happiest minds
The Mindful IT Company
Born Digital . Born Agile

Happiest Minds Technologies Limited
(formerly known as Happiest Minds Technologies Pvt Ltd)
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November 02, 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 October 28, 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 October 28, 2021 post announcement of financial results of the Company for the quarter and half year ended September 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

Happiest Minds Technologies Limited

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

“Happiest Minds Technologies Q2 FY22 Earnings Conference Call”

October 28, 2021

MANAGEMENT:	MR. ASHOK SOOTA - EXECUTIVE CHAIRMAN MR. JOSEPH ANANTHARAJU – EXECUTIVE VICE CHAIRMAN & 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. SRIDHAR MANTHA – CHIEF TECHNOLOGY OFFICER MR. SUNIL GUJJAR – HEAD, INVESTOR RELATIONS, MR. PRAVEEN DARSHANKAR – COMPANY SECRETARY AND HEAD OF LEGAL
MODERATOR:	MS. HEENAL GADA – ICICI SECURITIES

Moderator: Good Morning ladies and gentlemen, welcome to Happiest Minds Technologies Q2 FY2022 earnings conference call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Heenal Gada from ICICI Securities. Thank you and over to you Madam!

Heenal Gada: Thanks Lizaan. Good Morning ladies and gentlemen. Thanks for joining us today on the Q2 FY2022 earnings call of Happiest Minds Technologies Limited. On behalf of ICICI Securities I would like to thank the management of Happiest Minds for giving us the opportunity to host this call. Today we have with us Mr. Ashok Soota - Executive Chairman, Mr. Joseph Anantharaju – Executive Vice Chairman and 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. Sridhar Mantha – Chief Technology Officer, Mr. Sunil Gujjar – Head of Investor Relations and Mr. Praveen Darshankar – Company Secretary and Head of Legal. I will now hand it over to Sunil for the safe harbor statement and to take the proceedings forward. Thanks and over to you Sunil!

Sunil Gujjar: Thank you Heenal. A very good morning to all. Welcome to this conference call to discuss the financial results for the second quarter and half year ended September 30, 2021. We trust all of you are keeping well and staying safe. I am Sunil from the Investor Relations team. Ashok will begin the call by sharing his perspectives on the business environment and our results. Venkat will then speak about our financial and operational 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. We do not undertake to update those statements periodically. Now let me pass it on to Ashok.

Ashok Soota: Thank you Sunil. Good morning to everybody. I trust everybody is keeping well and staying safe. I am grateful that in India we have avoided a possible third wave thanks to the government and the medical fraternity for their commitment and actions in providing vaccinations at such a rapid pace. At Happiest Minds we are now approaching a mark where about 90% of our teams will have had at least one dose of COVID vaccine. We have got a taskforce, which we called as Back2SMILES for preparing our teams for getting back to work from office and this would be done in a measured and careful manner beginning from approximately the middle of January. On the business front we continue to see a very strong demand for digital services and this was reflected in our stellar results, which Venkat will cover. I would like to focus on only two areas today first is our two significant smilestones we have had in this last quarter. We have completed a decade of existence as a company and secondly we have completed one year of being a listed company. I would like to express my gratitude to all the stakeholders for their continued trust and confidence. In my last interaction I spoke about our plans to create a vision statement for 2031 and beyond. I am happy to say that we have completed this exercise and instead of talking about our results and numbers I want to give you a view of our vision because this is going to lay out the chart and the directions in which the company will be moving, now just to up to 2031 but for many years ahead. The first vision is designing Happiest Minds for perpetuity. Many of you have already seen some articles in the media which have covered this with some interest and the statement has three dimensions ownership, leadership, and business strategy. For ownership, essentially I will create a framework whereby a very large majority of my shareholdings at Happiest Minds will be parked in a private trust and the dividends from this, which will go completely to sustain SKAN, my medical research trust. Voting mechanisms will ensure that the trustees will vote in line with the management of the company. The leadership will be charged with a stipulation that controlling interest in Happiest Minds will not be allowed to go below 40%. Through this framework Happiest Minds and SKAN, two mutually dependent entities can conceptually flourish for 100 years and beyond!

