Happiest Minds Technologies Limited
(formerly known as Happiest Minds Technologies Pvt Ltd)
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February 01, 2022

Listing Compliance & Legal Regulatory
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001
Stock Code: 543227

Listing & Compliance
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra East, Mumbai 400 051
Stock Code: HAPPSTMNDS

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on January 31, 2022

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI(Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed the transcript of the Earnings Call held on January 31, 2022, post announcement of financial results of the Company for the quarter and nine months ended December 31, 2021. The audio recording of the Earnings call along with the Transcript has been uploaded on the Company's website https://www.happiestminds.com/investors

This is for your information and records.

Thanking you,

Yours faithfully,
For **Happiest Minds Technologies Limited**

D. Praveen

Happiest Minds Technologies Limited

Praveen Kumar Darshankar
Company Secretary & Compliance Officer
Membership No. F6706

"Happiest Minds Technologies Q3 FY22 Earnings Conference Call"

January 31, 2022

MANAGEMENT:	MR. ASHOK SOOTA - EXECUTIVE CHAIRMAN MR. JOSEPH ANANTHARAJU – EXECUTIVE VICE CHAIRMAN & CEO, PES MR. RAJIV SHAH – PRESIDENT & CEO, DBS MR. VENKATRAMAN NARAYANAN – MANAGING DIRECTOR & CHIEF FINANCIAL OFFICER MR. AUROBINDA NANDA – PRESIDENT OPERATIONS & DEPUTY CEO, PES MR. SRIDHAR MANTHA – CHIEF TECHNOLOGY OFFICER MR. SUNIL GUJJAR – HEAD, INVESTOR RELATIONS, MR. PRAVEEN DARSHANKAR – COMPANY SECRETARY AND HEAD OF LEGAL
MODERATOR:	MS. RISHI JHUNJHUNWALA, IIFL INSTITUTIONAL EQUITIES

Moderator: Ladies and gentlemen good day and welcome to Happiest Minds Technologies Q3 FY2022 earnings conference call hosted by IIFL 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 an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rishi Jhunjhunwala from IIFL Securities Limited. Thank you and over to you Sir!

Rishi Jhunjhunwala: Thank you so much, Janice. Good Morning ladies and gentlemen. Thanks for joining us today on the Q3 Fiscal 2022 Earnings Call of Happiest Minds Technologies Limited. On behalf of IIFL institutional equities, I would like to thank the management of Happiest Minds for giving us the opportunity to host this earnings call. Today we have with us from the management, Mr. Ashok Soota - Executive Chairman, Mr. Joseph Anantharaju – Executive Vice Chairman & CEO, Product Engineering Services, Mr. Rajiv Shah – President & CEO, Digital Business Services, Mr. Venkatraman Narayanan – Managing Director & Chief Financial Officer, Mr. Aurobinda Nanda – President - Operations & Deputy CEO, PES, Mr. Sridhar Mantha – Chief Technology Officer, Mr. Sunil Gujjar – Head of Investor Relations and Mr. Praveen Darshankar – Company Secretary and Head of Legal. With that I will hand it over to Sunil for safe harbor statement and to take the proceedings forward for the call. Thank you and over to you Sunil!

Sunil Gujjar: Thank you Rishi. A very good morning to all. Best wishes to all for a Prosperous and Healthy New Year. Welcome to this conference call to discuss the financial results for the Q3 and nine-months ended December 31, 2021. We trust all of you are keeping well and staying safe. I am Sunil, Head of Investor Relations.

Ashok will begin the call by sharing his perspectives on the business environment and our results. Venkat and Joseph will then speak about our financial performance and operational highlights 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. We do not undertake to update those statements periodically. Now let me pass it on to Ashok.

Ashok Soota: Thank you Sunil. Very good morning to all. I hope you are doing well and staying safe. Just when we were hoping that India had avoided a third wave, the new variant Omicron with a very high transmissibility has spread rapidly. Although we at Happiest Minds have vaccine coverage of 96% with at least one dose and approaching 79% fully vaccinated we saw a huge surge in the number of infections. Fortunately, almost all of these have been relatively mild and we have had very few hospitalizations.

A few months ago, we had formed an Internal Task Force which we named as "Back2Smiles" and it was to enable the safe and gradual return of Happiest Minds to our offices just as we began this

New Year. However, since the third wave began to expand and it posed a threat to the wellbeing of our teams and their families, we decided to postpone our plans of working from our offices. This would happen I would imagine in another quarter from now, but it will depend on the situation as it unfolds in terms of the control under which this next wave comes under.

The business environment remains buoyant as can be seen from our numbers. For the quarter and nine-months we have registered industry leading growth of 45.6% and 43.7% in constant currency. Likewise, our EBITDA is also an industry leading figure and on a year-over-year basis this has increased by 27.8% and for the quarter and 35.5% for nine-months.

