



Happiest Minds Technologies **Q2 FY2021 Earnings Conference Call**

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Time: 9.00 AM to 10.00 AM



ANALYST: **Hardik Sangani** – ICICI Securities
MANAGEMENT: **Ashok Soota** – Executive Chairman
Joseph Anantharaju – Executive Vice Chairman & CEO, PES
Rajiv Shah – President & CEO, DBS
Ramamohan C – President & CEO, IMSS
Venkatraman Narayanan – MD & CFO
Aurobinda Nanda – President Operations & Deputy CEO, PES
Sunil Gujjar – Associate Director, Investor Relations
Praveen Darshankar - Head Legal, Company Secretary & Compliance Officer

Moderator: Ladies and Gentlemen, Good Morning and welcome to the Happiest Minds Technologies Q2 FY2021 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal to the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hardik Sangani from ICICI Securities. Thank you and over to you Sir!

Hardik Sangani: Thank you Lizann. Good Morning Ladies and Gentlemen. Thank you for joining us today on Q2 FY2021 earnings Call of Happiest Minds Technologies Limited. On behalf of ICICI Securities, I would like to thank the management of Happiest Minds for giving us an opportunity to host this earnings call. Today we are pleased to have with us Mr. Ashok Soota - Executive Chairman, Mr. Joseph Anantharaju – Executive Vice Chairman- Chief Executive Officer of PES; Mr. Rajiv Shah – President & Chief Executive Officer of DBS, Mr. Ramamohan – President & Chief Executive Officer of IIMSS; Mr. Venkataraman – Managing Director & Chief Financial Officer; Mr. Aurobinda Nanda – President – Operations & Deputy Chief Executive Officer PES; Mr. Sunil Gujjar – Associate Director. I will now hand over the call phone to Sunil for safe harbor statement and to take the proceedings forward. Thanks, and over to you Sunil!

Sunil Gujjar: Thank you Hardik. Very Good Morning to all. Welcome to this conference call to discuss the financial results for Q2 ended September 30, 2020. We trust all of you are keeping well and staying safe. I am Sunil from Investor Relations Team. Ashok and Venkat will begin the call with a brief overview of the company’s Q2 performance after which, we will have the floor open for Q&A.

Before I handover, let me begin with the safe harbor statement. During the call, we could make forward-looking statements. These statements are considering the environment we see as of today and obviously carry a risk in terms of uncertainty, because of which the actual results could be different as outlined in the earnings release which is available on our website. We do not undertake to update those statements periodically.

Now, let me pass it on to Ashok. Over to you Ashok!

Ashok Soota:

Thank you Sunil. Good Morning Ladies and Gentlemen. I would like to welcome all of you to Happiest Minds, first investor conference subsequent to our IPO. I would like to thank all of you for your support and goodwill, which made the IPO so successful. We are happy to place Happiest Minds results for the quarter before you.

In brief, we have delivered our pre-IPO promise that this year lower growth will be compensated by higher profitability. We had also cautioned that in view of so many markets uncertainties, our Q1 EBITDA should not be annualized. However, I am happy to inform that in spite of our cautionary advice, we have been able to further improve on Q1 EBITDA.

You may have noticed that our press release reporting is very comprehensive. We have shown quarter-over-quarter, year-over-year and year-to-date-over-year-to-date. While looking at our numbers, please keep in mind that there was a onetime credit for deferred tax asset in Q1. Therefore, please look at the operational results for comparison, rather than PAT.

I would also like to highlight, and I think this will be a future what you will see from us going ahead also. There are disclosures that are more extensive than I would imagine almost any other company in our industry. We have not only given the vertical data, but we have also given how much would the business come through different horizontal technologies, which really constitute the digital technologies. In addition to the top five and top 10 accounts, we have also given how much business comes from the top 20.

Finally, we want to share with you that our Board of Directors has approved the appointment of Joseph Anantharaju as Executive Vice Chairman and he now comes on to our board. Venkatraman, who is already on the Board, is elevated to Managing Director and CFO. Both Joseph and Venkat have contributed enormously to Happiest Minds' success and these pointers will further strengthen our governance and with this, I would like to hand you over to my colleague Venkat.

