Happiest Minds Technologies Limited

September 10, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	390.00	CARE AA- (RWP)/CARE A1+	LT rating Placed on Rating Watch with Positive Implications and ST rating reaffirmed
Long-term bank facilities	RBI	412.98	CARE AA- (RWP)	Placed on Rating Watch with Positive Implications
Short-term bank facilities	RBI	5.00	CARE A1+	Reaffirmed
Non-convertible debentures	SEBI	35.00 (Reduced from 80.00)	CARE AA- (RWP)	Placed on Rating Watch with Positive Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has placed the long-term rating assigned to bank facilities and instruments of Happiest Minds Technologies Limited (HMTL) on 'Rating Watch with Positive Implications' (RWP). The rating action follows the Board of Directors' approval for the scheme of amalgamation of HMTL with ITC Infotech India Limited (ITC Infotech), a wholly owned subsidiary of ITC Limited and their respective shareholders and creditors. Pursuant to the Scheme, and with effect from the Appointed Date (as defined under the scheme), HMTL shall stand amalgamated by way of merger by absorption with and into ITC Infotech. As part of the transaction, ITC Infotech, a wholly owned subsidiary of ITC Limited (ITC) will initially acquire ~22.1% stake in HMTL from its promoter and promoter group entities in two tranches for an aggregate consideration of ~₹1,330 crore. Upon the scheme becoming effective and in consideration of the amalgamation, ITC Infotech shall issue and allot 25 fully paid-up equity shares (face value ₹10 each) of ITC Infotech for every 81 fully paid-up equity shares (face value ₹2 each) held by the shareholders of the HMTL as on the record date. Upon completion of the scheme, ITC is expected to hold ~73.4% stake of the combined entity, while promoters and public shareholders of HMTL is expected to hold ~7.6% and ~19.0% stake respectively. Shares of ITC Infotech are proposed to be listed on stock exchanges after completion of the transaction. The scheme is subject to receipt of requisite statutory, regulatory and customary approvals and is expected to be completed within 15 months.

Upon successful completion, the proposed scheme is expected to materially strengthen HMTL's business profile with the combined entity benefiting from the strong parentage of ITC, apart from having larger scale of operations, broader customer base, complementary capabilities and diversified geographical and sectoral presence. On a pro-forma basis, the combined entity has revenue of ₹7,033 crore for FY26 (FY refers to the period from April 01 to March 31), employee strength of over 19,000, and presence across over 30 countries. ITC Infotech's capabilities across enterprise technology services including SAP, product lifecycle management (PLM), cloud, infrastructure and application management services complement HMTL's strengths in digital product engineering, data and artificial intelligence (AI), and cybersecurity. ITC Infotech brings deeper domain expertise across consumer packaged goods (CPG) and retail, manufacturing and travel and hospitality, complements HMTL's presence in BFSI, healthcare, Hi-tech and EdTech. This would provide cross-selling opportunities across the customer bases of both companies.

The ratings continue to derive strength from HMTL's growing scale of operations with healthy profitability supported by experienced management and a diversified service portfolio. The ratings also factor consistent addition of high-value customers, services offered in the futuristic domain such as Internet of Things (IOT), digital services, and information security. Ratings further consider the company's strong financial risk profile marked by comfortable debt protection metrics and superior liquidity position.

However, these strengths continue to be moderated by intense competition in the IT services industry, rapid technological changes necessitating continued investment in capabilities, exposure to foreign-exchange movements and macroeconomic uncertainties in key overseas markets.

CareEdge Ratings notes that the non-convertible debenture (NCD) issue (ISIN – INE419U08025) has been repaid in full by HMTL. Taking cognisance of this, CareEdge Ratings has withdrawn the rating for HMTL's said NCD issue (ISIN – INE419U08025) with immediate effect.

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[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

[2]Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Sustained increased in scale of operations, supported by stable profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins of over 20%.
- Maintaining sizeable liquidity with cash and cash equivalents of over ₹500 crore even after dividend payout and organic/inorganic business expansion.

