

# Axis Annual Analysis 2025



Happiest Minds Technologies Ltd

## Digital Transformation & Inorganic Opportunities to Augur Well

### Summary

Despite a globally uncertain and challenging environment marked by inflation, currency fluctuations, and geopolitical tensions, **Happiest Minds Technologies Ltd.** delivered a resilient operational performance in FY25. The company's revenue grew 26.5% YoY, aided by organic growth and PureSoftware. HML continued to invest in digital-first capabilities (AI/GenAI, cloud, cybersecurity, IoT) to execute various projects across diverse geographies and industries while maintaining its asset-light business model and a focus on high-margin segments.

This performance is underpinned by its long-term strategic initiatives of transformational programs, which have consistently driven both profitable growth and execution excellence. It remains committed to delivering sustainable and customer-centric solutions globally.

### Key Highlights

- **Financial Performance:** The company's revenue in FY25 improved by 26.5% YoY to Rs 2,061 Cr, led by strong execution across domestic and international markets. It closed the financial year by onboarding 73 new clients to 281, with 94.3% repeat clients maintaining clientele growth..
- **EBIT Margins Subdued:** During FY25, the company recorded EBIT of Rs 266 Cr, down 4%, from Rs 278 Cr in the previous year. The EBIT Margin stood at 12.9% (vs. 17.1% in the previous year), declining due to higher interest expenses and acquisition costs. PAT rose to Rs 185 Cr, with a focus on maintaining profitable growth.
- **New Initiatives:** Happiest Minds added 73 new clients and secured strategic entry into BFSI/Healthcare and the Middle East through acquisitions. Early traction in GenAI projects and deepening relationships with PE-backed enterprises set up a strong pipeline for FY26.

**Key Strengths:** a) Focus on digital transformation; b) Inorganic growth momentum; c) Favourable Industry tailwinds; d) Strong Client retention base.

**Key Strategies moving forward:** a) Strengthening delivery capabilities; b) Expanding domain and technology expertise; c) Accelerating growth with new IPS; d) Geographical expansion; e) Focus on GCC opportunity

### Outlook & Recommendation:

Happiest Minds commenced FY26 operations on the back of a transformational year marked by the PureSoftware acquisition, which has significantly expanded its capabilities across BFSI, healthcare payments, and product engineering. The company remains anchored in its digital-first positioning, with growth levers in cloud, analytics, AI/GenAI, IoT, and cybersecurity. A strong client retention rate of 94.3%, an expanding base of Mn-dollar accounts, and low client concentration underpin revenue visibility and stability. While FY25 margins came under pressure due to higher amortisation and integration costs, management is focused on restoring profitability through operational efficiency, cross-selling opportunities, and scaling synergies from acquisitions. The balance sheet, though newly levered, remains healthy, with strong operating cash flows and manageable debt taken to fund inorganic expansion.

Going forward, the company's growth trajectory will depend on its ability to successfully integrate PureSoftware, deepen client engagements, and maintain high-quality execution in fixed-price projects. With digital transformation spending resilient, Happiest Minds is positioned to sustain double-digit revenue growth, provided it manages margin recovery and working capital discipline effectively. **We value the company at 31x FY27E EPS to arrive at a TP of Rs 690/share, implying an upside potential of 23% from the CMP. We maintain our BUY rating on the stock.**

### Key Financials (Consolidated)

(Rs Cr)	FY24	FY25	FY26E	FY27E
Net Sales	2,061	2,335	2,729	2,061
EBIT	266	341	436	266
Net Profit	185	258	345	185
EPS (Rs)	12	17	23	12
PER (x)	51	37	27	51
EV/EBITDA (x)	24.6	19.8	15.4	24.6
P/BV (x)	6.0	5.4	4.7	6.0
ROE (%)	12	16	18	12

Source: Company, Axis Securities Research

(CMP as of 08<sup>th</sup> September, 2025)

CMP (Rs)	561
Upside /Downside (%)	23%
High/Low (Rs)	833/519
Market cap (Cr)	8,558
Avg. daily vol. (1m) Shrs.	8,01,310
No. of shares (Cr)	15

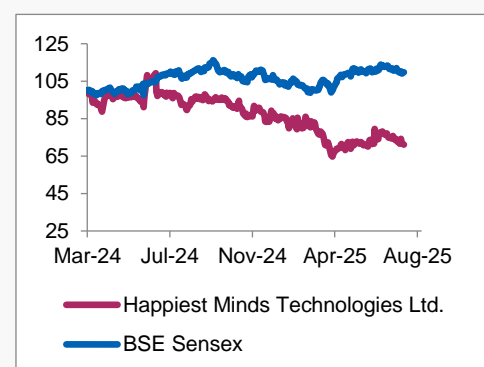
### Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	44.2	44.2	44.2
FII	5.3	5.0	5.3
MFs/UTI	3.7	8.4	8.3
Banks/FIs	0.0	0.0	0.0
Others	46.8	42.4	42.2

### Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	2,061	2,335	2,729
EBITDA	266	341	436
Net Profit	185	258	345
EPS (Rs)	12	17	23
PER (x)	47	34	25
EV/EBITDA (x)	22.6	18.2	14.1
P/BV (x)	5.6	5.0	4.4
ROE (%)	12	16	18

### Relative Performance



Source: Ace Equity, Axis Securities Research

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## Company Overview

Happiest Minds is a specialist in Product & Digital Engineering, Generative AI, and Infrastructure Management & Security Services. The company partners with leading global enterprises to deliver end-to-end digital solutions that enhance competitiveness and enable agility in a dynamic market. Its engineering excellence and agile delivery empower clients to respond swiftly to evolving business demands and achieve measurable outcomes. In FY25, its clientele base increased to 281, with 94.3% repeat clients. The company boarded 73 new clients during the reporting period, maintaining its clientele growth.

