MANAGEMENT DISCUSSION AND ANALYSIS

Company Overview

Happiest Minds Technologies Limited (BSE, NSE: HAPPSTMNDS) is an AI-First, customer-centric digital engineering company committed to delivering 'Happiest People . Happiest Customers'. With an integrated approach that spans from chip to cloud, Happiest Minds delivers secure and scalable solutions across product engineering, cybersecurity, analytics, and automation platforms. Happiest Minds brings purpose and precision to every engagement, helping enterprises solve complex business challenges and fast-track their digital evolution across industry sectors such as Banking, Financial Services & Insurance (BFSI), EdTech, Healthcare & Life Sciences, Hi-Tech and Media & Entertainment, Industrial, Manufacturing, Energy & Utilities, and Retail, CPG & Logistics.

Happiest Minds' innovation-led strategy is powered by deep expertise in disruptive tech including Gen AI and strategic partnerships with global technology leaders like Microsoft and AWS, along with a growing portfolio of proprietary platforms including Arttha, a unified digital payments suite designed to enable seamless and inclusive financial experiences, Insurance in a Box, a modular digital insurance platform powered by InsuranceGPT to help insurers build, automate, and scale AI-driven products and workflows, and FuzionX Gaming Studio, a game development hub focused on building high-performance gaming experiences that integrate creativity with advanced technology.

Happiest Minds has been honored by both the Golden Peacock Awards and the Institute of Company Secretaries of India (ICSI) for its exemplary Corporate Governance practices. Guided by its mission of 'Happiest People . Happiest Customers' and consistently recognized as a great place to work, Happiest Minds is headquartered in Bengaluru, India, with a global presence across the Americas, UK, Europe, Australia, the Middle East, Africa, and Asia.

Industry Overview (FY 27 Outlook)

The Indian IT and ITeS industry enters FY27 at a strategic inflection point, **transitioning from scale-led growth toward value-driven, AI-centric transformation**. Following a period of global macroeconomic uncertainty and cautious discretionary spending, the sector demonstrated resilience in FY26, supported by sustained demand for digital modernization, cloud transformation, and enterprise technology services.

As per NASSCOM estimates, **India's technology industry is expected to have crossed USD 315 billion in revenue by FY26**, with an increasing share of growth being driven by AI-led transformation, digital engineering, and platform-centric services. Entering FY27, overall technology spending is expected to remain **measured at 5–7% YoY**, while enterprise investments in AI continue to scale progressively, moving from experimentation toward organization-wide deployment.

A defining characteristic of FY27 is expected to be the **industrialisation of Generative AI and Agentic AI, as enterprises move beyond pilot programs toward embedding AI into core business processes and workflows.** While AI adoption is becoming widespread across industries, value realisation is increasingly dependent on workflow redesign, data readiness, governance frameworks, and responsible AI implementation. This is expected to drive demand for higher-value consulting, engineering, integration, and managed services capabilities, beyond traditional effort-based delivery models.

Digital Engineering and ER&D continue to remain structurally strong growth areas as global enterprises accelerate the transition toward software-defined products, intelligent platforms, and connected ecosystems. India is further strengthening its position as a global ER&D hub, supported by a deep engineering talent base, increasing product ownership mandates, and the expansion of Global Capability Centers focused on innovation and R&D.

The cloud, data, and AI infrastructure cycle is expected to remain another key growth driver, supported by rising investments in hybrid cloud, data platforms, AI infrastructure, and enterprise modernization initiatives. In parallel, cybersecurity and digital trust are emerging as board-level priorities, as accelerated AI adoption increases enterprise risk exposure, regulatory scrutiny, and the need for resilient, secure, and compliant digital ecosystems.

From an operating model perspective, FY27 is expected to witness a continued shift toward **outcome-based engagement models, IP-led solutions, platform monetisation, and productivity-led delivery enabled by AI**. Hiring trends are likely to remain selective, with greater emphasis on skill transformation, specialised digital capabilities, and workforce productivity rather than broad-based headcount expansion.

India's long-term competitiveness continues to be reinforced by strong policy support, including investments under the **India AI Mission and the National Quantum Mission**, which are helping build foundational capabilities across compute infrastructure, research, skilling, and deep-tech innovation.

Theme for FY27

"From GenAI to Impact at Scale: Outcome-led, Trust-first Digital Transformation"

FY27 is expected to mark the transition from AI promise to measurable enterprise value, characterised by scaled AI deployment, software-led engineering, resilient digital infrastructure, and a sharper focus on trust, productivity, innovation-led growth, and sustainable value creation.

Business Overview

Our business is divided into 3 Business Units. Each unit is designed to deliver end-to-end outcomes—combining engineering depth, integrated technology capabilities, and scalable delivery models.

1) Product and Digital Engineering Services (PDES)

PDES is focused on delivering engineering excellence to customers that are building next-generation products and platforms, as well as enterprises driving large-scale digital transformation.

Our approach is supported by innovation, integration, and industry AI-led solutions, strengthened through targeted initiatives that scale operations and expand domain expertise and global presence. We bring deep capabilities across platform development, device engineering, quality assurance, experience engineering, and technology acceleration, helping customers build products that are smart, secure, scalable, and built for sustained momentum in a hyper-competitive market.

