Management's discussion and analysis

Overview

Infosys is a leading provider of consulting, technology, outsourcing and next-generation digital services, enabling clients in over 45 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 returns 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, to help them 'navigate your next'.

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

- Scale Agile Digital
- Energize the core
- Re-skill 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 60.4%, 23.7%, 12.7% and 3.2%, respectively, of our consolidated revenues in the year ended March 31, 2018. We serve clients in financial services; manufacturing; energy and utilities, communications and services; retail, consumer packaged goods and logistics; life sciences, healthcare and insurance; and hi-tech.

These financial statements are prepared in accordance with 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.

Effective April 1, 2016, the Company has adopted all the Ind AS standards, and the adoption was carried out in accordance with Ind AS 101, *First-time adoption of Indian Accounting Standards,* with April 1, 2015 as the transition date. The transition was carried out from the Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP.

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.

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 ₹1,200 crore, divided into 240 crore equity shares of ₹5 each. The issued, subscribed and paid-up capital is ₹1,092 crore as at March 31, 2018 and ₹1,148 crore as at March 31, 2017. The movement in share capital is on account of buyback of shares and shares issued during the year on exercise of stock options.

Share buyback

The Board, at its meeting on August 19, 2017, approved a proposal for the Company to buy back its fully paid-up equity shares of face value of ₹5 each from the eligible equity shareholders of the Company for an amount not exceeding ₹13,000 crore. The shareholders approved the said proposal of buyback of equity shares through the postal ballot that concluded on October 7, 2017. The buyback offer comprised a purchase of 11,30,43,478 equity shares aggregating 4.92% of the paid-up equity share capital of the Company at a price of ₹1,150 per equity share. The buyback was offered to all eligible equity shareholders (including those who became equity shareholders as on the record date by cancelling American Depositary Shares (ADSs) and withdrawing underlying equity shares) of the Company as on the record date (i.e. November 1, 2017) on a proportionate basis through the 'tender offer' route. The Company concluded the buyback procedures on December 27, 2017 and 11,30,43,478 equity shares were extinguished. The Company has utilized securities premium and general reserve for the buyback of its shares. In accordance with Section 69 of the Companies Act, 2013, the Company has created a Capital Redemption Reserve of ₹56 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 postal ballot, the Board has been 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 will be issued as RSUs at par value and 70,00,000 equity shares will be issued as stock options at market price on the date of the grant. These instruments will generally vest over a period of four years and the Company expects to grant the instruments under the 2015 Plan over the period of four to seven years.

A controlled trust holds 1,08,01,956 and 1,12,89,514 shares, as of March 31, 2018 and March 31, 2017, respectively under the 2015 Plan, out of which 1,00,000 equity shares have been earmarked for welfare activities of the employees.

The following is the summary of grants made during fiscals 2018 and 2017 under the 2015 Plan:

Particulars	Fiscal 2018	Fiscal 2017
RSU		
Salil Parekh, CEO and MD - *(Refer to Note 1)*	1,13,024	–
U.B. Pravin Rao, COO	27,250	–
Dr. Vishal Sikka[(a)]	2,70,224	1,20,700
Other KMP[(b)]	2,73,100	2,47,250
Employees other than KMP	15,97,010	25,06,740
	22,80,608	28,74,690
ESOP		
U.B. Pravin Rao, COO	43,000	–
Dr. Vishal Sikka[(a)]	3,30,525	–
Other KMP[(b)]	44,450	5,02,550
Employees other than KMP	73,600	7,03,300
	4,91,575	12,05,850
Incentive units – cash-settled		
Other employees	50,040	1,12,210
	50,040	1,12,210
Total grants	28,22,223	41,92,750

(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 resignation of certain KMPs.

Notes:

1. Pursuant to the approval of the shareholders through a postal ballot on February 20, 2018, Salil Parekh (CEO & MD) is eligible to receive the following under the 2015 Plan:
   a) an annual grant of RSUs of fair value ₹3.25 crore which will vest over time in three equal annual installments upon completion of each year of service from the respective grant date
   b) a one-time grant of RSUs of fair value ₹9.75 crore which will vest over time in two equal annual installments upon completion of each year of service from the grant date and
   c) annual grant of performance-based RSUs of fair value ₹13 crore which will vest after completion of three years, the first of which concludes on March 31, 2021, subject to the achievement of performance targets set by the Board or its committee.

   The Board, based on the recommendations of the nomination and remuneration committee, approved on February 27, 2018, the annual time-based grant for fiscal 2018 of 28,256 RSUs and the one-time, time-based grant of 84,768 RSUs. The grants were made effective February 27, 2018. Though the annual time-based grants for the remaining employment term have not been granted as of March 31, 2018, in accordance with Ind AS 102, *Share-based payments*, the Company has recorded employment stock compensation expense.
2. The RSUs and stock options would vest generally over a period of four years and shall be exercisable within the period as approved by the committee. The exercise price of the RSUs will be equal to the par value of the shares and the exercise price of the stock options would be the market price as on the date of grant.

3. During the years ended March 31, 2018 and March 31, 2017, the Company recorded an aggregate employee stock compensation expense of ₹72 crore and ₹107 crore, respectively on standalone basis and ₹84 crore and ₹117 crore, respectively on a consolidated basis, in the Statement of Profit and Loss. This comprises expense pertaining to CEO, COO, other KMP and other employees. This includes a reversal of stock compensation cost of ₹35 crore towards forfeiture of stock incentives granted to Dr. Vishal Sikka upon his resignation.

   For additional information of the Company's stock incentive compensation plans, refer to *Notes 2.10 and 2.11 Employees' Stock Options Plans* of standalone and consolidated financial statements, respectively in this Annual Report.

2. Other equity

A. Reserves and surplus

Securities premium reserve

On a standalone basis, the balance as at March 31, 2018 and March 31, 2017 amounted to ₹28 crore and ₹2,208 crore, respectively. On a consolidated basis, the balance was ₹36 crore and ₹2,216 crore as at March 31, 2018 and March 31, 2017, respectively. Decrease in securities premium on both standalone and consolidated basis is on account of ₹2,206 crore utilized for buyback of shares and ₹46 crore for transaction costs related to buyback, which is offset by an increase of ₹67 crore on account of transfer from stock options outstanding account upon exercise and ₹5 crore pertaining to amounts received on exercise of ESOPs.

Retained earnings

On a standalone basis, the balance retained earnings as at March 31, 2018 was ₹55,671 crore after providing ₹7,500 crore for final dividend for fiscal 2017 and interim dividend for fiscal 2018, including dividend tax thereon. Further, Special Economic Zone (SEZ) Re-investment Reserve of ₹1,559 crore (net) was transferred to SEZ Re-investment Reserve net of utilization out of retained earnings during the year. The balance in retained earnings as at March 31, 2017 was ₹49,957 crore after providing ₹6,980 crore for final dividend for fiscal 2016 and interim dividend for fiscal 2017, including dividend tax thereon.

