Management Discussion and Analysis

Company Overview

Being a Mindful IT Company, we enable digital transformation for enterprises and technology providers by delivering seamless customer experiences, business efficiency and actionable insights. We do this by leveraging a spectrum of disruptive technologies such as artificial intelligence, blockchain, cloud, digital process automation, internet of things, robotics/drones, security, virtual/augmented reality, etc. Positioned as 'Born Digital. Born Agile', our capabilities span Product & Digital Engineering Services (PDES), Infrastructure Management & Security Services (IMSS) and Generative AI Business Services (GBS). We deliver these services across industry groups: Industrial, Manufacturing and Energy & Utilities, Healthcare & Life Sciences, Retail, CPG & Logistics, Banking, Financial Services and Insurance (BFSI), Hi-Tech and Media & Entertainment, and EdTech. The Company has been recognized for its excellence in Corporate Governance practices by Golden Peacock and ICSI. A Great Place to Work-Certified™ Company, Happiest Minds is headquartered in Bengaluru, India with operations in the U.S., UK, Canada, Australia and the Middle East.

Industry Overview (FY 2025-26 Outlook)

FY 2025-26 marks a pivotal phase for the Indian IT/ITeS sector as it continues to reinforce its global leadership in digital transformation, AI-led innovation, and advanced technology services. According to NASSCOM, the industry is projected to **surpass US$ 300 billion in revenue, growing at 6%**, building on FY 2024-25's robust export performance of **US$ 210 billion**.

The global technology landscape has been significantly reshaped by the emergence of Generative AI (GenAI) platforms such as ChatGPT, propelling the AI Software & Services market beyond US$ 100 billion. Indian IT firms both large and mid-sized are scaling GenAI capabilities at speed, positioning India as a global AI talent hub.

Growth in FY 2025-26 is expected to be driven by the following key themes:

- **Generative AI Adoption:** Enterprise-scale deployment for automation, code generation, customer service and analytics, with over **97% of large enterprises** exploring GenAI integration.
- **Digital Engineering & ER&D:** Strong demand for software-defined products, embedded systems, and platform engineering, with the segment projected to grow at **7%**.
- **Quantum Computing:** Gaining strategic traction through early-stage investments by tech firms and government support under the National Quantum Mission.
- **Cybersecurity:** Increased focus on zero-trust frameworks, endpoint protection, and compliance-driven security, amid growing digital risk exposure.
- **Cloud Services & Infrastructure Management:** Continued acceleration in cloud migration, hybrid infrastructure, and managed services.
- **Technology Consulting:** Rising demand for advisory services around IT modernization, GenAI implementation, and business-aligned digital strategies.
- **Domestic Tech Spend:** Projected to reach **US$ 160 billion**, growing at **9.3% YoY**, driven by sectors like **BFSI, healthcare, and manufacturing**.
- **Global Demand for Cost-Efficient Talent:** India's deep talent pool in AI, cloud, and cybersecurity continues to attract global enterprises navigating cost and capability challenges.

With cumulative FDI equity inflows of US$ 98 billion and strong policy backing through initiatives such as **the India AI Mission and National Quantum Mission**, India is well-positioned to lead the next wave of global digital and deep-tech innovation in FY 2025-26 and beyond.

Business overview

Our business is divided into 3 Business units.

- **Product and Digital Engineering Services (PDES):** PDES is focused on delivering engineering excellence to customers that are building next-generation products and platforms and to enterprises that are carrying out large scale digital transformation programs. Our approach is supported by three foundational elements:

  1) **Engineering DNA** – utilizing a sharp engineering mindset to help customers develop products and platforms that build sustainable momentum in today's hyper-competitive marketspace.

  2) **Integrated Disruptive Technologies** – driving transformation through a holistic approach that leverages Artificial Intelligence, GenAI, Analytics, Hyper automation, Cyber Security and more.

  3) **Digital Transformation** – reengineering products and experiences to enhance business fluidity and deepen customer engagement.

We bring deep expertise in platform development, device engineering, quality assurance, experience engineering and technology acceleration to provide smart, secure and scalable engineering services across industries. Our experience in enabling large-scale digital transformation programs helps unlock new business value and unprecedented operational efficiencies.

- **Infrastructure Management & Security Services (IMSS):** Happiest Minds delivers comprehensive IT Infrastructure and Security services, encompassing advisory, transformation, and managed operations. We empower businesses to navigate complexity, accelerate digital transformation, and fortify their defenses against evolving cyber threats, all while leveraging innovative technologies like Gen AI. From initial infrastructure assessments and cloud migration strategies to continuous security monitoring and AI-driven threat response, we provide end-to-end solutions.

- **Generative AI Business Services (GBS):** GBS delivers high-impact, cost-effective solutions that enable enterprises to accelerate transformation, enhance operational efficiency, and make smarter decisions. We offer end-to-end support across the AI lifecycle, including strategic consulting, custom engineering, rigorous testing, and infrastructure management. Backed by successful implementations across healthcare, energy, travel, and insurance sectors, GBS empowers organizations to scale Generative AI responsibly and achieve tangible business value.

