

IT Sector

Disruption yields opportunities

The Indian IT sector has endured a sharp 25% correction over the past three months, fuelled by investor fears that Gen-AI platforms like Claude (by Anthropic) and Palantir could upend traditional SaaS and IT services models. Yet the industry demonstrates resilience, contending that deploying these unproven technologies in complex, "brownfield" regulatory landscapes prove far more challenging than the hype implies. As noted in our December 2025 sector update, we initially pegged AI's deflationary impact at ~4%, anticipating offsets from fresh deal wins. However, the recent Gen-AI product launches have intensified this narrative, lifting deflation to 6-7% and thrusting the sector into a phase of uncertainty and slow growth. Growth recovery now pivots on securing net-new deals, with renewals stagnating at subdued rates and pricing evolving from pure effort-based to effort-plus-agents structure. Success boils down to execution and AI prowess in outcome-driven settings. We stay constructive that the IT services model survives, with Gen-AI models ultimately unlocking net-new opportunities worth USD 300-400bn. Following the correction, valuations have reverted to pre-COVID levels; reverse DCF analysis shows current prices implying terminal growth of just 2-3% (versus prior 5-6%), alongside 10-year growth of ~4% for large caps and ~8% for mid-tiers. We thus trim FY27/28E revenue estimates by 2-3% and align multiples to pre-COVID levels for tier-1 firms. Our tier-1 picks: Infosys, Tech Mahindra, and HCL Tech. Mid-tier preferences: LTM, Mphasis, Birlasoft, and Sonata.

- IT services navigating AI complexity:** The gap between AI's hype and the engineering required for enterprise-grade reliability is wide and difficult to bridge. Enterprises are moving past generic chatbots toward highly customized systems that must integrate perfectly with their unique data and workflows. To achieve the uptime and flawless performance that modern business demands, organizations will have to move ahead of greenfield experiments and start building a disciplined framework for AI orchestration. This shift fundamentally elevates IT service providers from simple implementers to vital strategic anchors, tasked with the high-stake management of security, cross-platform interoperability, and human-in-the-loop governance to mitigate the inherent unpredictability of large-scale models. We are still in the foundational era of this transformation; consequently, the ultimate winners will be those who move beyond the novelty of generative tools to build rigorous, governed, and scalable engines capable of driving sustainable, long-term growth.
- Reverse DCF implies limited downside:** The tier-1 IT stocks have corrected by ~20-22% and mid-tier IT has corrected by ~25-30% over the past two months. We have done a reverse DCF to identify growth rates the stocks are factoring in after the steep correction. The tier-1 companies are now trading at an average multiple of 16.4x FY27E, which is at 20% discount to the 10-year average multiples and similar to the 10Y pre-covid average multiples (FY10-20). The current prices factor in USD growth rate of ~4.9% over a 10-year period (FY25-35E) and terminal growth rate of ~2.8% (vs ~5% earlier). The pre-covid 10-year USD revenue growth CAGR was ~11%, EPS CAGR was ~13%, and the P/E multiple was at 17x, resulting in PEG ratio of ~1.3x. The current PEG ratio for the tier-1 IT stocks is at 1.5x, considering a 6% revenue CAGR over FY26-28E. The target prices are based on a growth assumption of 5.8% for tier-1 and 8.6% for mid-tier IT with a WACC of ~11% and terminal growth rate of 5%.

Company	CMP* (INR)	RECO	TP (INR)
TCS	2,392	ADD	3,000
INFO	1,233	BUY	1,600
HCLT	1,321	BUY	1,600
WPRO	191	ADD	225
LTM	4,189	BUY	5,690
TECHM	1,342	ADD	1,515
PSYS	4,529	ADD	6,150
MPHL	2,074	ADD	2,660
LTTS	3,333	ADD	3,620
TELX	4,104	ADD	5,000
ZENT	566	ADD	690
BSOFT	363	BUY	435
CYL	851	ADD	1,130
SSOF	232	BUY	330
HAPPSTMN	381	BUY	500
MAST	1,480	BUY	2,300

*CMP as on 17th Mar 2026

Amit Chandra

amit.chandra@hdfcsec.com

+91-22-6171-7345

Vinesh Vala

vinesh.vala@hdfcsec.com

+91-22-6171-7332

Maitreyee Vaishampayan

maitreyee.vaishampayan@hdfcsec.com

+91-22-6171-7308

- **AI is reshaping global enterprises capabilities:** AI is fundamentally transforming the IT services sector by acting as a powerful productivity engine, with recent insights from the Infosys AI Day highlighting potential gains such as a 2.5x increase in developer velocity and a 40% reduction in overall engineering effort. Beyond mere internal efficiency, this shift creates significant new service frontiers, allowing firms to pivot toward high-value offerings in AI strategy, agentic engineering, and large-scale digital modernization. These capabilities empower IT providers to aggressively tackle decades of accumulated technical debt, such as accelerating the migration of legacy COBOL systems to modern microservices by up to 60% compared to traditional approaches. By embedding AI into daily operations—from faster incident resolution to dramatic cuts in support costs—IT organizations are successfully shifting their focus away from simple, defensive cost-optimization toward proactive, strategic growth that fundamentally redesigns both business and engineering processes for the future.
- **Middle East war impact:** The ongoing Middle East crisis poses a moderate short-term risk to Indian IT firms with exposure to regional energy and utility clients. Geopolitical uncertainty may delay discretionary spending and new projects, while raising operational concerns regarding infrastructure resilience, travel, and employee safety. Major firms like TCS (6%), Infosys (13%), HCLTech (9%), Wipro (16%), and Birlasoft (17%), which derive ~6-17% revenue from the Energy & Utilities sector, are particularly watchful. However, the impact on existing projects is expected to remain contained, as most delivery operations are anchored offshore in India and mission-critical programs typically persist despite regional volatility.
- **Re-rating to pre-COVID valuations:** The US consumer confidence Index has fallen 17% below the 10-year average of 91.2 in Feb'26 (vs its lowest level of 85.7 in the past decade). Similarly, the US CEO Confidence Index, at 6.1, is 6% below its 10-year average. The global software services and SaaS stocks have also faced a sharp sell-off amid fears that rapid AI advancements could materially disrupt the business model. Nifty IT index has underperformed, declining ~25% over the past three months and 13% over the past one month, led by AI-induced disruptions narrative. The Nifty IT Index is trading at a PE of 17.7x 1Y forward earnings, which is ~18% below its 10-year historical average but only 3% higher than the pre-covid 10-year average multiple. Large-cap IT companies are valued at roughly 14.7x FY28E earnings, while mid-caps trade at 16.3x. We are reducing our valuation multiples by ~20% across the coverage universe. We cut the Tier -1 FY28E revenue/EPS estimate by 4/3% and mid-tier revenue/EPS by ~3/2%. The USD INR assumption is reset to INR 91.5/92.5 for FY27/28E.