## Business Unit

- **Infrastructure Management & Security Services (IMSS):** The company delivers end-to-end infrastructure and security services—spanning advisory, transformation, and managed operations. It empowers businesses to navigate complexity, drive digital acceleration, and strengthen cyber resilience. It provides end-to-end, future-ready and Gen AI-enabled solutions ranging from infrastructure assessments and cloud migration to AI-powered threat detection and continuous security monitoring.
- **Product & Digital Engineering Services (PDES):** HML has strengthened its Product and Digital Engineering Services (PDES) business through targeted initiatives to scale operations and deliver long-term value. It has enhanced domain expertise and expanded global presence. The core focus has been on innovation, integration, and industry-led solutions, which enabled the company to achieve key milestones during the year.
- **Generative AI Business Services (GBS):** With a team of 350+ AI specialists and over 25 successful Generative AI projects, the company have delivered impactful solutions like demand forecasting, predictive maintenance, and customer 360 insights backed by strategic partnerships with Microsoft, AWS, Nvidia, and Google. It serves as an innovation catalyst, helping businesses achieve tangible objectives through cutting-edge AI advancements.

## FY25 Performance Round-up

- **Revenue Growth:** During the year, the company saw a revenue growth of 26.5% YoY to Rs 2,061 Cr, backed by ten initiatives that have created a foundation for three consecutive years of double-digit growth through innovation, integration and industry expertise. Geographically, India saw a growth of 11% YoY, contributing 14% of the total revenue. Furthermore, the overseas market saw a growth of 30% YoY, contributing 86% of the total revenue.
- **EBIT Margins:** During FY25, the company recorded EBIT (excluding Other Income) of Rs 266 Cr (vs Rs 278 Cr in the previous year), registering a degrowth of 4% YoY. However, EBIT margin declined to 12.9% (vs 17.1% in the previous year).
- **PAT:** For FY25, the company's PAT fell by 25% YoY to Rs 185 Cr (vs Rs 248 Cr in the previous year), led by higher acquisition costs and debt.
- **Cash Position:** The net cash position saw an outflow, driven by the acquisition of the entity and dividend payout.
- **Return On Equity & Return on Capital Employed:** ROE stood at 12.1%, remaining lower primarily due to lower PAT despite an intact equity capital base. ROCE remained flat YoY to 20% due to higher borrowings for business acquisitions. The company's capital-efficient growth strategy remains intact.

The company delivered resilient operational performance in FY25 amid geopolitical tensions, currency fluctuations and rising competition.

### Key Acquisitions During the FY25:

- **PureSoftware:** PureSoftware brings 1,200 skilled professionals and enhances the company's presence in the BFSI and Healthcare & Life Sciences verticals. It also expands the company's global delivery footprint to Mexico, Singapore, Malaysia, and Africa, boosting delivery scalability and cross-selling potential. A key highlight of this acquisition is Arttha, PureSoftware's flagship BFSI product. Happiest Minds is currently enhancing and transitioning Arttha into a SaaS model, enabling broader market reach and more flexible deployment. This strengthens its SaaS portfolio and underlines the long-term strategic value of the acquisition.
- **Aureus Tech Systems:** Aureus is a 150-member, Azure-native firm with strong expertise in Cloud, AI, and Application Modernization. The company has well-established relationships with Fortune 500 clients in the Insurance and Healthcare sectors, further deepening its capabilities in these domains. Over the past year, along with the acquired entities, Happiest Minds has worked seamlessly to align systems, policies, processes, culture, and operations. The reorganization of the company structure into Industry Groups (IG) and strong cross-company collaboration enabled smooth and effective integration.
- **GAVS Technologies (Middle East):** Happiest Minds ended FY25 with the acquisition of GAVS Technologies' Middle East business, significantly strengthening its presence in the region. The acquisition includes InnovazIT Technologies LLC (Dubai), GAVS Technologies LLC (Oman), and GAVS Technologies Saudi Arabia for Telecommunications and Information Technology (Saudi Arabia). These companies specialise in application development, maintenance, and infrastructure support, primarily serving large enterprises in the BFSI sector.

### Awards & Accolades of the FY25

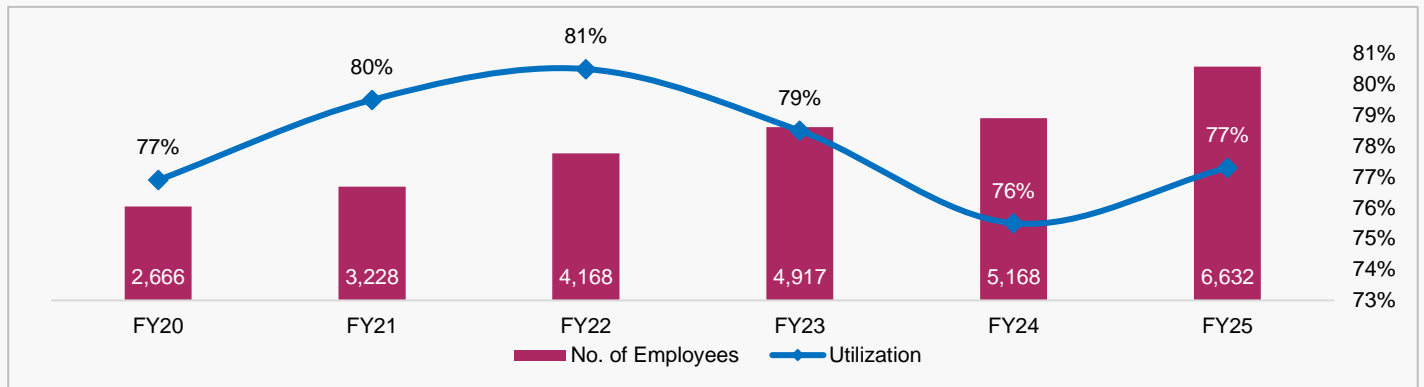
- PureSoftware, a Happiest Minds company, secured two honours at the IBSi Digital Banking Awards 2025 for Arttha's excellence in Digital Lending and Wallet Innovation.
- The company won the CNBC-TV18 India Risk Management Award and also won 2nd in the "IT Services" category at the ESC Export Excellence Awards.
- Happiest Minds awarded 'Inspiring Firms in AI & Analytics' at the 3AI ACME Award and won the WOW Workplace Award for IT, ITes & GCC.
- The company won the Best DevOps Framework for Scalability and Security (IT Services) award at the 6th Edition India DevOps Show 2025.

