Happiest Minds Technologies Limited
Regd. Office: #53/1-4, Hosur Main Road, Madivala, Bengaluru-560068, Karnataka, India
CIN of the Co. L72900KA2011PLC057931
P: +91 80 6196 0300, **F:** +91 80 6196 0700
Website: www.happiestminds.com
Email: investors@happiestminds.com

July 30, 2026

Listing Compliance & Legal Regulatory
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001
Stock Code: 543227 & 975101

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 28, 2026

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Call held on July 28, 2026, post announcement of financial results of the Company for the quarter ended as on June 30, 2026. 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**

PRAVEEN KUMAR DARSHANKAR

Digitally signed by PRAVEEN KUMAR DARSHANKAR
Date: 2026.07.30 19:37:04 +05'30'

Happiest Minds Technologies Limited

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

"Happiest Minds Technologies Limited

Q1 FY27 Earnings Conference Call"

July 28, 2026

Management:	**Mr. Joseph Anantharaju** – Co-Chairman and Chief Executive Officer
	Mr. Ashok Soota – Chairman and Chief Mentor
	Mr. Venkatraman Narayanan – Managing Director
	Mr. Ram Mohan – Chief Executive Officer, Infrastructure Management and Securities Services (IMSS)
	Mr. Sridhar Mantha – Chief Executive Officer, generative AI Business Services (GBS)
	Mr. Anand Balakrishnan – Chief Financial Officer
	Mr. Praveen Darshankar – Company Secretary and Compliance Officer
	Ms. Priyanka Sharma – Head Investor Relations
Moderator:	**Ms. Aditi Patil** – ICICI Securities Limited

Moderator: Ladies and gentlemen, good day and welcome to the Happiest Minds Q1 FY27 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will remain 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 this conference call, please signal the operator by pressing star, then zero on your touchtone telephone. Please note that this conference is being recorded.

I will now hand the conference over to Ms. Aditi Patil from ICICI Securities Limited for opening remarks. Thank you and over to you.

Aditi Patil: Thank you, Ryan. Good morning, ladies and gentlemen. Thank you for joining us today on the Q1 FY27 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. Joseph Anantharaju, Co-Chairman and CEO; Mr. Venkatraman Narayanan, Managing Director; Mr. Ram Mohan, CEO Infrastructure Management and Security Services; Mr. Sridhar Mantha, CEO Generative AI Business Services; Mr. Praveen Darshankar, Company Secretary and Compliance Officer; Mr. Anand Balakrishnan, CFO; Mrs. Priyanka Sharma, Head Investor Relations.

I will now hand it over to Priyanka Sharma for the safe harbor statement and to take proceedings forward. Thank you and over to you, Priyanka.

Priyanka Sharma: Thank you so much, Aditi. Good morning to all participants on the call and welcome to the conference call to discuss the financial results for the first quarter ended June 2026. I am Priyanka Sharma, Head of Investor Relations. We hope you have had an opportunity to review the earnings release issued yesterday. Now let me quickly walk you through the agenda for today's call. Joseph will begin by sharing his perspectives on the business environment, our strategic priorities, and overall business performance.

Sridhar will touch upon AI-led transformation initiatives and progress around AI-led engagements and capabilities. Thereafter, Venkat will take you through the financial and operational performance for the quarter followed by our outlook for FY27. Following the management commentary, we will open the floor for Q&A.

Before we begin, let me read the safe harbor statement. During this call, we may make forward-looking statements. These statements reflect the environment we see as of today and involve risks and uncertainties that could cause actual results to differ materially. We do not undertake any obligation to update these statements periodically.

With that, let me hand it over to Joseph.

Joseph Anantharaju: Thank you, Priyanka. Good morning, everyone, and thank you for joining us today to discuss Happiest Minds Technologies' financial results for the first quarter of FY27. We have started FY27 on a strong note, reflecting the continued trust of our customers, the resilience of our operating model, and the growing relevance of our capabilities as enterprises accelerate investment in AI-led transformation, digital engineering, cybersecurity, and automation.

As more of our peers have reported their quarterly performance, we are encouraged by the relative strength of our own results. We believe this reflects the strength of our AI-first strategy, the breadth of our digital capabilities, and our disciplined execution in an evolving market environment.

Our operating revenue for the quarter stood at INR629 crores, representing 14.3% year-on-year growth in rupee terms. In constant currency, revenue grew 2.6% sequentially and 6.7% year-on-year. We also maintained a healthy EBITDA margin of 21.7% while continuing to invest meaningfully in AI capabilities, enterprise platforms, talent, and go-to-market initiatives that will support our long-term growth. Venkat will talk more about our results.

This encouraging start to the year reinforces our confidence in the resilience of our business and provides a solid foundation for the year ahead. Let me now turn to the market conditions. The demand environment remains mixed with discretionary spending continuing to be selective. At the same time, enterprise technology investments are increasingly shifting towards AI-led transformation, data modernization, cloud, cybersecurity, and productivity initiatives.