Our EBITDA margin for the quarter which is at 26.1% is comparable to most of the larger peers. Venkat and Joseph in their highlights will walk you through aspects of our demand environment, financial and operation performance.

I just want to conclude with the thought. I have never been optimistic about technology than I am now and that is fundamentally available from the way it is helping to change and transform the business environment globally and is becoming a huge driving force for good impacting the world in a positive way. Thank you and over to you Venkat!

Venkatraman N: Thank you Ashok and a very good morning to all of you. Best wishes to all on the call for a very Happy and Successful New Year. I will take you through the results for the quarter and also add in some pointers on the 9M ended period as well.

Coming for the results of our Q3, I believe we have declared industry leading results on both growth in revenues and profits and our outlook looks very positive. We closed the quarter with US dollar revenues of $38 million which was a growth of 44.2% year-over-year and a 5.5% sequential growth.

Interestingly, our revenues in the nine-months that ended on December have surpassed that of the entire previous year. The revenues in rupees were ₹ 284 Crores showing a year-over-year and a sequential growth of a 47.2% and 7.3% respectively. Total income for the quarter was ₹ 292 Crores. I think the above gives you a feel for the robust revenue growth we have shown in the quarter.

Coming to profits, fundamentals require revenue growth to be followed by profit growth followed by cash generation. Our EBITDA growth has been very good. EBITDA for the quarter stood at ₹ 76 Crores, which is 26.1% of total income. Year-over-year and sequential growth of EBITDA were 27.8% and 8.8% respectively. On PBT for the quarter, we returned profits before tax of ₹ 65 Crores which was 22.4% of revenues. This was shown a year-over-year and sequential growth of 22.8% and 10.2 % respectively.

Coming to profit after tax, as I have said in earlier calls, compared to earlier years, this year and going forward we have and should be paying full taxes or taxes at full rates as we have exhausted all benefits of brought forward losses and others. Despite this in Q3 and for the 9M period ended we have shown sequential and year-over-year growth in profit after tax which also reflects in higher EPS.

Like I mentioned earlier fundamentals suggest that revenue and profit growth must be backed by growth in cash flows as well. Our free cash flow generation continues to be very healthy. It is at about 99.4% of our EBITDA. It was ₹ 76 Crores for the quarter and ₹ 209 Crores for the period ended December 31. RoCE and RoE, a metric that we track very closely continued to be strong at 32.9% and 28.2%.

Some of the other key metrics more of which you can see in our investor presentation which has been uploaded in our website are we have added 11 new clients during the quarter taking the total number to 195. Average revenue per customer, a metric that we track very closely continues its increasing trend and is now at $ 794,000 per client compared to $ 683,000 in the previous year.

We ended the quarter with 32 million-dollar clients and did business with 53 billion-dollar corporation. This gives you an indication of the quality of customers that we deal with. During the quarter we had net additions of 225 Happiest Minds and happy to state that our family now stands at 4000 plus to be exact we are 4,021 as of December 31.

Our utilization continues to be high and was at 81% showing a growth of 1.3% over the previous quarter. There is not much change in our geo-vertical and service offering mix. In manner of speaking all of them except for some reclassifications are doing similar to previous quarter and quarters.

Automation revenues keeping in line with a demand growth stands at 27.1% compared to 24% in the previous quarter. DSO has shown an increase to 93 days. It is a concern. We are focused on getting this back and we have done well as we see it in January.

Attrition is a concern faced both by us and the entire industry. Trailing 12 months numbers was at 21.1%. My view is that we should see this stabilizing in a couple of quarters. In the meanwhile, while the people supply situation continues to be very competitive, we augment our capabilities through lateral and on and off campus hires.

Demand for IT Services especially for Digital Transformation, AI & Analytics, Automation, Product Engineering Support, Security Services, Cloud Migration and the similar continue to expand rapidly. We see this demand to be secular across geographies and verticals. The most recent NASCOM Report of how the Indian IT industry should go from $ 190 billion in 2021 to $ 300 billion to $ 350 billion in five years reflects this demand and we are also looking to partake in the same.

With that I pass it on to Joseph to share his thoughts on the business environment. Over to you Joseph!

Joseph Anantharaju: Thank you Venkat. Good morning to everyone and hope you are all staying safe. I would like to thank you all for joining us today and would take this time to brief you all in the market conditions and provide a little bit of highlights on our performance.

Demand continues to remain strong with companies cutting across verticals, accelerating their digital initiatives and increasing their technology spends. Implementing a well thought digital strategy has quickly become a necessity for companies of all sizes, which fits very well into the Born Digital, Born Agile positioning of Happiest Minds.

