

At Infosys, even amid an unprecedented global crisis, we continue to balance success as a business with exemplary governance and responsiveness to the needs of all our stakeholders.

Capital Allocation Policy

Effective fiscal 2020, the Company expects to return approximately 85% of the free cash flow cumulatively over a five-year period through a combination of semi-annual dividends and / or share buyback and / or special dividends, subject to applicable laws and requisite approvals, if any. Free cash flow is defined as net cash provided by operating activities less capital expenditure, as per the Consolidated Statement of Cash Flows prepared under IFRS. Dividend and buyback include applicable taxes.

In line with the Capital Allocation Policy, the Board, at its meeting held on April 14, 2021, approved the buyback of equity shares, from the open market route through the Indian stock exchanges, amounting to ₹9,200 crore (Maximum Buyback Size, excluding buyback tax) at a price not exceeding ₹1,750 per share (Maximum Buyback Price), subject to shareholders' approval in the ensuing Annual General Meeting (AGM). During the year, the Company paid an interim dividend of ₹12 per share and announced a final dividend of ₹15 per share, subject to shareholders' approval in the ensuing AGM. After returning the above amounts, the Company would have returned approximately 83% of the free cash flow for fiscal 2020 and fiscal 2021 through dividends and buybacks, in line with the Capital Allocation Policy announced in July 2019.

The Capital Allocation Policy is available on our website, at <https://www.infosys.com/investors/corporate-governance/documents/capital-allocation-policy.pdf>.

Liquidity

Our principal sources of liquidity are cash and cash equivalents, investments and the cash flow that we generate from our operations. We continue to be debt-free and maintain sufficient cash to meet our strategic and operational requirements. We understand that liquidity in the Balance Sheet has to balance between earning adequate returns and the need to cover financial and business requirements. Liquidity enables us to be agile and ready for meeting unforeseen strategic and business needs.

As of March 31, 2021, we had ₹30,660 crore in working capital on a standalone basis, and ₹36,868 crore on a consolidated basis.

Consolidated cash and investments stand at ₹30,764 crore on a standalone basis and ₹38,660 crore on a consolidated basis as at March 31, 2021, as against ₹21,321 crore on a standalone basis, and ₹27,276 crore on a consolidated basis as on March 31, 2020.

Consolidated cash and investments, on both standalone and consolidated basis, include deposits with banks and financial institutions with high credit ratings by international and domestic credit rating agencies. As a result, liquidity risk of cash and cash equivalents is limited. Ratings are monitored periodically, and we have considered the latest available credit information to the extent available in view of COVID-19 as

at the date of approval of the financial statements. Liquid assets also include investments in liquid mutual fund units, fixed maturity plan securities, certificates of deposit (CDs), commercial paper, quoted bonds issued by government and quasi-government organizations, and non-convertible debentures. CDs represent marketable securities of banks and eligible financial institutions for a specified time period with high credit rating given by domestic credit rating agencies. Investments made in non-convertible debentures are issued by government-owned institutions and financial institutions with high credit rating. We invest after considering counterparty risks based on multiple criteria including Tier I capital, capital adequacy ratio, credit rating, profitability, NPA levels and deposit base of banks and financial institutions.

The details of these investments are disclosed under the 'non-current and current investments' section in the *Standalone and Consolidated financial statements* in this Annual Report.

Capital expenditure on tangible assets – standalone

This year, on a standalone basis, additions to tangible assets was ₹2,015 crore. This comprises ₹1,039 crore in infrastructure, ₹975 crore for investment in computer equipment, and ₹1 crore in vehicles.

In the previous year, we had additions to tangible assets of ₹3,035 crore. This comprised ₹2,263 crore in infrastructure, ₹765 crore for investment in computer equipment, and ₹7 crore in vehicles.

Capital expenditure on tangible assets – consolidated

This year, on a consolidated basis, additions to tangible assets was ₹2,231 crore. This comprises ₹1,071 crore in infrastructure, ₹1,159 crore in computer equipment and ₹1 crore in vehicles.

In the previous year, we had additions to tangible assets of ₹3,437 crore. This comprised ₹2,500 crore in infrastructure, ₹930 crore for investment in computer equipment and ₹7 crore in vehicles.

Leases

This year, on a standalone basis, additions to right-of-use (ROU) assets was ₹1,109 crore. This comprises ₹1,017 crore in land and buildings, and ₹92 crore in computer equipment.

In the previous year, we had additions to ROU assets of ₹787 crore. This comprised ₹738 crore in land and buildings, and ₹49 crore in computer equipment.

This year, on a consolidated basis, additions to ROU assets was ₹1,394 crore. This comprises ₹1,241 crore in land and buildings, ₹140 crore in computer equipment and ₹13 crore in vehicles.

In the previous year, we had additions to ROU assets of ₹1,120 crore. This comprised ₹1,065 crore in land and buildings, ₹49 crore for investment in computer equipment and ₹6 crore in vehicles.

Dividend

The Company recommended / declared dividend as under:

	Fiscal 2021		Fiscal 2020	
	Dividend per share (in ₹)	Dividend payout (in ₹ crore)	Dividend per share (in ₹)	Dividend payout (in ₹ crore)
Interim dividend	12.00	5,112	8.00	4,107
Final dividend	⁽¹⁾ 15.00	6,391	9.50	4,046
Total dividend	27.00		17.50	
Payout ratio (interim and final dividend)	⁽²⁾ 52.2%		⁽²⁾ 53.5%	

Note: Interim dividend payout for fiscal 2020 includes dividend distribution tax.

⁽¹⁾ Recommended by the Board of Directors at its meeting held on April 14, 2021. The payment is subject to the approval of the shareholders at the ensuing AGM of the Company to be held on June 19, 2021. The record date for the purposes of the final dividend will be June 01, 2021 and will be paid on June 25, 2021.

⁽²⁾ Our present Capital Allocation Policy is to pay approximately 85% of the free cash flow cumulatively over a five-year period through a combination of semi-annual dividends and / or share buyback and / or special dividends, subject to applicable laws and requisite approvals, if any. Free cash flow is defined as net cash provided by operating activities less capital expenditure as per the Consolidated Statement of Cash Flows prepared under IFRS.

Particulars of loans, guarantees or investments

Loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 form part of the Notes to the financial statements provided in this Annual Report.

Transfer to reserves

We do not propose to transfer any amount to general reserve on declaration of dividend.

Fixed deposits

We have not accepted any fixed deposits, including from the public, and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

Particulars of contracts or arrangements made with related parties

There were no contracts, arrangements or transactions entered into during fiscal 2021. As required under the Companies Act, 2013, the prescribed Form AOC-2 is appended as *Annexure 2* to the Board's report.

Management's discussion and analysis

In terms of the provisions of Regulation 34 of the Listing Regulations, the *Management's discussion and analysis* is set out in this Annual Report.

Risk management report

In terms of the provisions of Section 134 of the Companies Act, 2013, a *Risk management report* is set out in this Annual Report.

Board policies

The details of the policies approved and adopted by the Board as required under the Companies Act, 2013 and SEBI regulations are provided in *Annexure 8* to the Board's report.

Material changes and commitments affecting financial position between the end of the financial year and date of the report

The Board, at its meeting held on April 14, 2021, approved the proposal of buyback of equity shares. The details of the buyback, together with its implications on the Company's financial position, are explained under the 'Capital Allocation Policy' section of this report and the financial statements for the year ended March 31, 2021.

There have been no other material changes and commitments which affect the financial position of the Company that have occurred between the end of the financial year to which the financial statements relate and the date of this report.

2. Business description

Strategy

Our strategic objective is to build a sustainable and resilient organization that remains relevant to the agenda of our clients, while creating growth opportunities for our employees, generating profitable returns for our investors and contributing to the communities that we operate in.

Our clients and prospective clients are faced with transformative business opportunities due to advances in software and computing technology. These organizations are dealing with the challenge of having to reinvent their core offerings, processes and systems rapidly and position themselves as 'digitally enabled'. The current economic climate and volatility, resulting from the COVID-19 pandemic, in their operations has accelerated their adoption of digital technologies – to enhance organizational resilience, get competitive advantage and optimize cost structures. The journey to the digital future requires not just an understanding of new technologies and new ways of working, but a deep appreciation of existing technology landscapes, business processes and practices. Our strategy is to be a navigator for our clients as they ideate, plan and execute on their journey to a digital future.

In fiscal 2021, we continued to execute our four-pronged strategy to strengthen our relevance to clients and drive accelerated value creation. We believe the investments we have made, and continue to make, in our strategy will enable us to advise and help our clients as they tackle these market conditions, especially in the areas of digitization of processes, migration to cloud-based technologies, workplace transformation, business model transformation, data analytics, enhanced cybersecurity controls and cost structure optimization in IT. Further, we have successfully enabled our employees worldwide to work remotely and securely – thus achieving the operational stability to deliver on client commitments and ensuring our own business continuity.