Choice Institutional Equities

BUY

Sector View: Neutral

Company Update

Happiest Minds Technologies – ITC Infotech Merger: Scale Strengthens Growth Potential; Execution Remains Key

September 01, 2026 | CMP: INR 360 | Target Price: INR 440

Expected Share Price Return: 22.2% I Dividend Yield: 1.8% I Expected Total Return: 24.0%

Company Info	
BB Code	HAPPSTMN IN EQUITY
Face Value (INR)	2.0
52-w High/Low (INR)	583/305
Mkt Cap (Bn)	INR 56.0/ $0.6
Shares o/s (Mn)	152.3
3M Avg. Daily Volume	16,76,843

Key Financials (HAPPSTMN)

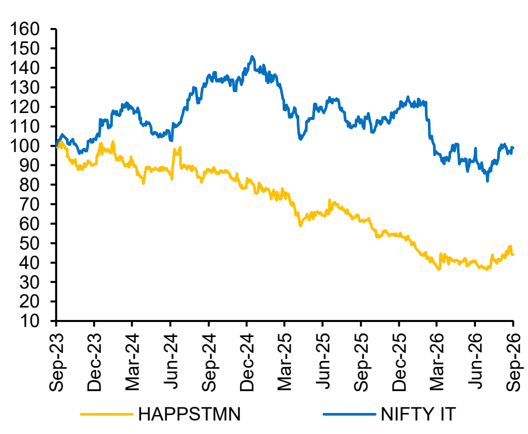
INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	20.6	23.2	25.7	28.4	31.5
YoY (%)	26.8	12.3	11.0	10.7	10.8
EBIT	2.7	3.2	3.7	4.0	4.7
EBITM %	12.9	13.6	14.5	14.2	14.8
Adj PAT	1.8	2.1	2.6	2.9	3.4
EPS	12.3	13.9	17.3	19.2	22.8
ROE %	11.7	12.4	14.5	15.2	16.6
ROCE %	12.4	14.2	16.0	17.3	19.0
PE(x)	62.8	26.0	20.8	18.8	15.8

Shareholding Pattern (%)

	Jun-26	Mar-26	Dec-25
Promoters	44.21	44.21	44.21
FIIs	6.00	5.94	5.89
DIIs	5.66	8.99	9.62
Public	42.89	39.53	38.94

Relative Performance (%)

YTD	3Y	2Y	1Y
NIFTY IT	8.6	(10.4)	(12.7)
HAPPSTMN	(56.0)	(49.9)	(28.1)



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Recent Report:

Q1FY27 Result Udpate

HAPPSTMN has announced a strategic combination with ITC Infotech through a two-step transaction comprising: (1) ITC Infotech's acquisition of a 22.1% stake in HAPPSTMN from promoter entities for INR 13,300 Mn in cash, followed by (2) The amalgamation of HAPPSTMN into ITC Infotech through a share swap. The merger values HAPPSTMN at INR 405/share (flat as per yesterday's closing price), with the shareholders receiving 25 shares of ITC Infotech for every 81 HAPPSTMN shares held. Following completion, ITC Ltd will own ~73.4% of the combined listed entity, while existing HAPPSTMN shareholders will collectively own ~26.6%. Transaction is subject to regulatory and shareholder approvals and could take ~15 months.

We remain constructive on the transaction, as the combination provides HAPPSTMN with the scale and breadth required to unlock its next leg of growth while retaining its core AI and digital-engineering strengths. The focus now shifts to execution, particularly the ability to convert greater scale and cross-sell opportunities into sustainable revenue growth while maintaining margin and differentiation. **We maintain our forward P/E multiple at 22x, as we believe the proposed transaction should be value-accretive for HAPPSTMN shareholders over the medium to long term, given the complementary capabilities, greater scale and strong ITC lineage. Following today's correction, HAPPSTMN trades at ~18.8x FY28E EPS, which in our view offers a favourable entry point given the potential benefits from the combination. We value the company on FY28E EPS to arrive at a TP of INR 440(maintained) and assign 'BUY' rating.**

Key monitorables remain regulatory progress, talent retention, large-deal conversion, cross-sell traction, margin trajectory and the eventual valuation of the combined entity upon listing.

