

February 17, 2021

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: HAPSTMNDS

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on February 11, 2021

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Call held on February 11, 2021 post announcement of financial results of the Company for the quarter and nine months ended December 31, 2020. Transcript will also be hosted 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 Q3 FY2021 Earnings Conference Call

February 11, 2021



ANALYST: MR. RISHIT PARIKH - NOMURA FINANCIAL ADVISORY & SECURITIES

MANAGEMENT: MR. ASHOK SOOTA – EXECUTIVE CHAIRMAN

MR. JOSEPH ANANTHARAJU – VICE CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER – PES

MR. RAJIV SHAH – PRESIDENT & CHIEF EXECUTIVE OFFICER – DBS

MR. CHALUVAIYA RAMAMOCHAN– PRESIDENT & CHIEF EXECUTIVE OFFICER OF IMSS

MR. VENKATRAMAN NARAYANAN – MANAGING DIRECTOR & CHIEF FINANCIAL OFFICER

MR. AUROBINDA NANDA – PRESIDENT OPERATIONS & DEPUTY CHIEF EXECUTIVE OFFICER – PES

MR. PRAVEEN DARSHANKAR - HEAD OF THE LEGAL DEPARTMENT, COMPANY SECRETARY AND COMPLIANCE OFFICER

MR. SUNIL GUJJAR – HEAD OF INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good morning and welcome to the Q3 FY2021 Earnings Conference Call of Happiest Minds Technologies hosted by Nomura Financial Advisory and 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 now hand the conference over to Mr. Rishit Parikh from Nomura Financial Advisory and Securities. Thank you and over to you Sir!

Rishit Parikh: Thank you Margaret. Good morning ladies and gentlemen. Thank you for joining us today for the Q3 FY2021 earnings Call of Happiest Minds Technologies Limited. On behalf of Nomura, I would like to thank the management of Happiest Minds for giving us an opportunity to host this earnings call. Today we have with us Mr. Ashok Soota - Executive Chairman, Mr. Joseph Anantharaju – Vice Chairman, President & CEO of PES; Mr. Rajiv Shah – President & CEO of DBS, Mr. Ramamohan – President & CEO of IMSS; Mr. Venkatraman – Managing Director & Chief Financial Officer; Mr. Aurobinda Nanda – President of Operations & Deputy CEO PES; Mr. Praveen Darshankar, Head of Legal, Company Secretary and Compliance Officer and Mr. Sunil Gujjar – Head of Investor Relations. Now I will now like to hand over the call to Sunil for safe harbor statement and to take the proceedings forward. Thank you and over to you Sunil!

Sunil Gujjar: Thank you Rishit. Very good morning to all. Welcome to this conference call to discuss the financial results for the quarter ended December 31, 2020. We trust all of you are keeping well and staying safe. I am Sunil from Investor Relations Team. Ashok and Venkat will begin the call with a brief overview of the company’s Q3 performance after which we will have the floor open for Q&A.

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

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

Ashok Soota: Thank you Sunil. Good morning ladies and gentlemen. I would also like to begin by thanking Nomura for hosting this call and I would like to welcome all of you to the conference that we are having for our financial results for the quarter ending December 2020.

As you know this is the second quarter after our IPO and we would like to thank the financial community for the support that we have received I am really happy to say that happiest minds has delivered an excellent quarter on multiple fronts on virtually every front be it serial growth or quarterly or year-over-year growth in terms of both revenue and profitability. Our financial metrics such as RoE speak for themselves.

In this COVID world, the world is slowly returning to normalcy. It is evident that the new normal will include a greater reliance on technology and therefore the outlook for the IT services industry is robust. I would like to thank our team as well as their families for the resilience they have shown in this time where there was a complete inveigling of the office into the home through eight continuous months of work from home and still counting. We also thank our customers for their continued support and confidence and with this I would like to hand this over to Venkat for more details.

Venkatraman N:

Thank you Ashok. Good morning. I would like to start by thanking Nomura Securities for hosting this call. I will in the next few minutes, attempt to cover the highlights of our financial results for the third quarter of FY2021.

On the revenues we grew our revenues in U.S. dollar terms sequentially by 6% and year over year are at about 8.8%. Growth for nine months over the previous year was about 2.2%. Revenue growth for the quarter in INR terms was 7.1% sequentially, 14.6% year-over-year basis and on a nine-month over a nine-month period it is 9.6% so good growth numbers.

EBITDA we continue to maintain our upward trend. For Q3 I am very happy to report an EBITDA of Rs.59.6 Crores which stands at about 29.7% of revenues. For the nine-month period our EBITDA is a cumulative Rs.157 Crores and 27.3% of our revenues.

Improvement in EBITDA by the quarter over the previous has been largely contributed by increasing in operating revenues, some gains on accounts of foreign currency and other income followed by high utilization of 81.6% and lower attrition of about 13.1%. All of us continue to work from home and benefits from that coupled with reduced travel and certain administrative costs continue to help us.

Our EBITDA numbers continue to be closer to that of larger IT companies while showing a growth higher than most of them. PBT for Q2 is Rs.53.3 Crores and 26.5% of the revenues compared to Rs.42.7 Crores and 22.7% from the previous quarter.

PBT for nine months is Rs.137 Crores and 23.8% of revenues. PAT for the quarter it is Rs. 42.15 Crores and 20.9% of revenues compared to the Rs.34 Crores and 18.1% we did in the last quarter. PAT for the ninth month period is Rs.126 Crores and at about 22% of our revenues. The above profit numbers translate to an EPS of Rs 8.95 for the nine month period. That is a fully diluted EPS.

