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Listing Compliance & Legal Regulatory

BSE Limited

Phiroze Jeejeebhoy Towers

Dalal Street, Mumbai 400 001

Stock Code: 543227, 974820 & 975101

Listing & Compliance

National Stock Exchange of India Limited

Exchange Plaza, Bandra Kurla Complex

Bandra East, Mumbai 400 051

Stock Code: HAPSTMNDS

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on October 29, 2025

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed the transcript of the Earnings Call held on October 29, 2025, post announcement of financial results of the Company for the quarter and half year ended as on September 30, 2025. 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
Company Secretary & Compliance Officer
Membership No. F6706



“Happiest Minds Technologies Limited Q2 FY '26 Earnings Conference Call”

October 29, 2025



Management:

- Mr. Ashok Soota** – Chairman & Chief Mentor
- Mr. Joseph Anantharaju** – Co-Chairman & CEO
- Mr. Venkatraman Narayanan** – Managing Director
- Mr. Rajiv Shah** – Executive Director
- Mr. Ram Mohan** – Chief Executive Officer, Infrastructure Management and Securities Services
- Mr. Sridhar Mantha** – Chief Executive Officer, Generative AI Business Services
- Mr. Anand Balakrishnan** – Chief Financial Officer
- Ms. Priyanka Sharma** – Head Investor Relations

Moderator: **Mr. Sushovon Nayak** – Anand Rathi Institutional Equities

Moderator: Ladies and gentlemen, good day, and welcome to the Happiest Minds Q2 FY '26 Earnings Conference Call hosted by Anand Rathi 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 this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sushovon Nayak from Anand Rathi Institutional Equities. Thank you, and over to you, sir.

Sushovon Nayak: Thank you Pavan. I hope my voice is audible.

Moderator: Yes, sir.

Sushovon Nayak: Good morning, ladies and gentlemen. Thank you for joining us today for the Q2 FY '26 earnings call of Happiest Minds Technologies Limited. On behalf of Anand Rathi 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, Chairman and Chief Mentor; Mr. Joseph Anantharaju, Co-Chairman and CEO; Mr. Venkatraman Narayanan, Managing Director; Mr. Rajiv Shah, Executive Director; Mr. Ram Mohan, CEO, Infrastructure Management and Security Services; Mr. Sridhar Mantha, CEO, Generative AI Business Services; Mr. Anand Balakrishnan, CFO; and Ms. Priyanka Sharma, Head of Investor Relations.

I will hand it over to Priyanka for Safe Harbor statement and to take the proceeding forward. Thank you, and over to you Priyanka.

Priyanka Sharma: Thank you Sushovon. Good morning to all participants on the call. Welcome to this conference call to discuss the financial results for H1 and second quarter ended September 30, 2025. I'm Priyanka Sharma, Head of Investor Relations. We hope you had an opportunity to review the earnings release we issued yesterday evening.

Let me quickly outline the agenda for today's call. Ashok will begin by sharing his perspective on the business environment and our results. Joseph and Venkat will then discuss our financial performance and operational highlights. Following that, we will open the floor for questions.

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 to update these statements periodically.

With that, let me now hand it over to Mr. Ashok Soota.

Ashok Soota:

Thank you, Priyanka. Good morning, everyone, and thank you for joining us today. We are really happy to share that our strong H1 FY '26 results with revenue growth of 11.8% in constant currency and EBITDA margin of 20.8% reflect the continued success of our 10 strategic transformations. These transformations were announced in the last quarter of FY '25 and are now visibly yielding these excellent results.

Amongst them, the most defining organizational change was that Joseph Anantharaju became the Co-Chairman and CEO. I'm happy to advise that Joseph has really settled into his enhanced responsibilities remarkably well and the impact of his leadership and the structural changes he has driven are clearly visible in our performance this half year.

Two of our strategic initiatives, in particular have been pivotal in accelerating growth; the creation of our generative AI business unit and our sharper focus on expanding Net New Accounts. The generative AI business unit has been a standout performer. Since its launch in October '24, it has scaled rapidly and become one of our key growth engines.

GBS delivered 77.8% year-on-year growth in constant currency for Q2 and 79% for H1, along with 15.3% sequential growth this quarter. This is amazing numbers and a clear reflection of how our customers have responded to our AI and Gen AI-Led solutions. What is even more heartening is that many of

our solutions are highly replicable. And as we take these to other customers, it will lead to further accelerated growth.

Equally encouraging is the momentum from our Net New Sales initiative. The independent sales unit has strengthened our go-to-market discipline, accelerated client acquisition and expanded our opportunity pipeline, creating a solid base for future growth.

The success of these two initiatives, GBS and NN underscores the effectiveness of our strategic direction and validates the investments made. Both are deeply linked to the structure and cultural shifts Joseph has championed, including agility, accountability and AI-first mindset across the organization.

Our consistent performance in a muted demand environment reaffirms the resilience of our AI-led offshore model. Each of our 10 transformations is now delivering measurable outcomes from faster decision-making and sharper vertical accountability to enhance productivity and operating leverage.

Together, these are structurally strengthening Happiest Minds for the long term. I would say it's the combined impact of Joseph's leadership, the rapid scaling of GBS and the momentum from our NN sales engine that gives us the confidence and this is important.

