

HAPPIEST MINDS TECHNOLOGIES LIMITED

Issue highlights

- Promoted by Ashok Soota and incorporated on March 30, 2011, and Positioned as “Born Digital. Born Agile” **Happiest Minds Technologies Limited (“Happiest Minds”)** focuses on delivering a **seamless digital experience** to its customers. Its offerings include, among others, digital business, product engineering, infrastructure management and security services.
- Happiest Minds helps its customers in finding new ways to interact with their users and clients enabling them to become more engaging, responsive and efficient. It also offer solutions across the spectrum of various digital technologies such as Robotic Process Automation (RPA), Software-Defined Networking/ Network Function Virtualization (SDN/NFV), Big Data and advanced analytics, Internet of Things (IoT), Cloud, Business Process Management (BPM) and security. In Fiscal 2020, **96.9% of company’s revenues came from digital services. This is one of the highest among Indian IT companies.**
- Happiest Minds business is divided into the 3 Business Units (BUs):
 - **Digital Business Services (DBS):**
 - **Product Engineering Services (PES):**
 - **Infrastructure Management & Security Services (IMSS):**
- Its business units are supported by the 3 Centres of Excellence (CoEs):
 - **Internet of Things (IoT):**
 - **Analytics / Artificial Intelligence (AI):**
 - **Digital Process Automation (DPA):**
- As of June 30, 2020, Happiest Minds had 148 active customers. Its repeat business (revenue from existing customers) has steadily grown and contributed a significant portion of its revenue from contracts with customers over the years indicating a high degree of customer stickiness.
- Its agility and resilience has stood out in recent years. In Fiscal 2020, they delivered 87.9% of its projects through agile delivery methodology. Over the years and currently during the ongoing outbreak of Novel Corona virus, they have successfully implemented its business continuity plans including to achieve efficient work-from-home practices to ensure connectivity across the enterprise.

Brief Financial Details*

(₹ In Cr)

Particulars	As at June 30,	As at March 31,		
	2020 (03)	2020 (12)	2019 (12)	2018 (12)
Equity Share Capital	20.44	8.79	5.97	3.75
Instruments entirely in the nature of Equity [^]	12.95	36.34	22.30	22.29
Reserves as stated	285.62	220.18	(94.32)	(134.92)
Net worth as stated	319.01	264.21	(67.27)	(109.02)
Revenue from Operations	177.02	698.21	590.36	462.89
Revenue Growth (%)	-	18.27%	27.54%	-
EBITDA as stated	47.82	113.12	66.28	7.62
EBITDA (%) as stated [#]	25.60%	15.80%	11.00%	1.60%
Profit Before Tax	40.84	73.61	12.98	(23.08)
Net Profit for the year [~]	50.18	71.71	14.21	(22.47)
Net Profit as % to Revenue	28.35%	10.27%	2.41%	(4.85)%
EPS (₹) as stated	3.73	7.04	1.89	(3.13)
RONW (%)	15.70%	27.10%	(21.10)%	(20.60)%
NAV (₹)	23.70	26.00	(8.90)	(15.20)
ROCE (%)	12.70%	28.9%	-	-
ROE (%)	15.70%	27.1%	-	-

Source: RHP, * Consolidated summary, FY 2018 as per Proforma Ind AS; # EBITDA to Total Income; [^]Instruments entirely in the nature of Equity includes preference shares. [~]Increase in Net profit due to the deferred tax credit; Numbers for the quarter ended June 30, 2020 have not been annualized

Issue Details

Fresh Issue of Equity shares aggregating up to ₹ 110 Cr and Offer for sale of up to 35,663,585 Equity Shares.

Issue highlights

Issue size: ₹ 698.45 Cr – 702.02 Cr
No of shares: 42,330,252 - 42,290,091 Shares
Face value: ₹ 2

Issue summary

Price band: ₹ 165 - 166
Bid Lot: 90 Shares and in multiple thereof

Post Issue Implied Market Cap:

₹ 2,424 Cr – 2,438 Cr

BRLMs: ICICI Securities, Nomura Financial
Registrar: KFin Technologies Pvt. Ltd.

Issue opens on: Monday, 7th Sep’ 2020

Issue closes on: Wednesday, 9th Sep’2020

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	14-09-2020
Refunds/Unblocking ASBA Fund	15-09-2020
Credit of equity shares to DP A/c	15-09-2020
Trading commences	17-09-2020

Listing: BSE and NSE

Issue break-up

Cat	No. of Shares ('000)	₹ In Cr	% of Issue
QIB*	31,748 – 31,718	523.84 – 526.51	75%
NIB	6,350 – 6,343	104.77 – 105.30	15%
Retail	4,233 – 4,229	69.84 – 70.20	10%
Total	42,330 - 42,290	698.45 – 702.02	100%

*Company may allocate up to 60% Shares of the QIB Portion to Anchor Investors.

Shareholding - No. of Shares ('000)

	Pre issue	Post issue [^]	Post issue [~]
No of shares	140,237	146,904	146,864

[^]@ Upper price Band [#]@ Lower Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoters Gr	61.77%	53.25%
Public	34.16%	42.86%
Others	4.07%	3.88%
Total	100.00%	100.00%

BACKGROUND

The company was incorporated as 'Happiest minds Technologies Private Limited' on March 30, 2011.

