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Growth revival: Cloud to AI led services

The Indian IT services sector is positioned for a growth recovery starting in 2026, following a phase of muted performance from 2022 to 2025. The upcoming revival is expected to be underpinned by AI services, which are emerging as the key growth engine, as reflected in the increasing traction of AI-led deal wins. Drawing a parallel with the previous major cloud transformation cycle (2016–2018), the sector initially experienced growth moderation during the transition phase, as enterprises realigned to new delivery models and progressively shifted workloads to the cloud. This phase was subsequently followed by a sharp post-COVID growth upcycle, fuelled by accelerated cloud adoption and broad-based digital transformation. A similar pattern is now visible in the transition towards AI-led services, where the initial phase (2022–2025) has been characterized by growth moderation, driven by AI-led deflationary pressures, macro uncertainties linked to trade wars, subdued discretionary spending, elongated client decision cycles, and evolving delivery models in response to H-1B visa reforms. The retail and manufacturing verticals came under pronounced spending pressure while BFSI demonstrated relative resilience. However, these headwinds are progressively easing as AI moves to the core of enterprise technology roadmaps, deal activity intensifies with AI as the central theme, and enterprise confidence improves amid prospects of a trade resolution. Unlike the cloud cycle, which saw a sharp post-pandemic inflection in growth, the AI cycle is expected to be more prolonged and measured. Growth recovery is anticipated from FY27E onwards, with AI-led services shaping the next long-term growth phase for the Indian IT services sector.

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The Indian IT services sector is positioned for a growth recovery starting in 2026, following a phase of muted performance from 2022 to 2025. The upcoming revival is expected to be underpinned by AI services, which are emerging as the key growth engine, as reflected in the increasing traction of AI-led deal wins. Drawing a parallel with the previous major cloud transformation cycle (2016–2018), the sector initially experienced growth moderation during the transition phase, as enterprises realigned to new delivery models and progressively shifted workloads to the cloud. This phase was subsequently followed by a sharp post-COVID growth upcycle, fuelled by accelerated cloud adoption and broad-based digital transformation. A similar pattern is now visible in the transition towards AI-led services, where the initial phase (2022–2025) has been characterized by growth moderation, driven by AI-led deflationary pressures, macro uncertainties linked to trade wars, subdued discretionary spending, elongated client decision cycles, and evolving delivery models in response to H-1B visa reforms. The retail and manufacturing verticals came under pronounced spending pressure while BFSI demonstrated relative resilience. However, these headwinds are progressively easing as AI moves to the core of enterprise technology roadmaps, deal activity intensifies with AI as the central theme, and enterprise confidence improves amid prospects of a trade resolution. Unlike the cloud cycle, which saw a sharp post-pandemic inflection in growth, the AI cycle is expected to be more prolonged and measured. Growth recovery is anticipated from FY27E onwards, with AI-led services shaping the next long-term growth phase for the Indian IT services sector.

- **AI-led deal wins accelerate:** Indian IT companies have notably shifted their focus from traditional digital transformation projects to AI-centric engagements over the past six quarters. This change is evident in the significant acceleration in AI-focused deal wins among leading firms. HCL Tech stands out with 139 AI-related deals, accounting for ~72% of its total 194 deals, underscoring its strong positioning in AI-driven service transformations. TCS shows an even higher AI deal concentration, with 81 AI deals making up ~76% of its 106 deals, reflecting its strategic investment in AI platforms and modernization. INFY, Wipro and Tech Mahindra also report the majority of their recent contract wins centred on AI solutions, highlighting AI's role as a critical growth and innovation driver. These trends confirm that AI is now a mainstream technology embedded at the core of Indian IT service offerings and client engagements.

- **Outlook and valuations:** The IT index is down 12% YTD but has rebounded by ~9% over the past month, supported by easing macro concerns, rupee depreciation, stronger traction in AI-led deal activity, and rising expectations of discretionary spend recovery and growth normalization into FY27/28E. The IT sector is projected to achieve a 6% USD revenue CAGR and an 12% EPS CAGR over FY25-28E, a marked improvement from the 3% revenue and 7% EPS growth seen in the past three years. The current sector valuations stand 6% below the five-year average of 25.4x and are at 36% discount to the five-year peak of 32x, reflecting an upside potential for rerating as AI-driven revenue streams expand and growth gains momentum. The rupee depreciation will provide cushion to margins. We turn positive on the sector and increase EPS estimates by ~3.5% and multiples by ~13%. **Consequently, LTIM, Birlasoft, Sonata, and Happiest Minds are upgraded to BUY, with Mphasis upgraded to ADD. Top sector picks include Infosys, Tech Mahindra, and LTIM in the tier-1 segment, while Persistent, Mphasis, Birlasoft, and Sonata stand out among mid-tier IT companies.**

Company	CMP* (INR)	RECO	TP (INR)
TCS	3,238	ADD	4,050
INFO*	1,616	BUY	2,060
HCLT*	1,683	BUY	2,000
WPRO*	260	REDUCE	275
LTIM*	6,292	BUY	7,500
TECHM	1,571	ADD	1,800
PSYS*	6,521	ADD	7,400
MPHL*	2,954	ADD	3,460
LTTS	4,546	ADD	5,450
TELX	5,218	ADD	6,400
ZENT	746	ADD	930
CYL	1,169	ADD	1,470
BSOFT*	433	BUY	520
SSOF*	361	BUY	490
HAPPSTMN	505	BUY	725
MAST	2,157	BUY	3,300

*CMP as on 5th December 2025 * Multiple change from last update, TP based on Mar-28E EPS

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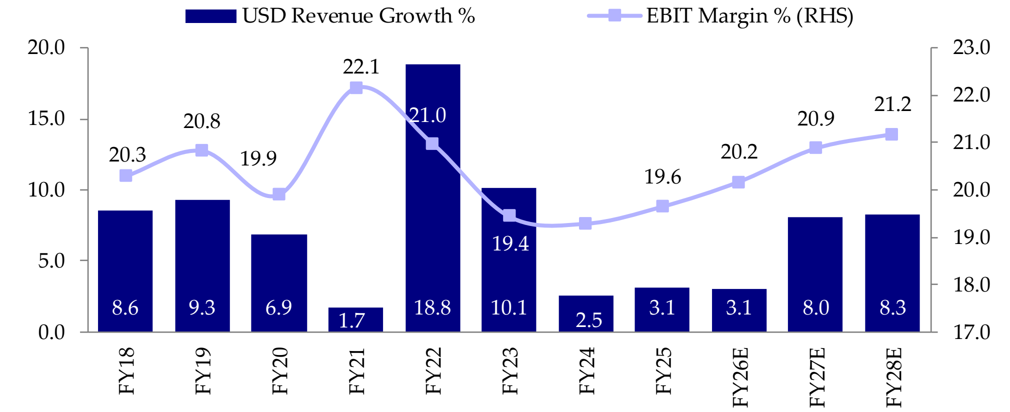
Focus Charts

Exhibit 1: IT sector aggregate USD revenue growth and EBIT margin



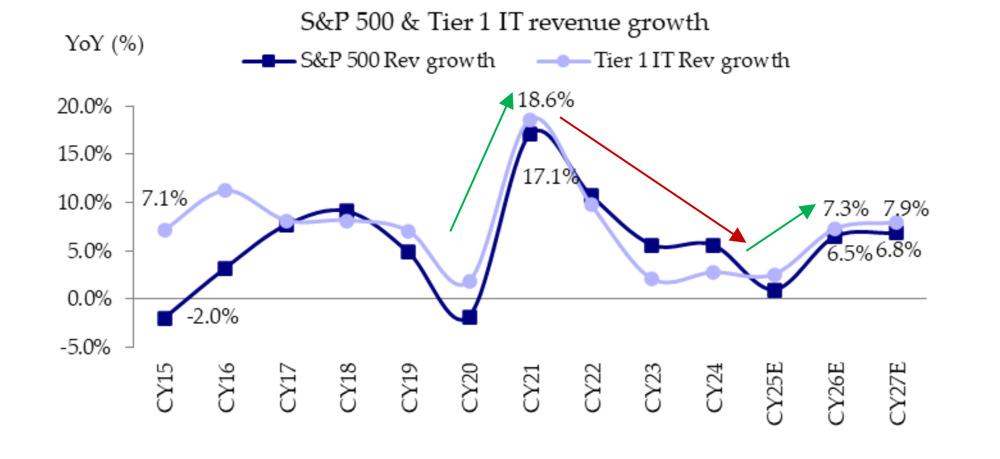
Source: Company, HSIE Research

Exhibit 2: Indian IT sector projections and growth scenarios

Year	Bull Case			Bear Case		
	2025	2030E	CAGR %	2025	2030E	CAGR %
Global GDP (USD trn)	114	132	3%	114	126	2%
Global IT Spend (USD trn)	**1.5**	**2.1**	**7%**	**1.5**	**2.0**	**6%**
% of Total global GDP	1.3%	1.6%		1.3%	1.6%	
Indian IT Sector (USD bn)	**300**	**470**	**9%**	**300**	**350**	**3%**
% of total global spend	20%	22%		20%	17%	
Indian IT Work Force (mn)	7.5	8.5	3%	7.5	7.0	-1%
USD/Year (Productivity)	40,000	55,000	7%	40,000	50,000	5%

Source: HSIE Research, reference from NASSCOM, BCG and Niti Aayog report

Exhibit 3: S&P 500 and tier-1 IT revenue growth has high correlation



Note: Tier 1 includes: TCS, INFY, WPRO, HCLT, TECHM, LTIM
Source: Bloomberg estimates for S&P500 index constituents, HSIE Research

Exhibit 4: Vertical-wise revenue growth projections for S&P 500 index constituents

Revenue Growth (%)	CY19	CY20	CY21	CY22	CY23	CY24	CY25E	CY26E	CY27E
BFSI	6.6%	-0.7%	11.0%	8.2%	12.7%	9.4%	1.3%	5.6%	5.3%
Manufacturing	0.4%	-2.7%	14.3%	9.9%	3.4%	0.7%	3.1%	4.9%	4.9%
Retail & CPG	4.8%	3.7%	11.7%	7.4%	2.9%	1.2%	2.8%	4.0%	4.2%
Hi-Tech	6.5%	7.5%	13.1%	7.1%	5.2%	6.6%	7.1%	7.3%	6.6%
Healthcare	5.6%	7.2%	16.5%	3.3%	4.2%	6.0%	6.0%	5.2%	5.6%
Energy & Utilities	-1.2%	-6.3%	14.8%	22.8%	-5.7%	-0.6%	6.5%	4.0%	4.9%
Travel & Hospitality	3.7%	-24.2%	34.1%	16.5%	7.9%	5.9%	3.3%	4.1%	5.6%
Others	4.4%	-0.3%	10.8%	13.0%	6.7%	5.4%	4.3%	3.0%	4.2%
Aggregate	**5.2%**	**-0.5%**	**16.0%**	**10.3%**	**6.2%**	**5.5%**	**1.2%**	**6.1%**	**6.8%**

Source: Bloomberg estimates for S&P500 index constituents

Exhibit 5: IT Services: valuations and rating comparative table

Company	MCap (INR bn)	CMP (INR)	TP INR)	RECO	EPS (INR)				P/E (x)				RoE (%)				USD Rev CAGR% FY25-28E	EPS CAGR% FY25-28E
					FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E		
TCS	11,716	3,238	4,050	ADD	134.2	147.3	160.3	176.2	24.1	22.0	20.2	18.4	52.4	56.0	59.6	62.4	5.3	9.5
INFO	6,708	1,616	2,060	BUY	64.3	72.5	80.3	89.5	25.1	22.3	20.1	18.1	29.0	31.2	33.3	34.8	6.5	11.6
HCLT	4,567	1,683	2,000	BUY	62.5	67.7	80.0	88.9	26.9	24.9	21.0	18.9	24.6	26.0	29.2	30.1	7.3	12.5
WPRO	2,727	260	275	REDUCE	12.5	13.0	14.2	15.3	20.8	20.0	18.3	17.0	16.6	16.0	16.7	17.1	3.5	6.9
LTIM	1,861	6,292	7,500	BUY	155.6	188.2	227.9	268.0	40.4	33.4	27.6	23.5	21.5	22.8	23.9	24.3	10.9	19.9
TECHM	1,392	1,571	1,800	ADD	49.4	60.2	78.4	89.5	31.8	26.1	20.0	17.5	16.2	19.1	23.6	25.0	5.8	21.9
PSYS	1,003	6,521	7,400	ADD	91.0	114.0	143.2	176.1	71.7	57.2	45.5	37.0	24.8	25.6	27.3	28.2	16.9	24.6
MPHL	553	2,954	3,460	ADD	91.0	102.2	117.6	138.7	32.5	28.9	25.1	21.3	18.5	19.1	20.3	21.9	9.8	15.1
LTTS	480	4,546	5,450	ADD	119.9	134.0	169.2	194.9	37.9	33.9	26.9	23.3	22.2	21.9	24.3	24.4	10.6	17.6
TELX	325	5,218	6,400	ADD	126.0	115.2	153.6	183.6	41.4	45.3	34.0	28.4	29.3	23.9	28.6	30.3	9.7	13.4
ZENT	170	746	930	ADD	28.4	32.4	36.9	42.4	26.2	23.1	20.2	17.6	16.6	16.7	16.9	17.4	9.6	14.2
CYL	129	1,169	1,470	ADD	56.3	56.4	65.4	81.5	20.8	20.7	17.9	14.4	13.0	11.4	12.4	14.5	6.7	13.1
BSOFT	120	433	520	BUY	18.8	14.6	20.5	23.6	23.0	29.7	21.1	18.4	15.8	11.3	14.8	15.5	4.3	7.9
SSOF	101	361	490	BUY	15.1	16.0	18.7	22.0	23.9	22.6	19.3	16.4	27.3	24.7	25.5	26.3	8.1	13.3
HAPPSTMN	77	505	725	BUY	12.7	16.2	19.8	24.2	39.7	31.2	25.5	20.9	12.7	15.0	16.8	18.6	13.9	23.9
MAST	68	2,157	3,300	BUY	116.4	123.3	146.3	166.4	18.5	17.5	14.7	13.0	16.2	14.9	15.6	15.6	10.9	12.6
IT AVG									**31.5**	**28.7**	**23.6**	**20.2**	**22.3**	**22.2**	**24.3**	**25.4**	**8.7**	**14.9**
IT Median									**26.6**	**25.5**	**20.6**	**18.4**	**20.0**	**20.5**	**23.7**	**24.3**	**8.8**	**13.3**

Source: HSIE Research, CMP as on 5th Dec 2025

Exhibit 6: Global IT peers: valuations

Company	MCap (USD bn)	CMP USD	TP	RECO	EPS				P/E (x)				RoE (%)				USD Rev CAGR% FY25-28E	EPS CAGR% FY25-28E
					FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E		
Accenture	165.9	268	NA	NR	12.3	13.8	14.9	16.1	21.8	19.4	18.0	16.6	25.8	25.9	25.0	24.4	5.5	9.5
Cognizant	38.9	81	NA	NR	4.5	5.2	5.5	6.0	17.9	15.6	14.6	13.5	16.2	16.6	16.1	16.0	8.5	9.9
Capgemini^	24.8	145	NA	NR	9.8	12.0	12.3	13.3	14.7	12.1	11.8	10.8	15.0	15.2	15.9	15.8	4.0	10.7
EPAM	11.2	203	NA	NR	7.9	11.1	12.1	13.5	25.7	18.3	16.8	15.1	12.8	14.4	13.7	14.5	15.5	19.4
Globant	3.2	72	NA	NR	3.8	6.1	6.3	6.8	18.8	11.7	11.3	10.5	9.0	12.9	11.1	11.0	5.1	21.2
TietoEVRY^	2.2	18	NA	NR	NA	1.3	1.5	1.6	NA	14.6	12.6	11.6	(4.3)	3.4	12.5	14.7	NA	NA
Global IT AVG									**19.8**	**15.4**	**14.5**	**13.3**	**15.8**	**17.0**	**16.4**	**16.3**	**7.7**	**14.1**
Global IT Median									18.8	15.6	14.6	13.5	15.0	15.2	15.9	15.8	5.5	10.7

Source: Bloomberg consensus, HSIE Research, CMP as on 5th Dec 2025, ^ in EUR, Global IT AVG and Median excludes TietoEVRY

Change in estimates & rating

Exhibit 7: Change in estimates

Company	Revenue USD Mn (NEW)			Change (%)			EBIT % (NEW)			Change (bps)			EPS (INR) NEW			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
TCS	30,245	32,521	35,249	0.2%	0.5%	0.5%	25.3	25.6	25.7	29	24	24	147.3	160.3	176.2	2.0%	3.1%	3.0%
INFO	20,270	21,664	23,272	0.2%	0.6%	0.4%	21.4	22.0	22.3	31	27	27	72.5	80.3	89.5	2.5%	3.3%	3.2%
HCLT	14,701	15,959	17,110	0.2%	0.8%	0.7%	17.7	18.9	19.3	30	45	47	67.7	80.0	88.9	2.7%	4.7%	4.6%
WPRO*	10,473	11,038	11,655	0.1%	0.3%	0.3%	17.3	17.9	18.2	33	50	48	13.0	14.2	15.3	2.0%	3.4%	3.4%
LTIM	4,787	5,416	6,120	0.0%	0.5%	0.4%	15.5	16.6	17.3	37	41	26	188.2	227.9	268.0	3.1%	4.2%	3.3%
TECHM	6,394	6,875	7,415	0.0%	0.0%	0.0%	12.5	14.7	15.5	11	25	35	60.2	78.4	89.5	1.2%	2.0%	2.0%
PSYS	1,654	1,951	2,249	0.1%	0.6%	0.7%	15.7	16.5	17.0	15	44	43	114.0	143.2	176.1	0.4%	2.8%	3.0%
MPHL	1,808	2,016	2,223	0.2%	0.9%	0.9%	15.8	16.0	16.7	37	27	34	102.2	117.6	138.7	2.7%	2.9%	3.4%
LTTS	1,376	1,537	1,704	0.5%	0.6%	0.5%	14.3	15.9	16.3	17	40	28	134.0	169.2	194.9	2.5%	4.5%	3.6%
TELX	430	504	582	0.0%	0.0%	0.0%	21.7	24.9	25.6	33	22	28	115.2	153.6	183.6	2.2%	2.3%	2.5%
ZENT	657	734	821	0.0%	0.6%	0.9%	13.7	14.0	14.4	24	37	40	32.4	36.9	42.4	2.3%	4.1%	4.5%
CYL	831	917	1,037	0.0%	0.0%	0.0%	10.5	11.5	12.4	25	40	38	56.4	65.4	81.5	3.1%	5.2%	4.7%
BSOFT	608	653	722	0.0%	0.5%	0.8%	11.5	11.9	12.4	30	18	17	14.6	20.5	23.6	3.3%	3.7%	3.7%
SSOF*	332	371	423	0.0%	1.1%	1.5%	17.4	18.0	18.6	8	13	19	16.0	18.7	22.0	1.3%	3.6%	3.9%
HAPPSTMN	266	308	360	0.0%	0.0%	0.0%	14.6	15.2	15.5	35	26	24	16.2	19.8	24.2	3.5%	3.5%	3.3%
MAST	440	494	557	0.0%	0.5%	0.5%	13.9	14.5	14.5	36	17	34	123.3	146.3	166.4	3.3%	2.7%	4.0%

Source: Company, HSIE Research; *Wipro is IT Services USD revenue and Sonata is IITS revenue & IITS EBITDA margin

Exhibit 8: Change in TP & ratings

Companies	M-cap (INR bn)	CMP (INR)	TP Old (INR)	New TP (INR)	Old Rating	New Rating	Old multiple (x)	New multiple (x)	5Y Avg (x)	10Y Avg (x)	Prem/Disc. to 5Y Avg	Prem/Disc. to 10Y Avg
TCS	11,716	3,238	3,750	4,050	ADD	ADD	23	23	27	24	-15%	-4%
INFO	6,708	1,616	1,800	2,060	BUY	BUY	22	23	25	21	-7%	10%
HCLT	4,567	1,683	1,700	2,000	BUY	BUY	21	22	21	17	4%	26%
WPRO	2,727	260	240	275	REDUCE	REDUCE	17	18	21	18	-13%	2%
LTIM	1,861	6,292	5,750	7,500	ADD	BUY	24	28	31	24	-9%	14%
TECHM	1,392	1,571	1,700	1,800	ADD	ADD	20	20	21	17	-5%	15%
PSYS	1,003	6,521	6,200	7,400	ADD	ADD	40	42	39	27	9%	58%
MPHL	553	2,954	2,735	3,460	REDUCE	ADD	22	25	26	21	-4%	21%
LTTS	480	4,546	4,900	5,450	ADD	ADD	28	28	35	28	-20%	1%
TELX	325	5,218	5,765	6,400	ADD	ADD	35	35	53	36	-34%	-3%
ZENT	170	746	835	930	ADD	ADD	22	22	20	16	11%	35%
CYL	129	1,169	1,300	1,470	ADD	ADD	18	18	20	16	-8%	11%
BSOFT	120	433	380	520	ADD	BUY	18	22	21	15	4%	51%
SSOF	101	361	390	490	ADD	BUY	20	22	22	17	0%	31%
HAPPSTMN	77	505	635	725	ADD	BUY	30	30	49	NA	-38%	NA
MAST	68	2,157	3,030	3,300	BUY	BUY	20	20	20	15	2%	31%

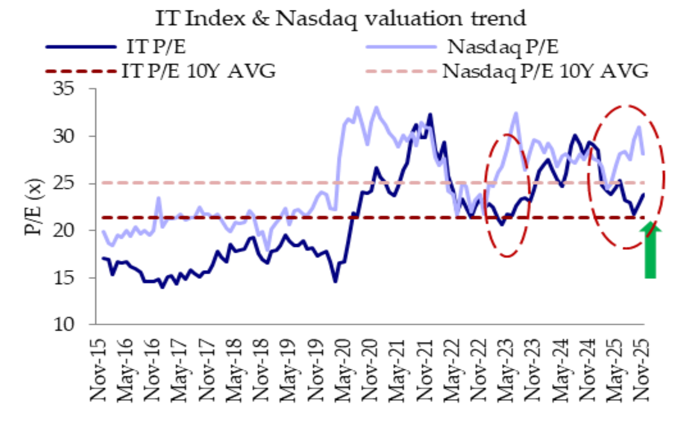
Source: Company, HSIE Research, CMP as on 5th Dec 2025

Exhibit 9: IT Sector stock performance (%) – IT index has outperformed Nifty in the last one month, YTD down 11%

Company	M-cap (USD bn)	CMP (INR)	1W (%)	1M (%)	3M (%)	6M (%)	1Y (%)	3Y (%)	5Y (%)	YTD (%)
TCS	130.3	3,238	3.2	8.3	6.2	-3.9	-27.5	-5.5	18.7	-20.9
INFY	74.6	1,616	3.6	10.1	11.9	4.0	-16.5	-1.4	42.4	-14.0
HCLT	50.8	1,683	3.6	10.1	18.6	3.1	-12.5	48.8	96.0	-12.2
WPRO	30.3	260	4.2	9.2	6.7	4.8	-13.2	26.1	44.1	-13.9
LTIM	20.7	6,292	3.2	12.0	21.1	21.4	-0.9	26.5	92.7	12.6
TECHM	15.5	1,571	3.5	11.5	6.3	0.5	-12.1	42.8	70.2	-7.9
PSYS	11.2	6.521	2.6	11.3	27.1	16.0	6.9	205.9	969.7	1.0
MPHL	6.2	2,954	5.1	6.8	5.6	16.8	-3.2	38.3	121.3	3.7
LTTS	5.3	4,546	2.4	11.2	10.3	5.1	-14.8	7.0	152.3	-4.0
TELX	3.6	5,218	1.1	-3.0	-4.3	-19.6	-29.2	-25.1	212.5	-23.2
ZENT	1.9	746	-0.5	1.4	-3.9	-10.3	-3.5	213.2	240.9	-0.7
CYL	1.4	1,169	4.1	1.1	0.3	-12.7	-40.2	36.7	144.1	-36.4
BSOFT	1.3	433	13.8	16.8	15.2	5.4	-28.7	31.4	129.9	-22.8
SSOF	1.1	361	1.1	-3.5	0.6	-11.8	-46.1	22.6	180.1	-39.7
HAPPSTMN	0.9	505	1.2	-0.4	-11.2	-15.0	-33.6	-48.5	54.9	-31.3
MAST	0.8	2,157	-2.6	0.9	-11.5	-8.0	-32.4	22.0	120.1	-27.6
NSE IT Index			**3.5**	**9.7**	**11.7**	**4.3**	**-13.6**	**25.3**	**73.5**	**-10.7**
NIFTY			**-0.1**	**2.3**	**5.8**	**5.8**	**6.0**	**40.0**	**97.5**	**10.7**
Nasdaq			**0.6**	**0.0**	**8.3**	**21.8**	**19.3**	**109.1**	**88.6**	**21.7**

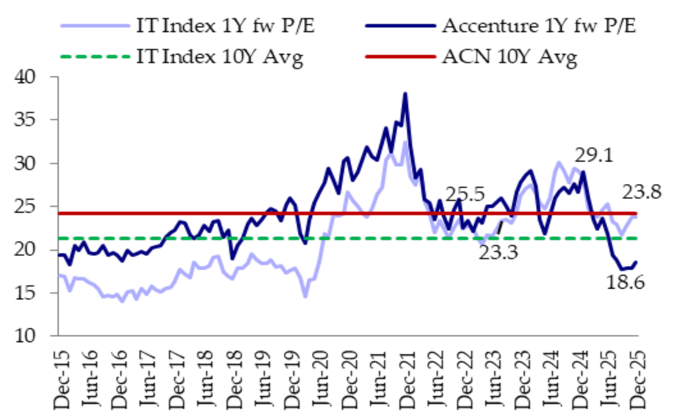
Source: Bloomberg, HSIE Research, CMP as on 5th December 2025

Exhibit 10: Nifty IT and Nasdaq valuations



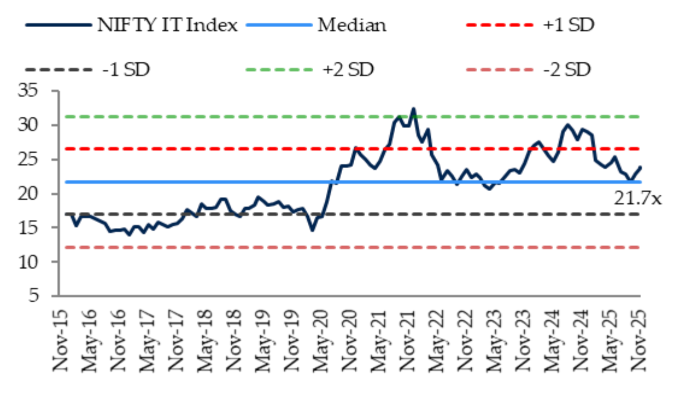
Source: Company, HSIE Research, Nifty IT and Nasdaq valuations move in sync and whenever there is a divergence the valuations catchup

Exhibit 11: Nifty IT vs Accenture



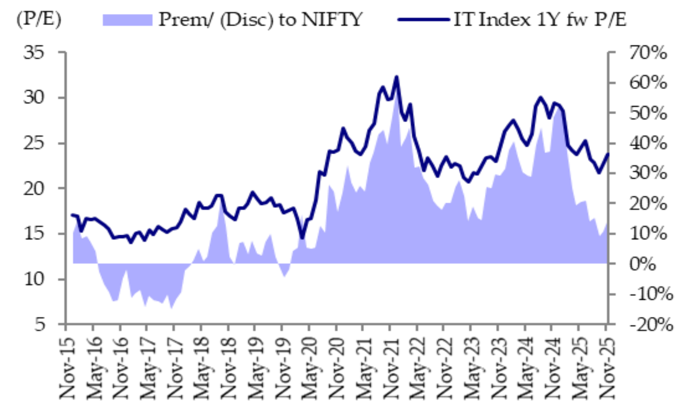
Source: Company, HSIE Research

Exhibit 12: NIFTY IT current 1-year forward P/E is slightly above its 10-year median valuation



Source: Bloomberg, HSIE Research

Exhibit 13: IT Index Valuation Trend vs NIFTY: The IT index has traded at a 30% premium to NIFTY P/E



Source: Bloomberg, HSIE Research

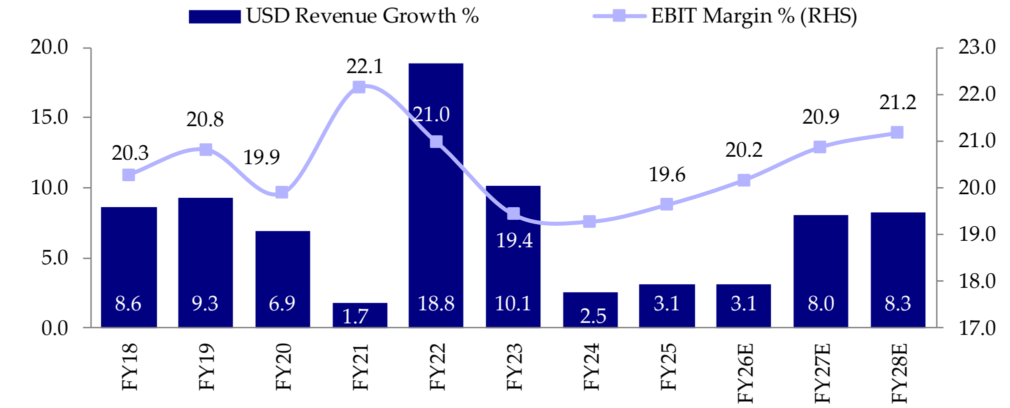
Contents

Entering the next growth cycle – powered by AI

The revival in growth for the Indian IT services sector is strongly driven by AI-centric deal wins, reflecting a significant recovery in enterprise spending on next-generation technologies. This resurgence is underpinned by a strategic shift from traditional digital transformation to AI-first initiatives, which are delivering measurable productivity gains and reshaping business value creation. The enterprise spending recovery is evident across multiple verticals such as BFSI, manufacturing, retail, hi-tech, and healthcare, with BFSI tech spend showing resilience and manufacturing experiencing a robust turnaround after stagnation. Global enterprise commentary suggests a stable demand environment, with companies prioritizing AI-enabled capabilities to achieve cost reductions, automation enhancements, and innovation acceleration.