Venkataraman N:

Thank you Ashok. Good Morning to all of you Ladies and Gentlemen. I would like to thank ICICI Securities for hosting this call. In the next few minutes, I will attempt to give you an overview of highlight of our financial results for the second quarter FY 2021.

Revenues in U.S. dollar terms have shown a growth of 5.4% over Q1 while being relatively flat on a Y-o-Y basis. As you will recollect, during our IPO process, we clearly

communicated that given the COVID situation, we would only see a marginal revenue growth during the year but make up for the same in a fair mesh up through improvements in profits.

Now coming to profits, to give you a trend, we had EBITDA of about 16% in FY2020, so that is what we entered FY2021 with. We exited FY2020 with an EBITDA of about 19% in Q4 last year. Our focus and objective was to improve on this number through increased revenues and improved efficiencies on SG&A spends. When we came to Q1, we reported an EBITDA of 25.6%. As explained during our IPO road shows and other conferences, this was higher than what we had internally forecasted and the improvement was on account of benefits of working from home, a beneficial exchange rate, reduced travel and visa spends, reduction in rental and similar expenses.

Now coming to Q2, we have maintained and also improved on the EBITDA that I said about for Q1. Our EBITDA for Q2 is 26.3%. This was possible on account of increased revenues, improved utilization, lower attrition, and also the continued benefits that continue to accrue to us from exchange rate, working from home, reduced travel and visa cost, reduction in rentals etc. Interestingly, our EBITDA levels are now closer to the larger Indian IT companies.

Our Q2 PBT was at about Rs. 42.7 Crores and 22.7% of revenues compared to Rs. 40.8 Crores and 21.8% in the previous quarter. I am pulling out PBT separately because that gives you a feel of what the deferred tax asset creation in Q1 did to our PAT. However, when we come to PAT, as Ashok briefly alluded to and as clearly disclosed in our financials in Q1, we had a tax charge of about 8.5 Crores and a one-time credit for deferred taxes of Rs. 17.8 Crores leading to a net credit of 9.3 Crores, whereas in Q2 we did not have any such onetime credit but only the normal provisions for taxes leading to a drop in PAT on a comparative basis.

Our balance sheet ratios of ROCE and ROE continue to be healthy and good at 36.3%. We continue our very strong cash generation and ended the quarter with about 450 Crores of cash on our books. This of course includes the 100+ Crores that we raised through the IPO. Ashok again alluded to this earlier, keeping in with our principal of increased levels of disclosures we have placed in the public domain, our presentation to investors with detailed operational and financial metrics which I hope you had a chance to go through. With this, I would like to open up the session for Q&A.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Hardik Sangani from ICICI Securities. Please go ahead.

Hardik Sangani: Congratulations on your good results. Just a couple of questions. How has been the traction in deal signings in the current quarter in terms of value, on a Y-on-Y, Q-on-Q basis? Within current BUs of our business, do we see which can accelerate our growth going forward, especially in next couple of quarters? What type of margins do we think is sustainable going for the next two quarters?

Joseph Anantharaju: In terms of the order book, it has increased sequentially by 8% in Q2 and if you look at the first half on a year-on-year basis, we have increased of 11% in our order book and again our pipeline is at around 20% higher than what it was in Q2 of last year. Venkat you want to take the margin question.

Venkatraman N: Hardik, I will have to request you to just repeat the margin question because the second part of the question was a little muffled.

Hardik Sangani: Just on the margins part, our margins are quite up on Q-on-Q and YoY basis as well, so just wanted to check, so as what part of the margins we will be able to maintain. And all the IT companies are giving hikes and also, travel expenses will return in next couple of quarters, so what part of it is sustainable?

Venkatraman N: As we stand right now, we are almost in the middle of the second month of the Q3, we will be continuing to work from home till the end of this year and it is also being considered or evaluated for further extension and so to that extent travel restrictions will continue, the rental reductions that we have negotiated will hopefully continue. When it comes to the visa cost and rent reduction that also will continue and the exchange rate as we see given the current election scenario, we are also seeing a little bit of a slide in the rupee versus a dollar, so I think the other aspects which added to our profits will continue through Q3 and on the operations side I think again we see the continued operational stability and improvements like I talked about for Q2.