During the year, we reinforced our position by delivering measurable milestones and strengthening customer-centric delivery through outcome-driven partnerships across key industries.

2) Generative AI Business Services (GBS)

GBS enables enterprises to accelerate transformation by operationalizing AI responsibly, moving from experimentation to AI-first, enterprise-scale transformation.

As clients progressed from pilots to production, the focus evolved from isolated use cases to questions of governance, control, scale, and sustained business impact. In response, we strengthened our Generative AI Business Services (GBS) to embed intelligence directly into employees' workflows, core operations, and AI-native products.

The emphasis shifted from deploying standalone AI tools to enabling agent-driven systems of action, where AI can reason, act, and execute within clearly defined policy and governance frameworks.

GBS has played a central role in helping organizations consolidate fragmented AI initiatives, reduce risk, and translate AI investments into measurable outcomes across industries. This foundation now enables clients to move faster, operate smarter, and scale AI with confidence.

3) Infrastructure Management & Security Services (IMSS)

IMSS is built on the principle of delivering one integrated capability that keeps enterprise IT environments running, secure, and future-ready across every layer of the technology stack. As enterprises scale across hybrid cloud, distributed workplaces, and AI-driven ecosystems, we provide a unified operating model that brings infrastructure and security together into a single, cohesive fabric ensuring resilience, real-time visibility, and continuous optimization aligned with business outcomes. Today, IMSS supports global enterprises across mission-critical environments, managing complex, always-on IT landscapes where performance, availability, and security are non-negotiable.

On the infrastructure side, our services span the full spectrum from Cloud & Data Center strategy, transformation, and managed operations to Databases & Application Platforms, Digital Workplace, Enterprise Networking, and ITSM & ITOM tools. Whether an enterprise is migrating to the cloud, modernizing its data center, optimizing networks through software-defined architectures, enabling a modern digital workplace, or consolidating IT operations platforms, we engage through a structured Consulting, Transformation, and Managed Services model—guiding organizations from strategy through to steady-state operations. This lifecycle approach ensures that transformation initiatives translate into measurable outcomes, including improved system availability, faster incident resolution, optimized infrastructure spend, and enhanced digital employee experience.

Underpinning this integrated infrastructure capability is WATCH360, powered by our proprietary ELLIPSE 2.0 proactive operations intelligence platform. Together, they deliver intelligent 24×7 management with real-time observability, predictive insights, and automation at scale. By leveraging AIOps and agentic AI capabilities, we enable a significant reduction in alert noise, faster mean time to resolution (MTTR), and improved operational efficiency, while embedding cost optimization through FinOps principles. Complementing this, ELAIRA, our AI-powered digital co-worker, delivers up to 40% Tier-1 ticket deflection, a 50% reduction in L1/L2 handling time, and improved first-contact resolution, fundamentally reshaping service desk productivity and end-user experience.

Security runs across every layer as a core design principle. Our Security Services Portfolio is organized across three interconnected pillars. The first pillar, Cyber Advisory, Risk and Governance, helps enterprises define robust security strategies, strengthen compliance, and embed resilience into their operating models across global regulatory frameworks. The second pillar, Cyber Defense and Protection, focuses on securing identity, data, cloud, applications, and operational technology environments through Zero Trust architectures, cloud-native security, and DevSecOps practices. The third pillar, Cyber Detection, Response, and Resilience, delivers 24×7 managed security operations with advanced capabilities such as Managed Detection and Response, threat intelligence, and incident response.

These pillars are powered by our advanced platforms, including Secureline360 and SecAIGenie, enabling our SOC 3.0 vision where AI augments human expertise to deliver up to 3× faster threat detection and response, along with proactive threat hunting. Our Cyber Risk Protection Platform (CRPP) acts as a unifying intelligence layer, correlating signals across identity, data, and infrastructure to create a context-aware, continuously learning defense system, a key differentiator in enabling the shift from reactive security to predictive, risk-driven operations.

This integrated, AI-first approach has contributed to renewed growth momentum for IMSS, supported by new global client wins and deeper engagements with large enterprises. The business continues to be recognized by leading industry analysts, including being positioned as a Major Contender in Everest Group's Cybersecurity and Digital Workplace assessments, reinforcing its credibility in delivering next-generation managed services at scale.

Through this combination of platform-led innovation, measurable outcomes, and integrated delivery, IMSS enables enterprises to move beyond traditional IT management toward resilient, intelligent, and self-optimizing digital operations positioning IT not just as a support function, but as a strategic control layer for business performance, risk management, and sustained digital growth.

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

- **AI Productivity:** Our AI Productivity CoE enables organizations to unlock measurable value from GenAI and agentic technologies by embedding AI across the software delivery lifecycle. We drive intelligent productivity transformation through structured assessment of current delivery practices, identification of high-impact use cases, and definition of AI-led operating models tailored to enterprise needs.