### Key Projects Won in FY25

- For a global Home Improvement Retail Chain, Happiest Minds is custom-building solutions for their key Finance and IT programs.
- For a Multinational Logistics company, the company is providing Gen AI services to accelerate innovation and enhance productivity.
- For a US Airport, Happiest Minds and Tech4TH have been selected as the implementation partners for the platform to provide a next-gen customer interaction experience.
- For a US Healthcare company, it is implementing a large database transformational program for migration from on-premises to AWS Cloud.
- For a US-based Insurance & Financial solutions company, Happiest Minds has been chosen as an implementation partner for their GenAI workflow automation.
- For a US Education Training provider, Happiest Minds is building its LMS platform.
- For an Australian Mining Services company, it is providing IT infrastructure and cybersecurity implementation services.
- For an Australian Furniture & Homewares Retailer, Happiest Minds has been engaged to partner in the modernisation of their data platform.

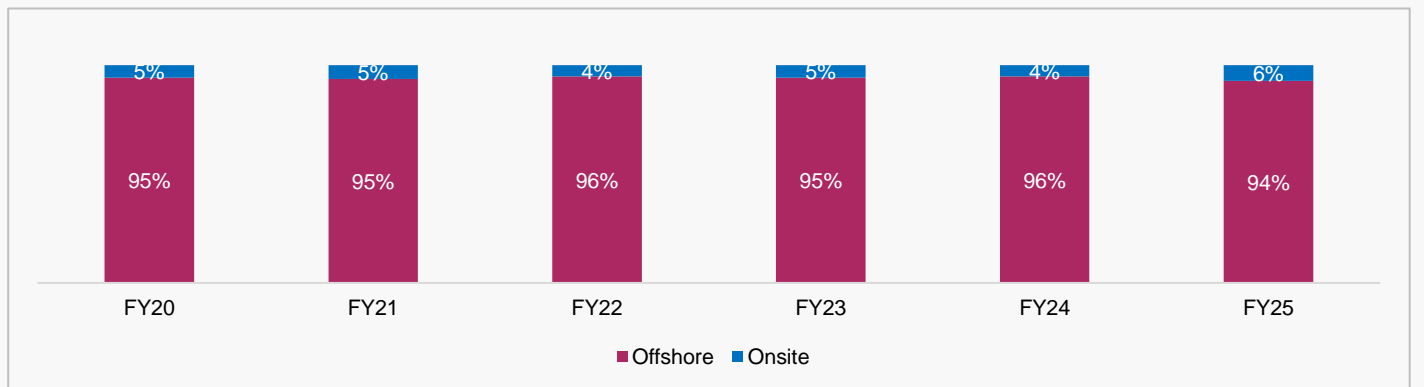
## Key Metrics

**Exhibit 1: Utilisation**



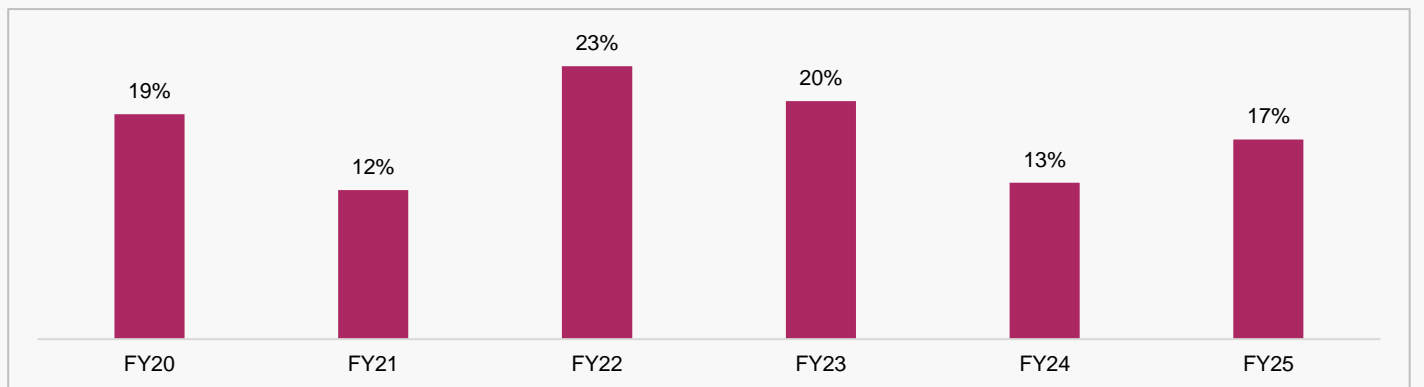
Source: Company, Axis Securities Research

**Exhibit 2: Offshore/Onsite**



Source: Company, Axis Securities Research

**Exhibit 3: Voluntary Attrition**



Source: Company, Axis Securities Research

## Industry Growth Outlook in FY26

- According to NASSCOM, the industry is projected to surpass \$300 Bn in revenue, growing at 6%, building on a robust export performance of \$210 Bn in FY24-25. The global technology landscape has been significantly reshaped by the emergence of Generative AI (GenAI) platforms such as ChatGPT, propelling the AI Software & Services market beyond \$100 Bn. Indian IT firms, both large and mid-sized, are scaling GenAI capabilities at speed, positioning India as a global AI talent hub.
- As per the management, FY26 marks a pivotal phase for the Indian IT/ITeS sector as it continues to reinforce its global leadership in digital transformation, AI-led innovation, and advanced technology services.

## Key themes

- **Generative AI Adoption:** Enterprise-scale deployment for automation, code generation, customer service and analytics, with over 97% of large enterprises exploring GenAI integration.
- **Digital Engineering & ER&D:** Strong demand for software-defined products, embedded systems, and platform engineering, with the segment projected to grow at 7%.
- **Quantum Computing:** Gaining strategic traction through early-stage investments by tech firms and government support under the National Quantum Mission.
- **Cybersecurity:** Increased focus on zero-trust frameworks, endpoint protection, and compliance-driven security, amid growing digital risk exposure.
- **Cloud Services & Infrastructure Management:** Continued acceleration in cloud migration, hybrid infrastructure, and managed services.
- **Technology Consulting:** Rising demand for advisory services around IT modernisation, GenAI implementation, and business-aligned digital strategies.
- **Domestic Tech Spend:** Projected to reach \$160 Bn, growing at 9.3% YoY, driven by sectors like BFSI, healthcare, and manufacturing.
- **Global Demand for Cost-Efficient Talent:** India's deep talent pool in AI, cloud, and cybersecurity continues to attract global enterprises navigating cost and capability challenges.