On a consolidated basis, the balance retained in the surplus as at March 31, 2018 was ₹58,477 crore, as compared to ₹52,882 crore in the previous year.

General reserve

During the year, an amount of ₹1,382 crore was transferred to the general reserve from retained earnings on account of dividend appropriation, as compared to ₹1,579 crore in the previous year. Further, an amount of ₹10,738 crore was utilized for buyback of shares and ₹56 crore was transferred to capital redemption reserve upon buyback in accordance with Section 69 of the Companies Act, 2013.

On a standalone basis, the balance in general reserve as at March 31, 2018 amounted to ₹1,677 crore (previous year ₹11,087 crore). On a consolidated basis, the balance as at March 31, 2018 amounted to ₹2,725 crore (previous year ₹12,135 crore).

Share options outstanding account

On standalone and consolidated basis, the share options outstanding account amounted to ₹130 crore as at March 31, 2018, as compared to ₹120 crore as at March 31, 2017. 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 ₹1,559 crore and ₹1,583 crore of SEZ Re-investment Reserve was created for 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, 2018 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, 2018 and March 31, 2017 is ₹3,219 crore and ₹3,448 crore, respectively. The movement of ₹229 crore during the year is on account of the business transfer agreement entered into with Noah Consulting LLC whereby net assets of ₹37 crore were taken over upon transfer of a business for a consideration of ₹266 crore. Refer to *Note 2.3.1* of the *Standalone financial statements* for further details.

Capital redemption reserve

During the year ended March 31, 2018, an amount of ₹56 crore was transferred both on standalone and consolidated basis to capital redemption reserve 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 and consolidated basis, as of March 31, 2018, there was an accumulated gain of ₹2 crore and as of March 31, 2017, accumulated loss of ₹5 crore in the equity instruments through other comprehensive income. This was on account of fair valuation of equity investments for which the Company has made an irrevocable election to present the subsequent changes in fair value 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 forecasted transaction.

On a standalone and consolidated basis, the balance as at March 31, 2018 is less than ₹1 crore as compared to ₹39 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, 2018 amounted to ₹779 crore, whereas the balance as at March 31, 2017 was ₹458 crore.

Other items of other comprehensive income

Other items of other comprehensive income consists of re-measurement gains / losses on our defined benefit plans and fair value changes on investments, net of taxes.

On a standalone basis, there was an actuarial gain, net of taxes, of ₹52 crore during the current year, as compared to an actuarial loss, net of taxes of ₹42 crore during the previous year. On a consolidated basis, there was an actuarial gain, net of taxes, of ₹55 crore during the current year, as compared to an actuarial loss, net of taxes, of ₹45 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 ₹63,502 crore as at March 31, 2018 compared to ₹68,017 crore as at March 31, 2017.

On a consolidated basis, the total equity attributable to equity holders of the Company has reduced to ₹64,923 crore as at March 31, 2018 from ₹68,982 crore as at March 31, 2017. The reduction was mainly on account of buyback and dividend. Consequently, the book value per share decreased to ₹297 as at March 31, 2018 compared to ₹300 as at March 31, 2017, on a consolidated basis.

Application of funds

3. Property, plant and equipment

Additions to gross block – standalone

During the year, we incurred capital expenditure of ₹1,823 crore to our gross block, 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 270.9 acres of land in Kolkata, Tumakuru, Mysuru, Chennai, Hiriyur and Bengaluru, ₹121 crore on furniture and fixtures,₹78 crore on office equipment, and ₹48 crore on leasehold improvements.

During the previous year, we incurred capital expenditure of ₹1,817 crore to our gross block, comprising ₹1,157 crore on infrastructure, ₹654 crore in computer equipment, and ₹6 crore on vehicles. Our infrastructure investments comprised ₹310 crore on buildings, ₹308 crore on plant and machinery, ₹169 crore on furniture and fixtures, ₹144 crore to acquire 13.3 acres of land in Chennai, Gurugram, Hyderabad and Bengaluru, ₹122 crore on office equipment and ₹104 crore on leasehold improvements.

Additions to gross block – consolidated

During the year, we incurred capital expenditure of ₹1,955 crore to our gross block, 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 270.9 acres of land in Kolkata, Tumakuru, Mysuru, Chennai, Hiriyur and Bengaluru, ₹130 crore on furniture and fixtures, ₹86 crore on office equipment and ₹74 crore on leasehold improvements.

During the previous year, we incurred capital expenditure of ₹2,799 crore to our gross block, comprising ₹1,991 crore on infrastructure, ₹800 crore in computer equipment and ₹8 crore on vehicles. Our infrastructure investments comprised ₹981 crore on buildings, ₹313 crore on plant and equipment, ₹224 crore on leasehold improvements, ₹191 crore on furniture and fixtures, ₹144 crore to acquire 13.3 acres of land in Chennai, Gurugram, Hyderabad and Bengaluru and ₹138 crore on office equipment.

Deductions to gross block – standalone

During the year, we deducted ₹84 crore from the gross block on the disposal of various assets as against ₹316 crore in the previous year.

Deductions to gross block – consolidated

During the year, we deducted ₹153 crore from the gross block on the disposal of various assets as against ₹490 crore in the previous year.

Further, we have reclassified various assets with a gross block of ₹68 crore under assets held for sale. Refer to *Note 2.25* of the *Consolidated financial statements* for further details.

Capital expenditure commitments

On a standalone basis, we have a capital expenditure commitment of ₹1,405 crore as at March 31, 2018, as compared to ₹1,094 crore as at March 31, 2017. On a consolidated basis, we have a capital expenditure commitment of ₹1,452 crore as at March 31, 2018, as compared to ₹1,149 crore as at March 31, 2017.

4. Goodwill and other intangible assets

On a consolidated basis, carrying value of goodwill as on March 31, 2018 is ₹2,211 crore, which includes additions to goodwill amounting to ₹35 crore on account of acquisition of Brilliant Basics Holdings Limited, reduction of ₹1,609 crore on account of goodwill reclassified under assets held for sale and increase of ₹133 crore on account of translation. During the previous year, carrying value of goodwill was ₹3,652 crore.

On a consolidated basis, carrying value of intangible assets as on March 31, 2018 is ₹247 crore whereas on March 31, 2017, it was ₹776 crore. These primarily consist of intangible assets acquired through business combinations, stated at cost less accumulated amortization. Intangible assets amounting to ₹323 crore (net) has been reclassified under assets held for sale. Refer to *Note 2.25* of the *Consolidated financial statements* for further details.

5. Financial assets

A. Investments

Subsidiaries and associate

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

Subsidiary	In foreign currency	In ₹ crore
Infosys China	USD 15.0 million	97
Infosys Shanghai	USD 11.6 million	74
Brilliant Basics Holdings Limited	GBP 3.4 million	29
Panaya Inc.	USD 6.0 million	38
Infosys Arabia Limited	SAR 1.2 million	2

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

A business transfer agreement was entered into with Noah Consulting LLC, a wholly-owned subsidiary to transfer the business of Noah to the Company for a consideration of US$ 41 million (₹266 crore) and the transfer was effective October 25, 2017. The transaction was between a holding company and a wholly-owned subsidiary and therefore, was accounted for at carrying values and it didn't have any impact on consolidated financial statements.