Exhibit 1: 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	29,936	31,228	32,886	-0.4%	-3.6%	-6.4%	25.1	25.4	25.5	2	-10	-12	145.2	156.0	166.5	0.1%	-1.7%	-4.7%
INFO	20,231	21,347	22,757	-0.1%	-1.2%	-1.6%	20.7	21.6	21.8	-8	-8	-17	72.3	80.5	89.1	0.0%	0.6%	-0.1%
HCLT	14,765	15,689	16,688	0.0%	-1.4%	-2.2%	17.8	18.7	19.3	32	-31	-14	68.3	79.1	87.9	2.2%	-0.8%	-0.8%
WPRO*	10,491	10,797	11,209	0.0%	-2.1%	-3.9%	16.3	17.0	17.3	18	-21	-50	12.7	13.7	14.5	3.1%	-1.7%	-4.6%
LTM	4,780	5,222	5,724	-0.1%	-3.1%	-5.9%	15.9	16.4	17.5	16	-20	19	190.5	221.9	258.4	1.0%	-2.5%	-3.2%
TECHM	6,385	6,758	7,216	-0.3%	-2.0%	-3.0%	12.6	15.0	15.8	-2	-16	-3	58.6	77.9	89.1	0.0%	-0.9%	-1.0%
PSYS	1,657	1,922	2,211	-0.2%	-1.8%	-2.0%	16.0	16.8	17.4	8	-4	0	126.2	142.9	175.7	0.4%	-2.8%	-2.3%
MPHL	1,795	1,956	2,163	0.0%	0.0%	0.0%	15.3	15.5	15.6	1	-5	-11	99.1	110.7	126.5	0.1%	0.0%	-0.2%
LTTS	1,328	1,404	1,559	-0.1%	-4.3%	-6.1%	14.0	14.9	16.0	20	-5	0	127.1	150.9	181.0	0.8%	-2.2%	-3.6%
TELX	426	479	546	0.0%	0.0%	0.0%	19.7	23.0	24.0	1	-36	-47	106.3	140.2	167.3	0.4%	0.6%	0.2%
ZENT	650	693	759	0.0%	-1.7%	-2.6%	14.6	14.3	14.5	12	21	-2	34.7	36.3	40.6	1.0%	1.5%	-0.6%
CYL	823	888	967	0.0%	-1.3%	-3.7%	10.3	11.7	12.5	27	10	3	54.1	65.6	78.3	3.0%	1.8%	-1.3%
BSOFT	604	633	682	0.0%	-1.9%	-4.7%	13.5	12.9	13.2	8	21	22	17.4	21.7	24.1	1.1%	1.8%	-1.1%
SSOF*	329	348	383	0.0%	-2.3%	-4.3%	18.0	18.2	18.6	0	5	0	16.9	18.4	20.8	0.3%	0.1%	-1.8%
HAPPSTMN	262	296	342	-0.2%	-1.2%	-2.3%	14.0	15.0	15.4	22	11	4	15.1	18.5	22.6	2.0%	1.9%	0.1%
MAST	423	448	496	0.0%	-1.8%	-2.9%	13.9	14.1	14.5	11	12	-7	128.7	136.7	153.4	1.2%	1.2%	-1.2%
Median				0.0%	-1.8%	-2.9%				10	-5	-3				0.9%	0.0%	-1.2%

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

Exhibit 2: Change in TP & Rating

Companies	M-cap (INR bn)	CMP (INR)	TP Old (INR)	New TP (INR)	Upside %	Old Rating	New Rating	Old multiple (x)	New multiple (x)	10Y Avg (x)	Pre Covid 10yr Avg (2010-2020) P/E multiple	Target Multiple Prem/Disc. to 10yr Avg P/E
TCS	8,653	2,392	4,000	3,000	25%	ADD	ADD	23	18	24	20	-25%
INFO	5,117	1,233	1,870	1,600	30%	BUY	BUY	21	18	21	18	-14%
HCLT	3,579	1,321	1,950	1,600	21%	BUY	BUY	22	18	18	14	2%
WPRO	2,007	191	290	225	18%	ADD	ADD	19	15	18	15	-16%
LTM	1,239	4,189	7,470	5,690	36%	BUY	BUY	28	22	25	17	-10%
TECHM	1,189	1,342	1,800	1,515	13%	ADD	ADD	20	17	18	13	-3%
PSYS	697	4,529	7,550	6,150	36%	ADD	ADD	42	35	27	13	28%
MPHL	388	2,074	2,660	2,660	28%	ADD	ADD	21	21	21	20	0%
LTTS	352	3,333	5,250	3,620	9%	ADD	ADD	28	20	28	13	-28%
TELX	256	4,104	5,000	5,000	22%	ADD	ADD	30	30	36	17	-18%
ZENT	129	566	900	690	22%	ADD	ADD	22	17	17	11	3%
BSOFT	101	363	530	435	20%	BUY	BUY	22	18	15	9	20%
CYL	94	851	1,470	1,130	33%	ADD	ADD	18	14	16	NA	-14%
SSOF	65	232	470	330	42%	BUY	BUY	22	16	17	9	-5%
HAPPSTMN	58	381	670	500	31%	BUY	BUY	30	22	NA	NA	NA
MAST	47	1,480	3,100	2,300	55%	BUY	BUY	20	15	15	8	-2%