Our balance sheet ratios of ROC and ROE continue to be industry leading and very good at 36.2% and 33.2% respectively. We continue to generate strong cash flows coupled with full use of our working capital and beneficial borrowing facilities. Our ratio of free cash flow generated to EBITDA continues to be 99% and for the quarter we generated Rs. 59 Crores. We ended the period with a cash and investment balance of Rs.540 Crores approximately.

Talking on a few other metrics our DSO continues to be healthy, it is at about 80 days for the nine-month period. We added six new customers during the quarter. On our Happiest Minds we are at 2,885 with a net addition of 164 Happiest Minds during the quarter. Continue with the policy of giving maximum disclosures we have placed on our website a presentation to investors with detailed operational and financial metrics including trends. Please do go through the same and get back with any questions you may have. With this along with my colleagues on this call I would like to open this session for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rishit Parikh from Nomura. Please go ahead.

Rishit Parikh: Thank you for this. Two questions from my side. The first if I look at our employee expenses they have been flattish in the last three quarters right given that we have seen a rise in terms of demand for digital talent could you let us know your thoughts one on talent availability, second how do we plan to retain and attract talent and also if you could just comment on the wage hikes and the variable payouts that we plan to give out in the coming quarters. That is the first and second if I look at the growth in our largest geography which is U.S. it is flat from a Q-o-Q standpoint. Could you just talk about what impacted growth and how should we think about growth in the coming quarters especially in the U.S. market.

Aurobinda Nanda: All right this is Nanda here. So I would like to take this one. With respect to talent availability, let me tell you that we are seeing an uptick in demand also at this point of time and we have been able to hire from the market as well as train people who we have hired both cross skill as well as upskill and with that we are able to meet our current demands. But with the upsurge in the demand that is coming in from a new business and existing business perspective we will be going to the market and hiring on a big scale and at the same time our increase of fresh graduates also will see an uptick in the coming quarters.

Rishit Parikh: Anything on major challenges you have for the quarter Mr. Nanda?

Aurobinda Nanda: Now coming to a retention part we have multiple activities going on and we are right now going through an appraisal process which will be followed by an increment effective April 1, 2021. So with that we will be able to retain most of our people and our current attrition rates let me tell you is at one of the lowest levels within the current industry it stands today at about 12% to 13% at this point of time.

Joseph Anantharaju: This is Joseph here. Rishit thanks and good observation on the U.S. market. We had a you know a couple of engagements where we were delivering transformational programs for our customers in US that came to an end in Q3 and a big chunk of the billing happened in Q2 and therefore if you look at US revenues we were able to make up those for the transformation projects that got over and therefore the revenue stayed flat in US., but at the same time we saw all the other geos show incremental growth. We have growth in Middle East through a couple of new customers we have

added in the infrastructure and security space. In Europe one of our last transformation projects was sort of peaking in Q3 so we see an increase in Europe numbers and we also have a couple of new deals that we find that we have shared in the press release and India as well. We had one of our largest customers where we had a milestone billing which contributed to the increase in India percentage of revenue and one of the larger customers in India in the infrastructure space we continue to see good traction over there. Coming to US we did see signs of demand picking up in December and in January once we came back from the holiday season we have seen quite a few of our customers come back with new initiatives and budgets and we expect the growth in US to pick up in Q4.

Venkatraman N: Rishit, coming on to the employee costs and quarter-on-quarter there has been an increase if you look at it from the last quarter. But what ends up happening is quite a bit of this has come through associates partners and the contractors and so that number goes into other expenses in the SEBI format of our results, which is why the employee expenses and benefits continue to remain constant over the quarter. That is one. The second is we have fully provided for all the variable pay and all of those expenses that have been incurred for the quarter, any over achievement has also been provided for. Now coming to the wage increase that we are looking, we would be doing that as per our internal policy so there is a market survey that the people practice is currently engaged in and that will be something that will come to effect over starting from April and July of next year.

Rishit Parikh: Just one follow-up Joseph, could you also provide some color on the TCV and the pipeline ending Q3 do you see the 10 -20 million dollar deals in the pipeline yet or I there is still some turnover? Thanks.

Joseph Anantharaju: The pipeline continues to be robust. What we have also seen is that the pipeline is weighing more towards the higher probability, so we feel quite good about where our pipeline is right now.

Rishit Parikh: Any comments on the TCV are you giving that number out yet?

Joseph Anantharaju: We do not share that number Rishit.

Rishit Parikh: Thank you. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Vimal Gohil from union AMC. Please go ahead.

Vimal Gohil: Thank you for the opportunity and congratulations on a very good set of numbers. Sir my first question is on your EBITDA. You said that there is a certain forex and other income component in EBITDA could you just quantify that for me?