  We design and operationalize AI-native delivery by leveraging reusable accelerators, agentic frameworks such as Rel(AI) Build, and integrated toolchains that enhance development, testing, modernization, and operations. Our approach focuses on augmenting human effort with AI agents to improve speed, quality, and efficiency across all towers.

  To ensure scalable and sustainable adoption, we establish governance frameworks, standardize best practices, and enable continuous measurement of productivity and business impact.

- **Analytics / Artificial Intelligence (AI):** Our analytics and AI offering helps organizations design, build, and scale end-to-end AI and data solutions — from intelligent data pipelines, modern data platforms, and actionable insights to predictive models, Generative AI, and process automation — enabling them to transform data into measurable business value.

- **Digital Process Automation (DPA):** Our Digital Process Automation offering encompasses intelligent discovery and diagnostics to identify process and application gaps, along with process optimization and technology consulting. We design and orchestrate autonomous operations through Smart BPM, end-to-end automation delivery, and core GenAI and Agentic AI solutions. To enable scalable adoption, we provide CoE design and setup, automation and agent operations support, and comprehensive business adoption and change management.

- **SAP Capability Overview:** Happiest Minds specializes in SAP advisory and transformation, driving SAP initiatives into measurable business outcomes, not just system implementations. With deep industry expertise, we help you build S/4HANA, RISE with SAP, and cloud strategies early in the journey, helping enterprises reduce cost, mitigate risk, and eliminate manual rework.

  Backed by a strong pool of certified professionals, including Microsoft Azure, we deliver scalable, resilient, and high impact SAP programs. Our AI-first approach embeds agility, intelligence, and continuous optimization into SAP landscapes—accelerating value realization and enabling future-ready business operations.

Significant Matters Affecting Our Operations

Customer Relationships & Market Opportunity

Customer relationships are the cornerstone of our business strategy and long-term value creation. During FY 2025-26, we sustained a stable active customer base of 300+, reflecting the depth and resilience of our client engagements. Our ability to expand this base and drive broader market adoption of our solutions is closely linked to the pace at which organizations embrace digital transformation. As prospective customers increasingly recognise the strategic value of our offerings in optimising their business processes, we expect this to translate into higher budget allocations for our services — driving new customer acquisition, deeper engagement with existing clients, and, in turn, stronger financial performance.

- **Favorable Industry Dynamics**

  We continue to benefit from the sustained growth of the global software development services industry, driven by the imperative among large enterprises to modernise and upgrade their technology ecosystems for greater operational efficiency. The growing trend of software companies outsourcing development activities to specialised IT services providers further reinforces this momentum. India, in particular, remains a highly attractive destination for software development services — supported by a large pool of skilled IT professionals, robust digital infrastructure, and a favorable policy environment with strong government incentives.

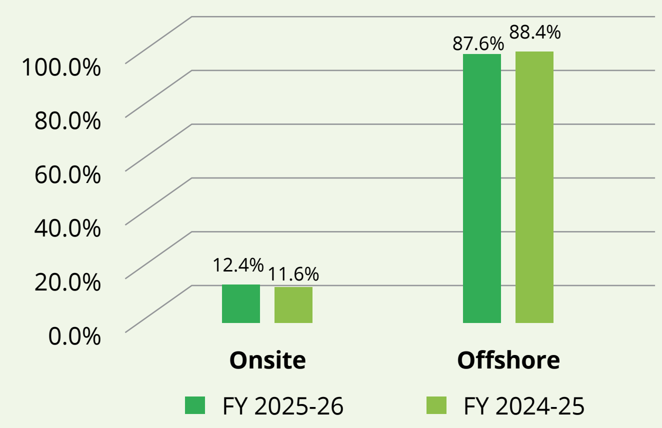
- **Expanding Our Customer Base**

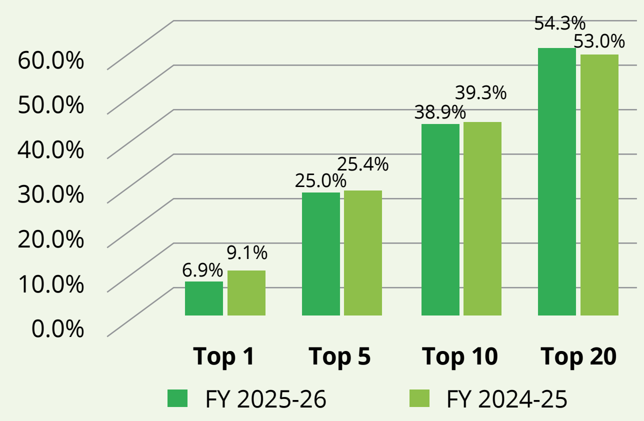
  We see a significant opportunity to grow our customer base and have made — and will continue to make — purposeful investments to strengthen our go-to-market capabilities and accelerate new customer acquisition. A key area of focus has been enhancing the domain expertise of our sales and marketing organization across our priority business verticals, namely Edutech, HiTech, BFSI, Healthcare & Life Sciences, Industrial/Manufacturing, and Retail, CPG & Logistics — enabling us to deliver deeper, more differentiated value to clients across these sectors.

