Information Technology

Demystifying disruption – Navig[AI]ting the shift

Information Technology › Sector Report › **March 06, 2026**

NIFTY 50: 24,766

In continuation of our earlier note, *Demystifying Disruption,* this follow-up piece attempts to navigate the uncertainties and fears surrounding the unknowns that have driven a sharp de-rating of Indian IT stocks. As clients grapple with a rapidly evolving tech landscape and complexity of integrating AI into legacy systems, we anticipate IT Services companies to move up in the value chain from effort-based execution to consulting-led strategic partnerships as trusted advisors. This deeper engagement is also shifting commercial models from input-based pricing toward outcome-based arrangements. We attempt to i) provide our perspectives on a few common questions; ii) set historical precedents from analogous disruption cycles; and iii) arrive at a grounded view on where multiples should settle through a transition of this nature. Beyond the financial lens, we also examine the evolving dynamics from a business/tech perspective, with an aim to build a more balanced and practical understanding of the structural shifts underway. NIFTY IT is down 13%/17% vs NIFTY over 1M/3M, driven by concerns over the sustainability of the business model and fears that AI advances could disrupt Indian IT Services, leading to trimmed terminal growth assumptions. Factoring in the above, we lower our target multiples by ~20%/32% for IT Services/BPO companies under our coverage. We believe steady operating performance and relevant disclosures to gauge progress on the tech shift will drive investor confidence and recovery in valuations.


Information Technology
Demystifying disruption
Information Technology › Sector Report › February 18, 2026
NIFTY 50: 25,725

AI is reshaping the IT Services landscape…

The traditional IT Services' model is under pressure, as AI automates repetitive, high-volume tasks – once handled by junior engineers. Gen AI delivers material productivity gains in testing, documentation, and legacy migration, raising client expectations for cost savings, especially during renewals. In a low-growth environment, IT Services companies are increasingly compelled to accept aggressive pricing. The traditional staffing pyramid is also flattening as AI agents reduce billable volumes. While legacy work is being cannibalized, enterprise complexity is creating new growth opportunities. Most enterprises still lack clean, integrated data – creating a surge in demand for data engineering, governance, and modernization that act as the prerequisite for AI adoption. Moving beyond basic API calls to building, fine-tuning, and maintaining private, secure industry-specific LLMs/SLMs requires domain expertise and specialized consulting, enabling premium pricing. As AI agents gain autonomy, we believe the need for human-in-the-loop monitoring, auditing, and security could drive new services' revenue pool that did not exist a few years ago.

…however, the biggest uncertainty is timing

The pace at which new services scale relative to the decline in legacy work remains the biggest unknown, in our view. While productivity gains are quick, AI transformation projects face long sales cycles, complex security approvals, and cultural resistance. We also expect IT Services companies to face challenges in capturing new services demand due to skill mismatch (legacy skills' availability vs AI-native skill demand). Hence, reskilling of the talent base becomes a key element to drive a smooth transition.

Estimate revisions and valuations

We lower our earnings estimates for FY27/FY28 by 1%/2%, respectively, for our coverage companies, factoring in our more-conservative growth and margin assumptions. We lower target multiples for IT Services and BPO companies in our coverage by ~20% and ~32%, respectively, to capture conservative assumptions on required terminal growth. We roll forward our valuations to Mar-27E across our IT coverage universe.

We expect consistent performance delivery, along with clearer disclosures on progress over the next few quarters, to gradually restore confidence in the business model, possibly warranting a reconsideration of ratings. Based on our revised TPs, implied terminal growth for large-cap IT Services companies in our coverage is at 5-6% in rupee terms (~1–3% in USD terms), which we consider reasonable given the last 10Y growth trends. (Exhibit 13)

Our pecking order is INFO, LTIM, TCS, HCLT, TECHM, and WPRO in large caps. Among our mid-size IT Services coverage stocks, we prefer COFORGE, HEXT, MPHL, and PSYS.

Dipeshkumar Mehta
dipeshkumar.mehta@emkayglobal.com
+91-22-66121253
Jimit Gandhi
jimit.gandhi@emkayglobal.com
+91-22-66121255
Shivang Bagla
shivang.bagla@emkayglobal.com
+91-22-66242491

Precedents, patterns, and perspectives

Every prior tech shift was additive…

Every previous tech shift in the modern era—the PC, the internet, mobile, cloud—changed where work happened or how fast it moved, but it did not change who did it. The PC made the individual worker more productive. The internet connected systems and people at zero marginal cost. Mobiles put computers in every pocket. Cloud eliminated infra as a constraint. Each wave was additive: it gave humans better tools, faster pipes, cheaper storage, and expanded the total volume of work to be done. Thus, IT employment grew through each of those cycles rather than contracting (Exhibit 1). Outsourcing and offshoring boomed because more software had to be developed and more systems were needed to be integrated. The productivity gains created demand faster than they displaced labor. IT Services companies play important roles in tech transitions – every tech disruption that threatens them simultaneously creates a multi-year engagement opportunity. Companies that recognized this and leaned in compounded well in the past. However, AI is different in one foundational way: it is the first shift that i) acts on cognition rather than on the infra around it, and ii) is assistive/substitutive rather than being linearly/completely additive in nature.

…while the current tech shift appears to reshape the foundation

Prior tech shifts required more labor to implement; this one requires less. Prior shifts attacked the periphery of IT Services delivery (ERP implementation, cloud migration); this one attacks the center (knowledge work). Prior shifts had multi-year adoption curves that gave companies time to retrain and reposition; this one is moving at a rapid pace. Prior shifts required IT Services companies to learn new tools; this one requires them to rethink their position and readjust their business operations. Prior tech was not self-improving; this can improve itself and autonomously act. As a result, this wave is expected to structurally redefine the role of humans – from primary doers to augmented operators and increasingly to checkers or reviewers. We believe companies that stay nimble and adapt quickly to changing realities – embracing outcome-driven models and building proprietary tools, solutions, and IP into their delivery – are best-positioned to emerge stronger once the initial wave of uncertainty settles.

What do previous tech disruptions suggest?

All tech shifts have followed a typical pattern. First, the new tech arrives and appears to threaten the existing services model. Second, the market panics and reprices the incumbents downward. Third, the transition itself generates a large implementation wave such that the companies best positioned to execute it—those with the talent depth, client relationships, and delivery infra—have the potential to capture disproportionate value from the very disruption that was supposed to disrupt them. The disruption does not eliminate the need for services; it changes what the services are and the mode of delivery.

Is this time different or just déjà vu in disguise?

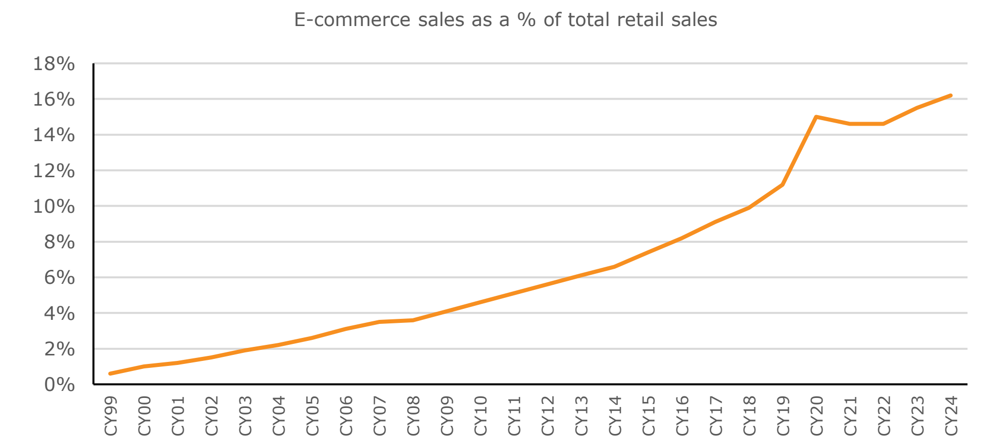
There has been a familiar debate with every new incoming tech – whether the shift represents a continuation of historical patterns or a structural break from the past. Similar questions emerged during earlier waves of automation, the rise of the internet, and the spread of cloud computing. Questions often centered on whether the rate of tech innovation was accelerating beyond historical precedent, whether the speed of adoption would compress timelines relative to past such transitions, and whether the breadth of sectors affected would be wider than that during previous tech disruptions.

AI raises many of the same open questions: The pace of capability improvements could be faster than in past cycles, even if historical evidence suggests that the diffusion of new technologies across the economy tends to remain gradual. At the same time, AI may affect a broader range of cognitive and knowledge tasks than earlier automation waves, potentially expanding the share of work and jobs that could be automated or augmented. With adoption already running at elevated levels, the scale of disruption and the resulting redistribution of value across industries could prove significantly larger than in prior tech cycles. Whether these dynamics ultimately follow historical patterns or represent a structural break remains an open question.

Tech adoption curves are often slower than expected

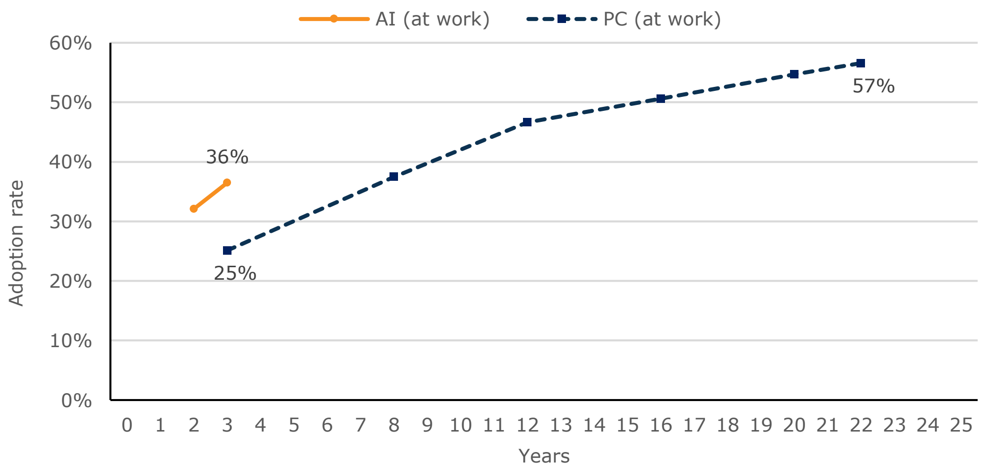
Despite decades of internet adoption, e-commerce still represents only ~16% of total US retail sales (Exhibit 1). This highlights an important pattern observed with general-purpose technologies that their full economic impact typically unfolds over multiple decades, as supporting infra, business models, and user behavior gradually evolve. We believe AI is likely to follow a similar diffusion path, where meaningful transformation occurs over an extended period as enterprises integrate AI into core processes and build the necessary data and operational foundations. However, given today's digital infra, data availability, and compute capacity, the pace of AI adoption and the scale of its economic impact are expected to be significantly faster and larger than in previous tech shifts.

