

LTM - Analyst Day Meet - Business AI Strategy Gains Momentum

ADD

June 03, 2026 | CMP: INR 4,328 | Target Price: INR 4,700

Expected Share Price Return: 8.6% | Dividend Yield: 1.5% | Expected Total Return: 10.1%

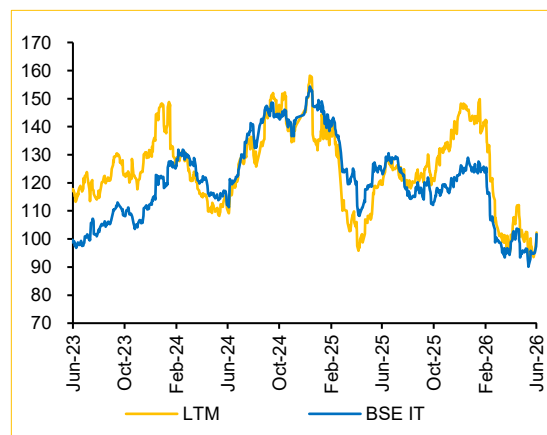
Sector View: Neutral

| Company Info | |
|----------------------|-------------------|
| BB Code | LTM IN EQUITY |
| Face Value (INR) | 1.0 |
| 52 W High/Low (INR) | 6,430/3,901 |
| Mkt Cap (Bn) | INR 1,288/ \$13.5 |
| Shares o/s (Mn) | 296.7 |
| 3M Avg. Daily Volume | 3,95,855 |

| Key Financials | | | | | |
|----------------|-------|-------|-------|-------|-------|
| INR Bn | FY25 | FY26 | FY27E | FY28E | FY29E |
| Revenue | 380.1 | 423.1 | 476.7 | 518.9 | 551.2 |
| YoY (%) | 7.0 | 11.3 | 12.7 | 8.9 | 6.2 |
| EBITDA | 55.0 | 65.0 | 74.8 | 83.7 | 90.3 |
| EBITDAM % | 14.5 | 15.4 | 15.7 | 16.1 | 16.4 |
| Adj PAT | 46.0 | 50.2 | 60.3 | 69.7 | 75.9 |
| EPS | 155.0 | 169.1 | 203.2 | 235.0 | 255.9 |
| ROE % | 20.3 | 20.9 | 21.8 | 21.6 | 20.3 |
| ROCE % | 22.3 | 23.7 | 24.1 | 23.5 | 22.1 |
| PE(x) | 35.7 | 26.7 | 22.2 | 19.2 | 17.7 |

| Shareholding Pattern (%) | | | |
|--------------------------|--------|--------|---------|
| | Mar-26 | Dec-25 | Sept-25 |
| Promoters | 68.52 | 68.53 | 68.54 |
| FIIIs | 6.63 | 6.51 | 6.40 |
| DIIIs | 16.90 | 16.80 | 16.57 |
| Public | 7.82 | 8.02 | 8.35 |

| Relative Performance (%) | | | |
|--------------------------|--------|-------|--------|
| YTD | 3Y | 2Y | 1Y |
| BSE IT | 2.4 | (9.3) | (17.9) |
| ALDS | (13.0) | (7.7) | (14.4) |


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Key takeaways from management meet:

We attended LTM's Analyst Day and the key takeaways are: **(1) LTM is repositioning itself as a Business AI-led transformation partner**, focusing on enterprise process reimagination, contextual AI adoption and execution rather than foundation model development. **(2) The Three Cs framework - Context, Cost and Change - underpins its strategy, supported by investments in verticalised Small Language Models (SLMs) and agentic AI solutions for industry-specific use cases.** **(3) The launch of Blueverse Currency signals a gradual shift towards outcome-based and non-linear pricing**, with potential to improve revenue quality and margin scalability over time. Additionally, **(4) the Randstad acquisition strengthens market access and capabilities.** While AI monetisation and execution remain key watchpoints, the medium-term growth outlook remains constructive. **We maintain our 'ADD' rating on LTM with a TP of INR 4,700 on the basis of FY28E EPS.**