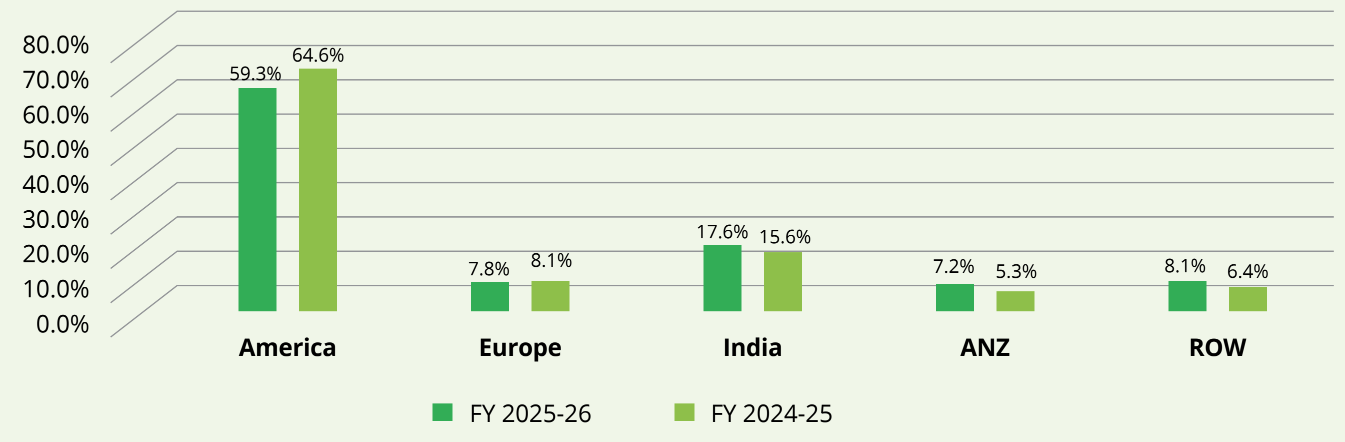
- **Deepening Client Engagement Through Cross-Sell & Upsell**

  Our comprehensive portfolio of service offerings, combined with our proven 'Land and Expand' strategy, enables us to progressively deepen our presence within client organizations through effective cross-selling and upselling. Our ability to increase revenue from existing customers is influenced by several factors, including the scale and effectiveness of our sales force, the expertise of our professional services teams, the quality of our client relationships, prevailing economic conditions, and customers' spending priorities. We believe that our ability to nurture enduring customer relationships and continually broaden the scope of our services will remain a critical driver of sustained growth and profitability.

Revenue composition







Management of Employees and Employee Costs

Our ability to recruit, train, retain and effectively deploy IT professionals is a key determinant of our profit margins and overall operational performance. As of March 31, 2026, our IT professional headcount stood at 6,497, compared to 6,632 as of March 31, 2025. During FY 2025-26, attrition among IT professionals exhibited a marginal upward trend.

Sustaining business growth necessitates a corresponding increase in headcount. Achieving the right balance between recruitment and attrition demands careful calibration and proactive workforce planning. Accelerated hiring beyond immediate demand may lead to a decline in utilization and consequent margin erosion, while delayed hiring risks revenue loss. The impact of attrition on business continuity and associated costs is well established. Accordingly, our long-term success is significantly dependent on our ability to attract, develop and retain our Happiest Minds — particularly our highly skilled engineering and IT professionals.

Our employee costs comprise salaries, wages and bonuses, contributions to provident and other funds, employee stock compensation expense, compensated absences, gratuity and staff welfare expenses. Historically, salaries and wages in India, including in the IT services sector, have been lower than those in the United States, Europe and other developed economies. However, should compensation levels in India continue to rise at a pace exceeding that of these economies — driven by heightened competitive pressures — we may experience a disproportionate increase in our employee costs, thereby eroding one of our principal cost advantages over competitors operating from those markets.

In addition, our ability to manage employee costs is significantly influenced by the composition of our international and domestic resource mix. For instance, any increase in visa fees or healthcare insurance costs pertaining to employees based in developed countries such as the United States and Canada would elevate our overall employee cost structure. Training remains both a strategic imperative and a significant cost element. Investing in our people by equipping them with relevant technological skills ahead of demand is vital — not only for enabling their timely and optimal deployment on client engagements but also for fostering sustained engagement and retention. Effective management of all these workforce dimensions remains critical to the continued success of Happiest Minds Technologies.

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 2025-26	FY 2024-25
Property, plant, and equipment	13,476	14,096
Right-of-use assets	6,056	6,958
Other intangible assets	19,939	23,831
Intangible assets under development	165	18
Goodwill	77,728	76,230
Total	**1,17,364**	**1,21,133**

Property, plant, and equipment:

During the year FY26, additions to Property, plant, and equipment is ₹263 lakhs. The major additions are computer systems.

Right-of-use assets:

Right of use assets have been recognized at ₹6,056 lakhs as on March 31, 2026. 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, 2026, is ₹19,939 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 FY26 is on account of purchase of computer software.

