

HOLD
 TP: Rs 4,367 | ▲ 1%

LTM

| IT Services

| 03 June 2026

5-year Organic revenue CAGR of 13% seems ambitious

- Like some of its peers, LTM seems to be banking on expansion of TAM especially into enterprise operations, to drive growth
- Revenue growth target is ambitious whereas margin target seems more realistic – relatively
- Our current estimates (maintained) do not factor in the Randstad numbers, yet. Maintain HOLD call

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We attended the analyst day of LTM on 2 June 2026. Expansion of TAM drives industry’s positive view: Based on analyst days and management commentary that that we have heard in recent days from Capgemini, Cognizant, LTM, Mphasis and Zensar, the industry seeks to allay market concerns around medium term growth saying that it is addressing a market beyond IT spend towards the total spend of the customer (incrementally a lot of it has to do with operational spends). Thereby it is projecting that organic revenue growth in the medium term will be faster than what we have seen in the last three years going by the aspirational goals set by Capgemini and LTM for the next 3 years and next 5 years respectively. Higher competitive intensity market view is being countered by the view that if TAM expands then ‘there is enough and more for everybody’.

AI labs services arms threat downplayed: The potential threat from the recently services arms of AI labs like Anthropic and OpenAI are portrayed is low as these arms are unlikely to scale up and these moves are a validation of the view that context, integration of new technologies with the existing enterprise tech investments, change management, etc are far more important than just technology

SLMs are more important than LLMs. Small language models (SLMs) are far more important for an enterprise than the large language models as SLMs are (1) tailored to the company context (2) less expensive (3) tends to keep company level advantages and IP ring fenced

Revenue growth target is ambitious From LTM perspective its ambition to double revenue by FY31 (next 5 years) implies an organic CAGR of 13% which according to it would be evenly spread out rather than backended. This does not sit well with its view on industry revenue deflation and expansion of TAM which we believe is more back ended.

Margin expansion goal seems more realistic: We think its goal of expanding 200bps in EBIT terms over the next 5 years seems more realistic relative to its revenue goal and likely factors in the heightened competitive intensity on the traditional business side, likely investments to be made on its employee base and on sales and marketing.

Key changes

Target	Rating
◀▶	◀▶

Ticker/Price	LTM IN/Rs 4,342
Market cap	US\$ 13.4bn
Free float	31%
3M ADV	US\$ 17.9mn
52wk high/low	Rs 6,430/Rs 3,901
Promoter/FPI/DII	69%/7%/17%

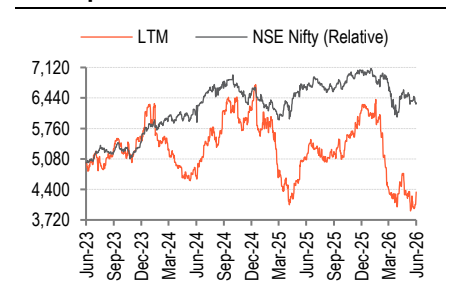
Source: NSE | Price as of 2 Jun 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	423,076	478,719	518,581
EBITDA (Rs mn)	75,552	89,751	96,271
Adj. net profit (Rs mn)	52,434	66,191	73,178
Adj. EPS (Rs)	169.2	223.9	247.6
Consensus EPS (Rs)	169.2	211.8	239.6
Adj. ROAE (%)	22.4	25.5	24.4
Adj. P/E (x)	25.7	19.4	17.5
EV/EBITDA (x)	17.0	14.6	14.1
Adj. EPS growth (%)	10.3	32.4	10.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Current estimates do not factor in Randstad acquisition yet: We have not factored in the acquisition yet. The focus in the near term would be how 1QFY27 and 2QFY27 are going to pan on an organic growth basis considering that LTM is indicating that the 15% CAGR is evenly spread out. Hinting thereby that that organic growth in FY27 should be in the low-teen territory. We are factoring in a lower number.