Our business units are supported by the following Centers of Excellence (CoEs):

- **Analytics / Artificial Intelligence (AI):** Our analytics/AI offering includes implementation of advanced analytics using artificial intelligence, machine learning and statistical models, engineering big data platforms to deal with large volume of data, creating actionable insights with data warehousing, modernization of data infrastructure and process automation through AI.

- **Digital Process Automation (DPA):** Our DPA offering includes consulting led digital transformation through process automation of core business applications, products and infrastructure landscape of our customers, leveraging various intelligent process automation tools and technologies including Robotic Process Automation (RPA), Intelligent Business Process Management (iBPMS) and cognitive automation using AI & machine learning based models.

Significant Matters Affecting our Operations

Customer relationships

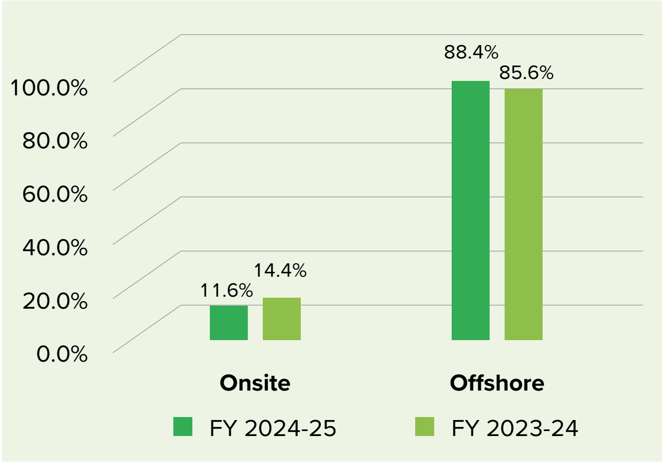
Customer relationships are the core of our business. During FY 2024-25, we increased average count of our active customers to 281 from 250 in FY 2023-24. Our ability to grow our customer base and drive market adoption of our software is affected by the pace at which organizations digitally transform. We expect that our revenue growth will be primarily driven by the pace of adoption of our offerings. We believe the degree to which prospective customers recognize the need for our offerings to maximize their business process would lead to a higher budget allocation by such prospective customers for engaging our services. This will drive our ability to acquire new customers and increase sales to existing customers, which in turn, will affect our future financial performance.

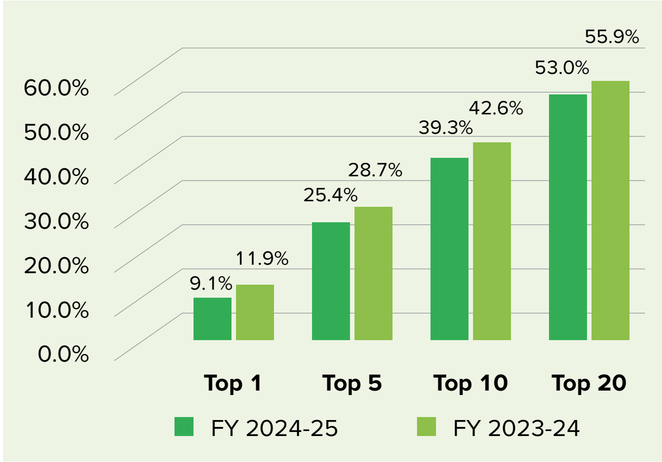
We believe that we have benefited from growth in the global software development services industry. Growth in the industry is driven by major corporations' need to maintain and upgrade the technology and services required to operate cost-efficiently. Software companies are also increasingly outsourcing work to IT services providers to streamline and reduce the cost of the software development process. The Indian software development services market is growing rapidly due to its large pool of skilled IT professionals, robust infrastructure and strong government support and incentives.

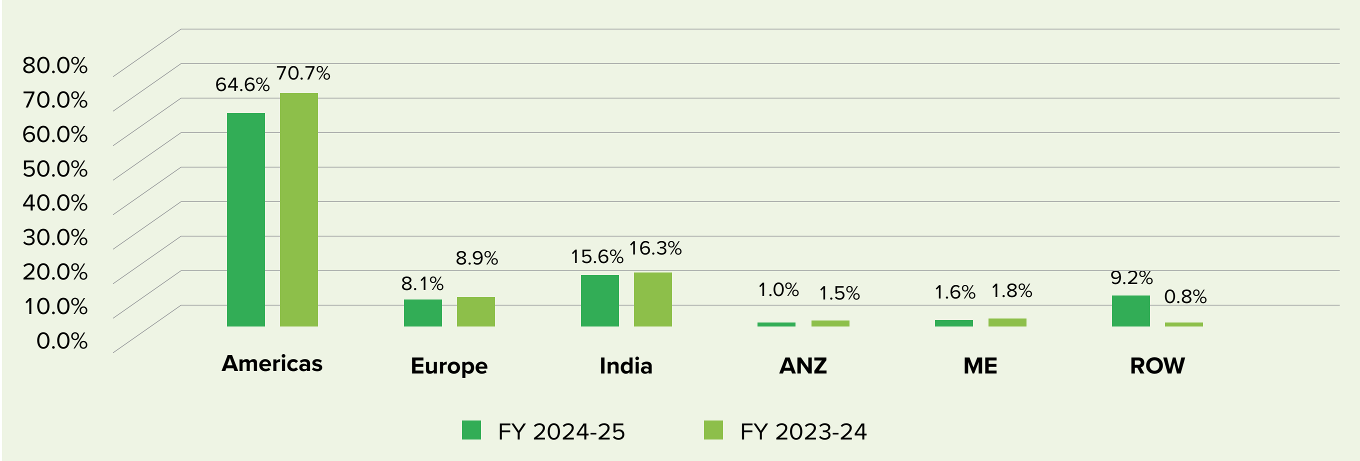
We believe we have a substantial opportunity to grow our customer base. We have invested, and intend to continue to invest, to drive sales to new customers. We have made, and plan to continue to make, investments to enhance the expertise of our sales and marketing organization within our business verticals of focus namely BFSI, EdTech, Healthcare & Life Sciences, Hi-Tech, Industrial/ Manufacturing, and Retail, CPG & Logistics.