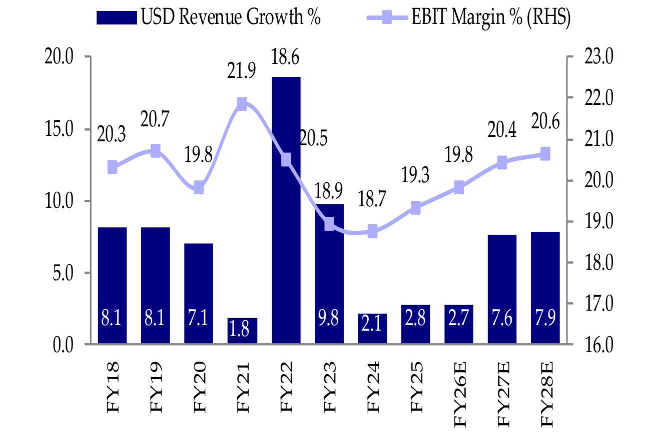
We expect growth acceleration for the sector in FY27E, supported by the robust AI-led deal pipeline and broad-based vertical recovery, signalling renewed confidence. We expect growth to recover to 7.7% in FY27E vs average growth of ~3% for the last three years. This recovery manifests a transformational industry phase where AI is at the core of deal wins and enterprise investments, catalysing an uptrend in revenue growth and market optimism.

Exhibit 14: IT Sector aggregate revenue growth and margin trend



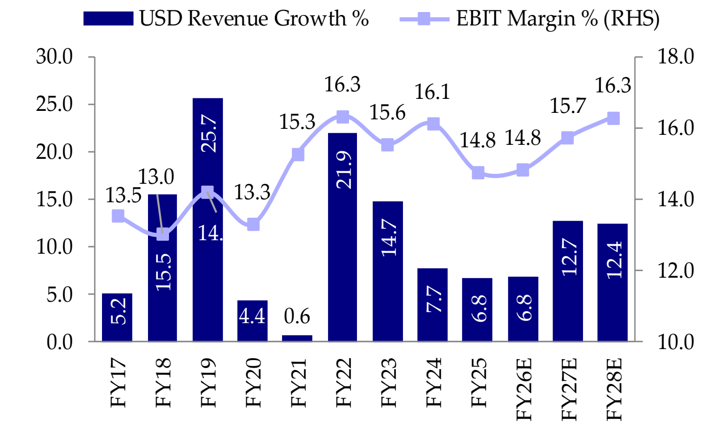
Source: Company, HSIE Research

Exhibit 15: Tier-1 revenue growth and margin trend



Source: Company, HSIE Research

Exhibit 16: Tier-2 revenue growth and margin trend



Source: Company, HSIE Research

AI-led deal wins accelerate meaningfully

The deal trends among IT companies indicate a significant shift from primarily digital transformation projects towards AI-centric engagements. While digital transformation deals historically focused on cloud migration, infrastructure modernization, automation, and foundational digital services, the recent patterns show a surge in contracts centred on AI technologies such as generative AI, agentic AI, machine learning, and AI-driven automation platforms. This evolution is driven by clients' increasing demand for integrating AI to achieve deeper operational efficiencies, predictive analytics, enhanced customer experiences, and innovative product engineering, marking AI as a critical element in contemporary IT service delivery.

We analysed the total deals signed/announced over the last six quarters and found that HCL Tech shows a notable volume of deals with AI as the central theme, comprising 139 AI-focused deals out of a total of 194 deals, reflecting its strong positioning in AI-led service transformations and AI engineering innovations. TCS similarly demonstrates a robust AI engagement portfolio, with 81 AI deals out of 106 total deals, highlighting its strategic investments in AI platforms and operational modernization with AI capabilities. Wipro's deal profile indicates an even higher relative focus on AI, with 83 AI-themed deals from 99 total deals, underlining its commitment to AI-driven delivery and digital transformation solutions. Infosys, LTIMindtree, and Tech Mahindra also reflect a significant proportion of AI deals, with AI constituting the majority of their recent contract wins—demonstrating the widespread adoption of AI as a strategic imperative across major Indian IT services firms.

This deal data underscores a broad industry transition where AI is no longer a niche but a mainstream component of IT services, reshaping client engagements and competitive dynamics in the sector. The escalation of AI deals compared to traditional digital transformation projects signals that IT companies are pivoting toward embedding AI at the core of their value proposition and innovation roadmap.

Exhibit 17: Rising intensity of AI deals (Q1FY25 and beyond)

Company	AI Deals	Digital Transformation	Managed Services/Vendor	Others	Total Deals	% of AI deals
HCL Tech	81	4	3	18	106	76%
Wipro	39	5	1	5	50	78%
TCS	83	8	2	6	99	84%
TechM	139	11	8	36	194	72%
Infosys	50	4	3	10	67	75%
LTIM	33	6	8	14	61	54%
Total	**425**	**38**	**25**	**89**	**577**	**74%**

Source: Company, Media Articles, HSIE Research

Exhibit 18: AI led deal wins dominate

DEAL Categories	AI Deals	% of Total deals	Deal definition
AI Deals	425	74%	GenAI, Agentic AI, AI-powered deals, AI-driven, AI-ML, Automation
Digital Transformation	36	6%	Cloud migration, ERP modernization, SAP S/4HANA
Managed Services/Vendor Consolidation	25	4%	IT operations, infrastructure, vendor consolidation
Other/Unclassified	91	16%	Non-IT partnerships, foundational infrastructure

Source: Company, Media Articles, HSIE Research

Exhibit 19: BFSI and Retail has the highest percentage of AI deals

Industry	% of AI Deals	Key Use Cases
Banking/Financial Services	28%	Core banking, AI lending, fraud detection
Retail/CPG	22%	Omnichannel, demand planning, loyalty AI
Telecom/Communication	16%	Network optimization, customer experience AI
Manufacturing	14%	Predictive maintenance, AI engineering, supply chain
Energy/Utilities	6%	Smart grid, sustainability, operations
Healthcare/Life Sciences	5%	Clinical AI, drug discovery, operations
Others	9%	Diverse sectors

Source: Company, Media Articles, HSIE Research

Exhibit 20: Key deal wins in AI (Q1FY25 and beyond)

Client	Vertical	Geography	Service
TCS			
Banco de Crédito del Perú	BFSI	US	IT transformation (AI. Cloud & modernization)
Qantas	Retail & CPG	Australia	Emerging AI technologies to improve automation
Openreach	Communication & Media	UK	Roll-out of next-gen fiber networks (GenAI and cloud-led innovations)
Insper	Regional Markets & Others	Brazil	AI, GenAI, IoT, and spatial computing
Air France-KLM	Retail & CPG	Europe	AI-ready, cloud-native data landscape
Workplace Safety and Insurance Board (WSIB)	Regional Markets & Others	Canada	Guidewire services, cloud, data, and AI
Air New Zealand	Retail & CPG	New Zealand	AI-led transformation & modernization
Olympus	Mfg	US	AI solutions
Schneider Electric Marathon de Paris	Regional Markets & Others	Europe	AI-led transformation, data analytics
Jazeera Airways	Retail & CPG	Kuwait	Digital transformation leveraging Agentic AI
Virgin Atlantic	Retail & CPG	UK	Operations modernization using TCS Cognix and TCS AI WisdomNext
Salling Group	Retail & CPG	Denmark	AI-led cloud migration
Weatherford International	Regional Markets & Others	US	AI-led business transformation
IIT Kanpur	Regional Markets & Others	India	AI-powered urban planning
Government of Odisha	Regional Markets & Others	India	AI-powered Integrated Financial Management System (IMFS) 3.0 & AI Workbench
CEA	Regional Markets & Others	France	AI-research to develop robotics solutions
Vodafone-Idea	Communication & Media	India	AI-powered customer experience platform
Kingfisher PLC	Retail & CPG	Europe	AI-powered operations transformation
ABB	Mfg	Swiss	AI-led digital infrastructure modernization
Lion Pty Ltd	Retail & CPG	Australia & New Zealand	AI-led transformation
NHS	Public Services	UK	Healthcare delivery transformation using AI& Cloud
ALDI SOUTH	Retail & CPG	Germany	AI-enabled Cloud solutions
SAP	Technology & Services	Germany	Enterprise Cloud and Gen AI transformation
Infosys			
ABB FIA Formula E World Championship	Others	US	AI & Digital experience services
Telstra	Communication	Australia	AI-led Engineering transformation
La-Z-Boy	Manufacturing	US	Transforming QA powered by Gen AI, AI/ML led tools
Posti	Others	Finland	Leveraging enterprise AI capabilities through Infosys Topaz
Sally Beauty	Retail	US	Hyper-automation using AI
Old National Bank	Financial Services	US	Transformation and process digitization powered by automation and GenAI
StarHub	Communication	Singapore	AI and cloud technologies, cybersecurity, and digital transformation
RheinEnergie	Energy, Utilities, Resources & Services	Germany	Cloud & AI
Citizens	Financial Services	US	AI-led Transformation

Client	Vertical	Geography	Service
Spark New Zealand	Communication	New Zealand	AI-led Transformation & Cobalt
International Tennis Hall of Fame	Others	US	AI-led transformation
Telstra	Communication	Australia	AI-led modernization
Sunrise	Communication	Switzerland	AI-led transformation
HCLT			
Olympus	Life science & Healthcare	Japan	Engineering and R&D services using AI
Xerox	Mfg	US	AI-driven Engineering services & DPO
Carrix	Mfg	Mexico	AI solutions
Cricket Australia	Public Services	Australia	Leverage generative AI (GenAI)
Children's Minnesota	Public Services	US	AI Force
Western Union	Financial Services	US	AI Force
Standard Insurance Company	Financial Services	US	Gen AI
Just Energy	Public Services	US	AI Force
Astemo Cypremos	Technology & Services	Japan	TestSphere, AI-force, Cloud Bridge
Pearson	Public Services	UK	AIForce, Career Shaper
DIB	Financial Services	Dubai	AI services
Wipro			
Phoenix Group	Banking, Financial Services and Insurance	UK	AI-led modernization, Automation, Cloud, and Digital transformation
Entrust	Technology	US	Gen-AI solutions
Odido	Communication	Netherlands	AI-led IT transformation
TechM			
KOGO AI	Technology, Media & Entertainment	India	Enterprise AI solutions
LTIM			
Association of American Medical Colleges (AAMC)	Health, Life Sciences & Public Services	US	AI-led transformation
Eurobank	Banking, Financial Services and Insurance	Europe	Fairfax Digital Services
Phinia	Mfg	US	AI-led IT transformation
ADM	Consumer Business	US	AI-led solutions
Govt of India (IT department)	Others	India	AI led PAN and TAN modernization
Shopify	Technology, Media & Communications	India	AI-powered commerce platform
Mphasis			
Sixfold	Banking, Capital Market and Insurance	US	AI platform integration
Tata Elxsi			
Skanray	Healthcare & Medical Devices	India	AI and GenAI
European College of Sport and Exercise Physicians	Healthcare & Medical Devices	Europe	Application of AI for advanced diagnostic tools, personalized treatment plans
Cyient			
Vodafone	Communications	US	AI-powered network configuration management solution
Mastek			
NHS England	Healthcare	UK	Board and SIRO training
Happiest Minds			
Coca-Cola	Manufacturing	Vietnam	Deploy GenAI Solutions

Source: Company, Media Articles, HSIE Research

Exhibit 21: Partnership – AI/Gen AI (Q1FY25 & beyond)

Company	Partner	Service
TCS	Google Cloud	Enhance AI adoption for telecom enterprises
	Vianai Systems	Integrate GenAI into core business functions
	SAP	Business transformation with Gen AI
	C-DAC	AI-enabled cloud platforms
	Qualcomm	New co-innovation lab for Software Defined Everything & Edge AI
	NVIDIA	NVIDIA accelerated computing to adopt next-gen AI capabilities
	Google Cloud	Integrate Gemini Enterprise for TCS' workforce and customers
	SINTEF	Deploy AI for elderly care
Infosys	ServiceNow	AI platform for business transformation
	Meta	Centre of Excellence to drive Enterprise AI innovation through Open Source
	University of Cambridge	Establish a new AI lab
	Linux Foundation Networking	New open-source networking projects to accelerate ethical enterprise AI adoption
	Adobe	Marketing lifecycle transformation with AI
Wipro	Kognitos	Enterprise ready Gen-AI business automation solutions
	Microsoft	GenAI powered suite of cognitive assistants for financial services
	Cyble	AI-led threat intelligence solutions to enhance cybersecurity risk management
	Google	Scale adoption of Google Cloud AI
	Dell Technologies	bring Dell AI Factory to Wipro's Enterprise AI-Ready platform
	NVIDIA	Enterprise AI solutions
	SIAM.AI	AI-powered digital assistant
	NVIDIA	Sovereign AI services
	CrowdStrike	AI-powered unified managed security service
HCLT	ARM	Custom silicon chips to support AI-driven business operations
	AWS	Gen-AI led enterprise digital transformation
	NVIDIA	Integrate NVIDIA AI Enterprise with AI Force, and NVIDIA Omniverse with SmartTwin
	Google Cloud	Agentic AI solutions suite
	UiPath	Accelerate agentic automation for global enterprises
	OpenAI	Large-scale enterprise AI transformation
	MIT Media Lab	Collaborate on next-gen AI research
	GSMA	Accelerate telecom innovation through Agentic AI solutions
	Google Cloud	AI-driven Managed Detection and Response (MDR) solutions
	ServiceNow	AI & Cloud Native Lab partner
	Thought Machine	AI & cloud-led transformation of banks
	AWS	Autonomous, AI-powered solutions
	SAP	Physical AI solutions
Tech Mahindra	Nuix	Data protection and fraud detection using AI
LTIM	IBM	Establish GenAI Center of Excellence
	GitHub	AI-driven software engineering
	Voicing.AI	Agentic AI solution for customer engagement process
	Microsoft	Fastrack AI adoption
	Google Cloud	Business transformation with Agentic AI
Mphasis	AWS	Launch GenAI Foundry for financial services
LTTS	MIT Media Lab	Collaborate on AI-led innovations
	Siemens Ltd	AI-led transformation in process engineering & smart manufacturing
	Autodesk	AI-led digital transformation for process and manufacturing industries
Tata Elxsi	KAVIA AI	GenAI powered SDLC automation for enterprises
Sonata Software	IISc's Foundation of Science Innovation & Development	AI-driven scientific research
	Wharton AI & Analytics Initiative	Advance understanding of Agentic AI in enterprise operations
	adesso SE	AI-powered modernization
Mastek	OpenAna	Modernizing software development lifecycle process

Source: Company, Media Articles, HSIE Research

Exhibit 22: Commentary by large global enterprises on GenAI

Company	Management commentary post Q3CY25
JP Morgan	▪ Management recognizes that the AI theme is "incredibly overwhelming" for the entire marketplace right now. ▪ The company is committing significant resources to AI, spending a lot of energy, time, and money on it, and utilizing deep experts. It was noted that the firm has been engaged in AI for a long time, well before the current generative AI boom.
Citigroup	▪ The company will continue to invest in technology to catalyse the transformation and become a more agile and modern bank. ▪ The company has made a firm commitment to embedding AI into how it works, with nearly 180,000 colleagues across 83 countries having access to proprietary AI tool. ▪ The company is investing significantly in AI capabilities within the card portfolio to better serve customers, manage risk, and drive efficiencies. ▪ The global economy has proven more resilient than many anticipated. The US remains a pacesetter, driven by consistent consumer spending and tech investments in AI and data centres.
Bank of America	▪ Bank of America views AI as enhanced intelligence rather than artificial intelligence, reflecting the belief that teammates remain critical to delivering services, and the technology is meant to support them. ▪ A significant foundational investment was required for technology to work effectively: the company spent approximately USD 3bn from 2014 to 2019 to perfect its data, recognizing that competitors will need to make similar investment. ▪ The investment in technology and AI is intrinsically linked to the company's ability to drive efficiently and operating leverage. ▪ The demand for AI and applied technology is incredibly high, demonstrated by existing applications like Erica. The outlook is that the investments will continue to drive operating leverage and efficiency, but they also require persistent, substantial spending on the technology side itself.
Wells Fargo	▪ The company sees automation opportunities as broad-based initiatives to streamline the company. ▪ AI is noted as helping in automating more processes and contributing to ongoing efforts to become more efficient over time on the headcount side. ▪ The company has been increasing its investment in technology. In Q3CY25, the company reported higher technology and advertising expenses driven by investments being made in the businesses to help drive growth.
Goldman Sachs	▪ Goldman Sachs is leveraging AI to meaningfully transform the firm and drive efficiency. This focus is formalized through the launch of One Goldman Sachs 3.0, a new, more centralized operating model propelled by AI.
Thermo Fisher Scientific	▪ OpenAI's advanced technology is being embedded into critical areas of the business, including product development, service delivery, customer engagement, and operations. ▪ Thermo Fisher is treating GenAI technology like a catalyst—using it to accelerate its core processes, much like a potent chemical reagent speeds up a reaction in a lab, enhancing the ability to serve customers and operate efficiently.
Abbott Laboratories	▪ Abbott recently purchased an AI-powered imaging software company in Europe. ▪ The company is clearly leveraging advanced technology and AI for specialized medical applications.
Merck & Co	▪ The company announced a broader plan that will result in the investment of more than USD 70bn in expanded domestic manufacturing and R&D. ▪ Merck intends to fully invest behind its pipeline opportunities and expects an acceleration in underlying operating expense growth in 2026, driven by R&D and SG&A investment.
Pfizer	▪ Pfizer is integrating sophisticated technology, including Artificial Intelligence (AI) and digital capabilities, into its core business strategy, particularly for research and development (R&D) and overall productivity.
T-Mobile	▪ AI is not only being deployed for customer-facing digital transformation but is also integral to current and future network operations. ▪ Looking ahead to the future of 6G, the company announced a year prior its intention to co-invent this standard with world leaders, with an inherent part of the strategy being AI-RAN (refers to AI being at the core of 6G networks). ▪ T-Mobile is looking at how AI can sit at the core of the network and drive everything they do with the network in the future.
AT&T	▪ A central focus of AT&T's investment strategy is to transition away from outdated legacy infrastructure and instead invest in the "AI-ready connectivity" that consumers and businesses need. ▪ AT&T believes that fiber is crucially important for competing effectively in an "AI world".

Source: Company, Bloomberg, HSIE Research

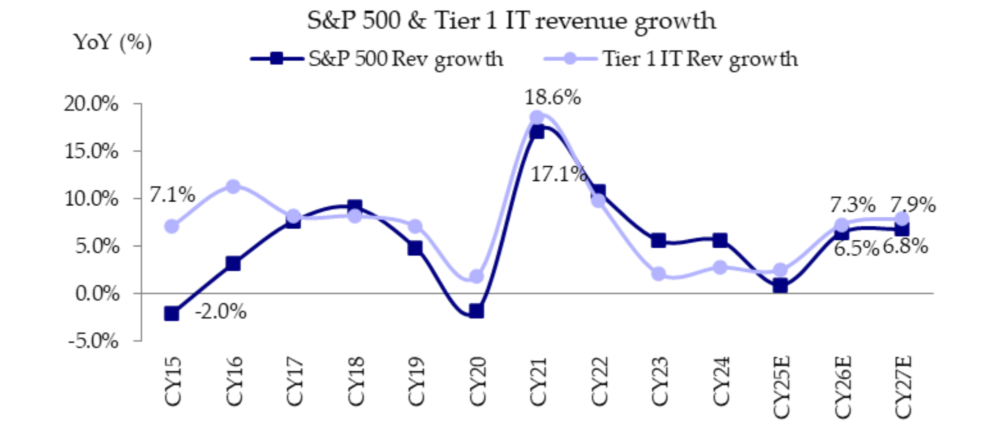
Company	Management commentary post Q3CY25
Verizon	▪ AI is intended to be a key tool to reshape how Verizon interacts with its customers, specifically aimed at improving the value proposition and driving retention. ▪ AI will be leveraged to simplify offers and improve the overall customer experience. ▪ Verizon plans to leverage AI throughout the company to drive significant internal efficiency and cost savings.
Cummins	▪ The growth of Artificial Intelligence is explicitly recognized as a fundamental trend increasing the need for data storage capacity globally. ▪ The demand for data storage, driven significantly by AI, directly translates into a strong market for backup power for data centers.
Rockwell Automation	▪ The rise of AI data centres is explicitly recognized as driving demand for several necessary components. ▪ Process applications traditionally require significant order-specific engineering content and are often people-intensive, which typically suppresses margins. With the further incorporation of artificial intelligence and software defined automation is expected to help simplify the processes.
Caterpillar	▪ The robust demand currently seen in the Energy & Transportation (E&T) segment is explicitly driven by data center growth related to cloud computing and generative AI. ▪ The company is seeing a significant and exciting prime power opportunity with data centers, responding to the broader demand for power that data centers and technological trends are placing on the electricity grid.
ABB	▪ ABB believes that the Robotics business will greatly benefit from combining its leading technology and industry expertise with SoftBank's state-of-the-art capabilities in AI, robotics and next-generation computing. ▪ The demand generated by AI infrastructure is a major driver of growth, particularly within the Electrification business area, where data centers continue to stand out as a strong segment. ▪ ABB sees high customer activity and high interest in getting more capacity and more AI computing online, noting that ABB is one of the key partners to make that happen.
Ford Motor	▪ Ford is systemically deploying AI across the entire industrial system as part of its efforts to modernize facilities and IT to unlock the next level of efficiency. ▪ Company has added 900 AI-powered cameras across its plants to detect quality issues at the source and help them mitigate supply disruptions.
Mercedes Benz	▪ Management has maintained a realistic view about the challenges and opportunities ahead since the beginning of the year and expect the market environment to remain challenging.
BMW	▪ The company sees the application of AI as a key element in its drive for efficiency and cost improvement. ▪ AI applications are among the technologies, along with batteries and digital capabilities (like assistant or autonomous driving), that are often born in a global context, rather than strictly inside Germany or Europe.
Coca Cola	▪ The company expects to bring in AI and agentic tech over the coming years. ▪ Introducing AI and agentic tech is considered part of the necessary evolution and transformation of the organization, ensuring the company remains "discontented" with its strong performance and continues to drive revenue growth. ▪ The core focus concerning intelligence is applying AI and overlaying intelligence to the infrastructure of data that the company has already created. ▪ The application of AI and technology is expected to provide optionality, agility, and flexibility.
Yum! Brands	▪ YUM is leveraging AI internally to build the Byte platform more efficiently and to deepen its data & analytics capabilities.
Amazon	▪ AWS is applying a "building block approach" to AI, positioning itself as the platform where the preponderance of companies' data and workloads reside. ▪ AWS is heavily investing in agents, as they are expected to deliver a lot of the future value companies will get from AI.
Microsoft	▪ The increasing demand and diffusion of Microsoft's AI platform and family of Copilots are fuelling major investments in both capital and talent. ▪ Microsoft is building a "planet-scale cloud and an AI factory," focused on maximizing tokens per dollar per watt.
Apple	▪ AI is one of the strategic areas where Apple is committed to invest USD 600bn in the US over the next four years. ▪ Most of the company's increase in operating expenses is driven by research and development (R&D) related to the increased AI investments.