Ashok Soota is the Promoter, Executive Chairman and Director of the company. He has been associated with the company since its incorporation. Prior to founding the company, he was the Founding Chairman and Managing Director of MindTree Ltd, a company that completed a successful IPO during his tenure. He was the vice chairman of Wipro Ltd and senior vice president of Shriram Refrigeration Industries Ltd. He has been conferred various awards including, the 'Golden Peacock' award for technology leadership, 'Electronics Man of the Year' award from Electronics Industries Association of India, 'Dataquest Lifetime Achievement' award for outstanding contribution in organizing and building the Indian software industry and lifetime achievement awards from Financial Express and Chiratae Ventures (formerly known as IDG Ventures). He has several decades of experience in the information technology industry.

Venkatraman Narayanan is the Executive Director and Chief Financial Officer of the company. He has been associated with the company since April 23, 2015 and has over 25 years of experience in the area of finance and accounts. Prior to joining the Company, he was associated with Sonata Software Ltd, TeamLease Services Ltd, SAP India Pvt. Ltd., Oracle India Pvt. Ltd., Arthur Anderson and Associates, Petrot Systems TSI (India) Ltd, Transwork Information Services Ltd and MindTree Consulting Pvt Ltd.

Avneet Singh Kochar is the Non-Executive Director of the company. He has been associated with the company since April 23, 2015 and has 18 years of experience in investment management. Prior to joining the Company, he was associated with AT&T Corp. and AT&T Investment Management Corporation.

Anita Ramachandran is an Additional Director (Independent) of the company. She has been associated with the company since June 4, 2020 and has over 35 years of experience as a management consultant.

Rajendra Kumar Srivastava is an Additional Director (Independent) of the company. He has been associated with the company since June 4, 2020 and many years of experience in marketing. He is currently the dean and novartis professor of marketing strategy and innovation at Indian School of Business.

Shubha Rao Mayya is an Additional Director (Independent) of the company. She has been associated with the company since June 4, 2020 and has 30 years of experience in the banking and insurance sector.

Key Management Personnel

Praveen Kumar Darshankar is the head of the legal department, Company Secretary and Compliance Officer of the company. He joined the company on July 1, 2015.

Chaluvaiya Ramamohan is the president of the Infrastructure Management and Security Services business of the company. He joined the company on December 11, 2017.

Rajiv Shah is the president and chief executive officer of the Digital Business Services of the company. He joined the company on June 28, 2019.

Joseph Anantharaju is the vice chairman designate, president and chief executive officer, Product Engineering Services. He joined the company on August 8, 2011.

The company has won several Certificates of Recognition/ Certificates of Appreciation awards:

Year	Award and accreditation	Conferred by
2020	<ul style="list-style-type: none"> Certified as a great place to work Recognised among the 20 most innovative Practices for women leadership development 	<ul style="list-style-type: none"> Great Place to Work Institute India JobsForHer
2019	<ul style="list-style-type: none"> Ranked 42 in India's best company to work for 2019 2019 Red Herring Top 100 Asia Winner Recognized as India's top 25 Best Workplaces in IT & IT-BPM Recognized as India's top 25 Best Workplaces for Women Recognition in the following categories: (i) top customer references and (ii) top innovation 	<ul style="list-style-type: none"> Great Place to Work Institute India Red Herring Great Place to Work Institute India Great Place to Work Institute India International Association of Outsourcing Professionals

OFFER DETAILS

The Offer	
Fresh Issue (₹ 110 Cr)	Upto 6,626,506 [^] - 6,666,667 [~] Equity Shares ([^] at upper price band and [~] lower price band)
* Offer for sale by:	Upto 35,663,585 Equity Shares
Ashok Soota – The Promoter Selling Shareholder	Up to 8,414,223 Equity Shares
CMBD II - The Promoter Selling Shareholder	Up to 27,249,362 Equity Shares

OBJECTS OF THE ISSUE

Objects	Amount (₹ In Cr)
To meet long term working capital requirement; and	101.00
General Corporate Purposes	[•]
Total	[•]

BUSINESS OVERVIEW

Positioned as “Born Digital. Born Agile” Happiest Minds Technologies Limited (“Happiest Minds”) focuses on delivering a seamless digital experience to its customers. Its offerings include, among others, digital business, product engineering, infrastructure management and security services. Its capabilities provide end-to-end solution in the digital space. Happiest Minds has developed a customer-centric focus that aims to fulfil their immediate business requirements and to provide them strategically viable, futuristic and transformative digital solutions.

Happiest Minds helps its customers in finding new ways to interact with their users and clients enabling them to become more engaging, responsive and efficient. It also offer solutions across the spectrum of various digital technologies such as Robotic Process Automation (RPA), Software-Defined Networking/Network Function Virtualization (SDN/NFV), Big Data and advanced analytics, Internet of Things (IoT), cloud, Business Process Management (BPM) and security. In Fiscal 2020, **96.9% of company’s revenues came from digital services. This is one of the highest among Indian IT companies** (Source: Frost & Sullivan Report).

The Frost & Sullivan Report estimates the global digital services market of USD 69,100 crore in 2019 to grow at a CAGR of 20.2% to USD 208,300 crore by 2025. They also noted that the legacy IT market as a percentage of total technology spend is estimated to decline from 85.7% share in 2019 to 65% share by 2025, with digital spend making up the remaining 35% share by then.

As of June 30, 2020, Happiest Minds had 148 active customers. Its repeat business (revenue from existing customers) has steadily grown and contributed a significant portion of its revenue from contracts with customers over the years indicating a high degree of customer stickiness.