During the quarter, we saw strong deal wins across all the geos in which we operate cutting across a wide spectrum of our digital offering. For example, in this multimillion dollar managed services deal for a global telecommunication provider with operation in 200 plus countries, Happiest Minds has been chosen a partner in their transformational and operational excellence journey.

In another instance Happiest Minds was chosen to provide end-to-end infrastructure and security services on the cloud for a global Edutech SaaS company. We were also chosen by leading cyber security platform provider to be the engineering partner and co-develop their platform. These deal wins reflect to be chosen as a strategic partner for our customers in their experience, data, and cloud initiatives.

Our centers of excellence around Analytics AI, IoT, and Automation are leading the technology curve and were the engines of growth in multiple customer situations during the quarter. We are being consistently rated as leaders or established players in the magic quadrant of some of the leading industry analysts including as a leader quadrant of Enterprise Software and ER&D in Zinnov zones for 2021.

As Venkat alluded our delivery engine is resilient and optimized for scale as we continue to attract and retain quality talent. We are extremely proud that the Great Place to Work Institute® has rated Happiest Minds as one among Asia's best workplaces and we are ranked #2 in the category of Indian IT Services by Glassdoor.

The conversations with our customers and our assessment of the market indicate a long runway for digital adoption and transformational engagement. We look forward to the next fiscal as we prepare our plans and strategies for deeper engagements with current customers and opening the doors to new logos with our transformational programs. We can now open the floor for Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Vimal Gohil from Union AMC. Please go ahead.

Vimal Gohil: Thank you for the opportunity. Firstly, I have two questions; first one is on growth and one is on one of the data points that you provided, I just want some clarity on that. Firstly on growth, you have always maintained that over the longer period of time you would want to grow at 20% sort of growth rate, but if I were to look at over the past one, one and a half years into your listing, there has definitely been an upgrade in the expectations from Indian IT and most of your peers are also talking of very strong growth rates over the next five years. Does that mean that Happiest Minds will continue to maintain that differential of growth rates over peers over the longer term given the fact that there has been a material increase in expectations over the last one year? That is question number one.

Ashok Soota: Shall we take the one question and then take the second one after that? We cannot comment on how we will be vis-à-vis other people, obviously we do not know how well they are going to perform but the key thing is if anything if we will see our growth once the industry has grown to, I think we must appreciate that industry has done far better than they were doing in the past at least many of the leaders have moved into double-digit numbers and we also have grown much faster than, we have never given guidance but we have said, yes we will grow at a continuous 20% plus. While clearly there is no reason to believe that the gap will reduce, but it is not a formal guidance and whether we want to set forth a fresh expectation for the next year then we will certainly take a look at it as we draw closer towards announcing next year quarter one results. At the meanwhile, I think the really relevant number is what Venkat gave in his statement that in nine months we have crossed the entire year's revenue of the previous year.

Vimal Gohil: Perfect Sir. The next question was on FY2023 and your expectations, how has the client interactions been for you? Any sense on budget? I know it is a bit early, but any sense you can give me over there and just one data point that I wanted to understand on this automation that you give, which is 20%, 23% of your total revenues and that has seen a very sharp jump this quarter. How should we sort of think about this metric? Does it impact your overall delivery? If it is seeing such a sharp increase, how should we sort of think about it? How will it impact your revenues or will it impact your overall cost of delivery, if you can just probably help me explain that?

Ashok Soota: Can I just again very briefly, Venkat gets the budget out of the way. We do not really spend too much time trying to visualize what the budget is going to do or not do and fortunately it does not really have too much of an impact on our business most times. There have typically been very few positive things done or very few negative things done for us either and government generally supports the industry since such a large part of our business is global, it depends much more on the global environment, which we have indicated as being very, very positive and that is evident again as we have seen in the previous set of numbers. Let me turn this over to my colleagues to answer your questions on automation in particular.

Venkatraman N: Vimal, I am requesting Joseph. He is having some sort of technical issue. He is getting on to the call, but there were two questions; one was, Ashok I think he was asking more from do we have a feel for the growth numbers next year, so that one I think Joseph could take it.

Ashok Soota: Let us pass this question at this stage, we have not finished this quarter and I have indicated that if we want to give a higher guidance towards the next year, I have more or less answered that part of it. Joseph is having difficulty coming on. Since Ram is also not here to be able to answer the point on automation if you like either one of us can take it up, Venkat.

