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November 09, 2026

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

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

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on November 03, 2026

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Call held on November 03, 2026, post announcement of financial results of the Company for the quarter and half year ended as on September 30, 2026. The transcript is also uploaded on the Company's website (https://www.happiestminds.com/investors).

This is for your information and records.

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

PRAVEEN KUMAR DARSHANKAR
Digitally signed by PRAVEEN KUMAR DARSHANKAR
Date: 2026.11.09 17:29:28 +05'30'

Happiest Minds Technologies Limited

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

“Happiest Minds Technologies Limited

Q2 FY27 Earnings Conference Call”

November 03, 2026

Management: **Mr. Joseph Anantharaju –** Co-Chairman and Chief Executive Officer
Mr. Venkatraman Narayanan – Managing Director
Mr. Ram Mohan – Chief Executive Officer, Infrastructure Management and Securities Services (IMSS)
Mr. Sridhar Mantha – Chief Executive Officer, Generative AI Business Services (GBS)
Mr. Praveen Darshankar – Company Secretary and Compliance Officer **Mr. Anand Balakrishnan –** Chief Financial Officer
Mrs. Priyanka Sharma - Head, Investor Relations

Moderator: **Ms. Aditi Patil –** ICICI Securities

Moderator: Ladies and gentlemen, good day, and welcome to Happiest Minds Q2 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing 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: Good morning, ladies and gentlemen. Thank you for joining us today on the Q2 FY27 Earnings Call of Happiest Minds Technologies Limited. On behalf of ICICI Securities, I would like to thank the management of Happiest Minds for giving us the opportunity to host this call.

Today, we have with us Mr. Joseph Anantharaju, Co-Chairman and CEO; Mr. Venkatraman Narayanan, Managing Director; Mr. Ram Mohan, CEO, Infrastructure Management and Security Services; Mr. Sridhar Mantha, CEO, Generative AI Business Services; Mr. Praveen Darshankar, Company Secretary and Compliance Officer; Mr. Anand Balakrishnan, CFO; Mrs. Priyanka Sharma, Head, Investor Relations.

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

Priyanka Sharma: 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 had an opportunity to review the earnings release issued yesterday. Now, let me quickly walk you through the agenda for today's call.

Joseph will begin by sharing his perspectives on the business environment, our strategic priorities and overall business performance. Sridhar will 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 and followed by our outlook for 2027. 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, 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: 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.

We delivered another quarter of healthy growth and improved operating performance. Revenue stood at INR645 crores, 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 get into more details on our financial and operation performance.

Q2 also has 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 debts. 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 on 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 Rel(AI)Build, our AI-powered software engineering platform designed to embed and ease the adoption of Agentic AI across the software development life cycle while enhancing engineering productivity and accelerating modernization. We are seeing encouraging traction with around 15 existing customers adopting Rel(AI)Build across our engineering use cases.

Beyond software engineering, we are extending our AI capabilities into repeatable industry-focused solutions. EduWeave, 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 Arttha 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 view 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 multimillion dollar BOTAT, which is 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've 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

And for a U.S. skin care, beauty and personal care manufacturer, we secured a multiyear 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 the largest vertical contributing approximately 28% of revenues. We also saw encouraging sequential momentum in retail and CPG, high tech and industrial, while

health care and EdTech continue to be an important part of our portfolio.

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

Cybersecurity remains another important area of opportunity as enterprise technology environments become increasingly cloud, data and AI-driven. We continue to secure 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 SecAIGenie 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 opportunity 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'll 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 Mantha: 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'll focus on how we are translating this strategy into engineering capabilities, reusable platforms and tangible customer outcomes.

Our AI spending 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 the solution design. The multimillion-dollar BOTAT deal Joseph talked about has interesting AI productivity elements as key outcomes that helped us secure the deal. We committed a certain AI productivity percentage as part of transformation by agentifying the entire SDLC process by FY28.

Enterprise AI Platform we talked about helps us to gain higher AI productivity than using agents with foundation models. This allowed us to make more aggressive bids than 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 from reactive process into a structured, transparent and AI-enabled. AI is also allowing us to solve the kind of problems that were not possible in the past.

We delivered an end-to-end test automation for a warehousing platform. There's no product documentation or details of the manual test cases were available. In the past, doing such projects would have been near impossible or would have taken extremely long time. However, with the help of AI, we are able to successfully create a complete set of automation test cases.

