer of your Company. Thank you.

S Venkatachalam:

Now let me introduce the Directors who are connecting virtually.

Richard Jackson:

Good evening everybody. I am Richard Jackson, an Independent Director. I also Chair the Audit Committee and the Nomination and Remuneration Committee of the Board. I am dialing in from London, United Kingdom, and, it is a great pleasure to be with you all.

Harinderjit Singh:

Good evening everybody and welcome to our AGM. My name is Harinderjit Singh and I am a Non-executive, non-independent director and the Chairperson of the Corporate Social Responsibility Committee. I am dialing in from California, United States.

Sridhar Srinivasan:

My name is Sridhar Srinivasan. I am an Independent Director on the Board of your Company. I am also the Chairperson of the Risk Management Committee and a Member of Audit Committee. I am dialing in virtually from Mumbai and I am delighted to be here with all of you. Thank you.

Jane Murphy:

Hello everybody. Good evening. My name is Jane Murphy and I am an Independent Director and I am also a member of the Audit Committee. I am dialing in today from Brussels, Belgium and I am very delighted to be here with you all today. Thank you.

Kimberly Woolley:

Good evening. I am Kimberly Woolley. I am a non-executive, non-independent director of your Company. I am joining the meeting from San Francisco, Bay area, in California, US and it is pleasure to be here. Thank you.

Yong Meng Kau:

Hi, good evening everyone. My name is Yong Meng Kau, a non-executive, non-independent director. I am joining from Singapore.

Vincent Grelli:

Good evening everyone. I am Vincent Grelli. I am a Non-executive, non-independent director and a member of Audit Committee. I am joining from San Francisco, California, United States. Thank you.

S Venkatachalam:

Thank you all. We shall now commence the proceedings of the meeting.

My dear shareholders, it is my pleasure to welcome all of you to the 32nd Annual General Meeting of Oracle Financial Services Software Limited. I hope all of you are safe and in good health. Due to the COVID-19 social distancing norms, we are holding this meeting virtually.

The quorum being present, I call this meeting to order and declare this 32nd Annual General Meeting of Oracle Financial Services Software Limited open.

The Company has taken requisite steps to enable the members to participate and vote on the resolutions being considered at this AGM.

The Company has received a Board Resolution from a corporate shareholder appointing and authorizing a representative to attend and vote at the AGM, under section 113 of the Companies Act, 2013, holding 73.2% of the paid-up equity capital of the Company. The Partners of the statutory auditors of the Company, and the Secretarial Auditor and the Scrutinizer, are attending this meeting.

Let me share some highlights on the performance of your Company for the financial year ended March 31, 2021.

The pandemic that disturbed the world's normal activities, continues its effects, as the economies around the world are trying to cope up with the new normal scenario. Despite this, your Company has reported a consolidated revenue of Rs. 49.8 billion for the financial year 2020-21. Its consolidated net profits for the year grew by 20% over the previous year to reach Rs. 17.6 billion.

Our staff and management teams are working from home since March 2020, and your Company has taken steps to create a safer environment for all of them by offering Company sponsored vaccination facilities to employees and their families.

We took initiative to help employees get access to medical assistance, financial help, comprehensive insurance coverage and other assistance. These initiatives have received much appreciation from our staff members.

On the business side, cloud technologies are gaining momentum, as many customers would like to shift to digital processes. We have made investments for solutions to work on cloud. Solutions such as, Liquidity Management, Virtual Account Management, Supply Chain Finance, etc., as cloud services, have been launched. Banks can take advantage of these services, to help their customers to access cash position, and manage their working capital position.

To cater to the mid-sized banks and small financial institutions, we launched Financial Crime and Compliance Management on the cloud.

We now use machine learning and AI, as a core principle in our product development, such that our solutions are enriched to provide better, faster services for Bank's customers. You may refer to the Annual Report, to get a more insight to this strategy.

Your Company continues to deliver customer specific solutions, to cater to the needs of our customers, and have delivered services on time, as we have dealt with challenges posed, due to remote working conditions without sufficient onsite resources. Despite the challenges posed due to remote working, your Company has continued to evolve and adapt to deliver timely and specific solutions to customers.

Let me turn on to the main business of today's meeting.

The Statutory Registers are open and accessible electronically during the continuance of this meeting to any member attending this meeting.

The Annual Report of the Company for the financial year 2020-21, including the Notice of the Annual General Meeting, was sent on July 6th to all shareholders at their registered email addresses.

The Notice of the Meeting is taken as read. There are no qualifications in the Statutory Auditors' report and Secretarial Audit report, and these reports are also taken as read.

Pursuant to the notice of the AGM, there are four resolutions under Ordinary Business and two resolutions under Special Business on the agenda of today's meeting.

Let me now take the resolutions in the order they are in the AGM notice.

Resolution no. 1 is for adoption of the Company's audited standalone and consolidated financial statements for the financial year ended March 31, 2021, and the Reports of the Board of Directors and the Auditors thereon.

Resolution no. 2 is for appointment of a Director in place of Ms. Kimberly Woolley, who retires by rotation and, being eligible, offers herself for re-appointment.

Resolution no. 3 is for appointment of a Director in place of Mr. Vincent Secondo Grelli, who retires by rotation and, being eligible, offers himself for re-appointment.

Resolution no. 4 is for the confirmation of interim dividend of Rs. 200 per equity share of Rs. 5 each, which was paid in May 2021, as the final dividend for the financial year ended March 31, 2021.

Resolution no. 5 is for re-appointment and the terms of remuneration of Mr. Chaitanya Kamat, as the Managing Director and Chief Executive Officer of the Company, for a further period of five years with effect from October 25, 2021 to October 24, 2026.

For the next resolution, I would be treated as an interested party, hence I request Mr. Chaitanya Kamat to take the Chair for this Resolution.

Chaitanya Kamat:

Thank you, Sir.

Next Resolution no. 6 is a special resolution for the payment of commission to the Non-Executive Directors of the Company, not exceeding in the aggregate, one per cent per annum, of the net profits of the Company, for a period of five years, commencing from April 1, 2022 to March 31, 2027.