Exhibit 1: E-commerce penetration remains in the sub-20s even after two decades of internet adoption



Source: US Census Bureau, Emkay Research

Exhibit 2: Share of working-age adults using Gen AI in the US

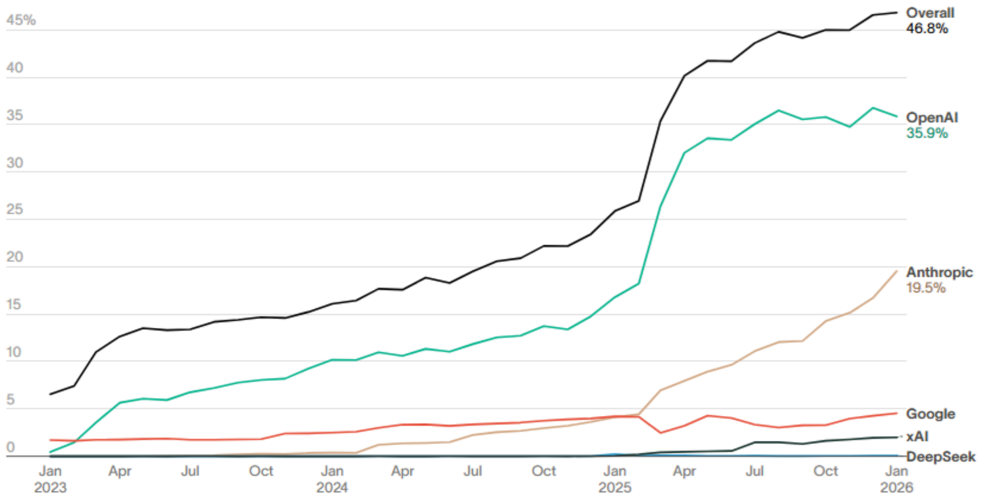


Source: The Project on Workforce at Harvard, Emkay Research; Note: PC – Personal Computer

Exhibit 3: Key stats on Gen AI usage, adoption, time savings, and comparison with adoption time of previous tech

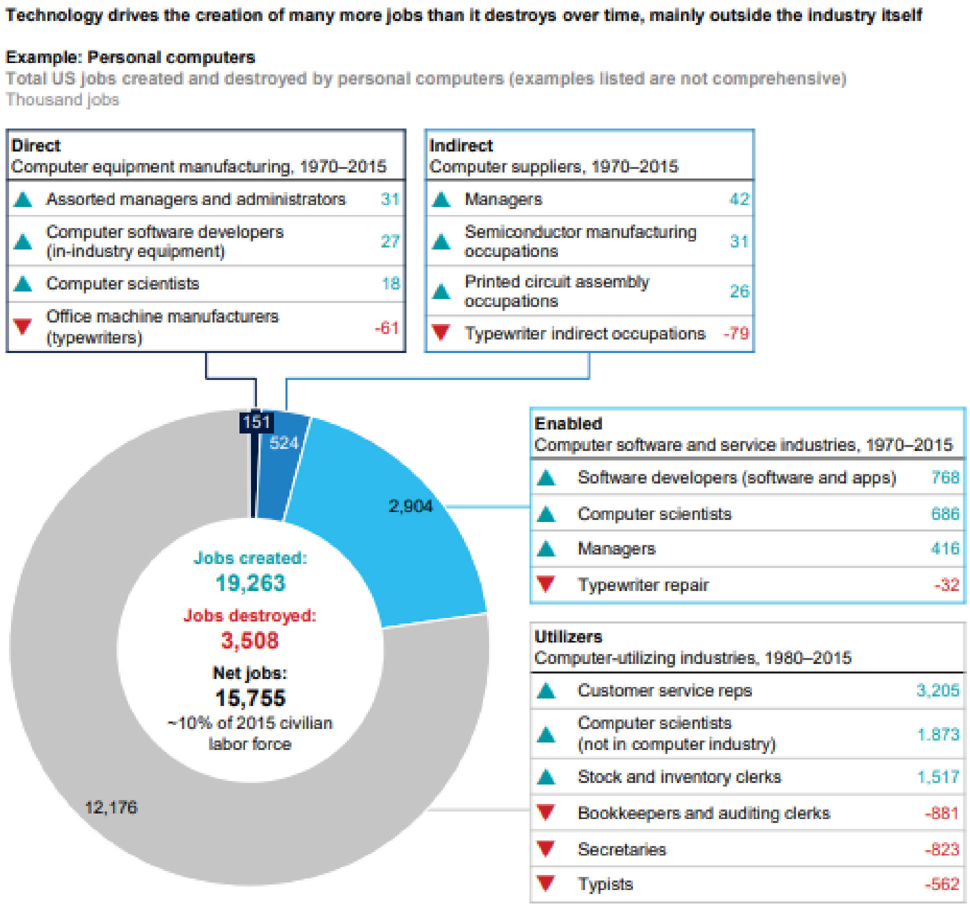
Source: The Project on Workforce at Harvard, Emkay Research

Exhibit 4: Share of US businesses with paid subscriptions to AI models, platforms, and tools



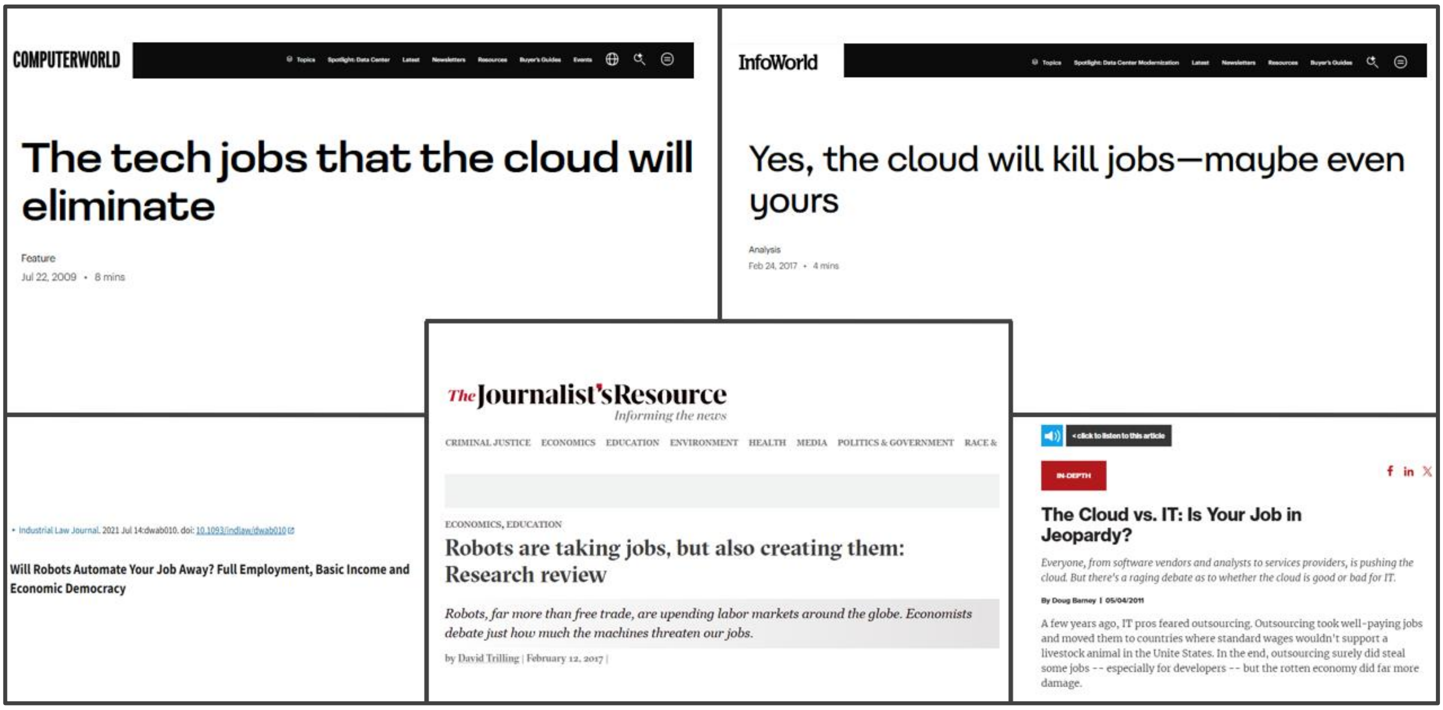
Source: Ramp, Emkay Research

Exhibit 5: The PC revolution displaced certain roles, but created more than it eliminated



Source: McKinsey, Emkay Research

Exhibit 6: Snippets of media articles stating job loss during the previous tech transition



COMPUTERWORLD

The tech jobs that the cloud will eliminate

Feature

Jul 22, 2009 • 8 mins

InfoWorld

Yes, the cloud will kill jobs—maybe even yours

Analysis

Feb 24, 2017 • 4 mins

• Industrial Law Journal. 2021 Jul 14:dwab010. doi: 10.1093/indlaw/dwab010

Will Robots Automate Your Job Away? Full Employment, Basic Income and Economic Democracy

The Journalist's Resource

Informing the news

CRIMINAL JUSTICE ECONOMICS EDUCATION ENVIRONMENT HEALTH MEDIA POLITICS & GOVERNMENT RACE &

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Robots are taking jobs, but also creating them: Research review

Robots, far more than free trade, are upending labor markets around the globe. Economists debate just how much the machines threaten our jobs.

by David Trilling | February 12, 2017 |

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IN-DEPTH

The Cloud vs. IT: Is Your Job in Jeopardy?

Everyone, from software vendors and analysts to services providers, is pushing the cloud. But there's a raging debate as to whether the cloud is good or bad for IT.

By Doug Barney | 05/04/2011

A few years ago, IT pros feared outsourcing. Outsourcing took well-paying jobs and moved them to countries where standard wages wouldn't support a livestock animal in the Unite States. In the end, outsourcing surely did steal some jobs -- especially for developers -- but the rotten economy did far more damage.

Source: Media articles, Emkay Research

Against this backdrop, is the Indian IT Services set getting disrupted or derailed?

The Indian IT Services industry has already navigated two comparable tech transitions within its own short history.

The mainframe-to-client-server transition of the 1990s was supposed to hollow out the services model built around large centralised computing estates. Instead, it created a decade of enterprise re-platforming demand that the Indian IT Services sector captured with its scaling engineering talent pool.

The on-prem-to-cloud transition during 2012–16 generated almost identical structural concerns – if AWS was commoditising infra, what was the role of the managed services provider? This resulted in an explosion of cloud migration, modernization, and data platform engagements that became one of the the fastest-growing line items for every large-cap IT Services company by 2020.

Over the years, the pattern has been consistent – disruption compresses demand at the point of transition, but possibly expands on the other side for companies positioned to execute. The current AI transition follows a similar logic, albeit with a material difference – prior shifts created more work of the same kind; this one changes the nature of the work itself. We believe the risk for the Indian IT Services set is, therefore, not existential on aggregate but is existential at the firm level – for those that treat AI as a delivery efficiency tool rather than a business model question. Disruption is real, but derailment is quite contingent.

Are there any historical precedents concurrent with the above theme?