We believe AI is fundamentally reshaping the future of enterprises. As organizations move from experimentation to scale deployment, the conversation has shifted from whether AI should be adopted to how quickly it can be deployed securely and at scale to create measurable business value.

This is reflected in the continued strength of our demand environment with our pipeline remaining strong, providing us with confidence in our growth outlook. Our AI portfolio continues to expand with over 100 AI agents, around 60 repeatable use cases, and a growing suite of AI-powered solutions and accelerators enabling faster deployment, greater reuse, and stronger customer outcomes. Sridhar will provide more details on our AI strategy.

Beyond our services business, we continue to strengthen our portfolio of proprietary platforms and repeatable solutions. Our enterprise AI platform, together with Arttha, Insurance in a Box, Multi-Omics, and EduWeave platforms, help customers accelerate AI adoption while allowing us to combine proprietary intellectual property with our engineering capabilities. These platforms create differentiated entry points into customer relationships, lead to non-linear growth, and support larger, long-term transformation engagements.

Some notable wins during the quarter included our selection as the strategic data and AI partner for a leading North American energy infrastructure company, an AI-powered test automation engagement for a leading Australian insurance provider, a digital commerce modernization program for a leading Indian multinational CPG company, a Salesforce-based product engineering engagement for a global consulting company, and a multi-year managed security services engagement with a major Middle Eastern retailer.

From an industry perspective, growth was led by Healthcare & Life Sciences, which grew 22% year-on-year and 4% sequentially. BFSI remained our largest vertical at 27% of revenues, while EdTech contributed 16% and delivered modest growth. High-Tech too recorded a strong sequential recovery. Geographically, the Americas continued to be our largest market, contributing 57% of revenues.

Growth was increasingly diversified across our other markets with India and APAC growing approximately 9% and 10% sequentially respectively. This broader geographic participation provides us with greater balance and supports our long-term growth ambitions. Looking ahead, while the macroeconomic environment remains mixed, we believe the structural drivers of technology spending remain firmly intact.

Enterprises continue to prioritize AI, cloud, cybersecurity, and data engineering, areas where Happiest Minds has deep capabilities and strong customer relevance. Supported by a healthy pipeline, disciplined execution, and increasing AI adoption across our customer base, we remain confident in our strategy.

With that, I will hand over to Sridhar, who will take you through the progress behind our AI strategy. Sridhar, over to you.

Sridhar Mantha: Thank you very much, Joseph, and good morning, everyone. Joseph has shared how our AI-first strategy is creating momentum in the marketplace. Let me now take you through the engineering capabilities, enterprise platforms, and delivery innovations that are enabling those outcomes for us.

Our efforts are centered around three priorities. The first one is, as we shared in the previous quarter, building a secure and reusable enterprise AI platform that can be customized for various domains and create vertical solutions on the top of it. The second one is, of course, embedding AI across the entire software development lifecycle and in all the services that we provide to our customers.

The third and the last one is delivering measurable productivity and quality improvements for our customers because various AI technologies that are being adopted are so young and new in the marketplace. Our enterprise AI platform provides a modular, secure, and model-agnostic foundation for enterprise AI adoption.

A key design principle is reuse, enabling customers to leverage reusable AI agents, flows, and accelerators rather than building every AI application from scratch. This significantly reduces implementation time, improves consistency across deployments, and allows domain-specific AI solutions to scale with appropriate governance, security, along with human oversight for enterprise environments.

We are equally focused on transforming the way software is engineered. At this point in time, we have more than 2,000 Happiest Minds that are using advanced agentic and AI development tools, and our engineering teams today generate more than 2.5 million lines of code with the help of agents every month. This reflects the increasing adoption of AI across our software engineering lifecycle. More importantly, AI is helping shorten development cycles, improve code quality, strengthen documentation, and also increase the test coverage and accelerate application, development and modernization, while all outputs continue to undergo our established engineering security and quality review rigor.

Our reliable platform is enabling customers to adopt agentic software engineering within secure, governed enterprise environments, allowing human engineers and AI agents to work and collaborate together throughout the entire development lifecycle. Beyond software engineering, within Happiest Minds, AI is also driving measurable improvements across all our delivery operations.

Few examples are, within our infrastructure services, approximately 60% of the identified provisioning scope has been already automated with the help of AI tools, resulting in nearly twofold improvement in provisioning speed. Another example is within application integration, now AI automation is covering the identified process scope and contributing to estimated 80% reduction in our efforts and, of course, improving the quality.

We are also embedding AI across quality engineering, infrastructure operations, cybersecurity, and data engineering, as demonstrated by the AI-powered test automation engagement that Joseph highlighted earlier. As AI adoption scales, responsible governance also becomes increasingly important. Security, privacy, model governance, and human oversight are therefore built into both our enterprise AI platform as well as in the delivery process and methodology that we have within Happiest Minds, which is enabling customers to innovate with confidence while maintaining the enterprise-grade controls.

