

TRANSCRIPT

31st Annual General Meeting of
Oracle Financial Services Software Limited

August 18, 2020, 5.00 PM IST

Through Video Conference / Other Audio Visual Means

Moderator:

Good evening everyone. My name is Sanjay Kharat and I am your moderator for today. Welcome to the thirty-first Annual General Meeting of Oracle Financial Services Software Limited. The meeting is now live. Let me introduce you to the directors of the Company.

Chairperson of the Board, Mr. S Venkatachalam has joined the meeting from the registered office in Mumbai. Mr. Venkatachalam is also the Chairperson of the Stakeholders Relationship Committee.

Mr. Chaitanya Kamat, Managing Director and Chief Executive Officer of the Company, has joined from Bangalore.

Chaitanya Kamat:

Good Evening everybody and it is good to be on this call for the AGM.

Moderator:

Also Joining from Mumbai along with Mr. Venkatachalam, is Mr. Makarand Padalkar, Whole-time Director and Chief Financial officer of the Company.

Makarand Padalkar:

Hello everybody good to be here at the meeting. Thank you.

Moderator:

We have Mr. Richard Jackson, Independent Director and Chairperson of the Audit Committee and Nomination and Remuneration committee of the Board, who has joined from London, United Kingdom. Welcome Mr. Jackson.

Richard Jackson:

Good Afternoon, Good Evening and it's an honor to be here with everybody today.

Moderator:

Thanks.

We also have Mr. Harinderjit Singh, Non-executive non-independent director, who has joined from San Francisco, United States. He is the Chairperson of the Corporate Social Responsibility Committee.

Harinderjit Singh:

Glad to be here and to join you at this AGM meeting.

Moderator:

Thanks Mr. Singh.

We have Mr. Sridhar Srinivasan, Independent Director, who has joined us from Mumbai. He is the Chairperson of the Risk Management Committee.

Sridhar Srinivasan:

Good evening everyone, I am delighted to join this AGM as a virtual meeting first of its time for the Oracle, privileged to be here. Thank you.

Moderator:

Thanks, Mr. Srinivasan.

We also have Ms. Jane Murphy, Independent Director of the Company, who has joined us from Brussels, Belgium.

Jane Murphy:

Good evening everybody. It's my honor to be here.

Moderator:

Thank you.

We have Ms. Kimberly Woolley, Non-executive non-independent director, who has joined us from San Francisco, United States.

Kimberly Woolley:

Good morning California, Good evening in India. I look forward to seeing you all in person hopefully in future soon. Thank you for joining virtually.

Moderator:

We have Mr. Yong Meng Kau, Non-executive non-independent director, who has joined us from Singapore.

Yong Meng Kau:

Hi. Good Evening everyone, happy to join this meeting. Thank you.

Moderator:

We have Mr. Vincent Grelli, Non-executive non-independent director, who has also joined us from San Francisco, United States.

Vincent Grelli:

Hello everybody and Good Evening. Appreciate the opportunity for attending this meeting.

Moderator:

We also have Mr. Onkarnath Banerjee, Company Secretary & Compliance Officer, who has also joined from Mumbai.

Onkarnath Banerjee:

Good evening everybody.

Moderator:

Thank you all. I shall now request the Chairperson to take the meeting forward. Over to you Mr. Venkat.

S Venkatachalam:

Thank you Mr. Sanjay Kharat for introducing all of us.

My dear shareholders, it is my pleasure to welcome all of you to the 31st 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.

Our Company Secretary, Mr. Onkarnath Banerjee has informed me we have sufficient quorum. The Quorum being present, I call this meeting to order and declare this 31st 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 items being considered at this Annual General Meeting.

The Company has received a Board Resolution from a corporate shareholder appointing and authorizing representative under section 113 of the Companies Act, 2013 in respect of 63,051,197 equity shares representing 73.34% of the paid-up capital of the Company.

The Partners of the statutory auditors of our Company, M/s. Mukund M Chitale & Co., and the Secretarial Auditor and the Scrutinizer, Mr. Prashant Diwan, are attending this meeting.

Let me share some highlights on the performance of your Company for the financial year ended March 31, 2020.

These are unique times for mankind. Everyone is coping up with pandemic. The beginning of the impact of the pandemic coincided with the last quarter of the financial year. Despite that, you will be pleased to note your Company's consolidated net profit increased 6%. The OFSS demonstrated good traction in closing new licenses.