Business AI as the New Growth Engine; Execution is the Differentiator: LTM is repositioning itself to capture the "Business AI" market, which involves reimagining core business processes rather than just competing in foundation model infrastructure. While foundation model development is concentrated among hyperscalers and AI labs, the greater value in enterprise AI resides in contextualisation, integration and execution. **LTM's two-decade-long relationships with over 750 enterprise clients provide a significant competitive advantage in this critical "context layer," enabling it to drive AI adoption at scale in ways that AI-native challengers may find difficult to replicate.** A better clarity on AI revenues being disclosed as a percentage of the mix will better help understand the traction claim.

Three Cs Framework: LTM's AI strategy is centered on solving the three critical barriers to enterprise AI adoption - Context, Cost and Change. The company is increasingly focussed on developing Small Language Models (SLMs) and agentic AI solutions tailored to industry-specific use cases, a direction which aligns well with emerging enterprise preferences for smaller, more cost-efficient, explainable and domain-trained models over general-purpose LLMs. **LTM's focus on verticalised SLMs and agentic AI positions it well for the next phase of enterprise AI adoption, particularly in BFSI where domain expertise and proprietary data create competitive advantages.** As a result, we believe that the margin expansion is expected to be gradual, with near-term profitability reflecting the company's strategic investments to build differentiated AI capabilities and capture long-term growth opportunities.

Blueverse Currency — The Non-Linear Revenue Model: A key highlight is the introduction of "Blueverse Currency," a pricing innovation which moves the company away from traditional effort-based (T&M) contracts towards outcome-linked and non-linear models. **LTM's push towards outcome-based pricing has the potential to structurally improve margin and reduce dependence on headcount-led growth.** If successfully adopted at scale, outcome-based pricing could become a meaningful differentiator, enhancing both revenue visibility and margin profile. However, enterprise adoption is likely to be gradual, given the conservative nature of procurement processes and the trust required to transition from conventional time-and-material contracts. While the initiative is strategically compelling, broader validation through large-scale deployments and publicly demonstrated client outcomes will be critical before it can be viewed as a material earnings driver. **Accordingly, we view Blueverse Currency as a promising long-term framework rather than a near-term contributor to financial performance.**

Randstad Deal Strengthens Market Positioning, but Synergies Remain Key:

The Randstad deal appears more valuable as a market-access and capability-expansion transaction than as a traditional synergy-driven acquisition. While near-term earnings impact may be modest and execution risks remain, successful cross-selling into high-spend enterprise accounts, coupled with access to sovereign AI opportunities and a scalable talent ecosystem, could support stronger growth and strategic positioning over the medium-term. **We view the transaction as thesis-supportive but would await evidence of tangible revenue synergies before assigning meaningful valuation upside.**

View: We remain positive on LTM's medium-term outlook, supported by its Business AI strategy, verticalised SLMs, agentic AI capabilities, and outcome-based pricing initiatives. However, successful AI monetisation, adoption of Blueverse Currency, and realisation of Randstad-related synergies will be key determinants of sustained growth, margin expansion and potential valuation re-rating.

Vertical Deepening — Financial Services, Tech Services, Consumer: LTM's micro-vertical specialisation strategy, particularly its differentiated "Silicon to Services" offering, expands its addressable market beyond traditional IT services and positions the company to capture higher-value opportunities across the AI, hyperscaler and semiconductor ecosystem.