## Key Strengths

### Focus on Digital Transformation

Happiest Minds is a specialist in Product & Digital Engineering, Generative AI, and Infrastructure Management & Security Services. The company's engineering excellence and agile delivery empower clients to respond swiftly to evolving business demands and achieve measurable outcomes. It has built an agile delivery framework that integrates its broad technology expertise with proprietary tools to ensure rapid, high-quality, and customised software delivery. Moreover, to maximise its capabilities, the company has initiated certain innovations across its business units during the year, like AI-Based Invoice Automation, Automation Factory Framework, Intelligent contract management, Material Suggestion and material selection.

### Favourable Industry Tailwinds

Happiest Minds Technologies operates across six strategic Industry Groups (IGs), namely Banking, Financial Services, and Insurance (BFSI); Retail, Consumer Packaged Goods (CPG), and Logistics, Industrial, Manufacturing, and Energy & Utilities; Hi-Tech, Media & Entertainment; Healthcare and Life Sciences; EdTech. Each of these sectors is undergoing accelerated digital transformation, unlocking new opportunities for growth and innovation. For example, in BFSI, organisations are enhancing customer experiences through seamless digital onboarding, personalised services, and cloud-first platforms. Retail, CPG, and Logistics firms are focusing on intelligent supply chains and hyper-personalised commerce, powered by AI and advanced analytics. Therefore, such diversified sectoral presence and domain-specific expertise position Happiest Minds as a key enabler of digital transformation across industries.

### Inorganic Growth Momentum

With the strategic acquisitions of PureSoftware Technologies and Aureus Tech Systems in FY25, the company is reinforcing its position in digital transformation. Over the past year, it has worked closely with both entities to align systems, policies, processes, culture, and operations. It focuses on such acquisitions that can offer strategic value to the entity. The priority here is to expand geographic footprint in the USA, Europe, and the Middle East, deepening its presence in key industry verticals, including Retail & Consumer Packaged Goods (CPG), Travel, Media & Entertainment (TME), and Industrial & Manufacturing and strengthening global alliances by acquiring companies with deep expertise in Microsoft, ServiceNow, and Salesforce platforms.

### Strong Client Retention Base

Happiest Minds demonstrates exceptional client retention with >94% repeat revenue, while steadily expanding its base. It has \$57 Mn clients and 44% revenue coming from those who have 5+ years of relationship. Moreover, HML added 73 new clients in FY25. Happiest Minds has one of the lowest client concentration risks in the Indian mid-tier IT space. With the top client only at ~5%, the company is not overly dependent on any single account, while maintaining strong retention. This balanced mix provides both stability (repeat revenues) and growth headroom (new logo additions), driving revenue visibility and resilience, critical for sustaining double-digit growth, especially after acquisitions.



## Key Strategies Moving Forward

### Strengthening Delivery Capabilities

The company has built long-term relationships with customers by focusing on customer segmentation, early engagement, and leveraging our technology and engineering strengths. This approach drives word-of-mouth growth, expands its presence, and increases customer lifetime value. In FY25, 44% of revenue was generated from clients with relationships spanning over five years. Therefore, with this solid customer base, it aims to strengthen delivery capabilities, engage strategically with customers, and maintain long-term profitability.

### Expanding Domain and Technology Expertise

HML is broadening its business expertise across six key industry groups: BFSI, EdTech, Healthcare, Hi-Tech & Media, Manufacturing & Energy, and Retail & Logistics. This structure supports scalable growth and reinforces competitive edge in emerging technologies, particularly Generative AI, Artificial Intelligence, Data Management, Product Engineering, Infrastructure, and Security services.

### Accelerating Growth with New IPS

Intellectual Properties (IPs) are key to the company's value proposition. Therefore, by creating niche IPs, it enhances customer offerings (by providing cost and effort benefits), driving revenue growth and sustaining competitive edge. Its robust engineering processes, driven by Generative AI Tools and software lifecycle management, enable rapid, high-quality service delivery.

### Geographical Expansion

HML's presence spans key IT markets, including the UK, US, Canada, the Middle East and Australia, with onshore, nearshore and offshore offices in India, and new regions accessed through acquisitions in Mexico, Singapore, Oman, KSA and Africa. Moreover, expanding into tier-II locations in India enables it to access cost-effective and skilled talent pools.

### Focus on the GCC Opportunity

The rising number of Global Capability Centres (GCCs) provides the opportunity to support both its growth and maturity. In new GCCs, the company provides strategic support across talent, legal, and scale requirements. For mature GCCs, it focuses on enhancing operational effectiveness, modernising technology stacks, and driving innovation through GenAI and automation.

## Business Outlook

- Happiest Minds commenced FY26 operations on the back of a transformational year marked by the PureSoftware acquisition, which has significantly expanded its capabilities across BFSI, healthcare payments, and product engineering. The company remains anchored in its digital-first positioning, with growth levers in cloud, analytics, AI/GenAI, IoT, and cybersecurity. A strong client retention rate of 94.3%, an expanding base of Mn-dollar accounts, and low client concentration underpin revenue visibility and stability. While FY25 margins came under pressure due to higher amortisation and integration costs, management is focused on restoring profitability through operational efficiency, cross-selling opportunities, and scaling synergies from acquisitions. The balance sheet, though newly levered, remains healthy, with strong operating cash flows and manageable debt taken to fund inorganic expansion.
- Going forward, the company's growth trajectory will depend on its ability to successfully integrate PureSoftware, deepen client engagements, and maintain high-quality execution in fixed-price projects. With digital transformation spending resilient, Happiest Minds is positioned to sustain double-digit revenue growth, provided it manages margin recovery and working capital discipline effectively.

*Through the strategic initiatives, HML is not only capitalising on strong industry tailwinds but also strengthening its position in its industry groups as a digital partner for various industrial clients.*

*The business outlook remains robust and on the back of growing digital transformation, acquisition and healthy balance sheet, marking revenue visibility for the next 3-4 years.*



## Risks & Mitigation

### Exposure to Workforce Attrition

Employee cost is a significant cost component for ITES companies, as it is employee skills and attrition rate that play a pivotal role in the company's growth, dominating in such an industry space. However, easing attrition has been observed for HMTL going forward, with the attrition rate low at 13% for FY24 (against 19.80% for FY23), which may help in partly offsetting the impact on margins from recessionary pressures. However, the number has increased to 14.4% for H1FY25.