We won deals around the world across our product lines. The customers included top banks in US, Japan, Australia, Europe, APAC and Africa. Some examples are:

- A reputed Japanese bank extended relationship for Oracle FLEXCUBE
- A leading bank based in the UK signed up for Oracle FLEXCUBE Investor Servicing for their operations at Hong Kong.
- A leading Canadian bank extended relationship with signing for our analytical applications.
- A top Australian bank has extended its relationship with Oracle by signing a deal for Oracle Banking Platform, and,
- Several banks in African region adopted our Digital Experience Platform.

We introduced several new products during the financial year and offerings, such as Oracle Banking Enterprise Originations for UK banks and building societies; Anti Money Laundering (AML) Express Edition targeted at small and mid-sized banks on cloud. The Company continues innovating new solutions to stay ahead of competition. We introduced machine learning capability, Chatbots, Internet of Things capability and Blockchain technologies and several products, and registered several patents. These are especially useful in some of our compliance products such as Financial Crime and Compliance Management, Anti-Money Laundering, etc.

These offerings are setting a new industry standard and help our customers stay ahead of competition.

Our products and services continued to win us and our customers several awards and industry recognitions. Just to name a few:

- Oracle FLEXCUBE has been recognized as a 'Leader' in the Gartner Magic Quadrant for Global Retail Core Banking, 2019.
- Oracle Asset Liability Management won 'Product of the Year' at Asia Risk Technology Awards 2019.
- We were among the top three vendors in Chartis RiskTech100, 2020 for the fifth consecutive year.
- And our customers continued to receive recognition and awards for their use of our technology.

As we closed the financial year in March 2020, we faced unprecedented disruption brought out on by the COVID-19 pandemic. In response to this, the Company proactively switched to a work from home model, to keep employees safe and avoid exposure.

This was also the time when our customers needed us the most in helping to deliver the economic relief that was announced by the local Governments. With processes that support the delivery of products, services, and software from anywhere, anytime, we are glad to say that the Company was able to help customers in every way they needed. We have been overwhelmed by the heartening stories and accolades from our customers across the world.

Our value proposition to the financial institutions across the world remains very relevant and even more so in the current environment. And we stay ever vigilant to turn the adversity to opportunity.

Before I close, I would like to share with you that as part of the corporate social responsibility, your Company has been working on multiple fronts. We have directed all our CSR funds of over 35 Crores Rupees towards helping two especially vulnerable and COVID-19-impacted segments: the migrant workers and women. The Company has also contributed to the Government's PM-Cares fund.

On behalf of the Board of Directors and the Management of Oracle Financial Services Software, I would like to thank you for your support and thank you for joining today's Annual General Meeting.

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

The Annual report of the Company for the financial year 2019-20, including the Notice of the AGM, was sent on July 18th to all the shareholders whose email addresses were registered with the Company and their respective depositories.

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 on the agenda for this meeting.

Resolution no. 1 is for adoption of the Company's audited standalone and consolidated financial statements for the financial year ended March 31, 2020, and the Reports of the Board of Directors and the Auditors thereon.

Resolution no. 2 is for appointment of a Director in place of Mr. Harinderjit Singh, who retires by rotation and, being eligible, offers himself for re-appointment.

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

Resolution no. 4 is for the confirmation of interim dividend of Rs. 180 per equity share of Rs. 5 each, which was paid in May 2020, as the final dividend for the financial year 2019 – 20 i.e., March 31, 2020.

Shareholders have already voted on these resolutions through remote e-voting facility from August 13th to 17th. Any shareholder who has not voted earlier and wishes to do so now, can vote during this meeting and the facility will be open up to 15 minutes from the conclusion of this meeting.

Let me now turn to your questions. We have received questions in writing from the shareholders. In addition, 7 shareholders have registered themselves as speakers for the AGM today. Before opening the speaker lines, I now request our Moderator Mr. Sanjay Kharat, to provide the guidelines and then we have the speakers online. Over to Mr. Sanjay Kharat.

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 our e-mail.
- We will call the speakers in the order of the serial number which they have been communicated.
- Once your serial number and name is announced, please turn your video camera on and make sure your audio is not muted.
- In the interest of everybody's time, each speaker shall be allotted 3 minutes.
- Speakers are requested to be brief and to the point. Please avoid repetition in case an earlier speaker has made the same comment or asked the same question.
- For efficient usage of time allocated to you, we request you to state your question first and then provide any additional comments.
- Restrict your questions, related to the Company only.