Sir, I request you to take the chair again.

S Venkatachalam:

Thank you, Mr. Kamat.

Shareholders have voted on these resolutions through the remote e-voting facility from July 30th to August 3rd, 2021. Any shareholder who has not voted earlier and wishes to do so now, can vote during this meeting and the facility will remain open for 15 minutes from the conclusion of this meeting.

Let me now turn on to your questions. We have received a lot of questions from speakers as well as from other shareholders and I now request the Moderator to provide the guidelines and then have the speakers online.

Moderator:

Thank you, Sir. All the speakers are requested to adhere to the following guidelines:

- Please re-check that your audio and video have been set up as per the guidelines provided in the email, we have sent to you earlier.
- We will call the speakers in the order of the serial number which has been communicated in our email. Once your name is announced, your audio connection will be enabled. Please turn your video camera on and unmute your audio.
- In the interest of everybody's time, each speaker shall be allotted 2 minutes. Please help us to follow this timeline strictly.
- Speakers are requested to be brief and to the point. We request you to avoid reading the questions if you have already sent them with your request. Also, you may avoid repetition in case an earlier speaker has asked the same question.
- Lastly, restrict your questions, related to the Company only.
- Once all the questions have been asked, the Board will respond to them.

All the speakers should state their full name and location first.

I now call on to our first speaker Mr. Gokul Maheshwari.

Sir, your audio has been enabled. I request you to unmute your audio and start your video. Your 2-minute time starts now.

Gokul Maheshwari: Thank you for the opportunity. My name is Gokul Maheshwari. I am from Mumbai. I have already sent my list of questions. One is on the license fee, which in the last four to five years, we have been between \$75-100 million of license

fee. We have not grown. We hit in FY17 \$106 million, but since then it's below that level. Now the Annual Report does mention some amount of optimism in terms of pickup in business and customers wanting to spend money on core banking. For broader direction, can you comment if the next three to five years will be better than the previous three to five years.

And second point, is on the factors that customers don't prefer on premise investments in core banking, and a lot of them prefer the SaaS model. So, how is Oracle positioned, how are our products doing, are we able to address the Fintechs which are coming up and adopting these SaaS models and what proportion of our license revenues is coming from software as a service?

I would complement the management for the strong performance on the margins in the last four to five years, where you have improved the product margins quite healthily. Congratulations on that. Stay safe and stay healthy. Thank you.

Moderator:

Thank you for the question Sir.

Moving on to the second speaker, Mr. Yusuf Rangwala.

Sir, I request you to unmute your microphone and please start your video camera. Your 2-minute time starts now.

Mr. Yusuf Rangwala: Good evening Sir. Very much thanks to our Company Secretary's team and I am very happy that they gave me a direct link and also to be a part of this excellent Company. This is world famous Company and our rate currently is around INR 5,000 and you have paid a really good amount as dividend, Rs. 200/- per share. This shows how much you care for the shareholder during COVID-19. You have made us really happy. I am a proud shareholder of such a good Company.

Sir, can I request for arranging an office visit for the shareholders. I would like to send my warm wishes to the entire Board for the upcoming festivals. Sir, when was the last bonus issue announced? I don't have anything else to say. I support you and our Company Secretary who gives us such a good service.

Moderator:

Thank you for the question Sir.

Our third speaker, Ms. Hutokshi Patel and she is not present today.

We are going to move on to the fourth speaker, Mr. Viraj Kacharia.

Sir, I request you to unmute your microphone and I request you to avoid repeating any questions asked by previous speaker. Please turn on your video and your 2-minute time starts now.

Mr. Viraj Kacharia: I have already sent you the questions. So, I will not repeat those questions. If you can just take them and answer them in a detailed way, that would be helpful. Thank you.

Moderator:

Okay Sir, thank you so much.

Moving on to our fifth speaker, Mr. Jaydip Bakshi.

Sir, once again, I remind you to unmute your microphone and turn on your video camera. Your 2-minute time starts now.

Mr. Jaydip Bakshi: Good evening Chairman and Managing Director, myself Jaydip Bakshi, connecting from the city of Kolkata. Thanks to our Company Secretary for giving me an opportunity to express my feelings.

Congrats to the whole team for growth in revenue and net profit increase. It is a dedicated effort by all concerned. Sir, in our financial service, based on digitalization to meet customer demand, how we respond with the product innovation and at an affordable cost? Sir, the 10 years of history well displayed in our Annual Report and the vaccination program for everybody is a good initiative. Sir, what is our thought process for data security? It is the main area of concern – the cyber threat. How are we tackling it? Congrats to our R&D development department for the solutions for global banking sector and also for the dividend, which you have passed on to us. Sir, hours of learning, how much have we been given the hours of learning and training program conducted by adopting new technologies? Sir, any new sector introduction other than banking sector in our pipeline? Sir, your CSR spending has been good as always. What is with regard our energy audit in different units? Are we taking it into account? And any cost reduction strategy are we having?

Sir, I have full faith in the management and support team for a bright future and hope you will reward the shareholders with higher dividend and more price appreciation. I request everybody to stay safe and healthy. Thank you. And a last request sir, if I can have a hard copy, if it is published, of our Company. Thank you Sir.

Moderator:

Thank you for your question Sir.

Moving on to the sixth speaker, Mr. Rajagopal Ramanathan.

Sir, your audio has been enabled, kindly unmute your microphone and start your camera. Your 2-minute time starts now.

Mr. Rajagopal Ramanathan: I too would not want to repeat the questions because I have already sent them out earlier. My only point is, this year the dividends have been good but there have been couple of years in the past where you have skipped dividends. Now, what is not acceptable as a retail shareholder is that, over the last five or ten years, we are seeing paltry growth in sales. Now, there could be various factors for that, but that does not explain why Oracle should be retaining so much cash on the balance sheet. Now, if you look at the last five years, your cash on balance sheet has grown by 12% CAGR and sales have grown at 4% CAGR. Operating profit therefore, is under 9% and overall income on cash and liquid assets have been contracting. All this only combines to diluting ROE for shareholders. Can the management explain what is dictating such a choice?