Exhibit 1: AI Compresses Legacy Spending, While Creating a USD 0.8 Tn New Revenue Opportunity

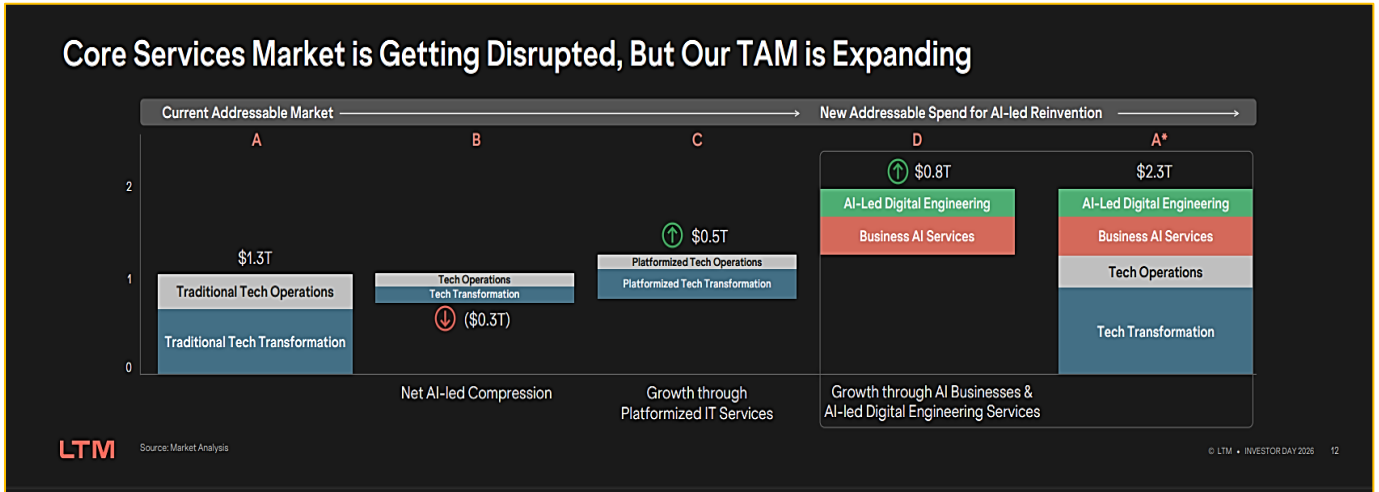


Exhibit 2: LTM Expanding across the Enterprise AI Value Chain through Domain-tech Convergence

