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## Initial Public Offer of Happiest Minds Technologies Limited

Issue Opens on: September 7, 2020 | Issue Closes on: September 9, 2020

Price Band: Rs. 165 to Rs. 166 per share

Minimum Bid Lot of 90 shares; Bids in multiples of 90 shares thereafter

Initial Public Offering of up to 42,290,091\* equity shares of face value of Rs. 2 each ("Equity Shares") of Happiest Minds Technologies Limited (the "Company" or the "Issuer") for cash at a price of Rs. 166\* per equity share, including a premium of Rs. 164\* per equity share, (the "Offer Price") aggregating up to Rs. 7,020\* million, comprising of a fresh issue of up to 6,626,506\* equity shares aggregating up to Rs. 1,100.0 million by the company ("Fresh Issue") and an offer for sale of up to 8,414,223 equity shares by Ashok Soota (the "Promoter Selling Shareholder"), and up to 27,249,362 equity shares by CMDB II (the "Investor Selling Shareholder", together with the Promoter Selling Shareholder, the "Selling Shareholders"), aggregating up to 35,663,585 equity shares ("Offered Shares") and aggregating up to Rs. 5,920\* million (the "Offer for Sale" and together with the fresh issue, the "Offer"). The offer shall constitute 28.8%\* of the post-offer paid up equity share capital of the company.

\*Assuming aggregate shares, amounts and/or percentage calculated at higher Price Band of Rs. 166.

### Overview of the Company

#### Business Overview

- Happiest Minds (positioned as "Born Digital. Born Agile") focuses on delivering a seamless digital experience to its customers. The Company's offerings include, among others, Digital Business Services ("DBS"), Product Engineering Services ("PES"), Infrastructure Management and Security Services ("IMSS"). The Company's capabilities provide end-to-end solutions in the digital space, by having developed a customer-centric focus that aims to fulfill their immediate business requirements and provide them strategically viable, futuristic and transformative digital solutions.
- Happiest Minds helps customers in finding new ways to interact with their users and clients by enabling them to become more engaging, responsive and efficient. The Company also offers 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.
- 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 their revenue from contracts with customers over the years indicating a high degree of customer stickiness. Being an agile and resilient company, in the three months ended June 30, 2020 and in Fiscal 2020, Happiest Minds delivered 90.1% and 87.9% respectively of the projects through agile delivery methodology.

- The business units are supported by the following three Centres of Excellence (CoEs):
  - Internet of Things (IoT)
  - Analytics / Artificial Intelligence (AI)
  - Digital Process Automation (DPA)
- In Fiscals 2018, 2019 and 2020, the total income was Rs. 4,891.2mn, Rs. 6,018.1mn and Rs. 7,142.3mn, respectively, the EBITDA was Rs. 76.2mn, Rs. 662.8mn and Rs. 1,131.2mn, respectively and the restated profit / (loss) for the year was Rs. (224.7)mn, Rs. 142.1mn and Rs. 717.1mn, respectively. This represents a CAGR for total income of 20.8% and a CAGR for EBITDA of 285.3% between Fiscal 2018 and Fiscal 2020.
- Over the years and currently during the ongoing outbreak of Novel Coronavirus, Happiest Minds have successfully implemented its business continuity plans including to achieve efficient work-from-home practices to ensure connectivity across the enterprise.
- The Frost & Sullivan Report estimates the global digital services market of \$691bn in 2019 to grow at a CAGR of 20.2% to \$2,083bn by 2025. In Fiscal 2020, 96.9% of the Company's revenues came from digital services. This is one of the highest among Indian IT companies.

**Promoter Background**

- **Ashok Soota, (Executive Chairman and Director)**
  - Holds a bachelors' degree in electrical engineering from the University of Roorkee (now called Indian Institute of Technology, Roorkee), and a masters' degree in business management from the Asian Institute of Management, Philippines.
  - Prior to founding the Company, Ashok was the Founding Chairman and Managing Director of MindTree Limited. He was the Vice Chairman of Wipro Limited and Senior Vice President of Shriram Refrigeration Industries Limited prior to co-founding MindTree Limited.
  - He is on the board of governors of Asian Institute of Management, Philippines and is a fellow member of the Indian National Academy of Engineering. In the past, he was on the industry advisory commission for the World Intellectual Property Organization, Geneva, the President of the Confederation of Indian Industry (2002-2003) and a member of the Prime Minister's Task Force for Information Technology.
  - Ashok is the co-author of the national bestseller – "Entrepreneurship Simplified". 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).

