happiest minds
The Mindful IT Company
Born Digital . Born Agile

Happiest Minds Technologies Limited
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July 25, 2022

Listing Compliance & Legal Regulatory
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001
Stock Code: 543227

Listing & Compliance
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra East, Mumbai 400 051
Stock Code: HAPPSTMNDS

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on July 22, 2022

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI (Listing Obligations and Disclosure Requirements) (Second amendment) Regulations, 2021, please find enclosed the transcript of the Earnings Call held on July 22, 2022 post announcement of financial results of the Company for the quarter ended June 30, 2022. The transcript is also uploaded on the Company's website https://www.happiestminds.com/investors

This is for your information and records.

Thanking you,

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

D. Praveen

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

Happiest Minds Technologies Limited

"Happiest Minds Technologies Q1 FY2023 Earnings Conference Call"

July 22, 2022

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

ANALYST: MR. RISHI JHUNJHUNWALA – IIFL INSTITUTIONAL EQUITIES

Moderator: Ladies and gentlemen good day and welcome to the Happiest Minds Technologies Limited, Q1 FY2023 Earnings Conference Call hosted by IIFL Institutional Equities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishi Jhunjhunwala - Lead Analyst, IT Services from IIFL Institutional Equities. Thank you and over to you Sir!

Rishi Jhunjhunwala: Thank you, Faizan. Good morning ladies and gentlemen. Thanks for joining us today on the Q1FY 2023 Earnings Call of Happiest Minds Technologies Limited. On behalf of IIFL Institutional Equities, 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 – Executive Vice Chairman & CEO, Product Engineering Services, Mr. Venkatraman Narayanan – Managing Director & Chief Financial Officer, Mr. Rajiv Shah – President and CEO-Digital Business Services, Mr. Ram Mohan – President and CEO- Infrastructure Management and Security Services, Mr. Aurobindo Nanda – President - Operations & Deputy CEO, PES, Mr. Sridhar Mantha – Chief Technology Officer, Mr. Sunil Gujjar – Head of Investor Relations. I would like to hand the call over to Sunil for safe harbor statement and to take the proceedings forward. Thank you and over to you Sunil!

Sunil Gujjar: Thank you Rishi. A very good morning to all. Welcome to this conference call to discuss the financial results for the Q1 ended June 30, 2022. We trust all of you are keeping well and staying safe. I am Sunil, Head of Investor Relations. The financial statements, quarterly fact sheet and press release are available on our website. The agenda for this call is as follows:

Ashok will begin the call by sharing his perspectives on the business environment and our results, Venkat and Joseph will then speak about our financial performance and operational highlights after which we will have the floor open for Q&A.

Before I hand over let me begin with the safe harbor statement. During the call we could make forward-looking making statements. These statements are considering the environment we see as of today and carry a risk in terms of uncertainty because of which the actual results could be different. We do not undertake to update those statements periodically. Now let me pass it on to Ashok.

Ashok Soota: Thank you Sunil, and a very good morning to all. I am happy to inform you that, Happiest Minds has begun the fiscal year with very good set of results in Q1. I am happy also to report that we have shown industry leading sequential growth in revenues of 6.9% in constant currency. In my prior interactions with all of you, I had shared that in our 10-year vision statement, we have set a goal to become a billion-dollar company by 2031. In line with this goal, based on the growth we are experiencing and continued demand for digital services, we are increasing our revenue guidance for FY2023 to 25% while also targeting to grow at a CAGR of 25% over the next five years.

I would also like to draw special attention to our Q1 EBITDA of 26.4%. The sequential growth of 7.6% is once again an industry leading number. More importantly at 26.4% we are on par with the biggest players in the industry, many times larger than ourselves. I would also draw attention to an index I have been highlighting i.e., year-over-year growth plus EBITDA percent. At 60.9% we are much higher than all over our domestic pears.

We have continuously strived to improve on our corporate governance and reporting practices as the company. Our annual report for FY2022 was our first edition based on more detailed integrated format of reporting. Similarly, we have introduced included therein our first edition of business responsibility and sustainability report a year prior to it becoming mandatory. We continue to do well on our ranking in service conducted by the great place to work institute and for the fourth year in succession we have found our place in GPTW's India top 20 best companies to work. This is a validation of our efforts over the years to build an institution which is people focused with an inclusive culture and a great place to work.

The first quarter has set a good base for the rest of the year, we believe technology interventions, we are including newer technologies, continue to permeate every industry's sector or functions within an enterprise. Businesses are reaping the benefits of digital through new revenue strengths providing superior customer experience and driving efficient operations. Our past experience has shown that even during economic slowdown technology spends remain resilient as they contribute to higher market shares, new business segments, cost efficiency and productivity improvement.