Across linear broadcasters, for instance Kodak, Fujifilm, Blockbuster, IBM, and SK Hynix, the triggers that separated decline from reinvention follow a consistent sequence. First, a collapse in unit economics of the delivery model – film costs for Kodak, store-footprint economics for Blockbuster, broadcast CPMs for linear broadcasters, and DRAM margins for SK Hynix. For Indian IT Services, a significant fall in AI token costs is an equivalent signal, compressing the cost of work previously delivered by scaled teams (human-led). Second, a drop in business model relevance – the specific mechanism of value delivery. Linear broadcasters' scheduled-broadcast (slotted preference) monetisation, Kodak's consumable-film ecosystem, and Blockbuster's late-fee model did not fail because the demand disappeared, but failed because the delivery mechanism became structurally obsolete. For Indian IT Services, the headcount-times-billing-rate model is under identical pressure as AI compresses the headcount required per unit of work, breaking the link between volume and revenue.

The decisive variable in every case was whether the management acted before the revenue evidence became undeniable. IBM, Fujifilm, NYT, and SK Hynix each moved while capital and credibility were still intact. Fujifilm diversified into pharma and cosmetics from financial strength. SK Hynix invested in HBM a decade before it even mattered. IBM rebuilt around services before hardware margins had fully collapsed. Kodak and Blockbuster understood the threat intellectually and acted too late, after the behavioural shift had locked in and the financial deterioration had consumed their capacity to respond.

Indian IT Services companies currently have the financial strength, client relationships, and operational capacity to redesign their business model toward outcome-based delivery and AI-augmented execution – the same position IBM and Fujifilm were in when they successfully reinvented themselves.

Can we expect this tech shift to create new revenue pools?

While we believe improved productivity will lead to deflation risk in traditional effort-based services, the magnitude and pace of this impact remain uncertain and unknown. Gen AI-led efficiencies may compress revenues in legacy delivery models (particularly those tied to headcount and billable hours), in our view. However, the same forces driving efficiency are likely to expand the overall opportunity and enlarge the TAM.

Gen AI is not simply making existing services cheaper; it is generating and enabling new categories of enterprise spending. These include AI strategy and enterprise transformation programs, AI-ready data modernization, agent orchestration frameworks, AI governance and trust solutions, AI infra build-outs, custom silicon engineering, and physical AI embedded within industrial and edge environments.

This shift is also changing where value is created. Enterprise focus is expected to shift from building agents to governing them. Multi-agent systems create new challenges around accountability, complexity, and trust that traditional operating models were never designed to manage. Consequently, demand is expected to rise sharply for orchestration layers, observability tooling, clear accountability frameworks, and a robust policy-aware 'Agent Operating System'.

At the same time, enterprises are increasingly recognizing that AI success is not determined by the choice of model, but by the strength of data within their own organizations. The real differentiators are data quality, lineage, security, and regulatory readiness createing opportunities for IT Services companies.

What remains unknown is the pace and scale at which these new revenue pools will materialize. Many of these opportunities are still in early identification or pilot stages, and enterprise adoption curves can be non-linear.

Case in point being Infosys laying out its AI-first value framework, focused on unlocking six new service opportunities while embedding AI across its core offerings. It estimates an incremental opportunity of USD300-400bn by 2030 and believes that the AI-services led expansion opportunity exceeds the revenue compression expected from AI-driven productivity gains. HCL has also identified five new opportunities that could potentially offset the deflation due to productivity improvements.

Every enterprise today is using some form of AI, but only one in five has embraced agentic AI to actually make decisions. This is not a technology problem, but a trust problem

- HFS Research

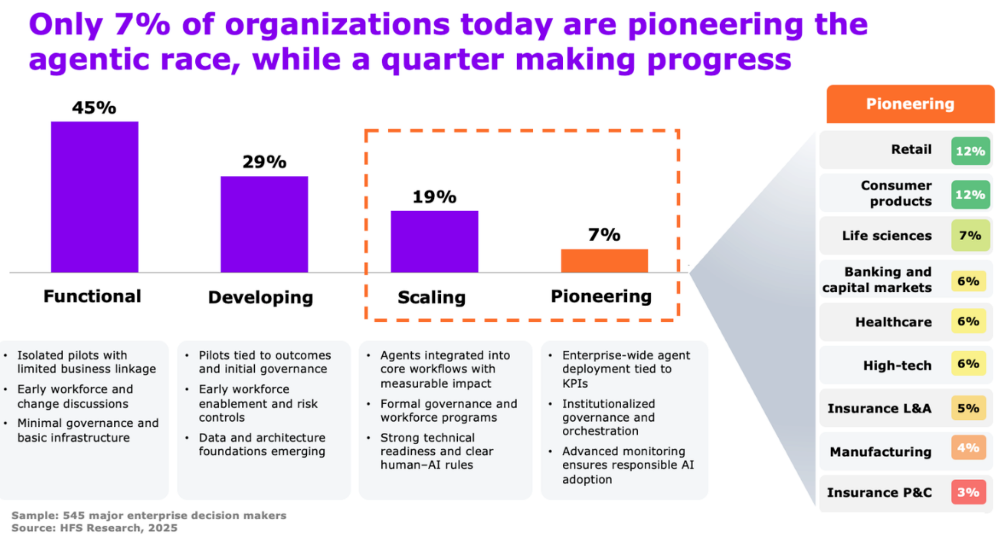
The HFS AI Trust Curve: AI isn't failing... leadership is

"HFS Research surveyed 545 major enterprise decision makers in 2025. 45% are at the functional stage, running isolated AI pilots with limited business linkage, minimal governance, and basic infrastructure; 29% have progressed to developing, where pilots are tied to outcomes, but data and architecture foundations are only just emerging. 19% have reached scaling, and just 7% are pioneering enterprise-wide agent deployment with institutionalized governance, clear human-AI rules, and measurable KPIs. Further, 78% are operating at low autonomy levels with only 10% achieving broad autonomy.

This means - 93% of enterprises are nowhere near replacing their IT services partners with agentic AI. The plumbing is not ready. The governance is not ready. The data is not ready. The leadership alignment is not ready. Markets are pricing in the future that most enterprises are still years away from reaching."

- Phil Fersht, HFS

Exhibit 7: Per the survey by HFS, ~93% of enterprises are quite away from replacing their IT Services partners with agentic AI



Source: HFS, Emkay Research

Humans play both 'in-the-loop' and 'on-the-loop' roles, supervising, guiding and governing how agents learn, evolve and execute

- Accenture

Interplay of platforms, humans and agents

How does skeleton of IT services companies differ in the pre-AI vs AI world?

The architecture of IT Services is undergoing a structural reset. For decades, the industry ran on a straightforward premise where more work meant more people, and growth was largely a headcount story. AI breaks that premise at the foundation. Delivery models, contract structures, talent economics, and where value actually accrues are all being renegotiated simultaneously. The deeper structural divide is between verifiable and non-verifiable work.

Verifiable tasks, such as coding, testing, infra configuration, and data processing can be checked against clear specifications, enabling agent-led execution and minimal human review. These areas are likely to see the fastest productivity gains and commoditization, in our view.

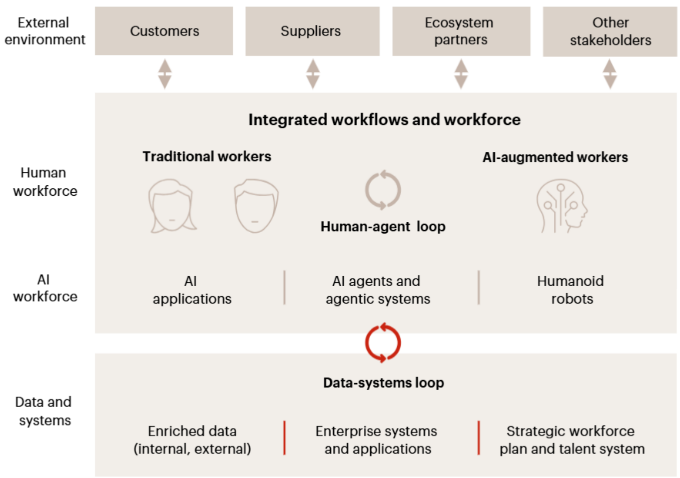
Non-verifiable tasks such as architecture design, enterprise transformation planning, or key decisions depend on contextual understanding, making human involvement imperative (even when agents analyze). We believe, with the progression in AI adoption, execution layers could become increasingly agent-led while humans will concentrate on architecture, orchestration, governance, and advisory roles. This would structurally push IT Services toward consulting-led and outcome-based models (Exhibit 14/15).

Exhibit 8: Evolving anatomy of the IT Services model – Pre-AI vs post-AI

Dimension	Pre-AI	Post-AI
Revenue driver	FTE × billing rate	Outcomes × platform leverage
Pricing model	T&M / Fixed price	Outcome-based/milestone-based
Growth lever	Headcount addition	Platform reuse, agent deployment, scope expansion
Delivery model	Human-executed, tool-assisted	Agent-executed, human-supervised
Workforce pyramid	Wide base, high junior headcount	Compressed base, higher skill concentration
Competitive moat	Delivery scale	Vertical IP, proprietary agents, domain data assets
Client engagement	Delivery partner, staff augmentation	Transformation advisor, platform operator
Self-improvement	Static - tools do not learn from deployment	Compounding – agents improve with usage and feedback
Key metric	Utilization, pyramid health, headcount	AI-agent productivity, TCO reduction delivered

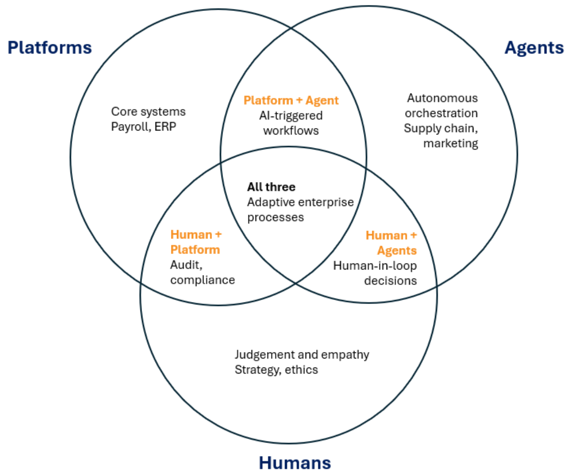
Source: Company, Emkay Research

Exhibit 9: Productivity benefits fueled by AI and led by humans



Source: Bain, Emkay Research

Exhibit 10: The changing roles of platforms, humans, and agents



Source: Accenture, Emkay Research

AI stack spans multiple layers of investment

The development of the AI ecosystem requires investments across several layers, including compute infra, cloud platforms, foundational models, applications, and services. However, these layers typically do not scale simultaneously. In most tech cycles, the initial phase of adoption is characterized by significant investments in infra, to enable broader deployment.

Infrastructure and applications evolve in a reinforcing loop

The current hyperscaler and semiconductor investment cycle in AI has been catalyzed by application breakthroughs. The growing adoption of LLMs and Gen AI use cases, including copilots, code assistants, and enterprise AI workflow, created immediate compute bottlenecks in training and inference, driving unprecedented demand for GPUs, custom silicon, high-speed networking, and data center capacity. This leads us to the point where applications have pulled infra investment forward. However, once infra begins to scale, the dynamic tends to become self-reinforcing; expanding compute capacity lowers costs, improves performance and enables entirely new classes of AI use cases which in turn stimulate further demand for infra. This results in a reinforcing loop of infra and applications, where each layer accelerates the other (Exhibit 11).