During the current year, Infosys Nova Holding LLC, a wholly-owned subsidiary of Infosys Limited has written down the entire carrying value of its investment in its associate DWA Nova LLC. Consequently, Infosys has written down the entire carrying value of the investment in its subsidiary Infosys Nova Holdings LLC, amounting to ₹94 crore on standalone basis.

During the year ended March 31, 2018, EdgeVerve repaid debentures amounting to ₹349 crore.

On April 13, 2018, the Company entered into a definitive agreement to acquire Wongdoody Holding Company Inc., a US-based creative and consumer insights agency for a total consideration of up to US$75 million (approximately ₹489 crore) including contingent consideration and retention payouts, subject to regulatory approvals and fulfillment 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. Out of the total outlay, US$ 53 million has been invested as of March 31, 2018 and we have an uncalled capital commitment of US$ 12 million. The carrying value of such investments as on March 31, 2018 was US$ 31 million on account of write-down of investment in DWA Nova amounting to US$ 11 million (₹ 71 crore) and on account of changes in fair value.

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 additional disclosures on financial assets including fair value hierarchy and financial risk management, refer to *Note 2.3* of the *Standalone Financial Statements* and *Note 2.4* of the *Consolidated Financial Statements*.

Our investments comprise mutual funds, fixed maturity plan securities, tax-free bonds, non-convertible debentures, certificates of deposit 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-aided institutions.

B. Trade receivables and unbilled revenues

On a standalone basis, trade receivables amounted to ₹12,151 crore and ₹10,960 crore as of March 31, 2018 and March 31, 2017, respectively, and unbilled revenues amounted to ₹3,573 crore and ₹3,200 crore as of March 31, 2018 and March 31, 2017, respectively.

On a consolidated basis, trade receivables amounted to ₹13,142 crore and ₹12,322 crore as of March 31, 2018 and March 31, 2017, respectively, and unbilled revenues amounted to ₹4,261 crore and ₹3,648 crore as of March 31, 2018 and March 31, 2017, respectively.

Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers. On a consolidated basis, Days Sales Outstanding was 67 days for the year ended March 31, 2018, compared to 68 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 expected credit loss 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 for customers.

The movement in ECL during fiscals 2018 and 2017 is as follows:

in ₹ crore

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Opening balance	379	249	411	289
Impairment loss recognized	18	135	34	132
Amount written off	(3)	(1)	(5)	(1)
Reclassified under held for sale	–	–	(1)	–
Translation difference	7	(4)	10	(9)
Closing balance	401	379	449	411

C. Cash and cash equivalents

On a standalone basis, balance in current and deposit accounts stood at ₹10,789 crore as at March 31, 2018, as compared to ₹12,222 crore as at March 31, 2017. Deposits with financial institutions stood at ₹5,981 crore as at March 31, 2018, as compared to ₹6,931 crore as at March 31, 2017.

On a consolidated basis, balance in current and deposit accounts stood at ₹13,168 crore as at March 31, 2018, as compared to ₹14,889 crore as at March 31, 2017. Deposits with financial institutions stood at ₹6,650 crore as at March 31, 2018, as compared to ₹7,736 crore as at March 31, 2017. Cash and cash equivalents of ₹53 crore is included under assets held for sale as at March 31, 2018. Refer to *Note 2.25* 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. These cash and cash equivalents include a restricted cash balance. On a standalone basis, we have a restricted cash balance of ₹375 crore as at March 31, 2018, as compared to ₹411 crore as at March 31, 2017 and on a consolidated basis, the same was ₹533 crore as at March 31, 2018, as compared to ₹572 crore as at March 31, 2017. These restrictions are primarily on account of balances held in unpaid dividend bank accounts, 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	
	2018	2017	2018	2017
Non-current				
Loans to employees	19	5	36	29
Current				
Loans to subsidiaries	185	69	–	–
Loans to employees	208	241	239	272
Total	412	315	275	301

We provide personal loans and salary advances to employees, who are not executive officers or directors. Of the total loans and advances of ₹275 crore given to employees on a consolidated basis, ₹239 crore is recoverable in 12 months and ₹36 crore is recoverable in 12-24 months from March 31, 2018. The annual rate of interest for these loans vary from 0% to 10%.

Loans to subsidiaries as at March 31, 2018, includes ₹104 crore to Infosys Consulting Holding AG, ₹73 crore to Infosys China and ₹8 crore given to Brilliant Basics Holdings Limited. As at March 31, 2017, ₹69 crore was given to Infosys China.

E. Other financial assets

The details of other financial assets are as follows:

in ₹ crore

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Non-current				
Security deposits	48	81	53	86
Rental deposits	129	135	171	175
Restricted deposits	–	–	60	48
Current				
Security deposits	2	2	9	10
Rental deposits	6	2	13	9
Restricted deposits	1,415	1,309	1,535	1,416
Unbilled revenues	3,573	3,200	4,261	3,648
Interest accrued but not due	739	514	766	576
Foreign currency forward and options contracts	16	268	16	284
Others	155	108	84	37
Total	6,083	5,619	6,968	6,289

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

Unbilled revenues comprise costs and earnings in excess of billings.

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 due to softening of interest rates in India and reduction in investible base as a result of the Capital Allocation Policy of the Company.

5. Other assets

in ₹ crore

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Non-current				
Capital advances	420	562	421	600
Prepaid gratuity	23	56	43	79
Deferred contract cost	262	283	262	284
Prepaid expenses	49	95	111	96
Withholding taxes and others	1,407	–	1,428	–
Current				
Payment to vendors for supply of goods	103	87	119	131
Deferred contract cost	44	74	44	78
Prepaid expenses	449	387	472	441
Withholding taxes and others	843	1,665	1,032	1,886
Total	3,600	3,209	3,932	3,595

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

Withholding and other tax receivables represent transaction taxes paid in various domestic and overseas jurisdictions which are recoverable.

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

6. Deferred tax assets / liabilities

in ₹ crore

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Deferred tax assets, net	1,128	346	1,282	540
Deferred tax liabilities, net	505	–	541	207

Deferred tax assets primarily comprise deferred taxes on property, plant and equipment, compensated absences, trade receivables, credits related to branch profit taxes, post-sales client support and others. Deferred tax liability primarily comprises branch profit taxes, deferred tax on intangible assets and others.

Net deferred tax comprising of deferred tax assets less deferred tax liabilities has increased primarily on creation of credit pertaining to deferred tax liability on branch profits arising out of US tax reforms of ₹155 crore and on account of deferred tax liability of ₹53 crore being reclassified under asset held for sale.