Joseph talked also about various industry-specific AI solutions like EduWeave, Insurance in a Box, etcetera. 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 very 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 growth interest in Agentic AI significantly, 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 our developers and testers are now using advanced AI tools in delivering the projects to our customers. And both these numbers will continue to grow with time very rapidly with all the training and skill development programs we have in place.

Our AI service delivery platform, Rel(AI)Build, is designed to enable human engineers and AI agents to work together across the entire software development life cycle. And using Rel(AI)Build as well as the foundation 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 the individual tasks across the SDLC or our service delivery, but increasingly about redesigning the entire service delivery workflows around collaboration between engineers and the 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 the 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 generative AI services business unit, the growth reflects increasing customer adoption of AI use cases and AI-native solutions. We are seeing these capabilities come together across our customer engagements, both implementing native AI architectures using the AI productivity tools and AI use cases.

And we also combine this with the digital engineering, data, cloud and enterprise platforms to address industry-specific requirements, whether in modernizing the 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, responsibility remains central to this journey that we are taking our customers through. As adoption scales, security, data governance, model reliability and human oversight becoming increasingly important. We are therefore building these considerations for platforms and delivery approach rather than treating them as separate requirements.

Going forward, our focus is clear, industrialize what works, strengthen our reusable intellectual property, expand adoption across customer environments and translate AI capabilities into measurable business and delivery outcomes. We believe the combination of our engineering heritage, AI platforms that we built and continue to build, reusable solutions and increasingly AI-enabled talent base will be an important differentiator as enterprises are moving 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.

Venkatraman N: Thank you, Sridhar. Good morning, everyone. I'll now take you through our financial and operational performance for Q2 and H1, followed by a brief update on ITC Infotech's performance and the proposed combination.

We have had a good quarter with healthy revenue growth and an improvement in profitability. Operating revenues for the quarter stood at INR 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 6.8% year-over-year.

For the first half of FY27, revenue stood at approximately INR1,274 crores, reflecting a growth of 13.4% year-over-year in rupee terms and about 6.8% in constant currency. Total income for the quarter stood at INR 665 crores, growing 2.1% sequentially and about 12% year-over-year.

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

Adjusted profit after tax stood at about INR 79.1 crores with adjusted EPS showing INR 5.25 for the quarter. For the first half of the year, operating profit stood at INR 228 crores, while adjusted profit after tax was INR 159 crores and adjusted EPS coming in at about INR 10.60 per share of face value INR 2.

Our focus continues to be on balancing growth, profitability and investments in capabilities that support long-term competitiveness. On capital efficiency, ROCE stands at about 24%, while ROE was at about 14.7%, consistent with the previous quarters. We ended the quarter with cash and cash equivalents of about INR 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 corporations contributing to 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. 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 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 INR 3.05 per equity share of face value INR 2. November 6, 2026 will be the record date for the same.

Coming to ITC and ITC Infotech. ITC Limited declared their financial results yesterday and their results incorporate the performance of ITC Infotech as well. They have posted on their website a very nice data sheet, or rather investor deck, like what we have been sharing, to ensure that stakeholders can assess their performance and visualize how Happiest Minds plus ITC Infotech will look when consolidated or merged. I'm talking about ITC Infotech. And on their investor page, they have put out a nice investor presentation.

ITC Infotech also had a strong quarter with second quarter coming in at 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's what we read about from ITC Infotech. Please do go through the website of ITC Infotech 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 time lines we had indicated. In our presentation, the investor presentation, we have the last slide detailing out the various steps and the time line with respect to the merger and where we are on completion.

Happy to say that we are on track and if everything goes continues in the same way, we should be a merged company by October-November of next year. The merger, of course, remains subject to 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 happiest minds for their continued trust and support in us. Thank you for joining us today. We'll now be taking -- we'll be now happy to take your questions.

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

Aditi Patil: My first question is on our U.S. market. So the U.S. market revenue run rate has remained flattish between $38 million to $39 million per quarter for the last 6 quarters. So can you share like the -- I mean, what are the tailwinds and headwinds over here? And what steps are we taking to revive growth in the U.S. market?

My second question is on the IMSS business. We saw a very sharp sequential growth in this segment. So is this driven by recurring annuity type work or project-based work? And can you share roughly how much exposure do we have to cybersecurity services within this -- within the IMSS service segment? And the third one is on what led to strong growth in the IP-led revenue?

Joseph Anantharaju: Okay. Sure. Thanks, Aditi, for your questions. If you see our U.S. geo revenues grew by 0.9% during the quarter. And given that it's -- U.S. geo is the largest geo, 60% of our revenues comes from U.S., it kind of aligns or correlates to our overall performance. In this case, I think the APAC geo showed a much stronger growth.