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, 2026, is ₹77,728 lakhs. This includes ₹611 lakhs relating to the business acquisition of Cupola Technology Private Limited, ₹9,116 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), ₹56,741 lakhs of PureSoftware, ₹5,432 lakhs of Aureus and ₹424 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 ₹39,027 lakhs (net of provision for doubtful debt of ₹2,194 lakhs) as on March 31, 2026, in comparison to ₹35,813 lakhs (net of provision for doubtful debt of ₹2,635 lakhs) as on March 31, 2025.

Days Sales Outstanding is at 94 days as on March 31, 2026, as compared to 88 days as on March 31, 2025.

3. Other current and non-current assets

₹lakhs

	FY 2025-26			FY 2024-25		
	Current	Non-Current	Total	Current	Non-Current	Total
Other Financial assets	**16,684**	**27,501**	**44,185**	**17,726**	**7,358**	**25,084**
Other assets:						
Income tax assets (net)	-	5,389	5,389		3,537	3,537
Deferred tax assets (net)	-	4,408	4,408	-	3,613	3,613
Loans	33	-	33	12	-	12
Other assets	10,188	294	10,481	5,682	170	5,852
Total other assets	**10,220**	**10,091**	**20,311**	**5,694**	**7,320**	**13,015**
Total	**26,904**	**37,592**	**64,496**	**23,420**	**14,679**	**38,099**

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 ₹44,185 lakhs as on March 31, 2026, from ₹25,084 lakhs as on March 31, 2025, mainly on account of increase in fixed deposits with maturity over 12 months and increase in unbilled receivables. Days of sales outstanding of unbilled revenue (including that classified as non-financial asset) is 32 days as on March 31, 2026, compared to 28 days as on March 31, 2025.

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 ₹20,311 lakhs as on March 31, 2026, from ₹13,015 lakhs as on March 31, 2025, mainly on account of prepaid expenses & contract assets.

4. Investments, cash and cash equivalents

₹ lakhs

	FY 2025-26	FY 2024-25
Other financial assets - non-current	-	-
Investment in mutual funds	50,352	35,039
Bank balances other than cash and cash equivalent	79,305	93,911
Cash and cash equivalent	11,966	11,912
Total	**1,41,623**	**1,40,862**

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 Company has invested in mutual funds ₹50,352 lakhs as on March 31, 2026, by liquidating fixed deposits. The weighted average rate of return for FY 2025-26 is 6.28% as against 8.20% in FY 2024-25.

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 2025-26	FY 2024-25
Authorized:		
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:		
15,02,61,936 equity shares of ₹2/- each	3,005	3,001
(Previous year: 15,00,46,867 equity shares of ₹2/- each)		
Total	**3,005**	**3,001**

2. Other equity

₹ lakhs

	FY 2025-26	FY 2024-25
Securities premium	90,654	90,582
Retained earnings	76,784	64,487
Other reserves	(1,494)	(612)
Total	**1,65,944**	**1,54,457**

Other equity at the end of March 31, 2026, stood at ₹1,65,944 lakhs as against ₹1,54,457 lakhs as at March 31, 2025. The retained earnings increased to ₹76,784 lakhs as at March 31, 2026, from ₹64,487 lakhs as at March 31, 2025, on account of net profit for the year, reduced by dividend paid.

3. Financial liabilities

₹ lakhs

	FY 2025-26			FY 2024-25		
	Current	Non-Current	Total	Current	Non-Current	Total
Borrowings	1,06,974	34,292	1,41,267	82,554	33,537	1,16,090
Lease liabilities	3,293	4,106	7,399	3,258	5,010	8,268
Other financial liabilities	8,676	2,131	10,807	14,526	8,330	22,856
Trade payables	9,651	-	9,651	10,481	-	10,481
Total	**1,28,594**	**40,529**	**1,69,124**	**1,10,818**	**46,877**	**1,57,695**

Total borrowings as of March 31, 2026, is ₹1,41,267 lakhs as against ₹1,16,090 lakhs as of March 31, 2025. The increase on account of the amount borrowings for acquisition.

Total lease liabilities as of March 31, 2026, is ₹7,399 lakhs as against ₹8,268 lakhs as of March 31, 2025. The increase in lease liabilities is majorly on account of the expansion of facility centers in Hyderabad, Chennai and extension of lease facility in Noida.

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 2025-26			FY 2024-25		
	Current	Non-Current	Total	Current	Non-Current	Total
Provisions	3,811	8,914	12,725	3,519	5,940	9,459
Deferred tax liabilities (net)	-	3,940	3,940	-	4,841	4,841
Income tax liabilities (net)	315	-	315	422	-	422
Contract liabilities	3,401	-	3,401	2,194	-	2,194
Other current liabilities	4,058	-	4,058	3,836	-	3,836
Total	**11,585**	**12,854**	**24,439**	**9,972**	**10,781**	**20,753**

Provisions comprise of employee benefits on account of compensated absences and post-retirement benefits such as gratuity. Total provision as of March 31, 2026, stood at ₹12,725 lakhs as against ₹9,459 lakhs as on March 31, 2025. The main reason for increase being implementation of new wage code.