Complementary capabilities strengthen the growth opportunity, execution remains key: Strategically, we see the combination as highly complementary rather than simply scale-driven. HAPPSTMN brings its strongest assets in AI, digital engineering, data, analytics, cloud and cybersecurity, while ITC Infotech adds enterprise transformation, SAP, PLM, Industry 4.0, cloud and deeper industry/domain capabilities. This combination meaningfully broadens the value proposition from predominantly digital transformation and engineering-led engagements towards a full-stack build + run proposition, increasing the company's ability to participate in larger and more complex transformation programmes. More importantly, it potentially addresses a constraint which has become increasingly relevant to HAPPSTMN next leg of growth: The ability to scale up its AI and digital capabilities from point solutions into larger enterprise-wide programmes. **Access to ITC Infotech's enterprise relationships and broader service portfolio is projected to increase wallet-share opportunities, while HAPPSTMN AI/data capabilities could strengthen ITC Infotech's positioning in the faster-growing digital and AI segments.**

Scale improves large-deal access, while diversification broadens the growth runway: The combined entity would rank as India's 11th-largest listed IT services player, with FY26 pro-forma revenue of ~INR 70,033 Mn, 19,000+ employees, 800+ customers and presence across 30+ countries. More importantly, the transaction improves the quality and diversity of that scale. HAPPSTMN's historical exposure has been relatively concentrated towards North America, which accounted for ~57% of revenue in Q1FY27, while Europe was only ~8%; ITC Infotech brings a significantly stronger European presence and deeper exposure to manufacturing, retail/CPG and hospitality. Management expects the combined business to have a more balanced geographic footprint, while the broader vertical portfolio should reduce dependence on HAPPSTMN existing concentration in BFSI, healthcare and EdTech. In our view, the key strategic benefit is therefore not merely high revenue scale, but the creation of a more diversified platform with greater eligibility for vendor consolidation and large transformation deals. **The company is targeting USD 1 Bn of annual revenue by FY28, implying another meaningful step-up in scale from the FY26 pro-forma base. Execution across client retention, cross-sell conversion and talent integration will therefore be critical.**

Combined Financial Structure

FY26 Financials	Happiest Minds	ITC Infotech	Consolidated
Revenue (INR Mn)	23,151	47,180	70,331
Adj. EBITDA (INR Mn)	4,034	8,728	12,762
Adj. EBITDA Margin (%)	17.4%	18.5%	18.1%
PAT (INR Mn)	2,092	5,100	7,192
PAT Margin (%)	9.0%	10.8%	10.2%

Source: HAPPSTMN, Choice Institutional Equities

Management Call – Highlights

Ashok Soota will sell 22.1% of Happiest Minds (out of his 44.2% holding) to ITC Infotech at an average INR 395/share (INR 390 in Tranche 1; INR 400 in Tranche 2). Proceeds will support SKAN and Happiest Health.

The merged entity will be listed on BSE/NSE, targeted for Q2/Q3 FY28. ITC Limited will hold ~73.4–73.6%, while public shareholders will hold the balance, including Soota's 7.55% non-promoter stake.

FY26 pro forma revenue of ~INR 7,331 Cr, making the combined entity the 11th-largest Indian IT services company, with 19,000+ employees and 800+ clients across 30+ countries

FY26 EBITDA margin of ~18.1% for the combined entity, with management targeting ~100 bps expansion through scale efficiencies, SG&A consolidation, office optimisation and improved resource utilisation.