Key Highlights of the Analyst Day

Five-Year Bold Ambition: Lakshya 2031

- **Revenue: 2x in 5 years (~15% CAGR implied)**
 - Dollar-denominated guidance
 - Includes inorganic growth; inorganic contribution is estimated at 15-17% of total incremental revenue
 - Growth is expected to be evenly spread across years, not back-ended, though inorganic events can cause year-to-year variability
- **Margin expansion: +200 bps**
 - Growth levers: Domain capital and AI pivot leading to new addressable revenue; Reimagined capabilities capturing existing wallet share via vendor consolidation and gap deals; Scaling Europe and other geographies and segments
- **Margin levers: Continued cost curve bending; AI-led productivity boost; Business AI revenues coming at structurally higher margins than traditional business**
- **Getting better rates for the likely diamond shaped employee pyramid.**
- **Management believes AI adoption at scale will revolve around three Cs:**
 - Context: Intelligence is democratized, but applying it requires domain context; this is where LTM sees its core edge
 - Cost: Enterprises are increasingly focused on TCO and ROI of AI investments
 - Change: AI is fundamentally a change management challenge, not just a technology one
- **Core services market is getting disrupted, but TAM is expanding**
 - Management acknowledges 20-25% shrinkage in traditional IT services from AI-driven productivity. The 20-25% shrinkage in traditional IT services is already underway; LTM is already in the second year of this journey; It has been visible in the Tech vertical and beginning to show in BFS (moderated in 4Q). Shrinkage and new opportunities are not sequential - they happen simultaneously. FY26 was the year of pilots and POCs; FY27 is expected to be the year of AI industrialization at scale

- However, 80% of Fortune 2000 companies still have significant technology debt requiring modernization - a major opportunity
- Modernization will be platform-driven, not purely human-effort led
- New addressable market opening up in Business AI - reimagining core business processes using AI agents
- **Capability Realignment - 3 AI-led lines of business**
 - iRun: Platformized, Integrated AI Tech Operations (Cloud & Infra, SecOps, Apps Ops)
 - iTransform: Modernization & Deployment of AI-Ready Technology & Experiences (Data, Enterprise Platforms, Interactive & Salesforce)
 - Business AI: Business Process Reimagination, Industrial & Creative AI (Built on Foundation of Forward Deployment Engineering (FDEs))
- **Blueverse ecosystem: not just a platform but an integrated ecosystem of platform + talent + partners + co-innovation with customers**
 - Not building frontier models: Strategy is to partner with frontier model players; announcement of partnership with one of the top two frontier model companies expected soon
 - AI Labs set up co-innovating with Microsoft (Copilot), Google (Gemini), Salesforce (Agentforce), ServiceNow (Now Assist), etc
 - Digital employees: AI agents given personas, names, and faces, integrated into the employee ecosystem
- **Management's view:** Autonomous agents will handle specific tasks, but human-agent collaboration is the predominant near-term model. The shift in client mindset toward output/outcome-based engagement is seen as a major opportunity - once clients move to outcome-based contracts, addressable spend expands significantly beyond traditional IT budgets.
- **Blueverse Currency introduced**
 - BlueVerse Currency decouples outcomes from efforts.
 - The unified currency across: people (Expertise on demand), accelerators (Reusable assets that speed delivery), agents (Autonomous AI workforce), platforms (Orchestrator layer to scale delivery) and tokens (Compute and model usage)
 - Outcome-linked pricing: Cost tied to measurable business results
 - Shared productivity gains: Clients capture more value from AI efficiency
 - Fungibility across portfolio: Divert resources mid-contract to address evolving business priorities
 - Faster reinvestment: Savings flow back into innovation

- **Vertical & Geographic Focus**
 - **Segment Priorities:** Financial Services, Tech & Services, Consumer (Travel, Transport, Hospitality, Retail, Media & Entertainment), and Production (Energy, Utilities, Manufacturing)
 - **Geography Priorities:** North America (Strengthen anchor market with AI-led growth), Europe (Scale with sovereign capability and local talent), Rest of the World (Expand presence in high-growth corridors)

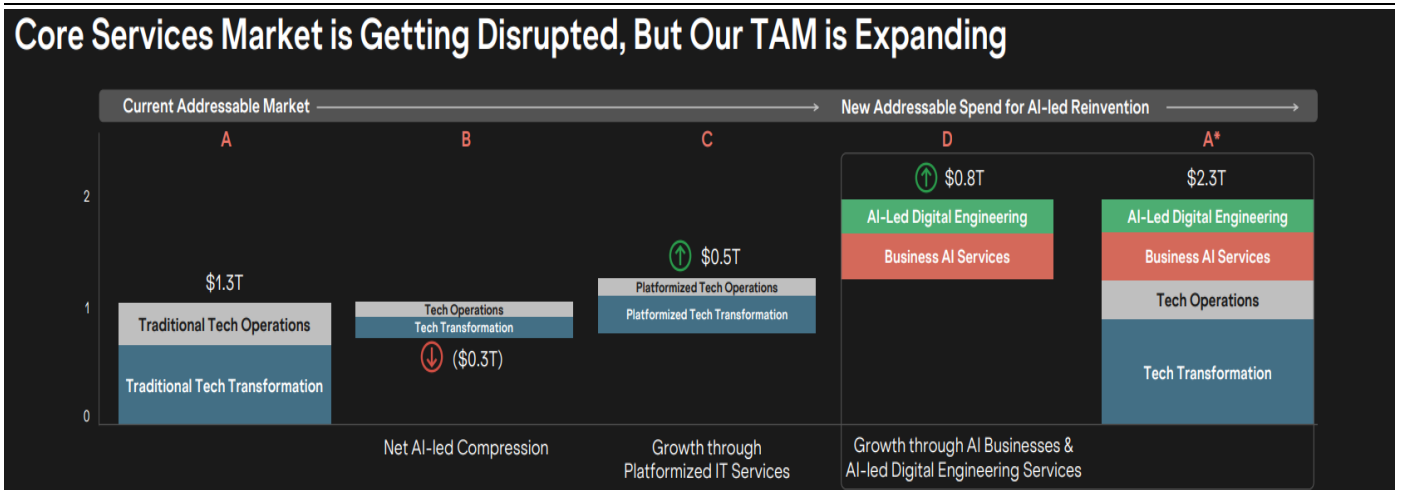
FY26 Strategic and Operational Highlights

