



# Happiest Minds Technologies Ltd.

**HOLD**

Sector: IT Services

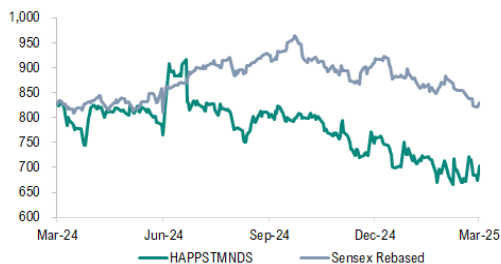
11<sup>th</sup> March, 2025

<b>Key Changes</b>	<b>Target</b>		<b>Rating</b>		<b>Target</b>	<b>Rs. 756</b>	
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	<b>CMP</b>	<b>Rs. 696</b>
Small Cap	HAPPSTMN:IN	74,115	HAPPSTMNDS	543227	12 Months	<b>Return</b>	<b>+9%</b>

Data as of: 10-03-2025

Company Data			
Market Cap (Rs.cr)	10,605		
52 Week High — Low (Rs.)	955 - 655		
Enterprise Value (Rs. cr)	10,530		
Outstanding Shares (cr)	15.2		
Free Float (%)	53		
Dividend Yield (%)	0.8		
6m average volume (lacs)	5.6		
Beta	0.7		
Face value (Rs. )	2.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	44.2	44.2	44.2
FII's	5.3	5.3	5.3
MFs/Institutions	2.9	4.2	6.1
Public	39.5	38.6	37.7
Others	8.2	7.6	6.7
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-8.3%	-13.7%	-15.6%
Absolute Sensex	-8.8%	-8.4%	0.3%
Relative Return	0.5%	-5.3%	-15.9%

\*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	2,106	2,425	2,813
Growth (%)	29.6	15.1	16.0
EBITDA	379	487	582
EBITDA Margin (%)	18.0	20.1	20.7
PAT Adjusted	219	308	384
Growth (%)	-6.7	40.8	24.7
Adjusted EPS	14.4	20.2	25.2
Growth (%)	-6.7	40.8	24.7
P/E	48.4	34.4	27.6
P/B	6.4	5.6	4.9
EV/EBITDA	27.8	21.4	17.6
ROE (%)	13.3	16.3	17.6
D/E	0.7	0.7	0.6

## Harnessing AI for Business Growth

Happiest Minds Technologies Ltd provides digital transformation and technology services to the automotive, banking, financial services and insurance (BFSI), consumer packaged goods, e-commerce, edtech, engineering R&D, hi-tech, manufacturing, retail, and travel, transportation and hospitality sectors.

- In Q3FY25, the company's consolidated revenue rose 29.5% YoY to Rs. 531cr, primarily owing to healthy growth in the BFSI, healthcare and retail segments. A further increase was offset by softness in the edtech space. Revenue was also affected by lower working days, offset by higher volumes and better utilisation.
- A rise in the BFSI segment's revenue took its share to 23.6% in Q3FY25 from 22.5% in Q2FY25. The company's Arthta banking platform was a significant contributor to growth, with a strong pipeline of projects and deal closures driving revenue recognition in the vertical.
- EBITDA increased 16.1% YoY to Rs.94cr, but EBITDA margin contracted 200bps YoY to 17.7%, owing to investments in new business units, such as Generative AI Business Services, and increased wages.
- Average revenue per customer rose to \$898,000 in Q3FY25, up 11.1% YoY. Utilisation levels also improved to 78% (vs 76.3% in Q2FY25 and 76.7% in Q3FY24), with the company targeting 78-80%, owing to campus graduates transitioning to billable hours.