We are raising our earlier commitment, which was for three consecutive years of double-digit growth. We are now raising this to four continuous years of double-digit growth. This reflects our confidence in our pipelines.

It reflects our confidence in getting accelerated growth through these businesses that we've talked about and the many other areas which will now start contributing more heavily. And it also shows the predictability of our business model as we proceed ahead with our AI-driven transformation portfolio.

With that, I would like to thank all our customers, our partners, shareholders and mindful innovators for their continued trust and commitment. I now

invite Joseph to take you through the business highlights and customer success stories for the quarter and the half year.

Joseph Anantharaju: Thank you, Ashok, and good morning, everyone. We have delivered a robust H1 FY '26 performance with revenues of US\$129.5 million, growing 11.8% in constant currency and delivering EBITDA margins of 20.8%, well within our guided range. This reflects the continued success of our 10 strategic transformation and reinforces our ability to deliver consistent profitable growth even in a challenging demand environment.

In an industry context where most peers reported flat to mid-single-digit growth, our performance stands out, which was powered by a strong offshore model, domain focus and early test on Generative and Agentic AI. So let me begin with the demand environment.

Across industries, clients are reprioritizing spend towards cost efficiency, AI-driven productivity and digital modernization. While discretionary budgets remain tight, we are seeing a clear rise in investment intensity across data, cybersecurity and generative AI, areas where Happiest Minds is uniquely positioned to lead.

Our Generative AI business unit continues to be a major growth driver. The success of this unit is evident from 22 transformative AI use cases that have now scaled into replicable projects, unlocking GBS-led sales potential of nearly \$50 million over the next few years. These projects are shaping how enterprises adopt AI-first architecture. We are building intelligence to platforms and processes to deliver measurable business outcomes.

As part of these initiatives, we are also discovering major challenges with the customers' data in terms of silos, quality and governance, leading to significant opportunities. At the same time, customers are also realizing the architecture is not optimized for AI, leading to modernization projects. Our investment in an independent Net New sales unit has also begun to deliver strong results.

During H1, we added 30 new clients generating approximately \$9 million in revenues and representing a potential of \$50 million to \$60 million over the

next 3 years. This NN engine combines domain-led hunting with AI-powered account intelligence, allowing us to enter large high-quality logos and scale them rapidly.

What's even more encouraging is that over half of these 30 new clients have already expanded into multiple initiatives within months of onboarding, a clear reflection of their confidence in us and the early cross-sell traction we are seeing. Let me share a few wins from Q2 that clearly demonstrate this traction.

For a Fortune 100 insurance company, we are executing a large-scale database modernization and migration program, positioning ourselves as a strategic partner in their core technology transformation. For a global health tech leader in Europe, we are strengthening their cybersecurity posture through advanced threat analytics and zero trust architecture.

For a global information services company, we are embedding generative AI into their quality and engineering processes, reducing cycle times and enhancing accuracy in test cases generation. For a US-based cloud provider, we won a multiyear network managed services engagement leveraging our cloud ops and platform engineering capabilities.

From a business unit perspective, growth in H1 was well distributed with GBS leading the momentum, growing more than 79% in constant currency. GBS grew 9.6% driven by modernization and H3 transformation programs while IMSS delivered 3.6% growth backed by sustained demand in cybersecurity and cloud services.

From a vertical perspective, Retail CPG, Health Care and Hi-Tech industry groups demonstrated strong growth during the quarter and the half and we expect this to continue in the second half based on the pipeline that we currently have.

Our industry group verticalization is deepening engagement across focus sectors. BFSI continues to be our largest vertical powered by proprietary platforms such as Arttha and Insurance in a Box, enabling digital payments, AI-based credit scoring and Agentic AI-driven claims automation.

In EdTech, we are driving recovery through digital campus enablement, personalized learning path and AI-powered assessments, allowing us to target institutes and universities where we have small presence and can lead to replicable sales.

In HealthTech and Life Sciences, large database migration and AI-driven compliance programs are fueling next-gen health care development. Retail and Manufacturing are benefiting from Connected Commerce and Industry 4.0 initiatives, while Hi-Tech and Media are seeing renewed demand for Gen AI-based campaign management and ad-tech optimization.

Geographically, the US remains our largest contributor with India and Europe showing steady improvement and the Middle East and Africa emerging as high potential AI markets. Operationally, utilization improved to 80.7%, the best in over 3 years. The scale achieved by GBS and the strong offshore mix contributed meaningfully to operating leverage and delivery excellence.

Looking ahead, our priorities for H2 are clear: to deepen AI integration within existing accounts, continue looking for vertical use cases in gen AI and AI to get long-term revenues, scale net new logos into multimillion dollar relationships, continue focusing on a HIPO strategy to grow more million-dollar customers and move them up the ladder and sustain profitability through disciplined execution and high utilization.

Backed by momentum in Generative and Agentic AI and the strong visibility from both GBS and NN pipeline, we are, as Ashok mentioned, raising our growth commitment from 3 to 4 consecutive years of double-digit revenue growth to FY '28.

With that, let me hand it over to Venkat for the financial review and outlook.

Venkatraman Narayanan: Thank you, Joseph. Good morning, and happy Diwali to all on the call. For the next few minutes, I'll take you through the financials and operational highlights for the first half and the second quarter of '26.