Four pillars were set out at the beginning of FY26: Sales Transformation, Large Deals Focus, AI Pivot, and Fit for Future

- **Sales Transformation:** Added 8 accounts in the \$20mn+ category and 12 accounts in the \$10mn+ category; sales productivity metrics introduced; deal structuring improved
- **Large Deals:** Nearly 100% increase in large deal wins YoY; two mega deals announced; large deal pipeline remains strong
- **AI Pivot:** Blueverse ecosystem launched; service line investments initiated; partnerships activated; Customer Zero (internal AI adoption) program underway
- **Fit for Future:** Reducing cost of delivery, Re-baseline indirect cost, EBIT improvement of 90 bps
- Bend the cost curve with enhanced productivity for non-linearity
 - **De-linking of revenue and cost:** outcome-based and Blueverse currency deals structurally improve margin profile versus traditional effort-based models. Large deals and managed services: leveraging iRun and iTransform to consolidate more wallet share with AI-driven efficiency
 - **Business AI revenues:** expected to come at higher margins than traditional business due to new pricing dynamics
 - **Enhancing productivity with AI:** internal AI adoption reducing overhead and delivery costs
 - **Improved Cost of delivery:** Pyramid optimization - traditional cost lever; Expanded span of control: with AI infusion, rethinking how many people are needed to do the same work; re-baselining costs
 - **SGA leverage:** Lean market units: with scaled portfolios & higher span; Overhead reduction: benefits of scale
- **Lakshya FY31 - Five Pillars to Drive Sustainable & Profitable Growth**
 - **Accelerated Growth Roadmap:** Led by AI Pivot
 - **Balanced Portfolio:** Scale & Diversification across Clients & Geographies
 - **Execution Excellence:** Progressive Margin Improvement

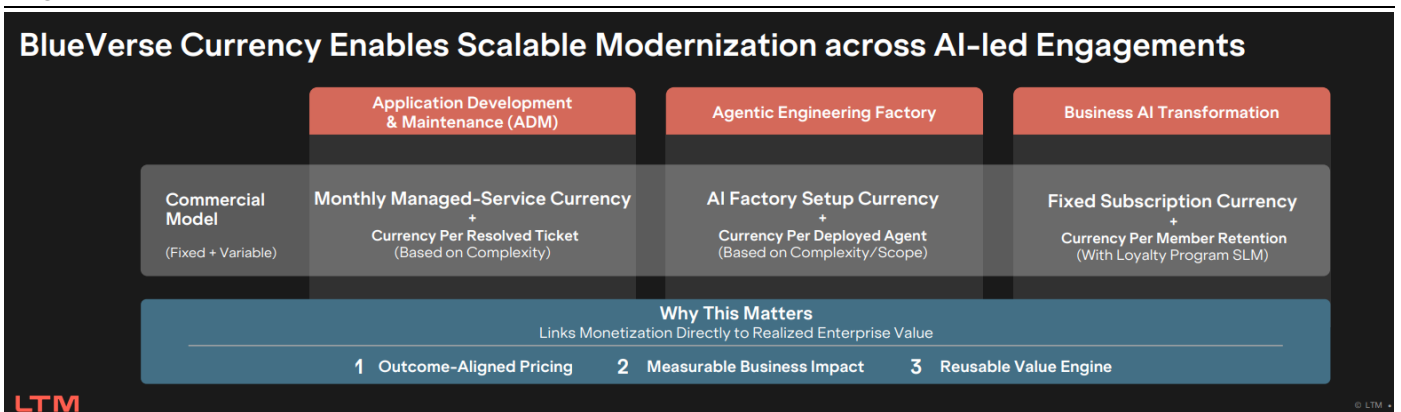
- **Investments:** In Line with Our Strategy
- **Balance Sheet:** Resilience
- At 2x revenue over five years, headcount is expected to grow to ~1.4x current levels
- Clients switching from incumbent vendors look beyond cost; they look for continuity of context (understanding of their business, industry, and systems). Losing context when switching vendors is a major risk for clients; LTM wins large deals by demonstrating equivalent or superior domain context
- 4Q FY26 SG&A came in at ~10.5-10.6% of revenue. Going forward: rough guidance of 11-11.5% range as investments ramp up