Source: Company, HSIE Research, CMP as on 17th Mar 2026

Exhibit 3: IT Services: valuations & rating comparative table

Company	M-Cap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)				P/E (x)				RoE (%)				USD Rev CAGR% FY26-28E	EPS CAGR% FY26-28E
					FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E		
TCS	8,653	2,392	3,000	ADD	134.2	145.2	156.0	166.5	17.8	16.5	15.3	14.4	52.4	55.6	59.2	61.7	4.8	7.1
INFO	5,117	1,233	1,600	BUY	64.3	72.3	80.5	89.1	19.2	17.0	15.3	13.8	29.0	30.9	32.8	34.1	6.1	11.0
HCLT	3,579	1,321	1,600	BUY	62.6	68.3	79.1	87.9	21.1	19.4	16.7	15.0	24.6	26.1	28.7	29.6	6.3	13.5
WPRO	2,007	191	225	ADD	12.5	12.7	13.7	14.5	15.3	15.1	13.9	13.2	16.6	15.7	16.3	16.5	3.4	7.0
LTM	1,239	4,189	5,690	BUY	155.6	190.5	221.9	258.4	26.9	22.0	18.9	16.2	21.5	23.2	23.6	23.9	9.4	16.5
TECHM	1,189	1,342	1,515	ADD	49.4	58.6	77.9	89.1	27.2	22.9	17.2	15.1	16.2	18.6	23.5	25.0	6.3	23.3
PSYS	697	4,529	6,150	ADD	91.0	126.2	142.9	175.7	49.8	35.9	31.7	25.8	24.8	27.1	26.9	27.9	15.5	18.0
MPHL	388	2,074	2,660	ADD	91.0	99.1	110.7	126.5	22.8	20.9	18.7	16.4	18.5	18.6	19.3	20.5	9.8	13.0
LTTS	352	3,333	3,620	ADD	119.9	127.1	150.9	181.0	27.8	26.2	22.1	18.4	22.2	20.9	22.2	23.6	8.3	19.3
TELX	256	4,104	5,000	ADD	126.0	106.3	140.2	167.3	32.6	38.6	29.3	24.5	29.3	22.2	26.6	28.4	13.3	25.4
ZENT	129	566	690	ADD	28.4	34.7	36.3	40.6	19.9	16.3	15.6	14.0	16.6	17.8	16.7	16.6	8.0	8.1
BSOFT	101	363	435	BUY	18.8	17.4	21.7	24.1	19.3	20.8	16.7	15.0	15.8	13.5	15.4	15.6	6.3	17.6
CYL	94	851	1,130	ADD	56.3	54.1	65.6	78.3	15.1	15.7	13.0	10.9	13.0	10.9	12.5	14.0	8.4	20.3
SSOF	65	232	330	BUY	15.1	16.9	18.4	20.8	15.3	13.7	12.6	11.1	27.3	26.0	24.8	24.8	7.9	10.8
HAPPSTMN	58	381	500	BUY	12.7	15.1	18.5	22.6	30.0	25.1	20.5	16.8	12.7	14.2	16.1	18.0	14.1	22.2
MAST	47	1,480	2,300	BUY	116.4	128.7	136.7	153.4	12.7	11.5	10.8	9.7	16.2	15.5	14.5	14.5	8.2	9.2
IT AVG									23.3	21.1	18.0	15.6	22.3	22.3	23.7	24.7	8.5	15.1
IT Median									20.5	20.1	16.7	15.0	20.0	19.8	22.9	23.8	8.1	15.0

 Source: HSIE Research, CMP as on 17th Mar 2026

Exhibit 4: IT Sector stock performance (%)

Company	M-cap (USD bn)	CMP (INR)	1W (%)	1M (%)	3M (%)	6M (%)	1Y (%)	3Y (%)	5Y (%)	YTD (%)
TCS	93.7	2,392	-4.9	-12.1	-25.7	-24.7	-31.7	-24.9	-23.2	-25.5
INFO	55.4	1,233	-5.0	-11.5	-23.2	-19.2	-22.6	-13.4	-11.3	-23.8
HCLT	38.7	1,321	-3.0	-10.9	-20.2	-10.8	-14.5	19.1	33.8	-18.6
WPRO	21.7	191	-4.9	-11.4	-26.8	-24.8	-26.5	1.5	-9.0	-27.5
LTM	13.4	4,189	-3.0	-18.8	-33.0	-22.7	-3.9	-10.4	3.5	-30.9
TECHM	12.9	1,342	0.3	-12.1	-15.2	-13.4	-7.0	18.9	31.4	-15.8
PSYS	7.5	4,529	-6.2	-19.5	-27.9	-18.2	-12.4	94.8	395.9	-27.8
MPHL	4.2	2,074	-5.8	-15.9	-27.6	-30.4	-5.8	9.9	23.1	-25.7
LTTS	3.8	3,333	5.8	-5.0	-25.6	-22.2	-25.1	-6.6	28.8	-25.3
TELX	2.8	4,104	-5.8	-16.6	-17.4	-27.8	-20.7	-33.3	48.9	-21.7
ZENT	1.4	566	0.8	-3.1	-22.3	-32.3	-11.9	104.0	79.8	-19.6
BSOFT	1.1	363	-5.8	-6.0	-16.0	-4.8	-6.7	31.2	47.5	-16.3
CYL	1.0	851	-6.4	-15.9	-25.4	-32.6	-29.4	-11.7	26.2	-24.0
SSOF	0.7	232	-7.4	-18.3	-32.1	-40.5	-33.1	-41.9	21.9	-35.5
HAPPSTMND	0.6	381	-4.8	-3.0	-21.2	-33.7	-40.8	-53.5	-30.4	-17.2
MAST	0.5	1,480	-7.5	-16.2	-32.8	-40.8	-31.2	-12.0	19.2	-29.1
NSE IT Index			-4.3	-13.1	-24.7	-21.2	-20.5	-0.4	9.7	-24.2
NIFTY			-2.9	-8.4	-8.8	-7.0	4.7	37.8	60.0	-9.8
Nasdaq			-1.4	-0.9	-1.4	0.5	25.6	92.4	65.4	-3.7

 Source: Bloomberg, HSIE Research, CMP as on 17th Mar 2026

Exhibit 5: Based on reverse DCF CMP factors terminal growth of ~3%

Companies	CMP (INR)	USD Revenue CAGR (FY25-35E)	FCF CAGR (FY25-35E)	WACC	Terminal Growth (%)
TCS	2,392	3.9%	6.3%	11.0%	3.0%
INFO	1,233	4.6%	4.2%	11.0%	3.0%
HCLT	1,321	5.2%	4.9%	11.4%	3.0%
WPRO	191	0.6%	0.2%	10.9%	1.0%
LTM	4,189	7.6%	12.7%	11.0%	3.0%
TECHM	1,342	6.0%	7.8%	11.0%	4.0%
PSYS	4,529	16.1%	19.3%	11.0%	4.5%
MPHL	2,074	8.4%	9.7%	10.7%	2.0%
LTTS	3,333	8.9%	18.1%	11.1%	4.0%
TELX	4,104	12.6%	9.2%	10.1%	4.8%
ZENT	566	8.3%	13.4%	13.9%	3.0%
BSOFT	363	4.9%	5.2%	11.7%	3.0%
CYL	851	0.4%	6.4%	10.6%	1.0%
SSOF	232	6.2%	NA	10.4%	3.0%
HAPPSTMN	381	10.2%	NA	9.4%	3.0%
MAST	1,480	2.0%	9.5%	10.5%	1.0%
IT Sector Avg.		6.6%	9.1%	11.0%	2.9%

