

Happiest Minds Techno Ltd : Good Issue

IPO Note: Consistent Growth in top and bottom line : Ranking***



Issue details

Price band (Rs)	Rs. 165-166
IPO Opening Date	07/09/20
IPO Closing Date	09/09/20
Issue Size	Rs.702.02 Cr.

Recommendation

Total revenues grew at a CAGR of 20.84% from Rs.489.12 Crore for the financial year 2018 to Rs.714.23 Crore for the financial year 2020. Happiest Minds has good business prospects as e-commerce and digital service providers are seen as growing sectors. The sector has shown growth even during the pandemic. The financial performance of the Company is not consistent over the last three years. Furthermore, in the latest quarter ended on June 30, 2020, the Company has reported a sudden surge in its profits and margins. If we annualize the latest FY21-Q1 results and attribute it on fully diluted equity post IPO, then asking price is at a P/E of around 14.92 against the industry average of 27. On the basis of its trailing earnings and paid-up equity as on March 31, 2020, the issue is priced at a P/E of around 33. The company has no peers to compare with it.

Highlights

- Global organisations like Globant, EPAM and Endava have 100% of their revenues derived from digital services. Amongst the Indian IT firms, Happiest Minds' digital IT revenues as a proportion of overall revenues is highest at 97% as of March 31, 2020 as compared to leading Indian IT firms like Infosys, Wipro, TCS and Tech Mahindra.
- Strong brand in digital IT services
- Happiest Minds, positioned as “Born Digital, Born Agile” is an IT service provider that offers various digital services to customers.
- Currently, it has 157 active customer base, among which, major customers are based in the US. In 2019, it was ranked as India’s Top 25 Best Workplaces for Women and also won Great Place to Work Certification.

Company Introduction

Incorporated in 2011, Happiest Minds Ltd is a Bangalore based IT service provider company. The business of the company is divided into three categories; Digital Business Service (DBS), Product Engineering Service (PES) and Infrastructure and Management Security Service (IMSS).

The DBS unit offers digital application development & modernisation, assistance in designing & testing of operations, management of the platform, consulting and domain led offerings.

PES unit helps by transforming the potential of digital by making the product secure and smart. Wherein, IMSS provides an end to end monitoring and management capability for applications and infrastructure of the clients.

As of June 30, 2020, Happiest Minds had 148 active customers and has a global presence in countries like US, UK, Australia, Canada and the Middle East. The business units of the company



www.happiestminds.com

Financial Summary (Rs. In Crore)

Particulars	Three Months ended June.20	FY2020	FY2019	FY2018
Total Income	186.99	714.23	601.81	489.12
Net Profit	40.84	73.61	12.98	-23.08
EPS* (Rs)	2.78	5.01	0.88	-

Source: RHP and ACE Equity

*EPS not annualized

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

is assisted by the 3 Centres of Excellence which are Internet of Things, Analytics / Artificial Intelligence, and Digital Process Automation. In Fiscal 2020, 96.9% of the company's revenues came from digital services which is one of the highest among Indian IT companies.

Happiest Minds delivers services across industry sectors such as Retail, Edutech, Industrial, BFSI, Hi-Tech, Engineering R&D, Manufacturing, Travel, Media and Entertainment.

Company Promoters:

Mr. Ashok Soota is the promoter of the company

Objects of the Issue:

The company proposes to utilise the Net Proceeds from the fresh issue towards funding the following objects:

1. To meet long term working capital requirement; and
2. General corporate purposes

IPO Issue Proceed

To part finance its long term capital requirements (Rs. 101 cr.) and general corpus funds, HMTL is coming out with a maiden IPO with a combo offer of fresh equity issue (Rs. 110 cr.) and offer for sale. It consists fresh equity issue of approx 6626505 shares of Rs. 2 each and offer for sale of 35663585 shares. The issue opens for subscription on September 07, 2020 and will close on September 09, 2020. The company has fixed the price band of Rs. 165 - Rs. 166 per share. Minimum application is to be made for 90 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. HMTL mulls mobilizing around Rs. 697.79 - Rs. 702.02 cr. (based on lower and upper price bands) through this IPO. between October 2011 and April 2018. Post issue HMTL's current paid-up equity capital of Rs. 28.05 cr. will stand enhanced to Rs. 29.37 cr.

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