Negative factors:

- Deterioration in Net debt/PBILDT beyond 1.00x.
- Slow-down in key verticals leading to significant pressure on the income and declining PBILDT margin of less than 12% on a sustained basis.

Analytical approach: Consolidated.
Considering the strong operational linkages with HMTL and its subsidiaries, CareEdge Ratings has adopted a consolidated approach. Entities whose financials have been considered in HMTL's consolidated financials are listed under Annexure 5.

Outlook: Not applicable

Detailed description of key rating drivers

Key strengths

Experienced leadership team and expectation of strong parentage upon successful completion of scheme

Mr. Ashok Soota, the company's majority shareholder (holds 32.34% on individual basis and 11.79% through Ashok Soota Medical Research LLP) brings over 30 years of experience in the IT industry. He was associated with Wipro and Mindtree Technologies Limited before starting HMTL. In his tenure with these companies, he was pivotal in successfully setting up cost centres, scaling up the business units, and finally taking them public. He is supported by a strong leadership team consisting of Mr. Venkatraman (MD), Mr. Joseph Anantharaju (Co-Chairman and CEO) and other business unit heads with extensive domain expertise.

Upon successful completion of the proposed scheme, the combined entity is expected to benefit from the strong parentage and financial flexibility of ITC, one of India's leading diversified conglomerates. CareEdge Ratings expects the combined entity to benefit from the experience of the leadership teams of HMTL and ITC Infotech, thereby supporting business growth initiatives across geographies and industry verticals.

Pre-eminent business profile, which is expected to strengthen through proposed scheme of amalgamation with ITC Infotech

HMTL has been steadily expanding its client base and geographical presence, although the US continues to remain the largest market, contributing ~61.5% of FY26 revenue compared to ~64.6% in FY25. The domestic business has gradually strengthened, with India's revenue share increasing to ~15.8% in FY26 from ~14.3% in FY25. The company continues to derive a major share of revenue from product and digital engineering services (PDES), which contributed ~79.8% of FY26 revenue, while it continues to deepen penetration within existing accounts and add new customers. HMTL has over 300 active clients with 92% repeat business in FY26. It had 52 customers with annualised revenue exceeding US$1 million, while average revenue per active customer stood at US$864,000. In FY26, HMTL derived ~41.1% of its revenue from customers associated with the company for over five years, reflecting established client relationships.

The proposed scheme is expected to materially strengthen the business profile of the combined entity through enhanced scale, broader service offerings and improved diversification across customers, industries and geographies. On a pro-forma basis, the combined entity has revenue of ₹7,033 crore for FY26, an employee base of over 19,000 professionals and operations spanning over 30 countries. The combined portfolio would encompass digital engineering, data and AI, cybersecurity, enterprise applications, SAP, PLM, cloud and managed services, thereby expanding the addressable market and creating cross-selling opportunities across the customer bases of both companies. The transaction is also expected to improve geographic diversification through ITC Infotech's stronger presence in Europe and deepen industry coverage across CPG, manufacturing, retail, travel and hospitality, complementing HMTL's established presence in the US and industry coverage across BFSI, healthcare, hi-tech and EdTech. Consequently, CareEdge Ratings believes that the proposed Scheme would significantly enhance the competitive positioning, business diversification and growth prospects of the combined entity.

Growing scale of operations with healthy profit margins

HMTL reported total operating income (TOI) of ₹2,315 crore in FY26, registering growth of ~12% supported by favourable currency movement, improved billing rates and contribution from acquisitions completed in the preceding year. Despite macroeconomic and geopolitical headwinds affecting enterprise technology spending, organic growth remained at ~10%. Revenue further grew by ~14% in Q1FY27 on y-o-y basis. In FY26, PBILDT margin remained broadly stable at 17.16% compared to 17.03% in FY25. Employee costs remained elevated due to annual increments, issuance of restricted stock units (RSUs) and higher gratuity expense following implementation of the new wage code, apart from higher subcontracting, software licence, travel and recruitment costs. However, higher scale, improved billing, better operating efficiency and benefits from integration of the acquired businesses supported overall profitability.