We go deeper into our customers through our cross-selling and upselling of services. Our wide spectrum of service offerings, philosophy of account growth through a 'land and expand strategy' makes this possible. Our ability to increase sales to existing customers depends on several factors, including the size of our sales force, professional services teams, customers satisfaction with our services, economic conditions and our customers spending budgets. We believe that our ability to establish and strengthen customer relationships and expand the scope of our services remains an important factor in growth and ability to generate profits.

Revenue composition







Management of Employees and Employee Costs

Our ability to recruit, train, retain and deploy our workforce of IT professionals influences our profit margins and the results of our operations. We ended March 31, 2025, with a headcount of 6,632 IT professionals. This number was 5,168 as of March 31, 2024. Attrition of IT professionals showed a slight increasing trend during the year.

Business growth requires us to ramp up our head count at the same time. Balancing these factors of recruitment and attrition requires quite a bit of fine balancing and planning. If we recruit too many, utilization will drop leading to margin erosion and if we recruit too late, we lose revenues. Attrition and its costs to business are very clear. Thus, our success largely depends on our ability to attract, train and retain our Happiest Minds, particularly our highly skilled engineering and IT professionals.

Our employee costs consist of salaries, wages and bonuses, contribution to provident and other funds, employee stock compensation expense, compensated absences, gratuity and staff welfare. Salaries and wages in India, including in the services industry, have historically been lower than those in the United States, Europe and other developed economies. However, if these costs in India continue to increase at a rate faster than in the United States, Europe and other developed economies due to competitive pressures, we may experience a greater increase in our employee costs, thereby eroding one of our principal cost advantages over competitors in the United States, Europe and other developed economies.

In addition, our ability to manage our employee costs will also be heavily impacted by our international and domestic resource mix. For example, any increases in visa fees or healthcare insurance costs for employees located in developed countries such as USA and Canada, would increase our employee costs. Training is an imperative and a key cost element. The ability to train our people on the right technology, invest in them ahead of time, is a very important element to managing their deployment into projects and also motivating them to stay engaged. All the above aspects of people and their correct management is critical to the continued success of the Company.

Foreign Currency Fluctuations

Since most of our revenue is in foreign currency, we carry foreign exchange risks on transactions and translation. Although our foreign currency expenses partly provide a natural hedge, we are exposed to foreign exchange rate risk in respect of revenue, or expenses entered into a currency where corresponding expenses or revenue are denominated in different currencies. Major currencies in which we have exposures are US Dollars, Euro, British Pound Sterling, Emirati Dirham, Australian Dollars and Singapore Dollars. We have put in place an active foreign exchange hedging policy to mitigate the risks arising out of foreign exchange fluctuations. In addition, the overall competitiveness of the Indian IT industry in the global market is also significantly dependent on favorable exchange rates.

Financial Conditions

Assets

1. **Tangible and Intangible Assets**

₹ lakhs

	FY 2024-25	FY 2023-24
Property, plant, and equipment	14,096	13,778
Right-of-use assets	6,958	5,698
Capital work-in-progress	0	9
Other intangible assets	23,831	7,786
Intangible assets under development	18	22
Goodwill	76,230	14,032
Total	**1,21,133**	**41,325**

Property, Plant, and Equipment:

Property, plant, and equipment has increased to ₹ 14,096 lakhs as of March 31, 2025, from ₹ 13,778 lakhs as of March 31, 2024. The increase is mainly due to, re-structuring of building at Madivala, Bengaluru, to increase the seating capacity.

Right-of-use Assets:

Right of use assets have been recognized at ₹ 566 lakhs as on March 31, 2025. These assets are primarily related to office premises of the acquired entities, laptops purchased on lease and motor vehicles bought on lease. These expansions and additions are in line with overall growth.

Other Intangible Assets:

Other intangible assets as on March 31, 2025, is ₹ 23,831 lakhs. These other intangible assets include i) intangible assets such as trademark, non-compete, customer relationships, exclusive license which are acquired in a business combination. These are initially recorded at fair value on the date of acquisition and are amortized over estimated useful life (refer table below for use life of other intangible assets) and ii) software licenses which are bought for perpetual use. Increase in other intangible assets during FY 2024-25 is on account of recognizing intangible in business combination of PureSoftware, Aureus and GAVS Tech (ME).