We have delivered another encouraging set of results at the end of the second quarter. When I look at the performance across the industry, I feel even more

positive about how we have executed and maintained consistency despite a difficult environment.

For the first half of FY '26, revenues stood at 129.5 million, reflecting a growth of 11.8% in constant currency, well aligned with our double-digit growth guidance for the year. The transformational changes we initiated last year are clearly translating into results. In rupee terms, our revenues were INR1,123 crores, up 14% year-over-year, demonstrating healthy momentum across all our business units.

Our total income for H1 stood at INR1,175 crores. On profitability, EBITDA was INR244 crores at 20.8% of revenue, comfortably within our guided range of 20% to 22% for the year. Our operating profit at INR194 crores or 17.3% of revenues are broadly in line with the last year.

Moving to the quarter gone by. Operating revenues of Q2 stood at 65.2 million, growing 2.3% sequentially in constant currency. In rupees, this translates to [INR573] crores, up 4.3% sequentially, 10% year-over-year, aided by a favorable exchange rate environment.

Operating profit for the quarter was INR97 crores, representing a margin of 17% compared to 17.6% in the previous quarter. This quarter's margin reflects the impact of the annual pay increase with offsets coming from forex benefit, volume growth, efficiencies through higher utilization and lower attrition.

Just as a point, gross margins improved to 37.2% compared to 36.7% in the last quarter and 36% a year ago. Most of this gain has been reinvested into scaling our Generative AI business unit and the New sales engines -- which are now showing tangible business traction.

Speaking of these investments, our business, our GBS broke even last quarter and continues to deliver strong growth, improved margin and higher utilization this quarter. The team has built an impressive portfolio of 22 use cases and replicable solutions, representing a revenue potential of over \$50 million in the next 3 to 4 years.

Our Net New sales unit is now operating at an annualized run rate of about \$20 million. We have signed over 30 new clients in H1, half year 1 with a collective revenue potential of almost \$50 million to \$60 million over the next couple of years. These early outcomes validate the strength of our new business model.

Our EBITDA margin for Q2 stood at 20.2% within the guided range of 20% to 22%. With continued efficiency initiatives and cost optimization, we expect gradual improvement in both operating margin and EBITDA as we move into the second half.

Now turning to some operational metrics. Company-wide utilization improved to 80.7%, the highest in the last 3 years and compared to 78.9% in Q1. Within that, GBS utilization has improved sharply from 40.8% to almost 62%, reflecting scale and operational leverage. We ended the quarter with 6,554 Happiest Minds, a net addition of 31 over the previous quarter and gross hiring numbers of 264.

Our DSO has improved from 91 days in the previous quarter to about 88 days and we continue to work towards further improving this. Our capital return ratios have consistently remained strong with ROCE and ROE steady at 23% and 14%, reflecting our efficient capital management practices. Attrition continues to moderate. It has come down to 17.4% from 18.2% in Q1. This is on a trailing 12-month basis, and this is a trend that we hope to sustain.

Let me address a topic that has been widely discussed, which is the recent H1-B visa policy developments. I would like to emphasize that our exposure here is rather, let's say, negligible. In the past 12 months, , we have only had two professionals traveling to the US on H1-B visas. Our strong offshore delivery model and diversified geography mix have insulated us well from such external changes.

Given our healthy cash flows and strong balance sheet, the Board has declared dividend of INR2.75. Looking ahead, our focus remains on accelerating growth in AI, cloud, cybersecurity and data-driven transformation across our key verticals while maintaining financial discipline and margin resilience. Our aspirations for FY '26 remain unchanged. It is to

deliver double-digit revenue growth in constant currency and maintain our EBITDA in the 20% to 22%...

Moderator: Sorry to interrupt sir, but we are losing your audio in between, sir. Sorry to interrupt, sir. May I request you to please re-read the last sentence that we lost that audio in between, sir.

Venkatraman Narayanan: Yes. Our aspiration for FY '26 remain unchanged and it is to deliver double-digit revenue growth in constant currency, sustain EBITDA margins in the 20% to 22% range. With continued investments in talent, AI and operational excellence, we are confident of delivering sustainable and profitable Growth in the quarters ahead.

Thank you for your time and continued trust. I will now hand it over to the moderator to open it up for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Aditi Patil from ICICI Securities.

Aditi Patil: So my first question is on what has led to the decline in this quarter in our Infrastructure and Security Services and Financial Services vertical.

Joseph Anantharaju: Ram, you want to take that Ram.

Ram Mohan: On the Infrastructure and Security side, we had one of the large customers who is actually going through a new proposal and some of the things which we were supposed to continue with some of the deals have stopped because of the new proposal. So that is one reason.

And the second reason is there was one of the deals which actually was supposed to happen in the quarter 2 has been pushed to quarter 3. So these are the two reasons why we had a little less growth in the Infrastructure and Security business.

But on the other hand, we have seen some good progress and we are -- our pipeline is looking good for quarter 3. And we believe that we will be able to improvise in quarter 3 going forward.

Ashok Soota: Sure. And if I can just add, Ram out here, we should also note that Q1 had increased by 7.23%. So in a way, it's kind of still very much in the plus if you look at these variations. And then with these changes, which Ram has talked about, we should be very much into getting back on to a good growth path.