Comfortable capital structure and debt coverage indicators

HMTL's capital structure remains comfortable marked by overall gearing of 0.88x as on March 31, 2026. As on March 31, 2026, the company had liquidity of ₹1,879 crore (including margin money of ₹585 crore), against total debt of ₹1,495 crore, resulting in net debt free status. Debt coverage indicators marked by interest coverage improved to 4.08x in FY26 compared to 3.53x in FY25, driven by improvement in operating profitability.

Key weaknesses

Regulatory challenges across geographies, stiff competition from IT majors

HMTL remains exposed to global macroeconomic and regulatory developments, particularly given its sizeable dependence on overseas markets. Changes in immigration and work-permit regulations can also affect onsite project execution, while evolving data-privacy and information-security regulations increase compliance requirements across jurisdictions. However, only 6.9% employees were working on site locations in Q1FY27 (FY26: 6.5%), 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.

Exposure to workforce attrition

Employee costs form the largest expense for an ITES company, with talent quality and attrition levels directly influencing growth and delivery capabilities. HMTL's attrition improved to 15.4% in Q1FY27 from 17.0% in FY26 (FY25: 16.6%). Sustained elevation in attrition may pressure project execution, hiring costs, and overall productivity.

Currency risk exposure

The company generates ~85 to 90% of its revenue from offshore business, while ~15% is contribution by domestic clients. The US contributes the most at ~60% while HMTL's majority employees are based in India itself. Hence, the company faces short-term currency risk fluctuations. However, the company hedges its position from these adverse currency movements.

Competitive pricing challenges stemming from intense rivalry with domestic and Global IT giants

IT/ITes and business process outsourcing (BPO) industry is highly competitive with competition arising from domestic and global IT companies having wide penetration in low-cost economies, highly cash rich, and robust client relationships among others. This stiff competition can lead to pricing pressure, price, and deal re-negotiations and sometimes deferrals and hence can impact on a company's growth and profitability.

Liquidity: Superior

HMTL's liquidity position remains strong, supported by sizeable cash and bank balances and liquid investments and healthy gross cash accruals. As on March 31, 2026, the company had liquidity of ₹1,879 crore (including margin money of ₹585 crore), against total debt of ₹1,495 crore, resulting in net debt free status. Gross cash accruals improved to ₹292 crore in FY26 supporting debt servicing and operating requirements. The company's average operating cycle has been ~35-40 days. Average utilisation of working capital stood at 73% for 12 months ended August 2026. The company's current ratio stood at 1.24x in FY26. Overall, the available liquidity, together with growing cash accrual provides strong financial flexibility to meet scheduled debt repayments and business requirements.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

	Risk Factors
Environmental	The company maintains a strong environmental framework, targeting carbon neutrality by 2030 through energy efficiency, increased renewable-energy adoption and responsible waste and water management. Green energy accounted for 12.15% of total energy consumption in FY26, supported by rooftop solar installations and conversion to LED lighting. Biodiversity and carbon-sequestration initiatives have also been scaled up, including plantation of over 1.21 lakh trees under Cauvery Calling and 1 lakh mangroves in coastal Tamil Nadu.
Social	The company promotes a strong well-being culture through mindfulness, happiness initiatives, and high employee engagement via the "Happiverse" platform. Tools, such as Listening Post and Happometer ensure continuous support, real-time feedback, and a positive, connected workplace.
Governance	The company maintains a strong governance framework built on integrity, transparency, and strict ethical standards. Key policies-including anti-bribery, whistle-blower protection, PoSH compliance, and data privacy are in place. Robust BCP/DRP systems, ISO 27701 certification, and responsible tax practices further enhance oversight and operational resilience. A strong focus on human rights, diversity; equality and inclusion (DEI), and stakeholder well-being drives a culture of trust and responsible business conduct.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Short Term Instruments
Service sector
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information technology	Information technology	IT - software	Computers - software and consulting

Based in Bengaluru, HMTL was incorporated on March 30, 2011. It was founded by Ashok Soota, well-recognised personnel in the IT ecosystem. The company is involved in providing services across digital business, infrastructure management, and security and product engineering domains. In addition, the company is an authorised partner with global information technology players to deploy their services to end customers and create custom solutions per the business requirements.