- Venkatraman N:** Yes, the other income is about Rs.6.6 Crores and forex income is about Rs.1.85 Crores. So if you look at that we have put other income at about Rs.898 lakhs in our SEBI results.
- Vimal Gohil:** Okay so apart from that which is reported in the SEBI format there is no other income component in which is there in the EBITDA right?
- Venkatraman N:** No absolutely.
- Vimal Gohil:** Sir I have two more questions, if you could just help me give some outlook on your very recent acquisition of Pimcore Global Services. Two things over there, what is the kind of growth that this company has been doing and whether the profitability of this company has been after maybe at least in line with our company or if it is not whatever plans that we have to sort of bring it up to the company average. Because clearly this is a large acquisition of about 10% of our revenue, so if at all the EBITDA is not maybe in line with our company average we may see some sort of a dilution in EBITDA. So if you just comment on that? My second question will be, we have always maintained that our growth needs to be 2x of our peers in industry and we benchmark ourselves with global companies like EPAM and Globant which have been growing far higher as compared to Indian IT services companies. So do you maintain that we will be able to grow 2x of our peer flash industry in FY2022 and because your peers have most of them have guided for a double digit sort of approach in FY2022. And lastly just one data point I required if we just help you with absolute subcontracting cost for Q3 and nine months of FY2021? Thank you.
- Venkatraman N:** Vimal I think you have asked about four questions if I lose track of any of them I will get back to you. The first is on the acquisition of PGS, we had put out a press release, sorry an intimation to the stock exchange which covered in detail the strategic intent of that acquisition it gels well with our e-commerce digital capabilities that we are looking to build a business around and PGS has been a long time customer of ours as well and as we had put out they do about \$10 million in revenues out of which we were billing them two plus million dollars. So there was a partnership that was in place and that has been blossomed into this transaction. Coming to the growth, yes being in the digital space they will continue to grow fast and they have been growing in the same path over the last few years. On profitability it is not profit dilutive it will be earning accretive from the word go, their profit profile is very similar to what we have in our in our own business so those three are with respect to the PGS acquisition. The second one that you talked about was the data point on subcontractor cost. I will pick that out and I will send it to you separately or during the call I will give that number. What is the third question Vimal?
- Vimal Gohil:** We have maintained at the growth is expected with our peers/industry most of our peers have talked about double digit growth so what how do we look at it from an FY2022 point of view?
- Venkatraman N:** So we have long held that this current year of FY2021 we would have a kind of tepid growth during the IPO road show that is what we had put out there and we will make it up in terms of profitability. Kept to that kind of a trend and that kind of a promise that we made so to that extent

our growth is also slowly catching up higher than what we said we would do earlier, but we had also said that going back to FY2022, we will be back to our past trajectory of 20% plus which is if you look at it twice that of industry peers in India

Ashok Soota: Can I just add one small thing when you mentioned that the acquisition is 10% of our sales. As Venkat has indicated to you, we were already billing some things into PGS so it is not really 10% it is smaller than that to the extent that 2 million Plus out of the 10 million we were already billing but the profitability point is perfectly valid. If we combine both the profit that PGS was making and the profit we were making on the sales, then it is certainly not margin dilutive and they are running at the same sort of profit levels where we are.

Vimal Gohil: That is great. Sir so just one clarification the 20% plus growth that you are expecting in FY2022 that will be including acquisition or excluding the PGS acquisition?

Ashok Soota: I do not think we want to get into that detail. Our commitment on the long term is that we will do 20% and I think let us say that there will be periods, when part of it comes through small acquisitions, part of it may actually help to go above those levels. But I do not think we are getting into guidance at this stage and remember one thing, that its not I mean one quarter of those results will already be into this year. So it is not just adding an enormous amounts to our revenues.

Vimal Gohil: Fair enough Sir. Congratulations once again and thank you.

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

Dipesh Mehta: Thanks for the opportunity. I just want to understand, if you can provide some detail about sector wise how we expect trend to play out. Because for last couple of quarter what we have reported, we have seen some volatility. So if you can help us understand, how one should look growth trajectory across sectors, so that would be helpful for medium term perspective. If you can provide some color and what will be the growth driver? Second question is about margins. What would be sustainable, considering our business profile and service opening? How one should look sustainable margin profile for Happiest Minds? Obviously we are benefiting currently from some of the lower travel costs and other things but what do you think medium term sustainable margin trajectory for us and third thing is about deal wins in pipeline. I think you earlier indicated we do not provide specific deal TCW, but if you can provide some progress over the last few months or maybe couple of quarters how it has helped us from qualitative perspective? Thank you.

Venkatraman N: Yes. So Dipesh on the first part, I am assuming that you are looking at the vertical split and the question is related to that right? So I would request Joseph to go ahead on that.

Joseph Anantharaju: I will take it both from geo and vertical perspective this question. So from geo, as I mentioned earlier we have seen new deals and pipeline build up in all our geos including some of the newer

geo like Middle East and ANZ, Europe which has been an area of a special focus for us we have seen, we have reported a couple of new deals in Q3 and we are seeing a healthy pipeline and as I mentioned US also has a good pipeline. So from a geo perspective, we think that we will have balanced growth in all our geos. From a vertical angle, I think the verticals that continue to see traction, in the Edutech, hi-tech, digital media and e-commerce space and in media also we our focus is more on online and digital media, the new age media companies, the new age technology and media and we have seen COVID having a positive impact on them. After we came back from the holiday season in January, we have also seen an uptick in industrial and the logistics the distribution space, where more of the digital initiatives have got budgeted and are being implemented or executed where we have seen existing and some new *Joseph phone line disconnected*

Venkatraman N: So while we connect Joseph back. I will just answer the question the data point that was requested on the subcontractors. So Q2 we paid cost was about Rs.14 Crores. Q3 it was Rs.18.6 Crores. YTD it is about Rs.48 Crores. So that was on the subcontractor. So while that is out of the way. I will get to Dipesh question on the sustainable margin numbers, so I have been holding on to the number with a range of between 21% and 23%, that is what I have been holding on as we go into the longer term and things come back to normal with some of the cost benefits that we are today enjoying on account of the COVID pandemic and work from home situation coming back into P&L. So that is what I have been holding on, but yes we have been performing much better than those numbers as we see from our financials.