In terms of the ups and downs of U.S. geo, what has positively impacted and what has been a little bit of a drag, right? I think our -- and then bookings have been a positive in the U.S. geo. As you know, we divided our sales team into NN and EN 1.5 years back. And I think in -- especially in U.S. because we focus more on U.S., we've seen good traction out there.

A couple of the large wins that we've had, one of them has reflected in both IMSS and high-tech growth and another one will reflect in Q3 and going forward. They've come from U.S. geo NN logos. I think what has been a little bit of a drag has been the -- that most of our EdTech revenues come from, I would say, 90% of our EdTech revenues come from U.S.

And the U.S. EdTech market has been going through its challenges. We've discussed this in the last couple of calls. We're trying to address it in multiple ways by looking at the university segment.

We're looking at our own EduWeave offerings, where we focused it more around Middle East, India and Southeast Asia. So that won't solve the U.S. -- the challenge in U.S., but it'll at least address some of the challenges that the EdTech market is facing.

So I would say that then there have been a couple of customers where either we've completed projects or they've run out of funding that have resulted in the high-tech space, that have resulted in the muted performance in the U.S. market.

I'll take a look at -- I'll give you a little bit of a view on IMSS and let Ram get into more details. As you had rightly pointed out, we had a sharp sequential growth in IMSS. Quite a bit of it is security driven because you're looking at customers increasing their spend and focus on security. We also had a little bit of right shifting of revenues from Q1 to Q2 that have bumped up the growth.

But I will let Ram talk more about the nature of the IMSS growth and performance in Q2. So Ram, over to you.

Ram Mohan: Thanks, Joseph. Aditi, what has happened that led to the sharp growth is we have won a few deals which are annuity-based deals, specifically in the U.S. We have had 3 or 4 good annuity-based business and also one large deal in Middle East from a conglomerate and also one large deal from a large bank in India. So with all these things, there is a significant increase in terms of the revenues from quarter 1 to quarter 2.

The second important thing is our platform, ELLIPSE, which is an AI-driven platform, which monitors and manages the infrastructure, has been accepted by our customers as one of the good platform to monitor the entire IT infrastructure. So we have now -- we are having about 21 customers onboarded on this particular platform.

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

A new AI-based security services called SecAIGenie is also looking very promising and the customers are very interested in this particular productized service and that is also gaining a good traction in the industry. So all this put together have given a good boost to IMSS business. And what is heartening is majority of them are annuity-based business.

Venkatraman N: And just to continue, this SecAIGenie and ELLIPSE increase is also contributing to the increase in IP-led revenues, which was your third question, Aditi.

Aditi Patil: Okay. So ELLIPSE and SecGenie AI, I mean, has that been increasing over the last few quarters? Or this quarter, we have seen a major increase in that? And like can you help me understand the deal sizes and margins over here?

Joseph Anantharaju: So Aditi, there's also one more factor at play out here, right? It's the Rel(AI)Build framework that we have. As I mentioned in my talk, it's an internal framework that -- or harness that we built for enabling and catalyzing Agentic AI adoption. And we've seen quite a few customers, I did mention 15 customers who adopted this. So that also has contributed to the increase in IP-led revenues, Aditi.

Aditi Patil: Okay. Got it. I have a couple of other questions. So my next question is on -- like, have we set up any like revised incentive structure or retention structure for key talent going into the merger?

Joseph Anantharaju: So, Aditi, we have earlier this -- last year and earlier this year, we've instituted an ESOP scheme for our top talent. And we will be doing something similar next year as well. And we will do this in consultation with at least, I think, ITC Infotech. I know we are in a standstill period. But we believe that this ESOP scheme that we have will incentivize our key leaders on performance and also help retain them.

Aditi Patil: Okay. Got it. And one more on margins. So if we look at the service line-wise segmental margins, there has been a good improvement in those. But if we look at overall margins, EBITDA margins, they have remained flattish, maybe because there is a higher unallocable other expense component. Can you explain what comprises this unallocable other expenses?

Venkatraman N: Here, I would like to point out the financials at the consolidated basis, which is operating margin has improved from 17.5% to 18.5%. That's at the company level. The unallocable is typically the corporate costs. Till allocation is done till gross margins. We are one of the very few odd trees which declare gross margins. We show splits only till 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 margins is what you see. You look at that's moved from 17.5% to 18.5%, largely thanks to all the IP-led business that we are talking about, which is slightly at a slightly higher margin. Second is improved utilization, which is, I think, at an all-time high or close to an all-time high in the last 5, 6 quarters of 81.8%.