Hardware spending tends to lead – at least historically…

The arc of every major computing era follows a consistent sequence: a period of intense, concentrated hardware investment precedes the software and services boom that captures most of the economic value (in the later phase). The PC buildout of the 1980s preceded the Windows software boom by nearly a decade, while the late-1990s internet cycle deployed hundreds of billions in capital before broadband demand materialized. Mobile networks followed the same pattern, with 3G/4G infra investment peaking years before the app economy emerged. Hardware cycles are structurally front-loaded – capital-intensive, slow to monetize, and often appear excessive in real time – but they create the platform on which software/services ultimately capture value. The current AI cycle fits this historical template, with an unprecedented scale this time.

…however, the problem of maxing out is real

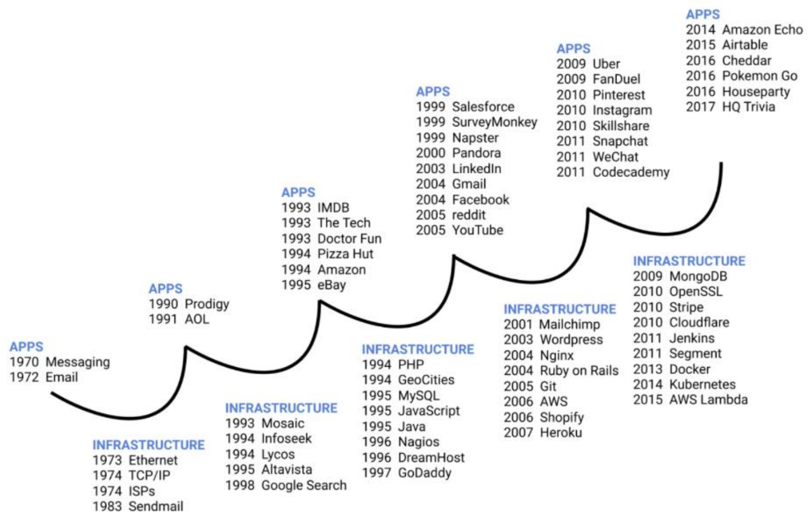
The financial ceiling is approaching more quickly than the infra ceiling. The estimated capex of ~USD650bn by five major hyperscalers now exceeds projected cash flows, thereby necessitating external funding. This AI capex is estimated to consume substaintial cashflows and does not look to be a sustainable trajectory for indefinite continuation, in our view. We believe that at some point, the cost of capital for AI infra debt will rise and the equity markets would demand cashflow rather than capex, decelerating the pace of hardware investment (Exhibit 12).

The sequence repeats: hardware is the prerequisite layer, capital-intensive and slow to return; software rides the infra and captures the rents. The hardware buildout creates the platform. The software cycle captures it.

Does hardware eventually commoditize, and if so, does value shift to software and services?

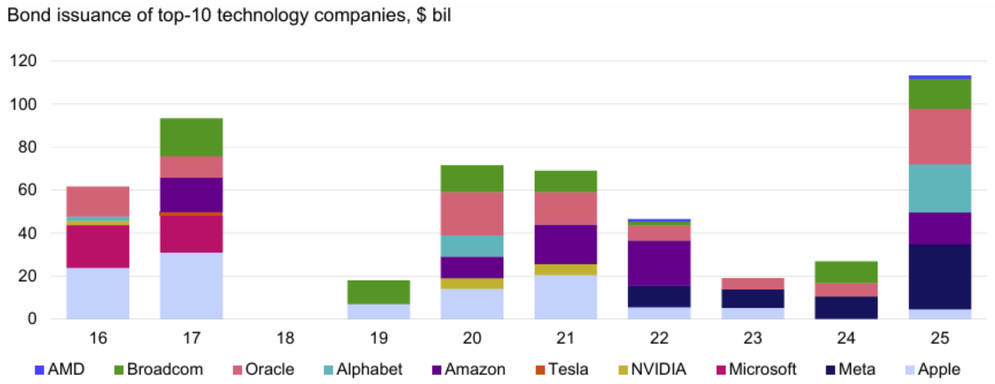
Historical evidence suggests that this often happens. Fiber networks eventually became low-margin utilities, while value migrated to internet platforms. Similarly, cloud infra margins stabilized, while enterprise software and SaaS captured the bulk of economic value. We think the AI cycle could probably follow a similar trajectory. Once infra expansion stabilizes and compute costs decline (as it has been declining since the launch of ChatGPT in 2022), enterprise spending could likely shift toward applications, workflow automation, data platforms, integration services, etc, where returns on AI investment would be realized. In that context, the current AI capex boom may represent the infra phase of a longer tech cycle, with software and services potentially entering a stronger growth phase once the hardware intensity begins to normalize. We expect hardware commoditisation in a couple of years to gradually compress value capture at the infrastructure layer, driving a greater share of industry economics toward software and services providers. While LLM and AI platform companies are likely to retain part of this incremental value pool, the overall shift should still represent a net positive for the broader software and services ecosystem, in our view.

Exhibit 11: History shows this pattern – early apps expose gaps --> new infrastructure is built --> improved apps emerge --> cycle continues



Source: USV, Emkay Research

Exhibit 12: Companies ramping up their borrowing via bond issuances to fund capex



Source: Moody's, Emkay Research

Valuation

Fear of unknowns to weigh on valuations; additional disclosures needed for comfort

Given the uncertainty, the lack of visibility on timelines, and fear of unknowns, we revise our assumptions to reflect a more cautious and conservative approach. We expect investors to remain cautious in the near term due to a lot of unknowns – tech shift, macro and geopolitical uncertainties, and difficulty in drawing decisive conclusions from actual performance trajectory – which would weigh on terminal growth assumptions and target multiples, in our view.

NIFTY IT is down 13%/17% vs NIFTY 50 over 1M/3M, respectively. This has been driven by concerns over the sustainability of the business model and fears that AI advances could disrupt Indian IT Services, leading to trimmed terminal growth assumptions. Factoring in the above, we lower our target multiples for the companies under our coverage. We believe steady operating performance and relevant disclosures to gauge progress on the tech shift will drive investor confidence and recovery in valuations.

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Our pecking order is INFO, LTIM, TCS, HCLT, TECHM, and WPRO among large caps. Among mid-size IT Services coverage stocks, we prefer COFORGE, HEXT, MPHL, and PSYS.

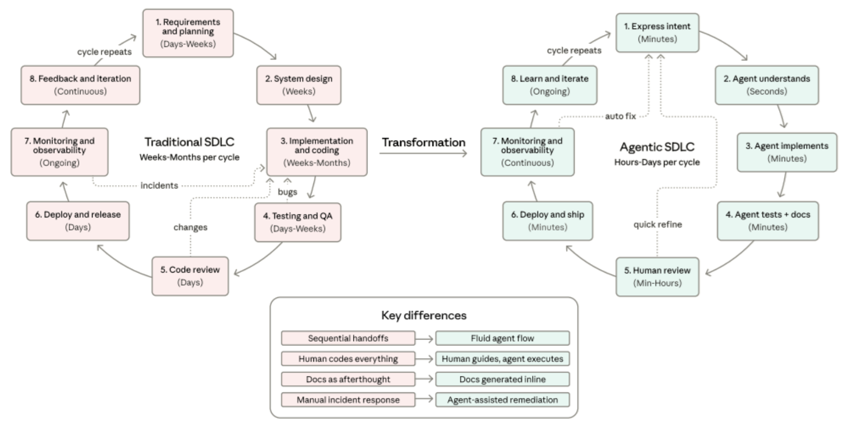
Exhibit 13: Reverse DCF suggests current valuation implies ~5-6% growth at TP

Company	Implied terminal growth at CMP	Implied terminal growth at TP	Past 10Y Rs/USD depreciation CAGR	Ex-currency growth required at CMP (assuming Rs/USD depreciation trend to continue)	Ex-currency growth required at TP (assuming Rs/USD depreciation trend to continue)	Past 10Y FCF (ex-M&A growth)
TCS	5.3%	5.7%	3.3%	2.0%	2.4%	10.2%
INFO	5.5%	6.1%	3.3%	2.2%	2.8%	15.2%
HCLT	5.7%	6.0%	3.3%	2.4%	2.7%	17.2%
WPRO	4.1%	4.6%	3.3%	0.8%	1.3%	6.4%
TECHM	6.2%	6.5%	3.3%	2.9%	3.2%	14.8%

Source: Emkay Research

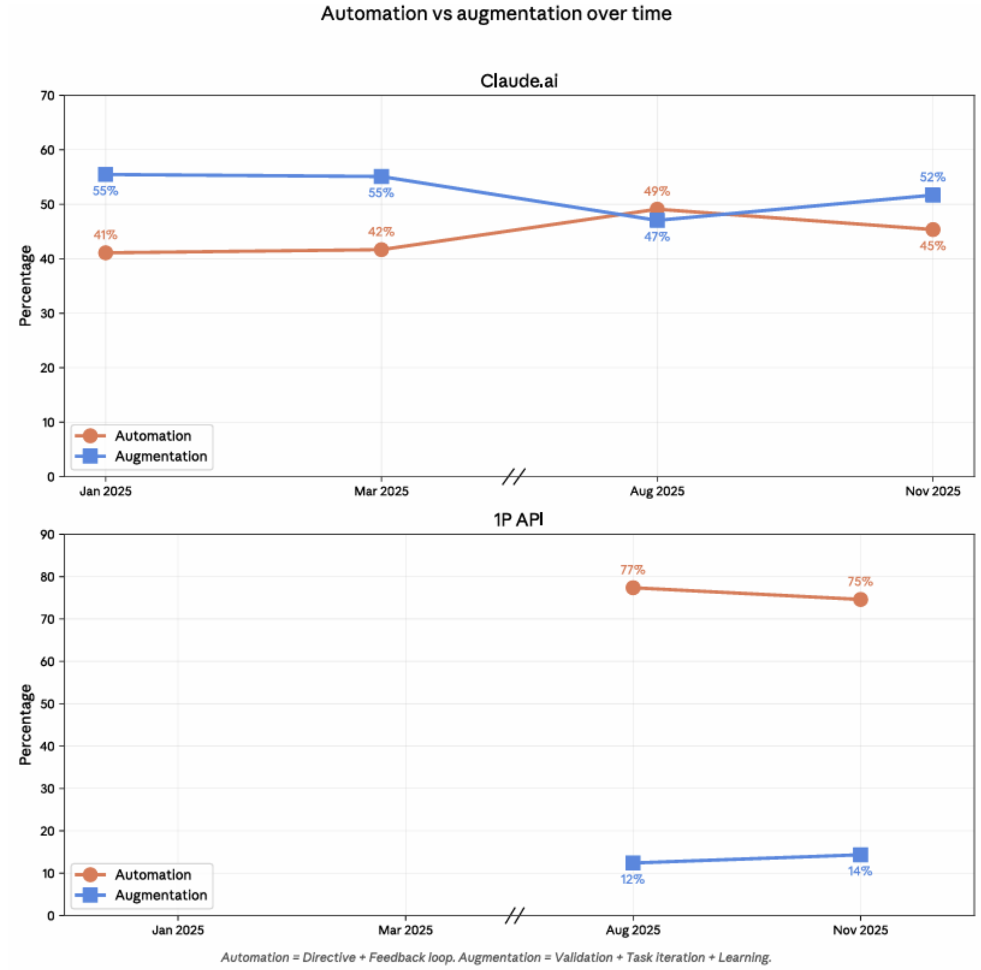
Appendix

Exhibit 14: Significant change in the SDLC – traditional vs agent-driven structure