Joseph Anantharaju: I think I was completing my response. The last point I was making that we have seen new initiatives being spun off in the industrial and logistics distribution space on the digital side and so that is another area where we expect to continue seeing traction.

Dipesh Mehta: Yes maybe I let me rephrase this question. I think third question is unanswered deal win pipeline but let us I will rephrase on this sector wise. Do you expect any change over three year period our revenue mix from vertical perspective or do you think this mix holds a largely stable kind of thing and because we expect broad based growth and that is mix unlikely to change any meaningful way over next three years?

Ashok Soota: Let me intervene on this one. I do not this was going to give you a vertical indicator for three years or even what trends are happening. There are a lot of moving forces in the market we are in high growth segments we see all of them going well. Sometimes what may happen is for example with this acquisition obviously the proportion of retail business will go up. So there are so many imponderables, but basically speaking if you ask me we do not fundamentally on a show organic basis I think all of them are in very high growth areas. We mentioned to you earlier that we were not impacted by being present in places like travel etc., in a large way and we were in high areas which did not get impacted that much by the COVID epidemic. Which is why you could see that our results have also held up better than most people's. So there is no dramatic change that you can expect if that is what you are looking for. Other than that there will be incremental changes that may be a function of one account growing faster than the other at our size can make a

difference on one vertical versus the other. So let us just watch the space. But other than that, I would say growth in retail and e-commerce because of the acquisition, I do not see that you are going to get a dramatic shift and all of the segments that we were in will continue to grow.

Venkatraman N: We have said that we will be calling out healthcare as a vertical soon enough so that is something that we will change.

Ashok Soota: It is not even in our current list. So I do not think we want to tell them that we will start appearing in the list as it begins to even from next year shall start reporting on it.

Joseph Anantharaju: I just want to make two points on the pipeline as I mentioned the pipeline continues to be good and from a qualitative angle we have seen these move more into the advanced stage over Q3 and in the beginning one, one-and-a-half months of Q4.

Dipesh Mehta: Thank you.

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

Hardik Sangani: Thank you for giving me the opportunity to ask my questions. Just a couple of questions Sir, in terms of marketing cost that has been expenses facility so this quarter there has been a significant reduction and as a percentage of revenue in those expenses. So just wanted to understand the rationale for it. Secondly in terms of our PGS, do we plan to do acquisition of similar scale or what specific areas are we look into do the future acquisitions. That is it from my side.

Venkatraman N: The first question was the drop for the decrease in SG&A costs right, is that what it was Hardik.

Hardik Sangani: Yes Sir.

Ashok Soota: Yes so that is slightly a function of what like things like rental costs, the rental costs that we have been talking about, how those move. We have got certain provisions for incentives or some provision for bad and doubtful debts that were created in the previous quarter versus that are no longer required in the current quarter. So majorly, if you look at it the drop of about Rs. 4 or Rs. 5 Crores in our detailed financials is on account of that. So otherwise, we have held almost at the same or a similar or constant number compared to the last quarter. So that is on the SG&A part. As far as acquisitions are concerned, we are looking for like we had earlier said we are looking for profitable digital assets which are in the range of it can be anywhere upwards of 10 to 30 million dollars this is what we are looking at and that was the basis on which we had also presented the need for strategic funds during the capital raise or fund raise that we did during the IPO or retaining the cash balances on our books during the IPO.

Ashok Soota: I might just add you see the requirement in terms of targets is actually very broad. It could be geo-based. If you could get some things in geos, which are companies of a certain size where we

do not have a very strong presence that will help. And virtually in other areas where there is actually very let us say high growth and yet at the same time talent is very scarce. So we are really looking for capabilities when we do an acquisition and anything that anybody on this call can help us with in terms of targets would be most grateful.

Hardik Sangani: Thank you Sir. Just a couple of more questions so in the utilizations that had peaked at around 81%, 82%. So as we go at the industry revenue, do we need to significant so will that utilization reduce that we will try to build a bench. And secondly in terms of sales investment. So like we alluded that Europe and certain other markets to be the next growth engines for us, so do we so will that markets begin significant investment to start with?

Aurobinda Nanda: Okay this is Nanda here, I will take the question on the utilization front. Today we are around 82%, 83% in utilization running at that number and last nine months it will be an averaging out about 78.5%. In our opinion the range should be anywhere between 78% and 82%, 83% kind of thing and that will be maintaining that kind of utilization numbers going ahead.

Joseph Anantharaju: In terms of sales presence we do have adequate sales presents in all our geos including the newer geos. Couple of things that we will be watching for the process of drawing up our plans and depending on how we see the potential and account revenue movement in specific geos, we may add a little bit more bandwidth. The other area that we are looking at is in terms of senior account managers or client partners, to really take some of our existing accounts to the next level large accounts with potential to the next level and that's an area where you know we will probably add a few people so they can go about account mining and account expansion in a focused manner.

Hardik Sangani: Okay, thank you Joseph that is from my side. I will come back for followup.

Moderator: Thank you. The next question is from the line of Vikas Yadav from Moonshot Ventures. Please go ahead.