Overall, we are very encouraged by the progress and we continue to believe the milestones and metrics we have shared today demonstrate that our AI strategy is translating into tangible execution. Our focus remains on converting AI from a promising technology into measurable business outcomes through enterprise platforms, reusable IPs, engineering excellence, and disciplined execution. With that, let me hand over to Venkat, who will walk you through our financial and operational performance for the quarter. Venkat, over to you.

Venkatraman N: Sorry, I was on mute. Thank you, Sridhar, and good morning, everyone. Over the next few minutes, I will take you through our financial and operational performance for the first quarter of FY27 and conclude with our outlook for the year. We have started the year on a very solid note, delivering another quarter of profitable growth despite a demand environment that remains selective.

Operating revenues for the quarter stood at INR629 crores, representing a growth of 4% sequentially and 14.3% year-over-year. In constant currency, our revenues grew 2.6% sequentially and 6.7% over the previous year. Total income for the quarter came in at about INR652 crores, representing a growth of 4.9% sequentially and 12.5% year-over-year. The quarter was one where we continued to see improvement in demand across a spectrum of services together with good execution from our side across our business.

Turning to profitability, our operating margin at INR109 crores has shown a growth of 2.3% while continuing to be at about 17.5% of revenues. This is incidentally almost the same as it was last quarter and the quarter last year. This margin performance was despite the currency loss on our forward contracts of about INR11 crores and a spike in provision to account for delayed collection or receivables of about INR5 crores, and both of them compared to the previous quarter.

Only for a pure comparison purposes, if I adjust these two instances, our operating margin stands at about 19.75% and higher than our not guided range but what I was saying as an expectation for us to be 17.5% to 18.5%. Coming straight to our adjusted profit after tax for the quarter, it stands at about INR80.5 crores, which is 12.3% of our total income, showing a growth sequentially of 12.9% and a year-over-year growth of 14.3%.

To clarify, PAT adjustments do not account for the forex losses or provisions for receivables that I talked about just a while back. These adjustments only relate to acquisitions costs, which are, I believe, accounting noise, and I have been adjusting for them over all the previous quarters. Our healthy adjusted PAT aptly reflects in our growth of adjusted EPS as well, which for the quarter stands at INR5.34, up 17% year-over-year.

Our profitability continues to reflect disciplined management while continuing to invest in AI, enterprise platforms, sales capacity, and future-ready talent. From a capital efficiency standpoint, ROCE improved to 23.9% while ROE stood at 15.5%, both up from 21.8% and 12.8% last quarter, so a significant improvement and this has been a focus for us. We closed the quarter with cash and cash equivalents of about INR1,743 crores compared to the INR1,679 crores last quarter.

Talking about some operational metrics, we ended the quarter with about 306 active customers, which is same as last quarter, while the number of billion-dollar corporations we serve has increased by one to 92. These billion-dollar customers of ours contribute to about approximately 60% of our revenue. Repeat business continues to remain strong at about 94.4%, reflecting our customer relationships and the confidence reposed by them on us.

Working capital discipline is an area of continued focus. While DSO improved to 92 days from 94 in the previous quarter, we did have to account for some one-time provisions which I talked about earlier, and let me assure you that that was us being conservative on that account and we are leaving no stone unturned to collect most of those provisions. We ended the quarter with about 6,532 Happiest Minds. Utilization moderated marginally to 81%, about 0.4% reduction, not a cause for concern, and our hiring has been up by about 32 people on net terms.

Our utilization rate of 81% is healthy, but it also continues to be an area of focus in these fast-changing times. Our voluntary attrition has improved from 17% in the previous quarter to 15.4% this quarter. Looking ahead, our priorities remain clear and unchanged. We will continue investing in AI, talent, go-to-market capabilities, and operational scale to support sustainable long-term growth.

While the macro environment remains mixed, we are encouraged by the strength of our pipeline, accelerating AI adoption, and the resilience of our business model. On the strong start to FY27 and the visibility we have today, we continue to focus on achieving our FY27 revenue guidance of 12.5%. I would like to thank our customers, partners, shareholders, and every Happiest Mind for their continued trust, commitment, and support. Thank you for joining us and now I'll turn this over to you for questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Aditi Patil from ICICI Securities Limited. Please go ahead.

Aditi Patil: Yes. Thank you for the opportunity and congratulations on good set of numbers in Q1. My first question is on our revenue outlook. We had shared a revenue guidance of at least 12% Y-o-Y growth in FY27. So this implies a strong CAGR for rest of the three quarters, around 5%. So what kind of visibility do we have for this kind of growth? Is it based on already won deals or it also depends on converting pipeline in coming quarters? And if you can share how your deal TCV has grown on Y-o-Y basis, maybe qualitative commentary on it. And does the guidance include any contribution from potential acquisitions? Thank you.