Aditi Patil: Okay.

Joseph Anantharaju: Aditi, addressing BFSI, addressing your question on BFSI, overall, we still continue to be quite bullish and we see good traction in the BFSI space. The slight drop that you see on a quarter-on-quarter basis, which is a little bit of an anomaly because we've been growing otherwise over the last few quarters is for two reasons.

One is our Artha banking platform, some of the deals that we had that we expect to close during the quarter, we couldn't sign the contract and therefore, recognize the revenues in Q2, and they've got that right shifted into Q3. So we should be able to recognize those revenues in Q3.

And we also -- you'll also notice that APAC had a little bit of a drop during the quarter, and that's come in the BFSI space. One of our large customers out there had a temporary ramp down and they're going to start this back in the new year when they get their additional budgets. And therefore, you will see that the overall performance of BFSI will get back to positive trends in the second half of the year.

Aditi Patil: Okay. Got it. And my third question is on -- can you give more color on how our win rate and pipeline has improved post our focus on the winning Net New large deals and also how the size of deals has improved?

Joseph Anantharaju: So I'll first address the pipeline at a broader level. And if I'm not mistaken, you asked how our Generative AI pipeline has improved, right?

Aditi Patil: Net new...

Ashok Soota: The Net New.

Joseph Anantharaju: Net New, okay. Net new. So overall, our pipeline, if you look at it at the end of the quarter was around 20%, 25% higher than what it was at the beginning

of the quarter. And this represents, I would say, progress on multiple fronts NN. And I'll come to how NN is looking. Generative AI, which we touched upon in our commentary where we had the 22 use cases and we're looking at \$50 million of revenue over the next 3 to 4 years. So very positive about that.

And Ram touched on the IMSS opportunity, some of the large RFPs that we are addressing and overall, our HIPO strategy, that's also giving dividends and adding to the pipeline. So when we look at our NN initiative, the team has just come together finally during the quarter. We had quite a few -- we had a couple of people that joined during the quarter. And I think it's creditable that in spite of the team not being fully formed, we were able to close 30 new logos during the first half of the year.

And many of these logos are Fortune 500, Fortune Global 1000 customers, and we are very positive that we will be able to convert these into million-dollar customers, which is why we are projecting out that the \$9 million that we've done in the first half of the year from these customers will translate into \$50 million to \$60 million over the next 3 to 4 years. And this is reflective of the pipeline.

Now having said the \$9 million, we expect the trend to continue into the second half. The team has got quite a few new opportunities. Some of them are really large in multimillion dollars, and we expect this to be one of our growth drivers both in the second half and for the next 3 to 4 years.

Moderator: Our next question comes from the line of Dhanshree Jadhav from Choice Institutional Equities.

Dhanshree Jadhav: Good Morning everyone and congrats on great set of numbers. So my question was we are talking about double-digit growth. The first half has already been done with. So should we see -- as we see some of the deals have been pushed over in third -- okay, continue to Q2, should we see Q3 and Q4 and top line should be better than what we have seen in last 2 quarters? And then we are talking about the \$50 million of gradual improvisation in the dollar 9 million-- size of client revenue. So what will be the time line for that if I can get?

Joseph Anantharaju: Venkat, do you want to take that?

Venkatraman Narayanan: Yes. So we should be able to do a decent quarter in Q3. One is obviously the trend of the pipeline is good. On top of that, yes, in IMSS, we had a slippage from Q2 to Q3, which is, again, a security deal, which is almost in place right now and we are reasonably confident that we'll have that done in Q3. So that's one on IMSS.

The second point is the aspect of Arttha banking deals, which we -- which did not happen in Q2 those are also most likely, we are very confident that they will also happen because Arttha banking is seasonally strong in Q3 and Q4. So that will happen in Q3 and Q4. So we are confident that, that will also happen. Yes, Dhanshree, to a certain extent, the trend of improvement in volume growth will be aided by these 2 couple of -- these 2 deals, which comes into the next quarter.

Ashok Soota: And Venkat, I could just add that Gen AI will clearly all the use cases which we have signed up, many of them will be starting billing in Q3 and Q4.

Venkatraman Narayanan: That's right Ashok. Did that answer your question?

Dhanshree Jadhav: Yes, thank you

Moderator: Our next question comes from the line of Sushovon Nayak from Anand Rathi Institutional Equities.

Sushovon Nayak: So if I remove the impact of the other income, what you service is that your margins have actually improved versus the last quarter. If you could just possibly help us quantify what would be the impact of currency, wage hike, that would be helpful.

Venkatraman Narayanan: Yes. So Sushovon, we have given -- we have started reporting operating margin, taking off any sort of a noise from the other income. So, at an operating margin level, we are at about 17% compared to 17.6% and 17.3% with versus last quarter -- 17.9% and 17.6% in the last quarter of the last year.

Now we did have exchange rate benefit. Net exchange rate benefit was in the region of about INR10 crores because we had forex losses also. On our

forwards, we follow a structured approach, a ladder approach. So we had losses. Our pay increases were in the region of about INR11 crores to INR12 crores. So if you set off that, the rest of it has come from the benefits that we talked about utilization and the improvement in attrition and GBS doing better.