Source: Company, Bloomberg, HSIE Research

Enterprise trend showing improvement in CY26/27E

India tier-1 IT has a high correlation to S&P 500 revenue growth, which includes large customers across verticals and the growth rate is expected to accelerate over CY26E. Tier 1 IT companies have underperformed S&P 500 in CY22/23/24 which is expected to recover in CY26/27E supported by higher spend on emerging technologies, AI proof of concepts projects gaining scale by most of the large global enterprises. We believe that the outperformance will be led by BFSI and recovery in Manufacturing and Retail verticals.

Exhibit 23: S&P 500 and Tier 1 IT revenue growth is highly correlated



Note: Tier 1 includes: TCS, INFY, WPRO, HCLT, TECHM, LTIM

Source: Bloomberg estimates for S&P500 index constituents, HSIE Research

Exhibit 24: Sharp recovery in growth expected in CY26/27E

Revenue Growth (%)	CY19	CY20	CY21	CY22	CY23	CY24	CY25E	CY26E	CY27E
BFSI	6.6%	-0.7%	11.0%	8.2%	12.7%	9.4%	1.3%	5.6%	5.3%
Manufacturing	0.4%	-2.7%	14.3%	9.9%	3.4%	0.7%	3.1%	4.9%	4.9%
Retail & CPG	4.8%	3.7%	11.7%	7.4%	2.9%	1.2%	2.8%	4.0%	4.2%
Hi-Tech	6.5%	7.5%	13.1%	7.1%	5.2%	6.6%	7.1%	7.3%	6.6%
Healthcare	5.6%	7.2%	16.5%	3.3%	4.2%	6.0%	6.0%	5.2%	5.6%
Energy & Utilities	-1.2%	-6.3%	14.8%	22.8%	-5.7%	-0.6%	6.5%	4.0%	4.9%
Travel & Hospitality	3.7%	-24.2%	34.1%	16.5%	7.9%	5.9%	3.3%	4.1%	5.6%
Others	4.4%	-0.3%	10.8%	13.0%	6.7%	5.4%	4.3%	3.0%	4.2%
Aggregate	**5.2%**	**-0.5%**	**16.0%**	**10.3%**	**6.2%**	**5.5%**	**1.2%**	**6.1%**	**6.8%**

Source: Bloomberg estimates for S&P500 index constituents

Strong deal momentum to drive revenue growth

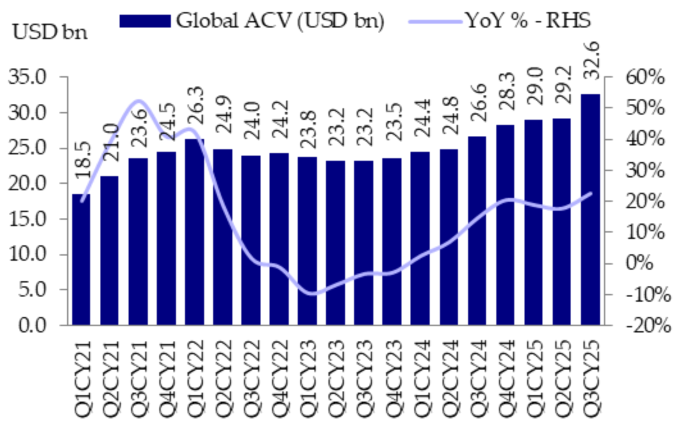
The deal momentum continued to remain strong in Q2FY26 with most of the enterprises prioritising strategic investments in next-gen technologies, particularly AI, to drive future revenue growth. The Tier-1 IT companies (TCS, INFO, HCLT, WPRO, LTIM & TECHM) combined TCV improved by ~22% YoY and Mid-Tier IT companies (MPHL, PSYS, BSOFT, ZENT) combined TCV improved by ~31% YoY in Q2FY26. Deal wins are mostly driven by cost takeout, vendor consolidation, and AI led transformation. We believe that demand environment will recover in FY27E, with companies prioritising strategic investments in next-gen technologies, particularly AI, to drive future deal-wins and revenue growth.

Exhibit 25: Quarterly deal trend by total contract value (USD mn)

Companies	TCV	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
TCS	Total TCV	10,200	11,200	8,100	13,200	8,300	8,600	10,200	12,200	9,400	10,000
INFY	Large deal	2,285	7,684	3,241	4,454	4,085	2,430	2,495	2,637	3,797	3,063
	-Renewals	1,003	3,996	940	2,494	1,732	1,434	923	965	1,712	1,005
	-Net New	1,282	3,688	2,301	1,960	2,353	996	1,572	1,672	2,085	2,058
HCLT	New Deal	1,565	3,969	1,927	2,290	1,960	2,218	2,095	2,995	1,812	2,569
Wipro	Large Deal	1,198	1,275	909	1,191	1,154	1,489	961	1,763	2,666	2,853
	Total	3,724	3,785	3,791	3,607	3,284	3,561	3,514	3,955	4,971	4,688
TECHM	Net New	359	640	381	500	534	603	745	798	809	816
LTIM	Large deal & Net New	1,410	1,300	1,500	1,390	1,400	1,300	1,680	1,600	1,630	1,590
Mphasis	Net New	707	255	241	176	319	207	351	390	760	528
Persistent	Total	380	479	521	448	463	529	594	518	521	609
	-Renewals	143	166	244	146	152	139	261	189	184	258
	-Net New	237	313	277	302	311	390	334	329	337	351
Birlasoft	Total	146	272	218	240	160	136	226	236	141	107
	-Renewals	66	105	124	133	66	47	162	124	65	67
	-Net New	80	167	94	107	94	89	64	112	76	40
Zensar	Total TCV	154	195	168	182	154	202	205	214	172	159

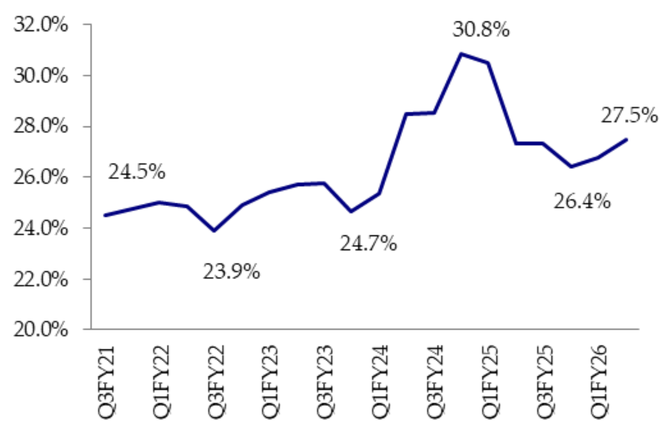
Source: Company, HSIE Research, Mphasis Net new denotes Direct International business

Exhibit 26: ISG global ACV trend: Indicating an improving trajectory



Source: ISG, HSIE Research

Exhibit 27: Improving deal share for TCS and Infosys vs the global peers on TTM basis



Source: Company, HSIE Research; TCS is total TCV, INFY – Large Deal TCV, Global TCV includes Accenture (Outsourcing), Capgemini, IBM, Atos, DXC and Cognizant

The last tech cycle – shift to cloud (2016-2018)

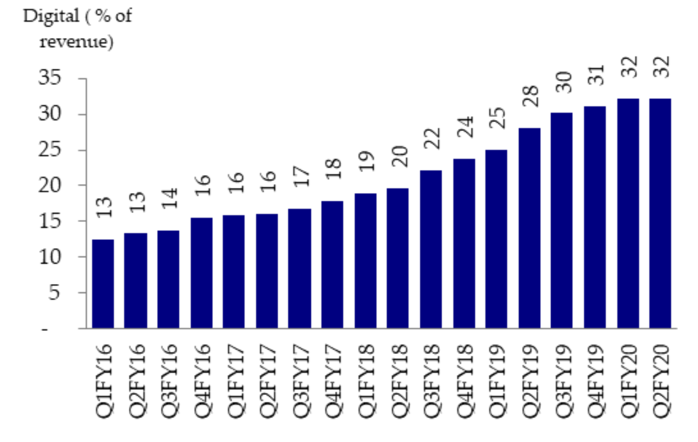
Between 2018 and 2020, Indian IT services underwent a major transformation as companies shifted from traditional on-premises software services to cloud-based solutions. The digital revenue share of Indian IT companies grew substantially from ~18-20% in 2018 to 28-30% by 2020, representing a 44% CAGR. The Indian cloud market itself expanded from USD 2.5bn in 2018 to USD 4.5-5bn by 2020, led by increasing enterprise adoption of cloud services. Traditional IT services such as Application Development and Maintenance (ADM), Infrastructure Outsourcing, and BPM services, which comprised ~80% of revenue—began declining as companies invested heavily in digital capabilities. Meanwhile, new cloud-focused service lines like cloud advisory, migration services, managed cloud services, DevOps, and security services became the primary growth engines.

The composition of cloud services evolved significantly during this period. Software-as-a-Service (SaaS) grew from 39% of the cloud market in 2018 to 50% by 2020, with widespread adoption of CRM, collaboration tools, and business intelligence platforms. Infrastructure-as-a-Service (IaaS) accelerated at the fastest rate, growing from 25% CAGR in 2018 to 33% by 2020, led by enterprises seeking scalability and cost efficiency through pay-per-use models. Hybrid cloud adoption expanded dramatically, increasing from just 13% of enterprises in 2018 to 43% by 2020 as organizations balanced security concerns with the flexibility of public cloud. Concurrently, Indian IT companies introduced key digital technologies like cloud computing, intelligent automation (AI/RPA), IoT, blockchain—which became critical differentiators in their service portfolios.

The business models and delivery approaches transformed fundamentally during this period. Traditional FTE-based and Time-and-Materials (T&M) pricing gave way to outcome-based, subscription-based, and pay-per-use commercial models, with 81% of enterprises preferring pay-per-use pricing over upfront capital investments. Indian IT companies shifted from pure service delivery to "Platform + Services" models, with companies like TCS, Infosys, Wipro, and HCL launching proprietary digital platforms combining AI, automation, and cloud capabilities. They restructured their organizations with dedicated digital business units, invested heavily in reskilling employees (TCS trained over 200,000 employees), and pursued strategic acquisitions—with 75% of M&A activity in 2018 focused on acquiring digital capabilities in cloud, analytics, and automation.

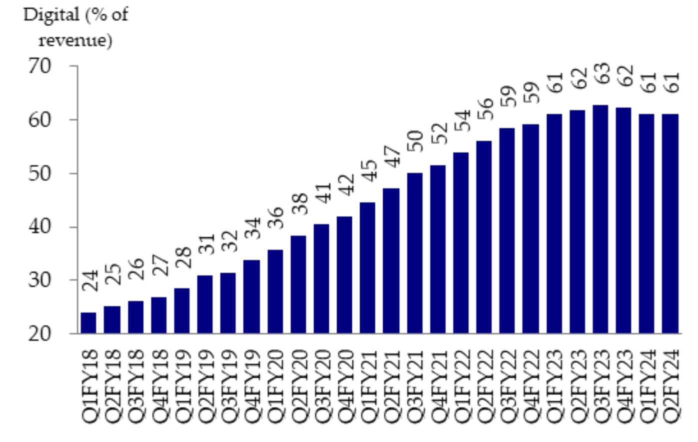
The COVID-19 pandemic in 2020 dramatically accelerated this cloud transformation. Enterprise adoption of cloud services jumped significantly, with companies prioritizing business continuity, remote collaboration, and digital customer engagement. Key demand surged for collaboration tools, CRM platforms, managed security services, and disaster recovery solutions, positioning cloud services as foundational to enterprise IT strategy. Despite pandemic disruptions, the Indian IT services market grew by ~2% in FY21, which accelerated to 21% YoY in FY22, as cloud adoption and digital transformation became central to enterprise strategy. The shift from traditional IT services to cloud-based delivery continued in FY23 as well but started to eventually slow down.

Exhibit 28: TCS –Digital revenue contribution on a increasing trend during the cloud transition



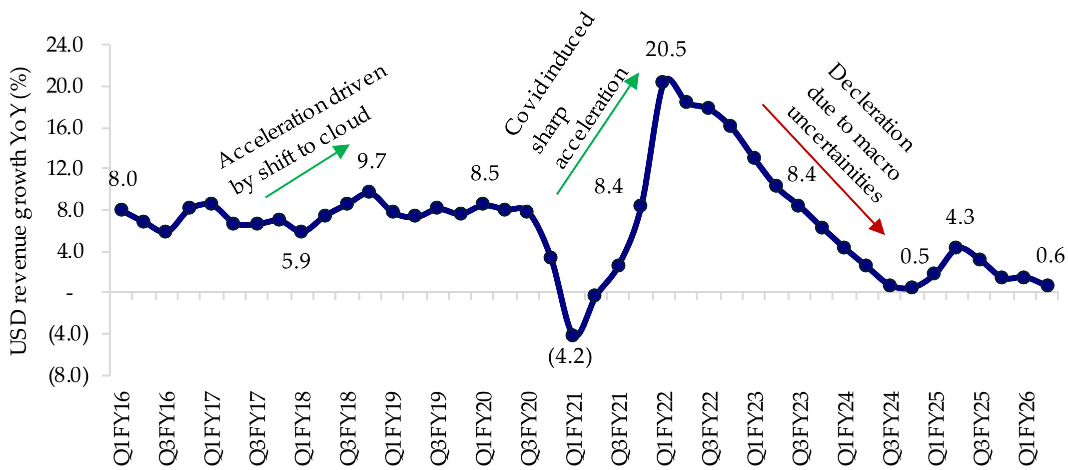
Source: Company, HSIE Research

Exhibit 29: Infosys – Digital (% of revenue) trend followed a similar pattern



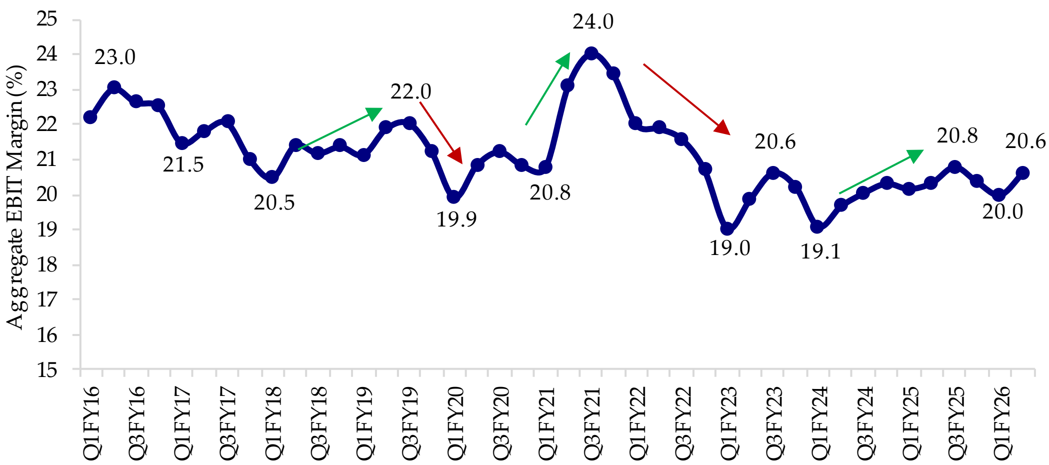
Source: Company, HSIE Research

Exhibit 30: IT Sector (Top 5 companies) – Revenue growth trend (USD YoY)



Source: Company, HSIE Research, Top 5 includes TCS, INFY, HCLT, WPRO, and TECHM

Exhibit 31: IT Sector (Top 5 companies) – EBIT margins almost flat in the last three years despite fall in revenue growth



Source: Company, HSIE Research, Top 5 includes TCS, INFY, HCLT, WPRO, and TECHM

AI led productivity impacted growth over the last three years; new roles arise as AI scales

The Indian IT services industry stands at a critical inflection point as artificial intelligence transforms its traditional operating model from scale-driven delivery to AI-first value creation. According to a joint report by BCG and Niti Aayog, the industry—traditionally built on a large talent pool of engineers managing standardized processes—now faces a sharp duality. Without rapid adaptation, up to 1.5mn conventional roles could be at risk by 2031. Yet, this same shift holds the promise of creating as many as 4mn new jobs focused on specialized, AI-driven capabilities. This interplay between job displacement and opportunity creation is prompting a strategic overhaul in how Indian IT firms structure their workforce, redesign service portfolios, and position themselves within the evolving global technology value chain.

There is a decisive shift in the software development lifecycle (SDLC), customer engagement, and back-office operations, driven by rapid AI adoption. In the SDLC, AI tools are delivering productivity gains of ~10-20% in areas such as automation, bug fixing, enhancements, and documentation, with specific activities like code generation, testing, and documentation seeing 10-25% improvements and there is a pathway to 30-40% by 2030 (as per the BCG report). These gains reduce the need for large teams performing routine coding and testing work, eroding the historical dependence on high-volume junior staffing. In customer experience and call center environments, AI-powered chatbots and voicebots are handling a growing share of first-line queries, improving response times and consistency while compressing demand for traditional inbound and outbound agents. Similarly, in BPO and back-office functions, AI and automation are steadily taking over standardized processes in finance and accounting, learning and development, and payroll, reshaping India's long-standing advantage in labour-intensive low-cost delivery model. ***ADM represents ~30% of IT services revenue. Assuming a 15% productivity gain from Generative AI—which acts as a deflationary factor for Indian IT services—the resulting impact on growth is ~4-5%. This has contributed to a slowdown in the sector's growth rate, dropping to 2-3% between 2022 and 2025, compared to the normalized pre-COVID growth rate of 7-8%.***

Exhibit 32: Efficiency gains of 10-20% in the software development cycle due to AI

Software Development Phase	Activities/Use Cases	Estimated AI Efficiency Gain
Design/Prototyping/Requirement Analysis	Create boilerplate documentation Create dictionaries of lookup data Coding recommendations Search code base Decipher outdated syntax/libraries Generate code for prototypes Create mock data and functions Explain code Decipher old syntax libraries Identify deprecated functions	0-5%
Code Generation and Review	Automated code completion Improve code Generate code that satisfies a unit test Refactor code Ensure code style compliance Code review assistance	10-25%
Documentation	Create comments Code documentation	10-20%
Testing	Find & fix bugs Generate unit test Scan for vulnerabilities Create unit tests execution paths	15-25%
Deployment	YAML script generation	5-10%

Source: HSIE Research, BCG, NITI Aayog

Exhibit 33: AI led efficiency across the SDLC: ~10-20% productivity gains achieved

AI led efficiency in SDLC SDLC steps	Weight	AI Efficiency Achieved		Weighted AI Efficiency %	
		Min	Max	Min	Max
Design/Prototyping	10%	0%	5%	0%	1%
Code Generation & Review	25%	10%	25%	3%	6%
Documentation	20%	10%	20%	2%	4%
Testing	35%	15%	25%	5%	9%
Deployment	10%	5%	10%	1%	1%
AI led Efficiency				**10%**	**20%**

Source: HSIE Research, BCG, NITI Aayog

This AI-driven shift is directly impacting jobs, which is visible in the muted hiring across the sector over the last 8-10 quarters. On the disruption side, junior QA engineers are among the most vulnerable, as core responsibilities such as test case design and execution, test data management, and regression testing are increasingly performed more efficiently by AI systems trained on large code and test repositories. L1 support agents face a similar trajectory, basic software installation and configuration, account provisioning and deprovisioning, and standard troubleshooting are all well within current AI capability, making these roles prime candidates for consolidation or replacement. Clients and employers now look for deep skills in AI integration, domain-specific problem solving, and advanced architectures rather than broad but shallow technical familiarity.

At the same time, AI is unlocking new layers of hyper-specialization that are beginning to define the future of work in technology services. Enterprise AI skills are emerging across verticals, encompassing roles such as AI solution engineers, AI Ops engineers, and AI prompt engineers focused on integrating and orchestrating AI within organizational workflows.

Exhibit 34: Roles evolving with AI services

Category	Role / Job Title
Roles evolving with AI	Business analyst Product manager UX designer Frontend/Backend developer DevOps engineer L2/L3 support engineer Voice/email/chat support agent Data analyst Fraud and crime analyst
Emerging roles	AI solution architect AI/ML engineer AI workflow architect AI/ML Ops engineer Ethical AI specialist AI data governance specialist Conversation AI designer Sentiment intelligence analyst Workflow orchestrator
Roles reduced/eliminated	Manual QA tester (junior level) L1 help desk engineer Manual data entry analyst

Source: HSIE Research, BCG, NITI Aayog

Traditional roles like data architects, full-stack developers, and L2/L3 support engineers are changing rather than vanishing. Data architects now build AI-ready data systems and rules. Full-stack developers add LLM APIs, handle AI-made content and code, and set up safety features plus live data streams. Higher-level support engineers use AI for quick fixes while standing out with tough problem-solving and customer care. These shifts move India's IT from big teams of general workers to expert specialists teaming with AI.

Based on the estimates given by BCG, we believe the shift to AI will lead to a loss of 1.5mn jobs but will create ~2.5mn new jobs in the next five years. This takes the total Indian IT workforce to ~9mn and the productivity will improve to USD 55K (vs USD 40K), taking the total IT Services + BPM + ER&D industry to ~USD 470bn (from ~USD 300bn in 2025), which is a growth CAGR of 8%. In the bear case, if the industry loses 2mn jobs and adds only 1.5mn new jobs, the total IT workforce reduces at 1% CAGR to 7mn. Assuming 50k revenue/employee, the industry would hit USD 350mn over the next five years (which is just a 3% CAGR).

Exhibit 35: Indian IT sector projections and growth scenarios

Indian IT sector Projections and Growth Scenarios	Bull Case			Bear Case		
Year	**2025**	**2030E**	**CAGR %**	**2025**	**2030E**	**CAGR %**
Global GDP (USD trn)	114	132	3%	114	126	2%
Global IT Spend (USD trn)	**1.5**	**2.1**	**7%**	**1.5**	**2.0**	**6%**
% of Total global GDP	1.3%	1.6%		1.3%	1.6%	
Indian IT Sector (USD bn)	**300**	**470**	**9%**	**300**	**350**	**3%**
% of total global spend	20%	22%		20%	17%	
Indian IT Work Force (mn)	7.5	8.5	3%	7.5	7.0	-1%
USD/Year (Productivity)	40,000	55,000	7%	40,000	50,000	5%

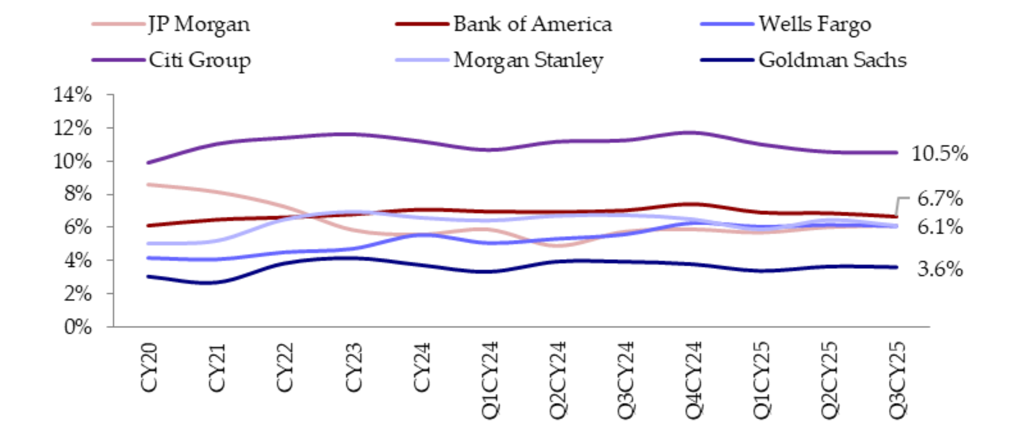
Source: HSIE Research, reference from NASSCOM, BCG and Niti Aayog report

BFSI tech spending continues to remain resilient

Tech spends by the top 4 BFSI players (JP Morgan, Bank of America, Wells Fargo, and Citi Group) has remained steady at 7.1% of revenue (~6.3% on aggregate basis) over the past three quarters, indicating resilient performance in this vertical. The tech spend growth of the top 4 BFSI players improved to 9.2% YoY in Q3CY25, up from 7.2% YoY in the previous quarter.

Commentary from Indian IT services also highlights that the BFSI vertical continues to demonstrate resilience performance. Additionally, there has been an improvement in YoY BFSI revenue growth on an aggregate basis for the top 5 Indian IT services companies. Banks' commentary on tech spending reflects an increased emphasis on GenAI for cost reduction and automation, alongside continued investments in platform development, data, and security. Recent notable deal wins in the sector include (1) Infosys' engagement with Metro Bank and (2) HCL Tech's partnership with Dubai Islamic Bank.

