Happiest Minds Technologies Limited
(formerly known as Happiest Minds Technologies Pvt Ltd)
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July 30, 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: HAPPSTMNDS

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on July 29, 2021

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 July 29, 2021 post announcement of financial results of the Company for the quarter ended June 30, 2021. The audio recording of the Earnings call along with the Transcript has been uploaded on the Company's website https://www.happiestminds.com/investors

This is for your information and records.

Thanking you,

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

D. Praveen

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

Happiest Minds Technologies Limited

"Happiest Minds Technologies Q1 FY22 Earnings Conference Call"

July 29, 2021

MANAGEMENT:	MR. ASHOK SOOTA - EXECUTIVE CHAIRMAN MR. JOSEPH ANANTHARAJU – VICE CHAIRMAN & PRESIDENT & CEO, PES MR. RAJIV SHAH – PRESIDENT & CEO, DBS MR. RAM MOHAN C – PRESIDENT & CEO, IMSS MR. VENKATRAMAN NARAYANAN – MANAGING DIRECTOR & CHIEF FINANCIAL OFFICER MR. AUROBINDA NANDA – PRESIDENT OPERATIONS & DEPUTY CEO, PES MR. SUNIL GUJJAR – HEAD, INVESTOR RELATIONS, MR. PRAVEEN DARSHANKAR – COMPANY SECRETARY AND HEAD OF LEGAL
MODERATOR:	MR. RISHIT PARIKH - NOMURA FINANCIAL ADVISORY & SECURITIES

Moderator: Ladies and gentlemen, good morning and welcome to Happiest Minds Technologies Q1 FY22 earnings conference call hosted by Nomura Financial Advisory and Securities. As a reminder, all participants' 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, Lizanne. Good morning, ladies and gentlemen. Thank you for joining us today on Q1 FY2022 earnings call of Happiest Minds Technologies Limited.

On behalf of Nomura, 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 Mr. Ashok Soota - Executive Chairman, Mr. Joseph Anantharaju – Vice Chairman & President & CEO, PES, Mr. Rajiv Shah – President & CEO, DBS, Mr. Ram Mohan – President & CEO, IMSS, Mr. Venkatraman Narayanan – Managing Director & Chief Financial Officer, Mr. Aurobinda Nanda – President Operations & Deputy CEO, PES, Mr. Sunil Gujjar – Head of Investor Relations and Mr. Praveen Darshankar – Company Secretary and Head of Legal.

I would now like to hand over the call to Sunil for safe harbor statement and to take the proceedings forward. Thanks, and over to you Sunil.

Sunil Gujjar: Thank you Rishit. A very good morning to all. Welcome to this conference call to discuss the financial results for the first quarter ended June 30th, 2021. We trust all of you are keeping well and staying safe. I am Sunil from Investor Relations Team. Ashok will begin the call by sharing his views on the business environment in the context of pandemic and our results. Venkat will then speak about our financial performance and operational highlights. After which we will have the floor open for Q&A. Before I handover, let me begin with the safe harbor statement. During the call, we could make forward-looking statements. These statements are considering the environment we see as of today and obviously carry a risk in terms of uncertainty because of which the actual results could be different as outlined in the earnings release which is also 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 friends. While our hearts do bleed for the suffering that COVID has brought, in our industry we are grateful that demand is back to normal in-spite of the pandemic. We, as a company did a fair contribution ourselves to help the fight against the pandemic.

Amongst other things, we have been driving our own vaccination drives at our workspaces and as of today, well over 50% of all Happiest Minds have received at least one vaccination. We provided financial support to a leading medical institute in Bengaluru to establish a research facility to fight COVID. We procured ICU ventilators for COVID patients at a hospital in Bengaluru. We contributed towards the meals through Akshaya Patra foundation for packed grocery kits for the marginalized and low-income segment of society.

Overall, we have collected over ₹ 2 crores from Happiest Minds, our own promoters' charitable trusts, and supplemented by a Happiest Minds scheme.

Coming now to the IT services industry:

We continue to benefit from ramped up technology initiatives of enterprises pivoting themselves to the future. At Happiest Minds, we stay focused and continue to deliver with agility high quality outcomes for our customers in their digital journey. As can be seen from our quarterly performance, we have been able to set the stage for a very good growth this fiscal. We are able to attract and retain high quality talent, as we onboarded a net addition of 310 Happiest Minds in this quarter.

'The Great Places To Work'(GPTW®) has ranked us as number 21 in India's 'Best Companies To Work' cutting across all industries and also 63 in the Best Places To Work in Asia in its 2021 list. If we look at the India list, though Great Places To Work does not make an announcement, we are clearly the best also in IT services. One of our vision statements is Happiest Minds to be known as the company with the highest standards of corporate governance. This vision has guided us over the years, and it was heartening to see that we were recognized as a winner for the Golden Peacock Business Excellence Award of 2021.