Hardik Sangani: Sure Sir. That is, it from my side.

Moderator: Thank you. The next question is from the line of Jason Soans from Monarch Network Capital. Please go ahead.

Jason Soans: Thanks for taking my question. My question was in regards to profitability. So, in terms of your three segments IIMS, DBS and PES, this quarter revenue is fine, but Y-on-Y and Q-on-Q profitability in all the three segments seems to have taken a sharp decline actually. So, just wanted to know is there some element of seasonality in it or is there some element of a pandemic related things, just wanted to understand more about that and about the way going forward in terms of profitability?

Venkatraman N: Thanks. Good question and that this comes out from the SEBI format financial if I am right, there what has happened is that variation is on account of slight bit of accounting change between Q1 and Q2, how foreign currency loss has been allocated, so in Q1 we had foreign currency gain being allocated whereas in the second half or Q2, we did have the allocation of foreign currency loss, so this is something we do the way accounting has done but to give you comfort, all the three segments have grown like you have seen in the revenue numbers and profitability have also improved, so it is a kind of as secular profit improvement across all three revenue segments. Obviously, we have five differences between the three when you look at the gross margins which are something that we track internally and that is part of our entire portfolio profit build up for the company.

Jason Soans: Thanks Sir. Just would want to know if you could want to provide some guidance for FY2021 and FY2022 if possible, just wanted to understand?

Venkatraman N: Again, we are not giving guidance as of now, so to that extent we limit ourselves to our Q1-Q2 and past year performance.

Jason Soans: Okay, my last question is just wanted to understand in terms of competitive landscape you have peers like Globant, EPAM which are pure play digital players and also the behemoth like TCS, so wanted to understand in terms of competitive landscape, how are you seeing growth, I understand the base is small in terms of Happiest Minds and you are still scaling up in terms of your services, so just wanted to understand growth forward in terms of competitive landscape as well?

Ashok Soota: Venkat I can just take one aspect and maybe you could add to this. As we stated in our own pre-IPO presentations, we actually see our true comparatives as in a sense EPAM, and Globant because they are the 100% digital companies and we also were sustaining the sort of growth rates and profitability levels that they had. Their results as you know they have not yet come out. We have rather reasons to believe looking at our own last

two quarters that we should be comparably on a good path. I do not want to make any comparisons with individual Indian companies as you mentioned, we are competing against global giants because the data is already out in the public domain and you would see in a way that all those numbers are very comparable, there may be one who is better and may be many others who are not. But Venkat you may want to add to this part.

Venkatraman N: A good question again. This is taking off from where we left off during our IPO road shows we did compare our financial metrics versus the EEG companies which is EPAM, Endava and Globant. Our revenue growth has been comparable, but I have been always mentioning that they have a huge element of acquisitions coming in to add to their revenue growth compared to almost 100% of our growth coming in on an organic basis, so that is for the first set of revenue comparisons. As far as profitability metrics are concerned, we are better than almost two out of the three and very close to the third one. Return on capital ratios we are ahead of them significantly, so that is how we compare on the financial but this is all with respect to what we have for the previous quarter of these companies and for which we have the results.

Jason Soans: Thank you. That is, it from my side.

Moderator: Thank you. We will move onto the next question that is from the line of Rishad from Nomura. Please go ahead.

Rishad: Thanks for taking my question. Congrats on decent quarter. Just a couple of questions from a demand side now. When we look at most of the comments, we have seen an accelerated shift in digital across the board and given we are born agile born digital company, from a demand perspective it should have dramatically improved for us, in that light TCV increase of roughly about 11% for the first half seems a little too low. If you could just help us understand the demand environment and how the discussions are changing with plan?, that is one on demand. Second just an expansion of it, cloud seems to be more of a buzz word but if you look at our growth in the cloud segment I think that is been a little more tepid even in FY2020 and going into Q1 to Q2 FY2021 as well, could you just help us understand what given a presence is pretty strong two large Hyperscalers?