Exhibit 36: BFSI firms' mixed trends of tech spend as % of revenue



Source: Company, HSIE Research

Exhibit 37: Tech spending of major BFSI players remains stable

BFSI Tech Spend (% of revenue)	CY20	CY21	CY22	CY23	CY24	Q1CY24	Q2CY24	Q3CY24	Q4CY24	Q1CY25	Q2CY25	Q3CY25
JP Morgan	8.6%	8.2%	7.3%	5.8%	5.6%	5.9%	4.9%	5.7%	5.9%	5.7%	6.0%	6.1%
Bank of America	6.1%	6.5%	6.6%	6.8%	7.1%	7.0%	6.9%	7.0%	7.4%	6.9%	6.9%	6.7%
Wells Fargo	4.2%	4.1%	4.5%	4.7%	5.6%	5.1%	5.3%	5.6%	6.3%	6.1%	6.2%	6.1%
Citi Group	9.9%	11.0%	11.4%	11.6%	11.2%	10.7%	11.2%	11.2%	11.7%	11.0%	10.6%	10.5%
Morgan Stanley	5.1%	5.2%	6.5%	7.0%	6.6%	6.4%	6.7%	6.8%	6.5%	5.9%	6.5%	6.1%
Goldman Sachs	3.0%	2.7%	3.8%	4.1%	3.7%	3.3%	3.9%	3.9%	3.8%	3.4%	3.6%	3.6%
Others	5.9%	4.0%	4.0%	4.0%	4.0%	3.8%	4.0%	3.9%	4.2%	4.0%	3.8%	3.9%
Total	**6.1%**	**6.0%**	**6.3%**	**6.1%**	**6.0%**	**6.3%**	**6.1%**	**6.5%**	**6.7%**	**6.4%**	**6.4%**	**6.3%**

Source: Company, HSIE Research, Others include Capital One Financial, Citizens Financial, Synchrony Financial, Banco Santander, State Street Bank, Charles Schwab, Northern Trust, Nordea

Exhibit 38: BFSI tech spending intensity increasing

Growth in Tech Spend (YoY%)	CY20	CY21	CY22	CY23	CY24	Q1CY24	Q2CY24	Q3CY24	Q4CY24	Q1CY25	Q2CY25	Q3CY25
JP Morgan	5.3%	-3.8%	-5.9%	-1.2%	6.3%	10.9%	7.9%	2.6%	4.4%	6.5%	10.5%	16.0%
Bank of America	12.4%	10.5%	8.8%	6.8%	7.8%	6.1%	7.2%	6.4%	11.5%	5.2%	3.2%	4.9%
Wells Fargo	12.2%	4.1%	4.6%	16.1%	17.2%	15.3%	16.8%	17.1%	19.1%	15.1%	16.4%	14.7%
Citi Group	4.3%	6.0%	9.7%	6.0%	-0.8%	5.6%	-3.1%	0.8%	-5.6%	5.9%	2.3%	2.3%
Morgan Stanley	12.4%	26.5%	12.0%	8.1%	8.3%	6.7%	9.2%	10.0%	7.3%	7.6%	7.7%	7.4%
Goldman Sachs	15.4%	16.8%	14.9%	6.1%	3.8%	0.9%	3.7%	6.4%	4.0%	7.7%	6.0%	9.4%
Others	2.4%	8.8%	3.7%	6.4%	7.7%	4.7%	8.7%	7.0%	10.3%	6.8%	5.0%	13.9%
Avg Tech Spend growth (YoY%)	**9.2%**	**9.8%**	**6.8%**	**6.9%**	**7.2%**	**7.1%**	**7.2%**	**7.2%**	**7.3%**	**7.8%**	**7.3%**	**9.8%**
Agg BFSI Enterprise Rev growth (YoY%)	**-0.1%**	**8.1%**	**0.6%**	**8.6%**	**7.4%**	**4.0%**	**9.6%**	**4.5%**	**11.6%**	**5.6%**	**3.0%**	**12.8%**

Source: Company, HSIE Research, Others include Capital One Financial, Citizens Financial, Synchrony Financial, Banco Santander, State Street Bank, Charles Schwab, Northern Trust, Nordea

Exhibit 39: BFSI vertical revenue growth of Tier 1 IT companies

BFSI $ Revenue growth (YoY %)	CY20	CY21	CY22	CY23	CY24	Q1CY24	Q2CY24	Q3CY24	Q4CY24	Q1CY25	Q2CY25	Q3CY25
TCS	-0.4%	19.8%	11.0%	4.6%	-0.9%	-2.6%	-1.3%	0.5%	-0.4%	1.1%	2.4%	3.2%
Infosys	5.3%	20.5%	7.6%	-4.5%	0.0%	-8.4%	-0.1%	2.6%	5.9%	11.5%	6.3%	5.6%
HCL Tech	7.8%	11.0%	5.5%	12.9%	-0.2%	8.3%	-2.1%	-3.1%	-3.2%	-0.4%	8.4%	12.2%
Wipro	-4.4%	33.0%	18.6%	-5.4%	-2.4%	-8.3%	-5.2%	1.5%	3.2%	-0.3%	-2.6%	-3.5%
Tech M	19.6%	14.9%	17.6%	-9.2%	0.5%	-8.2%	-1.2%	4.5%	8.3%	6.0%	4.8%	6.2%
Tier-1 IT BFSI Revenue Aggregate	**2.3%**	**20.5%**	**11.0%**	**0.8%**	**-0.8%**	**-3.9%**	**-1.8%**	**0.9%**	**1.7%**	**3.2%**	**3.4%**	**3.9%**

Source: Company, HSIE Research

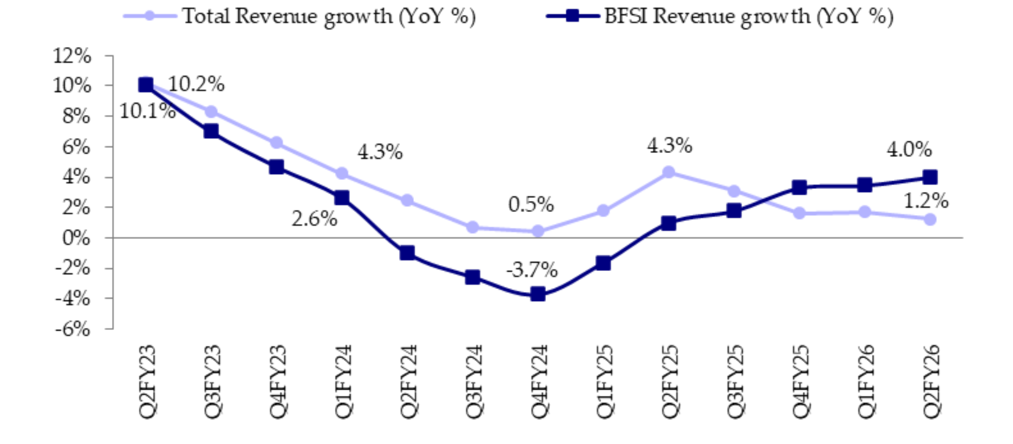
BFSI sector shows remarkable stability. The last four periods show growth firmly between 5.3% and 5.6%. This consistency is a powerful indicator of a healthy and mature growth phase. The sector has successfully navigated economic headwinds and is now on a stable, predictable upward trajectory, which is ideal for long-term planning and investor confidence.

Exhibit 40: BFSI vertical revenue growth trend

BFSI $ Rev growth (QoQ %)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
TCS	0.1%	-1.8%	-0.1%	0.6%	1.9%	-2.7%	1.3%	2.0%	2.6%
INFY	0.0%	-0.1%	-7.1%	7.6%	2.7%	3.1%	-2.2%	2.6%	2.0%
HCLT	1.0%	1.7%	0.0%	-4.7%	0.0%	4.5%	0.0%	3.7%	3.5%
WPRO	-3.2%	-4.7%	2.5%	0.3%	3.7%	-3.2%	-1.0%	-2.1%	2.8%
TECHM	-3.2%	-3.0%	4.6%	0.6%	2.4%	0.4%	2.4%	-0.5%	3.8%
LTIM	-1.1%	-1.7%	-2.7%	2.8%	3.9%	3.3%	1.2%	1.7%	0.1%
ZENT	3.4%	-0.3%	2.7%	6.8%	4.2%	-1.5%	2.1%	4.6%	5.6%
BFSI Aggregate Revenue	**-0.5%**	**-1.5%**	**-1.1%**	**1.5%**	**2.2%**	**-0.3%**	**0.0%**	**1.6%**	**2.7%**
IT Companies Aggregate Revenue	**0.0%**	**0.8%**	**-0.1%**	**1.1%**	**2.5%**	**-0.1%**	**-1.8%**	**1.2%**	**2.0%**

Source: Company, HSIE Research; Note: difference in IT aggregate growth due to constituents

Exhibit 41: BFSI vertical has been outperforming overall growth



Source: Company, HSIE Research, * Revenue composition of TCS, INFY, HCLT, TECHM, WPRO, ZENT

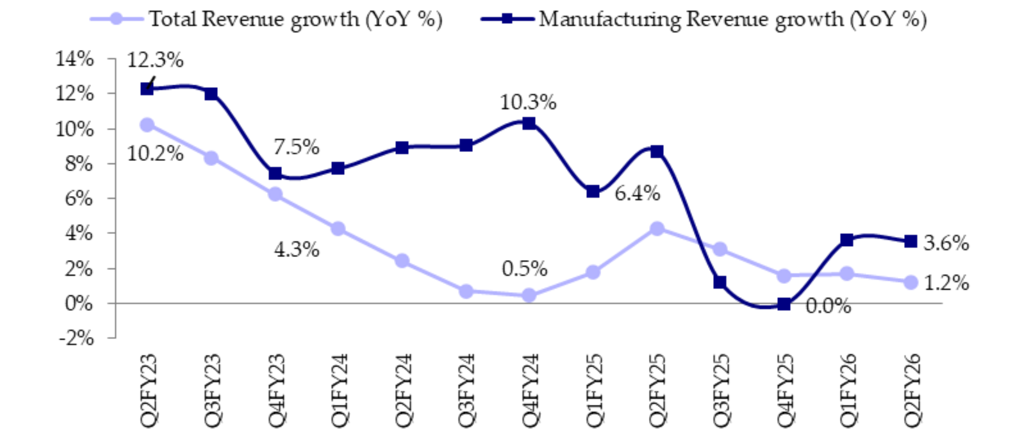
The outlook on **manufacturing** is exceptionally positive. After a period of stagnation (0.4%, 0.7%), the sector has ignited, with the last three periods showing growth of 3.1%, 4.9%, and 4.9%. This indicates that consumer demand is robust and that companies in this space have successfully adapted their strategies, likely through digital transformation and optimized supply chains, to achieve sustained and accelerating growth.

Exhibit 42: Manufacturing vertical revenue growth trend

Mfg $ Rev growth (QoQ %)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
TCS	2.2%	2.2%	3.5%	1.9%	-0.1%	-4.0%	-1.0%	3.0%	3.2%
INFY	3.6%	3.0%	-3.4%	3.3%	10.9%	-0.4%	-1.8%	5.8%	5.3%
HCLT	-2.0%	10.3%	1.9%	-6.7%	2.9%	0.4%	-3.6%	1.3%	1.4%
TECHM	1.5%	4.3%	-1.9%	2.4%	-4.0%	-3.7%	-0.1%	4.1%	4.9%
LTIM	5.1%	14.3%	-9.6%	2.0%	0.6%	7.8%	2.4%	0.4%	1.8%
Zensar	7.7%	-2.9%	3.0%	2.4%	2.7%	6.3%	-3.7%	-2.1%	0.1%
Mfg Aggregate Revenue	**1.4%**	**4.9%**	**0.3%**	**-0.2%**	**3.6%**	**-1.4%**	**-1.9%**	**3.5%**	**3.5%**
IT Companies Aggregate Revenue	**0.0%**	**0.8%**	**-0.1%**	**1.1%**	**2.5%**	**-0.2%**	**-1.7%**	**1.2%**	**2.0%**

Source: Company, HSIE Research; Note: difference in IT aggregate growth due to constituents

Exhibit 43: Manufacturing vertical recovering YoY for past two quarters



Source: Company, HSIE Research, * Revenue composition of TCS, INFY, HCLT, WPRO, TECHM, LTI, ZENT

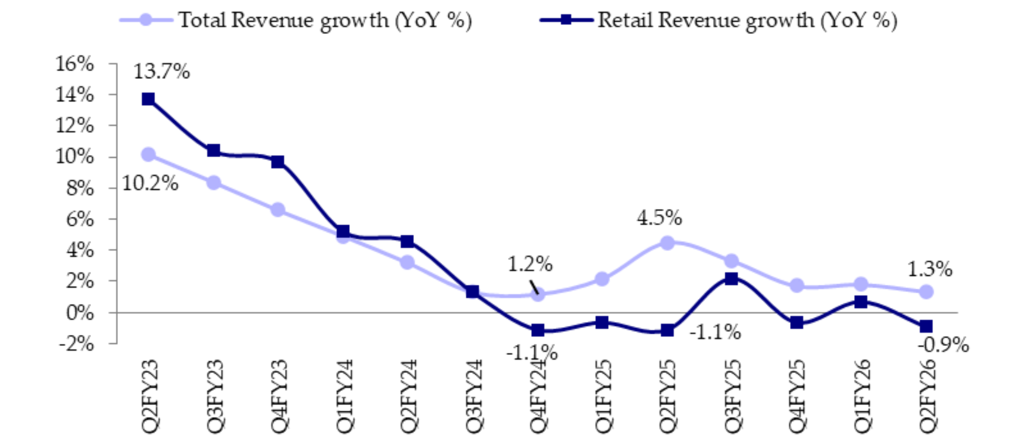
The **Retail & CPG** sector has successfully navigated the turbulence of lower discretionary spend. After an initial period of divergent performance between its sub-sectors and a sharp post-pandemic rebound, it has now settled into a phase of stable and reliable moderate growth. This suggests a mature and adaptable industry that has adjusted to new consumer patterns and market conditions.

Exhibit 44: Retail & CPG vertical revenue growth trend

Retail $ Rev growth (QoQ %)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
TCS	-1.5%	-0.3%	1.1%	0.0%	0.2%	-0.4%	-1.0%	1.4%	0.0%
INFY	7.1%	-5.1%	-4.1%	-0.3%	0.1%	4.7%	-7.7%	5.2%	-2.6%
HCLT	6.3%	5.9%	-4.8%	1.3%	4.6%	13.2%	-9.4%	1.3%	1.7%
WPRO	-2.3%	-1.6%	-0.5%	1.5%	1.3%	-2.2%	-1.8%	-1.9%	-1.5%
Retail Aggregate Revenue	**1.4%**	**-1.1%**	**-1.3%**	**0.3%**	**0.9%**	**2.2%**	**-4.0%**	**1.7%**	**-0.7%**
IT Companies Aggregate Revenue	**0.2%**	**0.8%**	**0.0%**	**1.1%**	**2.5%**	**-0.2%**	**-1.7%**	**1.2%**	**2.1%**

Source: Company, HSIE Research; Note: difference in IT aggregate growth due to constituents

Exhibit 45: Retail & CPG vertical impacted lower discretionary spending



Source: Company, HSIE Research, * Revenue composition of TCS, INFY, HCLT, WPRO

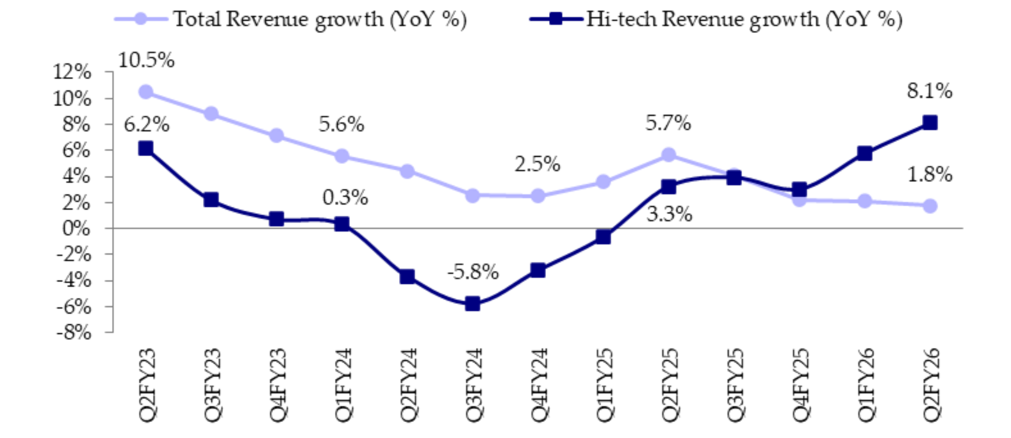
The outlook for **hi-tech** is uniquely bullish. It is the only sector that avoided deep negative figures and has consistently posted high growth rates, often above 6-7%. The growth of 7.3% and 6.6% in CY26/27E confirm a sector operating at a premium growth level. This reflects sustained global focus on technological innovation and resilient demand making it a pillar of strength.

Exhibit 46: Hi-tech vertical revenue growth trend

Hi-tech USD Rev growth (QoQ %)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
TCS	-1.4%	-1.4%	-1.3%	0.7%	0.9%	-1.7%	0.3%	3.1%	3.2%
INFY	-1.6%	-2.4%	10.6%	-5.0%	3.8%	-0.3%	0.6%	-1.8%	9.3%
HCLT	-1.5%	3.5%	-3.5%	3.7%	3.2%	4.1%	-0.2%	5.9%	2.8%
Hi-Tech Aggregate Revenue	**-1.5%**	**-0.2%**	**1.1%**	**0.0%**	**2.4%**	**0.5%**	**0.2%**	**2.7%**	**4.6%**
IT Companies Aggregate Revenue	**0.7%**	**1.4%**	**0.0%**	**1.5%**	**2.7%**	**0.0%**	**-2.0%**	**1.4%**	**2.4%**

Source: Company, HSIE Research; Note: difference in IT aggregate growth due to constituents

Exhibit 47: Hi-tech vertical revenue growth surpasses revenue growth



Source: Company, HSIE Research, * Revenue composition of TCS, INFY, HCLT

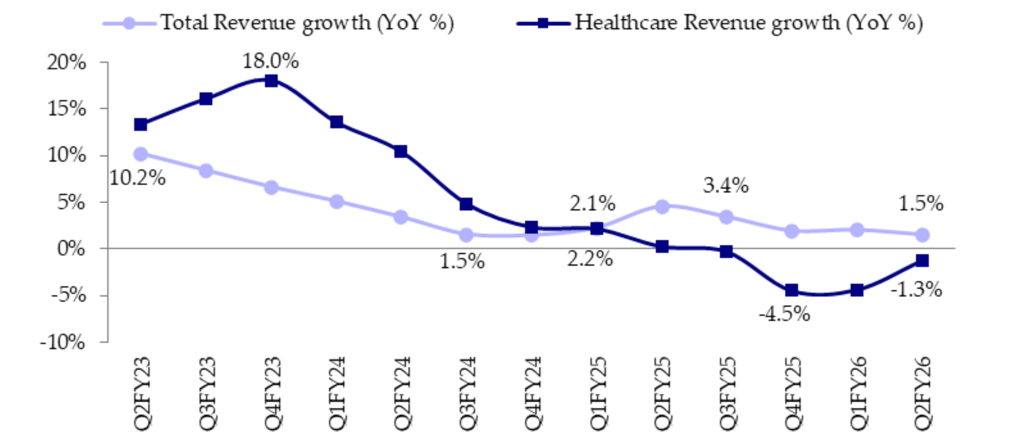
The growth in the **Healthcare** vertical is demonstrated by the new technology adoption and innovation in the med tech and pharma industry. Overall, healthcare demonstrates resilience and long-term stability, though the extraordinary spike in CY21 appears to be an outlier driven by pandemic-related factors. From CY24 onward, the sector stabilizes with mid-single-digit growth, projected 6.0% in CY25E and an estimated 5.2%-5.6% through CY26-CY27, suggesting a steady but moderate trajectory.

Exhibit 48: Healthcare vertical revenue growth trend

Healthcare $ Rev growth (QoQ %)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
TCS	-1.1%	1.0%	1.1%	2.9%	-3.4%	-4.5%	-1.0%	0.4%	5.0%
INFY	10.7%	-3.7%	-6.0%	3.3%	3.8%	5.1%	-14.3%	-0.1%	1.2%
HCLT	0.8%	-0.8%	-0.2%	-4.3%	3.1%	-0.7%	-6.1%	0.0%	4.2%
WPRO	1.7%	7.1%	1.5%	-2.6%	-0.9%	6.8%	0.0%	0.0%	0.0%
Healthcare Aggregate Revenue	**1.8%**	**0.7%**	**-0.4%**	**0.0%**	**-0.1%**	**0.1%**	**-4.6%**	**0.1%**	**3.2%**
IT Companies Aggregate Revenue	**0.3%**	**0.8%**	**0.1%**	**1.0%**	**2.6%**	**-0.1%**	**-1.5%**	**1.1%**	**2.0%**

Source: Company, HSIE Research; Note: difference in IT aggregate growth due to constituents

Exhibit 49: Healthcare vertical growth has started converging

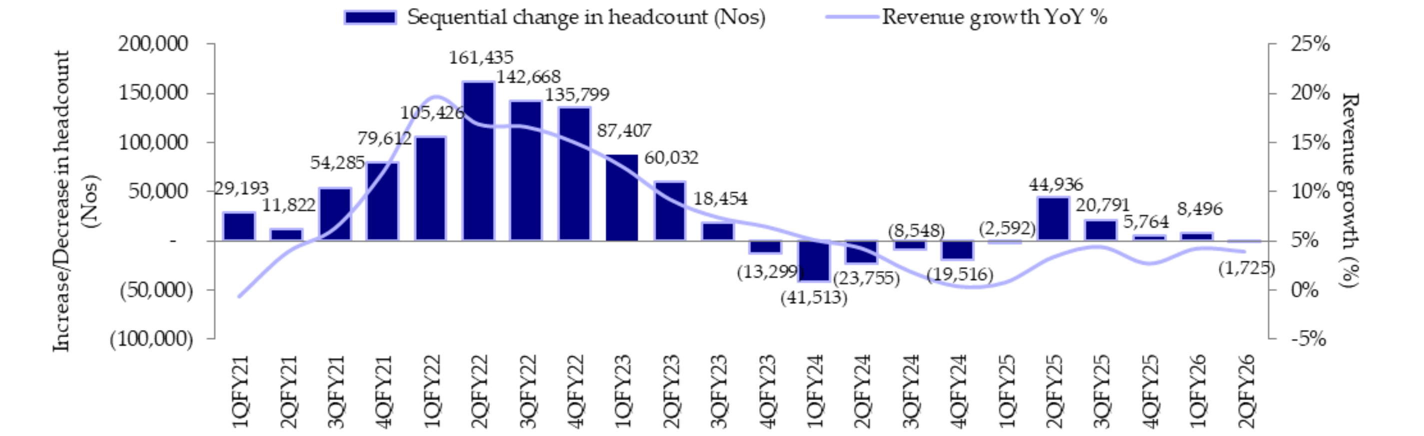


Source: Company, HSIE Research, * Revenue composition of TCS, INFY, HCLT, WPRO

Headcount and revenue productivity trend

The overall headcount trend is one of significant factor for contraction and increasing volatility in the IT services industry. The organization appears to be undergoing a substantial restructuring or strategic shift, resulting in widespread headcount reductions that have intensified over time. While the early stages showed a more mixed performance, the trend has decisively turned negative in recent periods. The overall net effect on total headcount, however, is almost certainly negative leading to declining revenue growth as demonstrating in Exhibit 50. Most of the IT companies under our coverage are operating at peak utilisation levels of 85-88%.

Exhibit 50: Sequential change in headcount and revenue growth YoY



Note: Sequential change in headcount and revenue growth is the aggregate of TCS, INFY, HCLT, WPRO, TECHM, Accenture, Cognizant, Capgemini

Exhibit 51: Headcount growth (YoY)

Companies	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
TCS	16.5%	10.2%	3.8%	1.5%	-1.2%	-1.7%	-2.2%	-1.4%	0.6%	0.7%	1.1%	1.0%	-3.2%
INFY	23.5%	18.8%	9.3%	0.3%	-4.8%	-7.0%	-7.6%	-6.2%	-3.3%	0.2%	2.0%	2.7%	4.5%
WPRO	18.6%	13.1%	6.4%	-4.7%	-6.8%	-8.6%	-10.0%	-6.7%	-4.4%	-2.9%	0.3%	0.1%	0.7%
HCLT	16.9%	12.4%	8.2%	5.9%	0.8%	1.1%	0.7%	-1.8%	-1.1%	-1.8%	-1.8%	1.7%	3.7%
TECHM	16.1%	8.3%	0.8%	-6.2%	-8.1%	-6.9%	-4.6%	-0.5%	2.4%	2.9%	2.3%	0.6%	-1.0%
LTIM	24.0%	16.6%	6.2%	-1.5%	-3.9%	-4.6%	-3.4%	-1.0%	1.1%	5.2%	3.3%	2.4%	2.4%
MPHL	11.9%	5.4%	-1.8%	-8.1%	-12.1%	-7.1%	-7.5%	-5.6%	-3.9%	-7.1%	-2.8%	-1.7%	-0.5%
LTTS	19.4%	7.6%	6.6%	9.1%	11.2%	7.6%	7.1%	0.8%	-0.8%	0.7%	1.9%	0.2%	-0.1%
TELX	35.5%	28.5%	26.5%	21.1%	10.2%	13.9%	12.9%	7.0%	0.8%	-2.6%	-7.4%	-7.7%	-7.9%
PSYS	41.5%	33.0%	23.1%	6.9%	1.6%	3.3%	4.2%	1.7%	1.7%	2.6%	3.1%	7.7%	12.9%
CYL	22.8%	14.4%	13.0%	8.2%	-1.0%	6.7%	1.9%	-1.5%	-4.2%	-8.3%	-10.9%	-9.7%	-7.9%
ZENT	8.4%	1.9%	-10.8%	-8.8%	-8.2%	-5.7%	-2.0%	-1.4%	-0.9%	2.9%	3.4%	2.2%	3.0%
SSOF	15.9%	9.9%	21.1%	24.5%	12.0%	14.7%	-0.6%	-1.1%	6.5%	8.3%	5.9%	3.1%	-5.4%
MAST	28.8%	18.9%	13.0%	0.7%	-3.6%	-3.0%	-1.5%	-0.8%	-1.7%	-4.7%	-8.7%	-13.0%	-13.4%
BSOFT	5.7%	4.9%	-0.1%	-2.6%	-3.4%	-1.4%	3.3%	5.1%	2.1%	-1.9%	-5.3%	-8.0%	-5.5%
HAPPSTMN	20.7%	14.7%	18.0%	20.5%	15.4%	13.8%	5.1%	28.1%	24.5%	26.4%	28.3%	0.9%	-0.4%
Total	**18.7%**	**12.8%**	**5.9%**	**0.2%**	**-3.1%**	**-3.6%**	**-3.9%**	**-2.8%**	**-0.9%**	**0.1%**	**0.8%**	**1.1%**	**0.2%**

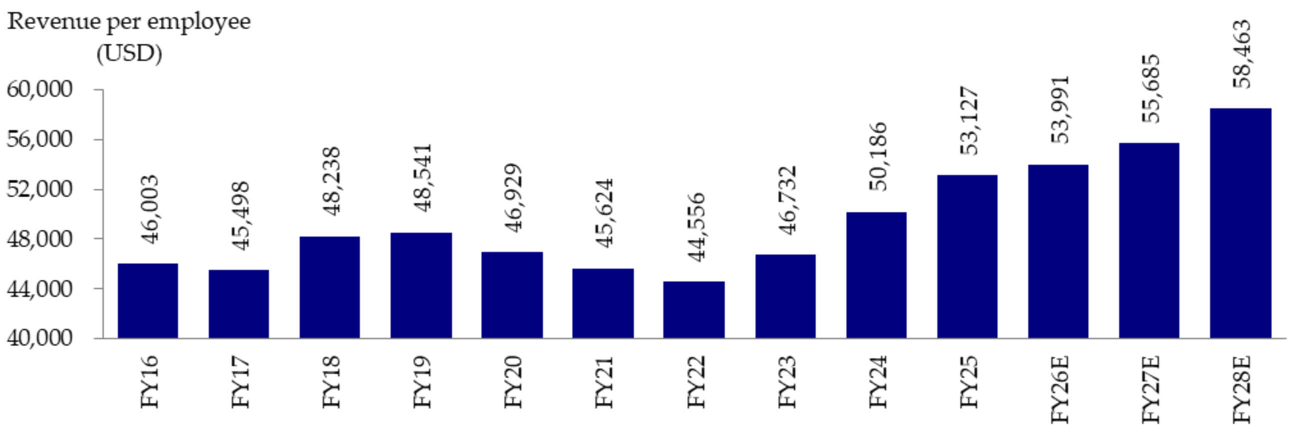
Source: Company, HSIE Research

Exhibit 52: Revenue per employee (USD) trend (annual)

