ORACLE FINANCIAL SERVICES LTD

FINANCIAL ANALYSIS AND REPORTING

Annual Report Analysis

ORACLE

FINANCIAL SERVICES

Financial Analysis of Oracle Financial Services

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Oracle Financial Services– Analysis Report

1. INTRODUCTION TO THE STUDY

1.1 Introduction:

Oracle Financial Services Software (OFSSL) was incorporated in September 2008 and is engaged in providing products and services to financial industry. During its incorporation it was named as Citicorp Information Technology Industries and later in March 2000 the name was changed to i–flex Solutions.

Oracle Corporation holds 81% of stake in the company. Oracle is the largest enterprise company more than 8,500 financial services customers spread across 145 countries. The company has 14 development centres locate in India, Singapore and USA. OFSSL has alliance partnership with industry leaders like Hewlett Packard, IBM, Intel, Microsoft and Sun Microsystems.

1.2 Problem Statement:

The role of financial reporting by companies is to provide information about their performance, financial position and changes in the financial position that is useful to a wide range of users in making economic decisions. The role of financial statement analysis is to take financial reports prepared by companies, combined with other information, to evaluate the past, current and prospective performance and financial position of a company for the purpose of making investment, credit and other economic decisions.

1.3 Objectives:

- To analyse the economic conditions for oracle financial services in India
- To conduct the financial statement analysis of Oracle to analyse:
    1. Working Capital Position.
    2. Profitability Position.
    3. Measure Returns.
    4. Efficiency in Managing Assets.
    5. Liquidity.

1.4 Period of Study and Tools Used:

A period of 6 years is taken for the analysis, from 2015-16 till 2020-21. And the tools used are Ratio Analysis and Du-pont Analysis.

2. COMPANY ANALYSIS OF ORACLE

2.1 Oracle Financial Services - A Glance

Oracle Financial Services Software Limited (OFSS) is a subsidiary of Oracle Corporation. It is a retail banking, corporate banking, and insurance technology solutions provider for the banking industry. It also provides risk and compliance management, and performance measurement applications, as well as accounting, business process management, human resources and procurement tools. The company claims to have more than 900 customers in over 145 countries. Oracle Financial Services Software Limited is ranked No. 9 in IT companies of India and overall ranked No. 253 in Fortune India 500 list in 2011.Oracle Financial Services Software Limited has two main streams of business. The products division (formerly called BPD – Banking Products Division) and Prime Sourcing. The company's offerings cover retail, corporate and investment banking, funds, cash management, trade, treasury, payments, lending, private wealth management, asset management, and business analytics. The company undertook a re-branding exercise in the latter half of 2008. As part of this, the corporate website was integrated with Oracle's website. Various divisions, services, and products were renamed to reflect the new identity post alignment with Oracle. Recently, Oracle Financial Services launched products for Internal Capital Adequacy Assessment Process, exposure management, enterprise performance management and energy, and commodity trading compliance. The company promotes its BPO business process outsourcing business via its subsidiary Equinox Corporation which is based in Irvine, California.