Another important thing here is, what are the senior management salary growth over FY16 to FY21 in this period? Because we have seen sales growth heading south and my guess is that senior management salary growth on a CAGR basis would be heading north. What explains such a reward for top management performance, which according to me, does not merit such increases? So, I would like to know what has been the growth in salaries. And most importantly, why are the Directors who are supposed to be representing shareholders silent and acceding to requests for non-declaration of dividends, particularly when the Company is extremely cash rich and there doesn't seem to be any acquisition strategy either. Now in toto, I think what you have been doing, the Company while it has a very sound product profile, it has very sound relationships with its clients and is clearly in a good space, you have been following value dilutive strategies. Can we anticipate that the management will look to reverse such an approach? My question ends. I have sent a separate letter to the Chairman. I hope the Company Secretary poses the same to him. I would appreciate a response on that. Thank you very much.

Moderator:

Thank you Sir.

Moving on to the seventh speaker, Mr. Dipankar Purkayastha.

Sir, your audio is enabled. I request you to unmute your microphone and start your video camera. Your 2-minute time starts now.

Mr. Dipankar Purkayastha: Good evening and thank you for the opportunity. I had already sent in a list of questions and I will not repeat those questions. There are only two points which I would like to emphasize. In our Annual Report, we emphasize that our products are componentized, in the sense that you don't have to take the whole suite of products. You can sort of pick and choose as meets the customer's

requirements. Now with the disruption in Fintech, which is rapidly gathering space, I doubt whether the universal bank in its old form is going to continue much longer, at least in India and other countries, if I leave aside the PSU banks. So in my list of questions, I had said that the terms financial institution and banks are being used interchangeably in your report. How many are customers who are not really universal banks? Do you have, and how many were acquired in FY21? That was one of my questions. How are you going to meet the requirements of the new age institutions which Fintech is throwing up? Small payment bank, finance bank, because if you are going to stick to the classical definition of a universal bank, that pool is going to shrink. It is going to become smaller and smaller. As one of my previous speakers have said, everybody is shifting to software as a service. So, another question is, would you in future be disclosing the software as a service revenue separately, both in India and abroad? So, the list of question is with you, and I would appreciate a reply, particularly on these two points which I had highlighted now. Thank you.

Moderator:

Thank you Sir.

Moving on to the eighth speaker, Mr. Vinod Agarwal.

Sir, I request you to turn on your microphone and your video camera.

Mr. Vinod Agarwal: Respected Chairman Mr. Venkatalcham ji, MD Chaitanya Kamat ji, Company Secretary Onkarnath Banerjee ji and his team member Harshal ji, he was helpful in making me join and remind me of this meeting, and our CFO, Makarand Padalkar ji, regards from me to everyone out there. Sir my only small query. You got cash balance of Rs. 32,193 million in the bank balances of deposits of three to twelve months and cash equivalent of Rs. 16,948 million as cash and bank balances in current account. This current account will not give you any interest. It is about Rs. 50,000 million of assets lying in bank balances with very low interest. Can we not put them into some mutual funds or are we restricted from putting these balances? Last year, there were Rs. 30,000 million of balances with less than three months to twelve months, and this year it is about Rs. 32,000 million. So can you not put this into the mutual funds, for short term mutual funds also, which may give better returns than the bank interest of 2% and 3%. And even when I see that our other income from finance income has come down to Rs. 1,071 million. So we are not getting the returns on the cash and bank balances which you have got. This is bringing down the return on capital employed and net worth. Please look into that matter. I would like to have physical meeting in the future whenever possible Sir. I miss those physical meetings which we used to have Sir. I have been attending them for quite a few years. Thank you. Vinod Agarwal signing off from Mumbai.

Moderator:

Thank you Sir.

Our ninth speaker, Mr. Rishikesh Chopra is not present.

Moving on to the tenth speaker, Mr. Kaushik Shahukar.

Sir, your audio is enabled. I request you to unmute your microphone and please start your video camera. Your 2-minute time starts now.

Mr. Kaushik Shahukar: At the outset, let me introduce myself as Kaushik Shahukar from Mumbai. Good evening to all. Professionally, I am a Chartered Accountant, medically I suffer from dystonia. In simple terms, 55% of my body is paralyzed and this has affected my right hand, my right leg and speech. I have however not taken it as a hindrance. As I have mentioned earlier despite my medical condition, I have successfully completed my Chartered Accountant course. I am a strong believer that I am self-reliant and self-dependent. I admire the virtues of Oracle that shares the same principle of making people self-reliant through your ongoing and philanthropic work. You have made and are making positive change in the society. Sir, if our Company can shower some blessings over me, it can change my life too. I had previously approached Oracle to work in certification area. Unfortunately, that has not progressed. I would therefore like to use this forum to reach out to you and explore avenues where we can work together. I am confident that you would find my professional acumen of value add to our esteemed organization and will empathize with my condition and support me with some work. I would like to thank the Board of Directors for giving me opportunity to speak and also specially hearing me. Before I end my speech, I would like to give a special thanks to entire Secretarial team, including Mr. Banerjee. It was only their efforts which has made this event possible for me. Please accept my big thanks and it is from the bottom of my heart. I am also hopeful that the Company will empathize with me and will consider me. Sir, I expect a positive response from Company and I support all the resolutions for which I have already voted in favor. I have been and always will be proud shareholder of our Company. Thank you so much.

Moderator:

Thank you.

Moving on to the eleventh speaker, Mr. Varun Bang. Sir, I request you to unmute your microphone and please start your video. Your 2-minute time starts now.

