

## H-1B Visa fee hike: Macro impact

Madhavi Arora, Emkay

- **H-1 B visa hit drags services into trade war:** Services exports have finally been dragged into the ongoing global trade and tech war. After all the initial confusion, we understand now that the recent hike in H-1B visa fees to \$100K (from ~\$1.5-4K) is applicable for new visas and does not impact existing holders/visa renewals.
- **Near-term impact may be limited on IT revenue/margins.** However, if sustained, it could disturb Indian IT exports, companies' traditional models, pressurise project margins, disrupt Indian IT supply chains and on-site projects. That said, **shift in delivery and export model over time towards offshoring could also provide IT export offsets (unless disturbed by passage of the HIRE Act).**
- **Indian IT/software gross/net exports stood \$181bn/160bn in FY25** and we had assumed 5% growth in net IT services exports for FY26E, with a 7% CAGR growth for next 5 yrs. **This could reduce to sub-4% depending on sustained H1B visa-led risks and GCC evolution** (\$65bn+ gross exports currently via GCCs) and IT cos' adoption of new growth models.
- **For FY26**, as of now we are not changing our services exports forecast and **see CAD/GDP at 1.2%** and keeping net remittances unchanged at \$120bn (nearly same as FY25), with downside risk. We watch for additional announcements, if any.

### Near/Medium term impact:

- **On-site delivery bottlenecks:** Incrementally, high-touch, client-facing roles like consulting could be constrained and could lead to lower US revenue growth (~55–60% of India's IT export market, reduced on-site capacity could lower deal conversion or elongate ramp-up timelines). There may also be **margin compression** or firms may even pass them to clients (risking competitiveness).
- **Near-term impact limited on IT revenue/margins:** However, our IT team believes near term impact will be limited on net revenues (exports) and margins. Larger IT firms are also better poised amid consistent reduction on H-1B dependence to 20-50% for US operations, **with increasing local hiring (50-70% locals in the US, about 1lakh+)**, use of US delivery centres, automation and subcontracting models.

Meanwhile **medium-sized and smaller IT firms** could be more hit as they are still more reliant on the traditional "bodyshopping" export models, and they might graduate to large IT companies' models of local hiring.

On a separate note, as per Nasscom, nearly 75% of the existing H-1B Indian employment and even initial petitions are of US headquartered cos, and the rest 25% are Indian headquartered.

We note that **Indian vendors have been very adaptive/agile in modifying business models**. But in the short to **medium term, we do see increase in risk premium (impacting Indian IT valuations)** amid rising policy/geopolitical uncertainty.

- **Shift in delivery model over time:** Though Indian firms have steadily reduced their reliance on H-1B visas in recent years, the visa fee shock and shrinking H-1B pool is expected to reshape workforce deployment and offshoring strategies toward Global

Capability Centres (GCCs) and even local hiring in the US (*fun fact: US engineers are 5X more expensive vs Indians*). This could potentially change **India's export narrative from "onsite-offshore IT services arbitrage" towards "offshore digital engineering and captive global operations"**. The policy shift could concentrate top talent within select large IT/tech firms but also catalyse India's transformation into a more powerful global innovation and delivery hub.