Once all the questions have been asked, the Managing Director & CEO of the Company, Mr. Kamat, will respond to all the questions.

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

I now call our first speaker Mr. Aspi Bhesania. Sir, please restrict your comments to 3 minutes. Your line is unmuted now. Please start your video and speak. Your time starts now.

Aspi Bhesania: Hello Sir, Directors and shareholders, I am speaking from Bombay. At the outset I congratulate the entire management for the excellent results. All the three segments have done very well in Q1 in spite of all the hurdles put by COVID. Can we repeat or improve upon the Q1 performance during the next three quarters? Sir, please give dividend every year. From March 2019 there was no dividend, if you want to preserve the resources give less dividend but give something at least, if not 180 Rupees. Sir, products contribute 89% of our income but contribute only 56% to the profits through Q1 and 50% in Q4 last year, why? Reason for Q4 of last year and Q1 of current year being excellent, why again. Sir, how much is the income from AMC which is recurring income for maintaining our product licenses? Sir, we have about 4500 crores of cash on balance sheet, so what do you intend to do?

Please do not declare the dividend, I request you to buy some new companies or something like that so that our performance improves. I request the CFO not leave so much of the space between the particulars and the figures while printing the quarterly accounts. Sir when are you migrating to the cloud platform completely and how much percentage revenue comes from cloud. Sir, it would have been better had you done the COVID help directly rather than contributing to the PM-CARES fund because PM-CARES nobody knows what is happening out there. Sir, Thank you and all the best.

Moderator:

Thank you Mr. Bhesania.

Our next speaker is Mr. Vaibhav Badjatya.

Mr. Badjayta, we are in receipt of the questions you mailed us, hence, you may avoid repeating questions asked in your email or any questions by earlier speaker. Your line is unmuted now. Please start your video and your 3 minutes start now.

Mr. Vaibhav Badjatya: Yes, thank you, I would like to congratulate the management for the really good performance over the last few years and I just wanted to ask few questions which is already submitted so the respective management can respond to those questions.

Apart from that, I have forwarded one article about one of your competitor which is Temenos. Great, if the management can look at it and the Board can look at it to understand how our competitors are doing and how they are able to perform that's it from my side. Thank you.

Moderator:

Thank you Mr. Badjatya

Our next speaker is Mr. Yusuf Rangwala.

Sir, your line is unmuted now. Please start your video.

Mr. Yusuf Rangwala: Respected Chairman and my fellow shareholders. Good Evening to all the Board of Directors and my friends. I am very thankful to our Company Secretary's team for giving me a chance in this COVID -19. This is the first time we are not meeting sir, every year we are meeting sir in your office sir, nothing more to add. In this Covid 19 any people from our staff you have removed? What is the stand of the staff working at our office? All are working from home? Whether they coming to office? Sir our Agent, they are also very good. Dividend you have given, dividend is very excellent, Sir nothing more to add. I will pray to god next year. After this Covid-19 is over, my humble request to you is to keep one get together sir so we come and have chat with you and we would like to meet you after this COVID-19 in month of November or December as sir you think. And I would like to thank our Company Secretary who is very excellent and very soft by nature, anytime we are calling he is helping us sir and he has given me direct link sir nothing today I faced sir, when I opened my video I got directly linked with you sir. This is how our Company is caring for the shareholders. I am thanking you once more, nothing more I have to add. I am supporting all the resolutions and my heartily support to all the resolutions. Jai Hind, Jai Maharashtra, Vande Mataram. Thank you very much Sir.

Moderator:

Thank you Mr. Rangwala.

Our next and fourth speaker is Ms. Vasudha Dhakwe.

Madam, your line is unmuted now. Please start your video and your 3 minutes start now.

Ms. Vasudha Dhakwe: Good evening to all, I would like to congratulate our Company Secretary and his team for sending me the soft copy of the report well in advance indicates clear and transparent picture of the. I would also like to congrats our CSR committee who has performed their duties very well. I would like to ask few questions: what is the impact of COVID-19 pandemic situation on our subsidiaries? What is your policy regarding current employees who are not working from home? With this, I support all resolutions and wish best luck for coming years. Thank you.

Moderator:

Thank you ma'am, our fifth speaker today is Ms. Hutokshi Patel.