Accordingly, we remain confident of global demand for technology in spite of macro-economic situation in various countries, geopolitical conflicts, and supply chain constraints. With this I will conclude and pass it to Venkat, to give you an overview of our financial and operational highlights.

Venkatraman N: Thank you Ashok, and a very good morning to all. Indeed we have had a great start to the year and I am very happy to report a good set of numbers both on growth and on profitability. We continue to harness opportunities presented to us across all verticals of our focus and the demand we see within them for digital adoption, transformation, security, automation, and other core digital offerings. This quarter continuing the trend up until now all our business units, centers of excellence, geos operate in and across all our service offerings we have seen growth in performance. The fact that we have revised upwards our guidance for FY2023 and our aspirational targets for the five succeeding years is a testimony to this and our confidence to deliver on a fundamentally strong demand environment.

Coming to the financial highlights for the quarter, we clocked revenues for the quarter of $42.2 million showing a growth in constant currency of 6.9% on a quarter-over-quarter basis and 29.5% year-over-year. Operating revenues in dollars grew sequentially by 5.9% and 27.4% year-over-year. The same number in rupees grew 9.4% and 34.5%. Our total income for the quarter was ₹.333 Crores.

Talking about margins, we continue to maintain a strong margin profile and very similar to our previous quarters. Our EBITDA for the quarter was Rs.88 Crores which is 26.4% compared to 26.3% in the previous quarter. Growth in EBITDA was sequentially 7.6% and 33% year-over-year. Profit before tax came in at Rs.76 Crores, 22.7% of total income showing a sequential growth of 8.2%.

Similarly, profit after tax was ₹ .56 Crores at 69.9% of total income showing a growth of 8.1%. As you will see we have been able capture the growth in revenues at profit levels as well. Our cash generation continues to be strong with almost 99% of our EBITDA flowing into our balance sheet as free cash. Cash and cash equivalence at the end of the quarter was ₹ 670 Crores.

Now, coming back to free cash and flows we will have to see how to present this number for the next quarter given the large purchase of facilities we concluded earlier this week. On the purchase itself as detailed in our press release it has been largely funded with borrowings in a manner such that the effect on our P&L is positive, while from a cash flow standpoint it will be largely neutral in the medium-term and positive in the long-term. Key point to the transaction is that EMI on borrowings and rentals balance themselves nicely leaving a valuable asset on our balance sheet at the end to the tenure. Our capital return ratios remain healthy with ROCE of 39.1% and ROE at 31.5%, these are industry relating numbers and we continue to focus on them.

Coming to some operational highlights, we had 211 active customers at the end of the quarter. Our count of $10 million customer increased by one taking it to a total of two. Our average revenue per customer continues to increase, it was US $810,000 compared to US $796,000 of the preceding quarter continue to reflect well on our land and expand strategy.

Number of customers who are themselves billion-dollar corporations has become 56 showing an increase of 2 from the previous quarter. We ended the quarter with 4188 Happiest Minds. We expect to onboard, as per our campus recruitment program about 500 campus graduates in the next quarter with about 300 of them expected to join us during the first week of August. In anticipation of this large addition we were slightly slow on hiring off campus and lesser experienced people in the current quarter.

Our utilization for the quarter was 79.1% compared to 79.4% in the previous. Our trailing 12 months attrition has inched up to 24.4% this quarter compared to 22.7% in the previous. We continue to work fervently to control this number and not drastic. As I mentioned earlier my personal take is that this number should trend down from the second half of this fiscal.

Our back to Smiles program to welcome Happiest Minds back to offices is progressing well and currently we have about 40% of our teams working from our offices across locations in Bengaluru, Noida, and Pune. We intend to operate on a hybrid model which strikes a balance between work from home and office.

As mentioned to you in our prior earnings call, we plan to strengthen our delivery channel through expansion of our delivery capabilities across existing centers and tier-2 cities. In line with this initiative, we purchased a fully built up ready to use commercial property with a super built up area of about 240,000 square feet in Bengaluru for a consideration of ₹101 Crores. This increases our seating capacity and will augment our delivery and in-house training capabilities.

I had given you all and overview of the finance construct of this transaction earlier, with adding seats in our delivery centers in Noida and Pune and are making good progress on setting up of our delivery center at Bhubaneshwar which should be completed by the end of this calendar year.

In conclusion the results for the quarter, has set a good base for the rest of the year. We will be rolling out salary increases covering a large part of our Happiest Minds family effective July 1, and this could have a temporary effect on margins to be made up through volume and value improvements. As mentioned by Ashok and reiterated by me while we are revising our revenue guidance for FY2023 and growth targets for the five following years I will continue to hold on to sustainable, medium to long-term EBITDA margins of 22% to 24%.