2.2 Financial Statement Analysis

2.2 .1 Working Capital Analysis of Oracle Financial Services

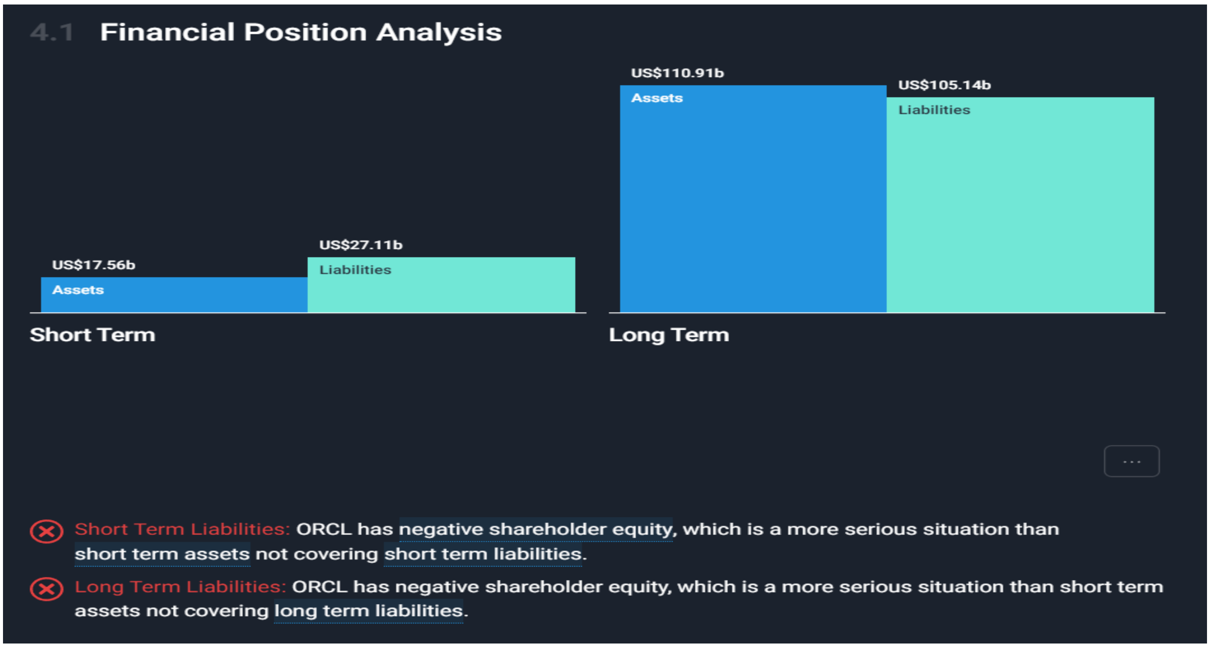
Working Capital is required to run the day-to-day business activities. It is the amount to be funded for the business operations. Every business firm require working capital; indeed, firms differ in their requirements of the working capital. A firm should maintain a sound working capital position. It should have adequate working capital to run its business 17 operations. Both excessive as well as inadequate working capital positions are dangerous from the point of view of a firm. A firm’s working capital position is not only important as an index of liquidity but it also used as a measure of the firm’s risk.

Working Capital = Current Assets – Current Liabilities

	FY18	FY 17	FY 18	FY 19	FY 20	FY 21
Net working capital	32,452	16,764	31,586	32,592	50,295	54,053
Working Capital as a percentage of sales	78.55%	37.87%	69.77%	65.72%	103.46%	108.45%
Non cash CA	13350.37	12688.95	16081.06	14926.28	14787.00	13426.36
Working Capital	4,597.54	-13,552.77	5,125.34	4,312.10	5,327.00	4,911.84
Working Capital as a percentage of sales	11.13%	-30.62%	11.32%	8.70%	10.96%	9.86%

Analysis:

The working capital ratio was increased gradually in 2016 but decreased too low in 2017 and again increased in 2018 and it gradually in increased in all the next years. The company's balance sheet and cash flows have improved in the past few years. Distribution and supply efficiencies helped reduce working capital cycle by 20 days. Inventories and trade receivables have been hypothecated to banks for the working capital facilities availed.



Working Capital as a percentage of sales is stable therefore negative working capital is by chance to ORCL which clearly indicates that the suppliers are not willing to extend the payment period and it will have an increase in the effect on the stock price of the company.

2.3 Days of Funding in different Components

Turnover Ratios	**FY16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Receivable Turnover Ratio	4.97	6.16	4.49	5.23	5.25	6.21
Payable Turnover ratio	109.41	408.46	70.04	87.36	19.06	18.63
Receivable days	73	59	81	70	69	59
Payable days	3	1	5	4	19	20
Cash Conversion Cycle	70	58	76	66	50	39
Average Payable day						69
Average Receivable Day						9

Analysis:

A higher ratio indicates that the company is more efficient at collecting its receivables. In this case, the ratio ranges from 4.49 to 6.21.The Payable Turnover Ratio is a measure of how efficiently a company is paying its accounts payable. A higher ratio indicates that the company is more efficient at paying its payables. In this case, the ratio ranges from 18.63 to 408.46.