Its agility and resilience has stood out in recent years. In the three months ended June 30, 2020 and in Fiscal 2020, they delivered 90.1% and 87.9% respectively of its projects through agile delivery methodology. Over the years and currently during the ongoing outbreak of Novel Corona virus, they have successfully implemented its business continuity plans including to achieve efficient work-from-home practices to ensure connectivity across the enterprise.

In Fiscals 2018, 2019 and 2020:

- The Total Income was ₹489.12 crore, ₹601.81 crore and ₹714.23 crore, respectively, represents a CAGR of 20.8% between Fiscal 2018 and Fiscal 2020.
- The EBITDA was ₹7.62 crore, ₹66.28 crore and ₹113.12 crore, respectively, represents a CAGR of 285.3% between Fiscal 2018 and Fiscal 2020.
- The Restated Profit / (loss) for the year was ₹(22.47) crore, ₹14.21 crore and ₹71.71 crore, respectively.
- In the 3 months ended June 30, 2020, the Total Income was ₹186.99 crore, the EBITDA was ₹47.82 crore and the restated profit for the quarter was ₹50.18 crore.

Company's mission statement is "Happiest People. Happiest Customers" and they seek to enable its customers' happiness through its people's happiness. Its culture rests on the foundation of its SMILES Values (Sharing, Mindful, Integrity, Learning, Excellence, Social Responsibility). The recognitions and awards received by Happiest Minds is the outcome of its mindful approach. In the Great Place to Work® 2019 survey, Happiest Minds were ranked among India's Top 25 Best Workplaces for Women. They have also received the Great Place to Work® Certification. As of March 31, 2020, they had a Glassdoor rating of 4.1 on a scale of '1- 5', among the highest for Indian IT services companies (Source: Frost & Sullivan Report).

COMPANY BUSINESS

Its business is divided into the 3 Business Units (BUs):

Digital Business Services (DBS):

The DBS offerings are aimed at (i) driving digital modernisation and transformation for its customers through digital application development and application modernisation for an improved customer experience, enhanced productivity and better business outcomes; (ii) implementation of solutions, development and implementation of solution, capabilities for improving data quality of the customer's platform, assistance in designing and testing of operations and management of platform and modernisation of digital practices; and (iii) consulting and domain led offerings such as digital roadmap, mindful design thinking, and migration of on-premise applications to cloud.

Key Strategic Alliances

- **Microsoft:** Happiest Minds is a strategic Gold certified, NSI tier 1 system integrator with Microsoft. They have consistently delivered end-end solution leveraging Azure cloud, Dynamics, Teams, Power platforms etc. (Source: Frost & Sullivan Report)
- **Amazon (AWS):** Happiest Minds is an "Advance Consulting Partner" to AWS worldwide and have completed multiple system integration projects worldwide in Digital Platforms (Source: Frost & Sullivan Report).

Key Partner Alliances

- **Pimcore:** Happiest Minds is a Gold Partner of Pimcore in North America. Its team has utilized this platform to introduce digital transformation solutions to enterprise-level organizations to help address product data and digital asset management challenges (Source: Frost & Sullivan Report)

Product Engineering Services (PES):

- The PES BU aims to help the customers capitalise on the transformative potential of 'digital' by building products and platforms that are smart, secure and connected. Happiest Minds provides its customers a blend of hardware and embedded software knowledge which combines with its software platform engineering skills to help create high quality, scalable and secure solutions. Its offerings extend across the development lifecycle from strategy to final roll out while ensuring quality. Happiest Minds gets its clients started on this journey with its digital foundry that allows them to build rapid prototypes for its customers and provide a scalable Minimum Viable Product (MVP). It embrace a cloud and a mobile friendly approach along with an agile model that is supported by test automation to help the clients accelerate their time to market and build a competitive advantage.

Key Strategic Alliances

- **Microsoft:** Microsoft is one of its partners spanning across all the PES sectors and multiple Microsoft platforms. Company's relationship now include Azure IoT, Azure AI and Analytics, Azure Cloud and Dev Services, Azure BoT Services and Azure Blockchain Workbench (Source: Frost & Sullivan Report).
- **Amazon Web Services:** Happiest Minds observed many of its software platform customers building their platforms on top of the AWS Cloud, which led to them fostering an important partnership with AWS. Over the last couple of years, they have extended this relationship into AWS IoT, Data Lake on AWS, Sagemaker and other platforms (Source: Frost & Sullivan Report).

Infrastructure Management & Security Services (IMSS):

The IMSS offerings provide an end to end monitoring and management capability with secure ring fencing of its customers' applications and infrastructure. Happiest Minds provides continuous support and managed security services for mid-sized enterprises and technology companies. Specialized in automation of business and IT operations with DevSecOps model and with NOC/SOC, they strive to ensure that the data center, cloud infrastructure and applications are safe, secure, efficient and productive. Its security offerings include cyber and infrastructure security, governance, risk & compliance, data privacy and security, identity and access management

and threat and vulnerability management. Its infrastructure offerings include DC and hybrid cloud services, workspace services, service automation (RPA, ITSM & ITOM), database and middleware services and software defined infrastructure services.

Its infrastructure lifecycle services include:

- **DC & Hybrid Cloud Services:** Assessment, build, deploy, integrate & migrate, DC & cloud Automation and Managed Services for clouds.
- **Workspace Services:** Consulting and design manage and automate.
- **Service Automation (ITSM & ITOM):** Platform consulting and assessment, monitor and operate, provision & configure and request and support.
- **Database & Middleware Services:** Architecture and design of physical database, security & auditing, implementation & migration services, performance tuning and support services for database middleware.
- **SD Network Services:** Consulting, integration & deployment and managed infrastructure services capabilities.