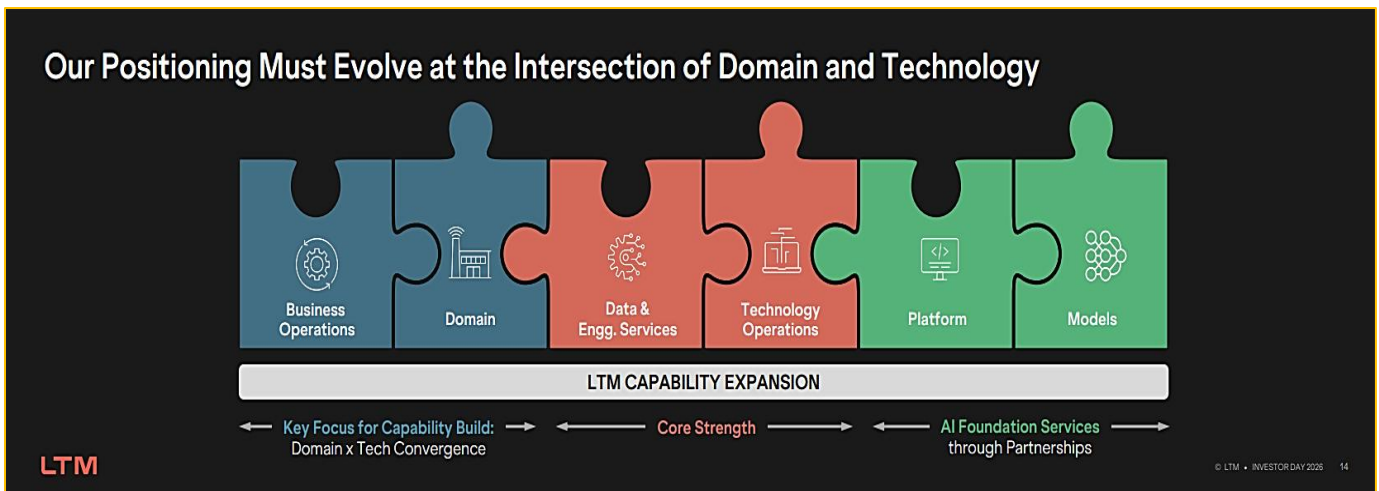
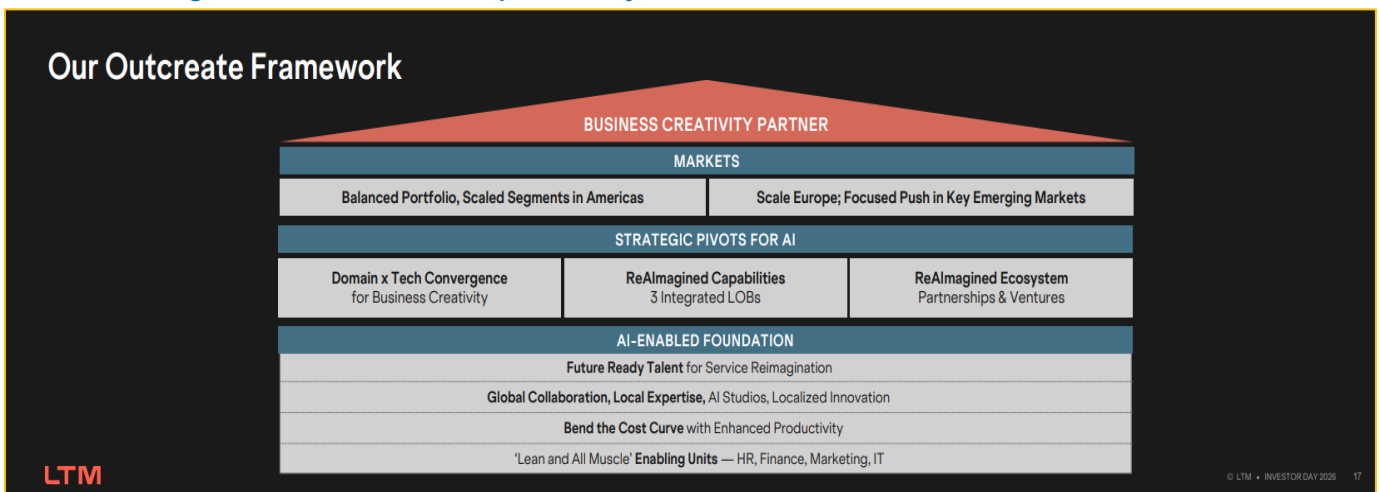


Exhibit 3: Strategic AI Pivots and Global Expansion Lay the Foundation for LTM's Next Growth Phase



Source: LTM, Choice Institutional Equities

Exhibit 4: BlueVerse Creates a Scalable AI Monetisation Framework Through Proprietary Assets, Industry Models and Enterprise Deployment Capabilities