Source: HSIE Research

Exhibit 6: DCF based target prices and assumptions

Companies	TP (INR)	USD Revenue CAGR (FY25-35E)	USD Revenue CAGR (FY26-28E)	WACC	Terminal Growth (%)	Implied P/E (x)	10 Avg P/E (FY10-20)	FCF Yield (FY27E)
TCS	3,000	5.2%	4.8%	11.0%	5.0%	18.0	20.3	5.8%
INFO	1,600	6.4%	6.1%	11.0%	5.0%	18.0	17.5	6.2%
HCLT	1,600	6.1%	6.3%	11.4%	5.0%	18.2	14.1	6.6%
WPRO	225	1.3%	3.4%	10.8%	3.0%	15.4	14.8	8.6%
LTM	5,690	9.5%	9.4%	10.9%	5.1%	22.0	17.4	5.1%
TECHM	1,515	6.0%	6.3%	11.0%	5.4%	17.0	13.1	5.0%
PSYS	6,150	17.5%	15.5%	10.9%	6.0%	35.0	13.3	2.6%
MPHL	2,660	7.5%	9.8%	10.7%	5.0%	21.0	12.9	5.5%
LTTS	3,620	8.9%	8.3%	11.1%	5.0%	20.0	19.6	4.0%
TELX	5,000	12.4%	13.3%	10.1%	5.9%	29.8	16.7	2.3%
ZENT	690	10.4%	8.0%	13.9%	5.5%	17.1	9.2	7.0%
BSOFT	435	5.4%	6.3%	11.7%	5.0%	17.9	NA	5.9%
CYL	1,130	2.0%	6.2%	10.6%	4.0%	14.4	11.6	8.0%
SSOF	330	8.7%	7.9%	10.4%	5.5%	15.6	8.6	6.4%
HAPPSTMN	500	10.6%	14.1%	9.4%	5.0%	22.0	NA	3.5%
MAST	2,300	3.7%	8.2%	10.3%	5.0%	15.0	8.0	10.0%
IT Sector Avg.		7.6%	8.4%	11.0%	5.0%	19.5	14.3	5.8%

Source: HSIE Research

Exhibit 7: Tier 1 IT companies 10-year comparison (pre-COVID)

Companies	USD Revenue CAGR% (FY10-20)	EPS CAGR % (FY10-20)	Avg P/E (FY10-20)	PEG
TCS	13.3	9.6	20.0	2.1
INFO	10.3	10.4	17.2	1.6
HCLT	14.5	23.9	14.1	0.6
WPRO	3.7	7.8	14.7	1.9
TECHM	18.2	20.8	12.9	0.6
Aggregate	11.0	13.0	17.0	1.3

Source: HSIE Research

Exhibit 8: Tier 1 IT companies 5-year comparison (pre-COVID)

Companies	USD Revenue CAGR% (FY15-20)	EPS CAGR % (FY15-20)	Avg P/E (FY15-20)	PEG
TCS	7.4	12.0	20.1	1.7
INFO	8.0	6.4	16.9	2.7
HCLT	11.3	8.6	13.9	1.6
WPRO	3.1	2.4	14.7	6.2
TECHM	7.0	10.1	13.8	1.4
Aggregate	7.4	9.4	16.9	1.8

Source: HSIE Research

Exhibit 9: Key AI product launches

Company	Product	Launch Date	Key Features
xAI	Grok 4.20	Feb 17, 2026	Advanced NLP, real-time data integration, reduced hallucinations, better instruction-following, LaTeX/scientific text, image search precision
Google	Gemini 3.1 Pro	Feb 19, 2026	Stronger abstract reasoning, dynamic chain-of-thought, agentic tasks improvement, code-based animated SVG output, 1M context window
Anthropic	Claude Opus 4.6	Feb 5, 2026	1M token context (beta), adaptive reasoning, improved coding/planning, agent teams, effort levels (low to max), financial analysis leader
NVIDIA	Rubin Platform	Jan-26	Rubin GPU, Vera CPU, NVLink/Transformer Engine, BlueField 4 DPU, Spectrum-6 switches with co-packaged optics, MoE inference efficiency
DeepSeek	DeepSeek V4	Mar 3, 2026	Engram memory for >1M contexts, superior long-context code generation outperforming Claude/GPT
OpenAI	GPT-5.4	Mar 5, 2026	Native computer use (Playwright/mouse control), 1M token context, merged Codex reasoning (57.7% SWE-Bench), Tool Search (-47% tokens), reduced errors (-33%)

Source: Company, HSIE Research

IT services firms partnering with Gen-AI platforms to drive demand

The IT services sector is undergoing a structural shift driven by partnerships with Generative AI platforms. The industry is shifting from a labor-intensive "headcount" model to an "AI-augmented" value model. Infosys's collaboration with Palantir, leverage the Infosys Topaz platform alongside Palantir's AIP (Artificial Intelligence Platform) to help enterprises transition from fragmented data to high-fidelity "digital twins" that power autonomous decision-making. This ecosystem is further bolstered by the Infosys-Anthropic alliance, announced in Feb 2026, which focuses on delivering "agentic AI" solutions for highly regulated industries like telecommunications and financial services by embedding Claude 3.5 and Claude Code into the Topaz stack to automate complex, multi-step workflows. Simultaneously, TCS has solidified its lead through a strategic tie-up with OpenAI, integrating advanced LLM capabilities into its massive service delivery engine and even venturing into sovereign AI infrastructure to host OpenAI's workloads at scale. These moves are mirrored across the industry, with HCLTech and Wipro signing expansive deals with Google Cloud and Microsoft to train hundreds of thousands of employees and deploy "agentic" AI workflows that automate the entire software development life cycle. For the IT services sector, this implies a departure from traditional billing based on man-hours toward outcome-based pricing, where the value lies in "orchestrating" fleets of AI agents and maintaining the complex data architecture required to maintain security and accuracy. As the IT services firms will become the primary integrators of frontier models into legacy enterprise environments, they evolve from mere service providers into AI engineering partners that own the underlying intelligence layers of the modern enterprises.