Key Strategic Alliances

- **Microsoft:** Happiest Minds is a Gold certified and NSI tier 1 integrator with Microsoft. They are focused on solutions on Azure, modern workplace, identity and access management and cloud security
- **AWS:** Happiest Minds is an “Advance Consulting Partner” with AWS. They are focused on AWS’ infrastructure as a service and platform as service offerings. Using various AWS skillsets they offer services around cloud consulting, cloud migration and cloud operation service to its customers (*Source: Frost & Sullivan Report*).

Its business units are supported by the following 3 Centres of Excellence (CoEs):

Internet of Things (IoT):

Company’s IoT CoE aims to enable its clients to transform their business needs into competitive differentiators by delivering IoT-powered solutions. Happiest Minds provides various IoT services across the cycle of business needs to its clients including consulting-led solution blueprinting, integrating the right sensors by connecting assets, deriving useful insights to choosing the best-fit platform, end-end IoT Security, and managing connected assets after deployment.

The IoT CoE focuses on 3 market segments:

- **Smart Industries:** Leveraging Industry 4.0 for manufacturing plants, renewable energy and utilities
- **Smart Enterprise:** Smart buildings/offices, retail, telecommunications etc.
- **Smart living:** Healthcare, home and security

To derive the benefits that data offers, enterprises are implementing the Digital Thread and the Digital Twin. The Digital Thread connects the complete product lifecycle digitally. It is the digital illustration of the value chain from R&D to product conceptualization and design, to manufacturing, distribution and retailing, to customer feedback gathering, to servicing, maintenance, and product-in-use (*Source: Frost & Sullivan Report*).

Company’s IoT CoE helps its clients create a “Digital Thread” by building a common platform across an enterprise connecting distinct data processes by:

- **Connecting Manufacturing:** Examples include material logistics, batch traceability, connecting production line, quality management, connected workers and maintenance
- **Connecting Supply Chain and Distribution:** Examples include vehicle tracking, consignment tracking, cold-chain monitoring and inventory monitoring
- **Connecting Product:** Examples include condition/usage monitoring, device lifecycle management and usage insights
- **Connecting Services:** Examples include troubleshooting, field force management and field repairs

Key Strategic Alliances

- **Microsoft:** Happiest Minds is a strategic partner with Microsoft in IoT. They are a part of the IoT Advisory Council and a part of the Microsoft engineering-led Elite IoT program (*Source: Frost & Sullivan Report*).
- **Amazon (AWS):** Happiest Minds is an “Advance Consulting Partner” to AWS worldwide leveraging AWS IoT (*Source: Frost & Sullivan Report*).
- **PTC:** Happiest Minds is a “Silver partner” with PTC and leverage the PTC ThingWorx platform in IoT solution implementation and deployment (*Source: Frost & Sullivan Report*).

Some of its IoT projects include:

- Connected fleet and trailers platform leveraging Azure IoT for monitoring the consignment (fuel), vehicle location and driver behavior for a US based manufacturer of industrial products.
- Common IoT platform for a US based water treatment company.

Analytics / Artificial Intelligence (AI):

The analytics CoE helps its customers gain valuable insights from large amounts of enterprise data leveraging big data and AI tools and techniques, aimed at improving revenues and operational efficiency. Their AI and data science wing helps build solutions by leveraging deep learning and machine learning techniques to accelerate productivity. In relation to data, the company focus on building platforms in the cloud / on-premise using big data technologies and supplementing them with tool-based solutions for data management and visualization. They have built large scale data and AI solutions for media, education & publishing, retail and industrial businesses. Their analytics capabilities have been recognized by Forrester (*Source: Frost & Sullivan Report*). The company offers prebuilt solution accelerators for, among others, image, video and NLP analytics, bot frameworks, streaming analytics and anomaly detection.

Analytics CoE provides end-to-end expertise and services focusing on the following streams:

- **AI / Cognitive:** Image & video analytics, deep learning
- **Data Science:** Customer analytics, operations analytics, asset analytics
- **Streaming Analytics Data Platform:** Data lakes, real time streaming frameworks, data governance and security
- **Cloud Data Modernization:** Analytics and visualization data management

Key Strategic Alliances

- **Microsoft:** Happiest Minds is a strategic partner with Microsoft leveraging Azure AI and analytics
- **AWS:** Happiest Minds is an “Advance Consulting Partner” to AWS globally focusing on data lakes

End-to-end projects led by Analytics include:

- **Implemented** a near real-time data pipeline for an entertainment streaming platform based out of the United States to provide ingest information in real-time and batch to provide personalized customer offers near-real time, enabling actions based on incoming data to help improve revenue or customer experience.
- Built an IT helpdesk chatbot for the internal users and customer service desk chatbot for the external customers for a technology enabled risk services provider/claims administrator to reduce the overall wait time.
- Built an AI/machine learning driven data platform for a commerce company to help productivity and performance insights from analysing beacon data of store movement and employee behaviour.
- Data lake implementation for to consolidate data silos, enable data as a service and provided a common analytics able to ingest data in real-time and batch to provide personalization and perform analytics to predict churn.
- Built an enterprise data warehouse to help control data consistency, data governance and access to various pieces of data for electric vehicle charging solutions company to enable a full customer view and eliminate duplicate/manual report generation.