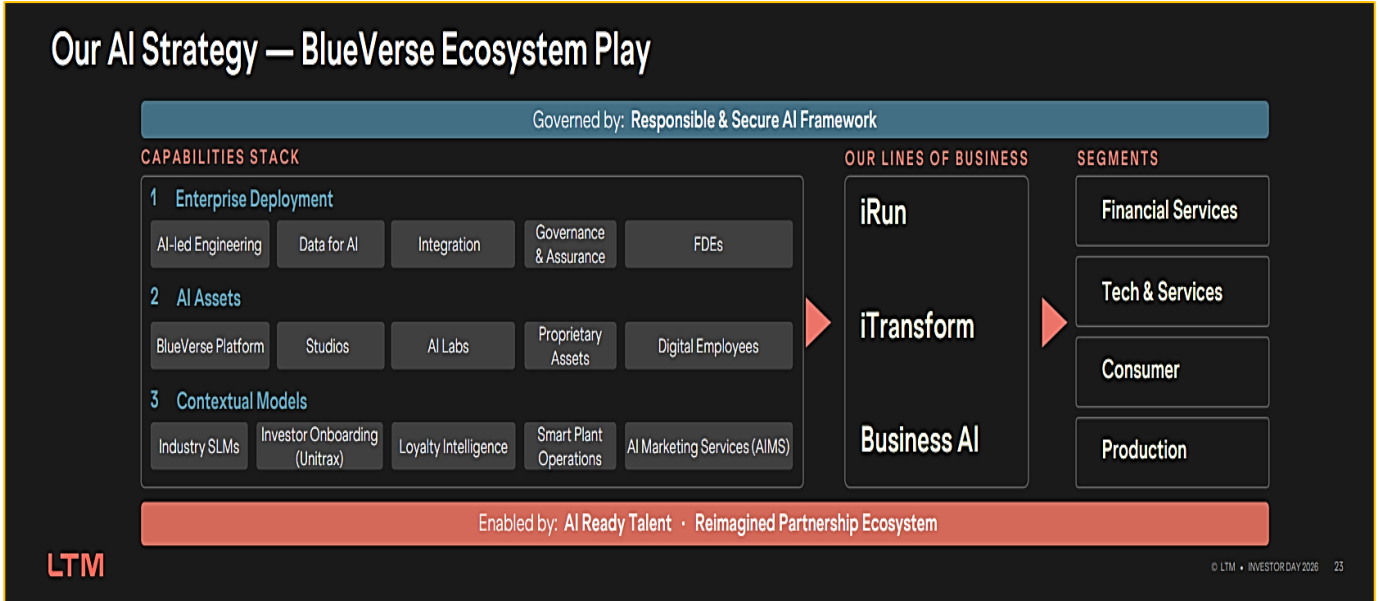
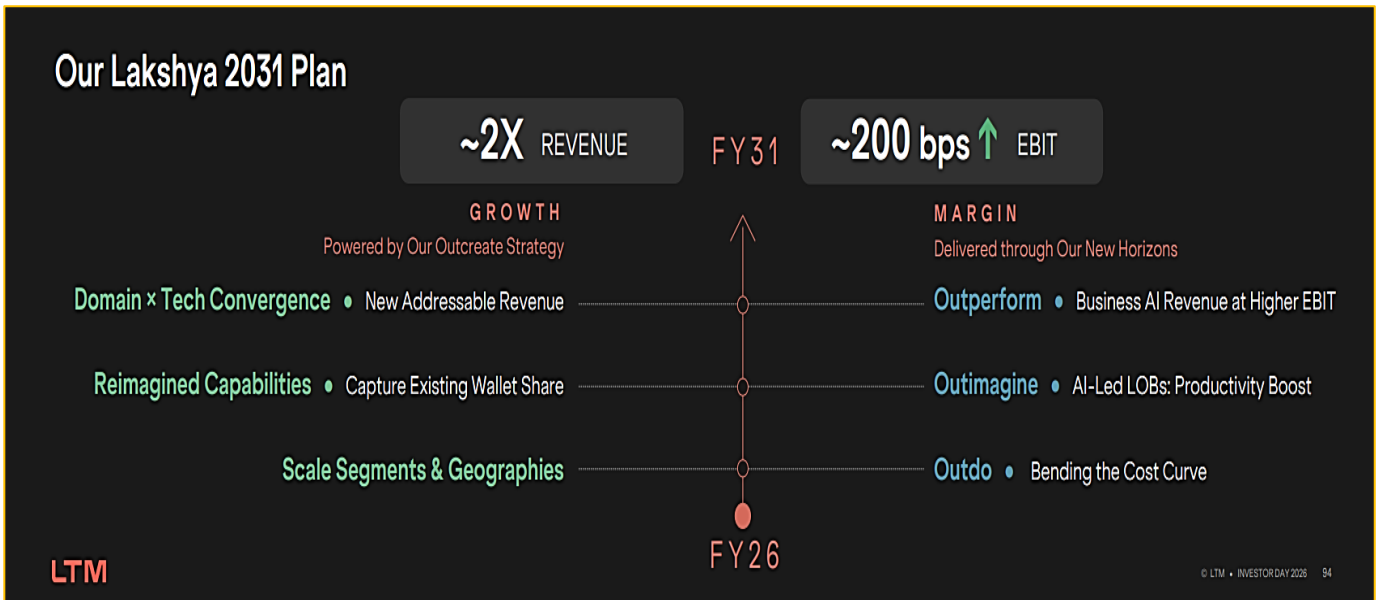