7. Income tax assets / liabilities

in ₹ crore

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Income tax assets (net)	5,710	5,454	6,070	5,716
Income tax liabilities (net)	1,976	3,762	2,043	3,885

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.

On account of the conclusion of Advance Pricing Agreement (APA) with the Internal Revenue Service (IRS) income tax provision pertaining to prior periods has been reversed resulting in a reduction in income tax liabilities.

8. Financial liabilities

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

in ₹ crore

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Non-current				
Accrued compensation to employees	–	–	–	30
Compensated absences	42	–	48	–
Payable for acquisition of business – Contingent consideration	13	40	13	40
Current				
Trade payables	738	269	694	367
Unpaid dividends	22	17	22	17
Accrued compensation to employees	2,048	1,404	2,509	1,881
Accrued expenses	1,776	2,013	2,452	2,585
Retention monies	63	153	132	220
Payable for acquisition of business – Contingent consideration	41	45	41	45
Capital creditors	148	36	155	48
Compensated absences	1,218	1,142	1,421	1,359
Other payables	184	244	33	47
Foreign currency forward and options contracts	40	2	42	2
Payable by controlled trusts	–	–	139	145
Total	6,333	5,365	7,701	6,786

Liabilities for accrued compensation to employees include the provision for bonus, incentives and retention bonus payable to the staff. Liabilities for accrued compensation to employees have increased due to increase in compensation and higher variable payouts.

Payable for acquisition of business represents contingent consideration payable to the sellers of Kallidus and Brilliant Basics depending on the achievement of certain financial targets. During the year ended March 31, 2018, a contingent consideration of ₹45 crore was paid to the sellers of Kallidus.

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 towards our liability for leave encashment.

Unpaid dividends represent dividends paid, but not claimed by shareholders, and are represented by a bank balance of an equivalent amount.

9. Other liabilities

in ₹ crore

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Non-current				
Deferred income – government grant on land use rights	–	–	44	41

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Deferred rent	117	–	151	–
Accrued gratuity	–	–	28	–
Deferred income	36	42	36	42
Current				
Unearned revenue	1,887	1,320	2,295	1,777
Client deposits	32	–	38	–
Withholding taxes and others	1,029	1,027	1,240	1,226
Deferred income – government grant on land use rights	–	–	1	1
Accrued gratuity	–	–	–	1
Deferred rent	24	2	32	2
Total	3,125	2,391	3,865	3,090

Unearned revenue primarily comprises 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.

10. 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 ₹436 crore as at March 31, 2018, as compared to ₹350 crore as at March 31, 2017. On a consolidated basis, provision for post-sales client support amounted to ₹492 crore as at March 31, 2018, as compared to ₹405 crore as at March 31, 2017.

11. Assets held for sale

During the quarter ended March 31, 2018, on conclusion of a strategic review of its portfolio of businesses, the Company initiated identification and evaluation of potential buyers for its subsidiaries, Kallidus and Skava (together referred to as 'Skava') and Panaya (collectively referred to as the 'disposal group'). The Company anticipates completion of the sale by March 2019 and accordingly, assets amounting to ₹2,060 crore and liabilities amounting to ₹324 crore in respect of the disposal group have been reclassified and presented under 'held for sale', in the consolidated financial statements. The disposal group does not constitute a separate major component of the Company and therefore, has not been classified as 'discontinued operations'.

In the standalone financial statements of the Company, investments amounting to ₹ 1,525 crore in respect of these subsidiaries have been reclassified under 'held for sale'. On reclassification, these investments have been measured at the lower of carrying amount and fair value less cost to sell and consequently, an impairment loss of ₹ 589 crore in respect of Panaya has been recognized in the standalone Statement of Profit and Loss for the year ended March 31, 2018. Refer to *Note 2.25* of the *Consolidated Financial Statements* and *Note 2.26* of the *Standalone Financial Statements.*

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,			
	2018	%	2017	%
Revenue from operations	61,941	100.0	59,289	100.0
Cost of sales	39,138	63.2	37,057	62.5
Gross profit	22,803	36.8	22,232	37.5
Operating expenses				
Selling and marketing expenses	2,763	4.5	2,728	4.6
General and administration expenses	3,562	5.7	3,628	6.1
Total operating expenses	6,325	10.2	6,356	10.7
Operating profit	16,478	26.6	15,876	26.8
Impairment loss on assets held for sale	589	1.0	–	–
Other income, net	4,019	6.5	3,062	5.1
Profit before tax	19,908	32.1	18,938	31.9
Tax expense	3,753	6.0	5,120	8.6
Profit for the year	16,155	26.1	13,818	23.3

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

in ₹ crore

Particulars	Year ended March 31,			
	2018	%	2017	%
Revenue from operations	70,522	100.0	68,484	100.0
Cost of sales	45,130	64.0	43,253	63.2
Gross profit	25,392	36.0	25,231	36.8
Operating expenses				
Selling and marketing expenses	3,560	5.1	3,591	5.2

Particulars	Year ended March 31,			
	2018	%	2017	%
General and administration expenses	4,684	6.6	4,739	6.9
Total operating expenses	8,244	11.7	8,330	12.2
Operating profit	17,148	24.3	16,901	24.7
Other income, net	3,193	4.5	3,080	4.4
Profit before non-controlling interests / share in net loss of associate	20,341	28.8	19,981	29.1
Share in net loss of associate including impairment	(71)	(0.1)	(30)	0.0
Profit before tax	20,270	28.7	19,951	29.1
Tax expense	4,241	6.0	5,598	8.1
Profit after tax	16,029	22.7	14,353	21.0
Non-controlling interests	–	–	–	–
Profit for the year	16,029	22.7	14,353	21.0

1. Revenue

The growth in our revenues in fiscal 2018 from fiscal 2017 is as follows:

in ₹ crore

Particulars	Standalone			Consolidated		
	2018	2017	% change	2018	2017	% change
Revenue	61,941	59,289	4.5	70,522	68,484	3.0

Revenue growth was attributable to a number of factors, including an increase in the volume, as well as an expansion in the solutions that we provide to our clients. We added 283 new customers (gross) during fiscal 2018 as compared to 321 new customers (gross) during fiscal 2017. For fiscals 2018 and 2017, 98.5% and 97.3%, respectively, of our revenues came from repeat business, which we define as revenues from a client that also contributed to our revenues during the prior fiscal year.

Of the total revenues for the year ended March 31, 2018, on a standalone basis, approximately 97.0% were export revenues whereas 3.0% were domestic revenues, which is the same as the previous year. On a consolidated basis, approximately 96.8% were export revenues whereas 3.2% were domestic revenues, which is the same as the previous year.

