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 and generating profitable growth for our investors.

Our clients and prospective clients are faced with transformative business opportunities due to the advances in software and computing technology. The journey to the digital future requires not just an understanding of new technologies and new ways of working, but a deep appreciation of existing technology landscapes, business processes and practices. Our strategy is to be a navigator for our clients as they ideate, plan and execute their journey to a digital future.

We have embraced a four-pronged strategy to strengthen our relevance with clients and drive accelerated value creation :

- Scale Agile Digital
- Energize the core
- Reskill our people
- Expand localization

We have organized our sales and marketing departments into teams that focus on specific geographies and industries, enabling us to customize our service offerings to our clients' needs better. Our primary geographic markets are North America, Europe, Rest of the World, and India, which generated 60.5%, 24.1%, 12.9% and 2.5%, respectively, of our consolidated revenues in the year ended March 31, 2019. We serve clients in financial services; retail; communication; energy, utilities, resources and services; manufacturing; hi-tech and life sciences.

These financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 ("the Act") (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act, read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015, and relevant amendment rules issued thereafter.

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, enabling disruptive market offerings and automating core processes. Traditional business models are being disrupted with digital and software-based business models. This disruption is characterized by personalized user experiences, innovative products and services, extreme cost performance and a disintermediation of the supply chain. Incumbent companies, to win amid this disruption, need to reinvent their business from the core to activate strong efficiency and productivity levers, reimagine the end consumer experience and create impact at scale.

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 harnessing the efficiency of distributed cloud computing, enabling legacy systems for mobile and sensor access, extracting value out of digitized data, keeping systems relevant, and optimizing the costs of building and running technology systems. As businesses look to new areas and new economics, new and intelligent systems are required to be built with next-generation technologies and with exponentially superior cost-benefit performance.

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 technology solution and service providers have emerged over the years, offering different models for clients to consume their solution and service offerings :

- Niche technology consulting companies – who take on time-bound and limited-scope projects for their clients
- Global technology outsourcing companies – who leverage global talent pools to enable business transformation and systematically optimize the IT operations of clients
- Business process management firms – who leverage global talent pools to manage outsourced core business processes of their clients
- Software firms – who provide licensed software that enable the automation of business processes
- Specialty platform and Software-as-a-Service companies – who provide utility-based models for clients to consume software features
- Data analytics companies – who specialize in designing, analyzing and reporting insights from the vast amount of data that corporations are collecting about their customers, operations and markets
- Internal IT departments of the companies themselves, which are usually a cost center for the corporation
- Boutique digital and creative design companies – who provide highly customized digital media experience solutions for enterprises, usually leveraging specialist contract staff.

II. 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 ₹2,178 crore as at March 31, 2019 and ₹1,092 crore as at March 31, 2018. The movement in share capital is on account of buyback of equity shares, bonus issue of shares and shares issued during the year on exercise of stock options.

Bonus issue

The Company has allotted 218,41,91,490 fully-paid-up equity shares (including treasury shares) of face value ₹5 each during the three months ended September 30, 2018 pursuant to a bonus issue approved by the shareholders through a postal ballot. The bonus shares were issued by the capitalization of profits transferred from general reserve. A bonus share of one equity share for every equity share held, and a bonus issue, viz., a stock dividend of one American Depositary Share (ADS) for every ADS held, respectively, has been allotted. Consequently, the ratio of equity shares underlying the ADSs held by an American Depositary Receipt holder remains unchanged.

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).

The buyback is 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 Indian stock exchanges. The shareholders approved the proposal of buyback of equity shares through the postal ballot that concluded on March 12, 2019. At the maximum buyback price of ₹800 per equity share and the maximum buyback size of ₹8,260 crore, the maximum indicative number of equity shares bought back would be 10,32,50,000 (maximum buyback shares) comprising approximately 2.36% of the paid-up equity share capital of the Company.

The Company will fund the buyback from its free reserves. The buyback of equity shares through Indian stock exchanges commenced on March 20, 2019 and is expected to be completed by September 2019. During the year ended March 31, 2019, 1,26,52,000 equity shares were bought back from Indian stock exchanges, which includes 18,18,000 shares which have been purchased but not extinguished as of March 31, 2019 and 36,36,000 shares which have been purchased but have not been settled and therefore not extinguished as of March 31, 2019. Subsequent to the year end, the Company has purchased 81,31,000 shares till April 12, 2019.

After the execution of the above, along with the special dividend (including dividend distribution tax) of ₹ 2,633 crore already paid in June 2018 and ₹2,107 crore paid in January 2019, the Company would complete the distribution of ₹13,000 crore to the shareholders, which was announced as part of its Capital Allocation Policy in April 2018.

In accordance with Section 69 of the Companies Act, 2013, during the year ended March 31, 2019, the Company has created a Capital Redemption Reserve of ₹5 crore, equal to the nominal value of the shares bought back as an appropriation from the general reserve.

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. Out of this, 1,70,38,883 equity shares were to be issued as restricted stock units (RSUs) at par value and 70,00,000 equity shares were to be issued as stock options at market price on the date of the grant. These instruments would 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. The plan numbers mentioned above have not been adjusted for the September 2018 bonus issue.

A controlled trust holds 2,03,24,982 and 1,08,01,956 shares (not adjusted for the September 2018 bonus issue) as at March 31, 2019 and March 31, 2018, respectively, under the 2015 Plan. Out of these, 2,00,000 and 1,00,000 equity shares (not adjusted for the September 2018 bonus issue) have been earmarked for welfare activities of the employees as at March 31, 2019 and March 31, 2018, respectively.

The summary of grants made during fiscals 2019 and 2018 under the 2015 Plan is as follows:

Particulars	Fiscal 2019	Fiscal 2018
RSU and ESOP		
Salil Parekh, CEO & MD – *(Refer to Note 1)*	2,60,130	2,26,048
U.B. Pravin Rao, COO *(Refer to Note 2)*	68,250	1,40,500
Dr. Vishal Sikka[(a)]	–	12,01,498
Other KMP[(b)]	3,47,150	6,35,100
Employees other than KMP	36,65,170	33,41,220
	43,40,700	55,44,366
Incentive units – cash-settled		
Other employees	74,090	1,00,080
	74,090	1,00,080
Total grants	44,14,790	56,44,446

Information in the above table is adjusted for the September 2018 bonus issue, wherever applicable.

(a) Upon Dr. Vishal Sikka's resignation from the roles of the Company, the unvested RSUs and ESOPs have been forfeited.

(b) 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. On the recommendation of the nomination and remuneration committee, in accordance with the terms of his employment agreement, the Board:
   a) Granted 2,17,200 performance-based RSUs (adjusted for the September 2018 bonus issue), with an effective date of May 2, 2018.
   b) Approved the grant of annual time-based RSUs for fiscal 2019 of 42,930 RSUs. The grants were made effective February 1, 2019. These grants were issued under the 2015 Plan.

   Further, the Board, on April 12, 2019, based on the recommendations of the nomination and remuneration committee, approved the performance-based grant of RSUs amounting to ₹13 crore for fiscal 2020 under the 2015 Plan. These RSUs will vest in line with the current employment agreement. The RSUs will be granted effective May 2, 2019 and the number of RSUs will be calculated based on the market price at the close of trading on May 2, 2019.
2. On the recommendation of the nomination and remuneration committee, in accordance with the terms of his employment agreement, the Board approved grant of 68,250 RSUs to U.B. Pravin Rao, based on his performance in fiscal 2018. The grants were made effective February 1, 2019.
3. During the years ended March 31, 2019 and March 31, 2018, the Company recorded an aggregate employee stock compensation expense of ₹182 crore and ₹72 crore, respectively, on a standalone basis and ₹202 crore and ₹84 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 Notes 2.10 and 2.11, Equity, of the standalone and consolidated financial statements, respectively, in this Annual Report.