Mr. Varun Bang: Good evening. Sir, my first question is, can you tell me what percentage of our new sales are done by Oracle parent subsidiaries and what is the fees charged by them? And has there been any change in this over the last few years? My second question is, what percentage of revenue is from products or platform

introduced in the last five years? And can you throw some light on how diversified the revenue line has become with the introduction of new products? My third question is, what are the top three priorities for the management over the next two years and can we expect the margins we are having currently be maintained? My fourth question is, in the business of IT product, what are the top three biggest challenges and risk for a Company and what is required to maintain an edge over competitors? Subsequent question is, what are the top five criteria on which the Board judges the performance of Company and senior management, other than the most recent P&L? And can you tell the headings of these criteria and the importance for the organization over the longer term.

We launched, OBP focus for large banks, but it has not grown the way we thought. What are we doing to grow that product? and is it even a focus area for the new management? We have a very good ESOP policy. Can you tell me what percentage of ESOP's have been given to employees other than the top five in the organization? And last question is, how much percentage of variable income is paid as bonuses or ESOP, and how do we decide what percentage of variable will be bonus or ESOP for senior management? And what has been the attrition in the top 50 people in the organization? Thanks a lot for the opportunity. I am done.

Moderator:

Thank you Sir.

It has been brought to my attention that speaker number nine, Mr. Rishikesh Chopra who was previously unavailable is now available.

Sir, Mr. Rishikesh Chopra, I request you to please turn on your audio and your video. Your 2-minute time starts now.

Mr. Rishikesh Chopra: Hi Sir, we are a long term shareholder holding around 750 shares. First of all, there should be a complaint escalation department. There was a news of fraud in Hyderabad. It may be a false news, but it took around 10 days to verify the same from your Secretarial department. So when we send a mail to your Secretarial department to clarify any news, there should be a person. Plus we need a mobile numbers of the KMP's. And right now also, if you will see website, we are not able to see the statutory registers there. That is the first part. So please improve your Secretarial department so that it should be investor friendly. That is my advice to you.

Secondly, I wanted to learn in the coming years, there is a lot of cyber security threats are there. There is a lot of new things coming out of this. Some of the things you have written on page number four, if you can clarify that, that would be great. Apart from that, if we can meet you personally or CFO that would be great sir. That's it from my end. Answer these thing and Secretarial department procedure and tell them to be a

little bit investor friendly. I am repeating again, it would be great although they have helped us a lot to attend the meeting in a very friendly way. Thanks a lot.

Moderator:

Thank you Sir.

I shall now call on the twelfth speaker, Mr. Dinesh Kotecha.

Sir, I request you to unmute your microphone and start your video. Your 2-minute time starts now.

Mr. Dinesh Kotecha: Good evening, Sir. I appreciate the performance summary given business wise in page 44 of the Annual Report. The BPO of business services has gone up tremendously by one third, compared to the other services and the product services, percentage wise growth. I would like to know whether the BPO services Rs. 400 crores is possible or Rs. 2,000 million is possible? If you can tell me that. Secondly, page number 128 and 129, good presentation of disputed cases by M M Chitale & Co., Chartered Accountant. But there appears one confusion. Amounts are net of taxes paid under dispute. How do we know what is the gross amount and under which amount we have paid in dispute? So there should be a column for the amount of the dispute, gross amount and the amount paid column should be there against it. That will give you a proper understanding to us, as to against which disputed cases we have paid the amounts. Sir, you are not giving interim dividends. You are giving one-time dividends. Now with Rs. 200 dividend that you have declared, we will get the money only in August, six months after the year has ended. Why can't you give quarterly interim dividend of Rs. 50 then in that case? That will be better. The cash flow will also come in our hands quarterly, instead of it coming after eighteen months of the year end. From the start to the end of the month, twelve months and another six months you take to give the dividends. That is not fair.

The first quarter results are better. I appreciate it and I think that you have triumphed over the clientele with flying colors. And I basically want a physical copy. I have requested to the Secretary also.

Moderator:

Moving on to the next speaker.

Speaker number thirteen, Mr. Vaibhav Badjatya.

Sir, your audio is enabled from our end. I request you to unmute your microphone and please start your video. Your 2 minute time starts now.

Mr. Vaibhav Badjatya: Thanks for providing the opportunity. I have also sent my list of questions in advance. I would like management to answer them point by point and not make it a part of generalized discussion because the answers get lost in all those things. But I would like to highlight two points out of the questions that I have submitted. From the revenue concentration schedule, we can see that our largest customer is 48% of the revenue. So that came as a little surprise to me. So, I just wanted to understand what is our plan to reduce the dependence on that single largest customer? Second important thing is that, in related party transactions, it seems like 35 to 40% of their revenues is coming from the fellow subsidiaries of our ultimate parent company. That also came as a surprise to me as to why we are not directly booking the revenues to the ultimate clients rather than going through fellow subsidiaries. If you can explain these two important things and apart from them, I also submitted another five, six questions. So great if you can reply to them, point by point, that would be really helpful. Thank you. That's it from my side.

Moderator:

Thank you Sir.

Inviting the next speaker, Mr. Utkarsh Solapurwala.

Sir, your audio is enabled. I request you to unmute your microphone and your 2-minute time starts now.

Mr. Utkarsh Solapurwala: I am Utkarsh Solapurwala from Surat. I have sent you the list of questions. But I want you to basically focus on two things. What is our strategy for next three to five years, especially license growth and the cloud-based revenue? Secondly, we are currently sitting on Rs. 5,000 crores of cash, and we are a highly cash flow generating company. So what is the dividend policy of the Company? And thirdly, I want to request you to do a quarterly conference call as well as provide investor presentation and also conduct a technology event, so we can understand the products of the Company better. Currently, we just have a theory information about the products and the products seem to be different from the competition. Thank you.

Moderator:

Thank you Sir.

I shall now call on the fifteenth speaker, Mr. Anuj Sharma.

Sir, your audio is enabled from our side. I request you to unmute your microphone and please start your video. Your 2-minute time starts now.

Mr. Anuj Sharma: I have too sent in my list of questions. I request you to please answer them. My questions revolve around the US opportunity and the traction we are seeing, the OBP platform, the changes and what are we doing to gain traction in OBP? And few around on the non FLEXCUBE, which is the non-core banking product, what is the traction in the same? Thank you. I will appreciate the replies.