## Outlook and Valuation

The company posted strong financial performance, driven by robust deal closures and enhanced utilisation rates. It is also poised to capitalise on customers increasingly adopting enterprise-wide GenAI solutions, owing to a strong pipeline of GenAI projects. Also, with BFSI a strategic focus area, it is increasing investments in the sales teams and digital banking solutions. Further, despite softness in the edtech segment, the company's diversified revenue streams, improving utilisation levels and increasing average revenue per customer provide a solid foundation for long-term growth. Hence, **we reiterate our HOLD rating on the stock, with a revised target price of Rs. 756, based on 30x FY27E adjusted earnings per share.**

## Quarterly Financials Consol.

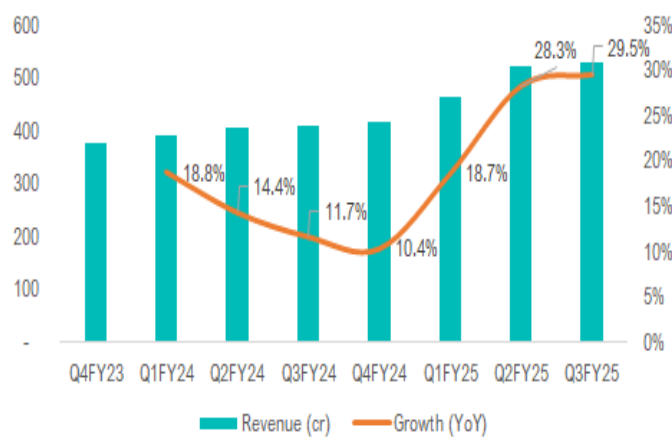
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	531	410	29.5	522	1.8	1,516	1,207	25.6
EBITDA	94	81	16.1	92	2.3	271	253	7.0
Margin (%)	17.7	19.7	-200bps	17.6	10bps	17.8	20.9	-310bps
EBIT	73	66	10.3	69	6.2	204	209	-2.3
PBT	69	81	-14.6	68	1.8	205	239	-14.0
Rep. PAT	50	60	-16.0	50	1.2	151	176	-14.6
Adj PAT	50	59	-14.4	50	1.2	151	175	-14.1
Adj. EPS (Rs)	3.3	3.9	-16.6	3.3	1.2	9.9	11.8	-16.3



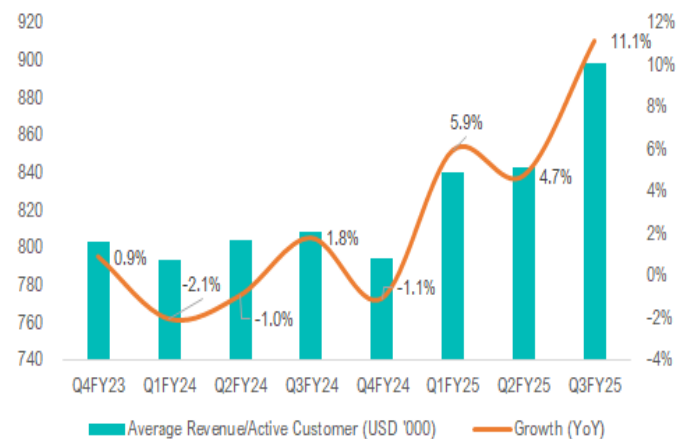
## Key concall highlights

- The edtech segment experienced softness (17.4% share of revenue in Q3FY25 vs 19.3% in Q2FY25), owing to changing student preferences; but the company is exploring strategies for the vertical to regain growth momentum. In contrast, the healthcare and life sciences segment grew sharply (16.4% share of revenue in Q3FY25 and Q2FY25), becoming one of the top three verticals, with the company focusing on personalised medicines, value-based care and biosimilar segments.
- The company invested \$1.5mn in GenAI in the first six months and \$3.5mn in the nine-month period. It has set up a GenAI business unit to explore opportunities for leveraging the technology to enhance business value, efficiency and productivity, having already delivered projects and having ~15 projects in the proof-of-concept stage.
- In February 2025, it acquired the Middle East business of GAVS Technologies Ltd to consolidate customer relations and leverage local delivery capabilities. The acquired business has 90-plus employees and good customer relationships, primarily in the BFSI and infrastructure management and security services spaces, thereby likely to support incremental revenue growth in Q4FY25.
- The company collaborated with Microsoft and Amazon Web Services to leverage cloud and AI capabilities. Also, AI-driven solutions have been deployed in BFSI, healthcare and retail segments, notably conversational interface at Coca-Cola Beverages Vietnam.
- The Arttha platform significantly contributed to strong performance of the BFSI vertical in Q3FY25, with two deal closures and implementations contributing to revenue growth. Arttha is expected to drive the BFSI segment's growth in Q4FY25 and beyond.
- Attrition rate in Q3FY25 was 15.3%, a slight uptick from Q3FY24 (14.1%; 14.4% in Q2FY25); it is expected to fall going forward, though.
- HMTL aims to achieve 30-35% YoY revenue growth for FY25, despite initial delays in integrating PureSoftware and Aureus. It expects strong Q4FY25 performance and aims to maintain an EBITDA margin of 20-22%.