Deal Structure & Transaction Contours

- **Promoter Divestment:** Ashok Soota will sell 22.1% of Happiest Minds (out of his 44.2% holding) to ITC Infotech at an average INR 395/share (INR 390 in Tranche 1; INR 400 in Tranche 2). Proceeds will support SKAN and Happiest Health.
- **Share Swap:** Public shareholders will receive 25 ITC Infotech shares for every 81 Happiest Minds shares held.
- **Ownership & Listing:** The merged entity will be listed on BSE/NSE, targeted for Q2/Q3 FY28. ITC Limited will hold ~73.4–73.6%, while public shareholders will hold the balance, including Soota's 7.55% non-promoter stake.
- **Valuation:** Independent valuations imply 15.1x FY26 EBITDA for HAPPSTMN and 13.6x for ITC Infotech, with an implied combined valuation of ~INR 18,087 Cr.
- **No Open Offer:** The promoter stake sale is structured in two ~11% tranches, keeping each below the 24% threshold for a mandatory open offer.

Scale & Financial Vision

- **Faster USD 1 Bn Milestone:** Merger accelerates HAPPSTMN's USD 1 Bn revenue target from FY31 to FY28.
- **Scaled Platform:** FY26 pro forma revenue of ~INR 7,331 Cr, making the combined entity the 11th-largest Indian IT services company, with 19,000+ employees and 800+ clients across 30+ countries.
- **Diversified Mix:** CPG & Retail (28%) is the largest vertical, followed by BFSI (20%), Manufacturing & Industrial (17%) and Travel & Hospitality (12%). Revenue is geographically balanced across the Americas (38%), Europe (31%) and RoW (31%).
- **Cross-sell Opportunity:** Minimal overlap among key customers creates a highly complementary client base for cross-selling.
- **Organic Growth:** ITC Infotech's ~14% five-year revenue CAGR has been largely organic, with recent acquisitions focussed on cloud and PTC capabilities.