Vikas Yadav: Actually my question is, can in medium term we can think that we will be going for software as a service kind of model? Let me elaborate it for further. We are having deep capability in Edutech and all that can we use those capabilities in medium term for let us it would three years and then we try to make a new product out of it and give it as software as a service and that kind of model can be we are thinking in that direction or not?

Ashok Soota: Let us really put that as a forward-looking question new strategy keeps evolving. We already have a fairly high proportion of our revenue as which comes in terms of what we call as SaaS. So many things are moving into that model, but are we going to move into something where we would start competing with our customers not at all. So from that angle, you could rule it out. But we could deliver services all the time. Many of the solutions we are offering are on SaaS basis. So that's not an issue, because that is the way the whole industry is moving. Therefore we offer solutions in that format, but we do not get into competing with our customers. There can be other

creative models which will emerge, but those would all be in the realm of forward-looking statements.

Vikas Yadav: Thank you.

Moderator: Thank you. The next question is from the line of Harit Shah from KR Choksey Shares & Securities. Please go ahead.

Harit Shah: Thank you for the opportunity. So my first question is related to the acquisition that you made recently. By when you expect to consolidate it. Will it be the full fourth quarter or maybe sometime in between.

Venkatraman N: Yes Harit, the definitive agreements were signed end of January, but we are in discussion with our auditors on the accounting for the consultation of the subsidiary of the entity. So we are looking to seek effective control is something that we need to go basis the basis for consolidation so that is something under discussion. So the full consolidation for the full financial year will be available from next FY2022 and for FY2021 it could be for the last quarter.

Harit Shah: Okay sir from first of January, you are saying that is the possibility.

Venkatraman N: That is the possibility.

Harit Shah: My second question is that from the margin front, so you had mentioned that 21% to 23% I think is the range that you are kind of comfortable with. So my question to that is, would you think that you are selling yourself short a bit there, given you know the performance that you achieved so far this year? And also I think in context of the fact that the entire industry, I think almost all companies without exception have been able to record margin expansions this fiscal year which is considerably above there is no maybe historical rate over the last two to three years. So what do you think that is a possibility that you may definitely overachieve on this particular aspect and maybe next year we may end up having to maybe expect a better higher ranges than what you are currently expecting?

Venkatraman N: Harit so like I mentioned on that margin front, we have been holding this number at 21%, 23% for the last three four quarters. So right from the time we spent for the book building or during the IPO. Things have been quite dynamic, things have changed quite a bit, so your question does merit us to look at that profile and reconsider it, which we will surely look at when we get into the FY2022 planning exercise. Because I am sure margin has got so many moving parts. We will have to see how that plays out when we start the plan which is already in the works for FY2022. Once we have that I can tell you with a little bit more of conviction that it will be higher. Yes I would like it to be higher because there are certain of these cost savings and elements of efficiency which have come in. We would like to retain as many as much as possible of those in the financials. That is something that we will surely be focused on. So to answer your question it

not that we are going to give up on margin expansion because we thought it is 21% to 23%. Our sights are set higher.

Ashok Soota: But I think we should be cautious about some of that, because to the extent that the margin everybody's margins went up with the rupee, clearly that will get impacted for everybody. We have a much higher offshore content than other people and therefore to that extent we gain more and we may lose a little bit when things come back to normal when all the travel begins all over again, immigration costs will begin all over again but the way things have been. And I suppose that is where we could really take a look for the weighted average for the year. See we are not getting back to work from office and we are not really starting to travel in the way that obviously people have been doing, but at least I should imagine another two quarters. To that extent you should say it should be sustainable. But I think there has been all the factors which caused you to expand. The moment they come into play, for contrary you will also want to go down a little bit which is fine. I mean, they are obviously running at a very high level. They are running at traditionally much higher levels than the IT industry has run for years. I think it is actually healthier to go back because then you are attracting more, it really gives you an opportunity to become more competitive.

Harit Shah: Sure Sir. That is quite helpful. One last question from my side. I realize you do not obviously give out explicit volume and pricing kind of metrics. But you know there is some sort of a back in this calculation the fact that your utilization rate has improved so substantially. So that does probably some sort of given indication that possibly the pricing for this quarter was under pressure. So was that probably a right way to look at it that this is entirely mainly volume and maybe this quarter pricing to some extent did see some sort of a decline on a blended basis?

Venkatraman N: Harit to answer there has been no pricing pressure to talk about this quarter. So that is one because if you have to move such a huge percentage the price drop that you would expect has to be significant so that has not happened so it is largely utilization led. Obviously when you look at our blend like Joseph mentioned we have made entry into Middle East. So the Middle East pricing will be slightly different compared to let us say the US pricing given the costs related to that geography. I am talking about onsite costs versus offshore so other than that there has been no change in prices.

Harit Shah: Thanks.

Moderator: Thank you. The next question is from the line of Mayank Babla from Dalal & Broacha. Please go ahead.

Mayank Babla: Thank you for taking my questions. My question is pertaining to the Edutech vertical. If you could give me your opinion. Once things normalize a post COVID, what do you see the impact on this vertical? I know you are giving any quantitative output or guidance but if you could give a qualitative view on your pipeline and capabilities in that segment? Thank you.

