

February 13, 2026

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: HAPPSTMNDS

Dear Sir/Madam,

**Sub: Transcript of Earnings Call held on February 10, 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 February 10, 2026, post announcement of financial results of the Company for the quarter and nine months ended as on December 31, 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 Q3 FY '26 Earnings Conference Call”

**February 10, 2026**



**Management:**

- Mr. Ashok Soota** – Chairman & Chief Mentor
- Mr. Joseph Anantharaju** – Co-Chairman & 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. Anand Balakrishnan** – Chief Financial Officer
- Mr. Praveen Kumar Darshankar** – Company Secretary & Compliance Officer
- Ms. Priyanka Sharma** – Head of Investor Relations

**Moderator:** **Mr. Sushovon Nayak** – Anand Rathi Share and Stock Brokers Limited

**Moderator:** Ladies and gentlemen, good morning and welcome to the Happiest Minds Technologies Limited Q3 FY'26 Earnings Conference Call hosted by Anand Rathi Share and Stock Brokers Limited. As a reminder, all participant lines will remain in the listen-only mode and there will be

an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Sushovon Nayak from Anand Rathi Share and Stock Brokers Limited for opening remarks. Thank you, and over to you.

**Sushovon Nayak:** Thanks, Ryan. Hi, good morning, ladies and gentlemen. Thank you for joining us today on the Q3 FY'26 earnings call of Happiest Minds Technologies Limited. On behalf of Anand Rathi, 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. Ashok Soota, Chairman and Chief Mentor; 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; and Ms. Priyanka Sharma:, Head of 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:** Thank you, Sushovon. Good morning to all the participants on the call. Welcome to this conference call to discuss the financial results for the third quarter ended December 31, 2025. I am Priyanka Sharma, Head of Investor Relations. We hope you have 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 and good morning, everyone, and thank you for joining us. When we spoke last quarter, we had highlighted that our 10 strategic transformations were beginning to deliver visible and measurable results. And before I get into all of that, I want to take cognizance of a recent announcement on AI, which has created turbulence in global markets for software companies. I want to assert that this development is an opportunity and not a threat for Happiest Minds, and we believe also for other IT services companies and in many ways, this reinforces the strategic choices we have been making. In Q3, we have taken the next step forward in our strategic journey by launching AI First, Agile Always as our 11th strategic transformation. This is a structural shift on how Happiest Minds builds, delivers and scales value in an AI-driven world. This transformation is itself supported by 11 strategic programs. While the foundations, talent, platforms, and governance, were built over the last several quarters, the outcomes are now becoming visible in customer engagement and execution.

Before I speak about the environment, let me briefly touch upon the performance in Q3. We have had a 2.4% Q-over-Q growth and 10.7% year-over-year. And for the 9 months, growth stood at 10.2%. This reflects steady execution. Even as we continue to invest heavily in our AI capabilities and reinforce our confidence in the 4-year, 10-plus percent revenue growth commitment we outlined last quarter.

A key enabler of our AI First strategy is really our AI Services Delivery Platform, which has already been used by customers to move initiatives from pilots to production. We plan to take this platform to multiple customers so that this will help them reduce their own time to market. Across the organization, we are seeing growing demand for AI embedded into workflows, intelligent agents and governance platforms that enterprises can deploy with confidence. We now have 32 GenAI and Agentic AI use cases that have moved from prototype, with several scaling into production.

To summarize, AI First is already influencing how customers engage with us and how we deliver. It builds naturally on the earlier transformations we have undertaken and positions Happiest Minds very well for the next phase of growth. An inevitable question that arises from the above is: what is the difference this is going to make to the growth of Happiest Minds? When we announce our Q4 results, we will give you these numbers. It's too early for us to do that now. And we expect to show significant increase in the guidance we have been giving over and above the 10% growth we have committed for 4 years.

With that, I will hand it over to Joseph to talk about the business environment, customer traction and outlook.

**Joseph Anantharaju:** Thank you, Ashok. Good morning, everyone. In Q3, we saw customer conversations becoming more decisive. Enterprises are moving beyond experimentation and are increasingly focused on embedding AI into

core workflows and platforms where the business impact is clear and scalable. This shift is reflected in our Q3 and 9-month performance, with constant currency revenue growth and EBITDA margins remaining within our guided range.

The demand environment remains selective but increasingly intentional as they prioritize initiatives where the business case is well-defined. Automation of workflows using GenAI and Agentic AI, AI-led productivity and modernization of core platforms are seeing traction as enterprises focus on measurable outcomes and faster time to value.

As a result, AI is no longer an add-on in customer conversations. Increasingly, discussions are centered on how AI can be embedded into core workflows and platforms, governed effectively and scaled across the enterprise. This is where our AI First positioning is making a tangible difference.