Second is Leadership, the Executive Board of the company has been the driving force for growth and providing thought leadership, in fact another smilestone the Executive Board has now completed four years has proved its credentials through delivering sustained excellent results. Coming to business strategy, the third aspect of designing an organization for perpetuity is to define business strategy, which is not cast in stone but continuously adapted to embrace evolving technology landscape as well as to follow a few basic principles which means to be always on the leading edge of technology to never bet the company and follow the highest standards of corporate governance. The second vision is to accelerate profitable growth and I think this is something that we will continue to do as we have been doing already for the last three years. The third aspect which the analysts may like to really look forward to for the future is how do we build and sustain a word class team by establishing succession plans across leadership, career development opportunities for all Happiest Minds and improving on our diversity matrix, so we aim to have a gender diversity 35% with 30% of leadership positions being held by women. Our fourth vision is to be the ambassador of happiness where we will be guided by our mission of 'Happiest People . Happiest Customers' . We are already achieving I say industry leading results whether it is in Glassdoor® or Great Places To Work® and in terms of customer feedback. Like in all other vision elements we have defined a very definitive measurement criteria and the Executive Board will be continuously tracking these, reporting these, and sharing them with the entire teams as well as with our board. The fifth vision is to be recognized for thought leadership in our focused areas of technology and solutions. This is self-evident for a technology and solutions company and we will continue for example to have a very large proportion of our sales has been IP led and consulting led. The sixth vision is to be known for our ESG practices. We aspire to be carbon neutral in operations by 2030 and drive sustainable behavior amongst Happiest Minds, establish the Happiest Minds foundation with a clear charter that by March 2022 we will really be known very well for our ESG practices in the way that we have already got to be known for our business practices and business results. I think these are the really important directions, which the company will take and with this commentary I would like to hand this over to Venkat. Thank you.

Venkatraman N: Thanks Ashok. Good Morning to all of you on the call. I trust all of you are doing and keeping safe. I would like to start by thanking all our investors, analysts, market participants for the amazing support you provided to us over the last one year, it has been really great and thanks. Coming to the quarter and the results happy to share that we have had yet another great quarter driven by good delivery, multiple customer appreciations and robust demand environment. On the revenue we have touched $36 million for this quarter showing a sequential growth of 8% and the year-over-year growth of 45%. In rupee terms our total income was ₹ 274 Crores again a sequential growth of 8% and year-on-year growth of 46%. Our growth numbers for the quarter puts us right on the path of comparable companies who have declared results thus far. On our EBITDA we continue to show steady EBITDA margins at 25.6% and absolute EBITDA stood at ₹ 70 Crores, this was a sequential growth of 6% and a YOY growth of 42%. Here I would like to draw attention to a small fact; the EBITDA above was after considering cost of about ₹ 1.4 Crores allocated to be paid to beneficiaries of those amongst us Happiest Minds who lost their lives during the COVID pandemic period. On PBT we entered the quarter with a number of ₹ 59 Crores which is 21.7% of revenues compared to ₹ 51 Crores and 20.2% in the previous quarter. In the same quarter in the previous year we had an absolute PBT of ₹ 43 Crores and as you can see it has been a steady growth in PBT numbers. Coming to PAT we are currently for the quarter at 16.2% of revenues and about ₹ 44 Crores, which was compared to 14.1% and ₹ 36 Crores in the previous quarter and ₹ 34 Crores in the same quarter in the previous year, so again the growth story continues as far as absolute PAT numbers are concerned. As I have been mentioning in my earlier calls this fiscal we are subject to tax at full rates compared to the last year when tax credits were available and we also had a huge, deferred tax credit coming up from an accounting standpoint. Our effective tax rate has steadily progressed and now has come to 25.1% compared to 20.1% for the same period last year, so that has been the story on the tax front. Diluted EPS is ₹ 3.6 compared to ₹ 2.45 last quarter and ₹ 2.42 a year before. Now I will highlight a few operational aspects prior to opening up the call. Supply side constraints are across industry. Our aspiration was increased to 18.5% on a trailing 12-month basis. That said coupled with our strong brand positioning and robust hiring and training engines we are trying to effectively address the above challenge. During the first half of the year we have added on a net basis, 568 Happiest Minds to our family taking our total strength to 3,796 Happiest Minds. Our utilization for the quarter declined slightly to 79.7% I should say from 82.1% in the previous quarter. The slight drop was due to new hires and the consequent lead time to billing. On diversity our matrix improved to 26% compared to 25% of the previous quarter. Ashok had referred to diversity being a key number that we will be focusing and we have stated that in our vision statement also. We were also recognized by Great Places To Work® Institute as India's top 50 best workplaces for women in 2021. Well talking on awards we are very happy to state that we were also awarded the Asiamoney's Award which was conducted through a poll amongst market participants and financial consultants takes the poll based on which we were awarded two awards one was the most outstanding company in India under the small and midcap category and the second was the most outstanding IPO in India. Thanks a lot for all the support that you have given. We ended the quarter with 186 customers a net addition of 8 most notably our 5 to 10 million clients increased from 3 to 6 in the previous quarter so that is an addition of 3. Similarly our average revenue per customer which has been an area of focus for us has increased to $783,000, which is an increase of approximately $124,000 from the same quarter last year showing that the effect of our account management mining that we do at customers is bearing fruit. We have had some notable project and customer wins during the quarter and we have given details of that in our press release. Our capital return ratios continuity is very healthy, ROCE at the end of half year stands at