On 29th August 2021, which was exactly a month from now, we complete a decade of existence as a company. We are grateful to our customers, all of our Happiest Minds, our board members, our vendors, and our investors who have walked with us in this journey. We will move forward to the next phase of the journey with a ten-year vision statement. I hope to share with you the highlights of this new vision with you in our next quarter report.

With this, I conclude my commentary. Thank you and over to you Venkat.

Venkatraman N: Thank you Ashok. Good morning to all of you and I trust all of you are safe and well. Happy to report that we have begun the new financial year on a strong and a solid footing.

Operating revenues in US Dollar terms for the quarter was at $ 33.2 million showing a sequential growth of 9.6% on a year-over-year growth of 41.4%. Solid numbers. Would like to add here that our growth numbers are right on top in comparison to other comparable mid-cap companies who have declared that the results up until now. All our business units, CoE's, geos, focus verticals have showed good growth driven by a very strong demand environment.

In Rupee terms, our total income for the quarter was ₹ 254 crores versus ₹ 224 crores in the previous quarter showing a sequential growth of 13.5% and a year-over-year growth of 35.8%.

Coming to margins:

EBITDA for the quarter has been steady at about 26.1% in comparison to previous quarters. In absolute terms that was ₹ 66 crores compared to ₹ 59 crores in the previous quarter. Cost pressures on account of wage increases, attritions have been covered up by margin increase on account of revenue growth and continued high utilization.

Now, when you look at our EBITDA, key numbers that go into that are:

We had a gross margin impact of about 170 basis points quarter-over-quarter due to increased people and other direct cost. While looking at the employee-related cost increase one should also take into account the year-end reversals we had in the last quarter, that is fourth quarter of FY21. Improvement in other income was about ₹ 6.2 crores, which includes fair value gain on investments of about ₹ 4.2 crores. And a credit of ₹ 2 crores on account of the settlement of an earlier reported employee discrimination suit in the US. So, we had reported about this suit with lots of details, adequate details in our DRHP and the prospectus during the IPO.

Coming to profits before tax:

The PBT before exceptional items stood at ₹ 57 crores for the quarter and was 22.6% of revenues. If you compare this to the earlier quarter, it was ₹ 49 crores and 22% and in the same quarter the previous year, it was 21.8%.

Our financials this quarter had an exceptional expense line item, and this is on account of the fair valuation of warrant liability that we carry in our balance sheet. This warrant liability is on account of payable that we have towards the acquisition for PGS and it's in the form of an earnout and carried as a warrant. This amount of $ 7.25 million, that is the warrant liability, original value, is basis achievement of certain revenue and profit targets by PGS Inc. business over the next three years.

Now this liability, when we had originally acquired the company, was fair valued as per the Ind AS standards and recorded in our books at about $5.1 million. So, what is done is, we use the Monte Carlo Simulation Method and look at the probability of payment basis forecast and it got valued at $5.1 million and recorded as such in the 31st March 2021 financials. The same accounting standards require us to revalue or evaluate this liability on an annual basis I would say, basis the performance and prospects of the acquired business.

Now, the performance and the growth of the acquired business which is PGS Inc. have been good or rather it is inline and so to that extent, we have to change our expectations and the valuation of the probable payment. This quarter, we did that, and the increased fair value warrant liability was about $860,000. That's about ₹ 6.1 crores, which we have taken as a charge to our P&L. So, what happens is the original liability flows directly into the balance sheet was recorded at about $5.1 million and we are revaluing it on an annual basis, basis performance. That was done and the change in this carrying value is then charged to the P&L. So even if it is a debit or a credit, any changes in the original value has to flow through the P&L and that's what we have done. And this method had an impact of approximately 2% on PBT. I would like to add that there is a positive aspect to this because the performance is better, the probability of payment is higher, and which is why the valuation, or the revaluation has happened.

Coming to our PBT after exceptional item:

It was 20.2% and ₹ 51 crores which shows a QoQ increase of 4% and a YoY increase of 25.3%. Coming to our PAT, our improving profitability has meant higher effective income tax. We ended the quarter with a PAT of ₹ 36 crores which is at about 14.1% of the total income. If I adjust the exceptional item that I referred to earlier, our PAT remains at the same 16% that we showed in Q4 of last year. Despite the exceptional item, we are at almost the same absolute levels of profits after tax as in Q4. That is our absolute numbers of profits for Q1 are almost in line with or similar to what we did in Q4. Now, when we are comparing on PAT for Q1 FY22, I would like to caution you that one should be mindful of the fact that instead of a tax expense, we had a deferred tax credit of about ₹ 9 crores in the same quarter last year. So, which is why you see huge swings on the tax provision numbers Q1 of last year versus Q1 of this year.

