

Incremental Macro Impact on demand key

- 2QFY27 (typically strong) results expected to be lackluster for Tier-1 QoQ though select Tier-2 companies to show strong growth
- Expectations low. +ve surprises could trigger sharp moves which may not be sustainable. Recent macro deterioration impact to be watched
- Remain UW. Do not expect 2QFY27 to be a turning point. Low multiples will remain and believe sector is a value trap

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Sector has sharply underperformed YTD2026. 3QCY26 sees a rebound: Nifty IT versus Nifty underperformance has been ~13ppt thus far in 2026. After lagging Nifty by ~9ppt in 1QCY26 and ~16ppt in 2QCY26, Nifty IT outperformed by ~10.5ppt in 3Q2026(2QFY27). The continued derating (after a 23 ppt underperformance in 2025) has been driven by advanced AI models, which seem capable of disrupting global IT services in a bigger way than previously expected and worries on how long the current growth slump would continue due to AI deflation and lack of discretionary spending. We think it could last at least till FY29 (see view inside).

Macro deterioration and AI deflation cap upside: We expect 2QFY27 to continue the pattern of lackluster growth from Tier-1 and select Tier-2 companies outgrowing Tier-1. We believe macro conditions have started to deteriorate again (higher DM bond yields, commodity inflation, tariff friction and the US-Iran war, see Sept 16 2026 note [Macro](#)), with AI deflation a structural overlay till at least FY29. We will watch guidance changes, pricing and large-deal conversion

Accenture results have given bulls some hope: The 4QFY26 (YE Aug) strong outperformance (see [Update](#)) has given the IT services bulls some hope that the demand situation is turning around. As indicated in the note we believe it is a company specific share gain driven +ve which cannot be extrapolated for the Indian listed IT services players. In fact success of ACN is at expense of Indian cohort.

Expect muted performance: We build Tier-1 CC revenue growth in a range of -0.5% to +3.0% QoQ, with HCLT (+3.0%) the strongest and TCS (flat) and Wipro (-0.5%) at the weak end. In Tier-2, Coforge (+12.0%, with a full quarter of Encora) and Persistent (+10.0%, on a large-deal ramp) lead by a wide margin

Multiples down but we believe it is a value trap: The sector valuations are currently at their lowest level if one looks at their long-term history. But we believe a quick rebound is not possible unless growth revives, which we are skeptical of. Believe AI is disrupting the 'low cost' business model. Hence, remain UW.



- **Where do we stand vis-à-vis consensus:** A comparison between Bloomberg consensus estimates for the quarter (INR) indicates that revenue numbers are broadly in line while there are bigger differences in PAT numbers. We attribute the latter to variations in 'other income', interest cost and tax rates. The biggest variance in revenue estimates seem to be with Persistent Systems where we are assuming that it will clock about US\$25mn in revenue from the recent large deal that it clocked, in the quarter (the non-large deal growth is implicitly assumed at 4.3% QoQ). That also broadly translates into the EBIT and PAT variation.

What will we watch out for during 2QFY27

- To watch for demand revival and guidance: TCS expected demand to resume in 2Q after clients deferred projects in 1Q, but we remain cautious on legacy services deflation due to AI. Infosys said soft 1Q volumes will cascade into 2Q and the rest of FY27. Will await if that view changes. We expect Wipro to guide for 3Q at -2% to flat growth QoQ in CC terms. We expect HCLT to hold on its revenue and margin guidance for FY27.
- Accenture's 4QFY26 (YE Aug) growth of 7% in LC terms beat the top of its 1-5% guide (see our note [Accenture-CompanyUpdate5Oct26](#)). Management attributed it to small deals, faster mobilization on new contracts, over-delivery by acquisitions in the federal business and employees being allowed to carry over PTO (paid time off) which kept people available for demand, with no meaningful change in discretionary spending. We think the beat is Accenture-specific. Does any Indian player report a similar uptick is something we will watch?
- Guidance has been volatile. Accenture's FY26 organic growth came in at 3% versus 2% indicated three months earlier, while Infosys, Cognizant and Epam lowered their organic guidance. Do more companies reset guidance this quarter?
- Our recent sector note ([Macro](#)) says macro conditions have started to deteriorate again, with higher DM bond yields, commodity inflation, tariff friction and the US-Iran war. Would like to see what impact that has on revenue expectations and deal flow. TCS said clients deferred projects in 1Q and expects demand to resume in 2Q. Infosys cited elongated decision-making in European auto. Did deferred projects return or did decision cycles stretch? Or are new cracks emerging on demand. Or are clients ignoring macro and just focusing on advanced AI implementations?
- Have recent discussions on AI safety and AI sovereignty had an impact on client decision making cycles on advanced AI projects. In this context we would watch for any material deceleration in advanced AI revenues on a QoQ basis. Should that fall into the single digit or low teen territory then it is a cause for worry.
- We believe AI deflation to run till at least FY29 as contracts renew, and clients may force it before renewal. Infosys said productivity asks are common at renewals but can also arise during the contract. Anecdotally companies seem to be talking of irrational pass backs. Need to see if it has become widespread or just a few instances.
- Accenture said FY26 pricing was stable overall but lower in many areas in 4Q and called the environment highly competitive. Infosys said price increases are lower

than expected, though it is getting better pricing for AI skills and consulting. What will be the comments on pricing and margins going forward?

