



# INDIAN IT SERVICES INDUSTRY

## Rebooting the Code: Industry navigates GenAI disruption and demand uncertainties

**AUGUST 2025**



## 1 Global Trends in Outsourcing



## 2 Trends in Performance of Indian IT Services Industry



## 3 Outlook



## 4 Peer Comparison



## 5 Rating Actions





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*The Indian IT Services industry is currently navigating a period of global demand uncertainty and changing delivery models. Although this is creating growth pressures, ICRA maintains a Stable outlook on the industry. The outlook is supported by the well-established business position of Indian IT services companies in the global IT space, controlled wage costs, and stable attrition rates, which are expected to enable the industry to maintain a steady margin profile.*



**Revenue growth in USD terms for ICRA's sample\* set of Indian IT services companies** is expected to be a modest 2-3% in FY2026 (against 3.6% in FY2025) owing to persistent macroeconomic headwinds in key markets, impacting discretionary IT spends by companies.



**The US and Europe together account for 80-90% of the industry's revenues** and growth in both these markets has moderated over the past few quarters due to persistent macroeconomic headwinds. Growth in Europe has been more resilient compared to the US, supported by healthy deal execution in some key segments such as Banking, Financial Services and Insurance (BFSI) and healthcare, as reported by some of the industry players.



**Despite the projected tepid growth in revenues, the operating profit margin (OPM) for ICRA's sample set companies is expected to remain healthy at 22-23% in FY2026**, in line with FY2025 levels, supported by stabilisation of wage costs. Most companies' ability to work with multiple levers such as employee utilisation, employee pyramid optimisation etc. to manage costs, is expected to support the margins.



**Employee hiring is expected to remain low until the demand outlook improves.** Hiring in subsequent quarters of FY2026 will align with sectoral growth, with skills becoming crucial amid rapid adoption of artificial intelligence (AI) and generative AI (GenAI) technologies.



**Despite record order wins Q4 FY2025, the lag between Total Contract Value (TCV) and revenues has increased** over the past 4-6 quarters due to factors including deferment of decision making, clients prioritising cost optimisation and higher backlog of projects pending execution.

Note: \*ICRA sample set of 15 companies (Birlasoft Ltd. Coforge Ltd., Cyient Ltd., HCL Technologies Ltd., Infosys Ltd., LTIMindtree, L&T Technology Services Ltd., Mastek Ltd., Mphasis Ltd., Oracle Financial Services Software Ltd., Persistent Systems Ltd., Tata Consultancy Services Ltd., Tech Mahindra Ltd., Wipro Ltd. and Zensar Technologies Ltd.) and their available disclosures



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