Companies	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
TCS	46,756	45,387	48,327	49,290	49,128	45,378	43,410	45,425	48,342	49,638
INFY	48,963	50,947	53,594	51,722	52,733	52,238	51,940	53,060	58,511	59,575
WPRO	42,486	46,558	49,369	47,369	45,144	41,158	41,970	43,111	46,166	45,047
HCLT	59,444	60,145	65,270	62,567	66,053	60,221	55,235	55,703	58,333	61,947
TECHM	38,295	36,971	42,287	41,052	41,377	42,222	39,675	43,348	43,155	42,116
LTIM	NA	NA	NA	NA	NA	NA	43,995	48,561	52,508	53,287
MPHL	41,483	40,629	44,471	45,692	46,958	44,413	43,598	50,456	49,274	53,457
LTTS	49,791	46,299	47,157	47,758	46,573	44,773	42,194	44,515	48,879	51,896
TELX	36,856	35,382	40,663	37,782	34,493	33,527	35,352	32,886	31,996	35,500
PSYS	37,959	45,349	52,423	48,280	47,179	41,380	41,162	45,261	49,730	57,294
CYL	NA	48,882	43,023	45,757	47,181	48,993	45,293	49,196	55,818	61,915
ZENT	54,851	53,649	54,138	57,711	59,882	54,222	48,095	57,204	56,073	58,344
SSOF	34,651	37,784	43,444	41,482	44,466	40,521	40,616	39,785	53,443	55,425
MAST	62,073	52,977	61,615	71,416	44,354	61,155	58,866	56,577	66,510	80,743
BSOFT	NA	NA	NA	47,172	45,189	43,399	45,485	48,790	50,584	53,261
HAPPSTMN	NA	NA	31,589	34,667	34,748	32,209	35,172	36,154	37,942	36,726
Aggregate	**46,134**	**46,228**	**48,384**	**48,648**	**47,031**	**45,721**	**44,504**	**46,877**	**50,454**	**53,511**

Source: Company, HSIE Research

Exhibit 53: Aggregate revenue per employee (USD) trend



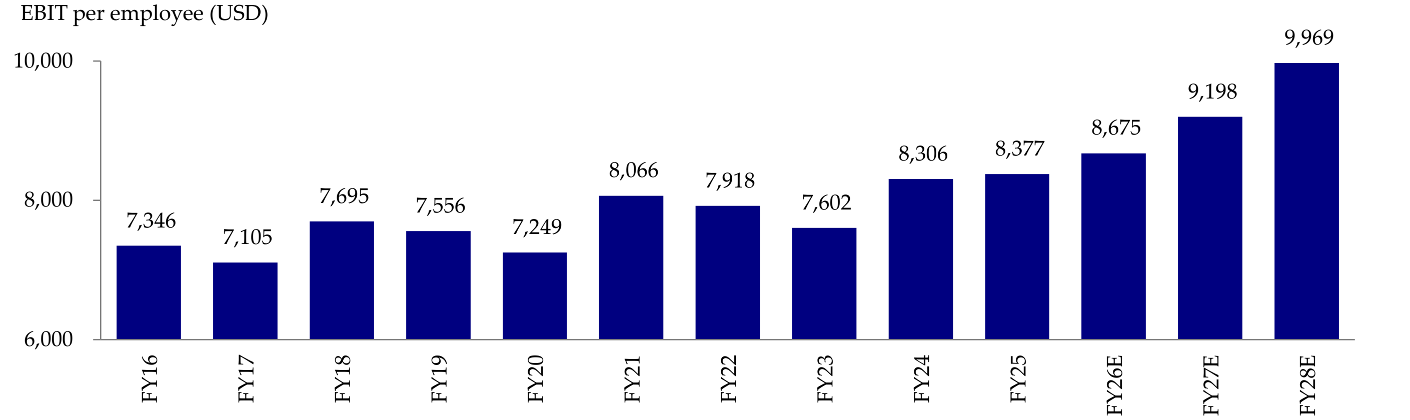
Source: Company, HSIE Research

Exhibit 54: EBIT per employee (USD) trend (annual)

Companies	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
TCS	12,390	11,665	11,975	12,602	12,074	11,749	10,969	10,921	11,708	12,086
INFY	12,254	12,574	13,032	11,811	11,253	12,802	11,962	11,173	12,088	12,582
WPRO	8,117	6,971	7,116	7,092	7,165	7,607	6,832	6,130	6,614	7,200
HCLT	11,953	12,196	12,890	12,240	12,958	14,172	13,669	13,570	13,699	13,498
TECHM	5,076	4,068	4,981	6,153	4,804	6,011	5,776	4,939	2,612	4,084
LTIM	NA	NA	NA	NA	NA	NA	8,223	8,299	8,791	8,226
MPHL	5,346	6,026	6,915	7,293	7,551	7,153	6,715	7,686	7,433	8,159
LTTS	7,478	7,443	6,126	7,622	7,688	6,483	7,710	8,217	8,346	7,719
TELX	5,205	6,419	7,371	7,587	8,355	5,500	6,840	7,429	7,926	9,015
PSYS	5,263	4,804	5,360	6,072	4,326	5,014	5,710	6,760	7,164	8,404
CYL	NA	7,824	8,278	9,343	8,231	10,920	12,330	11,749	8,092	7,437
ZENT	7,301	5,852	5,224	5,888	5,195	7,542	5,349	4,353	8,614	7,899
SSOF	8,692	7,929	9,748	11,490	11,348	11,217	10,973	10,635	10,923	9,895
MAST	323	3,406	6,155	8,040	5,466	11,352	11,311	8,574	9,117	11,014
BSOFT	NA	NA	NA	3,658	4,179	5,479	6,207	4,459	7,199	6,061
HAPPSTMN	NA	NA	NA	1,765	3,826	7,028	7,229	8,017	6,482	4,735
Aggregate	7,450	7,475	8,090	7,910	7,628	8,669	8,613	8,307	8,551	8,626

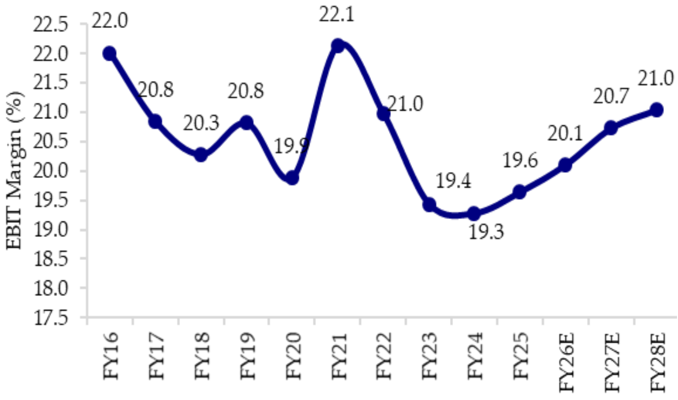
Source: Company, HSIE Research

Exhibit 55: Aggregate EBIT per employee (USD) trend



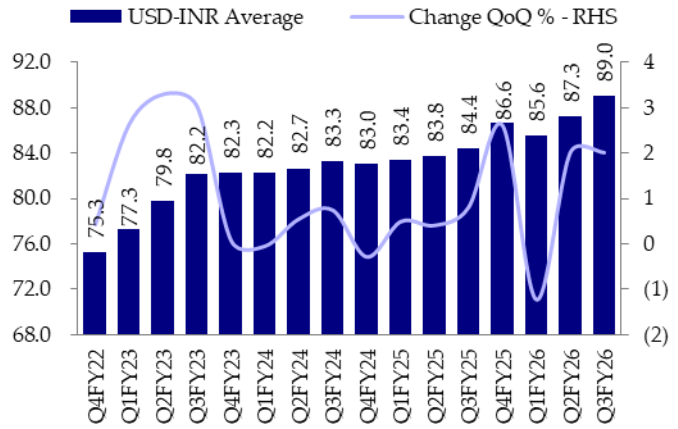
Source: Company, HSIE Research

Exhibit 56: Aggregate EBIT margin trend



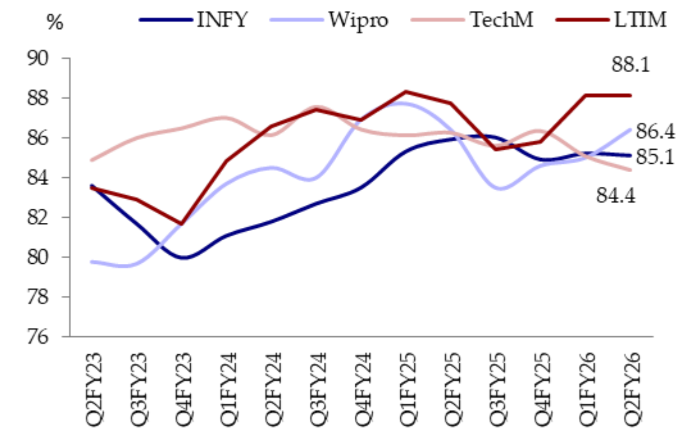
Source: Company, HSIE Research

Exhibit 57: USD-INR trend



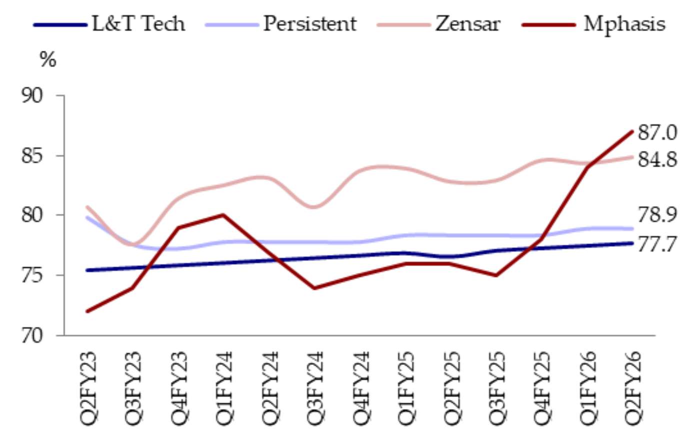
Source: Company, HSIE Research

Exhibit 58: Tier-1 IT utilization trend (%)



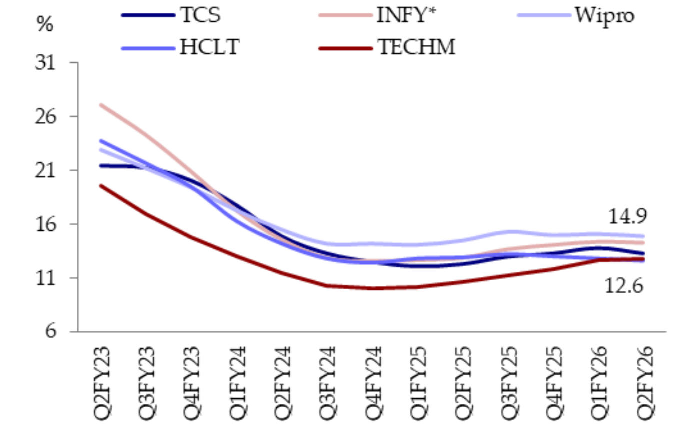
Source: Company, HSIE Research

Exhibit 59: Mid-tier IT utilization trend (%)



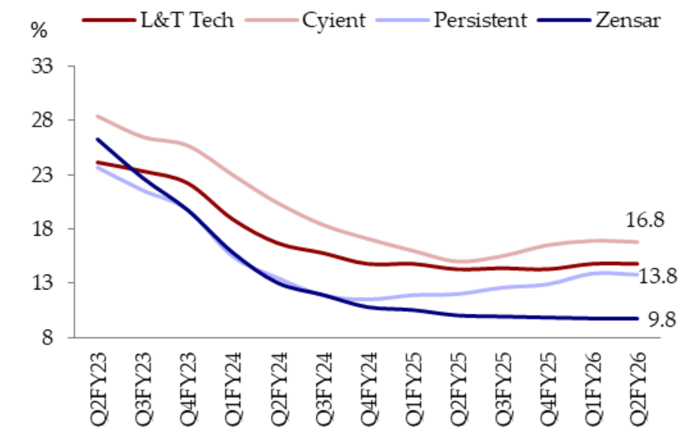
Source: Company, HSIE Research

Exhibit 60: Tier-1 IT attrition trend (%)



Source: Company, HSIE Research, * INFY Voluntary Attrition from 1QFY20

Exhibit 61: Mid-tier IT attrition trend (%)



Source: Company, HSIE Research

Exhibit 62: Revenue growth trend (YoY CC %) and guidance

Companies	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Guidance
TCS	2.8%	1.7%	2.2%	4.4%	5.5%	4.5%	2.5%	-3.1%	-3.3%	FY26 international revenue growth to be better than FY25
Infosys	2.5%	-1.0%	0.0%	2.5%	3.3%	6.1%	4.8%	3.8%	2.9%	+2 to +3% CC revenue growth range and OPM range of 20-22% for FY26E
HCL Tech	3.4%	4.3%	6.0%	5.6%	6.2%	4.1%	2.9%	3.7%	4.6%	+3% to +5% CC company revenue growth and +4% to +5% CC services revenue growth range for FY26E
Wipro	-4.8%	-6.9%	-6.6%	-4.9%	-2.3%	-0.7%	-1.2%	-2.3%	-2.6%	-0.5% to +1.5% QoQ CC for Q3FY26E
TECHM	-5.9%	-5.4%	-6.4%	-1.2%	1.2%	1.3%	0.3%	-1.0%	-0.3%	NA
LTIM	4.4%	3.1%	1.2%	3.7%	4.4%	5.6%	6.3%	4.4%	4.4%	Aspires double digit revenue growth (in USD terms) in 2HFY26
Accenture	4.0%	1.0%	0.0%	1.4%	5.0%	8.0%	8.5%	7.0%	4.5%	+2 to 5% CC revenue growth guidance & operating margin of 15.7 to 15.9% for FY26E
Cognizant	-0.2%	-0.3%	-1.2%	-0.5%	2.7%	6.7%	8.2%	7.2%	6.5%	CY25 revenue growth guidance increased to +6% to +6.3% CC, Op margin 15.7% (the high end of earlier guidance)
Capgemini	2.3%	-0.2%	-3.3%	-1.9%	-1.6%	-1.1%	-0.4%	0.7%	2.9%	CY25 revenue growth guidance of +2 to +2.5% CC, Op margin upper end lowered 13.3-13.4%
Atos^	-0.6%	-7.8%	-10.2%	-10.1%	-10.1%	-11.3%	-19.6%	-17.4%	-8.9%	NA
IBM services	5.0%	5.0%	2.0%	2.0%	0.0%	-1.1%	-2.0%	-0.3%	1.5%	CY25 revenue growth to be more than 5% CC
DXC Tech^	-3.6%	-4.7%	-5.7%	-6.1%	-5.7%	-5.1%	-6.4%	-2.4%	-2.5%	FY26E revenue guidance of -3.5% to -4.5% organic, Adj EBITM 7-8%
EPAM	-8.0%	-7.3%	-4.3%	-1.7%	0.9%	8.3%	12.6%	18.0%	19.4%	CY25 revenue guidance of 15% (4.6% organic)
Globant^	18.8%	18.3%	20.9%	18.1%	12.7%	10.6%	7.0%	4.5%	0.4%	CY25 revenue growth of 1.3% (includes 30bps FX benefit)

Source: Company, HSIE Research; Capgemini growth is organic, IBM services is Consulting, ^Atos, DXC Tech and Globant in YoY terms

Global IT services commentary: Q2FY26

Accenture:

- Accenture tripled its revenue over FY24 from Gen AI and increasingly Agentic AI, reaching USD 2.7bn.
- Gen AI bookings nearly doubled to USD 5.9bn.
- Accenture views A-AI as expansionary, rather than deflationary, like past technology evolutions.
- Advanced AI is acting as a new catalyst for clients to initiate large-scale transformations of their digital core.
- Accenture partnered with Ecolab to accelerate value with AI, redesigning the entire lead-to-cash process using nine scaled Agentic AI agents.
- In FY23, Accenture had 40k AI & data professionals, with roughly 30 people working on a handful of Gen AI projects with negligible revenue. But now, company has around 77k AI & data professionals with >6k advanced AI Projects along with meaning revenue in FY25.
- Accenture expects revenue to be in the range of 2% to 5% growth in local currency over fiscal year 2025. Excluding the impact of the federal business, revenue is expected to be an estimated 3% to 6% in local currency for the year.

Cognizant:

- Company is seeing clients carefully evaluate technology investments, which is resulting in a slower pace of discretionary spending in certain areas like products and resources.
- Cost pressures continue to spur demand for productivity-led and vendor consolidation opportunity across segments.
- There is growing pipeline of modernization projects that lay the foundation of AI-led transformation for the clients.
- Cognizant's approach to GenAI services is designed to capture a greater share of the fragmented AI market. They are converting value from 3,500 early AI engagements and using AI internally to drive transformation.
- Discretionary small projects are starting to return in financial services and healthcare, linked to AI-led spend.

Capgemini:

- There is a sustained demand for AI and GenAI solutions.
- Capgemini is recognized for its leadership in application development services for AI, AI-enabled transformation, and industry-specific AI capabilities, underscoring its ability to deliver tangible business value.
- Clients are gaining maturity regarding how to best leverage GenAI and are recognizing the limitations of an approach based solely on developing use cases. This maturity is leading to new, sizable business opportunities, as clients seek large transformation contracts that cover a significant part of their operations.
- The overall demand environment is expected to remain unchanged for the coming quarters. Clients continue to invest selectively, focusing on initiatives that support operational efficiency and strategic transformation over growth-oriented projects.
- The company has upgraded its revenue growth guidance to 2-2.5% YoY CC for CY25 (vs earlier -1 to 1%).

EPAM:

- The company distinguishes its offerings through a unique combination of deeply rooted engineering DNA and globally recognized best-in-class AI-native expertise.
- EPAM is positioned to lead both the foundational programs (modernization, data, and cloud architecture) and the transformational programs demanded by AI adoption.
- The company's thesis is that going forward, clients will build more than buy when it comes to AI solutions. As the cost to develop decreases, clients are actually building more, taking advantage of AI as a software engineering feature or capability.
- EPAM focuses on true engineering expertise, risk management, fault tolerance, and reliability, aspects often overlooked when implementing "flashy" AI capabilities.
- The company is seeing positive demand driven by AI and AI-native initiatives. Pure AI-native revenues continue to grow strongly, marking a third consecutive quarter of double-digit sequential growth.
- EPAM raised the bottom end of its guidance range for full-year organic constant currency revenue growth, now expecting the midpoint to be 4.6% (up from 4% previously).

Atos:

- The AI transformation is explicitly going to touch the service offerings that the company proposes to its clients.
- The company is focusing heavily on commercial discipline, which affects immediate demand metrics like book-to-bill ratio and short-term revenues.
- The full-year guidance has been adjusted to EUR 8 billion plus. This is lower than the initial May guidance (EUR 8.5 billion) primarily due to about EUR 200 million lost from FX impacts and another EUR 200 million from the deliberate stopping of low-margin contracts.

DXC Technologies:

- The "Fast Track" strategy focuses on developing new AI native or highly AI-infused solutions that are designed to be highly replicable AI-based SaaS solutions. The goal for these solutions is to create defensible competitive moats using proprietary methodologies, models, and frameworks.
- Investments are ongoing in the cloud-based software platform, specifically toward building AI-based smart applications that deliver enhanced productivity and value to clients.
- The overall demand environment is characterized by stable macro assumptions coupled with ongoing pressure in discretionary projects, yet there is growing confidence based on a robust pipeline and strong forward-looking bookings metrics.
- The company noted stability in pricing over the last several quarters, suggesting they have not needed to provide major pricing concessions to close deals.
- The organic revenue YoY decline has been narrowed to 3.5% to 4.5% (from the prior range of 3.0% to 5.0%).

IBM:

- AI adoption is accelerating, and GenAI services are contributing strongly to IBM's performance, particularly in Consulting and Software.
- The Consulting generative AI book of business accelerated to over USD 1.5 billion in the quarter, and the number of projects related to GenAI more than doubled YoY.
- IBM's breadth of AI offerings is cited as a key differentiator, combining an innovative technology stack with large-scale consulting services and leveraging their own internal "client zero" journey.
- Technology remains a key driver of growth and competitive advantage. AI adoption is accelerating, and Hybrid Cloud remains the foundation of enterprise IT. Clients are leaning on enterprise technologies to scale, innovate and drive productivity. There are always macro uncertainties, but overall, the company continue to see broad-based demand from clients and remain optimistic.
- IT budgets are observed to be growing, typically 2 to 3 points ahead of GDP growth. This healthy spending is supporting the shift where clients are directing more money toward newer projects rather than just running existing infrastructure.
- The company feels confident about returning to market growth levels in 2026.

Globant:

- Demand trends across the client base have started to stabilize, although the macro environment remains fluid. The conversion speed of the pipeline has increased in the last few months compared to the first half of the year.
- The company currently has over 1,000 engagements running related to generative AI (gen-AI), core-AI, or Data, accounting for one-third of overall projects.
- The pipeline contains over 900 projects related to AI-Readiness. This addresses the need for many companies to get their data and core systems prepared for better use of AI.
- Management is optimistic about 2026, viewing the current period as a turning point toward better growth. The overall market sentiment is becoming more constructive regarding 2026 opportunities. The combination of the market evolution and Globant's articulation of its value proposition through AI Studios is expected to accelerate conversion moving forward.

Exhibit 63: Guidance change for Global IT companies

Companies	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Accenture	+1 to 3% CC revenue growth guidance for FY24	+1.5 to 2.5% CC revenue growth guidance for FY24	+3 to 6% CC revenue growth guidance for FY25	+4 to 7% CC revenue growth guidance for FY25	+5 to 7% CC revenue growth guidance & operating margin of 15.6% to 15.7% for FY25	+2 to 3% CC revenue growth guidance & operating margin of 15.3 to 15.5% for FY26	+2 to 5% CC revenue growth guidance & operating margin of 15.7 to 15.9% for FY26
Cognizant	CY24 revenue guidance of -2% to +2% CC (100bps of inorganic)	CY24 revenue growth guidance of -0.5% to +1% CC (70 bps of inorganic)	CY24 revenue growth guidance of +1.4% to +1.9% CC (200 bps of inorganic)	CY25 revenue growth guidance of +3.5% to +6.5% CC	CY25 revenue growth guidance of +3.5% to +6% CC	CY25 revenue growth guidance of +4% to +6% CC, Op margin unchanged 15.5-15.7%	CY25 revenue growth guidance increased to +6% to +6.3% CC, Op margin 15.7% (the high end of earlier guidance)
Capgemini	CY24 revenue growth guidance of 0 to 3% CC incl. 1% inorganic	CY24 revenue growth guidance of -0.5 to -1.5% CC incl. 0.5% inorganic	CY24 revenue growth guidance of -2 to -2.4% CC incl. 0.4% inorganic	CY25 revenue growth guidance of -2 to +2% CC	CY25 revenue growth guidance of -2 to +2% CC	CY25 revenue growth guidance of -1 to +1% CC, Op margin unchanged 13.3-13.5%	CY25 revenue growth guidance of +2 to +2.5% CC, Op margin upper end lowered 13.3-13.4%
IBM services	FY24 revenue growth of mid-single digit CC (includes 200bps FX headwind)	FY24 revenue growth of mid-single digit CC (includes 200bps FX headwind)	Q4FY24 revenue growth of 2% CC (includes 50bps of FX headwind)	FY25 revenue growth of at least 5% CC (includes 200bps FX headwind)	FY25 revenue growth of 5% CC (includes 150bps FX tailwind)	FY25 revenue growth of 5% CC (includes 150bps FX tailwind)	FY25 revenue growth to more than 5% CC
DXC Tech^	FY25E revenue guidance of -6% to -4% organic	FY25E revenue guidance of -6% to -4% organic	FY25E revenue guidance of -5.5% to -4.5% organic	FY25E revenue guidance of -4.9% to -4.7% organic	FY26E revenue guidance of -5% to -3% organic	FY26E revenue guidance of -5% to -3% organic	FY26E revenue guidance of -3.5% to -4.5% organic, Adj EBITM 7-8%
EPAM	CY24 revenue guidance of -1.4% CC at midpoint of the range (-2% on organic CC)	CY24 revenue guidance of -1.8% CC at midpoint of the range (-2.9% on organic CC)	CY24 revenue guidance of flat CC at midpoint of the range (-2.3% on organic CC)	CY25 revenue guidance of 10 to 14% CC (1 to 5% YoY on organic CC)	CY25 revenue guidance of 11.5 to 14.5% CC (2 to 5% YoY on organic CC)	CY25 revenue guidance of 13 to 15% CC (3 to 5% YoY on organic CC)	CY25 revenue guidance of 15% (4.6% organic)
Globant	CY24 revenue guidance of 14.7% to 16.4%	CY24 revenue guidance of 14.8% to 15.5%	CY24 revenue guidance of 15.2% to 15.5%	CY25 revenue guidance of 9.1% to 12%	CY25 revenue guidance of 2% YoY	CY25 revenue growth of 1.2% (includes 25bps FX benefit)	CY25 revenue growth of 1.3% (includes 30bps FX benefit)
Endava	CY24 revenue guidance of -4.5 to -4% CC	CY24 revenue guidance of +10 to +11.5% CC	CY24 revenue guidance of +10 to +11.5% CC	CY25 revenue guidance of +8.5 to +9% CC	CY25 revenue guidance of +6 to +6.5% CC	CY25 revenue guidance of -1.5% to 0.5% CC	CY25 revenue guidance of -4.5 to - 2.5% CC

Source: Company, HSIE Research

Exhibit 64: Guidance change for Indian tier-1 IT companies

Companies	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
TCS	FY25 growth expected to be better than FY24 growth	FY25 growth expected to be better than FY24 growth	Exit margin of 26%, similar to FY24	FY25 growth to be better than FY24	NA	International revenue for FY26 will be better than FY25	International revenue for FY26 will be better than FY25
Infosys	+1 to +3% CC revenue growth range, EBITM 20-22% range for FY25	+3 to +4% CC revenue growth range, EBITM 20-22% range for FY25	+3.75 to +4.5% CC revenue growth range for FY25	+4.5 to 5% CC revenue growth range in FY25	0 to 3% CC revenue growth and OPM range of 20-22% for FY26	+1 to +3% CC revenue growth range and OPM range of 20-22% for FY26	+2 to +3% CC revenue growth range and OPM range of 20-22% for FY26
HCL Tech	+3% to 5% CC revenue growth and EBIT margin of 18-19% for FY25	+3% to 5% CC revenue growth and EBIT margin guidance of 18-19% for FY25	+3.5% to 5% CC revenue growth and EBIT margin guidance of 18-19% for FY25	+4.5% to 5% CC revenue growth and EBIT margin guidance of 18-19% for FY25	+2% to 5% CC company revenue growth, +2% to 5% CC services revenue growth and EBIT margin guidance of 18-19% for FY26	Consolidated +3% to +5% CC revenue growth and EBIT margin guidance of 17-18% in FY26	Consolidated revenue growth of +3% to +5% YoY CC and IT services growth of +4% to +5% CC for FY26
Wipro	-1.5% to +0.5% QoQ CC for Q1FY25	-1% to 1% QoQ CC for Q2FY25	-2% to 0% QoQ CC for Q3FY25	-1% to 1% QoQ CC revenue growth for Q4FY25, EBIT margin target of 17.5%	-3.5% to 1.5% QoQ CC revenue growth for Q1FY26	-1.0% to +1.0% QoQ CC revenue growth for Q2FY26	-0.5% to +1.5% QoQ CC for Q3FY26

Source: Company, HSIE Research

Indian IT management commentary post Q2FY26

TCS

HSIE view

- Higher earnings resilience and return ratios, payout yield at ~4%, FCF yield at 4%, and industry leading margins and execution with quality metrics supports valuation (below long-term averages).
- We have factored in FY26/27/28E growth at 0.2%/7.5%/8.4% (implying 1.1/1.8/2.4% CQGR in FY26/27/28E respectively). EBITM is factored in at 25.3/25.6/25.7% for FY26/27/28E respectively, translating to an EPS CAGR of 9.5% over FY25-28E.
- We maintain our ADD rating with a TP of INR 4,050, based on 23x Mar-28E EPS (10Y average of 24x).