Exhibit 10: Key AI product launches in the last two months and the potential risk

Company	Product	Launch Date	Key Features	Impact on SaaS Companies	Impact on IT Services Companies
Anthropic	Claude Opus 4.6	Feb-26	Handles complex workplace tasks reliably; excels in financial modelling, coding, finance; reduced back-and-forth for deliverables.	High threat to niche finance SaaS (e.g., Cap IQ) and dev platforms (e.g., GitHub Copilot) via integrated agentic workflows.	Disrupts consulting-heavy IT services (e.g., Accenture model-building) by automating 50%+ of financial/coding deliverables.
Anthropic	Claude Sonnet 4.6	Feb-26	Full upgrade in coding, computer use, long-context reasoning, agent planning, knowledge work, design; adaptive thinking.	Medium-high threat to productivity SaaS (e.g., Notion, ClickUp) by automating design/coding in one model.	Reduces demand for offshore dev teams as agent planning cuts custom coding hours by 40%.
Anthropic	Claude Co-Work	Jan-26	Collaboration tool with plugins, scheduled tasks, connectors (free tier); PowerPoint/Excel integrations; automates file mgmt.	Direct threat to collab SaaS with free AI-native scheduling reducing paid upgrades.	Cannibalizes IT project mgmt. services via automated task orchestration on free tier.
Anthropic	Enterprise Plugins	Feb-26	Dept-specific for HR/investment banking; custom plugins; Google Drive/Gmail/DocuSign integrations; doc review.	Severe threat to vertical SaaS like Workday (HR), DocuSign by embedding compliant agents.	Hits IT integration services as plugins auto-handle Drive/Gmail/DocuSign workflows.
Palantir	AI FDE (AI Forward Deployed Engineer)	Mar-26	Natural language ops on Foundry; data transforms, ontology edits; Anthropic/OpenAI support with governance.	Threat to data prep SaaS via NL governance for self-serve analytics.	Impacts data engineering services (e.g., Cognizant) replacing manual transforms/ontologies.
Palantir	Pilot	Mar-26	AI React OSDK app builder; prompt-driven ontology/UI gen, live preview, safe deployment.	Disrupts low-code SaaS with AI-ontology apps for enterprise customization.	Undermines custom app dev services with prompt-to-deployment in minutes vs. weeks.
Palantir	AI OS Reference Architecture NVIDIA	Mar-26	Sovereign AI OS for datacentres; NVIDIA hardware to Application layer deployment; data sovereignty/low latency.	Existential threat to cloud SaaS (e.g., Snowflake) by enabling on-prem sovereign AI.	Impacts cloud migration services favoring sovereign datacentre deployments.

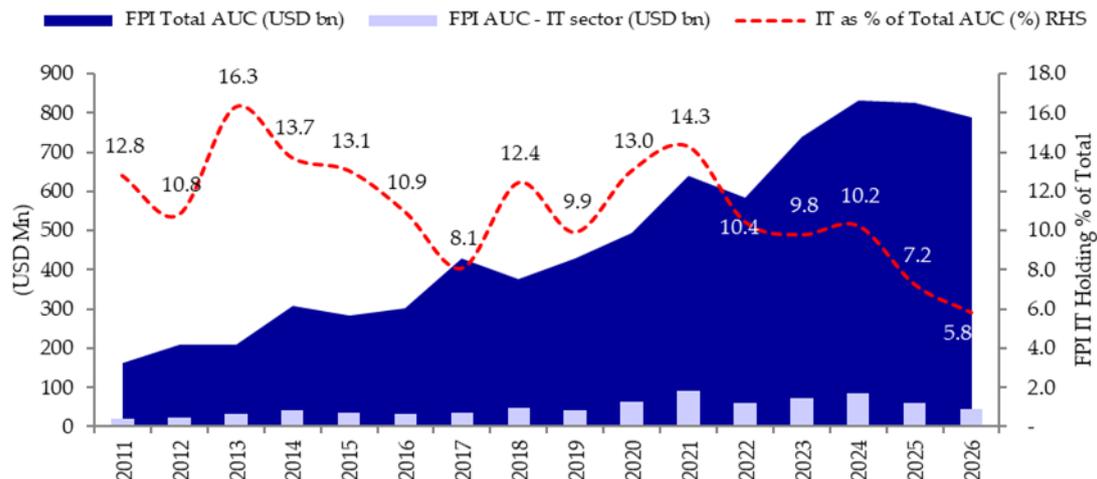
Source: Company, HSIE Research

Exhibit 11: Recent AI partnerships

Company	Date	Partner	Topic	Region
TCS	Apr-25	Google Cloud	AI and Gen AI	US
	Apr-25	Vianai Systems	GenAI tools for decision intelligence	US
	Apr-25	SAP	Business transformation for clients using GenAI	India
	Sep-25	C-DAC	AI-enabled cloud platform creation	India
	Sep-25	Qualcomm	Innovation Lab for SDx and Edge AI platforms	India
	Sep-25	NVIDIA	NVIDIA AI enterprise software	US
	Oct-25	Google Cloud	Gemini Enterprise	India
	Nov-25	SINTEF	Deploy AI for improving elderly care	Norway, India
	Jan-26	Advanced Micro Devices (AMD)	Drive AI adoption	US, India
	Feb-26	Advanced Micro Devices (AMD)	Helios rack-scale AI architecture	US, India
	Feb-26	OpenAI	AI transformation	India
	Feb-26	ServiceNow	AI adoption for enterprises	US, India
	Feb-26	GitLab Inc	AI-powered orchestration	US, India
	Mar-26	Zscaler	AI-powered solution for enterprise workspace innovation	India
	Infosys	Jun-25	Adobe	Marketing transformation with AI
Jan-26		Amazon Web Services	Accelerate enterprise adoption of Gen AI	US, India
Jan-26		Cognition	Agentic AI	US, India
Feb-26		Anthropic	Advanced enterprise AI solutions	India
Mar-26		Intel	AI pilot to production	India
HCLT	Apr-25	NVIDIA	GenAI service transformation	US
	Apr-25	Google Cloud	Agentic AI	US
	Jun-25	UiPath	Agentic AI adoption	US
	Jun-25	OpenAI	Enterprise AI transformation	US
	Aug-25	Thought Machine	AI and cloud technologies	US, UK
	Oct-25	MIT Media Lab	Next-gen AI research	US, India
	Nov-25	Amazon Web Services	Autonomous AI-powered solutions	US, India
	Nov-25	SAP	Physical AI	UK, India
	Dec-25	Strategy	AI solutions for global enterprises	US, India
	Mar-26	Google Cloud	Agentic AI adoption	US, India
Wipro	Mar-25	NVIDIA	Agentic AI	US
	Sep-25	CrowdStrike	AI-powered unified security services	US, India
	Dec-25	Microsoft	Accelerate enterprise adoption of AI	US, India
	Dec-25	Google Cloud	Digital transformation with Gemini Enterprise	US, India
	Feb-26	Massachusetts Institute of Technology	Agentic AI and autonomous enterprises, robotics with embodied AI, quantum computing, digital ledger technologies, and cyber resilience	US, India
LTM	Nov-25	Microsoft	Microsoft Azure & AI transformation	US, India
Tech Mahindra	Apr-25	Nuix	AI, digital engineering, cyber risk management	Australia
LTTS	Sep-25	MIT Media Lab	AI technology	USA
	Sep-25	Siemens Ltd	AI-led transformation in process engineering & smart manufacturing	India
	Nov-25	Autodesk	AI-led digital transformation	India
Tata Elxsi	Jul-25	Kavia AI	GenAI-assisted automation	US
Sonata Software	Jun-25	Indian Institute of Science	AI-driven research	India
	Jul-25	Wharton School of the University of Pennsylvania	Enterprise-grade AI orchestration	US
	Oct-25	Adesso SE	AI-powered modernization	Germany, India