Now there were some highlights of the quarter:

We ended the quarter with 180 active customers, and it's an addition of seven new customers. Our average revenue per customer has increased to $751,000 and this is a metric that we keenly follow and track. Increase in million-dollar customers was by five numbers which has been a high in the last two years, addition of seven new billion-dollar corporations to our clients list. Our financial return ratios of RoCE and RoE continued to be healthy and high at 30.7% and 24.7% respectively. As we have been disclosing earlier, we have very healthy free cash flows. We continued to have that at about 99% of EBITDA, and that's about ₹ 66 crores for the quarter. We ended the quarter with cash and equivalent balances of about ₹ 607 crores.

Coming to people:

We closed the quarter with 3,538 Happiest Minds. Ashok mentioned that there was a net addition of 310, a significant number in the current supply situation that we have. Utilization continues to be a steady 82.1% compared to the 82.6% of the previous quarter. Attrition has shown an uptick and we have moved slightly up to 14.7% on a trailing 12-month basis compared to the 12.4% that we had disclosed in the earlier quarter. We are able to attract and retain talent pool and that was something that we have been happily able to do which has led to the 310-net addition that I talked about. We continue to make progress on our diversity and inclusion ratios, which at the end of the quarter was at about 25.2%.

And coming to the dividends:

We had declared a dividend at the tenth AGM held on July 12th, 2021, and that has been paid out which has been a pay out of about ₹ 44 crores in cash.

In summary a great quarter with higher revenue growth, improving operational metrics and profitability. This quarter has nicely set us up for a good year and our efforts will be to maintain this trend. Improving vaccination numbers around us and also amongst us slowly blunting the possibility of a third wave and hopefully a return to work from office soon enough.

I hope I have been able to give you a good overview of our financials and all of these numbers including detailed metrics, operational metrics, awards, and other aspects of our business over trends have been put on our website and I request all of you to go and have a look at that.

I open the floor now for Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Rishit Parikh.

Rishit Parikh: Congratulations on a strong growth. I wanted to delve a little bit further in terms of growth. I think since the IPO we've talked about scaling some of our large accounts, accounts which have got billion-dollar plus revenues in general. But if you look at the growth, it's still seems to be driven by the non-top 10. And if we look at the tail, we are still expanding on the tail given the customer addition data that you provide. So, could you just help us understand the strategy to scale up these customers, the 53 accounts that have $1 billion in revenues, how do we scale these customers up to $5-10-15 million accounts? So, that's one, and then I'll come with follow-up questions.

Joseph Anantharaju: As you see Rishit, the number of million-dollar customers has gone up this quarter by 5. Again, our revenue per customer has increased consistently over the last 3-4 quarters and it's currently at $751,000 for Q1. And we have also added 7-billion-dollar customers during the quarter. And as mentioned, the revenue from billion-dollar customers has increased from 37% to 39%. So, I thought I would lay out some of the numbers which shows the trend moving in the positive direction. And this has been driven by a very focused effort around getting our domains, our sales, and delivery to work closely together, to strategize on our customers, making the account development plans as the basis for coming up with account strategies, understanding our customers better and building relationships which are leading and obviously the focus is on these billion-dollar customers to make sure that we get a larger share of wallet with these customers. Rajiv, do you want to add anything?

Rajiv Shah: I think that Joseph covered most of the data points. In addition, I think over the last 12 months or so we continue to invest in hiring dedicated set of account managers who look at the entire portfolio of Happiest Minds from all three service lines as well as CoEs to take single ownership to drive change in the customer environment. So, the investments on the account managers supported by the large account development plan, and looking at the customer on a global scale, I think will continue to drive growth in the current accounts.

Ashok Soota: I'll just add one point here, and you brought some concern about the profile of the accounts. You see the important thing is we also don't want overdependence on the top five accounts in that sense. And if you see that percentage, for us it's come down from 14.5% to 13.1% in this quarter as compared to the whole of last year. And this is in spite of a very healthy growth even in the larger accounts. So, that's reflected by the fact that the overall growth rate is so high. Our top five has coming down from 33.3% to 30.2%. And we think that those are really healthy ratios which then get reflected by an increase in the percentage for top 10 and top 20.

Rishit Parikh: Fair enough. So, the way to think of it is that we would still continue to see customer addition at the tail end. Because I think in the past there have been instances where we had to get rid of some of the tail to sort of focus on more quality. The concern here is that we don't end up getting in a similar situation again, is the only point, but otherwise all well. If we look at the last 4-5 quarters, I think growth has largely been driven by IMS. IMS has been substantially higher if you look at it from an organic standpoint. Obviously excluding PGS from the DBS contribution. And looks like obviously we have been pretty strong in security solutions. So, if you could just provide a little more color on what are we doing that's driving that growth and how should we think about that in the medium term from a mix perspective? Will it be always IMS driven, or will we continue to sell some of the other solutions which will have a more balanced mix?