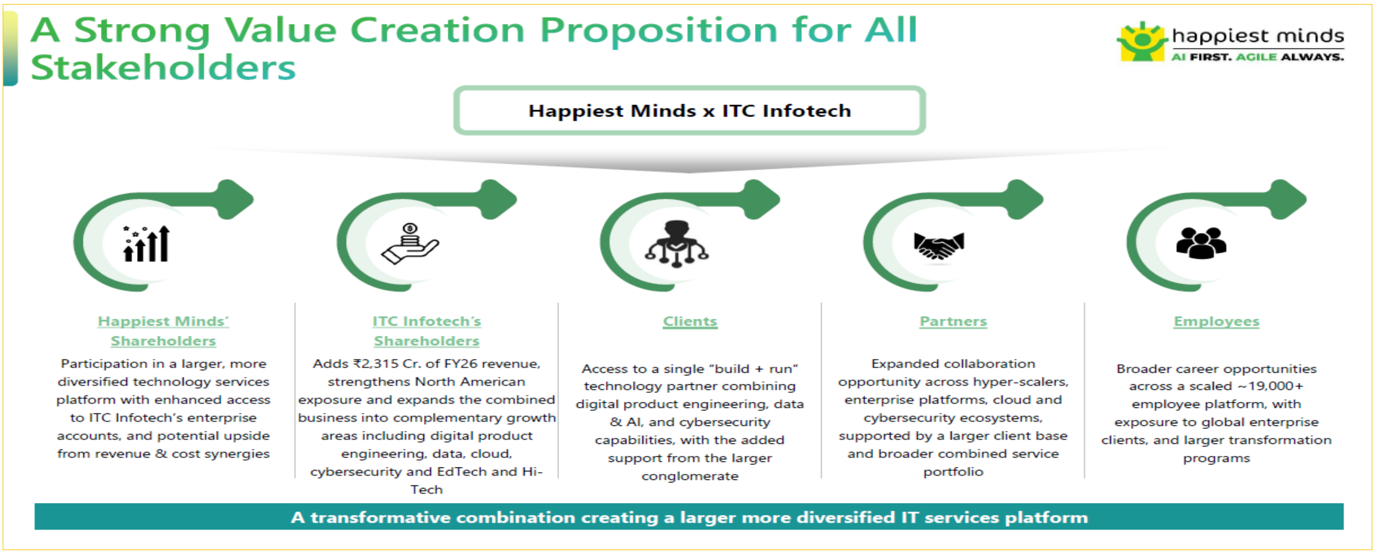
Synergies & Capabilities

- **Complementary Capabilities:** HAPPSTMN adds AI, data, cloud, digital engineering and cybersecurity, while ITC Infotech brings SAP, PLM, Industry 4.0 and enterprise transformation expertise.
- **AI Scale:** Combined platform will have 9,000+ AI-trained professionals, integrating digital/GenAI capabilities with industrial and plant AI solutions.
- **Margin Upside:** FY26 EBITDA margin of ~18.1% for the combined entity, with the management targeting ~100 bps expansion through scale efficiency, SG&A consolidation, office optimisation and an improved resource utilisation.
- **Talent & Governance:** The management intends to retain employees across both organisations; detailed organisational planning will commence after CCI clearance, with no special multi-year leadership lock-ins.

Exhibit 1: Building Scale and Diversification to Accelerate AI-led Growth

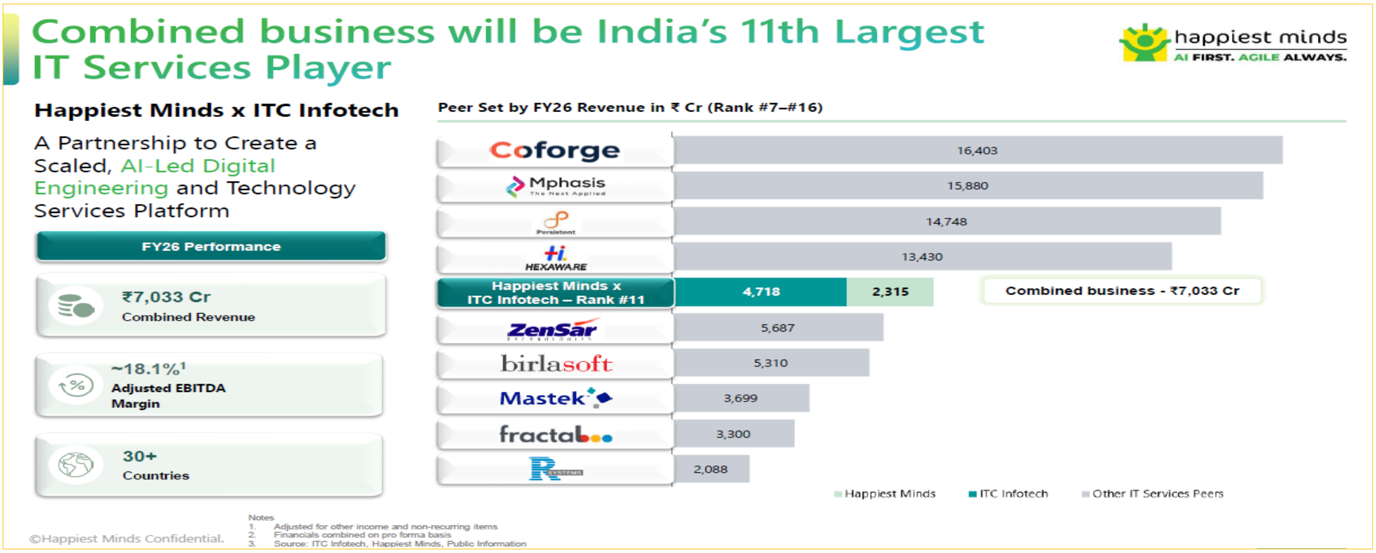
Source: HAPPSTMN, Choice Institutional Equities

Exhibit 2: Merger Expands Scale, Client Access and Growth Opportunities



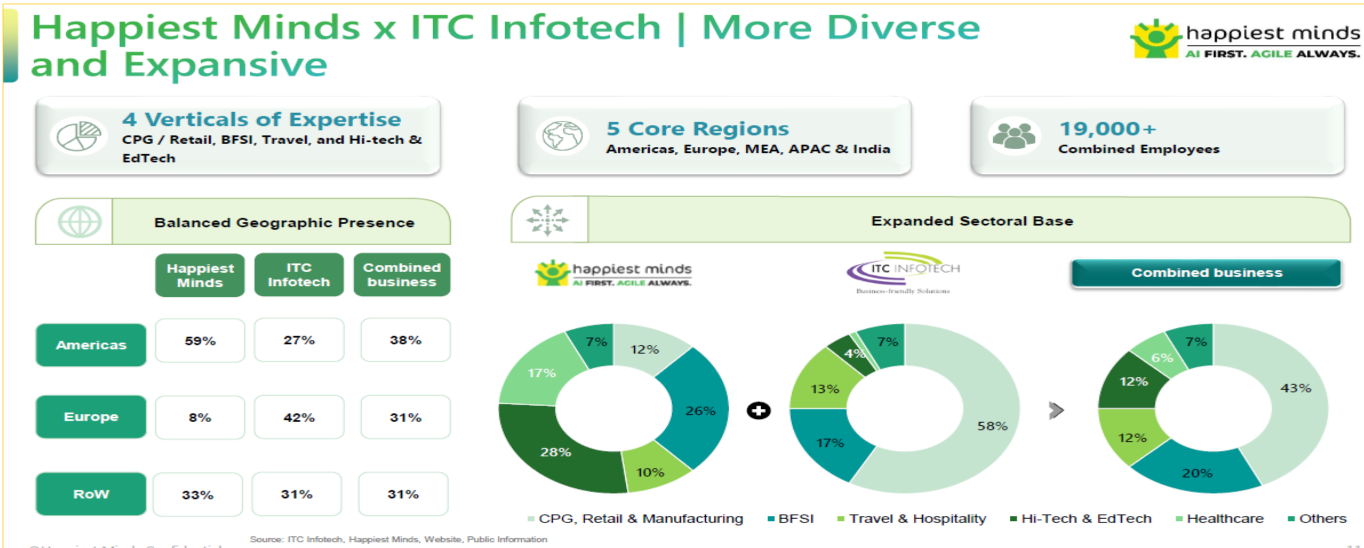
Source: HAPPSTMN, Choice Institutional Equities

Exhibit 3: Combination creates India's 11th-largest IT services player



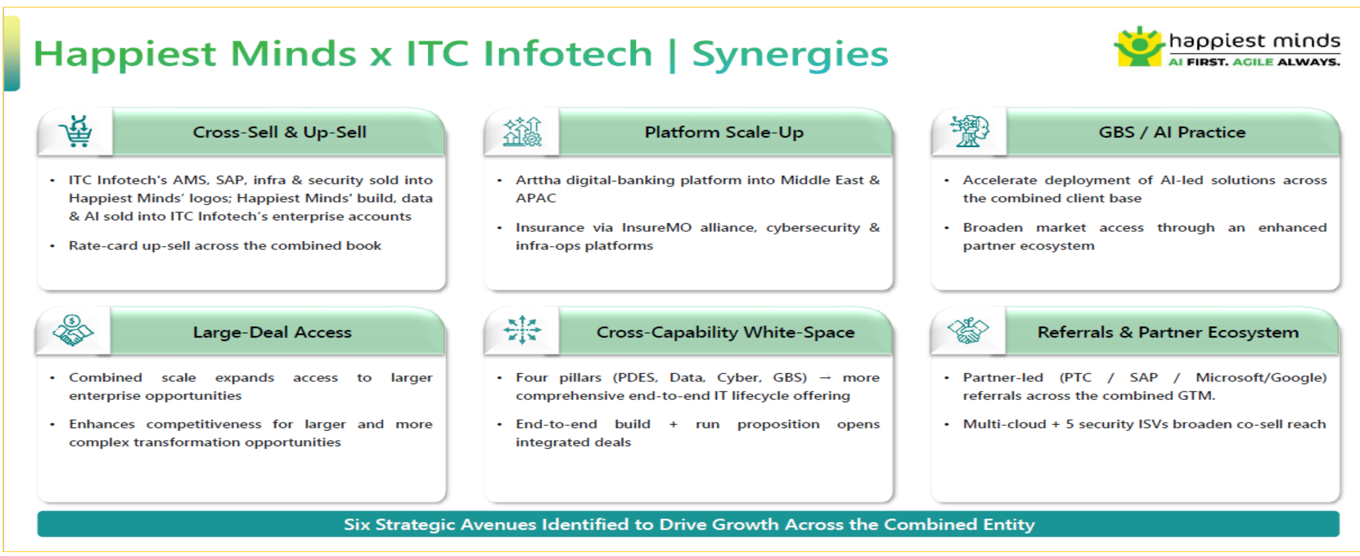
Source: HAPPSTMN, Choice Institutional Equities