Moderator:

Thank you. That concludes the speakers. There will now be a **10-minute break** after which the responses to your questions as well as those sent to the Company through email will be provided.

Please do not disconnect. We will resume after 10 minutes.

After the break...

Moderator:

Thank you for waiting and welcome back. I now request the Managing Director and CEO, Mr. Kamat to answer the questions.

Chaitanya Kamat:

Thank you, and good evening, to all our shareholders – I hope all of you are staying healthy, safe and getting vaccinated as per your eligibility.

Now moving along, we have received a large number of very excellent questions especially over email and now in the earlier part of our meeting. So I will try and address all or as many of them as I can, in a sequential fashion. And to avoid repetition, I shall answer related questions together. I know some of you might prefer individual answers, but that will get somewhat complicated to achieve and repetitive.

Now, let me begin with, I think first Mr. Chopra's question, on what we see happening in the industry, industry trends and so on. I think there was probably one more gentleman who had asked questions around this dimension. See, there are three fundamental trends that we have been seeing in our conversations with banks around the world. And these three trends sweep across financial services. So let me tell you what these are, because these are impacting your Company's customers, the banks, and therefore impacting and driving our strategy.

Firstly, Customer Behaviour, now customer behaviour has changed. This is the customer of the bank. Customers demand a radically different style of engagement from their banks. They want to be in control, they want to have access to more information than before, and they already have that type of access across the various channels they operate on. They often make their buying decisions way ahead of actually even engaging with the bank of their choice. So that is the first one.

The second one, I think many of you have mentioned, is the emergence of Fintechs. Now this is putting competitive pressure on the most profitable elements of the banks business. So think of areas like payments and lending... the Fintechs are competing with the banks. And this is forcing the banks to be more responsive, and more efficient so that they can compete more effectively.

Now thirdly, the availability of new technologies like block chain, graph analytics, machine learning, is creating innovation opportunities for banks. They have to adopt these and therefore this is important for them. Additionally, the increased maturity and progressive acceptance of cloud solutions is also enabling banks to move the burden of technology adoption and innovation from themselves to their product providers.

Now Mr. Bakshi mentioned earlier, Cyber Security. This becomes a very important concern, especially as banks move to the cloud. One of the benefits your Company has, is that we deliver our cloud services on Oracle's infrastructure - cloud infrastructure and cloud platforms. Oracle has arguably the best cyber security in the business and so your products are able to seamlessly take advantage of that.

I think Mr. Solapurwala and a couple of others – my apologies to our shareholders if I miss some names because I know that I might miss them - I will try very hard to make sure that I am responding; but Mr. Solapurwala and others had asked about your Company's strategies in the year ahead. And I think this is a question in many of our shareholders' minds. So let me tackle that. Now we are a software product business. If you think of our strategy in terms of three major thrusts.

- Firstly, we are transforming our solutions so that they can be cloud ready and be consumed on a component basis. So I am very thrilled that your speakers today have noted our move to the component basis and even commented on it. The reason this is important because it enables banks to undertake progressive rather than big bang transformations. So they achieve the outcomes they want, sooner, with lower risks, and in a phased manner. Now this is an important investment thrust for us.
- Secondly, we continue to take advantage of the significant investments by our Promoter, Oracle, in innovative technologies. So cybersecurity is one area we benefit greatly. So do, in digital assistants, graph analytics, artificial intelligence, automated process management, platform as a service, autonomous database, ... there are a large number of areas.
- The third thrust of our strategy is, we are focusing on is addressing gaps in our solution portfolio. Let me give you some examples. We have been focusing on what we call digital experience and if I get the time I try and articulate how we are looking at the various components or the solutions stack during the course of today. The other areas we are doing investment is around the corporate banking middle office.

So these are just a couple of areas, where we have seen gaps and we are working on investing there as a thrust.

So those are the three strategic thrust areas for the coming years. So please note those.

Now I want to segway from this question to the one on organic versus inorganic and acquisitions. I think it was Mr. Badjatya who had a query regarding this subject, and around what are the criteria we use for instance when we look at inorganic acquisitions. So fundamentally, we look at three parameters, when we address a target assuming it addresses and is relevant to our white space areas. The areas where we might have solution gaps:

- Firstly, the target solution needs to be interoperable with our existing products and solution stack. This is very important because your Company's customers will start their journey with your Company with some part of our solution but over a period of time as they scale, as they grow, as they diversify their business, as they change their business strategy, they add more components of our solutions. And so, interoperability becomes critical. It doesn't really help us, if the solutions we buy inorganically are not interoperable.
- Secondly, given the move towards digital, many of our speakers today emphasised, that it is important that the targets we look at, have cloud native solutions. What do I mean by cloud native? They have to be based on contemporary software as a service principles.
- And lastly, of course, the price should not exceed the value to us, right? So that is always critical.

Now you are all very knowledgeable about both our Company and our Promoter, Oracle. Oracle has significant expertise in acquisitions. So therefore, we have undertaken quite a few evaluations so far, and the opportunities that we have come across have fallen in two broad categories:

Firstly, the targets are, established companies often with legacy technology. So, on the pro side they could offer us a short-term revenue boost, but on the con, we inherit all their technology debt, because their products are not really future ready. And, we have to build and rebuild these products from scratch. So, that category is not very interesting to us.

The second category is the new age start-ups. Non established companies, with interesting products that are relevant. Again, we are interested there where their valuations are realistic and the challenge we have seen most of the time is that there is a lot of froth and foam in their valuations.

So, so far what your Board and your management has looked at, this is what we have come across. Now you will appreciate, many of you noted the fact that, your Company has a very highly profitable business and this is why we are able to deliver the Profit and Loss profile we deliver and the margins we deliver. And so, we always prefer that the solutions we would seek to acquire are going to support and be accretive to that business in the short order, not over some unspecified long term. So that is sort of how all inorganic acquisition is viewed by your Company.