- **Accelerated GCC ramp-up:** The H-1B shock and increasing uncertainty thus could accelerate GCC trajectory and lift GCC exports as a share of India's total services exports over time. Our GCC investor tour last year revealed that the tectonic sectoral shift towards **GCCs has implied >USD60bn of revenue being generated** currently – thus making GCCs one of the biggest sectors and a key new source of exports for India. (*See our GCC tour note: <https://shorturl.at/DMk9B>*). **Business, Professional & Management Consulting exports and R&D consulting exports rose 25% (\$57bn) and 20%(\$8bn) respectively in FY25, and FY26 so far has been robust at 80%+YoY.**
- **GCC growth stats:** No. of GCCs have grown 85%+ since FY10. Currently India hosts ~1,800+ GCCs; Nasscom/ANSR projects >2,000 by 2030. As per ANSR FY24 report, GCC likely to cross \$110bn+ mkt size by or before 2030). Total GCC headcount is still 1/4th that of IT Services (1.7mn vs 5.4mn in IT as on 2024) and is likely to rise much faster by 2030 to 4.5mn (vs 7.5mn for IT services). **Assuming 18% CAGR (vs. 11-12% taken by Nasscom) for next 5 yrs, GCCs mkt size could cross \$150bn by 2029.**
- **Partial offset of IT export hit:** This change in India's export could partially offset the drag on IT services exports and improve domestic sectoral capacity on global innovation and delivery hub. **The shift will change the composition of India's export basket** — more captive delivery, less vendor-led onsite billing and greater stickiness.
- **HIRE Act Risk:** Ongoing legislative proposals in the US around the HIRE Act (*Halting International Relocation of Employment Act*) is meant to disincentivize US firms from outsourcing work to foreign workers/entities (**with 25% tax on outsourcing payments**). This could affect outsourced employment models and offshoring economics, if passed.
- **Sidekick(s):** Somewhat negative for Indian startups. Startups, particularly tech, compete for talent with GCCs. Higher GCC pays could find it difficult Indian tech cos and Startups to match, unless they get into high-value services. Low end IT services cos may also somewhat suffer. They may also have to either explore tier-2 locations (Office/Resi RE impact +ve) or even other cheaper EMs/ASEAN locations like Philippines etc. to reduce cost.

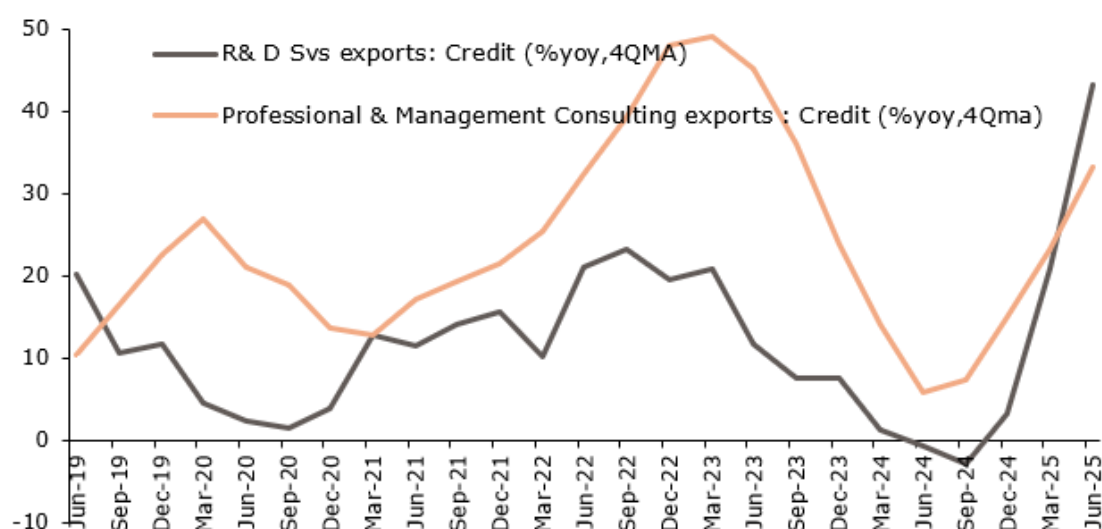
Regards,

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**Exhibit 1: Heaviest user of H-1B visa**