Venkatraman N: While I'll answer the one acquisitions. Our growth numbers do not include any acquisitions, but it includes what we have acquired as of now and some are the ones that we have got on board. The second thing is on TCV. We have not been disclosing that number right from IPO, and it's something that we are beginning to internally track because our philosophy or our growth philosophy has been anchored on the land and expand strategy.

So TCV is not something that makes sense, or at least we have not seen it, we are not able to relate that to the numbers, which is why we have always been talking about repeat business, customer additions, and our customer cohort, you know, revenue from our customer cohorts, which is 50% with customers who have been with us for more than five years and less than five years. So all of these put together show the health of the revenue and repeatability. Joseph, with the rest on the.

Joseph Anantharaju: Sure, Venkat. So, continuing the line of thought that Venkat started off with, Aditi, as I mentioned earlier in my commentary, our pipeline is strong and it's grown both sequentially as well as especially year-on-year, it's grown significantly, right? And in terms of the ensuing three quarters, I would agree with you that we have our work cut out, we need to continue delivering good results to get to the guidance that we had provided at the beginning of the year.

Now in terms of, you know, how we see that happening, we do have, it's a combination of all that you mentioned, you know, we have a few mid-to-large size deals in the pipeline and we would need to convert a couple of them which will start giving results in revenues in Q3 and Q4. We've closed a couple of large deals, one of them in Q1 and another one just little earlier this month, which is beginning to ramp up and which will get into three digits in terms of the total size.

And we have a few others, you know, that we've closed where we're implementing the first or executing the first project, based on which we expect to get more such, you know, projects and engagements. And I shared a few of our wins in the commentary, in our press release as well we have a few of these wins listed out which should lead to growth. So it's a mixture of all of these.

And the third area I would say is some of the existing customers that we have, we have a strong program and initiative in place to expand our presence out there, that also I expect will contribute to our growth. There is also.

Venkatraman N: Last quarter we had talked about movement or a shifting of two Arttha banking deals. One of it is getting extended, we are not very hopeful to put it that way, but the other one is taking time to close and we are hopeful that it will close in the second quarter. Also, pipeline on our non-linear growth platforms like, you know, EduWeave, Insurance-in-a-Box are quite reassuring.

There is also that lumpy revenues what would come. There is also one point which Aditi at some point in time we will discuss this with you because growth is coming a lot from Middle East, India, and Southeast Asia and APAC, you know, that constant currency we are getting hurt because we are dividing, you know, the volume growth by dollars, but that's something that we'll have to figure out how to, how to, you know, account for that in our, in our growth targets. So these are the things that we are looking at helping us in the ensuing quarters.

Aditi Patil: Okay, got it. And my next question is on the nature of deals in Gen AI business unit. Are these more short-cycle deals with lesser recurring component or do we see recurring component in these deals? And on the margins for Gen AI business unit, there was a sharp increase in the segmental margins in Q1. So what should we consider as steady-state margins or steady-state cost or investments in GenAI BU?

Sridhar Mantha: Hi. This is Sridhar, I'll address the question. Of course, the first part of the question is still 1 year back, your observation was right, actually as well as especially within Happiest Minds also, we used to work more on use case-based engagements because the customers themselves were not very clear about what kind of ROIs they can get and how technology with AI can help their business problems.

However, in the last few quarters, more than a year, we slowly started shifting towards 2 specific models. One is more of a pod's kind of model where the customers want us to act as an external engineering team to help them with their AI journey. And second and last category is, as we mentioned in the previous quarter also, we started closing more deals that has both AI components as well as the digital transformation as a bunded larger deal. So both of these are helping us to move very rapidly point use cases, fixed bids into more of long-term engagement and larger transformation.

Joseph Anantharaju: Just wanted to add one point out here, Aditi. I think what we need to start differentiating is the execution model and the contract model, right? Because with some of our customers, even though it would be T&M, but we have some SLAs or some outcomes embedded into those contracts.

And I look at that as being more outcome-based because if not for the fact that we are able to promise those outcomes, we would not have won those deals. So we are beginning to see that aspect as well.

Because in this model, the customer has some flexibility to move priorities around, while at the same time, holding us accountable for outcomes.

Sridhar Mantha: The second part of the question, Aditi, is, of course, on the investments that happen, right? We did talk about the enterprise AI platform and now the GBS revenue footprint being relatively smaller compared to the overall number, you may see some fluctuations within GBS because of the constant investments that continue to happen.

Aditi Patil: Okay.

Venkatraman N: And on the margin front, Aditi, at the end of the day, it's all got to do with utilization. Our utilization has nicely picked up. Also, there's quite a bit of cross-selling happening from the other BUs into AI, generative AI, that's also helping, which is showing up on margins. So the idea was when we started GBS, it should soon become at least 10% of the overall company's business.

But while that doesn't progress, AI has penetrated into everything else that we are doing. We did mention this in the last call as well, maybe in the - by the end of next quarter when we publish our results for Q2. We want to with AI, but most other companies have slowly started publishing that, but we want to have -- we are doing a thorough run on those numbers and come back to you. So that gives you the total AI-led revenues, not GBS AI-led revenues which is embeded in various other parts of the business, whether it be infra or SDLC and the like.