Now, Mr. Maheshwari and another gentleman had asked about your Company's past license revenue and future prospects - so this is a fairly solid question, around why are our revenues the way they are and what do we do in the future to grow them.

Now think of this in the context of the conversation, we had so far in terms of our strategy, our inorganic focus and what our experience has been over there. As you can see, while we continue to diligently evaluate potential targets, to acquire businesses that meet our criteria, in parallel, we are investing organically to address the gaps in our portfolio. So we are not standing still. Now the thing we have to face up to is, the organic route is cleaner. Because we get interoperability, we get a cloud native solution, but we don't get the short term revenue boost while we build out those solutions, which is what you might get if you do an unsuitable acquisition. Instead, what we will get because of our approach is, we get true cloud native interoperable solutions. Now to validate the results of this strategy, you only have to compare our solutions and margins with those of comparable competitors. Our solutions work better together for our customers, they are on a better path to be future ready and we are able to deliver superior levels of margin to you.

Mr. Kacharia, if I remember the name right, had a question around comparing us with another competitor. And there, the last time I did that comparison about the last year's performance, I saw that your Company delivered 38% additional absolute margin despite having 23% absolute lower revenue. So we are more profitable and we have a more interoperable solution suite. Now since a significant portion of our organic build in gap areas is getting completed, we should now see a lot more traction for our cloud solutions and expect them to contribute to revenue growth in the coming periods. We are already out with many of our cloud solutions, I think our Chairman mentioned a few names as well.

Mr. Sharma had a question about IBS and other analyst firms. I think this was one of the email questions. And this is really I guess about how we interact with third party analysts that review us and other competitors. So, as shareholders, you should know that there are multiple firms that provide an analysis of the markets that we operate in. We generally work with firms that take a more holistic view of the market, both in terms of new customers or new logos as we call them in the industry and customers that extend their relationship. So, the key thing to remember is, our customers start somewhere and keep growing their relationship with us. So, looking at it together gives

a better representation of our business and we have been working with lots of such analysts so last example I can think of was Forrester. They did a global deal survey and we were ranked among the leaders. We also participate in surveys which compare our products and features vis-à-vis competition. So just in terms of sort of give you a feel for names, on the IDC, Gartner, I already mentioned Forrester, Celent, these are some of the analysts that evaluate your Company's products and we engage with them on a regular basis. IBS that was mentioned, actually looks at the market in a way that your Company thinks is not really representative of our business and so when we look at all of the analysts who work, we decide who we pick and who we don't. So that is in terms of that question.

I have to thank you guys, you have asked a lot of questions. So I am going to have my work cut out to go through them and answer them and I hope you are patient enough to sort of listen to me as I progress through them.

Now Mr. Sharma and Mr. Kacharia had questions about our US activity. Now the thing to know here is, and there was a question specifically about do we leverage our Promoters' network in the US. We definitely leverage that because it is a great source of strength to us because there are deep connects and we are able to take advantage of that. If you look at our press releases, even if you just look at the last one year, look at every quarter, we have had success in the US, quarter after quarter. If you want to think about the areas we have had success in, there are areas in corporate banking where we talk about digital engagement, or the middle office, the analytics space and the leasing space and these solutions are very relevant because many of them are on the cloud. So they can use them in the manner they want to and we believe that we will see traction in these areas even in the upcoming periods in the US.

Moving gears, a bit because I have got a lot of ground to cover, Mr. Solapurwala & Mr. Maheshwari had some questions on new and cloud ready products. Now I think in one of our earlier shareholder meetings, a few years ago, I had highlighted the fact that we had started investing in reshaping our solutions portfolio into component solutions and some of you alluded to that even in your questions. The reason we are doing that is because the way banks interact with their customers is changing, the way the banks need to operate internally is changing and therefore, we need to change the way we aggregate functionality for them to use as solutions. So, think this way, we are reshaping our solution portfolio into component solutions. Conceptually, if you break it into stacks of digital experience, where they engage with the customer, digital engagement for the process flow within the bank, and then the product processors which are really the store of records, then the customer experience which could be on any device, for both the customer and the banker and then work flows, these are all individual components. And so, this disaggregation enables us to create cloud native components that can be implemented in a phased manner. So, think, not in terms of taking a solution for a universal bank, and moving it on to the cloud in a combined

way. Think in terms of moving these components and also having them composed and consumed in that fashion. There was a question about what did you launch in this year, in the previous year and in the year before. If you compare our sequential Annual Reports you can easily see, how this new portfolio is shaping up. For example, in corporate banking, we have brand new cloud components in lending, in virtual account management, in liquidity and so on. Similarly, in Financial Crime and Compliance Space, we have launched cloud offerings for transaction monitoring, customer screening, KYC and more. Every year, we add a few more, as we execute on this strategy, so that will give you some feel for non-cloud versus cloud and how your Company is making the journey, from your traditional on premise and from the monolithic universal bank solution to more of a solution that is addressable the way today's banks want to consume.

I believe it was Mr. Badjatya who had asked the question, who our largest competitors are. Now you know, we operate across 140 countries where we have customers. We don't necessarily have our own entities everywhere and so you know, some of the questions relating to why we work through Oracle entities is, because we don't have to have the administrative cost of creating entities and operating out of there given the footprint that Oracle has. We probably have about a dozen markets in which we have entities whereas Oracle has a much broader footprint. Now, Mr. Badjatya had a question about who our largest competitors are, and while these vary by region and geography but I will still try and give you some names that we come across from a product category perspective. So in banking, we would come across Temenos, Finastra, Finacle, reasonably often. Earnix, FICO, Nomis is what we might see in the risk space. Then players like actimise, FICO, Verafin is what we run into in the Financial Crime and Compliance space. In addition to these, we encounter a large number of region specific competitors given the fact that your Company has such a widespread geographic footprint.