Exhibit 4: Diversifying Sector Exposure with Stronger CPG & Retail Capabilities and Geographic Balance



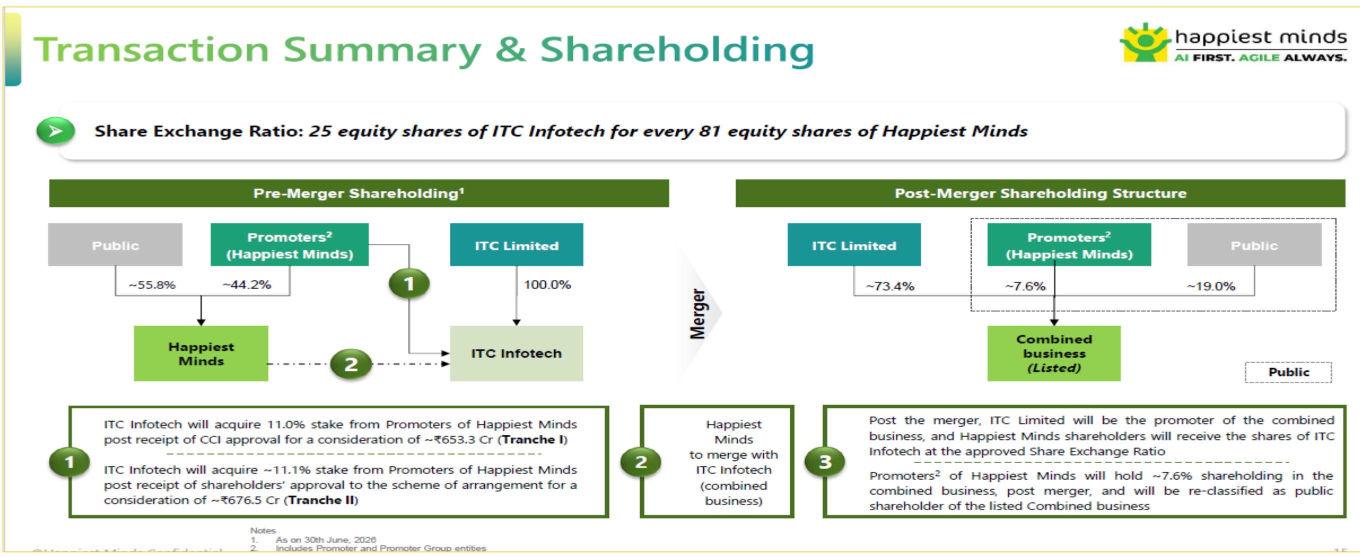
Source: HAPPSTMN, Choice Institutional Equities

Exhibit 5: Revenue Synergies Underpinned by Scale, Cross-sell and Large-deal Access



Source: HAPPSTMN, Choice Institutional Equities

Exhibit 6: ITC Group to Become the Largest Shareholder Post-merger



Source: HAPPSTMN, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	20,608	23,151	25,700	28,446	31,512
Gross Profit	6,955	7,542	8,585	9,317	10,403
EBITDA	3,544	4,034	4,654	5,050	5,756
Depreciation	887	882	935	1,022	1,105
EBIT	2,657	3,152	3,719	4,027	4,652
Other Income	1,014	850	797	780	840
Interest Expense	995	974	1,005	920	880
PAT	1,847	2,092	2,613	2,896	3,436
FDEPS	12.3	13.9	17.3	19.2	22.8