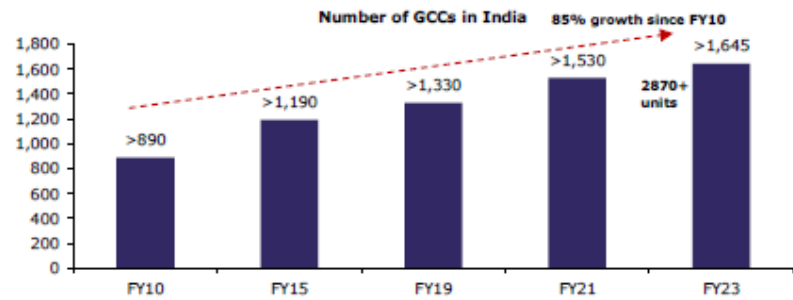
Employers with most H-1B visa staff	Data through 2009-June 2025	Indian firms with most H-1B visa staff	FY24
Amazon Com Services LLC	10,044	Infosys	8,137
Tata Consultancy Services LLC	5,505	TCS	7,566
Microsoft Corporation	5,189	HCL America	2,952
Meta Platforms	5,123	LTMindtree	2,136
Apple Inc	4,202	Wipro	1,636
Google LLC	4,181	Tecn Mahindra Americas	1,199
Cognizant Technology Solution	2,493	L&T Technology services	351
JP Morgan Chase and Co	2,440		
Walmart Associates Inc	2,390		
Deloitte Consulting LLP	2,353		

Source: US DHS, US Citizenship and Immigration Services, Bloomberg, Emkay Research

**Exhibit 2: Gross exports of GCCs have been robust in FY26 so far**

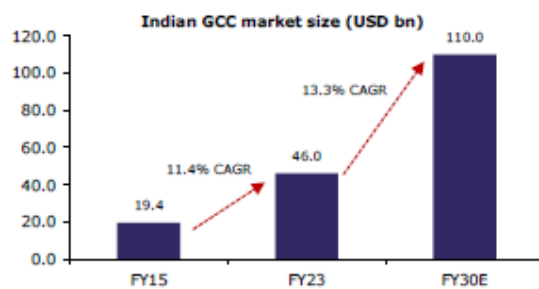
Source: CEIC, RBI, Emkay Research

**Exhibit 1: The number of GCCs in India has nearly doubled since FY10**



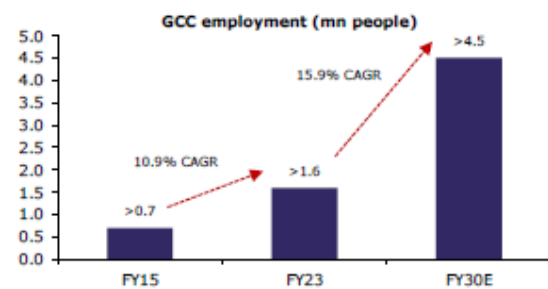
Source: Zinnov, Emkay Research

**Exhibit 2: Indian GCC market size is expected to grow >13% YoY to over USD110bn by FY30...**



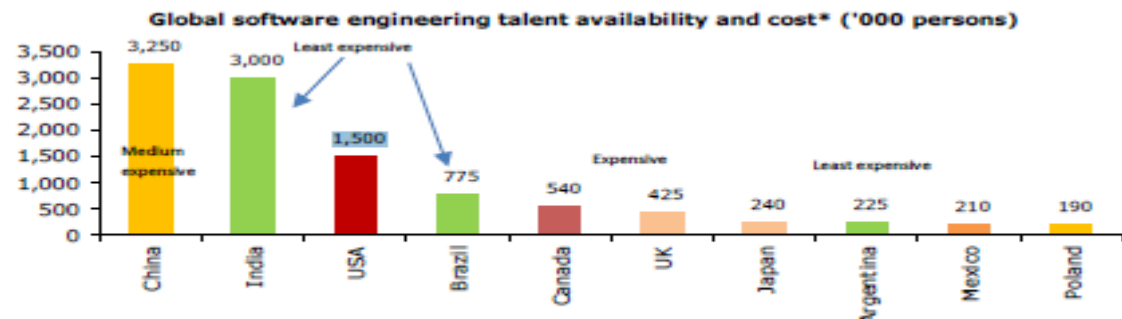
Source: ANSR, Nasscom, Emkay Research

**Exhibit 3: ...driving employment at nearly 16% YoY to reach over 4.5mn people directly employed**



Source: ANSR, Nasscom, Emkay Research

**Exhibit 10: India has one of the largest and cheapest pools of engineering talent in the world**



Source: Zinnov, Emkay Research; Note: \*Colours reflect relative cost of hiring engineering talent on a red-green scale; Red and its gradients = More expensive; Green and its gradients = Less expensive

Regards,

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