**Strengths**

- **Strong brand in digital IT services**
  - Happiest Minds' brand positioning of "Born Digital. Born Agile" is a reflection of digitalization being built into the essence of the business. In Fiscals 2019 and 2020 and the three months ended June 30, 2020, 97.2%, 96.9% and 96.3% respectively of the revenue from operations was from providing digital IT services.

Service Offerings	Fiscal 2019	Fiscal 2020	Three Months Ended June 30, 2020
Digital infrastructure/Cloud	40.9%	31.2%	43.7%
SaaS	28.6%	29.4%	23.6%
Security solutions	10.2%	14.9%	7.6%
Analytics/AI	9.1%	11.6%	12.1%
IoT	8.4%	9.8%	9.3%
<b>Total</b>	<b>97.2%</b>	<b>96.9%</b>	<b>96.3%</b>

- Focus on software product development, which the Company has refined through repeat, multi-year engagements with various global Independent Software Vendors (ISVs). The software products of ISVs must be designed with a high level of product configurability and operational performance to address the needs of a diverse set of end-users working in multiple industries and operating in a variety of deployment environments. Happiest Minds partners with global ISVs to develop its offerings such as Microsoft, Amazon Web Services Intel, IBM, McAfee, Netsuite, Salesforce, Cloudlending, Pimcore, Mindsphere, ThingWorx and PTC, Mulesoft, Talend, Appian, UIPath, AutonomIQ, Magento, Checkpoint, Saviynt, ManageEngine, CloudFabrix, OKTA, BluSapphire, Onelogin etc.
- Happiest Minds works with renowned ISVs and emerging innovative technology companies which focus on new trends, exposing the Company to their customers' business and strategic challenges, allowing the Company to develop vertical-specific domain expertise. Happiest Minds' experience with ISV and

technology company customers enables them to grow the business in multiple industries, including Edutech, HiTech, Industrial/Manufacturing, BFSI and Retail.

Customer Industry Group	Fiscal 2018	Fiscal 2019	Fiscal 2020	Three Months Ended June 30, 2020
Edutech	18.0%	21.3%	21.3%	27.0%
Hitech	24.6%	21.0%	21.0%	20.5%
BFSI	17.9%	18.2%	17.5%	17.4%
Travel, Media and Entertainment (TME)	11.0%	13.8%	17.1%	12.9%
Retail	7.0%	6.9%	7.5%	5.6%
Industrial	6.2%	8.1%	7.0%	6.4%
Manufacturing	3.2%	3.8%	3.7%	5.6%
Others	12.3%	6.9%	4.9%	4.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- **Growing high revenue generating customer accounts with a high proportion of repeat revenues and revenues from mature markets**
  - Happiest Minds has generally witnessed an increase in the number of their top accounts by revenue contribution.

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

- The Company has repeat business from its customer base, which includes more than 35 Fortune 2000 / Forbes 200 / Billion \$ corporations.
- The Company's average revenue per customer has increased from \$471,472 in Fiscal 2018, to \$501,562 in Fiscal 2019 to \$614,675 in Fiscal 2020.
- The Company's revenue per sales employee has increased from \$2.1mn in Fiscal 2018 to \$2.6mn in Fiscal 2019 and further to \$3.1mn 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 the Company's revenues (77.5% of revenues in Fiscal 2020 and 77.3% for Three Months ended June 30, 2020).

Location of External Customer	Fiscal 2018	Fiscal 2019	Fiscal 2020	Three Months Ended June 30, 2020
USA	73.5%	75.5%	77.5%	77.3%
India	11.7%	11.9%	11.9%	10.9%
UK	11.4%	9.5%	7.2%	9.8%
Others	3.4%	3.1%	3.4%	2.0%

- **Scalable business model with multiple drivers of steady growth**
  - Happiest Minds' business model is scalable across customer industries, functions and geographies. In addition to the spread across customer industries and geographic markets, the Company has also developed key operational drivers delivering steady growth. These drivers include the revenue mix, contract structure, utilization rates and bill rates.