Digital Process Automation (DPA):

The DPA offerings provide services on core areas of enterprise digital transformation including customer experience, customer engagement and operational efficiency. These services are:

- Digital automation consulting for applications /infrastructure
- Process automation implementations
- Infrastructure Automation services

To enable these services, DPA CoE offers domain centric process models, DPA/ RPA architect support and customer engagement through industry accepted implementation models. Its aim is to provide an optimal customer experience through NLP, personalization, omni-channel user experience and customer insights. Their DPA offerings provide “Sense and Respond” capabilities of automation using cognitive technologies. The DPA CoE uses interrelated technical capabilities in RPA, DPA, API management, iBPM, basic case management, enterprise service BUS (ESB) for integration and cloud native business processes implementations (BPaaS) to meet end to end automation needs of its customers.

BUSINESS UPDATE – COVID 19

- Technology spend is expected to be impacted as businesses across industry verticals globally resort to cost-cutting measures. Overall spending on IT is expected to decline with the impact being most severe in the next 4-8 quarters, after which the pent up demand will drive higher investments and growth rates in the sector.
- Investments in the digital space and cloud computing is expected to increase owing to a shift towards remote business models and an increase in the number of online channels utilised by multiple industry verticals during the COVID-19 pandemic. SaaS applications continue to be the default choice which enables remote working. Cloud and Software providers are working on replacing legacy with SaaS. The cloud SaaS market has witnessed a CAGR of 12% from 2018 to 2020. Disaster recovery solutions will be a critical area to evaluate for business continuity.
- Many Edutech firms have attempted to leverage the pandemic by offering free online classes or attractive discounts on e-learning modules.
- Customers may no longer resist offshoring as they have seen how seamlessly work-from-home policies have worked in India during the COVID-19 pandemic.

Impact of pandemic on company business:

- The outbreak of Coronavirus (COVID-19) has been declared as a pandemic by the World Health Organisation has significantly impacted life and businesses around the globe. Governments across the world including India have taken drastic measures to contain the outbreak and have implemented a nation-wide lockdown.
- The company is engaged in the business of providing IT services including digital solutions, around product engineering, cloud, analytics, automation, infrastructure management, security, automated testing, etc. to enterprises across the world. The company customers are spread across geographies including the US, Europe, Asia and India.
- The company has carried out an assessment of recoverability of its assets, by considering internal and external information up to the date of approval of these financial statements. Substantial portion of its revenues are earned from offshore business being delivered from India; there is adequate working capital, customer demand and cost control measures have been undertaken by the company. Accordingly the impact of pandemic on the company's business stands fairly mitigated.
- The impact of this pandemic may be different from that estimated as at the date of approval of the financial statements and they will continue to closely monitor any material changes future economic conditions and continually assesses its impact including taking appropriate steps to mitigate the same.

MAJOR PARTNERS TO DEVELOP ITS OFFERINGS

Happiest Minds partner with global ISVs to develop its offerings:

<ul style="list-style-type: none"> ▪ Microsoft, ▪ Amazon Web Services Intel, ▪ IBM, ▪ McAfee, ▪ Netsuite, ▪ Salesforce, ▪ Cloudlending, ▪ Pimcore, ▪ Mindsphere, ▪ ThingWorx and PTC, ▪ Mulesoft, ▪ Talend, 	<ul style="list-style-type: none"> ▪ Appian, ▪ UIPath, ▪ AutonomIQ, ▪ Magento, ▪ Checkpoint, ▪ Saviynt, ▪ ManageEngine, ▪ CloudFabrix, ▪ OKTA, ▪ BluSapphire, ▪ Onelogin.
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(Source: Frost & Sullivan Report).

COMPETITIVE STRENGTHS

- Strong brand in Digital IT services**

Company's target market includes business services, IT services, infrastructure-as-a-service, applications, application development and deployment. Its brand positioning "Born Digital. Born Agile" is a reflection of digitalization being built into the essence of its business.

The revenues from providing digital IT services:

Customer Industry group	3 Months ended June 30, 2020	Fiscal 2020	Fiscal 2019
Digital infrastructure/Cloud	43.7%	31.2%	40.9%
SaaS	23.6%	29.4%	28.6%
Security solutions	7.6%	14.9%	10.2%
Analytics/AI	12.1%	11.6%	9.1%
IoT	9.3%	9.8%	8.4%
Total	96.3%	96.9%	97.2%

Since its inception, Happiest Minds has focused on software product development, which they have refined through repeat, multi-year engagements with various global Independent Software Vendors (ISVs). Company's focus on software product development services for ISVs and technology companies requires quality software engineering talent, advanced knowledge of up-to-date methodologies and productivity tools, and strong project management practices.

Happiest Minds has developed a culture focused on innovation, technology leadership and process excellence, which helps them in maintaining a strong reputation with its customers. Their experience with ISV and technology company customers enables them to grow their business in multiple industries, including Edutech, HiTech, Industrial/Manufacturing, BFSI and Retail.

The contribution to the total revenue by the customer industry groups:

Customer Industry group	3 months ended June 30,	Fiscal 2020	Fiscal 2019	Fiscal 2018
	2020			
Edutech	27.0%	21.3%	21.3%	18.0%
Hitech	20.5%	21.0%	21.0%	24.6%
BFSI	17.4%	17.5%	18.2%	17.9%
Travel, Media and Entertainment (TME)	12.9%	17.1%	13.8%	11.0%
Retail	5.6%	7.5%	6.9%	7.0%
Industrial	6.4%	7.0%	8.1%	6.2/5
Manufacturing	5.65	3.7%	3.8%	3.2%
Others	4.6%	4.9%	6.9%	12.3%
Total	100.0%	100.0%	100.0%	100.0%

- Growing high revenue generating customer accounts with a high proportion of repeat revenues and revenues from mature markets**

The company has generally witnessed an increase in the number of its top accounts by revenue contribution.

