Financial capital

Review of financial performance

(₹ in millions, except earnings per share data)

	Year ended March 31,		Year on Year change
Consolidated results	**FY2021**	**FY2022**	**2022-21**
Revenue [1]	622,425	795,289	**27.8%**
Cost of revenue	(423,205)	(555,872)	**31.3%**
Gross profit	199,220	239,417	**20.2%**
Selling and marketing expenses	(41,400)	(54,935)	**32.7%**
General and administrative expenses	(34,686)	(46,382)	**33.7%**
Other operating income/(loss), net [2]	(81)	2,186	**2798.8%**
Operating income	123,053	140,286	**14.0%**
Profit attributable to equity holders	107,946	122,191	**13.2%**
As a percentage of revenue:			
Gross margins [3]	32.0%	30.0%	**(199)bps**
Selling and marketing expenses	6.7%	6.9%	**26bps**
General and administrative expenses	5.6%	5.8%	**26bps**
Operating margin [3]	19.8%	17.6%	**(218)bps**
Earnings per share			
Basic	19.11	22.35	
Diluted	19.07	22.29	

1. 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 statement of income, is ₹ 619,430 million and ₹ 790,934 million for the years ended March 31, 2021 and 2022, respectively.
2. Other operating income represents: i) For the year ended March 31, 2021, 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. ii) For the year ended March 31, 2022, (a) ₹ 1,233 million towards change in fair value of callable units upon achievement of cumulative business targets pertaining to sale of our hosted data center services business, and (b) ₹ 953 million towards gain from the sale of Wipro's investment in Denim Group, which was accounted for using the equity method.
3. Gross margin and operating margin as a percentage of revenue have been calculated by including Other operating income/(loss), net with Revenue.

Results of operations for the years ended March 31, 2022

Revenue

Our revenue increased by 27.8%. Our IT Services segment revenue increased by 29.1%. The revenue for all SMUs grew during the year. The growth was led by a surge in demand for IT services by our customers, consummation of our acquisitions including Capco, a ramp up of our new deal wins and depreciation of the Indian Rupee against foreign currencies, including the USD, Pound Sterling, Australian Dollar and Canadian Dollar.

Revenue of the IT Products segment declined by 19.7%, 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 and our adoption of a more selective approach in bidding for SI engagements.

Revenue of the ISRE segment declined by 18.1%, which was primarily due to completion of certain large SI deals during the year ended March 31, 2021.

Cost of revenues

In absolute terms, cost of revenues increased by 31.3%, primarily due to an increase in employee compensation Owing to the impact of salary increases and increase in headcount, including through acquisitions, incremental sub-contracting costs incurred to fulfil vacant positions, increase in facility expenses due to partial return of our employees to offices, and depreciation of the Indian Rupee against foreign currencies, including the USD, Pound Sterling and Australian Dollar.

Selling and marketing expenses

Our selling and marketing expenses as a percentage of total revenue increased from 6.7% for the year ended March 31, 2021 to 6.9% for the year ended March 31, 2022. In absolute terms, selling and marketing expenses increased by 32.7%, primarily because of the increase in employee compensation due to the impact of salary increases and increase in sales headcount and incremental amortization of intangibles recognized on acquisitions consummated during the year ended March 31, 2022.

General and administrative expenses

Our general and administrative expenses as a percentage of revenue increased from 5.6% for the year ended March 31, 2021 to 5.8% for the year ended March 31, 2022. In absolute terms, general and administrative expenses increased by 33.7%, primarily due to the increase in employee compensation due to the impact of salary increases and increase in headcount including acquisitions, increased recruitment costs due to headcount addition during the year ended March 31, 2022 and increase in legal and professional fees. These increases have been partially offset by the decrease in lifetime expected credit loss for the year ended March 31, 2022 as compared to the year ended March 31, 2021, due to collection of overdue accounts receivable and reduced credit risk of our customer portfolio.

Other operating income

During the year ended March 31, 2022 we recognized gain of ₹ 1,233 million towards change in fair value of callable units upon achievement of cumulative business targets pertaining to sale of our hosted data center services business, and ₹ 953 million towards gain from the sale of Wipro's investment in Denim Group, accounted for using the equity method.

