

Oracle Financial Services Software Limited has reported an impressive 77% jump in earnings for the year ended March 31, 2009. Overshadowed by the economic conditions in the financial services & the banking sector, OFSS still manages to report a 23% growth in Revenues at Rs. 2927.6 Crs as compared to its FY08 Revenues of Rs.2380.2 Crs.

OFSS has shown remarkable operating performance from 19% in FY08 to 25% in FY09. The products revenues represent 62% of the overall revenue of FY09 with 31% growth over the previous financial year. Services revenues have grown at 13% compared to last fiscal year representing a 36% share of the revenues. Geographically the client concentration shows a decline in US revenues from 33% last year to just 29% this year coupled with substantial client additions in Asia Pacific & Middle East geographies. Oracle Flexcube shows a strong presence in Asia by winning deals in Cambodia, Vietnam, Nepal, Bangladesh & China. One of Indonesia's largest lenders prefers Oracle Revenues Basel II implementation. During Q4 FY09, 8 banks have gone live on the Oracle Flexcube. This quarter has seen new product releases like Oracle Flexcube Direct Banking, Oracle Revenues ICAAP, Oracle Revenues Market Risk & Oracle Mantas.

In this quarter, Oracle Financial Services adds 26 new customers in the products & services segments. This makes the total annual addition to 68 new customers as compared to 56 in the last financial year.

Client additions & growth in revenues (license fees for products) symbolizes a steady demand for banking software & services. With the inclusion of Basel II & OFSS' compliance with the standard, more & more banks might opt for their products. Overall the outlook for banking products & services looks positive, but how the scene unfolds, only time can tell.

Revenues by Segment

Particulars	FY04	FY05	FY06	FY07	FY08	FY09
Products	61%	53%	52%	54%	58%	62%
	4794.14	5979.08	7640.51	11221.00	13879.00	18131.08
- Growth (%)		24.72%	27.79%	46.86%	23.69%	30.64%
Services	39%	47%	47%	43%	39%	36%
	3085.26	5347.11	6929.82	8919.80	9379.06	10625.43
- Growth (%)		73.31%	29.60%	28.72%	5.15%	13.29%
KPO / ISP	0%	0%	2%	2%	2%	2%
	0.00	48.30	234.67	444.78	569.34	519.68
- Growth (%)			385.90%	89.53%	28.01%	-8.72%
Total Company	7881.29	11385.93	14823.00	20609.38	23802.36	29276.20
- Growth (%)		44.47%	30.19%	39.04%	15.49%	23.00%

Product Revenues by Type

Particulars	FY04	FY05	FY06	FY07	FY08	FY09
License Fees	37%	38%	38%	29%	23%	22%
	1773.83	2272.05	2903.39	3254.09	3192.17	3988.84
- Growth (%)		28.09%	27.79%	12.08%	-1.90%	24.96%
Implementation Fees	43%	44%	44%	54%	59%	58%
	2061.48	2630.80	3361.82	6059.34	8188.61	10516.03
- Growth (%)		27.62%	27.79%	80.24%	35.14%	28.42%
AMC	20%	18%	18%	17%	18%	18%
	958.83	1076.23	1375.29	1907.57	2498.22	3263.60
- Growth (%)		12.24%	27.79%	38.70%	30.96%	30.64%
Total Products	4794.14	5979.08	7640.51	11221.00	13879.00	18131.08
- Growth (%)		24.72%	27.79%	46.86%	23.69%	30.64%

Quarterly Financials

Earnings Statement

YE March (Rs. Mn.)	Q409	Q309	Q-Q(%)	Q408	Y-Y(%)	9M09	9M08	Y-Y(%)
Net Revenues	7,948.8	7,935.3	0.17%	6,715.4	18.37%	21,327.4	17,087.0	24.82%
Total Expenditure	4,808.4	5,206.1	-7.64%	5,019.0	-4.19%	16,713.0	14,111.1	18.44%
Operating Profit	3,140.4	2,729.2	15.07%	1,696.4	85.12%	4,614.4	2,975.9	55.06%
OPM (%)	39.51%	34.39%	14.87%	25.26%	56.39%	21.64%	17.42%	24.23%
Other Income	328.7	850.8	-61.36%	536.8	-38.76%	1,460.7	21.4	6718.94%
EBITDA	3,469.1	3,580.0	-3.10%	2,233.2	55.34%	6,075.1	2,877.9	111.10%
Depreciation	136.7	145.5	-6.02%	155.4	-12.01%	421.2	550.5	-23.48%
EBIT	3,332.4	3,434.5	-2.97%	2,077.8	60.38%	5,653.9	2,327.4	142.93%
Interest	0.0	0.0	0.00%	0.0	0.00%	0.0	0.0	0.00%
PBT	3,332.4	3,434.5	-2.97%	2,077.8	60.38%	5,653.9	2,327.4	142.93%
Tax	412.9	203.3	103.08%	140.8	193.38%	422.4	300.9	40.37%
PAT	2,919.4	3,231.1	-9.65%	1,937.1	50.71%	5,231.5	2,026.5	158.16%
Equity Capital	418.8	418.8	0.00%	418.8	0.02%			
EPS	32.7	31.4	4.14%	32.5	0.77%			