Now to give you a color of all of this, that's why I alluded to the gross margin. If you look at our investor presentation, that's there in entire P&L data sheet we have given the gross margins. We did see a perk of gross margin to 37.2%.

Moderator: Our next question comes from the line of Aditi Patil from ICICI Securities.

Aditi Patil: Thank you for the follow-up opportunity. This quarter, we had cross currency headwinds of around 111 bps. Can you help us understand what has led to this headwind? This is higher than what we have seen for other peers in the industry?

Venkatraman Narayanan: You mean headwinds? I just quantified the...

Aditi Patil: On the revenue side.

Venkatraman Narayanan: So we didn't have a headwind. We had a benefit, right? So benefit was about, if I remember my numbers right, INR15 crores or INR16 crores, net of the forex loss that we take on realized forwards, that would be about INR7 crores, net of about INR9 crores to INR10 crores is the gain that we got into the margin. On to the top line, in rupee terms, it is about INR16 crores, if my number is right.

Aditi Patil: Okay. I was referring to USD growth of like 1.2% versus CC growth of 2.3% in Q-o-Q terms, difference between these 2 numbers?

Venkatraman Narayanan: That is because if you look at it, our growth has substantially come from geographies outside of US, while US has remained steady. In the geo split, we are at about 60% compared to the 59.3% for some last quarter. We have touched 60% this quarter. So the growth that has come is largely from the geographies of India, Middle East, APAC.

And when you consider in the dollar, we have been able to do those currencies have remained -- have done better. So on a constant currency basis, that has helped us show the growth.

Aditi Patil:

Okay. Okay. My next question was on the outlook on our SG&A costs. So for last 2 years, we have been, like our SG&A costs have been growing higher on year-on-year terms versus revenue. And would this intensity continue? And what would be the key spend areas in SG&A going forward?

Venkatraman Narayanan: Our SG&A has been primarily in putting the new sales engine in place, Aditi. So that's something that started early last year, and the team is almost now fully in place. The second thing is we also got into verticalization last year and when you get into verticalization, you have certain SG&A cost that's required because now the sales structure is one-off. The New-New sales opportunities are opened by the New-New sales team and they are followed in by the verticals and then you get in the presales. So you've got a couple of layers that are added to the business and business support layer, which has added to this cost.

But like I called out in my speaking notes, we are looking to bring in efficiencies now that things are stabilizing, looking at how to manage these costs. I would don't want to use the word control, but manage these costs to get more efficiencies from them. So that's on the SG&A. But we are looking at it very carefully and hopefully, it will not be a linear trend. It's not expected to be a linear trend also.

Joseph Anantharaju:

And some of these other things we should look at as investments, Venkat alluded to the industry groups that once you got client and bring in an industry group and in each industry group, there are typically subindustry or sub domains, right?

Like if you look at BFSI, you have banking, you have capital markets, you'll have insurance. If you look at health care, there will be life sciences, pharma providers. And each of these sub domains have their own specific needs and requirements.

So you need to get sub domain heads who can talk that language to customers, take a consultative approach. And those revenues from these investments are increasing. And over a period of time, they will outweigh the cost and we'll get returns on them. So that's one, right?

The second is realizing the state of the market, we've pushed our domain technology leaders and our salespeople to travel more and be at the customer location and have more in-person meeting. I think this is leading to much more stronger relationships and identifying opportunity as reflected in our growth.

And the third point I want to touch on from an SG&A perspective is that we are also investing heavily in marketing and events. We've got an NN sales team, as Venkat pointed out, which is a fair bit of the SG&A cost that has increased over the last year.

And having made such investments, I think we need to enable them with the tools, getting them to events where they can meet with prospective customers. So all of this, I look at as investments start paying off.

As you see the 30 logos that we closed, we are projecting that over 3 years, it will yield us \$50 million revenues also. So I look at it a little differently. But having said that, as Venkat pointed out, we will look at where we can manage our cost as well.

Aditi Patil:

Okay. Got it. Okay. And my next question was on Gen AI BU. So can you give more color about how the nature of work has evolved over past 1 year in terms of size of deals, complexity of the deals and nature of contracts, whether they are T&M or outcome-based?

Sridhar Mantha:

Sure. So thanks for the question. This is Sridhar. I'll address each one. For example, the nature of the deal from the T&M and fixed bids point of view, 1 year back when we initially, 1.5 years back when we initially started working, we actually had approximately 80% of the projects going as fixed bids because most of the projects in the initial stages for POCs, somewhat reasonably well defined and customers also not willing to put a lot of money.

So from that stage at this point in time, we started moving more and more into external engineering team, 1 year quad structure, which typically is like 5 to 6 people kind of quad structure, one commitment from the customer. So we started moving into that direction. However, compared to the rest of the company, we still are approximately 50% fixed bids compared to the external engineering team.

Typically, the rest of the organization of Happiest clients is around 9% to 10% of the fixed bids. So we also want to work on longer engagements because the customers are also getting clarity. It is no longer a 2, 3 months prototype let us see and wait. They're committing for the 1-year road maps, etcetera. Now in terms that's the last question that you asked.

And in terms of the scope of the work and the nature of the work, right? So two things are happening. One is, of course, the Agentic AI came like a storm, layering on the top of the LLM technologies, etc. And also we are working on complex use cases along with the platform development. So we started seeing integrated deals and which are larger ticket price for Happiest Minds.