Ashok Soota: Venkat, I will again take first part of the overall demand then pass it over probably to you and even Ram on the Cloud part of it and also other part. As you have seen in the

past, we have always said that we expect to grow faster than Indian IT industry, we also did say that this year we are going to find it difficult to be able to be at those levels but we will make up through improved profitability and that is actually what happened so far in the first two quarters. In this unusual environment, where as much of our business is not really impacted but all of us got a reduction in Q1 because there were initial cancelations or ramp downs or deferments and that is already carrying forward in terms of reflecting cumulative year-over-year results. So, I think we should wait and watch how this flows out in the rest of the year but our overall statement will remain the same for this year that we will make up through profitability and reduction in overall growth. If you just look at in a sense, valuation as a combination of both of these, then I think those we will stick to what we have been promising. I do not know whether Joseph would like to take up the second part of the question.

Joseph Anantharaju: In terms of the industry, if you look at quarter two over quarter one, we had growth in EduTech industrial manufacturing and the media segments, but at the same time from an opportunity angle, we are also seeing a fair bit of demand and need in retail mode from an e-commerce angle and the hi-tech vertical, which continues to do well. In terms of cloud, I just wanted to clarify if you look at all the other areas that we have listed out IOT, AI all of them are being developed on the cloud. Majority of our business is on the cloud. Sometimes if you are doing an IOT implementation it is still be under cloud that it would go unto the IOT offering and that is the reason why you may see a small decrease quarter-on-quarter in this cloud percentage of the business but just want to reiterate that most of the work that we do for our customers that is in IMS's, DBS or PES is on the cloud.

Rishad: Okay, if that's the case, then I would have fired that when you rise and making up from a profitability stand point, would it make sense to invest aggressively given digital is the more front line area where demand is and given that we do not have the baggage of legacies, does it make sense we invest more, as in, increasing margins, that is when I look at the other expenses that expanded by about 700 bps over the last four quarters that is one and just if you could also explain the margin grow up of those 700 bps in the other expenses and how much of that is sustainable?

Ashok Soota: Firstly, I would appreciate the nature of your response and I think it is very important for long-term but let me assure you that our investment continues. We are continuously expanding new offerings, new solutions and so on. So none of that has slowed down and we will continue to do so and we will achieve whatever margin improvement you

have seen in spite of that and of course of favorable factors which led into that have already been given to you by Venkat. So, Venkat let me hand this over to you for the next part.

Venkatraman N: Yes, thanks Ashok, so Rishad there were three or four elements which significantly added to the margins, one is the increase in revenues which we talked about 5.4% in Dollar terms. We had improvement in utilization, a smart work up which we have also covered in the presentation and the press release. The third point was lower attrition, so you see attrition cost is something that gets baked into your P&L and when that is low you have the benefits accruing into the bottom-line and the exchange rate. So, these are the four major things and in addition to that you had travel, which is the third largest cost for any IT services company. Travel cost is almost kind of now to the bare minimum and then you had finally these onetime quarterly credits that we are getting in terms of rental reductions. Because we are taking on a quarter-on-quarter basis there has been reduction in rentals and also, lot of the related administrative costs So, all of these put together is what has helped us improve the margins and the walk through is essentially split into many of these buckets.

Rishad: Thank you so much.

Moderator: Thank you. The next question is from the line of Ravi Menon from Motilal Oswal AMC. Please go ahead.

Ravi Menon: My questions to you, I just wanted to get a sense of how much do you think we will need to add on in terms of travel costs and other expenses once things normalize and perhaps you might come down but whenever it does, do you think it will be just 100 basis points or so or do you think it could be more?

Venkatraman N: Ravi, again during our earlier part of the road shows and also before the Q1 results we have mentioned that the improvement in profit that we would seek to achieve during the current year would primarily come from our efficiencies from SG&A cost and I had also mentioned earlier that we would look to reduce that by a percentage and a half to two because as the size of the company improves we are well invested in our management and almost out of the fixed costs and the other capability of the team out here is to do a larger business, so to that extent we were expecting the SG&A cost to come down. The improvement from the 16% of last year I said we exited Q4 with about 19% were to add another couple of percentage points on account of this alone. Add to