Below is the useful life of other intangible assets:

Assets	Useful life
Computer software	2.5-3 years
Non-compete fees	3 years
Customer relations	3-7 years
Trademark	2-3 years
Exclusive license	2 years

Goodwill:

The carrying value of goodwill as on March 31, 2025, is ₹ 76,230 lakhs. This includes ₹ 611 lakhs relating to the business acquisition of Cupola Technology Private Limited, ₹ 8,216 lakhs relating to the business acquisition of Happiest Minds Inc. (formerly known as PGS Inc.), ₹ 5,404 lakhs relating to the business acquisition of Sri Mookambika Infosolutions Private Limited (SMI), ₹ 56,742 lakhs of PureSoftware, ₹ 4,896 lakhs of Aureus and ₹ 361 lakhs pertaining to GAVS Technologies.

This goodwill is tested for impairment annually by the Company and during the year there is no impairment of goodwill.

2. **Trade Receivables**

Trade receivables amounted to ₹ 35,813 lakhs (net of provision for doubtful debt of ₹ 2,635 lakhs) as on March 31, 2025, in comparison to ₹ 25,444 lakhs (net of provision for doubtful debt of ₹ 1,157 lakhs) as on March 31, 2024. Increase in provision for doubtful debt is because we had a sudden reneging on payment obligations by one of our customers, having business with government agencies in the U.S., requiring us to make a provision for bad and doubtful debts of about ₹ 1,244 lakhs. Days Sales Outstanding is at 88 days as on March 31, 2025, as compared to 87 days as on March 31, 2024.

3. **Other Current and Non-Current Assets**

₹ lakhs

	FY 2024-25			FY 2023-24		
	Current	Non-Current	Total	Current	Non-Current	Total
Other Financial assets	**17,726**	**7,358**	**25,084**	**13,850**	**2,480**	**16,330**
Other assets:						
Income tax assets (net)		3,537	3,537		1,529	1,529
Deferred tax assets (net)	-	3,613	3,613	-	1,636	1,636
Loans	12	-	12	37	-	37
Other assets	5,682	170	5,852	4,793	32	4,825
Total other assets	**5,694**	**7,320**	**13,014**	**4,830**	**3,197**	**8,027**
Total	**23,420**	**14,679**	**38,098**	**18,680**	**5,677**	**24,357**

Other financial assets majorly include unbilled revenue (unbilled revenue for fixed price contract included in other assets), fixed deposit with maturity period more than 12 months (this is classified as non-current other financial assets), interest accrued on fixed deposits and cash flow hedges on foreign currency forward contract & cross-currency interest rate swap.

Total Other financial assets increased to ₹ 25,084 lakhs as on March 31, 2025, from ₹ 16,330 lakhs as on March 31, 2024, mainly on account of increase in margin money deposits and increase in unbilled receivables. Days of sales outstanding of unbilled revenue (including that classified as non-financial asset) is 28 days as on March 31, 2025, compared to 29 days as on March 31, 2024.

Other assets majorly include unbilled revenue for fixed price contracts and prepaid expenses. As required under Ind AS 115 'Revenue from contracts with customers', unbilled revenue for fixed-price contracts, where the contractual right to consideration is dependent on completion of contractual milestones and not upon passage of time, is classified as non-financial asset.

Other assets increased to ₹ 13,014 lakhs as on March 31, 2025, from ₹ 8,027 lakhs as on March 31, 2024, mainly on account of prepaid expenses.

4. **Investments, Cash and Cash Equivalents**

₹ lakhs

	FY 2024-25	FY 2023-24
Other financial assets - non-current	6,324	1,699
Investment in mutual funds	35,039	-
Bank balances other than cash and cash equivalent	93,911	122,183
Cash and cash equivalent	11,912	11,470
Total	**1,47,186**	**1,35,352**

The Company has classified fixed deposits and margin money deposits: i) with maturity date more than 12 months under 'Other financial assets – noncurrent' and ii) with maturity date less than 3 months under 'Bank balances other than cash and cash equivalent'

The total investment in mutual funds ₹ 35,039 lakhs as on March 31, 2025, by liquidating fixed deposits. The weighted average rate of return for FY 2024-25 is 8.20 % as against 7.28% in FY 2023-24.

Cash and cash equivalents include both rupee accounts and foreign currency accounts with banks. The bank balances in overseas accounts are maintained to meet the expenditure of the overseas operations.

Bank balances other than cash and cash equivalent are term deposits, in rupee having maturity of more than 3 months.

