

Right Deal, Wrong Price? — Happiest Minds Technologies Merges into ITC Infotech

Happiest Minds Technologies Limited approved a scheme of amalgamation with ITC Infotech India Limited, a wholly-owned subsidiary of ITC Limited. The transaction involves a two-step structure: (i) a secondary share purchase by ITC Infotech of 22.1% promoter stake from the Soota family entities for ~INR 1,330 Cr, and (ii) a merger by absorption of HMTL into ITC Infotech via a share swap of 25:81. Upon completion, HMTL will cease to exist as a listed entity, and ITC Infotech will list on BSE and NSE.

The combined entity will be India's 11th largest listed IT services company with pro-forma FY26 revenue of INR 7,033 Cr, 19,000+ employees, 800+ clients, and operations in 30+ countries. The companies have articulated a target of USD 1 billion in annual revenue by FY28. The deal is subject to CCI, SEBI, stock exchange, and NCLT approvals, with an indicative timeline of approximately 15 months.

Key investment thesis:

- Balanced Geographic & Sectoral Diversification:** The merger materially reduces Happiest Minds' historical concentration in the Americas and Hi-Tech/EdTech by adding ITC Infotech's strong European and enterprise-sector presence. The combined entity has a balanced geographic mix of 38% Americas, 31% Europe and 31% RoW, while CPG/Retail/Manufacturing becomes the largest vertical. This diversification reduces earnings volatility, broadens client-acquisition opportunities and strengthens domain credibility through ITC Group relationships, potentially supporting a lower cost of equity and valuation re-rating.
- Complementary Capabilities & Synergies:** Happiest Minds' strengths in AI, data engineering, cloud, cybersecurity and digital products complement ITC Infotech's SAP, PLM, enterprise application management and infrastructure capabilities. This creates an integrated "build + run" proposition with limited overlap, enabling larger enterprise transformation mandates. Cross-selling across 800+ combined clients, broader technology partnerships and expansion of platforms such as Arthra provide identifiable synergy levers, while the combined capability set supports multi-year, end-to-end engagements.
- Scale Creates Revenue & Margin Upside:** The combined entity's INR 7,033 crore FY26 pro-forma revenue and 19,000+ employees materially improve scale, deal eligibility and competitive positioning within Indian mid-cap IT services. Greater scale should provide access to larger USD 20–50 million contracts while improving SG&A absorption, delivery efficiency and pricing power. Management's USD 1 billion FY28 revenue target requires only ~10–12% CAGR, leaving scope for upside if cross-selling and large-deal wins accelerate growth.

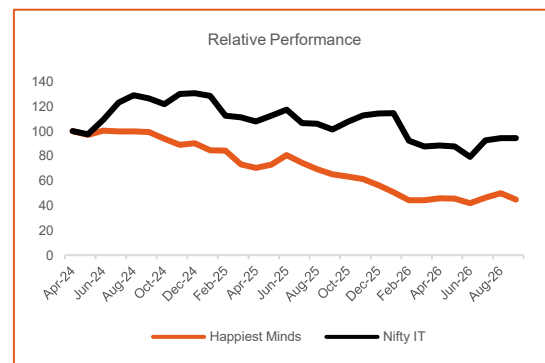
Outlook:

The Happiest Minds and ITC Infotech merger creates a structurally stronger, geographically balanced IT services platform with complementary capabilities spanning the full enterprise technology lifecycle. The combined entity's scale at INR 7,033 Cr positions it credibly for large deal participation and index inclusion. While near term integration risks and the absence of a deal premium remain concerns, the cross-sell revenue opportunity across 800+ clients and the AI led growth narrative provide a credible path to value creation over the next two to three years.