Effective fiscal 2018, the Company defined 'digital revenue' (refer to 'Strategy' section of *Board's report* for further details). Digital revenue during fiscal 2018 amounted to ₹17,992 crore (US$ 2,791 million) 25.5% of the total 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 that 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 2018 and 2017 is as follows:

in %

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Onsite revenue	53.1	54.4	55.4	56.8
Offshore revenue	46.9	45.6	44.6	43.2
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 2018 and 2017 are as follows:

in %

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Onsite effort	27.5	27.5	29.3	29.8
Offshore effort	72.5	72.5	70.7	70.2
Total	100.0	100.0	100.0	100.0

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

in %

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Including trainees	81.8	77.8	81.2	77.6
Excluding trainees	85.2	82.1	84.6	81.7

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

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

in ₹ crore

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Software services	61,910	59,257	68,460	66,383
Software products	31	32	2,062	2,101
Total revenue from operations	61,941	59,289	70,522	68,484

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

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.

Revenue per employee has increased from US$ 51,375 in fiscal 2017 to US$ 54,602 in fiscal 2018 on a consolidated basis.

2. Expenditure

Cost of sales – standalone

in ₹ crore

Particulars	2018	%	2017	%	Growth %
Revenues	61,941	100.0	59,289	100.0	4.5
Cost of sales					
Salaries and bonus	29,266	47.2	27,818	46.9	5.2
Cost of technical sub-contractors	5,494	8.9	4,809	8.1	14.2
Travelling cost	1,100	1.8	1,234	2.1	(10.9)
Cost of software packages for own use	772	1.2	728	1.2	6.0
Third-party items bought for service delivery to clients	495	0.8	506	0.9	(2.0)
Communication cost	114	0.2	139	0.2	(18.0)
Operating lease payments	171	0.3	147	0.3	16.3
Provisions for post-sales client support	127	0.2	84	0.1	51.2
Consultancy and professional charges	5	0.0	–	–	–
Depreciation and amortization expenses	1,408	2.3	1,331	2.3	5.8
Repairs and maintenance	238	0.4	261	0.4	(8.8)
Others	(52)	(0.1)	–	–	–
Total cost of sales	39,138	63.2	37,057	62.5	5.6

Cost of sales – consolidated

in ₹ crore

Particulars	2018	%	2017	%	Growth %
Revenues	70,522	100.0	68,484	100.0	3.0
Cost of sales					
Salaries and bonus	34,670	49.2	33,471	48.9	3.6
Cost of technical sub-contractors	4,296	6.1	3,833	5.6	12.1
Travelling cost	1,451	2.1	1,649	2.4	(12.0)
Cost of software packages for own use	876	1.2	793	1.2	10.5
Third-party items bought for service delivery to clients	983	1.4	802	1.2	22.6
Consultancy and professional charges	50	0.1	28	0.1	78.6
Communication cost	225	0.3	260	0.4	(13.5)
Operating lease payments	319	0.5	307	0.4	3.9
Provisions for post-sales client support	142	0.2	80	0.1	77.5
Depreciation and amortization expenses	1,863	2.6	1,703	2.5	9.4
Repairs and maintenance	300	0.4	305	0.4	(1.6)
Others	(45)	(0.1)	22	–	–
Total cost of sales	45,130	64.0	43,253	63.2	4.3

On a standalone basis, cost of sales was 63.2% of revenues, compared to 62.5% during the previous year. On a consolidated basis, cost of sales was 64.0% of revenues, compared to 63.2% during the previous year. The cost of efforts, comprising employee cost and cost of technical sub-contractors, has increased as a percentage of revenue from 55.0% in fiscal 2017 to 56.1% in fiscal 2018 on a standalone basis and from 54.5% in fiscal 2017 to 55.3% in fiscal 2018 on a consolidated basis, due to increase in compensation, higher variable payouts and to meet primarily the requirement of niche skill sets in certain onsite projects.

The cost of sales for fiscal 2018 was impacted by rupee appreciation, increase in compensation and higher variable pay which was partially offset by benefits from cross-currency movements and improved operational parameters like utilization, onsite mix, reduced travel cost and other cost optimization initiatives.

On a standalone basis, the cost of technical sub-contractors included ₹1,938 crore towards the purchase of services from subsidiaries for the year ended March 31, 2018, as against ₹1,795 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 1.8% and 2.1% of total revenue for the years ended March 31, 2018 and March 31, 2017, respectively. On a consolidated basis, travelling cost for cost of sales constituted approximately 2.1% and 2.4% of total revenue for the years ended March 31, 2018 and March 31, 2017, respectively.

Cost of software packages primarily represents the cost of software packages and tools procured for our internal use. These packages and tools enhance the quality of our services. On both standalone and consolidated basis, the cost of software packages was 1.2% of the revenues which is the same as 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 major 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 years ending March 31, 2018 which is the same as the previous year. On a consolidated basis, the communication costs represent approximately 0.3% and 0.4% of revenues for the years ended March 31, 2018 and March 31, 2017, respectively.

On a standalone basis, the operating lease payments represent 0.3% of revenues for each of the years ended March 31, 2018 and March 31, 2017. On a consolidated basis, the operating lease payments represent approximately 0.5% and 0.4% of revenues for the years ended March 31, 2018 and March 31, 2017, respectively.

On a standalone basis, the provision for post-sales client support is ₹127 crore and ₹84 crore for the years ended March 31, 2018 and March 31, 2017, respectively. On a consolidated basis, the provision for post-sales client support was ₹142 crore and ₹80 crore for the years ended March 31, 2018 and March 31, 2017, respectively.

On a standalone basis, we provided ₹1,408 crore and ₹1,331 crore towards depreciation and amortization, representing 2.3% of total revenues each for the years ended March 31, 2018 and March 31, 2017.

On a consolidated basis, we provided ₹1,863 crore and ₹1,703 crore towards depreciation and amortization, representing 2.6% and 2.5% of total revenues, for the years ended March 31, 2018 and March 31, 2017, respectively.

On a standalone and consolidated basis, repairs and maintenance represent approximately 0.4% of the revenues which is the same as the previous year.

Gross profit

On a standalone basis, the gross profit during the year was ₹22,803 crore, representing 36.8% of revenues, compared to ₹22,232 crore, representing 37.5% of revenues in the previous year.

On a consolidated basis, the gross profit during the year was ₹25,392 crore, representing 36.0% of revenues, compared to ₹25,231 crore, representing 36.8% of revenues in the previous year.

Selling and marketing expenses

Selling and marketing expenses primarily comprise employee costs. On a standalone basis, we incurred selling and marketing expenses at 4.5% of our total revenues in the year ended March 31, 2018, compared to 4.6% of our total revenues in the year ended March 31, 2017. Selling and marketing expenses primarily comprise employee costs, travelling costs and branding and marketing costs. All other expenses, excluding employee costs, amounted to 1.0% of revenues during the year, which is the same as the previous year.

On a consolidated basis, we incurred selling and marketing expenses at 5.1% of our total revenues in the year ended March 31, 2018, as compared to 5.2% in the year ended March 31, 2017. All other expenses, excluding employee costs, amounted to 1.2% and 1.3% of our total revenues in the years ended March 31, 2018 and March 31, 2017, respectively.

Sales and marketing expenses as a percentage of revenue has marginally declined in fiscal 2018 as compared to fiscal 2017.

General and administration expenses

On a standalone basis, our general and administration expenses amounted to 5.7% of our total revenues in the current year and 6.1% in previous year. All other expenses, excluding employee costs, were 4.1% of revenues during the year, as compared to 4.4% 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 and 6.9% in the previous year. All other expenses, excluding employee costs, were 4.5% of revenues during the year, as compared to 4.8% during the previous year.

General and administration expenses as a percentage of revenues has marginally reduced in fiscal 2018 as compared to fiscal 2017.

The increase in consultancy and professional charges was partially offset by reduction in repairs cost and reduction in impairment losses recognized on financial assets. The decrease in repairs and maintenance cost was primarily on account of cost optimization initiatives taken by the Company. The increase in consultancy and professional charges is due to appointment of professional agencies for legal matters, hiring in the US, fees for strategic initiatives, including buyback. The employee benefit costs as a percentage of revenue has remained constant in fiscal 2018 and fiscal 2017.

Corporate social responsibility

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 Corporate Social Responsibility (CSR) activities. The areas for CSR activities are eradication of hunger and malnutrition, promoting education, art and culture, healthcare, destitute care and rehabilitation, environment 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 Companies Act, 2013.

a) Gross amount required to be spent by the Company during the year is ₹310 crore.

b) Amount spent during the year on:

in ₹ crore

Particulars	In cash	Yet to be paid in cash	Total
1. Construction / acquisition of any asset	171	–	171
2. On purposes other than (1) above	142	–	142

3. Operating profits

During the year, on a standalone basis, we earned an operating profit of ₹16,478 crore, representing 26.6% of total revenues, compared to ₹15,876 crore, representing 26.8% of total revenues, during the previous year.

During the year, on a consolidated basis, we earned an operating profit of ₹17,148 crore, representing 24.3% of total revenues, compared to ₹16,901 crore, representing 24.7% 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 partially offset by a decrease in selling and marketing expenses, and general and administration expenses.

4. Other income, net

The following table sets forth our other income for fiscals 2018 and 2017:

in ₹ crore

Particulars	Standalone			Consolidated		
	2018	2017	% change	2018	2017	% change
Other income	4,019	3,062	31.3	3,193	3,080	3.7

On a standalone basis, other income for fiscal 2018 primarily includes income from investments of ₹2,550 crore and 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.

Other income includes ₹257 crore and ₹262 crore for the year ended March 31, 2018 in the standalone and consolidated financial statements of the Company, respectively, towards interest on income tax refund.

During the year ended March 31, 2018, 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.

During the current year, Infosys Nova Holding LLC, a wholly-owned subsidiary of Infosys Limited has written down the entire carrying value of its investment in its associate DWA Nova LLC. Consequently, Infosys has written down the entire carrying value of the investment in its subsidiary Infosys Nova Holdings LLC, amounting to ₹94 crore on standalone basis.

Other income for fiscal 2017 primarily includes income from investments of ₹2,664 crore and a foreign exchange gain of ₹551 crore on forward and options contracts and a foreign exchange loss of ₹324 crore on translation of other assets and liabilities.

On a consolidated basis, other income for fiscal 2018 primarily includes 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.

Other income for fiscal 2017 primarily includes income from investments of ₹2,699 crore and a foreign exchange gain of ₹591 crore on forward and options contracts and a foreign exchange loss of ₹359 crore on translation of other assets and liabilities.

Interest income in fiscal 2018 has declined as compared to fiscal 2017 primarily due to the softening of interest rates in India and decrease in investable base on account of Capital Allocation Policy of the Company.

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

The composition of currency-wise revenues for the years ended March 31, 2018 and March 31, 2017 was as follows:

in %

Currency	Standalone		Consolidated	
	2018	2017	2018	2017
US Dollar (USD)	69.7	71.9	67.7	69.6
UK Pound Sterling (GBP)	5.5	6.1	5.3	5.8
Euro (EUR)	10.6	9.0	11.3	9.6
Australian Dollar (AUD)	8.1	7.7	7.8	7.3
Others	6.1	5.3	7.9	7.7
Total	100.0	100.0	100.0	100.0

5. Assets held for sale

In the quarter ended March 2018, on conclusion of a strategic review of the portfolio businesses, the Company initiated identification and evaluation of potential buyers for its subsidiaries, Kallidus and Skava (together referred to as 'Skava') and Panaya (collectively referred to as the 'disposal group'). The Company anticipates completion of the sale by March 2019 and accordingly, assets amounting to ₹2,060 crore and liabilities amounting to ₹324 crore in respect of the disposal group have been reclassified under 'held for sale'. On reclassification, the disposal group has been measured at the lower of carrying amount and fair value less cost to sell and consequently, an impairment loss of ₹118 crore in respect of Panaya has been recognized in the consolidated Statement of Profit and Loss under other income for the year ended March 31, 2018.

In the standalone financial statements of the Company, investments amounting to ₹1,525 crore in respect of these subsidiaries have been reclassified under 'held for sale'. On reclassification, these investments have been measured at the lower of carrying amount and fair value less cost to sell and consequently, an impairment loss of ₹589 crore in respect of Panaya has been recognized in the standalone Statement of Profit and Loss for the year ended March 31, 2018.

6. Sensitivity to rupee movement

On a standalone basis, for each of the years ended March 31, 2018 and March 31, 2017, 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 0.52%. On a consolidated basis, it had an impact of 0.50% in each of the current and previous years.

7. Share in profit / loss of associate including impairment

On a consolidated basis, share in net loss of associate including impairment for the current year includes an impairment loss of ₹71 crore on investment in DWA Nova LLC. During the current year, Infosys Nova Holding LLC has written down the entire carrying value of its investment in its associate DWA Nova LLC. DWA Nova LLC has been since liquidated.

During the previous year, the share in net loss of associate was ₹12 crore and impairment loss was ₹18 crore on investment in DWA Nova LLC.

8. Provision for tax

We have provided for our tax liability both in India and overseas. The applicable Indian corporate statutory tax rate for both the years ended March 31, 2018 and March 31, 2017 is 34.61%.

In India, we have benefitted from certain tax incentives that the Company has provided for the export of software from units registered under 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 Special Economic Zone 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 ₹2,008 crore on a standalone basis and ₹2,068 crore on a consolidated basis for the year ended March 31, 2018, and ₹1,915 crore on a standalone basis and ₹1,982 crore on a consolidated basis for the year ended March 31, 2017.

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Income tax expense (in ₹ crore)	3,753	5,120	4,241	5,598
Effective tax rate (in %)	18.9	27.0	20.9	28.0

On a standalone basis, the effective tax rate (based on profit before tax) decreased to 18.9% in fiscal 2018, as compared to 27.0% in fiscal 2017. On a consolidated basis, the effective tax rate for fiscal 2018 and fiscal 2017 was 20.9% and 28.0%, 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 other tax deductions. The decrease in effective tax rate from fiscal 2018 to fiscal 2017 was mainly due to reversal of income tax expense on account of Advanced Pricing Agreement (APA), decrease in taxes on account of changes in US federal tax reforms, increase in other tax reversals (net), partially offset by increase in tax expense on account of dividend distribution tax pertaining to subsidiaries.

The Company has concluded an APA with the US Internal Revenue Service (IRS) for the US branch covering the years ending March 2011 to March 2021. Under the APA, the Company and the IRS have agreed on the methodology to allocate revenues and compute the taxable income of the Company's US branch operations. The Company expects the APA will enhance predictability of the Company's tax obligation in respect of its US operations. Accordingly the Company has reversed income tax expense provision of ₹1,432 crore (US$ 225 million) which pertains to previous periods. Consequently, profits for fiscal 2018 have increased and therefore led to an increase in basic earnings per share of ₹ 5.85 per share and ₹ 5.88 per share on a standalone and consolidated basis, respectively, for the year ended March 31, 2018. In line with the APA, the Company has to pay an amount of approximately ₹1,488 crore (US$ 233 million) due to the difference between the taxes payable for prior periods as per the APA and the actual taxes paid for such periods. The Company has paid ₹479 crore (US$ 74 million) during the three months ended March 31, 2018, and the balance amount is expected to be paid over the next few quarters.

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. The impact of US tax reforms is expected to be not significant for future periods.

During the current year, on a consolidated basis, the tax expense includes reversal of provisions of ₹296 crore made in earlier periods, which is primarily offset by an additional tax provision of ₹5 crore pertaining to prior periods. For the previous year, the tax reversals comprise a reversal of provisions of ₹354 crore made in earlier periods, partially offset by an additional tax provision of ₹202 crore pertaining to prior periods.

During the current year, on a standalone basis, the tax expense includes reversal of provisions of ₹241 crore made in earlier periods, which is partially offset by an additional tax provision of ₹1 crore pertaining to prior periods. For the previous year, the tax reversals comprise a reversal of provisions of ₹353 crore made in earlier periods, partially offset by an additional tax provision of ₹135 crore pertaining to prior periods.

These reversals/ additional provision are primarily due to the completion of audits and assessments in certain jurisdictions.

During the year, we have received 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 have 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 consolidated and standalone financial statements in the Annual Report for disclosures on claims against the Company not acknowledged as debts.

9. Net profit after tax

On a standalone basis, our net profit increased by 16.9% to ₹16,155 crore for the year ended March 31, 2018 from ₹13,818 crore in the previous year. This represents 26.1% and 23.3% of total revenue for the years ended March 31, 2018 and March 31, 2017, respectively.

On a consolidated basis, our net profit increased by 11.7% to ₹16,029 crore for the year ended March 31, 2018 from ₹14,353 crore in the previous year. This represents 22.7% and 21.0% of total revenue for the years ended March 31, 2018 and March 31, 2017, respectively.

The increase in net profit as a percentage of revenue for fiscal 2018 as compared to fiscal 2017 was primarily attributable to a reduction of 24.2% in tax expense and increase in other income of 3.7% partially offset by a decrease in operating profit as a percentage of revenue.

During the quarter ended December 31, 2017, on account of the conclusion of an APA with the US IRS, the Company has, in accordance with the APA, reversed income tax expense provision of US$ 225 million (₹1,432 crore) which pertains to previous periods which are no longer required.

10. Earnings per share (EPS)

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

Particulars	Standalone			Consolidated		
	2018 (₹)	2017 (₹)	% increase	2018 (₹)	2017 (₹)	% increase
Basic	71.28	60.16	18.5	71.07	62.80	13.2
Diluted	71.25	60.15	18.5	71.00	62.77	13.1

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

Particulars	Standalone		Consolidated	
	2018	2017	2018	2017
Basic	226,63,43,802	229,69,44,664	225,53,32,322	228,56,39,447
Diluted	226,73,92,621	229,71,59,670	225,75,73,870	228,63,96,745

During the quarter ended December 31, 2017, on account of the conclusion of an APA with the US IRS, the Company has, in accordance with the APA, reversed income tax expense provision of US$ 225 million (₹1,432 crore) which pertains to previous periods which are no longer required. Consequently, profit for the year ended March 31, 2018 has increased, resulting in an increase in basic earnings per equity share by ₹5.88 per share on a consolidated basis and ₹5.85 per share on a standalone basis for the year ended March 31, 2018.

11. Segmental profitability

The Group's operations predominantly relate to providing end-to-end business solutions to enable clients to enhance business performance. Based on the 'management approach' as defined in Ind AS 108, the Chief Operating Decision Maker (CODM) evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments. Accordingly, information has been presented along both business segments and geographic segments. Business segments of the Group are primarily enterprises in Financial Services (FS), Manufacturing (MFG), Retail, Consumer packaged goods and Logistics (RCL), Energy & utilities, Communications and Services (ECS), Hi-tech (Hi-Tech), Life Sciences, Healthcare and Insurance (HILIFE) and all other segments. Geographic segmentation is based on business sourced from that geographic region and delivered from both onsite and offshore locations. North America comprises the United States of America, Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the United Kingdom, and the Rest of the World comprising all other places except those mentioned above and India.

Business segments – standalone

in ₹ crore

Particulars	FS	MFG	ECS	RCL	HILIFE	Hi-Tech	All other segments	Total
Segmental revenues								
2018	15,860	6,485	15,457	10,247	7,825	4,782	1,285	61,941
2017	15,735	6,086	13,999	10,280	7,065	4,901	1,223	59,289
Growth %	0.8	6.6	10.4	(0.3)	10.8	(2.4)	5.1	4.5
Segmental operating income								
2018	4,268	1,741	4,591	3,200	2,405	1,299	384	17,888
2017	4,291	1,770	4,355	3,159	2,089	1,354	199	17,217
Growth %	(0.5)	(1.6)	5.4	1.3	15.2	(4.1)	93.4	3.9
Segmental operating income (%)								
2018	26.9	26.9	29.7	31.2	30.8	27.2	29.9	28.9
2017	27.3	29.1	31.1	30.7	29.6	27.6	16.2	29.0

Geographical segments – standalone

in ₹ crore

Particulars	North America	Europe	India	Rest of the World	Total
Segmental revenues					
2018	38,984	14,426	1,861	6,670	61,941
2017	38,578	13,019	1,798	5,894	59,289
Growth %	1.1	10.8	3.5	13.1	4.5
Segmental operating income					
2018	10,884	4,011	864	2,129	17,888
2017	10,762	3,832	667	1,956	17,217
Growth %	1.1	4.7	29.6	8.8	3.9
Segmental operating income (%)					
2018	27.9	27.8	46.4	31.9	28.9
2017	27.9	29.4	37.1	33.2	29.0