Exhibit 5: AI-led Expansion Aims to Deliver 2x Revenue and Higher Profitability by FY31



Source: LTM, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

| Particular | FY25 | FY26 | FY27E | FY28E | FY29E |
|--------------|----------|----------|----------|----------|----------|
| Revenue | 3,80,081 | 4,23,076 | 4,76,704 | 5,18,929 | 5,51,173 |
| Gross profit | 1,07,543 | 1,27,838 | 1,47,569 | 1,61,952 | 1,72,955 |
| EBITDA | 64,949 | 75,552 | 85,597 | 94,491 | 1,01,302 |
| Depreciation | 9,915 | 10,541 | 10,800 | 10,800 | 11,000 |
| EBIT | 55,034 | 65,011 | 74,797 | 83,691 | 90,302 |
| Other income | 9,897 | 10,944 | 9,392 | 12,930 | 14,600 |
| PAT | 45,987 | 50,181 | 60,281 | 69,724 | 75,926 |
| EPS | 155.0 | 169.1 | 203.2 | 235.0 | 255.9 |

| Ratio Analysis | FY25 | FY26 | FY27E | FY28E | FY29E |
|--------------------------|-------|--------|-------|--------|--------|
| Growth Ratios (%) | | | | | |
| Revenues | 4.8 | 6.0 | 6.5 | 6.5 | 6.2 |
| Gross Profit | 7.0 | 11.3 | 12.7 | 8.9 | 6.2 |
| EBITDA | 1.7 | 16.3 | 13.3 | 10.4 | 7.2 |
| EBIT | (1.2) | 18.1 | 15.1 | 11.9 | 7.9 |
| Margin Ratios (%) | | | | | |
| EBITDA Margin | 17.1 | 17.9 | 18.0 | 18.2 | 18.4 |
| EBIT Margin | 14.5 | 15.4 | 15.7 | 16.1 | 16.4 |
| Profitability (%) | | | | | |
| ROE | 20.3 | 20.9 | 21.8 | 21.6 | 20.3 |
| ROIC | 34.7 | 52.0 | 56.9 | 55.2 | 53.0 |
| ROCE | 22.3 | 23.7 | 24.1 | 23.5 | 22.1 |
| Valuation | | | | | |
| OCF / Net profit (%) | 91.5% | 124.5% | 86.5% | 77.2% | 79.9% |
| BVPS (x) | 766.8 | 811.7 | 935.2 | 1088.6 | 1263.0 |
| Free Cash Flow Yield(%) | 2.3 | 5.2 | 3.9 | 3.9 | 4.5 |