2. Other equity

A. Reserves and surplus

Securities premium

On a standalone basis, the balance as at March 31, 2019 and March 31, 2018 amounted to ₹138 crore and ₹28 crore, respectively. On a consolidated basis, the balance was ₹149 crore and ₹36 crore as at March 31, 2019 and March 31, 2018, respectively. Increase in securities premium on both standalone and consolidated basis is mainly on account of transfer of ₹99 crore from stock options outstanding account upon exercise.

Retained earnings

On a standalone basis, 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 and special dividend declared in fiscal 2018, interim and special dividend declared in fiscal 2019, including dividend distribution tax thereon. Further, ₹920 crore was transferred to the Special Economic Zone (SEZ) Re-investment Reserve net of utilization out of retained earnings during the year and ₹1,615 crore was transferred to the general reserve on account of declaration of final dividend for fiscal 2018. The balance in retained earnings as at March 31, 2018 was ₹55,671 crore after considering ₹7,500 crore for final dividend for fiscal 2017 and interim dividend for fiscal 2018, including dividend distribution tax thereon.

On a consolidated basis, the balance in retained earnings as at March 31, 2019 was ₹57,566 crore, as compared to ₹58,477 crore in the previous year.

General reserve

During the year, an amount of ₹1,615 crore was transferred to the general reserve from retained earnings on account of dividend appropriation, as compared to ₹1,382 crore in the previous year. Further, an amount of ₹1,994 crore was utilized for buyback of shares, ₹12 crore was charged as transaction costs relating to buyback and ₹5 crore was transferred to the Capital Redemption Reserve upon buyback in accordance with Section 69 of the Companies Act, 2013. On a standalone and consolidated basis, ₹1,092 crore and ₹1,088 crore were utilized for bonus issue, respectively.

On a standalone basis, the balance in general reserve as at March 31, 2019 amounted to ₹190 crore (previous year ₹1,677 crore). On a consolidated basis, the balance as at March 31, 2019 amounted to ₹1,242 crore (previous year ₹2,725 crore).

Share options outstanding account

On a standalone and consolidated basis, the share options outstanding account amounted to ₹227 crore as at March 31, 2019, as compared to ₹130 crore as at March 31, 2018. The movement is mainly on account of expense related to share-based payment of employees offset by the exercise of stock options during the year.

Special Economic Zone Re-investment Reserve

During the year, a net amount of ₹920 crore and ₹987 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, 2019 amounted to ₹54 crore, which is the same as the previous year.

Business transfer adjustment reserve

Profit on transfer of business between entities under common control is taken to business transfer adjustment reserve. On a standalone basis, the balance as at March 31, 2019 is ₹3,219 crore, which is the same as the previous year.

Capital Redemption Reserve

As of March 31, 2019 and March 31, 2018, the balance was ₹61 crore and ₹56 crore on a standalone and consolidated basis, respectively. 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.

B. Other comprehensive income

Equity instruments through other comprehensive income

On a standalone basis, there was an accumulated gain of ₹80 crore and ₹2 crore as of March 31, 2019 and March 31, 2018, respectively, on the fair valuation of equity instruments through other comprehensive income. On a consolidated basis, there was an accumulated gain of ₹72 crore and ₹2 crore as of March 31, 2019 and March 31, 2018, 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 hedging 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, 2019 is ₹21 crore as compared to less than ₹1 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, 2019 amounted to ₹842 crore, whereas the balance as at March 31, 2018 was ₹779 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 ₹21 crore during the current year, as compared to a remeasurement gain, net of taxes of ₹52 crore during the previous year. On a consolidated basis, there was a remeasurement loss, net of taxes, of ₹22 crore during the current year, as compared to a remeasurement gain, net of taxes, of ₹55 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 ₹62,711 crore as at March 31, 2019 compared to ₹63,502 crore as at March 31, 2018, 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 marginally increased to ₹64,948 crore as at March 31, 2019 from ₹64,923 crore as at March 31, 2018. The movement was primarily on account of buyback of equity shares, dividends declared, offset by profit earned during the year. On a consolidated basis, the book value per share is ₹150 as at March 31, 2019 compared to ₹149 (adjusted for the September 2018 bonus issue) as at March 31, 2018.

Application of funds

3. Property, plant and equipment

Additions to gross block – standalone

During the 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.

During the previous year, additions to gross block were ₹1,823 crore, comprising ₹1,422 crore on infrastructure, ₹396 crore in computer equipment and ₹5 crore on vehicles. Our infrastructure investments comprised ₹789 crore on buildings, ₹250 crore on plant and machinery, ₹136 crore to acquire 271 acres of land primarily in Kolkata, Tumakuru, Mysuru and Bengaluru, ₹121 crore on furniture and fixtures, ₹78 crore on office equipment, and ₹48 crore on leasehold improvements.

Additions to gross block – consolidated

During the 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 year is ₹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.

During the previous year, additions to gross block were ₹1,955 crore, comprising ₹1,479 crore on infrastructure, ₹471 crore in computer equipment and ₹5 crore on vehicles. Our infrastructure investments comprised ₹789 crore on buildings, ₹264 crore on plant and equipment, ₹136 crore to acquire 271 acres of land primarily in Kolkata, Tumakuru, Mysuru and Bengaluru, ₹130 crore on furniture and fixtures, ₹86 crore on office equipment and ₹74 crore on leasehold improvements.

Deductions to net block – standalone

During the year, we deducted ₹101 crore from the net block on the disposal of various assets as against ₹4 crore in the previous year.

Deductions to net block – consolidated

During the year, we deducted ₹111 crore from the net block on the disposal of various assets as against ₹9 crore in the previous year.

Capital expenditure commitments

On a standalone basis, we have a capital expenditure commitment of ₹1,653 crore as at March 31, 2019, as compared to ₹1,405 crore as at March 31, 2018. On a consolidated basis, we have a capital expenditure commitment of ₹1,724 crore as at March 31, 2019, as compared to ₹1,452 crore as at March 31, 2018.

4. Goodwill and other intangible assets

On a consolidated basis, carrying value of goodwill as on March 31, 2019 is ₹3,540 crore, which includes additions to goodwill amounting to ₹413 crore on account of acquisition of WongDoody and Fluido, ₹863 crore on account of goodwill reclassified from 'assets held for sale' and increase of ₹53 crore on account of translation. During the previous year, the carrying value of goodwill was ₹2,211 crore (₹1,609 crore was reclassified as 'assets held for sale').

On a consolidated basis, the carrying value of intangible assets as on March 31, 2019 is ₹691 crore whereas on March 31, 2018, it was ₹247 crore (₹323 crore was reclassified from 'assets held for sale'). 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, 2019 is ₹432 crore. Refer to Note 2.3 of the *Consolidated financial statements* for further details.