This Generative AI plus AI use cases that part alone reaching closer to million in a couple of deals that started making us to believe that we slowly started crossing the inflection point of the technology adoption, and that's where Ashok, Joseph and Venkat alluded that we have much higher confidence about the replicable sales of having larger ticket deals.

The last point I want to add is about the replicable sales, right? Now with this technology, we started seeing the same use case being asked by multiple customers. I take something very simple like a virtual tutor, something all of us can understand, right? Now every EduTech company requires a virtual tutor kind of use cases. Now similarly, across multiple domains, multiple use cases where we already have customer success and taking them to the market.

Aditi Patil:

Okay. That color is helpful. And I had a next question on the EduTech vertical. So that has been the revenue in that vertical has been ramping down since last few quarters. When should we expect the revenue run rate to stabilize?

Joseph Anantharaju: Yes, I think your observation is right. And as I have shared in the previous earnings call, that's a segment that has had a little bit of challenges over the last couple of years. Having said that, I think some of the headwinds that we were facing I think by Q3, we should see bottoming out.

But on the other hand, as I pointed out in my commentary, we are seeing opportunities based on Gen AI in a new segment, in the Institution and University segment, where the scope to manage the student life cycle and their experience and improve their engagement and actuation rate offers us a huge scope for replicable sales across many institutions and universities.

This quarter, we managed to get a multimillion dollar -- close to \$3 million SOW with one of the leading management institutes in Asia for implementing an end-to-end solution and a platform for them. And this is something that this experience we can take to other universities. And this is based on a consulting exercise that we have done in the previous quarter.

On similar lines, but much limited scope, we've signed one of the universities in US to do a consulting exercise, which we expect will lead to implementation over a multiple year cycle starting next quarter. And the end goal is to see if we can take over their entire infrastructure and application and run it for them while they focus on educating their students.

And we are also in discussions with a couple of universities in Canada on similar lines. And we believe that once we have some experience, we could even look at building some of these solutions and modules that we could take to universities, and this should allow us to see a recovery in the EduTech segment going forward. This systemic strategy that we are doing and we're already seeing results on this Aditi.

Moderator: Our next question comes from the line of Sushovon Nayak from Anand Rathi Institutional Equities. Please go ahead.

Sushovon Nayak: Just a couple of questions. Sir, are you seeing any productivity-related benefits pass through on account of Gen AI, which may potentially impact the pricing or the margins for that matter of fact? That's one. And if you could

also give us some flavor about how the PureSoftware as well as the Aureus acquisitions are now faring? Just wanted to know.

Joseph Anantharaju: Sure. So if you look at our, if you break up our whole Gen AI strategy into 2, one is demand as well as supply. And the supply is, how do we bring in some of these productivity tools to increase the productivity of our engineers. And in our fixed price projects, we are making sure that we include gen AI at the core at the proposal stage and base our estimation of the productivity enhancements that we get from using these tools. And I'll come back to an offering that we have, which is also interesting.

And what we are doing here is we are sharing the productivity enhancement and the benefits that we get with the customer. So we keep part of it because there's a cost of training, cost of tools, etcetera. And we pass on part of the benefits to the customer, right?

And from a pricing perspective, for Gen AI-based project, what we are seeing is that we're getting 20% to 25% premium over our standard rate card. And this is just the demand supply and the outcome that these initiatives and our team is able to drive, right? So that was the first question. Can you just repeat the second question, please? Okay. So I think both of them are progressing really well, as we can see in our BFSI performance over the last few quarters, it's been growing quarter-on-quarter.

And both of them are heavily leveraging some of the capabilities that they did not have within their own units, things like security, data and analytics, AI and especially Gen AI. So we've been able to do a fair bit of cross-selling of these skills and capabilities to some of PureSoftware and Aureus customers.

And we're looking at how to take some of our domain capabilities because being smaller, they've not really verticalized. But as we verticalized 2 years back and we built fair bit of domain capabilities. So we're able to take these capabilities and take a more consultative approach, take up the stream in terms of discussions and drive value and become a much more value-adding partner to some of these customers.

At the same time, we are working closely with both of these companies on 2 of their solutions. And with PureSoftware, we've been working on Arttha banking platform, making investments into the platform to take it first into India. And as we speak, we are working with a couple of cooperative banks out here to implement this Arttha banking platform for these 2 cooperative banks.

We are also have Insurance in a Box platform that we worked jointly with Aureus. We should be signing a few customers by end of this month in Africa. And this will be a 5-year deal that will give us an ARR of at least \$500,000 just for these 3 customers, and there are multiple other customers out there.

So I think overall, there's bit of synergies and there's value being driven both ways from the Happiest Minds organization to PureSoftware and Aureus and we're taking some of their capabilities and taking it to our customers.

Sushovon Nayak: If I may just ask a couple of other questions.

Priyanka Sharma: Sushovon you need to be louder.

Sushovon Nayak: If I may ask a couple of other questions, is that -- is my voice audible now?

Ashok Soota: Yes.