An important dimension of this shift is how customers are approaching modernization and productivity at scale. Many are now looking to apply AI to core applications and platforms that were traditionally difficult to modernize due to complexity, legacy dependencies and execution risk. In this context, our agentic AI approach, which combines coding agents with human developers in a hybrid delivery model, is resonating well.

This enables customers to address technology debt in a more cost-efficient manner and lower risk manner by delivering high productivity improvements. We are seeing interest in this approach not only from enterprises but also from private equity firms and their portfolio companies.

During the quarter, we saw several AI-led wins that reflect this shift, including GenAI-driven vendor compliance and automation for a global FMCG client, an enterprise-wide roadmap and reference architecture for a U.S. insurance provider, AI-powered sales and quote management

solutions for premium retailers in Australia and NZ, AI-led cloud optimization for a U.S. healthcare BPO and digital and AI-driven transformation initiatives for leading academic institutions in Asia and India.

A common theme across these engagements is scale and repeatability. These are not proof of concepts; they are designed as platform-led or reusable solutions that can be deployed across multiple customers with similar requirements.

Let me touch briefly upon how this is reflecting in our BUs. PDES continues to be our largest business, anchored around product engineering and platform modernization, with AI increasingly embedded into core engagements. IMSS continues to benefit from demand for AI-enabled infrastructure management, cloud optimization and automation-led efficiency initiatives. GBS and AI services saw strong momentum, with revenues growing close to 50% quarter-over-quarter as customers move decisively from pilots to production deployments.

From a geographic standpoint, the U.S. remains our largest market with continued traction across other geographies. From a vertical perspective, BFSI and Healthcare led growth this quarter, with Industrial showing a modest uptick while the rest of the portfolio remained broadly stable. Recent deal wins and the pipeline, which showed a big jump during the quarter, provide greater visibility and portent well for the upcoming quarters.

At an industry level, Q3 saw resilient but selective growth, with digital and AI-led programs holding up better than discretionary spend across the IT services sector. Looking ahead, while the environment is likely to remain selective, our focus remains clear: AI-led growth, deeper client

engagement and disciplined execution. The AI First approach positions Happiest Minds well as customer priorities continue to evolve.

With that, I'll hand it over to Venkat to walk you through the financial and operational performance.

**Venkatraman N:** Good morning, everybody. This is Venkat. Thank you, Joseph. Good morning, everyone. I'll take you through the financial and operational performance for the quarter that just ended, followed by a brief update on our 9-month performance as well.

For the quarter, revenue stood at \$65.7 million, showing a growth sequentially and year-over-year in constant currency of 1.2% and 7.1% respectively. In rupees, revenues were INR588 crores, up 2.4% sequentially and 10.7% on a year-over-year basis. Total income for the quarter stood at INR604 crores, growing at 1.4% Q-on-Q and about 8.9% Y-o-Y. EBITDA was INR123 crores, translating to a margin percentage of 20.4%, compared to the 20.2% in Q2. And this range of 20.4% to 20.2% is well within our guided range of 20% to 22%.

Operating margin for the quarter improved to 17.4%, that's 40 basis points sequentially, from 17%. Our utilization for the quarter was 82%, and the highest in recent times. Margin expansion was thanks to the favorable foreign currency and improved profitability in the GBS segment. These gains -- despite fewer working days in the quarter and a forex loss of INR6.2 crores.

Profit before tax for Q3 stood at INR54.2 crores, while profit after tax was INR40.3 crores. This number takes into account the one-time impact of the new wage code -- leading which is resulting in a one-time charge of INR22.3 crores. So if you want to look at our numbers, adjusted PAT, which is PAT adjusted for the noncash acquisition costs and exceptional items, which includes the charge for the new wage code was at 11.6% compared to the 11% in the previous quarter. So a

real depiction of our numbers is essentially the adjusted PAT, which is what I'm drawing your attention to.

Overall margin improvement underscores sustained operating efficiencies and disciplined cost management that we follow. For the 9 months ended 31st December 2025, revenues was \$195.2 million, showing a year-over-year growth of 10.2%. We are keeping to our double-digit growth percentage of 10.2% in dollar terms.

In rupee terms, revenues were INR1,711 crores, up 12.8% year-over-year. EBITDA for the 9-month period stood at INR367 crores with a margin of 20.6%. Profit before tax was INR204 crores and profit after tax was INR152 crores, both impacted slightly by the one-time wage code cost that I talked about earlier.

However, adjusted PAT, which is again, PAT adjusted for the noncash cost coming from acquisitions and the one-time wage code impact for the 9-month period stood at INR208 crores compared to INR195 crores in the previous year.

Operationally, as highlighted, utilization improved to 82% in Q3, reflecting better deployment and improved execution discipline and the scaling of our AI-led engagements. Attrition on a trailing 12-month basis stood at 17.4% and largely stable. DSO increased to 92 days from 87 in the previous quarter, and we remain focused on collections and billing discipline. The idea is to bring that back down to the 85-day number, and that's where we'll be focusing our efforts on.

