Operator: Ladies and gentlemen, good day and welcome to Happiest Minds Technologies Ltd. Q2 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Aditi Patil from ICICI Securities. Thank you, and over to you, Ms. Patil.

Aditi Patil – ICICI Securities: Good morning, ladies and gentlemen. Thank you for joining us today on the Q2 FY27 earnings call of Happiest Minds Technologies Ltd. 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. Mohan 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; and Mrs. Priyanka Sharma – Head Investor Relations.

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

Priyanka Sharma – Head Investor Relations: Thank you so much, Aditi. Good morning to all the participants on the call, and welcome to the conference call to discuss the financial results for the second quarter and half year ended September 2026.

I am Priyanka Sharma, Head of Investor Relations. We hope you have [overlap] to review the news 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 then 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 202-27. Following the management commentary, 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 any obligation to update these statements periodically.

With that, let me now hand it over to Joseph. Joseph, over to you.

Joseph Anantharaju – Co-Chairman and CEO: Thanks, Priyanka. Good morning, everyone, and thank you for joining us to discuss Happiest Minds Technologies' financial results for the second quarter and first half of FY27.

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We delivered another quarter of healthy growth and improved operating performance. Revenue stood at 645 crores rupees, growing 12.5% year-on-year in rupee terms. Operating profit grew 22.5% year-on-year, with margins improving to 18.5%. This performance reflects the resilience of our business, the strength of our customer relationships, and our continued focus on profitable growth in a selective demand environment. Venkat will provide more details on our financial and operational performance.

Q2 has also been an important quarter in our strategic journey, as mentioned earlier, following the announcement of our proposed combination with ITC Infotech on August 31. We believe this combination presents a significant opportunity to create a scaled, AI-first global technology services enterprise by bringing together highly complementary capabilities. Happiest Minds' strengths in AI, digital engineering, data, cloud, cybersecurity, and product engineering complement ITC Infotech's expertise in enterprise transformation, SAP, PLM, Industry 4.0, and industry-specific solutions. Upon completion, the combined enterprise is expected to be better positioned to pursue larger transformation opportunities, deepen customer relationships, and compete more effectively across global markets, with an aspiration to achieve US$1 billion in annual revenue by FY28.

The proposed combination is progressing through the necessary approval processes. In the meantime, both organizations continue to operate independently, with an unwavering focus on customers, delivery, and business execution.

Let me now turn to the demand environment. Enterprise technology spending remains selective, with clients prioritizing investments that deliver clear and measurable business outcomes, especially in the near to medium term. We continue to see more opportunities across AI, modernization, data, and cybersecurity, with AI increasingly moving from experimentation towards enterprise-scale adoption. For Happiest Minds, this creates a significant opportunity at the intersection of AI and digital engineering. Customers are looking to improve engineering productivity while modernizing legacy technology estates and addressing technical debt. These shifts are also fundamentally changing the economics of technology delivery and shaping how we think about our own business model.

As part of our AI-first, agile-always strategy, we have initiated Project Reimagine, an important strategic program focused on transforming how we skill and hire our people, execute customer projects, and capture customer value in an AI-native world. At its core, Project Reimagine is about moving beyond traditional project delivery towards customer value engineering, where AI becomes not just a productivity tool, but a value multiplier. It represents a shift from predominantly effort-based delivery towards more outcome-driven engagements, with greater emphasis on the business and technology value we create for our customers. We believe this evolution is critical to our future growth. As AI reshapes technology delivery, our opportunity is not simply to improve productivity, but to build a more differentiated, scalable, and value-oriented business that strengthens customer relationships and positions us for sustained growth.

We are also making encouraging progress in translating our AI capabilities into customer adoption and commercial opportunities. An important enabler of this transformation is ReliaBuild, our AI-powered software engineering platform designed to embed and ease the adoption of agentic AI

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across the software development lifecycle while enhancing engineering productivity and accelerating modernization. We are seeing encouraging traction, with around 15 existing customers adopting ReliaBuild across our engineering use cases.