Madam, your line is unmuted now. Please start your video and you have 3 minutes to speak.

Ms. Hutokshi Patel: Hello, Good Evening to all of you. I am Ms. H S Patel, Mr. J S Patel will speak on my behalf please.

Mr. J S Patel on behalf of Ms. Hutokshi Patel: Good Evening to all, Sir wanted to know what is cost, income and profit per employee of our Company. How does the Company propose to utilize cash and bank balance. We have a huge cash and bank balance, how do you propose to utilize the same. Wanted to know the reason for not transferring any money to the general reserves, there is a statement in the Director's report, just wanted to know the reasons for not transferring any money to the general reserves. The dependence on the technology like never before how are, we as the Company ready to encash on such opportunities. I appreciate and acknowledge the Board and Management that they have provided a brief product and service details In MDA, i.e., Management Discussion and analysis report. This helps small retailers investors like us to understand more about the Company and its various products and services. Are there any plans to reduce cost of rentals or leases in our various offices by further negotiations on revised deals? Can we see a further reduction in travelling cost going ahead and thus there would be less expenditure? Can we also invest our surplus funds in cash in other IT companies like TCS, Infosys and other Companies or may be other general companies as well? Can we utilize the cash in investing in those Companies? What are our margins with respect to BPO business and core IT business? We support all your resolutions, and I request if we can have a split of shares since the price of shares is too high. Split would definitely help to increase the turnover of the stock and it would be easy for small shareholders to buy the stocks and if we can purchase more shares, there is a possibility of split in future. Thank you.

Moderator:

Thank you Mr. Patel. Thank you ma'am.

Our sixth speaker for today is Mr. Vinod Agarwal.

Sir, your line is unmuted now. Please start your video and you have 3 minutes to speak.

Mr. Vinod Agarwal: Respected Chairman Mr. Venkatachalam, MD Mr. Kamat and other foreign Directors attending from California and other places. I welcome them sir. I also thank you to the Company for the hefty interim dividend of Rs. 180 in the year. The revenues are 48 billion, and the PAT of 14.6 billion, i.e., about 30% PAT margin which is very good sign. The reserves and cash balances of about 45 thousand million

which is also very good sign. Sir, one or two observations from balance sheet sir, between page 12 and 14 have been mentioned ESOP and ESOPs of the Company, it has been shown that you have given certain 2014 ESOPs at Rs. 5 also and there also we see certain lapses and forfeiture of ESOPs even though Rs.5, how would people not take in Rupee 5 ESOP of the Company when the price of share is more than 3000 rupees, I would like to know sir who are the people who made their ESOP lapse or forfeited. Another thing sir, the cash balances shown is 12,935 crores in current account, current account means zero interest earning, you have got 33 thousand some other investments in banks with 3 to 9/ 12 months maturity. Understand that will be interest payable deposits, but this cash balance in current account of Rs. 12,935 million why it is kept under zero percent under current account it is a query. I am glad for all the new contracts that the Company has won in Africa, Malawi, Nigeria and also the renewals in Australia and Canada and also for the various awards for its software program the Company has won. I have voted in favor of all the resolutions of the Company. I thank the Company Secretary and Mr. Harshal for helping me join this meeting.

Moderator:

Thank you Mr. Agarwal.

Now we have seventh and last speaker Mr. Dinesh Kotecha.

Sir, your line is unmuted now. Please start your video and you have 3 minutes to speak.

Mr. Dinesh Kotecha: Ya, Chairman Sir and all the Board of Directors from all over the world, people residing in California, US, Singapore etc. Good Evening to all.

Sir, I am very happy with the first quarter solid performance on all operating parameters that you have shown. Sir, operating margin is the highest 63.91%. Can I multiply the first quarter results and make my own assumption that what will be the results for whole year in that case we should be able to cross 4000 crores turnover and the profit should also be 4 times what we have achieved of 455 crores, it may touching nearly 2000 crores. Sir, I would like to know, that do you feel the shares are undervalued at the Exchange, and bought buy back at 25% plus CMP – plus market price, Bonus is overdue for the last 5 to 6 years, in fact, if you would have given bonus 5 to 6 years ago, now 1 top up bonus would have been due again. Sir, 100% share of Mantas India Private Limited is acquired. I mean how will it gel with our Company growth? Sir, new deals signed in 32 countries, I mean any new Country has been added I would like to know that? Sir, we have been serving all over the world nearly 12 to 13 countries, do we have any links with China? Do we serve China, I would like to know that Sir. Sir, now other questions are - do you experience this thing that this new normal work from home due to Covid has brought more discipline, better performance, travel time has been reduced, complimentary cost like petrol, diesel etc. savings has been done, house-keeping cost in office, maintenance cost of office staff