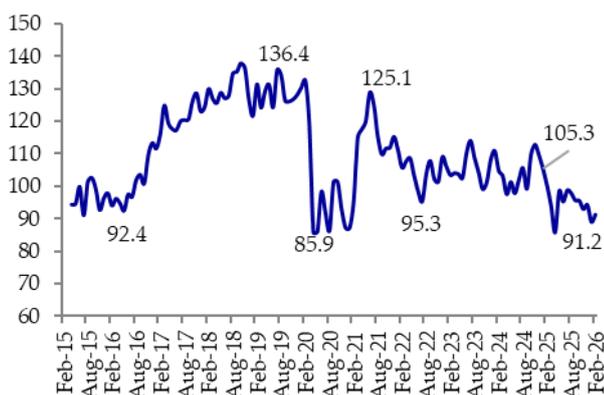
Source: Company, HSIE Research

Exhibit 12: Total FPI Asset under custody (AUC) and IT sector holding – On a declining trajectory (multi-year low)



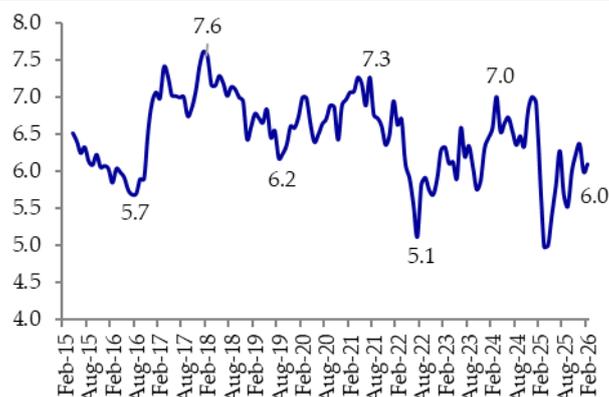
Source: NSDL, HSIE Research

Exhibit 13: US Consumer Confidence Index



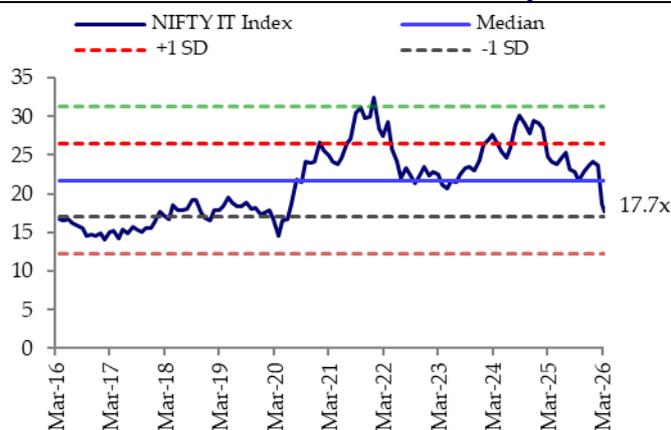
Source: Bloomberg, HSIE Research

Exhibit 14: CEO Confidence Index



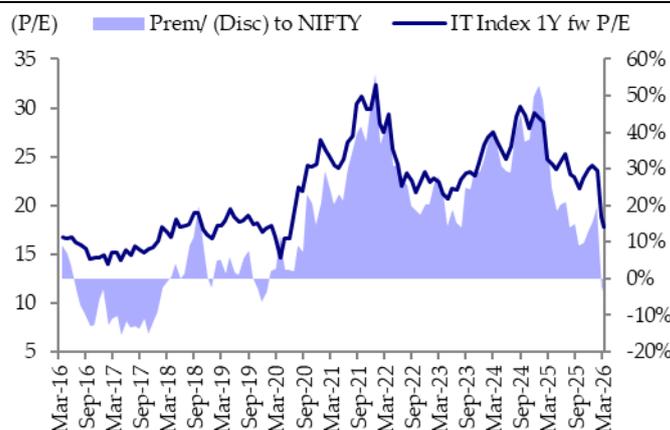
Source: Bloomberg, HSIE Research

Exhibit 15: NIFTY IT valuation trend (P/E 1-yr Fwd)



Source: Bloomberg, HSIE Research

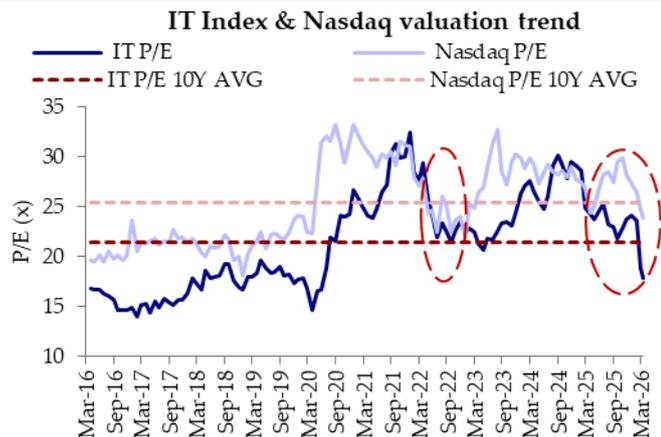
Exhibit 16: NIFTY IT index valuation trend vs NIFTY



Source: Bloomberg, HSIE Research

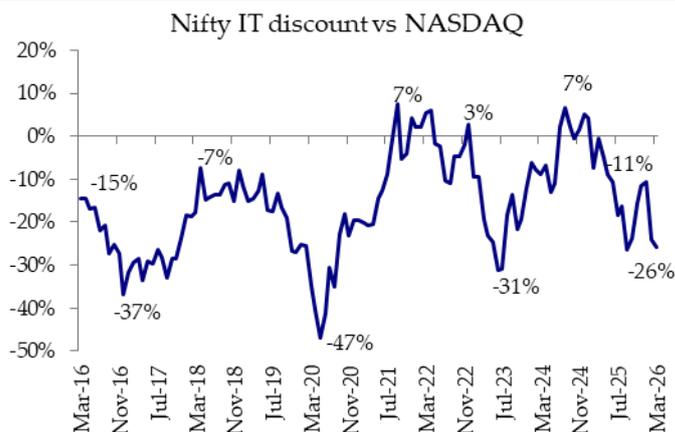
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Exhibit 17: NIFTY IT Index and NASDAQ