Beyond software engineering, we are extending our AI capabilities into repeatable, industry-focused solutions. EduV, our AI solution targeted at universities, is generating encouraging interest across Southeast Asia, the Middle East, and India, as educational institutions explore AI-led transformation. We are developing a growing pipeline across multiple institutions, with opportunities spanning academic, administrative, and student-facing processes. Together with solutions such as ARTHA and Insurance-in-a-Box, these investments in platforms, reusable solutions, and intellectual property are intended to strengthen our differentiation and enable more strategic, longer-term customer relationships. Sridhar will share further perspectives on our AI progress and how these capabilities are translating into customer and delivery outcomes.

Alongside our investments in AI and engineering capabilities, we are also seeing encouraging momentum in our focused go-to-market initiatives. In the GCC space, enterprises are increasingly looking beyond traditional delivery-centric models and viewing GCCs as hubs for technology transformation, innovation, and AI adoption. We have strengthened our AI-first GCC-as-a-service proposition across setup, scale-up, and transformation. During the quarter, we secured a multi-million-dollar BOTAT, which stands for Build, Operate, Transform, Agentify, and Transfer, engagement with a global digital asset management company.

Our private equity ecosystem initiative provides another strategic avenue to engage PE firms and their portfolio companies, supporting their technology modernization, operational transformation, and value creation priorities. Together, our GCC and PE initiatives represent important growth avenues, enabling us to engage customers earlier in their transformation journeys and progressively expand relationships across AI, engineering, and enterprise technology services.

Turning to our customer franchise, we continued to strengthen our relationships during the quarter. We ended Q2 with 311 active customers and now serve 95 billion-dollar corporations, up from 92 in Q1. Repeat business increased to 95.1%, reflecting the strength of our relationships and the continued confidence customers place in Happiest Minds. We are particularly encouraged by the nature of the engagements we are winning, with an increased focus on transformation-led, engineering-intensive, and longer-term relationships.

I have already spoken about our significant GCC win. Let me briefly highlight a few other notable engagements during the quarter. A leading Indian commercial vehicle manufacturer selected us to support its next-generation connected vehicle platform and software-defined vehicle journey. With a global electronics distributor, we secured a cloud engineering engagement covering Azure administration, infrastructure automation, networking, and observability. For a US skincare, beauty, and personal care manufacturer, we secured a multi-year IT managed services engagement. These wins reflect the breadth of our capabilities and our ability to address increasingly strategic technology and transformation priorities for customers.

From an industry perspective, BFSI remained our largest vertical, contributing approximately 28% of revenues. We also saw encouraging sequential momentum in Retail and CPG, High-Tech, and Industrial, while Healthcare and EdTech continued to be important parts of our portfolio.

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Geographically, the Americas remained our largest market, contributing approximately 56% of revenues. APAC delivered healthy sequential growth of approximately 10%, increasing its contribution to 9%, while India contributed 18%.

Joseph: Cybersecurity remains another important area of opportunity as enterprise technology environments become increasingly cloud-, data-, and AI-driven. We continue to secure manageable engagements across threat intelligence, security operations, vulnerability management, identity and access management, and managed security services. We are also strengthening our AI-led cybersecurity capabilities through SecAI Genie and our AI governance offerings, complemented by a collaboration with EC-Council.

As AI adoption scales, we believe security, governance, and resilience will become increasingly integral to enterprise transformation, creating further opportunities for our cybersecurity practice.

Looking ahead, while the macro environment remains mixed, we remain encouraged by the structural growth opportunities across AI, digital engineering, modernization, cloud, and cybersecurity.

Our focus is on driving measurable customer value and profitable growth by strengthening our capabilities, evolving our delivery model through Project Reimagine, and scaling differentiated AI-led solutions and go-to-market initiatives.

Together with the opportunities presented by our proposed combination with ITC Infotech, we believe these initiatives position us to build a more competitive, scalable, and future-ready enterprise, creating sustainable long-term value for our customers, people, and shareholders.