Moderator: Next question comes from the line of Sujit, an Individual Investor.

Sujit: Good morning, Joseph, and other team members of Happiest Minds. I was not there from the initial beginning. I want to know this merger is going on. It's fine. I'm not -- yes, it's okay. I just want to know if this is an offline deal or online deal. Why I am saying this, when the merger happened on September, so the shareholding is still now showing that exact as before.

So I am not sure because ITC already took -- in that merger sheet, it was 22. So I was thinking whether that deal is later executed after, that is on November, that the shareholding pattern will come down or what I mean to say, the November part in the next year, or is it now? Because 22 points that whatever that ITC has taken -- ITC Infotech has taken, that is not shown in the September one. That is what I'm in Happiest Minds?

Venkatraman N: Yes. So see, the merger is happening in steps, which is you need the approvals, after which we go approach the NCLT for merger. So that's one track which is happening. The other track, there is a separate share transaction between the promoter and ITC. So these are 2 separate transactions and how that happens.

So that's an SPA between ITC Infotech and Mr. Soota for which post the CCI approval, there will be a tranche 1 transfer of 11%. And then post shareholder approval in February, March, whenever that happens, there is another 11% that happens. So these are 2 separate tracks of transaction. One is a merger transaction, the other is a transaction between the parties, which is ITC Infotech and Ashok Soota in terms of a share transfer.

Sujit: Yes, that is valid.

Venkatraman N: Yes, which is why the shareholding structure, which has been filed before this quarter remains same with the promoter holding 44% plus in the company.

Sujit: Yes. That is what I want. So I just want to know the estimate on like where this merger. I know that it takes some time, 6 months to 7, so that initial...

Venkatraman N: If you can download the investor presentation, the last page of the presentation has a detailed time line of each of the activities towards the merger. So it includes time like getting the approval, post which we go and approach the NCLT, the NCLT approval. NCLT approval means we have to get shareholders' approval and creditors' approval, which is also factored into the time line. Post that, we have to give effectiveness to the merger.

Once the merger is effective, there is also the aspect of consolidation of shares, because Happiest Minds and ITC Infotech will become one new company, let's call it a new company, and which is essentially the surviving entity as per the scheme is ITC Infotech because that is how the regulatory structure has been mandated.

And there will be issue of shares from the new company, which is ITC Infotech plus Happiest Minds, to the shareholders of Happiest Minds and that will get listed. So that's how the whole structure happens. And the end state is November. But you will see progress and we'll report on it as and when we make -- we hit any of the deadlines or at every quarterly calls, we'll give you updates.

Sujit: And my second question is only related with one of your team members has highlighted, that is what I want to know, about the autonomous part of the AI. Now please note my question is only related with that autonomous agents.

So whether this -- whoever -- I mean, my question is when the client starts to use autonomous agents on your part, whether that agents are deployed on your internal data center or whether it is located on the cloud infrastructure? And what are the costs involved for running that autonomous agents and whether in the near future that billing will go high or not? That's all.

Joseph Anantharaju: Sridhar?

Sridhar Mantha: Sure. So of course, the autonomous agents we are using in both the scenarios, right, when it comes to the AI solutions that we have for the customer as part of the customer's business process and completely other side is having a larger set of autonomous agents as part of our SDLC.

For example, our Rel(AI)Build very clearly uses -- or it comes with a huge set of skill files, etcetera, so that multiple autonomous agents can be created for various stages of SDLC. And the same is true when it comes to building AI solutions to look at the customer supply chain process or various process where we actually create the autonomous agents.

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

The 3 examples I have given, one specific example of the multimillion dollar deal, where, of course, with the help of creating autonomous agents across SDLC, leveraging our Rel(AI)Build as well as directly building on the top of the Claude, etcetera, is the reason why we are able to be extremely aggressive in making certain productivity

improvement commitment to the customer that actually tilted the deal towards us.

The second example that I mentioned with the steel manufacturing customer that we secured, for example, that's where, once again, we are able to leverage the value of the autonomous agents that we could create to reduce the price as well as go with a healthy margin bid and could win over the competition.

So that way, we are considering the set of autonomous agents that we are creating either as part of our AI solutions or as part of our SDLC to see what kind of price optimization we can do to keep our margins healthier, pass certain value back to the customer and be ahead of the competition.