Fig 1 – TAM is expected to expand



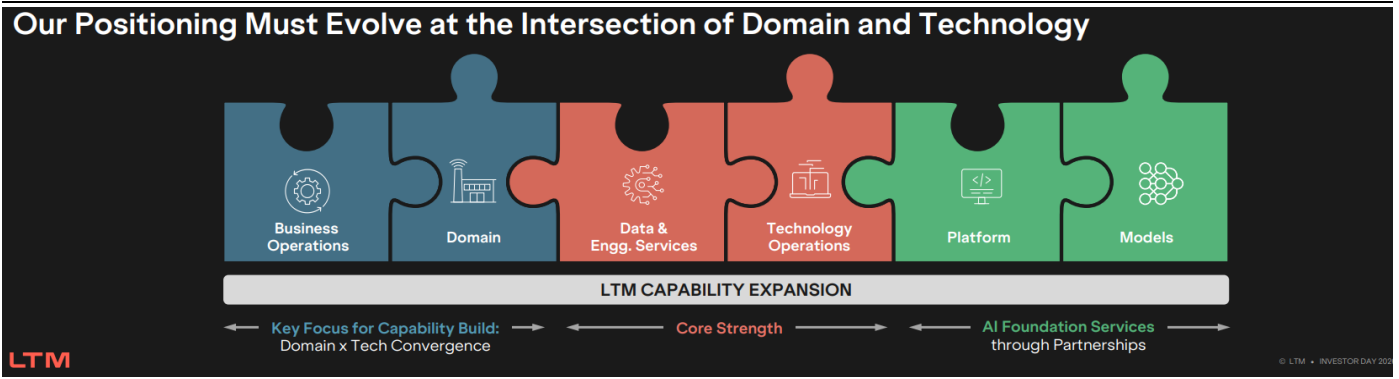
Source: Company, BOBCAPS Research

Fig 2 – LTM's AI platform drives modernization.