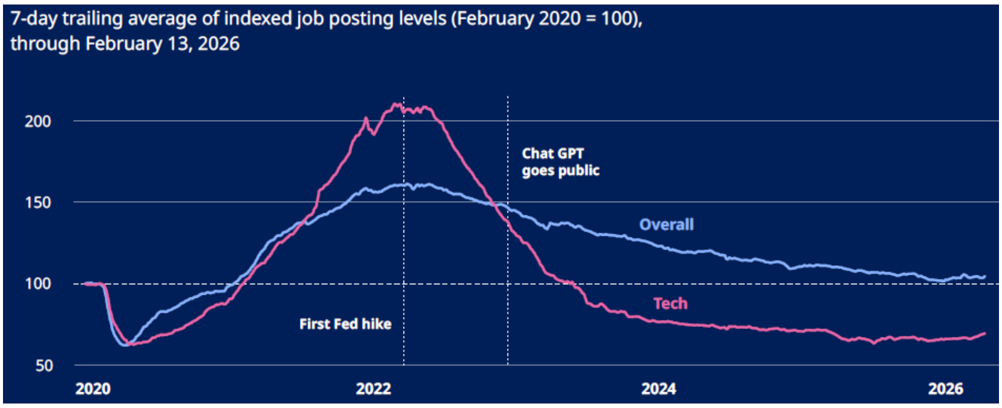
Source: Anthropic, Emkay Research

Exhibit 15: Per Anthropic Economic Index Report, augmentation outpaces automation mode of usage



Source: Anthropic, Emkay Research, Note: Automation encompasses interaction patterns focused on task completion. It comprises i) Directive – Users give Claude a task and it completes it with minimal back-and-forth, and ii) Feedback Loops – Users automate tasks and provide feedback to Claude as needed. Augmentation focuses on collaborative interaction patterns. It comprises i) Learning: Users ask Claude for information or explanations about various topics, ii) Task Iteration – Users iterate on tasks collaboratively with Claude, and iii) Validation – Users ask Claude for feedback on their work.

Exhibit 16: US tech job postings have moderated

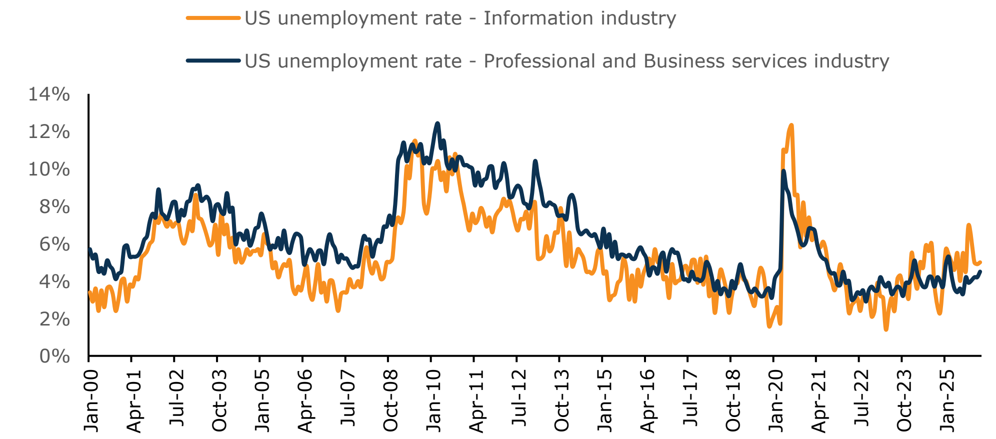


Source: Indeed, Emkay Research. Note: Tech occupations include software development, IT systems and solutions, IT infrastructure, operations and support, and data and analytics

Exhibit 17: US unemployment rate remains persistently above 4%, with no significant acceleration or deceleration

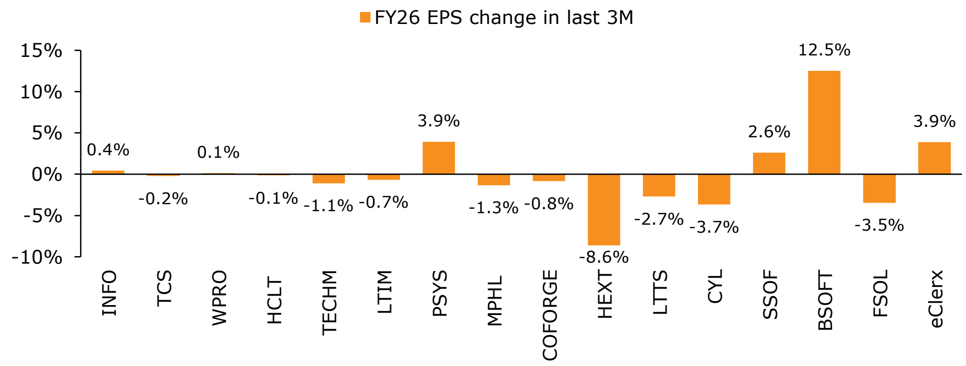
Source: Bloomberg, Emkay Research

Exhibit 18: Unemployment rate for the Information industry shows no immediate increase



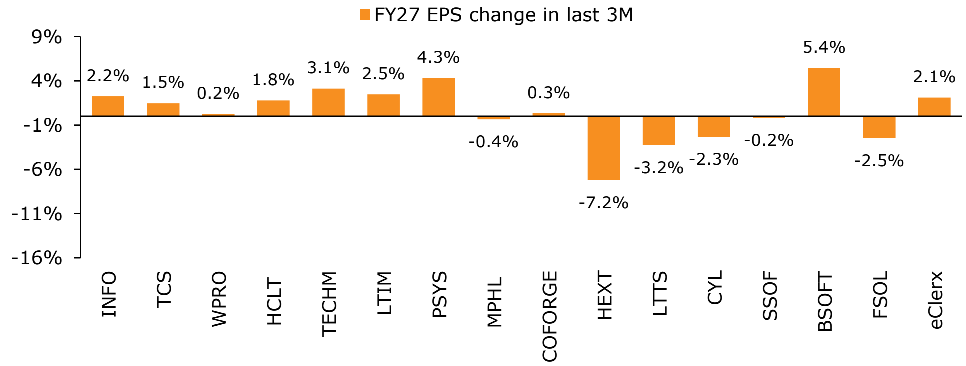
Source: Bloomberg, Emkay Research

Exhibit 19: Consensus estimates (FY26 EPS) – Changes in the past 3 months



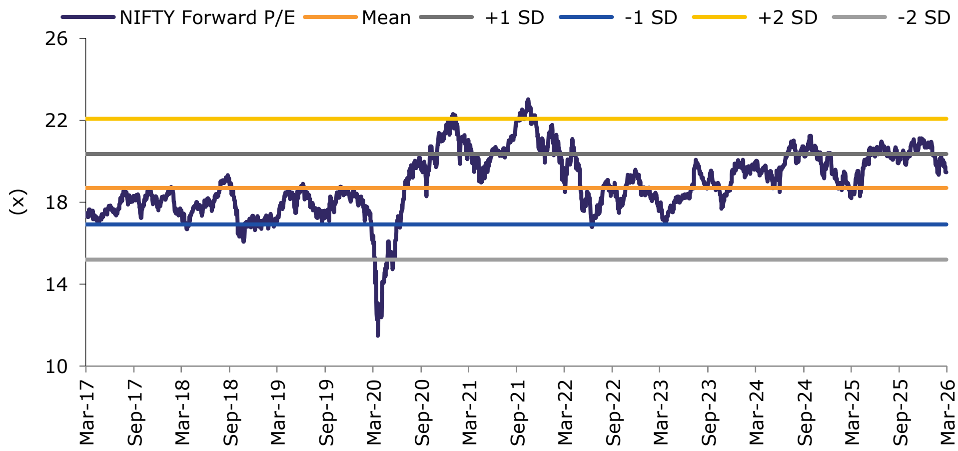
Source: Bloomberg, Emkay Research

Exhibit 20: Consensus estimates (FY27 EPS) – Changes in the past 3 months



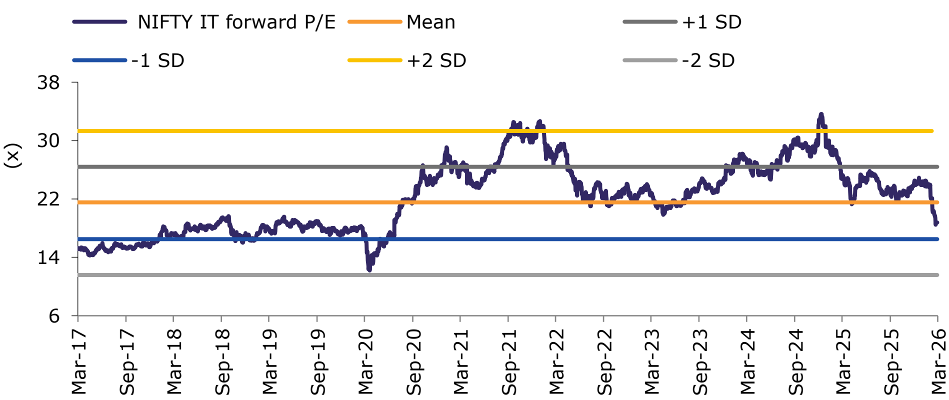
Source: Bloomberg, Emkay Research

Exhibit 21: NIFTY – One-year forward P/E is currently trading a tad below mean+1SD



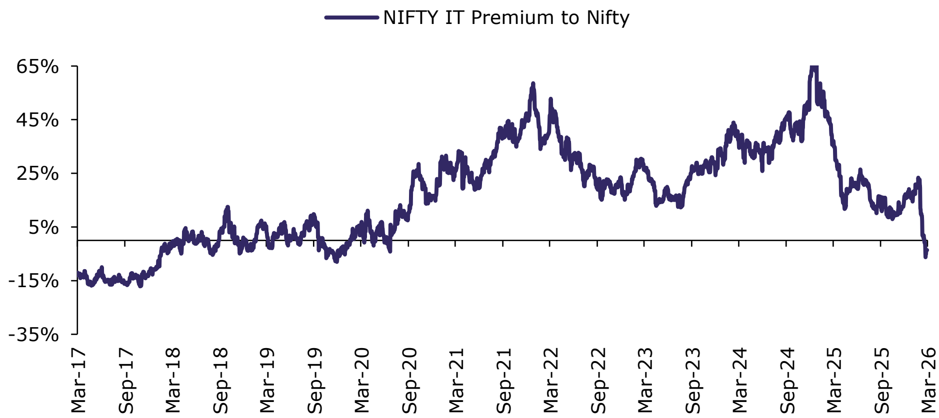
Source: Bloomberg, Emkay Research

Exhibit 22: NIFTY IT – One-year forward P/E is currently approaching its mean-1SD



