

BROKER'S CALL.

IDBI Capital

L&T TECHNOLOGY (HOLD)

Target: ₹4,774

CMP: ₹3,919.50

L&T Technology Services (LTTS) deliberate exit from low-margin and commoditised portfolios in tech, mobility and select India operations led to a 3.2 per cent q-o-q revenue decline to \$326 million, but significantly enhanced profitability, with expanded EBIT margin (up by 120 bps to 14.6 per cent).

Sustainability, the company's highest-margin segment, delivered consistent double-digit growth with margins expanding to 28.8 per cent, while mobility has bottomed out and is showing early recovery signals supported by large OEM wins and rising traction in software-defined vehicles (SDVs). Tech margins also improved meaningfully post portfolio recalibration. Large-deal TCV has remained strong at \$180 million to 200 million for the fifth consecutive quarter, providing revenue visibility.

While FY26 growth guidance remains mid-single digit due to restructuring, the long-term outlook is constructive, underpinned by accelerating artificial intelligence (AI) monetisation and expanding engineering intelligence (EI) capabilities, which enhance the margin expansion (mid-16 percentage) and a superior earnings compounding beyond FY26. The company stands at a strategic inflection toward higher quality, AI-led engineering growth in the end. At this moment, we downgrade to Hold rating with a same target price of ₹4,774 and valuing the stock at 31.9x FY27E EPS.

Elara Capital

LEMON TREE (ACCUMULATE)

Target: ₹157

CMP: ₹142.50

Lemon Tree Hotels has announced a composite reorganisation, wherein the group would be split into an asset-light, fee platform – Lemon Tree Hotels and an asset-heavy ownership platform – Fleur Hotels.

As part of the transaction, Warburg Pincus has acquired APG's entire 41 per cent stake in Fleur and committed up to ₹960 crore of primary equity in Fleur to fund growth. The transaction is aimed

at creating separate platforms for pure play asset light and asset heavy growth-oriented (Fleur Hotels) companies. While reported revenues will reduce following asset transfers, the proportion of management fees will rise, EBITDA margin will expand, and depreciation and interest costs will decline. LTH's shareholding structure will be unchanged.

Fleur is expected to be listed within 12-15 months. While the restructuring has created separate platforms and provided an exit to APG, it does not create material value for Lemon Tree's

shareholders. Post completion of the deal and listing of Fleur, Lemon Tree will get a holding company discount for its holding in Fleur.

We have valued Lemon Tree on SoTP, factoring in the current restructuring and have lowered our TP to ₹157 (₹210 earlier). We revise rating to Accumulate from Buy.

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