The number of customers which contributed more than USD 1 million, USD 5 million and USD 10 million annually for the last 3 Fiscals:

Number of customers based on quarter revenues on an annualized basis	Fiscal 2020	Fiscal 2019	Fiscal 2018
USD 1 – 5 million	24	18	14
USD 5 – 10 million	-	2	2
More than USD 10 million	1	1	-
Total	25	21	16

The company has been recognized by several global analysts. They have repeat business from its customer base, which includes more than 35 Fortune2000 / Forbes200 / Billion \$ corporations (Source: Frost & Sullivan Report). Its

broad range of offerings helps them to up-sell and its multiple BUs help them to cross-sell to its existing customers as well as to acquire new customers. Its average revenue per customer has increased from USD 471,472 in Fiscal 2018, to USD 501,562 in Fiscal 2019 to USD 614,675 in Fiscal 2020.

In Fiscals 2018, 2019 and 2020 and in the 3 months ended June 30, 2020, its total sales team (onsite and offshore) comprised of 34, 33, 32 and 33 employees, respectively. Its revenue per sales employee has increased from USD 2.1 million in Fiscal 2018 to USD 2.6 million in Fiscal 2019 and further to USD 3.1 million in Fiscal 2020.

The United States which has the majority market share of global technology spend (*Source: Frost & Sullivan Report*) historically has contributed a majority of its revenues.

The proportion of its revenue from contract with customers on the basis of the location of the external customer for the period indicated:

Location of external customer	3 months ended June 30, 2020	Fiscal 2020	Fiscal 2019	Fiscal 2018
USA	77.3%	77.5%	75.5%	73.5%
India	10.9%	11.9%	11.9%	11.7%
UK	9.8%	7.2%	9.5%	11.4%
Others	2.0%	3.4%	3.1%	3.4%

- **Scalable business model with multiple drivers of steady growth**

Company's business model is scalable across customer industries, functions and geographies. In addition to its spread across customer industries and geographic markets they have also developed key operational drivers delivering them steady growth. These drivers include its revenue mix, contract structure, utilization rates and bill rates.

Revenue mix

Offshore business for Indian IT services industry is generally at a higher margin than onshore business primarily because personnel costs have been lower in India than in many other countries. Offshore business also supports scalability as India has a large pool of trained engineers who speak English and are experienced in delivering IT services (*Source: Frost & Sullivan Report*).

The revenue mix as a percentage of revenues:

	3 months ended June 30, 2020	Fiscal 2020	Fiscal 2019	Fiscal 2018
Onsite	21.0%	22.5%	22.0%	21.4%
Offshore*	79.0%	77.5%	78.0%	78.6%

* Offshore includes revenues from offshore clients served from India and from Indian clients

Contract structure

Fixed price contracts require them to take on more financial risk compared to time and material contracts. For digital projects, the share of time and material contracts tends to be greater as these projects are iterative in nature.

The contract structure mix as a percentage of revenues:

	3 months ended June 30, 2020	Fiscal 2020	Fiscal 2019	Fiscal 2018
Fixed Price	18.8%	19.0%	16.8%	18.4%
Time and Material	81.2%	81.0%	83.2%	81.6%

Utilization

Utilization is a key lever in maintaining growth. Company's loss in Fiscal 2018 was in part driven by lower utilization rates in that year.

The delivery workforce utilization rates in Fiscals 2018, 2019 and 2020:

	3 months ended June 30, 2020	Fiscal 2020	Fiscal 2019	Fiscal 2018
Delivery workforce utilization rates	74.9%	76.9%	77.3%	68.4%

Bill rates

Company's bill rates for offshore work are higher than those for onshore work, owing to difference in services provided.

Company's average USD bill rates in the period indicated:

Bill rates	Fiscal 2020	Fiscal 2019	Fiscal 2018
Onsite	91.1	90.4	89.4
Offshore	25.6	25.5	24.2

The foregoing operational drivers have helped deliver them steady growth in recent years. Key financial ratios in this regard are as follows:

Key Financial Ratios	3 months ended June 30, 2020	Fiscal 2020	Fiscal 2019	Fiscal 2018
EBITDA / Total Income	25.6%	15.8%	11.0%	1.6%
Return on capital employed	12.7%	28.9%	-	-
Return on equity	15.7%	27.1%	-	-

- **Strong R&D capability with depth in disruptive technologies creating value through newly engineered solutions**

Happiest Minds has garnered experience in next-generation technologies that drives its ability to provide solutions for digital evolution, agile transformation and automation. Its expertise includes technological capabilities developed to support mobile connectivity with other devices, social media, big data analytics and cloud delivery, among others. However, technologies that power digital evolution are rapidly evolving with new technological breakthroughs constantly happening and the company evolve its offerings to include them, such as augmented/virtual reality, chatbots etc.