I will shift gears a bit. Mr. Maheshwari had a question on the deflationary impact of SaaS - Software as a Service, and the tipping point as companies transform from one category to another, in terms of their usage or solutions. Now in my opinion, the risk, the data privacy and the regulatory context, within which financial services customers operate - because every bank operates within a jurisdiction, there is a Reserve Bank in that market which looks after their sets rules for their operation and so on - so that is what I am referring to. These considerations and this context in my opinion is generating an extended transition to the cloud, compared to other sectors. This is all relative and therefore the tipping point, where if you take any individual bank, the bulk of their solutions are on the cloud, that tipping point is several years away in my opinion. Now financial services, is one of the sectors where many of the largest banks today are still running 30 plus year old mission critical systems, which were built in technologies that are often much older than our software engineers, in terms of their age, in the time they have been on this planet. So that is something to know about the move to SaaS and tipping points.

There is another question, Mr. Maheshwari had I think a few of them, relating to our implementation business, and I would like to try and characterize the factors that derive the relationship between the volume of implementation work we do versus the license revenue that we earn. So, some of you besides being shareholders are also analysts and so you have that mind-set to understand, is there some way to model this. Now firstly, implementation revenues typically lag the licenses purchase. So that is the first thing. The volume in terms of the implementation revenue volume varies based on how much a bank chooses to customize the solution versus implementing as is. Now, often, customers already have our product and have implemented it, but they buy additional license as their business grows. So, this kind of license purchase, doesn't lead to a corresponding implementation revenue also. Then - this is an area we focus quite a bit on - we continue to look at expanding our partner network, to originate license deals. So, in such cases, a partner may undertake the implementation independently or with some support from us and so the scale of our services for these type of accounts can vary quite significantly. One more aspect, if this is not enough, customers expect cloud solutions to be more complete and generally less amenable to change because the onus of keeping the solution up to date is on the provider, not on the bank itself. And therefore, alongside the move towards software as a service solution it is also imperative that implementation services associated with such programs will be of lower magnitude. So all of these factors come into play. It is quite challenging to have an easy heuristic for modelling how implementation services growth happens. But I hope this gives you a feel for how our business works.

Now Mr. Maheshwari had one more question. I think this was a reference to a mention in the Annual Report of large implementation deals continuing to be delivered under the pandemic and about how that translates into our books. So, let me provide a bit of context. Many of our implementations span across multiple years. It is not something that happens just during this period. I will give you an interesting example though and this is about the resilience of your Company and the strength of the employees of your Company and this is an example close to home - it is the merger of Canara and Syndicate Bank into a single FLEXCUBE platform. So this merger and our work there went live in April 2020 during the pandemic. The merged bank just so you understand has a non-trivial customer base of about a 180 million customers and there are similar pandemic go-live examples in the US, in Europe and other markets. So this is something we have been able to do consistently.

Now let me see where I am in terms of your questions...

Mr. Maheshwari and Mr. Sharma, probably some other gentleman as well, had questions on Oracle banking platform. Now let me give some context here. Oracle banking is terminology we have been using, for the disaggregated core banking componentized offering that we have been building. We have expanded and launched new components across the three levels or three sections in which we have disaggregated core banking - Digital Experience, Digital Engagement and then what

we call Product Processors. So when you look at our Annual Reports or look at our press releases, look for components with the name beginning with or the term Oracle Banking - because they are all part of our Oracle banking platform strategy around componentization. Now these are not just solutions we have built in the last 6 months or 12 months. We have built them over the last several years and they are resonating with customers and we continue to win deals across our portfolio. So for example, what we have built, SaaS ground up in corporate banking is all part of this Oracle banking branding that we have.

Now moving ahead I think Mr. Purkayastha had an interesting question and Sir thank you for that. You asked about universal banking and the traction there. So I hope my earlier comments have addressed that. I am coming to the question you asked regarding traditional banks vs non-traditional financial institutions and segregation and so on. See, what we have been seeing is that, banking is one space where all kinds of parties get into. So even in India as you are aware, there are payment banks launched by telcos and your Company's products are used by that telco, although we don't necessarily always name these companies by name based on our arrangements with them. So we don't typically track data by traditional bank or non-traditional bank because in our mind this is a continuum. You know we have telcos offering wallets or doing setting up payment banks not just in India, in lots of parts of the developed world we have telcos using your Company's leasing solutions for handset leases. Again they are using our leasing technology. They are using the same technology that banks use. Historically, in the US, telcos did not charge the phone that they would give their customers with a proper calculation of interest, etc. But with your Company's solution, they are able to do that and so the distinction between traditional and non-traditional is wearing thin over time. And the fundamental driver if you look step back and look at what is driving this, is that businesses of all kinds are looking to eliminate or reduce the friction associated with the commercial aspect of a purchase transaction. So there is a purchase transaction in whatever industry. The commercial aspect of it is has to be a payment. They want to eliminate the friction part of it.

I will keep moving on because otherwise I could speak on forever.

There were some questions I saw on relating to Aadhaar. Now you will be delighted to know that our banking solution routinely supports the use of the Aadhaar stack for retail on-boarding in India. So that is working well. Also there is a question on Blockchain. Again our products do have Blockchain adaptors for incorporating this technology wherever relevant. I have covered a fair bit of space around strategy, license revenue and why, because of the way we have gone about things, our profile has been the way it is and why we are expecting to see traction. I have also covered a lot of questions around the implementation business.

I want to switch gears a little bit because there were some questions around the pandemic as well.

Now, the bulk of our employees have been enabled with laptops and so we have been able to execute pre-sales, sales, implementation and support processes that your Company runs remotely. Now there is a question on travel costs. Travel costs have shrunk but this doesn't really have a material impact on our P&L. The key thing to highlight is our customers have co-operated with us in this process. Our employees have been real troopers and in the midst of all of this have really stepped up and while the situation has been challenging and the situation is fluid, your Company, your employees are continuing to evolve and adapt and deal with this.