Headcount at the end of the quarter stood at 6,548 employees, supported by a strong offshore delivery model. Our return ratios remain healthy with ROCE at 22% and ROE at 12%. Looking ahead, our priorities remain unchanged: delivering 10-plus percentage on revenue growth in constant currency and maintaining EBITDA margins in the 20 to 22% range. This is for the current financial year. Aligned to our AI

First strategy, we plan to grow our AI/GenAI team to a 1,000 Happiest Minds by the end of FY'27 while maintaining financial discipline in the process.

With that, I will hand it over to Sridhar to conclude and share more details on our AI First approach.

**Sridhar Mantha:**

Thank you, Venkat. Very good morning, everyone. Q3 represents a very important inflection point for our Generative AI business services and AI. As industry is gaining more confidence about the use cases and how to derive ROI leveraging Generative AI and subsequently agentic AI, more and more use cases are moving beyond prototypes into production-grade deployments. With many of them scaling across multiple customers and verticals, creating repeatability and operating leverage.

Also, we are working on and delivering multiple end-to-end digital solutions, and these are primarily driven by the AI features that are on the top of the digital platforms and the digital infrastructure. Our AI Services Delivery Platform has been central to this progress, enabling faster movement from concept to production while improving delivery productivity and governance.

Following a successful healthcare solution deployment, the platform is now being scaled across industries. The platform covers frameworks, tools and agents that cover entire spectrum of our service delivery, including agentic software development, modernization and tech debt reduction, data engineering, cyber security, infrastructure management, etc., leveraging AI, and also this platform helps in implementing agentic AI solutions faster.

We are delivering AI assistants embedded into workflows, domain-specific copilots, AI-native modernization of legacy systems and AI-powered operations across IT, sales and support. Importantly, GBS

turned profitable this quarter, reflecting improved execution discipline. Our focus going forward is very clear: scale responsibly, deepen reuse and ensure AI delivers measurable business outcomes for our customers.

That concludes the management commentary. We will now be happy to take your questions.

**Moderator:** We take the first question from the line of Gaurav Rateria from Morgan Stanley.

**Gaurav Rateria:** My first question is on the Generative AI deals and services that you talked about. Just want to understand, from an enterprise context, are these completely new areas of spend? Or are these the same spend they would have done in a different manner, but because of new technology, they are kind of redirecting and repivoting and doing it in a different manner? So, is it a net new? Is it just a repivot of something they would have done earlier?

My second question is on what are the various engagement models that you have on some of these repeatable platforms that you talked about. Are these more like a license-based solutions that you are selling? Are these fixed price projects? Are these based on certain outcomes that the client is achieving and based on that outcome you are going to get paid? Or is it still plain vanilla effort-based projects?

Thank you.

**Sridhar Mantha:** This is Sridhar, and I'll take the first question and second question Joseph will address. And regarding the first question, of course, for quite some time we have been seeing lot of traction that were happening in the GenAI space because the clients were not really clear about either the use case definition or the ROI.

Such prototypes and POCs were generally done by scratching some component of the budget from somewhere. However, as Joseph and Ashok mentioned, in the last 2 quarters, including the current quarter, we started seeing more and more customers are extremely clear about their entire roadmap and what kind of agentic AI foundation and the platform they want to build, what kind of use case they want to create.

And these roadmap projects are very clearly part of their overall budget definitions and having more of 1 to 3 years kind of roadmaps. So, the answer, shortly, is of course earlier it used to be more of scratch the budget here and there, but nowadays we are seeing more and more large initiatives well-defined as part of their overall budget.

**Joseph Anantharaju:** And just to add to that, Gaurav. The other area that we are seeing is when you look at lot of many of these platforms and applications that enterprises and even SaaS providers have built, there's a level of tech debt that they've incurred over a period of time which, for reasons of the risk involved, if it's an old enterprise application, or if it's a SaaS provider or a company that is looking at its bottom line, they may not undertake this because of the cost.

And that is being enabled by your Agentic AI approach where you can deliver a huge improvement in productivity, that will be a new spend as we and we are in discussion with a few customers on this. We'll be able to report more, I think, by next quarter. We're very, very hopeful on that.

Now in terms of the various engagement models that you talked about, we are looking at multiple areas. One of them is looking at how do we take these platforms or solutions, and like you look at Arttha or Insurance in a Box, we've embedded agentic AI, we are looking at a couple of platforms in the education space and the healthcare space.

And our expectation is that we will be able to get subscription or direct license revenue.

The second that we are looking at is how do we take some of these platforms, including our AI Delivery Platform that Sridhar and Ashok alluded to, and how do we package this into a solution and deliver it to customers and look at it whether these can be repeatable solutions so that the selling process, the presales, and the delivery gets optimized and we can manage our gross margins better.