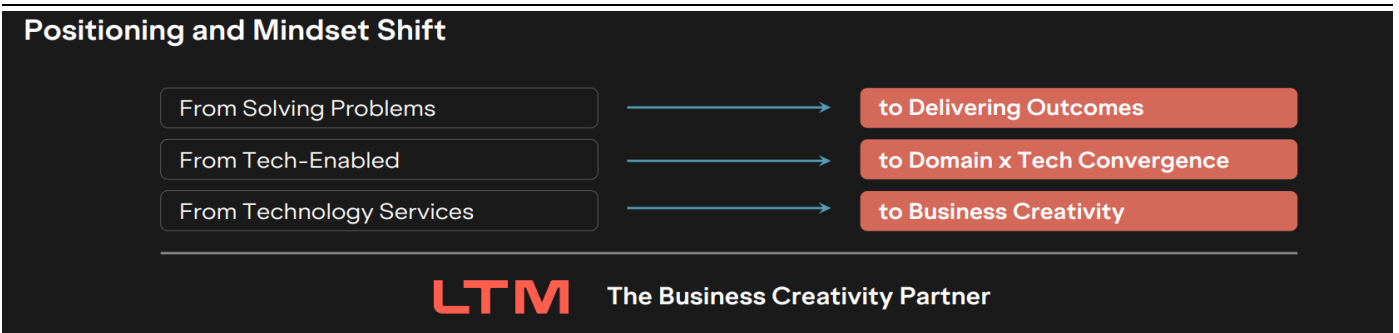
Source: Company, BOBCAPS Research

Fig 3 – LTM operates at the intersection of Domain and Technology



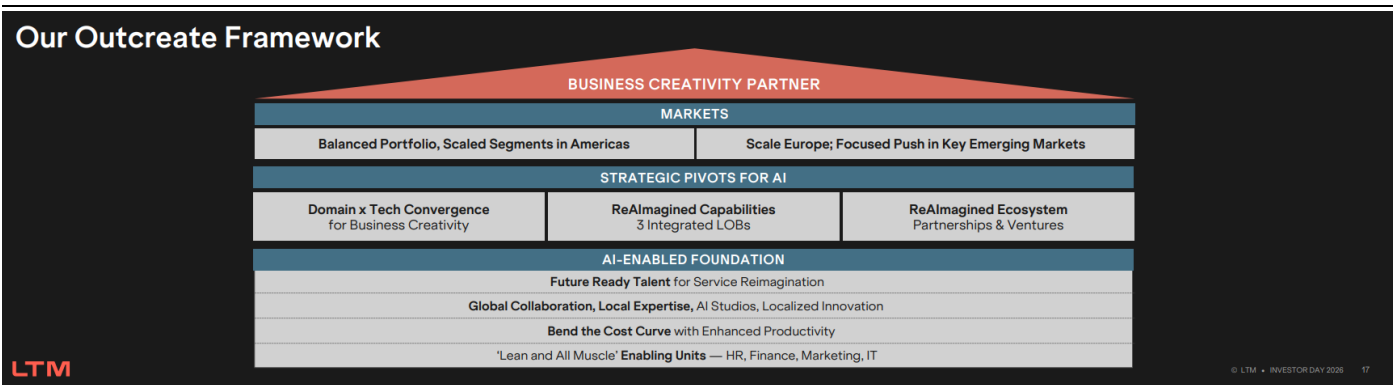
Source: Company, BOBCAPS Research

Fig 4 – Shift in positioning and mindset



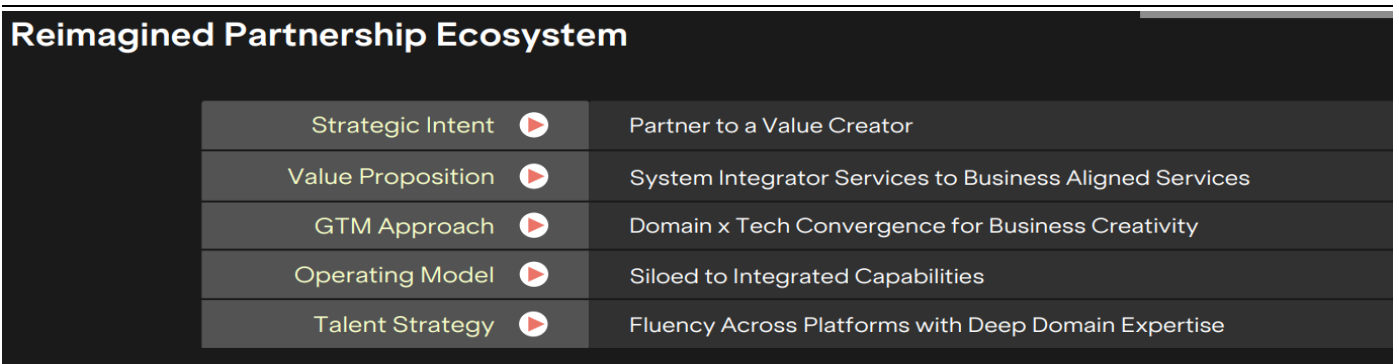
Source: Company, BOBCAPS Research

Fig 5 – LTM's outcreate framework



Source: Company, BOBCAPS Research

Fig 6 – Partnership Ecosystem



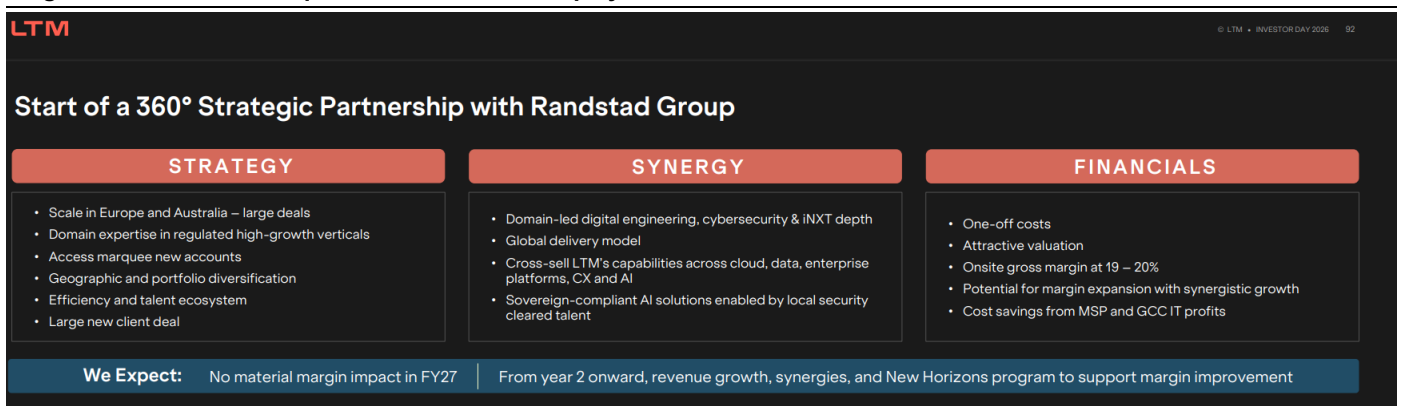
Source: Company, BOBCAPS Research

Fig 7 – LTM’s AI platform play



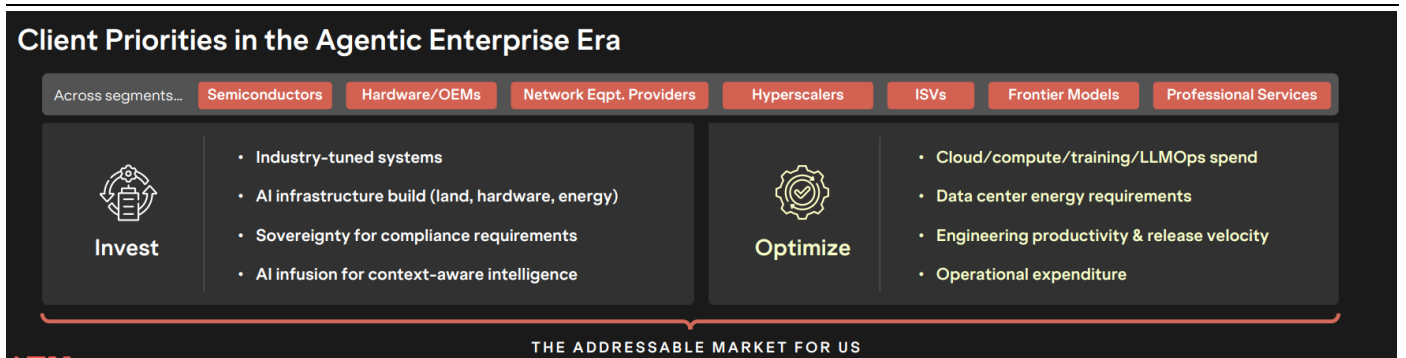
Source: Company, BOBCAPS Research

Fig 8 – The Randstad acquisition – how that will play out



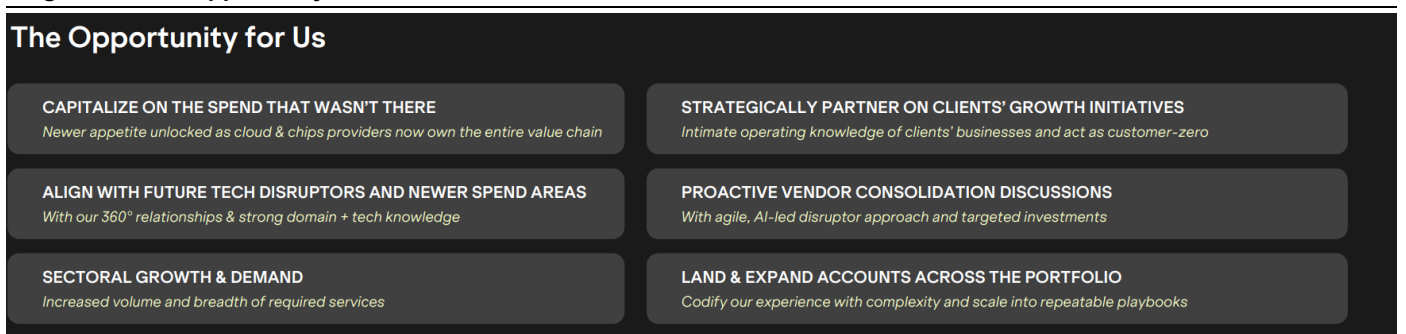
Source: Company, BOBCAPS Research

Fig 9 – The Agentic Era priorities



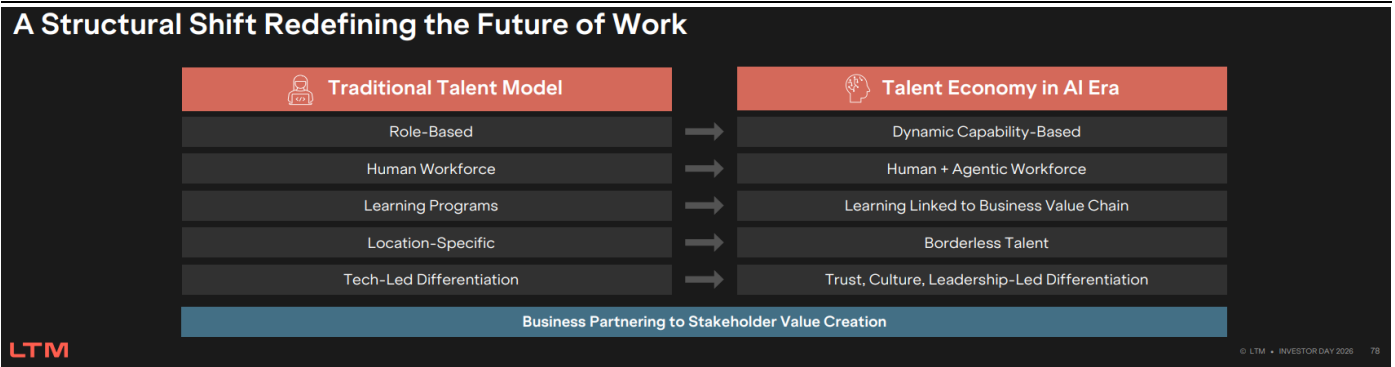
Source: Company, BOBCAPS Research

Fig 10 – LTM’s opportunity



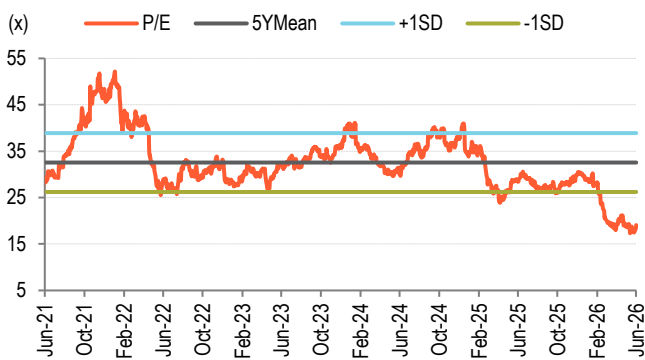