With that, I will hand over to Sridhar to elaborate on how we are translating our AI-first strategy into execution and tangible customer outcomes. Sridhar, over to you.

Sridhar: Thank you, Joseph, and good morning, everyone. Joseph has spoken about the growing importance of AI in enterprise transformation and how we are positioning Happiest Minds to capture that opportunity. I will focus on how we are translating this strategy into engineering capabilities, reusable platforms, and tangible customer outcomes.

Our AI journey continues to be centered around three priorities: making AI native to solution design, embedding AI across engineering and delivery, and building the platforms, skills, and governance necessary to scale enterprise AI adoption.

Let me start with solution design. The multi-million-dollar {? BOTAD ?} deal Joseph talked about has interesting AI productivity elements as key outcomes that helped us secure the deal. We committed to a certain AI productivity percentage as part of the transformation by agentifying the entire SDLC process by FY28.

{? ELLM we ?} talked about helps us gain higher AI productivity than using agents with foundation models. This allowed us to make more aggressive bids than the competition on fixed-bid deals. In Q2, we secured a deal with an Indian steel manufacturing company to build a unified digital planning and execution platform that could transform the entire production planning process from reactive to structured, transparent, and data-enabled.

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AI is also allowing us to solve the kind of problems that were not possible in the past. We delivered end-to-end test automation for a warehousing platform. No product documentation or details of the manual test cases were available. In the past, doing such projects would have been nearly impossible or would have taken an extremely long time. However, with the help of AI, we were able to successfully create a complete set of automated test cases.

Joseph also talked about various industry-specific AI solutions such as EduVU and Insurance-in-a-Box. Our enterprise AI platform provides a collection of modular, secure, and model-agnostic solutions that enable customers to move beyond isolated use cases towards broader enterprise implementations. The objective is to give customers the flexibility to bring together different AI models, enterprise data, and use cases specific to their vertical or industry area within a governed architecture for specific problem areas, rather than building each solution separately.

As AI adoption matures, we are also seeing significant growth in interest in agentic AI, where intelligent agents can support and orchestrate more complex business and technology workflows. Our investments in reusable agents, accelerators, enterprise AI frameworks, and reusable solutions are intended to help customers adopt these capabilities with the flexibility, security, and governance expected in enterprise environments.

The second priority for us is engineering and delivery. Today, 55% of all our projects are being delivered with AI-enabled delivery, and 72% of [trails off] in delivering the projects to our customers. Both these numbers will continue to grow very rapidly over time with all the training and skill-development programs we have in place.

Our AI service delivery platform, {? ReliaBuild ?}, is designed to enable human engineers and AI agents to work together across the entire software development lifecycle. Using {? ReliaBuild ?}, as well as foundational models and agentic frameworks, we are embedding AI across coding, testing, documentation, application modernization, and quality engineering, with the objective of improving engineering productivity, quality, and delivery speed.

Importantly, our approach combines automation with established engineering controls and human oversight so that productivity gains are achieved without compromising quality or security. This is where we believe AI can fundamentally change the engineering model. It is not only about automating individual tasks across the SDLC or our service delivery, but increasingly about redesigning the entire service delivery workflow around collaboration between engineers and intelligent AI agents.

Our third priority is scaling what works for us with AI. We are seeing generative AI and agentic AI use cases progress towards live, repeatable solutions. This transition is important because reusable solutions can reduce implementation effort, accelerate deployment, and allow us to apply proven capabilities across multiple customer environments.

We are also encouraged by the momentum in our Generative AI Business Services Unit, which delivered approximately 135% year-on-year growth in constant currency terms in the first half of FY27. While this business is scaling from a relatively smaller base, the growth in the Generative AI Business Services Unit reflects increasing customer adoption of AI use cases and AI-native

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solutions.

We are seeing these capabilities come together across our customer engagements, both in implementing native AI architectures and in using AI productivity tools and AI use cases.