The third is obviously fixed price projects. We in some cases, whether it's when you're modernizing some of these applications or taking on new Agentic AI and GenAI-based features, we'll be able to do it in a fixed price manner as long as the customer is clear on what the outcome should be. If they're in an ideation phase, then it becomes a little bit more challenging.

The other area that we are very actively considering, because it would allow us to capture more value, is outcome-based. And here there is quite a bit of ideation going on internally as to how we can take this to customers. We need to think this through, but we have our initial thoughts and we are bouncing it off customers and sensing them out to evolve this approach.

**Management:**

Just to add on that, Gaurav, our ELLIPSE platform for the infrastructure management has got AIOps infused in it. And so does our security platform which is SecAiGenie, which has got AI completely infused in terms of threat management and MDR. Now both these platforms help in shared services as well as complete managed services, thereby adding value.

And these are not just routine vanilla services which we're going to provide, but it includes AI-based operations which actually benefits the customer in terms of cost saving as well as improved service quality.

**Moderator:** We take the next question from the line of Aditi Patil from ICICI Securities.

**Aditi Patil:** My first question is on the healthcare vertical. So, it has grown at a healthy pace for the last 3 quarters. Can you share more color on this? What is driving growth? Which service lines, markets and client sub-segments? And how is our pipeline in this vertical? And also update on the -- you had mentioned in the 10-point transformation plan about a healthcare out-of-the-box solution. So, update on that.

**Joseph Anantharaju:** Sure. See, one of the areas that we are seeing where spend is holding up well, Aditi, is the healthcare space. And you would also notice that BFSI has demonstrated good growth during the quarter. In healthcare, we saw uptick across geos as well as across various sub-segments of healthcare. So, we had customers in India, in Europe and in U.S. ramping up during the year. We also had a couple of new logos that we were able to close in healthcare.

Some of the companies that have contributed to this growth, one of them is a health-tech company based out of India, where we've seen - - they're building a platform for their delivery and for their business. And that's -- we finished the discovery/ideation phase and we got into the actual buildout. And this includes GenAI at the core of the platform. And that is contributing to some of the growth.

And the other area that we are looking at is a large pharma company that had ramped down in the second quarter to some extent. We saw them ramping up again. That's also contributed to the growth. One of our large customers, which has a marketplace for medical supplies, they started off a couple of initiatives which ramped up during the quarter and that's where a lot of the growth has come.

We're also working with a couple of medical research institutions on bioinformatics and using AI for optimizing some of their research activities. So, we saw that contributing to the revenue.

In terms of the healthcare platform that we talked about, I think we have one platform that's ready, the multi-omics platform. And as we speak, we are running our go-to-market campaigns on this platform. We have a few prospects that have evinced interest. We are in the process of figuring out how do we package this platform and work with these customers. So, it's looking quite positive. There is a second healthcare platform that is still in the ideation phase. That'll take maybe another quarter or 2 for us to get clarity on. But the multi-omics platform is something that we're already going to market with, Aditi.

**Aditi Patil:**

Okay, got it. That color is helpful. My second question is on the hi-tech vertical. So, can you also let us know -- I mean, was it mainly because of furlough that we saw a Q-o-Q decline? And what is the outlook on this vertical?

**Joseph Anantharaju:** Sure. So, there are couple of reasons that we saw a drop in this vertical.

One of the customers that we've been working with for the last 1.5-year, which is more of a -- which was more in a startup phase, we have completed the development of the product for this customer. And it's a U.S.-based customer and so the team ramped down as the customer tries to take this to market and sell the product and figure out the viability of the product in the market. Our hope is that once they are able to get their go-to-market going, we will see some revenues come back. And this is a risk when we work with some of the early stage or startup kind of companies.

We also had we were working with Airport Authority of India providing support on the platform that we had built for them. That support contract came to an end. So both of these have contributed to the drop

in hi-tech. And going forward, what we expect to see is revenues to stabilize and hopefully demonstrate growth in the coming quarters, Aditi.

**Aditi Patil:** I just have two more questions. So, the third question is on in terms of the renewals, our some of the peers have highlighted that clients are asking for productivity ask for higher pricing reductions. So, are we seeing that more in hi-tech vertical? And overall, how have been our renewals?

**Joseph Anantharaju:** Sure. If you look at our repeat business, that's stayed around the same, Aditi. So that's one barometer that I would use. But you made a point that customers are demanding a decrease in rate. See, in our case what we are seeing is that customers are driving and we are in many cases proactively going and evangelizing to customers how they can use various productivity tools to improve their quality, to increase their productivity, output, throughput. And I believe that that would be the right approach to take for us, to be proactive about it. And that's what our team has been doing.