5. Financial assets

A. Investments

Subsidiaries

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

Subsidiary	In foreign currency	In ₹ crore
Infosys Consulting Brazil	CHF 5.9 million	43
WongDoody Holding Company Inc[1]	US$ 38.3 million	261
Infosys Brazil	US$ 18 million	127
S.C. Infosys Consulting S.R.L	RON 20 million	34
Infosys Chile SpA	US$ 1 million	7
Brilliant Basics Holding Limited	GBP 1.5 million	13
Infosys Luxembourg S.à r.l.	EUR 0.5 million	4

[1] On May 22, 2018, Infosys acquired 100% of the voting interests in WongDoody Holding Company Inc. (WongDoody), a US-based, full-service creative and consumer insights agency for a cash consideration of ₹261 crore and contingent consideration of up to ₹192 crore on acquisition date.

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

During the year ended March 31, 2019, EdgeVerve repaid debentures amounting to ₹335 crore.

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

Infosys Compaz Pte Ltd (formerly Trusted Source Pte Ltd)

On November 16, 2018, we acquired 60% stake in Infosys Compaz Pte. Ltd, a Singapore-based IT services company. The business acquisition was conducted by entering into a share purchase agreement for a total consideration of up to SGD 17 million (approximately ₹91 crore on acquisition date), which includes a cash consideration of SGD 10 million (approximately ₹54 crore) and a contingent consideration of up to SGD 7 million (approximately ₹37 crore on acquisition date).

Fluido Oy

On October 11, 2018, we acquired 100% voting interests in Fluido Oy (Fluido), a Nordic-based Sales-force advisor and consulting partner in cloud consulting, implementation and training services for a total consideration of up to €65 million (approximately ₹560 crore), comprising cash consideration of €45 million (approximately ₹388 crore), contingent consideration of up to €12 million (approximately ₹103 crore) and retention payouts of up to €8 million (approximately ₹69 crore), payable to the employees of Fluido over the next three years, subject to their continuous employment with the Group.

Hitachi Procurement Service Co. Ltd.

On April 1, 2019, we acquired 81% voting interests in Hitachi Procurement Service Co., Ltd., (HIPUS), Japan, a wholly-owned subsidiary of Hitachi Ltd, Japan for a total cash consideration of JPY 3.29 billion (approximately ₹206 crore) on fulfilment of closing conditions. The Company has paid an advance of JPY 3.29 billion (approximately ₹206 crore) to Hitachi towards cash consideration on March 29, 2019. HIPUS handles indirect materials purchasing functions for the Hitachi Group.

As of April 12, 2019 (i.e., the date of adoption of financial statements by the Board of Directors), the Company is in the process of finalizing the accounting for acquisition of HIPUS, including allocation of purchase consideration to identifiable assets and liabilities.

Proposed acquisition

Stater N.V.

On March 28, 2019, Infosys Consulting Pte Limited (a wholly-owned subsidiary of Infosys Limited) entered into a definitive agreement to acquire 75% of the shareholding in Stater N.V., a wholly-owned subsidiary of ABN AMRO Bank N.V., Netherlands, for a consideration including base purchase price of up to €127.5 million (approximately ₹990 crore) and customary closing adjustments, subject to regulatory approvals and fulfilment of closing conditions.

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 have an innovation fund with an outlay of US$ 500 million to support the creation of a global ecosystem of strategic partners. The fund has invested US$ 59 million to date in the form of minority holdings in early-stage companies. During the year, the Company divested its stake in two investments resulting in a net gain of US$ 8 million. As of March 31, 2019, the fund has an additional US$ 12 million in uncalled / pending capital commitments. The carrying value of investments as on March 31, 2019 is US$ 20 million (₹ 138 crore).

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 2.9 of the *Standalone financial statements* and Note 2.10 of the *Consolidated financial statements*.

Our investments comprise mutual funds, fixed maturity plan securities, tax-free bonds, non-convertible debentures, certificates of deposit, government securities and commercial paper. Certificates of deposit represent marketable securities of banks and eligible financial institutions for a specified time period with high credit rating by domestic credit rating agencies. Investments made in non-convertible debentures represent debt instruments issued by government-owned institutions.

B. Trade receivables

On a standalone basis, trade receivables amounted to ₹ 13,370 crore and ₹ 12,151 crore as of March 31, 2019 and March 31, 2018, respectively.

On a consolidated basis, trade receivables amounted to ₹ 14,827 crore and ₹ 13,142 crore as of March 31, 2019 and March 31, 2018, 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. On a consolidated basis, days sales outstanding was 66 days for the year ended March 31, 2019, compared to 67 days in the previous year.

As per Ind AS 109, the Group uses Expected Credit Loss (ECL) model to assess the impairment loss or gain. The Group uses a provision matrix to compute the ECL allowance for trade receivables and unbilled revenues. The provision matrix takes into account available external and internal credit risk factors, such as credit default swap quotes, credit ratings from international credit rating agencies and the Group's historical experience with the customers.

The movement in ECL during fiscals 2019 and 2018 is as follows:

in ₹ crore

Particulars	Standalone		Consolidated	
	2019	2018	2019	2018
Opening balance	401	379	449	411
Impairment loss recognized	176	18	239	34
Amount written off	(67)	(3)	(73)	(5)
Reclassified under 'Held for Sale'	–	–	–	(1)
Translation difference	11	7	12	10
Closing balance	521	401	627	449

C. Cash and cash equivalents

On a standalone basis, balance in current and deposit accounts stood at ₹ 10,957 crore as at March 31, 2019, as compared to ₹ 10,789 crore as at March 31, 2018. Deposits with financial institutions stood at ₹ 4,594 crore as at March 31, 2019, as compared to ₹ 5,981 crore as at March 31, 2018.

On a consolidated basis, balance in current and deposit accounts stood at ₹ 14,197 crore as at March 31, 2019, as compared to ₹ 13,168 crore as at March 31, 2018. Deposits with financial institutions stood at ₹ 5,371 crore as at March 31, 2019, as compared to ₹ 6,650 crore as at March 31, 2018. Cash and cash equivalents of ₹ 53 crore was included under 'assets held for sale' as at March 31, 2018. 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.

On a standalone basis, we have a restricted cash balance of ₹ 143 crore as at March 31, 2019, as compared to ₹ 375 crore as at March 31, 2018 and on a consolidated basis, the same was ₹ 358 crore as at March 31, 2019, as compared to ₹ 533 crore as at March 31, 2018. These restrictions are primarily on account of bank balances held as margin money deposit 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	
	2019	2018	2019	2018
Non-current				
Loans to employees	16	19	19	36
Current				
Loans to subsidiaries	841	185	–	–
Loans to employees	207	208	241	239
Total	1,064	412	260	275

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, ₹241 crore is recoverable in 12 months. The annual rate of interest for these loans vary from 0% to 10%.

Loans to subsidiaries as at March 31, 2019, includes ₹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. As at March 31, 2018, loans to subsidiaries included ₹104 crore to Infosys Consulting Holding AG, ₹73 crore to Infosys China and ₹8 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	
	2019	2018	2019	2018
Non-current				
Security deposits	47	48	52	53
Rental deposits	149	129	193	171
Restricted deposits	–	–	67	60
Current				
Security deposits	1	2	4	9
Rental deposits	3	6	15	13
Restricted deposits	1,531	1,415	1,671	1,535
Unbilled revenues	1,541	3,573	2,093	4,261
Interest accrued but not due	865	739	905	766
Foreign currency forward and options contracts	321	16	336	16
Escrow and other deposits pertaining to buyback	257	–	257	–
Others	315	155	224	84
Total	5,030	6,083	5,817	6,968

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

On account of adoption of Ind AS 115, *Revenue from Contracts with Customers*, unbilled revenues where the right to consideration is unconditional upon passage of time is classified as financial assets.