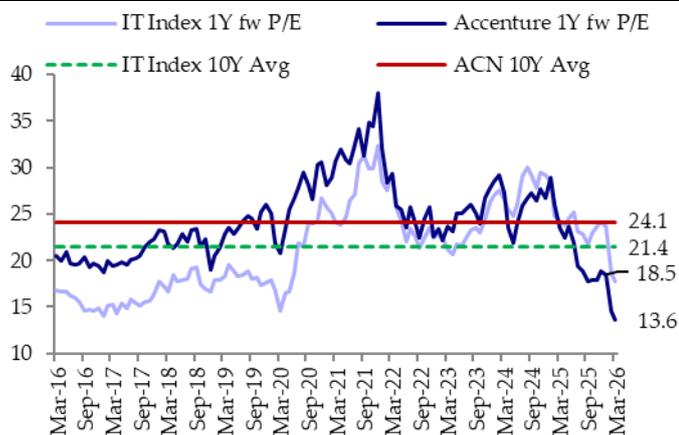
Source: Bloomberg, HSIE Research

Exhibit 18: NIFTY IT discount to NASDAQ



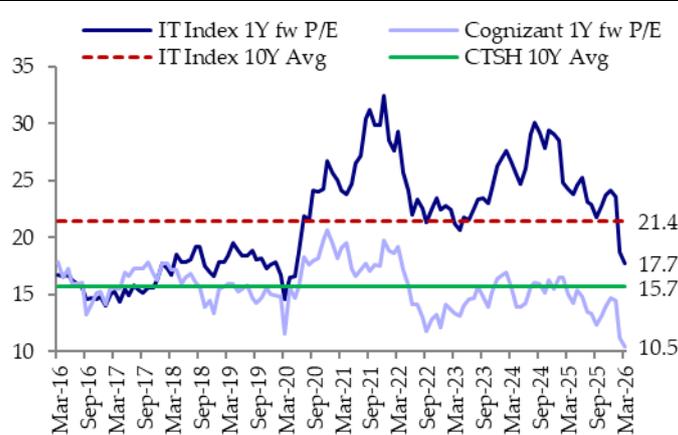
Source: Bloomberg, HSIE Research

Exhibit 19: NIFTY IT Index vs Accenture



Source: Bloomberg, HSIE Research

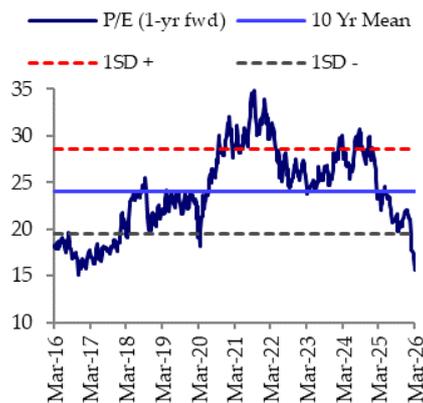
Exhibit 20: NIFTY IT Index vs Cognizant



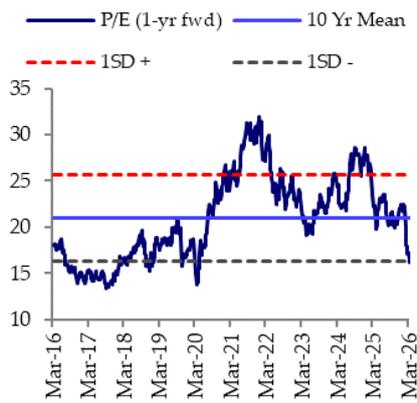
Source: Bloomberg, HSIE Research

Exhibit 21: Valuation charts

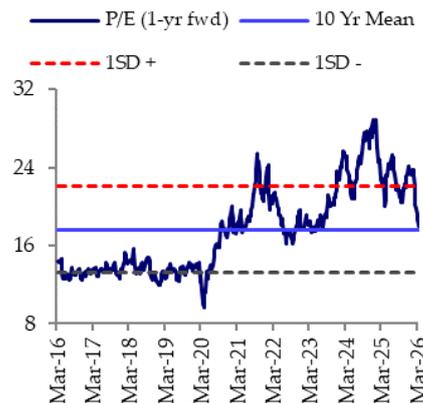
TCS P/E (1-yr fwd) Trend



INFY P/E (1-yr fwd) Trend

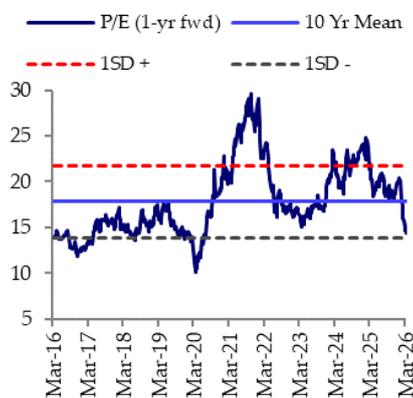


HCLT P/E (1-yr fwd) Trend

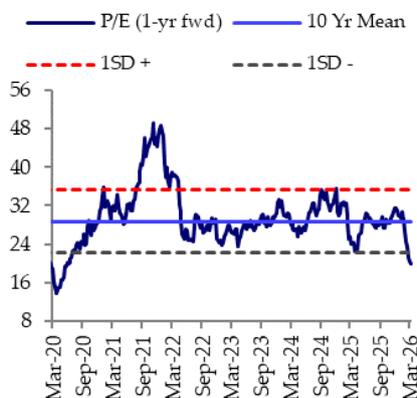


Source: Bloomberg, HSIE Research

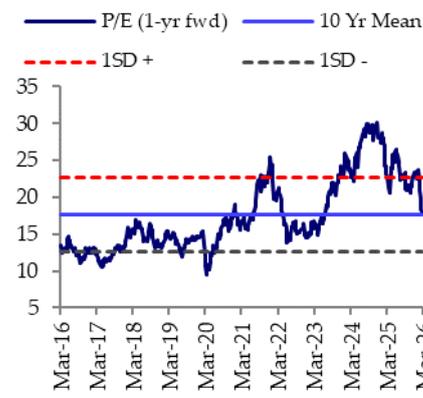
WPRO P/E (1-yr fwd) Trend



LTM P/E (1-yr fwd) Trend

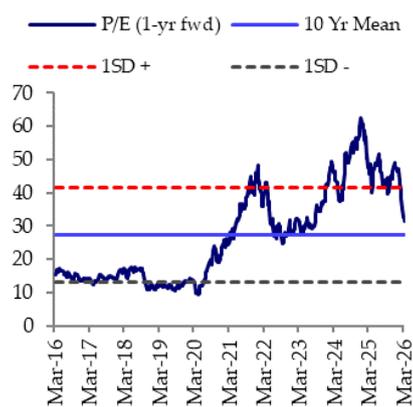


TECHM P/E (1-yr fwd) Trend

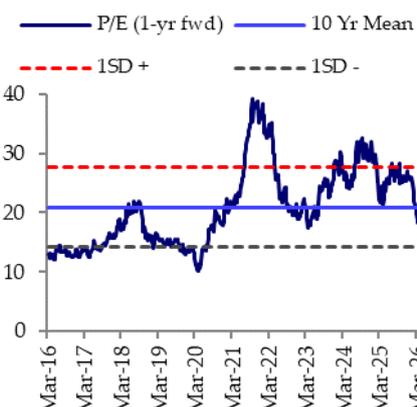


Source: Bloomberg, HSIE Research

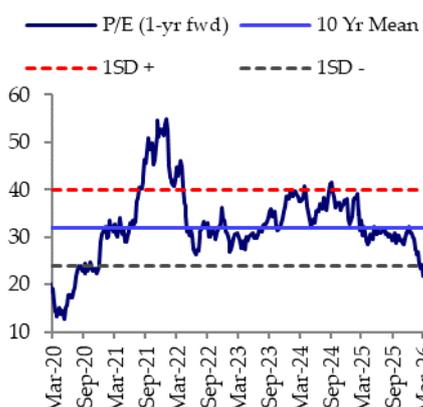
PSYS P/E (1-yr fwd) Trend



MPHL P/E (1-yr fwd) Trend

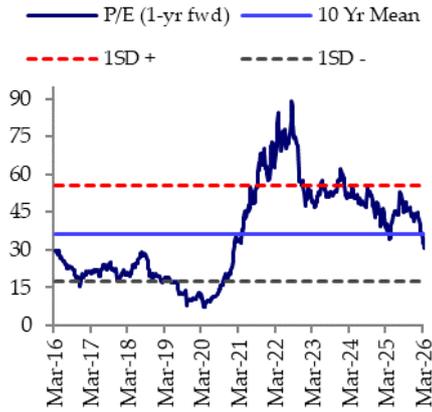


LTTS P/E (1-yr fwd) Trend

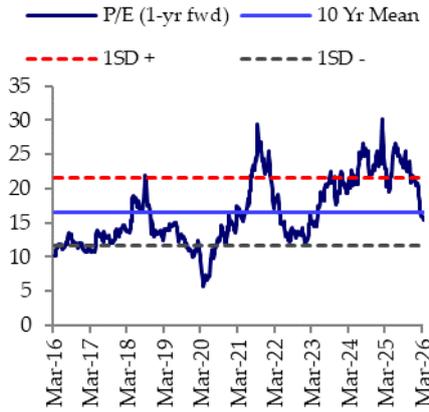