And what we are seeing customers come back with is new additional features, tech debt that they have, that can be managed by the same team so that the throughput increases. And we've not seen any customers come back and ramping down because of productivity increases. At times a program could end or come to a logical conclusion and therefore, like I mentioned with the startup in the hi-tech vertical, that we are seeing. But we are not seeing any customers come back and ramp down because of productivity increases.

In fact, a few of the CTOs that I met with in Q3, they're very categorical about this point that proactive and drive adoption and usage of productivity tools, don't worry about ramp downs based on the increase in productivity. And where we have managed services or fixed

price, we will share the productivity improvements, whatever benefits we get, with the customers. That's the approach that we plan to take.

**Aditi Patil:** Okay. Got it. And my last question is on so what is the threshold for TCV, like above which you mentioned the deals in your press release? What is the criteria of putting deals in the press release?

**Joseph Anantharaju:** I think we've used a mixture of factors and criteria actually, Aditi. Some of them are you look at you see they are more discovery kind of work where the ACV could be lower, but the follow-up work would be higher. But what we've tried to highlight is the deals that are large in size as well as interesting work that we've done that can lead to more follow-up work or that can lead us to other customers based on this work.

**Aditi Patil:** Okay. So, you don't follow a minimum threshold of deal TCV above which you put it in the press release?

**Joseph Anantharaju:** The minimum threshold is US\$250 million, but you'll see deals that are multimillion, and you could also see deals that are \$300 million or \$400 million, which are more consulting and discovery oriented. I just want to give you that range. Minimum is \$250 million, if that's what you're looking for.

**Aditi Patil:** Okay, got it. Thank you for answering all the questions.

**Moderator:** We take the next question from the line of Anand Sodhani from Sodhani Securities Limited.

**Anand Sodhani:** Good morning. I would like to first congratulate you on delivering such a wonderful set of results for this quarter. So, my -- I have three questions for Mr. Ashok Soota. There have been recent reports that Mr. Soota has been exploring stake sale. So, I wanted to understand the rationale behind the stake sale. And are we really exploring the stake sale? Or is there any -- and was the rationale at seeing the share price of HMT at the 52-week lows?

And it has corrected almost 50% in the last 1 year. One side slide has been there since the last 1 year. The last time Sootaji sold stake at around INR850, 6% stake. And since then it has corrected to almost half till now. So, what's the rationale behind selling a stake at such low levels?

**Venkatraman N:** Yes. Sodhani, it was quite muffled, your line. But if I were to repeat, you wanted to know about, Mr. Soota news that...

**Anand Sodhani:** Yes, Ashokji is the news correct or is it just a rumor in the market? Is it planning?

**Venkatraman N:** Is it correct or is it a rumor?

**Ashok Soota:** Yes. Actually, I must tell you one aside just for you to understand where I am. Our whole, if you see our whole, whether it is a press release or our earnings call or press conference that we'll have now, we are completely AI focused and you may have incidentally seen yesterday Mr. Chandrasekaran in TCS is saying I'm going to start getting back into Tata is now saying I'm going to get back into looking after a lot more into TCS simply because of the importance of the change.

Now we have launched a major program which I am leading here along with Joseph and the whole team is here to work with this. That change in itself has 11 strategic programs. Make no mistake, I am here to completely see it through, and there is no change.

**Anand Sodhani:** Okay. That answers the first question. My second question is with respect to time line of Happiest Health. I think 2, 3 years back we had said that you will be launching the IPO planned to launch the IPO of Happiest Health in somewhere in 2027, if I'm not mistaken. So, is it on track?

**Ashok Soota:** No, I wish I knew that. It's a very young company, its revenues at the moment are actually rather sad. But it will change. In the sense I'll - it's

not a Happiest Health call, so let me still say, it will be a very differentiated, completely integrated healthcare and wellness company of a type which does not exist in this country and in just one of the segments that we have, for example, which we have we work with clinics which are out of the hospital model. And they are specialty clinics, so that's the beauty of the thing. And we have at the moment only 6 clinics, but within 12 months we'll have 26.

**Anand Sodhani:** Okay. So, I mean, is the IPO on track for FY'27?

**Ashok Soota:** As I said that, I would imagine IPO could be easily 6 years away.

**Venkatraman N:** Yes, IPO would be at least 6 years is what Mr. Soota is saying.

**Anand Sodhani:** From 6 years from now?

**Ashok Soota:** Yes, Anand.

**Anand Sodhani:** Yes. I asked that IPO will be 6 years from now? And we are seeing IPO at 6 years from now, from 2027?

**Venkatraman :** Yes, that that's the thought. But like Mr. Soota said, that's more for Happiest Health, but yes, yes.

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

**Vinesh Vala** Sir, my question was on the retail vertical. So, the Retail vertical which is growing on sequential basis from last 9 quarters is showing a decline in this quarter. So, is it related to the furloughs? Or is there any issues which we are facing because the industry was growing -- was facing the issue, industry was slowing down but we were growing in this vertical. So, is there any concern?