- Vendor consolidation is a key theme in large deals. Infosys said 20% of large deal TCV came from it, at healthy margins, while Wipro said such deals face margin pressure. Who wins share, and at what margin?
- We believe enterprises may keep more work in-house as AI automates routine tasks. But Persistent says more global customers are routing procurement through their India GCCs, Infosys saw strong GCC setup and expansion activity, and Mphasis's Rest of World growth was GCC-driven. Are GCCs a demand channel for vendors or a substitute? Is the missing discretionary spending happening in GCCs while giving the third-party providers the miss?
- Capital is moving to M&A and AI infrastructure: Nagarro (Persistent), Encora (Coforge), Randstad (LTM), Optimum and Stratus (Infosys), HCLT's investment in AI Data centers. Does inorganic growth start to mask weak organic growth in the reported numbers? Would like to see the capex numbers of TCS in its AI data center business.
- There is an AI capex bubble being widely discussed in the US market, what impact will it have on Indian IT services players both in the short term (12 months) and the medium term (beyond 12 months) if the bubble were to burst.
- We would also watch whether any player is dissatisfied with the current revenue growth and willing to drop margins to get more TCV or better revenue growth. Among the Tier-1 players it has been thus far a tight rope walk between holding on to their margins while coping with lackluster growth.
- With the slowdown in the fourth successive year and each company having run branded cost management programs the question to ask is whether there is more juice left to be squeezed out.
- One of things to watch for would be who exactly is losing market share in a bigger way to Accenture and Cognizant.
- How has the more muted INR depreciation playing out in terms of margin benefit to the companies. INR/USD has moved from an average of 94.7 in 2Q2026 to 95.6 in 3Q2026
- Whether players are using their balance sheet – through greater credit terms – to lure business away from competitors

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**) and reiterated our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~2-3% CAGR over FY25-FY30 in constant currency (CC) terms.

We believe the release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).and the 9 July 2026 one (**'Show me the growth' phase will keep valuations compressed**)

Lately we have been worried about global macro which we believe will impact growth. See our 16 September 2026 note (**Macro will weigh down as much as AI near term**)

Multiple speed breakers drive our Underweight stance

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 12-24 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend:

Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to Cloud/SaaS and move it away from the ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY26, Tier-1 revenue has reached US\$ 85bn, double that in FY15 (6.5% CAGR). Due to the higher base now, growth may not be as rapid. In AI reinvention services we see a new set of competitors come in the forms of AI deployment companies from Anthropic, Open AI, Microsoft, Google etc. While professional services companies of software players did not make much of an impact in the past, we believe the situation could be different this time. With the requirement of a large army of offshore bodies being taken away by AI models, we believe players with high technical skills and deep domain and workflow expertise will become competitors. We will have several players from other industries as well senior management

personnel from current incumbents to step out and startup companies and compete with the incumbents.

How we are valuing companies: We are using PE methodology. However, we are moving away from the earlier stance that we had taken of using TCS as our industry benchmark.

Considering the underperformance of TCS in terms of growth in FY26 and the likelihood of that repeating in the foreseeable future we have decided to shift from using TCS as the benchmark and move to Tier-1 PE multiple based valuation. That too using the valuation seen in the FY15-FY20 timeframe when the Tier-1 USD revenue CAGR was ~7% in organic terms. Our analysis indicates that Tier-1 (consisting of TCS, Infosys, HCLT, Wipro and Tech Mahindra) were collectively trading at mean multiple of 17.6x forward EPS with an SD of 1.7. We are using 14.1x as the benchmark multiple for the basis of valuation which is mean multiple of Tier-1 companies during this period less 2SD. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Our target PE multiples are lower than those used by consensus/competitors. Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

We believe the recent large acquisitions done by the prominent Tier-2 companies like Persistent Systems and Coforge are return dilutive and may pose execution challenges. They also seem to be funded partly or fully through stock dilution.

Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Performance of stocks and indices

Stock Performance(%)	CY23	CY24	CY25	1QCY24	2QCY24	3QCY24	4QCY24	1QCY25	2QCY25	3QCY25	4QCY25	1QCY26	2QCY26	3QCY26	YTD	QTD
TCS	16.5	7.9	(21.7)	2.2	0.7	9.3	(4.1)	(11.9)	(4.0)	(16.6)	11.0	(26.4)	(13.9)	0.9	(34.5)	2.4
Infosys	2.3	21.8	(14.1)	(2.9)	4.6	19.7	0.2	(16.5)	2.0	(10.0)	12.0	(22.6)	(20.0)	(0.6)	(37.2)	2.0
HCL Tech	41.1	30.8	(15.3)	5.3	(5.4)	23.1	6.8	(16.9)	8.5	(19.9)	17.2	(17.4)	(20.1)	14.8	(25.8)	(2.1)
Wipro	20.0	28.1	(12.8)	1.9	7.2	5.2	11.5	(13.1)	1.4	(10.0)	10.0	(28.7)	(9.2)	(7.0)	(38.5)	2.1
LTIM	44.2	(11.3)	8.6	(21.5)	9.0	16.0	(10.5)	(19.6)	18.4	(3.0)	17.6	(33.8)	(11.9)	14.3	(34.5)	(1.8)
Tech Mahindra	25.2	34.1	(6.8)	(1.9)	14.6	10.3	8.2	(16.9)	18.9	(17.0)	13.6	(13.0)	1.5	8.5	(5.4)	(1.3)
Hexaware Tech	NA	NA	NA	NA	NA	NA	NA	NA	21.4	(21.2)	14.2	(44.5)	21.1	(4.0)	(34.6)	1.3
Firstsource	80.7	103.4	(10.7)	6.9	6.2	48.2	20.8	(9.5)	10.1	(12.2)	2.1	(39.1)	11.8	12.0	(22.5)	1.7
Eclerx	102.6	34.4	34.8	(8.7)	2.2	24.3	15.8	(20.3)	26.1	14.7	16.9	(40.9)	(4.5)	37.4	(18.3)	5.3
Sagility	NA	NA	3.1	NA	NA	NA	NA	(14.9)	(4.0)	3.5	21.9	(23.2)	(1.4)	8.1	(15.6)	3.1
Mphasis	38.9	3.9	(2.0)	(12.8)	2.9	22.5	(5.4)	(12.2)	13.8	(6.7)	5.1	(26.4)	5.3	(0.3)	(17.7)	6.7
Persistent	90.9	74.8	(2.9)	7.8	6.4	28.5	18.5	(14.6)	9.6	(20.2)	30.1	(22.2)	(11.3)	22.0	(12.0)	4.6
Coforge	61.5	54.0	(13.9)	(12.3)	(0.8)	28.5	37.7	(16.1)	18.7	(17.3)	4.5	(33.0)	31.5	19.3	11.2	5.8
Birlasoft	141.4	(22.3)	(22.7)	2.9	(7.0)	(12.8)	(6.9)	(30.8)	11.8	(18.6)	22.8	(23.3)	(13.9)	(5.1)	(35.5)	2.9
Zensar	186.7	23.1	(6.4)	(0.6)	23.2	(9.6)	11.3	(6.8)	20.2	(9.4)	(7.8)	(26.9)	(17.3)	(0.8)	(36.7)	5.5
LTTS	42.7	(9.8)	(5.8)	4.3	(10.5)	8.9	(11.4)	(5.0)	(2.2)	(6.5)	8.5	(30.0)	0.6	2.8	(27.3)	0.5
Tata Elxsi	39.3	(22.4)	(22.9)	(11.1)	(10.1)	10.3	(12.0)	(23.3)	21.0	(17.2)	0.3	(24.1)	(3.7)	(19.3)	(41.0)	0.1
KPIT Infotech	115.0	(3.2)	(19.9)	(1.8)	10.0	(0.4)	(10.0)	(10.7)	(3.7)	(12.8)	6.8	(45.9)	5.8	(25.7)	(58.0)	(1.3)
Cyient	182.7	(19.9)	(39.2)	(12.9)	(8.0)	2.4	(2.3)	(31.2)	1.9	(11.1)	(2.5)	(32.6)	15.8	26.2	0.1	1.7
Mastek	64.9	5.7	(31.1)	(9.7)	7.2	(4.7)	14.6	(26.8)	11.9	(10.1)	(6.5)	(34.6)	18.9	(2.1)	(21.2)	3.4
Newgen Software	333.7	117.9	(50.3)	1.8	22.2	38.0	26.9	(41.5)	17.6	(24.1)	(5.0)	(52.4)	17.2	(0.8)	(46.0)	(2.4)
Happiest Minds	1.7	(18.0)	(37.3)	(16.9)	9.8	(1.1)	(9.1)	(18.8)	9.9	(19.1)	(13.3)	(21.6)	(5.5)	(8.9)	(34.1)	(2.3)
HGS	(25.6)	(29.8)	(35.9)	(25.4)	13.6	(3.2)	(14.5)	(33.0)	19.8	(12.1)	(9.1)	(22.6)	19.8	(10.4)	(18.9)	(2.3)
Intellect Design	87.5	14.3	1.6	31.1	(2.6)	(9.9)	(0.6)	(27.5)	65.9	(15.2)	(0.4)	(38.4)	19.8	(14.4)	(38.1)	(2.0)
OFSS	39.3	203.6	(39.9)	108.3	12.6	16.0	11.6	(38.6)	14.5	(6.5)	(8.5)	(12.4)	60.1	(1.4)	36.4	(1.4)
Ramco Systems	14.8	45.2	34.1	(9.1)	23.2	21.4	6.8	(21.8)	23.4	21.0	14.9	(39.4)	143.0	(33.7)	(0.7)	1.6
DXC	33.5	23.8	(27.0)	(7.3)	(10.0)	8.7	(3.7)	(14.5)	(10.5)	(10.9)	7.5	(18.4)	(25.9)	22.4	(20.4)	7.7
Endava	30.7	68.8	(23.2)	(51.1)	(23.1)	(12.7)	21.0	(35.5)	(23.1)	(40.6)	(30.5)	(30.9)	(35.2)	(36.7)	(69.8)	6.7
Cognizant	70.4	139.0	(26.9)	(3.0)	(7.2)	13.5	(0.4)	(1.3)	2.8	(14.0)	23.8	(26.4)	(36.6)	48.3	(29.9)	1.3
Accenture	141.4	(22.3)	(22.7)	(1.2)	(12.5)	16.5	(0.5)	(13.5)	(1.8)	(17.5)	8.8	(26.4)	(37.0)	47.4	(27.3)	6.4
Globant SA	64.9	5.7	(31.1)	(15.2)	(11.7)	11.2	8.2	(44.7)	(23.3)	(36.8)	13.9	(30.1)	(36.6)	19.9	(45.3)	3.0
Epam Systems INC	186.7	23.1	(6.4)	(7.1)	(31.9)	5.8	17.5	(27.8)	4.7	(14.7)	35.9	(33.5)	(41.7)	36.6	(46.3)	1.5
Cap Gemini	333.7	117.9	(50.3)	13.0	(12.9)	4.4	(18.5)	(8.1)	(0.2)	(14.8)	15.1	(31.2)	(10.1)	18.7	(23.8)	3.8
Genpact	1.7	(18.0)	(37.3)	(5.1)	(2.3)	21.8	9.5	16.4	(12.0)	(4.8)	11.7	(19.9)	(26.6)	18.3	(28.3)	3.0
Perficient Inc	(25.6)	(29.8)	(35.9)	(14.5)	32.9	0.9	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Thought Works Inc	(5.7)	NA	NA	(47.4)	12.3	55.6	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Just Dial	115.0	(3.2)	(19.9)	0.1	28.0	12.3	(14.0)	(17.9)	13.9	(10.7)	(12.5)	(32.3)	7.0	26.9	(9.1)	(1.1)
Infoedge	(25.1)	23.7	8.9	8.8	21.3	19.4	7.1	(17.2)	3.6	(12.0)	1.9	(27.4)	1.1	24.7	(6.9)	1.8
Makemytrip	(52.8)	NA	NA	51.2	18.4	10.5	20.8	(7.8)	(5.3)	(4.5)	(12.3)	(55.7)	46.5	(11.4)	(45.2)	(4.7)
Eternal	108.6	124.8	0.0	47.2	10.1	36.3	1.7	(27.5)	31.0	23.2	(14.6)	(17.6)	15.6	20.9	18.3	2.8
Nykaa	12.3	(5.9)	61.9	(6.9)	8.9	10.9	(16.3)	9.4	16.4	11.5	14.1	(11.4)	32.3	2.9	27.6	5.7
Paytm	19.7	60.2	27.6	(36.6)	(0.2)	71.3	47.9	(23.0)	17.9	21.6	15.6	(26.2)	19.0	47.0	30.4	1.0
PB Infotech	77.3	165.4	(13.4)	41.5	24.3	15.9	30.2	(24.6)	14.7	(6.7)	7.3	(21.8)	14.1	(34.7)	(43.3)	(2.7)