### Foreign Exchange Fluctuation Risk

The company generates about 80-85% of its revenue from offshore business, while about 15% is contributed by domestic clients. The USA is the largest contributor, accounting for ~70% of revenue. As with most IT/ITeS companies, employees are the most valuable asset, and for HMTL, the majority of the workforce is based in India. While the company is exposed to short-term currency fluctuations, it actively hedges its positions to mitigate the impact of adverse exchange rate movements..

### Regulatory Challenges Across Geographies

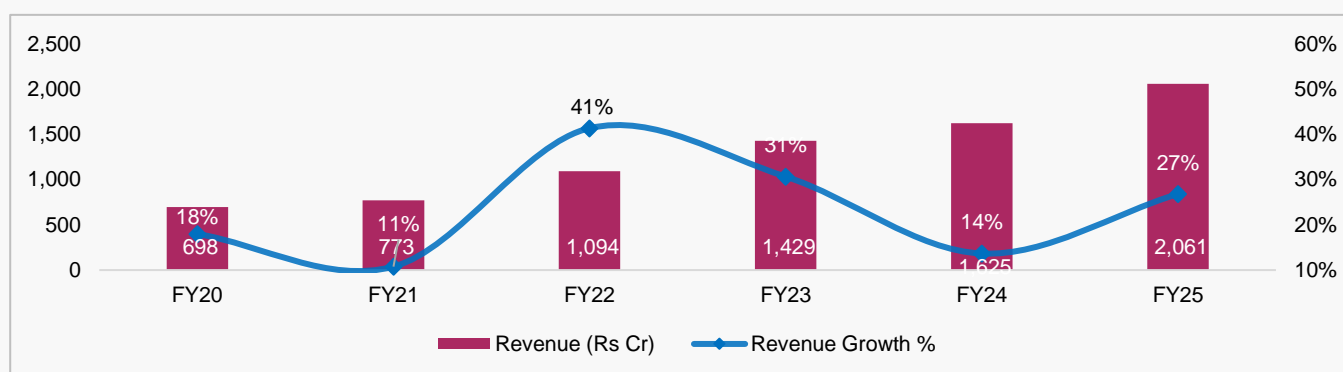
Increasing geopolitical crisis throughout the world, economies tend to impose changes in immigration laws, local regulations and H-1B visa denials, which can ultimately affect the company's operations. However, only 20% employees are into working in on-site locations, hence aiding a minor relief to the organisation as its magnitude may be less. The presence in a highly competitive industry leads to factors, such as pricing pressure, deal renegotiations, deferrals, and retention of talent, among others, which are expected to have a direct bearing on the company's revenue growth and profitability.

Any unfavorable geopolitical crises, currency fluctuations and exposure to workforce attrition could affect the performance of the company.

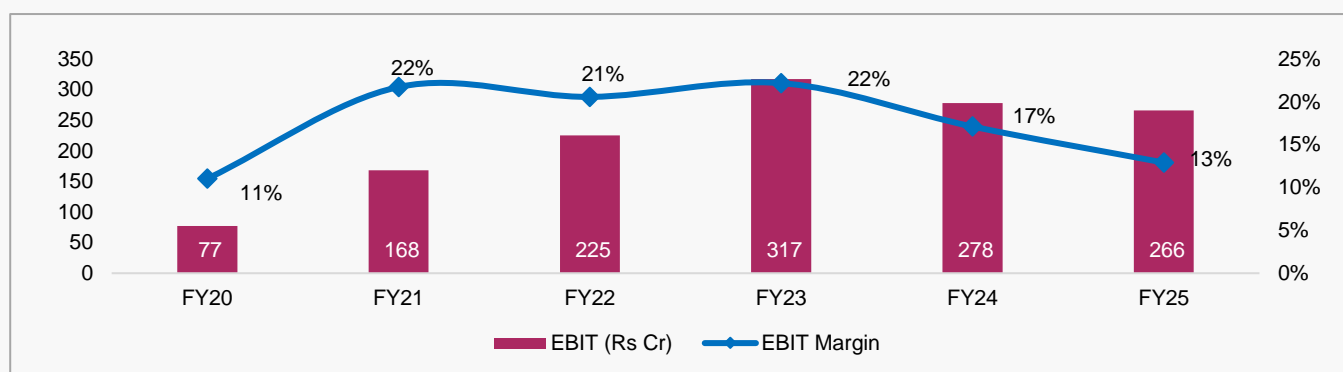
## Profitability Analysis (Rs Cr)

Particulars	FY24	FY25	Change	Comments/Analysis
Net Sales	1,625	2,061	27%	Robust revenue growth driven by broad-based growth across the business verticals
Total Operating expenses	1,289	1,706	32%	Higher due to higher employee expenses
EBITDA	336	355	6%	Thus, EBITDA saw a single-digit growth
EBIT	278	266	-4%	EBIT remain lower because of a large base of amortizable intangibles and an increase in lease assets.
Interest	42	99	135%	Higher Interest cost due to the acquisition of the PureSoftware Technologies deal
PBT	335	256	-24%	PBT remained lower YoY
PAT	248	185	-25%	Therefore, PAT remained lower due to acquisition cost and exceptional loss (contingent consideration)

