Management's discussion and analysis

Overview

Infosys is a leading provider of consulting, technology, outsourcing and next-generation digital services, enabling clients in 46 countries to create and execute strategies for their digital transformation.

Our vision is to build a globally-respected organization delivering the best-of-breed business solutions, leveraging technology, delivered by the best-in-class people. We are guided by our value system which motivates our attitudes and actions. Our core values are Client Value, Leadership by Example, Integrity and Transparency, Fairness, and Excellence (C-LIFE).

Our strategic objective is to build a sustainable organization that remains relevant to the agenda of our clients, while creating growth opportunities for our employees, generating profitable growth for our investors and contributing to the communities that we operate in. There are numerous risks and challenges affecting our business. These are discussed in the 'Risk factors' section in this Annual Report.

I. Industry structure and developments

Software and computing technology is transforming businesses in every industry around the world in a profound and fundamental way. The continued reduction in the unit cost of hardware, the explosion of network bandwidth, advanced software technologies and technology-enabled services are fueling the rapid digitization of business processes and information. The digital revolution is cascading across industries, redefining customer expectations, automating core processes and enabling software-based disruptive market offerings and business models. This disruption is characterized by personalized user experiences, innovative products and services, increased business agility, extreme cost performance and a disintermediation of the supply chain.

Leveraging technologies and models of the digital era to both extend the value of existing investments and, in parallel, transform and future-proof businesses, is increasingly becoming a top strategic imperative for business leaders. From an IT perspective, the renewal translates to re-imagining human-machine interfaces, extracting value out of digitized data, building next-generation software applications and platforms, harnessing the efficiency of distributed cloud computing, modernizing legacy technology landscapes and strengthening information security and data privacy controls.

The fast pace of technology change and the need for technology professionals who are highly skilled in both traditional and digital technology areas are driving businesses to rely on third parties to realize their business transformation. Several new technology solution and service providers have emerged over the years, offering different models for clients to consume their solution and service offerings such as data analytics companies, software-as-a-service businesses, digital design boutiques, and specialty business process management firms.

While these developments present strong market opportunities for the IT industry, there is also an imperative need for IT services and solutions companies to transition from fast-commoditizing traditional service offerings, to attract and retain quality talent globally, to reimagine cost structures and leverage automation for increased productivity.

The COVID-19 pandemic has disrupted demand and supply chains across industries, negatively impacting the business of companies and driving the global economy towards a recession. Governments in several countries have imposed stringent lockdown in a bid to contain the spread of the disease. This in turn has forced companies to reconfigure how their employees work and how their core business processes are supported and delivered. These events could cause companies to pause and reprioritize their spending on technology and business process outsourcing. However, it is becoming evident that companies that have previously digitized their operations have been more resilient. Consequently, in the medium to long term, it is very likely that businesses will continue to spend on technology-related initiatives with a greater focus on automation, remote working, cloud-based applications, optimization of legacy technology costs, etc. Several sectors are also seeking technology-based solutions immediately to tackle the health and economic crises – notably in healthcare, life sciences, banking, telecommunications and essential retail.

COVID-19

"The COVID-19 pandemic has triggered all of us to reflect on our individual lifestyles, our work practices and the resilience of our businesses. We are feeling reassured of the well-being of our employees globally and take great pride in the responsiveness of our teams that rapidly enabled us to continue servicing our clients through these unprecedented times. We are confident that we have the financial strength to endure the adverse economic impact of the current crisis. Looking ahead, we firmly believe that innovative use of technology will be integral to helping global businesses navigate this crisis, and we look forward to further strengthening our client partnerships in these times."

– U.B. Pravin Rao
Chief Operating Officer and Whole-time Director

The World Health Organization declared a global pandemic of the Novel Coronavirus disease (COVID-19) on February 11, 2020. To prevent the rapid rise of infections, governments of almost all countries severely restricted travel, mandated extreme 'social distancing' measures and reduced demand-supply chains to only those that are 'essential'. Office complexes, such as our campuses, our client offices and supplier offices, have been asked to operate with minimal or no staff for extended periods of time. This in turn has caused uncertainty in near-term demand for our services from clients and disruptions in our ability to service some of our client engagements.

The crisis has affected, and continues to impact, our key stakeholders – employees, clients, vendor partners and the communities that we operate in. In responding to this crisis, our primary objective is to ensure the safety of our employees world-wide, to deliver our client commitments, and put in place mechanisms to protect the financial well-being of the Company, and protect its long-term prospects.

To effectively respond to and manage this crisis, we triggered our business continuity management program and set up a cross-functional core governance team, chaired by our Chief Operating Officer, with representation from each of our global regions and from relevant functions within the organization.

Prioritizing employees

In keeping with our employee-first approach, we quickly instituted measures to trace all employees of the Company and to assure ourselves of their well-being.

We set up global communication channels to ensure constant updates of status, consistent communication of decisions and to alleviate concerns of our employees and clients. These included a 24x7 helpdesk, regular tele-conferences and video-conferences with the Company leadership, employee town halls and extensive email communication. We also set up counselling sessions for employees to provide them emotional support and health tips for their well-being in the current situation.

To provide a safe work environment for our employees and partners, the following actions have been taken :

- Established processes for reporting, quarantining and supporting any personnel suspected of or confirmed having tested positive for the disease.
- Established detailed protocol for evacuation and sanitization of our office buildings in the event of a suspected or confirmed health incident.
- Increased cadence of sanitization of our office facilities and transport vehicles, and implemented various social distancing measures in our campuses.
- Ensured availability of thermal scanners, masks, hygiene products, medicines and medical facilities at our offices.
- Issued travel advisories to our employees and partners in line with government regulations and restricted participation in events that have large gatherings.
- Made arrangements to ensure the safety and well-being of our employees who have travelled for business to locations outside their home country and are currently restricted from travelling back.
- Created detailed plans for enabling return-to-work in a phased manner, that emphasize social distancing and hygiene.

Business continuity

All our office locations, around the world, are currently operating on a minimally-staffed basis or completely shut down in compliance with local government orders. In India, where the majority of our workforce is based, the government has mandated a lockdown starting March 25, 2020. As on the report date only a small percentage of employees have been allowed to return to our office campuses in India.

To ensure continuity for our client projects, we have taken the following actions :

- Bringing additional focus on communication, coordination and partnership with clients
- Implemented the agreed-upon business continuity plans in coordination with our clients.
- Enabled remote working for our employees worldwide via secure laptop and desktops. By March 20, 2020, we had enabled 93% of our employees, engaged in service delivery to our clients to be able to work remotely. At the time of this filing, 98% of our employees are enabled.
- Supported only essential and critical services for our clients and our own operations from our campuses in India.
- Increased bandwidth capacities for our data networks and monitoring usage.
- Enabled extensive use of collaboration platforms.
- Published guidelines for employees to work from home, including sensitizing them about the aspects of confidentiality, data privacy and cyber threats.
- Implemented information security controls for remote working and activity monitoring.
- Continued to monitor the productivity of employees as they work remotely, and assessed any impacts to client deliverables.

Community outreach

As a responsible member of the communities we serve and operate in, we are contributing to various COVID-19-related programs in India and the US.

- ₹100 crore support contribution from the Infosys Foundation in India, of which 50% is towards the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund). The remaining 50% is being used for expanding hospital capacity for treatment, provision of ventilators, personal protective equipment for healthcare workers and to ensure access to food and nutrition for migrant workers. In addition, the Infosys Foundation in India is helping to set up a dedicated hospital in Bengaluru for treatment of COVID-19 patients.
- Contributing in building various technology-based solutions for local governments in India and the US for contact tracing and follow-up.
- Infosys Foundation USA, via its Pathfinders Institute, has made available its entire curricula of online computer education to school teachers, educators and families.
- In the UK, our teams have been instrumental in rapidly building an application for rapid recruitment of professionals into the NHS.
- Several volunteers in our development centers have been helping distribute food essentials to poorer sections of the community with door-to-door visits.

- We initiated a campaign for employees to donate part of their salary to the COVID-19 fund.

Business implications

The impact of COVID-19 in the fourth quarter of fiscal 2020 on the Company was not significant.

The Company anticipates a continued slowdown in client technology spending in the near term, influenced by a broader global economic recession and impact to certain sectors. In the near term, this could result in continued lower demand for our services and solutions, especially in the area of discretionary technology-related spending by our clients. However, in the longer term, we see increased opportunity for our business as enterprises accelerate their digital transformation initiatives.

With some impact due to project deferrals and softening of discretionary spends, there will be some margin pressure in the near term. In response to these new contours of projected demand, Infosys is working to optimize its cost structure and operational rigor to ensure execution excellence of our operations. Some of the activities initiated are :

- Improve liquidity and cash management with a rigorous focus on working capital cycles, including collections, receivables and any other blocked cash. Leverage our debt-free Balance Sheet and a superior local currency credit rating of A3 from Moody's if required.
- Reducing capital expenditures other than any committed or non-discretionary expenditures.
- Accelerate operational cost optimization initiatives such as automation, employee pyramid rationalization, controlling onsite-offshore ratios, optimizing subcontractor and travel costs, deferring employee compensation revisions and promotions, delaying hiring of new employees.

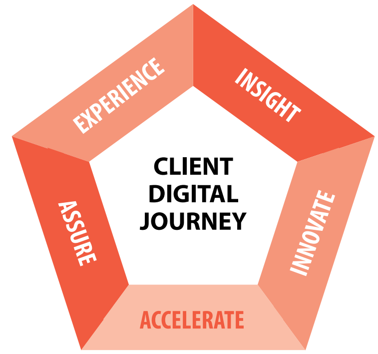
A detailed description of specific risks arising from COVID-19 is available under "Outlook, risks and concerns" in this section.

II. Opportunities and threats

Our strategy

In 2018, we embraced a four-pronged strategy to strengthen our relevance with clients and drive accelerated value creation. In fiscal 2020, we continued to execute on this strategy and generated significant outcomes. Specific strategic initiatives and their outcomes are described below.

For fiscal 2021, we will continue to execute our strategy along the same dimensions. The client market segments we serve are faced with challenges and opportunities arising from the COVID-19 pandemic and its resulting impact on the economy. 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 and enhanced cybersecurity controls.



The highlights of our strategy execution in fiscal 2020 are :

Scale Agile Digital

"Over the years, global enterprises have continued to become more digital. The recent crisis has changed the clock-speed of enterprise digitization from months to weeks and days, greatly reducing the gap between velocity of experimentation and implementation at scale. Scaling agile digital will be the new normal."

– Ravi Kumar S.
President and Deputy Chief Operating Officer

During fiscal 2020, we continued to invest in enhancing our digital capabilities and offerings that enable our clients to embrace digital technologies for their business transformation, resulting in over 39% of our revenue coming from digital services and solutions. We are rated as a "Leader" in 33 industry analyst ratings across digital offerings.

Our Human Experience-related services expanded with the opening of 12 innovation experience centers around the world and the integration of our acquisitions of WongDoody and Brilliant Basics. We scaled our partnership with the Rhode Island School of Design to train 1,000 creative designers.

Our Insight and Data Analytics services and solutions were further strengthened with the Data Analytics Workbench, that integrates capabilities of Infosys NIA®, our in-house AI platform and various third-party big data solutions.

Our Innovate-related services and solutions are boosted by 65,027 workspaces that have been specifically redesigned for agile software development, teams reskilled in agile methodologies, a large number of certified scrum masters and capabilities in emerging horizontal technologies such as Internet of Things and blockchain. Our existing offerings around industry specific solutions and skills were augmented with the acquisition of Stater N.V. in the Netherlands for mortgage services and with the integration of HIPUS in Japan for procurement solutions. We were able to significantly expand our Finacle® core banking suite, McCamish insurance platform, Edge software suite, Skava® ecommerce suite and Panaya® automation suite in North American and European markets. We launched targeted offerings around 5G and software defined networks.

Our Accelerate-related services are aimed at rapidly transforming our clients' legacy technology landscapes and processes for digital transformation – by helping them migrate to cloud environments, modernize mainframe applications, abstract legacy applications through APIs and embed open-source technologies in new applications. We invested in, and built strong partnerships with all cloud hyperscalers and SaaS providers. We expanded our capabilities in the Salesforce ecosystem through acquisitions of Fluido in the Nordics and Simplus in the US. Our Automation and AI services grew on the back of our alliances with leading Robotic Process Automation (RPA) solution providers.

Our Assure services, in software testing and cybersecurity continued to grow. We launched Cyber Gaze, our cybersecurity dashboard and suite of related applications. We launched new cybersecurity operations centers in Bucharest, Romania and Indianapolis in the US.

"Infosys has continued on the strategy to strengthen our relevance with clients and drive accelerated value creation. Infosys has helped clients like Telenet, GlobalFoundries and ABN AMRO Bank in their digital transformation journeys and enhancing the overall business efficiency. Our platform-based offerings through Wingspan, Live Enterprise, HIPUS, McCamish, Finacle®, Edge software suite, Skava® and Panaya®, along with our existing offerings, have supported us to provide differentiated services and drive value for our clients. ABN AMRO and Infosys' recent strategic joint venture in end-to-end mortgage administration services, Stater, has strengthened our strategy to provide digital platform-based services to our clients. We will continue to leverage our investments in cloud, digital and DevOps to help our clients achieve agility, optimal business efficiency and continue to set new digital benchmarks."

– Mohit Joshi
President

Energize the core

Every enterprise that is in transformation, including ours, needs to address the challenge of extracting higher return on existing assets while investing into newer business transformation initiatives. We are leveraging AI and automation techniques to energize our client's and our own core technology and process landscapes.

At Infosys, we took on the challenge of breaking down nearly two decades of technology debt in an attempt to rewire ourselves as an agile, responsive enterprise that scales. We are targeting increased productivity, higher cost competitiveness, better agility and integrated systems. During fiscal 2020, we implemented our Live Enterprise platform internally. Over a 100 internal software applications were optimized into three mobile applications, and currently approximately 45% of all internal transactions are conducted on mobile-based applications, resulting in a significant uplift in productivity.

Components of the Live Enterprise platform have been launched for our clients to enable hyper-productivity. We launched our Bot Factory, a repository of reusable automation components that enable the rapid automation of our services and our client's business processes. We also launched LEAP, our Live Enterprise Application Management Platform, a comprehensive tool to manage and optimize large-scale software application maintenance and reengineering. Through these, and by adopting lean and agile processes, we are positioning ourselves to be more cost-competitive on the one hand and a better solutions-provider on the other. This is helping us win large client engagements involving modernization of their legacy technology applications and infrastructure.