etc.? How much saving made per month or on monthly basis? Sir, do we pay WFH allowance now to the staff and how many staff work from WFH (work from home)? How many new recruits have been taken in last 6 months? Sir, explain the position of your business landscape of the last 5 months, new plans have been pursued and secured, mission critical, renewal of contracts how many have been done? I would like to physical copy if it's printed to be sent to address by the speed post. Sir, new technologies we are number one, in spite of unprecedented difficulties your Q1 results has delighted me to the extent which I cannot express, I hope that this replicates for every quarter and we see a bumper year for 2021. I am very happy that you have spent 35 crores for the CSR activities, and I wish you all the best Sir. And I would like to meet in Bombay in the next year AGM sir.

Thank you.

Moderator:

Thank you Mr. Kotecha.

Thank you everybody.

That concludes the speakers. There will 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.

Moderator:

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

Chaitanya Kamat:

Thank you Sanjay.

So we have a number of questions from the email channel, as well as quite of few that we received during this call. What I am going to do is group these into related themes so that I can answer related questions at the same time. As I suspected, there is a fair amount of curiosity and questions received regarding COVID- 19 and its impact. So Gokul Maheshwari, Aspi Bhesania Yusuf, Rangwala, Hutokshi Patel and J S Patel had questioned relating to this, relating to cost aspects, travel and professional fees, that was one question. So, I would like to highlight that we haven't taken any specific cost cutting measures. Your Company, as you are aware, is always prudent about the expenses; we run efficient operation and we continue to do that. As regards to travel cost, you will see from annual financial statements that travel cost is under 5 percent of the total expenses so there is really only a marginal contribution of any travel cost saving to the overall profit.

There was a question relating to the impact of acquiring new business even in ban of travel and so on. So we are continuing to conduct regular business, of course with some modifications to employee travel, employee work location and using alternative audio-visual means to maintain connect with our customers and prospects. In this pandemic that is affecting everybody, our customers are also taking actions to address COVID-19. So this is a really something that we, the prospects, customers and our employees are doing collaboratively. We continue to monitor this, you know we are facing the same situation the rest of planet has and should take the actions required as the things evolve.

There was a question relating to the percent to our people working from home and the associated savings and whether it is long term or something that has impact on our space utilization. I think Vasudha had questions relating to this. We focused on employees working remotely in the proactive way as our Chairman had mentioned. Our primary goal there was employee and workplace safety, and not to cost savings. We plan to continue to be careful about reopening offices and at present we haven't announced any long term goal for what percent of people will work from home and so on.

Also, there was one topic on COVID and the CSR spend. I think Chairman explained that this year we targeted the entire CSR payments and spends by our Company to focusing on migrant workers and women. Everybody will agree that these are the two segments that have faced extra ordinary challenges during this new situation and so our focus remains on access to health, nutrition and livelihood through the CSR programs that we would like to target as well as the PM – CARES fund as mentioned by our chairman.

There were several questions relating to our corporate strategy. On email, we had question from Gokul Maheshwari regarding market size, market growth and so on. Vaibhav Badjatya also had questions relating to our market share viz-a-viz our competitors and also question regarding an article and the competition, so let me tackle that. As you are aware, our footprint covers the broad financial services vertical area, which is retail banking, corporate banking that covers digital, risk and regulatory as well as financial crime. Now we have seen secular growth across all the segments, so most of the growth as you will imagine, occurs as traditional banks progressively transform and change their legacy in-house systems to modern solutions. Just in terms of size, there are many estimates out there; industry analyst put the overall vertical software market in banking and financial services in the range of 20 billion (dollars) or so on and of course, it also includes the spend that the financial institutions do internally. These numbers include lot of components; of these retail banking is around about 10-11 billion, corporate banking is 7 billion or there about, finance and risk is 4 billion and then financial crime and compliance just under 2 billion.