Receivable days is the number of days it takes for the company to collect its receivables. A lower number indicates that the company is collecting its receivables more quickly. In this case, the number of days ranges from 59 to 81.

Payable days is the number of days it takes for the company to pay its payables. A lower number indicates that the company is paying its payables more quickly. In this case, the number of days ranges from 1 to 20.Cash Conversion Cycle is the number of days it takes for a company to convert its resources into cash. It's calculated by subtracting the payable days from the receivable days. In this case, the number of days ranges from 39 to 76. Average Payable day is the total payable days divided by the number of periods in the data given. Average Receivable Day is the total receivable days divided by the number of periods in the data given.

2.4 Cash Conversion Cycle:

Turnover Ratios	FY16	FY 17	FY 18	FY 19	FY 20	FY 21
Receivable Turnover Ratio	4.97	6.16	4.49	5.23	5.25	6.21
Payable Turnover ratio	109.41	408.46	70.04	87.36	19.06	18.63
Receivable days	73	59	81	70	69	59
Payable days	3	1	5	4	19	20
Cash Conversion Cycle	70	58	76	66	50	39

Analysis:

A higher ratio in any of the above-mentioned ratios indicate that the company is more efficient.

Receivable Turnover Ratio ranges from 4.49 to 6.21, indicating that the company is efficiently collecting its receivables. The Payable Turnover ratio ranges from 18.63 to 408.46, indicating that the company is efficiently paying its payables.

Receivable days and Payable days are the number of days it takes for the company to collect its receivables and pay its payables respectively, lower number indicates that the company is collecting its receivables and paying its payables more quickly.Cash Conversion Cycle is the number of days it takes for a company to convert its resources into cash. It's calculated by subtracting the payable days from the receivable days. A lower number indicates that the company is effectively converting its resources into cash.

Overall, the company appears to be efficiently managing its accounts receivable and payable, and effectively converting its resources into cash.

2.5 Cash Flow Statements analysis

	FY16	FY 17	FY 18	FY 19	FY 20	FY 21
Cash from Operations activities	41,312.17	44,265.33	45,274.72	49,589.03	48,612.76	49,839.37
Cash from Investing activities	36,165.84	37,497.09	36,535.49	37,754.38	54,221.77	57,167.85
Cash from Financing activities	47,680.66	33,541.94	47,949.16	50,271.48	70,324.05	73,890.73
Net cash flow	125,158.67	115,304.36	129,759.37	137,614.89	173,158.58	180,897.95

Analysis:

In this case, the cash flow statement shows the cash from operations, investing, and financing activities for the fiscal years 2016, 2017, 2018, 2019, 2020, and 2021.

Cash from Operations activities shows the cash generated from a company's main business operations. In this case, the numbers range from 41,312.17 crores in FY2016 to 49,839.37 crores in FY2021.

Cash from Investing activities shows the cash used or generated from a company's investing activities such as the purchase or sale of long-term assets. In this case, the numbers range from 36,165.84 crores in FY2016 to 57,167.85 crores in FY2021.Cash from Financing activities shows the cash used or generated from a company's financing activities such as the issuance of debt or equity. In this case, the numbers range from 33,541.94 crores in FY2017 to 73,890.73 crores in FY2021.

Net cash flow is the net increase or decrease in cash resulting from all cash inflows and outflows during the period. In this case, the net cash flow ranges from 115,304.36 crores in FY2017 to 180,897.95 crores in FY2021.

2.6 Profitability Analysis

The primary objective of a business undertaking is to earn profits. A business needs profits not only for its existence but also for expansion and diversification. The investors want an adequate return on their investments, workers want higher wages, creditors want higher security for their interest and loan and so on. Profits are, thus a useful measure of overall efficiency of a business.

Profitability Ratios	**FY16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
EBITDA Margin	44.1%	42.7%	42.0%	46.8%	49.5%	52.2%
EBIT Margin	42.8%	41.1%	40.7%	45.7%	47.3%	50.1%
PAT Margin	14.1%	17.4%	27.3%	27.9%	30.1%	35.4%

Analysis:

It is used to measure a company's operating efficiency and profitability. In this case, the ratio ranges from 42.0% to 52.2%.