We also combine this with digital engineering, data, cloud, and enterprise platforms to address industry-specific requirements, whether in modernizing applications, transforming engineering environments, or improving operational processes.

This ability to bring together AI with our broader engineering capabilities is important because customers are increasingly looking for solutions that can move from experimentation into their core technology and business environments.

Of course, responsible AI remains central to the journey we are taking our customers through. As adoption scales, security, data governance, model reliability, and human oversight are becoming increasingly important. We are therefore building these considerations into our platforms and delivery approach, rather than treating them as separate requirements.

Going forward, our [long pause] AI platforms that we have built and continue to build, reusable solutions, and increasingly AI-enabled talent base will be important differentiators as enterprises move from experimenting with AI to scaling it across their businesses.

With that, let me hand over to Venkat to take you through our financial and operational performance. Venkat, over to you.

Venkat: Thank you, Sridhar. Good morning, everyone.

I will now take you through our financial and operational performance for Q2 and H1, followed by a brief update on ITC Infotech profitability. [long pause]

Revenue stood at 645 crores, representing sequential growth of 2.7% and year-over-year growth of 12.5% in rupee terms. In constant currency terms, revenue grew 2.4% sequentially and {? 6.something ?}% year-over-year.

For the first half of FY27, revenue stood at approximately 1,274 crores, reflecting growth of 13.4% year-over-year in rupee terms and about 6.8% in constant currency.

Total income for the quarter stood at 665 crores, growing 2.1% sequentially and about 12% year-over-year.

Turning to profitability, Q2 operating profit stood at 119 crores, growing 9.6% sequentially and 22.4% year-over-year. Operating margins improved by 100 basis points sequentially to about 18.5%, compared with 17.5% in Q1. This was supported by improved utilization, operating efficiencies, and continuing cost discipline.

Adjusted profit after tax stood at about 79.1 crores, with adjusted EPS at 5 rupees 25 paise for the quarter. For the first half of the year, operating profit stood at 228 crores, while adjusted profit after tax was 159 crores, and adjusted EPS was about 10 rupees 60 paise per share of face value 2.

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Our focus continues to be on balancing growth, profitability, [pause] and capital efficiency. ROCE stands at about 24%, while ROE was about 14.7%, consistent with the previous quarters.

We ended the quarter with cash and cash equivalents of about 1,716 crores, maintaining a strong balance sheet to support our operating and strategic priorities.

Moving to some of the key operating metrics, we ended the quarter with about 311 active customers. Our large enterprise customer relationships continue to strengthen, with 95 billion-dollar corporations contributing almost 60% of our revenues. Repeat business increased to 95.1%, while IP-led revenues improved to 10.5% from 9.3% in the last quarter.

On people, we ended the quarter with 6,466 Happiest Minds employees. Utilization improved to 81.8% from 81% in Q1, while voluntary attrition improved to 14.3% from 15.4% in the earlier quarter. These healthy trends reflect our continued focus on delivery efficiency, workforce stability, and prudent people management.

Our DSO stood at 101 days, compared with 92 in the previous quarter. The drop was largely on account of migrations from Aureus and the PureSoftware integration, or merger, and resulting delays. Improving this will be our priority in the ongoing quarter.

Considering our performance and the progressive dividend policy of the company, our board has declared an interim dividend of 3 rupees 5 paise per equity share of face value 2. November 6, 2026, will be the record date for the same.

Coming to ITC and ITC Infotech, ITC Limited declared its financial results yesterday, and the results incorporated the performance of ITC Infotech as well. ITC Limited has posted a very useful data sheet, or rather an investor deck, on its website, similar to what we have been sharing, to ensure that stakeholders can assess its performance and visualize how Happiest Minds plus ITC Infotech will look when consolidated or merged. I am referring to ITC Infotech's investor page, where they have put out a useful investor presentation.

ITC Infotech also had a very strong quarter, with the second quarter showing about 18.5% year-over-year growth and the first half showing 17.4% growth in rupee terms. Adjusted EBITDA margins remained healthy at 18.4% for both the quarter and the first half.