We are well positioned to increase market share in all of these segments. If you look at the fact that we play across such a diverse global market place, we rank among the top 5 players in these in terms of functionality, our modern architecture capability, our ability to actually execute on our vision and this is validated by industry analysts. Chairman mentioned Gartner, Chartis and others, so that would give you a sense for that. It's a very competitive, very fragmented landscape if you will, with lot of spend that's internal as well as spend distributed across global, regional and local players. We are continuing to gain market share, especially as banks also move out of their in-house solutions.

There was a question from Anuj Sharma, Gokul Maheshwari as well, regarding new areas, sectors as the growth for the Company as well as new products. So our hardcore business is across all of these dimensions of the banking I highlighted and banking is obviously going through fundamental digitization push because of customers' demands, and this, of course, accelerated by the current global scenario. So that makes us bullish about the prospects. In terms of new areas your Company has been launching several new products in a variety of areas. Corporate banking is one area where the entire digital interactions across the various players, banks and customers, are being targeted by Corporate Banks to digitize and we have launched a number of new solutions under this umbrella and we continue to see a very strong uptake among large and small banks. Also, financial crime and compliance, yes, you can imagine with the renewed force of money laundering and the increased sophistication in money laundering and then the resulting higher fines that banks are facing. So financial crime and compliance is the new growth area and if you will, what we are doing to differentiate is we are leveraging a lot of new technologies - one of the advantages your Company has, we have on tap all of the innovation that the promoter Oracle can bring to bear - so a number of those areas as Chairman mentioned including graph analytics is what we are putting into the service of our customers in the areas of financial crime and compliance. Now that aside from technology view point, I think one of the questions, one of the shareholders also mentioned, we starting to see more of the adoption of cloud in financial services. We are doing a combination of leveraging our parent Oracle's cloud infrastructure and capability so that we are able to move our current offerings and offer them on cloud. That's one area of update the other area is you see that we have created new offerings on cloud; so for instance the corporate banking offerings are mentioned just one example and so we have a combination of methods to take advantage of the interest and the ability to deploy on the cloud and we have the benefit of being part of the larger Oracle family or system to be able to support that.

There was one question on impact of SaaS in core banking and you know how much are the sales from SaaS and so on, I think Gokul Maheshwari, Anuj Sharma, Vaibhav Badjatya had questions around this. Like I said earlier, obviously this is an area of very intense focus on us. A large part of R&D spend we have is just not focused on renewing and deepening the functionality of products, but also making our product suitable for

the deployment in all the new mechanisms like cloud and SaaS. So, you will see that that's an area we are making progress and that's showing up in terms of your Company's revenues. Some of you commented on our revenues as well; so we don't breakout SaaS and cloud verses on-premise revenue, but this should give bit of flavor for that. I think there was one question around participating in one particular analyst assessment from I think Vaibhav. So Mr. Badjatya, we work with number of analysts and generally speaking depending on the analyst that are catering to our segments in a manner that highlights our strategy and vision, we tend to work with several analyst although it's difficult to work with all of them all the time.

There was a question, I think from Anuj Sharma on email, about broadly acquisitions and evaluating acquisitions and will we do acquisitions. I think this is a recurring theme. Your Company continues to evaluate various acquisition targets that can complement our business and we consider the opportunities that are value accretive to us, so we are fairly old fashioned in that respect. We look at the value that they bring to our shareholders from making that acquisitions. In parallel, of course, we make sustained investments to beat the changing business requirements that our customers face. That's where you will see our R&D investment growing... used to grow up portfolio organically; just in terms of context of about 12% of our product expenses are in R&D.

I think there was a question regarding China, I think probably Dinesh Kotecha had that question. So, we do operate in whole range of countries; I think last time I looked we operated and had customers in upwards of 138/140 countries. So, we don't have any material exposure or dependency on China. We highlighted names of, further the question on new customers in Africa, Australia and other regions and prospects of business and also for example the previous Q1 and future performance. You will appreciate we don't make forward looking statement and guidance on future performance.

Let me see, now then there were questions relating license revenue and various aspects of it, from Anuj Sharma, Gokul Maheshwari also Aspi Besania who spoke little while ago was talking about the break up and so on. Let me just give you first of all, what's happening with this in the current context of COVID. I think Chairman mentioned that you know the impact of this obviously has been swift, dramatic, very unpredictable. So while we are very proud of our robust infrastructure, our process and we are working very hard to deliver our goals and plans, we can't still anticipate the depth and the duration of stress on the economies. All we can say our value propositions remains very relevant and even more so when the economic recovery overall will gather speed.

