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35 Years of Unwavering Credibility

INDIAN IT SERVICES INDUSTRY

Navigating a low growth cycle amid GenAI driven uncertainties

FEBRUARY 2026

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Agenda

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1 Global Trends in Outsourcing

2 Trends in Performance of Indian IT Services Industry

3 GenAI Journey Picking up Steam and Steamrolling Certain Delivery Models

4 Overview and Impact Analysis of Labour Code 2025

5 Industry Outlook

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Agenda

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Highlights

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Indian IT Services companies have already been grappling with demand slowdown over the past several quarters and now artificial intelligence (AI) is emerging as a new structural disruptor. While AI is likely to affect some service lines more than others, with implications for pricing models and employment intensity too, it is also creating new revenue opportunities.

Revenue growth in USD terms for ICRA's sample set* of Indian IT services companies is projected to be a modest 2-3% in FY2026 and 3-4% FY2027 (against 3.6% in FY2025) owing to a continued moderated demand environment and Generative Artificial Intelligence (GenAI) driven uncertainties.

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. Comparatively, growth in Europe has been more resilient than the US, supported by healthy deal execution in some key verticals such as Banking, Financial Services and Insurance (BFSI) and healthcare, as reported by some of the industry players.

Despite the projected muted growth in revenues, the operating profit margins (OPM) of ICRA's sample set are expected to remain healthy at 22-23% in FY2026 and FY2027, in line with trends in FY2025, supported by stabilisation of wage costs. Most companies' ability to work with multiple levers, such as employee utilisation and employee pyramid optimisation to manage costs, is expected to support the margins.

Employee hiring is likely to remain low until the demand outlook improves. Hiring in upcoming quarters will align with sectoral growth, with skills becoming crucial amid rapid adoption of AI and GenAI technologies, as has been witnessed in the current year.

ICRA maintains a stable outlook on the industry, supported by the strong global position of the Indian IT services companies, stable attrition rates, and controlled wage costs that will enable the industry to maintain stable profitability. The balance sheets of mid to large industry players remain strong, marked by low financial leverage and healthy cash and cash equivalents.

*Note: *ICRA's 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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