Brief Financials (₹ crore) – Consolidated	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	2,060.84	2,315.11	628.51
PBILDT	351.05	397.27	141.29
Profit after tax (PAT)	184.66	212.62	67.60
Overall gearing (x)	0.83	0.88	NA
Interest coverage (x)	3.53	4.08	4.96

A: Audited; UA: Unaudited; Note: these are latest available financial results
Financials are reclassified per CareEdge Ratings standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	SEBI	Highly Complex	INE419U08025	08-May-2023	3 Month T-Bill + 2.35	08-May-2026	0.00	Withdrawn
Debentures-Non Convertible Debentures	SEBI	Highly Complex	INE419U08033	26-Sep-2023	3 Month T-Bill + 2.35	29-Sep-2026	35.00	CARE AA- (RWP)
Fund-based - LT-Term Loan	RBI	Simple	-		-	15-07-2032	412.98	CARE AA- (RWP)
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	RBI	Simple	-		-	-	390.00	CARE AA- (RWP) / CARE A1+
Non-fund-based - ST-Credit Exposure Limit	RBI	Simple	-		-	-	5.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2026-2027	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024
1	Debentures-Non Convertible Debentures	LT	35.00	CARE AA- (RWP)	-	1)CARE AA-; Stable (22-Dec-25)	1)CARE AA-; Stable (27-Dec-24)	1)CARE AA-; Stable (29-Dec-23)
2	Fund-based - LT-Term Loan	LT	412.98	CARE AA- (RWP)	-	1)CARE AA-; Stable (22-Dec-25)	1)CARE AA-; Stable (27-Dec-24)	1)CARE AA-; Stable (29-Dec-23)
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	390.00	CARE AA- (RWP) / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (22-Dec-25)	1)CARE AA-; Stable / CARE A1+ (27-Dec-24)	1)CARE AA-; Stable / CARE A1+ (29-Dec-23)
4	Non-fund-based - ST-Credit Exposure Limit	ST	5.00	CARE A1+	-	1)CARE A1+ (22-Dec-25)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Lender details

To view lender-wise details of bank facilities please click here

Annexure-5: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Happiest Minds Inc.	Full	Wholly owned subsidiary
2	PureSoftware Pte Limited (Singapore)	Full	Wholly owned subsidiary
3	PureSoftware Private Limited (UK)	Full	Step-down subsidiary
4	PureSoftware Corp (USA)	Full	Step-down subsidiary
5	PureSoftware Sdn. Bhd. (Malaysia)	Full	Step-down subsidiary
6	PureSoftware Technology S. De. R. L. De. C.V. (Mexico)	Full	Step-down subsidiary
7	PureSoftware HK Limited (Hong Kong)	Full	Step-down subsidiary
8	PureSoftware Africa Limited (Kenya)	Full	Step-down subsidiary
9	PureSoftware Technologies Romania SRL (Romania)	Full	Step-down subsidiary
10	PureSoftware Private Limited (Nepal)	Full	Step-down subsidiary
11	Aureus Tech Systems Private Limited	Full	Wholly owned subsidiary
12	Aureus Tech Systems Canada Ltd	Full	Wholly owned subsidiary
13	InnovazIT Technologies LLC (Dubai)	Full	Wholly owned subsidiary
14	GAVS Technologies LLC (Oman)	Full	Wholly owned subsidiary
15	GAVS Technologies Saudi Arabia for Telecommunications and Information Technology (Saudi Arabia)	Full	Wholly owned subsidiary

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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