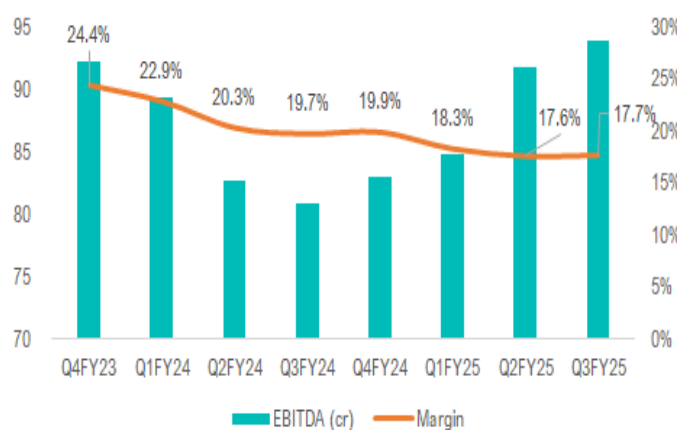
## Revenue



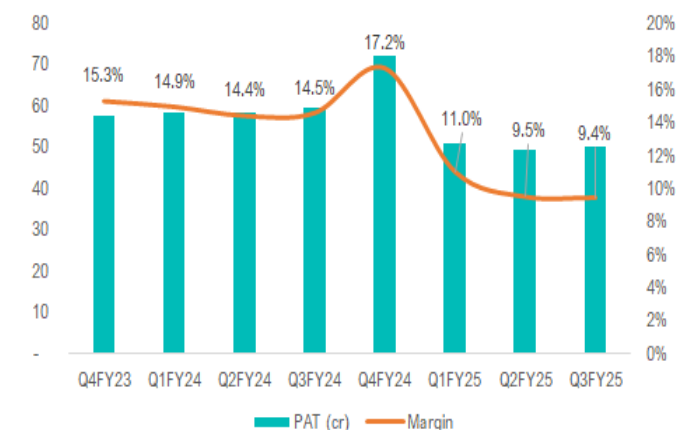
## Avg. Revenue / Active Customer



## EBITDA



## PAT



## Consolidated Financials

### Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Sales</b>	<b>1,429</b>	<b>1,625</b>	<b>2,106</b>	<b>2,425</b>	<b>2,813</b>
% change	30.7	13.7	29.6	15.1	16.0
<b>EBITDA</b>	<b>359</b>	<b>336</b>	<b>379</b>	<b>487</b>	<b>582</b>
% change	39.3	-6.4	12.9	28.6	19.5
Depreciation	42	58	94	97	112
<b>EBIT</b>	<b>317</b>	<b>278</b>	<b>285</b>	<b>391</b>	<b>471</b>
Interest	22	42	98	101	106
Other Income	15	99	105	121	147
<b>PBT</b>	<b>310</b>	<b>335</b>	<b>292</b>	<b>410</b>	<b>512</b>
% change	26.0	8.0	-12.9	40.8	24.7
Tax	79	86	73	103	128
Tax Rate (%)	25.5	25.8	25.0	25.0	25.0
<b>Reported PAT</b>	<b>231</b>	<b>248</b>	<b>219</b>	<b>308</b>	<b>384</b>
<b>PAT att. to common shareholder-</b>	<b>231</b>	<b>248</b>	<b>219</b>	<b>308</b>	<b>384</b>
Adj.*	6	-14	-	-	-
<b>Adj. PAT</b>	<b>237</b>	<b>234</b>	<b>219</b>	<b>308</b>	<b>384</b>
% change	26.7	-1.2	-6.7	40.8	24.7
No. of shares (cr)	14.7	15.2	15.2	15.2	15.2
<b>Adj EPS (Rs.)</b>	<b>16.2</b>	<b>15.4</b>	<b>14.4</b>	<b>20.2</b>	<b>25.2</b>
% change	26.7	-4.8	-6.7	40.8	24.7
DPS (Rs.)	3.4	3.3	3.4	4.6	5.5