Interest accrued but not due has increased on account of increase in tenure of fixed deposits as compared to previous year partially offset by reduction in investible base as a result of execution of the Capital Allocation Policy of the Company.

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.

6. Other assets

in ₹ crore

Particulars	Standalone		Consolidated	
	2019	2018	2019	2018
Non-current				
Capital advances	486	420	489	421
Prepaid gratuity	25	23	42	43
Deferred contract cost	226	262	277	262
Prepaid expenses	95	49	162	111
Withholding taxes and others	908	1,407	929	1,428
Advance for business combination	–	–	206	–
Current				
Payment to vendors for supply of goods	94	103	109	119
Deferred contract cost	52	44	58	44
Prepaid expenses	580	449	751	472
Unbilled revenues	2,904	–	3,281	–
Withholding taxes and others	1,290	843	1,488	1,032
Total	6,660	3,600	7,792	3,932

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

Advance for business combination: On April 1, 2019, Infosys Consulting Pte Limited (a 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.

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

On account of transition to Ind AS 115, *Revenue from Contracts with Customers*, unbilled revenues where the contractual right to consideration is dependent on completion of contractual milestones is classified as non-financial assets.

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	
	2019	2018	2019	2018
Deferred tax assets, net	1,114	1,128	1,372	1,282
Deferred tax liabilities, net	541	505	672	541

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

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

8. Income tax assets / liabilities

in ₹ crore

Particulars	Standalone		Consolidated	
	2019	2018	2019	2018
Income tax assets (net)	6,293	5,710	6,743	6,070
Income tax liabilities (net)	1,458	1,976	1,567	2,043

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	
	2019	2018	2019	2018
Non-current				
Accrued compensation to employees	–	–	15	–
Compensated absences	38	42	44	48
Payable for acquisition of business – Contingent consideration	41	13	88	13
Current				
Trade payables	1,604	738	1,655	694
Unpaid dividends	29	22	29	22
Accrued compensation to employees	2,006	2,048	2,572	2,509
Accrued expenses	2,310	1,776	3,319	2,452
Retention monies	60	63	112	132
Payable for acquisition of business – Contingent consideration	75	41	102	41
Capital creditors	653	148	676	155
Compensated absences	1,373	1,218	1,619	1,421
Foreign currency forward and options contracts	13	40	15	42
Financial liability relating to buyback	1,202	–	1,202	–
Payable by controlled trusts	–	–	168	139
Other payables	807	184	638	33
Total	10,211	6,333	12,254	7,701

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.

In accordance with Ind AS 32, *Financial Instruments: Presentation*, the Company has 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 financial liability is recognized at the present value of the maximum amount that the Company would be required to pay to the registered broker for buyback, with a corresponding debit in general reserve / retained earnings (refer to Notes 2.9 and 2.10 of the standalone and consolidated financial statements).

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	
	2019	2018	2019	2018
Non-current				
Deferred income – government grant on land use rights	–	–	42	44
Deferred rent	140	117	174	151
Accrued gratuity	–	–	30	28
Deferred income	29	36	29	36
Current				
Unearned revenue	2,094	1,887	2,809	2,295
Client deposits	19	32	26	38
Withholding taxes and others	1,168	1,029	1,487	1,240
Deferred income – government grant on land use rights	–	–	1	1
Accrued gratuity	–	–	2	–
Deferred rent	54	24	63	32
Total	3,504	3,125	4,663	3,865

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.

Deferred rent represents liability on account of straight-lining of operating lease payments over the lease term.

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 ₹505 crore as at March 31, 2019, as compared to ₹436 crore as at March 31, 2018. On a consolidated basis, provision for post-sales client support amounted to ₹576 crore as at March 31, 2019, as compared to ₹492 crore as at March 31, 2018.

12. Assets held for sale

Refer to *Board's report* in this Annual Report for details on assets held for sale.

13. Adoption of Ind AS 116, *Leases*

On March 30, 2019, the Ministry of Corporate Affairs has notified Ind AS 116, *Leases*. Ind AS 116 will replace the existing leases standard, Ind AS 17, *Leases*, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the Statement of Profit and Loss. The standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

On completion of evaluation of the effect of adoption of Ind AS 116, the Group is proposing to use the 'Modified Retrospective Approach' for transitioning to Ind AS 116, and take the cumulative adjustment to retained earnings on the date of initial application (April 1, 2019). Accordingly, comparatives for the year ended March 31, 2019 will not be retrospectively adjusted. The Group has elected certain available practical expedients on transition.

The effect of adoption as on the transition date would majorly result in an increase in right of use asset approximately by ₹2,300 crore, net investment in sub-lease approximately by ₹440 crore and an increase in lease liability approximately by ₹3,050 crore at a consolidated level.

III. 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,			
	2019	%	2018	%
Revenue from operations	73,107	100.0	61,941	100.0
Cost of sales	47,412	64.8	39,138	63.2
Gross profit	25,695	35.2	22,803	36.8
Operating expenses				
Selling and marketing expenses	3,661	5.0	2,763	4.5
General and administration expenses	4,225	5.8	3,562	5.7
Total operating expenses	7,886	10.8	6,325	10.2
Operating profit	17,809	24.4	16,478	26.6
Reduction in the fair value of assets held for sale	(265)	(0.4)	(589)	(1.0)
Adjustment in respect of excess of carrying amount over recoverable amount on reclassification from 'Held for Sale'	(469)	(0.6)	–	–
Other income, net	2,852	3.9	4,019	6.5
Profit before tax	19,927	27.3	19,908	32.1
Tax expense	5,225	7.2	3,753	6.0
Profit for the year	14,702	20.1	16,155	26.1

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

in ₹ crore

Particulars	Year ended March 31,			
	2019	%	2018	%
Revenue from operations	82,675	100.0	70,522	100.0
Cost of sales	53,867	65.2	45,130	64.0
Gross profit	28,808	34.8	25,392	36.0
Operating expenses				
Selling and marketing expenses	4,473	5.4	3,560	5.1
General and administration expenses	5,455	6.6	4,684	6.6
Total operating expenses	9,928	12.0	8,244	11.7
Operating profit	18,880	22.8	17,148	24.3
Reduction in the fair value of disposal group held for sale	(270)	(0.3)	(118)	(0.2)
Adjustment in respect of excess of carrying amount over recoverable amount on reclassification from 'Held for Sale'	(451)	(0.5)	–	–
Other income, net	2,882	3.5	3,311	4.7
Profit before non-controlling interests / share in net loss of associate	21,041	25.5	20,341	28.8
Share in net loss of associate including impairment	–	–	(71)	(0.1)
Profit before tax	21,041	25.5	20,270	28.7
Tax expense	5,631	6.9	4,241	6.0
Profit after tax	15,410	18.6	16,029	22.7
Non-controlling interests	6	–	–	–
Profit attributable to the owners of the Company	15,404	18.6	16,029	22.7

1. Revenue

Effective April 1, 2018, the Group adopted Ind AS 115, *Revenue from Contracts with Customers*, using the cumulative catch-up transition method applied to contracts that were not completed as at April 1, 2018. The effect on the adoption of Ind AS 115 was insignificant. The adoption of Ind AS 115 required enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The details of such disclosure are available in Note 2.16 – 'Revenue from operations' of the standalone and consolidated financial statements in the Annual Report.