We are encouraged by the continued momentum in the business, particularly in cloud, data, and AI. That is what we read about from ITC Infotech. Please do go through the ITC Infotech website for the complete presentation and the numbers.

As for the merger process itself, we are also making steady progress on the proposed combination, and we remain broadly on track with the timelines we had indicated. In our investor presentation, we have the last slide detailing the various steps and the timeline with respect to the merger and where we are on completion.

Ram: The last slide details the various steps and the timeline with respect to the merger and where we are on completion. I am happy to say that we are on track, and if everything continues in the same way, we should be a merged company by October-November of next year.

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The merger, of course, remains subject to the necessary approvals, which are being pursued in earnest by both companies.

As we enter the second half of the year, our focus remains on sustaining growth, protecting profitability, and maintaining disciplined capital allocation while continuing to invest in the capabilities that will shape our future growth.

I would like to thank all our stakeholders and everyone at Happiest Minds for their continued trust and support in us.

Thank you for joining us today. We will now be happy to take your questions.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Aditi Patil with ICICI Securities. Please go ahead.

Aditi Patil – ICICI Securities: Thank you for the opportunity. My first question is on our US market. The US market revenue run rate has remained relatively flat between 38 and 39 million dollars per quarter for the last six quarters. Can you share what the tailwinds and headwinds are here, and what steps we are taking to revive growth in the US market?

My second question is on the IMSS business. We saw very sharp sequential growth in this segment. Is this driven by recurring annuity-type work or project-based work? Can you share roughly how much exposure we have to cybersecurity services within the IMSS service segment?

My third question is on what led to the strong growth in IP-led revenue.

Joseph: Okay, sure. Thanks, Aditi, for your questions. If you see, our US geography revenues grew by 0.9% during the quarter. Given that the US geography is our largest geography, with 60% of our revenues coming from the US, it broadly aligns or correlates with our overall performance. In this case, I think the APAC geography showed much stronger growth.

In terms of the ups and downs of the US geography, and what has positively impacted it and what has been a little bit of a drag, I think our NN bookings have been positive in the US geography. As you know, we divided our sales team into NN and EN a year and a half ago, and I think, especially in the US, because we focus more on the US, we have seen good traction there. A couple of the large wins that we have had, one of which has reflected in both IMSS and High-Tech growth, and another which will reflect in Q3 and going forward, have come from NN logos in the US geography.

I think what has been a little bit of a drag is that most of our EdTech revenues, I would say 90% of our EdTech revenues, come from the US. The US EdTech market has been going through its challenges. We have discussed this in the last couple of calls. We are trying to address it in multiple ways by looking at the university segment, and we are looking at our own EduVU offerings, where we have focused more on the Middle East, India, and Southeast Asia. That will not solve the

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challenges in the US, but it will at least address some of the challenges that the EdTech market is facing. I would say that. There have also been a couple of customers where either we have completed projects or they have run out of funding, which has resulted in muted performance in the US market in the High-Tech space.

I will give you a little bit of a view on IMSS and let Ram get into more details. As you have rightly pointed out, we had sharp sequential growth in IMSS. Quite a bit of it is security-driven because we are seeing customers increase their spend and focus on security. We also had a little bit of right-shifting of revenues from Q1 to Q2, which boosted the growth. But I will let Ram talk more about the nature of the IMSS growth and performance in Q2. Ram, over to you.

Ram: Thanks, Joseph. Aditi, what led to the sharp growth is that we won a few annuity-based deals, specifically in the US. We have had three or four good annuity-based businesses, as well as one large deal in the Middle East from a conglomerate and one large deal from a large bank in India.

With all these factors, there has been a significant increase in revenues from Q1 to Q2. The second important factor is our platform, ELLIPSE, which is an AI-driven platform that monitors and manages infrastructure. It has been accepted by our customers as a good platform to monitor their entire IT infrastructure. We now have about 21 customers onboarded on this particular platform.