- **Revenue Mix**

*(The following table shows the revenue mix in the periods indicated as a percentage of revenues)*

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Three Months Ended June 30, 2020
Onsite	21.4%	22.0%	22.5%	21.0%
Offshore*	78.6%	78.0%	77.5%	79.0%

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

### Contract Structure

(The following table shows the contract structure mix in the periods indicated as a percentage of revenues)

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Three Months Ended June 30, 2020
Fixed Price	18.4%	16.8%	19.0%	18.8%
Time and Material	81.6%	83.2%	81.0%	81.2%

### Utilization

(The following table shows the delivery workforce utilization rates in the periods indicated)

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Three Months Ended June 30, 2020
Delivery workforce utilization rates	68.4%	77.3%	76.9%	74.9%

### Bill Rates

(The following table shows the average USD bill rates in the periods indicated)

Bill Rates in USD per Hour	Fiscal 2018	Fiscal 2019	Fiscal 2020
Onsite	89.4	90.4	91.1
Offshore	24.2	25.5	25.6

### Key Financial Ratios for Fiscals 2018, 2019, 2020 and Three Months ended June 30, 2020

Key Financial Ratios	Fiscal 2018	Fiscal 2019	Fiscal 2020	Three Months Ended June 30, 2020*
EBITDA / Total Income (%)	1.6%	11.0%	15.8%	25.6%
Return on capital employed	-	-	28.9%	12.7%
Return on equity	-	-	27.1%	15.7%

\*Not annualized

- **End to end capabilities spanning the digital lifecycle from roadmap to deployment and maintenance**
  - Happiest Minds' core competency is full lifecycle software development services. The Company's multiple Business Units (BUs) help to cross-sell the solutions and services to existing customers.
  - The business is divided into the following three Business Units (BUs):
    - Product Engineering Services (PES): Aims to help the customers capitalize on the transformative potential of 'digital' by building products and platforms that are smart, secure and connected.
    - Digital Business Solutions (DBS): Aimed at driving digital modernization and transformation for the customers through digital application development and application modernization, implementation of solutions and consulting and domain led offerings such as digital roadmap and migration of on-premise applications to cloud.
    - Infrastructure Management & Security Services (IMSS): The offerings provide an end to end monitoring and management capability with secure ring fencing of the customers' applications and infrastructure. It covers various aspects of cloud lifecycle services catering to different infrastructure and security needs.

Disaggregated Revenue Information (in ₹ million)	Fiscal 2018	Fiscal 2019	Fiscal 2020	Three Months Ended June 30, 2020
Revenue from IMSS	986.2	1,294.3	1,536.1	364.1
Revenue from DBS	1,540.3	1,809.0	1,916.7	459.8
Revenue from PES	2,102.4	2,800.3	3,529.3	946.3
<b>Total revenue from contracts with customers</b>	<b>4,628.9</b>	<b>5,903.6</b>	<b>6,982.1</b>	<b>1,770.2</b>

- **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 their ability to provide solutions for digital evolution, agile transformation and automation. To help the customers to future proof their digital transformation initiatives, the Company has created offerings in emerging technologies such as:
    - Automation: Developed automation solutions that include infrastructure automation, test automation, industrial automation, Development and Operations (DevOps) automation and Robotic Process

Automation (RPA).

- 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.
- Drones & Robotics: Created new offerings in engineering, IoT and AI capabilities. The solutions focus on surveillance and retail markets, including AI based communication between drones and robots and traffic management.

- The Company has also engineered solutions that can be used as is by the customers as a part of digital transformation and allow the Company to deliver the services more efficiently.

- **Agile engineering and delivery**

- Happiest Minds helps customers deliver effective and quality software. With broad software engineering capabilities, the Company has the ability to choose the methods, technologies and tools which are believed to be best suited to customers’ business needs.
- As the Company’s customers digitally evolve and plan to adopt the Agile approach, the Company helps integrate new systems into their existing technology architecture and helps their existing systems keep pace.
- Happiest Minds’ agile frameworks enable them to scale across the spectrum from ideation to production. As a result, the teams are able to design, develop and test digital solutions, providing actionable insights into their value and business potential in a shorter timeframe, while the customers are able to release products to market faster, respond better to market changes and incorporate customer and user feedback through subsequent releases and product iterations.

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

- The Company is led by a professional management team with extensive experience in the IT services industry, and a proven performance track record. Ashok Soota, the Company’s Promoter, Executive Chairman and Director has several years of experience in the IT industry. Prior to founding the Company, Mr. Soota was associated with Wipro Limited as its Vice Chairman and Mindtree Limited as its Chairman and Chief Executive Officer.
- Happiest Minds’ senior management team includes Ashok Soota with oversight across all areas of the Company’s business, Joseph Anantharaju (Vice Chairman Designate, President & CEO, PES), Rajiv Shah (President & CEO, DBS), Ramamohan Chaluvaiya (President & CEO, IMSS) and Venkatraman Narayanan (Executive Director & CFO).
- As at June 30, 2020, Happiest Minds had over 2,469 full-time employees.