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 2025-26		FY 2024-25	
	₹ lakhs	% of total income	₹ lakhs	% of total income
Income				
Revenue from contracts with customers	2,31,511	96.5%	2,06,084	95.3%
Other income	8,497	3.5%	10,138	4.7%
Total income	**2,40,008**	**100.0%**	**2,16,222**	**100.0%**
Expenses				
Employee benefits expense	1,56,095	65.0%	1,36,534	63.1%
Depreciation and amortisation	8,819	3.7%	8,870	4.1%
Finance costs	9,736	4.1%	9,948	4.6%
Other expenses	35,078	14.6%	34,108	15.8%
Total expenses	**2,09,728**	**87.4%**	**1,89,460**	**87.6%**
Profit before exceptional items and tax	**30,280**	**12.6%**	**26,762**	**12.4%**
Exceptional items: charge / (credit)	1,859	0.8%	1,216	0.6%
Profit before tax	**28,421**	**11.8%**	**25,546**	**12.1%**
Tax expense	7,159	3.0%	7,080	0.0%
Profit for the year	**21,262**	**8.9%**	**18,466**	**12.4%**
Other comprehensive income for the year, net of tax	(1,043)	(0.4)%	(609)	(0.3)%
Total comprehensive income for the year	**20,219**	**8.4%**	**17,857**	**12.4%**
Profit for the year	**21,262**		**18,466**	
Attributable to:				
Equity holders of the parent	21,262		18,466	
Non-controlling interests	-		-	
Total comprehensive income for the year	**20,219**		**17,857**	
Attributable to:				
Equity holders of the parent	20,219		17,857	
Non-controlling interests	-		-	
Earnings per equity share				
Equity shares of par value ₹2/- each				
Basic (₹)	14.12		12.26	
Diluted (₹)	14.11		12.26	

Comparison between FY 2026 and FY 2025

1. Income

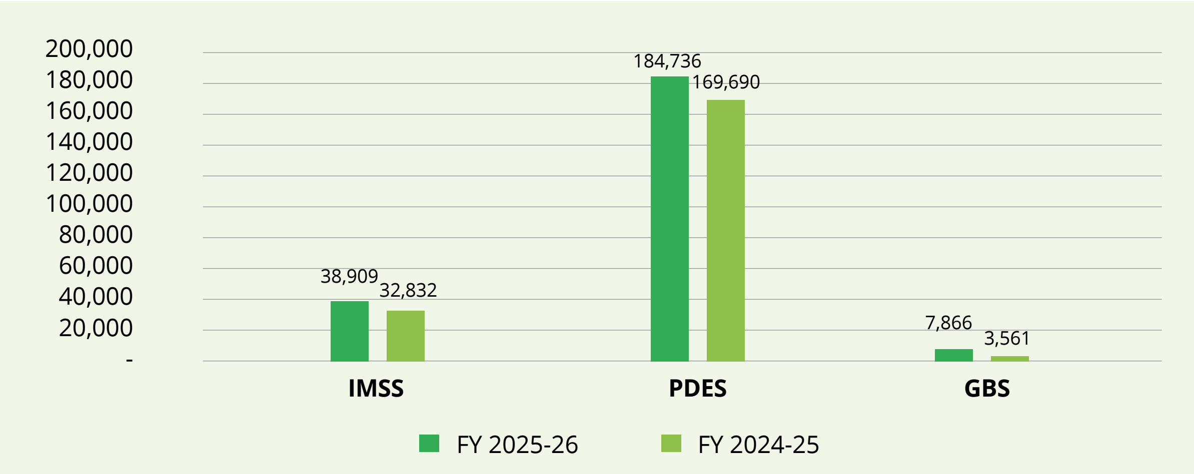
a. Revenue from contracts with customers

₹ lakhs

	FY 2025-26	FY 2024-25
Sale of service	2,30,737	2,03,585
Sale of licenses (net)	774	2,500
	2,31,511	**2,06,084**

During the year revenue from contracts with customers grew by 12.3% from ₹2,06,084 lakhs in FY 2024-25 to ₹2,31,511 lakhs in FY 2025-26. Main factors that led to the increase in revenue are i) Favorable exchange rate: In FY26 USD to ₹ rate depreciated by, on an average, by 4.6% 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 FY25. iii) Acquisitions made during the previous year contributed to revenue growth.

Our revenue from contracts with customers is generated from three business units, namely: Product and DigitalEngineeringServices(PDES),InfrastructureManagement&SecurityServices(IMSS),GenerativeAIBusinessServices (GBS). For Details Refer Business Overview section



Our revenue from Infrastructure Management & Security Services increased by 18.5% from ₹32,832 lakhs in FY 2024-25 to ₹38,909 lakhs in FY 2025-26. Revenue from Product and Digital Engineering Services increased by 8.9% from ₹169,691 lakhs in FY 2024-25 to ₹184,736 lakhs in FY 2025-26. Revenue from Generative AI Business Services increased by 120.8% from ₹3,562 lakhs in FY 2024-25 to ₹7866 lakhs in FY 2025-26.

b. Other income

₹ lakhs

	FY 2025-26	FY 2024-25
Interest income	6,112	8,976
Gain on sale of investments measured at FVTPL	2,515	1,240
Exchange gain / (loss)	(611)	(338)
Rent concession	-	-
Miscellaneous income	481	260
Total other income	**8,497**	**10,138**

Other income consists of income from investment, foreign exchange gain / (loss) and miscellaneous income. During the FY 2025-26, other income decreased to ₹8,497 lakhs from ₹10,138 lakhs in FY 2024-25.