Sushovon Nayak: So any reason for the other income having significantly reduced this quarter? And the other bit is on the segments, Retail and Manufacturing segment, while most of the other larger peers have maintained a comparatively weaker commentary on these 2 segments, we observe that both these segments have done really well. Any particular reason for that? If you could just give us some color on that?

Venkatraman Narayanan: Other income is an easy answer. The other income is an easy answer. It's essentially we have got 80% or 70% of our investments into mutual funds, which has been doing very well. But thanks to the trade and the tariff tussle that was happening last quarter, we had a little bit of buffeting of returns, now which is back to 8% plus. We touched 6% and thereabouts last quarter. So that's the only reason.

Joseph Anantharaju: I'll take Retail and Manufacturing and both separately and give you a little bit of view. As you rightly pointed out, Retail has grown really well. If you look at from Q1 to Q2, the growth is almost 10%. And there are 2, 3 reasons that have driven this growth. You also noticed that Europe has grown quarter-on-quarter, right? And there's a correlation between the 2 actually because some of the deals that we closed in Europe during the quarter were in the Retail CPG space.

One of them is one of the largest players in natural food. The other one is one of the largest bottlers for a leading beverage manufacturer in Europe, right? So both of these engagements started. There's a -- the bottler is a Gen AI use case that we are implementing for them. And if you want some details, we could provide that. Whereas the other company that I talked about, we are doing multiple projects for them on data, on gen AI and on business intelligence.

We're also seeing traction in Australia with retail customers. We have quite a few of the leading retail companies in Australia as a customer and we added a couple more during the quarter. And couple of others that we had, we have also ramped up. And that's why you're seeing an increase in revenues for the Retail and CPG segment.

So for Manufacturing, one of our large customers in India, we saw an uptick in revenues. I think it was a little cyclical probably. They had dropped during Q1, and we saw that inflow of projects that we are able to execute.

Now having said that, the revenue from Manufacturing stand-alone, we typically look at Manufacturing and Industrial together is around \$2 million and it's gone up by to around \$2.1 million. So it's around \$130,000, not that much, but the reason is this India automotive company where we're able to get additional projects and that has resulted in the growth.

Moderator: Our next question comes from the line of Vinesh Vala from HDFC Securities.

Vinesh Vala: Given the strong operational performance during this quarter. So, my question I have a few questions. One was related to the geography. The US geography during this quarter had shown a sequential improvement after the

three quarters of decline. So the question was, is there any spending pattern change or still the deals are related to the cost optimization deal or Gen AI focused deals are coming in?

Joseph Anantharaju: Sure. So if you look at US, as you rightly pointed out, we had around 3% increase quarter-on-quarter in revenues. I would attribute this to 3 reasons, right? The first, as you rightly pointed out, is Gen AI, and you see it in the Gen AI numbers. Quite a bit of our majority of our gen AI revenues come from US, and that has contributed. So gen AI has contributed to the growth in the US geo.

We also talked about NN, right? And the NN team that we've created separately, we started with US and India because between the 2, they account for 80% of our revenues. And if you see both India and US have grown quite well. So if you go back to the statement that we made that the 30 logos that we've signed, they yielded \$9 million revenues in the first half. The majority of that has come from US and that again has contributed to the growth that you see.

And that's the reason we're feeling bullish and projecting \$50 million over 3 years 3 to 4 years from these logos that we've closed. We're also seeing initial positive signs from our HIPO strategy where we've had a couple of customers that had grown based on focused mining effort.

But in terms of spend, we've seen more of at least the deals that we've closed, the revenues we've got based more on AI and Gen AI-based initiatives. We had a couple of consolidation deals, the one that I talked about where we were able to grow significantly through account mining.

That was a consolidation that we were able to engineer with the customer cost savings that we're able to drive back to the customer productivity enhancements. But more of our needs and requirements we are seeing in AI and gen AI and data space.

Vinesh Vala: Okay. Got it, sir. Another one was regarding the furloughs. How do we expect the furloughs in the next quarter? Do we have a seasonality impact of normal

furloughs? Or do we expect that it to be higher? And another one was on the utilization.

As you pointed out, our utilization has improved to 80%, which is highest in past 3 years. So do we expect that to improve further and which would be adding our margins going ahead? And what would be the comfortable range of utilization going ahead?

Joseph Anantharaju: Sure. So if you look at furloughs, we typically get minimally impacted. It's too early to talk about it because customers come back to you only towards the end of second half of November or first week of December.

But as I see the customers that we have and the nature of engagement, my belief is that we should not be impacted by furloughs because a lot of the work that we are doing are quite critical and customers need to get these initiatives and these projects out and into production to customers and to the employees.

So I don't believe we'll have much of an impact from furloughs. We have taken a goal of getting utilization above 80% and I'm very gratified to note that it's at 80.7% and we expect to keep it at this level and if possible to move it slightly up as well, right because there are still pockets and we are approaching this in a segmented manner, looking at specific skill sets and development centers and seeing how we can push up utilization.

So there could be scope for 1% or so. But from a margin perspective, I think we maintain the 20% to 22% EBITDA that we've consistently committed to and which we will deliver on.

Moderator: Our next question comes from the line of Ruchi Makhija from ICICI Securities.

Ruchi Makhija: It's been a year or more than a year since we acquired Aureus and PureSoftware. Could you summarize the integration and the synergy benefit from these two acquisitions?