33.8% and ROE stands at about 27.5%. We continue to generate healthy cash flows with free cash flow of about ₹ 67.4 Crores compared to ₹ 65.7 Crores in the previous quarter. Cash and cash equivalents at the end of the quarter stands at about ₹ 557 Crores. Basis the strong cash generation and in line with our dividend policy the Board of Directors of the company had declared an interim dividend of ₹ 1.75 per equity share in the record dated November 10, 2021. Cash outflows on discounts will be about ₹ 26 Crores. On our first half this year versus the previous we are showing revenue growth of about 43.2% in dollar terms, our EBITDA and PBT growth were 40% and 32% respectively. So the growth story again continues if you look at half year over half year. I request you all to go through the press release in the investor presentation deck on our website for more information and metrics that we have given on our financial results. Looking a little into the quarters ahead. Yes we see significant traction with existing customers and our new customers. Demand and growth opportunities for digital services continues to be very high. With this I will end my commentary on the financial results and open the session 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 Vimal Gohil from Union AMC. Please go ahead.

Vimal Gohil: Thank you for the opportunity Sir and congrats on a good set of numbers. Firstly, I will get done with some data points that I require if you can just highlight what has been our subcontracting cost for the quarter this number last quarter was about ₹ 35 Crores so can you help me with that please?

Venkatraman N: Vimal I just give you a trend. Subcontractor cost was in Q2 of FY2021 7.6%, Q1 of FY2022 was 14.3% and Q2 of FY2022 was 13.1% so quarter over quarter a slight drop, year over year it has gone up by about 5.5%, but you should also look at that in conjunction with our employee cost, which year over year has gone down from 59 to 55.6%.

Vimal Gohil: Got it Sir. Just looking at our EBIT margins your EBIT margins in that conjunction because subcontractor cost has been down and while there has been a reduction in utilization but the reduction in subcontracting cost would have some impact on your margins so if you could just help me quantify what was the impact of reduction in subcontractor cost and I believe there was wage hikes as well in this quarter if I am not wrong so if you can just quantify the impact of these two on the margins?

Venkatraman N: Vimal, I will have to get back to you separately because that would require us to do a rate variance and volume variance. Keeping in line with the demand scenario for people what we are saying are people cost is obviously on a trot upwards and that also applies to the subcontractor cost. Subcontractor essentially is to meet any talent gap or a supply gap or a specific country requirement because when you go to separate country visa requirements given travel restrictions we are looking to hire from local people so that is how the subcontractor and the people get interchanged, but while I say that on subcontractors our efficiency is much better or I would say better than employees because they are mostly laterals fit for purpose, immediately deployed on billing compared to employees who have to go through the training; however, senior lateral they are so there are some puts and takes which is why I said I would not be able to give you a quick offhand remark. As far as utilization is concerned like I touched upon it briefly we have had 568 Happiest

Minds joining us during the half year and 258 during the quarter so what ends up happening is basis the kind of the talent supply and the technical capabilities we have to go through a small training period and that is about it.

Vimal Gohil: The growth has been very strong for us but if I would just want to play the devil's advocate here if you look at our peers and some of these peers are not as digitally native as we are despite that they have been able to report and I am talking let us not assume the period last year in terms of growth because may be the COVID would have impacted different companies differently but if I were to look at on a two year CAGR basis organic growth for us is probably broadly in line or slightly lower than some of the peers, so what I would typically expect is for a digitally native company like Happiest Minds and with the kind of scale that we are at right now the growth could have been faster?

Ashok Soota: Venkat can I just intervene on this one. Your data is completely wrong our year over year growth is significantly higher than anybody else in the industry not just marginally so our year over year growth is and again there can be a mix up between the dollar and rupee numbers I am going to give you statement here which is constant currency of 45% it is more than 15% higher than the next large cap players and there happens to be one exception which has certainly shown a pretty good growth in the mid-size players but even there our numbers are much higher and with respect to everybody else we are more than 20% higher so I am not sure where you got that data from.

Vimal Gohil: Mr. Soota I do take your point. The data that I was referring to is the two-year CAGR number so from Q2 2020-2022 that was the number I was not taking the COVID period into account which is I felt that that could have impacted different players differently which is why I took the two-year CAGR number which is 20% for us versus other players are at similar level if not higher.

Ashok Soota: The numbers you have chosen was giving a little distorted trend but maybe Venkat you want to comment on this two-year CAGR I do not think we track it we always track let us say five years or sometimes three years and there was clearly this distortion in between but Venkat are you thinking even those numbers they still look suspicious to me.

Venkatraman N: If you take FY2018 as a base of CAGR for this year would be 21%, 22% if you take last year as a base like you mentioned it is about 45% which is really top of the chart, which I also covered it also depends on the base Ashok which is we have to see.

Ashok Soota: I may just leave you with a thought most frankly I do not think the two-year data is relevant at all. You picked it up and plucked it here what is really relevant is we have seen year after year we are reporting that we are growing higher than the industry I do not know where that two year number came from because if we go back to last year I do not think we ever recorded a period where we were not year-on-year higher and clearly what is relevant in the last 12 months especially in the year of going public is that we have grown at 45% out of the larger players the next one is only grown at 28%.