Moderator: Next question comes from the line of Rakesh Martha, an Individual Investor.

Rakesh Martha: I just wanted to know -- I'm a retail investor and I would perhaps like to know how is -- like, what is the short-term borrowing do you guys have and how much do you guys pay as an interest or premium on the quarterly basis?

And I feel, -- I saw it's around INR 20-plus crores and I feel it's too high. How are you guys placing that as a margin? And I feel it's too much money goes off. So when are you -- for a short term, what is the deadline to pay that off? Just one question. Can I have the answer to that?

Venkatraman N: Our short-term borrowing is accessing preferential interest rate export-related borrowings, which is PCFC and EPC. These are the 2 borrowings largely that we make for our short-term borrowings. It cannot be seen in isolation the interest rate because it is linked to the forwards that we

take, the forwards and the premiums we make on that, premiums -- annualized premium on forwards are about 5.5%, but it only works if you are able to repay it on a particular date because of the contractual conditions.

So over the past 13 years, we have got this structure, which has been hopefully streamlined, where we borrow our working capital through EPC or PCFC and then that's the borrowing that you see. But in an accounting sense, what happens is the benefit of the forex and the other income because the float that generates goes and sits in the other income line and the revenue or operating margin line, whereas you see only the interest cost as the one-liner.

So we are effectively looking at net costs completely. Obviously, there will be some quarters where because we have parked our investments in mutual funds, there could be some quarters where you could have a lower realization on mutual funds. Like right now, this quarter, we had our mutual fund investments come in at about 1.6% or 1.7%.

That's because of the interest rate reset scenario, but that catches up in a quarter or so and that the situation reverses. So that's how we manage our borrowings. The net cost, simply put, the net cost will be in the range of about 0.5% in the worst case, 1% in the worst case. But in most cases, it is actually in our benefit.

Rakesh Martha: Okay.

Moderator: Mr. Martha, are you done with the question?

Rakesh Martha: I think I'm done with that. Yes. But as retail investors, we have been having a great confidence on this company, had a confidence. Perhaps you guys would continue doing that because we have been investing a couple of years back, a huge, huge loss perhaps to the retail investors.

I don't know how the ITC have come out completely from 10% to 3% now. I don't know how the retail investors having -- hope you guys should do continue better going forward.

Venkatraman N: Thank you, Mr. Martha. That's what we are running for. But while I don't want to make a response on our share price and returns, if you look at it compared to the entire industry and the index and all of them have had a bad couple of years. And the industry also, which was seen as a bellwether industry till the AI onslaught happened because people did not understand the entire import of how AI will impact our line of business.

Slowly, it's coming back in terms of understanding that it only adds wind beneath our wings. And in the longer term, the way we do business, the people who restructure and prioritize adoption of AI and also work very closely with customers will continue to benefit. So my request is not to look at it in isolation.

The entire industry has had a whiplash kind of an effect because of AI. But slowly, things are coming to a sense of stability is what I think. But point taken, the management is fully focused on making sure the fundamentals are right, which is why you will have to look at some of the metrics on the fundamentals, which is ROE, ROCE, where we are very focused on getting those back to the 24%, 15%, 16% that we have been declaring over the last many years, operating margin improvement, utilization improvement.

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

Moderator: Next question comes from the line of Aditi Patil with ICICI Securities.

Aditi Patil: So if I look at our top 5 client growth, that has grown slightly above company average despite decline in the EdTech vertical. So I remember earlier, we had our top client in EdTech vertical. So can you just explain, I mean, what is the composition of our top 5 clients? And what has driven this growth? Like over the last 4 quarters, this client bucket has grown at a healthy pace.

Joseph Anantharaju: Sure. Thanks, Aditi, for the question. And as you rightly pointed out, our top 5 composition has grown. We've had a little bit of rejigging in the top 5. Not much, I would say. The top 3 customers, earlier, probably 2 of them were EdTech. But right now it's a little -- it's quite well distributed or diversified.

In the top 3, we would have one customer from health care space, another customer from the BFSI space and third customer continues to be in the EdTech space. And then rounding out the top 5 would be one more in health care and another one in the EdTech space.

So as we can see, it's -- and I would say the EdTech customer, there's a jostling going around with a customer in the retail CPG space. So we've diversified well from some of the risks we had in the EdTech space and getting into the verticals where there's more investments and growth and potential.

Aditi Patil: Okay got it.

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

Priyanka Sharma: 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.

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