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.

Operating income

As a result of the foregoing factors and acquisitions consummated during the year ended March 31, 2022, while our operating income increased by 14.0%, from ₹ 123,053 million for the year ended March 31, 2021 to ₹ 140,286 million for the year ended March 31, 2022, our results from operating activities as a percentage of revenue (operating margin) declined 218 bps from 19.8% to 17.6%.

Finance expenses

Our finance expenses increased from ₹ 5,088 million for the year ended March 31, 2021 to ₹ 5,325 million for the year ended March 31, 2022. The increase in borrowings during the year ended March 31, 2022, primarily, resulted in higher finance expense.

Finance and other income

Our finance and other income decreased from ₹ 20,912 million for the year ended March 31, 2021 to ₹ 16,257 million for the year ended March 31, 2022. The decrease is primarily due to a decrease in interest income by ₹ 5,328 million during the year ended March 31, 2022 compared to the year ended March 31, 2021.

Income taxes

Our income taxes decreased by ₹ 1,399 million from ₹ 30,345 million for the year ended March 31, 2021 to ₹ 28,946 million for the year ended March 31, 2022. Our effective tax rate has decreased from 21.8% for the year ended March 31, 2021 to 19.1% for the year ended March 31, 2022. This decrease is primarily due to certain audit closures for the past years.

Profit attributable to equity holders

As a result of the foregoing factors, our profit attributable to equity holders increased by ₹ 14,245 million or 13.2%, from ₹ 107,946 million for the year ended March 31, 2021 to ₹ 122,191 million for the year ended March 31, 2022.

Analysis of revenue and results by segment

IT Services

Operating results of the IT Services segment are as follows:

(₹ in millions)

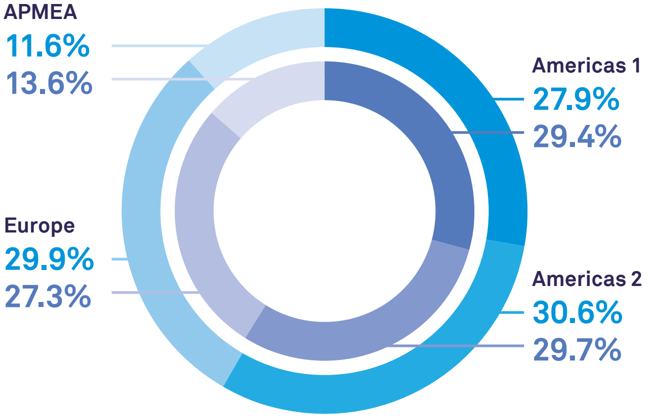
	Year ended March 31,		Year on Year change
	FY2021	FY2022	2022-21
Revenue [1]	605,815	**781,824**	**29.1%**
Gross profit	197,404	**238,399**	**20.8%**
Selling and marketing expenses	(40,985)	**(54,688)**	**33.4%**
General and administrative expenses	(33,488)	**(46,819)**	**39.8%**
Other operating income	(81)	**2,186**	**2798.8%**
Operating income /(loss), net [2]	122,850	**139,078**	**13.2%**
As a percentage of revenue:			
Gross margins [3]	32.6%	**30.4%**	**(218)bps**
Selling and marketing expenses	6.8%	**7.0%**	**22bps**
General and administrative expenses	5.5%	**6.0%**	**46bps**
Operating margin [3]	20.3%	**17.7%**	**(254)bps**

1. For the purpose of segment reporting, we have included the impact of exchange rate fluctuations amounting to ₹ 2,955 million and ₹ 4,355 million for the years ended March 31, 2021 and 2022, respectively, in revenue.

2. Includes other operating income of ₹ 1,233 million towards change in fair value of callable units upon achievement of cumulative business targets pertaining to sale of our hosted data center services business, and ₹ 953 million towards gain from the sale of Wipro's investment in Denim Group, accounted for using the equity method.

3. Gross margin and segment results as a percentage of revenue have been calculated by including Other operating income/(loss), net with Segment Revenue.