**Joseph Anantharaju:** No, actually. I think there are 2, 3 reasons that have resulted in this drop. There's a very small element of furloughs actually, maybe around

see, the drop was 500,000 from Q3 to Q2 to Q3 and maybe around 70,000 of that would be furloughs. One of the large customers, they don't do a 12-month billing cycle. They use a 4-week billing cycle. So, we get 13 billing cycles in a year. And in Q2, we got an extra billing cycle, which resulted around 250,000 of extra revenues, which kind of got normalized in Q3, and that contributed a fair bit.

For again, one of our large beverage manufacturer customers, we completed the automation project that we had taken up for them. It completed in the end of Q2, early Q3. And we're just starting work follow-up work in Q4, so my belief is that in Q4, you'll see an uptick in revenues moving up in RCL. But overall, the pipeline and the customers that we are signing up in this space is quite encouraging. And I don't see any ramp down out here or a drop actually, Vinesh.

**Vinesh Vala**

Sir, next thing was on the edtech vertical. So edtech vertical also, it is declining. So, do we expect that vertical to be stabilizing in FY '27 or still some rationalization of clients and everything is there in this vertical?

**Joseph Anantharaju:** So, Vinesh, as you rightly observed, this is a vertical that has shown a decline in the last few quarters. It used to be our largest vertical and now it's our third largest vertical. And one of the reasons is we've had a heavy exposure to the higher ed space in this vertical. And that whole space, whether it's in U.S. or across the globe, is going through a very challenging period. I'm talking about the higher edtech space, right?

And in U.S., especially universities are having a challenge. But however, having and I believe the customers that we have right now, we are reaching a point where probably the various risks that were there, they have mostly played out is what I believe. And I think FY '27, we should see things stabilizing.

Having said that, there's a new area that we have identified in the education space pursuing institutions and universities based on some

of the work that we are doing with a couple of universities as we speak, one in Southeast Asia and another one in India, both very well-known leading institutions and the underlying opportunity out here is some of the internal challenges these universal institutions are facing because of data silos and more importantly, student retention, student attraction is a huge need out here. And AI is enabling them to do this in a more cost-effective manner and I believe that our AI and first strategy overlaid on our educational domain depth and the engagements that we are currently pursuing, including a couple in North America, gives us the opportunity to take some repeatable solutions and maybe even a platform-based approach to these customers. And I believe that in FY '27, we should see a reversal of the downward trend that we saw in the tech space.

**Vinesh Vala**

Okay. My next question was on the deal pipeline. So, as you highlighted that there is a pricing pressure, but do we foresee any change in tenure in the deal, whether deals are becoming shorter or something like that? And how is the pipeline overall pipeline?

**Joseph Anantharaju:** As I mentioned in my commentary, Vinesh, I and the rest of the leadership team very encouraged by the increase in the pipeline. There was a significant increase in the pipeline. And the increase has been more in some of the larger deals. So, contrary to the point you made, we are actually seeing quite a few deals that are 3 to 4 years tenure. And typically, we've worked more as an external engineering team to our customers and so we get 1-year visibility, but we are now taking on programs, whether it's providing support for some of their platforms or setting up a QA testing center of excellence for a large bank in Muscat. We're looking at more longer-term engagements of higher value, and that is what is driving the increase in pipeline.

**Moderator:**

We take the next question from the line of Sucrit D. Patil from Eyesight Fintrade Private Limited.

**Sucrit D. Patil:** Good morning. I have two questions. My first question to Mr. Joseph is looking ahead, how do you see Happiest Minds balancing between scaling digital transformation services, accelerating AI-generated investments and protecting profitability? As client demands and competition evolves, what will guide your decisions on which of these areas should get the strongest focus in the coming quarters? That's my first question. I'll ask my second question after this. Thank you.

**Joseph Anantharaju:** Sure. So, I think as Ashok and Sridhar mentioned, our largest focus area will be the AI First strategy and the 11 programs that Sridhar talked about, making sure that we implement them. Ashok will be driving this with support from all of us, this initiative. And I believe that if we are if we can execute on this initiative, it will ensure that our growth picks up from the current 10% that we've given and that we'll be able to accelerate it further.

Now some of the areas that we will be looking at actively is the AI Delivery Platform. That will be an area that we will be making investment. I think there's a huge opportunity around tech debt and modernization. as I mentioned in my commentary, we're seeing quite a few customers expressing interest in this space to address some of the issues that they have put off for quite some time. And I think that can be again a huge opportunity and making sure that we build repeatable solutions with AI at the core will allow us to take these use cases we have around 32 use cases in the GenAI space, it will allow us to take these use cases to a larger set of customers in a more repeatable manner. I think these will be the focus areas for FY'27. And a related area is how do we make sure that all of this happens in the context of more increased domain increasing the involvement of domain and domain understanding into these AI solutions.