Source: Company, BOBCAPS Research

Fig 11 – Future of work shift



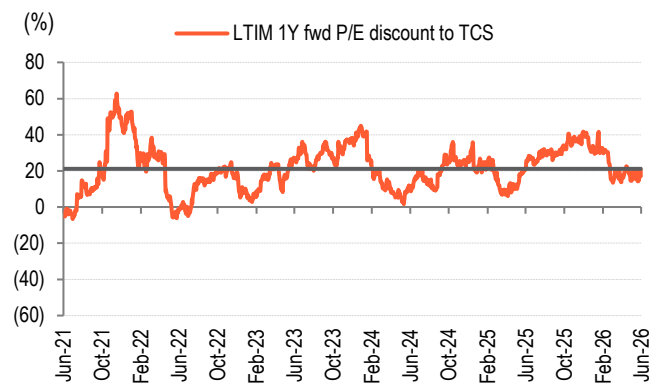
Source: Company, BOBCAPS Research

Fig 12 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 13 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	380,081	423,076	478,719	518,581	557,508
EBITDA	64,949	75,552	89,751	96,271	102,868
Depreciation	9,915	10,541	15,860	15,860	15,860
EBIT	55,034	65,011	73,892	80,412	87,008
Net interest inc./(exp.)	(2,789)	(2,763)	(2,723)	(2,887)	(3,047)
Other inc./(exp.)	12,686	13,707	18,579	21,696	24,513
Exceptional items	0	0	0	0	0
EBT	64,931	75,955	89,747	99,221	108,474
Income taxes	16,122	19,570	23,556	26,042	28,471
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	48,809	52,434	66,191	73,178	80,003
Adjustments	0	0	0	0	0
Adjusted net profit	48,809	52,434	66,191	73,178	80,003

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	0	0	0	0	0
Other current liabilities	31,075	61,345	97,856	103,636	108,411
Provisions	9,691	11,741	11,741	11,741	11,741
Debt funds	554	13,397	13,397	13,397	13,397
Other liabilities	37,997	45,227	45,688	46,154	46,609
Equity capital	296	296	296	296	296
Reserves & surplus	226,687	239,954	278,086	321,729	366,289
Shareholders' fund	226,983	240,250	278,382	322,025	366,585
Total liab. and equities	306,300	371,960	447,064	496,953	546,743
Cash and cash eq.	20,623	23,311	80,469	107,656	137,120
Accounts receivables	76,882	94,717	103,041	112,165	119,703
Inventories	28	33	33	33	33
Other current assets	38,106	38,556	41,550	44,833	47,544
Investments	111,515	146,055	154,055	162,055	170,055
Net fixed assets	15,946	13,431	10,119	10,363	10,607
CWIP	5,818	9,171	9,171	9,171	9,171
Intangible assets	12,036	12,923	12,923	12,923	12,923
Deferred tax assets, net	5,303	12,980	14,121	15,371	16,404
Other assets	20,043	20,783	21,583	22,383	23,183
Total assets	306,300	371,960	447,064	496,953	546,743