Income from investment:

Income from investment primarily includes interest on fixed deposits in various banks. Interest from fixed deposits is lower in FY 2025-26 compared to interest in FY 2024-25 mainly on account of switching of investment from Fixed deposit to Mutual funds. However, due to geo-political situation during last quarter of the year, there was significant decline in return on mutual fund.

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 loss increased to ₹612 lakhs for FY 2025-26 as against loss of ₹338 lakhs in FY 2024-25. This is mainly due to ₹ depreciation during the year resulted in decreased realized gains.

2. Expenses:

a. Employee benefits expense

₹ lakhs

	FY 2025-26	FY 2024-25
Salaries, wages and bonus	1,44,984	1,27,226
Contribution to provident fund	6,475	5,882
Share based payment expense	611	-
Gratuity expense	2,004	1,280
Compensated absences	1,284	1,485
Staff welfare expenses	737	660
Total employee benefits expense	**1,56,095**	**1,36,534**

Employee benefit expenses comprise salaries (including overseas); staff welfare; contributions to provident and other funds, and gratuity funds. Our employee benefit expenses increased by 14.3% to ₹1,56,095 lakhs for the FY 2025-26 from ₹1,36,534 lakhs for the FY 2024-25. The increase is on account of the RSUs being issued to employees during the year, increase in gratuity expense due to new wage code 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 2025-26	FY 2024-25
Depreciation of property, plant and equipment	878	863
Amortisation of intangible assets	4,589	4,827
Depreciation of right-of-use assets	3,352	3,180
Total depreciation and amortisation expense	**8,819**	**8,870**

Tangible and intangible assets including Right of Use assets are amortized over periods corresponding to their estimated useful lives. Our depreciation and amortization expense decreased by 0.6% to ₹8,819 lakhs for the FY 2025-26 from ₹8,870 lakhs for the FY 2024-25. The decrease in amortization of intangible assets is primarily due to end of life of few intangible assets which were recognized on consolidation of subsidiaries.

c. Finance costs

₹ lakhs

	FY 2025-26	FY 2024-25
Interest on borrowings	7,965	7,259
Interest on non-convertible debenture	636	1,125
Interest on lease liabilities	677	727
Unwinding of interest in contingent consideration	80	526
Unwinding interest on OCRPS	378	311
Total finance costs	**9,736**	**9,948**

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 2025-26 finance cost decreased to ₹9,736 lakhs from ₹9,948 lakhs in FY 2024-25. The decrease is primarily because of the repayment of NCD during the year and payment of contingent consideration during the year.

d. Other expenses

₹ lakhs

	FY 2025-26	FY 2024-25
Power and fuel	499	514
Subcontractor charges	14,169	13,826
Repairs and maintenance	1,021	789
Rent expenses	771	631
Advertising and business promotion expenses	1,056	1,018
Commission	50	73
Communication costs	274	278
Insurance	164	182
Legal and professional fees	1,775	2,309
Audit fees	187	178
Loss on property, plant and equipment sold / scrapped, net	-	-
Software license cost	7,043	6,092
Rates and taxes	357	217
Recruitment charges	1,327	763
Impairment loss allowance on trade and unbilled receivables	734	1,590
Commission& Sitting fees to non-executive directors	165	125
CSR expenditure	736	655
Travelling and conveyance	4,088	3,957
Postage and courier	55	58
Training expense	367	445
Provision for doubtful loans and advances	49	-
Miscellaneous expenses	191	408
Total Expenses	**35,078**	**34,108**

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 2.8% to ₹35,078 lakhs in FY 2024-25 from ₹34,108 lakhs in 2024-25. The increase was due to higher subcontractor charges, software license cost, travelling and conveyance, Recruitment charges.

3. Profit before exceptional items and tax:

Our profit before exceptional items and tax increased by 13.1% to ₹30,280 lakhs for the FY 2025-26 from ₹26,762 lakhs for the FY 2024-25.

4. Exceptional items:

FY 2025-26:

The Labor Codes, introduce changes including a uniform definition of wages and enhanced benefits relating to leave. The Group has assessed the financial implications of these changes, which have resulted in an increase in gratuity liability arising from past service cost and increase in leave liability by ₹2,203 lakhs.

Considering that the impact arising from the enactment of the new legislation is non-recurring in nature, the Group has presented this incremental amount of ₹2,203 lakhs as "Impact of Labor Codes" under "Exceptional Items" in the Statement of Profit and Loss for the quarter ended December 31, 2025 and year ended March 31, 2026. The Group continues to monitor developments pertaining to the Labor Codes and will evaluate any further impact on the measurement of liabilities relating to employee benefits.