Venkatraman Narayanan: This is on the growth driven by IMSS. Because we have had some significant additions especially in the Middle Eastern markets which has gone up significantly if you look at in the last two or three quarters, and those additions have largely, I will say, largely come from IMSS, except for one account which is being handled by DBS which has come in the last quarter. So, that's been the increase that you are seeing on a quarter-on-quarter basis. But if you look at each BU and the way they have grown, each of them have been growing nicely over the last 3-4 quarters. So, it's been secular if you see the trend for the last four quarters, Rishit.

Ram Mohan: Just to add to that point, Venkat, as you mentioned security has grown very well and if you see from the last year it has grown from 7% to almost 11%. And we are making a good stride on security. This is because of new services which are being launched. And also, a significant increase which is happening with respect to cyber security and identity management. So, that has fueled the growth as well in terms of security

Ashok Soota: I would like to just give you a perspective here. You raised the point that is our growth going to be future IMSS driven. Actually, you really need to see this number in not just percentage growth quarter-by-quarter which is obviously highest for IMSS on the lowest base amongst the three businesses. But if you just see the absolute increase, then you find that PES has grown as fast as or in fact a little more than IMSS in the last quarter. So, in absolute terms, it's still the major driver for growth. DBS may have grown a little less, but the prior quarter it had the highest growth by far. So, the takeaway from these numbers is that actually we have got steady growth from all of the three business units contributing exceedingly well, to in a sense, our overall targets and it is not going to be driven by just one deal. Every one of them has a good pipeline. Everyone has a good potential and everyone at varying times continues to do a higher percentage growth than the other.

Rishit Parikh: Understood. Just one last question before I open it up for the queue. One, any incremental contribution from PGS this quarter, that's one. And second is, we have seen a sharp increase in other expenses this quarter if you could just help us understand why that happened. That's all the questions I have. Thank you.

Venkatraman N: Rishit, if you look at the PGS acquisition they were already a customer for us, and we were billing to them. So, if you adjust for the intercompany billing, the net additional revenue was about $ 2.9 million this quarter.

Rishit Parikh: From a QoQ standpoint was there anything incremental because I think last quarter, we still had about $ 2 million. So, you are saying eventually $ 1 million of additional, correct?

Rajiv Shah: And I think that Rishit, just to add to that from the PGS perspective, I think there were two critical drivers for us to do that acquisition. One is to go up to the market with an open-source solution to expand the footprint. The second one was leveraging Happiest Minds assets to drive growth in the PGS accounts as well. So, we have been able to accomplish both. So, on a standalone basis we have been able to drive PGS growth in opening new accounts as well as introducing PGS into our existing accounts of Happiest Minds, and at the same time leveraging the assets of Happiest Minds to really drive the overall growth of the account as well. So, I think that has really helped us. So, on an absolute way, yes, there is that growth from $ 2 million to $ 2.9 million, but I think the overall growth for the customer has been significant.

Rishit Parikh: So, just to clarify, this is the efforts that we have put in to cross-selling and not just onboarding of revenues. Is that correct? To that extent it should be considered organic, is that what you are sort of hinting at?

Rajiv Shah: That is correct.

Rishit Parikh: Understood. Just the last question on other expenses and then we will open it up for others. Why was there a sharp increase in other expenses this quarter? I think it went up from 18.5% to 19.8% as a percentage of revenues.

Venkatraman N: Are you talking about exceptional expense or other expenses

Rishit Parikh: Other expenses

Venkatraman N: Other expenses, I will have to give you a detailed break-up but it's largely on account of, in Q4 because there were some reversals that happened because you make provisions during the year and that got reversed. That's about ₹ 3 or ₹ 4 crores impact is there, and the rest is all catch up expenses sometimes of something like a software, Microsoft True-Up or something that happens. Subcontractor costs which have gone up, subcontractor costs which is about ₹ 26 crores has gone up to about ₹ 35 crores. So, that also gets classified or categorized under other expenses in the SEBI format.

Rishit Parikh: But it should be in the employee benefit expenses, we typically put in subcontractors there, right? This is just the other expenses from ₹ 42 crores to ₹ 48 crores.

Venkatraman N: Subcontractor has gone into other expenses and employee benefits are only our employees in the classification.

Rishit Parikh: We can assume that this can be at a stable level from hereon, right?

Venkatraman N: Which is why I drew your attention to the EBITDA numbers before the exceptional item which is continuing to be at that number of 26%. So, if you look at it, it was 25.6% Q1 of last year, 26.3% and 26.1% this quarter. So, while we have been cautioning you saying that there could be reversals given that the cost benefits that have come out of work from office if they reverse, we will see some reduction, but we have been holding at the 26%+ this quarter as well.

Rishit Parikh: Fair enough. Thank you. Lizanne, can we open it up.

Moderator: Thank you. We will take the next question from the line of Vimal Gohil from Union AMC.