that were the benefits that we were to accrue because of the improved utilization and the revenue mix and the type of revenue that we would bring into the business. So, if you look at it these two are what I would say, are sustainable and after that what we have gained in terms travel expenses or travel is not likely to come back at the speed at which we all expect. It is going to take time. So, that is going to come in and it will be on a tapered basis so, we will see that increasing slowly over a period of time. As far as work from home is concerned, we are looking at evaluating the situation right now. The benefits are expected over Q3 may be even longer but that is something that is a decision that will be taken and we are taking a kind of lower risk approach waiting for the vaccine and all of that. So, to that extent we expect that benefit also to come in. so, if you look at it is finally the unknown piece of exchange rate. I do not want to forecast our exchange rate. We follow a very careful or a conservative exchange hedge mechanism to ensure that 50% of net foreign inflows over the next twelve months are covered. . I think you can add all of them and you would come to a number which is the sustainable percentage.

Ravi Menon:

Fine.

Moderator:

Thank you. We will move on to the next question that is from the line of Dipesh Mehta from Emkay Globals. Please go ahead.

Dipesh Mehta:

Thanks for the opportunity. Can you just help us understand outlook across the industries which we report so we get some things about and if you can provide some better perspective what exactly we do in each vertical and what is driving demand in those verticals to understand overall business, that is question one. Question two is about, in our top 20 clients, any area of weakness whether you think with some of the clients we are facing some trouble or you think now largely, all top 20 are likely to grow on an ongoing basis? Thank you.

Joseph Anantharaju:

Sure, some of the verticals that we have focused on where customers are coming back to us with demand or requirement, for example, if you look at EduTech and many of the our verticals that you have seen had a positive impact from the COVID situation. Still with EduTech, a lot of the work that we are doing is more around augmenting some of the remote and online e-learning features in the EduTech platforms, helping them with more data collection and analytics so that they can help the students and the faculty better. In Industry and manufacturing vertical, we did see a little bit of drop of in Q1 but in Q2 what we are seeing is that customers are looking at more initiatives around

digitization, around supporting their field support in a remote manner, e-commerce where applicable, in terms of media, customers more around digital media which can be consumed because that is something that is happening with the people being more at home. In terms of retail, lot of focus is around e-commerce and analytics to support intellect personalization and recommendation and it is some of the interest that you had in the BFSI segment has been around more of customer experience including it and making it more intuitive, Hi-tech to do well because the spend having flagged off over the phased study and they continue to invest and bill. So, that is on in terms of what we are seeing right now in some of the verticals that we are focused on. In terms of top 20 customers, all of them are going through their budgeting process right now, but we do not see any major issues in any of them. We all are being quite cautious in the way they are approaching their spend and in terms of any new initiatives they are taking, the more deliberate approach are being taken. Instead of committing to very large projects and programs, they are doing it in a more phased manner.

Venkatraman N: Joseph there was also a second part of the question, are you seeing any risks on the top 20 accounts?

Ashok Soota: Venkat I think he answered that when he said that there are no crashes or anything in them and they are doing a measured growth as they go along.

Moderator: Thank you. We will move on to the next question that is from the line of Hasmukh Vishariya from SUD Life. Please go ahead.

Hasmukh Vishariya: Thanks for giving me the opportunity. I have one question around our digital service offering. If I look at the service offerings in our security solutions specifically, basically percentage of revenue of security solutions have declined almost to 14.9% in FY2020 to now 7.4%. I just want to understand what is happening there is there any loss of customer or just shuffling from one segment to the other?

Ramamohan C: What we are seeing is there is generic upgrade in the security but last year some of projects got closed because many of the security projects run for some and get closed. But now we are seeing an uptick from last quarter to this quarter from the security services perspective we are seeing some uptick. But what has happened is some of the projects where other segment also participate in terms security testing and some of the projects have got over and that is why you are seeing reduction. But we are confident that as we move along the security projects will continue to grow.

Hasmukh Vishariya: Okay, thank you very much. That is, it from my side.

Moderator: Thank you. The next question is from the line of Rishad from Nomura. Please go ahead.

Rishad: Thanks for giving me the opportunity again. Just one last broader question. What are the key areas of investment that we will be looking to make which should drive us from the \$ 100 million to a more let us say \$. 300 million to \$ 500 million companies and it could be in terms of additional sales, it could be in terms of additional technology so what are the key bets that we are making right now if you can provide a little more colour it will be helpful? Thank you.