With this I conclude my commentary and hand it over to Joseph.

Joseph Anantharaju: Thank you, Venkat. Good morning and a warm greeting to everybody in the call today. We had a great start to the fiscal year reporting a solid set of numbers both on the growth and profitability fronts.

Our performance continues to lead the industry with these results demonstrating the relevance of our services and our trusted customer and ecosystem partnerships. Our performance was broad based cutting across all markets, services, and industries. The demand continues to remain strong as enterprises navigate a multiyear digital transformation cycle through cloud adoption and migration, data engineering, analytics, and intelligent automation engagement.

A major part of the technology intervention happening today unlike in the past is not discretionary but imperative. For instance, we have been chosen by a large bottling company in North America as a trusted advisor to help them with the large scale implementation of business, intelligence, transformation engagement to drive better business decisions.

For a reputed amiable management solutions company in the AMC region, Happiest Minds is providing engineering services to improve amiable performance as well as drive better customer experience. Our customers are executing bold programs with accelerated timeframes which often span multiple parts of the enterprise simultaneously. For instance, we have been chosen as a digital technology partner for a large British based construction and infrastructure company to build an IoT and Analytics platform to deliver the data led insights for improved operational efficiency, sustained competitive advantage and customer experience.

With our specialized offerings of best set OPS model spanning security, automation, and IT operations we help our customers move seamlessly to a cloud infrastructure and ensure customer data centers, cloud infrastructure and applications, a safe, secure, efficient, and productive. For example, in a recent win with a non-profit organization in the US we carried out a consulting led engagement to provide discovery, assessment and designed services for the infrastructure migration to the cloud.

In another instance, the global tech led mobility company chose us to provide advice on running, managing, and improving their third-party risk assessment program using next-gen digital tools. Such engagements are a testimony to the confidence that our customers have on digital and more importantly in Happiest Minds ability to build, transform and sustain initiative which prepares them to be a more resilient enterprise.

I would like to now share my thoughts on the demand environment based on conversations with customers. The demand continues to be strong and the market is convinced of the value digital brings to the table. Our conversation with customers do not indicate a curtailment of spends or postponement of projects; however, concerns and prolonged geopolitical conflicts and macro uncertainties have been expressed by a few.

We strongly believe in the promised digital holds transform the way we will have an interact and our unique positioning as a Born Digital, Born Agile company which puts together is a portal post to enterprises to unlock value to the engagements with us. The revised guidance which Ashok alluded to reflects this confidence.

With this I conclude my commentary and we can now open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please go ahead.

Chirag Kachhadiya: Good morning everyone and congratulation on a robust set of numbers. I have a few questions Sir. Since listing you delivering the good set of growth since 2020 I want to understand which underlying factors and the cylinders you feel will going for support for this aspirational 25% CAGR kind of growth for next five years and also for the next ten years you said a vision of that a billion-dollar enterprise kind of entity. I want to know more on that.

Ashok Soota: That is a very broad question and obviously the numbers and let me start with the longest term where we said it is a billion-dollar target. It is obviously not an overly grandeurs target in itself that it requires this 25% compounded growth and therefore see the underlying practice obviously the one point that we keep stating is the fact that we have had a past trend for over three years and where we are really projecting from the strength. The second one is the continued momentum on digital and the fact is that we are the only 100% digital company amongst the domestic players, there are what we call is the EET companies and looking at their growth also indicates that there is headspace to continue to grow faster. Having said that I should also highlight even if their growth is higher than ours, our profitability is way higher, so we have actually got the right combination with a view to being able to support their growth. Because you can never get growth at the cost of not making very good margins, in the end that is where the market is also going to assess you upon. So, I would say these three or four and then a few fundamental philosophies of the company, we are always on the forefront in new leading technologies. So, when something comes in markets starts developing for that, we get on to it on the ground floor and start building capabilities which we can then take to our customers.

Chirag Kachhadiya: Just one more clarity on the same line like whatever order or contract we receive in from the customer, what proportion is from annuity or more than one year kind of horizon if any bifurcation you can provide?