The EBIT Margin ratio shows the relationship between a company's Earnings Before Interest and Taxes (EBIT) and its revenue. It is used to measure a company's operating efficiency and profitability. In this case, the ratio ranges from 40.7% to 50.1%.

The PAT Margin ratio shows the relationship between a company's profit after tax (PAT) and its revenue. It is used to measure a company's overall profitability. In this case, the ratio ranges from 14.1% to 35.4%.

A higher ratio in any of the above-mentioned ratios indicate that the company is more profitable.

2.7 Analysis of returns

The profitability and efficiency of the business is measured to find out the return that the firm has earned by employing capital and assets. This analysis measures the efficiency by comparing the capital employed and it return at various stages. This analysis is considered to be much important as its gives the percentage of returns earned by employing capital and assets.

Return Ratios	**FY16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Return on equity	12.5%	23.6%	26.3%	28.1%	22.3%	25.7%
Return on Total Assets	**31.1%**	**30.2%**	**22.9%**	**37.0%**	**28.7%**	**30.1%**
Return on Capital Employed	**37.86%**	**55.75%**	**39.07%**	**45.89%**	**34.62%**	**36.20%**

Analysis:

Based on the provided return ratios, the company appears to have a relatively high return on equity and return on total assets, with values ranging from 12.5% to 28.1% and 22.9% to 37.0%, respectively. The return on capital employed also appears to be relatively high, with values ranging from 34.62% to 55.75%. These ratios suggest that the company is generating a strong return on the assets and capital it has invested.

2.8 Analysis on coverage ratio

Coverage Ratios	**FY16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Interest Coverage Ratio	3.05	2.57	2.91	3.49	2.91	3.49
Debt service coverage Ratio	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	34.12	98.55
Net Debt to EBITDA	-0.32	-1.37	-0.42	-0.50	-0.50	-0.62

Analysis:

The Interest Coverage Ratio for the company appears to be relatively stable, with values ranging from 2.57 to 3.49, which suggests that the company is able to comfortably meet its interest payments on its debt. The Net Debt to EBITDA ratio is negative, which suggests that the company has a low level of debt relative to its earnings before interest, taxes, depreciation, and amortization (EBITDA). A negative ratio may indicate that the company has more cash on hand than debt, which can be seen as a positive sign of financial health. However, a negative ratio may also indicate that the company has a negative EBITDA.

2.9 Analysis on Stability ratios

Stability Ratios	**FY16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Debt Equity Ratio	0.00	0.00	0.00	0.00	0.02	0.01
Long term Debt/Equity	0.00	0.00	0.00	0.00	0.01	0.01

Analysis:

The Debt Equity Ratio and Long-term Debt/Equity for the company are both showing zero values, which suggests that the company does not have any debt on its balance sheet. This can be seen as a positive sign of financial stability, as the company is not reliant on borrowed funds to finance its operations. However, it's important to note that a lack of debt can also limit a company's ability to grow and take advantage of opportunities, as it may not have access to the capital provided by borrowing

2.10 Analysis on Liquidity Ratios

Liquidity Ratios	**FY16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Current Ratio	4.71	1.64	3.88	4.07	6.32	7.35
Quick Ratio	1.61	1.26	1.66	1.98	2.39	2.93

Analysis:

The Current Ratio and Quick Ratio for the company both appear to be relatively strong, with values ranging from 1.64 to 7.35 and 1.26 to 2.93, respectively. The current ratio measures a company's ability to meet its short-term obligations using its current assets and the quick ratio measures a company's ability to meet its short-term obligations using its most liquid assets (cash, cash equivalents, and marketable securities). Both ratios above 1 are generally considered to be healthy and indicate that the company is able to meet its short-term financial obligations. However, it's important to compare these ratios with industry averages and the company's historical performance to make a meaningful inference and also to be viewed in combination with other financial metrics.