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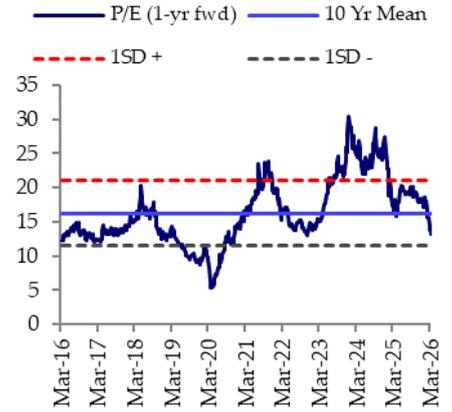
TELX P/E (1-yr fwd) Trend



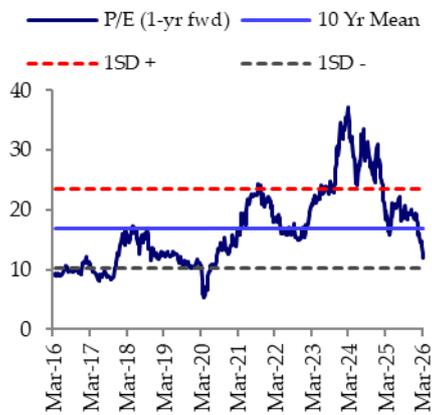
ZENT P/E (1-yr fwd) Trend



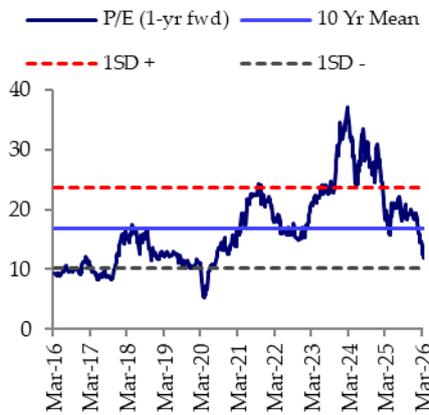
CYL P/E (1-yr fwd) Trend



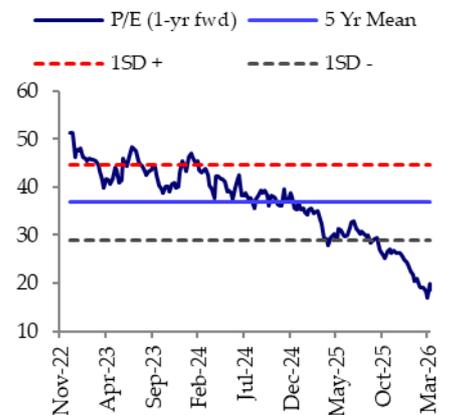
BSOFT P/E (1-yr fwd) Trend



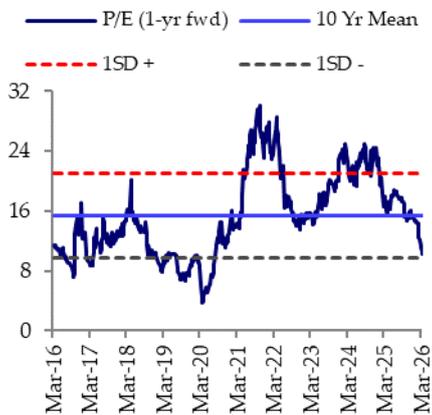
SSOF P/E (1-yr fwd) Trend



HAPPSTMN P/E (1-yr fwd) Trend



MAST P/E (1-yr fwd) Trend



Source: Bloomberg, HSIE Research

Price history		
<p>TCS</p>	<p>Infosys</p>	<p>HCL Tech</p>
<p>Wipro</p>	<p>LTIMindtree</p>	<p>Tech Mahindra</p>
<p>Persistent</p>	<p>L&T Tech</p>	<p>Mphasis</p>
<p>Tata Elxsi</p>	<p>Cyient</p>	<p>Sonata Software</p>
<p>Birlasoft</p>	<p>Zensar Technologies</p>	<p>Happiest Minds</p>
<p>Mastek</p>	<p>Rating Criteria BUY: >+15% return potential ADD: +5% to +15% return potential REDUCE: -10% to +5% return potential SELL: > 10% Downside return potential</p>	

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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

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