

Financial Capital



	(₹ in millions except earnings per share data)		
Consolidated results	FY2020	FY2021	YoY Change
Revenues ¹	613,401	622,425	1.5%
Cost of revenues	(436,085)	(423,205)	(3.0)%
Gross profit	177,316	199,220	12.4%
Selling and marketing expenses	(42,907)	(41,400)	(3.5)%
General and administrative expenses	(29,823)	(34,686)	16.3%
Other Operating Income ²	1,144	(81)	(107.1)%
Operating Income	105,730	123,053	16.4%
Finance Expenses	(7,328)	(5,088)	(30.6)%
Finance and Other Income	24,081	20,912	(13.2)%
Income Taxes	(24,799)	(30,345)	22.4%
Profit attributable to equity holders	97,218	107,946	11.0%
As a Percentage of Revenue			
Gross Margin ³	28.9%	32.0%	3.2%
Selling and marketing expenses	7.0%	6.7%	(0.3)%
General and administrative expenses	4.9%	5.6%	0.7%
Operating Margin ³	17.2%	19.8%	2.6%
Earnings per share-Basic (₹) ⁴	16.67	19.11	14.6%
Earnings per share-Diluted (₹) ⁴	16.62	19.07	14.7%

- For segment reporting, we have included the impact of exchange rate fluctuations in revenue. Excluding the impact of exchange rate fluctuations, revenue, as reported in our statements of income, is ₹610,232 and ₹619,430 million for the years ended March 31, 2020 and 2021, respectively
- Other operating income represents: (i) For the year ended March 31, 2020, (a) change in fair value of the callable units upon partial achievement of business targets pertaining to sale of data center business, and (b) gain on sale of assets pertaining to Workday business and Cornerstone OnDemand business in Portugal, France and Sweden. (ii) For the year ended March 31, 2021, change in fair value of the callable units upon partial achievement of cumulative business targets pertaining to sale of our hosted data center services business
- Gross margin and operating margin as a percentage of revenue for year have been calculated by including Other Operating Income with Revenue
- In FY 2020-21, EPS growth is higher than Net profit growth largely due to reduction in number of equity shares due to completion of buyback

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Results of operations for the years ended March 31, 2021 and 2020

Revenue

Our revenue increased by 1.5%. Our IT Services segment revenue increased by 2.0%. The revenue of all SMUs, except for Americas 2, grew during the year, with growth led by Europe and APMEA. The growth in these SMUs was led by a surge in demand for IT services by our customers, a ramp up of our new deal wins and depreciation of the Indian Rupee against foreign currencies, including the Euro, Pound Sterling and Australian Dollar. The decline in revenues from Americas 2 was primarily due to reduction in revenue from the banking, financial services and insurance sector and manufacturing sector.

Revenue of the IT Products segment declined by 34.1%, which was primarily due to our focus on providing IT products as a complement to our IT services offerings, rather than selling standalone IT products, as well as our change in strategy to focus on consulting and digital engagements with ISRE clients rather than SI engagements.

Revenue of the ISRE segment increased by 12.1%, which was primarily due to improved execution of SI deals during the year ended March 31, 2021.

Profitability

In absolute terms, cost of revenues decreased by 3.0%, primarily because of decrease in travel costs due to the COVID-19 pandemic, and lower subcontracting costs due to the Company's cost efficiency efforts. Improvement in key operational parameters and higher offshoring also contributed to this increase. This was partially offset by an increase in employee compensation due to the impact of salary increases and increase in headcount, and depreciation of the Indian Rupee against foreign currencies, including the Euro, Pound Sterling and Australian Dollar. As a result of the foregoing factors, our gross profit as a percentage of our total revenue increased by 316 basis points ("bps").

Selling and Marketing expenses

Our selling and marketing expenses as a percentage of total revenue decreased from 7.0% for the year ended March 31, 2020 to 6.7% for the year ended March 31, 2021. In absolute terms, selling and marketing expenses decreased by 3.5% primarily because of decrease in travel costs and marketing and brand building costs due to the COVID-19 pandemic. This was partially offset by an increase in depreciation, amortization and impairment, due to an impairment charge of ₹2,418 million on certain intangibles assets recognized on acquisitions.

General and Administrative expenses

Our general and administrative expenses as a percentage of revenue increased from 4.9% for the year ended March 31, 2020 to 5.6% for the year ended March 31, 2021. In absolute terms, general and administrative expenses increased by 16.3%, primarily due to increase in communication cost, rates, taxes and insurance costs and contributions towards COVID-19, included under "Others" in the year ended March 31, 2021. These increases have been partially offset by the decrease in travel costs due to the COVID-19 pandemic in the year ended March 31, 2021 as compared to the year ended March 31, 2020.

Finance expenses

Our finance expenses decreased from ₹7,328 million for the year ended March 31, 2020 to ₹5,088 million for the year ended March 31, 2021. Reduction in exchange fluctuation expense due to repayment of foreign currency loans and reduction in interest rates during the year ended March 31, 2021, primarily resulted in lower finance expense.

Other Operating income

During the year ended March 31, 2021, we recorded ₹(81) million towards change in fair value of the callable units upon partial achievement of cumulative business targets pertaining to the sale of our hosted data center services business.

During the year ended March 31, 2020, we recorded (a) ₹992 million toward change in fair value of the

callable units upon partial achievement of first and second year's business targets pertaining to the sale of our hosted data center business, and (b) ₹152 million toward gain on sale of assets pertaining to the divestment of the Workday and Cornerstone OnDemand business in Portugal, France and Sweden.

As a result of the foregoing factors, our operating income increased by 16.4%, from ₹105,730 million for the year ended March 31, 2020 to ₹123,053 million for the year ended March 31, 2021. As a result of the above, our results from operating activities as a percentage of revenue (operating margin) increased by 257 bps from 17.2% to 19.8%.

Finance and Other income

Our finance and other income decreased from ₹24,081 million for the year ended March 31, 2020 to ₹20,912 million for the year ended March 31, 2021. The decrease is primarily due to decrease in interest income by ₹3,322 million during the year ended March 31, 2021 compared to the year ended March 31, 2020.

Income taxes

Our income taxes increased by ₹5,546 million from ₹24,799 million for the year ended March 31, 2020 to ₹30,345 million for the year ended March 31, 2021. Our effective tax rate has increased from 20.2% for the year ended March 31, 2020 to 21.8% for the year ended March 31, 2021. This increase is primarily due to reduction in special economic zone tax benefits in India.

Profit attributable to non-controlling interest

Our profit attributable to non-controlling interest has increased from ₹495 million for the year ended March 31, 2020 to ₹716 million for the year ended March 31, 2021.

As a result of the foregoing factors, our profit attributable to equity holders increased by ₹10,728 million or 11.0%, from ₹97,218 million for the year ended March 31, 2020 to ₹107,946 million for the year ended March 31, 2021.

IT Services Financials

	(₹ in millions)		
IT Services	FY2020	FY2021	YoY Change
Revenues ¹	593,798	605,815	2.0%
Gross Profit	178,794	197,404	10.4%
Selling and Marketing expenses	(42,418)	(40,985)	(3.4)%
General and administrative expenses	(29,847)	(33,488)	12.2%
Other Operating Income	1,144	(81)	(107.1)%
Operating Income ²	107,673	122,850	14.1%
As a Percentage of Revenue			
Gross Margin ³	30.1%	32.6%	2.5%
Selling and marketing expenses	7.1%	6.8%	(0.4)%
General and administrative expenses	5.0%	5.5%	0.5%
Operating Margin ³	18.1%	20.3%	2.2%

1 For the purpose of segment reporting, we have included the impact of exchange rate fluctuations amounting to ₹3,232 million and ₹2,955 for the years ended March 31, 2020 and 2021, respectively, in revenue

2 Includes Other operating income, which is being included to present the effect in the year ended March 31, 2020, the Company's concluding the sale of assets pertaining to the Workday business and Cornerstone OnDemand business in Portugal, France and Sweden and the recognized change in fair value of the callable units upon partial achievement of business targets pertaining to sale of our hosted data center business and, in the year ended March 31, 2021, the recognized change in fair value of the callable units upon partial achievement of cumulative business targets pertaining to sale of our hosted data center services business

3 Gross margin and operating margin as a percentage of revenue have been calculated by including Other Operating Income with Segment Revenue

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Results of operations for the years ended March 31, 2021 and 2020

IT Services

The IT Services segment revenue increased by 2.0% in the year ended March 31, 2021 compared to our revenue in the year ended March 31, 2020. The revenue of all SMUs, except for Americas 2, grew during the year, led by Europe and APMEA. The growth in these SMUs was a result of execution of large deals and acquisitions, as well as depreciation of the Indian Rupee against foreign currencies, including Euro, Pound Sterling and Australian Dollar. The decline in revenues from Americas 2 was primarily due to reduction in revenue in the banking, financial services and insurance sector and manufacturing sector.

Our gross profit as a percentage of our revenue from our IT Services segment increased by 254 bps, primarily because of decrease in travel costs and subcontracting costs due to the COVID-19 pandemic and the Company's cost efficiency efforts. This was partially offset by an increase in employee compensation due to the impact of salary increases and increase in headcount and an increase in depreciation, amortization and impairment cost.

Selling and marketing expenses as a percentage of revenue from our IT Services segment decreased from 7.1% for the year ended March 31, 2020 to 6.8% for the year ended March 31, 2021. In absolute terms, selling and marketing expenses decreased by ₹1,433 million primarily because of decrease in travel costs and marketing and brand building costs. This was partially offset by an increase in depreciation, amortization and impairment, due to an impairment charge on certain intangibles assets recognized on acquisitions.

General and administrative expenses as a percentage of revenue from our IT Services segment increased from 5.0% for the year ended March 31, 2020 to 5.5% for the year ended March 31, 2021. In absolute terms, general and administrative expenses increased by ₹3,641 million, primarily due to increase in an increase in employee compensation due to the impact of salary increases and increase in headcount, communication cost and rates, taxes and insurance costs.

During the year ended March 31, 2021, we recorded ₹(81) million towards change in fair value of the callable units upon partial achievement of cumulative business targets pertaining to the sale of our hosted data center services business.

As a result of the above, segment results as a percentage of our revenue from our IT Services segment increased by 218 bps, from 18.1% to 20.3%. In absolute terms, the segment results of our IT Services segment increased by 14.1%.

In response to COVID-19, we are focusing on various cost optimization initiatives, including:

1. Re-skilling and re-deployment of our workforce from our existing pool of talent, and new hiring will be done only for business-critical reasons; and
2. Optimization of costs relating to travel, facilities and other discretionary spends like marketing events

Performance against guidance

Historically, we have followed a practice of providing constant currency revenue guidance for our largest business segment, namely, IT Services in dollar terms. The guidance is provided at the release of every quarterly earnings when revenue outlook for the succeeding quarter is shared. The following table presents the performance of IT Services Revenue against outlook previously communicated for the eight quarters of FY 2021 and FY 2020. Our revenue performance two the quarters of FY 2021 and all quarters of FY 2020 has been within the guidance range.

Guided Outlook versus Actuals

(Figures in \$ million)

Quarter ending	Guidance	Achievement in guided currency	Reported currency revenue
March 2021	2,102-2,143	2,132.9	2,152.4
December 2020	2,022-2,062	2,058.1	2,070.8
September 2020	-	-	1,992.4
June 2020	-	-	1,921.0
March 2020	2,095-2,137	2,104.1	2,072.8
December 2019	2,065-2,106	2,085.7	2,094.8
September 2019	2,039-2,080	2,061.0	2,048.9
June 2019	2,046-2,087	2,061.0	2,038.8

Sector-wise performance

(Figures in \$ millions except otherwise stated)

Sector	Revenue FY20	Revenue FY21	Growth YoY% in reported currency	Growth YoY% in constant currency
BFSI	2,563	2,501	(2.4)%	(3.0)%
CBU	1,346	1,334	(0.9)%	(1.3)%
COMM	470	419	(10.8)%	(12.5)%
ENU	1,062	1,064	0.2%	(2.4)%
Health BU	1,088	1,099	1.0%	0.7%
MFG	669	662	(1.1)%	(2.1)%
TECH	1,054	1,057	0.2%	(0.2)%
Total	8,253	8,136	(1.4)%	(2.3)%

Strategic Market Unit wise performance

(Figures in \$ million)

	Revenue FY20	Revenue FY21
Americas 1	2,447	2,391
Americas 2	2,523	2,416
Europe	2,188	2,222
APMEA	1,095	1,107
Total	8,253	8,136

IT Products

(Figures in ₹ million except otherwise stated)

	FY2020	FY2021
Revenues ¹	11,657	7,685
Gross Profit	79	220
Selling and Marketing expenses	(274)	(109)
General and administrative expenses	(128)	(66)
Operating Income	(323)	45
As a Percentage of Revenue		
Gross Margin	0.7%	2.9%
Selling and marketing expenses	2.4%	1.4%
General and administrative expenses	1.1%	0.9%
Operating Margin	(2.8)%	0.6%

¹ For the purpose of segment reporting, we have included the impact of exchange rate fluctuations amounting to ₹(26) million and ₹20 million for the years ended March 31, 2020 and 2021, respectively, in revenue

Our revenue from the IT Products segment decreased by 34.1% in the year ended March 31, 2021 compared to our revenue in the year ended March 31, 2020. The decline was primarily due to our focus on providing IT products as a complement to our IT services offerings rather than sell standalone IT products, and our adoption of a more selective approach in bidding for SI engagements.

Our gross profit as a percentage of our IT Products segment revenue increased by 218 bps, primarily because of decrease in cost of hardware and software.

Selling and marketing expenses as a percentage of revenue from our IT Products segment decreased from 2.4% for the year ended March 31, 2020 to 1.4% for the year ended March 31, 2021. In absolute terms, selling and marketing expenses decreased by ₹165 million.

General and administrative expenses as a percentage of revenue from our IT Products segment decreased from 1.1% for the year ended March 31, 2020 to 0.9% for the year ended March 31, 2021. In absolute terms, general and administrative expenses decreased by ₹62 million primarily on account of decrease in lifetime expected credit loss.

As a result of the above, in absolute terms, segment results of our IT Products segment recorded a profit of ₹45 million for the year ended March 31, 2021 as compared to segment loss of ₹323 million for the year ended March 31, 2020.

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ISRE

(Figures in ₹ million except otherwise stated)

ISRE	FY2020	FY2021
Revenues ¹	7,950	8,912
Gross Profit	(1,087)	1,630
Selling and Marketing expenses	(368)	(294)
General and administrative expenses	(394)	(275)
Operating Income	(1,849)	1,061
As a Percentage of Revenue		
Gross Margin	(13.7)%	18.3%
Selling and marketing expenses	4.6%	3.3%
General and administrative expenses	5.0%	3.1%
Operating Margin	(23.3)%	11.9%

1. For the purpose of segment reporting, we have included the impact of exchange rate fluctuations amounting to ₹(32) million and ₹5 million for the years ended March 31, 2020 and 2021, respectively, in revenue

Our revenue from the ISRE segment increased by 12.1% in the year ended March 31, 2021 compared to our revenue in the year ended March 31, 2020, primarily due to large SI deals executed during the year ended March 31, 2021.

Our gross profit as a percentage of our ISRE segment revenue increased from (13.7)% for the year ended March 31, 2020 to 18.3% for the year ended March 31, 2021, primarily due to decrease in subcontracting costs by ₹1,569 million and led by Company's cost efficiency efforts.

Selling and marketing expenses as a percentage of revenue from our ISRE segment decreased from 4.6% for the year ended March 31, 2020 to 3.3% for the year ended March 31, 2021. In absolute terms, selling and marketing expenses decreased by ₹74 million, primarily due to decrease in employee compensation.

General and administrative expenses as a percentage of revenue from our ISRE segment decreased from 5.0% for the year ended March 31, 2020 to 3.1% for the year ended March 31, 2021. In absolute terms, general and administrative expenses decreased by ₹119 million. This was primarily on account of decrease in lifetime expected credit loss.

As a result of the above, in absolute terms, segment results of our ISRE segment recorded a profit of ₹1,061 million for the year ended March 31, 2021 as compared to a loss of ₹1,849 million for the year ended March 31, 2020.

Resource Allocation Strategy

Net cash provided by/ (used in)	Year ended March 31 st			
	2019	2020	2021	YoY change
Operating activities	116,316	100,643	147,550	46,907
Investing activities	50,126	34,012	7,739	(26,273)
Financing activities	(49,369)	(150,998)	(128,840)	22,158
Net change in cash and cash equivalents	117,073	(16,343)	26,449	42,792
Effect of exchange rate changes on cash and cash equivalent	526	1,922	(890)	(2,812)
Cash and cash equivalent at the end of the period	158,525	144,104	169,663	25,559

As of March 31, 2021, we had cash and cash equivalent and short-term investments of ₹345,500 million. Cash and cash equivalent and short-term investments, net of total debt, was ₹262,168 million.

In addition, we have unutilized credit lines of ₹66,488 million. To utilize these lines of credit, we require the consent of the lender and compliance

with certain financial covenants. We have historically financed our working capital and capital expenditures through our operating cash flows and through bank debt, as required.

Cash generated by operating activities for the year ended March 31, 2021 increased by ₹46,907 million while profit for the year increased by ₹10,949 million during the same period. The increase in cash

generated by operating activities is primarily due to decreased working capital requirements. This was partially offset by an increase in income tax payments during the year ended March 31, 2021.

Cash generated from investing activities for the year ended March 31, 2021 was ₹7,739 million. The cash generated from sale of investments (net of purchases) amounted to ₹16,808 million. Cash utilized for the payment for business acquisitions amounted to ₹9,873 million. We purchased property, plant and equipment amounting to ₹19,577 million which was primarily driven by the growth strategy of the Company.

Cash used in financing activities for the year ended March 31, 2021 was ₹128,840 million as against ₹150,998 million for the year ended March 31, 2020. This is primarily on account of outflow for an equity share buyback (including tax on buyback) amounting to ₹116,644 million. Payment toward the dividend for the year ended March 31, 2021 amounted to ₹5,459 million. This was partially offset by increased net inflow from loans and borrowings amounting to ₹6,212 million. Dividends paid in the year ended March 31, 2021 represents interim (and final) dividend declared for the year ended March 31, 2021 amounting to ₹1 per share.

We maintain a debt/borrowing level that we have established through consideration of a number of factors including cash flow expectations, cash required for operations and investment plans. We continually monitor our funding requirements, and strategies are executed to maintain sufficient flexibility to access global funding sources, as needed.

As of March 31, 2021, we have deferred certain indirect tax liabilities and payroll related tax liabilities in certain countries, which are payable over a period of twelve months pursuant to COVID-19 relief measures enacted by the governments of the respective countries. We do not anticipate any liquidity challenges in paying these liabilities, even if such COVID-19 relief measures are withdrawn.

As discussed above, cash generated from operations is our primary source of liquidity. We believe that our cash and cash equivalents along with cash generated from operations will be sufficient to meet our working capital requirements as well as repayment obligations with respect to debt and borrowings. Our choices of sources of funding will be driven with the objective of maintaining an optimal capital structure.

As of March 31, 2021, we had contractual commitments of ₹7,490 million (\$102.4 million) related to capital expenditures on construction or expansion of software development facilities and ₹15,411 million (\$210.7 million) related to other purchase obligations. Plans to construct or expand our software development facilities are determined by our business requirements.

We will rely on funds generated from operations and external debt to fund potential acquisitions and shareholder returns. We expect that our cash and cash equivalents, investments in liquid and short-term mutual funds and the cash flows expected to be generated from our operations in the future will generally be sufficient to fund the growth aspirations, as applicable.

We completed our acquisition of CAPCO on April 29, 2021, and the payment of upfront cash consideration of ₹108,760 million was funded through bank borrowings and cash and cash equivalents.

In the normal course of business, we transfer certain accounts receivables and net investment in finance lease (financial assets) to banks on a non-recourse basis. The incremental impact of such transactions on our cash flow and liquidity for the years ended March 31, 2020 and 2021 is not material.

Our liquidity and capital requirements are affected by many factors, some of which are based on the normal ongoing operations of our businesses and some of which arise from uncertainties related to global economies and the markets that we target for our services, as well as uncertainties around COVID-19. We cannot be certain that additional financing, if needed, will be available on favorable terms, if at all.

As of March 31, 2020 and 2021, our cash and cash equivalents were primarily held in Indian Rupees, U.S. Dollars, Pound Sterling, Euros, Saudi Riyal, Omani Riyal, Japanese Yen and Australian Dollars.

Shareholders Return

We have always strived to enhance shareholder value for our investors. The Company's policy has been to provide regular, stable and consistent distribution of return. There is no change in our philosophy on shareholder return.

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Cash dividends

The cash dividend paid per equity share during the year ended March 31, 2020 was an interim dividend of ₹1, and the Board recommended the adoption of the interim dividend of ₹1 per equity share as the final dividend. The cash dividend paid per equity share during the year ended March 31, 2021 was an interim dividend of ₹1, and the Board recommended the adoption of the interim dividend of ₹1 per equity share as the final dividend.

Buyback of equity shares

During the year ended March 31, 2021, we concluded the buyback of 237,500,000 equity shares at a price of ₹400 (\$5.47) per equity share, as approved by the Board of Directors on October 13, 2020 and by our shareholders by resolution dated November 16, 2020 passed through postal ballot by electronic voting. This resulted in a total cash outflow of ₹116,445 million (\$1,592.1 million) including tax on buyback of ₹21,445 (\$293.2 million). As a result of the buyback, our share capital has reduced by ₹475 million (\$6.5 million).

Assessment of key risks

Global economic and Geopolitical risks

We derive approximately 59% of our IT Services segment revenue from the Americas (including the United States) and 27% of our IT Services segment revenue from Europe. Our business and financial performance is and will continue to be affected by economic conditions globally. Increased protectionism and the risk of global trade war, resulting in weaker global trade and economic activity could adversely affect our business. If the economy in the Americas or Europe continues to be volatile or uncertain or conditions in the global financial market deteriorate, pricing for our services may become less attractive and our clients located in these geographies may reduce or postpone their technology spending significantly. Reduction in spending on IT services may lower the demand for our services and negatively affect our revenues and profitability.

Taxation risks

Our profits for the period earned from providing services at client premises outside India are subject to tax in the country where we perform the work. Most of our taxes paid in countries other than India can be applied as a credit against our Indian tax liability to the extent that the same income is subject to taxation in India. Currently, we benefit from certain tax incentives under Indian tax laws. These tax incentives include a tax holiday from payment of Indian corporate income taxes for our businesses operating from specially designated Special Economic Zones (“SEZs”). Changes to these incentives and other exemptions we receive due to government policies can impact our financial performance.

Wage pressure

Our wage costs in India have historically been significantly lower than wage costs in the U.S. and Europe for comparably skilled professionals, and this has been one of our competitive advantages. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. We have historically experienced significant competition for employees from large multinational companies that have established and continue to establish offshore operations in India, as well as from companies within India. We may need to increase the levels of our employee compensation more rapidly than in the past to retain talent. Once the effective date is notified by the GoI, we may also experience increased costs in future years for employment and post-employment benefits in India as a result of the issuance of The Code on Social Security, 2020. Unless we are able to continue to increase the efficiency and productivity of our employees over the long term, wage increases may reduce our profit margins. Furthermore, any inability to increase the proportion of employees with less experience, or source talent from other low-cost locations, like Eastern Europe, China or Southeast Asia could also negatively affect our profits.

Risk management procedures

We manage market risk through a corporate treasury department, which evaluates and exercises independent control over the entire process of market risk management. Our corporate treasury department recommends risk management objectives and policies, which are approved by senior management and Audit Committee. The activities of this department include management of cash resources, implementing hedging strategies for foreign currency exposures, borrowing strategies, and ensuring compliance with market risk limits and policies.

Internal control systems and their adequacy

We have presence across multiple countries, and a large number of employees, suppliers and other partners collaborate to provide solutions to our customer needs. Robust internal controls and scalable processes are imperative to manage the global scale of operations. We have adopted policies and procedures for ensuring the orderly and efficient conduct of the business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

Key risks

Foreign currency risk

We operate internationally and a major portion of our business is transacted in several currencies, making us exposed to currency fluctuation.

Mitigation plan

- We evaluate our exchange rate exposure arising from these transactions and enter into foreign currency derivative instruments to mitigate such exposure.
- We follow established risk management policies, including the use of derivatives like foreign exchange forward/option contracts to hedge forecasted cash flows denominated in foreign currency.

Interest rate risk

Interest rate risk primarily arises from floating rate borrowing, including various revolving and other lines of credit.

Mitigation plan

- Our investments are primarily in short-term investments, which do not expose us to significant interest rate risk.
- Periodically, to manage our net exposure to interest rate risk relating to borrowings, we may enter into interest rate swap agreements, which allows us to exchange periodic payments based on a notional amount and agreed upon fixed and floating interest rates.

Credit risk

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed.

Mitigation plan

- We periodically assess the financial reliability of customers, considering the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable. Individual risk limits are set accordingly.
- No single customer accounted for more than 10% of the accounts receivable as of March 31, 2021 or for revenues for the year ended March 31, 2021.
- As per the policy, the total hedges shall be 45% to 100% of the next four quarters of inflows in addition to select long term contracts which are beyond one year in tenor. Our Hedge Book as on March 31, 2021 stood at \$3.2 billion dollars.

Counterparty risk

Counterparty risk encompasses issuer risk on marketable securities, settlement risk on derivative and money market contracts and credit risk on cash and time deposits.

Mitigation plan

- Issuer risk is minimized by only buying securities in India which are at least AA rated by Indian rating agencies.

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- Settlement and credit risk is reduced by the policy of entering transactions with counterparties that are usually banks or financial institutions with acceptable credit ratings.
- There are limits on credit exposure to any financial institution. The limits are regularly assessed and determined based upon credit analysis.

Liquidity risk

Liquidity risk is defined as the risk that we will not be able to settle or meet our obligations on time or at a reasonable price.

Mitigation plan

- Our corporate treasury department is responsible for liquidity and funding as well as settlement management.
- Processes and policies related to such risks are overseen by senior management. Management monitors the Company's net liquidity position through rolling forecasts on the basis of expected cash flows. As of March 31, 2021, our cash and cash equivalents are held with major banks and financial institutions.

Key Ratios

	FY 2020	FY 2021	YoY change	
Revenue in ₹ million (% terms)	613,401	622,425	1.5%	F
IT Services Operating Margin (% terms)	18.1%	20.3%	2.2%	F
Net Income Margin (% terms)	15.8%	17.3%	1.5%	F
Earnings per share in ₹ (% terms)	16.67	19.11	14.6%	F
Price Earnings Ratio (times) ¹	11.8	21.7	9.9	F
Return on Networth (% terms) ²	17.3%	19.4%	2.1%	F
Current Ratio (times)	2.4	2.3	(0.1)	A
Debtors Turnover (times)	5.5	6.3	0.8	F
Free Cash Flow as % of Net Income (% terms) ³	80.7%	119.3%	38.6%	F
Debt-equity (times)	0.1	0.2	0.1	A
Interest Coverage Ratio (times) ⁴	20.6	28.6	8.0	F

F - Favourable

A - Adverse

Reasons for significant changes:

- Price earnings ratio is computed as Market share price as on 31st March of respective years by Earnings per share. The increase in PE ratio reflects the share price increase by 111% at year end. Share price as on 31st March 2020 was lower due to the uncertainty and volatility caused in equity markets owing to the onset of pandemic.
- Return on Networth is computed as Net Profit by average Networth. The increase in the Net income from ₹97,218 million in FY 2020 to ₹107,946 million in FY 2021 has resulted in improvement of Return on Networth.
- Our Free Cash flow is computed as operating cash flow less net capital expenditure. Our operating cash flow was higher due to improved collection and higher profit during the year ended 31st March, 2021.
- Interest coverage ratio is computed as Operating profit by Interest expense. The increase in Operating profit from ₹105,730 in FY2020 to ₹123,053 in FY2021 and lower interest expense in FY2021 has resulted in improvement of the ratio.