I think there was a question regarding when will we hit 100 million annual license fees sales on email from Gokul Maheshwari, Anuj Sharma; I am sorry sir, we don't offer any guidance about what our future revenues going to be. We will deliver the information to you in our quarterly results every quarter if you don't mind.

There was also some question relating to new and recurring license sale split. Now, we don't report this parameter. What I would tell you though, every license win, whether from existing customer or a new prospect, it does require significant efforts and its own sale cycle. So we ourselves have found that differentiation doesn't really add a lot of material value for us in terms of managing our business.

Then there was another question I think relating to growth drivers for our license fees. This was again from 2-3 speakers had questions about this, the names I mentioned. In terms of what are the growth drivers; where are we seeing, I answered this earlier, I am not sure there is more I can add to this question.

There was a query relating to one of our product area Oracle Banking Platform. So this was from Gokul Maheshwari. OBP has had its success with few large logo already, each of them being significant contributors to our license fees and also opening for excellent consulting revenue streams. In addition, components of OBP have been already adopted across our customer base. Interesting thing about this product is that even if it is preferred by larger banks, it has typically been a part of very large transformation program in these banks. If a small medium bank might have one to two year program, then this would be part of multi-year program spread across multiple brands of that banking group, multiple parts of their business and so in addition to the license fee there is really significant consulting revenue stream that your Company enjoys so the characteristics of this is in that difference because of the large revenue stream.

There was a question let me see, I am going down the list Okay, there were few questions relating to our consulting business and most of these came from email channel Gokul Maheshwari and Anuj Sharma and I will attempt to answer them for you. So first question was around what is the long term growth of our implementation business? Now let me tell how we look at this, so you can understand the factors that have a bearing on our implementation business. Now, because we only implement our own products, product portfolio expansion and overall growth has a role to play. In addition, our product maturity has a role to play when products become mature, customers can implement in themselves, often partners can do this as well. We work with a very supportive partner network so they do part of work, we do part of work that makes an impact. The current ongoing and the accelerated transition to the remote delivery model because of the pandemic, will have a bearing. Because remote delivery will have different characteristics in terms of cost as compared to onsite delivery, as also increased restrictions on mobility in certain countries. So, all of these factors will interplay and so it is not a simple equation that one can look at.

There was also question relating to the split of our implementation business between one time and recurring. Now you got to understand how things work when we interact with customers over their life cycle of usage with our product. At the start, typically there is a one-time work as customers are on boarding to our solutions. Then there is recurring work subsequently most of the time; often after few years, there are large multi-year projects as customers either expand the coverage of the solution or they broaden the usage of our solution portfolio.

The mix in the given year will really vary based on a number of new implementations in that year and the changes from year to year. Now add to that, you could have the regulators coming up with new regulatory requirements; that again will have a bearing. So the factors that impact our implementation of business are equally multi fold like I have said earlier.

There was a question relating to the whether implementations business will grow slower than license fees and our AMC in the long term. Again this is hard to say, our implementation business trails our license business since the license and first year AMC are recognized in year 1 while the implementation revenue is recognized in over a period of time. Often the customers will acquire a global license upfront for a number of countries but then they will phase the implementation across products and countries based on their individual business priorities. Now as the customer volumes grow, the bank may acquire more retail customers, more corporate customers, they may buy incremental license capacity that will not be necessarily associated with implementation work. Then look at the permutation and combination that are there. Also, we have to consider some customers implement our products as is, others undertake a lot of customization either to do with their unique business model and strategy or simply because their process requires it. In addition, you know we see intermittent changes, because as I said earlier, regulatory requirements, market evaluation of new products and technologies. Very often the obsolescence of the technologies that underlying our solutions will also trigger our implementation activity. So, it's fairly complex set of factors that impact the license and the implementation business and it's tough to fit them into formula that you can put into a business model or a spreadsheet model.

There were questions relating to our BPO business, should the growth of the business be linked to our product business. So, historically our BPO and product businesses are focused on different segments. While we have initiated some work for product customers, this is currently the exception rather than the rule. Further follow-on question was there relating to our services business which what we call PrimeSourcing - is this bottomed out, whether it will grow or decline. So, I think we have been sharing fairly consistently that our services business have been grown towards profitable growth only. So as some element of it gets commoditized, we tend to shed that work or revenue. Increasingly we find that having this capability enable us to more comprehensively deliver end to end implementations for our product customers, so

we are seeing that as a real plus for us. We are being able to deliver outcome for our customers.