Liabilities

1. Share Capital

₹ lakhs

	FY 2024-25	FY 2023-24
Authorised:		
22,93,00,000 equity shares of ₹ 2/- each	4,586	4,586
(Previous year: 22,93,00,000 equity shares)		
Issued, subscribed and fully paid up:		
15,00,46,867 equity shares of ₹ 2/- each	3,001	2,987
(Previous year: 14,93,54,426 equity shares of ₹ 2/- each)		
Total	**3,001**	**2,987**

2. Other Equity

₹ lakhs

	FY 2024-25	FY 2023-24
Securities premium	90,582	90,318
Retained earnings	64,487	55,042
Other reserves	(612)	(323)
Total	**1,54,457**	**1,45,037**

Other equity at the end of March 31, 2025, stood at ₹ 1,54,457 lakhs as against ₹ 1,45,037 lakhs as at March 31, 2024. The retained earnings increased to ₹ 64,487 lakhs as at March 31, 2025, from ₹ 55,042 lakhs as at March 31, 2024, on account of net profit for the year, reduced by dividend paid.

3. Financial Liabilities

₹ lakhs

	FY 2024-25			FY 2023-24		
	Current	Non-Current	Total	Current	Non-Current	Total
Borrowings	82,554	33,537	116,090	33,792	10,445	44,237
Lease liabilities	3,258	5,010	8,268	2,412	4,570	6,982
Other financial liabilities	14,526	8,330	22,856	5,810	401	6,211
Trade payables	10,481	-	10,481	7,915	-	7,915
Total	**1,10,818**	**46,877**	**1,57,695**	**49,929**	**15,416**	**65,345**

Total borrowings as of March 31, 2025, is ₹ 1,16,090 lakhs as against ₹ 44,237 lakhs as of March 31, 2024. The increase is on account of the amount borrowed for acquisitions.

Total lease liabilities as of March 31, 2025, is ₹ 8,268 lakhs as against ₹ 6,982 lakhs as of March 31, 2024. The increase in lease liabilities is majorly on account of the expansion of facility centers in Noida, Hyderabad and Chennai.

Other financial liabilities include contingent consideration measured at fair value, hedge reserve and employee related liabilities such as provision for variable pay.

4. Other Liabilities

₹ lakhs

	FY 2024-25			FY 2023-24		
	Current	Non-Current	Total	Current	Non-Current	Total
Provisions	3,519	5,940	9,459	2,136	3,338	5,474
Deferred tax liabilities (net)	-	4,841	4,841	-	1,303	1,303
Income tax liabilities (net)	422	-	422	12	-	12
Contract liabilities	2,194	-	2,194	1,825	-	1,825
Other current liabilities	3,836	-	3,836	2,796	-	2,796
Total	**9,972**	**10,781**	**20,753**	**6,769**	**4,641**	**11,410**

Provisions comprise of employee benefits on account of compensated absences and post-retirement benefits such as gratuity. Total provision as of March 31, 2025, stood at ₹ 9,459 lakhs as against ₹ 5,474 lakhs as on March 31, 2024. The main reason for increase being head count additions made during the year.

Contract liabilities include unearned revenue, and other current liabilities include statutory dues payable to government authorities like TDS, PF, Professional Tax etc.

Results of Our Consolidated Operations

₹ lakhs

	FY 2024-25		FY 2023-24	
	₹ lakhs	% of total income	₹ lakhs	% of total income
Income				
Revenue from contracts with customers	2,06,084	95.3%	1,62,466	95.0%
Other income	10,138	4.7%	8,537	5.0%
Total income	**2,16,222**	**100.0%**	**1,71,003**	**100.0%**
Expenses				
Employee benefits expense	1,36,534	63.1%	1,01,469	59.3%
Depreciation and amortization	8,870	4.1%	5,829	3.4%
Finance costs	9,948	4.6%	4,227	2.5%
Other expenses	34,108	15.8%	27,412	16.0%
Total expenses	**1,89,460**	**87.6%**	**1,38,937**	**81.2%**
Profit before exceptional items and tax	**26,762**	**12.4%**	**32,066**	**18.8%**
Exceptional items: charge / (credit)	1,216	0.6%	(1,402)	(0.8)%
Profit before tax	**25,546**	**11.8%**	**33,468**	**19.6%**
Tax expense	7,080	3.3%	8,629	5.0%
Profit for the year	18,466	8.5%	24,839	14.5%
Other comprehensive income for the year, net of tax	(609)	(0.3)%	(875)	(0.5)%
Total comprehensive income for the year	17,857	8.5%	23,964	14.5%
Profit for the year	**18,466**		**24,839**	
Attributable to:				
Equity holders of the parent	18,466		24,839	
Non-controlling interests	-		-	
Total comprehensive income for the year	**17,857**		**23,964**	
Attributable to:				
Equity holders of the parent	17,857		23,964	
Non-controlling interests	-		-	
Earnings per equity share				
Equity shares of par value ₹ 2/- each				
Basic	₹ 12.26		₹ 16.73	
Diluted	₹ 12.26		₹ 16.73	