Strategic market unit wise performance mix



Inner Circle: FY2021 percentage of revenues

Outer Circle: FY2022 percentage of revenues

	Growth YoY% in reported currency	Growth YoY% in constant currency
Americas 1	20.9%	20.7%
Americas 2	31.2%	30.4%
Europe	39.1%	38.6%
APMEA	8.8%	8.9%
Total	**27.3%**	**26.9%**

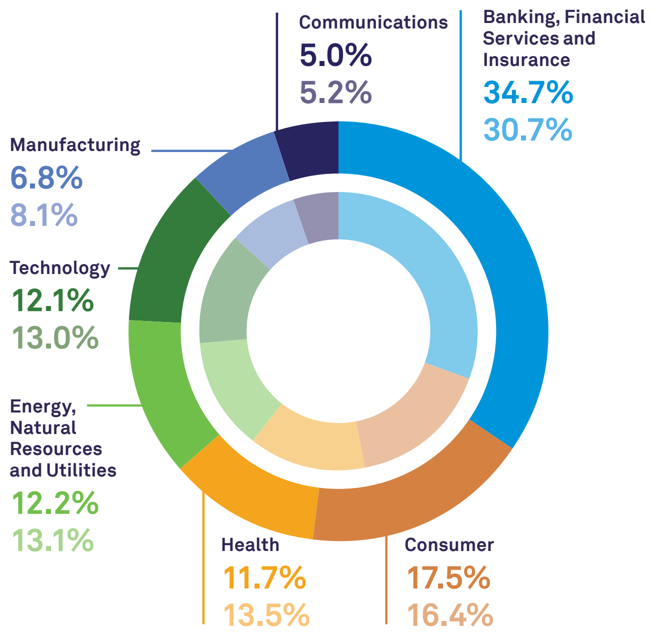
Sector-wise performance mix

The IT Services segment revenue increased by 29.1% for the year ended March 31, 2022 compared to our revenue for the year ended March 31, 2021. The revenue for all SMUs grew during the year. The growth was led by a surge in demand for IT services by our customers, consummation of acquisitions, including Capco, a ramp up of our new deal wins and depreciation of the Indian Rupee against foreign currencies, including the USD, Pound Sterling, Australian Dollar and Canadian Dollar. Our acquisitions consummated during the year ended March 31, 2022 contributed revenues of ₹ 72,730 million.

Our gross profit as a percentage of our revenue from our IT Services segment decreased by 218 bps, primarily due to the increase in employee compensation costs by ₹ 99,239 million due to the impact of salary increases and increase in headcount, including through our acquisitions, incremental subcontracting costs of ₹ 29,871 million, and the increase in facility expenses by ₹ 4,724 million due to partial return of our employees to offices.

Selling and marketing expenses as a percentage of revenue from our IT Services segment increased from 6.8% for the year ended March 31, 2021 to 7.0% for the year ended March 31, 2022. In absolute terms, selling and marketing expenses increased by ₹ 13,703 million primarily because of increase in employee compensation costs by ₹ 10,248 million due to the impact of salary increases and increase in sales headcount and incremental amortization of intangibles of ₹ 1,510 million recognized on acquisitions consummated during the year ended March 31, 2022 and increase in marketing and brand building expenses by ₹ 999 million.

General and administrative expenses as a percentage of revenue from our IT Services segment increased from 5.5% for the year ended March 31, 2021 to 6.0% for the year ended March 31, 2022. In absolute terms, general and administrative expenses increased by ₹ 13,331 million, primarily due to an increase in employee compensation costs by ₹ 8,463 million due to the impact of salary increases and the increase in headcount, including through our acquisitions, incremental recruitment costs of ₹ 4,515 million due to additions to headcount and increases in legal and professional fees by ₹ 1,797 million. These increases



Inner Circle: FY2021 percentage of revenues

Outer Circle: FY2022 percentage of revenues

have been partially offset by the decrease in lifetime expected credit loss by ₹ 1,906 million. Lifetime expected credit loss for the year ended March 31, 2022 decreased compared to the year ended March 31, 2021 due to collection of overdue accounts receivable and reduced credit risk of our customer portfolio.

Customer size distribution for IT Services

	Number of clients in Year ended March 31,	
	2021	2022
> $100M	11	19
> $50M	40	50
> $10M	167	194
> $5M	257	297
> $1M	566	679

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 past six quarters. Our revenue performance has outperformed in first two quarters of fiscal year 2022 and has been within the guidance range in last two quarters of fiscal year 2022 and two quarters of fiscal year 2021.