Aditi Patil: Okay. And just one confirmation. So we usually do annual wage increment in Q2. So this year also is it planned for Q2?

Venkatraman N: Yes. We have that. It's a good point you make. Yes, there will be an adjustment in our margin, which has been traditionally how it has been for us. We'll have to claw back on that through both volume increase and value increase and growth that we see.

Aditi Patil: Okay. So the entire increment impact will be in Q2, correct?

Venkatraman N: No, it will be -- obviously, we'll have to look at numbers, the industry and all of that. So that's one. But whatever is being done, a large part of it, because you have got structures of up to C7 is in Q2 and about C7, C8 is in the month of October. So we split that and we do.

While we temper that in line with business and the demand scenario that we have seen, we are also -- that's why I gave you a little bit of an insight into Operating margins that we had this time just because of those one-off noises, its kind of pushed us back at 17.5%. Some of that will also come to help us for the Q2 and the margin when the wage increase happens.

Aditi Patil: Okay. Got it. We'll join back queue. All the best for FY27.

Venkatraman N: Thank you.

Moderator: Thank you. We take the next question from the line of Vinesh Vala from HDFC Securities. Please go ahead.

Vinesh Vala: Yes, sir. Thanks for giving me the opportunity. So I have a few questions. First on the guidance part, as you told that 12.5% revenue growth for FY27 will be driven by pipeline conversion and which we have a strong pipeline and new deal wins in the line. But as you told that discretionary spending client is trying some cautiousness. So what are the key risks that could impact our guidance of 12.5%?

Joseph Anantharaju: Vinesh, when I made my statement on discretionary spend, I also said that it's happening in the right areas. And what we are seeing -- support -- can you hear me, Venkat?

Venkatraman N: You're going in and out, so maybe...

Joseph Anantharaju: Okay. Let me start again. So Vinesh, if you noticed the statement that I made on discretionary spending, I said that it's being pushed or happening in specific areas, right? And what we are seeing is that the customers are optimizing, using AI, some of the support and maintenance and infra activities, the run part of the operations, right? And then taking that savings and deploying it on some of the AI and other innovation, right?

And so, that's what we are seeing. And if you ask me what is the risk that I think? I think it's the elephant in the room, right, if you look at the current war and the impact having on inflation and other things. I think that dragging out for too long is what I would see as a risk right now to sustaining the kind of performance that we've delivered in Q1.

Vinesh Vala: Okay. Sir, and another thing was on the FY28 aspiration we had of 15% growth. So are we sticking back to that 15% aspiration for FY28 or we are good to give only FY27?

Venkatraman N: Vinesh, that's an aspiration that continues. So there is no change to that. So we have 12.5%. The idea is that this helps, set up a good platform for the growth in 15%. Obviously, like every good thing that you say, there are risks attributed to that, which is what Joseph just called out in terms of war, a possibility of -- maybe I don't know if I'm reacting too much, but there is -- there seems to be some sort of a reality check in the AI world itself about how -- what's the capex and how spend has to be.

So these things have kind of a trickle-down effect on sentiments. It's just not the macro picture. The macro picture obviously is what it is. You have all the geopolitical disturbances. But accounting for all of that, I think the target for the year for us is 12.5%. And if we do that, that will really set up a great platform. Because we are making all these transformation changes only to make sure that the platform is in place for the growth aspiration of the team next year. So be it the long -- the good pipeline. The deal sizes in our pipeline are increasing. We are seeing business commitments in our -- new sign-ups go up.

The business is improving. The new business pipeline is changing for the better because that was a change that we did bring in through Maninder heading business. The entire restructuring of the business into 2 BUs under PDES and infra security and infra and security also doing well. So see, all of this is -- all of it comes together, pistons fires, our aspiration should not change. The platform should be in place for us to do that.

Vinesh Vala: Okay. And last one from my side on the vertical front, as I see the Edutech vertical last quarter also sequential growth. This quarter also we had a sequential growth. So do we expect that growth to sustain? And on the Hi-Tech vertical, again, from last 2 quarters, there was a sequential decline. And this quarter, we did a good phenomenal growth in this vertical. So what's your outlook on these 2 verticals?

Joseph Anantharaju: So the Edutech vertical even last time I said that we feel that it's kind of the risk that we had has all manifested itself. And we expected the vertical to stabilize in terms of business. As I mentioned last time, there are a couple of things that we are doing which should help us sustain this recovery that we're seeing in that vertical.

The first is that we have our EduWeave platform, and I talked about it last time, it's more like a digital Ed Tech platform for universities. And we are building that based on a couple of customers in US and Philippines, the experience we're getting out there. And as we speak, we have around 4 conversations in advanced stage and a couple of them that are very close to signing, right? And it's a modular platform which gives us flexibility.