Vimal Gohil: My question was on subcontracting cost. So, basically, you said that this quarter there were ₹ 26 crores worth of subcontractor cost, right?

Venkatraman N: That's right.

Vimal Gohil: And last quarter, if I remember they were around ₹ 19 crores if I am not wrong.

Venkatraman N: ₹15.15 Crores for Q1 FY21, ₹26 Crores for Q4 FY 21 and ₹35 Crores for this quarter, June 30th.

Vimal Gohil: ₹ 35 crores is the subcontractor cost?

Venkatraman N: For the current quarter.

Vimal Gohil: So, subcontracting cost has almost jumped, if I look at ₹35 crores as a percentage of sales that has jumped by almost from 9% odd of sales in the last quarter that is Q4, it has jumped to 14%. So, just going by the strategy, would we continue to look at subcontracting as a delivery medium or we are looking to reduce subcontractor cost going forward and replace it with maybe onsite where that the delivery cost could be cheaper.

Venkatraman N: Vimal, this is mostly onsite, given the current travel restrictions that we have and sometimes the visa issues, when there is a requirement in Middle East or the US, we have resorted to taking people locally from specialized service providers to deliver on our business. So, I would be concerned if that really hits your onsite offshore mix in terms of revenue contributions, which it has not. So, we are able to develop, build on the offshore part in line with the onsite part that we have been delivering on. So that's one thing. The second thing is I would request Nanda to add here because it's got an interplay with the requirement and the skillsets mismatch and all of those.

Aurobinda Nanda: Actually, a couple of things have happened, like Venkat mentioned, the onsite demand has increased, so we have increased substantially the number of people we have had locally. And at the same time, the business is increasing on a rapid basis for which we will also have to acquire talent quite a bit and to acquire talent, we have ramped up our talent acquisition team and that is through a lot of this partner basis, which are kind of temporary. As the situation eases out, we'll be reducing quite a bit from those teams. Onsite we will continue to happen, but again as the travel situation and visa situation eases out, over couple of quarters we should be able to even think control over there.

Venkatraman N: And also, Vimal, when we acquired PGS business, it had a substantial element of subcontractors, which we are now slowly, we are on boarding them and we are converting that to our own rolls. That's also progress of integration, which is in play right now.

Aurobindo Nanda: That will also happen for quite of this partners who are getting billed in customer accounts or projects that point of time. Over a couple of quarters, maybe two quarters or so we try to convert them into full-time employees.

Joseph Anantharaju: We need to also keep in mind is that whenever we use subcontractors, especially onsite and even offshore the key number to look is the margin that you make on that specific person. That there's enough focus out here to ensure that, it doesn't go out of line with the margins that we're getting from our own people.

Vimal Gohil: Fair enough. Thank you so much for the detailed explanation. I'm still not clear about the subcontracting costs in the preceding quarter, but I'll take that offline. Just on the growth outlook of FY22, almost 10% growth in this quarter, even if I were to annualize only this number, for the full year, even then we would reach very close to almost 20% growth for FY22 which is your stated organic guidance. Would you want to consider changing that 20% number because see, some of your peers have also started growing at that pace and you have categorically said that we will grow at 2x the market rate. Is it that we are being slightly conservative, if yes, what is the source of that conservatism?

Venkatraman N: I'll request Mr. Soota also to add here, I'll just start saying just wanted to correct the statement that you made. What we said is we would like to do a long term 20% organic growth. So, it was just not for the year FY22. While we may be ahead or whatever for FY22 given the current numbers and if you do your extrapolations, what we were seeking to communicate was for the medium term to sign some kind of a longer-term number on an organic basis Vimal. Some of the other companies are there saying hey that there seems to be a huge demand explosion out there and if you are able to meet the supply requirements of that we'll be able to grow 20% the next year. It is more of a shorter term, or an immediate term, I wouldn't say guidance, but kind of a directional statement that they have been giving. Our direction statement is a larger-medium term to long term.

Ashok Soota: Venkat's answer is really saying, we actually haven't given any guidance except long-term. One thing is fairly evident that we are running on the basis of the fact that the business is growing, certainly in context of demand being exceedingly good, there is the net addition. I think that is actually your best expectation of looking at where we think we are heading. We are not giving any formal guidance, but those numbers are the highest we've ever had. Even if we sustain just the current net addition level right through the year, we've increased our numbers and therefore the total billable numbers vary significantly. The other aspect that I want to highlight is I think different entities use different definitions of organic growth. To my mind, the right way of looking at it is we did the acquisition of PGS in Q4 of last year. Right through this year for the first nine months, we should treat the previous number as inorganic. Somebody may actually choose to say, okay, after one quarter is become organic. And then only in the last quarter, we will add that element down also as organic growth. Sometimes those percentages can get confusing based on that definition. I think the best guideline you have towards where we are heading is not things like pipelines and stuff like that because of pipeline is, it's a very mixed thing. You don't know what is the probability of somebody getting an order and how long that pipeline will stretch. Whereas the net people addition is here and now number, which you can look at and start projecting our growth.