Stock Performance(%)	CY23	CY24	CY25	1QCY24	2QCY24	3QCY24	4QCY24	1QCY25	2QCY25	3QCY25	4QCY25	1QCY26	2QCY26	3QCY26	YTD	QTD
Index Performance (%)																
Nasdaq	53.8	24.9	20.2	8.5	7.8	1.9	4.7	(8.2)	17.6	8.8	2.3	(9.1)	31.9	0.4	23.1	2.2
S&P 500	24.2	23.3	16.4	10.2	3.9	5.5	2.1	(5.1)	11.2	7.8	2.3	(7.3)	18.2	2.0	13.6	1.6
Stox 600	12.7	6.0	16.7	7.0	(0.2)	2.2	(2.9)	6.8	(0.1)	3.1	6.1	(1.9)	10.5	(1.1)	7.0	(0.2)
DAX	20.3	NA	NA	10.4	(1.4)	6.0	NA	NA	6.4	(0.1)	NA	NA	10.8	0.8	NA	0.2
Nikkei	28.2	NA	NA	20.0	(1.5)	(4.2)	NA	NA	9.1	11.0	NA	NA	35.0	(4.7)	NA	5.9
MSCI EM	7.0	5.1	30.6	1.6	4.4	7.8	(8.1)	4.2	9.1	10.1	4.3	0.6	22.0	(1.0)	23.9	2.1
Bovespa	NA	NA	NA	(4.5)	(3.3)	6.4	NA	NA	5.3	5.3	NA	NA	(5.7)	8.3	NA	11.0
HSCEI	(14.0)	26.4	22.3	0.7	9.0	18.6	(2.9)	18.1	0.8	10.1	(6.7)	(5.8)	(10.0)	8.8	(9.7)	(2.0)
NIFTY IT	24.1	22.0	(12.6)	(1.7)	3.6	16.0	3.3	(14.9)	5.6	(13.6)	12.6	(23.3)	(9.5)	5.3	(25.7)	1.6
NIFTY BANK	12.3	5.3	17.1	(2.4)	11.1	1.2	(4.0)	1.4	11.1	(4.7)	9.1	(15.6)	14.5	(5.1)	(7.5)	0.9
NIFTY FMCG	29.0	(0.3)	(2.3)	(5.3)	5.2	15.5	(13.3)	(5.7)	2.4	(0.3)	1.4	(17.9)	7.1	(8.8)	(18.5)	1.6
NIFTY AUTO	47.6	22.6	23.5	15.0	17.7	7.2	(15.5)	(6.7)	12.1	11.2	6.2	(15.7)	11.4	(0.7)	(9.4)	(2.9)
NIFTY ENERGY	29.4	5.1	0.4	16.6	7.1	5.3	(20.1)	(4.6)	8.9	(4.3)	0.9	(1.3)	14.0	(7.8)	4.5	0.8
NIFTY PHARMA	33.6	39.1	(2.9)	12.9	3.9	18.0	0.6	(9.7)	4.3	(2.7)	5.9	(2.2)	13.9	4.4	16.8	0.4
NIFTY METAL	18.7	8.4	29.1	3.5	18.9	3.9	(15.2)	5.1	4.9	5.3	11.3	(0.3)	12.4	1.9	12.8	(1.3)
NIFTY INFRA	39.1	15.9	13.6	14.1	9.6	4.8	(11.6)	(0.1)	11.3	(4.3)	6.8	(11.0)	9.7	(7.0)	(8.5)	0.7
NIFTYMIDCAP	46.6	23.9	5.7	4.1	15.9	7.9	(4.9)	(9.7)	15.6	(5.4)	7.0	(13.0)	17.4	(4.0)	(1.2)	0.7
NIFTY SMALLCAP	55.6	23.9	(5.6)	0.8	20.0	4.7	(2.1)	(14.2)	18.5	(7.9)	0.9	(14.2)	24.1	2.0	9.8	1.1
NIFTY	20.0	8.8	10.5	2.7	7.5	7.5	(8.4)	(0.5)	8.5	(3.6)	6.2	(14.5)	6.9	(5.2)	(12.8)	0.7
USD/INR				83.0	83.4	83.8	84.4	86.6	85.6	87.3	89.1	91.4	94.7	95.6	94.0	96.2