As Joseph mentioned, we are also seeing a significant increase in our security opportunities, including both adjacent opportunities within the same customers and new opportunities. Almost 40% of our IMSS business comes from security.

A new AI-based security service called SecAI Genie is also looking very promising, and customers are very interested in this productized service. It is also gaining good traction in the industry. All of this together has given a good boost to the IMSS business, and what is heartening is that the majority of it is annuity-based business.

To continue, the increase in SecAI Genie and ELLIPSE is also contributing to the increase in IP-led revenues, which was your third question, Aditi.

Aditi Patil - ICICI Securities: Okay, so have ELLIPSE and SecAI Genie been increasing over the last few quarters, or have we seen a major increase this quarter? Can you help me understand the deal sizes and margins here?

Joseph: Aditi, there is also one more factor at play here. It is the {? ReliaBuild ?} framework that we have. As I mentioned in my talk, it is an internal framework or harness that we built to enable and catalyze agentic AI adoption, and we have seen quite a few customers adopt it. I should mention 15 customers. That has also contributed to the increase in IP-led revenues, Aditi.

Aditi Patil - ICICI Securities: Okay, got it. I have a couple of other questions. My next question is whether we have set up any revised incentive or retention structure for key talent going into the merger.

Joseph: Aditi, last year and earlier this year, we instituted an ESOP scheme for our top talent, and we will be doing something similar next year as well. We will do this in consultation with, or at least by informing, ITC Infotech, although I know we are in a standstill period. We believe that this ESOP

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scheme will incentivize our key leaders based on performance and also help retain them.

Aditi Patil – ICICI Securities: Okay, got it. One more question on margins. If we look at the service-line-wise segmental margins, there has been good improvement in them, but if we look at overall EBITDA margins, they have remained relatively flat, perhaps because there is a higher unallocable other-expense component. Can you explain what comprises these unallocable other expenses?

Ram: I would like to point out the financials on a consolidated basis. The operating margin has improved from 17.5% to 18.5%. That is at the company level. The unallocable expenses are typically corporate costs, until allocation is done through gross margins.

We are one of the very few companies that declare gross margins. We show splits only up to gross margin in the segment. After that, most of the costs are shown as unallocable. But if you want to see the margins at the company level, operating margin is what you should look at. That has moved from 17.5% to 18.5%, largely due to all the IP-led business that we are talking about, which has a slightly higher margin. The second factor is improved utilization, which is at an all-time high, or close to an all-time high, in the last five or six quarters, at 81.8%.

Aditi Patil – ICICI Securities: Okay, thank you for answering my questions. I will get back in the queue.

Ram: Thank you, Aditi.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. The next question comes from the line of Sujeet, an individual investor. Please go ahead. Mr. Sujeet, please go ahead.

Sujeet – Individual Investor: Am I audible?

Operator: Yes, please go ahead.

Ram: Yes.

Sujeet – Individual Investor: Good morning, Joseph and the other team members of Happiest Minds. Thank you for giving me an opportunity. Joseph, I was not present from the beginning. I want to know about the merger. I am not questioning whether it is happening; it is fine. I just want to know whether it is an offline deal or an online deal. I am asking because when the merger happened in September, the shareholding is still showing exactly the same as before.

I am not sure because ITC had already taken, according to the merger sheet, 22%. I was thinking whether that deal will be executed later, and whether the shareholding pattern will come down in November, or what I mean is whether the November part is next year or now. The 22% that ITC Infotech has taken is not shown in the September shareholding pattern. That is what I am trying to understand about Happiest Minds.

Ram: The merger is happening in steps. You need the approvals, after which we approach the NCLT for the merger. That is one track that is happening. The other track is a separate share transaction

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between the promoter and ITC. These are two separate transactions.

