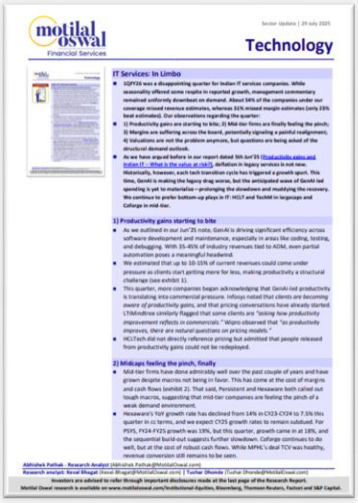
# Technology


Technology
IT Services: In Limbo

## Trump's executive order on H-1B fees

### Expect on-site revenue loss in absence of H-1B; impact could be EPS neutral

President Trump has signed an executive order that raises the annual H-1B visa application fee from **USD1,000 to USD100,000 per applicant**. This represents a **100x jump** and applies prospectively to new applications. The program's mechanics remain the same otherwise: employers must still sponsor foreign workers for roles requiring specialized skills, but now at a sharply higher cost. Since H-1B lotteries and petitions are typically run in Q4–Q1, the first impact would likely be seen in **FY27** petitions**.** We note that situation is still evolving and may change drastically, however we also observe following implication for Indian IT:

## Implications for Indian IT services

### Shrinking H-1B dependence:

Over the last decade, Indian IT vendors have reduced their reliance on H-1B visas. With localization drives in the US and higher local hiring, only ~20% of employees are currently based on-site. Of this, **20–30% are on H-1B visas**, implying that H-1B holders represent just **3–5% of the active workforce** for a typical vendor.


Technology
Trump 2.0: What's in store for IT services?

### Big tech vs IT services:

While the H-1B program is often portrayed as an 'India IT' visa channel, in practice, **Big Tech companies (Google, Amazon, Microsoft, Meta, etc.) account for a larger share** of fresh applications than Indian IT. For IT vendors, localization and subcontracting are already baked into their delivery models, making them relatively better placed to adjust. Refer to our note (Trump 2.0: What's in store for IT services?) published in Nov'24, which discusses potential implications of Trump 2.0 on 1) immigration policies; 2) corporate tax rates; and 3) trade war.

### Timing of impact:

Visa applications for FY26 are already locked in. The USD100k fee will start to impact from **FY27 onwards**, when new petitions are filed.

### Illustrative cost impact:

If an IT company were to apply for 5,000 H-1Bs in FY27, the annual fee alone would amount to **USD500m (5,000 × USD100k)**. Given the magnitude of this fee, it is likely that Indian IT companies will **avoid new H-1B filings altogether,** opting instead to expand offshore delivery or increase local hiring.

### Business model response:

1) If new H-1Bs vanish, on-site revenues will decline, but so do on-site costs.
2) This shift could improve operating margins, as offshore work tends to be structurally more profitable.
3) The net effect on EPS could be neutral in the medium term, although top-line growth could be slower.

### Evolving risk:

This order is likely to be challenged in US courts and may not survive in its current form.