Venkatraman N: Vimal there is also the aspect of acquisitions which come into play so when you do the comparison for example we had referred to this in the earlier calls as well if you look at EEG companies they have been acquiring quite a few companies in the last one, two years so that also tends to kind of disturb the numbers a little bit.

Vimal Gohil: Fair enough. Just one question I think in last conference call we had referred to our efforts on consulting and which will help us in terms of engaging with the clients at a much better level if you can just give us some update on that and I think one data point that I notice is your increase in 5 to 10 million client bucket which has gone up to 6 and whereas the 3 to 5 million client bucket has declined so we have effectively mine those accounts and we are contributing a higher sort of revenue on a steady state basis?

Venkatraman N: I will take the metric one yes you are right 3 to 5 has become 6 to 3 whereas 5 to 10 has gone from 3 to 6 which essentially they are going from one notch up from below and in overall numbers we have 31 million customers.

Vimal Gohil: Maybe if you can just help us to understand the higher DSOs, the DSOs have gone up to 88 any reason for that if we sort of assume that that is normalize forward?

Venkatraman N: DSO you have to split it between billed and unbilled, unbilled is at about 30 and the billed is at about 58, it is primarily because of one or two customers where we are getting the billing and collection cycle straight it is a new geography the Middle East so there the collection procedures and processes are slightly different so I am happy to state that we have made significant progress on that post the financial period we have been able to collect that. On the consulting I will hand it over to Joseph and Ashok.

Joseph Anantharaju: On the consulting front we continue to make good progress during the quarter some of the new logos that we won that have also been reported had been on the back of our ability to engage with the customer in a consultative manner. For one of the European customer in mechanical and electrical drive system space, we did help them implement a digital strategy. We are able to go and help them define the strategy and roadmap. Right now we are in the implementation phase. Similarly for one of the customers who is one of the world's largest brokers of fine and decorative art we have led the engagement with a consultative approach and the strategy or the approach that we have taken is to build our consulting capabilities both in our CoEs and practices from a practical perspective and in our domains to go understand the customers business to help them flush out some of their objectives and then work with them to build a roadmap or a strategy to get them to where they need to be.

Rajiv Shah: Couple of things one is that when we look at the consulting side it is more technology consulting as well as domain consulting and in both areas we have made significant progress on interacting with customers through digital transformation and that shows up in the absolute metric that Venkat talked about the large account growth accounts moving from 3 to 5 million bucket to 5 to 10 million dollar bucket, etc., so I think both from a technology as well as the domain consulting we continue to add capabilities at the same time I think our integration with PGS also has helped us quite a bit to take the journey to the next level of discussion. So overall we continue to make progress by hiring a business analyst as well to continue to look at disruptions and we are seeing a good traction with our customers.

Rammohan C: Majority of the new deals which we have won both in the cloud infrastructure and security has come through consulting approach specifically on security almost all the deals have come because of our consulting capability.

Vimal Gohil: Perfect. Thank you Sir. All the very best.

Moderator: Thank you Sir. The next question is from the line of Ashish Singh an investor. Please go ahead.

Ashish Singh: My question is for the long term just wanted to understand how we are going to make sure like this legacy what you have built Soota Sir will continue and this kind of results we will keep on seeing year-on-year?

Ashok Soota: There are two almost separate parts of the meeting and one is the legacy so the legacy is what I am really describing is ready to you where there is a framework created I will keep talking about obviously is to ensure that a minimum amount is the shareholding never goes down see the question that I use to come up earlier is that what is the plan for succession to me that plan has actually got resolved in two ways one is the Executive Board which is functioning and we are saying the Executive Board will continue to be renewed let us say one new addition every five to seven years and we do not therefore get any turmoil in the system that happens in many organizations when you bring on a new CEO and my theory is there is every third or fourth person or fourth or fifth person will turn out to be a disaster you just look at or maybe that is a very strong word leads into downward spiral at times and it takes a lot of difficulty to recover, so we are avoiding that. There is a financial aspect of saying a minimum amount of my shareholding will always remain there and that will go there to support SKAN and in turn the people who succeed me will be required to cast their votes in favor of the EB. I mentioned minimum 40% there will always be another 4% or 5% that you might say will control through internal people in the company and so on and so forth, so that is a very good percentage to ensure that there will never be any hostile takeover. Your next question Ashish was really on how do we ensure the same set of stellar results literally from quarter-to-quarter we can say yes we are very confident we will do it, year-after-year I think the approach is fundamentally if you got your basics right, you got your fundamentals right, you do not take your nose off the wheel results will follow. Now at this stage nobody can guarantee and I did say in this that the business strategy is the most difficult one to legislate upon you but only give the team guidelines for the future of saying these are some of the things we would not do and these are some of the things we will do like we will always be on the leading edge of technology and make no mistake. We will be amongst the first to enter into any new space which is going to gather speed and there we will build our own intellectual property so that we straightaway show that we have got capabilities in that area. It is things like this that we will continue to focus on and then the results should follow that obviously nobody can guarantee this saying year three, year four, year five will continue to be I would say way and above better than anybody else. We have defined a very interesting index which we follow and though it may not fit into the lexicon of the analyst community it is well worth taking a look at and that is a growth plus EBITDA index. Sometimes a lot of organizations may sacrifice growth to say we must be more profitable; others say we have got to be profitable and at the same time the other parameter goes down or in pursuit of growth profitability comes down how you balance the two and why this number has been created and it is not that we have created the number. I think one of our bankers gave us that was an index that we could look at when we were planning to go public and we found it is very useful. We have stated that we will always be in the top three amongst the comparable companies on that index right through our 10-year vision period. So I would say you could watch out and look at the numbers. At the moment I might say that we are number one on that index but you cannot always say you will be number one top three looks like pretty good target to aim for.