- Joseph Anantharaju:** As we mentioned in the previous call as well if you were there. One of the segments that we are seeing a fair bit of activity and traction has been the Edutech segment. With a few factors at play here, the chief among them is the move from school or in person to online and what the segment is preparing for more of a hybrid kind of approach. And earlier they had some semblance of online learning that was there but the scale that is required to have remote learning and some of the collaborative tools are very different and they are realizing that. So a lot of the initiatives that that were kicked off in Q2 of last year of Q3 of the calendar year were in this direction. Once these companies- Edutech companies took stock up the situation and we see that continuing to play out. Along with that there is some of the newer elements around adaptive learning, predictive learning usage of analytics to help students with making adjustments to their learning journey. All of these are coming into play, making it a much more interactive and immersive experience. So we expect that these trends to continue for the foreseeable future.
- Mayank Babla:** Thank you for your answers.
- Moderator:** Thank you. The next question is from the line of SridharRallabandi, an individual investor. Please go ahead.
- Sridhar Rallabandi:** Compliments on the excellent results. I wanted to understand what is the percentage of travel expenses to the revenue, because this is the statement company made that there has been a reduction in travel cost. So I wanted to understand how much could it increase going forward?
- Venkatraman N:** To give you a high level estimate, travel used to be about half a million a quarter and that is half a million dollars a quarter, that was the kind of run rate that we used to have. Now if you are looking at it that has come down to I would not say zero but close to that, because travel has two elements one is travel and the visas. So the visa spend happens even now given how we will be filing the visas whenever the requirements are there in active anticipation of demand. We do file visas for the U.S. but otherwise travel has largely come down.
- Sridhar Rallabandi:** The second question is the percentage of people that you employ overseas versus India do you see that change in the aftermath of COVID because we hear companies talking about work from home more and more?
- Venkatraman N:** Yes so you are talking about onsite offshore mix right? There are some requirements which have to be necessarily done onsite, so which will be done evaluated by the delivery team. So if the question is are we pushing offshore when there is mandated requirement to the customer for offshore or onsite? That's not the case. So it is largely customer and project driven. If there is a requirement for onsite people for understanding and fleshing out the project requirements or the requirements of a current job that we have at hand, we will deploy resources onsite. So right now because of travel restrictions maybe people are not traveling but we are doing local hiring to make sure that we are able to bring that work onto our books.

- Ashok Soota:** I think a little bit about asking you about it, because there is a feeling that other people have realized that you can work from home maybe there would not be so much pressure for many of the companies who had people working onsite. Now when you look at it, our ratio of offshore is the highest already in the industry. So therefore we are not going to reduce that at all even if we remain at that level. I think it would be from one angle okay, but from the other angle we do want a higher engagement in terms of more consulting led sales etc., in which we do quite well so. We could see marginal increases not decreases, because suddenly the world has realized you could do everything else on a work from home basis, so why do you need to be onsite.
- Sridhar Rallabandi:** Yes, the other thing is the segmental revenue that you showed in the investor presentation. Two segments had low shares, I think industrial and manufacturing. So it just going to stay at those kinds of percentages or do you think that would also go up?
- Joseph Anantharaju:** So if you really say in terms of, you want to take that Rajiv go ahead, please?
- Rajiv Shah:** I think that as Joseph highlighted Sridhar, from industrial and manufacturing perspective we see that area continue to grow and especially with the newer business adoption that the customers have taken into as well as digital investment they are making. And us as a company also continues to invest significantly on the domain side. I think that number will continue to improve and continue to see a growth from the kind of problems that we solve for the customer environment.
- Ashok Soota:** Where you got that number because manufacturing is actually showing a very solid growth in the current year.
- Sridhar Rallabandi:** It is about 7% and industrial is about 7% I think. I do not recall the exact perspective but both were below 10%.
- Ashok Soota:** Manufacturing for us last year 3.7%, it is up to 6.7%, this actually gone up very sharply.
- Sridhar Rallabandi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vimal Gohil from Union AMC. Please go ahead.
- Vimal Gohil:** Thank you so much for the opportunity once again. Sir, sorry to prod you on margins again. Clearly there was a question asked that you have really sort of I do not want a guidance on the margin percent, but the drivers of margins. And the key drivers over here seem to be offshore and our utilization levels and we have taken pride in stating that we have one of the highest offshore rates in the industry and clearly your global peers EPAM and Globant have similar sort of metrics to report. Given the fact that the work from home has forced us to sort of look at different models, why would you want to change that because this is working perfectly all right? If the company has been able to sign large deal from a work from home model, the company has been able to

execute those. So my question is why Happiest Minds and the industry per se would want to change this, if it is working so beautifully and it is giving growth plus it is profitable, that is my simple question? Thank you.

Ashok Soota: Venkat, have you got his clear, I am not sure what you are saying we are trying to change? We are also happy with the model. So we are not doing any fundamental changes here, but you are saying so the questions on went back to the issue on margin is that the one?

Venkatraman N: The question more so seems to be Ashok, why not continue this work from home model even after things have settled down. Everything seems to be working well for the company and for the industry so why do not you adopt it as a kind of a permanent kind of a model?

Vimal Gohil: We get saving on the margins as sure that is why.

Ashok Soota: Let me just tell you one thing, see firstly it is not that our margins have gone up a lot because of work from home. We saved rental costs because we do not own our premises. Travel in any case will come back when business comes back. The main thing about work from home, you got to really understand this that there is much more to an organization than just people sitting isolated and working from home. It is the water cooler conversations. It is exchange of knowledge, it is people in building the right culture. You could get into a completely non-bonded organization which loses sights of all our values which are very dear to us and these are the really critical things which make us different. We would never contemplate on getting back to a model where we will say we will just continually work on home because you could do it and technology demonstrated it. That we had already demonstrated from even before COVID we always allowed our people up to one day a week to work from home. But the important thing is to be together build teams, build culture sustain that and as soon as we can we will then go back to in a sense being available in our own premises with all our people all together and the teams working together.