Guided outlook versus actuals

(In $ million)

Quarter ending	Guidance	Achievement in guided currency	Reported currency revenue
31st Mar 2022	2,692-2,745	2,720.4	2,721.7
31st Dec 2021	2,631-2,683	2,656.9	2,639.7
30th Sep 2021	2,535-2,583	2,611.0	2,580.0
30th Jun 2021	2,324- 2,367	2,410.0	2,414.5
31st Mar 2021	2,102-2,143	2,133.7	2,152.4
31st Dec 2020	2,022-2,062	2,059.0	2,070.8

IT Products

(₹ in millions)

Year ended March 31,	FY2021	FY2022
Revenue [1]	7,685	**6,173**
Gross profit	220	**(106)**
Selling and marketing expenses	(109)	**(104)**
General and administrative expenses	(66)	**325**
Operating income	45	**115**
As a percentage of revenue:		
Gross margins	2.9%	**(1.7)%**
Selling and marketing expenses	1.4%	**1.7%**
General and administrative expenses	0.9%	**(5.3)%**
Operating margin	0.6%	**1.9%**

1. For the purpose of segment reporting, we have included the impact of exchange rate fluctuations amounting to ₹ 20 million and ₹ Nil for the years ended March 31, 2021 and 2022, respectively, in revenue.

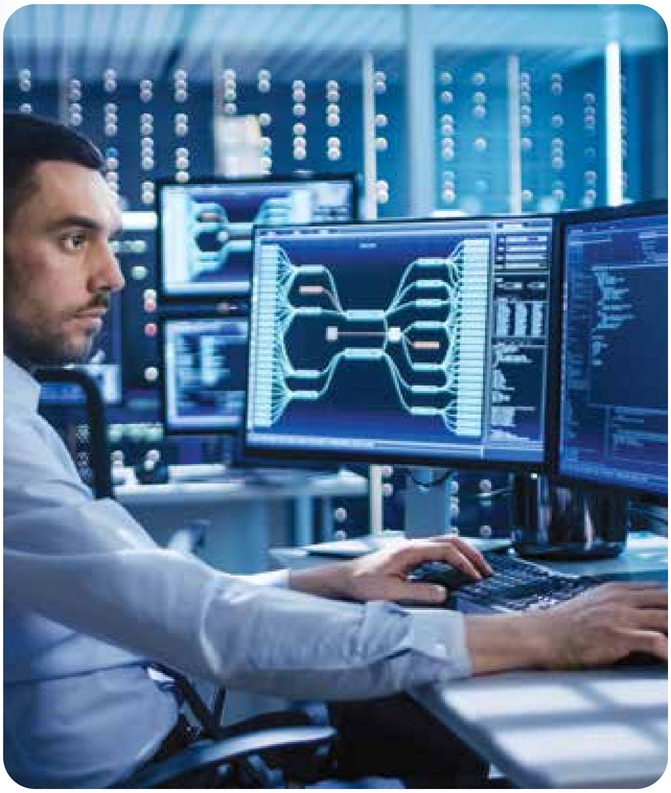
Our revenue from the IT Products segment decreased by 19.7% in the year ended March 31, 2022 compared to our revenue in the year ended March 31, 2021. The decline was primarily due to our focus on providing IT products as a complement to our IT services offerings rather than sell standalone IT products, 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 decreased by 458 bps. In absolute terms, gross profit decreased by ₹ 326 million primarily due to decrease in revenue.

Selling and marketing expenses as a percentage of revenue from our IT Products segment increased from 1.4% for the year ended March 31, 2021 to 1.7% for the year ended March 31, 2022. In absolute terms, selling and marketing expenses decreased by ₹ 5 million.

General and administrative expenses as a percentage of revenue from our IT Products segment decreased from 0.9% for the year ended March 31, 2021 to (5.3)% for the year ended March 31, 2022. In absolute terms, general and administrative expenses decreased by ₹ 391 million primarily due to reduction in lifetime expected credit loss, which was due to collection of overdue accounts receivable.