Business segments – consolidated

in ₹ crore

Particulars	FS	MFG	ECS	RCL	HILIFE	Hi-Tech	All other segments	Total
Segmental revenues								
2018	18,638	7,699	16,757	11,104	9,271	5,047	2,006	70,522
2017	18,555	7,507	15,430	11,225	8,437	5,122	2,208	68,484
Growth %	0.4	2.6	8.6	(1.1)	9.9	(1.4)	(9.2)	3.0
Segmental operating income								
2018	5,207	1,819	4,550	3,249	2,575	1,224	389	19,013
2017	5,209	1,848	4,431	3,249	2,308	1,277	292	18,614
Growth %	0.0	(1.6)	2.7	0.0	11.5	(4.1)	33.1	2.1
Segmental operating income (%)								
2018	27.9	23.6	27.1	29.3	27.8	24.3	19.4	27.0
2017	28.1	24.6	28.7	28.9	27.4	24.9	13.2	27.2

Geographical segments – consolidated

in ₹ crore

Particulars	North America	Europe	India	Rest of the World	Total
Segmental revenues					
2018	42,575	16,738	2,231	8,978	70,522
2017	42,408	15,392	2,180	8,504	68,484
Growth %	0.4	8.7	2.4	5.6	3.0
Segmental operating income					
2018	10,846	4,425	899	2,843	19,013
2017	10,991	4,150	736	2,737	18,614
Growth %	(1.3)	6.6	22.0	3.9	2.1

Particulars	North America	Europe	India	Rest of the World	Total
Segmental operating income (%)					
2018	25.5	26.4	40.3	31.7	27.0
2017	25.9	27.0	33.8	32.2	27.2

Overall segment profitability has marginally declined primarily on account of :

- Adverse currency impact of rupee appreciation, compensation increases and higher variable payouts
- Partially offset by cross-currency benefit, improved operational parameters – higher utilization, benefits on account of automation, lower onsite mix and optimization of general and administration costs etc.

12. 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.

On a standalone basis, the net cash generated from our operations was ₹ 12,475 crore and ₹ 10,478 crore for the years ended March 31, 2018 and March 31, 2017, respectively. Net cash flow from investing activities was ₹ 5,684 crore for the year ended March 31, 2018, while net cash used in investing activities was ₹ 13,494 crore for the year ended March 31, 2017. Net cash used in financing activities was ₹ 20,536 crore and ₹ 6,968 crore for the years ended March 31, 2018 and March 31, 2017, respectively.

On a consolidated basis, the net cash generated from our operations was ₹ 13,218 crore and ₹ 11,531 crore for the years ended March 31, 2018 and March 31, 2017, respectively. Net cash flow from investing activities was ₹ 4,452 crore for the year ended March 31, 2018, while net cash used in investing activities was ₹ 14,542 crore for the year ended March 31, 2017. Net cash used in financing activities was ₹ 20,505 crore and ₹ 6,939 crore for the years ended March 31, 2018 and March 31, 2017, respectively.

Our cash flows are robust and our operating cash flows have increased from ₹ 11,531 crore in fiscal 2017 to ₹ 13,218 crore in fiscal 2018.

Capital allocation policy

The Board, at its meeting on April 13, 2018, reviewed and approved the Capital Allocation Policy of the Company after taking into consideration the strategic and operational cash requirements of the Company in the medium term. The key aspects of the Capital Allocation Policy are :

i. The Board has decided to retain the current policy of returning up to 70% of the free cash flow of the corresponding fiscal in such manner, as may be decided by the Board from time-to-time, subject to applicable laws and requisite approvals, if any. Free cash flow is defined as net cash provided by operating activities less capital expenditure as per the consolidated statement of cash flows prepared under IFRS. Dividend payout includes Dividend Distribution Tax (DDT).

ii. In addition to the above, out of the cash on the Balance Sheet, the Board has identified an amount of up to ₹ 13,000 crore (US$ 2 billion[(1)]) to be paid to shareholders in the following manner :

a) A special dividend of ₹ 10 per share ($0.15 per ADR[(1)]) resulting in a payout of approximately ₹ 2,600 crore (approximately US$ 400 million[(1)]) in June 2018

b) Identified an amount of up to approximately ₹ 10,400 crore (approximately US$ 1,600 million[(1)]) to be paid out to shareholders for the fiscal 2019, in such a manner, to be decided by the Board, subject to applicable laws and requisite approvals, if any.

(1) USD / INR exchange rate at 65.00

13. Related party transactions

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

14. Events occurring after Balance Sheet date

There were no significant events that occurred after the Balance Sheet date. Refer to 'Material changes and commitments affecting financial position between the end of the fiscal and date of the report' in *Board's report* for the Capital Allocation Policy, appointment of lead independent director and proposed acquisition of Wongdoody.

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 over three 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:

Agile Digital at scale : Build new enterprise-wide capability that delivers new levels of business performance at one end and customer delight at the other

AI-powered core : A foundation of fully-automated processes and systems along with the vital insights to prioritize execution of change

Always-on learning : Drive continuous improvement by building and transferring digital skills and expertise along with ideas from a cross-section of industries and innovation ecosystems.

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
- Re-skill 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 technologies 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 :

- 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.
- A large part of our revenues are dependent on our top clients, and the loss of any one of our major clients could significantly impact our business.
- 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 share of business from clients 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.

- 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.
- 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 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.
- 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 cyber security incidents.
- 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 manmade 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, European Union and Australia, has led and may in the future lead to the enactment of restrictive legislations that could limit companies in those countries from outsourcing work to us, or could inhibit our ability to staff client projects in a timely manner thereby impacting our revenue and profitability.
- 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.
- New and changing 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 or may not be successful 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.
- 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 buy-back 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 services enable us to attract and retain some of the best talent.

Human capital

Our employees 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, 2018, the Group employed 2,04,107 employees, of which 1,92,179 were professionals involved in service delivery to the clients, including trainees. During fiscal 2018, we added 3,743 new hires, net of attrition. The key aspects of our HR practice include recruitment, training and development, and compensation.

Recruitment

We have built our global talent pool by recruiting new students from premier universities, colleges and institutes in India, 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 2018, we received 15,40,498 employment applications, interviewed 1,43,872 applicants and extended offers of employment to 52,943 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.

As part of our Foundation Program, we enhanced some of the existing courses and introduced new courses on Infosys Learning Platform (ILP). ILP was launched in the previous year, and we started reaping benefits in the form of enhanced learning among our fresh hires.

Our continuous education programs emphasize enhancing the relevance and effectiveness of learning. This year, we have enhanced hands-on-based assessments, and many courses have been launched on ILP for our existing employees, which resulted in enhanced reach of our enablement programs across the organization. We also enhanced Digital Tutor which enables sharing of experiential knowledge in video format. All these changes were incorporated to create a unique experience for learners at Infosys.

Compensation

Our technology professionals receive competitive salaries and benefits. We have also adopted a variable compensation program which 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 mid-level managers.