Source: LTM, Choice Institutional Equities

Balance Sheet (Consolidated in INR Mn)

| Particular | FY25 | FY26 | FY27E | FY28E | FY29E |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Tangible fixed assets | 25,406 | 30,092 | 31,592 | 33,092 | 34,592 |
| Goodwill & intangible assets | 12,036 | 12,923 | 12,923 | 12,923 | 12,923 |
| Investments | 59,479 | 51,973 | 51,973 | 51,973 | 51,973 |
| Cash & cash equivalents | 1,09,622 | 1,48,479 | 1,79,753 | 2,10,133 | 2,47,747 |
| Other current assets | 99,757 | 1,28,493 | 1,34,107 | 1,44,470 | 1,53,369 |
| Total Assets | 3,06,300 | 3,71,960 | 4,10,348 | 4,52,591 | 5,00,604 |
| Shareholder's funds | 2,26,983 | 2,40,250 | 2,76,818 | 3,22,234 | 3,73,853 |
| Borrowings | 132 | 827 | 827 | 827 | 857 |
| Minority interest | 23 | - | - | - | - |
| Other non-current liabilities | 19,526 | 33,046 | 33,046 | 33,046 | 33,046 |
| Other current liabilities | 59,636 | 97,837 | 99,658 | 96,484 | 92,877 |
| Total Equity & Liabilities | 3,06,300 | 3,71,960 | 4,10,348 | 4,52,591 | 5,00,604 |

| Cash Flows (INR Mn) | FY25 | FY26 | FY27E | FY28E | FY29E |
|---------------------------|----------|----------|----------|----------|----------|
| Cash Flow from Operations | 50,329 | 80,944 | 64,688 | 64,587 | 72,120 |
| Cash Flow from Investing | (31,175) | (44,777) | (27,487) | (22,300) | (22,500) |
| Cash Flow from Financing | (16,731) | (33,479) | (21,114) | (21,907) | (22,007) |

| DuPont Analysis | FY25 | FY26 | FY27E | FY28E | FY29E |
|--------------------|-------|-------|-------|-------|-------|
| ROE | 20.3% | 20.9% | 21.8% | 21.6% | 20.3% |
| Net Profit Margin | 12.1% | 11.9% | 12.6% | 13.4% | 13.8% |
| Asset Turnover | 1.3 | 1.2 | 1.2 | 1.2 | 1.2 |
| Financial Leverage | 1.3 | 1.5 | 1.5 | 1.4 | 1.3 |

Historical share price chart: LTM Ltd.



| Date | Rating | Target Price |
|------------------|--------|--------------|
| March 28, 2025 | BUY | 5,445 |
| April 24, 2025 | REDUCE | 4,680 |
| July 18, 2025 | REDUCE | 5,360 |
| October 17, 2025 | ADD | 5,800 |
| January 20, 2026 | REDUCE | 6,150 |
| March 02, 2026 | BUY | 6,200 |
| April 06, 2026 | BUY | 5,920 |
| April 24, 2026 | ADD | 4,700 |
| June 03, 2026 | ADD | 4,700 |

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CHOICE RATING DISTRIBUTION & METHODOLOGY

| | |
|-----------------------------|---|
| Large Cap* | |
| BUY | The security is expected to generate upside of 15% or more over the next 12 months |
| ADD | The security is expected to show upside returns from 5% to less than 15% over the next 12 months |
| REDUCE | The security is expected to show upside or downside returns by 5% to -5% over the next 12 months |
| SELL | The security is expected to show downside of 5% or more over the next 12 months |
| Mid & Small Cap* | |
| BUY | The security is expected to generate upside of 20% or more over the next 12 months |
| ADD | The security is expected to show upside returns from 5% to less than 20% over the next 12 months |
| REDUCE | The security is expected to show upside or downside returns by 5% to -10% over the next 12 months |
| SELL | The security is expected to show downside of 10% or more over the next 12 months |
| Other Ratings | |
| NOT RATED (NR) | The stock has no recommendation from the Analyst |
| UNDER REVIEW (UR) | The stock is under review by the Analyst and rating may change |
| Sector View | |
| POSITIVE (P) | Fundamentals of the sector look attractive over the next 12 months |
| NEUTRAL (N) | Fundamentals of the sector are expected to be in stasis over the next 12 months |
| CAUTIOUS (C) | Fundamentals of the sector are expected to be challenging over the next 12 months |

*Large Cap: More Than INR 20,000 Cr Market Cap

*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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