Comparison between FY 2024-25 and FY 2023-24

1. Income

a. Revenue from Contracts with Customers

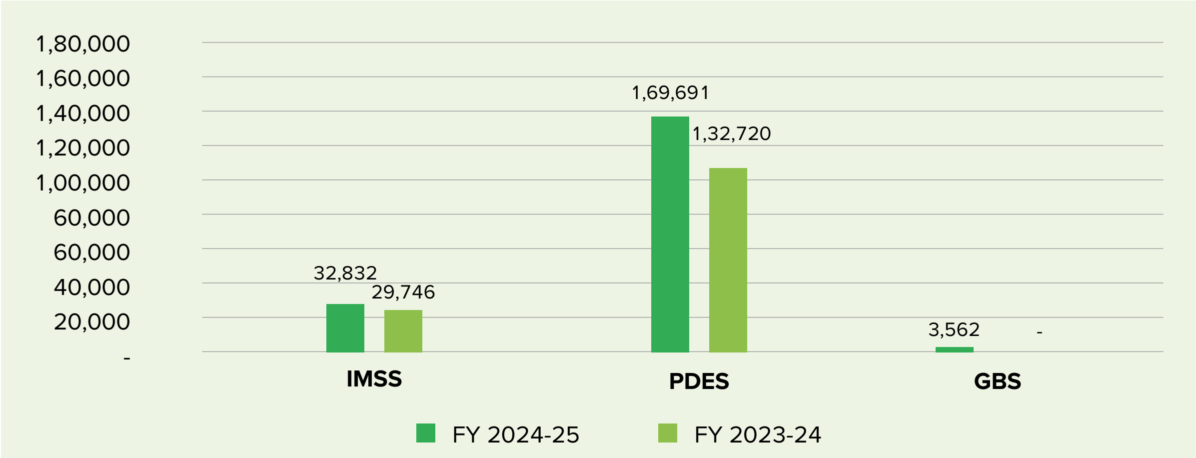
₹ lakhs

	FY 2024-25	FY 2023-24
Sale of service	2,03,584	1,62,179
Sale of licenses (net)	2,500	287
Total	**2,06,084**	**1,62,466**

During the year revenue from contracts with customers grew by 26.8 % from ₹ 1,62,466 lakhs in FY 2023-24 to ₹ 2,06,084 lakhs in FY 2024-25. Main factors that led to the increase in revenue are i) Favorable exchange rate: In FY 2024-25 US$ to ₹ rate depreciated on an average, by 3% during the year. This contributed to the portion of the increase in revenue ii) Improved billing rates: During the year we could bill our customers at a better rate than FY 2023-24. iii) Increase in volume: Due to the increase in head count, we had additional volume to generate additional revenue iv) Also, acquisitions made during the year contributed to revenue growth.

Our revenue from contracts with customers is generated from three business units, namely: Product and Digital Engineering Services (PDES), Infrastructure Management & Security Services (IMSS), Generative AI Business Services (GBS). For Details Refer Business Overview section.

Revenue by Segment



Our revenue from Infrastructure Management & Security Services increased by 10.4% from ₹ 29,746 lakhs in FY 2023-24 to ₹ 32,832 lakhs in FY 2024-25. Revenue from Product and Digital Engineering Services increased by 27.9% from ₹ 132,720 lakhs in FY 2023-24 to ₹ 169,691 lakhs in FY 2024-25. Revenue from Generative AI Business Services is ₹ 3,562 lakhs in FY 2024-25.

b. Other Income

₹ lakhs

	FY 2024-25	FY 2023-24
Interest income	8,976	7,958
Gain on sale of investments measured at FVTPL	1,240	18
Exchange gain / (loss)	(338)	459
Rent concession	-	-
Miscellaneous income	260	102
Total other income	**10,138**	**8,537**

Other income consists of income from investment, foreign exchange gain / (loss) and miscellaneous income. During the FY 2024-25, other income increased to ₹ 10,138 lakhs from ₹ 8,537 lakhs in FY 2023-24.

Income from Investment:

Income from investment primarily includes interest on fixed deposits in various banks. Interest from fixed deposits is higher in FY 2024-25 compared to interest in FY 2023-24 mainly on account of increased investments in fixed deposits. As rate of return is higher from fixed deposits than from mutual funds, all the amounts from mutual funds were invested in fixed deposits from beginning of FY 2024-25.

Foreign Exchange Gain / (Loss):

To mitigate our foreign exchange risk, we have a long-term hedging policy. We hedge exposures in major currencies such as the US dollar and the GBP. Our hedging policy runs on a net exposure basis, typically on a rolling 12 months basis. These hedges provide payments by banks to us in the situations where the spot exchange rate on maturity is lower than the rate at which hedges were entered and payment by us to the banks in situations where the spot exchange rate on maturity is higher than the rate at which the hedges were entered. Our foreign exchange gain decreased to a loss of ₹ 279 lakhs for FY 2024-25 as against gain of ₹ 459 lakhs in FY 2023-24. This is mainly due to ₹ depreciation during the year resulting in increased realized and unrealized gains. The Company further availed benefit of better average hedge rates during the year as compared to the previous year.