Joseph Anantharaju: Sure. I kind of touched on this a little earlier, but I'll kind of, I'll recap what I talked about. See both Aureus and PureSoft, Aureus was stronger in the insurance space and PureSoft was stronger in the banking area, right? And

they had their own strength, own platform engineering, which is Arttha Banking and one of the reasons we acquired both of these companies apart from the fact that they really augmented and enhanced our BFSI capabilities and presence in the market.

But there were also areas that both of these companies did not have capabilities and hence were leaving opportunities on the table for instance, security, infrastructure, gen AI, analytics, these are areas where we've been able to identify opportunity and do more of cross-selling.

But at the same time, some of the domain skills that both Aureus and PureSoft have, whether it's in insurance or in banking is something we've been able to take to some of our existing customers. But more importantly, to some of the new prospects that the NN team is working with.

We are able to take some of the experts from both of these companies and have them join the sales team and represent the domain capabilities out there and enhancing and increasing our probability of winning these deals. And we won a few of these deals in both insurance and banking space.

Again, on the platform, as you know, PureSoftware has Arttha as banking platform. And we've been working closely with the architect of the platform, the business owner to make investments in the platform to take it to market starting in India because they don't have any presence in India.

Currently, the customers are in Southeast Asia and Africa. And as we speak, we have a couple of POCs or I would say, semi-implementation going on for a couple of cooperative banks. And this should open up the India market for Arttha, which is something that we are helping drive along with the PureSoftware leaders.

On Aureus, we've put together an Insurance in a Box. Some of the ideas and thoughts came from Happiest Minds, some of it came from Aureus. And we're taking this as a platform to MGAs starting this South Africa, where we already have pre-committed customers and the business model is ARR based on 5-year deals, right?

And there are multiple other such MGAs that we can cross-sell into. And then we look at how do we get into other countries and other viewers or continents. And so that's the other area where we are expecting synergies out of these two acquisitions.

Moderator: We have the next question from the line of Dhanshree Jadhav from Choice Institutional Equities.

Dhanshree Jadhav: My question was on pricing. We said that in Gen AI, we have been able to get a 25% increase in pricing. So just wanted to know other than Gen AI, how is the pricing conversation as of now with the clients? Some data points if you can share there? And my second question is on hiring plans for the current year.

Joseph Anantharaju: Can you repeat the question. It wasn't very clear. Can you please repeat it?

Dhanshree Jadhav: Yes. On pricing, we said that in Gen AI, we are getting a premium of 25% as of now. So just wanted to understand how this has been the blended or other than Gen AI, how is the pricing and the conversation with the clients as of now and our hiring plans?

Joseph Anantharaju: Sure. So this is a blended or average rate, right? The rate range could vary from anywhere from 32% to 45% or 50%. And again, it varies between the customers who we see have huge potential and therefore, sometimes make semi-investment, which and of course, be -- but what we get out of that is an entry into these customers. And at the same time, it also helps build some of the replicable use cases that we talked about, right?

Once we are able to implement it, we understand what it takes, what are the customer requirements. And so that's how we arrived at that 20% to 25% premium on the standard rates or the average rates that we get for the rest of the business.

In terms of hiring plans, I think it's good to track the pipeline and the revenue growth. We did a headcount increase of 31 in Q2. As I mentioned earlier, we still see a little scope for increasing our utilization. So we'll have to factor that in and then reflect it on our growth to project out our hiring plan.

But my expectation is that we will be we'll continue adding headcount both in Q3 and Q4 because we have a good pipeline. And as Venkat pointed out earlier, we are optimistic on our revenues and performance for Q3.

Dhanshree Jadhav: And when should we start reporting the TCV numbers like or the bookings?

Venkatraman Narayanan: We have not been reporting TCV because that's been it's not a consistent number that we have. It's a there has been reasons such we have clearly given out as in the in our previous calls. There is no uniform formula into how these things are communicated. It's just numbers which are cited at a point in time.

Rather, we give out numbers of our repeat business, we give you our new-new business numbers. We give out our pipeline as a percentage of where we stand. But TCV number, it doesn't make too much of a -- at least from our side, we thought it doesn't make too much of a sense. That's why we've not been giving it.

Joseph Anantharaju: Just to add to what Venkat said, many of our opportunities or revenues come from more of land and expand. And so let's say, a couple of examples I gave where we did discovery a consulting exercise. We typically will do it at maybe \$100,000 to \$200,000, but the implementation would be a few million.

So would you have TCV at \$2 million or \$2.2 million or \$3.2 million and you don't know the 3 million you do your consulting exercise and go to the customer. And that's the reason why we -- because we don't want to paint muddy or confused picture, we want to be consistent.

Moderator: Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Ms. Priyanka Sharma for closing comments. Over to you, ma'am.

Priyanka Sharma: Thank you all for joining us today. We sincerely thank Anand Rathi for hosting this call on our behalf. We look forward to continued engagement with all our investors and analysts. For any follow-up queries, please feel free to reach out to the Investor Relations team.

This is Priyanka Sharma signing off, and you can reach out to us on ir@happiestminds.com Thank you once again, and have a great day, guys.

Moderator:

Thank you. On behalf of Anand Rathi Institutional Equities, that concludes this conference. Thank you all for joining us. 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.