**Sridhar Mantha:** Sorry, I just want to add additional point. I think since you called out the digital transformation, I want to highlight one point that when we

talk about the AI first, you visualize it more like tip of the iceberg. What we don't see under the water is the complete set of the digital technologies in the sense that cybersecurity, cloud and all those technologies where we have done investments and we have been the leader in the digital space, that continues to be the foundation on the top of which we'll be building the AI first strategy.

And we started seeing similar kind of results in the marketplace in the sense that large multimillion dollars in the edu-tech space, which we talked earlier, that has a larger component on the digital and then close to \$1 million on the AI and Generative AI to be added on the top. So, they go hand in hand is what I want to call out.

**Sucrit D. Patil:** My second question to Mr. Balakrishnan is: as Happiest Minds plans over the next few quarters, what financial signals or metrics will be most important in your mind for guiding decisions on cost control, cash flow management and capital allocation for specifically AI and digital investments? How do you see these levers shaping the company's ability to protect margins and boost the profits as IT services business scales?

**Anand Balakrishnan:** Yes, this is Anand here. So yes, thank you for this question. Yes, the margin pressures will continue to be there, but what we -- if you've seen from a gross margin perspective, we are kind of marching up in the last 2 quarters. We will continue to work on those. Utilizations have improved from marked 80% to 82%, and we kind of trying to push that as well. Liquidity is also kind of gone up to 1520 crores. So that is something that is there.

So, the only thing that we are working on is the DSO, which has currently kind of gone up. But I think it's kind of stabilized in the month of January. So, I think we will continue to do that. We seem to be doing well in what we are doing in the last couple of quarters from a margin,

from a liquidity standpoint, and we will continue to do that in the coming quarters too. Does that answer your question?

**Sucrit D. Patil:** Yes.

**Venkatraman N:** And Sucrit, just to add, one of the areas that all of us will be looking at very closely is, we've made some investments in terms of NN sales, building vertical capabilities. And I think we need to keep those investments at the current level unless -- if we need to make investments that will lead to long-term growth, we will do that.

But I think what we'll need to do is to ensure that we get more returns out of these investments. And as we speak, even in the last quarter in our commentary we had mentioned that we had 13 new logos for the first half of the year, which is the highest that we've had. And this is all based on the investments we've made in the NN sales team.

So, I believe that in FY '27, some of the investments we've made, whether it's in the Generative AI business unit, whether it's in NN sales, or building vertical capabilities, we will see some of those investments paying off and contributing to our margins. And that will be something that all of us, the leadership, will be closely looking at.

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

**Dhanshree Jadhav:** Congrats to the team for good set of numbers. My question is with regards to like we have given our full year guidance to be 10% plus. So, for that the Q4 revenue guidance should be stronger. So, what are -- what would be the verticals and strengths supporting this strong growth in Q4?

And my second question is on, if you can call out on subscription revenues in terms of as percent of top-line and the gross margins we are having there. And any queues on pipeline in the GBS, which we are

seeing of strong quarter-on-quarter growth. So like ACV also if we can get, so that would be helpful.

**Priyanka Sharma:** First is color on the anchor verticals in Q4. Then she is asking for deal pipeline ACV, GBS.

**Joseph Anantharaju:** Okay. So, for Q4, I think we are looking at couple of verticals to actually drive growth and couple of verticals to stabilize. I think BFSI will continue to be a vertical that will drive our growth because we are expecting an uptick in Arttha license revenues. Typically, Q4, our Q4 and Q1 calendar year is the biggest quarter just because customers have completed their planning, they've opened up their budget.

And we have a good pipeline for Arttha. And we have another 2 months to close this. At the same time, we also have a couple of BFSI customers where we've got additional requirements based on last -- the planning for the new year. And we need to make sure that we are able to staff and start these. So BFSI is one vertical that we are expecting will give us heft in Q4.

The other one is again healthcare. And I think it's a continuation of trend. For one of our large customers that I talked about, where we are helping build a platform for their diagnostic and health clinics, we are getting into a ramp-up phase in Q4. And there are couple of new use cases that have been identified which leverage AI and GenAI. So those two will be contributing to growth in Q4.

And I did talk about RCL and hi-tech stabilizing. I expect hi-tech, one of the large deals that we are working on should get closed. We are in a very advanced stage. But we may get some revenues in Q4. It will definitely contribute to growth in Q1.

So overall, as I mentioned in -- while addressing your question earlier, we are seeing a strong pipeline and the opportunities that are large are

in a very advanced stage in the funnel. And as they close, they will start yielding revenues, some of it in Q4, and in Q1 and Q2 as well and GBS Sridhar?