Ashish Singh: Thank you so of course no one can guarantee that numbers will be always on the top notch I understand that. I congratulate all the investors and the Board members of the company for such an excellent result. Thank you.

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

Mitesh Kothari: My question is with respect to million-dollar customers we have seen that that has remained sort of stable qoq, any guidance in terms of how we are tracking this.

Venkatraman N: Just want to give you input on the numbers front we started the year with 26 million dollar customers we are at 31 so we added 5 during the first half of the year and it has been our consistent and constant endeavour to keep that number growing I talked about 186 customers in our client roster and there are quite a few who are just below the million dollar number and gravitating towards becoming a million dollar plus and then they enter into that the million dollar club as far as your concerned are very, very large names 50 plus fortune 500 companies, fortune 1000 billion dollar corporations so they are all primed to move up into that million dollar segment as you can see.

Mitesh Kothari: Just in terms of we have got a very long-term sort of maybe quarter and quarter it might not be right thing to compare but if we look at let us say on a medium to long term where do you see in terms of your 10-million-dollar customers end of FY2023, 2024, 2025 what is the internal target to grow these ?

Venkatraman N: In our vision statement that Mr. Soota talked about we also have a growth objective of becoming a much larger company or a billion dollar company in 10 years and that is through a combination of both organic and inorganic means and why we came up with that number that was just not back of the envelope kind of a thing we had certain calculations in terms of how we could reach that number organically, inorganically and also how the million and the 10 million, 20 million dollar customers contribute to it, so if you want to ask me then I am come out with a statement of x number of 50 million dollar and 100 million dollar customers but that has been the assumption that we have penciled in during this calculation.

Ashok Soota: Firstly there is no 100 million dollar plan I do not say we are really seeking those giant customers I will tell you what happens when you look at the history about the large players. Sometimes you may have a 100 or 200 million one of the leading companies I remember in the previous decade they have the 200-million-dollar customers when that customer starts ramping down look at the impact it has on your growth during that period so what we want is a healthy mix, what are the things we really want to track, this average revenue per customer must keep going up. Whether we move too many people beyond 20 million itself doesnt matter to us because sometimes those bids are also very highly competitive and you do not necessarily make the best margins on those, so if those customers come sometimes it may be a response to an RFP will get included in larger and larger RFPs as we get bigger, we do not always get invited many times we do, so these were lead to those large customers, but I think the overall trend that you will see is that all these parameters will keep going up very significantly. The revenue per customer, the number of one-million-dollar customers, the number of 5-million-dollar customers and the number of 10-million-dollar customers. When we reach the first 20 million we can start setting goals even for that.

Mitesh Kothari: Understood. The average revenue per customer is growing at a healthy rate that is quite visible, just for the confirmation between 3 to 5 million and 5 to 10 million there is a shift from 3 to 6 so we assume that the big customers evolve in 3 to 5 are now shifted to 5 to 10 and that has also been reflected in your increase in average revenue per customer.

Venkatraman N: That is right it is a progression from the 3 to 5 to 5 to 6.

Mitesh Kothari: That is encouraging so probably in two quarters we can also expect some of these customers to move into 5 million plus that is the trend?

Ashok Soota: I think more importantly the lower one when one category went up the other came down. We will have more people moving into the next category also, so the 1 million can move to the 3 million, the 3 million will move to the 5 million. When we come to as you said we are not hankering to say that we want some people to necessarily move into 10 million plus, when it happens we will report and let you know.

Mitesh Kothari: Thank you. All the best.

Moderator: Thank you. The next question is from the line of Devendra from Invest Yadnya. Please go ahead.

Devendra: Thank you for providing the opportunity to ask the questions and congratulations on a great set of numbers. Can you provide me guidance for the next two years growth rate, is it possible?

Venkatraman N: We do not give guidance Devendra but we have said that our aspiration is to continue growing at about 20% on an organic basis CAGR for the next five years.