The second is, we are targeting increasingly universities. That's a segment that we haven't really pursued earlier. So we are hopeful that with these 2, we should be able to infuse growth into the Ed Tech vertical. The Hi-Tech vertical, the growth that we saw this quarter is on the back of a large engagement we signed with one of our customers who we have started working with a few months back.

We're doing work at a smaller scale, and we've been able to get a large engagement going with them. There's possibility of a second large engagement happening with them, which should have been and we've also signed a customer recently, that is expected to ramp up. So between the 2 of them, hopefully, they should be able to at least lead to growth. The growth we had this year was quite high, and that's not something that we can expect sequentially every quarter. We had 10% quarter-on-quarter growth, but we should be able to continue growing at the Hi-Tech vertical as well.

Vinesh Vala: Okay. Thank you sir, and that's it from my side and all the best for the year.

Joseph Anantharaju: Thanks Vinesh.

Moderator: Thank you. We take the next question from the line of from Kuber from Axis Securities. Please go ahead.

Kuber: Yes. Thank you for taking my question and congrats on good set of numbers. A couple of questions from my end. So when I look at your contracting model, I can see that we are moving into fixed price contracts. So is it fair to say that -- hello?

Joseph Anantharaju: Yes, go ahead.

Kuber: Yes. Is it fair to say that we are deliberately moving to fixed price? And second question is on business units. So out of 3 product digital and gen units are growing at a very fast rate. So what is leading to that growth? And how do you see 3 of the verticals going ahead?

And the third question is on -- are we facing any kind of pricing pressure as all our peers are moving into AI-led contracts and everything? So, in terms of pricing pressure, are we witnessing any kind of -- yes, that's all.

Joseph Anantharaju: Take the first question, Venkat.

Venkatraman N: Yes. I'll touch on the contract bill. So I think I had mentioned this last time also, there is a confusion of AI business has been or seems to be largely oriented towards outcome and output-based model, whereas you don't have that in your numbers. And so are you doing AI. So this was a question that was a very legitimate question, no doubt.

But the point is what we have here is pricing contract structure, it is not a business structure as I've been talking about. If you have a person being billed on a monthly basis, he can be AI FDE and gets billed on a monthly basis, he is classified as a fixed monthly billing and it goes into T&M. But the point is it's just not that we get to bill him at the end of the month irrespective what he delivers.

There is a clear SOW which says what is the outcome that's required from that engineer and the team. So, it's you have every SOW detailing out the kind of work that's required from the team at the end of sprint A or B or C, you need to have delivered a few things. It could be lines of code; it could be a part of the platform using AI as a technology. All of that is there in your SOW.

And so, but we capture it in the two buckets that we are given. It's like you're given two buckets, tell me if it is FP or if it is T&M, I put it in. So, it just does not mean that we are not doing outcome-based. Most of the things within the T&M or the FP is outcome or output-based. I'm not going to get paid just for showing up for work or having my people show up for work in office. So that's the point I want to make. We are trying to see how to capture that as the third bucket or it has to be a completely different bucket of how we are pricing the deals.

Are we pricing it based on outcome, output, or just showing up to work. So that's something that we have to see, we'll get back to you. So that's on the T&M and FP. You are right, people want more of a SDLC to be used into used while we develop solutions for them. How does it come in the pricing model? There is no direct relation as to -- what I think and I have been trying to communicate this through the last two, three quarters. So that's on the pricing thing. Joseph?

Joseph Anantharaju: Yes, sure, Venkat. See on the BU performance, obviously GBS has grown handsomely, and but it's on a smaller revenue base and we continue, we expect GBS to continue growing quite well right through the year given the investments we've made, the opportunities in the market and the capabilities that we have built in this area. PDES and GBS there's a pull-through from GBS as far as PDES revenues is concerned. I want to make a small clarification on IMSS business unit.

I know we do we do see a sequential drop, but it was all driven by a one-time license revenue that we did get in Q4, that didn't -- we didn't have a repeat of that in Q1 and that was the real reason. But the pipeline on IMSS is strong and when we meet again next quarter, we will see that that the business unit would have demonstrated good growth. And the last one, whether we're facing any pricing pressure. So, Kuber, every year there will be a few customers who will come back and they'll have discussions, negotiations. So, this year is no different.

At the same time, we have quite a few customers where in spite of the environment, where we've been able to affect a rate increase. So, I would say there's no systemic trend of customers coming back and asking for rate decrease or negotiating rates. There is a ask from customers to show the impact of using AI tools in the SDLC and that we're working out some metrics and other things to show customers what is the value that we're bringing to the table or what is the value that these tools are delivering.

Kuber: Okay, okay. Yes, that's all from my end.

Priyanka Sharma: Thank you, Kuber.

Moderator: Thank you. We take the next question from the line of Rajveer Singh from Vivek Investment Manager. Please go ahead.

Rajveer Singh: Hi, am I audible?