Source: Company; Axis Securities Research

**Exhibit 4: Revenue and Revenue Growth Trend**


Source: Company, Axis Securities Research

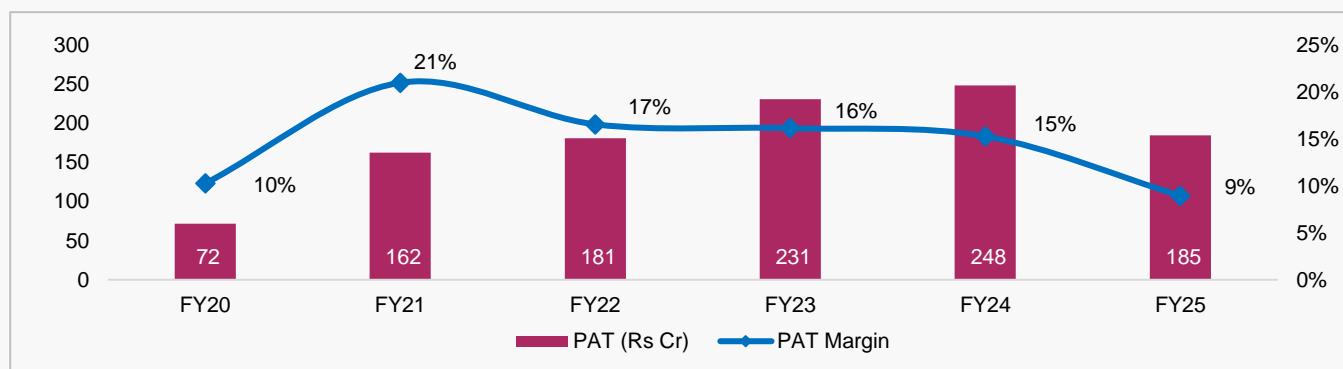
**Exhibit 5: EBIT & EBIT % Trend**


Source: Company, Axis Securities Research

### Growth/Profitability Indicators (Rs Cr)

Particulars	FY24	FY25	Change	Comments/Analysis
Revenue	1,625	2,061	27%	Revenue growth driven by strong execution across domestic and international markets
EBIT Margin	17.1%	12.9%	-420bps	Margins remained lower due to the acquisition cost of the subsidiary.
PAT	248	185	-25%	PAT saw a decline YoY

Source: Company, Axis Securities Research

**Exhibit 6: Net Profit and NPM % Trend**


Source: Company, Axis Securities Research

## Subsidiary Information

All newly acquired entities showed strong growth in FY25.

### Subsidiary

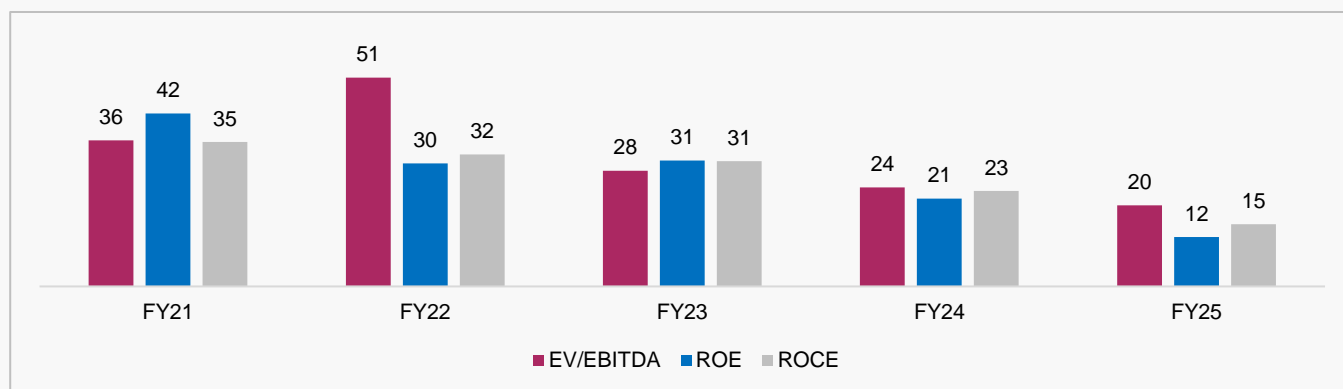
In (Cr)	FY24	FY25
<b>Sri Mookambika Infosolutions Pvt Ltd.</b>		
Revenue	91	104
YoY growth (%)		1.8
Net Profit	18	30
Margin (%)	-	-
<b>PureSoftware Technologies</b>		
Revenue	NA	400
YoY growth (%)		
Net Profit	-12.1	59
Margin (%)	-	-
<b>InnovazIT Technologies LLC</b>		
Revenue	NA	6
YoY growth (%)		
Net Profit		-0.3
Margin (%)		
<b>Happiest Minds Inc (Formerly Known as PGS Inc)</b>		
Revenue	113	99
YoY growth (%)		
Net Profit	26	31
Margin (%)		
<b>Happiest Minds Edutech (Formerly Known as Macmillan Learning India)</b>		
Revenue	-	8.4
YoY growth (%)	-	
Net Profit	-	-0
Margin (%)	-	
<b>GAVS Technologies</b>		
Revenue	-	1.9
YoY growth (%)	-	
Net Profit	-	-0.09
Margin (%)	-	11.2

Source: Company; Axis Securities

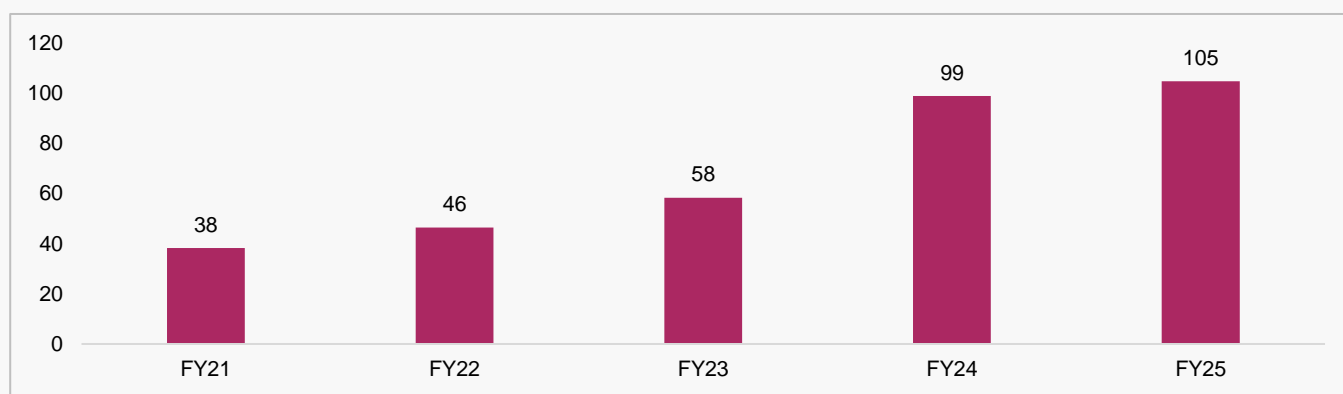
## Financial Ratios

Particulars	FY24	FY25	Change	Comments/Analysis
ROE	17%	12%	5%	Lower due to a decline in profits during the year
ROCE	22%	21%	1%	Declined slightly due to lower EBIT margins during the year and a higher capital base
Net Debt/Equity	-0.6	0.1	-	Debt to Equity increased due to higher borrowings in debt levels.
Price/Earnings	35x	47x	+12x	Higher multiple due to lower earnings growth

Source: Company; Axis Securities Research

**Exhibit 7: EV/EBITDA, ROE& ROCE Trend**


Source: Company, Axis Securities Research

**Exhibit 8: Book Value**


Source: Company, Axis Securities Research

### Contingent Liability Analysis

The company notes there are certain income tax disallowance expenses in the ordinary course of business.