KEY OFFERINGS IN EMERGING TECHNOLOGIES

To help its customers to future proof their digital transformation initiatives, Happiest Minds created offerings in emerging technologies such as:

Technology	Details
Automation	Happiest Minds has developed automation solutions that include infrastructure automation, test automation, industrial automation, Development and Operations (DevOps) automation and Robotic Process Automation (RPA). These offerings leverage new technologies like creating cognitive test automation for efficient testing, integration of assets and industrial automation using IoT for improved productivity. Its RPA solutions leverage AI including Optical Character Recognition (OCR) to digitally process documents in the workflow and API based approach to integrate disparate systems to achieve automation across problem domains like IT security management, cyber security & finance.
Blockchain	The Blockchain offerings include providing advisory services on leveraging blockchain to solve business problems, engineering blockchain platforms and middleware, developing vertical specific blockchain based distributed applications and implementing smart contract solutions. Its blockchain capabilities are offered on blockchain platform like Hyperledger. Happiest Minds has developed engineered solutions for some of its key verticals including supply chain and industrials.
Drones & Robotics	As new opportunities and usage scenarios for drones and robots are emerging, Happiest Minds has created new offerings for these markets leveraging its capabilities in engineering, IoT and AI capabilities. Since underlying technologies for drones and robotics are very young, they work with emerging open source platforms like Robotics Operating System (ROS2) and Flight Operating System (FlytOS) for drones. Its solutions focus on surveillance and retail markets, including AI based communication between drones and robots and traffic management
Ellipse	This is an AI-enabled managed service delivery platform. The platform enables the company to manage hybrid cloud operations for its enterprise customers with features that reduce total cost of ownership (TCO), improve security controls and lower risks, and enhance user experience and productivity ensuring agile IT operations. Benefits of the solution include reduced mean time to resolution (MTTR), higher availability of business applications and systems and improved response time for business-critical applications.
Digital	It enables organizations to derive relevant information from enterprise content and digital assets

Content Monetization (DCM) SaaS	and monetize them in an efficient manner by ingesting content into an AI powered engine DCM allows organizations to manage digital assets throughout their lifecycle. Benefits of the solution include personalized and contextualized knowledge delivery, low cost of ownership since DCM is SaaS based, and time to market advantages due to single platform architecture.
UniVu	This is a big data based university analytics solution which enables course delivery and administrative insights along with student success analytics. UniVu binds siloed data available with universities in an integrated data platform. This allows for critical, actionable and predictive insights to be derived by using predefined or customizable KPIs. The benefits of this solution include visibility across a business entity (students, teachers, courses, and campaigns), customizable KPIs and reports and analytics solutions for higher education.
Pro-RiTE	This is a test automation framework that can decipher and interpret industry standard specification models and auto-generate test artifacts with optimized data feeds using model based system engineering. Test types include UI, API and performance security testing. The benefits of the solution include predictable quality from systematic test analysis, elimination of mundane test scripting and shorter feedback cycles.

- ***Agile Engineering and Delivery***

With broad software engineering capabilities, Happiest Minds has the ability to choose the methods, technologies and tools which are best suited to customers' business needs. Its engineers use a broad range of technologies including web technologies, cloud, data, mobile, testing, hardware & embedded, integration and APIs, IoT, AI, analytics and DevOps. Its tools provide them with a flexible approach for running large software projects and they constantly experiment with the latest tools and techniques. Its agile frameworks enable them to scale across the spectrum from ideation to production. Company's approach to Distributed Enterprise Agile at scale delivers tangible and valuable benefits for its customers.

Happiest Minds has invested considerable resources into developing a proprietary suite of internal applications and tools. These applications and tools are effective in reducing risks, such as security breaches and cost overruns, while providing control and visibility across the project lifecycle stages to both, the company and its customers.

- ***Mindful approach towards systems, employee policies and practices led by an experienced leadership and senior management team focused on sound corporate governance practices***

Happiest Minds is led by a professional management team with extensive experience in the IT services industry, and a proven performance track record. Its senior management team includes Ashok Soota (Executive Chairman) with oversight across all areas of their business, Joseph Anantharaju (Vice Chairman Designate, President & CEO, PSE), Rajiv Shah (President & CEO, DBS), Ramamohan Chaluvaia (President & CEO, IMSS) and Venkatraman Narayanan (Executive Director & CFO). Other senior persons include Aurobinda Nanda (Deputy CEO, PES & President – Operations), Sridhar Mantha (Senior Vice President and CTO – SPE Business) and Sachin Khurana (Head of People Practice). Each business CEO is supported by BU COOs, Aurobinda Nanda (PES), Sandeep Agarwal (DBS) and Ganapathi T.B (IMSS). Praveen Darshankar is the Company Secretary and Compliance Officer and Raja Sekhar is the Head of Business Excellence. The company draw on the knowledge of its Board of Directors, who brings them their experience in the areas of corporate governance, business strategy, and operational and financial capabilities, among others. Company's systems, policies and practices seek to foster an open, mindful culture, enabling its people to discover their potential and participate in shaping their own work experience.

KEY BUSINESS STRATEGIES

- ***Acquire new accounts and deepen key account relationships***

Happiest Minds devotes significant attention to being able to understand the behaviour, preferences and trends of its customers through research and a consultation process. This gives them a distinct perspective that they bring to its engagements. They are focused on continuing to expand its relationships with existing customers by helping them solve new problems and become more engaging, responsive and efficient. Its number of customer accounts that have a minimum annual spend of USD1 million, USD 5 million and USD 10 million has grown in the last 3 Fiscals and they aim to continue to grow the number of its key account relationships. Expansion of its relationships with existing active customers will remain a key strategy going forward as they continue to leverage its domain expertise and knowledge of emerging technology trends in order to drive incremental growth for its business.

Leveraging its creative and engineering capabilities, they work with its customers to create complete solutions, often involving custom, task-oriented user interfaces, integration and continuous delivery pipelines. Over the last few years, Happiest Minds matured its account expansion capabilities to develop account strategies and plans to identify and acquire projects across various customer stakeholders to map their solutions to their needs.