2.11 Analysis on Efficiency ratio

Efficiency Ratios	**FY16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Receivables Turnover Ratios	4.97	6.16	4.49	5.23	5.25	6.21
Fixed Asset Turnover Ratio	4.69	5.08	5.39	5.74	5.05	5.64
Asset Turnover Ratio	0.73	0.74	0.76	0.81	0.61	0.60

Analysis:

The Receivables Turnover Ratio for the company appears to be relatively strong, with values ranging from 4.49 to 6.21. This ratio measures how quickly a company is collecting payment from its customers. A high ratio indicates that the company is effectively managing its accounts receivable and collecting payment in a timely manner. The Fixed Asset Turnover Ratio also appears to be strong with values ranging from 4.69 to 5.74, this ratio measures how efficiently a company is using its fixed assets to generate revenue. A high ratio indicates that the company is effectively using its fixed assets to generate revenue. The Asset Turnover Ratio for the company is relatively low, with values ranging from 0.61 to 0.81. This ratio measures how efficiently a company is using its assets to generate revenue. A low ratio indicates that the company is not effectively using its assets to generate revenue.

2.12 Analysis on Growth ratios

Sales (Volume) Growth	**FY17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Sales (Value) Growth	7.15%	2.28%	9.53%	-1.97%	2.52%
EBITDA Growth	3.7%	0.6%	22.0%	3.7%	8.1%
Net Profit Growth	32.02%	60.41%	12.03%	5.51%	20.49%

Analysis:

The Sales (Value) Growth for the company appears to be relatively volatile, with values ranging from -1.97% to 9.53%. A positive percentage indicates that the company's sales revenue is increasing, while a negative percentage indicates that it is decreasing.

The EBITDA Growth for the company also appears to be relatively volatile, with values ranging from -0.6% to 22.0%. A positive percentage indicates that the company's earnings before interest, taxes, depreciation, and amortization (EBITDA) is increasing, while a negative percentage indicates that it is decreasing.

The Net Profit Growth for the company appears to be relatively strong, with values ranging from 5.51% to 60.41%. A positive percentage indicates that the company's net profit is increasing, while a negative percentage indicates that it is decreasing. A positive net profit growth is generally considered to be a

2.13 Dupont Analysis

Dupont Analysis	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
ROE	12.5%	23.6%	26.3%	28.1%	22.3%	25.7%
NPM	14.1%	17.4%	27.3%	27.9%	30.1%	35.4%
Asset Turnover	0.73	0.74	0.76	0.81	0.61	0.60
Leverage (Gearing)	1.22	1.84	1.26	1.24	1.22	1.21

Analysis:

Based on the data, the ROE for the company ranges from 12.5% to 28.1%. The NPM ranges from 14.1% to 35.4%, the Asset Turnover ratios range from 0.60 to 0.81, and the Leverage (Gearing) ranges from 1.22 to 1.84.

A high ROE generally indicates that the company is generating a strong return on the assets and capital it has invested. A high NPM indicates that the company is effectively managing its costs and generating a high level of profit from its sales. A high Asset Turnover indicates that the company is effectively using its assets to generate revenue. A high Leverage (Gearing) indicates that the company is using a significant amount of debt financing.

3.FINDINGS, SUGGESTIONS AND CONCLUSION

3.1 Findings

- Based on the provided financial ratios, it appears that the company has a relatively strong financial position. The working capital ratio has gradually increased over the past few years, likely due to improved balance sheets and cash flows, as well as efficiencies in distribution and supply. The company has also used inventories and trade receivables as collateral for working capital facilities.

- The Receivable Turnover Ratio and Payable Turnover Ratio indicate that the company is efficient in collecting and paying its accounts receivable and payable, respectively. The Receivable days and Payable days show that the company is collecting its receivables and paying its payables in a timely manner, and the Cash Conversion Cycle is relatively low, indicating that the company is effectively converting its resources into cash.

- The EBITDA Margin, EBIT Margin, and PAT Margin ratios all suggest that the company is operating efficiently and generating strong profits. The Return on Equity, Return on Total Assets, and Return on Capital Employed ratios also indicate that the company is generating a strong return on the assets and capital it has invested.

- The Interest Coverage Ratio is relatively stable, suggesting that the company is able to comfortably meet its interest payments on debt. The Net Debt to EBITDA ratio is negative, indicating that the company has a low level of debt relative to its earnings before interest, taxes, depreciation, and amortization (EBITDA).