There is an SPA between ITC Infotech and Mr. Soota, under which, after CCI approval, there will be a tranche-one transfer of 11%, and then after shareholder approval in February-March, whenever that happens, there will be another 11% transfer. These are two separate tracks. One is the merger transaction, and the other is a transaction between the parties, which is ITC

Management: ...{? [unclear] ?} Infotech and Ashok Soota in terms of a share transfer.

Sujeet - Individual Investor: Yes, that is valid. That is valid.

Management: That is why the shareholding structure filed before this quarter remains the same, with the promoter holding more than 44% in the company.

Sujeet - Individual Investor: Yes, that is what I wanted to know. I just want to know the estimate of when the merger will happen. I know that it takes 6 to 7 months, so the initiation...

Management: If you can download the investor presentation, the last page of the presentation has a detailed timeline of each of the activities towards the merger. It includes activities such as obtaining SEBI approval, after which we approach the NCLT, followed by NCLT approval. NCLT approval means that we have to obtain shareholders' approval and creditors' approval, which are also factored into the timeline.

After that, we have to give effect to the merger. Once the merger is effective, there is also the aspect of consolidation of shares, because Happiest Minds and {? [unclear] ?} Infotech will become one new company. Let us call it a new company, which is essentially the surviving entity as per the scheme, {? [unclear] ?} Infotech, because that is how the regulatory structure has been mandated.

There will be an issue of shares from the new company, which is {? [unclear] ?} Infotech, to the shareholders of Happiest Minds, and those shares will be listed. That is how the whole structure works, and the end state is November. You will see progress, and we will report on it as and when we meet any of the deadlines, or at every quarterly call, when we will provide updates.

Sujeet - Individual Investor: Thank you. My second question is related to something one of your team members highlighted. I want to know about the autonomous aspect of AI. Please note that my question is only related to autonomous agents. When the client starts using autonomous agents through your services, are those agents deployed in your internal data center, or are they located on cloud infrastructure? What are the costs involved in running those autonomous agents, and will the billing increase in the near future? That is all.

Management: Sridhar?

Sridhar: The autonomous agents are being used in both scenarios. One scenario involves the AI solutions we have for the customer as part of the customer's business process. The other involves having a larger set of autonomous agents as part of our SDLC.

For example, our ReliaBuild clearly uses, or comes with, a large set of skill files, and multiple autonomous agents can be created for various stages of the SDLC. The same is true when building

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AI solutions to look at the customer's supply-chain process or various other processes where we create autonomous agents.

As I mentioned, we are using different mechanisms to create outcome-based models, leveraging AI productivity and autonomous agents that we are deploying both as part of our solutions and as part of our SDLC.

The first example is the multi-million-dollar deal where, with the help of autonomous agents created across the SDLC, leveraging our ReliaBuild as well as building directly on top of the cloud, we were able to make an extremely aggressive productivity-improvement commitment to the customer. That actually tilted the deal towards us.

The second example is the steel manufacturing customer that we secured. Once again, we were able to leverage the value of the autonomous agents we could create to reduce the price, while also making a bid with a healthy margin, and we were able to win over the competition.

In this way, we are considering the set of autonomous agents that we use either as part of our AI solutions or as part of our SDLC to determine what kind of price optimization we can achieve, keep our margins healthier, pass some value back to the customer, and stay ahead of the competition.

Sujeet – Individual Investor: Thank you for that. Okay, thank you.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. The next question comes from the line of Rakesh Marta, an individual investor. Please go ahead.

Rakesh Marta – Individual Investor: I am a retail investor, and I want to know what short-term borrowings you have and how much you pay as interest or premium on a quarterly basis. I saw that it is around 20-plus crores, and I feel it is too high. How are you treating that as a margin? It seems like a significant amount of money is going out. For the short term, what is the deadline for paying it off? That is my question.

Management: Our short-term borrowing involves accessing preferential-interest-rate export-related borrowings, which are PCFC and EPC. These are the two main borrowings we use for our short-term borrowings.