Ramamohan C: This is Ram. Just to add to what Ashok said. In the future also our customers may also say that since the situation has become better and they may want to start again the ODC kind of a culture and they may ask us to return back to the work that is one. Second aspect apart from culture which is extremely important is that, there is a lot of white boarding, there a lot of brainstorming, there is a lot of other activities which is much more creative and it happens when we actually work from the office together and that also has to happen. So we will see that once the situation eases down, we will get into more of a hybrid model where there will be work from home it was always there as Ashok mentioned and also working from office so it is going to help in building better camaraderie and also building better creativity.

Vimal Gohil: Fair enough. Sir one more question would be, I think one more place where you know the company has delivered well is you know controlling cost and by cost I mean the operating cost, excluding the subcontractor cost. So that has clearly not grown in-line with delta. I think you had

already mentioned that in the IPO. Kudos to the management for delivering on that. I just wanted to know if you are able to sort of grow at 20% plus growth rate in the longer run, will your costs also grow at the same pace. Is there a need to grow cost in the same pace or we will be able to sort of get more operating levels from that?

Venkatraman N: There are two components to cost one is the people cost which is the largest part of our business and second is the SG&A. As far as SG&A is concerned?

Vimal Gohil: About costs that are excluding the people cost and the opex cost the S&M, the G&A?

Venkatraman N: So that is something that we have always been ahead of industry because of the smaller base that we had we were maybe about a couple of percentage points ahead of industry or two three percentage points ahead of the industry on the SG&A component of total costs. And we have always been saying that as we grow in size that is something that will come down, We were working on reducing that by about a percentage, percentage and the half every year, so that has been the trend over the last three years, two years if you see our financials. We continued that irrespective of COVID or not, pandemic or not we have been focusing on that that control and that will come and it will stabilize certain number into somewhere between 9% and 11%, so that is something that it will stabilize that.

Ashok Soota: Yes but again I want to caution, if I go back to my older days between our SG&A costs as a mid-sized company as well as the larger companies there was a good 8% difference at all times because their volumes are so much larger. Now we have already reduced that gap quite a bit and the very fact that our profitability levels are comparable with the larger players, I would not say that we want another lever which will take us above them. If you say you guys are almost equal to their level now you think you can reduce your SG&A further by 3%, then you will become more profitable with them. I do not think that will happen. Some other forces will come and balance out. We are happy enough remaining where we are in terms of relative profitability.

Venkatraman N: I think we lost Ashok but Vimal I think you got the drift? We are not going to take a eyes off that that line item but like Ashok was mentioning there will be compensating levers which do pop up at some point in time which may be an investment that needs to be made and we will not hesitate to make that if that has a huge leverage on our revenues.

Vimal Gohil: Thank you so much for the details.

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

Rishit Parikh: Thanks for taking the question again. Venkat, just one question on the acquisition. While obviously it is \$10 million in terms of revenue run rate, is there likely to be a slow ramp up in the acquisition and by when should we reach the \$10 million from that particular entity is there a color that you could provide?

- Venkatraman N:** It is already a \$10 million entity. Like I explained and Ashok also added. We were billing about \$2 million into that company because it is a partnership that we have been having since 2018. So the net revenue that would come in at the time of consolidation would be \$8 million, so while it is \$10 million in different entity when you consolidate we will get about \$8 million and as far as growth and profitability are concerned they are in line with our company's numbers.
- Rishit Parikh:** What is the number of employees that we will be sort of taking on board as a part of this acquisition?
- Venkatraman N:** Other than us, we had another partner so that partner has now rolled into us parts of those we have not disclosed those numbers of employees, Rishit.
- Rishit Parikh:** Just I think during the time of the IPO we were talking about let us investing in domain, investing in some of the newer capabilities from a talent right and adding some of the senior headcount and some of the geos that we wanted to sort of penetrate. Could you just provide a sense of where are we on that journey in general and how is that shaping up or is that is there a timeline that we are sort of looking at? I assume a good part of it will be evolving given the size of our company but just in case anything that you would want to share?
- Venkatraman N:** Yes I will turn that over to Joseph and Rajiv.
- Joseph Anantharaju:** I will take the business and US thing first. So one of the areas as we have mentioned is that we want to really beef up our domain capabilities and verticals. So the last couple of months, we have started looking at vertical heads with deep domain capabilities for some of our vertical that did not have a head and that search is in progress. As you would understand, finding good senior people is not that easy, so we are the process of finding these people. At the same time, we are also looking at how do we back them up with the mid-level domain talent more of business analysts, consultants in India. On the technology side, we brought on board head for our automation that is in Q3 for our DPA, Digital Process Automation, CoE. We continue to invest in building some solution accelerators, building capabilities in some of the newer technologies around Blockchain around Artificial Intelligence and Analytics, Automation and so these are initiatives that are underway. Anything you want to add Rajiv?
- Rajiv Shah:** Just couple of things Rishit. We had talked about earlier that we already had a retail CPG domain head in place, industrial manufacturing and will continue to evolve as the model becomes more and more mature. And adding to what Joseph said there is a significant set of support from people to the approach to the market, we continue to invest significantly in the newer technologies as well under our CTO organizations. Looking at what are the newer technologies that are coming in along which helps us grow over a domain based approach in the marketplace, so the CTO organization is looking at that as well.
- Rishit Parikh:** Thank you.

