

## LTM (LTM) - REDUCE

### Company Update

Current Market Price (CMP) <b>Rs.4342</b>	Fair Value (FV) <b>Rs.4200</b>
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### Rationale:

- LTM, in its investor day, outlined goals of doubling revenue & increasing EBIT margins by 200 bps in FY31, which is quite optimistic, in our view.
- The AI strategy is anchored on domain x tech convergence, reimagined capabilities (iRun, iTransform & Business AI) & the Blueverse ecosystem.
- The direction is sound, but several elements mirror peer strategies.
- LTM expects AI to drive a significant increase in the TAM for IT services.
- The acquisition of Randstad entities has several positives.
- Well-positioned in BFSI & hi-tech.
- REDUCE with an unchanged FV of Rs4,200, valuing LTM at 18x FY28E EPS.

### 👍 Positives:

- LTM's TAM for IT services to increase to US\$2.3 lakh cr from US\$1.3 lakh cr currently.
- Average tenure of consultants in top 20 accounts is 10+ years; sticky nature of business.
- Top 25 clients' average IT spending is in excess of EUR50 cr.
- The acquired business has a materially better margin profile than the current one.
- Well-positioned in BFSI and hi-tech.

### 👎 Negatives:

- The stock is fully valued at CMP.

(AI: Artificial Intelligence, EPS: Earnings Per Share, EBIT: Earnings Before Interest and Tax, BFSI: Banking, Financial Services, and Insurance, IT: Information Technology, TAM: Total Addressable Market)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

## RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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