Source: Bloomberg, BOBCAPS Research; as on 6th October 2026

Fig 2 – Summary of estimated financial performance by Indian IT services industry for 2QFY27

Company Name	2QFY27E Revenue		QoQ CC		US\$ revenue growth (%)		EBIT Margin (%)		
	US\$ mn	Growth (%)			QoQ	YoY	2QFY26	1QFY27	2QFY27E
TCS	7,609	-			(0.2)	1.9	25.2	24.0	24.3
Infosys	5,106	0.8			0.5	0.6	21.0	21.1	21.5
HCLT	3,754	3.0			2.8	3.0	17.4	16.9	16.9
Wipro	2,594	(0.5)			(0.8)	(0.4)	16.7	16.0	16.3
Tech Mahindra	1,688	2.0			1.6	6.4	12.1	14.4	14.6
LTM	1,234	1.0			0.9	4.6	15.9	15.5	15.8
Mphasis	485	3.0			2.9	8.9	15.3	14.8	15.1
Persistent Systems	497	10.0			9.8	22.3	16.3	16.0	15.8
Coforge	662	12.0			11.8	43.2	14.0	16.0	15.8
Birlasoft	146	0.5			0.4	(3.3)	14.5	14.7	14.0
Zensar	161	1.2			1.0	(1.0)	13.7	12.8	12.9
Firstsource	292	1.5			1.3	10.1	11.5	12.4	12.5
Eclerx	130	3.6			3.4	12.7	22.4	18.7	20.6