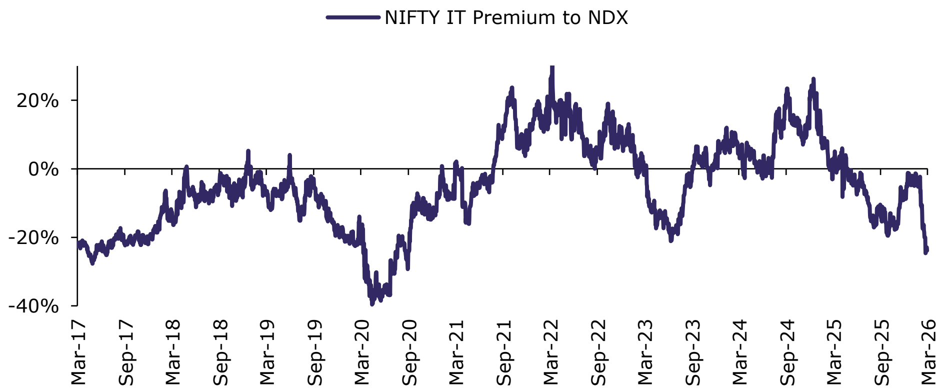
Source: Bloomberg, Emkay Research

Exhibit 23: NIFTY IT's valuation premium wrt Nifty has dropped sharply in the past 1 month



Source: Bloomberg, Emkay Research

Exhibit 24: NIFTY IT's valuation discount wrt NDX has worsened in the past couple of months



Source: Bloomberg, Emkay Research

Exhibit 25: Latest guidance for global IT services companies

Company	Year end	CY26 guidance/FY26	CY25 actual/earlier FY26 guidance
Accenture	Aug	FY26: 2-5% in local currency (organic 0.5-3.5%)	FY26: 2-5% in local currency (organic 0.5-3.5%)
Cognizant	Dec	FY26: 4-6.5% CC (150bps M&A impact)	FY25: 6.4% CC (organic 3.8%)
Capgemini	Dec	+6.5 to +8.5% CC (4.5-5% contribution from M&A, incl WNS acquisition)	FY25: 3.4% CC
DXC	Mar	-4.3% organic	-4.5% to -3.5% organic
Globant	Dec	FY26: 0.2-2.2% YoY (incl positive forex impact of 100bps)	FY25: 1.6% YoY
EPAM	Dec	Organic CC 3-6% for FY26; overall 4.5-7.5%	Organic CC 4.9%
Endava	Jun	-3.5% to -1.5% for FY26	-4.5% to -2.5% for FY26
Genpact	Dec	FY26: 6.8% CC (7% on reported basis)	FY25: 6.6% (6.4% CC)
EXL	Dec	FY26: 9-11% on both CC and reported	13.6% on both cc and reported for FY25
Teleperformance	Dec	Like-for-like growth between 0% and +2% in FY26	Like-for-like revenue up 1.3% for FY25 (ex hyperinflation impact)

Source: Company, Emkay Research

Exhibit 26: Change in estimates (revenue and margin)

Change in estimates	Revenue - New (Rs bn)			Revenue - Old (Rs bn)			Change			EBIT Margin - New (%)			EBIT Margin - Old (%)			Change (bps)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
TCS	2,640	2,776	2,918	2,641	2,805	3,007	-0.1%	-1.1%	-3.0%	25.1	25.0	25.0	25.1	25.0	25.0	-0	-0	-0
INFO	1,773	1,888	2,005	1,775	1,898	2,034	-0.1%	-0.5%	-1.5%	20.9	21.3	21.3	20.9	21.3	21.4	-0	-1	-4
HCLT	1,296	1,393	1,487	1,296	1,392	1,492	0.0%	0.0%	-0.4%	17.5	18.0	18.4	17.5	18.0	18.4	1	5	4
WPRO	923	969	1,008	924	979	1,030	-0.1%	-1.0%	-2.1%	16.5	16.9	17.0	16.5	17.0	17.0	-0	-1	-1
TECHM	562	597	634	562	600	643	-0.1%	-0.6%	-1.4%	12.5	14.5	15.0	12.5	14.5	15.0	-0	-2	-5
LTIM	420	464	512	420	467	520	0.0%	-0.7%	-1.6%	15.4	16.0	16.2	15.4	16.0	16.2	-	-2	-4
MPHL	157	174	192	157	175	193	0.0%	-0.4%	-0.5%	15.3	15.4	15.5	15.3	15.4	15.5	-0	-1	-1
COFORGE	163	192	221	163	194	225	0.0%	-0.9%	-1.8%	13.4	13.9	14.0	13.4	14.0	14.0	-	-4	-7
PSYS	146	172	202	146	174	205	0.0%	-1.0%	-1.4%	16.3	16.6	16.7	16.3	16.6	16.7	-	-3	-4
HEXT	-	144	159	-	148	167	-	-2.8%	-4.5%	-	13.5	14.4	-	13.5	14.5	-	-7	-11
LTTS	117	123	136	117	124	140	0.0%	-0.9%	-2.3%	14.0	15.3	16.3	14.0	15.3	16.3	-	-3	-7
CYL	73	79	87	73	80	89	0.0%	-1.4%	-2.8%	9.7	11.1	12.6	9.7	11.3	12.9	-0	-19	-33
SSOF	107	109	124	107	110	125	0.0%	-0.5%	-1.0%	5.7	6.1	6.5	5.7	6.2	6.6	-	-7	-14
BSOFT	53	56	61	53	56	62	0.0%	-0.5%	-1.5%	14.0	13.4	13.4	14.0	13.4	13.4	-	-1	0
FSOL	95	110	122	95	110	124	0.0%	-0.4%	-1.3%	11.7	12.3	12.7	11.7	12.3	12.8	-	-2	-5
ECLX	41	48	56	41	48	56	0.0%	-0.5%	-0.5%	21.4	21.4	21.4	21.4	21.4	21.4	-	-2	-2
ROUTE	44	47	50	44	47	50	0.0%	0.0%	0.0%	10.1	9.8	9.8	10.1	9.8	9.8	-0	-0	0
QUESS	154	172	192	154	172	192	0.0%	0.0%	0.0%	2.0	2.0	2.0	2.0	2.0	2.0	-	-	-
TEAM	118	133	158	118	133	158	0.0%	0.0%	0.0%	1.3	1.4	1.5	1.3	1.4	1.5	-	-	-

Source: Company, Emkay Research; Note: FY26 corresponds to CY25 for HEXT and so forth

Exhibit 27: Change in estimates (EPS, target multiple, and target price)

Change in estimates	EPS – New (Rs)			EPS – Old (Rs)			Change in EPS			Rating		Target multiple (x)		Target Price (Rs)	
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	Old	New	Old	New	Old	New
TCS	129.3	148.6	156.0	129.4	150.1	160.7	-0.1%	-1.0%	-2.9%	ADD	ADD	22	18	3,500	2,800
INFO	69.6	75.2	80.6	69.7	75.6	81.9	-0.1%	-0.6%	-1.6%	BUY	BUY	22	18	1,750	1,450
HCLT	62.4	72.9	79.6	62.4	72.8	80.1	0.1%	0.0%	-0.7%	ADD	ADD	22	18	1,700	1,450
WPRO	12.5	13.4	14.0	12.5	13.5	14.3	-0.2%	-1.0%	-1.9%	REDUCE	REDUCE	19	15	270	210
TECHM	56.0	77.6	84.9	56.1	78.1	86.3	-0.1%	-0.6%	-1.7%	REDUCE	REDUCE	19	17	1,600	1,450
LTIM	169.5	207.8	233.9	169.5	209.4	237.8	0.0%	-0.7%	-1.6%	ADD	ADD	28	20	6,500	4,700
MPHL	96.6	109.3	123.3	96.6	109.8	124.0	0.0%	-0.5%	-0.5%	ADD	ADD	26	20	3,050	2,500
COFORGE	39.0	53.1	63.9	39.0	53.8	65.5	0.0%	-1.3%	-2.4%	ADD	ADD	30	22	1,900	1,400
PSYS	116.0	145.5	172.8	116.0	147.1	175.6	0.0%	-1.1%	-1.6%	ADD	ADD	40	30	6,700	5,200
HEXT	-	22.5	27.4	-	23.2	28.9	-	-3.4%	-5.2%	BUY	BUY	28	20	810	570
LTTS	122.1	146.9	173.3	122.1	148.3	177.5	0.0%	-1.0%	-2.4%	ADD	ADD	26	22	4,500	3,800
CYL	47.0	61.1	76.1	47.0	62.9	80.3	0.0%	-3.0%	-5.2%	REDUCE	REDUCE	15	12	1,150	950
SSOF	16.0	18.6	23.0	16.0	18.9	23.7	0.0%	-1.6%	-3.0%	BUY	BUY	18	16	400	370
BSOFT	16.4	22.5	24.9	16.4	22.6	25.2	0.0%	-0.5%	-1.2%	ADD	ADD	18	16	450	400
FSOL	9.7	13.3	15.8	9.7	13.4	16.1	0.0%	-0.6%	-2.0%	ADD	ADD	24	16	370	250
ECLX	148.1	171.9	204.0	148.1	172.8	205.1	0.0%	-0.5%	-0.5%	ADD	ADD	26	18	5,000	3,600
ROUTE	55.4	58.6	65.6	55.4	58.7	65.6	0.0%	0.0%	0.0%	BUY	BUY	14	14	900	900
QUESS	14.2	16.1	18.3	14.2	16.1	18.3	0.0%	0.0%	0.0%	BUY	BUY	NA	NA	300	290
TEAM	79	90	121	79	90	121	0.0%	0.0%	0.0%	BUY	BUY	NA	NA	1,900	1,800

Source: Company, Emkay Research; Note: FY26 corresponds to CY25 for HEXT and so forth