Venkatraman N: Automation is as a number; let me give you as a metric. We call it out separately. So you have got our entire revenues broken up by the verticals and service offerings, which is how we add it up to 100% but automation has an overlap with all the other technologies because it is something that we do with existing customers, existing projects and within the existing technologies so automaton was brought in so that is why it is called out as a separate number and as you rightly noticed and I highlighted from 24% it has gone to 27%. From our way of looking at the numbers, we look at test automation, we look at digital process automation, security automation, network security automation, low code, no code based development support services all of this form part of the automation revenue numbers that we call out, RPA also, digital process automation includes robotic process automation, so this is the entire gamut of automation services that are being offered to us to our existing customers and new customers, so there are some customers who we start, we enter into with automation and there are others where we get into our existing projects and improve our delivery through automation processes. The question I think Vimal you had was, are we cannibalizing existing revenues is that what the accent of your question was, Vimal?

Vimal Gohil: Not really Sir. Just wanted to understand if increasing your automation revenues does it mean lower cost of delivery in any sense, should we take that as an indication so if you could explain that?

Venkatraman N: I am getting Nanda to answer the impact it has on from a delivery standpoint.

Ashok Soota: Maybe Venkat we can come in from a margin angle here because that is what they are really more concerned about. Overall, firstly as you have seen from Venkat's reply that automation itself consists of five or six different things and all the way from RPA to business process etc., there is a mix in margins even in all those subsegments. Overall, I think the important thing to remember that I think it is delivering for us. After all our profit levels today are fairly high as you can see compared to even the larger guys and it is delivering for us the margins where the rest of the business delivers. It neither depresses nor increases the margins.

Vimal Gohil: When we say that we are automating something does the benefit directly go to our client or do we sort of keep some of the benefits because if there is no impact on our profitability do we really look at it as a revenue lever or do we look at it as more of a convenience offering to our client?

Ashok Soota: Again you know when you have changes in technology which become a key part of business it is not even revenue or margin or cost. I think it is absolutely fundamental requirement for being in business. If you go to a segment which is growing at this rate you have to stake your claim to be there and we are happy that we are there in such a good percentage margin, so I am not sure you see the other people do not cull out their numbers; I have no idea where they are. We believe in a disclosure which gives you all of this data in a very granular fashion, but it is an imperative part of the business. It is like saying when testing was coming up does it increase or decrease our interoperability capability; these are all extensions of the way technology has evolved.

Vimal Gohil: I think what you are trying to say is if it all we were sort of hypothetically if we were lacking here it could probably have hit our margins and since we are sort of being higher in the curve and in sort of getting in up to speed our margins are sort of where they are today. Will that be that a fair understanding?

Ashok Soota: It becomes a standard part. There may be some parts. You appreciate one thing there are issues which typically get you higher prices. AI could be one such area for example. It will also have higher cost because the search of talent is so much more in those areas, so all of these numbers balance each other out. We are giving you so much detail on revenue I do not think we want to split our horizontal data into that sort of granular thing and it is not also easy to do so but overall it is an integral and key part of the business which is growing, developing and certainly not depressing the margin. Keeping up and coping up is the very fact that we are able to sustain the margin levels that we have in our business.

Joseph Anantharaju: Just wanted to also add that you know there is a revenue impact because many of these engagements that Ashok and Venkat are talking about as well as the business process or in the RPA space, they are new engagements, they are opening new logos for us and as Venkat said once we get in we are able to cross sell and expand our business up there, so that is a huge impact from a revenue standpoint and also the way the customers start viewing us, since we are helping them with some newer and emerging technologies.

Moderator: Thank you. The next question is from the line of Arun Kapoor from Morgan Stanley. Please go ahead.

Arun Kapoor: Good numbers and congratulations. I do have a couple of clarifications that I would like to seek. One is on the attrition point that you mentioned, it is rising from 14% I think couple of quarters back all the way to 21% and I do see that the utilizations are also high at about 81%, but the margins which are typical barometer the way we look at it. The utilizations are high and margins also tend to rise but when I look back from those two quarters back to now, it seems the margins not really moved as much, the attrition is spiked up quite a bit. Are you guys seeing a significant cost pressure and hiring pressure coming in from the bench and adding to the supply there. I am quite cognizant that you said that this could be something which will get addressed in the next couple of quarters but what are we looking to do over there in order to bring this impact into control as soon as possible maybe you can answer that then I can pitch in with other.

Joseph Anantharaju: Similar to the other companies not only in the IT industry but across the board, there is an acceleration as they call it a great resignation and so we felt some of that impact and we are taking multiple steps to address this we have really increased our people engagement activities. We have interim wage hike that we provided to some of our folks. Looking at multiple factors in October and we are also looking at how we can provide learning and growth path for our people so that they continue to be excited and engaged and in terms of trying to manage the margins, we are looking at how do we really, there are the few levers that you have around managing your bulge, making sure that you have a well-laid out matrix for salaries and hiring and we feel confident that the steps we put in place will allow us to sustain our margins.