The interest rate cannot be viewed in isolation because it is linked to the forwards that we take and the premiums we pay on them. The annualized premium on forwards is about 5.5%, but this works only if you are able to repay it on a particular date because of the contractual commission conditions.

Over the past 13 years, we have developed a structure that has hopefully been streamlined, under which we borrow our working capital through EPC or PCFC. That is the borrowing that you see. However, from an accounting perspective, the benefit of the foreign exchange and the other income generated by the float is reflected in the other-income line and the revenue or operating-margin line, whereas you see only the interest cost as a single line item.

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Therefore, we are effectively looking at the net cost as a whole. Obviously, there will be some quarters where, because we have parked our investments in mutual funds, there could be lower realization on mutual funds. For example, in this quarter, our mutual fund investments generated about 1.6% or 1.7%. That was because of the interest-rate reset scenario, but it catches up in a quarter or so, and that situation reverses.

That is how we manage borrowings. Simply put, the net cost will be in the range of about 0.5% in the worst case, or 1% in the worst case, but in most cases it is actually beneficial to us.

Rakesh Marta – Individual Investor: Yes, okay.

Operator: Mr. Marta, are you done with your question?

Rakesh Marta – Individual Investor: Yes, I think I am done with that. But as retail investors, we have had great confidence in this company. We have been investing for a couple of years, and there has been a huge loss for retail investors. I do not know how the DIIs—I see that DIIs have come down completely from 10% to 3% now—and I do not know how retail investors are maintaining their confidence. I hope you will continue doing better going forward.

Management: Thank you, Mr. Marta. That is what we are working towards. While I do not want to comment on our share price and returns, if you compare the entire industry and the index, all of them have had a bad couple of years. The industry, which was seen as a bellwether industry until the AI onslaught occurred, was affected because people did not understand the full impact of how AI would affect our line of business.

Gradually, there is a growing understanding that AI only adds wind beneath our wings. In the longer term, the way we do business means that the people who restructure, prioritize the adoption of AI, and work very closely with customers will continue to benefit.

My request is not to look at it in isolation. The entire industry has experienced a whiplash-like effect because of AI, but slowly things are coming to a point of stability.

The point is noted. Management is fully focused on making sure the fundamentals are right, which is why you will have to look at some of the fundamental metrics, such as ROE and ROCE. We are very focused on bringing those back to the 24%, 15%, and 16% levels that we have been reporting over the last many years. You should also look at operating-margin improvement and utilization improvement.

Look at all those metrics while we work on top-line improvement and growth as well. Hopefully, once the fundamentals are in place, the markets will start recognizing and rewarding the company and the industry.

Rakesh Marta – Individual Investor: Thank you.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. The next question comes from the line of Aditi Patil with ICICI Securities. Please go ahead.

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Aditi Patil – ICICI Securities: Thank you for the follow-up. If I look at our top-five-client growth, it has grown slightly above the company average despite a decline in the EdTech vertical. I remember that earlier we had our top client in the EdTech vertical. Can you explain the composition of our top five clients and what has driven this growth? Over the last four quarters, this client bucket has grown at a healthy pace.

Sridhar: Sure. Thanks, Aditi, for the question. As you have rightly pointed out, the top-five composition has grown. We have had a little bit of reshuffling in the top five, but not much.

The top three customers earlier probably included two from EdTech, but right now the composition is quite well distributed and diversified. In the top three, we have one customer from the Healthcare space, another customer from the BFSI space, and a third customer that continues to be in the EdTech space.

Rounding out the top five, there is one more customer in Healthcare and another one in the EdTech space. As you can see, the EdTech customer is facing competition from a customer in the Retail and CPG space. We have diversified well away from some of the risks we had in EdTech and into verticals where there are more investments, growth, and potential.

Aditi Patil – ICICI Securities: Okay, got it. That is all from my side. Thank you, and all the best for the future.

Sridhar: Thank you.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question.

Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of the question-and-answer session. I now hand the conference over to the management for closing comments.

Management: 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 very good day. Thank you. Bye-bye.

Operator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Operator: Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

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