Exhibit 28: Valuation summary

Company	CMP (Rs)	Mkt Cap (USD bn)	Promoter Holding (%)	ADTV 6M (USD mn)	Target Price (Rs)	Rating	P/E (x)				EV/EBITDA (x)				RoE (%)			
							FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
TCS	2,579	101.8	72	105.2	2,800	ADD	19.2	19.9	17.4	16.5	13.1	12.3	11.7	11.1	51.2	53.4	51.2	51.3
INFO	1,306	57.8	15	156.6	1,450	BUY	20.3	18.8	17.4	16.2	12.6	11.8	10.7	9.9	28.9	32.0	33.6	32.6
HCLT	1,354	40.1	61	46.0	1,450	ADD	21.1	21.7	18.6	17.0	13.6	12.8	11.6	10.7	25.2	25.2	27.8	29.5
WPRO	196	22.4	73	28.8	210	REDUCE	15.6	15.6	14.6	13.9	9.1	9.2	8.4	7.9	16.6	16.0	16.4	16.6
TECHM	1,333	14.3	35	33.1	1,450	REDUCE	27.7	23.7	17.2	15.7	15.8	12.3	10.1	9.1	15.8	18.5	23.4	24.2
LTIM	4,306	13.9	69	18.6	4,700	ADD	27.7	25.4	20.7	18.4	19.3	16.5	14.2	12.4	21.5	22.6	22.5	22.1
MPHL	2,232	4.6	40	16.4	2,500	ADD	24.9	23.1	20.4	18.1	15.2	13.6	12.2	10.8	18.5	18.8	19.7	20.8
COFORGE	1,153	4.2	-	39.6	1,400	ADD	47.5	29.6	21.7	18.0	22.7	13.4	11.2	9.5	16.2	22.8	24.6	24.6
PSYS	4,642	8.0	30	34.7	5,200	ADD	51.5	40.0	31.9	26.9	34.2	25.4	21.0	17.5	24.9	27.6	28.1	28.1
HEXT	462	3.1	74	7.0	570	BUY	23.9	21.2	20.6	16.9	14.3	14.2	11.7	9.8	23.6	18.8	21.3	23.3
LTTS	3,298	3.8	74	4.5	3,800	ADD	27.6	27.0	22.4	19.0	17.1	16.1	13.9	11.6	22.1	20.5	21.7	22.8
CYL	886	1.1	23	5.1	950	REDUCE	16.0	18.8	14.5	11.6	7.6	8.5	7.0	5.7	13.0	10.3	12.0	14.1
SSOF	250	0.8	28	4.2	370	BUY	16.5	15.6	13.5	10.9	10.4	10.2	9.0	7.3	27.3	25.2	23.5	24.7
BSOFT	379	1.2	41	7.8	400	ADD	20.3	22.9	16.8	15.1	11.9	9.8	9.3	8.1	15.8	13.9	15.9	15.9
FSOL	223	1.7	54	3.9	250	ADD	26.2	22.9	16.8	14.1	13.9	11.0	9.2	8.1	15.0	18.3	20.0	21.4
ECLX	3,097	1.6	54	6.0	3,600	ADD	27.4	21.4	18.5	15.6	17.1	13.3	11.0	8.9	23.8	27.9	27.4	26.2
ROUTE	484	0.3	75	3.2	900	BUY	9.6	14.3	8.2	7.4	4.1	3.6	2.9	2.2	14.7	14.0	13.7	13.9
QUESS	191	0.3	57	1.0	290	BUY	13.6	13.5	11.9	10.5	9.9	8.6	7.6	6.6	10.8	19.9	20.4	21.8
TEAM	1,155	0.2	31	1.1	1,800	BUY	17.8	14.5	12.9	9.6	11.3	9.5	7.8	5.4	12.8	14.3	13.5	15.7

Source: Company, Bloomberg, Emkay Research

Exhibit 29: Price performance

Index/Stock	CMP (Rs)	Return					Outperformance/Underperformance wrt Nifty				
		1M	3M	6M	1Y	3Y	1M	3M	6M	1Y	3Y
NIFTY 50	24,766	-3%	-5%	0%	11%	41%					
NIFTY IT	30,127	-17%	-22%	-13%	-21%	1%	-13%	-17%	-13%	-32%	-40%
TCS	2,579	-14%	-19%	-14%	-26%	-23%	-10%	-14%	-14%	-37%	-64%
INFO	1,306	-14%	-19%	-10%	-24%	-12%	-11%	-14%	-10%	-35%	-52%
WPRO	196	-16%	-25%	-20%	-31%	0%	-13%	-19%	-20%	-42%	-41%
HCLT	1,354	-16%	-20%	-5%	-14%	21%	-12%	-14%	-5%	-25%	-20%
TECHM	1,333	-19%	-15%	-10%	-13%	23%	-16%	-10%	-10%	-24%	-18%
LTIM	4,306	-24%	-32%	-17%	-10%	-9%	-21%	-26%	-17%	-21%	-49%
MPHL	2,232	-16%	-24%	-20%	-3%	7%	-12%	-19%	-20%	-14%	-33%
PSYS	4,642	-22%	-29%	-10%	-14%	91%	-19%	-23%	-10%	-25%	50%
COFORGE	1,153	-28%	-42%	-30%	-26%	35%	-25%	-36%	-31%	-37%	-5%
HEXT	462	-28%	-39%	-36%	Na	Na	-25%	-33%	-36%	Na	Na
LTTS	3,298	-13%	-27%	-20%	-31%	-12%	-10%	-22%	-20%	-42%	-53%
CYL	886	-20%	-24%	-24%	-30%	-7%	-16%	-19%	-24%	-41%	-48%
SSOF	250	-19%	-31%	-30%	-35%	-37%	-16%	-25%	-30%	-46%	-78%
BSOFT	379	-18%	-13%	1%	-13%	35%	-14%	-7%	1%	-23%	-6%
FSOL	223	-25%	-36%	-36%	-38%	103%	-22%	-30%	-36%	-49%	62%
ECLX	3,097	-31%	-36%	-28%	15%	116%	-28%	-30%	-28%	4%	76%
ROUTE	479	-17%	-30%	-44%	-52%	-64%	-14%	-24%	-44%	-63%	-104%
QUESS	191	-13%	-5%	-28%	-38%	7%	-9%	0%	-28%	-48%	-33%
TEAM	1,155	-20%	-29%	-38%	-40%	-55%	-17%	-24%	-38%	-51%	-96%

Source: Bloomberg, Emkay Research

Exhibit 30: Specific comments from latest earnings calls and press releases by respective companies…

Company	Commentary on Tech, IT, and AI Spending
Hyperscalers/AI infra	
Alphabet	"Search saw more usage in Q4 than ever before, as AI continues to drive an expansionary moment..... People are engaging in longer, more complex sessions; queries in AI mode are 3x longer than traditional searches. We were able to lower Gemini's serving unit costs by 78% over 2025 through model optimizations, efficiency, and utilization improvements...To meet customer demand and capitalize on the growing opportunities ahead of us, our 2026 CapEx investments are anticipated to be in the range of $175bn to $185bn [$91.4bn in 2025]."
Amazon	"We have over 1mn robots today in our fulfillment network... it's better productivity for the business, more safe for our teammates and there's real cost efficiencies in that as well....We expect to invest about $200bn in capital expenditures across Amazon...customers really want AWS for core and AI workloads, and we're monetizing capacity as fast as we can install it.... We consistently see customers wanting to run their AI workloads where the rest of their applications and data are. We're also seeing that as customers run large AI workloads on AWS, they're adding to their core AWS footprint as well [reflecting ecosystem play]."
Meta	"We anticipate 2026 capital expenditures... to be in the range of $115bn to $135bn, with year-over-year growth driven by increased investment to support our Meta Superintelligence Labs efforts and core business....I expect 2026 to be the year that AI starts to dramatically change the way that we work....We are starting to see projects that used to require big teams now be accomplished by a single very talented person...Since the beginning of 2025, we've seen a 30% increase in output per engineer, with growth coming from agentic coding....Output of power users of AI coding tools has increased 80% year-over-year."
NVIDIA	"In this new world of AI, compute equals revenues... Without compute, there's no way to generate tokens; without tokens, there's no way to grow revenues.... We have now scaled our Data Center business by nearly 13x since fiscal 2023..... Blackwell and Rubin revenue opportunity exceeds $500bn...Frontier agentic systems have reached an inflection point [and] adoption is skyrocketing....GB300 and NVL72 achieve up to 50x performance per watt and 35x lower cost per token compared with Hopper..... Fueled by an annual R&D budget approaching $20bn and our ability to extreme co-design across compute and networking....we intend to deliver X factor leaps in performance per watt every generation."
Oracle	"Training AI models on public data is the largest, fastest growing business in history; AI models reasoning on private data will be an even larger and more valuable business.... Oracle databases and applications contain most of the world's high-value private data.... We expect fiscal 2026 CapEx will be about $15bn higher than we forecasted after Q1...In our healthcare business, we now have 274 customers live in production on our clinical AI agent...Moving a customer to the cloud results in a 3 times to 5 times annual revenue lift compared to support revenue."
Microsoft	"Even in this early innings, we have built an AI business that is larger than some of our biggest franchises that took decades to build.... Microsoft 365 Copilot seat adds were up over 160% year-over-year, and we now have 15mn paid seats.... Daily active users increased 10x year-over-year.... Maia 200 Accelerator delivers over 30% improved TCO compared to the latest generation hardware in our fleet. ... Capital expenditures were $37.5bn [for the quarter], and this quarter, roughly two-thirds was on short-lived assets, primarily GPUs and CPUs."
IBM	"Our cumulative GenAI book of business now stands at over $12.5bn, of which software is more than $2bn and consulting is more than $10.5bn, with both seeing the largest quarterly increase to date. ..We have more than 20,000 IBMers using Project Bob, reporting productivity gains averaging 45%, a powerful Client Zero use case...AI is now embedded across our business, from how we deliver services to our software portfolio to the capabilities we are adding to our infrastructure platforms.... Mainframe z17 is processing 50% more AI inferencing operations per day than z16 and bringing real-time inferencing capabilities inside IBM Z."
SaaS/Platform	
SAP	"The Business Data Cloud produced over EUR2bn of order entry since its launch in January.... Two-thirds of our deals were sold with AI. ... Joule will not only take over manual work, it will take over analytical requests... completely changing the simplicity and productivity of every end user..Total cloud backlog increased by 30% to EUR77bn. ... Our public cloud business was growing 5 times faster than our private cloud business. ... In R&D, we have thousands of developers who see they have much more time on developing those agents and making the agent orchestration work and less about my time producing code."

Source: Company, Emkay Research

Exhibit 31: …(contd)…Specific comments from latest earnings calls and press releases by respective companies…

