

May 09, 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 May 6, 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 **May 6, 2022**, post announcement of financial results of the Company for the quarter and financial year ended as on March 31, 2022. 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**



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





“Happiest Minds Technologies Q4 FY2022 Earnings Conference Call”

May 06, 2022

MANAGEMENT: MR. ASHOK SOOTA - EXECUTIVE CHAIRMAN
MR. JOSEPH ANANTHARAJU – EXECUTIVE VICE
CHAIRMAN AND CHIEF EXECUTIVE OFFICER (PRODUCT
ENGINEERING SERVICES)
MR. VENKATRAMAN NARAYANAN – MANAGING
DIRECTOR & CHIEF FINANCIAL OFFICER
MR. RAJIV SHAH – PRESIDENT & CHIEF EXECUTIVE
OFFICER (DIGITAL BUSINESS SERVICES)
MR. RAM MOHAN C – PRESIDENT & CHIEF EXECUTIVE
OFFICER (INFRASTRUCTURE MANAGEMENT AND SECURITY
SERVICES)
MR. AUROBINDA NANDA – PRESIDENT (OPERATIONS &
DEPUTY CHIEF EXECUTIVE OFFICER) - PES
MR. SRIDHAR MANTHA – CHIEF TECHNOLOGY OFFICER
MR. SUNIL GUJJAR – HEAD OF INVESTOR RELATIONS
MR. PRAVEEN DARSHANKAR – COMPANY SECRETARY
AND HEAD OF LEGAL

ANALYST: MR. ANIKET PANDE - ICICI SECURITIES

Moderator: Good morning, ladies and gentlemen. Welcome to the Happiest Minds Q4 FY2022 Earnings conference call hosted by ICICI Securities. 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. Aniket Pande from ICICI Securities. Thank you and over to you Sir!

Aniket Pande: Thank you. Good morning, ladies and gentlemen. Thank you for joining us today for Q4 FY2022 earnings call of Happiest Minds Technology Limited. On behalf of ICICI Securities, I would like to thank the management of Happiest Minds for giving us the opportunity to host this earning call. Today we have with us, Mr. Ashok Soota - Executive Chairman, Mr. Joseph Anantharaju – Executive Vice Chairman and CEO, Product Engineering Services, Mr. Venkatraman Narayanan – Managing Director & Chief Financial Officer, Mr. Rajiv Shah – President & CEO, Digital Business Services, Mr. Ram Mohan – President & CEO, Infrastructure Management and Security Services, Mr. Aurobinda Nanda – President - Operations & Deputy CEO of PES, Mr. Sridhar Mantha – Chief Technology Officer, Mr. Sunil Gujjar – Head of Investor Relations and Mr. Praveen Darshankar – Company Secretary and Head of Legal. I will now hand over the call to Sunil for the safe harbor statement and take the proceedings forward. Thanks and over to you Sunil!

Sunil Gujjar: Thank you Aniket. A very good morning to all. Welcome to this conference call to discuss the financial results for the fourth quarter and year ended March 31, 2022. We trust all of you are keeping well and staying safe. I am Sunil, Head of Investor Relations. We regret the slight delay in start of this call. We apologize for that. Now, Ashok will begin the call by sharing his perspectives on the business environment and our results. Venkat and Joseph will speak about our financial performance and operational highlights after which we will have the floor open for Q&A.

Before I hand over, 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 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 and welcome to all. We at Happiest Minds are extremely pleased to talk to you once again and share with you what has been an excellent year for Happiest Minds.

For the FY2022 growth of 40.9% in constant currency, we have delivered industry leading growth with a superior margin profile. Clearly, the results are a validation of our strong positioning as a Born Digital, Born Agile Company, delivering effective outcomes for our customers. The growth has been broad-based with all our business units, operating geos and centers of excellence delivering outstanding performance. While Venkat and Joseph will walk you through the details of the results, I want to share some significant milestones.

We completed a decade of our existence as a company in August 2021 and for the first time we have articulated a 10-year vision to prepare Happiest Minds for the changes, which lie ahead. Some of the features of the vision include designing Happiest Minds for perpetuity. This includes our approach for succession planning through continuous renewal of the executive board, which is functioning very effectively, as the CEO of the company. The mechanism through which perpetuity will be achieved is covered by legal agreements, which will ensure continuity. We aspire to achieve revenues of \$1 billion in 10 years with the industry leading profitability and capital return ratios.

We also aspire to be in the top three of comparable companies on the index of EBITDA and Revenue growth through the whole decade. We will continue to build on our mission on happiest people, happiest customers, which has already yielded outstanding results in terms of customer and people satisfaction. We will also continue to be early adopters of new technologies and build state-of-the art solutions for customers through these. Finally, we will drive sustainable practices and aim to be carbon neutral by 2030.

I am happy to share that the Great Places to Work Institute® once again showered us with many recognitions. We have been continuously getting in the top 25 best places to work in IT and IT/BTM for the fifth successive year, recognitions for being on the top 50 best workplaces for women and this year for the very first time they introduced a special recognition for workplaces in health and wellness and we came into the top 15 across all industries. We also received a special recognition for our empathetic support for Happiest Minds and their families during the COVID-19 crisis.

I would just like to summarize all of these by saying that there is no other company in the industry, which has results which are as consistent and as Happiest Minds. We continue to strive for effective operations and effective governance has always been our priority from day one. I am pleased that the Institute of Directors recognize us as winners under the category of Golden Peacock Business Excellence Awards 2021 for the IT industry. We were also recognized by Asiamoney as the most outstanding company in India under the small and midcaps category and the most outstanding IPO in India.

As part of our CSR initiatives, Happiest Minds sponsored 1.28 million meals for school children under the Akshaya Patra program and this brings accumulative total of meals we have been sponsoring to over 4 million meals. To fight COVID-19 pandemic, we contributed towards molecular testing lab and increasing ICU beds at the Jayadeva Institute of Cardiovascular Sciences and Research. We are humbled by the continued trust of our clients, investors, analysts and our Happiest Minds without whose support these results would not have been possible.

As we look at this new fiscal and beyond, we continue to see good growth momentum with demand for our services remaining buoyant. To address the robust demand, we are expanding our delivery capabilities more ambitiously than we have ever done before. This includes creation of new capacity at our existing centers in Bengaluru, Pune and Noida. We will also establish a new delivery center in Bhubaneswar, which we expect will be operational by October 2022. With this let me pass it over to Venkat.

Venkatraman N:

Thank you, Ashok. Good morning to everybody. I would just request everybody on the panel to mute their phones as possible, so that we can avoid the risk of any echo. I trust all of you are safe and well. We had an excellent year on the quarter from a financial and business standpoint.

I am happy to say that we have shown industry leading growth and almost on all financial and related parameters we are in the top of the back with comparable IT service companies. In the next few minutes, I will give you highlights of results for the quarter followed by performance for the year.

For the quarter ended March 2022, operating revenues in US dollar terms was \$39.8 million, a sequential growth of 5.5% and a year-over-year growth of 31.9%. In rupee terms, our total income was Rs.310 Crores, which is a sequential growth of 6.2% and a year-over-year growth of 38.8%.

Our EBITDA for the quarter was 82 Crores and 26.3% of the revenues compared to 77 Crores and the similar 26.1% in the previous quarter. EBITDA growth, a number that I would ideally like to focus on was at a healthy 6.1% shows that the expanding revenues is contributing to our expanding profits and this number is something that we should track going forward.

Our PBT for the quarter was Rs.70 Crores versus Rs.65 Crores in the previous quarter showing a growth again of 6.8%. Coming to PAT, we were at Rs.52 Crores versus Rs.49 Crores in the previous again showing a growth 6.5% so if you notice we have shown growth solid on all the numbers on a quarter-on-quarter and a year-on-year basis.

PAT growth on a year-over-year basis was 44.5%. I would like to draw attention to that because last year we still had benefits of brought forward losses and certain taxes benefits. From this year, we have become a full taxpaying company, so many a time what ends up happening is when you look at the PAT number, the growth number is not as solid as it is in all the other parameters and we get called out for that, but now as you see Q4 of last year, we have provision for full taxes on a quarter-on-quarter basis, we are showing a solid growth of 44.5%.

Now coming to the performance for the year, we closed the year with operating revenues of \$147 million showing a growth of 40.2% that is in dollar terms and constant currency that number was 40.9% which Ashok alluded to. In rupee terms, we breached the Rs.1000 Crores mark. We touched Rs.1131 Crores of revenues this year versus Rs.798 Crores in the previous year, showing a growth of Rs.333 Crores and 41.8% in percentage terms.

EBITDA for the year was 26.1% and what is heartening is the EBITDA growth of 36.9% EBITDA for the year was Rs.295 Crores, almost 98% plus in fact 99% of the EBITDA that we delivered, dropped in our free cash flows to our balance sheet and that is almost Rs.291 Crores of free cash flow adds that we have done to our financials. Our capital return ratios continue to be very healthy and again leading amongst peers, return on capital employed at about 39.8% and return on equity is about 27.3%. A good demand environment on which we could deliver helped us in putting up a strong growth that you saw in FY2022.

We do see continuation in the demand scenario and we are preparing for the same. We are strengthening our talent acquisition strategy both onsite and offshore while also expanding our presence in India. Again, as Ashok alluded to, we are adding capacity in existing locations of Noida, Pune and Bengaluru while also opening up our presence in Bhubaneswar in the later part of this year.

Coming to the margins while we have delivered industry leading EBITDA of 26.3% given the people supply situation and many of the credits that we got on an account of COVID, which I have talked about in almost all my previous calls, which we expect to roll back because we are now beginning to slowly return to office, while we tried our best to retain margin levels continue to hold that sustainable numbers are in the range of 22% to 24%.

I have been proved wrong on this count for the five plus quarters and frankly only happy for that. Some highlights of the quarter and the year are, we ended the quarter with about 206 customers, a net addition of 11 from the previous quarter and 33 from the previous year. Our average revenue per customer continues to be strong and I would request you to look at the investor presentation, it has only been on a growth trajectory.

Utilization continues to be high at 79.4% compared to the 81% it is the reflection of the supply situation ideally we would like it to be slightly lower so that we can make investments for new business, but it continues to be 79.4% compared to 81% in the previous quarter and for the full year, it was about 80.5%.

Voluntary attrition on a trailing 12-month basis was 22.7% which was 21.1% in the previous quarter. We draw solace from the fact that we compare very favorably to all peers except for one large competitor, but attrition is attrition and the loss is a loss and we take it very seriously. We closed the year with cash and investments of about Rs.647 Crores on our books and finally basis our solid cash generation and review of our capital allocation strategies, happy to report that the board has recommended a final dividend of Rs.2 per share, so this would approximately lead to a cash outflow of about Rs.29.4 Crores and the total dividend for the year including the final of Rs.2 will be Rs.3.75, Rs.1.75 has already been paid as interim dividend. About final dividend as you all know is subject to shareholders' approval at the AGM scheduled to be held on June 30, later this year.

I request all of you to go through our investor relations page and look at our investor relations PPT and give us feedback on how we can improve, what other additional disclosures we could give, so that we could give you a lot more information about the company. With this I conclude my brief commentary and I will hand it over to Joseph for his remarks. Over to you, Joseph!

Joseph Anantharaju:

Thank you, Venkat. Good morning to all of you. It indeed was an excellent quarter and year for Happiest Minds, guided by mission of happiest people, happiest customers, we have nurtured an open culture putting up people front and center of everything we do and focusing on their learning and development. Happiest Minds continue to attract quality talent as reflected in a strong headcount growth of 940 Happiest Minds in FY2022, which took our headcount up to 4,168 as of March 31, 2022. Our clients trust us for the significant value and digital depth that predicts the table, which is reflected in our strong new customer addition of 33 logos during the year and a quarter-on-quarter increase in the average revenue per customer, which Venkat referred to, grew by 22% to \$774000.

The success of our land and expand strategy resulted in an increased count of large customers. We have increased \$5 to \$10 million clients by one to a total of 4, \$3 to \$4 million client increase by 2 a total count of 8 and \$1 to \$3 million clients increased by a sizable number of 9 to a total count of 25.

During the quarter some of the key wins that we were able to get, there are quite a few, I will mention a few out here. A leading US supply chain company chose us to be their digital partner for their product development work. In another instance we were the

preferred partners for data center automation for a Fortune 100 American Multinational Technology conglomerate, In the Nordic region, a leading player in the digital housing services space chose Happiest Minds as their partner for building a cloud native customer journey platform.

As can be inferred from these wins, it reflects our ability to shape the digital journey of our clients and add value to the strategic initiatives. A strong brand recall of Born Digital, Born Agile, sound account management practices, delivery excellence and thought leadership is helping us to make inroads into new customers and increase wallet share amongst existing ones.

Our delivery engine is geared towards providing high quality outcomes for our customers and we intend to strengthen and expand the delivery centers as Ashok alluded to allow us to continue scaling and growing rapidly. Enterprises across industries continue to strengthen their digital capital, increasing their investments in cloud native applications, analytic AI, industry product 4.0, IoT low code, no code applications, which we feel will continue to fuel demand and provide Happiest Minds with multiple avenues for growth.

With a view on the future, we are investing in emerging technologies such as Metaverse, Web 3.0 Advanced, etc., to ensure we are ready when our customers need to adopt or would want to adopt these technologies. We at Happiest Minds are excited about the future that awaits and the role which play in shaping it. With this I conclude my updates and we can now open the floor for Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ashish Rachmale from BOI. Please go ahead.

Ashish Rachmale: Sir, first of all congratulations to all for such good results. My question is regarding inorganic growth. So can you please throw some light on what are the midterm and long-term plans regarding acquisitions?

Ashok Soota: Ashish thank you for that question. The results from this year are really I think almost completely organic, so there has been no large acquisitions done by us. We have always stated that acquisition will be a significant part of our 10-year strategy where we want to reach \$1 billion and at the moment we cannot say that we are going to make anything or would not because obviously that will become a forward-looking statement, there continue to be opportunities in the pipeline and when we get something, which is really a good fit we would certainly proceed to ensure that we bring it into the Happiest Minds portfolio.

- Moderator:** Mr. Ashish, are you done with your question?
- Ashish Rachmale:** Yes, thank you, Mr. Ashok.
- Moderator:** Thank you. We will move onto the next question that is from the line of Vimal G from Union AMC. Please go ahead.
- Vimal G:** Thank you for the opportunity and congratulations to team Happiest Minds for splendid 2022. Sir, my first question was just a data point you just highlighted what were the subcontracting cost as a percentage of sales this quarter?
- Venkatraman N:** Yes, if I look at the three quarters it was 12.2%-Q4 FY2022, 12%-Q3 FY2022 and 12.1%-Q4 FY2021, so that gives you a percentage number across the quarters.
- Vimal G:** 12.1% this quarter?
- Venkatraman N:** No, 12.2% this quarter.
- Vimal G:** Sir, just want to understand your margin performance a little bit in more detail is your onsite offshore mix, revenue mix has been relatively stable quarter-on-quarter, your utilization has actually dropped, it is understandable that is from 81% odd level has dropped to more normalized level, but there is a drop on a quarter-on-quarter basis, so just wanted to understand, could you just please explain how have we managed to sort of improve your margins on a quarter-on-quarter basis?
- Venkatraman N:** Quarter-on-quarter basis we remain constant is about 26.3%, so there is no improvement, but we had a favorable exchange rate this quarter, so that has one reason, second is there is some lead and lag in revenue recognition in terms of fixed price contracts, which you see if you look at our own fixed price profile, we are slowly increasing the fixed price profile so to that extent there is some bit of revenue recognition that is happening. There has been a rate increase that we have been able to get in conjunction with in discussion with our customers like I have said, I am not saying that we are in the elastic business that we can keep going asking for rates, but what is happening is we are in constant discussion with our new customers, 85% of our business is existing business, but 15% is new business, so new business is coming at new rates, existing customers are in discussion with us for increasing rates which are the various steps which has been present for margins. There is also our contributions from COEs, which is now for security, IoT, automation and analytics which have increased substantially, having crossed 50% to 52% of our total business is coming from these four COEs and as is typical of business your rates and your recovery is higher in this rather than the generics so to that extent rates are getting better, so there are lot of

moving parts to this margin improvement and on the cost side yes, there has been cost pressures or people supply, which is for everybody to see, so if you take all the puts and takes we were fortunate maintain 26.3% which I also said, while I gave you a highlight and said that sustainable margins could be in the range of 22% to 24% and I am true, I have been proved wrong continuously, I would love to be proved wrong but we are watching our costs, watching our moving parts very carefully and we make sure that we will maintain our margins.

Vimal G: Perfect, thank you so much. Sir, just one more related question would be just how should we understand the reduction in the onsite account this quarter versus the last quarter, so there has been a reduction in headcount, but there has been a mix of revenues, for onsite has been stable, should we then understand that the price increases that you are talking about has been largely onsite, how should we read that and if you could just give your overall hiring strategy for FY2023, what is the outlook here, how much you plan to hire?

Venkatraman N: Hiring strategy, on the onsite part, there is a slight reduction because they have been traditionally heavily skewed towards offshore not by design, but that is how work started in the COVID. Last two years of COVID also made sure that we stayed offshore, now the onsite presence is also getting strengthened, so there was a slight drop in onsite revenue as a percentage on a quarter-on-quarter basis or if you look at the overall year-on-year basis, I sure my colleague will give you the efforts done through to move that up. The rate increases that I talked about just across, so when we take a contract for negotiations you have the same supply demand situation whether it is onsite or offshore. When I said a rate increase, it is both onsite and offshore.

Joseph Anantharaju: Right, I will just address the numbers part of that you mentioned, while there is a drop from Q3 to Q4 some of the drop happened in March and therefore the impact on revenue was not as much and there is a drop from 4.6% to 4.1% of the onsite revenue. In terms of strategy for onsite, we made a couple of changes and the focus from our sales perspective to look at how do we increase our onsite revenues for two reasons, one is I think there is an opportunity out there, this is lower than some of the other comparable companies and the other factor is that if we can have some of our people sitting close with the customers it will help us and getting a better understanding and help us in land and expand that I had referred too earlier to that extent we are looking at how do we get some of our people to move over and continue on their engagements that we are working on with customers and our onsite hiring I will defer to Nanda to give a little bit of view on how we are planning to grow out, Nanda?

Aurobinda Nanda: Thanks, Joseph. I will just address this in two parts, the onsite hiring and the offshore hiring and the strategies that we are trying to acting up on at this point of time. On the onsite, there

are two ways we are looking at it, one is to hire a lot more people locally with the situation improving also on the traveling side, traveling opening up that we will also see a movement from people from India to US also, so together with these two approaches we will be able to fulfill almost all our US needs, other geographies needs also. Now coming to India, we have gone ahead this year, campuses and offered close to 500 people from the campuses and we will be bringing them on board this year. That is going to fulfill quite a lot of our attrition and other needs at this point of time. Along with that we will also continue our approach that we have been following out many years that is having off-campus people and going to finishing schools and hiring so that will fulfill quite a lot a large number of our fresher hiring that will be taken care of. Lateral hiring will continue to happen the way it has been happening all these many years; I hope that answers the question?

Vimal G:

Yes, absolutely. Sir, one question for Mr. Soota, I mean you have talked about improving a delivery capability, adding more delivery capability in a longer run at this point in time, how would you compare yourself in terms of delivery especially versus some of your high growth comparable peers internationally like EPAM and Globant, where do you think Happiest Mind needs to sort of add more muscle and where do you think Happiest Minds is actually ahead?

Ashok Soota:

Sure, I think one basic thing is that you know we have been largely in terms of offshore delivery, a very large proportion is in Bengaluru and as we go ahead I think the pandemic has shown this the people do want to be closer to their homes, which is why you suddenly see that we are going to get into Bhubaneshwar and I am not sure that we could compare this with the EPAM and other situation clearly the one other plus for us vis-à-vis those entities is that we are not affected at all by the whole issue of this war against Ukraine and which has impacted them very severely, we will probably see the results in the next quarter, which comes a little later and that impact, so what you will see is that we will expand. Within India, I would imagine we will probably add another second major location in another year or two and we are all really favorably placed with respect to be East European and the other companies that we talked about.

Vimal G:

Sir, point taken, my question was more towards service capabilities where you have added more muscle in terms of analytics or IoT or maybe cloud migration game is over, how do you sort of capitalize on opportunities after the cloud migration sort is over for the industry?

Ashok Soota:

We have a basic philosophy that we will be amongst the earliest entrants in any new technology which comes in because the technologies lead to solutions and that is inevitable and happens all the time. Joseph actually alluded to all of that when he gave his response, so we are already for example investing in and getting customers into low code, no code applications. We are very much into getting our first set of customers on Metaverse, we

have got work going on in the area of virtual and augmented reality so these are areas which are going to drive future growth because they are leading to new solutions and opportunities for our customers and in line with our philosophy we will continue to do those, that does not mean that we do not equally focus on all the others where all the technologies you mentioned are very much a part of our story of being 100% digital, so whether it is IoT or artificial intelligence, these are ones which are the ones which are the coral and they form what Venkat said is that our centers of excellence focusing on the new areas, the COEs, which have already become this time for the first time, they have crossed over 50% of our sales, So in summary, focus on new areas, focus on the COEs and there as well placed as anybody else in the industry.

Vimal G: Perfect, Sir. Thank you so much and all the very best to you for FY2023 and beyond.

Moderator: Thank you. The next question is from the line of Sanjay Awatramani from Envision Capital. Please go ahead.

Sanjay Awatramani: Good morning and thank you for giving me this opportunity. I just wanted a clarity that sustainable EBITDA margins you said will be in the range of 22% to 24%, is that understanding right?

Venkatraman N: That is right.

Sanjay Awatramani: Okay and any guidance going forward?

Venkatraman N: Sanjay, just want to caution you, this was not basis any guidance. What happens is when you do your modeling for the future there are so many elements of cost and the revenues that come in, and you know the last one or two years have been quite unpredictable in terms of the way the costs have panned out for that matter, revenue we are always happy to get as much of it, but on the cost front you know there has been some ups and downs and the supply situation also today everybody talks about it so I do not think I need to say more on that, so with all of that keeping some of these variables in play come to a number of 22% to 24% and mind you we also have to make investments because we are in a cutting edge digital business, new COEs, the requirements of that whether it is Web 3.0 or whatever we make investments and all of that none of it is carried to the balance sheet, we write it off into the P&L, so to that extent taking all of that I came up with that number of 22% to 24%, but what is happening is we have been able to manage the levers very well until now which is why you see the 26.3%, so that is what I was trying to talk about when I gave you sustainable margin numbers, go ahead please.

- Sanjay Awatramani:** This is very clear, Sir. Thank you so much and my next question is that you mentioned that you are planning for augmented reality Metaverse so will you move ahead with some acquisitions or we will do it all these internally?
- Ashok Soota:** These things, see our approach always is that you must develop capabilities internally then you may want to augment that with acquisitions if the right one comes along because you have got to realize that so many developing areas and it is fortuitous at times on which acquisition you will get which fits in everywhere, you do not want something to drag your profitability down, it has to be on a high growth areas which is fantastic, but there is no substitute for having your own internal capabilities as the core of being able to get started in new areas.
- Sanjay Awatramani:** That is all from my side. Thank you, so much.
- Moderator:** Thank you. The next question is from the line of Abhimanyu Kasliwal from Choice International. Please go ahead.
- Abhimanyu Kasliwal:** Thank you so much. Sir, firstly warm greetings to you, Mr. Ashok, Mr. Joseph, Mr. Venkat, Sunil and everyone on the team. I would like to congratulate the company on its industry beating performance in terms of revenue growth and very competent margins. However, I had a few question and why is it could be taken as some aspect of forward-looking, if you could just provide me with some kind of we pass ahead and how to look at things, so I understood the tax rate inching up slightly. My question was regarding deal traction. I believe this year we roughly had a topline growth of around this quarter of around 6%, however, this year we had 40% which is industry leading. Can we expect growth on better lines or maybe the same line going forward from the deal traction that we have seen in this quarter? The reason I am asking is because right now our company is at peak valuation, so hence our investors are hoping to see industry plus, growth, if you could just provide some kind of light on are we looking at any mega deals, some expansion, some investments paying off and also additional question, other incomes also rose a little bit, if you could just guide and light some on that, these are my questions, thank you?
- Ashok Soota:** Actually your whole focus is on deal traction and in that context maybe it is best to get Joseph and Rajiv and Ram to speak to you about the respective business units.
- Abhimanyu Kasliwal:** That will be great.
- Joseph Anantharaju:** Thanks, Ashok. I will give you a quick view from overall market and press perspective. I think if you look at the overall demand side of the equation our customers continue to invest in digital technologies and as I mentioned there are multiple technologies that customers are

looking at investing, which has got accelerated by some of the outcomes of paradigm, remote working, e-commerce, some of the pent-up demand and that is what we are seeing at a secular level and if you look at some of the verticals, Hi-Tech continues to see fair bit of growth because the platforms and technologies that are needed to fuel the digital innovation is the Hi-Tech segment, Edutech also since there is so many nuances to remote education, to bringing in adaptive learning, to bring more analytics into learning, you are seeing a fair bit of investments and manufacturing has realized that they need to really digitize their overall operations to make a little bit more sales, fair bit of investment happening there as well, so overall we are seeing industry trends leading to continued demand and investment in digital technology, so Rajiv over to you!

Rajiv Shah:

Thank you, Joseph. Thanks Abhimanyu for the question itself, so if you look at us as an organization that we are part of our customers large digital transformation journey and our approach to the customer is really land and expand, so from that perspective the pipeline from the existing customers continues to grow is reflected on how we are able to grow the number of customers from \$5 million to \$10 million, \$3 million to \$5 million, so overall it is a pretty healthy pipeline across all verticals and not only that across all geos as well, so geographies Europe, Middle East, Asia to US, we continue to see growth in all geographies as well, the third is really that I think the customers have quite a bit of time to think about revisiting their business model itself because the disruption of pandemic and that has also driven quite a bit of rethinking about the digital investments and expediting their approach to the market as well, so overall from geo perspective, overall from a digital transformation journey perspective, we see a very healthy pipeline and we continue to see the same level of momentum that we have as an organization.

Ram Mohan:

On the infrastructure and security services just like the way the other two business units, this also continues to grow and we have seen a significant increase in our growth as well and if you really look at it we have grown 45% in the infra and the security area from last year to this year and from the security COE perspective we have increased our share within the organization revenue from 8.7% to 12%, so that shows how significantly the security services have grown, obviously when the organizations enter into a digital space the need for security holistically increases as well as the need to move to cloud environment using multi cloud environment and hybrid cloud environment also increases that is the reason why we are seeing the increased demand both in the infra side as well as the security side, apart from this the automation side also there is a significant increase because now organizations are looking in terms of improving the productivity efficiency and also reducing the human error and that is the reason as you see the automation part of it has also grown significantly overall as an organization we have 25.4% coming from the automation revenue, so holistically we are seeing growth in all the BUs, all the geos and all the verticals and we believe that you know it will continue.

- Venkatraman N:** Abhimanyu. I think you had two more questions, which was on the tax and the other was other income right? I will just cover those two. On the tax front like I said in the early days we had losses, so we were carrying it forward till we could set it up against profits. All of the set off of depreciation and brought forward losses finished in the last year so which is why the Average tax Rate(ATR) as we call it is lower last year compared to the current year you can see it is about 5% of our tax of revenues. Coming to this year we are now in a straightforward simple tax era in India most of the tax almost 99% of the tax have the base in India and that is now at the full rate of 25.5% and which is why you see the increase in tax rate, so there is no other benefit or nothing that we are not taking. The second thing is on other income, here we have disclosed this in the past calls as well, our EBITDA includes other income, we believe that when we are looking at capital allocation and utilization of capital we have to look at the entire capital availability holistically, you cannot keep that out because that is a part of your business income, you allocate it to buying a real asset or you put into new technology and you have to evaluate it from basis the IRR that the other income generates versus the business generates so if you look at it my other income is that about 3% compared to the ROE and ROCE of 27.3% and 39.8% that I talked about so in my own interest and in all our own interest we should make sure that this is deployed into business, but at the same time ensuring we don't keep it idol as well.
- Abhimanyu Kasliwal:** Thank you. That was very helpful. Sir, one last followup question actually two, one is the nature of business, I mean you referred to it right now when you were speaking, but it had more muted growth of the three segments, 2.9% going forward can we expect some kind of pickup or can we hope for some kind of pickup?
- Ashok Soota:** I do not think I really got the question, maybe Venkat if you could answer that or repeat it if you like?
- Abhimanyu Kasliwal:** I meant that Digital Business Services vertical had slightly relatively low growth compared to the other two this quarter.
- Rajiv Shah:** I think that if you look at the digital business over the year it has grown 53% year-on-year, so I think it is one of the highest growth amongst all the BUs for the year-on-year perspective, we did have certain seasonality as well as some of the digital transformation projects getting over and redefining, getting done in the last quarter so I think you will see that momentum once we have reinitiated the discussions on the next level of journey you will see that picking up as well, and overall, digital business services have 53% growth year-on-year.
- Abhimanyu Kasliwal:** Thank you so much. This is very enlightening. Thank you all.

- Moderator:** Thank you. We will move on to the next that is from the line of Devendra from Invest Yadnya. Please go ahead.
- Devendra:** Thank you for providing this opportunity to ask the question and congratulations on a very good set of numbers. Sir, I wanted to ask a question to Mr. Soota, historically we have seen that small caps and even midcaps they are not graduating to become large caps in the IT space, so right now Happiest Minds being a small cap company, so how do you see your vision for the company to take it to the larger level?
- Ashok Soota:** I would just correct as far as I know Venkat, we are now no longer called small cap, but midcap.
- Venkatraman N:** I read we are being categorized as a midcap.
- Ashok Soota:** That is right. I think you could say straightaway that we have graduated from small cap to midcap and your question is a little more generic on how you would move from midcap to large cap. Basically if you look at it, if you thought of a process and saying that can we ever catch up with those larger top three or four in size that is going to be obviously a very long-term journey. We have indicated for ourselves that we will and you might say that is at least one forward-looking statement that we made and it is in the public domain that we want to be a billion dollars by the end of decade which ends in 2031. So assuming it continues as vision, our target that industry leading profitability, you can visualize where we would be, now whether that classifies that bring large cap really depends on how the definition of large cap would continue to move. It will certainly make it very attractive and at the same time there is a big journey ahead if you compare with the giants who we have been working for in the market for 50 years and what is more important is that we should be able to sustain industry leading growth, industry leading profitability, industry leading presence in newer technology markets and then continue to expand in the way that we are growing so I would say that is a broad answer, I am only able to speak for myself and not your general comment on how the other guys are going to function as they grow ahead and there are obviously three or four midcaps, which are doing well, there were also three or four midcaps which are faltering already.
- Devendra:** Thank you for answering my question. Sir, one more question I had was, you have also classified your business offerings in terms SaaS offering, so what exactly do you offering in that?
- Ashok Soota:** What are those offerings?
- Devendra:** SaaS offerings.

- Ashok Soota:** Do you want to take this up Joseph, or would you want get Sridhar to take it since he is here.
- Joseph Anantharaju:** Sridhar could do that I think . Sridhar, you want to take that as well?
- Sridhar Mantha:** Thank you. As part of the Hi-Tech vertical side, we work with many enterprise solution providers who actually create SaaS applications and very few are having licensed kind of solutions and there we have actually moved them to the cloud and create a complete SaaS wrapper and satisfy their solutions, so that way the digital portion of the work we do is actually to help the companies that are creating the SaaS solutions.
- Devendra:** What is others and the customer industry growth what exactly fit in?
- Ashok Soota:** Well I think one of the others is clearly healthcare, which we will classify as a separate growth in the next quarter is growing at a healthy rate.
- Devendra:** Thank you, Sir for answering them. Best of luck for your team.
- Moderator:** Thank you. The next question is from the line of Rithvick Ram a Freelance Investor. Please go ahead.
- Rithvick Ram:** Sir, congratulations on the stellar performance of Happiest Minds. Sir, I read a newspaper article on BOT as a service, can you throw some light on the role of Happiest Minds in the BOT as a service?
- Ashok Soota:** Again, Sridhar do you want to take it up or Joseph you want to take it up?
- Rithvick Ram:** Especially with what we spent, what is the Happiest Minds version?
- Sridhar Mantha:** Generally just as definition right just want to make sure that all of us are at the same page. Generally when people talk about BOTs, they are always talking about the automation in the industry and when somebody positions BOT as a service invariably it moves more into the SaaS model and run the automation right against a certain business process and as part of our Center of Excellence, we shared already that digital process automation that heavily looks into RPA along with other kinds automation in the context of business process automation that is one of our core expertise area and that way we work with quite a few customers who are trying to create BOTs as part of their enterprise environment also few that are trying to actually create a generic solution in SaaS model that automates various business process. So, the expertise of using various RPA leaders at this point in time like

UiPath or Power Automate, all those capabilities are as part of our DPA Center of Excellence.

Rithvick Ram: Got it. I have a question to Mr. Venkatraman Narayanan, in one of the Happiest Minds reports I have read that you are aiming to become a billion dollar company by revenue from 2026 onwards, is that a target because Mr. Ashok mentioned that you will touch a billion dollar revenue in 2030, so I am not clear on that part?

Venkatraman N: Ashok's statement was the correct one, it does align with our vision statement that we have put out for 2030, so we have put out a 10-year vision for the next 10 years of the company and the revenue metrics that we have taken up that we have to be a billion dollar corporation by 2030.

Rithvick Ram: Are you trying to become a billion dollar company before that?

Ashok Soota: You know we cannot make any statement other than what was written and put out in the public domain.

Rithvick Ram: Because now the top industry is catching a huge key to this Mphasis and Mind Tree and new platforms for growth.

Ashok Soota: Sure.

Rithvick Ram: I have other questions and I am very happy with that response, does the management have a place in the BFSI sector like other software company?

Ashok Soota: Yes, we have 13.2%.

Rajiv Shah: Yes, BFSI we have a place, more than 13% of our revenue comes from BFSI sector, within that we are very focused on working with digital ready applications and platforms to implement some variety of customers banks to lending companies to loan origination, etc., so it is a significant piece of our business at the company level.

Rithvick Ram: I am happy with the responses. I have nothing else to ask.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Sunil Gujjar for his closing comments.

Sunil Gujjar: Thank you all for joining us today. We thank ICICI Securities for hosting this call on our behalf. We look forward to interacting with you. You can reach out to us on ir@happiestminds.com. Stay safe and bye.

Moderator: Thank you. Ladies and gentlemen, on behalf of ICICI Securities that concludes this conference call. We thank you for joining us. 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