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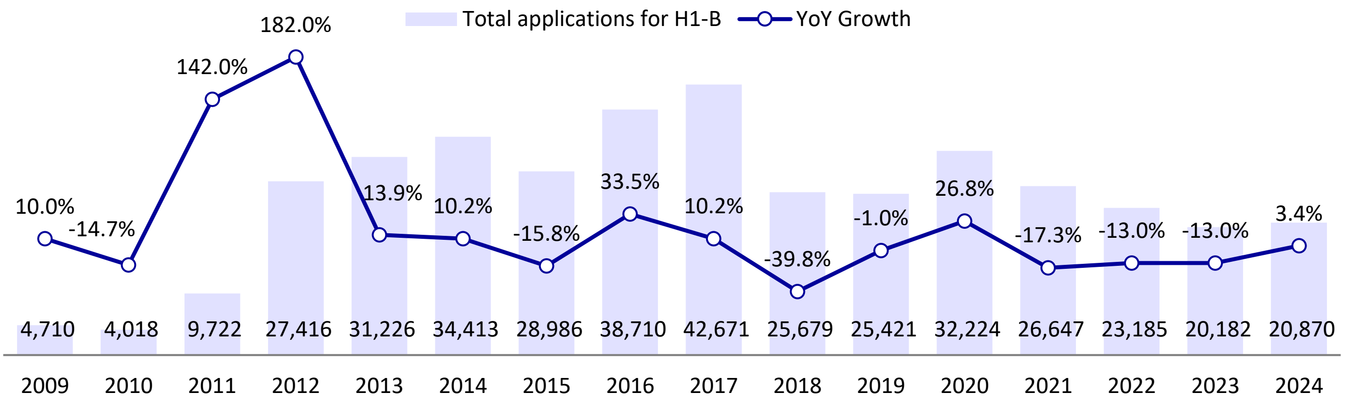
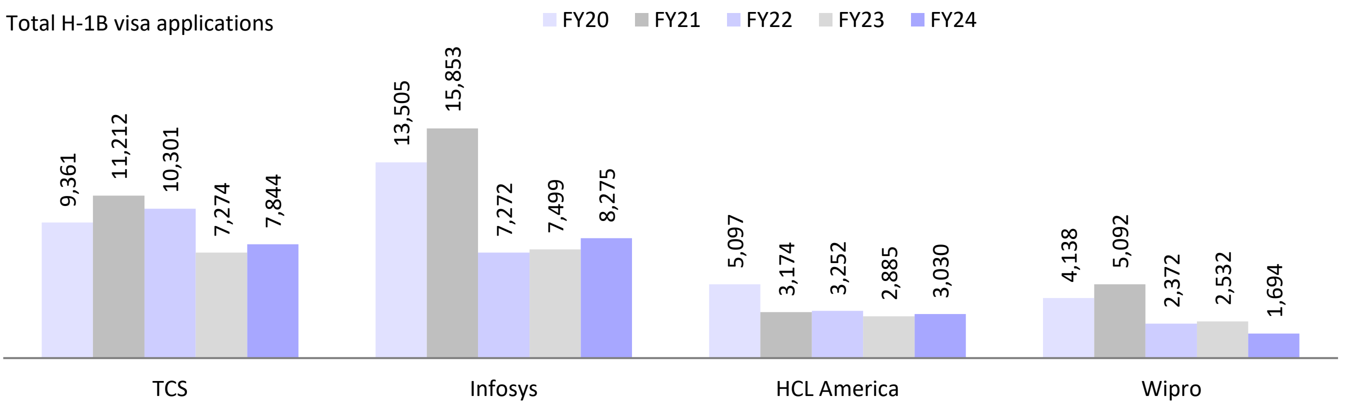
**Exhibit 1: Applications for H-1B visas witnessed a decline from the highs of 2017**