Vimal Gohil: Thank you so much for, improving my understanding on that. Just one more question, you said that there were some reversals in the last quarter in the other operating expenses, which were not here this quarter. If you could just help me understand what, again in slightly more detail as to what are these reversals and are there any other costs that you would want to highlight any other costs that have come up in this quarter?

Venkatraman N: No, not really Vimal. It is essentially we paid variable pay basis certain targeted profits that one achieves, so you have to make those provisional numbers and we keep on accruing for it on that basis every quarter closes, at the end of the year, you get a fit on that number and then you have to true it up or correct it. So that's what happens, so that will be one or two, three crores number impact. Second large item that comes to my mind is Microsoft licenses. You start calling off licenses or true it up as we do. Because of such high number of additions that we have, we have to make certain estimates and then once a quarter closes you get to know what the exact impact is. There'll be some reversals on account of that, so that you typically tend to see this a little bit of these reversals in the last quarter of the year. Last year, we have always been saying that, on the variable pay, we did not have that probation or payment for the first two quarters of last year. If we look at it that was something, given the whole pandemic situation, the entire industry was kind of, trying to see how to optimize on the cost situation. To that extent the variable pay, was not accrued nor was it payable, but then as things stabilized, we realized that Q3 onwards, that the demand is picking up despite the pandemic and work from home situation is working seemingly working well. To that extent we have to come back and so, what's happened Vimal is those are those little cost elements, which one does make certain estimates and trues it up by the end of the fourth quarter. We are also now trying to see how to make sure that's also straight lined as far as possible.

Vimal Gohil: Just one clarification, the variable expenses that we have, those are the part of the other operating costs?

Venkatraman N: No, variable pay for the employee goes into employee benefit expenses.

Vimal Gohil: Last question. How many accounts managers, specialist account managers have you hired over the past one year? That would be my last question.

Joseph Anantharaju: The approach we've been taking Vimal is, while we do bring a specialist or account managers on board, we also have some of them look at, leveraging their connect and their existing customer connects to get some new logos as well. But overall, in the last one year we would have brought on board at least seven to eight people with account management, strong account management capability.

Vimal: So, 7 to 8 people.

Joseph Anantharaju: Yeah. So, we will continue to look out for people and bring them on board and we want to operate in a flexible manner. If you do bring an account manager on board and we see that they're generating strong prospect pipeline, we will let them run over there, because end of the day we want to look at how the person, how we allow the person to grow as well as the benefit they get to the company.

Ashok Soota: And, I could add because you're really trying to see how we are expanding our capabilities in terms of bringing in new business. I would also add that the way we've been adding domain heads is really very important, because that's the thing which then increases the capability of the field to go and close business. We've done a lot in that area. We've added retail in the last year. In the process of adding, certainly one I would imagine in this quarter itself, as a healthcare domain, the second one is also lined up that's fine, because I think we made the offer, you got made the second offer also.

Joseph Anantharaju: Yes Sir sure.

Ashok Soota: Okay. Very good. So, we'll add two more domain heads. That's really-really crucial part of both our strategy as well as our growth drivers for the future.

Moderator: The next question is from the line of Mr. Arun Kapoor from Morgan Stanley.

Arun Kapoor: Just wanted to understand a couple of things. One in terms of your, client ads, #31 million customers, that's five more than what you had last quarter. What is the trajectory that you guys are looking at from this perspective? How are we thinking about growing this from a next 2 to 3 years perspective? That's my first question. Second in terms of verticals that are there I see a big dependence on or big increasing concentration on Edutech. That's been a bit of a contentious sector at least from an Asia aspect. But in terms of Edutech, Hitech and Retail the three big sectors that you have, how are you thinking about your concentrations on these and where do you see good growth from an India aspect? Or are we also starting to look out more towards the global players to power our growth ahead? So, these two points please.

Ashok Soota: I'll just take the first question and pass this on to both Joseph and Rajiv for the part on the specific verticals. You asked us how we are projecting the growth of our million-dollar customers. And all I would say that we don't project it, just be clear, otherwise we'll be giving you a forward-looking number. We have targets, we have got goals. We're saying that our average sales per customer must keep growing up. You've seen a very healthy trend on that. We are pleased with the increase that we've got in the number of million-dollar customers, but I don't think that that in itself is always going to give you the picture of growth. If for example, a number of $500 to $1 million customers are also increased significantly plus the million-dollar customers moved increasingly into $3 to $5 million range. I think that's as important for us to saying, hey, how much is that $1 million number gone up? So overall, all of those parameters have shown a very healthy trend and we hope to be able to sustain that. So, on the verticals let me get both Joseph and Rajiv to get back to you.