Particulars	
CMP (INR)	362
Market Cap (Cr)	5,523
Free Float Market Cap (Cr)	2,981
52 Week High / Low (INR)	582 / 305
Avg Daily Vol (1Y) shares	15,24,772
No. of Shares (Cr.)	15.2

Key Financials (Mn)	FY26	FY27E	FY28E
Revenue	23,151	26,047	29,580
EBITDA	4,034	4,654	5,335
EBIT	3,152	3,735	4,379
EBIT (%)	13.6%	14.3%	14.8%
PAT	2,127	2,611	3,126
EPS	14.0	17.1	20.5

Holding	Pre-Merger (HMTL)	Post – Merger (Combined)
ITC Limited (via ITC Infotech)	NIL	73.4%
Promoters (Ashok Soota entities) *	44.21%	7.6%
Public Shareholders (HMTL)	55.79%	19.0%
Total	100.00	100.00



Source: Company Research, Deven Choksey Research

Transaction Summary:

- Secondary Sale (Promoter Monetization):** The selling promoters (Mr. Ashok Soota and Ashok Soota Medical Research LLP) have executed a Share Purchase Agreement (SPA) with ITC Infotech for the sale of 3,36,61,700 equity shares of HMTL (22.106% of paid-up capital, face value INR 2 each) for an aggregate consideration of INR 1,329.72 Cr, structured in two tranches:

Tranche	No. of Shares	% of Equity	Price / Share (INR)	Aggregate Value (INR Cr)
Tranche I	1,67,50,229	11.000%	390	653.26 Cr
Tranche II	1,69,11,471	11.106%	400	676.46 Cr
Total	3,36,61,700	22.106%	~395	1,329.72 Cr

Tranche I is triggered post receipt of CCI approval. Tranche II is triggered post receipt of shareholders' approval to the scheme of arrangement.

- Merger by Absorption (Share Swap):** HMTL will merge into ITC Infotech via a scheme of amalgamation. The share exchange ratio is 25 fully paid-up equity shares of ITC Infotech (INR 10 face value each) for every 81 fully paid-up equity shares of HMTL (INR 2 face value each).

Combined Entity — Financial Overview (FY26):

Metric	Happiest Minds	ITC Infotech	Combined
Revenue (INR Cr)	2,315	4,718	7,033
Adj. EBITDA Margin	~17.5%	18.5%	~18.1%
Employees	~6,000+	13,000+	19,000+
Countries	10+	30	30+
Americas Revenue Mix	58%	27%	38%
Europe Revenue Mix	8%	42%	31%
RoW Revenue Mix	33%	31%	31%

Key risks:

- No Premium and No Open Offer:** HMTL shareholders receive virtually no premium to the pre-deal price and no open-offer exit despite the effective change of control. The transaction structure avoids the SAST trigger, leaving minority shareholders dependent on the swap ratio. This limits downside protection and shifts integration and valuation risks entirely onto existing public shareholders.
- Founder Exit and Culture Integration:** Ashok Soota's exit creates a significant cultural and relationship transition for Happiest Minds. Integrating its founder-led, agile digital culture with ITC Infotech's enterprise-oriented structure could increase attrition among senior AI and engineering talent. Employee and client-facing leadership departures during the 15-month transition could weaken the capabilities and relationships underpinning the merger thesis.
- Free Float Compression and Liquidity Constraint:** ITC's 73.4% ownership reduces free float from approximately 55.8% to 26.6%, potentially making the stock less liquid and less attractive to institutions with minimum liquidity requirements. Lower trading volumes could increase bid-ask spreads and impact costs, while reduced free-float eligibility may delay index inclusion and the associated passive fund flows.
- Client Contract Novation and Revenue Leakage:** The merger may trigger client contract novation and change-of-control provisions, allowing customers to renegotiate, reprice or terminate agreements. During the 15-month transition, competitors could aggressively target key Happiest Minds accounts. Any material client attrition, particularly among large accounts, would directly weaken the INR 7,033 crore combined revenue base and undermine the merger's strategic rationale.
- Fifteen-Month Regulatory Timeline Creates Execution Vacuum:** The approximately 15-month approval process prevents meaningful operational integration until completion, limiting joint sales, team integration, hiring and strategic initiatives. Prolonged uncertainty could create an execution vacuum, allowing competitors to target clients and employees. Regulatory delays or additional conditions could further extend the transition, increasing integration risk and potentially slowing business momentum.