Ashok Soota: Actually Venkat, I think we do not really now a day's report that, I can give a feel and flavor but really and maybe both you and Joseph may want to add to that. What typically happens is that, in the IMSS business when you do sign a contract and you are supporting security or infrastructure all of those are multi-year engagements where the position is such or not they will invariably continue. The second aspect I would say here is that even if the order is not indicated as being annuity the fact is that you build long-term relationships, so if you see all of our customers, I would imagine something like 80 or 90% comes from customers we have had to several years, our repeat business is now running at about 90% and therefore we have longevity. We have got customers who go all the way back from the year that we started. To my mind that is the real definition of annuity rather than saying here contract was signed on saying it was for three years. Because you may sign a customer relationship then you take our projects and the business continues to grow through the series of projects and of course then you continue to sustain application. So, in a sense if you ask me all the business barring the accounts which either we work with it because we want to keep on improving and move away from smaller accounts or the order account which has no further requirement. If you really look at the essence of the business I would say all over eternity.

Chirag Kachhadiya: Sir, and to achieve this kind of growth is there any acquisition strategy put in place that we may acquire certain company going forward to boost up revenue target?

Ashok Soota: It is not that this year's guidance is based on that let us be clear. We have always stated that acquisition will be an important part of our strategy which certainly be an important of our $1 billion goal. At this point of time, we are sticking with this, we are not making a distinction between organic and inorganic growth and there is no immediate acquisition which you could say we are ready to close in the next three months or more. So, beyond that I would say that of course acquisition's will be there, we keep looking opportunities, we are very selective about what we will go ahead with and therefore it is not per se included in the numbers when we make the guidance.

Chirag Kachhadiya: Sir, if I see your employee strength is relatively lower compared to the other tier-2 and tier-1 companies. So, are we going to aggressively do hiring going forward to meet with the turnover and guidance?

Joseph Anantharaju: We have beefed up our talent acquisition team and being very aggressive in bringing talent on board. We have campus batch of around 300 people that would be joining us in another three works time and we expect this batch and the set of people to help us with our growth for the next six to twelve months and each of the BUs and the centers of excellence taking responsibility for bringing more talent on board and also up-skilling and multi-skilling our people because a part of being able to meet demands is ensuring that we have people who are able to work on multiple platforms and technologies so as to bring some flexibility into our ability to execute and deliver.

Chirag Kachhadiya: Thank you. Best of luck.

Moderator: Thank you. The next question is from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

Rishi Jhunjhunwala: Thanks for the opportunity. A couple of questions from my side, one of the key questions that our wherein investors and analysts minds is we are looking at a scenario where at the end of this year or early next year we will see developed market macro becoming weaker and there are lot of concerns in terms of how IT spending will as a result play out and within that will there be a significant impact on discretionary spending. Given that the kind of work we do which is more at the forefront of digital transformation. How do you think some of these macro drivers might play out in our favor or against us and how should we prepare when we look at the growth playing out for the next four quarters given the strong guidance you have?

Ashok Soota: I actually touched on this Rishi, in my opening statement, where I said firstly based on past experience there is no better thing than seeing what has happened in past slowdowns or recessions and I do not think this is going to be like many of the other things where you really hit into bad recessions. There are concerns on macroeconomic, but what we always seen is that IT demand actually gets even higher when there is a slowdown and this is even more so in the digital age because at that time people might have been saying how do I improve efficiency and productivity through IT. But now IT is opening up new markets, new business segments, completely new business lines and in that sense we do not see these factors really having an impact on overall growth. In a manner of speaking it is not just that, we have given high numbers, high means they are very realistic numbers, it is just we have articulated what we should, we are logically heading towards and we have said the market should know this. But there is a positive trend even in most of the others in terms of their growth projections. So, overall not concerned how do you prepare I think that is a part of everything we do, whether in good times or bad you always be prepared for the future. So, you will always working, I would in fact say in good times you prepare for the bad and the bad times you prepare for the good and that is a part of the business strategy at all times.

Rishi Jhunjhunwala: Very clear Sir. The second question is on hiring, while you touched upon beefing up the talent acquisition team and looking to hire a lot more. What we are also possibly undergoing today, if some your peers who are closer peers of yours like EPAM are aggressively hiring in India as a result of the kind of situation they have seen in their operational geographies. So, is that making hiring the right kind of talent a bit more difficult for you, given that you directly have similar kind of capability requirements and is it something that we should be aware of in terms of how it potentially increase the replacement cost for us?

Joseph Anantharaju: Rishi, so far we have not seen any change over there to start the market for talent has been quite hot and it continues to be hot. We have not seen any shift in the last six to nine months after the development with EPAM and the other that you referred to. What we are hoping is the next maybe as Venkat mentioned in the second half of this year with the campus batch coming in and the peak of the demand that we saw last year moderately we should see the talent situation and the recruitment situation become better and that is what we are anticipating but because of the EPAM and the other competitors the situation they are facing and they moved to India, we have really not seen any direct impact that we can co-relate at least from a recruitment perspective.