Ashok Soota: Just to add you can see that there have been balancing factors. I mean obviously in spite of the pressures that Joseph talked about; it is a mix of things not just utilization, the business mix, margins have been sustained.

Joseph Anantharaju: If I may just add the other area that we are taking a close look and we are working on is going back to customers, engaging with them and getting rate hike from a pricing standpoint to offset some of these impact from higher salaries, so this is again a work-in-progress and something that we have had some success working with some of customers and we intend to continue doing this in a very focused manner.

Arun Kapoor: Additionally, what I would also like to understand if we see your revenue growth is continuing to be quite superb, so no concern over there, but flow through down at EBITDA level, I understand the taxation part and so and so maybe would not go down to PAT and all of that, but flow through into EBITDA is still showing some sort of a pressure if I am getting the read right. Are we seeing cost pressures having increased and will they continue to be like that? What are your thoughts on that is that something that I will be really interesting to know.

Venkatraman N: Arun as I have been mentioning these cost pressures are primarily two right now one is attrition related and the second is acquisition of people so these are the two cost pressures. We are managing these using the other levers that are available so something which is utilization at a high of 81% ideally. We would have liked it to be 79% but there is some management of that happening, rate increase that Joseph just mentioned. There is also the geo mix play that comes into help sometimes onsite requirements, opportunities, mix with subcontractors so the levers that are available to manage some of these costs are there with us, but I do see that there could be an impact and like you rightly said the flow through could get impacted and not much of it is known right now. Whole of last year, I have been talking about COVID related credits, which could reverse once we get back to normal ways of working, but the normal way of working is also not happening that soon. I have been holding on to a 22% to 24% of a kind of a range on EBITDA taking into account not only the COVID related credits going back, travel coming back, may be a lot of more presales travel happening, sales travel happening, so all of that is what I keep looking at, but surprisingly it is not happening and what is hitting us is the attrition so A gets replaced by B and the attrition for the time being, the cost of attrition and acquisition we are able to manage it with the other levers that I mentioned. Foreign currency fluctuation and credits that we get is also a factor. In the past, Indian IT industry has always managed to get about 2% to 3% benefit from there. We continue to get that. You do not know when then that can reverse, hedge policies that we follow. It is a long drawn answer but it is not a very easy thing to pinpoint saying yes the acquisition of people pressure will hit you and it will flow into the bottomline. It is your assumption is absolutely right, but there are other credits that keep coming in.

Arun Kapoor: Understood, but Venkat when you think about this because we are growing from a much smaller scale, becoming bigger and obviously we tend to compare you guys to the foreign peers that are there? That probably has a lesser pressure at least on the attrition side in cases as well, get easier acquisitions so to speak? Are we seeing that transition happen for us wherein ideally we would be wanting to see less of this pressure coming through, but it is still coming through. Are you guys looking at it, is something which is becoming a structural thing or is it something which is not really structural? These are near term fluctuations then you probably are going up the curve as far as a attraction and retention is concerned?

Ashok Soota: Venkat, if I can just very quickly take that because in a manner of speaking you have answered. The main thing really out here is that we are actually running at way above the levels that we have actually said would be a long-term target. So, you might say with respect to their long-term targets we still being able to retain, let us say the plusses that all these factors in the business have led us into and if to a certain extent, I am not saying it is going to happen. I think because these guidances are higher than they were projected to us, we are well equipped to be able to handle the changes that will come about. I am not saying they will go down. I am also not saying that they are going to go up, very difficult to take them above the current levels that they are, but we certainly will and we not going to either sacrifice margin growth, but many of these things can happen and I would say that to the extent that we are well above the numbers we have been actually committing we have got the cushions to be able to meet some pressures which will come through a variety of ways, which cannot be quantified at the moment. An acquisition may have a marginal impact on your weighted average acquisition. Further pressures on talent may have some further impact, but the cushion is pretty good. We have never targeted to say that we are going to deliver 26% or 27%.

Arun Kapoor: Thank you. I will joint back in the queue.

Moderator: Thank you Sir. The next question is from the line of Rishi Jhunjhunwala from IIFL Securities. Please go ahead.

Rishi Jhunjhunwala: Thanks for the opportunity. The first question Sir on the nature of deals right so we have gone through the pandemic and what we could read initially were that companies were taking up large transformation deals and hence a lot of mega deals were announced across the board, but incrementally what we have been hearing from your peers also is that the deals sizes have become smaller but the velocity has gone higher so can you throw some light on the changing nature of deals and does that put you competitively in a better position given the kind of offering that you have?

Ashok Soota: Can we get Rajiv to take this?