Joseph Anantharaju: Just to add one more point to what Ashok made, the executive board and even the senior leadership, they all have objectives and goals for moving accounts from one rank, 1 million to one to three, three to five, five plus. So, it's a very focused effort and it's a planned effort going on and talking about Edutech, you mentioned, that are we going to go global? So, as you would see, majority of our revenues come from in fact, all our customers in the Edutech space are in US, so they're all global players. And what we're seeing is that this is the vertical where there is investment going on, whether it's K-12, higher education, professional courses or even corporate learning. There's a lot of investment going on for several reasons. One, I think the pandemic has really made many of these institutions realize that they've not adopted some of the digital technologies. Second is a major push away from paper. There's a lot of data and AI technology is getting consumed, and the user profile is changing. And the demands from users are changing. It's more on mobile, on your, devices and therefore they have to make the investment and we are seeing quite a lot of investment happening over there. Even in India you'll see, there's a lot of investment happening in the Edutech space. HiTech continues to be a vertical that continues to attract a lot of investment because it provides the basis or the bedrock for all the other industries to do their digital transformation and our focus on product engineering services will help us over there. Another point I wanted to make before I hand over for retail to Rajiv, that if you look at all our verticals, even though the percentages may change, we've had all our verticals show some growth to good growth. It's across the board that we are seeing traction with customers, so Rajiv over to you to talk a little bit about retail.

Rajiv Shah: So, retail once again same thing as Joseph said, all of our revenue comes from all across the globe, have hardly any revenue coming from India from the retail space. Quite diverse, US, Europe, Middle East we continue to grow, based on our PGS acquisition. But at the same time, I think that COVID has really helped in a way to retail customers relook at the business model itself. Closing up physical stores, personalization, digital investments, investments in smarter technologies, etc. I think it has really helped customer relook at the entire business model and cover continued focus on digital side, supported by the strong CoEs that we have. I think that we continue to see larger growth and that gets reflected in the numbers itself as far as, overall percentage of revenues coming and increasing significantly from previous quarters as well.

Ashok Soota: Of course, we should add, this year in this quarter in particular, there's a sharp increase in retail as a percentage, is largely due to the PGS addition also, where a number of their customers were in thatspace and therefore it looks like maybe Edutech and Hitech have all gone down a bit. In reality it's just one adjustment taking place in percentages. As Joseph pointed out, every single vertical is actually shown a growth.

Moderator: The next question from the line of Mr. Vimal Gohil from Union AMC.

Vimal Gohil: My question was now on, over a period of time as and when, we are sort of keep entrenching into our clients and what are our thoughts on going deep into consulting, we've been very strong as we know on the IT services front, digital services front, but are we looking to sort of push the pedal on consulting and moving up the value chain with especially with our existing clients. If we are going to do that, because how are we going to compete with the likes of your own stated competitors like EPAM, Globant which are leaders in this space and are growing exceedingly well. Would you be able to do that at respectable profitability level, some thoughts in that?

Ashok Soota: Can I request you to put this question up to us in the next quarter also, I'll tell you why. See we have a very significant part of our sales comes from what we call is consulting led. Just like we have IP led is 10%, which is much higher than any other company. In consulting led also we see a large percentage. However, the difficulty in talking about this is that everybody's definition of consulting led will be different. So, I think it's important. We are doing a very detailed exercise to classify the nature of our consulting led business into different categories. And we will, based on that once we got that definition clear amongst ourselves and we're debating it even with the board, we will start including it even into our fact sheet, which we don't do as of now. At that time, we will set ourselves goals for that area also. Basically, the number is much higher than you might think. So, it's not going to be new competition that we will be encountering as a result.

Moderator: The next question is from the line of Dipesh Mehta from Emkay Global.

Dipesh Mehta: Two questions. First of all, can you give us some detail about deal intake which we are seeing? How the deal size are changing for us, whether he has material up ticking or size of the deal and tenure of the deal perspective? So, if you can provide some perspective about how the demand environment is shaping? Second is about BFSI, if I look over the last couple of quarters, BFSI remained soft for us. So, if you can provide outlook on that particular?

Ashok Soota: I think I can get all the three BU heads to respond to that question and Rajiv, of course, will touch specifically on BFSI because it's part of the DBS BU and Joseph you want to start?

Joseph Anantharaju: So, as I mentioned earlier, the demand is strong across, as Ashok also indicated, I think we are fortunate to be in an industry where the demand has been increasing in spite of the pandemic and we are just cutting across all the verticals that we have. It's also reflected in the fact that even though percentages may vary, all the verticals in absolute terms have shown little to a large growth. And again, if you look at cutting across all geos, we are seeing increased growth. I have already talked about from a vertical perspective, Edutech and Hitech. Media and Entertainment is another area that we are focused on. Here we are seeing a lot of investments going into streaming services, into using more of analytics. If you look at in fact, industrial and manufacturing, a lot of the focus has been on increasing connectivity, implementation of IoT architectures and again using data, one common thing you'll see across all the industries that we're operating in, is the need to use analytics on top of data. There's also a lot of automation that's happening and we have that's the reason two years back we created our digital process automation, CoE in addition to the analytics AI, and the IoT COE, which are our engines of growth. With that, I'll hand it over to Rajiv.