On May 22, 2024, the Group acquired 100% equity interest of PureSoftware Technologies Private Limited ('PSTPL'). The Group paid a total cash consideration of ₹64,229 lakhs towards the acquisition. As a result of this acquisition, the Group has recorded goodwill of ₹56,740 lakhs and other intangible assets of ₹15,718 lakhs, and a contingent considerations of ₹10,814 lakhs. Costs incurred on the acquisition of about ₹605 lakhs has been grouped under "Other expenses". The Group re-measured the fair value of the second-year contingent consideration, and the change in fair value of ₹1,247 lakhs has been recognized as a loss in the Statement of Profit and Loss and disclosed as an 'Exceptional Item' for the current quarter and year ended March 31, 2026

On May 24, 2024, the Group acquired 100% membership interest in Aureus Tech Systems LLC ('Aureus'). The Group paid a total cash consideration of ₹7,149 lakhs towards the acquisition. 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 considerations 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 second-year contingent consideration, and the change in fair value amounting to ₹1,591 lakhs as at March 31, 2026 has been recognized as a gain in the Statement of Profit and Loss and disclosed as an 'Exceptional Item' for the quarter and year ended March 31, 2026.

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 considerations 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 first year 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 considerations 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 first year 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.

5. Profit before tax:

Our profit before tax increased by 11.3% to ₹28,421 lakhs for the FY 2025-26 from ₹25,546 lakhs for the FY 2024-25.

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 increased to ₹7,159 for the FY 2025-26 from ₹7,080 lakhs for the FY 2024-25 mainly on account of increase in profit.

7. **Profits for the year:**

As a result of the foregoing factors, our net profit increased by 15.1% to ₹21,262 lakhs for the FY 2025-26 from ₹18,466 lakhs for the FY 2024-25.

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 ₹1,55,936 lakhs as on March 31, 2026 in comparison to ₹1,34,893 lakhs as on March 31, 2025. The table below summarizes our consolidated cash flows.

₹ lakhs

	2025-26	2024-25
Net cash flows from operating activities	26,141	23,642
Net cash flows used in investing activities	(12,129)	(76,216)
Net cash flows from/(used) in financing activities	(14,372)	49,945
Net increase / (decrease) in cash and cash equivalents	(360)	(2,628)
Cash and cash equivalents at the beginning of the period	11,912	11,470
Net foreign exchange difference	414	19
Cash acquired on acquisition of subsidiary	-	3,624
Less : Bank overdraft at the beginning of the year	-	(573)
Cash and cash equivalents at the end of the period	**11,966**	**11,912**

1. **Operating activities**

Our net cash flows from operating activities were ₹26,141 lakhs in FY 2026. Our operating cash flow before working capital changes was ₹39,456 lakhs in FY 2026, which was primarily adjusted by depreciation/ amortisation of property, plant and equipment, intangibles and right-of-use assets of ₹8,819 lakhs, Loss on derecognition of contingent consideration of ₹344 lakhs and finance cost of ₹9,736 lakhs, partially offset by interest income of ₹6,112 lakhs. Our movements in working capital primarily consisted of increase in trade receivables of ₹2,602 lakhs, increase in trade payables of ₹1,228 lakhs, increase in financial assets of ₹859 lakhs and decrease in financial liabilities of ₹549 lakhs.

2. **Investing activities**

Net cash flow used in investing activities was ₹12,129 lakhs. This was primarily due to investment in bank deposits of ₹5,390, net investment in Mutual funds of ₹12,798 which is partially offset by interest income of ₹6,734 lakhs.

3. **Financing activities**

Net cash used in financing activities was ₹14,372 lakhs. This was primarily due to payment of contingent consideration of ₹16,489 lakhs, payment of dividend of ₹9,391 lakhs, repayment of lease liability of ₹4,061 lakhs, interest cost of ₹8,456 lakhs which is partially offset by proceeds from short-term borrowings of ₹17,299 lakhs and net proceeds from long-term borrowings of ₹6,679 lakhs.

Internal Control

Happiest Minds has established a comprehensive internal control framework that is commensurate with the size, scale, and complexity of its operations. A structured mechanism is in place to periodically apprise Senior Management and the Audit Committee of the Board on internal audit findings, including observations relating to internal controls and the status of statutory compliances. Business and functional heads are accountable for designing, implementing, and maintaining effective internal controls within their respective areas. The Company has defined standard operating procedures and internal control manuals, which are regularly reviewed and updated to reflect evolving business needs and regulatory requirements.

In accordance with the provisions of the Companies Act, 2013, the Company has instituted robust internal financial controls across all levels of the organization. These controls are designed to ensure adherence to internal policies, regulatory compliance, and accurate and timely recording of financial and operational information. The internal audit function conducts periodic audits across various business units, including assessments of the design and operating effectiveness of internal controls. The Audit Committee provides oversight of the internal audit function, ensuring its independence and effectiveness

Risk and Mitigation Approaches

Organization level risks and mitigation approaches are covered under section "Risks and Opportunities".