Devendra: You have also listed the automation as a percentage of your revenue so in automation what exactly you are doing can you explain that components?

Rammohan C: As you know that we have a center of excellence which is digital process automation and this covers variety of automation processes. We look at test automation which is a bulk of automation activity, we look at industrial automation and we also do business process automation and RPA which is robotic process automation. Apart from this there are IT operations also that we consider with respect to IT operations automation and security operations, so all these services put together constitute our automation services which stands at 24% of the overall revenue.

Devendra: Thank you.

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

Heenal Gada: Two questions from my side. One is on growth strategy it has always been scaling up of our customer accounts so where are we in terms of that strategy, what are we targeting going forward some sense on that and secondly in terms of margins with hiring picking up across industry and a lot of companies actually alluding that the cost has been increasing because of increased demand and shortage in supply where are we on that, are we also expecting maybe our employee benefit expenses to increase going forward?

Joseph Anantharaju: I will take the growth strategy question and my colleagues Rajiv, Ram jump in with their comments and then Venkat can take the margin related questions. From growth strategy perspective we look at customers we do have the focus on new logos that is driven by domains and our center of excellence we use our center of excellence which are the digital process automation, IoT and the Analytics/AI CoE as the way to break into some of our accounts using a more consultative approach and this is backed up by the various domains that we have and the other element of our growth with our customers has been the land and expand strategy where we break in using some of the more pointed offerings into customers who are larger ones who have potential we then go in and make sure that using a consultative approach again become trusted advisors to our customers and post that start expanding our presence within the same custom organization and across the various BUs out there through our execution and implementation as evidenced by the high customer satisfaction scores that we have been able to get in the last couple of years. While this is the approach I think the things that underpinning are center of excellence, the domain depth that we are building ensuring that we have a good set of account managers and ensuring that we adopt an account development plan approach for all our customers with potential where you have domains, technology folks, delivery and the sales or account management coming together and ensuring that we understand the customer better and we are able to chart out a strategy to increase the wallet share and expand.

Rammohan C: Couple of things which is actually in addition to what Joseph mentioned is that we always rank as Venkat informed about the average revenue per customer we always measure that so obviously when the average revenue per customer increases that means we are growing in a steadfast way that is number one. Number two is that Joseph talked about we leverage a single customer in terms of providing the services of whether we use once specific view land so that actually adds to the growth strategy. The third most important thing is that we use our ability to provide the good services, we have the goodwill of our customers and that is used as a reference for getting a new deal, so many of our customers are willing to provide reference as you know that we have one of the highest NPS in the industry and this actually helps us in terms of getting the help from the customers to provide reference so that we can go and win new deals.

Rajiv Shah: Most of the areas are covered so we have a very rigorous account development plans in which we review at EB level on a regular basis where we have defined the top 15 accounts that we need to go after and what are the investments we need to make and the metrics for us is really that we are moving in the right direction as well as hiring of account managers. I think one aspect that we also enhance is our partnerships so how do we work with advisory companies to technology leaders for us to really have a larger penetration in the accounts as well, so I think those two areas that we want to highlight.

Ashok Soota: Can I just add to what my colleagues have said there is an area of domain focus where I think we move into new areas by creating those specialized groups within the company like domain heads and so we have taken action on two fronts on the recent quarter I would say to help us grow in the healthcare space as well as to grow in the travel space and I think this domain focus will also help us and add to the growth momentum because we are very strong in certain verticals and these ones we have been not as strong as we would have like to be obviously and you will see the difference coming up in the years going ahead.

Venkatraman N: Coming back to the question on sustainable EBITDA we have been answering that, if we look at how some of the costs that we saved during the pandemic period once we get back to office, which we are in a measured way planning to from early next year January we should see some of the cost go back like travel and maybe rental cost and visa cost, so that will be one adjustment and the second is like you mentioned the staff cost, the people cost because that is obviously there is a demand and supply mismatch out there we are doing what is to be done by the industry. Some of it will be made up through rate adjustments in discussion with our customers, but if you take all of this considering the long-term investments in the newer technology areas, CoEs and all of that we should be looking at about 22% to 24% that has been the kind of long-term average EBITDA number that we have been talking about.

Heenal Gada: Sure Sir. Thanks a lot. That is it from my side.

Moderator: Thank you. We will move on to the next question that is from the line of Vimal Gohil from Union AMC. Please go ahead.

Vimal Gohil: Thank you for the opportunity once again. I just want to probably know more on your plans on hiring more and more freshers in order to sort of broaden the pyramid at the bottom, if at all you are planning to sort of improve that how do you make sure that some of the fresher talents that you are getting is sort of billable in time, which is some of the work that we are doing is cutting edge does they work so how do you make sure that once we hire a fresher he or she is sort of ready in time to be billable and are we sort of facing any challenges get the kind of talent that we want in freshers?