Joseph Anantharaju: Yes.

Rajveer Singh: Yes, thanks for giving me the opportunity and congratulations on a good set of numbers. My first question is on the AI productivity versus revenue. So Generative AI improves developer productivity, so how are we ensuring that the productivity gains translate into higher revenue rather than lower billing?

Rajveer Singh: And my second question is about the competition. So, the large IT companies are investing heavily in AI as well, and where does Happiest Minds believe that it has a sustainable competitive advantage against companies like TCS, Infosys, or Persistent who are also heavily investing in AI? Those are my two questions.

Joseph Anantharaju: Sure. So if you look at AI productivity, I would say that most of our customers are using some form of productivity tool or the other, except if it's let's say an area like hardware, maybe to some extent embedded, or if the customer is in an industry or a space where the risk of using AI is high, right? Now the way we are able to monetize this or to get revenue out of this, it's still a mixed bag to be honest with you.

With many of our fixed price projects, we're able to include these tools into our estimation and what we'll end up doing is sharing some of the upside with our customers and holding back some. But we also have quite a few T&M projects, right? And over here, what's happening is for many of for these projects, as we mentioned last time, we've created a separate COE for AI in SDLC and this is around 40 people strong now, mid-to-senior people.

And we've created a bunch of AI champions in this COE who go to the customer engagements and help in the adoption and the use of these tools while executing projects. And so, this acts as an additional revenue that we are getting in T&M projects, so that's what we are capturing.

Now in terms of competition, I'll take a stab and I'll and I'll give it to Sridhar. I think the very fact that we created a Generative AI business unit has allowed us to build a lot of depth out here and if you look at AI, I would say that the classical AI ML way back in 2013-2014, we were one of the, I would say, companies on the forefront helping lot of retail, travel, and other customers, adopt these things for things like what are very commonplace now, personalization engine, recommendation engine, adaptive learning, and things like that.

So, I believe that given our revenue, our depth is much more relatively speaking, because if you go to a TCS or a or a Infosys, probably in terms of numbers, they would have more AI engineers, they'd be able to give you more case studies, but I would say that relatively speaking, we would have more depth and more to talk about.

I'll hand it over to Sridhar to talk about specific areas which he feels or aspects.

Sridhar Mantha: Thanks, Joseph. Just to add a little bit more, right, before the ChatGPT or the whole world started embarking the AI journey, the biggest advantage we as Happiest Minds had was the digital foundation that was created and the specialization around digital. So, one way or the other, as you can very clearly see, the AI is the new tip of the iceberg and underwater is completely the digital set of technologies. That way, even three years back also, customers were looking at us for the digital transformation as the niche player at our size, right, in the in the marketplace.

That's one of the reasons that is really helping and the same positioning is helping with our customers and the new customers we are acquiring. The second and last part is, of course, as part of our earlier tagline, it used to be the agile always and we still preserve it. So now with the way and the speed at which the AI technologies are changing, the agility as an organization for us to quickly change our investments, change our direction, I'm not saying it's 180 degrees, could be 5 degrees, 10 degrees, etcetera, right?

That agility as an organization also is really helping us to acquire more organizations with the needs of the customer. And of course, the best example Joseph provided was creating a business unit itself.

Rajveer Singh: Sounds good. Just a follow-up, how much of our current hiring is AI-specific right now?

Sridhar Mantha: In terms of the hiring, how much is AI-specific is your question, right? Sure. So, we are actually looking at the combination of both of both categories because now with the pace at which technology is changing, it is really difficult for us to find anybody more than six months experienced or even one year experienced with the AI skills.

So, we heavily created internally through our learning and talent management team complete in-house training process for the new hires that we have so that they become the AI native engineers, be it on the SDLC side or creating AI solutions. This is in addition to training our own workforce on the AI side. So, I'll put approx...

Venkatraman N: Hi Vinesh, even I think I lost them. Sridhar? While Sridhar joins, Vinesh, Kuber, sorry, the point is we have got both replacement hire and fresh hiring. Fresh hiring is more accentuated towards people with AI skills and it's for the need, need of the project because if there is a project which requires a specific cloud skill, you need to hire for that, so you can't go and hire for ahead of time. So, it's all predicated between replacement, hiring for future, and hiring for the current projects which we have on hand.

If you really if you really split our total hiring under these three buckets, what we are doing for the current projects, yes, is what is required, but with an accent on AI helps. For the future, we are obviously looking at people at the junior levels with AI skills, so that that something, so that they train to become more AI experienced engineers. And replacement is if you have lost a person who is doing cloud and security work, you have to have cloud and security work. Now if he comes with an AI as an additional experience layer, that's really good.

Rajveer Singh: Makes sense. That's all from my side. Thank you so much for answering my questions.

Venkatraman N: Thank you.

Joseph Anantharaju: Thanks, Rajveer.