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

- The Company is focused on continuing to expand their relationships with existing customers by helping them solve new problems and become more engaging, responsive and efficient. As the Company has done previously, Happiest Minds aims to sustain the annual revenue contribution of a customer in subsequent years after the year of customer acquisition.
- Expansion of the relationships with existing active customers will remain a key strategy going forward as the Company continues to leverage their domain expertise and knowledge of emerging technology trends in order to drive incremental growth for the business.

- **Further investments in their CoEs (Centers of Excellence) and digital processes**

- The Company intends to continue investing in their employees and increase their R&D capabilities, particularly with a view to create solutions in emerging disruptive technologies that enhances the Company’s ability to develop tools for leading the entry into new areas such as payments and intelligent enterprises and developing products that address industry specific customer requirements.
- Happiest Minds’ 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).

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

- The Company’s focus on software product development for such ISVs has shaped key aspects of the Company’s service offerings as well as their culture of software engineering excellence, enabling them to expand their services into other key industry verticals.
- To streamline and accelerate the software development process, the Company has created proprietary

Strategies

software development lifecycle processes, applications and tools. The applications and tools aim to help ensure that the customers achieve faster turn-around times, quality results.

- **Domain led approach towards customer acquisition and revenue generation in specific verticals**
  - To further enhance and develop the solutions and offerings, the Company has focused on certain verticals including banking and financial services, Edutech, Retail, Manufacturing, Travel and Hospitality and Enterprise.
  - The Company plans to continue enhancing its expertise in different verticals by recruiting IT professionals with industry expertise.
- **Attract, develop and retain skilled employees to sustain the service quality and customer experience**
  - The Company aims to develop their position as a coveted employer in the Indian IT services industry and place a high priority on attracting, training and retaining the employees.
  - The Company is committed to systematically identifying and nurturing the development of middle and senior management through formal leadership training.
  - Additionally, Happiest Minds aims to continue to dedicate resources to the training and development of their IT professionals. They provide management and soft skills training, intensive workshops and management and technical advancement programs. Happiest Minds also intends to continue to organize development and networking events for their employees.
  - Happiest Minds intends to continue their mindful approach towards systems, people and practices. They also intend to continue their efforts to improve the ratings on Glassdoor as well as overall ranking in Great Places to Work.
- **Selectively Pursue Strategic Acquisitions**
  - Happiest Minds' plans to selectively pursue acquisitions with focus of augmenting the Company's core capabilities to enhance their experience in new technologies and verticals and increase the geographic reach.
  - In the past, Happiest Minds have completed two acquisitions, both of which have accelerated core strategic goals. In 2017, they acquired OSSCube LLC and Cupola Technology Private Limited to expand the DBS and PES BUs, respectively.
  - Furthermore, as part of their strategy to expand the geographic footprint with high-quality global resources, Happiest Minds may pursue acquisitions of companies with significant presence in the areas of operation.

### Major Shareholders

Major Shareholders	No. of Shares	% Holding
Ashok Soota	68,475,924	48.83%
CMDDB II	27,249,362	19.43%
Ashok Soota Medical Research LLP	17,948,784	12.80%
Happiest Minds Technologies Share Ownership Plans Trust	5,701,307	4.07%
<b>Total Equity Shareholding of the Major Shareholders</b>	<b>119,375,377</b>	<b>85.13%</b>
Others	20,861,673	14.87%
<b>Total</b>	<b>140,237,050</b>	<b>100.00%</b>

### Financial Snapshot

(Consolidated P & L, Summary)

#### Financial summary of Happiest Minds Technologies Limited

Parameter Rs. mn	Fiscal 2018	Fiscal 2019	Fiscal 2020	Three Months Ended June 30, 2020
Revenue from operations	4,891.2	6,018.1	7,142.3	1,869.9
EBITDA	76.2	662.8	1,131.2	478.2
Restated profit/ (loss) for the year	(230.8)	129.8	736.1	408.4
Restated profit/ (loss) for the quarter / year	(224.7)	142.1	717.1	501.8

### Objects of the Offer

- Happiest Minds intends to utilize Rs. 1,010 mn of the Net Proceeds from Fresh Issue (excluding offer expenses) to meet long term working capital requirements, with the remaining proceeds being deployed for General Corporate purposes.

The Red Herring Prospectus can be accessed at <http://www.icicisecurities.com>