WHAT WORKS

- 1. ITC Group Parentage and Financial Muscle:** ITC's strong balance sheet, brand credibility and long-term capital orientation strengthen the combined entity's positioning with large enterprise clients. Backing from a financially robust conglomerate improves perceived vendor stability and credibility, particularly when competing for large, multi-year transformation contracts where clients place significant emphasis on counterparty strength and execution longevity.
- 2. AI-First Brand Positioning:** Happiest Minds' established "AI First. Agile Always." positioning provides the combined entity with a differentiated identity in mid-cap IT services. Supported by ITC Infotech's enterprise delivery capabilities and client access, this positioning could strengthen participation in growing generative AI and agentic AI transformation programs as enterprise technology spending increasingly shifts toward AI.
- 3. Clean Single Promoter Structure:** Post-merger, ITC Limited becomes the sole promoter with approximately 73.4% ownership, while the Soota family is reclassified as public shareholders. This removes the complexity of multiple promoter groups and potentially reduces governance and strategic-alignment issues. However, the high promoter holding simultaneously creates a significant free-float constraint for the listed entity.
- 4. Consolidated Partner Ecosystem:** The merger combines Happiest Minds' hyperscaler and cybersecurity partnerships, including AWS, Azure, Google Cloud and Palo Alto Networks, with ITC Infotech's SAP, PTC and ServiceNow ecosystem. This broader alliance network enables the combined entity to pursue integrated cloud, enterprise application and cybersecurity mandates while improving partner-led referrals and cross-selling opportunities.

WHAT DOESN'T WORK

- 1. No Open Offer for Minority Shareholders:** Despite the effective transfer of control to ITC, minority shareholders do not receive a mandatory open offer under the proposed structure. The transaction remains below the 25% SAST threshold and benefits from the scheme-of-arrangement exemption. Consequently, public shareholders have no premium-priced exit and must accept the negotiated share-swap terms.
- 2. Free Float Compression to ~26.6%:** ITC's approximately 73.4% post-merger ownership reduces public free float from roughly 55.8% to 26.6%. This could constrain trading liquidity, restrict institutional participation under minimum-liquidity mandates and concentrate governance control with ITC. Lower free float may also delay index inclusion and associated passive fund flows, potentially limiting near-term valuation support.
- 3. Founder Exit and Organizational DNA Risk:** Ashok Soota's exit removes the founder who built Happiest Minds' culture, client relationships and brand over the past decade. Although the combined entity retains the business and capabilities, founder-driven organizational identity and relationships may not be immediately replicable. The non-compete and non-solicitation provisions further indicate a clear separation between the founder and the business.
- 4. Regulatory Timeline Creates Strategic Paralysis:** The approximately 15-month approval process involving CCI, SEBI, stock exchanges, NCLT and shareholders creates an extended period of uncertainty. Until completion, the companies must operate separately, potentially limiting unified hiring, capital allocation and business development. Competitors could exploit this transition by targeting key employees and clients before the combined entity can fully integrate operations.
- 5. Zero Premium to Pre-Deal Market Price:** The implied INR 405 per-share deal value is broadly flat against HMTL's pre-announcement price of approximately INR 408, offering shareholders no control or strategic premium. The stock's roughly 8% Day-1 decline suggests weak market acceptance of the terms, particularly given the loss of independent listing and shareholders' exposure to integration and execution risks.

Happiest Minds Technologies Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
28-Jul-26	382	423	ACCUMULATE
27-Jul-26	382	423	ACCUMULATE
01-Jun-26	372	510	BUY
04-Nov-25	512	579	ACCUMULATE
16-May-25	605	656	ACCUMULATE
05-Feb-25	700	765	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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DRChoksey FinServ Private Limited

CIN Number -U67100MH2020PTC352816

Registered Office and Corporate Office:

5th Floor Abhishek Building, Behind Monginis Cake Factory, Off New Link Road, Andheri West, Mumbai -400058

**NEEL
AMISH
MEHTA**

Digitally signed
by NEEL AMISH
MEHTA
Date: 2026.09.01
16:24:17 +05'30'