Rajiv Shah: Thanks. I think that from the demand growth perspective, I think that we are, continuing to see higher and higher traction, as well as size of the SOW that we signed as well as the engagement that we have. I think that, continues to grow. At the same time as I highlighted earlier that I think that a lot of customers had a chance to rethink about their own business model, which has created a significant set of opportunities for us to look at the digital transformation. Overall, from, the size of the deal, as well as the pipeline and our ability to do look at the entire ecosystem from product development to expansion from digital business services to infrastructure management security, where the customer is looking at transforming the entire digital ecosystems. I think we are well placed for acquiring larger and larger piece of the customer spend. Specific to BFSI, I think your observation is very valid and in spend, somewhat steady at a number. Over the last 18 months or so when we started getting into BFSI, our approach to the market was to partner with digital ready platforms and how can we take those digital ready platforms, applications to the customer environment. That has proven successful as far as utilizing the existing assets that we can partner with to take into the customer environment, be it in the mortgage area, be it in the lending area, in the retail banking area. It was really the approach that we had taken. Now we have really proven ourselves and investing in, hiring the domain head along with additional set of capabilities, addition set of business analyst consultative skills. I think you will see that number continue to grow for us as well. Your observation is valid that it's been remaining steady. I think that's the approach that we took as far as just taking a third-party application, which are digital ready, to implement in the customer environment.

Ashok Soota: Okay. Ram, since you don't have verticals per se, you may want to focus on this aspect of the question, which was on the deal sizes drying.

Ram Mohan: Yeah. Just to add to that Ashok, on the infra side and security size, we are seeing an increase in the deal size. Now, what is happening is some of the projects which we took from the migration perspective in the infra space, specifically cloud migration, is moving into annuity-based management deals. Similarly in the security area where we took some projects by IDAM implementation or a GRC is now moving into more managed security services. Consistently we are seeing an increase in the deal size as we are moving forward. Also, one other significant thing which has happened is the size of the percentage of fixed price projects have also increased from last quarter to this quarter if you see from 22% to 26%, which is also a very good indicator that we are moving more and more into annuity based fixed projects.

Moderator: The next question is from the line of Jenil Jain from Omkara Capital.

Jenil Jain: My question was along the Edutech vertical which as we see is the largest component of our revenues. So, as the pandemic opens up and as we see vaccinations progressing, how do you see the Edutech vertical moving, going forward? Are these numbers currently that we have sustainable or if things open up, should we expect a decline in revenues coming from the Edutech vertical?

Joseph Anantharaju: So Jenil, the way we would look at it as that at is I suppose the reason of asking this question is if schools open up and students start going back to school, would that reduce the need for digital and investment but I think most of the institutions have realized that you will continue needing a mix of digital and in person even if you're having students in classrooms, there's a fair bit of activity that happens, whether in terms of assignments or assessments that our digital, many of them have even in classrooms, they moved to digital form of learning. Therefore that investment that's been made already is something that universities and schools will want to leverage and our discussions with the Edutech companies that our customers and prospects is that they have multi-year road plans, based on discussions with the end users, the colleges and the schools on how they want to use technology to improve both student experience, remediation for students, helping students on a better path and also get a better understanding of their school or university and run that better. We expect the investments to continue into the medium-term future, at the least.

Moderator: The next question is from the line of Nikita Mehta an individual investor.

Nikita Mehta: Very good morning to all, my congratulation for stellar performance. I am totally a novice to this area. Anyway, I am quite convinced what you guys are doing is excellent in terms of business. One thing, which comes to mind is the share pricing. So, based on whatever I have been following in this company, I have invested in this company, and this is the second concall I am attending. My question is, in terms of the exceptional high pricing and fluctuations, do you feel it's a normal thing or there can be some problems in that area?

Venkatraman N: Hi, Nikita this is Venkat. Our position on this would be that we do not comment on the price movements on our share price, because like we are focused on the business, putting out results, which we believe are helpful in creating a long-term value for the shareholders and also building a growth company here. Really, no comment on the share price Nikita.

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

Venkatraman N: Thank you all for attending our conference call for the first quarter. It was really insightful the questions that you have asked. Request all of you to please go to our website and check out the investor presentation that we have and do right to investor relations at Happiest Minds for any further questions and we will be happy to answer them.

Moderator: Thank you. Ladies and gentlemen, on behalf of Nomura Financial Advisory and Securities, that concludes this conference. 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