Ashok Soota: I could guess again Joseph probably give you better response except I want to highlight one thing that if you look at our technology and solutions coverages, you find that they are really robust in the sense that we are literally state of the art in any new area which comes in and actually lot of people say how could a company of your size continue to be in so many areas and we invest in them. One good example could be block chain, we got into it and before one would realize, we already have three orders by then. We got into drones we got a second order there, so that process in the technology is when we are, we will continue. I think we have actually already mapped on to all that is really relevant in terms of major growth segments. If you see, in addition to I told you we were already there in IOT, we are in virtual augmented reality, we are into robotics in addition to drones so, we really have a broader presence. However, I will give you one indication and as you know, we also generate a lot of IP's. we will be looking to see how we married a horizontal technologies with our domain capabilities that will lead us into a next generation of investment it is not that we do not do that even now we have for example, in IP in the EduTech space which Joseph can talk about, you can take over from me in terms of the response to that question.

Joseph Anantharaju: Sure, thanks a lot Ashok. The few strategies that as your management team that put together and this is evolving as and when you feel there is an opportunity, we will re-look at them. Some of the things that we are looking at, which will really help us to acquire new business and growth. The first one is around building deeper vertical capabilities and that is something we are looking at right now. We do have some vertical and domain capabilities that we feel that we will have to get deeper a lot. We get involved a little bit more upstream through the help of our consulting capabilities. The second one is around account mining, we have instilled a process of account development plans which are very deliberate and there are reviews that take place at

regular intervals but we have started some of the courses have been discussed in couple of months back and we are making sure that they get disseminated and they are followed in very disciplined manner. We should lead to more account mining and getting a higher share of customer wallet costs is another thing that we are putting a lot focus on right now. We have 42% of our revenues that comes from cross BU and we will continue to witness how to increase that number so that we get a higher share of wallet from customers. Now, on percentage of onsite - it is on the lower side and we will be looking at- how do we increase that so that we have more presence of the customers' locations, apart from giving revenues it will lead to little bit more of intelligence. Ashok talked about technology and it is very important for us to continue identifying the next set of digital technologies and keep building capabilities just like how we identified drone and block chains a couple of years back and started building capabilities which is yielding results now. We will have to look at the next set of technology and that is what our CTOs are doing and that is their responsibility. Also, on IP as Ashok mentioned, we will have to look at the horizontal or technology and cut off vertical and come up with more of sharp IP that help us both penetrate and lead the services with that. The last point I wanted to make as you grow, we will need to look at some acquisitions and that is part of the strategy that we have as and when we find an appropriate candidate, we will do evaluation and pick up. These are some of the things that we will need to do. The last one I wanted to mention is we have to continue ensuring that we attract and build good talent and retain them, so that will be again very important in ensuring the whole thing around happiness and that GPTW, We have been in the top 100 for three years running now. So, all of these we believe will contribute to that journey from \$100 million onwards going forward.

Rishad: Thank you.

Moderator: Thank you. The next question is from the line of Hardik Sangani from ICICI Securities. Please go ahead.

Hardik Sangani: Thank you for giving me an opportunity. Just couple of questions, primarily, we have increased our Fortune-2000 customers to 39 so, what would be our continuous strategy within those clients and how do we see in terms of large deals or how do we incentivize our sales scheme to actually go and get those kind of blast? Thank you.

Joseph Anantharaju: As I mentioned one of the strategies for growth is going to be around account mining and account expansion. We have adopted for our customers the land and expand

strategy wherein, we through our digital offering, help customers with some of their innovation top up talent and then we have expanded and so this lends itself the additional customers that you see and there is going to be lot of focus on account mining, we are in the process of instituting some of our large accounts, more of accounts management or a client partnership model, there is an increased collaboration that these account managers are doing between the three businesses to increase the share of wallet which will be a huge focus area for us to see how and then account development plans are means of understanding the customer better and coming up trend patterns, competition is there, some of the trends in the customer and some of with the accounts strategy then the whole organization can support to expand.