Management believes these are not expected to materially impact financials, but acknowledges inherent uncertainties.

### Contingent Liabilities

(In Cr)	FY24	FY25
Claim against the company	-	
Income Tax - relating to the Disallowance of expenses	-	8.3
Goods and Services Tax - denial of input tax credit on expenses and difference in GSTR-3B and GSTR-1	-	8.3

Source: Company; Axis Securities

## Management remuneration

The remuneration of members was at similar levels for both years. The increase in % (as a % of PAT) is mainly due to lower PAT for FY25.

Name	Designation	FY24	FY25
Ashok Soota	Chairman	1.55	1.81
Joseph Anantharaju	Vice Chairman & CEO	4.17	4.36
Venkatraman Narayanan	Managing Director	1.54	1.71
Rajiv Shah	Whole Time Director	-	3.68
Praveen Kumar Darshankar	Company Secretary	0.60	0.63
Rajendra Kumar Srivastava	Independent Director	0.30	0.38
Anita Ramachandran	Executive Independent Director	0.25	0.33
Shuba Rao Mayya	Executive Independent Director	0.25	0.33
Mittu Sridhara	Executive Independent Director	-	0.22
As a % of Net Profit		3.3	6.9

## Key Balance Sheet and Cash Flow Takeaways

- **Working Capital:** In FY25, receivables were higher mainly due to the nature of fixed-price contracts (POC recognition before billing), the acquisition of PureSoftware, and longer credit terms for some clients, while payables were higher due to PureSoftware acquisition liabilities and vendor and employee-related accruals. In a nutshell, the higher working capital was mainly due to acquisition and debt funding.
- **Capex:** The company's capex was minimal and mainly towards maintenance rather than heavy organic investments. Growth capacity was mainly added through the acquisition of subsidiaries.
- **Debt Levels:** The company had a debt of ~Rs 1,160 Cr as of FY25 end. The debt increased by Rs 718 Cr mainly due to acquisitions of three major companies, i.e. PureSoftware Technologies, Aureus Tech Systems LLC, and GAVS Technologies' Middle East business.
- **Cash and Liquidity Position:** The company has an asset-light model and therefore cash and bank balances remain resilient at Rs 1,058 Cr. It had a liquid investment of Rs 350 Cr at the end of FY25.

## Key Cash Flow Takeaways

Particulars (Rs Cr)	FY24	FY25	Change	Comments/Analysis
PBT	335	256	16%	Lower PBT due to higher interest cost and operating expenses
Depreciation	58	89	-30%	Higher YoY because of amortised cost
Finance Cost	42	99	136%	Higher YoY due to an increase in debt levels
CFO	212	236	12%	Higher YoY on account of non-cash expenses
CFI	-466	-762	NM	Lower owing to acquisition and higher mutual fund investments.
CFF	363	499	-22%	Higher due to borrowings and lease payments
Net cash flow	109	-26	NM	Outflow due to inorganic acquisition and dividend payments

Source: Company; Axis Securities Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Net sales</b>	<b>1,429</b>	<b>1,625</b>	<b>2,061</b>	<b>2,335</b>	<b>2,729</b>
Change (YoY, %)	31	14	27	13	17
Operating expenses	1,070	1,289	1,706	1,902	2,184
<b>EBITDA</b>	<b>359</b>	<b>336</b>	<b>355</b>	<b>433</b>	<b>546</b>
Change (YoY, %)	39	(6)	6	22	26
Margin (%)	25	21	17	19	20
Depreciation	42	58	89	92	110
<b>EBIT</b>	<b>317</b>	<b>278</b>	<b>266</b>	<b>341</b>	<b>436</b>
Interest paid	22	42	99	102	93
Other income	21	85	101	110	117
<b>Pre-tax profit</b>	<b>310</b>	<b>335</b>	<b>256</b>	<b>349</b>	<b>460</b>
Tax	79	86	71	92	116
Effective tax rate (%)	25	26	28	26	25
<b>Net profit</b>	<b>231</b>	<b>248</b>	<b>185</b>	<b>258</b>	<b>345</b>
Exceptional items	(6)	14	(12)	-	-
<b>Adjusted net profit</b>	<b>237</b>	<b>234</b>	<b>197</b>	<b>258</b>	<b>345</b>
Change (YoY, %)	27	(1)	(16)	31	34
<b>Adj. EPS</b>	<b>16</b>	<b>17</b>	<b>12</b>	<b>17</b>	<b>23</b>
Dividend per share	5	6	6	6	6
Dividend Payout (%)	34	35	49	49	49

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share capital	29	30	30	30	30
Reserves & surplus	810	1,450	1,545	1,711	1,964
Shareholders' funds	839	1,480	1,575	1,741	1,994
Total Debt	113	104	1,161	1,061	961
Other liabilities	100	96	241	241	241
<b>Current Liabilities &amp; provisions</b>	<b>576</b>	<b>567</b>	<b>1,208</b>	<b>1,204</b>	<b>1,180</b>
Current liabilities	553	546	348	412	452
Provisions	23	21	35	39	45
Total liabilities	790	768	1,785	1,753	1,700
<b>Total equity &amp; liabilities</b>	<b>1,628</b>	<b>2,248</b>	<b>3,359</b>	<b>3,494</b>	<b>3,694</b>
Net fixed assets	432	138	141	139	119
Investments	13	0	0	0	0
Other non-current assets	110	332	1,217	1,217	1,217
<b>Current assets</b>	<b>1,073</b>	<b>1,778</b>	<b>2,001</b>	<b>2,137</b>	<b>2,358</b>
Inventories	0	0	0	0	0
Sundry Debtors	213	254	358	357	417
Cash & Liquid	692	1,337	1,058	1,188	1,337
Other Current Assets	168	48	407	415	426
<b>Total assets</b>	<b>1,628</b>	<b>2,248</b>	<b>3,359</b>	<b>3,494</b>	<b>3,694</b>