Ashok Soota: Just to add to what Joseph said, we are going to set up AGR Center in Bhubaneshwar which will start becoming operational from October and the moment you open a new location you will definitely get a certain peak of talent which is happy to be living around those areas, because you choose places with good talent so, that certainly going to add to it. I would even say our expansion in Bengaluru in Electronic City where it is the largest center for us today is Madiwala there is a lot of residential accommodation which has come up there. So, you will attract people who would say I do not want to necessarily go and work elsewhere but this is a convenient location to me. So, I said this expansion in our geographical presence is also going to aid our ability to add to our numbers.

Rishi Jhunjhunwala: All right, thank you Sir. I will fall back into queue.

Moderator: Thank you. The next question is from the line of Vimal Goel from Alchemy Capital. Please go ahead.

Vimal Goel: Thank you for the opportunity and it is extremely heartening to see you have upgraded the guidance not only for this year but for the next five years given the macros that you are in. Sir, my question is around that guidance and the long-term strategy of the company. We all are aware of now the advantages at the Indian IT sector and Happiest Minds in getting because of the whole shift to cloud and the whole technology spending getting re-oriented. But my question is slightly at more long-term in nature, what after that, I mean the service delivery is of course going to change, we could probably be requiring more consulting capabilities to be added because most of your applications is extra all of that will happen on cloud and how are we looking at that and plus just an extension to the previous question, how will you make sure that annuity business does not lose relevance in that space. That is question number one I have just one follow up for that?

Ashok Soota: That actually sounded two or three questions, well let me take them up and then I will pass some of this over to Joseph. When you talked about I hope your annuity business does not slowdown. There are two responses I have to that, one is if you look at our annuity business after all these are the things which keep businesses running and there is an element in that annuity, what we went on saying annuity is really let us it our interim security in the broader sense then or in the more conventionally accepted sense let me say. But security is everybody's concern, every day in and day out and that need is not going to go down, the environment is getting more challenging by the day for that, so that will not slow and if you would look at the definition I really gave in response to the first question on annuity. I say if you look at people's businesses, how a contract is structured is not relevant. It is now long relationships last. They are all annuity businesses, so whether you got 90% of our business coming from repeat customers obviously it is most customers carrying over year-after-year-after-year that is one. Your question on consulting is really very relevant and I believe it is a very important part of our strategy. We have done a lot of work on it and I will ask Joseph to amplify the approach maybe even Rajiv may want to add to what we are planning on the consulting front.

Joseph Anantharaju: Just to add to what Ashok talked about the annuity revenue Vimal, with most of our customers has become an integral part of the platforms and the applications that you are building and these do not finish they have life of the own and you continue adding features, we continue re-imagining them, your customer requirements keep changing and so we become multiyear engagement, for instance one of our largest customers we started around the same date ten years back and we are still working with them it is multi-million dollar customer we have several such customers, we see them as annuity revenue. In terms of consulting, there are two aspects that what next, so from a technology perspective as again Ashok mentioned, we continue looking at the next set of digital technologies which will change the customers roadmap, IT landscape and we continue investing in that whether Blockchain, Metaverse, we have a feature organization that is building POCs that understanding of this technology already working with customers to get a few of the used cases out. On the consulting that is a very relevant point, we have started building depth in our domain and we have multiple domains in which we have domain heads that have come on board in the last couple of years and they have been hiring domain experts who can sit with our customers, have an understanding of the customers business and able to understand their business objectives and translate that into their technology roadmap or other initiatives that need to be kicked off and we started also tracking the consulting led revenues and reporting it starting this quarter and this will be a number that we will be closely looking at as how we can increase it because that will reflect the value that we are adding to our customers and participation on the business side.

Rajiv Shah: I think Joseph covered both the technology consulting as well as business consulting side of that and which plays the critical role in us building the capabilities within the organization as well.

Vimal Goel: One more question, just trying to correlate your hiring number. Of course we have hired quite aggressively in the past few quarters and given that hiring that we have done this quarter does that build into the future a bit more non-linearity in our revenues, is that the case or do you believe that hiring that we have done in the past few quarters will suffice at least for maybe the next couple of years or so especially in the case where attrition is expected to come down and lastly just one more thing on, when you say acquisitions they will be an important part, what going to be your inherent philosophy there are we looking at more technology led assets or are we looking vertical specific capabilities?