Company	Commentary on Tech, IT, and AI Spending
Salesforce	"We've closed over 18,500 Agentforce deals... customers in production jumped 70% quarter-over-quarter... we've radically enhanced the capacity of the distribution organization at a level that we have not done in years...increasing capacity 23%.... Data 360 ingested 32 trillion records, up 119%.....Agentforce and Data reached nearly $1.4bn in ARR in the quarter, up 114% year-over-year, including Agentforce ARR of about $540mn, 330% year-over-year.... Agentforce has processed more than 3.2 trillion tokens. So, 3.2 trillion tokens through our LM gateway so far."
ServiceNow	"Enterprise AI wil be the largest driver of return on the multi-trilion do lar super-cycle of investment in AI infrastructure. The real payoff comes when trilions of tokens move beyond pilots to be embedded directly into the workflows where business decisions are made.....You need AI plus workflows because AI is probabilistic...Workflow orchestration is deterministic, predictable, no randomness, which is required given the sophistication and governance of running global enterprises. AI doesn't replace enterprise orchestration. It depends on it....IDC estimates there wil be 2.2 bilion AI agents in the world by 2030. Milions of those wil be built on the ServiceNow platform."
Workday	"In Q4, we generated over $100mn in new ACV from emerging AI products. That's growing over 100% year-over-year, and our overall ARR from these solutions is now over $400mn.... More than 75% of our software engineers are using AI coding assistance, and more than 50% of committed code is AI generated.... We've seen an incredible 22% growth in engineering output over the last six months.... Accelerated key API development by roughly 30x using AI."
Palantir	"AI FDE is now capable of powering complex SAP ERP migrations... years of work now done in as little as two weeks. ... We closed our highest TCV quarter ever at $4.3bn. ... The market is differentiating between those supplying the commoditization of cognition and those scaling the leverage made possible by it."
Atlassian	"AI is the best thing to happen to Atlassian. When we look at the thousands of customers in our software teams using AI cogeneration tools, we found that they create 5% more tasks in Jira and expand their Jira seats 5% faster than those who don't. ... More software in the world is a good thing for Atlassian; as you create more software, you're going to have more management, more overhead, and more collaboration."
Intuit Inc	"Over 3mn customers have leveraged agents to do the work for them... in January alone, our accounting agents... categorizing over 237mn transactions, representing over half of all the transactions categorized that month. ... is saving customers up to 12 hours a month, and our payments agent helps customers get paid, on average, five days faster. ... [One customer] reduced peak month-end reconciliation time by approximately 90% and reclaimed 16 to 18 hours of accounting work per week. ... Our new AI agent handles the rigorous manual work... lowering taxable income by an average of $12,000 compared to those that filed without the agent."
IT services	
Accenture	"Our advanced AI bookings this quarter were $2.2bn, nearly doubling from Q1 last year and also up from Q4. Revenue reached another milestone this quarter at approximately $1.1bn.... This year, we continue to expect an inorganic contribution of about 1.5%, and we continue to expect to invest about $3bn in acquisitions this fiscal year with the potential to do more."
Cognizant	"Closing the AI velocity gap requires new methodologies and evolving beyond the traditional IT services role of the last two decades. While AI today is capable of unlocking $4.5 trillion in US labor value, the methodologies to harness it are only just emerging.... Over 30% of our developer effort in software development cycles is AI-assisted and agentic....We are shifting from traditional linear staffing model to an asynchronous, autonomous software engineering model. In this framework, our associates are trained to delegate complex high-value macro tasks to agentic networks while they micro steer to outcomes."
Capgemini	"We are clearly pivoting the group to be the catalyst for enterprise-wide AI adoption.... We closed our first mega-deal of over EUR600mn for a large global company based on a true agentic AI-led transformation solution delivering significant cost reduction and operating on a non-FTE-based commercial model....Clients are looking at how critical it is for them to adopt AI, and where it can have an impact.... They're ready to put the money on the table to make it happen, because they consider that as being critical to their future in terms of transformation.... This will translate in a number of skills adaptation initiatives, leading to an estimated EUR700mn restructuring over the next two years."
TCS	"We are telling associates that if you find that you can do something faster, better, cheaper with AI, you should probably go and tell your customers, even if it cannibalises revenue. We are not afraid this technology will take away our livelihood. We believe it is going to open up more, so you enjoy the benefits the more you do, and not by resisting the change."
Infosys	"It is not an opportunity risk, it is an execution risk….Technology is moving faster than the ability of enterprises to deploy it….This deployment gap is what we can help address….We see six areas of new services opportunity from AI [AI Strategy and Engineering, Data for AI, Process for AI, Agentic Legacy Modernization, Physical AI, AI Trust - totalling USD300-400bn opportunity by 2030]"

Source: Company, Emkay Research

Exhibit 32: …(contd)…Specific comments from latest earnings calls and press releases by respective companies…

Company	Commentary on Tech, IT, and AI Spending
HCL	"In the real enterprise world, however, there are complex installed systems. It's not plug-and-play. That's where service providers like us come in....The shift toward outcome-based engagement is very deliberate. Typically, outcome-based models can deliver higher margins because they allow us to leverage technology and optimization levers more effectively....Overall, we anticipate a 2-3% deflation impact at an industry level, and we have modelled this carefully...This segment [Advance AI revenue] is growing at around 20% quarter-on-quarter. We believe it can scale to $2.5-3bn over time."
Wipro	"For our clients, 2025 was more about deploying AI, proof of concepts, and bringing productivity benefits. That's dramatically changing in 2026 because the boards and the CEOs are asking them where the return on investment is. AI-assisted software development will cost about 25% less — that will translate to new and more projects, and is why IT budgets are not going to shrink in the long run."
EPAM Systems	"Notably, in Q4, we generated more than $105mn in pure AI native revenues where we continue to see solid momentum and strong sequential growth.... Looking ahead, we continue to see robust demand for our AI-native services and expect to scale these revenues in excess of $600mn in 2026....We are supercharging our client zero mentality by extending AI capabilities across our entire business.... AI continues to be a net growth driver for our business.... Right now, because building software becomes easier per unit, people are going to build more; that's what I think about and how I see the situation."
Gartner	"AI is transforming the world and it's our highest demand topic.... Licensed users who used AskGartner had substantially higher renewal rates than those who did not.... For insight types like magic quadrants, we reduced our average insight creation time by 75% compared to 2024 by using restructuring and provide a lot of automation, including AI."
Telecommunications	
Verizon	"We are building an in-year war chest of $5bn in OpEx savings with a substantial portion realized by headcount reductions alongside marketing efficiencies, real estate rationalization, contract renegotiations, and more....we are determined to be an AI-first company, deploying AI at scale. We wil use AI to optimize our operations and fundamentaly reshape the customer experience. We wil use our data and AI capabilities to not just massively improve our efficiency and customer satisfaction, but to redefine our value propositions and deliver hyper-personalized experiences."
T-Mobile	"Across our AI and digital initiatives, we expect close to $3bn in savings by the end of '27....We use AI and huge amounts of customer data to deploy capital in our network based on what's right for customers rather than chasing a vanity stat like POPs....73% of our upgrades are now being done on T-Life and 39% of them are unassisted...6G will be a network that not just processes bits and bytes, but also tokens.... Every base station with NVIDIA Aerial becomes an AI computer."
AT&T Inc	"This welcome policy stance has been adopted at the front end of an AI revolution that we expect to increase the need for dense fiber networks and more symmetrical connectivity into and out of homes, businesses, and devices.... Other areas, we are garnering productivity gains through the use of digital, through the use of AI, and we expect that to continue.... We are investing at high levels in our software technology base in this business.... we're getting very large increases in our productivity for the software we're developing and writing right now."
BT Group PLC	"We continue to drive most of the cost savings from four key programs, shutting down legacy networks, simplifying our products, scaling the use of fewer shared platforms and deepening our data and AI capabilities. .But part of this will be to ensure we take full advantage of the capabilities of AI where we see significant potential, particularly in better and more efficient customer care, higher more personalized marketing velocity and greater efficiency across all areas of our corporate functions. ... There is definitely more upside to come from AI."
Financial Services	
JPMorgan Chase	"It's going to go up a bit [Tech spending/AI spending for 2026]. But the tech spend is always one of the harder ones to measure and evaluate…..We need to have the best tech in the world. That drives investment. It drives margin. It drives competition.....We will be spending more in – I think that AI – we will be spending more, but it is not a big driver. I do think it'll be driving more efficiency down the road. But I'd also point out about that, efficiency, because other banks have to do it too, will eventually be passed on to the customer. This isn't like you're going to build 3 points of margin and you get to keep it – you don't."
Citi	"And while the labor market in the U.S. has softened, capital investment remains strong, especially in tech....With much of our transformation behind us, we are shifting our focus to how we can use AI tools and automation to further innovate, re-engineer and simplify our processes beyond risk and controls to improve client experience whilst reducing expenses. We have started with just over 50 of the largest and most complex processes in the firm, ranging from KYC to loan underwriting, and we're moving with speed to systematically implement modern and efficient solutions."
Prudential PLC	"We have invested $400mn in targeted initiatives, including modernizing our technology, processes and capabilities. ... They are underpinned by an increased focus on the use of data, predictive analytics and AI across the business."
MetLife	"In 2025 alone, aided by AI and other emerging technologies, we lowered our direct expense ratio to 11.7%, putting us well ahead of schedule. ... This includes seeing the benefits from the adoption of AI tools and other emerging technology broadly across our company."

Source: Company, Emkay Research

Exhibit 33: …(contd)…Specific comments from latest earnings call and press release by respective companies…

Company	Commentary on Tech, IT, and AI Spending
Allianz SE	"We are already spending EUR6.5bn in tech, and we're getting more and more focused on new innovation and new functionality versus running the machine. So there's enormous pressure on the running cost of the machine to free up investment into new things."
Goldman Sachs	"What AI really does for us is it allows us to invest in growth in our business because we created some efficiency capacity. … We're focused on reimagining six processes in the firm that we think can really benefit from a fresh kind of white paper look and automation. … One that's very clear is onboarding and know your customer, and that will free up people to focus on things that are more valuable."
Retail & FMCG	
Walmart	"Customers who use Sparky have an average order value about 35% higher than non-Sparky customers. … Sparky is essentially helping us evolve from traditional search to intent-driven commerce. … E-commerce sales grew nearly 25% this year and exceeded $150bn for the first time....Automation penetration reached critical mass in distribution and fulfillment, enabling lower labor costs."
Procter & Gamble	"Technologies like AI-enabled molecular discovery will enable faster and more powerful integration of innovation capabilities for faster growth....AI and GenAI help our teams to discover consumer-relevant insights at every step of the consumer path to purchase...We have supply chain platforms that can run autonomously, reacting to retail demand signals, consumer innovation needs, or productivity opportunities faster than ever before."
Shopify	"The AI era has now reached commerce. … Orders coming to Shopify stores from AI search are up 15x. … We believe it can bend the curve of e-commerce penetration by stripping out friction. … We have trillions of data points frombns of transactions, a more diverse commerce data set than almost anyone...Sidekick generated almost 4,000 custom apps and edited over 1.2mn photos in just three weeks..... A solo entrepreneur... can access uncapped reach through our Agentic Commerce rails and uncapped resources through our AI tools."
Unilever	"We are making our organization fit for the AI age, transforming every link in the value chain. … That means deploying AI to supercharge demand generation and hyper-targeting marketing content. … More than 50% of our capital has been put towards savings [including automation and digitization]."
Marks & Spencer Group PLC	"And finally, in digital and technology, our priority has been recovery, getting back online, reinstating click and collect, and flowing stock to stores in the normal way. … While the recovery activity has delayed our plans to modernize and simplify technology, we are now increasing the pace of transformation in the coming year. … We have increased our structural cost reduction target to GBP600mn from GBP500mn by FY28."
Target Corp	"Merchants now have real-time access to advanced data....including our recently developed Target Trend Brain, which uses Gen-AI to help our teams identify emerging trends faster....We expect to invest $5bn for next year in CapEx [including] technology as an area of focus."
Pharmaceuticals	
Pfizer	"To meet the growing AI demand over the next two years, we are expanding to more than 1,200 GPUs, largely driven by R&D application of AI. In R&D, we are embedding AI across discovery, development, regulatory, and medical to increase productivity and accelerate the pipeline and timelines....A very big part of the savings achieved in manufacturing was off a successful AI deployment called the Golden Batch."
Bristol-Myers Squibb Co	"As you have seen in our financials, we delivered on our cost savings initiative in 2025 and will continue to expand the use of AI to help us move faster, operate leaner, and reinvest strategically in growth."

Source: Company, Emkay Research

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Emkay Global Financial Services Ltd.
CIN - L67120MH1995PLC084899
7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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Seshadri Kumar Sen

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