- ***Further investments in the CoEs and digital processes***

To deliver value to its customers efficiently, it is critical to create smart and agile solutions such as software and business architectures and process methodologies, which enable them to implement market-ready solutions for its customers in a timely manner.

To this end, Happiest Minds intends to continue investing for leading their entry into new areas such as payments and intelligent enterprises and developing products that address industry specific customer requirements. The specific technologies and solutions they develop evolve periodically based on the latest technology trends. At this stage, they have identified AI, blockchain, RPA, robotics & drones as focus technology areas.

Happiest Minds provides solutions that leverage the power of mobile connectivity and IoT to develop flexible and adaptable solutions to business challenges. Company's focus areas will continue to include smart industries (for manufacturing, renewable energy and utilities), smart enterprises (smart homes, buildings/offices, retail and telecommunications) and smart living (healthcare and security). They are focused on remaining at the forefront of emerging technology trends, including in areas such as IoT, artificial intelligence, machine learning, advanced analytics, augmented reality, virtual reality and blockchain. They have developed next-generation technology solutions such as blockchain based voucher wallets and chatbots.

- ***Strengthen existing partnerships and enter into new partnerships with Independent Software Vendors***

Company's focus on software product development for such ISVs has shaped key aspects of its service offerings as well as its culture of software engineering excellence, enabling them to expand its services into other key industry verticals. To streamline and accelerate the software development process, Happiest Minds has created proprietary software development lifecycle processes, applications and tools.

Company's objective is to be a leader in providing high-quality software engineering services for global ISVs and emerging technology companies. They will continue to develop new solutions jointly with its partner ISVs, which will help them in accessing a greenfield customer base of its partner ISVs. This will further help them up-sell and cross-sell to these new customers. They have created multiple solution accelerators on the Azure platform like Connected Field Service Accelerator (IoT devices are connected with cloud technologies), external facing chatbots available on websites for customer interaction, data lake and streaming analytics platform & prediction models.

- ***Domain led approach towards customer acquisition and revenue generation in specific verticals***

Happiest Minds is traditionally focused on enterprises that are technology- and information-centric, where its software development expertise is valued. To further enhance and develop its solutions and offerings, they have focussed on certain verticals including banking and financial services, Edutech, Retail, Manufacturing, Travel and Hospitality and Enterprise. The combination of its software development expertise and vertical industry depth has enabled them to build vertical-specific solutions that provide its customers with rapid time-to-market solutions. In its EduTech vertical, they have developed and offer its customers UniVu, which enables their customers to implement a university analytics solution enabling improved outcomes in administrative course delivery and student success KPIs through real time actionable insights.

The company continue to have a significant untapped opportunity in these verticals and they plan to leverage this experience to expand its vertical reach. As of June 30, 2020, they had over 2,469 full-time employees.

- ***Attract, develop and retain skilled employees to sustain its service quality and customer experience***

Happiest Minds conducts lateral hiring through a dedicated IT professional talent acquisition team whose objective is to locate and attract qualified and experienced IT professionals within the relevant region. They aims to develop its position as a coveted employer in the Indian IT services industry and place a high priority on attracting, training and retaining its employees, which is integral to its continued ability to grow their customer relationships.

They aim to continue to dedicate resources to the training and development of its IT professionals. They also provide management and soft skills training, intensive workshops and management and technical advancement programs.

- **Selectively Pursue Strategic Acquisitions**

Happiest Minds plans to selectively pursue acquisitions. Its focus is on augmenting their core capabilities to enhance its experience in new technologies and verticals and increase its geographic reach. Consistent with these goals, in the past, they have completed 2 acquisitions, both of which have accelerated core strategic goals. In 2017, Happiest Minds acquired OSSCube LLC and Cupola Technology Pvt. Ltd. to expand its DBS and PES BUs, respectively. Furthermore, as part of its strategy to expand their geographic footprint with high-quality global resources, they may pursue acquisitions of companies with significant presence in its areas of operation. Their acquisition strategy is shaped by its continued focus on acquiring scalable resources and developing a global, multi-shore operation with high-quality software engineering talent.

COMPARISON WITH LISTED INDUSTRY PEER (AS ON 31ST MARCH 2020)

Name of the company	Standalone/ Consolidated	Face Value	EPS (Basic)	NAV	P/E	RoNW (%)
Happiest Minds Technologies	Consolidated	2	7.04	26.0	[•]	27.1%
Listed Peers						
TCS	Consolidated	1	86.19	225.9	26.1x	37.2%
Infosys	Standalone	5	38.97	154.8	24.3x	25.4%
LTI	Consolidated	1	87.45	310.4	27.1x	29.5%
Mindtree	Consolidated	10	38.35	191.8	30.3x	19.5%

Source: Financials for listed peers are for the year ending March 31, 2020 and sourced from BSE.

P/E Ratio has been computed as the closing market prices of the companies on the BSE Limited sourced from the BSE website as of 21 August 2020.

COMPETITION

The key competitive factors in this industry include changing technologies, customer preferences and needs and the ability to rapidly deliver solutions supporting such evolving needs. Other competitive factors include breadth and depth of service offerings, domain expertise, reputation and track record and the ability to tailor its service offerings to specific customer needs.

Global competitors such as Globant, EPAM and Endava derive all their revenues from digital services. Among Indian IT firms, Happiest Minds' digital IT revenues as a proportion of overall revenues were 97% as of March 31, 2020. Other **Indian IT firms like Infosys, Wipro, TCS and Tech Mahindra**, are also diversifying and showcasing their digital service offerings (Source: Frost & Sullivan Report).

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