- **Macro environment:** (1) Clients are combining vendors in response to demand and economic instability to successfully and efficiently accomplish transformation goals. With the help of its unique, AI-infused solutions, TCS closed several such big deals.
- **Verticals:** (1) BFSI is still expanding worldwide; in particular, BFSI North America has done successfully. In the same way, Europe has performed strongly in comparison to the previous quarter. (2) The decline in the Consumer Business has also stopped. (3) TCS expects a majority of its industry segments to do better, subject to Q3 seasonality.
- **AI projects:** (1) TCS expects that every project it undertakes will be AI-led, potentially offering clients productivity gains while simultaneously increasing the overall scope and size of engagements that were previously impossible without AI. (2) AI-powered modernization is a huge opportunity, particularly in areas like BFSI, for addressing legacy code and technology debt. (3) AI-ready talent close to 160,000 associates at higher order AI skills. Over 10,000 of its Sales and Delivery leaders have gone through an immersive and hands-on AI Dojo program that TCS has rolled out.
- **TCV wins:** (1) TCV stood at USD 10bn (+6.5% QoQ/+16% YoY). North America TCV was USD 4.3bn, and BFSI TCV reached USD 3.2bn, Consumer business group USD 1.8bn. (2) A significant mega deal was secured with Tryg insurance, underscoring continued success in securing large-scale complex engagements. (3) The deal pipeline continues to show strong momentum with a healthy mix of cost optimization and transformation deals as well as services and platform deals across new and existing businesses.
- **Headcount:** (1) There has been involuntary attrition as a part of the regular ongoing efforts pertaining to performance and bench policies, resulting in release of 1% of its workforce (primarily mid and senior level) due to skill and capability mismatch. (2) TCS has significantly localized its workforce in the US. It has just ~500 associates who travelled to the US in 1HFY26 on H-1B. (3) The company has implemented wage hikes for ~80% of its workforce, effective September 1st. In addition, its quarterly variable allowance (QVA) was higher than the last quarter. (4) TCS is expanding its pan-India footprint in both Tier-1 and Tier-2 cities by adding ~50k seats over the next 2-3 years.
- **Outlook:** (1) TCS expects international revenue growth in FY26 to be better than FY25. The company aims to return to its aspirational margin band of 26-28%.
- **Other comments:** (1) Data center: A new subsidiary to focus on building a sovereign AI data center, targeting a capacity of up to 1GW over 5-7 years. The estimated capex for this is USD 1bn for every 150MW, with investment to be done in phases and will be funded through equity, debt, and participation from finance partners. While the new business is capital intensive and will have low ROE, overall, ROE for the company will remain benchmarked.

Infosys

HSIE view

- INFO is expected to grow by 5.2/6.9/7.4% in FY26/27/28E, implying a CQGR of 1.8/1.5/1.7%. We have factored in EBITM of 21.4/22/22.3% for FY26/27/28E, translating to an EPS CAGR of 11.6% over FY25-28E.
- We maintain BUY on INFO with a revised target price of INR 2,060, based on 23x Mar-28E EPS (vs 22x earlier).

- **Macro environment:** While lower interest rates offer cautious optimism, geopolitical tensions and tariff risk add to uncertainty. Segment challenges include trade and macro uncertainties impacting discretionary spend in manufacturing (specifically automotive) and growth headwinds/CapEx pressures in communications.
- **Financial services:** (1) With a clear focus on cost effectiveness, improved customer experience, and strategic business transformation, clients are actively planning modernization and AI-driven projects. (2) Mortgages, capital markets, commercial banking, and wealth management are all experiencing rapid growth. Spending is impacted by global uncertainty and volatility, but the mortgage industry is accelerating due to the recent drop in interest rates. (3) Banks have made large investments to develop AI infrastructure. (4) Six large deals were signed in Q2, demonstrating the continued strength of the pipeline. (5) In Agentic AI, numerous initiatives are moving from proof of ideas to large-scale projects with significant traction.
- **Manufacturing:** (1) The sector continues to grapple with trade and macro uncertainty, which is impacting discretionary spending, particularly in the car industry. (2) INFY continues to assist its clients with digital projects and streamlining their infrastructure and application footprints. (3) The company is at the forefront of using automation and AI to boost productivity and combat price deflation.
- **Retail:** (1) Caution remains due to ongoing tariff-related uncertainties. Deal pipelines remain strong, but decision cycle remains elongated. (2) Across geographies, there is an increased focus on AI, cloud, estate modernization, de-risking and cost takeout. There is a growing sense of urgency to improve the productivity of operating models to offset inflationary pressures.
- **Communication:** (1) Communications continued to face growth headwinds coupled with high opex pressures. (2) GCCs are becoming key buying centers and opportunities are emerging for IT companies to support their transition. (3) Lower interest rates provide cautious optimism, but uncertainty is aggravated by tariff risk and geopolitical concerns.
- **AI projects:** (1) Client conversations suggest a strong focus on deploying AI across the enterprise for growth and cost efficiency programs. Some of the recent projects won include modernization for an apparel company with generative AI and AI Ops technologies to help them modernize their core operations, simplify their IT, and unlock greater value from their data. For a telecom client, infusing advanced intelligence across their operations to accelerate the pace of innovation and help them to deliver compelling digital experiences for their customers. (2) INFY has deployed AI agents across its internal operations. Its multi-agent invoice automation solution alone unlocked USD 50mn in incremental cash flow, directly improving its FCF conversion.
- **Headcount:** (1) Company intends to hire 20,000 freshers in FY26, of which it has already hire over 12,000 freshers in H1. (2) Utilization remained stable at 85%, which is within the company’s comfort range. (3) INFY has taken several steps over the past few years to reduce its dependence on work visa, especially H-1Bs in the US. This includes reduction in onsite mix, increased focus on near shoring, increased local hiring, university partnerships, and creation of local hubs.
- **TCV:** (1) INFY won 23 large deals in Q2, totaling USD 3.1bn, six were in Financial Services, four each in Manufacturing, Communication and Retail, three in E&U, and one each in Hi-tech and others. (2) Region-wise, fourteen were from Americas;

seven were from Europe, one each from the rest of the world and India. (3) Over 67% of the large deal wins were net new in Q2. (4) Following the quarter close, a UDS 1.6bn mega deal was announced, which is 100% net new.

- **Guidance:** (1) INFY has increased revenue growth guidance to 2% to 3% in constant currency for FY26 (vs 1% to 3% earlier). (2) Operating margin guidance maintained for FY26 in the 20% to 22% range.

HCL Tech

HSIE view

- We have factored in 6.4% growth in IT & BS and 10.9% growth in ER&D services for FY26E and a 2.4% decline in the Software segment.
- The overall USD revenue growth is estimated at 6.2%/8.6%/7.2% respectively in FY26/27/28E. We expect EBITM at 17.7% in FY26E (mid-point of the guidance) and then improve to 18.9/19.3% by FY27/28E, translating into an EPS CAGR of 12.5% over FY25-28E.
- We maintain BUY with a revised target price of INR 2,000, based on 22x Mar-28E EPS (vs 21x earlier).

- **Macro environment:** While the external environment continues to be unpredictable, HCL Tech's key business indicators like revenue growth, booking, pipeline, AI demand etc., all look promising.
- **Verticals:** (1) Strong growth in three large verticals: BFSI, Technology, and Telecom & Media. (2) A similar trend is emerging in Retail CPG that should help the company grow in the future as well as diversify its portfolio. The company continues to win and grow its Retail and CPG business as clients are showing increased interest in a prudent approach to adopting and scaling AI. Some areas where it has witnessed this include integration work in M&A, a carve out related separation work, and in large scale SDLC transformation work supported by Generative AI, especially on its AI Force platform. (3) It is also seeing similar trends in Lifesciences & Healthcare and Public Services verticals. (4) While the broader Manufacturing segment is doing fine, there is continued impact due to the Auto sector slowdown within the overall Manufacturing vertical.
- **AI projects:** (1) In Q2, HCL Tech reached a major milestone by generating over USD 100mn (~3% its total revenue) of Advanced AI revenue through its diverse service lines and IPs. (2) HCL Tech is working closely with partners like Nvidia, Dell, and HPE to bring the AI Factory concept to market. It is working with one of the top ten IT companies in the world to develop global AI factories. HCL Tech is growing its workforce to meet the high demand witnessed locally. (3) HCL Tech is witnessing good demand for Open AI enterprise adoption, and it is training more people to support this journey. The company announced two more significant collaborations in Q2. It announced a multi-year strategic partnership with Pearson to co-develop AI-powered products and services designed to close skill gaps, empower individuals to advance their careers, and help organizations succeed amidst the rapid technological change.
- **Headcount:** (1) HCL Tech has reduced reliance on visas by strengthening its global delivery model. The company needs only a few hundred visas annually. (2) HCL Tech intends to increase local hiring and training.
- **TCV:** (1) New bookings totaled USD 2.6bn, marking the first time the company crossed the USD 2.5bn mark without a contribution from any mega deal. (2) Two large deals delayed in the previous quarter were signed. (3) AI is now central to nearly every deal. (4) The company aims to increase its net new booking run rate from around USD 2 to 2.5bn.
- **Guidance:** (1) HCL Tech raised its full-year services revenue growth guidance to 4% to 5% in CC terms. The company-level guidance remains unchanged at 3% to 5% in CC terms, reflecting softness in the Software segment due to the decline in perpetual license revenue. (2) The full-year EBIT margin guidance remains at 17% to 18%. (3) Wage revisions beginning in Q3 are expected to impact Q3 margins by 70 to 80 basis points and Q4 by an incremental 40 to 50 basis points, which is already incorporated into the margin dynamics.

Wipro

HSIE view

- We have factored in revenue growth of -0.4/+5.4/+5.6% in FY26/27/28E. IT services EBITM is expected to be 17.7/17.9/18.3% for FY26/27/28E, translating into an EPS CAGR of 6.9% over FY25-28E.
- At CMP, Wipro is trading at 20/18.3/17x FY26/27/28E (5Y average at 21x).
- We maintain REDUCE on Wipro with a revised target price of INR 275, based on 18x Mar-28E EPS (vs 17x earlier).

- **Verticals:** (1) WPRO continues to see momentum in BFSI with clients prioritizing cost optimization, vendor consolidation, legacy modernization and scaled deployment of Agentic AI. Tariff uncertainties continue to impact the Consumer, Energy and Manufacturing sector leading customers to re-evaluate their supply chains. (2) In Technology and Communications, the focus is on accelerating AI adoption and developing industry-specific solutions with cost optimization remaining central. (3) Healthcare in the US is undergoing structural changes. WPRO continues to actively support clients through this transition, and the sector remains one of the company's strong performers.
- **AI projects:** (1) Wipro Intelligence is the company's unified suite of AI-powered platforms, solutions, and transformative offerings. (2) Wipro Intelligence strengthens WPRO's consulting-led approach, driving innovation and delivering measurable outcomes for its clients.
- **Headcount:** (1) Net headcount has increased, as WPRO on-boarded freshers from college. (2) Considering the high demand and strong bookings in H1, WPRO intends to continue hiring laterally and freshers.
- **TCV:** (1) Company closed thirteen large deals, resulting in a TCV of USD 4.7bn. Deal wins included two megadeals: one in healthcare and one in BFSI. While these megadeals are largely renewals, they are important for deepening Wipro's presence and unlocking future growth. (2) Deal ramp-ups for deals signed in the last six months are currently on course, with no delays or deferrals observed. (3) WPRO is seeing strong momentum in Europe. The company has formed a strategic multi-year partnership with a leading UK financial company to modernize their business. They are using WPRO's WeGA AI platform and a new center of excellence to drive this change. WPRO is helping improve customer experience and streamlining back-office operations. (4) WPRO is also bringing advanced AI to business and technology streams like HR, mortgages, financial crime prevention, and of course, IT. This will optimize workflows and support real-time decisions for its clients.
- **Guidance:** (1) For Q3, WPRO projects sequential IT services revenue growth of minus 0.5% to plus 1.5% in constant currency. This translates to expected revenues in the range of USD 2.59 to USD 2.64bn. The company noted that the midpoint of this guidance is positive, which is considered the first step toward sustained momentum. This guidance does not factor in any revenues from the recently announced Harman Digital Transformation Solutions acquisition. (2) The company's goal is to maintain its adjusted operating margins in a narrow band, ideally between 17% to 17.5%, while investing for growth.

TECHM

HSIE view

- We have factored in recovery in TECHM's growth of +2.1/7.5/7.9% for FY26/27/28E - implying CQGRs of 1.4/1.9/1.9% for the three years respectively. We have built in EBITM improvement of 12.5/14.7/15.5% for FY26/27/28E. TECHM is trading at 26.1/20/17.5x FY26/27/28E (vs. 5Y average of 21x).
- We maintain our ADD rating with a target price of INR 1,800, based on 20x Mar-28E EPS.

- **Communications vertical:** (1) The company's largest client has stabilized its spend and delivered growth above the company growth during Q2. (2) TECHM continues to invest in key client partnerships: A key European client is set to launch their large telecom model, to bolster their service experience center. They are revolutionizing operations across network, IT and customer domains, promoting service-centricity and building a truly data-driven ecosystem, scaling AI and enhancing automation to drive meaningful outcomes. TECHM is collaborating with them on this journey and investing in its cutting-edge solutions.
- **Other verticals:** (1) Aero and industrial segments showed good traction, supported by demand for smart manufacturing, predictive maintenance, and digital twins. (2) Automotive has been stabilised in Q2. However, TECHM remains cautious, particularly in the Commercial segment, which continues to face headwinds, while the Passenger Vehicle segment shows early signs of stabilization. (3) Banking & Financial Services reported strong YoY growth in Q2, reflecting the focused areas TECHM has prioritized for growth. Supporting these priorities, the company has forged partnerships, such as with JP Morgan Payment Systems as part of their integrator program, to co-innovate and deliver differentiated value through the deployment of next-gen payment solutions. (4) The logistics sector is witnessing strong tailwinds driven by e-commerce expansion, automation and warehousing, and last mile delivery optimization.
- **AI projects:** (1) The Government of India has selected TECHM as a key player in the India AI mission. As a part of this mission, TECHM is partnering to develop an indigenous sovereign large language model with 1 trillion parameters. (2) A global logistics leader has selected TECHM as its strategic partner with a multi-year framework agreement to drive AI-led efficiency and shift to a productized IT organization. (3) TECHM was chosen for a multi-year application management services contract by a leading life and health insurer in the Asia-Pacific area. This will lead to the modernization of core and digital platforms through cloud-first transformation and AI-led automation.
- **Headcount:** (1) There was a net addition of 4,197 employees QoQ, and the headcount stood at 152,714 employees. (2) Sales & support headcount has been witnessing a QoQ decline due to portfolio integration. (3) IT LTM attrition stood at 12.8% (vs 12.6% in Q1).
- **TCV:** (1) TECHM has improved its large deal wins and the pipeline quality and expanded its relationships with its large clients. (2) Net new deals won in Q2 stood at USD 816mn, a growth of 57% on LTM basis. Deal wins were broad-based, across verticals communications, manufacturing, BFSI, retail, transport, and logistics. (3) TECHM has partnered with a leading US-based telecom operator to advance its network testing and certification automation and optimization initiatives under its long-term transformation vision. (4) A leading European telecom operator has engaged TECHM to accelerate its enterprise-wide autonomous operations journey.
- **Outlook:** 1) TECHM expects future margin expansion to be weighted more heavily toward gross margin gains (driven by fixed-price productivity and portfolio company integration) instead of just SG&A optimization. (2) While FY27 growth is expected to be higher than FY26 for both the industry and TECHM, the projected return to standard industry growth rates is slightly more muted than the original assumption made at the start of the transformation journey.

LTIM

HSIE view

- We have factored in LTIM's revenue growth at 6.6/13.1/13% and EBITM at 15.5/16.6/17.3% for FY26/27/28E respectively, translating into an EPS CAGR of 19.9% over FY25-28E. LTIM is trading at 33.4/27.6/23.5x FY26/27/28E EPS (vs 5Y average at 31x).
- We upgrade LTIM to BUY (ADD earlier), with a revised TP of INR 7,500, based on 28x Mar-28E EPS (vs earlier 24x).

- **Verticals:** (1) LTIM remains optimistic about the growth in BFSI vertical in H2FY26.
- **AI projects:** (1) LTIM has over 1,500 digital agents in action in addition to the workforce. (2) Over 80,000 employees have completed the GenAI Foundation Training Program. (3) LTIM secured a large deal with a leading global media and entertainment company to drive its digital transformation and enable an AI-centric delivery model. (4) LTIM has been selected by a Global Manufacturer of Chemicals to oversee and execute technology transformation. LTIM will deploy its BlueVerse tech to drive AI efficiency and streamline processes for cost management and rapid innovation. (5) The company has been chosen as an AI partner by a global energy player to develop an agentic solution for legal and IT functions, leveraging BlueVerse Foundry.
- **TCV:** (1) TCV stood at USD 1.59bn (-2.5% QoQ), with large deals signed in each of its five verticals. (2) LTIM has won a contract from the Government of India's Central Board of Direct Taxes to transform India's PAN infrastructure. (3) LTIM has been selected as a strategic partner by a global financial institution to deliver end-to-end technology and consulting services across all its line of businesses, spanning multiple geographies, positioning LTIM as one of its five major service partners.
- **Headcount:** (1) LTIM added 2,604 freshers during the quarter. (2) Attrition on LTM basis decreased to 14.2% from 14.4% in Q1. (3) LTIM announced wage hikes spread across two quarters. The first tranche will be effective 1st January, and the second tranche will be effective 1st April, with approximately 50% of employees receiving increments in each phase. This staggered approach to wage hikes may become the new normal.
- **Outlook:** (1) LTIM aspires to achieve a double-digit USD revenue growth in H2FY26. (2) Margin expansion is expected to continue, through productivity improvement (AI, pyramid correction, and managing overheads). Notwithstanding seasonal headwinds in Q3 (furloughs) margin expansion is expected.

Mphasis

HSIE view

- We have factored in USD revenue growth of 7.6/11.5/10.3%, implying CQGR of 2.4/2.4/2.3% for FY26/27/28E respectively. EBITM is factored in at 15.8/16/16.7%, for FY26/27/28E, translating to 15.1% EPS CAGR over FY25-28E. At CMP, Mphasis is trading at P/E of 28.9/25.1/21.3x FY26/27/28E (5Y average at 26x).
- We upgrade Mphasis to ADD (vs REDUCE earlier) rating with a revised target price of INR 3,460, based on 25x Mar-28E EPS (vs 22x earlier).

- **Macro environment:** (1) The company is still very much in the stage of managing its operations on a micro level and not be concerned with the macro. (2) Client behavior is less macro dependent, but more dependent on the proposition offered by Mphasis. (3) Although efficiency and cost reductions continue to be major topics of discussion, they are not the only ones that need to be addressed. The nature of the client's tech spending is changing significantly as they want to spend more on new technology areas and continue to find efficiency in the way the operations are run.
- **Gen AI:** Mphasis emphasized its long-term commitment to AI, which began over the past decade. Strategic choices focused on treating every business as a consumer business and enabling enterprise agility through DevOps, cloud migration, data on cloud, and cyber security transformation.
- **Verticals:** (1) Growth in BFS was impacted by the ramp-down of the ATM business. (2) Logistics & transportation is expected to deliver sequential growth from Q3. The segment reported losses in Q2 due to a specific one-time investment. Margins are expected to return to normalcy from Q3 onwards. (3) In Healthcare, a new leader was recently brought on board to head the healthcare vertical GTM, focusing on leveraging the Javelina healthcare platform.
- **TCV wins:** (1) Conversion of TCV to revenue can take time (e.g., three to six months for transition or longer when hardening environments for new tech deployment) but is aligned on track. (2) Deal making is becoming more complex due to multiple variables but is multi-tower, covering application refactoring, modernization, and cloud operations. (3) Six large deals were won in Q2, contributing to a total of 10 large deal wins in H1FY26. This included one deal over USD 100mn (with a new BFS client) and two deals over USD 50mn.
- **Outlook:** (1) Mphasis expects growth to be greater than 2x of industry growth based on H1 performance and steady conversion of strong TCV wins. (2) The company will continue to target operating margins within the stated band of 14.75% to 15.75%.

LTTS

HSIE view

- We have factored in USD revenue growth of 9.3/11.7/10.9% for FY26/27/28E respectively, implying a CQGR of 1.3/2.4/2.6% for the three years. EBITM is factored in at 14.3/15.9/16.3% for FY26/27/28E, resulting in an EPS CAGR of 17.6% over FY25-28E. At CMP, LTTS is trading at 33.9/26.9/23.3x FY26/27/28E (vs. the 5Y average of 35x).
- We maintain ADD rating on LTTS with a target price of INR 5,450, based on 28x Mar-28E EPS.

- **Macro environment:** (1) The macro environment has remained like Q1; however, LTTS has observed revival in deal related conversations across all sub-segments except automotive. (2) The long-term fundamentals remain robust, even as FY26 may be a tough year. (3) The changing spends on AI, softwarisation of products and services and ongoing re-industrialization of the US is creating opportunities for LTTS to lead with engineering and AI innovation, and company believe that they are well positioned to capitalize on the shift.
- **Sustainability segment:** (1) This segment achieved a USD 50mn account on an annualized run rate basis in plant engineering. (2) The Industrial sub-segment has been digital and has seen digital & AI-led interventions across the PDLC offering to the clients. LTTS is ramping up large deals, signed and continue to see deal wins with a robust pipeline ahead. (3) In Plant Engineering, demand continues across O&G and CPG for greenfield brownfield capex projects and ongoing spend on digitization and modernization of legacy plants.
- **Mobility segment:** (1) This segment was muted overall. The off-highway sub-segment grew sequentially, and aero and rail remained resilient. The auto sub-segment remained subdued due to continued program pauses and delayed decision-making. (2) In auto, the clients are reviewing model year choices, and LTTS believes some certainty will emerge in the next 3 months. (3) Client spending on local manufacturing and supply chain continues to be resilient; LTTS is also actively participating in consolidation deals in the US & Europe. (4) In Q2, LTTS witnessed an uptick in clients wanting to use its proprietary EV platform, LTTS' iDrive solution (for SDV) and TrackEi for specific OEM programs. (5) In T&OH, there is continued investments from customers as they roll out new products with new features leveraging AI & automation.
- **Tech:** (1) Software and Platform sub-segment is making strides with agentic AI offerings and data engineering platforms, leading to a win in the Pharma area (a new entry). (2) Med-tech saw healthy demand in Europe and Japan, but US ramp-ups were slow. (3) LTTS continues to grow in the US, and it has seen steady growth in semiconductor accounts.
- **TCV:** (1) LTTS recorded high large-deal TCV of USD 292mn during the quarter, including a USD 100mn deal and a USD 60mn deal. Management noted that, 80% of the TCV reported for deals over USD 10mn is net new business, with the remainder being built on existing contracts. The overall order backlog has grown. (2) In Sustainability, company achieved its largest ever deal of USD 100mn in the industrial sub-segment, which is LTTS's first USD 100mn deal in IP. This deal spans across five-plus years and will leverage LTTS's AI portfolio for new product development, sustenance engineering, value engineering, and platform automation. In another large deal win, a global beverage major has engaged LTTS for end-to-end execution of their machine safety program across several global sites. (3) Company won a significant USD 60mn deal with a US-based telecom infra major for advanced network software development. LTTS won a significant deal with a US-based telecom infra major to deliver advanced network software development and application engineering solutions, in Media & Tech. This again was leveraging the Smart World telecom infra piece that we had got some years ago.
- **Headcount**: (1) Wage hikes are under consideration for either Q3 or Q4, but the commitment to H2 margins being better than H1 remains, indicating the company expects to absorb the resulting headwinds.
- **Guidance:** (1) The company maintains its aspiration for double-digit growth in FY26 and reiterates its medium-term outlook of USD 2bn. H2FY26 growth is

expected to be better than H1. (2) Segment-wise outlook: Sustainability: Management expects continued growth momentum and large deal wins in both the Industrial and Plant sub-segments. Sustainability remains the highest margin segment for the company. (3) Mobility: This segment is expected to be muted in Q3FY26 due to cyclical furloughs but is anticipated to come back with growth in Q4FY26 across all sub-segments (automotive, trucks/off-highway, and aero/rail). (4) Tech: Management expects Med-tech to grow in the H2, leveraging AI solutions. Overall, large deals in advanced negotiation stages should help Tech segment growth trajectory in H2.