Source: Company, BOBCAPS Research

Fig 3 – BOBCAPS vs Consensus – 2QFY27 Estimates

(Rs mn)	Revenue			EBIT			PAT		
	Consensus	BOBCAPS	BOBCAPS/Consensus (%)	Consensus	BOBCAPS	BOBCAPS/Consensus (%)	Consensus	BOBCAPS	BOBCAPS/Consensus (%)
TCS	731,472	722,451	99	177,949	175,363	99	137,878	135,788	98
INFO	491,896	485,749	99	104,135	104,331	100	79,196	79,655	101
HCLT	355,893	356,542	100	62,442	60,297	97	48,656	47,745	98
WPRO	247,580	246,418	100	40,213	40,061	100	33,179	31,908	96
TECHM	159,995	160,082	100	23,198	23,422	101	16,632	17,751	107
LTM	117,907	117,426	100	18,606	18,606	100	14,972	16,531	110
PSYS	45,765	47,355	103	7,139	7,475	105	5,576	6,153	110
COFORGE	63,595	62,851	99	10,144	9,951	98	6,634	6,955	105
MPHL	45,791	46,089	101	6,963	6,949	100	5,353	5,616	105
ZENT	15,583	15,303	98	1,946	1,969	101	1,837	1,861	101
BSOFT	13,940	13,887	100	1,899	1,950	103	1,570	1,643	105
FSOL	27,996	27,961	100	3,546	3,504	99	2,384	2,305	97
ECLX	12,106	12,357	102	2,546	2,543	100	1,938	1,896	98

Source: Bloomberg, BOBCAPS Research, Bloomberg estimates taken as of 5 October 2026

Fig 4 – TCS

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	7,466	7,624	7,609	(0.2)	1.9	Expect flat CC growth QoQ. Management expects demand to resume in 2Q after clients deferred some projects on geopolitical and macro uncertainty and cites a significant pent-up technology backlog across clients. We remain cautious due to AI deflation in its legacy business.
Revenue (Rs mn)	657,990	722,750	722,451	(0.0)	9.8	Manufacturing to turn around in 2Q on multiple net new deal wins, and Life Sciences on a visible uptick in demand
EBIT (Rs mn)	165,650	173,170	175,363	1.3	5.9	Expect TCV to be US\$10-12bn including some of the mega deals announced like the Porsche one.
PAT (Rs mn)	120,750	138,490	135,788	(2.0)	12.5	Expect EBIT margin to be at 24.3%, up 31 bps QoQ, a partial recovery as the 170-bps wage-increment impact seen in 1Q. Margin levers include pyramid optimization, productivity, resource fulfilment, automation and cost discipline, alongside continued investments in AI, partners and go-to-market
EBIT Margin (%)	25.2	24.0	24.3	31bps	(90bps)	
PAT Margin (%)	18.4	19.2	18.8	(37bps)	44bps	FY27 to be a marginal growth year, as constrained spending on services, productivity pass-back, AI deflation on the legacy book and share loss weigh on growth

Source: Company, BOBCAPS Research

Fig 5 – INFO

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	5,076	5,082	5,106	0.5	0.6	Expect 0.8% QoQ CC revenue growth. Management said soft 1Q volumes will have a cascading impact on 2QFY27 and the rest of FY27
Revenue (Rs mn)	444,900	482,110	485,749	0.8	9.2	Growth expected to be led by Financial Services and EURS, which is expected to grow faster than the company average.
EBIT (Rs mn)	93,530	101,630	104,331	2.7	11.5	EBIT margin expected at 21.5%, up 40 bps QoQ. Headwinds from productivity pass-through and AI investments to be partly offset by Project Maximus initiatives and lower onsite mix
PAT (Rs mn)	73,640	77,690	79,655	2.5	8.2	Last quarter, FY27 CC revenue growth guidance was revised to 1.5-3% (earlier 1.5-3.5%), including ~1.7% from acquisitions (organic growth lowered from 2.25% to 0.55%). EBIT margin guidance was retained at 20-22%, and we expect the guidance to be maintained on both organic growth and margins
EBIT Margin (%)	21.0	21.1	21.5	40bps	46bps	Expect large deal TCV to be between US\$3-4bn.
PAT Margin (%)	16.6	16.1	16.4	28bps	(15bps)	- Pricing and competitive intensity, higher client productivity asks and continued weakness in European manufacturing remain the key factors to keep an eye on - We need to see if CEO designate Ashok Dash would be exposed to investors before he officially takes charge on 1 April 2027. Investors would be keen to hear about the way forward under him.

Source: Company, BOBCAPS Research

Fig 6 – HCLT

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	3,644	3,650	3,754	2.8	3.0	Expect 3.0% QoQ CC revenue growth after a decline in 1Q. We are expecting about 100bps impact from HPE Telco and the Jasper soft deals
Revenue (Rs mn)	319,420	345,790	356,542	3.1	11.6	Discretionary spending cuts at two large US telecom clients in 1Q are expected to keep weighing on engineering work in this quarter
EBIT (Rs mn)	55,500	58,310	60,297	3.4	8.6	Expect EBIT margin at 16.9%, broadly flat QoQ.
PAT (Rs mn)	42,350	46,240	47,745	3.3	12.7	Expect 2Q TCV to be strong possibly in the US\$3-3.5bn, as the US\$1.14bn mega deal was signed in early July
EBIT Margin (%)	17.4	16.9	16.9	5bps	(46bps)	Advanced AI revenue (US\$171mn in 1Q, +10.6% QoQ) will be watched for traction in AI services
PAT Margin (%)	13.3	13.4	13.4	2bps	13bps	What exactly are the plans of HCLT on the software business side from a long-term perspective. Growth here has been very anemic while the ROICs have improved over time.