Reskill our people

We operate our reskilling program with the twin objectives of increasing fulfillment of immediate digital skill requirements for client projects and for raising the expertise of our global workforce in next-generation technologies and methodologies. We have invested in and scaled our digital reskilling program globally. Continuous learning and reskilling have always been central to our culture, as evidenced in our state-of-the-art Global Education Center in Mysuru, India. Lex, our anytime-anywhere learning platform developed in-house, offers over 850 micro courses curated for easy consumption on mobile devices with advanced telemetry, gamification and certification features. Over 2,33,000 of our employees use Lex and are spending approximately 35 minutes per day on average for learning activities. With reskilling becoming an imperative for almost everyone, we have also repurposed Lex and made it available to over half a million college students in India via our InfyTQ app. For our clients, we released Wingspan, a customizable learning platform which is already live in several global client organizations.

Expand localization

"Our clients will rewire their operating models for greater localization by creating the landscapes in which they can co-create and co-innovate with global talent and technology, so they can boost the productivity of their local talent and regional supply chains. "

– Ravi Kumar S.
President and Deputy Chief Operating Officer

With the objective of creating differentiated talent pools and ecosystems in our markets, we have operationalized regional innovation hubs globally. In the US, these are at Indianapolis IN, Richardson TX, Providence RI, Hartford CT, Raleigh NC and Phoenix AZ. In Europe, we opened near-shore centers at Dusseldorf in Germany, Brno in Czech Republic, and Bucharest in Romania. In addition, we commissioned new digital design hubs in London, Berlin and Amsterdam. In Australia, we have commissioned new hubs in Melbourne, Sydney and Adelaide. We further expanded our university and community college partnerships in all these regions to aid internships, recruitment, training and joint research. In fiscal 2020, we recruited 6,932 employees locally in our markets, of which 2,035 were fresh graduates. This workforce brings us greater diversity of skills and experience. This initiative also significantly de-risks our operations from regulatory changes related to immigration policies.

Our strengths

We believe that we are well-positioned for the principal competitive factors in our business. With almost four decades of experience in managing the systems and workings of global enterprises, we believe we are uniquely positioned to help them steer through their digital transformation with our Digital Navigation Framework.

- We offer end-to-end service offering capabilities in consulting, software application development, integration, maintenance, validation, enterprise system implementation, product engineering, infrastructure management and business process management.
- We have built specific industry domain and technology expertise, and in methodologies such as Design Thinking and Agile software development. These give us the ability to articulate and demonstrate long-term value to our clients around the world, with whom we have deep, enduring and expansive relationships.
- We have invested in building proprietary intellectual property in software platforms and products such as Infosys NIA®, our flagship artificial intelligence platform, the Edge suite of products, Finacle®, McCamish and Stater that either amplify our own services or provide differentiated solutions for our clients' business processes.
- We have perfected sophisticated service delivery and quality control processes, standards and frameworks, that have resulted in a track record of performance excellence and client satisfaction. Our Global Delivery Model effectively integrates global and local execution capabilities to deliver high-quality, seamless, scalable and cost-effective services for large-scale outsourcing of technology projects fueled by automation, intelligence and collaboration technologies.
- We have nurtured premier ecosystem alliances with enterprise software companies and innovative startup companies to be able to offer holistic solutions to our clients.
- We have the ability to attract and retain high-quality management, technology professionals, and sales personnel globally and at scale.
- Our internal research and development teams identify, develop and deploy new offerings leveraging next-generation technologies. We have invested extensively in the infrastructure and systems to enable learning and education across the enterprise at scale. These give us the ability to keep pace with ever-changing technology and how they apply to customer requirements.
- We have a strong and well-recognized brand.
- We have the financial strength to be able to invest in personnel and infrastructure to support the evolving demands of customers.
- We maintain high ethical and corporate governance standards to ensure honest and professional business practices and protect the reputation of the Company and its customers.

Our competition

We experience intense competition in traditional services and see a rapidly-changing marketplace with new competitors arising in new technology areas who are focused on agility, flexibility and innovation.

We typically compete with other large, global technology service providers in response to requests for proposals. Clients often cite our industry expertise, comprehensive end-to-end service capability and solutions, ability to scale, digital capabilities, established platforms, superior quality and process execution, distributed agile global delivery model, experienced management team, talented professionals and track record as reasons for awarding us contracts.

In future, we expect intensified competition. In particular, we expect increased competition from firms that offer technology-based solutions to business problems and from firms incumbent in those market segments. Additionally, insourcing of technology services by the technology departments of our clients is another ongoing competitive threat.

III. Financial condition

Sources of funds

1. Equity share capital

We have one class of shares – equity shares of par value ₹5 each. Our authorized share capital is ₹2,400 crore, divided into 480 crore equity shares of ₹5 each. The issued, subscribed and paid-up capital is ₹2,129 crore as at March 31, 2020 and ₹2,178 crore as at March 31, 2019 including treasury shares held by controlled trust. The movement in share capital is majorly on account of buyback of equity shares.

Share buyback

In line with the Capital Allocation Policy announced in April 2018, the Board, at its meeting on January 11, 2019, approved the buyback of equity shares under the open market route through the Indian stock exchanges, amounting to ₹8,260 crore (maximum buyback size) at a price not exceeding ₹800 per share (maximum buyback price), subject to shareholders' approval by way of a postal ballot. Further, the Board also approved a special dividend of ₹4 per share which resulted in a payout of ₹2,107 crore (including dividend distribution tax and divided paid on treasury shares converted using exchange rate on the date of payment).

The shareholders approved the proposal of buyback of equity shares through the postal ballot that concluded on March 12, 2019. The buyback was offered to all eligible equity shareholders of the Company (other than the Promoters, the Promoter Group and Persons in Control of the Company) under the open market route through the Indian stock exchanges. The buyback of equity shares through the stock exchanges commenced on March 20, 2019 and was completed on August 26, 2019. During this buyback period, the Company purchased and extinguished a total of 11,05,19,266 equity shares from the stock exchanges at an average buyback price of ₹747 per equity share comprising 2.53% of the pre-buyback paid-up equity share capital of the Company. The buyback resulted in a cash outflow of ₹8,260 crore (excluding transaction costs). The Company funded the buyback from its free reserves. After the execution of the buyback along with special dividend (including DDT) of ₹2,633 crore already paid in June 2018, the Company has completed the distributions of ₹13,000 crore which was announced as part of its Capital Allocation Policy in April 2018.

In accordance with Section 69 of the Companies Act, 2013, as at March 31, 2020, the Company has created a Capital Redemption Reserve of ₹55 crore equal to the nominal value of the above shares bought back as an appropriation from general reserve.

"The Company revised its Capital Allocation Policy in fiscal 2020 and consequently expects to return approximately 85% of the free cash flows cumulatively over a five-year period through a combination of semi-annual dividends and / or share buyback and / or special dividend. This progressive policy will further increase returns for our shareholders and also provide them with more predictability in returns.

Despite the current economic environment, the Board has recommended a final dividend of ₹9.50 per share, which will result in a total dividend of ₹17.50 for fiscal 2020. A debt-free balance sheet, with a healthy cash balance of US$ 3.6 billion, backed by superior local currency issuer rating from international rating agencies, gives us an enormous advantage in these times."

– Nilanjan Roy
Chief Financial Officer

The Board, at its meeting on July 12, 2019, reviewed and approved the Capital Allocation Policy of the Company after taking into consideration the strategic and operational cash requirements of the Company in the medium term. The Company decided 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 payout includes applicable taxes.

Infosys Expanded Stock Ownership Program 2019

"The Expanded Stock Ownership Program ("the 2019 Plan") under which grants will vest based on performance, follows best-in-class global corporate governance practices and is aligned to Total Shareholder Returns (TSR). The plan builds on the strong legacy of meritocracy that was established by the founders, and strengthens the Company's efforts towards wealth creation for employees aligned to enhanced shareholder returns."

– Krishnamurthy Shankar
Group Head – Human Resources and
Infosys Leadership Institute

On June 22, 2019, pursuant to approval by the shareholders at the Annual General Meeting, the Board was authorized to introduce, offer, issue and provide share-based incentives to eligible employees of the Company and its subsidiaries under the Infosys Expanded Stock Ownership Program 2019 ("the 2019 Plan"). The maximum number of shares under the 2019 Plan shall not exceed 5,00,00,000 equity shares. To implement the 2019 Plan, up to 4,50,00,000 equity shares may be issued by way of secondary acquisition of shares by the Infosys Expanded Stock Ownership Trust. The Restricted Stock Units (RSUs) granted under the 2019 Plan shall vest based on the achievement of defined annual performance parameters as determined by the administrator (the nomination and remuneration committee). The performance parameters will be based on a combination of relative Total Shareholder Return (TSR) against selected industry peers and certain broader market domestic and global indices and operating performance metrics of the Company as decided by administrator. Each of the above performance parameters will be distinct for the purposes of calculation of the quantity of shares to vest based on performance. These instruments will generally vest between a minimum of one to a maximum of three years from the grant date.

2015 Stock Incentive Compensation Plan

On March 31, 2016, pursuant to the approval by the shareholders through a postal ballot, the Board was authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the 2015 Stock Incentive Compensation Plan ("the 2015 Plan"). The maximum number of shares under the 2015 Plan shall not exceed 2,40,38,883 equity shares. These instruments will generally vest over a period of four years and the Company expects to grant the instruments under the 2015 Plan over the period of four to seven years. These RSUs and stock options shall be exercisable within the period as approved by the nomination and remuneration committee. The exercise price of the RSUs will be equal to the par value of the shares and the exercise price of the stock options would be the market price as on the date of grant.

Consequent to the September 2018 bonus issue, all the then outstanding options granted under the stock option plan have been adjusted for bonus shares.

A controlled trust holds 1,82,39,356 and 2,03,24,982 shares as at March 31, 2020 and March 31, 2019, respectively, under the 2015 Plan. Out of these, 2,00,000 equity shares have been earmarked for welfare activities of employees as at March 31, 2020 and March 31, 2019, respectively.

The summary of grants made during fiscals 2020 and 2019 under the 2015 Plan and 2019 Plan are as follows:

2015 Plan	Fiscal 2020	Fiscal 2019
RSU and ESOP		
KMP * *(Refer to Notes 1 & 2)*	5,07,896	6,75,530
Employees other than KMP	33,46,280	36,65,170
	38,54,176	43,40,700
Incentive units-cash-settled		
KMP	1,80,400	–
Employees other than KMP	4,75,740	74,090
	6,56,140	74,090
Total grants	45,10,316	44,14,790

2019 Plan	Fiscal 2020	Fiscal 2019
Equity-settled RSU		
KMP * *(Refer to Notes 1 & 2)*	3,56,793	–
Employees other than KMP	17,34,500	–
Total grants	20,91,293	

* Refer to Note 2.23, 'Related party transactions', in both the standalone and consolidated financial statements for details on the appointment and resignation of certain KMP.

Notes:

1. a) On the recommendation of the nomination and remuneration committee, in accordance with the terms of his employment agreement, the Board approved for Salil Parekh, CEO & MD:
   (i) The grant of 1,77,887 performance-based RSUs under the 2015 Plan with an effective date of May 2, 2019
   (ii) The grant of 41,782 annual time-based RSUs under the 2015 Plan with an effective date of February 27, 2020
   (iii) The grant of 1,34,138 performance-based grant RSUs under the 2019 Plan with an effective date of June 22, 2019. These will vest based on the Company's achievement of certain performance criteria as laid out in the 2019 Plan.

   These RSUs will vest in line with the current employment agreement.

   b) The Board, on April 20, 2020, based on the recommendations of the nomination and remuneration committee, in accordance with the terms of his employment agreement, approved the grant of performance-based RSUs of fair value of ₹13 crore for fiscal 2021 under the 2015 Plan to Salil Parekh, CEO & MD. The committee also approved an annual performance-based RSUs of fair value of ₹10 crore under the 2019 Plan which will vest based on the Company's achievement of certain performance targets set in 2019 Plan. The RSUs under both the Plans will be granted effective May 2, 2020 and the number of RSUs will be calculated based on the market price at the close of trading on May 2, 2020.
2. a) On the recommendations of the nomination and remuneration committee, in accordance with the terms of his employment agreement, the Board approved for U.B. Pravin Rao, COO & Whole-time Director:
   (i) The grant of 58,650 RSUs under the 2015 Plan with an effective date of February 27, 2020.
   (ii) The grant of 53,655 performance-based RSUs for fiscal 2020 under the 2019 Plan with an effective date of June 22, 2019. These will vest based on the Company's achievement of certain performance criteria as laid out in the 2019 Plan.

   These RSUs will vest in line with the current employment agreement.

   b) The Board, on April 20, 2020, based on the recommendations of the nomination and remuneration committee, in accordance with the terms of his employment agreement, approved the grant of annual performance-based RSUs of fair value of ₹4 crore for fiscal 2021 under the 2019 Plan. The RSUs will be granted effective May 2, 2020 and the number of RSUs will be calculated based on the market price at the close of trading on May 2, 2020.
3. During the years ended March 31, 2020 and March 31, 2019, the Company recorded an aggregate employee stock compensation expense of ₹226 crore and ₹182 crore, respectively, on a standalone basis and ₹249 crore and ₹202 crore, respectively, on a consolidated basis, in the Statement of Profit and Loss.

For additional information on the Company's stock incentive compensation plans, refer to Note 2.11, *Equity*, of both the standalone and consolidated financial statements in this Annual Report.

2. Other equity

A. Reserves and surplus

Securities premium

On a standalone basis, the balance as at March 31, 2020 and March 31, 2019 amounted to ₹268 crore and ₹138 crore, respectively. On a consolidated basis, the balance was ₹282 crore and ₹149 crore as at March 31, 2020 and March 31, 2019, respectively. Increase in securities premium on both standalone and consolidated basis is mainly on account of transfer of ₹119 crore from share options outstanding account upon exercise.

Retained earnings

On a standalone basis, the balance in retained earnings as at March 31, 2020 was ₹52,419 crore after considering ₹9,553 crore for final dividend for fiscal 2019 and interim dividend declared in fiscal 2020, including dividend distribution tax thereon. Also, ₹4,717 crore was utilized from retained earnings for buyback of equity shares. Further, ₹1,428 crore was transferred to the Special Economic Zone (SEZ) Re-investment Reserve net of utilization out of retained earnings during the year and ₹1,470 crore was transferred to the general reserve on account of declaration of final dividend for fiscal 2019. The balance in retained earnings as at March 31, 2019 was ₹54,070 crore after considering ₹13,768 crore for final dividend for fiscal 2018, special dividend declared in fiscal 2018, interim and special dividend declared in fiscal 2019, including dividend distribution tax thereon.