The growth in our revenues in fiscal 2019 from fiscal 2018 is as follows:

in ₹ crore

Particulars	Standalone			Consolidated		
	2019	2018	% change	2019	2018	% change
Revenue	73,107	61,941	18.0	82,675	70,522	17.2

The revenues from digital and core services for fiscals 2019 and 2018 are as follows:

in ₹ crore

Particulars	Consolidated		
	2019	2018	% change
Digital revenue	25,797	17,992	43.4
Core revenue	56,878	52,530	8.3

Note: Effective fiscal 2018, the Company has started defining digital revenues as a set of use cases that derives business outcomes for our clients across five areas which are experience, insight, innovate, accelerate and assure.

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. Revenue growth in reported numbers was attributable to a number of factors, including an increase in the volume, increase in digital revenue, rupee depreciation, cross-currency movement, as well as an expansion in the solutions that we provide to our clients. Our revenues for fiscal 2019 in constant currency grew by 9%. We added 345 new customers (gross) during fiscal 2019 as compared to 283 new customers (gross) during fiscal 2018. For fiscals 2019 and 2018, 97.3% and 98.5%, 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, 2019, approximately 97.5% were export revenues whereas 2.5% were domestic revenues, while for the year ended March 31, 2018, 96.8% were export revenues whereas 3.2% were domestic revenues.

Our revenues are generated primarily from services provided either on fixed-price or on fixed-timeframe or on time-and-material basis. Revenues from software services on fixed-price and fixed-timeframe contracts are recognized as per the percentage-of-completion method. On time-and-material contracts, revenue is recognized as related services are rendered. Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license, except in multiple arrangement contracts, which require significant implementation services, where revenue is recognized as per the percentage of-completion method.

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 2019 and 2018 is as follows:

in %

Particulars	Standalone		Consolidated	
	2019	2018	2019	2018
Onsite revenue	53.0	53.1	54.9	55.4
Offshore revenue	47.0	46.9	45.1	44.6
Total	100.0	100.0	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 2019 and 2018 are as follows:

in %

Particulars	Standalone		Consolidated	
	2019	2018	2019	2018
Onsite effort	27.2	27.5	28.6	29.3
Offshore effort	72.8	72.5	71.4	70.7
Total	100.0	100.0	100.0	100.0

Revenues and gross profits are also affected by employee utilization rates. We define employee utilization 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	Standalone		Consolidated	
	2019	2018	2019	2018
Including trainees	80.1	81.8	80.1	81.2
Excluding trainees	84.5	85.2	84.3	84.6

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	
	2019	2018	2019	2018
Software and professional services	72,845	61,733	78,359	66,857
Software products and platforms	262	208	4,316	3,665
Total revenue from operations	73,107	61,941	82,675	70,522

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

Revenue per employee has decreased from US$ 54,602 in fiscal 2018 to US$ 54,038 in fiscal 2019 on a consolidated basis.

2. Expenditure

Cost of sales – standalone

in ₹ crore

Particulars	2019	%	2018	%	Growth %
Revenues	73,107	100.0	61,941	100.0	18.0
Cost of sales					
Salaries and bonus	34,524	47.2	29,266	47.2	18.0
Cost of technical sub-contractors	7,646	10.4	5,494	8.9	39.2
Travelling cost	1,392	1.9	1,100	1.8	26.5
Cost of software packages for own use	789	1.1	772	1.2	2.2
Third-party items bought for service delivery to clients	853	1.2	495	0.8	72.3
Communication cost	145	0.2	114	0.2	27.2
Operating lease payments	185	0.3	171	0.3	8.2
Provisions for post-sales client support	(6)	–	127	0.2	–
Consultancy and professional charges	–	–	5	–	–
Depreciation and amortization expenses	1,599	2.2	1,408	2.3	13.6
Repairs and maintenance	285	0.3	238	0.4	19.7
Others	–	–	(52)	(0.1)	–
Total cost of sales	47,412	64.8	39,138	63.2	21.1

Cost of sales – consolidated

in ₹ crore

Particulars	2019	%	2018	%	Growth %
Revenues	82,675	100.0	70,522	100.0	17.2
Cost of sales					
Salaries and bonus	40,498	49.0	34,670	49.2	16.8
Cost of technical sub-contractors	6,031	7.3	4,296	6.1	40.4
Travelling cost	1,769	2.1	1,451	2.1	21.9
Cost of software packages for own use	906	1.1	876	1.2	3.4
Third-party items bought for service delivery to clients	1,623	2.0	983	1.4	65.1
Consultancy and professional charges	46	0.1	50	0.1	(8.0)
Communication cost	238	0.3	225	0.3	5.8
Operating lease payments	362	0.4	319	0.5	13.5
Provisions for post-sales client support	1	-	142	0.2	(99.3)
Depreciation and amortization expenses	2,011	2.4	1,863	2.6	7.9
Repairs and maintenance	370	0.5	300	0.4	23.3
Others	12	-	(45)	(0.1)	126.7
Total cost of sales	53,867	65.2	45,130	64.0	19.4

On a standalone basis, cost of sales was 64.8% of revenues, compared to 63.2% during the previous year. On a consolidated basis, cost of sales was 65.2% of revenues, compared to 64.0% 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 56.1% in fiscal 2018 to 57.6% in fiscal 2019 on a standalone basis and from 55.3% in fiscal 2018 to 56.3% in fiscal 2019 on a consolidated basis, due to increase in compensation, lower utilization, increase in usage of technical sub-contractors to meet the talent crunch partially offset by improvement in onsite mix.

On a standalone basis, the cost of technical sub-contractors included ₹2,423 crore towards the purchase of services from subsidiaries for the year ended March 31, 2019, as against ₹1,938 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 1.9% and 1.8% of total revenue for the years ended March 31, 2019 and March 31, 2018, respectively. On a consolidated basis, travelling cost for cost of sales constituted approximately 2.1% of total revenue for each of the years ended March 31, 2019 and March 31, 2018.

Cost of software packages primarily represents the cost of software packages and tools procured for our internal use. On both standalone and consolidated basis, the cost of software packages was 1.1% of the revenues which was 1.2% in the previous year.

Third-party items bought for service delivery to clients include software and hardware items. The increase in third-party items bought for service delivery to clients has been primarily in infrastructure services.

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 0.2% of the revenues for the year ending March 31, 2019 which is the same as the previous year. On a consolidated basis, the communication costs represent approximately 0.3% of revenues for each of the years ended March 31, 2019 and March 31, 2018.

On a standalone basis, the operating lease payments represent 0.3% of revenues for each of the years ended March 31, 2019 and March 31, 2018. On a consolidated basis, the operating lease payments represent approximately 0.4% and 0.5% of revenues for the years ended March 31, 2019 and March 31, 2018, respectively.

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 ₹1,599 crore and ₹1,408 crore towards depreciation and amortization, representing 2.2% and 2.3% of total revenues for the years ended March 31, 2019 and March 31, 2018, respectively.

On a consolidated basis, we provided ₹2,011 crore and ₹1,863 crore towards depreciation and amortization, representing 2.4% and 2.6% of total revenues for the years ended March 31, 2019 and March 31, 2018, respectively.