Let me see other areas where we have questions to answer.

There was a question about, you know, have we added any new employees during the last several months? Your Company has added several hundred employees during the last few months of the pandemic. In fact, we were able to onboard these new employees remotely and worked on training them so that we could maintain the pace of our business. That's something we are fairly proud about.

I think I have covered a fair gamut of business-related questions. What I would like to do at this stage is to handoff to Mak, our CFO, to pick up on some of the questions related to P&L, financials and so on.

Makarand Padalkar:

We had a few questions on the financials especially there were several questions on the margins, which came both from on email as well as speakers earlier. Vaibhav, Gokul, Aspi had some questions on the margin outlook. Mr. Patel had a question on margins of the BPO business, and the services business. Aspi had a question on the product margin of 56%. Aspi again had the question on maintenance revenue how much it is.

I think some data points I would like to guide you to the standard data points which we provide in our press release each quarter, there is an operating metrics which gives a fairly detailed set of numbers, which break out the revenue into these various aspects. But since you have asked the BPO margins, last year were 33%, the services business margins were 18%. Aspi, you had asked about maintenance revenue how much it is. Last full year maintenance revenue was around 1400 crores, 1391 crores to be precise. Vaibhav, you had sent a mail question about margin expansion. Somehow I think your question was the Company did not witness margin expansion from FY 2014 to 19. Let me just point out to you that in FY 14 we had reported an operating margin of 34% which rose to 42% in FY 19 and 43% in FY 20. So we have seen significant margin expansion as you can see. In fact, you should be proud that your Company's margins are one of the best in our industry.

Couple of people had questions on impact of the margin, impact of the current pandemic to the margin. So the way you should look at it is, we have global business model; we deal with customers in diverse geographies; we contract customers with several currencies; because of this diversity currency is of lesser impact to our financials because it is well diversified, that is what you have seen as a performance in the margin across last five years where currency movement had been very very rare regular and periodic.

Aspi had a question why no transfer to general reserve and it was not done because it is not statutorily required.

Mr. Vinod Kotecha, you had few questions around what is the cash balance, the large cash balance you are observing in the balance sheet is essentially the foreign currency in EEFC accounts and they don't carry any interest. Because we have a global business, we have EEFC accounts for several foreign currencies as well as the currency which is held in the foreign bank accounts outside of India, which would not give you the kind of interest.

One of the questions, Mr. Kotecha, you had was on ESOP plan - why is there a forfeiture. Forfeiture is a part of the ESOP plan. If an employee leaves the Company before completing the full vesting period, which is over a period of time, then the balance unvested portion is something that is lapsed, that is forfeiture is all about.

Let me just see... almost every speaker had complimented the Company for excellent quarter 1 results, and thank you, we need all your blessings for that.

Then there were questions around whether you can see this excellent performance in the subsequent quarters. Since as a policy, as Chet mentioned, we don't give any guidance, you should also realize that our business is cyclic in nature. You will see quarterly variations. Those who have tracked the Company can see that.

Lastly, I come to couple of questions, people had suggestions about dividend, about bonus, spilt shares; both on email as well as speakers like Hutokshi Patel, Yusuf you had a question on that, Aspi again had a question on that. The dividend policy of the Company is very clear. Our policy defines the factors that the Board evaluates in determining the payout mainly current and future cash flow requirements, required for funding, operations organic / inorganic – R&D. We are R&D intensive company. Then you have to keep funds for any contingencies; we have to look at the global conditions; strategic priorities and these factors are dynamic. The Board will take a call each year after reviewing these. Some people were commenting whether the taxation rule favors the dividend or no dividend, we cannot comments on the taxation impact on the shareholders.

I think I have pretty much covered everything so I thank you and back to Mr. Venkatachalam.

S Venkatachalam:

Chet Kamat and Mak, I want to thank you for very comprehensive responses – for providing both the strategy as well as areas and various elements of balance sheet and profit and loss account. Thank you for that.

With this, I declare this 31st Annual General Meeting of Oracle Financial Services Software Limited is closed.

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

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

There is one announcement our moderator Mr. Sanjay Kharat has to make, request him to make it.

Moderator:

This is for the members attending the AGM today, please note those 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.

Thank you.

S Venkatachalam:

Thank you for virtually attending the meeting, the meeting is now formally closed.

Note: The meeting concluded at 6:35 pm (IST).