Aurobinda Nanda: Hiring is really at an all-time high today and we have been hiring fresher grads quite a lot compared to our previous years roughly in this particular year we have been primarily hiring freshers from an off-campus mode and for the next year we have already been to campuses and making offers out there. We have a pretty strong L&D team and we have a plan in place as to how we bring in the freshers and train them and put them into our customer projects because we work in the digital technologies our L&D team are kind of creates a curriculum which kind of meets that needs specifically to train the freshers. Typically what we have seen is it takes anywhere between three to six months to make the freshers into a billing mode, for some of the real niche skills it might take a little bit more but on average we are able to train freshers and get them into roughly within that six months period.

Vimal Gohil: Great. Thank you so much and all the very best.

Moderator: Thank you. The next question is from the line of N Puranik from Enam Securities. Please go ahead.

N Puranik: Congratulations for creating such a wonderful company. I have seen lot of founders create great companies but one thing they do not do well is the succession and while they create a great legacy that legacy to take forward you need a fundamentally defined succession with great governance and fairness and no conflict and in that architecture you need the creator to be around and for inspiration, for guidance and for solving any conflict you need that founder to be around and not move away and you need that architecture and plus you create a team like what you said I need to create more senior management team in place because you do not know who succeed who does not succeed so in that way a wonderful architecture and on top of it you have created a great business and congratulations for that and I have few questions to follow. These all about at the end you talked about what happens when you have 100 million dollar revenues and the risk to 100 million dollar revenue but at the end of the day if you want to scale your businesses you need lot more 10, 20, 25 million dollar revenue, you may not necessarily have to get it to the 100 million bucket but I do not understand from the business model perspective the offering perspective the service line perspective whether you have enough service lines to create more 20, 25 million dollar accounts plus you have been doing brilliantly so I want to understand what created those 100 million, 50 million clients in large companies where the domain competency like you rightly said and the technology so they understood legacy very well, they understood mainframe, AS400, server technology, internet technology and now the cloud so everything they understood so I want to understand from you and plus also from cloud architecture where do you see the industry itself growing from a cloud itself how far away from the migration in process client experience process and you are beautifully positioned in the cloud security because that is going to be the most durable stuff and most importantly big data will this business will survive greater than the enterprise itself so this whole architecture you will put in nicely, but I want to understand your legacy presence, legacy connect and then taking that forward?

Ashok Soota: You have raised a lot of pertinent points. I am glad that you liked our basic architecture for keeping things going in what I keep saying is perpetuity you mentioned a statement here which you said the creator must be around and the whole idea here.

N Puranik: Not actively around but the guidance what I am saying is you are physically around because the inspiration has to come from you; you have to be actively managing.

Ashok Soota: That is exactly the point I think it is a very important time for everybody to understand in future. I remember I started this company at the age of 69, there are a finite number of years that I can be around but the idea is to create something which will continue with the same passion and without suddenly if someone coming and rocking a boat, I am trying to avoid that situation. If you just look at I would not name the company but you will have a very good idea of what happened in two entities like the founders or the promoters were around they were both begin to go through a negative spiral the promoter was around to correct it, in the other case the promoter could not do it through a diktat but managed to get the change done by creating a lot of external pressure in the market and then got the change brought about and of course luckily here there is another promoter who was in a position to step back in you know what I am talking about these sort of situations are very unusual even those promoters would not be around forever, next time somebody goes through a suddenly downward spiral who will take care of it therefore the issues to create a system which will take care of itself. I believe the system we created with the Executive Board, the voting arrangements, the continuous legacy, renewal of the EB, these are the critical things which will ensure that suddenly those things does not go through the downward spiral and you create even in multinational companies look at the people who are absolutely yesterday's stars and suddenly those industries they may be still surviving that is not the issue because if you become multibillion dollar we will survive but there is not even a shadow of their former self. I am trying to avoid that situation. In the end time alone will tell what has happened. The second thing is you talked about 10 to 25 million there also you spot on if you ask me the number of those accounts is what is going to be far more important for us in having the 100 million or 50 million accounts. I am very comfortable with our top accounts; the top two accounts honestly contribute to our business. I would want that to keep going up, but when you feel insecure but if you can multiple 20, 25-million-dollar accounts as we go larger which we will when we are billion dollars you will have many of those and that is really key and it is a number that we show certainly a report on as we go ahead rather than saying right now we are predict it will be like that. That is an important thing we will keep watching it and a certain amount will actually happen literally by serendipity if you ask me and then let us see what has happened how that evolves as we go ahead.

N Puranik: What about the legacy and technology connect the new technology connect understanding legacy systems to understand a new system that puts a player an advantage vis-à-vis someone who is totally new because you have the best of both worlds you can connect that?