Hardik Sangani:

So, in the press meet you alluded that UK and Europe would be the next legs of growth, so what would be the particular areas at which we would like to focus on a near term and do we see to our effort mix ratio going up in coming quarters as we try to ramp up more revenues at least next year onwards and the third question, generally all the IT companies have started giving hikes and variable pay, so do we plan to initiate the pay cycle like in near term?

Rajiv Shah:

Thank you, Hardik for this question. So, we have seen growth in H1 in Australia and New Zealand as well as European business bringing our US percentage down but US still continues to play a significant role for us but the percentage of revenue as well as the contract that we signed we have seen a good traction in both of those markets. In addition, I think that will continue to follow our customers as we follow land and growth strategy with them as well. Just in terms of pure numbers we signed about eight new logos, in this last quarter and two of them came from Europe and one in Australia so the significant portion of our newly logo acquisition came from that market segment as well so we will continue to expand and invest in those geographies, at the same time, will continue to stay focussed on our US market and as a result as of now, as far our infrastructure business we continue to see growth in the Middle-East market as well. Joseph, do you want to take the variable side question.

Joseph Anantharaju:

On the increment cycle, when the COVID pandemic started during April we had made a conscious decision to forego the increment cycle for July 2020, so what we have decided is that we will have the next increment cycle which should have been in July 2021, we will do that in April 2021 at the same time we are keeping close watch on how things are evolving and we constantly evaluate and have discussions, we will take appropriate actions or decisions based on how things evolve, Hardik.

Ashok Soota: Joseph, it is worth mentioning that the variable pay has been going up significantly through the year.

Joseph Anantharaju: So, at that point also we had taken the decision to reduce the variable pay but what we have done now is starting with Q2 we have increased the variable pay and we have given people a path to get to 100%. So that is the other thing that we have already taken as the decision.

Hardik Sangani: Thank you.

Moderator: Thank you. We will move on to the next question that is from the line of Meenal Vivek Bodas, a shareholder. Please go ahead.

Meenal Vivek Bodas: Thanks for giving me an opportunity. I have one question based on the business mix which company has, 80% time and money material and 20% on fixed price. I have got two questions. One is time and material is not a long time commitment from the clients' side and fixed price is sort of long time commitment from the client's side. I would like to know from your side, what is going to be the trend and how this mix is going to be moving forward whether there is going to be reduction in time and material or increase in fixed price projects and what is going to be an impact of this on profitability?

Venkatraman N: Good Morning. This is Venkat. We have had a similar trend on the mix between fixed price and time and material. There are few points that I would like to say, this is essentially a contract and billing structure between fixed price and time and material. Earlier on the call, we also said that we do comparisons between ourselves and the other EEG companies, we have looked at their billing or their contracts structure and profile and they are also similar to 80-20. Second, we are working in area where we have to work very closely and collaboratively with our customers to evolve on type of technology or the solutions that needs to be used. So, to that extent, requirements are not as clear and line in legacy kind of project where you could get into a fixed price project. In Digital projects one has work collaboratively, you have to break down a very large project into multiple pieces or modules and then we also have the agile way of delivering this work to them so it is broken into very small logical pieces and that is where the time and material and FP approach comes in. I would not read more than that into this ratio.

Ashok Soota: You know Venkat, Mr. Poddar has a very genuine concern looking at what is happening in the rest of the industry when he feels that T&M may not have a lock in and therefore could be at a risk. I think we could bring in Nanda here to explain. Nanda in our T&M, what is that continuity that we have with the customers where actually those customers have not been with us so many years? So Nanda can we get some color on that response from an operational side.

Aurobinda Nanda: Thanks Ashok. So Venkat was explaining the model in which we work is working in collaboration with customer building their new platforms and products in most of the cases. Now the reason why this contract is structured in a T&M model rather than fixed price or any other model is, most of the time when we are working on creating a new platform, the requirements are not known upfront and they evolve as progress through the journey of building this platform. So, we work very collaboratively starting from a consulting environment wherein we work with the customers to evolve their requirements, define their architecture or design and then take into the engineering side and then finally taking it to the customers and in such an environment where the requirements are not very clearly known, the only way you can structure it is the financial part is in a T&M model and this if you really look at it the kind of repeat business that we have from our customers, also tells us that model is working on fine for us because the repeat business is pretty high so far from what we have seen.