Ratio Analysis

Profitability

YE March (Rs. Mn.)	Q409	Q309	Q-Q(bps)	Q408	Y-Y(bps)	H109	H108	Y-Y(bps)
OPM (%)	39.51%	34.39%	511.5	25.26%	1,424.6	14.08%	15.12%	(104.0)
EBITDA (%)	43.64%	45.11%	(147.1)	33.26%	1,038.8	5.30%	-0.41%	570.6
EBIT (%)	38.26%	43.28%	(501.9)	30.94%	732.0	32.57%	25.26%	730.8
PAT (%)	33.07%	40.72%	(765.2)	28.85%	422.1	14.48%	22.46%	(798.0)

Financials

Earnings Statement						
Particulars	FY05	FY06	FY07	FY08	FY09	FY10E
Total Revenues	11,385.9	14,823.0	20,609.4	23,802.4	29,276.2	31,618.3
- Growth (%)	44.5%	30.2%	39.0%	15.5%	23.0%	8.0%
Cost of Revenues	5,701.1	7,794.1	11,066.1	13,040.3	14,491.6	16,085.7
Gross Profit	5,684.8	7,028.9	9,543.3	10,762.1	14,784.6	15,532.6
Operating Expenses	2,683.4	3,824.7	5,118.8	6,089.8	7,320.8	8,052.9
Operating Income	3,001.5	3,204.2	4,424.5	4,672.3	7,463.7	7,479.7
- Growth (%)	34.8%	6.8%	38.1%	5.6%	59.7%	0.2%
Non-Operating Income	310.6	294.6	376.9	639.7	1,789.4	924.5
Non-Operating Expenses	51.3	9.9	17.3	0.0	0.0	0.0
Depreciation & Amortization	309.3	460.4	653.0	705.9	557.9	700.0
Exceptional Item					(468.9)	
EBIT	2,951.4	3,028.5	4,131.1	4,606.1	8,226.3	7,704.2
- Growth (%)	27.5%	2.6%	36.4%	11.5%	78.6%	-6.3%
Tax	627.1	560.4	416.0	441.7	835.4	1,155.6
PAT Before MI & PPI	2,324.3	2,468.0	3,715.2	4,164.4	7,390.9	6,548.6
- Growth (%)	30.0%	6.2%	50.5%	12.1%	77.5%	-11.4%
Minority Interest	0.0	2.6	0.0	(4.4)	(12.9)	(4.4)
Share of Profit of associate company	0.0	3.3	7.6	(4.1)	(12.6)	(4.1)
Income before Prior Period Items	2,324.3	2,473.9	3,722.8	4,155.9	7,365.4	6,540.0
Prior Period Items	0.0	97.4	0.0	0.0	0.0	0.0
Net Income	2,324.3	2,376.5	3,722.8	4,155.9	7,365.4	6,540.0
Reported PAT	2,324.3	2,376.5	3,722.8	4,155.9	7,365.4	6,540.0
- Growth (%)	30.0%	2.2%	56.6%	11.6%	77.2%	-11.2%

Ratio Analysis						
Particulars	FY05	FY06	FY07	FY08	FY09	FY10E
OPM (%)	26.4%	21.6%	21.5%	19.6%	25.5%	23.7%
PBIT (%)	25.9%	20.4%	20.0%	19.4%	28.1%	24.4%
PAT (%)	20.4%	16.0%	18.1%	17.5%	25.2%	20.7%
Interest Cover (x)	0.0	0.0	0.0	0.0	0.0	0.0
EPS (Rs.)	31.0	31.2	44.7	49.6	87.9	78.1
Cash Per Share (Rs.)	88.6	90.0	86.4	107.2	184.9	231.0
P/E (x)	31.5	31.4	21.9	19.7	11.1	12.5
P/BV (x)	6.4	5.4	3.4	3.0	2.3	1.9
BVPS (Rs.)	153.0	181.0	288.4	331.6	418.4	506.3
Market Cap (Rs. Mn.)	73,307.1	74,686.3	81,539.5	81,988.7	82,010.2	82,010.2
M Cap/Sales (x)	6.4	5.0	4.0	3.4	2.8	2.6
EV (Rs. Mn.)	66,672.3	67,816.9	74,341.8	73,011.2	66,520.7	62,655.3
EV/EBITDA (x)	22.2	21.2	16.8	15.6	8.9	8.4
EV/Sales (x)	5.9	4.6	3.6	3.1	2.3	2.0
ROIC (%)	23.4%	22.5%	19.4%	17.8%	20.5%	16.6%
ROCE (%)	25.8%	21.9%	17.2%	16.6%	23.5%	18.2%
RONW (%)	20.3%	17.2%	15.5%	15.0%	21.0%	15.4%
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0	0.0	0.0
Debtors T/o Days	119.9	127.7	130.9	127.9	140.0	140.0
Advances T/o Days	36.5	50.5	75.5	79.3	80.0	80.0
Creditors T/o Days	69.4	80.4	85.8	84.9	85.0	85.0
Working Cap T/o Days	287.4	255.7	259.9	267.2	270.0	270.0
Fixed Assets T/o (Gross)	3.7	3.7	2.1	2.1	2.4	2.4
DPS (Rs.)		5.0	0.0	0.0	0.0	0.0
Dividend Payout (%)		16.1%	0.0%	0.0%	0.0%	0.0%

Financials

Balance Sheet

Particulars (Rs Mn)	FY05	FY06	FY07	FY08	FY09	FY10E
Equity Capital	374.4	381.4	416.4	418.7	418.8	418.8
Share application money pending allotment	0.0	10.3	401.7	0.3	0.1	
Reserves	11,078.5	13,415.4	23,202.1	27,351.6	34,629.8	41,995.2
Shareholders Funds	11,452.9	13,807.2	24,020.2	27,770.6	35,048.8	42,414.1
Minority Interest	0.0	0.0	0.0	6.3	19.2	6.3
Borrowed Funds	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	11,452.9	13,807.2	24,020.2	27,776.8	35,068.0	42,420.3
Fixed Assets	2,301.2	3,159.0	8,941.2	9,826.7	9,705.7	10,211.7
Investments	60.9	52.4	59.2	54.9	9.6	42.0
Current Assets						
Sundry Debtors	3,791.0	5,257.9	7,494.4	8,454.0	8,402.3	12,296.0
Loans & Advances	1,153.9	2,078.9	4,325.0	5,241.6	6,442.3	7,026.3
Cash & Bank Balance	6,634.8	6,869.4	7,197.8	8,977.5	15,489.5	19,354.9
Other Current Assets	175.1	309.1	1,194.6	1,137.1	1,746.9	1,799.3
Current Liabilities						
Other Current Liabilities	2,196.3	3,308.8	4,910.5	5,613.7	6,095.0	7,465.4
Provisions	467.3	679.9	421.2	527.0	938.6	1,149.6
Net Current Assets	9,091.2	10,526.7	14,880.1	17,669.5	25,047.5	31,861.4
Net Deferred Tax	0.4	69.2	139.8	225.6	305.2	305.2
Total Assets	11,453.7	13,807.3	24,020.3	27,776.8	35,068.0	42,420.3

Cash Flow

Particulars (Rs Mn)	FY05	FY06	FY07	FY08	FY09	FY10E
Opening Cash & Bank	5,788.4	6,634.8	6,869.4	7,197.8	8,977.5	15,489.5
Profit After Tax	2,324.3	2,376.5	3,722.8	4,155.9	7,365.4	6,540.0
Invt Income	(310.6)	(294.6)	(376.9)	(639.7)	(1,789.4)	(924.5)
Interest Paid	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous Exp W/Off	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	309.3	460.4	653.0	705.9	557.9	700.0
Deferred Taxation	0.0	0.0	(69.6)	(70.6)	(85.9)	(79.6)
Others	(120.0)	(893.7)	(260.0)	(170.8)	246.6	(75.3)
Change in Working Cap	(758.2)	(1,200.9)	(4,025.1)	(1,009.7)	(865.9)	(2,948.6)
CF - Operating Activities	1,444.9	447.8	(355.7)	2,971.0	5,428.7	3,211.9
Change in Fixed Assets	(813.9)	(1,366.7)	(6,424.0)	(1,429.6)	(664.3)	(1,063.9)
Change in Investments	294.8	8.6	(6.8)	4.2	45.4	(32.4)
Investment Income	310.6	294.6	376.9	639.7	1,789.4	924.5
CF - Investing Activities	(208.5)	(1,063.6)	(6,053.9)	(785.7)	1,170.5	(171.9)
Increase in Equity	(390.0)	414.1	6,614.1	(405.5)	(87.2)	825.3
Changes in Borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Interest Paid	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Paid	0.0	436.3	123.9	0.0	0.0	0.0
CF - Financing Activities	(390.0)	850.4	6,738.0	(405.5)	(87.2)	825.3
Net Change in Cash	846.4	234.6	328.3	1,779.8	6,512.0	3,865.4
Closing Cash & Bank Bal	6,634.8	6,869.4	7,197.8	8,977.5	15,489.5	19,354.9

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Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

OFSS Limited

- NO
YES
YES

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