Sridhar Mantha: Of course even though our focus is on the disruptive technologies it is always required some time for us to understand the underlying technologies right for example the RPA robotic process automation invariably we are trying to create automation across legacy systems so very similarly when we are looking at modernizing the existing solutions as a new digital products or new digital solutions in that case we may have to do some migration so slowly we are encroaching into the required level of legacy as time progresses depending upon how the digital technologies play with the legacy technologies we will expand our understanding but as Mr. Soota said our focus always will start with the disruptive technologies and from there to the degree of necessity that, that is there to understand legacy we have been doing as with RPA for example and as with modernization we will continue to do that way.

N Puranik: RPA is a productivity tool or is it a business service line?

Sridhar Mantha: It is robotic process automation.

N Puranik: But you would use it mainly to make the deal attractive for yourself because in a competitive world you need to kick out the greater margin use it for that purpose or use it as a service line?

Sridhar Mantha: Both.

N Puranik: What percentage of your business is RPA?

Sridhar Mantha: So as Ram already said like we combine RPA along with other kinds of automation Ram has listed.

N Puranik: Also Ashok I want to understand because it is you understand the automation and you also understand the big data and analytics very well so if you can highlight your presence in the big data and AI particularly in terms of using various skill sets and the number of people around and the projects delivered it will be useful?

Ashok Soota: Can I just clarify one thing the number we gave you just was total automation RPA part of that only and at the moment I would say relatively small parts are growing very rapidly.

N Puranik: A lot of it is RPA projects and some of it is productivity tools?

Ashok Soota: Yes.

Joseph Anantharaju: The third center of excellence is the analytics and AI and initially this capability was distributed across all our business units and four or five years back we pulled it together initially with the focus on big data engineering and analytics and very quickly added AI as well because what we started seeing is that in all our customer situations where there was a lot of data being harnessed AI was becoming using ML, other techniques like NLP, etc., we are seeing that AI was becoming a core part of what we were doing with the data. You get some value out of it but not much what you are doing basically then is you are getting reports and visualization to make decisions but it is not happening in an automated manner.

N Puranik: You use AI as a filter or an inside builder?

Joseph Anantharaju: Use it as both, use it as AI, and use it as inside builder and in some cases we use it for automating a lot of the thinking but you would do for the instance that I was giving when you have some data and you are processing it and taking some decisions you can actually automate that and automatically make sure that you those decisions are taken automatically and initially started with a few verticals we were seeing it across all there was a little bit more on retail and other areas within personalization, recommendation, etc., in the hi-tech space but now if you look at industrial you look at media and entertainment, CPG, cutting across all the verticals there is a heavy usage of artificial intelligence, use cases keep increasing and this team of dedicated people is around 200 people strong in the analytics, AI, center of excellence and they are supported by people who build platforms and other things from the other business units. We hope to continue growing aggressively and this will be a major growth area for us as I said this would be a tip of the arrow and a growth area for us and will be an area of focus.

N Puranik: So the idea is to do more projects and build platforms in this or how do you take this forward?

Joseph Anantharaju: To get more customers and we will build some solution accelerators and build platforms. We have built solution accelerators which will help customers adopt platforms or build their platforms more quickly or do their projects execute their projects more quickly.

N Puranik: Excellent, on the cyber security?

Rammohan C: Our cyber security today is standing at 12.1% of the total revenue that is very, very steadily growing and as we know for the size of our company we have more than 300 people in cyber security division that is substantially high to the size of the company.

N Puranik: So that is derived from consulting practices or how can you explain this?

Rammohan C: We have a separate security practice under infrastructure management and security services and this practice caters to all the security needs of an organization basically we look at ring fencing the entire IT infrastructure and applications of an organization with the security services what we provide starting from governance risk, endpoint security, trust analysis, security operation center, application security and the identity management.

N Puranik: Whole life cycle consulting?

Rammohan C: Absolutely.

N Puranik: Any special focus area in this?

Rammohan C: As these areas are focus for us because we have at any point of time each company has a requirement in one of the areas so holistically we are looking at all security aspects.

N Puranik: What is the single largest project you have done on the cyber security?

Rammohan C: It is multiple in the sense that in the past we have executed one of the world's largest security operation center for a large telecom company and today we are winning the deals anywhere from million dollars from the security area.

N Puranik: You are so relevant and current in this space. Next time I want to meet you I want to understand your journey to analytics going forward and your love and passion for the products I know.

Ashok Soota: When you come the real people you should meet and I am increasingly saying hey these are the guys who run the company, they have got their future. There is one person who is today not on the call who is our CoE head for analytics I think he would add a lot of value to you for a discussion of this sort and clearly as Joseph said it is going to grow for us well above our own growth rate as a company.

N Puranik: Wonderful I would love to catch up with you and my wonderful friend Venkat. Thanks.

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

Sunil Gujjar: Thank you all for joining us today. We thank ICICI securities for hosting this call on our behalf. We look forward to interacting with you in the coming days. You can reach out to us on ir@happiestminds.com Advanced greetings to everyone for Deepavali. Stay safe.

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

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