Moderator: Thank you. The next question is from the line of Pankaj Murarka from Renaissance Investment. Please go ahead.

Pankaj Murarka: Good morning guys. I have one question which is given the stage of our evolution, we are about \$100 million odd in terms of our revenue size and given the kind of opportunity landscape that we have and the kind of organization that we have built where we are on digital, to me this 20% growth guidance sounds very conservative. My concern here is given that you are a public sector company now, and you have to meet shareholder expectations and achieve certain margin targets, is that forcing you to grossly under invest into a business?

Ashok Soota: We are certainly not under investing our business. Let us be clear, we are growing as fast as we can logically do. But you also got to understand, if the larger players are going to grow at 10% and we are saying we are going to grow at 20% that seems like a logical type of a number to say. Now we do better than that it is fantastic, though we are not even stating that as a specific guidance as of now. We are saying that the guidance of a long-term trajectory that we expect to achieve for multiple years actually as we go through. Because it will be at that level will still take us a fair number of years to become even what I say is decent sized, mid-sized upwards company and we will continue that. How things will evolve as we go through and let us also be honest about this. When you look at growth it is also going to depend on what acquisition targets we land. We are not going to go after those targets just for the sake of growth. We have to get the right ones because there is nothing more critical to that in terms of decision making. You have to make the right choices, you have to bring in the right new capabilities and we will be looking more for capability development then we will be looking for signs when we do those acquisitions. I think these are some of the factors we have to keep in mind.

Pankaj Murarka: Ashok I have seen you since Wipro days, now I just want you to step back for a moment and just think about it given the fact that we are at a point where digitization is only accelerating. We are on the cusp of it and if one thing that COVID has done, it has accelerated the whole journey where Fortune 500-2000 companies want to, They are grossly underinvested in terms of digitizing their business. So the opportunity landscape is very significant and just think about it just step back for a moment that what was the growth trajectory Wipro when it was similar size and do you think are we still doing justice to potential growth in that context?

Ashok Soota: Two things one is that when Wipro was growing 60% the market was growing 50%, so that is how we became the number two IT company. Now the market we are is going 10% we will go 20%, so we are double over that from that sheer angle it seems to be fair enough. Now are we doing is there more potential, is there something nor that we would leverage as we go through will we be lucky with the right acquisitions, would we certainly hope to do more, I would say answer to all of that is yes, but are we going to convert that into a guidance, no. We will work towards seeing how we can do better internally, but there seems a very logical guidance is not to say we will double the growth rate of industry and that we are saying we would achieve over a period of time not just one or two years but we hope to be able to sustain that.

Pankaj Murarka: Just one more point here see the industry goal does not apply to you because the industry includes legacy infrastructure, legacy services which you are not into the digital piece of the industry is going at a much higher rate if you just look at a digital component. And being such a small player again industry goal does not apply to you. So my last question on this is, I am probably happy to check offline in more detail. If I were to invert the question and if the board were to give you a mandate that you have to grow at a 40% figure, what would change in the business?

Ashok Soota: Yes two things. One I think you have got a valid point in your observation on the mix and we make it all the time ourselves but you must remember that a large amount of them have got already up to 50%-60% digital that is one. Two, there is an inbuilt advantage for the larger guys, when people are moving from legacy to digital quite often instead of taking a complete dean over look and saying who is first party which can give us the best on this job. You will find that they will obviously look towards their existing partners and say that can they do this for us. Which are why you see all of them have got very high retention rates in their growth from existing customers. So it is a challenge for us to get that part of the addressable market. It is there. I think we can do a better job but it is not something which is available to us like when we go to a customer which is really beginning their whole digital journey. So that is a very important point. The third point is that you know we have always said that we are comparable with the EEG guys and if you look at their growth rate also they are projecting 20%. They are also a little larger not all of them are not much larger. It is not like the large Indian IT companies. But still they are also projecting that 20%. Third thing is if the board give us a mandate then we frankly will tell the board that we want to be, see we can always plan realistically, internally or plan aggressive targets but we have also got to be clear the basis on which we set our plans. I will tell you when you set out plans which are excessively stretched, we would love to overachieve on a plan but we would rather not set up plans which become excessively stretched. It has all sorts of mental reactions within your own teams. Here we never achieved what we set out to do. So you build up a failure syndrome rather than a success syndrome even though you have done much better than the rest of the industry. The second aspect is that it does have its own impact one way or the other on variable pay and stuff like that. If you set a target now you have not achieved that target then you go to find workarounds to be able to satisfy your team. So there are many things that go into target for this and setting numbers fortunately our board would not ask us to do that, because they also realize the dynamics of all these things which I just explained to you. It is not just a number and it is not just say why should you not be growing faster. It is a function of what the organization sees is achievable and perhaps the satisfaction of an overachievement versus an underachievement.

Pankaj Murarka: Sure thank you my compliments to you Ashok for doing a phenomenal job in the quarter.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to the management for closing comments.

Sunil Gujjar: Thank you for joining us today. We thank Nomura 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 healthy.

Ashok Soota: Thank you.

Moderator; Thank you. On behalf of Nomura Financial Advisory and Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.

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