On a consolidated basis, the balance in retained earnings as at March 31, 2020 was ₹56,309 crore, as compared to ₹57,566 crore in the previous year.

General reserve

During the year, an amount of ₹1,470 crore was transferred to the general reserve from retained earnings on account of dividend appropriation, as compared to ₹1,615 crore in the previous year. Further, an amount of ₹1,494 crore was utilized for buyback of shares, ₹11 crore was charged as transaction costs relating to buyback and ₹50 crore was transferred to the Capital Redemption Reserve upon buyback in accordance with Section 69 of the Companies Act, 2013.

On a standalone basis, the balance in general reserve as at March 31, 2020 amounted to ₹106 crore (previous year ₹190 crore). On a consolidated basis, the balance as at March 31, 2020 amounted to ₹1,158 crore (previous year ₹1,242 crore).

Share options outstanding account

On a standalone and consolidated basis, the share options outstanding account amounted to ₹297 crore as at March 31, 2020, as compared to ₹227 crore as at March 31, 2019. The movement is mainly on account of expense related to employee stock compensation expense, offset by the exercise of stock options during the year and impact of modification of equity-settled share-based payment awards to cash-settled awards.

Special Economic Zone Re-investment Reserve

During the year, a net amount of ₹1,428 crore and ₹ 1,500 crore was transferred to SEZ Re-investment Reserve net of utilization on a standalone and consolidated basis, respectively. This reserve has been created out of the profits of eligible SEZ units in terms of the provisions of Section 10AA(1)(ii) of the Income-tax Act, 1961. This reserve should be utilized by the Company for acquiring new plant and machinery for the purpose of its business in the terms of Section 10AA(2) of the Income-tax Act, 1961.

Capital reserve

On a standalone and consolidated basis, the balance as at March 31, 2020 amounted to ₹54 crore, which is the same as the previous year.

Other reserves

Profit on transfer of business between entities under common control is taken to other reserve. During the year, ₹137 crore was reduced on account of transaction under common control. On a standalone basis, the balance as at March 31, 2020 and March 31, 2019 was ₹3,082 crore and ₹3,219 crore respectively.

Capital Redemption Reserve

As of March 31, 2020 and March 31, 2019, the balance was ₹111 crore and ₹61 crore on a standalone and consolidated basis, respectively. A Capital Redemption Reserve was created as a result of transfer of the nominal value of shares upon buyback of shares, in accordance with Section 69 of the Companies Act, 2013. During the year, ₹50 crore was transferred from General Reserve for buyback.

B. Other comprehensive income

Equity instruments through other comprehensive income

On a standalone basis, there was an accumulated gain of ₹49 crore and ₹80 crore as at March 31, 2020 and March 31, 2019, respectively, on the fair valuation of equity instruments through other comprehensive income. On a consolidated basis, there was an accumulated gain of ₹39 crore and ₹72 crore as at March 31, 2020 and March 31, 2019, respectively, on the fair valuation of equity instruments through other comprehensive income. The Company has made an irrevocable election to present the subsequent changes in fair value of those instruments in other comprehensive income.

Effective portion of cash flow hedges

The Company designates certain foreign exchange forward and options contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast cash transactions.

When a derivative is designated as a cash flow hedge instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the cash flow hedging reserve, and is transferred to the Statement of Profit and Loss upon the occurrence of the related forecast transaction.

On a standalone and consolidated basis, the balance as at March 31, 2020 is a deficit of ₹15 crore as compared to a surplus of ₹21 crore, net of tax in the previous year.

Exchange differences on translating the financial statements of a foreign operation

On a consolidated basis, the balance as at March 31, 2020 amounted to ₹1,207 crore, whereas the balance as at March 31, 2019 was ₹842 crore.

Other items of other comprehensive income

Other items of other comprehensive income consist of remeasurement gains / losses on our defined benefit plans and fair value changes on investments, net of taxes.

On a standalone basis, there was a remeasurement loss, net of taxes, of ₹184 crore during the current year, as compared to a remeasurement loss, net of taxes of ₹21 crore during the previous year. On a consolidated basis, there was a remeasurement loss, net of taxes, of ₹180 crore during the current year, as compared to a remeasurement loss, net of taxes, of ₹22 crore during the previous year.

Total equity attributable to equity holders of the Company

On a standalone basis, the total equity attributable to equity holders of the Company has reduced to ₹62,234 crore as at March 31, 2020, compared to ₹62,711 crore as at March 31, 2019, primarily on account of buyback of equity shares, dividends declared, partially offset by profit earned during the year.

On a consolidated basis, the total equity attributable to equity holders of the Company has increased to ₹65,450 crore as at March 31, 2020 from ₹64,948 crore as at March 31, 2019. The movement was primarily on account of profit earned during the year, offset by buyback of equity shares and dividends declared. On a consolidated basis, the book value per share is ₹154 as at March 31, 2020 compared to ₹150 as at March 31, 2019.

Application of funds

3. Property, plant and equipment

Additions to gross block – standalone

During the year, additions to gross block were ₹3,035 crore, comprising ₹2,263 crore on infrastructure, ₹765 crore in computer equipment and ₹7 crore on vehicles. Our infrastructure investments comprised ₹968 crore on buildings, ₹428 crore on plant and machinery, ₹11 crore to acquire 105 acres of land primarily in the US (Indianapolis), Mysuru, Bengaluru and Mangaluru, ₹427 crore on furniture and fixtures, ₹159 crore on office equipment, and ₹270 crore on leasehold improvements.

During the previous year, additions to gross block were ₹3,040 crore, comprising ₹2,008 crore on infrastructure, ₹1,023 crore in computer equipment and ₹9 crore on vehicles. Our infrastructure investments comprised ₹915 crore on buildings, ₹460 crore on plant and machinery, ₹78 crore to acquire 367 acres of land primarily in Mangaluru, Bengaluru and Mysuru, ₹238 crore on furniture and fixtures,₹130 crore on office equipment, and ₹187 crore on leasehold improvements.

Additions to gross block – consolidated

During the year, additions to gross block were ₹3,437 crore, comprising ₹2,500 crore on infrastructure, ₹930 crore in computer equipment and ₹7 crore on vehicles. Our infrastructure investments comprised ₹1,056 crore on buildings, ₹475 crore on plant and equipment, ₹11 crore to acquire 105 acres of land primarily in the US (Indianapolis), Mysuru, Bengaluru and Mangaluru, ₹465 crore on furniture and fixtures, ₹169 crore on office equipment and ₹324 crore on leasehold improvements. Additions through business combinations during the year were ₹78 crore.

During the previous year, additions to gross block were ₹3,193 crore, comprising ₹2,055 crore on infrastructure, ₹1,129 crore in computer equipment and ₹9 crore on vehicles. Our infrastructure investments comprised ₹916 crore on buildings, ₹462 crore on plant and equipment, ₹78 crore to acquire 367 acres of land primarily in Mangaluru, Bengaluru and Mysuru, ₹254 crore on furniture and fixtures, ₹136 crore on office equipment and ₹209 crore on leasehold improvements. Additions through business combinations during the previous year were ₹47 crore. We have reclassified various assets with a gross block of ₹68 crore from assets held for sale during the year ended March 31, 2019. Refer to Note 2.1.2 of the *Consolidated financial statements* for further details.

Deductions to net block – standalone

During the year, we deducted ₹1 crore from the net block on the disposal of various assets as against ₹101 crore in the previous year.

We have reclassified land leaseholds with a gross block of ₹561 crore to Right-of-Use (ROU) assets on account of adoption of Ind AS 116, *Leases* during the year ended March 31, 2020. Refer to Note 2.3 of the *Standalone financial statements* for further details.

Deductions to net block – consolidated

During the year, we deducted ₹1 crore from the net block on the disposal of various assets as against ₹111 crore in the previous year.

We have reclassified land leaseholds with a net block of ₹572 crore to ROU assets on account of the adoption of Ind AS 116, *Leases* during the year ended March 31, 2020. Refer to Note 2.19 of the *Consolidated financial statements* for further details.

Capital expenditure commitments

On a standalone basis, we have a capital expenditure commitment of ₹1,305 crore as at March 31, 2020, as compared to ₹1,653 crore as at March 31, 2019. On a consolidated basis, we have a capital expenditure commitment of ₹1,365 crore as at March 31, 2020, as compared to ₹1,724 crore as at March 31, 2019.

4. Goodwill and other intangible assets

On a consolidated basis, carrying value of goodwill as on March 31, 2020 is ₹5,286 crore, which includes additions to goodwill amounting to ₹1,490 crore on account of acquisition of HIPUS, Stater and Simplus, and increase of ₹256 crore on account of translation. During the previous year, the carrying value of goodwill was ₹3,540 crore (₹863 crore was reclassified as "assets held for sale").

On a consolidated basis, the carrying value of intangible assets as on March 31, 2020 is ₹1,900 crore whereas on March 31, 2019, it was ₹691 crore. These primarily consist of intangible assets acquired through business combinations, stated at cost less accumulated amortization. Acquisition from business combinations for the year ended March 31, 2020 is ₹1,387 crore. We have reclassified Land use – rights-related net block of ₹62 crore to ROU assets on account of the adoption of Ind AS 116, *Leases* during the year ended March 31, 2020. Refer to Note 2.3.2 of the *Consolidated financial statements* for further details.

5. Financial assets

A. Investments

Subsidiaries

During the year, we have invested additionally in our subsidiaries, for the purpose of acquisition of entities, operations and expansions.

Subsidiary	In foreign currency	In ₹ crore
WongDoody Holding Company Inc	US$ 1.3 million	9
Infosys Nova Holdings LLC	US$ 180.0 million	1,335
Infosys Consulting Pte Ltd[1]	SGD 249.2 million	1,318

(1) Conversion of loan to Redeemable Preference shares

Investment in equity instruments of subsidiaries are carried at cost as per Ind AS 27, *Separate Financial Statements*.

During the year ended March 31, 2020, EdgeVerve repaid debentures amounting to ₹286 crore.

Infosys Tecnologia do Brasil Ltda, a wholly-owned subsidiary of Infosys Limited, merged into Infosys Consulting Ltda, a wholly-owned subsidiary of Infosys Limited effective October 1, 2019.

On October 11, 2019, the Board of Directors of Infosys authorized the Company to execute a business transfer agreement and related documents with its wholly-owned subsidiaries, Kallidus Inc and Skava Systems Private Limited (together referred to as "Skava"), to transfer the business of Skava to Infosys Limited, subject to securing the requisite regulatory approvals for a consideration based on an independent valuation. The transaction is between a holding company and a wholly-owned subsidiary and the resulting impact would be recorded in "Other Reserves" at the time of transfer. As the transaction is between entities under common control, there will be no impact in the *Consolidated financial statements*.

Additionally, the Company has acquired the following entities through Infosys Consulting Pte Limited (a wholly-owned subsidiary of Infosys Ltd) and Infosys Nova Holdings LLC (a wholly-owned subsidiary of Infosys Limited):

HIPUS Co., Ltd (formerly, Hitachi Procurement Service Co. Ltd.) ("HIPUS")

On April 1, 2019, Infosys Consulting Pte Limited, a wholly-owned subsidiary of Infosys Limited, acquired 81% voting interests in HIPUS Co., Limited, a wholly-owned subsidiary of Hitachi Ltd, Japan, for a total cash consideration of JPY 3.29 billion (approximately ₹ 206 crore). HIPUS handles indirect materials purchasing functions for the Hitachi Group. The entity provides end-to-end procurement capabilities, through its procurement function expertise, localized team and BPM networks in Japan. The Company has recorded a financial liability for the estimated present value of its gross obligation to purchase the non-controlling interest as of the acquisition date in accordance with the share purchase agreement with a corresponding adjustment to equity.

Stater N.V.

On May 23, 2019, Infosys Consulting Pte Limited acquired 75% of voting interests in Stater N.V. ("Stater"), a wholly-owned subsidiary of ABN AMRO Bank N.V., Netherlands, for a total cash consideration of Euro 154 million (approximately ₹ 1,195 crore). Stater brings European mortgage expertise and a robust digital platform to drive superior customer experience. The Company has recorded a financial liability for the estimated present value of its gross obligation to purchase the non-controlling interest as of the acquisition date in accordance with the share purchase agreement with a corresponding adjustment to equity.

Outbox Systems Inc. dba Simplus

On March 13, 2020, Infosys Nova Holdings LLC acquired 100% of voting interests in Outbox Systems Inc. dba Simplus, a US-based Salesforce advisor and consulting partner in cloud consulting, implementation and training services for a total consideration of up to US$ 250 million (approximately ₹ 1,892 crore), comprising of cash consideration of US$ 180 million (approximately ₹ 1,362 crore), contingent consideration of up to $20 million (approximately ₹ 151 crore), additional performance bonus and retention payouts of up to US$ 50 million (approximately ₹ 378 crore) payable to the employees of Simplus over the next three years, subject to their continuous employment with the group and meeting certain targets. Simplus brings to Infosys globally recognized Salesforce expertise, industry knowledge, solution assets, deep ecosystem relationships and a broad clientele, across a variety of industries.

Refer to *Annexure 1* to the *Board's report* for the statement pursuant to Section 129(3) of the Companies Act, 2013 for the summary of the financial performance of our subsidiaries. The audited financial statements and related information of subsidiaries will be available on our website, www.infosys.com.

Other investments

We invest in the startup ecosystem to gain access to innovation that, when combined with our services and solutions, can benefit our clients. These investments are typically minority equity positions in startup companies and / or venture capital funds.

We have invested US$ 69 million to date in such assets since inception. During the year, we divested our stake in two investments resulting in a net loss of US$ 7 million. Our investments are fair valued in line with our accounting policies. We have exited some of our investments either because the investee company was sold to new shareholders or it ceased to have any further strategic value to us. The carrying value of investments as on March 31, 2020 is US$ 22 million (₹ 163 crore). As of March 31, 2020, we have an additional US$ 8 million (₹ 61 crore) in uncalled capital commitments.

As per Ind AS 109, *Financial Instruments*, all financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Financial assets are subsequently measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income as the case may be.

For disclosures on financial assets including fair value hierarchy and financial risk management, refer to Note 2.10 of the *Standalone financial statements* and the *Consolidated financial statements*.

Our investments comprise mutual funds, fixed maturity plan securities, tax-free bonds, non-convertible debentures, certificates of deposit, commercial paper and government securities. Certificates of deposit represent marketable securities of banks and eligible financial institutions for a specified time period and with a high credit rating by domestic credit rating agencies. Investments made in non-convertible debentures represent debt instruments issued by government-aided institutions and financial institutions with high credit rating. Majority of investments of the Group are fair valued based on Level 1 or Level 2 inputs The Group invests 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. These risks are monitored regularly as per its risk management program.

B. Trade receivables

On a standalone basis, trade receivables amounted to ₹ 15,459 crore and ₹ 13,370 crore as of March 31, 2020 and March 31, 2019, respectively.

On a consolidated basis, trade receivables amounted to ₹ 18,487 crore and ₹ 14,827 crore as of March 31, 2020 and March 31, 2019, respectively.

Unbilled revenues comprise costs and earnings in excess of billings. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the US. On a consolidated basis, days sales outstanding was 69 days for the year ended March 31, 2020, compared to 66 days in the previous year.

As per Ind AS 109, the Group uses the Expected Credit Loss (ECL) model to assess any required allowances; and uses a provision matrix to compute the expected credit loss allowance for trade receivables and unbilled revenues. This matrix takes into account credit reports and other related credit information to the extent available.

The movement in ECL during fiscals 2020 and 2019 is as follows:

in ₹ crore

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Opening balance	521	401	627	449
Impairment loss recognized	127	176	161	239
Amount written off	(89)	(67)	(100)	(73)
Translation difference	21	11	17	12
Closing balance	580	521	705	627

C. Cash and cash equivalents

On a standalone basis, balance in current and deposit accounts stood at ₹8,048 crore as at March 31, 2020, as compared to ₹10,957 crore as at March 31, 2019. Deposits with financial institutions stood at ₹5,514 crore as at March 31, 2020, as compared to ₹4,594 crore as at March 31, 2019. Refer to Note 2.8 of the *Standalone financial statements* for further details.

On a consolidated basis, balance in current and deposit accounts stood at ₹12,288 crore as at March 31, 2020, as compared to ₹14,197 crore as at March 31, 2019. Deposits with financial institutions stood at ₹6,361 crore as at March 31, 2020, as compared to ₹5,371 crore as at March 31, 2019. Refer to Note 2.8 of the *Consolidated financial statements* for further details.

Our cash and cash equivalents comprise deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit-rating agencies which can be withdrawn at any point of time without prior notice or penalty on principal. Ratings are monitored periodically and the Group has considered the latest credit rating information to the extent available as at the date of approval of these consolidated financial statements.

On a standalone basis, we have a restricted cash balance of ₹101 crore as at March 31, 2020 as compared to ₹143 crore as at March 31, 2019 and on a consolidated basis, the same was ₹396 crore as at March 31, 2020, as compared to ₹358 crore as at March 31, 2019. These restrictions are primarily on account of bank balances held as margin money deposit against guarantees and cash balances held by irrevocable trusts controlled by us. The bank balances in India include both rupee accounts and foreign currency accounts. The bank balances in overseas accounts are maintained to meet the expenditure of the overseas operations and regulatory requirements.

D. Loans

The details of loans are as follows:

in ₹ crore

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Non-current				
Loans to subsidiaries	277	–	–	–
Loans to employees	21	16	21	19
Current				
Loans to subsidiaries	103	841	–	–
Loans to employees	204	207	239	241
Total	605	1,064	260	260

We provide personal loans and salary advances to employees. Of the total loans and advances of ₹260 crore given to employees on a consolidated basis, ₹239 crore is recoverable in 12 months.

Loans to subsidiaries as at March 31, 2020, includes ₹277 crore to Infosys Consulting Pte Ltd (Non-current), ₹94 crore to Infosys China (Current), and ₹9 crore given to Infosys Consulting S.R.L. (Current). As at March 31, 2019, loans to subsidiaries included ₹663 crore to Infosys Consulting Pte Ltd, ₹89 crore to Infosys Consulting Holding AG, ₹82 crore to Infosys China, and ₹7 crore given to Brilliant Basics Holdings Limited.

E. Other financial assets

The details of other financial assets are as follows:

in ₹ crore

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Non-current				
Security deposits	46	47	50	52
Rental deposits	169	149	221	193
Net investment in sub-lease of right-of-use asset[1]	398	–	398	–
Restricted deposits	–	–	55	67
Others	–	–	13	–
Current				
Security deposits	1	1	8	4
Rental deposits	4	3	27	15
Restricted deposits	1,643	1,531	1,795	1,671
Unbilled revenues	1,973	1,541	2,796	2,093
Interest accrued but not due	441	865	474	905
Foreign currency forward and options contracts	19	321	62	336
Escrow and other deposits pertaining to buyback[2]	–	257	–	257
Net investment in sub-lease of right-of-use asset	35	–	35	–
Others[3]	282	315	260	224
Total	5,011	5,030	6,194	5,817

(1) On account of adoption of Ind AS 116, *Leases*

(2) Utilized for buyback

(3) Includes intercompany receivables non-revenue of ₹93 crore and ₹127 crore for fiscal 2020 and 2019, respectively

Restricted deposits represent amounts deposited with financial institutions to settle employee-related obligations as and when they arise during the normal course of business.

Unbilled revenues are classified as Financial assets as right to consideration is unconditional and is due only after passage of time.

Interest accrued but not due has decreased as compared to previous year due to significant maturities in fixed deposits resulting in movement from accrued interest.

Foreign currency forward and options contracts are entered into to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. These derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in other income.

On transition, the adoption of the new standard Ind AS 116, *Leases* resulted in recognition of Net investment in sub-lease of ROU asset of ₹430 crore.

6. Other assets

in ₹ crore

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Non-current				
Capital advances	310	486	310	489
Prepaid gratuity	143	25	151	42
Deferred contract cost	10	226	101	277
Prepaid expenses	51	95	87	162
Withholding taxes and others	759	908	777	929
Advance for business combination	–	–	–	206
Current				
Payment to vendors for supply of goods	129	94	145	109
Deferred contract cost	11	52	33	58
Prepaid expenses	736	580	968	751
Unbilled revenues	3,856	2,904	4,325	3,281
Withholding taxes and others	1,356	1,290	1,583	1,488
Other receivables	–	–	28	–
Total	7,361	6,660	8,508	7,792

Capital advances represent the amount paid in advance on capital expenditure.

Deferred contract costs are upfront costs incurred / payments made for the contract and are amortized over the term of the contract.

Unbilled revenues are classified as non-financial asset where the right to consideration is dependent on completion of contractual milestones.

Advance for business combination: on April 01, 2019 Infosys Consulting Pte Limited (wholly-owned subsidiary of Infosys Limited) acquired 81% of voting interests in Hitachi Procurement Service Co., Ltd., (HIPUS), Japan and paid an advance to Hitachi towards cash consideration on March 29, 2019.

Withholding taxes and others represent local taxes payable in various countries in which we operate.

7. Deferred tax assets / liabilities

in ₹ crore

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Deferred tax assets, net	1,429	1,114	1,744	1,372
Deferred tax liabilities, net	556	541	968	672

Deferred tax assets primarily comprise deferred taxes on property, plant and equipment, lease liabilities, compensated absences, allowances for trade receivables, credits related to branch profit taxes and derivative financial instruments. Deferred tax liability primarily comprises branch profit taxes and deferred tax on intangible assets.

Net deferred tax asset comprising deferred tax assets less deferred tax liabilities has increased primarily on account of temporary differences on derivative financial instruments, lease liabilities, credit related to branch profit tax, intangible assets pertaining to acquisitions, intangible assets reclassified from "Held for Sale" partially offset by property, plant and equipment, compensated absence and trade receivables.

8. Income tax assets / liabilities

in ₹ crore

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Income tax assets (net)	4,773	6,293	5,391	6,743
Income tax liabilities (net)	1,302	1,458	1,490	1,567

Our net profit earned from providing software development and other services outside India is subject to tax in the country where we perform the work. Most of our taxes paid in countries other than India can be claimed as a credit against our tax liabilities in India.

9. Financial liabilities

The details of trade payables and other financial liabilities are as follows:

in ₹ crore

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Non-current				
Accrued compensation to employees	12	–	22	15
Compensated absences	32	38	38	44
Financial liability under option arrangements	–	–	621	–
Payable for acquisition of business – Contingent consideration	–	41	121	88

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Rental deposit	5	–	–	–
Other payables	–	–	5	–
Current				
Trade payables	1,529	1,604	2,852	1,655
Unpaid dividends	30	29	30	29
Accrued compensation to employees	2,264	2,006	2,958	2,572
Accrued expenses	2,646	2,310	3,921	3,319
Retention monies	30	60	72	112
Payable for acquisition of business – Contingent consideration	151	75	219	102
Capital creditors	254	653	280	676
Compensated absences	1,497	1,373	1,832	1,619
Foreign currency forward and options contracts	461	13	491	15
Financial liability relating to buyback	–	1,202	–	1,202
Payable by controlled trusts	–	–	188	168
Other payables	603	807	490	638
Total	9,514	10,211	14,140	12,254

Liabilities for accrued compensation to employees include the provision for bonus, accrued salaries, incentives and retention bonus payable to the staff.

Payable for acquisition of business represents contingent consideration payable to the sellers of certain acquired entities depending on the achievement of certain financial targets.

Financial liability under option arrangements represents redemption liability towards Stater and HIPUS acquisitions to purchase / sell the corresponding minority stake.

In accordance with Ind AS 32, *Financial Instruments : Presentation*, the Company had recorded a financial liability of ₹ 1,202 crore for the obligation to acquire its own equity shares to the extent of standing instructions provided to its registered broker for the buyback as of March 31, 2019. The liability has been utilized towards buyback of equity shares which was completed on August 26, 2019.

Accrued expenses represent amounts accrued for other operational expenses. Retention monies represent monies withheld on contractor payments, pending final acceptance of their work.

Compensated absences are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation.

10. Other liabilities

in ₹ crore

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Non-current				
Deferred income – government grant on land use rights	–	–	43	42
Deferred rent	–	140	–	174
Accrued provident fund liability	185	–	185	–
Accrued gratuity	–	–	28	30
Deferred income	22	29	21	29
Others	–	–	2	–
Current				
Unearned revenue	2,140	2,094	2,990	2,809
Client deposits	9	19	18	26
Withholding taxes and others	1,344	1,168	1,759	1,487
Accrued provident fund liability	64	–	64	–
Deferred income – government grant on land use rights	–	–	2	1
Accrued gratuity	–	–	3	2
Deferred rent	[1]–	54	[1]–	63
Others	–	–	6	–
Total	3,764	3,504	5,121	4,663

[1] On account of adoption of Ind AS 116, *Leases*

Advance client billings in excess of costs and earnings are classified as unearned revenue.

Withholding and other taxes payable represent local taxes payable in various countries in which we operate.

Infosys has an obligation to fund any shortfall on the yield of the trust's investments over the administered interest rates on an annual basis. These administered rates are determined annually predominantly considering the social and economic factors in the past years. The actuary has provided a valuation for provident fund liabilities on the basis of guidance issued by the Actuarial Society of India.

Sensitivity analysis for significant defined benefit plans for fiscal 2020 over fiscal 2019

We provide for gratuity, a defined benefit retirement plan ("the Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment.

The following table sets forth the defined benefit relating and fair value of plan assets as of March 31, 2020 and March 31, 2019 pertaining to our Gratuity Plan:

in ₹ crore

Particulars	Consolidated	
	2020	2019
Benefit obligation at the end	1,402	1,351
Fair value of plan assets at the end	1,522	1,361
Funded status	120	10
Prepaid gratuity benefit	151	42
Accrued gratuity	(31)	(32)

Further, we also provide for provident fund to eligible employees of Infosys, which is a defined benefit plan as the Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. As of March 31, 2020 we had a benefit obligation of ₹7,366 crore and fair value of plan assets of ₹7,117 crore resulting in a net liability of ₹249 crore. There is no shortfall as at March 31, 2019.

See Note 2.20.1, *Gratuity*, and 2.20.2, *Provident Fund,* of the *Consolidated financial statements* in the Annual Report for disclosures on assumptions used, basis of determination of assumptions and sensitivity analysis for significant actuarial assumptions.

11. Provisions

Provision for post-sales client support is towards likely cost for providing client support to fixed-price and fixed-timeframe contracts. On a standalone basis, these provisions amounted to ₹506 crore as at March 31, 2020, as compared to ₹505 crore as at March 31, 2019. On a consolidated basis, provision for post-sales client support amounted to ₹572 crore as at March 31, 2020, as compared to ₹576 crore as at March 31, 2019.

12. Adoption of Ind AS 116, *Leases*

Effective April 1, 2019, the Group adopted Ind AS 116, *Leases* and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Group recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the ROU asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the lessee's incremental borrowing rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

On transition, the adoption of the new standard resulted in the recognition of ROU asset of ₹2,907 crore and ₹1,861 crore on a consolidated and standalone basis, respectively, 'Net investment in sublease' of ROU asset of ₹430 crore on both standalone and consolidated basis, and a lease liability of ₹3,598 crore and ₹2,491 crore on a consolidated and standalone basis, respectively. The cumulative effect of applying the standard, amounting to ₹40 crore and ₹17 crore, was debited to retained earnings, net of taxes on a consolidated and standalone basis, respectively. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116, *Leases* resulted in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

IV. Results of our operations

The function-wise classification of the Standalone Statement of Profit and Loss is as follows:

in ₹ crore

Particulars	Year ended March 31,			
	2020	%	2019	%
Revenue from operations	79,047	100.0	73,107	100.0
Cost of sales	52,816	66.8	47,412	64.8
Gross profit	26,231	33.2	25,695	35.2
Operating expenses				
Selling and marketing expenses	3,814	4.8	3,661	5.0
General and administration expenses	4,526	5.7	4,225	5.8
Total operating expenses	8,340	10.6	7,886	10.8
Operating profit	17,891	22.6	17,809	24.4
Reduction in the fair value of assets held for sale	–	–	(265)	(0.4)
Adjustment in respect of excess of carrying amount over recoverable amount on reclassification from "Held for Sale"	–	–	(469)	(0.6)
Finance cost	(114)	(0.1)	–	–
Other income, net	2,700	3.4	2,852	3.9
Profit before tax	20,477	25.9	19,927	27.3
Tax expense	4,934	6.2	5,225	7.2
Profit for the year	15,543	19.7	14,702	20.1

The function-wise classification of the Consolidated Statement of Profit and Loss is as follows :

in ₹ crore

Particulars	Year ended March 31,			
	2020	%	2019	%
Revenue from operations	90,791	100.0	82,675	100.0
Cost of sales	60,732	66.9	53,867	65.2
Gross profit	30,059	33.1	28,808	34.8
Operating expenses				
Selling and marketing expenses	4,711	5.2	4,473	5.4
General and administration expenses	5,974	6.6	5,455	6.6
Total operating expenses	10,685	11.8	9,928	12.0
Operating profit	19,374	21.3	18,880	22.8
Reduction in the fair value of disposal group held for sale	–	–	(270)	(0.3)
Adjustment in respect of excess of carrying amount over recoverable amount on reclassification from "Held for Sale"	–	–	(451)	(0.5)
Finance cost	(170)	(0.2)	–	–
Other income, net	2,803	3.1	2,882	3.5
Profit before tax	22,007	24.2	21,041	25.5
Tax expense	5,368	5.9	5,631	6.9
Profit after tax	16,639	18.3	15,410	18.6
Non-controlling interests	45	(0.1)	6	–
Profit attributable to the owners of the Company	16,594	18.2	15,404	18.6

1. Revenue

The growth in our revenues in fiscal 2020 from fiscal 2019 is as follows :

in ₹ crore

Particulars	Standalone			Consolidated		
	2020	2019	% change	2020	2019	% change
Revenue	79,047	73,107	8.1	90,791	82,675	9.8

The increase in revenues was primarily attributable to an increase in large deal wins and the volume across most of the segments.

The revenues from digital and core services for fiscals 2020 and 2019 are as follows :

in ₹ crore

Particulars	Consolidated		
	2020	2019	% change
Digital revenue	35,617	25,797	38.1
Core revenue	55,174	56,878	(3.0)

We have evaluated the impact of COVID-19 resulting from (i) the possibility of constraints to render services which may require revision of estimations of costs to complete the contract because of additional efforts ; (ii) onerous obligations ; (iii) penalties relating to breaches of service-level agreements, and (iv) termination or deferment of contracts by customers. We have concluded that the impact of COVID-19 was not significant based on these estimates for fiscal 2020.

Revenue growth in reported terms includes impact of currency fluctuations. We, therefore, additionally report the revenue growth in constant currency terms, which represents the real growth in revenue excluding the impact of currency fluctuations. We calculate constant currency growth by comparing current period revenues in respective local currencies converted to INR using prior-period exchange rates and comparing the same to our prior-period reported revenues. Our revenues for fiscal 2020 in constant currency grew by 9.8%. We added 376 new customers (gross) during fiscal 2020 as compared to 345 new customers (gross) during fiscal 2019. For fiscals 2020 and 2019, 97.5% and 97.3%, respectively, of our revenues came from repeat business, which we define as revenues from a client that also contributed to our revenues during the prior fiscal.

On a consolidated basis, for the year ended March 31, 2020, approximately 97.4% were export revenues whereas 2.6% were domestic revenues, while for the year ended March 31, 2019, 97.5% were export revenues whereas 2.5% were domestic revenues.

The composition of currency-wise revenues for the years ended March 31, 2020 and March 31, 2019 was as follows :

in %

Currency	Consolidated	
	2020	2019
US Dollar	67.5	67.3
UK Pound Sterling	4.9	5.0
Euro	12.4	11.9
Australian Dollar	6.8	7.9
Others	8.4	7.9
Total	100.0	100.0

Our revenues are generated principally from services provided either on a time-and-materials, unit of work, fixed-price, or fixed-timeframe basis. Revenue on time-and-material and unit of work-based contracts, are recognized as the related services are performed. Fixed price maintenance revenue is recognized ratably either on a straight-line basis when services are performed through an indefinite number of repetitive acts over a specified period or using a percentage of completion method when the pattern of benefits from the services rendered to the customer and our costs to fulfil the contract is not even through the period of contract because the services are generally discrete in nature and not repetitive. Revenue from other fixed-price, fixed-timeframe contracts, where the performance obligations are satisfied over time is recognized using the percentage-of-completion method. Revenue from licenses where the customer obtains a "right to use" the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a "right to access" is recognized over the access period. Where the license is required to be substantially customized as part of the implementation service the entire arrangement fee for license and implementation is considered to be a single performance obligation and the revenue is recognized using the percentage-of-completion method as the implementation is performed. The percentage of revenue from fixed price contracts for the years ended March 31, 2020 and March 31, 2019 is approximately 55%.

Our revenues are segmented into onsite and offshore revenues. Onsite revenues are for those services which are performed at client locations or at our development centers outside India, while offshore revenues are for services which are performed at our global development centers in India.

The percentage of our revenues by location from billable IT services professionals for fiscals 2020 and 2019 is as follows:

in %

Particulars	Consolidated	
	2020	2019
Onsite revenue	54.8	54.9
Offshore revenue	45.2	45.1
Total	100.0	100.0

The proportion of work performed at our facilities and at client sites varies from period to period. The services performed onsite typically generate higher revenues per capita, but at lower gross margins in percentage as compared to the services performed at our own facilities in India. Therefore, any increase in the onsite effort impacts our margins.

The details of billable hours expended for onsite and offshore on our IT services professionals for fiscals 2020 and 2019 are as follows:

in %

Particulars	Consolidated	
	2020	2019
Onsite effort	28.1	28.6
Offshore effort	71.9	71.4
Total	100.0	100.0

Revenues and gross profits are also affected by employee utilization rates. We define employee utilization for IT services as the proportion of total billed person months to total available person months, excluding sales, administrative and support personnel.

The utilization rates of billable IT services professionals are as follows:

in %

Particulars	Consolidated	
	2020	2019
Including trainees	80.3	80.1
Excluding trainees	84.0	84.3

IT services, wherever mentioned above, represent services excluding business process management services and products and platforms business.

The break-up of revenues from software and professional services and products and platforms is as follows:

in ₹ crore

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Software and professional services	78,809	72,845	85,260	78,359
Software products and platforms	238	262	5,531	4,316
Total revenue from operations	79,047	73,107	90,791	82,675

Refer to the 'Segmental profitability' section in this report for more details on the analysis of segment revenues.

Revenue per employee has increased from US$ 54,038 in fiscal 2019 to US$ 54,142 in fiscal 2020 on a consolidated basis.

2. Expenditure

Cost of sales – standalone

in ₹ crore

Particulars	2020	%	2019	%	Growth %
Revenues	79,047	100.0	73,107	100.0	8.1
Cost of sales					
Salaries and bonus	38,277	48.4	34,524	47.2	10.9
Cost of technical sub-contractors	8,446	10.7	7,646	10.4	10.5
Travelling cost	1,726	2.2	1,392	1.9	24.0
Cost of software packages for own use	809	1.0	789	1.1	2.5
Third-party items bought for service delivery to clients	842	1.1	853	1.2	(1.3)
Communication cost	201	0.3	145	0.2	38.6
Short-term leases	34	–	–	–	–
Operating lease payments	–	–	185	0.3	–

Particulars	2020	%	2019	%	Growth %
Provisions / (reversals) for post-sales client support	4	–	(6)	–	(166.67)
Depreciation and amortization expenses	2,144	2.7	1,599	2.2	34.1
Repairs and maintenance	333	0.4	285	0.3	16.8
Others	–	–	–	–	–
Total cost of sales	52,816	66.8	47,412	64.8	11.4

Cost of sales – consolidated

in ₹ crore

Particulars	2020	%	2019	%	Growth %
Revenues	90,791	100.0	82,675	100.0	9.8
Cost of sales					
Salaries and bonus	45,477	50.1	40,498	49.0	12.3
Cost of technical sub-contractors	6,712	7.4	6,031	7.3	11.3
Travelling cost	2,045	2.2	1,769	2.1	15.6
Cost of software packages for own use	1,010	1.1	906	1.1	11.5
Third-party items bought for service delivery to clients	1,667	1.8	1,623	2.0	2.7
Consultancy and professional charges	50	0.1	46	0.1	8.7
Communication cost	300	0.3	238	0.3	26.1
Short-term leases	65	0.1	–	–	–
Operating lease payments	–	–	362	0.4	–
Provisions for post-sales client support	–	–	1	–	–
Depreciation and amortization expenses	2,893	3.2	2,011	2.4	43.9
Repairs and maintenance	501	0.6	370	0.5	35.4
Others	12	–	12	–	–
Total cost of sales	60,732	66.9	53,867	65.2	12.7

On a standalone basis, cost of sales was 66.8% of revenues, compared to 64.8% during the previous year. On a consolidated basis, cost of sales was 66.9% of revenues, compared to 65.2% during the previous year. The cost of efforts, comprising employee cost and cost of technical sub contractors, has increased as a percentage of revenue from 57.6%% in fiscal 2019 to 59.1% in fiscal 2020 on a standalone basis and from 56.3% in fiscal 2019 to 57.5% in fiscal 2020 on a consolidated basis, on account of increase in volume, increase in compensation, increase in usage of technical sub-contractors to meet the talent crunch and lower utilization partially offset by improvement in onsite mix.

On a standalone basis, the cost of technical sub-contractors included ₹2,824 crore towards the purchase of services from subsidiaries for the year ended March 31, 2020, as against ₹2,423 crore in the previous year. The details of such related party transactions are available in Note 2.23 to the *Standalone financial statements* in the Annual Report.

On a standalone basis, the travelling cost representing the cost of travel included in cost of sales constituted approximately 2.2% and 1.9% of total revenue for the years ended March 31, 2020 and March 31, 2019, respectively. On a consolidated basis, travelling cost for cost of sales constituted approximately 2.2% and 2.1% of total revenue for the years ended March 31, 2020 and March 31, 2019 respectively.

Cost of software packages primarily represents the cost of software packages and tools procured for our internal use. On a standalone basis, the cost of software packages was 1.0% of revenues, compared to 1.1% during the previous year. On a consolidated basis, the cost of software packages was 1.1% of the revenues for both the years.

Third-party items bought for service delivery to clients include software and hardware items.

A large part of our revenues is generated from software development centers in India. We use high-end communication tools to establish real-time connections with our clients. On a standalone basis, the communication costs represent approximately 0.3% and 0.2% of the revenues for the year ending March 31, 2020 and March 31, 2019 respectively. On a consolidated basis, the communication costs represent approximately 0.3% of revenues for each of the years ended March 31, 2020 and March 31, 2019.

Under Ind AS 116, we recognized a ROU asset and a corresponding lease liability for all lease arrangements in which we are a lessee, except for leases with a term of 12 months or less (short-term leases). For these short-term leases, we recognized the lease payments as an operating expense on a straight-line basis over the term of the lease.

The Group provides its clients with a fixed-period post-sales support on all its fixed-price, fixed-timeframe contracts. The Group estimates such costs based on historical experience and estimates are reviewed on a periodic basis for any material changes in assumptions and likelihood of occurrence.

On a standalone basis, we provided ₹2,144 crore and ₹1,599 crore towards depreciation and amortization, representing 2.7% and 2.2% of total revenues for the years ended March 31, 2020 and March 31, 2019, respectively. Depreciation for the year ended March 31, 2020 includes additional amortisation expense on account of adoption of Ind AS 116, *Leases*.

On a consolidated basis, we provided ₹2,893 crore and ₹2,011 crore towards depreciation and amortization, representing 3.2% and 2.4% of total revenues for the years ended March 31, 2020 and March 31, 2019, respectively. Depreciation for the year ended March 31, 2020 includes additional amortisation charge on account of adoption of Ind AS 116, *Leases*.

On a standalone and consolidated basis, repairs and maintenance represent approximately 0.4% and 0.6% of the revenues, respectively which was 0.3% and 0.5% at standalone and consolidated level respectively in the previous year.

Gross profit

On a standalone basis, the gross profit during the year was ₹26,231 crore, representing 33.2% of revenues, compared to ₹25,695 crore, representing 35.2% of revenues in the previous year.

On a consolidated basis, the gross profit during the year was ₹30,059 crore, representing 33.1% of revenues, compared to ₹28,808 crore, representing 34.8% of revenues in the previous year.

Selling and marketing expenses

On a standalone basis, we incurred selling and marketing expenses at 4.8% of our total revenues in the year ended March 31, 2020, compared to 5.0% of our total revenues in the year ended March 31, 2019. Selling and marketing expenses primarily comprise employee costs, travelling costs and branding and marketing costs. All other expenses, excluding employee costs, amounted to 1.1% of revenues during the year, which is 1.4% in the previous year.

On a consolidated basis, we incurred selling and marketing expenses at 5.2% of our total revenues in the year ended March 31, 2020, as compared to 5.4% in the year ended March 31, 2019. All other expenses, excluding employee costs, amounted to 1.2% and 1.5% of our total revenues in the years ended March 31, 2020 and March 31, 2019, respectively.

The selling and marketing expenses have marginally reduced as a percentage of revenue during fiscal 2020 from fiscal 2019, mainly on account of a decrease in consultancy and professional charges and a reduction in operating lease payments on adoption of Ind AS 116, *Leases* from fiscal 2020 resulting in amortization expense of ROU assets considered under cost of sales partially offset by an increase in employee benefit cost.

General and administration expenses

On a standalone basis, our general and administration expenses amounted to 5.7% of our total revenues in the current year and 5.8% in previous year. All other expenses, excluding employee costs, were 4.2% of revenues during the year and the previous year.

On a consolidated basis, our general and administration expenses amounted to 6.6% of our total revenues in the current year, which is the same as the previous year. All other expenses, excluding employee costs, were 4.6% of revenues during the year, as compared to 4.7% during the previous year.

General and administration expenses as a percentage of revenues has remained almost the same in fiscal 2020 as compared to fiscal 2019.

On a consolidated basis the employee benefit costs as a percentage of revenue has marginally increased by 0.1% in fiscal 2020 as compared to fiscal 2019 partially offset by reduction in impairment losses on financial assets due to specific provisions made for certain customers in the previous fiscal and reduction in operating lease payments on adoption of Ind AS 116, *Leases* from fiscal 2020 resulting in amortization of ROU assets considered under cost of sales.

Corporate social responsibility (CSR)

As per Section 135 of the Companies Act, 2013 ("the Act"), a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit computed as mandated by the Act for the immediately preceding three financial years on CSR activities. The areas of CSR activities that we have chosen to spend on are the areas of protection of national heritage, restoration of historical sites, and promotion of art and culture ; destitute care and rehabilitation ; environmental sustainability and ecological balance ; promoting education, and enhancing vocational skills ; promoting healthcare including preventive healthcare, and rural development projects. A CSR committee has been formed by the Company as per the Act. The funds were primarily allocated to a corpus and utilized through the year on these activities which are specified in Schedule VII of the Act.

The gross amount required to be spent by the Company during the year is ₹360 crore and there was no amount unspent during the year.

Amount spent during the year on :

in ₹ crore

Particulars	In cash	Yet to be paid in cash	Total
1. Construction / acquisition of any asset	–	–	–
2. On purposes other than (1) above	357	3	360

3. Operating profits

During the year, on a standalone basis, we earned an operating profit of ₹17,891 crore, representing 22.6% of total revenues, compared to ₹17,809 crore, representing 24.4% of total revenues, during the previous year.

During the year, on a consolidated basis, we earned an operating profit of ₹19,374 crore, representing 21.3% of total revenues, compared to ₹18,880 crore, representing 22.8% of total revenues, during the previous year.

The decrease in operating profit as a percentage of revenue for the current year as compared to the previous year was primarily attributable to a decrease of gross profit as a percentage of revenue during the same period partially offset by decrease in selling and marketing expenses as a percentage of revenue.

4. Other income, net & finance cost

The following table sets forth our other income and finance cost for fiscals 2020 and 2019:

in ₹ crore

Particulars	Standalone			Consolidated		
	2020	2019	% change	2020	2019	% change
Other income	2,700	2,852	(5.3)	2,803	2,882	(2.7)
Finance cost	114	–	–	170	–	–

On a standalone basis, other income for fiscal 2020 primarily includes income from investments of ₹1,731 crore, foreign exchange gain of ₹1,056 crore on translation of other assets and liabilities, offset by a foreign exchange loss of ₹528 crore on forward and options contracts.

During the previous year, other income primarily included income from investments of ₹2,171 crore, a foreign exchange gain of ₹184 crore on forward and options contracts and foreign exchange gain of ₹144 crore on translation of other assets and liabilities.

On a consolidated basis, other income for fiscal 2020 primarily includes income from investments of ₹1,837 crore, foreign exchange gain of ₹1,023 crore on translation of other assets and liabilities, offset by a foreign exchange loss of ₹511 crore on forward and options contracts.

During the previous year, other income primarily included income from investments of ₹2,222 crore and a foreign exchange gain of ₹185 crore on forward and options contracts and foreign exchange gain of ₹133 crore on translation of other assets and liabilities.

Interest income in fiscal 2020 has declined as compared to fiscal 2019 primarily due to a decrease in investable base on account of the execution of the Capital Allocation Policy of the Company.

We use foreign exchange forward and options contracts to hedge our exposure against movements in foreign exchange rates.

Finance cost is on account of adoption of Ind AS 116, *Leases*. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases.

Other income includes ₹250 crore and ₹259 crore for the year ended March 31, 2020 in the standalone and consolidated financial statements of the Company, respectively, towards interest on income tax refund. For the year ended March 31, 2019, the same was ₹50 crore and ₹51 crore at a standalone and consolidated level, respectively.

Disposal group reclassified as "Held for Sale"

During the year ended March 2018, the Company initiated identification and evaluation of potential buyers for its subsidiaries, Kallidus and Skava (together referred to as "Skava") and Panaya, collectively referred to as the "disposal group". The disposal group was classified and presented separately as "Held for Sale" and was carried at the lower of carrying value and fair value. During fiscal 2019, on remeasurement, the Company recorded a reduction in the fair value of disposal group held for sale amounting to ₹270 crore in respect of Panaya.

Further, based on evaluation of proposals received and progress of negotiations with potential buyers, the Company concluded that the disposal group did not meet the criteria for "Held for Sale" classification and accordingly, in accordance with Ind AS 105, *Non-current Assets held for Sale and Discontinued Operations*, the assets and liabilities of Panaya and Skava were included on a line by line basis in the consolidated financial statements for the year ended and as at March 31, 2019 and an adjustment in respect of excess of carrying amount over recoverable amount on reclassification from "Held for Sale" of ₹451 crore in respect of Skava was recorded in the consolidated statement of comprehensive income for fiscal 2019.

In the Standalone financial statements of the Company, a further reduction of ₹265 crore was recorded in respect of Panaya during the year ended March 31, 2019 and on reclassification of these investments from "Held for Sale", the Company recognized an adjustment in respect of excess of carrying amount over recoverable amount of ₹469 crore in respect of Skava.

5. Provision for tax

We have provided for our tax liability both in India and overseas. The applicable Indian corporate statutory tax rate for the years ended March 31, 2020 and March 31, 2019 is 34.94%.

In India, we have benefitted from certain tax incentives that the Company has received for the export of software from units registered under the Software Technology Park (STP) Scheme and we continue to benefit from certain tax incentives for the units registered under the SEZ Act, 2005. However, the income tax incentives provided by the Government of India for STP units have expired, and the income from all of our STP units are now taxable. SEZ units, which began providing services on or after April 1, 2005, are eligible for a deduction of 100% of profits or gains derived from the export of services for the first five years from the financial year in which the unit has commenced the provision of services and 50% of such profits or gains for further five years. Up to 50% of such profits or gains for further five years thereafter is subject to the creation of a SEZ Re-investment Reserve out of the profit of the eligible SEZ units and utilization of such reserve by the Company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income-tax Act, 1961. In the event, the Company is not able to utilize the SEZ reserve for investment in plant and machinery within the timeline specified under the Income Tax Act, Company will have to pay tax on the unutilized reserve following the expiry of year specified. This would result in increase in tax cost.

As a result of these tax incentives, a portion of pre-tax income has not been subject to income tax. These tax incentives resulted in a decrease in income tax expense by ₹2,637 crore on a standalone basis and ₹2,718 crore on a consolidated basis for the year ended March 31, 2020, and ₹2,628 crore on a standalone basis and ₹2,705 crore on a consolidated basis for the year ended March 31, 2019.

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Income tax expense (in ₹ crore)	4,934	5,225	5,368	5,631
Effective tax rate (in %)	24.1	26.2	24.4	26.8

On a standalone basis, the effective tax rate (based on profit before tax) decreased to 24.1% in fiscal 2020, as compared to 26.2% in fiscal 2019. On a consolidated basis, the effective tax rate for fiscal 2020 and fiscal 2019 was 24.4% and 26.8%, respectively. Effective tax rate is generally influenced by various factors, including differential tax rates, non-deductible expenses, exempt non-operating income, overseas taxes, benefits from SEZ units, tax reversals and provisions, and other tax deductions. The decrease in effective tax rate from fiscal 2019 to fiscal 2020 was mainly due to increase in tax reversal (net of provisions), reduction in non-deductible expenses and increase in tax benefits from SEZ units as a percentage of profit before income tax.

During the year ended March 31, 2019, the Company entered into an Advance Pricing Agreement in an overseas jurisdiction resulting in a reversal of income tax expense of ₹94 crore which pertained to prior periods.

During the current year, on a consolidated basis, the tax expense includes reversal of provisions of ₹508 crore made in earlier periods, partially offset by an additional tax provision of ₹129 crore pertaining to earlier periods. For the previous year additionally, the tax reversals comprise a reversal of provisions of ₹299 crore made in earlier periods, partially offset by an additional tax provision of ₹170 crore pertaining to prior periods.

On a standalone basis, the tax expense includes reversal of provisions of ₹368 crore made in earlier periods, partially offset by an additional tax provision of ₹70 crore pertaining to earlier periods. For the previous year additionally, the tax reversals comprise a reversal of provisions of ₹266 crore made in earlier periods, partially offset by an additional tax provision of ₹169 crore pertaining to prior periods.

These reversals pertain to prior periods on account of adjudication of certain disputed matters in favor of the Company across various jurisdictions and on account of changes to tax regulations. The additional provision pertaining to prior periods is primarily due to audits, assessments and filing of tax returns in various jurisdiction.

Refer to Note 2.22, 'Contingent liabilities and commitments', in the consolidated and standalone financial statements in the Annual Report for disclosures on claims against the Company not acknowledged as debts.

6. Net profit after tax

On a standalone basis, our net profit increased by 5.7% to ₹15,543 crore for the year ended March 31, 2020 from ₹14,702 crore in the previous year. This represents 19.7% and 20.1% of total revenue for the years ended March 31, 2020 and March 31, 2019, respectively.

On a consolidated basis, our net profit increased by 7.7% to ₹16,594 crore for the year ended March 31, 2020 from ₹15,404 crore in the previous year. This represents 18.3% and 18.6% of total revenue for the years ended March 31, 2020 and March 31, 2019, respectively.

Reduction in the fair value of the disposal group held for sale and adjustment in respect of excess of carrying amount over recoverable amount on reclassification from "Held for Sale" had caused a decline in net profit for fiscal 2019.

The decrease in net profit as a percentage of revenues for fiscal 2020 as compared to fiscal 2019 was primarily attributable to decrease in operating profit by 1.5% and a decrease in other income and finance cost by 0.6% as a percentage of revenue offset by decrease of 0.9% in tax expense as a percentage of revenue.

7. Earnings per share (EPS)

The details of change in EPS on standalone and consolidated basis are as follows:

Particulars	Standalone			Consolidated		
	2020 (₹)	2019 (₹)	% increase	2020 (₹)	2019 (₹)	% increase
Basic	36.34	33.66	8.0	38.97	35.44	10.0
Diluted	36.32	33.64	8.0	38.91	35.38	10.0

The weighted average equity shares used in computing earnings per equity share are as follows:

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Basic	427,70,30,249	436,82,12,119	425,77,54,522	434,71,30,157
Diluted	427,98,08,826	437,04,12,348	426,51,44,228	435,34,20,772

The Company completed its share buyback on August 26, 2019.

8. Segmental profitability

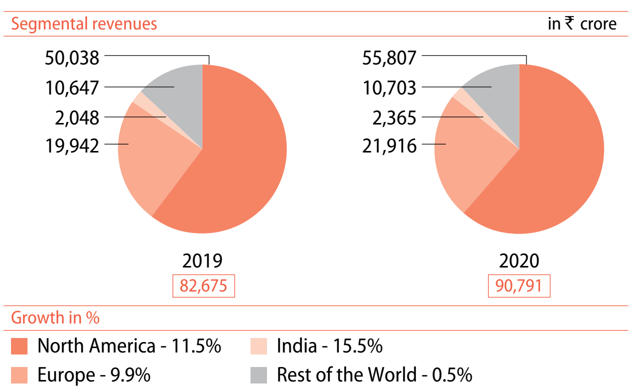
The Group's operations predominantly relate to providing end-to-end business solutions to enable clients to enhance performance of their business. Business segments of the Group are primarily enterprises in Financial Services and Insurance, enterprises in Manufacturing, enterprises in Retail, Consumer Packaged Goods and Logistics, enterprises in the Energy, Utilities, Resources and Services, enterprises in Communication, Telecom OEM and Media, enterprises in Hi-Tech, enterprises in Life Sciences and Healthcare and all other segments. All other segments represent the operating segments of businesses in India, Japan, China, Infosys Public Services and other enterprises in Public Service. This is discussed in detail in Note 2.24 to the *Consolidated financial statements* in this Annual Report.

Business segments – consolidated

in ₹ crore

Particulars	Financial Services	Retail	Communication	Energy, Utilities, Resources and Services	Manufacturing	Hi-Tech	Life Sciences	All other segments	Total
Segmental revenues									
2020	28,625	14,035	11,984	11,736	9,131	6,972	5,837	2,471	90,791
2019	26,477	13,556	10,426	10,390	8,152	6,177	5,203	2,294	82,675
Growth %	8.1	3.5	14.9	13.0	12.0	12.9	12.2	7.7	9.8
Segmental operating income									
2020	7,306	4,212	2,424	3,216	2,059	1,604	1,431	64	22,316
2019	6,878	4,034	2,517	2,542	1,853	1,548	1,419	116	20,907
Growth %	6.2	4.4	(3.7)	26.5	11.1	3.5	0.8	(44.5)	6.7
Segmental operating margin (%)									
2020	25.5	30.0	20.2	27.4	22.6	23.0	24.5	2.6	24.6
2019	26.0	29.8	24.1	24.5	22.7	25.1	27.3	5.1	25.3

The following graph sets forth our revenue by geography :



Overall segment profitability has decreased primarily on account of compensation increase, higher visa cost for H1 visas and cross currency fluctuations partially offset by benefit on account of rupee depreciation and cost optimization benefits. Consequent to adoption of Ind AS 116, *Leases* effective April 1, 2019, lease rentals considered earlier under segment profitability are now excluded as amortization of ROU assets is considered unallocable expenses for the year ended March 31, 2020.

9. Liquidity

Our principal source of liquidity are cash and cash equivalents and cash flow that we generate from operations. We have no outstanding borrowings. We believe our working capital is sufficient for our requirements.

Our growth has been financed largely through cash generated from operations.

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Net cash generated by operating activities	15,572	13,989	17,003	14,841
Net cash (used in) / generate by investing activities	(116)	(587)	(239)	(575)
Net cash used in financing activities	(17,391)	(14,571)	(17,591)	(14,512)

Our cash flows are robust and our operating cash flows have increased from ₹14,841 crore in fiscal 2019 to ₹17,003 crore in fiscal 2020 mainly on account of lower income tax payments and higher income tax refunds. On account of adoption of Ind AS 116, *Leases*, lease payments amounting to ₹571 crore are excluded from operating activities and included in financing activities resulting in an increase in cash inflow from operating activities. Our liquidity position could be adversely affected if our ability to bill and/ or collect from our customers on time is impacted due to COVID-19 disruptions; either due to disruptions on Indian operations or at the customers' end.

Capital Allocation Policy

Refer to *Board's report* in this Annual Report for details on our Capital Allocation Policy reviewed and approved on dated July 12, 2019.

10. Related party transactions

These have been discussed in detail in Note 2.23 to the *Standalone financial statements* in this Annual Report.

11. Events occurring after Balance Sheet date

There were no significant events that occurred after the Balance Sheet date apart from the ones mentioned in 'Material changes and commitments affecting financial position between the end of the fiscal and date of the report' in *Board's report*.

12. Key financial ratios

In accordance with the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, the Company is required to give details of significant changes (change of 25% or more as compared to the immediately previous financial year) in key sector-specific financial ratios.

The Company has identified the following ratios as key financial ratios:

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Market capitalization to revenues (₹)	NA	NA	3.0	3.9
Price / Earnings (times)	NA	NA	16.5	21.0
Days sales outstanding[(1)]	–	–	69	66
Liquid cash[(2)] as a % of total assets	26.3	32.7	29.4	36.2
Revenue growth (%)	8.1	18.0	9.8	17.2
Operating margin (%)	22.6	24.4	21.3	22.8
Net profit margin (%)	19.7	20.1	18.3	18.6
Basic EPS (₹)	36.34	33.66	38.97	35.44

[(1)] The Company does not track DSO at a standalone level.

[(2)] Includes cash and cash equivalents and investments excluding investments in equity, preference and other securities

Ratios where there has been a significant change from fiscal 2019 to fiscal 2020

Revenue growth, operating margin, net profit margin as well as change in basic EPS have been explained in the relevant sections above.

The details of return on net worth at standalone and consolidated levels are as follows:

Particulars	Standalone		Consolidated	
	2020	2019	2020	2019
Return on net worth (%)	24.9	23.3	25.5	23.7

Return on net worth is computed as net profit by average net worth. Net profit has increased from ₹15,404 crore to ₹16,594 crore on a consolidated basis and from ₹14,702 crore to ₹15,543 crore on a standalone basis for the reasons explained above. Additionally, the buyback has resulted in an increase in return on net worth.

V. Outlook, risks and concerns

This section lists forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these statements as a result of certain factors. Our outlook, risks and concerns are as follows :

Global health pandemic from COVID-19 related risks

The COVID-19 pandemic is a global humanitarian and health crisis. The actions taken by various governments to contain the pandemic, such as closing of borders and lockdown restrictions, resulted in significant disruption to people and businesses. Consequently, market demand and supply chains have been affected, significantly increasing the risk of a global economic recession. The pandemic has impacted, and may further impact, all of our stakeholders – employees, clients, investors and communities we operate in. Further, due to the uncertainty surrounding this risk and the unavailability of a certified vaccine or cure to-date, we have not been able to provide investors with any revenue or profit guidance for fiscal 2021. COVID-19 has heightened several other risks that are described in this section. Some of the specific consequent risks related to the occurrence of COVID-19 that have materialized include:

- Many of our clients' business operations may be negatively impacted due to the economic downturn – resulting in postponement, termination, suspension of some ongoing projects with us and / or reduced demand for our services and solutions.
- Our ability to continue to deliver service delivery obligations while our employees work from home are sometimes constrained by contractual terms with our clients and are therefore dependent on receiving the requisite approvals from them in time.
- Restrictions on travel may impact our ability to assign and deploy people at required locations and times to deliver contracted services, thereby impacting our revenue and / or profitability.
- A small portion of revenue could not be recognized as we did not receive consent from clients for the work completed by our employees remotely on their projects.
- Our profitability may be marginally impacted as some clients have sought price reductions or discounts.
- Lower profitability and prolonged payment terms requests from clients can impact our cash flows negatively and may impact our ability to provide dividend to shareholders.
- Some of our clients or suppliers have invoked *force majeure* clauses in our contracts with them, negatively impacting our business with limited recourse.
- Our business continuity may be marginally impacted as key geographies in which we operate imposed a lockdown and / or some of our development centers may temporarily shut down due to COVID-19 positive cases found in our campuses or shared campuses.
- We incurred unanticipated costs in ensuring that our offices are safe and hygienic workplaces for our employees; and to enable employees to work from home.
- We incurred additional costs in procuring and deploying hardware assets and technology infrastructure and data connectivity charges for remote working.

While the above-mentioned risks have materialized to varied extent in the last financial year, their impact may continue in the next financial year as well. In addition to the above, other consequent risks related to the occurrence of COVID-19 that may materialize in future are.

- The financial stability of our clients may get affected or they may file for bankruptcy, jeopardizing our ability to collect our account receivables and unbilled revenue.
- Restrictions on travel, marketing events and in-person client meetings may result in sub-optimal branding and delays in our sales and commercial processes, affecting our revenue.
- Clients may invoke contractual clauses and / or levy penalties if we are unable to meet project quality, productivity and schedule service-level agreements due to our employees working remotely.
- Our profitability may be negatively impacted if we are unable to eliminate fixed or committed costs in line with reduced demand. Additionally, any sudden change in demand may impact utilization in the short term thereby impacting margins.
- Our profitability may be marginally impacted as some clients may dispute some of the existing work-in-process that has been recognized by us as unbilled revenues. This in turn can impact our cash flows negatively.
- Our exposure to cybersecurity and data privacy breach incidents may increase due to a large number of employees working remotely. This in turn can hinder our ability to continue services and / or operations, impacting revenue, profitability and reputation.
- The productivity of our employees may be negatively impacted due to isolated remote working from home, quarantine requirements, negative social sentiment and personal anxiety.
- Our operations may get disrupted after the re-opening of our campuses and offices if any of our returning employees test positive for COVID-19.
- We could be subject to lawsuits from our employees alleging they are exposed to health risks as we transition them back to working from our or our clients' offices.
- Our ability to procure goods and services may be impacted as some of our suppliers may not able to operate efficiently during a lockdown.
- Unfavorable currency movements during these times may impact our profitability.
- An increase in insurance premium on the regular policies that we avail may adversely impact our profitable growth or coverage.
- There could be heightened regional or macro risks such as an increase in unemployment, protectionism, immigration reform, extended recession in the economy, geo-political tension and social unrest.
- We had made offers to candidates to join Infosys. Our ability to honor these offers on a timely basis can get impacted which can negatively influence our brand.
- The uncertainty in demand as our clients deal with a prolonged economic impact of COVID-19 may cause us to implement severe cost control measures including reduction in employee bonuses. This could result in increased attrition of employees and / or a higher expenditure on recruitment and subcontracting services, thereby impacting our profitability.
- If the market price of our shares / ADS remain low due to a prolonged recession, the value of RSUs and the ability to achieve the performance targets of the PSUs we have given to our employees may reduce. This will impede our ability to retain our high-performing employees.
- We have successfully invoked Business Continuity Procedures (BCP) post-COVID-19 so far. If this remains prolonged, our BCP may see an impact if it experiences any breakdown.

- We could experience potential impairment of acquired entities and investments as a result of prolonged slower economic growth which can impact business momentum and synergies that were expected.
- We may be unable to recoup the investments that we have made in various instruments due to the impact of prolonged economic downturn with consequential impact on liquidity in the sectors or the geographies in which we have invested.

Some of the other key risks that the Company is facing are as follows:

1. Risks related to the markets in which we and our clients operate

- Spending on technology products and services by our clients and prospective clients is subject to fluctuations depending on many factors, including both the economic and regulatory environment in the markets in which they operate.
- Economic slowdown or other factors may affect the economic health of the United States, the United Kingdom, the European Union (EU), Australia or those industries where our revenues are concentrated.
- Our clients may operate in sectors which are adversely impacted by climate change.
- Our clients may be the subject of economic or other sanctions by governments and regulators in key geographies that we operate in, limiting our ability to grow these relationships, risking increased penalties and exposure of our business to consequential sanctions.
- A large part of our revenues are dependent on our limited number of clients, and the loss of any one of our major clients could significantly impact our business.
- Financial stability of our clients may fluctuate owing to several factors such as the demand and supply challenges, currency fluctuations and other macroeconomic condition which may adversely impact our ability to recover fees for the services rendered from them.
- We may not be able to provide end-to-end business solutions for our clients, which could lead to clients discontinuing their work with us, which in turn could harm our business.
- Intense competition in the market for technology services could affect our win rates and pricing, which could reduce our market share and decrease our revenues and / or our profits.
- Our engagements with clients are typically singular in nature and do not necessarily provide for subsequent engagements.

2. Risks related to the investments we make for our growth

- Our business will suffer if we fail to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and in the industries on which we focus.
- We may be unable to recoup investment costs incurred in developing our software products and platforms.
- We may engage in acquisitions, strategic investments, strategic partnerships or alliances or other ventures that may or may not be successful.
- Goodwill that we carry on our Balance Sheet could give rise to significant impairment charges in the future.

3. Risks related to our cost structure

- Our expenses are difficult to predict and can vary significantly from period to period, which could cause our share prices to decline.
- Any inability to manage our growth could disrupt our business, reduce our profitability and adversely impact our ability to implement our growth strategy.
- Wage pressures in India and the hiring of employees outside India may prevent us from sustaining some of our competitive advantage and may reduce our profit margins.
- We are investing substantial cash assets in new facilities and physical infrastructure, and our profitability could be reduced if our business does not grow proportionately.
- Currency fluctuations and declining interest rates may affect the results of our operations.

4. Risks related to our employee workforce

- Our success depends largely upon our highly skilled technology professionals and our ability to hire, attract, motivate, retain and train these personnel.
- Our success depends in large part upon our management team and key personnel and our ability to attract and retain them.

5. Risks related to our contractual obligations

- Our failure to complete fixed-price (including maintenance) and fixed-timeframe contracts, or transaction-based pricing contracts, within budget and on time, may negatively affect our profitability.
- Our client contracts can typically be terminated without cause, which could negatively impact our revenues and profitability.
- Our client contracts are often conditioned upon our performance, which, if unsatisfactory, could result in lower revenues than previously anticipated.
- Some of our long-term client contracts contain benchmarking provisions which, if triggered, could result in lower future revenues and profitability under the contract.
- Our work with governmental agencies may expose us to additional risks.

6. Risks related to our operations

- Our reputation could be at risk and we may be liable to our clients or to regulators for damages caused by inadvertent disclosure of confidential information and sensitive data.
- Our reputation could be at risk and we may be liable to our clients for damages caused by cybersecurity incidents.

- Our reputation could be at risk and we may incur financial liabilities if privacy breach incidents under General Data Protection Regulation (GDPR) adopted by the European Union or other similar regulations across the globe are attributed to us and if we are not able to take necessary steps to report such incidents to regulators within the stipulated time. Further, any claim from our clients for losses suffered by them due to privacy breaches caused by our employees may impact us financially and affect our reputation.
- We may be the subject of litigation which, if adversely determined, could harm our business and operating results.
- Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject, and this may have a material adverse effect on our business.
- The markets in which we operate are subject to the risk of earthquakes, floods, tsunamis, storms, pandemics and other natural and man-made disasters.
- The safety of our employees, assets and infrastructure may be affected by untoward incidents beyond our control, impacting business continuity or reputation.
- Terrorist attacks or a war could adversely affect our business, results of operations and financial condition.
- Climate change risks are increasingly manifesting in our business operations through physical risks and transitional (market and compliance) risks, which if not managed adequately, can affect our operations and profitability.
- Negative media coverage and public scrutiny may divert the time and attention of our board and management and adversely affect our reputation and the prices of our equity shares and ADSs.

7. Risks related to legislation and regulatory compliance

- Due to the COVID-19 health crisis and the corresponding substantial increases in unemployment rates across certain countries in which we operate, including the United States, United Kingdom, European Union and Australia, governments have led and may in the future lead to the enactment of restrictive legislations that could limit companies in those countries from outsourcing work to us, or could inhibit our ability to staff client projects in a timely manner thereby impacting our revenue and profitability.
- New and changing regulatory compliance, corporate governance and public disclosure requirements add uncertainty to our compliance policies and increase our costs of compliance.
- The intellectual property laws of India do not give sufficient protection to software and the related intellectual property rights to the same extent as those in the US. We may be unsuccessful in protecting our intellectual property rights. We may also be subject to third-party claims of intellectual property infringement.
- Our net income would decrease if the government of India reduces or withdraws tax benefits and other incentives it provides to us or when our tax holidays expire, reduce or terminate.
- In the event that the government of India or the government of another country changes its tax policies in a manner that is adverse to us, our tax expense may materially increase, reducing our profitability.
- We operate in jurisdictions that impose transfer pricing and other tax-related regulations on us, and any failure to comply could materially and adversely affect our profitability.
- Changes in the policies of the government of India or political instability may adversely affect economic conditions in India generally, which could impact our business and prospects.
- Attempts to fully address concerns of activist shareholders may divert the time and attention of our Management and Board of Directors and may impact the prices of our equity shares and ADSs.
- Our international expansion plans subject us to risks inherent to doing business internationally.
- Our ability to acquire companies organized outside India may depend on the approval of the RBI and / or the Government of India and failure to obtain this approval could negatively impact our business.
- Indian laws limit our ability to raise capital outside India and may limit the ability of others to acquire us, which could prevent us from operating our business or entering into a transaction that is in the best interests of our shareholders.

8. Risks related to the ADSs

- Historically, our ADSs have traded at a significant premium to the trading prices of our underlying equity shares. Currently, they do not do so, and they may not continue to do so in the future.
- Sales of our equity shares may adversely affect the prices of our equity shares and ADSs.
- The price of our ADSs and the US dollar value of any dividends we declare may be negatively affected by fluctuations in the US dollar to Indian rupee exchange rate.
- Indian law imposes certain restrictions that limit a holder's ability to transfer the equity shares obtained upon conversion of ADSs and repatriate the proceeds of such transfer which may cause our ADSs to trade at a premium or discount to the market price of our equity shares.
- An investor in our ADSs may not be able to exercise preemptive rights for additional shares and may thereby suffer dilution of such investor's equity interest in us.
- ADS holders may be restricted in their ability to exercise voting rights.
- ADS holders may be restricted in their ability to participate in a buyback of shares offered by us.
- It may be difficult for holders of our ADSs to enforce any judgment obtained in the US against us.
- Holders of ADSs are subject to the Securities and Exchange Board of India's Takeover Code with respect to their

acquisitions of ADSs or the underlying equity shares, and this may impose requirements on such holders with respect to disclosure and offers to purchase additional ADSs or equity shares.

- The reintroduction of dividend distribution tax rate or introduction of new forms of taxes on distribution of profits or changes to the basis of application of these taxes could materially affect the returns to our shareholders.

VI. Internal control systems and their adequacy

The CEO and CFO certification provided in the *CEO and CFO Certification* section of the Annual Report discusses the adequacy of our internal control systems and procedures.

VII. Material developments in human resources / industrial relations, including number of people employed

Our culture and reputation as a leader in consulting, technology, outsourcing and next-generation digital services enable us to attract and retain some of the best talent.

Human resources management

At Infosys, we focus on the workplace of tomorrow that promotes a collaborative, transparent and participative organization culture, innovation, and rewards individual contribution. The focus of human resources management at Infosys is to ensure that we enable each and every employee to navigate the next, not just for clients, but also for themselves.

The three key strategic pillars of our Employee Value Proposition are:

- Inspiring them to build what's next
- Making sure their career never stands still
- Navigating further, together

Here are the key initiatives of this year:

- Be the Navigator: An empowerment program to encourage purposeful innovation for clients. Impetus is given in the form of hackathons, makeathons, ideathons and knowledge-sharing sessions.
- Awards for Excellence: The Awards for Excellence remains our largest rewards and recognition platform for employees. This year it celebrates 25 years, we received the highest number of nominations across geographies, covering over 20 categories.
- HALE: Our Health Assessment & Lifestyle Enrichment program helps build and sustain a healthy and productive workforce by promoting health and well-being, ensuring safety, and encouraging work-life balance.
- Building the talent of tomorrow: Keeping a strong focus on Talent Development, Infosys has embarked on a 'Reskilling' journey with the objective of enabling a powerful talent ecosystem that helps build and scale capabilities of the future. We are building a new construct of 'hybrid jobs' that combine technology, domain and industry experience. We are also retraining our workforce through structured learning paths and offering them a new-age skill identity through 'Skill Tags' aligned to our digital and niche service offerings. Talent redeployment has been encouraged by providing avenues for internal mobility through talent rotation and structured bridge programs.
- Revamped rewards philosophy: At Infosys, rewards are considered a total experience – the organization, its people, its workplaces, practices, and values all come together to give its employees a rewarding experience of working and contributing here. In addition to the standard compensation and benefits, we have made rewards available through learning, through diverse career experiences and through platforms for creative contributions as well.
- Total rewards center: A dynamic technology platform was created where managers can get a comprehensive view of their total rewards. Employees can view their total rewards statement and all the information about Infosys' investment in them, including compensation, benefits and other tangible / intangible reward elements.
- Stock incentive rewards program: Infosys launched the Expanded Stock Ownership Program 2019 that links long-term employee incentives with shareholder value creation. Under this program, grants will vest based on performance and it aims to align employee interest with shareholder value creation, incentivize, attract and retain key talent, and reward employee performance with ownership.
- Infosys launched the InStep program: In Romania, providing opportunities to interns from major technical universities.
- Infosys inaugurated its new state-of-the-art Digital Innovation Centre: In Dusseldorf, Germany with the first batch of graduate hires strengthening our localization commitment in Europe. Infosys also inaugurated its new strategic Center of Excellence in Baden, Switzerland, serving its Turbomachinery and Propulsion practice. In the US, the Arizona Technology and Innovation Center was launched with a special focus on autonomous technologies, Internet of Things (IoT), full-stack engineering, data science and cybersecurity.
- Petit Infoscion Day: An eagerly awaited family-day event for employees. Children are engaged through fun and educational activities and their academic and co-curricular achievements rewarded.
- Digital transformation:
  - Launchpad app: This platform has been designed to cater to new joiners across the globe. It helps engage with employees even before they join the Company. Being mobile-based, it provides a guided flow that helps employees throughout the onboarding process, making the entire process paperless and faster which has resulted in employees joining projects earlier.
  - InfyMe app: A self-service platform for employees to conduct all transactions and obtain all the Company information on the go, anywhere, anytime. It has brought the world of Infosys at the fingertips of the employees. All the isolated applications and automations that were built over the years have been enabled as services on this app.
  - Compass is our internal job marketplace: Compass has been a trendsetter, first put into place in 2016

and has now become a platform through which job creators make opportunities available to employees and employees can express interest in the opportunities. Compass drives all internal career movements within Infosys, instances of which have increased manifold in recent times.

– MAQ (Manager Quotient): Supports managers with insights that are curated from information and transactions / behavior demonstrated by managers – performance evaluation closures, goal setting, employee satisfaction score, exit interviews and so on. MAQ drives right behavior by evaluating managers on an ongoing basis on various managerial competencies and provides developmental suggestions to managers to improve workplace behavior.
– iEngage: Is the latest addition to the arsenal of our platform journey. iEngage is created to drive vertical engagement between employee and unit leadership. A manager or leader can use this app to schedule events, invite employees and track actions identified during such events. The data generated from these events will be used to measure employee sentiment, identify key concern areas that can ultimately drive policy and process changes.

"Given the changing business world, we have refined and articulated our value proposition to our employees. Our focus is to provide an opportunity for our employees to make a larger impact by doing purposeful work, to ensure that their learning and careers never stand still, and to provide them with an inclusive culture and environment where they can give their best and achieve their potential."

– Krishnamurthy Shankar
Group Head – Human Resources and
Infosys Leadership Institute

Our professionals are our most important assets. We believe that the quality and level of service that our professionals deliver are among the highest in the global technology services industry. We are committed to remaining among the industry's leading employers.

As at March 31, 2020, the Group employed 2,42,371 employees, of which 2,28,449 were professionals involved in service delivery to the clients, including trainees. During fiscal 2020, we added 14,248 new hires, net of attrition. Our culture and reputation as a leader in the technology services industry enables us to recruit and retain some of the best available talent in India and other countries we operate in.

Recruitment

We have built our global talent pool by recruiting new students from premier universities, colleges and institutes globally, and through the need-based hiring of project leaders and middle management across the globe. We recruit students who have consistently shown high levels of achievement from campuses in India. We also recruit students from campuses in the US, UK, Australia and China. We rely on a rigorous selection process involving aptitude tests and interviews to identify the best applicants. This selection process is continually assessed and refined based on the performance tracking of past recruits.

During fiscal 2020, we received 21,41,373 employment applications, interviewed 1,50,130 applicants and extended offers of employment to 83,319 applicants. These statistics do not include our subsidiaries.

Education, training and assessment

We believe in lifelong learning and competency development for our employees. Our Education, Training and Assessment (ETA) team has been instrumental in creating a culture of learning in the organization. Lex, our highly scalable, mobile-first, modular learning platform is now being offered to some of our clients as Wingspan. This year, we enhanced Lex by introducing new gamification features, online hands-on lab facilities, video proctored assessments, and a host of other features. Being a mobile-first platform, Lex is helping our employees to continue their learning journey, and to get certified even during the COVID-19 lockdown period. We introduced 36 digital learning kits to help our employees to get reskilled into digital services. We now have about 900 self-learning courses apart from 1,400 courses in instructor-led training mode.

We are continuing to work with various academic institutions to reskill our employees. We have collaborations with the Rhode Island School of Design to train employees on design skills, with Purdue University on cybersecurity, with Trinity College, Hartford on business analysis skills, with Cornell University on program management, and with the University of North Carolina for data analytics.

We launched a platform called InfyTQ, with several courses on technical and professional skills, aimed at improving the understanding of the fundamental building blocks of technology among engineering students across India, to help them become industry-ready. We have more than 600,000 learners registered on this platform. The same platform is also being used for fresh hires recruitment as well. Campus Connect, our industry-academia partnership program, is making use of InfyTQ to reach out to engineering college students and faculty members across India. Campus Connect also made progress with the launch of electives to help engineering colleges run new programs within their curricula and rolled out Infosys elective programs in 137 colleges across India.

VIII. Other details

1. Quality

The Quality function at Infosys, in line with organization's vision and strategy of 'Navigate the Next', has three strategic imperatives:

- Differentiate Infosys services through superior performance and quality
- Optimize Infosys client projects as well as internal functions for greater efficiency
- De-risk Infosys operations by ensuring compliance and sustainability

Our Quality department has been driving the org-wide agile transformation to scale our capabilities for Agile Digital in tune with the Company strategy. This has resulted in a major improvement in agile capabilities. Quality department also consulted with several large clients and helped them drive their agile and DevOps transformation. The department created new processes and tools to help differentiate many new digital offerings.

It led the way in driving Lean and Automation throughout the organization to enhance productivity and improve quality, which has resulted in large optimization in projects. It deployed robust frameworks and tools for service lines in a collaborative manner and has enabled several thousand employees on these over the past year. The Quality department worked with cross-functional teams to drive enterprise agility by simplifying many enterprise processes, thus reducing cost, improving agility in operations, and enhancing employee experience.

It proactively led compliance and assurance through audits and assessments to intensely reduce risk for the organization, with increased coverage of services and centers.

In fiscal 2020, Infosys became one of the first companies in the world to be certified on ISO 27701 – the new data privacy standard. We continue to comply with international management system standards and models viz. ISO 9001, ISO 27001, CMMI, ISO 14001, OHSAS 18001, ISO 22301, ISO 20000 and AS 9100. Our European centers have been assessed for GDPR requirements as well. Infosys Limited as an enterprise is assessed for ISAE 3402 / SSAE 18 SOC 1 type II and has received an independent auditors' assurance compliance report.

2. Infosys Center for Emerging Technology Solutions (iCETS)

iCETS is responsible for incubating new technological capabilities, competencies for emerging technologies, IP / Accelerators that differentiate service offerings and automation platforms. The mandate for iCETS is to keep an eye on the emerging horizon and help service lines scale the adoption.

iCETS has developed and deployed platforms for our service lines that include Infosys Application Management Platform (iAMP) for next-generation application management, Smart Asset Store for reusable assets, data analysis and migration tools that support DNA, Oracle and SAP practices, platforms for data privacy, data testing and functional testing for IVS and IoT platform for Engineering Service. Infosys Enterprise Gamification Platform, recognized as an industry-leading platform, was incubated by iCETS along with location-based services and hyper-personalized visualization / video. The Infosys NIA® Chatbot developed by iCETS has been recognized by industry analysts and our clients alike. iCETS cybersecurity platform is core to our services in this space.

Our clients are facing a highly connected, competitive and technology-driven business environment. Predicting the next big threat or the next big opportunity is becoming increasingly difficult. Our clients expect us, as their innovation partners, to help differentiate them with proactive technology guidance and innovation. iCETS launched Living Labs as an offering to help our clients accelerate their NEXT. The Living Labs bring together the prowess of design and emerging technologies to deliver innovation outcomes at scale. Infosys innovation led by iCETS is showcased at each of our Innovation Hubs in the US and Europe to create the necessary environment for agile, immersive and experiential problem solving.

iCETS anchors university relationships and has established ongoing research and talent program with Stanford University and Cornell University. These initiatives are leveraged by our IP development teams.

We launched a program to programmatically sense, curate, incubate and scale startup networks complementing our services, called the 'Infosys Innovation Network' (IIN). A council of emerging technology experts, sales and delivery leadership have reviewed over 1,000 startups in detail from across the world to identify opportunities for further incubation and scaling. For the selected startups, we extend easy access to our vast network of global clients, creating new opportunities for them. We support these startups to scale by complementing their offerings with Infosys intellectual property and enterprise services capability – bringing together the best of global innovation and reliable scale to our clients. If the startups we partner with meet our investment criteria, we could also provide them with equity capital as a minority shareholder. We believe our ability to orchestrate several startups across emerging technologies like AI, cybersecurity, automation, data management, AR / VR, blockchain and IoT is helping us address innovation needs across client-priority areas like mortgage transformation, 5G, smart grids, Ambient spaces, business resilience, etc. We have been able to create new revenue streams with our startup partnerships in our data and engineering services. We are currently in discussion with several startups with offerings to fight the COVID-19 crisis serving both our clients and our nations, helping our citizens and clients to get to the new normal.

3. Branding

The Infosys brand is a key intangible asset for the Company. It positions Infosys as a next-generation digital services company that helps enterprises navigate their transformation. Brand Infosys is built around the premise that nearly four decades of experience in managing the systems and workings of global enterprises uniquely positions us to be navigators for our clients. We do it by enabling the enterprise with an AI-powered core that helps prioritize the execution of change. We also empower the business with agile digital at scale to deliver unprecedented levels of performance and customer delight. Our always-on learning foundation drives their continuous improvement through building and transferring digital skills, expertise and ideas from our innovation ecosystem. Our localization investments in talent and digital centers help accelerate the enterprise transformation agenda. With this, we help every client build their Live Enterprise – an organization that is always navigating its next.

Our marketing reach extends globally through digital-first multi-channel campaigns. As the digital innovation partner for the Australian Open, Roland-Garros and the ATP, we help showcase how brand Infosys is reimagining the tennis ecosystem for a billion fans globally leveraging data, insights and digital experiences. We participate in premier business and industry events around the world, while also organizing our own signature events and CXO roundtables. Confluence, our flagship client event series across the US, Europe and APAC, is rated highly by our clients and industry partners.

4. Client base

Our client-centric approach continues to bring us high levels of client satisfaction. During fiscal 2020, we derived 97.5% of our consolidated revenues from repeat business this fiscal. We, along with our subsidiaries, added 376 new clients, including a substantial number of large global corporations. Our total client base at the end of the year stood at 1,411. The client segmentation, based on the last 12 months' revenue for the current and previous years, on a consolidated basis, is as follows:

Clients	2020	2019
100 million dollar +	28	25
50 million dollar +	61	60
10 million dollar +	234	222
1 million dollar +	718	662

5. Infosys Leadership Institute

During fiscal 2020, Infosys Leadership Institute (ILI) built on and further enhanced its focus on enabling the organization and its leaders through succession planning and leadership development interventions. ILI defined and institutionalized Leadership Powered by Values (LV), the updated leadership framework benchmarked to the new-age digital leadership imperatives by deploying it in leadership 360 and performance assessments.

ILI worked with senior leaders to identify new critical positions and additional leadership metrics to strengthen the organizational succession planning program. ILI also designed and implemented the Leadership Constellation Program, with the objective of identifying select leaders for prioritized development for the year and enhancing the successor pool. The highly curated Leadership Journey of the program included globally renowned leadership instruments, assessments, coaching and programs at Stanford. The Constellation Program also enabled ILI to use data-based insights to identify organizational, unit-level and individual development focus areas. Accordingly, ILI offered a variety of programs leveraging global faculty through classroom programs, webinars, case-study-led discussions and Leaders Teach sessions. Continuing its focus on diversity, ILI also offered its acclaimed 'Women in Leadership' program exclusively for women leaders.

More than 95% of Infosys' title-holders completed at least one leadership intervention at an average of 2.6 leadership learning days, totaling 2,000+ leadership learning days. The leadership programs offered globally by ILI were received very positively with an approval rating of more than 90%.

6. Infosys Knowledge Institute

The Infosys Knowledge Institute (IKI), established in 2018, helps industry leaders develop a deeper understanding of business and technology trends through compelling thought leadership. Our researchers and subject matter experts provide a fact base that aids decision-making on critical business and technology issues. Our current research focuses on four strategic themes: digital culture and future of work, stakeholder capitalism, platforms, and industry ecosystems. IKI also publishes regularly in leading business and technology media on industry, function, and technology trends. For more information, go to https://infosys.com/iki.

7. Sustainability initiatives

We have been a signatory to the UNGC since 2001. Our sustainability reports form the basis of our Communication of Practice (CoP) at the UNGC. In 2013, we were among the first companies in India to publish the Business Responsibility Report, together with our Annual Report. In 2014, we became the first IT company globally to publish our GRI G4 (comprehensive) Sustainability Report and since fiscal 2019, we have been publishing our GRI Standards-based sustainability disclosures. Fiscal 2020 marks a milestone in the achievement of the environmental goals that we committed to in 2010 at the United Nations. Infosys won the prestigious UN Global Climate Action Award in the Carbon Neutral Now Category. For more information about our sustainability initiatives read our *Sustainability Report* at https:// www.infosys.com/sustainability.