Ashok Soota: Once again you have a knack of saying one more question you ask three of them, so there is no objection we are happy to answer all that. Start with your last one, there is a broad range of requirements that we could fill in, when it comes to acquisitions, so therefore it is not that we will do A versus B, it could be technology for a new technology which is evolving and where it is far better for us to accelerate through the process of an acquisition, we are doing everything ground up, we will keep building capabilities but sometimes you take a leapfrog with that. Second could be as you said vertical, and again when you look at the verticals there is a requirement in each, so it is a question of looking at the business which we are seeking to acquire and how it shapes up and therefore the choice at times is confusing because we got to see how well, it plays for us as a company across multiple parameters and we examined that very carefully. So, yes the answer is it could be both. It could be in the third type of category. You got technology which is all horizontals, verticals which are largely domains and it could also be more consulting led type of capabilities. So, it could be anything, it just really depends on the given fit of both the company and the business with all things and obviously certain fundamentals in terms of size. We are no longer going to look at small companies, not that we have done any so far but we will up the ante in terms of the size of entities that we would look for. That is one. Your other question on does our hiring indicate that there will be either non-linearity or otherwise and the fact of the matter is the approach on linearity versus non-linearity, our numbers are based logically on what we feel we need to be able to grow, to be able to meet customers' demands without excessive lead times with getting started in projects. On a calculated basis we would like to bring down utilization levels from about 80% to maybe 77%, 78% that maybe stated here as a goal for you but obviously when you are running at those levels it takes sometimes a little time to give the respond to each and every demand. We would like to get better and quicker of the block, so we have figured out the total number of people who we require based on which we have drawn up the hiring plans which have been shared with you by Joseph and even also with Venkat in his opening statement. However, on non-linearity as a function of multiple things and let us say there is a process in which the whole company and the whole industry continues to work on invading the grades and actually one has to address that in a very big way, I think we will probably need a separate session just to answer this question on non-linearity. But I will tell you one important area for us as a company and that is what I will call is replicable sales. It has got an opportunity and this is where our domain heads are coming in who Joseph talked about. The spot one opportunity executed sale on that front and then you see how can I take that solution over to multiple players. That is what really when gives very good nominee at least, but there are many other ways and many companies are working on those ways.

Vimal Goel: Thank you so much. This was very helpful and all the very best.

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

Abhishek Bhandari: Thank you for the opportunity. Thank you for the long-term guidance which is very encouraging. Ashok Ji, I just wanted to understand what kind of sales changes have we started making to achieve this whole of becoming almost 7 to 8 times from the current levels in next ten years that is the first part. The second part again a related question, do you think the current organizational set up is scalable to achieve the goals or do you need to make any incremental changes the way you are structured right now?

Ashok Soota: Your first question I will turn it over to Joseph and Rajiv and even maybe Ram if they would like to address it regarding sales and set up. On the organization set up let us be clear that is the key for us and we have stated it repeatedly now. The key for us is the executive board, the executive board is always got an eye for description and that is what they are working towards that is what they are planning. Obviously, the short-term results is not ensured at least for three- or four-year period ever since the day the executive board came into existence that you see the continuous uptake in our results, so you would say it is certainly working and the very fact that all the objectives and in fact that the very fact will be drawn up to ten years vision, indicates that we are really planning and looking towards the future. We are also saying that the industry ten years from now maybe looking very different from the industry today and that is what the executive board is working towards. We do not see any need to change that structure whatsoever. Now, underneath you make it strengthening and adding new domains or adding whatever. What changes we want to make to the sales, organization let me pass this over to first Joseph and Rajiv and Ram you would also like to add by all means.

Rajiv Shah: From the sales structure perspective, there are three ways that we look at, we have strategy of land and expand which is really driven by our account managers and account managing structure and they have all the supporting structure to help them grow to stay integrate entire service offering of Happiest Minds to the customer. The second part of it is the new logo acquisitions which is dedicated set of hunters who really grow after and acquire logos of consequence. The third component of the sales structure is the partnerships, like how do we work with the larger technology players or consulting or services organization for us to pivot that. So, I think the basic structure of accounts and expenditure, new logo acquisition partnerships will not change, how do we continue to keep them relevant with new sets of technologies, new sets of tools, new sets of offerings in the marketplace is going to be really the key for us to achieve the growth aspirations that we have with our organization.

Ram Mohan: I just want to add from the infrastructure perspective or security perspective it is important to note that the customers give their valuable assets, they have security needs to organization like Happiest Minds. So, it is not easy to get that immediately, so our strategy is in terms of consulting led assignments because we start with the consulting, we prove how we can deliver and slowly build the trust to the customer and then expand. So, land and expand strategy in infra and security space is very important and that is how we are structuring our sales in terms of moving more and more towards land and expand strategy and as Ashok mentioned it is more annuity-based business which happens in infra and security space. Land and expand is a very important strategy and that we adopt in all geographies. The second important being in infrastructure and securities in terms of partnership, so that is another area a partnership of consequence should be in the area of strength for us and those are the partnerships and those are the alliances which we are going to do and with that help of the technology we are going to grow into the new accounts where we can go and start. So, as Rajiv said it is typically land and expand, new logo acquisition, alliance, and partnerships but it is different for each of the business units in terms of how we adapt. For example, even in terms of geography for the next couple of years from the infra and security space we are going to put more thrust on United States area. So, like that it changes a little bit in terms of each BUs but by large these are the three strategies which adapt.