Rajiv Shah: Thanks Rishi. Thanks for the question. I think that if you look at what we had highlighted that our strategy has been always land and expand into the customer account and continue to drive a larger digital transformation and obviously that due to the pandemic there are a lot of re-engineering of business models, etc., have set in place and we see more and more initiatives undertaken by the customer so that is the first part. The second one is the nature of the deals itself and as you saw, when we were talking about the digital process automation, the automation revenue itself, our ability to take, engage for us to drive the large transformation be it from the analytics perspective, be it from the IoT perspective, be it from industrial domain perspective and geographical perspective, I think from that perspective as the business mode has continued to evolve, the size and the nature of the engagements and deals are changing. You are absolutely right. I think the large mega deals are not coming through but at the same time there is a sustained level of transformation that is going on in the customer environment which provides a sustained level of growth as well as revenue for us.

Rishi Jhunjhunwala: Thank you. The other question is a little bit on pricing given the kind of work that you do one would assume that probably you guys would see any kind of pricing uptick in your contracts, many of your peers who are probably doing more like a legacy or migration work but we have already started seeing some of that playing out so could pricing be a big factor going into the next 12-24 months in terms of uptick for your revenue per customer or revenue per employee that is one and also a big cushion to your margin?

Ashok Soota: What is the last sentence you said pricing as a factor for the next 12-24 months and then after that the very last sentence?

Rishi Jhunjhunwala: I was asking Sir if it can provide an uptick to your revenue per customer or revenue per employee matrix and also to your margins or a support to your margin.

Ashok Soota: Venkat you want to handle that?

Venkatraman N: Like I mentioned Rishi, there is pricing, the ability to get a price increase related to what our attrition is or the demand or the particular technology that we deploy on our particularl project is there with us. I do not want to say that it is elastic or inelastic but it is largely because customers have been with us for a very long time and the approach would be to go sit with them in discussion and get those price increases to mitigate any of the cost increases that we talked about. Yes, the second aspect is certain newer technologies come at a higher price and like Ashok mentioned, we will evaluate those in line with our overall gross margin targets that we have at the Business Unit level or at the technology level at the CoE level and that is maintained and managed at that level.

Rishi Jhunjhunwala: Thank you Sir.

Moderator: Thank you. The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Thanks for the opportunity. I have a couple of questions. First starting with supply side management if you can help us understand how we are taking lateral versus fresher, any change in our strategy in the mix which we plan for next few quarters and last few quarters any change we have made? The second question is about subcontracting cost? Can you share the percentage of revenue played out this quarter and any change in onsite offshore in terms of utilization of subcontractor?

Aurobinda Nanda: This is Nanda here. Thanks for the question. From a supply side perspective, we have been focusing as like as Venkat said we have been focusing more on the lateral hirers since the beginning of the organization. Given the kind of pressures that we were in last year, we continued in the same approach of going to the off campus mode and continue to hiring people, but what we have made a change recently is we have also started visiting campuses this time and we have been also hiring people from there so in essence we have doubled down on our approach of the off campus mode, going into finishing schools and hiring freshers from there as well as going into the in campus mode and also hire people from there. So majority of those people will be joining in the coming fiscal year, but quite a few of them have also joined in the current year so that benefits we will be seen in the next couple of quarters.

Venkatraman N: Subcontractor charges as percentage of revenues, was about 12% this quarter. Last quarter it was 13.1% and the same quarter last year was 9.6% so effectively it is now current peaked off at about 12% to 13% number. The drop of 1% I understand is because we had a few subcontractors' onsite rollouts, which we have about four or five of them rollout as well you could get an impact which also reflects on the onsite offshore revenue mix that you will see for us. In fact we have been consistently at a percentage but this time offshore has become 85.6% or something. It is because of that so what rolled off in onsite we have made a through offshore. We have got a very strong talent acquisition team for onsite or US and Europe on-boarding and they are managing any of those requirements that are coming closer to the client.

Dipesh Mehta: One follow up on the supply side, can you share like what will be the fresher intake in these first nine months? Let us say we need around 1,300 to 1,400 people cumulatively in nine months? Out of that what would be the fresher addition?

Aurobinda Nanda: The fresher addition will be close to 500 people. When we talk about freshers we kind of have two kinds of people. One people with zero years of experience and then we also hire people from the industry who have less than three month of experience so I am combining both of them and saying that it is 500.

Dipesh Mehta: Last question, which I want to get some clarity about the reporting which we do? We give onsite offshore revenue mix and we also gave headcount mix? If I look at the last five quarters onsite offshore headcount mix have remained largely stable, but we have seen significant change in onsite offshore revenue mix while your utilization is largely reported stable so if you can help me reconcile these metric ? Thank you.