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

Gross profit

On a standalone basis, the gross profit during the year was ₹25,695 crore, representing 35.2% of revenues, compared to ₹22,803 crore, representing 36.8% of revenues in the previous year.

On a consolidated basis, the gross profit during the year was ₹28,808 crore, representing 34.8% of revenues, compared to ₹25,392 crore, representing 36.0% of revenues in the previous year.

Selling and marketing expenses

On a standalone basis, we incurred selling and marketing expenses at 5.0% of our total revenues in the year ended March 31, 2019, compared to 4.5% of our total revenues in the year ended March 31, 2018. Selling and marketing expenses primarily comprise employee costs, travelling costs and branding and marketing costs. All other expenses, excluding employee costs, amounted to 1.4% of revenues during the year, which is 1.0% in the previous year.

On a consolidated basis, we incurred selling and marketing expenses at 5.4% of our total revenues in the year ended March 31, 2019, as compared to 5.1% in the year ended March 31, 2018. All other expenses, excluding employee costs, amounted to 1.5% and 1.2% of our total revenues in the years ended March 31, 2019 and March 31, 2018, respectively.

The increase in selling and marketing expenses is in line with our plan to invest more to strengthen our relationship with our clients and increase our share of deal wins as well as our opportunity for new client wins.

General and administration expenses

On a standalone basis, our general and administration expenses amounted to 5.8% of our total revenues in the current year and 5.7% in previous year. All other expenses, excluding employee costs, were 4.2% of revenues during the year, as compared to 4.1% in 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 4.7% of revenues during the year, as compared to 4.5% during the previous year.

General and administration expenses as a percentage of revenues has remained almost the same in fiscal 2019 as compared to fiscal 2018.

Corporate social responsibility (CSR)

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on CSR activities. The areas for CSR activities that we have chosen to spend on are eradication of hunger and malnutrition, promoting education, art and culture, healthcare, destitute care and rehabilitation, environmental sustainability, disaster relief 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 ₹ 340 crore.

Amount spent during the year on :

in ₹ crore

Particulars	In cash	Yet to be paid in cash	Total
1. Construction / acquisition of any asset	97	–	97
2. On purposes other than (1) above	245	–	245

3. Operating profits

During the year, on a standalone basis, we earned an operating profit of ₹ 17,809 crore, representing 24.4% of total revenues, compared to ₹ 16,478 crore, representing 26.6% of total revenues, during the previous year.

During the year, on a consolidated basis, we earned an operating profit of ₹ 18,880 crore, representing 22.8% of total revenues, compared to ₹ 17,148 crore, representing 24.3% 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 attributable to a decrease in gross profit as a percentage of revenue during the same period and to an increase in selling and marketing expenses.

4. Other income, net

The following table sets forth our other income for fiscals 2019 and 2018 :

in ₹ crore

Particulars	Standalone			Consolidated		
	2019	2018	% change	2019	2018	% change
Other income	2,852	4,019	(29.0)	2,882	3,311	(13.0)

On a standalone basis, other income for fiscal 2019 primarily includes 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.

During the previous year, other income primarily included income from investments of ₹ 2,550 crore, dividend from subsidiary of ₹ 846 crore, a foreign exchange loss of ₹ 12 crore on forward and options contracts and foreign exchange gain of ₹ 265 crore on translation of other assets and liabilities.

On a consolidated basis, other income for fiscal 2019 primarily includes income from investments of ₹ 2,248 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.

During the previous year, other income primarily included income from investments of ₹ 2,613 crore and a foreign exchange gain of ₹ 1 crore on forward and options contracts and foreign exchange gain of ₹ 233 crore on translation of other assets and liabilities.

Interest income in fiscal 2019 has declined as compared to fiscal 2018 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.

The composition of currency-wise revenues for the years ended March 31, 2019 and March 31, 2018 was as follows :

in %

Currency	Standalone		Consolidated	
	2019	2018	2019	2018
US Dollar	68.7	69.7	67.3	67.7
UK Pound Sterling	5.1	5.5	5.0	5.3
Euro	11.5	10.6	11.9	11.3
Australian Dollar	8.3	8.1	7.9	7.8
Others	6.4	6.1	7.9	7.9
Total	100.0	100.0	100.0	100.0

Other income includes ₹ 50 crore and ₹ 51 crore for the year ended March 31, 2019 in the standalone and consolidated financial statements of the Company, respectively, towards interest on income tax refund. For the year ended March 31, 2018, the same was ₹ 257 crore and ₹ 262 crore at a standalone and consolidated level, respectively.

During the previous year, the Company received ₹ 846 crore as dividend from Infosys BPM, its majority-owned subsidiary. Dividend distribution tax paid by the subsidiary on such dividend has been reduced as credit against dividend distribution tax payable by Infosys.

5. Sensitivity to rupee movement

On a standalone basis, for the years ended March 31, 2019 and March 31, 2018, every percentage point depreciation / appreciation in the exchange rate between the Indian rupee and US dollar, had an impact on the Company's incremental operating margins by approximately 0.48% and 0.52% respectively. On a consolidated basis, it had an impact of 0.47% in the current year and 0.50% in previous year.

6. Share in profit / loss of associate including impairment

During the year ended March 31, 2018, Infosys Nova Holdings LLC, a wholly-owned subsidiary of Infosys, had written down the entire carrying value of its investment in its associate DWA Nova LLC. On a consolidated basis, share in net loss of associate including impairment for the previous year includes an impairment loss of ₹71 crore on investment in DWA Nova LLC. DWA Nova LLC has since been liquidated.

7. Provision for tax

We have provided for our tax liability both in India and overseas. The applicable Indian corporate statutory tax rate for the year ended March 31, 2019 is 34.94% and for March 31, 2018 is 34.61%.

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.

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 ₹2,628 crore on a standalone basis and ₹2,705 crore on a consolidated basis for the year ended March 31, 2019, and ₹2,008 crore on a standalone basis and ₹2,068 crore on a consolidated basis for the year ended March 31, 2018.

Particulars	Standalone		Consolidated	
	2019	2018	2019	2018
Income tax expense (in ₹ crore)	5,225	3,753	5,631	4,241
Effective tax rate (in %)	26.2	18.9	26.8	20.9

On a standalone basis, the effective tax rate (based on profit before tax) increased to 26.2% in fiscal 2019, as compared to 18.9% in fiscal 2018. On a consolidated basis, the effective tax rate for fiscal 2019 and fiscal 2018 was 26.8% and 20.9%, respectively. Effective tax rate is generally influenced by various factors, including non-deductible expenses, exempt non-operating income, overseas taxes, benefits from SEZ units, tax reversals and provisions, and other tax deductions. The increase in effective tax rate from fiscal 2018 to fiscal 2019 was mainly due to the reversal of income tax expense on account of an Advance Pricing Agreement (APA) in fiscal 2018, increase in branch profit tax, increase in non-deductible expenses, partially offset by increase in tax benefits from SEZ units.

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

During the previous year, the Company had concluded an APA with the IRS for the US branch covering the years ending March 2011 to March 2021. Accordingly, the Company has reversed income tax expense provision of ₹1,432 crore (US$ 225 million) which pertains to previous periods.

During the previous year, the Tax Cuts and Jobs Act (H.R. 1) was signed into law on December 22, 2017 ("US tax reforms"). The US tax reforms have reduced federal tax rates from 35% to 21% effective January 1, 2018, among other measures. During the year ended March 31, 2018, the US tax reforms have resulted in a positive impact of ₹155 crore (US$ 24 million) on account of credits pertaining to deferred tax liabilities on branch profit.

Additionally, during the current year, on a consolidated basis, the tax expense includes reversal of provisions of ₹299 crore made in earlier periods, partially offset by an additional tax provision of ₹170 crore pertaining to earlier periods. For the previous year, the tax reversals comprise a reversal of provisions of ₹296 crore made in earlier periods, partially offset by an additional tax provision of ₹5 crore pertaining to prior periods.

On a standalone basis, the tax expense includes reversal of provisions of ₹266 crore made in earlier periods, partially offset by an additional tax provision of ₹169 crore pertaining to earlier periods. For the previous year, the tax reversals comprise a reversal of provisions of ₹241 crore made in earlier periods, partially offset by an additional tax provision of ₹1 crore pertaining to prior periods.

These reversals pertains to prior periods on account of adjudication of certain disputed matters in favor of the Company across various jurisdictions. The additional provision pertaining to prior periods is primarily due to audits and assessments in certain jurisdiction.

During the previous year, we had received a dividend of ₹846 crore from our majority-owned subsidiary. Dividend distribution tax paid by the subsidiary on such dividend has been reduced as credit against dividend distribution tax payable by us. Accordingly, on a consolidated basis, we recorded a charge of ₹172 crore as income tax expense during the year ended March 31, 2018.

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.

8. Net profit after tax

On a standalone basis, our net profit decreased by 9% to ₹14,702 crore for the year ended March 31, 2019 from ₹16,155 crore in the previous year. This represents 20.1% and 26.1% of total revenue for the years ended March 31, 2019 and March 31, 2018, respectively.

On a consolidated basis, our net profit decreased by 3.9% to ₹15,404 crore for the year ended March 31, 2019 from ₹16,029 crore in the previous year. This represents 18.6% and 22.7% of total revenue for the years ended March 31, 2019 and March 31, 2018, respectively.

The decrease in net profit as a percentage of revenue for fiscal 2019 as compared to fiscal 2018 was primarily attributable to a decrease in operating profit as a percentage of revenue, an increase of 32.8% in tax expense and decrease in other income by 13.0%.

Apart from the above, 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' have caused a decline in net profit.

9. Earnings per share (EPS)

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

Particulars	Standalone			Consolidated		
	2019 (₹)	2018 (₹)	% increase	2019 (₹)	2018 (₹)	% increase
Basic	33.66	35.64	(5.6)	35.44	35.53	(0.3)
Diluted	33.64	35.62	(5.6)	35.38	35.50	(0.3)

Information in the above table is adjusted for the September 2018 bonus issue.

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

Particulars	Standalone		Consolidated	
	2019	2018	2019	2018
Basic	436,82,12,119	453,26,87,604	434,71,30,157	451,06,64,644
Diluted	437,04,12,348	453,47,85,242	435,34,20,772	451,51,47,740

Information in the above table is adjusted for the September 2018 bonus issue.

During the current year, a charge of ₹734 crore and ₹721 crore on account of reduction in the fair value of the disposal group held for sale for Panaya and adjustment in respect of excess of carrying amount over recoverable amount on the reclassification from 'Held for Sale' for Skava were recorded in standalone and consolidated financial statements, respectively. This resulted in a decrease in basic EPS by ₹1.68 and ₹1.66 at a standalone and consolidated level, respectively.

During the previous year, the Company had concluded an APA with the IRS for the US branch covering the years ending March 2011 to March 2021. Accordingly, the Company had reversed income tax expense provision of ₹1,432 crore (US$ 225 million) pertaining to previous periods, which resulted in an increase in basic EPS by ₹2.93 and ₹2.94 (adjusted for the September 2018 bonus issue) at a standalone and consolidated level, respectively. Also, the Company recorded a charge of ₹589 crore on account of Reduction in the fair value of assets held for sale for Panaya at standalone level and ₹118 crore on account of reduction in the fair value of the disposal group held for sale at consolidated level for Panaya resulting in a reduction in the basic EPS by ₹1.30 and ₹0.26 (adjusted for the September 2018 bonus issue) at a standalone level and consolidated level, respectively.

10. Segmental profitability

The Group's operations predominantly relate to providing end-to-end business solutions to enable clients to enhance business performance. During the three months ended June 30, 2018, the Group internally reorganized some of its business segments to deepen customer relationships, improve focus of sales investments and increase management oversight. Consequent to the internal reorganization, there were changes in the reportable business segments based on 'Management approach' as defined under Ind AS 108, *Operating Segments*. Therefore, enterprises in Insurance which was earlier considered under the Life Sciences, Healthcare and Insurance business segment are now considered under the Financial Services business segment and enterprises in Communication, Telecom OEM and Media which was earlier under Energy & Utilities, Communication and Services is now shown as a separate business segment. Segmental operating income has changed in line with these as well as changes in the allocation method.

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 Public Services enterprises. Consequent to the above change in the composition of reportable business segments, the prior year comparatives for the year ended March 31, 2018 have been restated. 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									
2019	26,477	13,556	10,426	10,390	8,152	6,177	5,203	2,294	82,675
2018	23,172	11,345	8,883	8,297	6,671	5,131	4,698	2,325	70,522
Growth %	14.3	19.5	17.4	25.2	22.2	20.4	10.7	(1.3)	17.2
Segmental operating income									
2019	6,878	4,034	2,517	2,542	1,853	1,548	1,419	116	20,907
2018	6,370	3,303	2,619	2,411	1,274	1,446	1,391	199	19,013
Growth %	8.0	22.1	(4.0)	5.4	45.6	7.1	2.0	(41.7)	10.0
Segmental operating margin (%)									
2019	26.0	29.8	24.1	24.5	22.7	25.1	27.3	5.1	25.3
2018	27.5	29.1	29.5	29.1	19.1	28.2	29.6	8.6	27.0

The following table sets forth our revenue by geography :

in ₹ crore

Particulars	North America	Europe	India	Rest of the World	Total
Segmental revenues					
2019	50,038	19,942	2,048	10,647	82,675
2018	42,575	16,738	2,231	8,978	70,522
Growth %	17.5	19.1	(8.2)	18.6	17.2

Overall segment profitability has decreased primarily on account of increase in investments in key areas – sales and marketing, localization of our US operations, investments in Agile Digital, reskilling of our workforce; increase in the cost of technical sub-contractors, cost of third-party items bought for service delivery to clients and compensation increase partially offset by benefit on account of rupee depreciation, cross currency benefit and cost optimization benefits.

11. 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	
	2019	2018	2019	2018
Net cash generated by operating activities	13,989	12,475	14,841	13,218
Net cash (used in) / generate by investing activities	(587)	5,684	(575)	4,452
Net cash used in financing activities	(14,571)	(20,536)	(14,512)	(20,505)

Our cash flows are robust and our operating cash flows have increased from ₹ 13,218 crore in fiscal 2018 to ₹ 14,841 crore in fiscal 2019 primarily on account of improved days sales outstanding and improved working capital management.

Capital Allocation Policy

Refer to *Board's report* in this Annual Report for details on our Capital Allocation Policy.

12. Related party transactions

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

13. 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*.

14. Key financial ratios

In accordance with the SEBI (Listing Obligations and Disclosure Requirements 2018) (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	
	2019	2018	2019	2018
Market capitalization to revenues (₹)	NA	NA	3.9	3.5
Price / Earnings (times)	NA	NA	21.0	15.9
Days sales outstanding[1]	–	–	66	67
Liquid cash[2] as a % of total assets	32.7	36.6	36.2	39.8
Revenue growth (%)	18.0	4.5	17.2	3.0
Operating margin (%)	24.4	26.6	22.8	24.3
Net profit margin (%)	20.1	26.1	18.6	22.7
Basic EPS (₹)	33.66	35.64	35.44	35.53

[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 2018 to fiscal 2019

PE ratio is computed as share price divided by basic earnings per share at a consolidated level. The PE ratio has increased on account of increase in market price and decrease in net profit. Net profit has declined from fiscal 2019 to fiscal 2018 on account of decrease in operating profit (for reasons explained above), increase in income tax expense (tax expense in fiscal 2018 included reversal of US$ 225 million (₹ 1,432 crore) on account of reversal of income tax expense pertaining to previous period on account of conclusion of APA) and additional charge in fiscal 2019 compared to fiscal 2018 on account of Skava and Panaya amounting to ₹ 603 crore.

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 given below :

Particulars	Standalone		Consolidated	
	2019	2018	2019	2018
Return on net worth (%)	23.3	24.6	23.7	23.9

Return on net worth is computed as net profit by average net worth. Net profit has declined from ₹ 16,029 crore to ₹ 15,404 crore on a consolidated basis and from ₹ 16,155 crore to ₹ 14,702 crore on a standalone basis for the reasons explained above. Additionally, the buyback has resulted in an increase in return on net worth.

IV. Opportunities and threats

Our strengths

Over the years, we have invested in building differentiated capabilities such as :

- Specific industry domain and technology expertise, and in methodologies such as Design Thinking and Agile software development
- 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
- Intellectual property in software platforms and products such as Infosys NIA®, our flagship artificial intelligence platform, the Edge suite of products, Finacle® and McCamish that either amplify our own services or provide differentiated solutions for our clients' business processes
- Our Global Delivery Model for large-scale outsourcing of technology projects fueled by automation, intelligence and collaboration technologies. Our Global Delivery Model divides projects into components that can be executed simultaneously at client sites and at our development centers in India and globally.
- Sophisticated service delivery and quality control processes, standards and frameworks
- Internal research and development teams that identify, develop and deploy new offerings leveraging next-generation technologies
- Ecosystem alliances with enterprise software companies and innovative startup companies
- Sales and client engagement teams that have resulted in deep, enduring and expansive relationships with our customers around the world
- High-quality global talent and leadership; and the infrastructure and systems to enable learning and education across the enterprise at scale
- 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.

Our strategy

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 and generating profitable returns for our investors.

We have embraced a four-pronged strategy to strengthen our relevance with clients and drive accelerated value creation :

- Scale Agile Digital
- Energize the core
- Reskill our people
- Expand localization

For more details on our strategy, refer to the *Board's report*.

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 technology service providers in response to requests for proposals. Clients often cite our industry expertise, comprehensive end-to-end solutions, ability to scale, superior quality and process execution, 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 strengthen their offshore presence in India or other low-cost locations, firms that offer technology-based solutions to business problems and from firms incumbent in market segments that we have recently entered.

We believe that the principal competitive factors in our business are :

- The ability to keep pace with ever-changing technology and how they apply to customer requirements
- The ability to increase the scale and breadth of service offerings to provide one-stop solutions for customer needs
- The ability to articulate and demonstrate long-term value to existing and potential customers
- The ability to attract and retain high-quality management, technology professionals, and sales personnel
- The ability to effectively integrate global execution capabilities to deliver high-quality, seamless, scalable, cost-effective services
- A strong and well-recognized brand
- A proven track record of performance excellence and customer satisfaction
- The financial strength to be able to invest in personnel and infrastructure to support the evolving demands of customers
- High ethical and corporate governance standards to ensure honest and professional business practices and protect the reputation of the Company and its customers.

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 :

Risk factors that may affect our ability to grow profitably

- 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 US, UK, EU, Australia or those industries where our revenues are concentrated.
- 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 customers are typically singular in nature and do not necessarily provide for subsequent engagements.
- 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.
- A large part of our revenues is dependent on a limited number of clients, and the loss of any one of our major clients could significantly impact our business.
- Our failure to complete fixed-price 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 and with little or no notice or penalty, 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.
- Given that a large number of our employees in the US, UK, European Union and other jurisdictions are working on visas, any restrictions on immigration may affect our ability to compete for and provide services to clients in these jurisdictions, which could hamper our growth or cause our revenues to decline and impact profitability. Key developments (such as Brexit, minimum wages, and impact to the businesses of our clients) in the regulatory environment, especially in key geographies such as the United Kingdom, continental Europe, Australia and the United States of America could impact our growth and profitability
- 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.
- Our expenses are difficult to predict and can vary significantly from period to period, which could cause our share price 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.

Risk factors that may affect our operations and our ability to meet the expectation of our stake holders

- 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.
- 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.
- Our work with governmental agencies may expose us to additional risks.
- 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 there are any privacy breach incidents under General Data Protection Regulation (GDPR) or other similar regulations across the globe and if we are not able to take necessary steps to report to the regulators within the stipulated time. Further, any claim from our customers for losses suffered by them due to privacy breach 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 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.
- 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.
- An increase in anti-outsourcing sentiments in certain countries in which we operate, including the US, UK, EU and Australia, has led and may in the future lead to the enactment of 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 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 in doing business internationally.
- Our ability to acquire companies organized outside India depends 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.

Risks that may affect the valuation of our 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 pre-emptive 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 or our affiliates.
- 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.
- If the Government of India modifies dividend distribution tax rates or introduces new forms of taxes on distribution of profits or changes the basis of application of these taxes, the same 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 capital

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, 2019, the Group employed 2,28,123 employees, of which 2,14,727 were professionals involved in service delivery to the clients, including trainees. During fiscal 2019, we added 24,016 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 2019, we received 23,33,420 employment applications, interviewed 1,80,255 applicants and extended offers of employment to 94,324 applicants. These statistics do not include our subsidiaries.

Training and development

The competency development of our employees continues to be a key area of strategic focus for us. We launched new programs for our employees in keeping with the changes in the use of technology in education. We enhanced our technology-led training efforts in multiple areas. We took a mobile-first approach to make learning content available to our employees through Lex – a highly scalable and modular learning platform that allows our employees to access learning content from anywhere, from any device, at any time, and learn at a time convenient for them.

As part of our Foundation Program, we enhanced some of the existing courses and introduced new courses, and launched new specializations which we call as streams. Our continuous education programs emphasize enhancing the relevance and effectiveness of learning. This year, we have enhanced our self-learning programs available on Lex, and enhanced the platform as well. With this, we were able to make our learning programs accessible to employees across geographies, which in turn led to enhanced employee participation in learning. We are also working with various academic institutions, such as the Rhode Island School of Design, Purdue University, Trinity University, and Cornell University to reskill our employees.

Compensation

Our professionals receive competitive salaries and benefits. Our variable compensation program links compensation to the Company and individual performance. In order to attract, retain and motivate talented and critical employees and to encourage employees to align individual performance with the Company objectives and reward employee performance with ownership, the Company granted share-based benefits to high-performing executives and senior-level managers.