Moderator: Thank you. We take the next question from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: Yes, sir, thanks for the opportunity. My question is on the on the Gen AI business unit. So obviously that has been scaling very strongly for us and it's around 5.5% to 6% of revenues. And if I see in this quarter, bulk of the incremental revenue is coming from this unit. So, if you can, like throw some like more light in terms of how things are progressing here in terms of the engagements that we are having in this segment is largely coming from the existing clients.

And last year also mentioned that some of the engagements are here in the POC stages which can move and scale up. And also, in terms of what investments are we doing in this like business units, and maybe two years down the line, how you see the mix changing from say broad engineering to Gen AI side? So that's my first question, sir.

Venkatraman N: Sure. So, I'll take it on while Sridhar joins in. See what's happened is GBS was the unit that we set up about a year and a half as part of the AI onslaught that we were having, right? Everybody was trying to get gear themselves up to meet the AI requirements and we had to call it out separately, so that we just like we had an identity in the during the digital onslaught, we have also now created an identity for the -- from an AI Generative AI standpoint.

Customers appreciated it market appreciated it, investors appreciated it, and it obviously has helped us go deeper into our existing customers and new customers. Now any BU that's created has to be 10% has to have a to stand on its own feet should ideally be about 10%. So, the growth objective of that was also very clear. With all the mandate clear, they started going to new customers and also existing customers, started selling, as you rightly pointed out, we started with POCs which have then since slowly migrated to more sustaining larger size projects.

But we are also seeing lot more demand coming in from existing projects, which is why the profitability, Aditi had asked earlier in the call that we are showing a decent level of profitability, that's because we are able to sell into our existing customers. When you sell into existing customers, sales effort is lesser, the turnaround time from prospect to potential to billing is short. So, all of that has helped us get us very quickly started on that BU. I just want to caution you, while I say all of this, AI within the company is not completely captured within the GBS bucket. It's there across the company.

That's something that's been happening, and it would be unwise of us to say, no, if you do anything it has to be within GBS, otherwise it shall not be done. It's something which will stymie growth and development within the larger part of the organization. So, AI has taken over many parts of, just to take an example, security. Security, SecAIGenie is a platform that is used by us on our security delivery and it's now part of our security offerings. It has AI.

Now this does not form part of GBS. Which is why we said that we have to look at our entire revenue stream, go by project, carve out not by technology but what is the impact or relevance of AI, carve it out and then give you this number which is called AI-led revenues of the total. So, if we are if we are INR625 crores this quarter, how many crores is led by AI? So that's the attempt that we have started, we have a plan that by end of September we will finish that exercise and give you in end of Q2. Yes, Joseph, Sridhar, I was answering while I guess you were disconnected.

Sridhar Mantha: Sure, sure. I kind of missed parts of Venkat's update, but I heard the last part, that makes sense. Yes.

Amit Chandra: Okay, sir. And secondly on the investments that we have made, obviously we have done some investments in terms of the sales engine and for better client engagements, account mining and all. So just an update in terms of what kind of benefits you're seeing from there.

Are we seeing more larger deal sizes or the pipeline getting more like better? And in terms of better engagement with the existing clients, so any update on that would be helpful, sir.

Joseph Anantharaju: Sure, sure. So let me take the NN sales engine first and then I'll get into the client engagement part. As I mentioned in response to another question, we've had large deals that we've closed. One of them -- we had the customer little earlier in the year, but the large engagement, a pretty large TCV, that started in April and that's what contributed to the growth that you see in the High-Tech vertical. And as we speak, we've just signed another customer which is a which will again run into three figures.

So, we are we are getting large deals. Again, in the pipeline, we have several deals that are much larger, spanning across multiple years, and we're hoping that a couple of them would close during the quarter and help grow growth in the next couple of quarters. In terms of client engagement, if you see our repeat business, that's gone up from 92.4% to 94.5%, an indicator of how some of the investments we are making is helping with client retention.

And we're also seeing in some of our existing customers opportunities that are much larger in size than what we typically get. We are, I would say, transforming our sales team because we initially had more of a hybrid BDMs and we're segregating them into NN BDMs and account managers. So, some changes and churn that's taking place out here, but I believe that our Hypo strategy that's coming together well, there are we're focusing on, we've decided to focus on six to ten accounts and give them a disproportionate attention with a goal of making them into $20 million kind of accounts.

Amit Chandra: Okay, okay, sir. Thanks, and all the best.

Joseph Anantharaju: Thank you.

Moderator: Thank you. Ladies and gentlemen, with that we conclude the question-and-answer session. I now hand the conference over to Ms. Priyanka Sharma for her closing comments.

Priyanka Sharma: Thank you, Ryan. Thank you everyone for joining us today. We would also like to sincerely thank ICICI Securities for hosting this call on our behalf. We appreciate your continued engagement and support. Should you have any further queries, please feel free to reach out to the Investor Relations team at ir@happiestminds.com. Thank you once again and have a great day ahead.

Moderator: Thank you. On behalf of ICICI Securities Limited, that concludes this conference call. 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.