Source: Company, Axis Securities

**Cash Flow**
**(Rs Cr)**

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Pre tax</b>	<b>231</b>	<b>248</b>	<b>185</b>	<b>258</b>	<b>345</b>
Depreciation	42	58	89	92	110
Change in working capital	590	(70)	140	(11)	(95)
Other operating activities	7	(57)	10	(8)	(24)
<b>Cash flow from operations (a)</b>	<b>870</b>	<b>180</b>	<b>424</b>	<b>331</b>	<b>335</b>
Capital expenditure	(317)	(40)	183	(90)	(90)
Chg in investments	(88)	64	(90)	-	-
Other investing activities	19	(188)	(969)	110	117
<b>Cash flow from investing (b)</b>	<b>(386)</b>	<b>(164)</b>	<b>(876)</b>	<b>20</b>	<b>27</b>
Equity raised/(repaid)	0	1	0	-	-
Debt raised/(repaid)	126	(13)	376	(28)	(29)
Dividend (incl. tax)	(79)	(88)	(91)	(90)	(90)
Chg in minorities	-	-	-	-	-
Other financing activities	(6)	451	(111)	(103)	(94)
<b>Cash flow from financing (c)</b>	<b>40</b>	<b>352</b>	<b>174</b>	<b>(221)</b>	<b>(213)</b>
Net change in cash (a+b+c)	524	369	(278)	130	149
Opening cash balance	168	692	1,337	1,058	1,188
Closing cash balance	692	1,061	1,058	1,188	1,337

Source: Company, Axis Securities

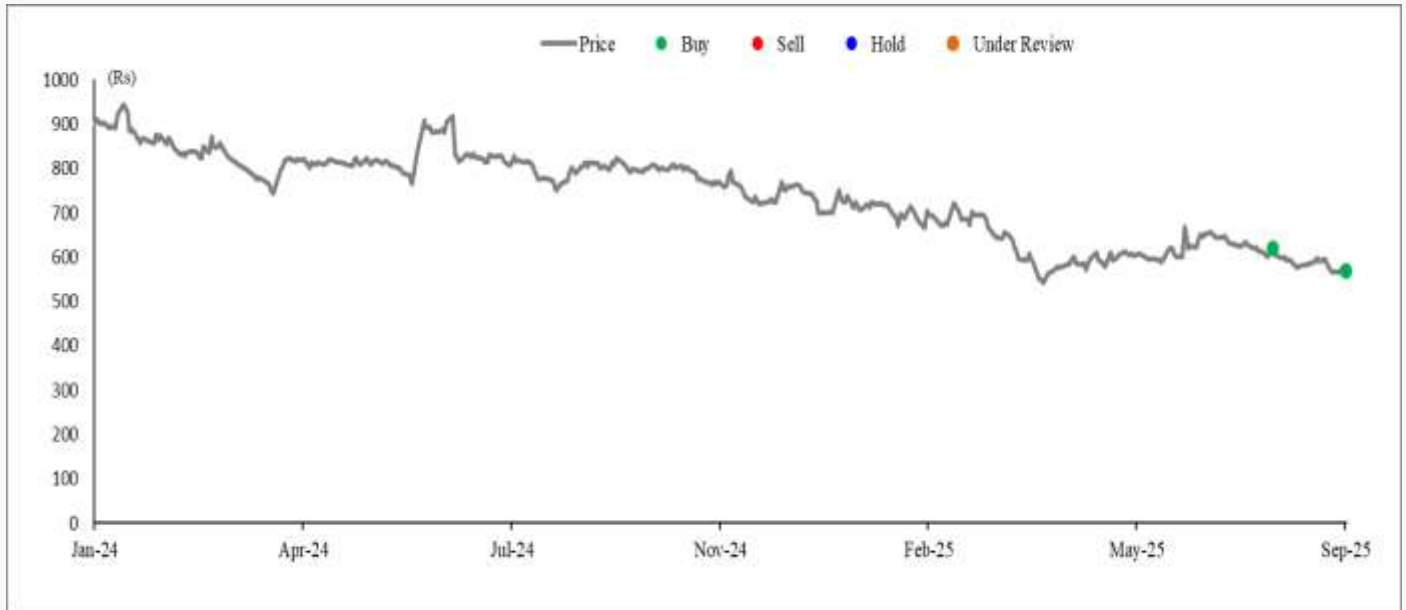
**Ratio Analysis**
**(%)**

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	59	101	103	114	131
Adj EPS (Rs)	17	16	13	17	23
Adj EPS growth (%)	25	-4	-19	31	34
EBITDA margin (%)	25	21	17	19	20
Pre-tax margin (%)	22	21	12	15	17
Debt/Equity (x)	0	0	0	0	0
ROCE (%)	27	20	13	15	17
ROE (%)	31	21	12	16	18
<b>DuPont Analysis</b>					
Asset turnover (x)	1.0	0.8	0.7	0.7	0.8
Leverage factor (x)	1.1	1.1	1.2	1.3	1.3
Net margin (%)	16	15	9	11	13
<b>Working Capital &amp; Liquidity Ratio</b>					
Inventory days	0	0	0	0	0
Receivable days	54	56	63	55	55
Payable days	83	73	18	25	25
<b>Valuation ratio</b>					
PER (x)	38.5	36.7	51.1	36.7	27.4
Adjusted PER (x)	37.5	38.9	47.9	36.7	27.4
P/BV (x)	10.6	6.2	6.0	5.4	4.7
EV/EBITDA (x)	23.2	23.5	24.6	19.8	15.4
Market Cap. / Sales (x)	6.2	5.6	4.6	4.0	3.5

Source: Company, Axis Securities



## Happiest Minds Technologies Price Chart and Recommendation History



Date	Reco	TP	Research
30-Jul-25	BUY	690	Result Update
09-Sept-25	BUY	690	AAA

Source: Axis Securities Research

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