Venkatraman N: If you want reconciliation, we can get that to you separately but it is fine. It is because of these changes in the subcontractor mix that you see the numbers versus revenues happening onsite offshore.

Dipesh Mehta: I can take if offline. Thank you.

Moderator: Thank you. The next question is from the line of Aditya Grover from HNI Investor. Please go ahead.

Aditya Grover: Thanks for the opportunity. I want to understand the change in the composition of million customers particularly in the $5 million to $10 million and $3 million to $5 million categories and whether that has affected your revenues or if the changes are temporary in nature? I will come to second question afterwards.

Venkatraman N: The million-dollar customers you will see it is a slight moving up and down the metric a little. There are two methodologies of reporting million-dollar customer. One is on a trailing 12-month basis and the other is on a run rate basis so we have adopted the run rate basis of reporting so when you take a run rate basis you can have slight changes, it is something which moves from one bucket to another so this time let me use the word unfortunately. You had one slide down from each of the category by one so that is the only reason why it has gone down. Overall number of customers has gone up but underlying statement is no concern because of that.

Aditya Grover: Great to hear. Second question is how are you tapping the opportunity of emerging technologies including Blockchain and Cryptos what are your future plans regarding it and how strongly are you venturing into these?

Venkatraman N:: While we have got CoEs which are completely focused on the new age technologies, emerging technologies, I would request Sridhar and Joseph to add to this.

Sridhar Mantha: This is Sridhar. Of course, each year we look at the new set of technologies that are coming in and what can be future growth engines and as the market picks up some of these technologies potentially they can translate into center of excellences and we can form them so that way when we look at the Blockchain for example I am just using that as an example since you mentioned it and we have been actually working on multiple use cases across different verticals not the typical financial kind of vertical and slowly we are bringing the distributed ledger as a part of the core architectural component which many of our customers and now we started actually looking at the implications of Blockchain in the related new technologies that are coming up and we want to continue making more investments like NFT and Metaverse powered by Blockchain and implications of Blockchain and some of the newer technologies that are coming up; however, these will be of course I used one as an example, there are multiple other technologies also we keep looking at and make those investments and as a market picks up and beyond the three to four customer implementations as we grow, we will be converting or creating new centre of excellence which around them.

Aditya Grover: Thank you.

Moderator: Thank you. The next question is from the line of Devish from DS Investments. Please go ahead.

Devish: Good morning. Congratulations for a good set of numbers. Quick question connected to your strategy which you call out about land and Expand and specifically on digital projects consulting is a key skill set required to make the deals and conversation happen. Just wanted to get a flavor that what sort of consulting skills we have in-house? How do we sort of incubate that part in your value spectrum?

Ashok Soota: I guess Rajiv can handle this part on consulting skills.

Rajiv Shah: Thank you for the question Devish and if you look at our model say as far as land and Expand is critical component and supported by the CoEs that we have on top of that what we have added is industry groups which includes our domain consultants to business analysts, etc., so there are two sets of consultative skills that we have in the organization; one from people who understand the customer's business environment in domain consulting part of it, other one is the technology consulting part of it which includes understanding newer technologies, etc., so we do have that level of capabilities within the organization. The second part of our consultative approach to the customers is also we partner with major sets of corporation right so we work with technology partners. We work with some of the third-party players as well in bringing the right set of skills and capabilities as well. We have in-house, both domain as well as technology consulting along with architecture consulting and as and when the need requires we partner with some of the third parties as well for us to drive the larger digital transformation in the customer environment.

Devish: That takes care. Thank you for that. Another one was more around we all know that technology is expanding faster than we would like to cover all of the areas. I think in the previous answer it was mentioned that once we have two to three customers we sort of look at the CoE buildup around that. I just wanted to get the rationale because in a normal sense I would assume that we sort of do a market research, do a GTM or dipstick and then sort of build the CoE and then win the customers, it sounds we will halfway right where it will be once we have few opportunities wins then we scale this the thought process that I am missing here if you can help me understand?

Joseph Anantharaju: The way I would put it actually is when we see some new technologies they get incubated under the CTO's umbrella right. You do a deeper study of the technology. You typically build a few POCs, few solutions and then work with the verticals to take it to market. Now the pace of adoption could vary and I will give you the example of Blockchain itself. Our first customer was four or five years back and if you see barring a few areas, the broader acceptance of Blockchain has not happened right and till you have enough customers where you can convert it into a center of excellence or practice, it continues getting incubated under the CTO's organization. We continue investing in it so all the technologies that Sridhar talked about whether it is robotics or whether it is NFT, Metaverse, and Blockchain so all of these are getting incubated under the CTO's umbrella and once you have enough market adoption, you would then build a proper practices or centres of excellence so you can say that there are people already working under the CTO's umbrella but will morph it and scale it once you have more customers and another example is IoT. That is how we initially started and within a couple of years of building our first IoT platform and getting the first couple of customers we saw a rapid adoption and we spun it off into a centre of excellence.

Devish: Great thanks. That answers by question.

Moderator: Thank you. The next question is from the line of Arun Kapoor from Morgan Stanley. Please go ahead.

Arun Kapoor: Venkat from a taxation perspective the base is now normalizing? It is fair to say that from next year onwards we will be on the right base and thereafter with growth down to the profit growth they should look more in line with each other?

Venkatraman N: That is right, Arun. We are already a full taxpaying company now. All credits of the previous year's quarters have been finished so we should hopefully unless we get some new credits which look not very possible right now but yes we should continue.

Arun Kapoor: FY2022 base is completely clean right, almost all clean?

Venkatraman N: FY2022 would be the fair base for FY2023 because we had looked at the previous year but they had adjustments of deferred tax and they were also brought forward benefits that were there. Typically, when there is any acquisition there can be some impact but other than that on an organic basis you are seeing the normal trend from here.

Arun Kapoor: Understood and in the customer mix, there has been a slight reduction in the 5 to 10 bucket, a little bit of movement between 1, 3 and 5 those buckets? Could you just give a sense of exactly what has happened here and is this something we need to think about or worry about?

Ashok Soota: Can I just barge in here. Actually Venkat answered this with respect to another question which came in but I will tell you that number because again as he highlighted you could look it in from a run rate basis on the basis of which we have reported. You can also look at it on the basis of nine months, which I do not think we report externally but that data is existing today and if for example if you look at that cumulative number the three to five has gone down by one number, but the five to 10 has gone up equally by one number so there is a balancing factor. Overall, if you ask me the number of million-dollar customers is increasing in a way that is very, very positive and when we see overall year ending numbers then we will find that those little marginal things that we have talked about have got adjusted. We are also moving towards perhaps looking for a first set of customers going downstream which would certainly be above 15 million as of today so we do not report that category but we have already got a customer in that category. The overall trend of that is exceedingly healthy.

Arun Kapoor: Sir in a way what I understand it is better to look at annual snapshots than quarterly snapshots here because here I am guessing you are annualizing the quarterly run rate for that movement?

Ashok Soota: Both of them have their own value and sometimes it is good to look at both sets of data, but obviously we do not want to confuse the market by reporting much more than we already are doing which to the best of my knowledge is far more than what anybody else does.

Arun Kapoor: Fair enough but as far as you are concerned, your concentration is primarily on these annual snapshots of how the customers are trending on a per customer revenue basis?

Ashok Soota: Sure.

Arun Kapoor: Thank you Sir.

Moderator: Thank you. The next question is from the line of Mridul Biswas an individual investor. Please go ahead.

Mridul Biswas: Thank you for the opportunity. A quick one question related to the revenue across geographies so I can see revenue for Europe and rest of all this is considerably less compared to US and India, so is it because the focus is not there or this is because of something else?

Joseph Anantharaju: I will take that, Ashok. The reason why that you see that revenue decline in Europe is because in Q2 for one of our large customers we had a fixed pricing engagement that came to an end so there was a little bit extra revenue recognition and there was a little bit of delay in getting back to the same kind of run rate for the follow on projects and that is the reason why you see that drop in the Europe market share, but overall I would like to, as I stated earlier we are seeing strong market traction across all our geos and if you just go back to the new logos in Q3, three of them were from Europe actually so that reflects a strong market demand out there.

Rajiv Shah: May be if I just add something here as well. Sorry this is Rajiv Shah. I think that if you look at the data over the last two years so our Europe revenue which was hovering around 6% or so going up to close to 10% plus now so the Europe revenue in terms of percentage for the company as our revenue has grown significantly as well. So the two-year trend has been in very positive direction and we have significant focus with large set of customer engagements as well as deals that we have signed with the senior leadership team in place in Europe as well.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to Mr. Rishi Jhunjhunwala for his closing comments. Thank you and over to you Sir!

Rishi Jhunjhunwala: Thank you, Janice. On behalf of IIFL Intuitional Equities I would like to thank the entire management of Happiest Minds to give us the opportunity to host this call and all the best for your upcoming quarters. With that I will just pass it on to Sunil. Sunil over to you!

Sunil Gujjar: Thank you all for joining us today. We thank IIFL Intuitional Equities for hosting this call on our behalf. We look forward to interacting with you. You can reach out to us on ir@happiestminds.com for any further questions. Thank you and stay safe.

Moderator: Thank you very much. On behalf of IIFL Securities Limited we conclude today's conference. Thank you all for joining. You may now disconnect your lines.

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