As a result of the above, segment results as a percentage of our revenue from our IT Products segment increased by 127bps, from 0.6% to 1.9%. In absolute terms, the segment results of our IT Products segment increased by ₹ 70 million.



ISRE

(₹ in millions)

	Year ended March 31,	
	2021	2022
Revenue [1]	8,912	**7,295**
Gross profit	1,630	**1,232**
Selling and marketing expenses	(294)	**(133)**
General and administrative expenses	(275)	**74**
Operating income	1,061	**1,173**
As a percentage of revenue:		
Gross margins	18.3%	**16.9%**
Selling and marketing expenses	3.3%	**1.8%**
General and administrative expenses	3.1%	**(1.0)%**
Operating margin	11.9%	**16.1%**

1. For the purpose of segment reporting, we have included the impact of exchange rate fluctuations amounting to ₹ 5 million and ₹ Nil for the years ended March 31, 2021 and 2022, respectively, in revenue.

Our revenue from the ISRE segment decreased by 18.1% in the year ended March 31, 2022 compared to our revenue in the year ended March 31, 2021, primarily due to the completion of certain large SI deals during the year ended March 31, 2021.

Our gross profit as a percentage of our ISRE segment revenue decreased from 18.3% for the year ended March 31, 2021 to 16.9% for the year ended March 31, 2022. In absolute terms gross profit decreased by ₹ 398 million primarily due to decrease in revenue.

Selling and marketing expenses as a percentage of revenue from our ISRE segment decreased from 3.3% for the year ended March 31, 2021 to 1.8% for the year ended March 31, 2022. In absolute terms, selling and marketing expenses decreased by ₹ 161 million. This was primarily a result of the Company's cost efficiency efforts.

General and administrative expenses as a percentage of revenue from our ISRE segment decreased from 3.1% for the year ended March 31, 2021 to (1.0)% for the year ended March 31, 2022. In absolute terms, general and administrative expenses decreased by ₹ 349 million. This was primarily a result of the Company's cost efficiency efforts and reduction in lifetime expected credit loss by ₹ 79 million. Lifetime expected credit loss for the year ended March 31, 2022 decreased compared to the year ended March 31, 2021 due to collection of overdue accounts receivable.

As a result of the above, segment results as a percentage of our revenue from our ISRE segment increased by 417 bps, from 11.9% to 16.1%. In absolute terms, the segment results of our ISRE segment increased by ₹ 112 million.

Liquidity and capital resources

(₹ in millions)

	Year ended March 31,	Year on Year change
	2022	2022-21
Net cash generated from / (used in):		
Operating activities	110,797	**(36,753)**
Investing activities	(224,495)	**(232,234)**
Financing activities	46,586	**175,426**
Net change in cash and cash equivalents	(67,112)	**(93,561)**
Effect of exchange rate changes on cash and cash equivalents	1,282	**2,172**
Cash and cash equivalent at the end of the period	103,833	**(65,830)**

As of March 31, 2022, we had cash and cash equivalent and short-term investments of ₹ 345,491 million. Cash and cash equivalent and short-term investments, net of loans and borrowings, was ₹ 193,795 million.

In addition, we have unutilized credit lines of ₹ 56,685 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 from operating activities for the year ended March 31, 2022 decreased by ₹ 36,753 million while profit for the year increased by ₹ 13,667 million during the same period. The decrease in cash generated by operating activities is primarily due to increased working capital requirements. Increase in our trade receivables, unbilled receivables and contract assets contributed ₹ 43,229 million towards the decrease in cash generated by operating activities. This was partially offset by an increase in trade payables and contract liabilities.

Cash used in investing activities for the year ended March 31, 2022 was ₹ 224,495 million. Cash utilized towards payment for business acquisitions consummated during the year amounted to ₹ 129,846 million. Cash utilized towards purchase of investments (net of sale) amounted to ₹ 61,751 million. We purchased property, plant and equipment amounting to ₹ 20,153 million, which was primarily driven by the growth strategy of the Company. We also deposited an amount of ₹ 27,410 million into a specified account for payment of the interim dividend of ₹ 5 per equity share declared by the company on March 25, 2022.