Tata Elxsi

HSIE view

- We have factored in Transportation vertical growth at 0/21/17% for FY26/27/28E, Media & Communication growth at -4/+12/+12% and Healthcare & Lifesciences at -8/+16/+16% for the same period. Revenue growth of -2.4/+17.2/15.5% and EBITM of 21.7/24.9/25.6% over FY26/27/28E translate to an EPS CAGR of 13.4% over FY25-28E.
- We maintain our ADD rating on TELX, with a target price of INR 6,400, based on a 35x Mar-28E EPS.

- **Transportation:** (1) Key areas seeing demand include SDV, electrification (EVs), ADAS, and infotainment/cockpit. There is also a revival of interest in traditional powertrain (ICE-related) areas. (2) Europe, Japan, and India are showing good traction and are expected to grow. The US core automotive market is a little muted, though traction is building in adjacencies like aerospace, rail, and off-road.
- **Media & Communication:** (1) The launch of MBC Now (a Saudi Arabia-headquartered content super aggregator) was powered by Tata Elxsi's in-house developed OTT platform, TEPlay. (2) The industry environment remains volatile due to business restructuring and M&A activity among leading operators and broadcasters.
- **Healthcare & Medical Devices:** (1) The company is building a strong pipeline across key regions. A dedicated technology center for Bayer devices in radiology was launched to co-develop advanced radiology devices for early and accurate diagnosis and treatment. This is a multi-year, multi-million-dollar relationship expected to provide business stability for at least three years. (2) The healthcare business is primarily US driven, with some activity in Europe.
- **TCV:** (1) The transportation segment maintains robust pipeline momentum driven by global OEM SDV programs and other large deal wins. (2) Tata Elxsi inaugurated a second engineering center in partnership with Suzuki, focusing on cloud hardware and loop simulation to accelerate SDV transition.
- **Headcount:** (1) Management anticipates better attrition numbers as revenues pick up in H2. (2) Wage hikes for a part of the team will be considered in Q3 (October), pending a stable recovery from the cyber security incident. (3) The primary focus is increasing utilization with a target to reach 75% utilization by the end of FY26 and eventually 80% in FY27. Achieving these utilization numbers is expected to bring margins back to the earlier trajectory and allow the company to manage headwinds like wage hikes.
- **Guidance & outlook:** (1) Margins have come off over the past few quarters but are seeing a slow recovery. H2 margins are expected to be better than H1 margins. The management is confident that H2 growth will be far better than H1. (2) For FY27, the company is aiming for double-digit growth in the Automotive/Transportation business. It is also aiming for double-digit growth in the Healthcare segment. Double-digit growth for the Media and Communication segment remains an aspiration, but visibility is low due to continued industry stress, making it difficult to commit at this point.

Persistent

HSIE view

- We have factored in USD revenue growth of 17.4/18/15.3% and EBITM of 15.7/16.5/17% for FY26/27/28E respectively, translating to a 24.6% EPS CAGR. PSYS is trading at a valuation of 57.2/45.5/37x FY26/27/28E (vs. the 5Y average of 38x).
- We maintain ADD on PSYS with a revised TP of INR 7,400, based on 42x Mar-28E EPS (vs earlier 40x).

- **Macro environment:** (1) The demand environment and macro continue to face its own difficulties. (2) While there is not much change in the macro environment, people are getting accustomed to working in the current environment.
- **Verticals:** (1) In the Healthcare vertical, while some customers face stress due to recent regulatory changes, this stress drives a need for increased efficiency, which creates opportunities for tech services. (2) PSYS is focused on deepening its expertise across its four sub-verticals (scientific instruments, pharma, payer, and provider).
- **Gen AI:** (1) PSYS was selected by one of the largest US-based full-service wealth management firms to reimagine its business operations using AI and to modernize its platform to improve customer experience.
- **TCV:** (1) TCV for the quarter came in at USD 609mn and ACV component of Q2 TCV is of the order of USD 448mn. (2) In terms of new bookings in the quarter, the new business TCV was USD 351mn of which the ACV component is USD 254mn. (3) The pipeline is broad-based, with BFSI driving the pipeline. (4) In Software/Hi-Tech, PSYS secured a large multi-year deal with a fast-growing cloud infrastructure provider for its AI for Tech initiative, leveraging SASVA. Also selected by a global energy technologies company to take over critical grid technology platform responsibilities. (5) Company won a deal with a leading American financial services firm for IT and business process transformation, including the use of AI tools for tech debt remediation. Separately, selected by a large US wealth management firm to reimagine operations using AI, including the building of a GenAI-based Relationship Management Assistant. (6) PSYS was chosen by one of the largest healthcare companies globally to modernize its digital presence. Also chosen by a large US non-profit health system to standardize and consolidate imaging applications.
- **Headcount:** (1) At the end of Q2FY26, total headcount reached 26,224, a net addition of 884 QoQ. (2) TTM attrition improved marginally from 13.9% in Q1 to 13.8%. (3) Effective October 1, 2025, merit increments were rolled out to all employees. This is expected to impact next quarter's margins by 180bps, with 80 to 100bps of that impact anticipated to be offset through margin levers like utilization and offshoring.
- **Guidance:** Company is targeting 100bps margin improvement in FY26 and another 100bps improvement in FY27.

Zensar

HSIE view

- We expect USD revenue growth of +5.3/11.6/11.9% and an EBITDA margin of 15.4/15.6/15.9% for FY26/27/28E respectively, resulting in revenue/EPS CAGRs of +9.6/+14.2% over FY25-28E.
- We reiterate our ADD rating, with a target price of INR 930, based on 22x Mar-28E EPS.

- **Macro environment:** (1) The overall macroeconomic environment remains unchanged, with US policies around trade tariffs and visa regulations creating more challenges for businesses.
- **Verticals:** (1) Management expressed positivity about performance in BFSI. (2) The TMT decline is viewed as a secular trend rather than client-specific issue. TMT clients are rationalizing OpEx, often resulting in layoffs, to fund massive CapEx investments in areas like GPUs and data centres. Management noted that Zensar's exposure to TMT has been successively reducing, dropping from 27.1% of revenues in FY24 to 20% this quarter, aiming to mitigate the impact of this decline.
- **AI projects:** (1) Zensar is intensely focused on AI, viewing it as a significant opportunity rather than a threat. (2) The company launched ZenseAI, its next-generation Agentic AI platform, to drive enterprise-level innovation. The platform's agent library has been enriched with industry-specific domain agents and agents to accelerate legacy modernization. (3) 28% of the quarter's order bookings were AI-influenced, up from 21% in Q1. AI-influenced means the solution led with an AI infusion. (4) Over 5,000 employees have deepened their skills in AI, Gen AI, and Agentic AI leveraging multi-tiered learning journeys. (5) Zensar executed an application modernization program for a global financial major as part of their customer experience improvement program, leveraging its innovative Gen AI solutions across the SDLC cycle, and was able to accelerate go-to-market by 25%. (6) Zensar is partnering with a large retailer to create an agentic AI-based ecosystem to build APIs in a factory model. This is driving cost efficiencies to the tune of 70%.
- **TCV:** (1) Order booking for the quarter was at USD 158.7mn TCV, with a book-to-bill ratio of 0.97x (vs 1.06x in Q1). (2) Cost optimization and productivity-linked programs are gaining traction, supported by cloud modernization, cybersecurity, and early generative AI initiatives. Clients are increasingly focused on vendor consolidation and outcome-based engagements, driving selective deal momentum.
- **Headcount:** (1) There was a gross addition of 831 employees, and the headcount stood at 10,550 for Q2FY26. (2) The company announced salary hikes for its employees, effective 1st July 2025. (3) Voluntary attrition remained constant at 9.8%, marking the third consecutive quarter that voluntary attrition has been below 10%.
- **Guidance & outlook:** Q3 is expected to be a weak quarter due to the furlough season. However, Zensar is hopeful that its reduced TMT exposure would result in a lesser furlough impact compared to if TMT had grown.

Cyient

HSIE view

- We have factored in -1.2/+7.8/10.9% DET USD revenue growth for FY26/27/28E. The DET margin is estimated at 12.7/13.2/14.1% for FY26/27/28E, resulting in a consolidated revenue/EPS CAGR of +5.7/12.4% over FY25-28E.
- We maintain ADD with a revised target price of INR 1,470, based on 18x Mar-28E DET EPS and adding INR 140/share for Cyient DLM. The stock is trading at 20.7/17.9/14.4x FY26/27/28E EPS.

- **Macro environment:** (1) The macro environment improved compared to early Q1 (which saw a significant freeze on decision making), although the market environment is not yet classified as strong.
- **Verticals:** (1) The Transportation & Mobility unit and the Network & Infrastructure units delivered strong QoQ growth of 3.9% and 3.6%, respectively, driven by focused account mining and sales approaches. (2) The transportation segment is expected to deliver consistent and significant growth over the next four to six quarters. Strategic units witnessed anticipated decline due to holiday season impact in Europe and the ramp down of a large program, which is largely complete.
- **AI projects:** (1) In Q1, a healthcare client selected Cyient to establish an AI centre of excellence to test new cases across their product development, quality and regulatory processes. This was achievable due to close knowledge of their processes, their products, & data and Cyient's innovative business model in handling exploratory AI use cases. (2) Cyient is also proactively enhancing and expanding its capabilities across data, AI, and digital platforms, and strengthening its domain-led advantage. To further scale this advantage, Cyient is investing further into its CTO organization to develop focused offerings, rationalize our portfolio, build capabilities, and forge strategic partnership.
- **TCV:** (1) Cyient secured a major Q2 contract with an aircraft tool company for digital transformation, winning because their deep domain expertise uniquely positioned them to unify the customer's siloed manufacturing data into a responsive, decision-making intelligence solution.
- **Headcount:** (1) Second tranche of wage hike was paid out in Q2.
- **Guidance & outlook:** H2 to be better than H1.

Birlasoft

HSIE view

- We expect BSOFT's revenue to decline 4.2% YoY in FY26E and grow thereafter by 7.3/10.6% in FY27/28E, respectively. EBITDAM is factored in at 13.1/13.4/13.9% for FY26/27/28E respectively, implying an EPS CAGR of 7.9% over FY25-28E (including a 15% drop in FY25).
- We upgrade BSOFT to BUY (vs. ADD earlier) with a revised target price of INR 520, based on 22x Mar-28E EPS (vs. 18x earlier).

- **Macro environment:** Remains uncertain due to trade barriers and protectionism, resulting in customers optimizing their spends and decision cycles being extended.
- **Verticals:** (1) Overall sequential growth in BFSI and Life Sciences enabled the company to offset weakness seen in the manufacturing vertical. (2) BFSI continues to be a growth leader, primarily in insurance, asset management, and payments. (3) Life Sciences and Energy & Utilities (E&U) are also expected to continue showing growth. (4) Manufacturing remains an issue and is under pressure. The ERP business performance is very closely tied to the struggles in the manufacturing sector. (5) ERP Business is inherently project-based, followed by maintenance. The company sees JDE (JD Edwards) as a big opportunity since it is expected to remain on premise until at least 2030, but the full benefit of ERP refreshes is currently going to larger companies; Birlasoft is preparing to capture the mid-market segment when the cycle turns.
- **AI projects:** (1) The company is making continued investments to enhance its technology and domain capabilities. (2) BSOFT is leveraging advanced AI-led capabilities, including Agentic AI. (3) An Agentic AI solution was successfully delivered into production for a key P&C carrier in the US, providing significant business value in efficiency and accuracy.
- **TCV:** (1) Signed TCV was reported at USD 107mn during Q2. This number was optically lower because a couple of committed deals, estimated to be in the range of USD 60 to 65mn, spilled over and were signed in Q3. (2) The management's

endeavour is to maximize the order book and deliver a higher TCV than FY25. The internal aspiration is to get TCV closer to USD 850mn for the full year. (3) BSOFT won a strategic deal in configuration management with a large payments card and banking client, replacing a global Tier 1 firm as the incumbent partner.

- **Guidance & outlook:** (1) Despite seasonal weakness and high furloughs in Q3, BSOFT expects sequential revenue growth in both Q3 and Q4. H2 is expected to be better than H1FY26 in both revenue and order book. (2) Confidence in Q3 growth stems primarily from deals signed in Q4FY25 which have now completed their transition phase and will begin contributing revenue. (3) BFSI is expected to be flattish in Q3 due to typical furloughs, but growth is expected to resume in Q4. (4) The company expects softness in manufacturing to continue through Q3 and Q4, though other sectors will over-compensate. While efforts are underway to return manufacturing to a growth trajectory, this is expected to take a couple of quarters. (5) The sustainable run-rate EBITDA margin is expected to be around 14% and improving from there. (6) If the company has a strong order book performance in H2, FY27 could directionally be a growth year.

Mastek

HSIE view

- We expect USD revenue growth of 7.7/12.3/12.8% in FY26/27/28E and an EBITDA margin of 16/16.5/16.5% in FY26/27/28E, resulting in an EPS CAGR of 12.6% over FY25-28E.
- We maintain our BUY rating with a target price of INR 3,300, based on 20x Mar-28E EPS.

- **Macro environment:** (1) The overall macroeconomic uncertainty is impacting decision making of the clients.
- **UK:** (1) The UK remains Mastek's strongest and largest geography, with continued strong performance. (2) Secured Government Services shows strong momentum, signing sizable renewals that offer 3–5-year long-term visibility. (3) UK Healthcare: continues to see strong demand, supported by government policy and investment decisions. (4) Private Sector is also experiencing good demand, adding new logos, including a USD 15mn plus AI-led modernization transformation deal with a large financial services customer. (5) Oracle Business is project-driven, leading to occasional QoQ fluctuations, but pipeline remains healthy, particularly in local government and higher education sectors. Mastek was awarded a prestigious AI for supply chain partner recognition by Oracle.
- **North America (NA):** (1) The company is undergoing leadership changes, with Sourabh Mukherjee (a healthcare-focused leader) joining as the new leader for North America, alongside new capability leadership hires (including for the Salesforce business). (2) The NA market faces macro uncertainties leading to a "right shift" in demand, causing clients to delay decisions or sign shorter-term contracts (e.g., one quarter or six months instead of three or five years). (3) NA segment margins are currently lower than expected due to heightened Sales & Marketing (S&M) spend in anticipation of growth. Margins are expected to significantly move up toward double-digit or mid-double-digit EBIT numbers once the business reaches an optimal run rate, around USD 3 to 4mn growth from the current level.
- **APAC and Middle East (AMEA):** The strategy here is to consolidate focus on key segmented areas and deliver profitable growth, with healthcare being a key vertical.
- **AI projects:** AI is a key driver leading all business activities for long-term strategy and growth: (1) AI for Tech (Efficiency): This initial wave focuses on delivering efficiency, speed, and better quality in technology delivery (including engineering, testing, and managed services). Mastek is adopting a firm, ROI-based approach, delivering tangible business benefits and efficiency gains to clients while simultaneously preserving and improving its own bottom line. (2) AI for Business (Transformation): This is the future, larger wave where customers seek AI to deliver business transformation. Mastek sees this as potentially the biggest shift in

the IT services industry in decades. The company is currently working with about a dozen customers to build AI for business transformation roadmaps, with execution anticipated in parts of FY27 or early FY27.

- **TCV:** (1) Twelve months order backlog stood at USD 280mn (+2.2/6.8% QoQ/YoY), supported by healthy deal conversions across all geographies, especially the UK. (2) In the UK, a USD 50mn plus AI-led engineering services deal was secured this quarter for modernization and efficiency in this sector. (3) In AMEA, secured a USD 7mn plus deal in healthcare in Q2, one of the larger deals in the segment in this geography. Another new deal was a USD 5mn plus AI-led business transformation deal for a large healthcare provider.
- **Headcount:** The company plans to boost efficiency and long-term revenue per employee by strategically managing attrition rather than mass layoffs, with the overall headcount tied directly to business growth.

Happiest Minds

HSIE view

- We have factored in USD revenue growth of 9.2% for FY26E (6.2% organic) and 16/17% in FY27/28E. EBITM has been factored in 14.6/15.2/15.5% for FY26/27/28E respectively, which translates to a revenue/EPS CAGR of 14/24% over FY25-28E. At CMP, HAPPSTMN is trading at 31/26/21x FY26/27/28E, lower than its historical 5Y average multiple of 49x.
- We upgrade HAPPSTMN to BUY (ADD earlier), with a revised target price of INR 725, based on 30x Mar-28E EPS.

- **Macro environment:** (1) Muted demand environment due to macro uncertainty.
- **Verticals:** (1) Infrastructure Management and Security Services (IMSS): A slight dip in Q2 was attributed to one large customer pausing deals due to a new proposal and a security deal being pushed from Q2 to Q3. (2) The BFSI vertical is still viewed bullishly, but Q2 saw a slight sequential drop because deals related to the Artha banking platform were shifted to Q3, and a large APAC customer experienced a temporary ramp-down. (3) Retail and CPG sector demonstrated strong growth, fuelled by deals closed in Europe (including a Gen AI use case for a beverage bottler) and traction in Australia. (4) EdTech revenue has been ramping down. Management expects the vertical to bottom out by Q3, focusing recovery efforts on consulting engagements leading to multi-year implementations and GenAI opportunities in institutions and universities.
- **AI projects:** (1) Gen AI business unit (GBS) is a key growth engine, reporting 77.8% YoY growth in CC for Q2 and 79% for H1. (2) Since its launch in October-24, GBS has scaled rapidly. (3) The GBS unit broke even last quarter. It has developed 22 transformative AI use cases/replicable solutions which unlock a revenue potential of nearly USD 15mn over the next three to four years. (4) Gen AI-based projects are seeing a 20% to 25% premium over standard rate cards. (5) While 80% of initial projects were fixed-price POCs, the nature of work is moving towards external engineering teams with one-year commitments. Gen AI deals are now integrating complex use cases with platform development, leading to larger ticket prices (some reaching close to USD 1mn).
- **Headcount:** (1) The company ended the quarter with 6,554 employees, a net addition of 31. (2) Company-wide utilization improved to 80.7%, the highest in the last three years. (3) Attrition continued to moderate, coming down to 17.4% (LTM basis) from 18.2% in Q1.
- **Outlook & Guidance:** (1) The commitment is now raised from three continuous years to four continuous years of double-digit growth (extending to FY28). (2) The aspiration for FY26 remains to deliver double-digit revenue growth in constant currency and sustain EBITDA margins in the range of 20 to 22%. (3) Q3 and Q4 top-line performance is expected to improve sequentially, driven by the strong pipeline, the start of billing for Gen AI use cases, and deals that slipped from Q2 into Q3 (specifically security deals in IMSS and AARTHA banking deals).

Sonata Software

HSIE view

- We expect IITS growth of -1.1/11.7/14.2% and DPS growth of 7.6/8/8% for FY26/27/28E respectively. IITS margin is estimated at 17.4/18.1/18.6% and DPS margin at 2.5/2.5/2.5% for FY26/27/28E respectively. IITS revenue/consolidated EPS CAGR for FY25-28E is expected to be +8.1/13.3%.
- We upgrade Sonata to BUY (vs. ADD earlier) with a SoTP-based target price of INR 490 (25x IITS and 17x DPS with an implied P/E of 22x Mar-28E EPS).

- **Verticals:** (1) A large BFSI client underwent organizational changes and budget constraints, leading to a substantial ramp-down in Q2. Management expects the material impact of this specific client issue to be absorbed by the end of Q3FY26, with the rest of the banking accounts showing good growth potential. (2) Continued decision delays were seen with the largest TMT customer and global R&D. While renewals were secured, softness occurred in winning new business due to organizational restructuring and delayed budget dissemination. (3) Growth was supported by strong momentum from large TMT and Healthcare deals announced earlier in the year.
- **AI projects:** (1) The AI order book grew from 8% in Q1 to 10% of the total order book in Q2FY26. The TMT vertical showed the highest adoption of AI. (2) AgentBridge, the cloud-agnostic agentic platform launched earlier this year is designed to help clients deploy next-generation agentic AI solutions. Sonata has deployed production-grade agents internally for HR and finance teams using AgentBridge. (3) Cloud and Data opportunities account for 55% of the total pipeline. Sonata is a Microsoft Fabric feature partner, supporting clients in building data analytics foundations. (4) Nearly 95% of the workforce (94.8%) and 80% of managers are AI trained, reflecting a strong commitment to future-ready skills across delivery, engineering, and consulting.
- **Headcount:** (1) Utilization improved to 87.3%, up from 86.6% in Q1FY26. TTM attrition stood at 14%. (2) Offshoring Mix improved to 57% from 53% in Q1FY26 due to planned large deal offshoring. (3) Wage hikes were rolled out in Q2 and are continuing into Q3.
- **TCV & Deal wins:** (1) Total order booking stood at USD 105mn. (2) The overall book-to-bill ratio was 1.28x which applies to the overall business, was heavily offset by headwinds from two large accounts. The sustainable target range for the order book is between 1.2x to 1.3x (3) The company added six enterprise-grade clients and now has eight clients with more than USD 10mn annual run rate.
- **Guidance & outlook:** Management expects full quarter upside from the sustainable actions enacted in H1 to reflect in Q3FY26 and anticipates PAT will further accrete in H2FY26 compared to H1FY26. The company's aspiration is to be a high teens EBITDA company.

Financial Snapshot

TCS

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	25,707	27,927	29,080	30,179	30,245	32,521	35,249
Revenue	1,917.54	2,254.58	2,408.93	2,553.24	2,663.11	2,910.64	3,190.04
EBIT	484.53	542.37	593.11	621.65	674.67	745.18	819.49
APAT	383.27	421.47	466.35	485.53	532.92	580.02	637.35
AEPS (INR)	105.9	116.5	128.9	134.2	147.3	160.3	176.2
EBIT margin (%)	25.3	24.1	24.6	24.3	25.3	25.6	25.7
USD Revenue growth (%)	15.9	8.6	4.1	3.8	0.2	7.5	8.4
EPS growth (%)	14.9	10.0	10.6	4.1	9.8	8.8	9.9
P/E (x)	30.6	27.8	25.1	24.1	22.0	20.2	18.4
EV/EBITDA (x)	21.1	18.9	17.5	16.7	15.4	14.0	12.8
RoE (%)	43.7	46.9	51.6	52.4	56.0	59.6	62.4

Infosys

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	16,310	18,212	18,562	19,277	20,270	21,664	23,272
Revenue	1,216.41	1,467.67	1,536.71	1,629.90	1,782.76	1,938.96	2,106.11
EBIT	280.15	309.06	317.47	344.24	381.97	426.61	468.86
APAT	221.11	240.95	247.50	267.13	300.79	333.32	371.42
AEPS (INR)	53.3	58.0	59.6	64.3	72.5	80.3	89.5
EBIT margin (%)	23.0	21.1	20.7	21.1	21.4	22.0	22.3
USD Revenue growth (%)	20.3	11.7	1.9	3.9	5.2	6.9	7.4
EPS growth (%)	14.3	9.0	2.7	7.9	12.6	10.8	11.4
P/E (x)	30.3	27.8	27.1	25.1	22.3	20.1	18.1
EV/EBITDA (x)	20.1	18.2	17.4	15.9	14.5	13.0	11.8
RoE (%)	29.2	32.0	30.3	29.0	31.2	33.3	34.8

HCL Tech

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	11,537	12,586	13,270	13,840	14,701	15,959	17,110
Revenue	856.51	1,014.56	1,099.13	1,170.55	1,293.38	1,428.37	1,548.43
EBIT	162.04	184.84	200.27	214.21	228.98	270.29	298.34
APAT	134.99	148.52	157.02	169.61	183.76	217.00	241.20
AEPS (INR)	49.7	54.7	57.9	62.5	67.7	80.0	88.9
EBIT margin (%)	18.9	18.2	18.2	18.3	17.7	18.9	19.3
USD Revenue growth (%)	13.4	9.1	5.4	4.3	6.2	8.6	7.2
EPS growth (%)	8.3	10.0	5.7	8.0	8.3	18.1	11.2
P/E (x)	33.8	30.8	29.1	26.9	24.9	21.0	18.9
EV/EBITDA (x)	21.5	19.4	17.8	16.9	15.4	13.3	11.9
RoE (%)	22.1	23.3	23.5	24.6	26.0	29.2	30.1

Wipro

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
ITS Revenue (USD mn)	10,356	11,147	10,805	10,512	10,473	11,038	11,655
Revenue	790.93	904.88	897.60	890.88	922.18	992.84	1,059.87
EBIT	133.75	135.13	135.76	151.24	159.67	177.40	193.42
APAT	122.19	113.50	110.45	131.35	136.18	148.93	160.72
AEPS (INR)	11.7	10.8	10.5	12.5	13.0	14.2	15.3
IT Services EBIT margin (%)	17.8	15.7	16.1	17.1	17.7	17.9	18.3
USD Revenue growth (%)	27.3	7.6	(3.1)	(2.7)	(0.4)	5.4	5.6
EPS growth (%)	13.2	(7.1)	(2.7)	18.7	3.6	9.4	7.9
P/E (x)	22.3	24.0	24.6	20.8	20.0	18.3	17.0
EV/EBITDA (x)	15.5	14.8	14.6	13.2	12.6	11.2	10.2
RoE (%)	20.2	15.8	14.4	16.6	16.0	16.7	17.1

LTIMindtree

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	3,502	4,106	4,287	4,493	4,787	5,416	6,120
Revenue	261.09	331.83	355.17	380.08	421.38	484.74	553.82
EBIT	46.52	53.85	55.69	55.03	65.40	80.63	95.94
APAT	39.50	44.10	45.85	46.02	55.67	67.41	79.27
AEPS (INR)	133.5	149.1	155.0	155.6	188.2	227.9	268.0
EBIT margin (%)	17.8	16.2	15.7	14.5	15.5	16.6	17.3
USD Revenue growth (%)	27.5	17.2	4.4	4.8	6.6	13.1	13.0
EPS growth (%)	29.5	11.6	4.0	0.4	21.0	21.1	17.6
P/E (x)	47.1	42.2	40.6	40.4	33.4	27.6	23.5
EV/EBITDA (x)	34.1	29.2	27.6	27.0	22.5	18.0	14.9
RoE (%)	30.5	28.6	25.0	21.5	22.8	23.9	24.3