Source: Company, BOBCAPS Research

Fig 7 – WPRO

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	2,604	2,615	2,594	(0.8)	(0.4)	Expect -0.5% QoQ CC revenue growth, at the mid-point of 2Q guidance of -1.5% to +0.5%. Management expected the demand environment to remain soft
Revenue (Rs mn)	226,973	244,786	246,418	0.7	8.6	Expect EBIT margin at 16.3%, up 24 bps QoQ. Management's focus is on returning margins to the 17-17.5% band (no timeline given). Large cost takeout and vendor consolidation deals continue to face margin pressure, and continued investment in the AI-native business is a priority. Newer AI programs are expected to be margin accretive.
EBIT (Rs mn)	37,829	39,206	40,061	2.2	5.9	
PAT (Rs mn)	32,462	33,520	31,908	(4.8)	(1.7)	To monitor: 2Q TCV (including the deals that slipped from 1Q), and the ramp-up of large BFSI deals
EBIT Margin (%)	16.7	16.0	16.3	24bps	(41bps)	
PAT Margin (%)	14.3	13.7	12.9	(74bps)	(135bps)	We are expecting the company to guide a -2% to flat QoQ CC revenue growth for 3Q

Source: Company, BOBCAPS Research

Fig 8 – TECHM

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	1,586	1,660	1,688	1.6	6.4	Expect 2.0% QoQ CC revenue growth. Large deal wins from the last 12 months to continue ramping up in 2Q, and one of the two large Communications deals, which did not contribute in 1Q, begin ramping up in the coming quarters
Revenue (Rs mn)	139,949	157,119	160,082	1.9	14.4	The one-off ~130 bps revenue growth benefit from the accelerated European automotive delivery in 1Q to moderate in 2Q, creating a headwind. Management expects the Communications deal ramp-up to offset it, with the rest of the business needing to keep improving to support growth
EBIT (Rs mn)	16,993	22,639	23,422	3.5	37.8	Expect EBIT margin at 14.6%, up 22 bps QoQ. Improvement driven by gross margin expansion and SG&A efficiencies, with 4Q targeted above 15%. Annual wage hikes become effective in 2Q and to be implemented in a phased manner
PAT (Rs mn)	11,945	14,651	17,751	21.2	48.6	Expect TCV to remain the region of US\$1bn.
EBIT Margin (%)	12.1	14.4	14.6	22bps	249bps	Investors would look at hints being dropped by the management around what would be the trajectory of growth and margins beyond FY27. We believe current premium valuations assume some EBIT expansion beyond FY27.
PAT Margin (%)	8.5	9.3	11.1	176bps	255bps	

Source: Company, BOBCAPS Research

Fig 9 – LTM

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	1,180	1,224	1,234	0.9	4.6	Expect 1.0% QoQ CC revenue growth. Management stated post 1Q that it is confident of growth acceleration through 2Q and into 2H, based on organic QoQ CC growth. The largest industry segments are on a growth trajectory, with momentum to continue in 2Q. However, we believe growth for the quarter has been weaker than forecast. Will wait for greater color on why that is the case.
Revenue (Rs mn)	103,943	116,080	117,426	1.2	13.0	
EBIT (Rs mn)	16,481	17,993	18,606	3.4	12.9	
PAT (Rs mn)	13,812	14,686	16,531	12.6	19.7	Delayed ramp-up of the India Income-tax (CBDT) deal to begin in 2Q. The QoQ decline in Consumer is not expected to continue, with shipment acceleration expected
EBIT Margin (%)	15.9	15.5	15.8	34bps	(1bps)	We expect TCV to be around US\$1.6bn.
PAT Margin (%)	13.3	12.7	14.1	143bps	79bps	Expect EBIT margin at 15.8%, up 34 bps QoQ. To keep an eye on: CBDT deal ramp-up, Consumer recovery and the closing of the Randstad transaction

Source: Company, BOBCAPS Research

Fig 10 – PSYS

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	406	452	497	9.8	22.3	- Expect 10.0% QoQ CC revenue growth - The US\$650mn large deal contract (over 6.5 years) which had already started contributing in 1Q is expected to reach ~75-80% of peak revenue in 2Q. Outside of this large deal we are expecting 4.3% CC revenue growth QoQ.
Revenue (Rs mn)	35,807	43,032	47,355	10.0	32.3	
EBIT (Rs mn)	5,837	6,869	7,475	8.8	28.1	- Expect EBIT margin at 15.8%, down 18 bps QoQ. Wage hikes effective July 1, 2026 are expected to impact margins by 180-200 bps QoQ, to be offset by operating efficiencies. - Investors will be looking for the next plan of action regarding Nagarro integration now that PSYS has been able to garner more than 80% plus of the outstanding shares.
PAT (Rs mn)	4,715	4,830	6,153	27.4	30.5	
EBIT Margin (%)	16.3	16.0	15.8	(18bps)	(52bps)	Expect deal flow to be strong as has been the case in multiple quarters.
PAT Margin (%)	13.2	11.2	13.0	177bps	(17bps)	