- The Current Ratio and Quick Ratio are also relatively strong, indicating that the company is able to meet its short-term financial obligations. However, it's important to note that these ratios should be compared to industry averages and the company's historical performance to gain a more complete understanding of the company's financial position.

- Overall, the provided data suggests that the company has a strong financial position, with efficient operations and strong profitability. The company's cash flows and balance sheet have improved in the past few years and it has a low level of debt. The company is able to meet its short-term financial obligations and is generating a strong return on its assets and capital.

3.2 Suggestions

- Continuously monitor and improve the working capital position: The company has seen a gradual increase in working capital ratio over the past few years, but it's important to continue monitoring this ratio and identify any areas where the company can improve its working capital management.

- Focus on increasing profitability: While the EBITDA Margin, EBIT Margin, and PAT Margin ratios all suggest that the company is operating efficiently and generating strong profits, the company may consider ways to further increase profitability. This could include implementing cost-saving measures, increasing pricing, or expanding product or service offerings.

- Monitor debt levels: The company has a low level of debt relative to its EBITDA but it's important to continue monitoring the company's debt levels and ensure they remain at a manageable level.

- Monitor liquidity: The Current Ratio and Quick Ratio are relatively strong, but it's important to continue monitoring these ratios and compare them to industry averages and the company's historical performance to ensure the company is maintaining a strong liquidity position.

- Continuously monitor and improve efficiency: The company should continue monitoring the Receivable Turnover Ratio, Payable Turnover

Ratio, Receivable days, and Payable days to identify any areas where the company can improve its efficiency and reduce the working capital cycle.

- Evaluate the company's liquidity position and consider whether it has sufficient cash and cash equivalents on hand to meet its short-term obligations.

- Evaluate the company's profitability ratios and consider whether they are consistent with industry averages and if they can be improved.

- Evaluate the company's debt levels and consider whether they are consistent with industry averages and if they can be improved.

3.3 Conclusion

Overall, the provided financial ratios suggest that the company has a relatively strong financial position. The company appears to have efficient operations, strong profitability, and a low level of debt. The company's working capital position has gradually improved over the past few years, and it has a strong liquidity position. However, there may be room for improvement in profitability, and the company should continue monitoring its debt levels and working capital position. The company should also monitor its liquidity position and profitability ratios to ensure they are consistent with industry averages and that they can be improved. To have a more comprehensive understanding it is important to compare the ratios with industry averages and the company's historical performance. Overall, the company has a strong financial foundation, but should continuously monitor its financial position and identify areas for improvement.

3.3.1 Strong zone of Oracle Financial Services

1. Strong working capital position: The company has seen a gradual increase in working capital ratio over the past few years, indicating that the company is effectively managing its working capital.

2. Efficient operations: The Receivable Turnover Ratio and Payable Turnover Ratio indicate that the company is efficient in collecting and paying its

accounts receivable and payable, respectively. The Receivable days and Payable days also show that the company is collecting its receivables and paying its payables in a timely manner, and the Cash Conversion Cycle is relatively low, indicating that the company is effectively converting its resources into cash.

3. Strong profitability: The EBITDA Margin, EBIT Margin, and PAT Margin ratios all suggest that the company is operating efficiently and generating strong profits. The Return on Equity, Return on Total Assets, and Return on Capital Employed ratios also indicate that the company is generating a strong return on the assets and capital it has invested.

4. Low level of debt: The Net Debt to EBITDA ratio is negative, indicating that the company has a low level of debt relative to its earnings before interest, taxes, depreciation, and amortization (EBITDA).

5. Strong liquidity: The Current Ratio and Quick Ratio are relatively strong, indicating that the company is able to meet its short-term financial obligations.

3.3.2 Weak zone of Oracle Financial Services

1. Working capital position may not be at its optimal level: Though the working capital ratio has improved over the past few years, the company should continue to monitor the ratio and identify any areas where the company can improve its working capital management.

2. Room for improvement in profitability: While the company is generating strong profits, there may be opportunities for further improvement in profitability.

3. Need to monitor debt levels: The company has a low level