Abhishek Bhandari: Thank you so much and all the best. Thank you Ashok Ji.

Moderator: Thank you. The next question is from the line of Dev from Investyadnya. Please go ahead.

Dev: Good morning to all of you. Thank you for providing the opportunity and congratulations for Happiest Minds for producing good results once again. Sir, I wanted to ask you that in infrastructure services you said that you have multi-year engagements. So, can you through light on how are the contracts in the other business units like product engineering services and the retail business unit?

Rajiv Shah: If you look at what we do for the customer is really playing and driving the digital transformation in the customer organization. I think Joseph touched upon this earlier, where we look at helping the build in next generation platform, help them integrate and expand, it helps them run the digital ready application. So, from that perspective when you look at the entire ecosystem of the digital transformation journey that we take upon along with the customer it is somewhat of an annuity-based business because one set of objectives building the platform to integrate to something else and running it is an entire ecosystem and it is very much a long-term relationship. If you look at where we get, we have close to 91% of our revenue which is a repeat customer, Joseph touched upon it earlier as well and to me there is really annuity type of a services, the product engineering or digital business services it is really annuity because it is long-term relationship to drive the two-or three-years program with the customers headwork.

Joseph Anantharaju: I think you have covered Rajiv. The only other point I wanted to add was the average revenue per customer the key numbers has been consistently increasing and it has increased from 796K to 810K during the quarter, so that is the other number that we need to also keep a close watch on which reflective of the repeat business.

Ashok Soota: I think the point which Joseph brought out earlier about platform to very key, once you have actually created a platform for one of the customers, what happens is newer and newer applications come on which that platform can support and that is a big difference in what you see as the old days and the new days, because today literally everything is platform based.

Dev: Sir I have one more question. You have told that organic versus inorganic growth you have not given bifurcation but at least for the next five years that you have told about 25% CAGR, can you give some rough idea organic will be how much and inorganic will be how much?

Ashok Soota: That is an impossible question to answer and neither we would want to answer even if knew it. How can we tell you that? It depends on opportunities we get, we are confident we will grow and we are not making a distinction, supposed for any theoretical reason we do not do any acquisition, we are still sticking by our guidance so, let us see how it goes and then we will determine that?

Dev: Sir you do not provide TCV value, so would like to provide in the future?

Ashok Soota: What is that TCV?

Dev: Total contract value?

Ashok Soota: No, we do not provide it because frankly I am not even sure why you need to do it, we do not give even partnering data for that matter and neither do we intend to share it.

Dev: Okay. Thank you.

Moderator: Thank you. The next question is from the line of V. P. Rajesh from Banyan Capital Advisors. Please go ahead.

V P Rajesh: Thanks for the opportunity and congratulations. Two questions, first question is that with respect to the margin guidance and the current margin, the delta of 300, 400 BPS could you just explain where that is going to go or you just investing more in facilities and travel etc., just if you can give some color on that?

Venkatraman N: Rajesh, as you must have heard me while I did the opening remarks, I am still holding on to the 22% to 24% margin. In transparency we have our margins numbers include other income as well if you know that EBITDA number we have been including other income. This quarter we have had some fluctuation in other income given the way the interest rates have moved and the way it got made up partly through exchange variations which was in our favor and the volume growth that we have shown. So, there are some bit of these changes which we would like to make sure that we do not go wrong and that and which is why I have been always guiding you to a careful number or a long-term sustainable number of between 22% and 24%. Also, the second thing is we have got some of with back to smiles which is we are welcoming Happiest Minds back to our offices. We will see some of the cost benefits that we have seen in the last one and half to two years reversing, we have to expand our facilities, and some time cost will also add to the P&L. Travel cost like you rightly said would go up, it was about half a million a quarter and just likely to come back to that numbers slowly. So, with all of this I do not want to pitch at the current margin rate of 26.4%. More importantly next quarter we have pay increase that is coming up like I said in the commentary, that is also something that we have taken into account given the attrition scenario and the demand for talent, it would have marginal impact, I hope it is marginal and that is also been accounted for when I gave you that 22% to 24% number.