**Sridhar Mantha:** This is Sridhar. And regarding GBS, of course, Joseph shared the quarter-over-quarter growth, and we want to continue the momentum to the next quarter as well as the next financial year so that as GBS was as entered part of our trend strategic programs earlier, will contribute more towards the growth of Happiest Minds.

However, when it comes specifically to the pipeline side of the things, and some of the deals that we very recently closed, the example is for example, Joseph talked about start-up in agentic AI platform space, which we very recently closed, there's a huge upside in terms of how much more we can add to such accounts and then, of course, as we are actually adding the generative AI as part of our AI-led strategy and AI First strategy across the organization, for example, AI plus Generative AI. And of course, we already have digital process automation as our center of excellence, combining the process automation with AI and Generative AI as intelligent automation. So we have a huge set of larger pipeline deals with the combination of GBS Generative AI with various other components in the organization and the last one is, of course, on the AI platforms that we talked about as part of our AI and generative AI platform, there is a very healthy pipeline in terms of building that with one of hi-tech and other health tech companies. So, we do see a healthy pipeline, and we are optimistic about maintaining similar or better growth in the coming quarters and the next year.

**Dhanshree Jadhav:** Yes. Just one question. So, I just asked on subscription-led revenues, if you can call out that number in the gross margins sense?

**Venkatraman N:** We only have Arttha as a line of business which is subscription or SaaS based. But we are looking at a couple of more additional offerings like

Insurance in a Box, University in a Box kind of a multi-omics platforms. And those are at a much higher gross margins, if that's the question that you're asking, compared to the normal services. It's all of this is covered in the IP-led sales which is at about 10.4% as of end of quarter.

**Moderator:** Ladies and gentlemen, in the interest of time, we take the last question from the line of Rakesh, who is an Individual Investor.

**Rakesh:** Yes. I have two questions there. Perhaps I see -- and I'm a retail investor. And the point is that since Happiest Minds has been positioned itself as an AI-driven company, what specific project or initiatives are being prepared for the -- we have a India AI Summit in the next week. That's the one question. And the second question is that I see lot of debt...

**Ashok Soota:** Actually, that's a enormous initiative and we're really delighted that this is being kicked under the guidance of the Prime Minister himself. We will be participating and I'm also happy to share with you that one of the leading state governments, I can't name this at the moment, has really been written to us saying that we'd like to meet you there. We are really impressed with the work that you're doing in AI and we'd like to have a memorandum of understanding with you with a view to building a long-term relationship. So clearly, our focus on AI is paying off in many ways because the word has got around in a very brief period. And we'll be building on it, and we'll be very much present at the AI Summit.

**Rakesh:** That sounds good to me. And the second point, question is that I see - - what the projected repayment time line for the current debt? I see lot of debt being taken because of your new projects, new companies hiring taken up. So, what are the -- any plans for capital raising? I see a lots of interest being paid every quarter.

**Venkatraman N:** Almost all our debt is working capital debt, Mr. Rakesh. And if you look at our current ratio, that's quite healthy. And we get -- we have a significant amount of cash on our balance sheet. So, it's a little bit of a treasury that's being done, liquidity management that's being done. Receivables are funded through, preferential rate borrowings from banks, because banks support export-oriented industries by giving us 4.6% to 4.7% rate capital -- working capital lines. So, it would be unwise not to use that and so we are doing that. So, we follow -- we look at the effective cost of borrowings versus the effective cost that we make -- effective returns we make on investments, and currently we are 1% plus on the income side.

**Rakesh:** Okay. And just a point of note. As a retail investor, we have been investing on this company, trusting you guys from a couple of years, 3 to 3.5 years, and we see lot of -- we are not happy indeed. So please do something, have a -- improve -- I request to improve your balance sheet.

**Ashok Soota:** Yes, I'd like to just answer that. And like many companies, we go through certain cycles. And if you really see the last time we made a strategic announcement and said we're going to -- there was a period of 2, 3 years when growth was low. And then we are committing to a 10% growth, which we are on. This is the third year about at which we are going to be at a 10% growth.

Having said that, it is at this time that as we began to improve, the whole IT industry took a major hit. I mean if you look at it, at least half a dozen of those companies have been at their 52-week lows. Now we do believe that we have a secret weapon, which has been announced. we believe is going to take us into accelerated growth rates.

And those numbers, I think, should be visible as you go ahead, and we're prepared to put numbers to the qualitative statements that

we've been making. So do look out for our announcements at the end of Q4. And I think you will see a new trajectory from the company going ahead.

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

**Priyanka Sharma:** Thank you 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 Investor Relations team. You can reach out to us on [ir@happiestminds.com](mailto:ir@happiestminds.com)

Thank you once again and have a great day. Bye-bye.

**Moderator:** Thank you. On behalf of Anand Rathi Share and Stock Brokers Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

*Please note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.*