### Cash Flow

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	273	307	313	404	496
Non-cash adj.	-39	-57	102	89	92
Other adjustments	-	-	-	-	-
Changes in W.C	-27	-37	22	-20	-26
<b>C.F. Operation</b>	<b>207</b>	<b>213</b>	<b>437</b>	<b>473</b>	<b>562</b>
Capital exp.	-139	-10	-918	-159	-181
Change in inv.	-216	-528	-210	-35	-35
Other invest.CF	4	72	-98	-101	-106
<b>C.F - Investment</b>	<b>-351</b>	<b>-466</b>	<b>-1,226</b>	<b>-296</b>	<b>-322</b>
Issue of equity	1	487	-	-	-
Issue/repay debt	189	40	745	110	100
Dividends paid	-57	-86	-52	-71	-84
Other finance.CF	-61	-77	-	-	-
<b>C.F - Finance</b>	<b>72</b>	<b>363</b>	<b>693</b>	<b>39</b>	<b>16</b>
Chg. in cash	-72	110	-96	217	255
Closing Cash	692	1,337	1,241	1,457	1,713

### Balance Sheet

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	692	1,337	1,241	1,457	1,713
Accts. Receivable	213	254	259	292	336
Inventories	-	-	-	-	-
Other Cur. Assets	168	187	401	443	491
Investments	13	-	5	10	11
Gross Fixed Assets	197	206	1,123	1,283	1,463
Net Fixed Assets	191	195	217	241	270
CWIP	2	-	-	-	-
Intangible Assets	242	218	1,020	1,058	1,098
Def. Tax -Net	12	16	20	20	21
Other Assets	108	40	40	40	40
<b>Total Assets</b>	<b>1,641</b>	<b>2,248</b>	<b>3,203</b>	<b>3,563</b>	<b>3,980</b>
Current Liabilities	222	229	256	269	287
Provisions	25	33	50	50	50
Debt Funds	468	442	1,187	1,297	1,397
Other Liabilities	88	63	63	63	63
Equity Capital	29	30	30	30	30
Res. & Surplus	810	1,450	1,617	1,854	2,153
Shareholder Funds	839	1,480	1,646	1,883	2,183
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,641</b>	<b>2,248</b>	<b>3,203</b>	<b>3,563</b>	<b>3,980</b>
<b>BVPS</b>	<b>57</b>	<b>97</b>	<b>108</b>	<b>124</b>	<b>143</b>

### Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	25.1	20.7	18.0	20.1	20.7
EBIT margin (%)	22.2	17.1	13.5	16.1	16.7
Net profit mgn.(%)	16.2	15.3	10.4	12.7	13.6
ROE (%)	27.5	16.8	13.3	16.3	17.6
ROCE (%)	24.3	14.4	10.1	12.3	13.1
<b>W.C &amp; Liquidity</b>					
Receivables (days)	53.7	56.4	44.3	43.4	43.0
Inventory (days)	-	-	-	-	-
Payables (days)	-	-	-	-	-
Current ratio (x)	1.9	3.1	1.4	1.5	1.6
Quick ratio (x)	1.6	2.8	1.2	1.3	1.4
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	11.2	8.1	3.2	2.0	2.0
Total asset T.O (x)	1.0	0.8	0.8	0.7	0.7
Int. covge. ratio (x)	14.5	6.6	2.9	3.9	4.4
Adj. debt/equity (x)	0.6	0.3	0.7	0.7	0.6
<b>Valuation</b>					
EV/Sales (x)	7.7	6.4	5.0	4.3	3.7
EV/EBITDA (x)	30.8	31.1	27.8	21.4	17.6
P/E (x)	47.5	48.3	48.4	34.4	27.6
P/BV (x)	13.4	7.7	6.4	5.6	4.9



## Recommendation Summary - (last 3 years)



Dates	Rating	Target
12-May-23	HOLD	907
17-Aug-23	SELL	800
15-May-24	HOLD	872
11-Mar-25	HOLD	756

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

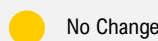
#### Definition:

**Buy:** Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

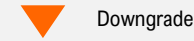
#### Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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