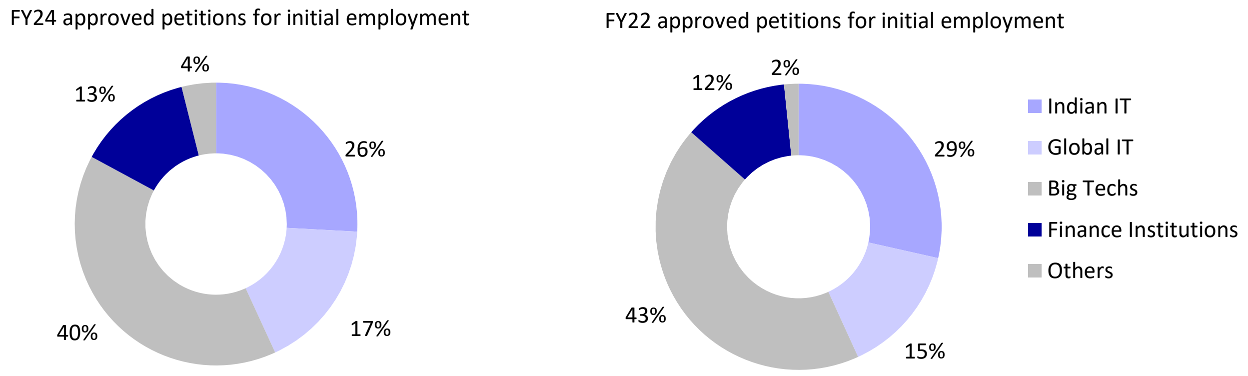

Note: H-1B cycle follows US govt fiscal year (Oct- Sept), Source: USCIS, MOFSL

**Exhibit 2: Top Indian IT vendors have reduced their reliance on H-1B visas**



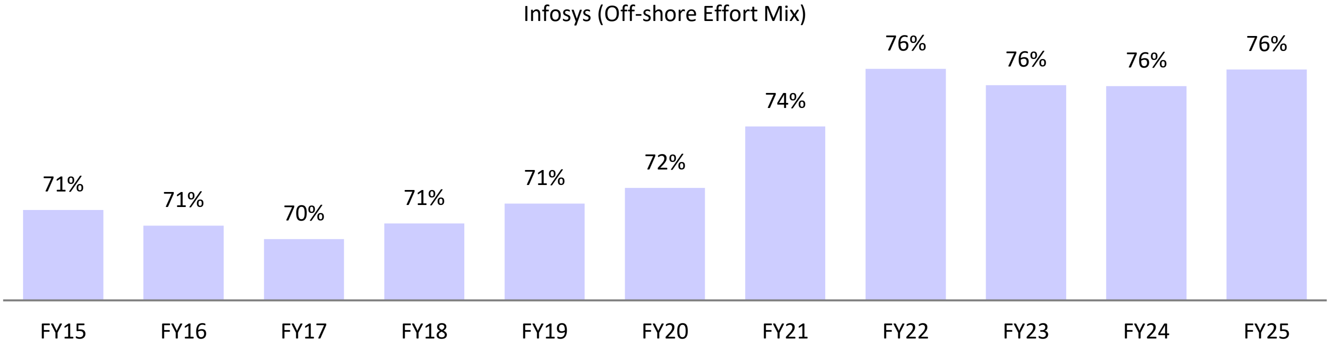

Note: H-1B cycle follows US govt fiscal year (Oct- Sept), Source: USCIS, NFAP, MOFSL

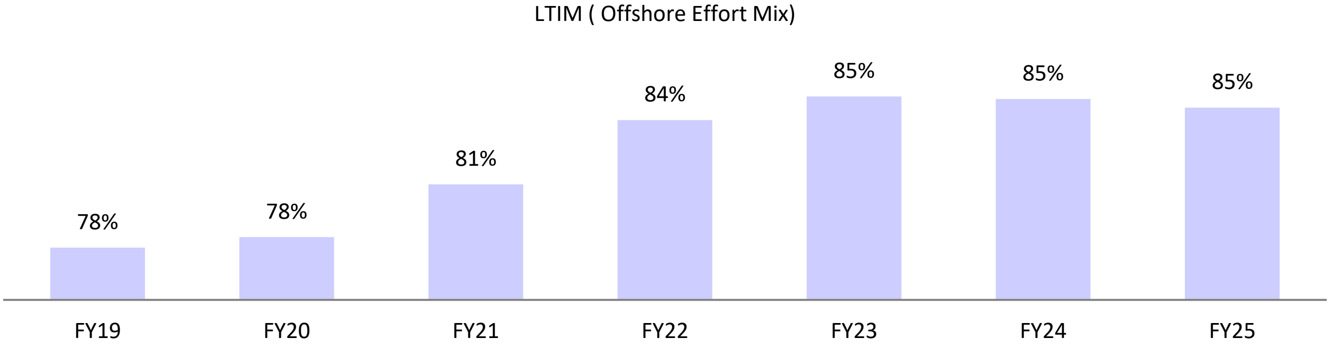
**Exhibit 3: Although the H-1B program is often portrayed as an 'India IT' visa channel, in practice, Big Tech companies (Google, Amazon, Microsoft, Meta, etc.) account for a larger share of fresh applications than Indian IT**

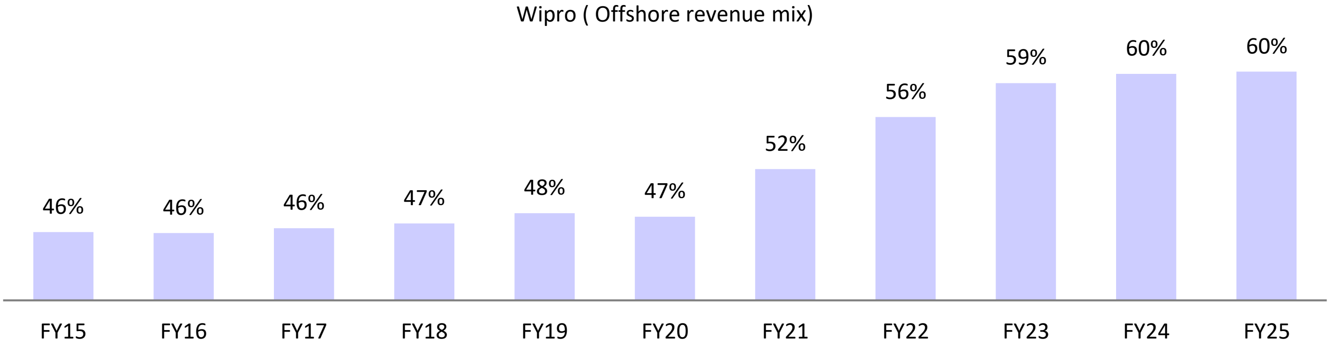



Source: USCIS, NFAP, MOFSL; Note: Indian IT includes TCS, INFO, HCLT, WPRO, TECHM and LTIM; Global IT includes CTSH, CAP, CAN; Big Tech includes AMZN, IBM, MSFT, GOOGL, META, APPL, INTEL, TSLA

**Exhibit 4: Structural decline in dependency on onshore effort mix among IT companies over the past decade**




Source: MOFSL, Company

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