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenues	26.8	12.3	11.0	10.7	10.8
Gross Profit	14.0	8.4	13.8	8.5	11.7
EBIT	(4.3)	18.6	18.0	8.3	15.5
Margin Ratios (%)					
Gross Profit Margin	33.7	32.6	33.4	32.8	33.0
EBIT Margin	12.9	13.6	14.5	14.2	14.8
Profitability (%)					
ROE	11.7	12.4	14.5	15.2	16.6
ROIC	14.7	14.0	17.1	19.9	24.8
ROCE	12.4	14.2	16.0	17.3	19.0
Valuation					
OCF / EBITDA (%)	66.7	44.6	90.4	78.4	77.6
EV/ EBITDA (x)	32.3	13.7	11.7	10.7	9.2
BVPS (x)	104.9	112.4	119.8	126.9	137.5
Free Cash Flow Yield(%)	-5.5	1.1	5.9	5.4	6.2

Source: HAPPSTMN, Choice Institutional Equities

Balance Sheet (Consolidated in INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Tangible Fixed Assets	1,410	1,348	1,348	1,348	1,348
Goodwill & Intangible Assets	10,008	10,389	10,489	10,489	10,489
Investments	3,504	5,035	6,035	6,885	7,885
Cash & Cash Equivalents	10,582	9,127	9,722	9,536	10,217
Other Non-current Assets	2,164	3,759	3,709	3,149	2,589
Other Current Assets	5,923	6,593	6,382	6,765	7,194
Total Assets	**33,591**	**36,251**	**37,685**	**38,172**	**39,721**
Shareholder's Funds	15,746	16,895	18,020	19,081	20,682
Borrowings	11609	14127	13887	12387	11387
Other Con-current Liabilities	2,412	1,909	2,009	2,509	3,109
Other Current Liabilities	3824	3321	3770	4192	4545
Total Equity & Liabilities	**33,591**	**36,251**	**37,685**	**38,172**	**39,721**

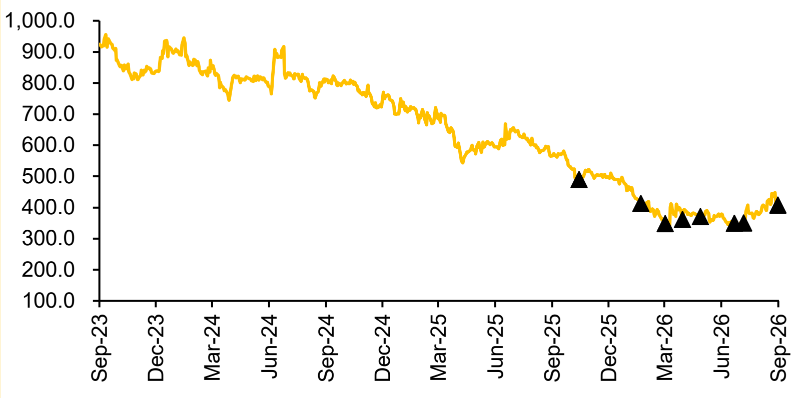
Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	2,364	1,801	4,209	3,957	4,465
Cash Flows from Investing	(7,622)	(3,370)	(2,481)	(626)	(1,626)
Cash Flows from Financing	5,302	1,575	(1,728)	(3,335)	(2,835)

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
ROE	11.7%	12.4%	14.5%	15.2%	16.6%
Net Profit Margin	9.0%	9.0%	10.2%	10.2%	10.9%
Asset Turnover	0.6	0.6	0.7	0.7	0.8
Equity Multiplier	2.1	2.1	2.1	2.0	1.9

Source: HAPPSTMN, Choice Institutional Equities

Note: The financials presented above reflect happiest Minds only and exclude any pro forma impact of the ITC Infotech Merger

Historical share price chart: Happiest Minds Technologies Limited



Date	Rating	Target Price
October 29, 2025	BUY	670
February 10, 2026	BUY	585
March 02, 2026	BUY	585
April 06, 2026	BUY	620
May 29, 2026	BUY	560
July 03, 2026	BUY	440
July 28, 2026	ADD	440
September 01, 2026	BUY	440

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Choice Rating Distribution & Methodology	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000 Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000 Cr Market Cap**

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