Moderator: Thank you. We will move on to the next question that is from the line of Jason Soans from Monarch Network Capital. Please go ahead.

Jason Soans: Thank you for the follow up. Just wanted to know I can say that revenue contribution from Edutech over the years is increasingly especially post pandemic, which is justifiable. Just wanted to know, if we want to elaborate more on the potential of Edutech as a sector as well as more color on what you exactly do in the hi-tech space and its potential as well, if possible?

Joseph Anantharaju: So, if you look at the Edutech space as you rightly pointed out, especially in the pandemic scenario the requirements and the demand in the industry itself has gone up though the overall spends of Edutech segment is much smaller but for us it is larger because we built depth in that area and one of our initial customers was in the higher education base and we built on top up and therefore, we have highest portion of our revenues coming from Edutech. Apart from this COVID pandemic, there are couple of larger trends that are happening which gives opportunity for technology so first is over

the last five years to six years law of education has moved from typical books and paper based education to online and now digital, by digital I mean where you have your courses being delivered from the cloud, you use mobile or tablet and the second thing is the huge data elements coming in whether it is an assessment or trying to figure out, do some predictive analytics to know which way our students would learn and do some corrective actions, chose elements of data also coming in over there, so these are some of things that I think are going to continue creating demand from Edutech stands point. In Hi-tech we have two or three areas that we have classified in the Hi tech. One is SaaS or Enterprise software companies that we work with. They have been classified under Hi tech, also networking and storage those companies will be in this stage, we have them under Hi-tech, if you look at the SaaS companies, there is a huge demand for SaaS so they continue to invest and add things like analytics and section of automations whether it is required, they are little bit on the leading edge in implementing some of the newer technologies. In terms of networking, it has been up till now it has been more around the software define networking, network function virtualization, we have seen 5G coming up now which will also provide need for some of these companies to upgrade their products so that is the second one, we do have one or two telecom customers that also classified under Hi-tech right now, these all constitutes Hi-tech for Happiest Minds.

Jason Soans:

Sure. That's all from side.

Moderator:

Thank you. The next question is from the line of Mithun Aswath from Kivah Advisors. Please go ahead.

Mithun Aswath:

My question was more in terms of the business growth. We have seen the pandemic becoming a bigger issue for companies which are smaller in size, in order to get new clients because your interactions are limited and it is difficult to travel so just wanted your thoughts on that on how you are doing the marketing in trying to get new business during this pandemic?

Rajiv Shah:

This is Rajiv Shah, Head of Digital Business. Customers are still cautious with COVID, which is still not under control and they have in the past have relied on Hi-tech, in person business model etc., but as a result I think they continued to look at the digital business in a much more aggressive manner because of the authentic business model that we need to get into. Our approach to the market as Joseph highlighted constitutes various factors. So we have a well-defined account management plan where we have dedicated account managers to really understand and work with the customers to look

at the digital strategy and become part of the largest program. We have our own inside sales team which continues to generate leads and that has resulted us into acquiring eight new logos over the last one quarter as well. Given that we continue to invest in the disruptive technologies which also play a significant role in us. Working with the customers to put together, proof of concepts to consultative engagement. So I think that, while there is a curb on travels, there is still cautiousness on COVID I think that will continue to interact with the customers to work with them in driving the digital adaption in their environment.

Ashok Soota: If I just add to that question because it was preceded by a comment saying that are smaller companies at a disadvantage in this time and I like to ensure you that it is nothing to do with size. In fact it is may be the advantage may be smaller and more nimble.

Mithun Aswath: Thanks.

Moderator: Thank you. Ladies and Gentlemen due to time constraint that was our last question. I now hand the conference over to Mr. Sunil Gujjar for his closing comments.

Sunil Gujjar: Thank you for joining us today. We look forward to interacting with you in the coming days. You can reach out to us on ir@happiestminds.com for any questions that you might have. Stay safe and healthy.

Venkatraman N: Thank you. Happy Diwali in advance to all of you.

Moderator; Thank you. Ladies and Gentlemen, on behalf of ICICI Securities, I conclude this conference call, Thank you for joining us. You may now disconnect your lines. Thank you.

Please note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings