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August 16, 2023

Listing Compliance & Legal Regulatory	Listing & Compliance
BSE Limited	National Stock Exchange of India Limited
Phiroze Jeejeebhoy Towers	Exchange Plaza, Bandra Kurla Complex
Dalal Street, Mumbai 400 001	Bandra East, Mumbai 400 051
Stock Code: 543227 ,974728 & 974820	Stock Code: HAPPSTMNDS

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on August 09, 2023

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 August 09, 2023, post announcement of financial results of the Company for the quarter ended as on June 30, 2023. The transcript is also 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**

DARSHANKAR PRAVEEN KUMAR

Digitally signed by DARSHANKAR PRAVEEN KUMAR
Date: 2023.08.16 15:42:38 +05'30'

Happiest Minds Technologies Limited

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

"Happiest Minds Technologies Q1 FY2024 Earnings Conference Call"

August 09, 2023

Analyst: Mr. Sumeet Jain - ICICI Securities

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**

Moderator: Ladies and gentlemen good day and welcome to the Q1 FY2024 Earnings conference call of Happiest Minds 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. Sumeet Jain from ICICI Securities. Thank you and over to you Mr Jain.

Sumeet Jain: Thank you Nishant. Good morning, ladies and gentlemen. Thank you for joining us today on Q1 FY2024 earnings call of Happiest Minds Technologies Limited. On behalf of ICICI Securities, I would like to thank the management of Happiest Minds for giving us the opportunity to host this earnings call. Today we have with us from the Happiest Minds management, 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 Product Engineering Services, Mr. Sridhar Mantha – Chief Technology Officer, Mr. Sunil Gujjar – Head of Investor Relations and with that introduction I will hand it over to Sunil for safe harbor statement and to take the proceedings forward. Thanks, and over to you Sunil!

Sunil Gujjar: Thank you Sumeet. Good morning to all participants in the call. Welcome to this conference call to discuss the financial results for the first quarter ended June 30, 2023. I am Sunil, Head of Investor Relations. You can review our financial statements, quarterly factsheet and press release, which are uploaded on our website. The agenda for this call is as follows. 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 hand over, let me begin this with the safe harbor statement. During the call we could make forward-looking statements. These statements consider 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 onto Ashok.

Ashok Soota: Thank you Sunil and thank you Sumeet and ICICI Securities for hosting this call. A very good morning to all the participants on this call. I am pleased to share with you the results for the first quarter of fiscal 2024 for Happiest Minds which has consistently and yet again delivered industry-leading performance both on total income growth and profitability at

4.7% quarter serial growth and 25.5% EBITDA. Our EBITDA margins have surpassed the upper band of our guidance band for thirteen quarters in a row. The performance reflects our strong value proposition which we bring to our customers. During the quarter, we achieved and crossed many significant milestones. Our headcount crossed the 5,000 marks during the quarter and we are now 5,048 strong Happiest Minds. I thank all Happiest Minds for their continued commitment and dedication over the years. I also express my gratitude to over 200 Happiest Minds who crossed a decade of association with us in this quarter. We closed a very successful Qualified Institution Placement or QIP issue of ₹ 500 Crores with strong support from reputed institutions across both domestic and international. I thank the financial community for their continued trust and support. As shared with you in my earlier conversations, we have set forth the goal of achieving US $1 billion in revenues by FY2031. Our guidance of 25% growth is based on that premise. We are on course to achieve that goal. I would like to reemphasize that the guidance of 25% does not make a distinction between organic and inorganic contribution. Our organic story continues to be strong as can be seen from the positive swing from the prior quarter. As we speak, our pipeline also remains strong, and Joseph will cover more on this in his remarks. On our inorganic pursuit, our pipeline looks good with multiple opportunities. We have not been able to take any one of them to closure as yet. Hence, if need be, we will update our revenue guidance later in the year depending on the progress we make on the M&A front in the next few months. With this I end my commentary and over to you Venkat.

Venkatraman N: Thanks Ashok. Good morning to all. I will in the next few minutes take you through certain financial highlights and hand it over to Joseph for a business update. Our operating revenues for the quarter was U.S. $47.6 million and this was a Q-o-Q growth of 3.6% and year over year growth of 12.7%. In constant currency growth was 3.5 Q-o-Q and 13.8% Y-o-Y. Our growth numbers are good and that showed a strong positive swing from soft fourth quarter of last year. In Rupees our total income was ₹ 405 Crores which has showed a sequential growth of 4.7% on a quarter over quarter basis and 22.6% on a year over year basis. Both EBITDA and resulting cash flow as we define it for the quarter breached the ₹ 100 Crores mark and stood at ₹ 103 Crores and ₹ 101 Crores, respectively. As Ashok mentioned, this is the thirteenth quarter in succession we have delivered 25% plus on EBITDA. At 25.5% of revenues, our EBITDA continues to be in the top deck when compared to almost all other industry participants. Our EBITDA has grown 17.4% over the previous year. I would like to believe that strong profitability numbers are a validation of our value proposition and disciplined execution. Our profit before tax was ₹ 79 Crores and that stood at 19.4% of revenues and while that after tax was ₹ 58 Crores and at 14.4% of revenues. We have grown 3.5% on this metric over the same period last year. Our capital return ratios continued to be strong. Return on capital employed(RoCE) is at 33.1% and return on equity(RoE) 26%. Our cash conversion ratio also continues to be strong at 98.4% of EBITDA. We ended the quarter with a cash balance of about ₹ 809 Crores, which now after the QIP has moved up to ₹ 1,200 Crores plus. During the quarter, we raised ₹ 45 Crores through issue of NCD's and a ₹ 500 Crores QIP raised by placing equity shares with qualified institutions, we received strong institutions support for our QIP and I thank all our stakeholders for their continued support and trust in us. The capital issue was predominantly to support our working capital requirements and fund growth opportunities.

Coming to certain other highlights for the quarter, extremely happy to report that during the quarter the Happiest Minds family has crossed 5,000 with a net addition of 131. Utilisation for the quarter stood at a steady 74.6%, while attrition levels have been nicely trending downwards and we saw that at 16.6% on a trailing 12-month basis. As we speak, that number has come down to below 14%. During the quarter, we expanded our Pune and Noida centers. During the quarter, we also added 18 new logos and 2 billion-dollar corporations into our 55 existing billion-dollar logos, taking the total to 57. Our repeat business was 86%, signaling the good growth that we are seeing in new business. If you recollect, we had signed up 16 new logos last quarter and 18 new logos this quarter and that is contributing to the good growth in new business. We ended the quarter with 243 active customers with an average revenue per customer of about $793,000 and this is kind of being constant and has been trending very close to this number over the last few quarters reflecting on our land and expand strategy. In conclusion, I believe we have had a good start to the fiscal with industry-leading growth. On a metric that we closely track, which is revenue growth plus EBITDA margins, we are consistently above all other industry participants and players. For Q2, we will be rolling out pay increases covering a large part of our Happiest Minds family, which will be effective 1st of July, and this could have a temporary effect on margins. As mentioned by Ashok, we will provide an update on revenue guidance during or after Q2, while we continue to hold onto our EBITDA margin guidance of 22% to 24%. This concludes my update and over to you, Joseph.

Joseph Anantharaju: Good morning to all the participants in this call. I am very pleased to share with you the results for the first quarter of the fiscal year 2024. At 4.7% quarter-on-quarter growth in total income our performance continues to be the best in the industry. This growth was led by product engineering services and analytics, Americas and India geos and BFSI and EduTech vertical. At these times and businesses are looking for compressed timelines for execution and faster results. Our results demonstrate that we continue to be a partner of choice in their journey to stay relevant and enhance efficiency in their operations to our customers. I am proud to share with you that we now have our first customer contributing more than US $20 million in revenues. We have been working with this customer for the past eight years and this is a validation of our land and expand strategy as well as the quality of our execution. What started as a product engineering work for their platform is now well entrenched into all our business unit offerings and leveraging our CoEs of Analytics, Artificial Intelligence(AI), and Automation. We now work with 57 large enterprises that have more than US billion dollars in revenues. This count has increased by two in the last quarter itself. In the past quarter, we have acquired 18 new logos to add to the 16 new logos from Q4 of last year, which has driven up our share of new business. It is gratifying to see that several of these new logos are already on a million-dollar run rate. Now to give you a flavour of conversations we are having with customers starting with the US geo. The edu tech industry continues to leverage digital to channelize their efforts to the changing needs of their stakeholders. In the reported quarter, we were the beneficiary of a vendor consolidation exercise with the US client that is a leader in the K-12 space who chose us to be the sole provider for end-to-end product engineering services. We started focusing on healthcare and life sciences a couple of years back and to build expertise that we had already gained from providing engineering services to some of the large reputed and global companies. From this quarter, we have started calling out this vertical separately in a fact sheet. In the reported quarter, we were chosen to provide cloud-based Product Lifecycle Management(PLM) solutions for a global leader and innovator in the bioscience industry. The acquisition of SMI in January has provided further impetus to our growth story in this space. In the Europe geo, we did see some impressive wins during the quarter. For example, for a global high tech engineering group based in Europe, we were chosen to design and implement their modern data platform on Microsoft Azure. In another instance, a global talent fulfilment enterprise chose us to implement Microsoft Power Platform to improve employee experience and provide actionable intelligence for decision makers. In the Middle East, we work with some of the large businesses out there. In one instance, Happiest Minds was chosen to provide consulting lead Operational Technology(OT) solutions for a large enterprise in the oil and gas industry. We continue to get called for strategy initiatives by large enterprises in our home turf. Through our consulting led approach, we are helping a large automobile service company in India to build and deploy their B2C platform. In another instance, we were chosen by one of India's leading education groups to build a platform for medical student post graduate(PG) test preparation. On Generative-AI(GenAI) which is highly strategic area for us, we are setting up a GenAI division with the charter of driving significant Gen AI business by building organisational capability on open-AI and developing multiple use case in each domain putting together Go-to-Market(GTM) to take these offerings to market and working with customers to implement these use cases. We are building an initial team of 100 plus people with deep expertise in GenAI, which we expect to scale further shortly. Apart from helping customers realize the full potential of this technology, these engineers will be building our own solutions. We have already engaged with multiple customers on various use cases and helping them to take advantage of CoPilot for productivity improvements. We are also deepening our partnership with a large hyperscaler like Microsoft, Google, and AWS in the space. We believe that technology can have a positive impact in three areas, Automation to improve processes and enhance employee productivity, Transform to enhance customer experience, Disrupt to create new business models by leveraging large language models on proprietary data. With a deep domain knowledge and technology depth, I am confident that Happiest Minds will unlock the full potential of GenAI for our customers and that engineers to be better programmers.

Moving on to other updates, our integration of SMI is now complete. I am happy to share that we were able to cross leverage teams and capabilities in both directions and achieve synergies together as one entity. Now to give you some flavour on the demand environment. Our pipeline remains strong and as we speak, we are chasing several large opportunities cutting across geos. Our clients remain focused on executing compressed transformations to achieve cost optimization, stronger growth, more agility, and greater resilience. We believe in the world we live in all strategies lead to technology and it being at the core of decision making. We are all ears to our customers changing needs and being relevant across the enterprise from the frontline to core operations to corporate functions. I strongly believe that our ability to advise, shape and deliver value led transformation, leveraging the breadth of our services across all industries, geographies markets is what differentiates Happiest Minds. With this, I would like to end my commentary and open the floor to Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take the first question from the line of Sumeet Jain from ICICI Securities. Please go ahead.

Sumeet Jain: Thanks. Congrats on a good growth this quarter. Myfirst question is actually on the margin side. If I look at your employee cost that is a bit elevated this quarter despite no wage hikes announced in the quarter. So any particular reasons for the elevated cost of revenue this quarter?

Venkatraman N: Hi, Sumeet. We had a slight increase in our onsite people cost that is one reason because you know the mix changes quarter to quarter. The campus joinee cost also has come in. Some of that cost has also come in at its full force this quarter. Other than this, we have not seen any other change Sumeet. In fact we are optimizing on the subcontractors reasonably well and that is being the reason.

Sumeet Jain: Got it. Can you also comment around your hiring outlook for the year. I guess you mentioned around 1,300 fresher hiring for the full year, and I think contrary to the other IT company we have seen at least the head count growth for you so can you just comment around both fresher hiring target as well as lateral hiring based on the demand.

Venkatraman N: While I just give the overall number, I will ask Joseph to add to this because we had talked about a 25% growth guidance as Ashok had referred to in his commentary earlier and which translated to about 1,300 people to be added during the year. In that addition, we had a pipeline of fresher's as well which was about 400 plus, 240 plus will be joining this month as we speak, and the rest is scheduled over a period going over the financial year. Again, I should caution you that our growth of 25% has both an organic and inorganic element to it. So, the number of people that we hire will also function of the people that we add from the company that that comes into our fold. For example, last year in December our numbers went up by 400 coming in from SMI and this year we are progressing well on the pipeline that we talked about earlier and that will add to the number that will add to the Happiest Minds family overall. So we had talked about 1,300. It will be a function of laterals, campus joinees and the new additions or members we will add to the family through M&A.

Joseph Anantharaju : Just a couple of more points I wanted to add there, Sumeet. We will be looking at increasing the utilization and therefore some of the additional business would come from the pool that we currently have and secondly we also want to take a little bit more of agile view because there is a fungibility of skill sets required and we want to make sure that the numbers that we hire and the skill sets we take a more agile and nimble approach to our headcount addition.

Sumeet Jain: Got it. Thanks. Thanks for the clarity. I think another question is on more for longer term strategic outlook. When you gave a target of around $1 billion by FY2031. Just want to understand how much you want to grow by mining existing clients where you already have 240, 250 customers and how many number of more clients you want to add and within that client context if you can also give us some brief highlight as to how many Fortune 500 or G2000 clients you have which you can scale up substantially over the next 8 to 10 years?

Venkatraman N: Sumeet, I will just give you certain data points after which Joseph can add. We have got 55 billion-dollar corporations in our client roster right now. We have added to two more to that count this quarter. So, the number of clients that we have in the billion-dollar corporations which has got that deeper pockets to spend on IT is consistently on an increase. The second is when you scale up to a billion dollars you have to have more of the $10 million dollar, $20 million number of clients and as Joseph remarked the first client of ours has moved to the $20 million bucket whereas we have added a nice list of clients to the one to three million dollar bucket which is about 31 right now and those clients have to now increase and they have to get into the 3 to 5, 5 to 10, 10 to 20 kind of a range and at the same time we should aspire to add that 50 million, 100 million, 150 million client as we progress in this journey of billion dollar mark. Existing client business, repeat business is about 86% like I said, so mining your existing clients so that they grow to become these larger clients and towards your revenue contribution is something that will be the area of focus and that is nicely planned out in our long term planning, we look at the account development plan and how each of the clients contribute to the topline and to that we will add the inorganic part that we have been talking about.

Joseph Anantharaju: Yes, just to add to what Venkat said. We will have to obviously focus on both mining our existing business and new logos and the new logo focus will be on the billion dollar corporations or Fortune 2000 that can give us the ability to mine and grow further once we invest in acquiring these logos and while the percentage of repeat business could fluctuate a bit, but we would like to see it at 90 to 92% which will ensure that we have enough new logos and business from new logos coming in which will allow us to mine these accounts and grow them and as you would have seen from my commentary the couple of examples that I gave where both customers that have been around for eight or nine years where we have successfully implemented a land and expand strategy and that will continue to be an area that we will invest and focus on by acquiring new logos and ensuring that we put in place the right processes and approach to mine these accounts and I think that is what will allow us to meet the billion dollar goal that we have by 2031.

Sumeet Jain: Got it and just last question from my end is the scaling up of the results, how will be your focus on different industry verticals given that EduTech is the biggest vertical for us right now but if you if you look at the global IT services space, this is very small vertical overall and the BSFI and the retail verticals which are very big globally, but are still small for you. The competition is very high but then the scalability opportunity is there for you but just wanted to understand, how you want to scale up your individual industry vertical segments and they are if any inorganic opportunity you get, what will be your focus on the M&A side?

Ashok Soota: Well, let me take this one to start and then hand it over to the two of you. You know, Sumeet one of the things that I would like to highlight is that as you grow, you also begin to expand different verticals and I won't give you the exact numbers here, but you can see how healthcare has taken off for us in the current year. This becomes really significant maybe Venkat someone can give you the exact percentages and therefore it is a huge growing area to start with and clearly a new platform for us in terms of adding to whatever organic growth that we had. As far as M&A, you know it is really much more question of saying, really speaking there are opportunities everywhere. We are not saying we want to do the M&A to increase our presence in just say BFSI. We would have to look at the opportunities as they come and see to what extent it is a strategic fit and anybody with a very strong technology offering which cuts across multiple verticals is also a very good candidate and then maybe over to Venkat and Joseph to see if they would like to add and maybe even Rajiv might want to have a comment on this.

Venkatraman N: So just wanted to give healthcare number, we have done a little bit of reclassification, thanks to the new customer that we added from the last quarter, it is currently at 12.9% of our revenue. So, you see how it has become substantially a large part of the vertical focus and it was always there and we had not called it out separately and we have started calling it out from this quarter as we had mentioned in the last quarter.

Joseph Anantharaju: And just to add to that Sumeet, over the next eight years or so till we get to 2031, I think we will be looking at trends in each of the industries to grow and as the opportunities present themselves and we make investments and acquire business, you would see movement of revenue shares of different verticals going up or going down. You know, for instance, healthcare and life science we see a lot of potential and some of the capabilities that we are building in are on the leading edge and that would allow us things like bioinformatics and medical devices and that will allow us to differentiate and get business. That gives us an opportunity. You talked about BSFI we put in place a strong team of domain experts to focus on that area and as we speak, there is lot of Go-to-Market(GTM) activity and a couple of new logos that we have acquired. So this will be something that will be more of a journey and you know in this fast-paced world we have to look at opportunities, disruptions taking place in each of these verticals and jump as quickly as possible onto these, for instance 3-4 years back it was EduTech and that is how we are able to grow significantly by helping the customers in this space traverse from more of a paper based approach to a digital approach and now the next step would be adoption of GenAI and other technologies that this vertical would benefit from. Rajiv, if you want to add anything, please?

Rajiv Shah: Just one more thing as well. Joseph talked about the BFSI industry group and capabilities that we have built, we did the similar thing for retail CPG as well, so we bought a very senior person, industry leader to head up that unit in the last quarter. At the same time, I think that we have been very focused on the areas that we are strong in, right so like in the BFSI world what can we do with security services, what can we do with the risk management side of it, what can we do with using the newer way of looking at generative AI or Chat GPT, etc., in that market segment. I think that we are very focused on utilizing the newer technology. Also, disruptive business model, especially in the retail side, how do we work on connected devices etc. So by adding the abilities with the industry group leader at the same time stay focused on the niche technology areas that we are strong in I think will continue to grow those businesses as well.

Sumeet Jain: Great. Thanks a lot for taking my questions. Thanks a lot.

Moderator: Thank you. We will take the next question from the line of the Dipesh from Emkay Global Financial Services. Please go ahead.

Dipesh: Thanks for the opportunity. Couple of questions. First about the Q1 performance. Whether it was in line with what management expected because last time you said some kind of right shifting of revenue which impacted Q4 performance and you expected Q1 performance to be in line with your full year guidance, so just want to get sense about it and if I would not exclude acquisition then Y-o-Y growth seems to be in single digit, so just want to get your perspective whether Q1 played out the way you expected. Second question is about just want to get our perspective on your HiTech and travel media and entertainment vertical, seems to be some kind of softness, partly HiTech has impacted because of reclassification, but otherwise also it seems to be weak, so if you can give some perspective and the last question is about to top two to five client seems to be weak. Last time also I think it was showing some kind of softness, but it seems to be temporary, but I think that weakness persists so if you can give some insight. Thank you.

Ashok Soota: I guess Venkat, you could give first and the last part and then on the specific vertical oriented again, both Joseph and Rajiv?

Venkatraman N: If you look at it Dipesh, repeat business has come down to 86% and it was 90% plus. So we had signed up 16 logos, had 18 logos this quarter, 16 logos it takes time to ramp up build the muscle, build the team around it and then start billing so that is what we had referred to a certain right shifting and that has shown up, 86% is what our repeat business has come down from 91%, which means a new business is picking up from this quarter which is what we had referred to. With respect to year over year growth that tends to happen. We added about two and a half million in the last quarter from the acquisition and that continues to be part of our topline this quarter. So it gets adjusted and like I have said earlier we look at these acquisitions which are more capability based and focused on clients as organic growth than inorganic.

Joseph Anantharaju: So the HiTech vertical as you rightly pointed out Dipesh there was a reclassification because many of our health tech accounts where previously classified under HiTech and so that is the reason why you see drop in the HiTech percentage of revenue. Now on travel media entertainment, most of the revenues is from the media entertainment space and one of our customers in that segment especially the area that we are focused on which is streaming media is going through a little bit of recalibration right now. So one of our largest customers, which is a movie and parks company is going through an internal recall and re-strategizing, that has delayed some of the decision making and there were some optimized cost, but this is also throwing up opportunities for us and we expect that over the next couple of quarters for some of this trends in the Travel, Media and Entertainment(TME) space to reverse. Rajiv do you want anything on any other verticals?

Rajiv Shah: I think the question was HiTech, media entertainment, right? So I think it was the top 20 accounts if I recall correctly and that growth is compared to the previous quarter is picking up and I think you see quite a bit of progress on the top 20 accounts as well. While there was a little bit of right shifting in the last quarter the good news is there is no cancellation of contracts, there is still little bit of delay in signing, but overall, the acceptability of the solutions we provide continue to see good positive voice from the customer.

Dipesh: Understood. Last question is about the demand environment compared, to last few months any improvement you are witnessing or you are still witnessing more or less same kind of client behavior in terms of elongated sale cycle as well as clients being very cost sensitive in terms of spending. So if you can give some perspective. Thank you.

Ram Mohan: So if you really look demands from the infra and security perspective we are seeing a continual growth in terms of security. As the threats have increased people are looking at ring fencing their environment with the security related services and tools. So we are seeing the growth there. With respect to cloud, we are seeing consolidation has happened and many customers have already moved to cloud, but at this point of time they are looking at cloud optimization and multi cloud environment managing. That is what we are seeing growth in terms of multi-cloud management. The third area where we are seeing growth is in automation where enterprises are looking at automating their operational aspects so that means their IT operation automation is another area where we are seeing some growth coming from US.

Joseph Anantharaju: Just to get at the broader level, I think there are a few areas where customers continue to invest. If you look at the broad digital space, customers are optimizing money from other areas and investing in digital and as I mentioned last time as well, it is astrategic imperative and they need to continue to invest in their digital infrastructure to just stay on pace with your competition and in that a few areas that where we are seeing increased interest as one is on the modernization space where they are looking at taking their existing applications and converting their model to platforms on the cloud. The second is in terms of analytics and usage of AI. Lot of data platforms being built, and data science being applied to leverage this data. We are also seeing customer interest in low code, no code to optimize some of the development costs, and other area is on the process automation space where again they can extract some savings that can be used elsewhere. In the last six months, we have had quite a few customers start exploring the potential of GenAI and that is an area again that we are engaged with our customers, and we feel very bullish about opportunities that are coming and will come in this area as well.

Rajiv Shah: So just a couple of things to add to this,. So while we continue to be vigilant on the macroeconomic environment there are just in terms of numbers and I think Venkat mentioned we did signed 18 new logos this quarter, 16 logos previous quarter so our ability to sign new logos and selling the digital transformation services continue to be attractive. So just adding couple of areas analytics side, especially in the predictive analytics side, we continue to see traction. We have signed at least three customers over the last three months or so on the ESG side, helping companies become not only ESG compliant, but at the same time looking at the different ways of doing business. So, this is just adding to what Ram and Joseph said.

Moderator: Thank you. We will take the next question from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja: Hi thank you for the opportunity. While on the revenue growth guidance, you said that you will simply look to update us after second quarter numbers. My question was with regards to the way we should be thinking about the medium-term outlook for our margins given the fact that in Q1 FY2024 itself our margins are probably down about 350 basis points on year-on-year basis and we are yet to implement waging increments. I do understand there is an element of investment in freshers, I am really thinking about our medium-term operating margin outlook.

Ashok Soota: I will just make comment and pass it over to Venkat. The key thing here is while margins may have some variations here and there because of somethings we pointed out going ahead the compensation increases and so on, the fact is we have sustained our EBITDA margin and we remain second only to one obviously very large company in the entire industry. With that overview for more details, I think it is a good idea to pass this to Venkat.

Venkatraman N: Thanks Ashok. So Manik we have conducted those simulations and that is how I am holding on to the margin guidance of 22% to 24% there can be ups and downs and like you have been saying there were quite a bit of credit that we used to get during COVID and post COVID because of work from home and all of that. Just mentioning that we have got a substantial part of our people coming back to work, which I covered in my commentary as well we are adding to our centers in Pune, Noida. We expanded in Bhubaneswar. We are seeing people come there and we are trying to make investment to get more people to office there as well and as we speak we are also seeing expansion in Madurai. These are all things which could cost in the form of rentals and associated cost which was not there during the COVID time and people were working from home and that is what we were talking about 22% to 24% margin bracket. The real health of the business from a margin is on the gross margin around the contribution from business front and that expect for these wage increases and the 1% to 2% that goes up and down we have been reasonably consistent on that front Manik.

Manik Taneja: Sure and the second question was in regard to just clarification on the way number of days essentially impacts our sequential growth given the fact that almost 75% of the business eventually on T&M billing, what impact did it have in Q1 and simultaneously how should we think about the higher number of working days in September quarter?

Venkatraman N: Yes, very valid point. In fact if you remember, in Q3 we came back and said that we had more than expected holidays the election day and everything which really played spoil sports Q3 of last year so compared to that we have got 61 days in Q3 of this year so we have to plan in advance to see how we can take away that variability in our revenue streams because as we grow larger each day is a million dollar. I am just giving you a number and so it is important to manage that and plan the sick leave, calendar and all of that, it has to be managed a lot better, so huge amount of focus needs to be there on the operations front, so yes there is going to be a Q3,we know there could be potentially one billing day less and we need to plan ahead for that. Q2 hopefully will continue to be the same number of 62 to 63 days that we had traditionally seen.

Manik Taneja: Sure and would there be one higher working days on sequential basis between July, August, September, and April, May and June?

Venkatraman N: No it is one lower right. For Q3 it will be one lower Manik.

Manik Taneja: I am saying July, August, September which is the Q3 fiscal year.

Joseph Anantharaju: In fact, I think Q3 will be 60 days actually.

Manik Taneja: Sure. Thank you for the clarification.

Moderator: Thank you. The next question is from the line of Utkarsh Katkoria from PGIM India Mutual Fund. Please go ahead.

Utkarsh Katkoria: Sure. Thank you for taking my question. I am sorry if I have missed the first few minutes in the beginning. I just wanted your thoughts on your long-term revenue growth outlook where we see the company let say five years from now, and what the drivers would be, which verticals and how we try to get there. Thanks.

Ashok Soota: Sure. I will just take the first part and which as you said you probably missed the beginning and I stated that we have a $1 billion goal by 2031 and we are very much on target to achieve that. I did also make a distinction that our guidance's have not made a distinction between organic and inorganic growth. Obviously at our size even an organic growth can be very lumpy and therefore it is very difficult to be able to state those numbers. However, we also did say we may restate that guidance for the current year based on the way M&A progress and so far, we have not been able to do a deal. That does not mean it won't happen,we have got a good strong pipeline, but we must be very selective in selecting our deals. It does not overly concern us simply because we are still very much in target for achieving our long-term goals. Then, we have got the verticals where we have addressed that quite a bit in the earlier part, but I can get Joseph and Rajiv again to speak a little bit about that. I do want to highlight that as we progress, we do continue to grow new verticals in a way and then they begin to get focused on and healthcare where life sciences one example. It has come on now to our fact sheets and it is has grown vey significantly. It will be a new growth driver because we have got many segments within that where we believe we can take a unique positioning. So, with this let me turn this over to Joseph and Rajiv.

Joseph Anantharaju: Thanks Ashok and the first part I would like to make is that the last couple of years we have been building depth in some of the domains that we are present in and the Ashok talked about healthcare that we started two years back, recently Rajiv mentioned that we brought a retail CPG head a seasoned industry veteran in EduTech and media entertainment as well we have built a team of Business Analysts(BA) to understand the domain and this will be a driver for our growth going forward taking the lead and getting a more upstream engagement. Having said that, I think we will have to continue looking for disruptions in each of these industries and they may happen at different points of time and therefore to name a specific vertical right now that would sort of sustain us for the next five or ten years would not be right. I think we must take a nimbler approach. Ashok did talk about healthcare as we speak there are multiple opportunities, in different sub segments of healthcare and if you look at all the verticals, they are still depending on the company there either starting some of the business initiatives or midway and so there are opportunities in all these verticals. If you look at Analytics, AI, if you look at automation and I think GenAI will touch all these verticals and the studies that you are putting in place will allow us to take our offerings with a twist of domain capability into all these verticals so I think that the growth will be broad based. The revenue share of different verticals could vary depending on where we get more success and where we are able to expand quickly. The third point I would like to make is that account expansion and land and expand will continue to be critical strategy for us. We will continually try to break into accounts with very fine-tuned offerings and then make sure that we use our land and expand strategy to grow these accounts and as we mentioned we have 57 billion dollars customers right now and we will continue adding more. This will be another avenue for growth.

Utkarsh Katkoria: Got it. Thank you so much for that. Thank you.

Moderator: Thank you. We will take the next question from the line of Rithvick a freelancer. Please go ahead.

Rithvick: Hi, good morning everyone. It is an amazing quarter, as the results have shown consistency. My question is that this SMI(Sri Mookambika Infosolutions), so will it have any positive impact on the bottom line of Happiest Minds as a whole?

Ashok Soota: Two things we have clearly seen in the first quarter after that acquisition and you have seen that we have sustained our position as being the second highest in the entire industry in spite of the fact that that there are many multibillion-dollar companies and we have been able to sustain that EBITDA. That is one point. Second is that overall, when you look at the size of the acquisition, it is really very small. So, either way it could not have an impact, thirdly we look at the entities which deliver good margins for acquisitions. We never look at loss making companies, we do not look medium profitability, so we are looking at companies who are typically in the range of say 20% even if they are 35 and therefore on a percentage basis we do not expect any dilution when we do these acquisition maybe a marginal 1% or something, but we have always kept that cushion by saying that our guidance is really 22% to 24% though we have been delivering above 25%, so we are in a good shape as far as that recent acquisition is concerned and also our plans for future acquisitions. Joseph, I do not think you need to add anything more. Do you?

Joseph Anantharaju: No. The only point I would have made is that there are synergies that we are already extracting out of the acquisition in terms of healthcare and supply chain expertise that will help us in acquiring more business that is the only other point.

Rithvick: My second question is what is your take on the dedollarization of the world economy on Happiest Minds books? So many countries are doing away with the US dollar so how does it take an impact and I have seen the first quarter, so you have made an 8 Crores profit on the currency hedge. So how do you see the dedollarization of the world economy?

Ashok Soota: Is Venkat back on the line.

Moderator: Yes. He is available now.

Venkatraman N: Sorry. I do not have an immediate answer. This is something that we are tracking, the Indian IT industry has always benefited from the way dollar has moved versus the rupee and that has been something that has been factored into our model as well, so dedollarization I am not too sure how to answer because 72% of my business comes from America, so it has to be dollar. India is 15% so that gives me the balance on the rupee front. But other than that, I do not know.

Ashok Soota: Venkat, I do not see how this can impact us. If you just look at our sales within dollar which is clearly dollar trade, looking at our sales in rupees which is huge we sustain our profitability despite doing such a large percentage of our business in rupees that is most other large Indian IT companies do not get this percentage and therefore all of this really not linked to how world orders changes. There is a change but that but that is much more in terms of people sorting out to lot of bilateral deals are saying we will do trade with X, Y, Z country in their currency or our currency, frankly we are not even in that business.

Rithvick: I have a last question; my last question is on the take on the Blockchain technology. So, you have spoken about automation, you have spoken about having the dedicated workforce in the ChatGPT segment AI, so what is your take on the Blockchain technology, any plans for that?

Ashok Soota: Sridhar you want to take that?

Sridhar Mantha: Yes. So now of course with blockchain we started working on the blockchain around four to five years back and at this point in time our point of view as a technology blockchain well proved. However, it has more of a narrow set of use cases compared to AI, which had much broader set of use cases. Whenever there is a distributed ledger and trust is required in those kind of use case and architecture we continue to use blockchain and it will continue to be one of the disruptive technologies that we are focusing and will try to incorporate based on the architectural needs and the client needs, wherever there is a trust and the distributed ledger is required as part of the solution we are incorporating. So, it will continue to be part of our arsenal as a disruptive technology.

Moderator: Thank you Sir. The participant has left the queue and that was a last question for today. I would now like to hand the conference over to Mr. Sunil Gujjar from Happiest Minds for closing comments. Over to you sir.

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. Thank you.

Moderator: Thank you member of the management. Ladies and gentlemen, on behalf of ICICI Securities that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.

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