2. Expenses

a. Employee Benefits Expense

₹ lakhs

	FY 2024-25	FY 2023-24
Salaries, wages and bonus	127,226	94,291
Contribution to provident fund	5,882	4,675
Employee stock compensation expense	-	47
Gratuity expense	1,280	876
Compensated absences	1,485	1,025
Staff welfare expenses	660	555
Total employee benefits expense	**136,534**	**101,469**

Employee benefit expenses comprise salaries (including overseas); staff welfare; contributions to provident and other funds, and gratuity funds. Our employee benefit expenses increased by 34.6% to ₹ 1,36,534 lakhs for the FY 2024-25 from ₹ 1,01,469 lakhs for the FY 2023-24. The increase is on account of the increase in employee count in line with business growth, changes to employee mix and increments. This has also resulted in higher contributions to the provident and other funds, social security and payroll taxes.

b. Depreciation and Amortization

₹ lakhs

	FY 2024-25	FY 2023-24
Depreciation of property, plant and equipment	863	495
Amortisation of intangible assets	4,827	2,675
Depreciation of right-of-use assets	3,180	2,659
Total depreciation and amortisation expense	**8,870**	**5,829**

Tangible and intangible assets including Right of Use assets are amortized over periods corresponding to their estimated useful lives. Our depreciation and amortization expense increased by 52.2% to ₹ 8,870 lakhs for the FY 2024-25 from ₹ 5,829 lakhs for the FY 2023-24. The increase is primarily due to amortization of intangible assets which were recognized on consolidation of subsidiaries.

c. Finance Costs

₹ lakhs

	FY 2024-25	FY 2023-24
Interest on borrowings	7,260	2,460
Interest on non-convertible debenture	1,125	948
Interest on lease liabilities	727	614
Unwinding of interest in contingent consideration	526	205
Unwinding interest on OCRPS	311	-
Total finance costs	**9,948**	**4,227**

Finance costs consist of interest on borrowing (both long term and short term), interest on non-convertible debentures, interest on lease liabilities and unwinding interest in contingent consideration. During FY 2024-25 finance cost increased to ₹ 9,948 lakhs from ₹ 4,227 lakhs in FY 2023-24. The increase is primarily because of the amount borrowed for acquisitions and unwinding interest on contingent considerations payable to subsidiaries.

d. Other Expenses

₹ lakhs

	FY 2024-25	FY 2023-24
Power and fuel	514	567
Subcontractor charges	13,826	12,851
Repairs and maintenance	789	886
Rent expenses	631	549
Advertising and business promotion expenses	1,018	873
Commission	73	45
Communication costs	278	266
Insurance	182	138
Legal and professional fees	2,309	1,039
Audit fees	178	104
Loss on property, plant and equipment sold / scrapped, net	-	1
Software license cost	6,092	4,775
Rates and taxes	217	91
Recruitment charges	763	787
Impairment loss allowance on trade and unbilled receivables	1,590	530
Commission & Sitting fees to Non-Executive Directors	125	95
CSR expenditure	655	470
Travelling and conveyance	3,957	2,753
Postage and courier	58	40
Training expense	445	413
Miscellaneous expenses	408	138
Total Expenses	**34,108**	**27,412**

Other expenses primarily comprise of (i) subcontractor charges, (ii) software license cost, (iii) travelling and conveyance, (iv) Recruitment charges and (v) Advertisement and business promotion expenses. During the year other expenses increased by 24.4% to ₹ 34,108 lakhs in FY 2024-25 from ₹ 27,412 lakhs in 2023-24. The increase was due to higher travel costs, recruitment charges, provision for doubtful debts and an increase in CSR spend.

3. Profit Before Exceptional Items and Tax:

Our profit before exceptional items and tax decreased by 16.5% to ₹ 26,792 lakhs for the FY 2024-25 from ₹ 32,066 lakhs for the FY 2023-24.

4. Exceptional Items:

FY 2024-25:

On May 22, 2024, the Group acquired 100% equity interest of PureSoftware Technologies Private Limited ('PSTPL'). The Group paid the cash consideration of ₹ 63,742 lakhs and ₹ 118 lakhs on May 22, 2024 and August 19, 2024 respectively, and the shares were transferred on May 28, 2024. As a result of this acquisition, the Group has recorded goodwill of ₹ 56,373 lakhs and other intangible assets of ₹ 15,553 lakhs, and a contingent consideration of ₹ 10,814 lakhs. Costs incurred on the acquisition of about ₹ 605 lakhs has been grouped under "Other expenses".

The Group has re-measured the fair value of the contingent consideration and the change in fair value of ₹ 2,344 lakhs has been recognized in the statement of profit and loss and disclosed as an 'Exceptional Item' for the quarter and year ended March 31, 2025.

On May 24, 2024, the Group acquired 100% membership interest in Aureus Tech Systems LLC ('Aureus'). The Group paid cash consideration of ₹ 6,608 lakhs and ₹ 525 lakhs on May 24, 2024 and September 4, 2024 respectively, and the membership interest in Aureus were transferred on May 27, 2024. As a result of this acquisition, the Group has recorded goodwill of ₹ 4,783 lakhs and other intangible assets of ₹ 4,398 lakhs, and a contingent consideration of ₹ 2,425 lakhs. The Group incurred acquisition cost of ₹ 38 lakhs and it is grouped under "Other expenses".

The Group has re-measured the fair value of the contingent consideration and the change in fair value of ₹ (1,128) lakhs has been recognized in the statement of profit and loss and disclosed as an 'Exceptional Item' for the quarter and year ended March 31, 2025.