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	54,672	51,800	109,967	85,298	93,435
Capital expenditures	(3,825)	(6,000)	(6,000)	(6,000)	(6,000)
Change in investments	(12,747)	(34,540)	(8,000)	(8,000)	(8,000)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(16,572)	(40,540)	(14,000)	(14,000)	(14,000)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	236	12,843	0	0	0
Interest expenses	(2,789)	(2,763)	(2,723)	(2,887)	(3,047)
Dividends paid	(19,261)	(22,081)	(28,059)	(29,536)	(35,443)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(21,814)	(12,001)	(30,782)	(32,423)	(38,490)
Chg in cash & cash eq.	2,423	23,311	80,469	107,656	137,120
Closing cash & cash eq.	20,623	23,311	80,469	107,656	137,120

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	153.7	169.3	224.1	247.8	270.9
Adjusted EPS	153.4	169.2	223.9	247.6	270.6
Dividend per share	65.0	75.0	95.0	100.0	120.0
Book value per share	766.0	816.2	945.3	1,093.1	1,244.0

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.4	3.0	2.7	2.6	2.5
EV/EBITDA	19.9	17.0	14.6	14.1	13.4
Adjusted P/E	28.3	25.7	19.4	17.5	16.0
P/BV	5.7	5.3	4.6	4.0	3.5

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.2	74.4	73.8	73.8	0.0
Interest burden (PBT/EBIT)	118.0	108.7	121.5	123.4	0.0
EBIT margin (EBIT/Revenue)	14.5	15.4	15.4	15.5	0.0
Asset turnover (Rev./Avg TA)	130.6	124.8	116.9	109.9	0.0
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.6	1.6	0.0
Adjusted ROAE	22.8	22.5	25.4	24.3	0.0

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	7.0	11.3	13.2	8.3	7.5
EBITDA	1.7	16.3	18.8	7.3	6.9
Adjusted EPS	(0.8)	10.3	32.4	10.6	9.3
Profitability & Return ratios (%)					
EBITDA margin	17.1	17.9	18.7	18.6	18.5
EBIT margin	14.5	15.4	15.4	15.5	15.6
Adjusted profit margin	12.8	12.4	13.8	14.1	14.4
Adjusted ROAE	22.9	22.4	25.5	24.4	23.2
ROCE	18.4	18.0	17.1	16.5	15.9
Working capital days (days)					
Receivables	74	82	79	79	78
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	23.8	31.5	47.3	50.0	52.6
Current ratio	3.3	2.1	2.1	2.3	2.5
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	0.0	(0.2)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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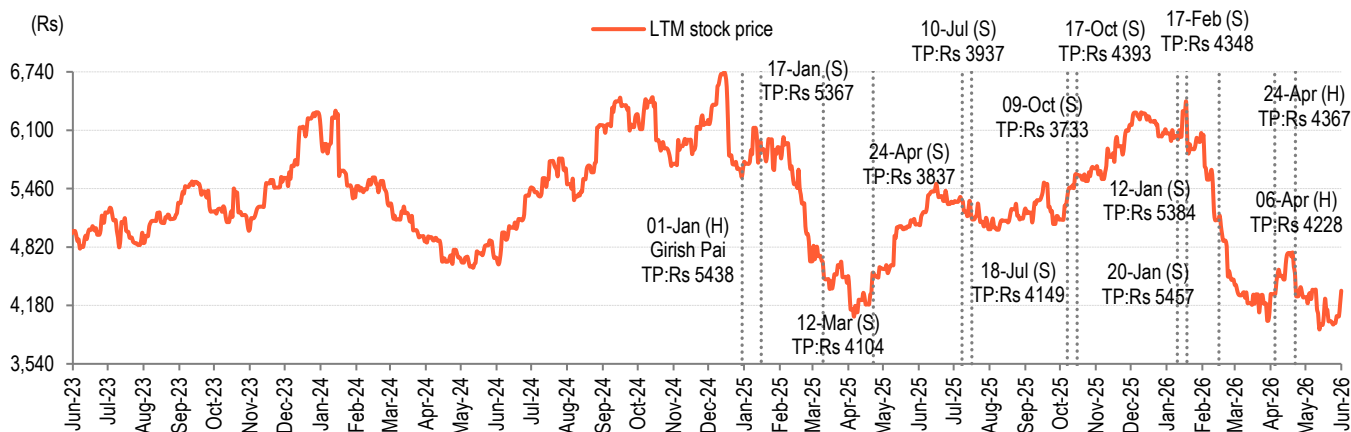
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): LTM (LTM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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