Tech Mahindra

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	5,998	6,606	6,277	6,264	6,394	6,875	7,415
Revenue	446.46	532.90	519.96	529.88	563.01	615.29	671.09
EBIT	65.00	60.72	31.47	51.38	70.56	90.38	103.79
APAT	55.66	50.10	26.98	43.76	53.31	69.47	79.33
AEPS (INR)	62.8	56.6	30.5	49.4	60.2	78.4	89.5
EBIT margin (%)	14.6	11.4	6.1	9.7	12.5	14.7	15.5
USD Revenue growth (%)	17.3	10.1	(5.0)	(0.2)	2.1	7.5	7.9
EPS growth (%)	24.7	(10.0)	(46.1)	62.2	21.8	30.3	14.2
P/E (x)	25.1	27.4	49.3	31.8	26.1	20.0	17.5
EV/EBITDA (x)	16.5	16.7	26.8	18.9	14.8	11.8	10.3
RoE (%)	21.5	18.3	9.9	16.2	19.1	23.6	25.0

Persistent Systems

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	766	1,036	1,186	1,409	1,654	1,951	2,249
Revenue	57.11	83.51	98.22	119.39	145.74	174.63	203.57
EBIT	7.92	12.47	14.15	17.51	22.83	28.73	34.69
APAT	6.90	9.43	11.30	14.00	17.54	22.04	27.09
AEPS (INR)	44.9	61.3	73.4	91.0	114.0	143.2	176.1
EBIT margin (%)	13.9	14.9	14.4	14.7	15.7	16.5	17.0
USD Revenue growth (%)	35.2	35.3	14.5	18.8	17.4	18.0	15.3
EPS growth (%)	53.2	36.6	19.8	23.9	25.3	25.6	22.9
P/E (x)	145.3	106.4	88.8	71.7	57.2	45.5	37.0
EV/EBITDA (x)	102.5	64.9	57.2	47.7	36.5	29.0	24.0
RoE (%)	22.4	25.1	24.5	24.8	25.6	27.3	28.2

Mphasis

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	1,593	1,718	1,609	1,681	1,808	2,016	2,223
Revenue	119.62	137.99	132.79	142.30	158.94	180.41	201.16
EBIT	18.27	21.09	20.11	21.71	25.11	28.86	33.66
APAT	14.46	16.38	15.55	17.02	19.11	22.00	25.94
AEPS (INR)	77.3	87.6	83.1	91.0	102.2	117.6	138.7
EBIT margin (%)	15.3	15.3	15.1	15.3	15.8	16.0	16.7
USD Revenue growth (%)	21.7	7.8	(6.3)	4.4	7.6	11.5	10.3
EPS growth (%)	18.9	13.2	(5.1)	9.5	12.3	15.1	17.9
P/E (x)	38.2	33.7	35.5	32.5	28.9	25.1	21.3
EV/EBITDA (x)	25.2	21.7	22.0	20.0	17.4	15.0	12.7
RoE (%)	21.5	22.0	18.6	18.5	19.1	20.3	21.9

L&T Technology Services

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	880	990	1,164	1,259	1,376	1,537	1,704
Revenue	65.70	80.14	96.47	106.70	121.27	137.59	154.25
EBIT	12.01	14.79	16.47	15.87	17.30	21.82	25.10
APAT	9.57	11.70	13.04	12.66	14.14	17.86	20.57
AEPS (INR)	90.7	110.8	123.5	119.9	134.0	169.2	194.9
EBIT margin (%)	18.3	18.5	17.1	14.9	14.3	15.9	16.3
USD Revenue growth (%)	19.5	12.4	17.6	8.2	9.3	11.7	10.9
EPS growth (%)	52.7	22.2	11.4	(2.9)	11.7	26.3	15.2
P/E (x)	50.1	41.0	36.8	37.9	33.9	26.9	23.3
EV/EBITDA (x)	32.5	26.4	23.6	24.1	21.4	16.9	14.5
RoE (%)	25.1	25.7	25.4	22.2	21.9	24.3	24.4

Tata Elxsi

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	331	390	429	441	430	504	582
Revenue	24.71	31.45	35.52	37.29	37.78	45.11	52.70
EBIT	7.10	8.80	9.47	8.68	8.20	11.24	13.51
APAT	5.50	7.55	7.92	7.85	7.17	9.56	11.43
AEPS (INR)	88.3	121.3	127.2	126.0	115.2	153.6	183.6
EBIT margin (%)	28.8	28.0	26.7	23.3	21.7	24.9	25.6
USD Revenue growth (%)	34.3	17.7	9.9	2.8	(2.4)	17.2	15.5
EPS growth (%)	49.3	37.4	4.9	(0.9)	(8.6)	33.3	19.6
P/E (x)	59.1	43.0	41.0	41.4	45.3	34.0	28.4
EV/EBITDA (x)	41.0	32.5	29.6	31.4	33.1	24.4	20.2
RoE (%)	37.2	41.0	34.5	29.3	23.9	28.6	30.3

Zensar Technologies

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	569	604	592	624	657	734	821
Revenue	42.44	48.48	49.02	52.81	57.75	65.65	74.29
EBIT	4.72	3.69	7.38	7.15	7.89	9.20	10.70
APAT	4.16	3.28	6.65	6.50	7.39	8.42	9.69
AEPS (INR)	18.2	14.3	29.1	28.4	32.4	36.9	42.4
EBIT margin (%)	11.1	7.6	15.0	13.5	13.7	14.0	14.4
USD Revenue growth (%)	15.3	6.1	(2.0)	5.4	5.3	11.6	11.9
EPS growth (%)	19.0	(21.3)	103.0	(2.2)	13.7	13.9	15.0
P/E (x)	41.0	52.0	25.6	26.2	23.1	20.2	17.6
EV/EBITDA (x)	23.8	27.5	16.8	17.5	15.5	12.9	10.6
RoE (%)	16.3	11.3	20.0	16.6	16.7	16.9	17.4

Cyient

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	504	632	714	671	663	715	792
Revenue	45.34	60.16	71.47	73.60	73.12	82.04	93.84
EBIT	6.30	7.67	10.36	8.84	7.70	9.40	11.60
APAT	5.22	5.65	7.41	6.22	6.23	7.22	8.99
AEPS (INR)	47.3	51.2	67.1	56.3	56.4	65.4	81.5
EBIT margin (%)	13.9	12.8	14.5	12.0	10.5	11.5	12.4
USD Revenue growth (%)	9.2	25.6	12.9	(6.1)	(1.2)	7.8	10.9
EPS growth (%)	40.5	8.2	31.1	(16.1)	0.2	16.0	24.6
P/E (x)	24.7	22.8	17.4	20.8	20.7	17.9	14.4
EV/EBITDA (x)	14.6	12.8	9.5	10.2	10.6	8.8	7.1
RoE (%)	17.2	17.2	19.2	13.0	11.4	12.4	14.5

Birlasoft

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	555	595	637	635	608	653	722
Revenue	41.30	47.95	52.78	53.75	53.55	58.43	65.32
EBIT	5.64	4.38	7.51	6.12	6.15	6.96	8.08
APAT	4.64	4.50	6.11	5.17	4.06	5.71	6.57
AEPS (INR)	16.8	16.3	22.2	18.8	14.6	20.5	23.6
EBIT margin (%)	13.6	9.1	14.2	11.4	11.5	11.9	12.4
USD Revenue growth (%)	15.7	7.2	7.1	(0.3)	(4.2)	7.3	10.6
EPS growth (%)	44.5	(3.0)	36.0	(15.5)	(22.4)	40.6	15.0
P/E (x)	25.7	26.5	19.5	23.0	29.7	21.1	18.4
EV/EBITDA (x)	16.7	20.7	12.2	13.8	13.6	11.8	9.9
RoE (%)	19.5	17.9	22.3	15.8	11.3	14.8	15.5

Sonata Software

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
IITS Revenue (USD mn)	203	241	324	336	332	371	423
Revenue	55.53	74.49	86.13	101.57	108.13	118.31	130.25
EBIT	4.16	5.45	5.96	5.68	5.79	6.75	7.95
APAT	3.76	4.52	4.83	4.25	4.48	5.25	6.18
AEPS (INR)	13.4	16.1	17.2	15.1	16.0	18.7	22.0
IITS EBITDA margin (%)	23.0	20.9	21.0	17.0	17.4	18.1	18.6
EBIT margin (%)	7.5	7.3	6.9	5.6	5.4	5.7	6.1
USD Revenue growth (%)	26.6	18.7	34.3	3.7	(1.1)	11.7	14.2
EPS growth (%)	54.3	20.0	6.9	(12.1)	5.6	17.0	17.8
P/E (x)	26.9	22.4	21.0	23.9	22.6	19.3	16.4
EV/EBITDA (x)	20.7	18.0	15.2	15.6	15.1	12.9	10.9
RoE (%)	37.6	37.7	35.7	27.3	24.7	25.5	26.3

Happiest Minds Technologies

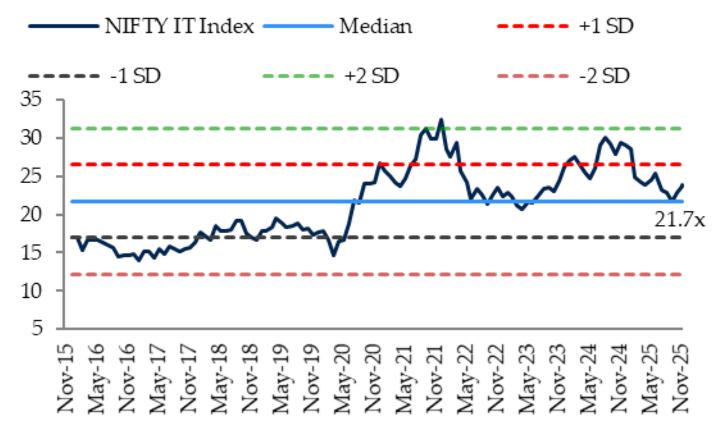
INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	147	178	196	244	266	308	360
Revenue	10.94	14.29	16.25	20.61	23.42	27.60	32.57
EBIT	2.25	3.17	2.78	2.66	3.41	4.20	5.04
APAT	1.86	2.36	2.38	1.93	2.46	3.02	3.68
AEPS (INR)	12.2	15.5	15.6	12.7	16.2	19.8	24.2
EBIT margin (%)	20.6	22.2	17.1	12.9	14.6	15.2	15.5
USD Revenue growth (%)	41.0	21.3	10.3	24.2	9.2	15.9	16.7
EPS growth (%)	14.3	26.9	1.0	(18.7)	27.3	22.6	22.0
P/E (x)	41.4	32.6	32.3	39.7	31.2	25.5	20.9
EV/EBITDA (x)	28.1	20.8	20.2	21.0	17.0	13.9	11.5
RoE (%)	30.6	31.3	20.5	12.7	15.0	16.8	18.6

Mastek

INR bn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	293	318	368	408	440	494	557
Revenue	21.84	25.63	30.55	34.55	38.56	44.19	50.39
EBIT	4.20	3.88	4.19	4.71	5.35	6.40	7.28
APAT	2.95	2.68	3.06	3.68	3.90	4.63	5.26
AEPS (INR)	96.6	86.6	96.2	116.4	123.3	146.3	166.4
EBIT margin (%)	19.2	15.2	13.7	13.6	13.9	14.5	14.5
USD Revenue growth (%)	26.3	8.6	15.8	10.9	7.7	12.3	12.8
EPS growth (%)	31.5	(10.4)	11.2	21.0	5.9	18.6	13.8
P/E (x)	22.3	24.9	22.4	18.5	17.5	14.7	13.0
EV/EBITDA (x)	13.0	14.9	13.5	12.4	10.4	8.4	7.0
RoE (%)	30.6	19.4	16.1	16.2	14.9	15.6	15.6

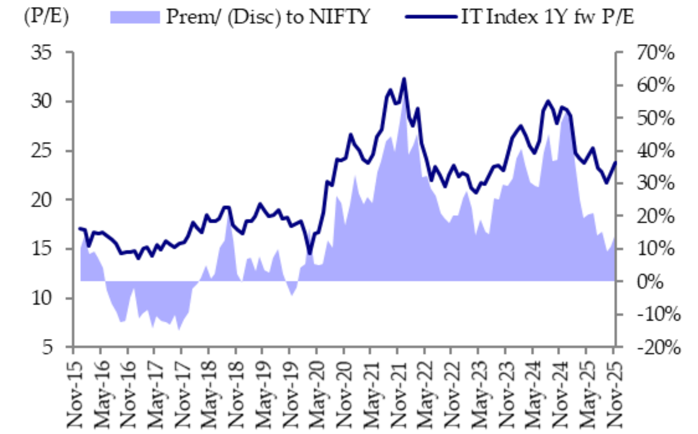
Valuation charts

NIFTY IT Index Valuation Trend (P/E 1-yr fwd)



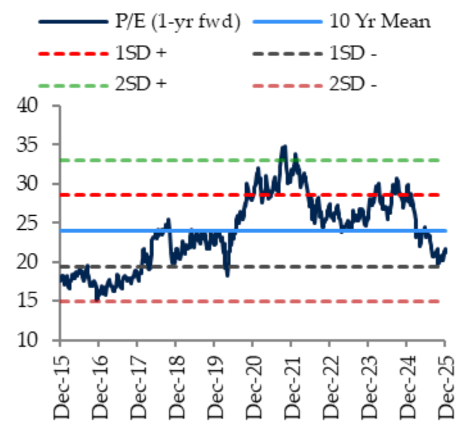
Source: Bloomberg, HSIE Research

IT Index Valuation Trend vs NIFTY

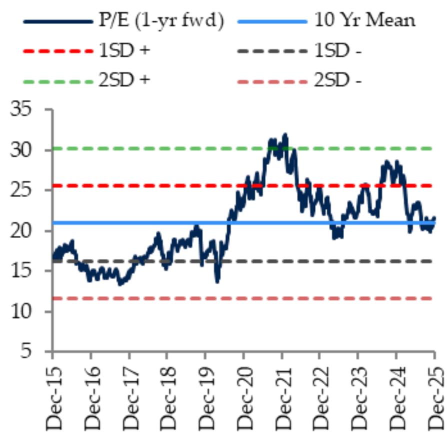


Source: Bloomberg, HSIE Research

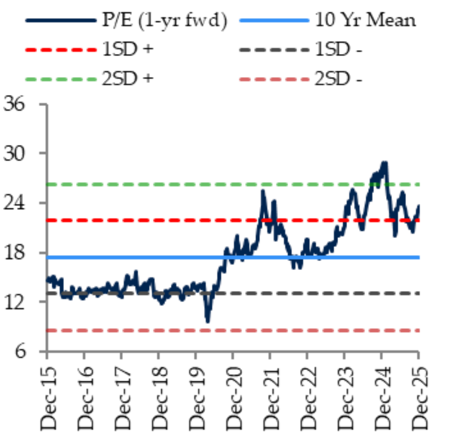
TCS P/E (1-yr fwd) Trend



INFY P/E (1-yr fwd) Trend



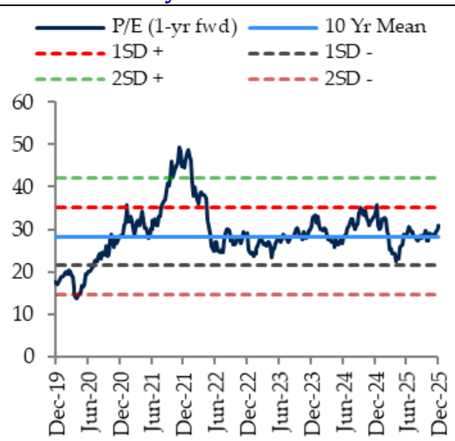
HCLT P/E (1-yr fwd) Trend



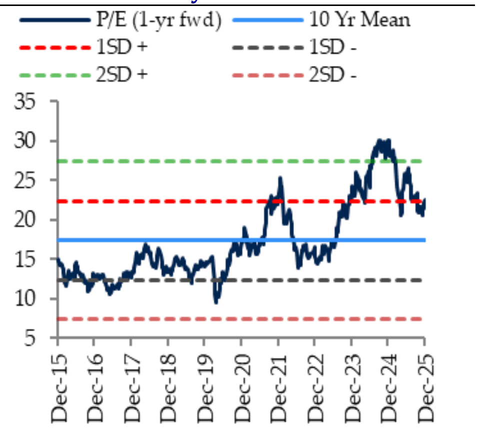
Source: Bloomberg, HSIE Research

WPRO P/E (1-yr fwd) Trend

LTIM P/E (1-yr fwd) Trend

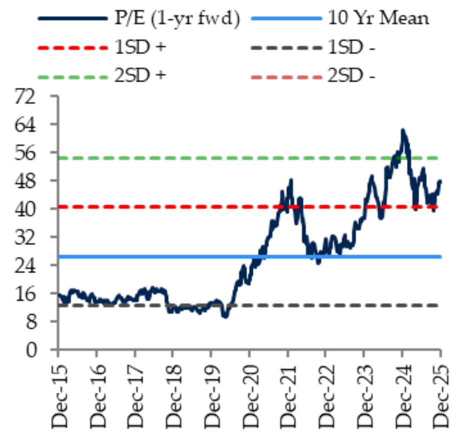


TECHM P/E (1-yr fwd) Trend



Source: Bloomberg, HSIE Research

PSYS P/E (1-yr fwd) Trend

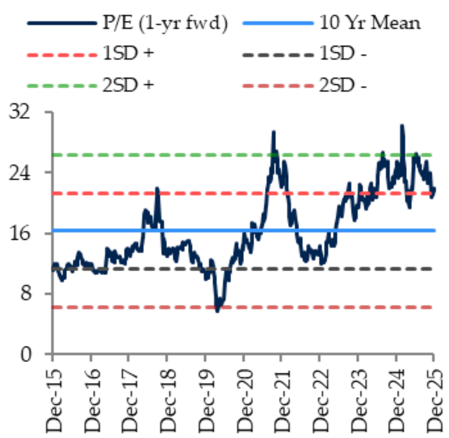


MPHL P/E (1-yr fwd) Trend

LTTS P/E (1-yr fwd) Trend

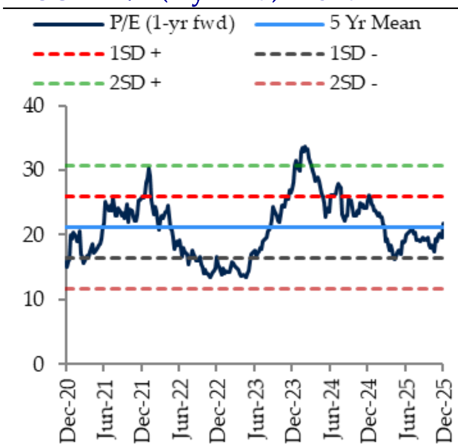
TELX P/E (1-yr fwd) Trend

ZENT P/E (1-yr fwd) Trend



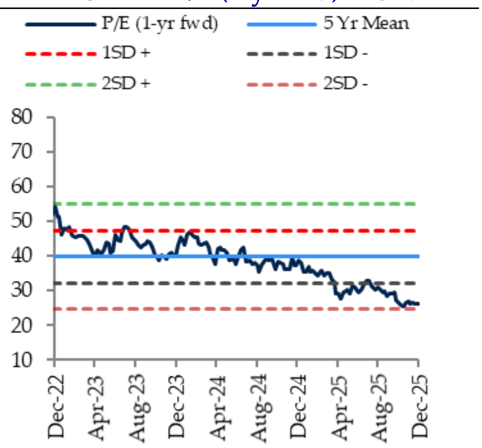
CYL P/E (1-yr fwd) Trend

BSOFT P/E (1-yr fwd) Trend

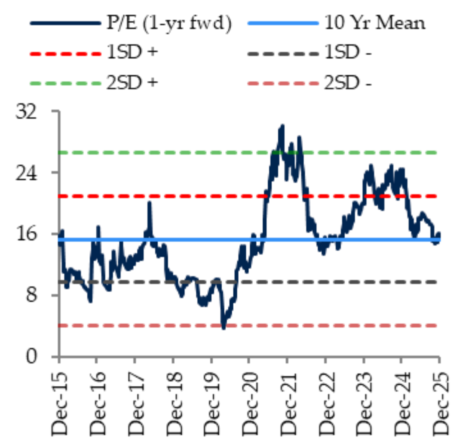


SSOF P/E (1-yr fwd) Trend

HAPPSTMN P/E (1-yr fwd) Trend

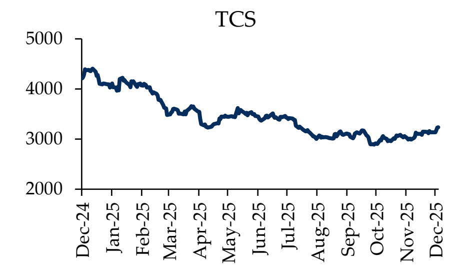


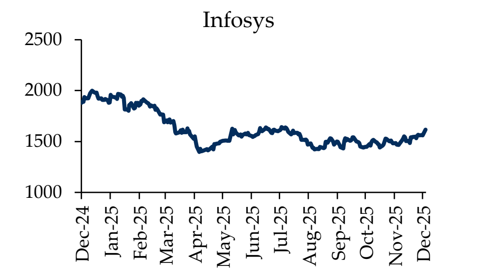
MAST P/E (1-yr fwd) Trend

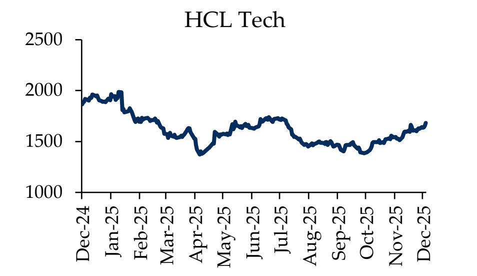


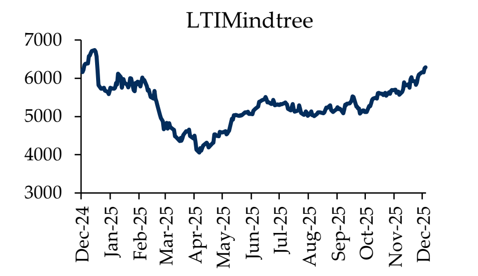
Source: Bloomberg, HSIE Research

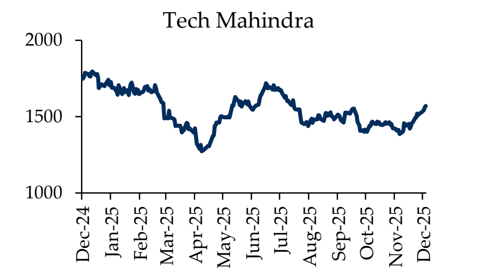
Price history

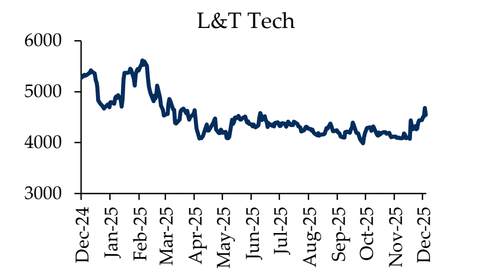


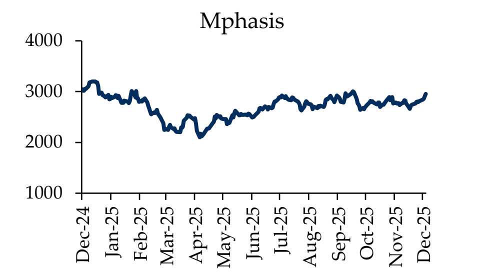


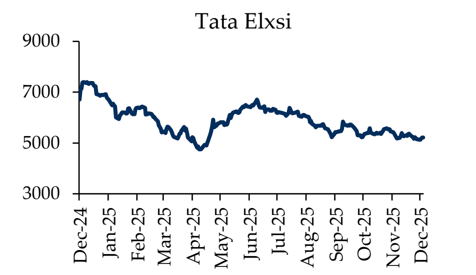


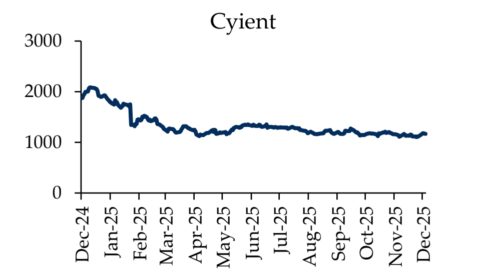


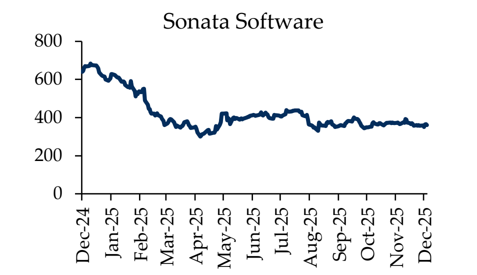


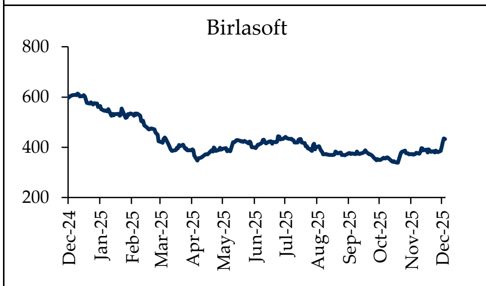


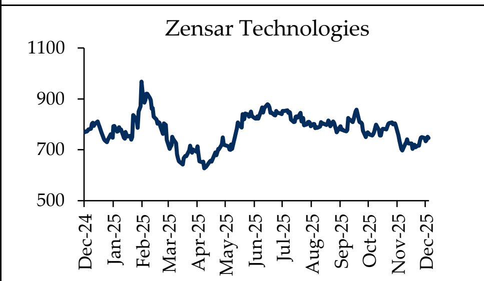


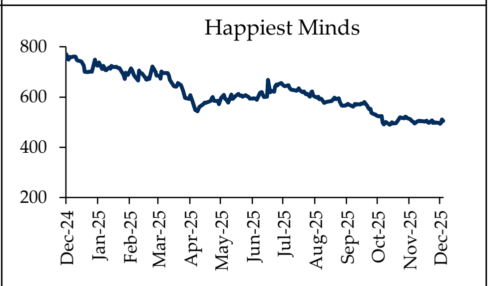


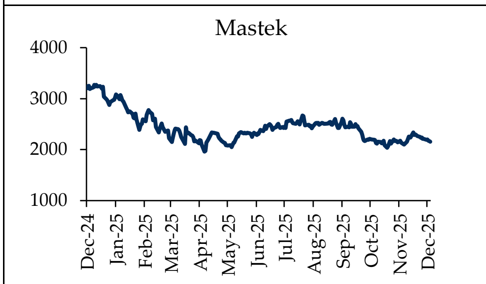












Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

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