FY 2023-24:

The fair value of contingent consideration payable to the shareholders of Sri Mookambika Infosolutions Private Limited ('SMI') over a period of 2 years ended December 31, 2024 has been re-measured and the change in fair value amounting to ₹ 143 lakhs has been recognised in the statement of profit and loss and disclosed as an 'Exceptional Item' for the quarter ended and year ended March 31,2024 respectively.

The fair value of contingent consideration payable to shareholders of Happiest Minds Inc. (erstwhile PGS Inc.) has been re-measured and the change in fair value amounting to ₹ 1,259 lakhs has been recognised in the statement of profit and loss and disclosed as an 'Exceptional Item' for the quarter and year ended March 31, 2024.

5. Profit Before Tax:

Our profit before tax decreased by 23.7% to ₹ 25,546 lakhs for the FY 2024-25 from ₹ 33,468 lakhs for the FY 2023-24.

6. Tax Expenses:

Income tax expense comprises current tax and deferred tax. Current tax is the amount expected to be paid to the tax authorities in accordance with the applicable tax laws in relevant jurisdictions. Deferred tax assets and liabilities reflect the impact of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements as well as other deferred tax assets recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available. During the year, current tax expense decreased to ₹ 7,080 for the FY 2024-25 from ₹ 8,629 lakhs for the FY 2023-24 mainly on account of decrease in profit.

7. Profits for the Year:

As a result of the foregoing factors, our net profit decreased by 25.7% to ₹ 18,466 lakhs for the FY 2024-25 from ₹ 24,839 lakhs for the FY 2023-24.

Liquidity

The Company continues to maintain a healthy liquidity position for the year, meeting the cash requirements through its internal accruals. Apart from cash and cash equivalents, the Company's overall investment position in mutual funds and bank deposits stands at ₹ 1,34,893 lakhs as on March 31, 2025 in comparison to ₹ 1,26,057 lakhs as on March 31, 2024. The table below summarizes our consolidated cash flows.

₹ lakhs

	FY 2024-25	FY 2023-24
Net cash flows from operating activities	23,642	21,256
Net cash flows used in investing activities	(76,216)	(46,641)
Net cash flows from/(used) in financing activities	49,945	36,347
Net increase / (decrease) in cash and cash equivalents	(2,628)	10,962
Cash and cash equivalents at the beginning of the period	11,470	6,999
Effect of exchange differences on translation of foreign currency cash and cash equivalents	19	55
Cash acquired on acquisition of subsidiary	3,624	-
Less : Bank overdraft at the beginning of the year	(573)	(7,119)
Cash and cash equivalents at the end of the period	**11,912**	**10,897**

1. **Operating activities**

   Our net cash flows from operating activities was ₹ 23,642 lakhs in FY 2025. Our operating cash flow before working capital changes was ₹ 36,833 lakhs in FY 2025, which was primarily adjusted by depreciation/amortisation of property, plant and equipment, intangibles and right-of-use assets of ₹ 8,870 lakhs, Loss on derecognition of contingent consideration of ₹ 1,216 lakhs and finance cost of ₹ 9,948 lakhs, partially offset by interest income of ₹ 8,976 lakhs. Our movements in working capital primarily consisted of increase in trade receivables of ₹ 2,114 lakhs, increase in trade payables of ₹ 937 lakhs, increase in financial assets of ₹ 2,686 lakhs and a decrease in non-financial liabilities of ₹ 1,020 lakhs.

2. **Investing activities**

   Net cash flows used in investing activities was ₹ 76,216 lakhs. This was primarily due to acquisition of subsidiaries for ₹ 73,121 lakhs, net investment in Mutual funds of ₹ 33,798 lakhs which is partially offset by maturities of fixed deposit for ₹ 23,647 lakhs and interest income of ₹ 8,657 lakhs.

3. **Financing activities**

   Net cash from financing activities was ₹ 49,945 lakhs. This was primarily due to proceeds from short-term borrowings of ₹ 53,322 lakhs and proceeds from long-term borrowings of ₹ 24,061 lakhs which was partially offset by payment of dividend of ₹ 8,588 lakhs, payment of interest of ₹ 8,401 lakhs and payment of lease liability amounting to ₹ 3,899 lakhs.

Internal Control

Happiest Minds has established a framework for internal controls, commensurate with the size and nature of its operations. Process has been set up for periodically appraising the senior management and the Audit Committee of the Board about internal audit observations of the Company with respect to internal controls and status of statutory compliances. Business heads and support function heads are responsible for establishing effective internal controls within their respective functions. Standard operating procedures and internal control manuals are defined and continuously updated. The Company has laid down internal financial controls as detailed in the Companies Act, 2013. These have been established across the levels and are designed to ensure compliance to internal control requirements, regulatory compliance, and appropriate recording of financial and operational information. The internal audit team periodically conducts audits across the Company, which include review of operating effectiveness of internal controls. The Audit Committee oversees internal audit function.

Risk and Mitigation Approaches

Organization level risks and mitigation approaches are covered under section “Ensuring effective risk management”.