Cash generated from financing activities for the year ended March 31, 2022 was ₹ 46,586 million. This is primarily on account of net inflow from loans and borrowings of ₹ 68,310 million, including cash inflow from the Notes. This was partially offset by payment towards lease liabilities of ₹ 9,730 million, interim dividend of ₹ 5,467 million and interest and finance expenses of ₹ 5,089 million.

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, 2022, we have deferred certain payroll related tax liabilities in certain countries 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 in the future.

As of March 31, 2022, we had contractual commitments of ₹ 11,376 million ($149.9 million) related to capital expenditures on construction or expansion of software development facilities and ₹ 22,767 million ($300.1 million) related to other purchase obligations. Plans to construct or expand our software development facilities are determined by our business requirements.

We completed our acquisition of CAS Group on 11th April 2022 and the payment of upfront cash consideration of ₹ 3,922 million was funded through cash and cash equivalents.

We completed our acquisition of Rizing on May 20, 2022, and the payment of upfront cash consideration of ₹ 44,622 million was funded through borrowings and cash and cash equivalents.

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.

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.

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, 2021 and 2022 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.

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.

Other key risks:

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. Besides, changes to these incentives and other exemptions, we receive due to government policies can impact our financial performance

Mitigation plan

- 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 including tax holiday from payment of Indian corporate income taxes for our businesses operating from SEZs.

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.

Mitigation plan

- We may need to increase 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.

Foreign currency risk

We operate internationally and a major portion of our business is transacted in several currencies, The exchange rate risk primarily arises from foreign exchange revenue, receivables, cash balances, forecasted cash flows, payables and foreign currency loans and borrowings.

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.
- We designate certain derivative instruments as cash flow hedges to mitigate the foreign exchange exposure of forecasted highly probable cash flows. Periodically, we may also designate foreign currency denominated borrowings as a hedge of net investment in foreign operations

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, 2022 or revenues for the year ended March 31, 2022. There is no significant concentration of credit risk.

Shareholder returns

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. The Company's policy of capital allocation includes payout of minimum 45%-50% of net income for period of trailing three year. There is no change in our philosophy on shareholder return.

Cash dividends

The cash dividend paid during the year ended March 31, 2021 was ₹ 1 per equity share. The cash dividend paid during the year ended March 31, 2022 was an interim dividend of ₹ 1 per equity share. Further, the Board at its meetings held on March 25, 2022, declared an interim dividend of ₹ 5 per equity share, which was subsequently paid on April 19, 2022. The Board recommended the adoption of the interim dividends of ₹ 1 and ₹ 5 per equity share as the final dividend for the year ended March 31, 2022.

Key ratios

Particulars	FY 2021	FY 2022	YoY Change	
Revenue in ₹ million	622,425	**795,289**	27.8%	F
IT Services operating margin	20.3%	**17.7%**	(2.6)%	A
Net income margin	17.3%	**15.4%**	(1.9)%	A
Earnings per share in ₹	19.11	**22.35**	17.0%	F
Price earning ratio (times)[1]	21.7	**26.5**	4.8	F
Return on networth[2]	19.4%	**20.2%**	0.8%	F
Current ratio (times)	2.3	**2.0**	(0.3)	A
Debtors turnover (times)	6.3	**6.6**	0.3	F
Free cash flow as % of net income[3]	119.3%	**74.8%**	(45.5)%	A
Debt-equity (times)[4]	0.15	**0.23**	0.08	A
Interest coverage ratio (times)	28.6	**26.3**	(2.3)	A

F Favourable A Adverse

Reasons for significant changes:

1. 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 43% at year end set off by EPS growth of 17% in FY'22
2. Return on Networth is computed as Net Profit by average Networth. The increase in the Net income from ₹ 107,946 million in FY'21 to ₹ 122,191 million in FY'22 has resulted in improvement of Return on Networth.
3. Our Free Cash flow is computed as operating cash flow less net capital expenditure. Our operating cash flow was low due to increased working capital requirements during the year ended 31st March, 2022.
4. Debt equity is computed as long term and short term borrowings by total equity. The increase in total borrowings from ₹ 83,332 million in FY'21 to ₹ 151,696 million in FY'22 has resulted in adverse ratio.