V P Rajesh: Thank you, that is very helpful. My second question is for Ashok Ji, I believe I was reading somewhere that you have launched a wellness company as well. So, how will change your time commitments towards Happiest Minds?

Ashok Soota: Can you say that again, I am afraid, I have never heard you?

V P Rajesh: I believe I have read somewhere that you are launching a wellness company or nutritional company as to get exactly which category?

Ashok Soota: That is a different issue altogether, it is not a nutrition company anything it is called Happiest Health and it focuses on providing knowledge for both health and wellness.

V P Rajesh: Right, so my question was that how does that changes your work time commitment towards Happiest Minds?

Ashok Soota: I have sent a mail to some of our stakeholders so far because we are really only very gradually increasing the numbers that we have sent out in terms of mails to our audience in Happiest Health. There is two very important things I want to highlight out here, the first it makes no difference on the commitment. I continue to be Executive Chairman here, I am not or the role will be other entity at all, so I am directing it like a mentor. Second thing is I think it is very important when we have said that the executive board is really the key driver for our ten-year vision. I also give them a little space to continue to work out all their daily thing, so there is a certain amount of things which in any cost of time, any executive should do is to see what can I keep on passing on for people to do and therefore not get involved in such operational or even strategic areas which can be taken care of by this leadership which is really doing an admirable job . I will point out a third thing, actually I have created two entities in the healthcare space, one was my completely not for profit research center called SKAN which was launched last year and it is working on really leading edge technology areas which require everything today you cannot do any work on any front without spending 10-20% of that money particularly in research on IT. Happiest Health is health and we have been talking of platforms, so who has created that platform on the basis on which we are just recently launched Happiest Health and we have been talking of annuities streams, I do not have to give them on audio which says that it will last for three years that is in a fact the long way of looking at businesses. But one thing will lead to the other this platform will support multiple applications, two things are happening here I must tell you first that every work that we are doing in either SKAN or Happiest Health through Happiest Minds is all done under board approved arms-length agreement. So, there is no favor to either side it must be fair, it must be in line with the margins where the business gets for doing comparable work elsewhere. So, that is point number one and point number two you can see very clearly how this work will add to the potential or potentially will add huge amount of capability with this other spin of benefits for Happiest Minds in terms of the healthcare space. So, you might say it is a complete win-win for both parties and since you are really coming into this from Happiest Minds angle I say it is a huge new capability opportunity which can get replicated for other entities in that space for the healthcare domain.

V P Rajesh: Well thank you. That is most helpful. That is all.

Moderator: Thank you. The next question is from the line of Saurav Thadani from IIFL Institutional Equities. Please go ahead.

Saurabh Thadani: Thank you for the opportunity and congratulations on a good set of numbers. I had one question on the vertical wise performance for the quarter while our growth has been pretty broad based the high-tech vertical has seen two straight quarters of sequential decline. So, just wanted to understand a bit over here is this driven by some project or client specific project completions or is it more a broad based slow down to let it to the mobilization of growth at about the hyperscalers?

Ashok Soota: Joseph, you want to take this up, but I have a feeling the answer is more lying in absolute numbers have not gone down, but you can just cross check that and communicate.

Joseph Anantharaju: You are right. The absolute numbers are almost the same, between Q4 and Q1 there is a marginal variation. I believe we would have expected a growth and there are two reasons why we did not have that growth; one is one of our customers where we were doing a Pimcore implementation we are close to completing it and this was a fixed price and therefore there is a little bit of a drop off while we figure out what to do next with that customer and the second, one of our customers is a late stage venture funded company and they are really cautious on their spend, so when they saw the macroeconomic situation, the geopolitical situation they did take a step back and reduced their spend a further but what we seeing is that same customer is coming back now because they have new customers coming on all the times and asking for additional features and functionalities and having worked with us, we have been with this customer from day one and we have been the original engineering team, they had just a CO and CTO, so they have come back to us and we should see an increase and expansion in this account. So, next quarter we should see the High-Tech vertical show a percentage as a revenue growth as well as an absolute growth.

Saurabh Thadani: That is very helpful. That is it from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Mr. Rishi Jhunjhunwala for closing comments.

Rishi Jhunjhunwala: Thank you. On behalf of the entire IIFL Institutional Equities team we would like to thank the management of Happiest Minds Technologies for giving us the opportunity to host this call. I am going to now pass it over to Sunil for any closing comments.

Sunil Gujjar: Thank you Rishi and thank you all for joining us today. We thank IIFL Institutional Equities for hosting this call on our behalf. We look forward to interacting with all of you. You can reach out to us on ir@happeistminds.com. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of IIFL Institutional Equities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

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