Mr. Chopra had a number of questions regarding the impact of COVID from the perspective of employment termination. Did we lay off people and compensation cuts? I would like to share with you, that your Company did not do any COVID related terminations or salary reductions. As a matter of fact, we had approximately 1400 new joiner employees in financial year 2021 and especially while we were working remotely as an organization, we on boarded these employees also remotely. In addition, our Chairman has outlined the large number of steps we have taken to ensure the safety and the wellbeing of our Company's employees, whether it has to do with insurance, additional insurance, additional financial assistance for hardship, it has to do with making oxygen concentrators available. So we acquired a number of oxygen concentrators and made sure they were available in cities so employees and their families could actually have it at the point when there was a crisis and of course Chairman mentioned your Company has arranged vaccination camps sponsored by the Company so that employees and their families had access to vaccines and we covered the cost of all of those. So a significant number of these items, I don't want to necessarily drain every one of them because Chairman mentioned these as well.

I think I will pause here and maybe pass the baton on to Mak.

Mak, there are a number of questions I did not address, particularly financials related that you might want to cover.

Makarand Padalkar:

Thanks Chet. I think that was a very extensive coverage of a very broad spectrum of areas in terms of strategy, how it is impacting the product direction the Company is taking.

I do want to focus on couple of areas, that specifically shareholders had asked, and I think they were from Mr. Badjatya, Mr. Shenoy and probably a couple of them. I think there was a fairly interesting question on customer concentration, the revenue we receive from the subsidiaries.

So Chet in fact articulated that we sell our products, we have customer base across more than 100 countries. In fact, as we have last reported in FY21, we had serviced customers in over 150 countries. At any point of time, we invoice customers in about

90 to 100 countries. So to service them effectively, we operate through our own main subsidiaries which basically cover about 10-12 major locations across APAC, EMEA, Americas, and where we do not have a subsidiary, we will contract through the Oracle entity in such geographies. So this basically would explain, why you see the large revenue contribution from these entities.

There was a question about, what is the relationship you have between these subsidiaries. Now that is a transfer pricing question and I would just confirm to you that all the transactions we do are at arm's length principle and they follow all the required steps that are required to establish the arm's length.

There was one question which I just want to specifically take about, largest customer concentration, the figure reported was something like 48%. Now this is the outcome of the accounting standard requirement. IndAS 108 requires you to report aggregate the revenue you get from various related entities as one reporting number. And that is why whatever number you get from the Oracle entities is reported as single customer 48%, but in effect there are so many different actual customer engagements. And therefore, you should not look at this parameter as any customer concentration risk.

Moving on, there were individual comments by several shareholders. I recollect some names, Mr. Chopra, Mr. Badjatya, Mr. Ramanathan, Mr. Purkayastha, I am sure I have missed naming a few people and my apologies for that. So let's cover them.

Chet covered about the profitability profile of our Company, how we stack in terms of competition both on multiple parameters. And I think many of you have also mentioned that you are proud of your Company's operating performance and parameters. I am also very proud that we are one of the best in the IT sector in our space not just in India, but we stand quite well in the global comparisons as well. We have a good and highly profitable product business. Our margins are the highest in the industry, our debtor days are amongst the lowest in the industry, we are a zero-debt company. And therefore, I was actually surprised to see some questions, by the speaking shareholders and on email; especially questions asking to see how our debt will reduce over a period of time. So I quite simply could not understand that question.

There were some other specific questions relating to the details on the ESOPs, what percentage of employees are getting, how they are getting distributed. I would say that we have a broad based ESOP program which is a very important program for us. And I would request members to look at the detailed disclosures in the Annual Report. There is a fairly detailed section in the notes to the accounts as well as in the Director's report, which carries significant amount of details on that aspect.

Then, I think there was an interesting question which I thought I should mention it here. I think it was from Mr. Purkayastha about the presentation of the consulting revenue in the segmental disclosures. Sorry I am just going slightly deeper into the Annual Report and the Balance sheet, but you have to pardon me, because the questions were specific, so I am trying to provide as much color commentary in the time available. So I think the question was on the consulting revenue being shown under Products and Services segments. The reason is very simple. These are two separate business segments. While it is consulting, in the product segment, it deals with customers who buy our products, it is to deal with the implementation of the services that we do. Whereas for services we are dealing with Bespoke IT services again for the financial services clients.

Somebody, I think Mr. Sharma had a question on attrition. That figure is 15% attrition for FY21. I would just highlight that our quarterly press releases, earning releases, provide you a fair bit of metrics on these topics. So you should get all the relevant information there.

Then there were a couple of interesting questions on utilization of cash, INR 5000 crores in the balance sheet, etc. I think Chet has articulated that beautifully in the strategy question as to, where we are investing, as a product company we need to invest and how we are sort of keeping that cash.

Moving forward, I think Mr. Sharma had a question or a comment on increase and decrease in the headcount, the questions on the hiring. So again going back to the press release, you know we report this quarterly. The closing headcount of the quarter by line of business which is the net figure after hiring and the exits. So it is quite a detailed disclosure that we do. So I think that pretty much covers everything.

Before I conclude, some of you had asked questions seeking guidance on the specific growth. I also would appreciate there were speakers who said they are not asking for guidance but general directionally which I think Chet has already covered. People asking for a specific future growth, projections whether it is for the product line, business line, regions, profits etc. etc. We will not take up these questions, because as a policy we do not offer any guidance.

So with that, thank you very much and over to you Venkat.

S Venkatachalam:

Thank you Mr. Chaitanya Kamat and Mr. Makarand Padalkar for very detailed explanations given on various questions raised. We are now at the conclusion of this meeting.

With this, I would declare the 32nd Annual General Meeting of Oracle Financial Services Software Limited "CLOSED". Thank you, dear shareholders, for your enthusiastic participation.

On behalf of my fellow board members and myself, I thank all of you attending the meeting and we look forward to meeting you next year. Please take good care of yourself. Thank you very much.

Moderator:

Please note Members attending the AGM today who have not already cast their vote by remote e-voting may cast their vote on the e-voting platform now which will be open for the next 15 minutes.

The results of the remote e-voting, including any e-voting today, will be posted on the website of the Company, website of NSDL and the stock exchanges within the next two working days.

Thank you.

Note: The meeting concluded at 6:58 pm (IST).