Source: Company, BOBCAPS Research

Fig 11 – COFORGE

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	462	592	662	11.8	43.2	- Expect 12.0% QoQ CC revenue growth. 1Q included only two months of Encora, and 2Q will have the full quarter (~US\$50mn more). Growth is expected to be broad-based across banking, insurance, travel, healthcare, hi-tech and the UK public sector - The large deal pipeline is the strongest to date, and 2Q is expected to deliver the highest number of large deal signings in the company's history as indicated by the CEO. TCV could be close to US1bn.
Revenue (Rs mn)	39,857	55,277	62,851	13.7	57.7	
EBIT (Rs mn)	5,563	8,822	9,951	12.8	78.9	- Expect EBIT margin at 15.8%, down 13 bps QoQ - To keep an eye on: Encora's integration and cross-sell signals, including the stand-alone organic growth of each entity
PAT (Rs mn)	3,758	5,186	6,955	34.1	85.1	
EBIT Margin (%)	14.0	16.0	15.8	(13bps)	188bps	
PAT Margin (%)	9.4	9.4	11.1	168bps	164bps	

Source: Company, BOBCAPS Research

Fig 12 – MPHL

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	445	471	485	2.9	8.9	- Expect 3.0% QoQ CC revenue growth. Management expects 2Q to deliver the strongest sequential CC growth in three years, supported by strong pipeline momentum and deal conversion - Expect TCV of US\$400-500mn.
Revenue (Rs mn)	39,019	43,841	46,089	5.1	18.1	
EBIT (Rs mn)	5,959	6,481	6,949	7.2	16.6	- Would like to see the traction in its new AI offerings that it unveiled during its recent analyst day. - Whether it sticks to its revenue guidance of high single digit to low teen revenue growth for the year.
PAT (Rs mn)	4,691	4,895	5,616	14.7	19.7	
EBIT Margin (%)	15.3	14.8	15.1	29bps	(19bps)	- Whether it is seeing an improvement in the working capital situation (debtors) - Insurance and TMT are expected to remain key growth drivers
PAT Margin (%)	12.0	11.2	12.2	102bps	16bps	

Source: Company, BOBCAPS Research

Fig 13 – BSOFT

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	151	145	146	0.4	(3.3)	Expect 0.5% QoQ CC revenue growth. Management is confident that the growth momentum will sustain after 0.3% QoQ CC growth in 1Q, the first such growth in several quarters
Revenue (Rs mn)	13,289	13,794	13,887	0.7	4.5	Financial Services and LSS are expected to remain strong. Manufacturing weakness is expected to continue for some more time despite turnaround investments, and E&U is expected to remain soft for one more quarter, with recovery from 3Q
EBIT (Rs mn)	1,931	2,034	1,950	(4.1)	1.0	
PAT (Rs mn)	1,161	1,610	1,643	2.0	41.5	Expect EBIT margin at 14.0%, down 70 bps QoQ. Wage hikes effective July 1 are expected to have a full impact of 170-200 bps in 2Q, with around half expected to hit 2Q margins after productivity offsets
EBIT Margin (%)	14.5	14.7	14.0	(70bps)	(49bps)	To keep an eye on signs of stabilisation in Manufacturing and the deal signings (Management expects 1H FY27 signings to be materially better than 1H FY26)
PAT Margin (%)	8.7	11.7	11.8	16bps	309bps	

Source: Company, BOBCAPS Research

Fig 14 – ZENT

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	163	160	161	1.0	(1.0)	- Expect 1.2% QoQ CC revenue growth - US\$210mn mega deal to continue ramping up in 2Q, with full revenue contribution in 3Q and 4Q
Revenue (Rs mn)	14,213	15,083	15,303	1.5	7.7	Expect EBIT margin at 12.9%, broadly stable. Margins are expected to remain at 1QFY27 levels in 2Q and 3Q, as investments continue in capability building, selective SG&A and sales force expansion, along with pre-staffing and transition costs for the large deal
EBIT (Rs mn)	1,948	1,924	1,969	2.4	1.1	
PAT (Rs mn)	1,822	1,838	1,861	1.2	2.1	BFSI is expected to remain strong and HLS is expected to grow, with ~75% of the consolidation-led decline already recovered
EBIT Margin (%)	13.7	12.8	12.9	11bps	(84bps)	Management said 2QFY27 is expected to be better than 1QFY27
PAT Margin (%)	12.8	12.2	12.2	(3bps)	(66bps)	To monitor: TMT, with the slowdown at the largest client expected to be more muted and the rest of the vertical expected to perform well

Source: Company, BOBCAPS Research

Fig 15 – FSOL

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	265	288	292	1.3	10.1	- Expect 1.5% QoQ CC revenue growth - BFS to sustain growth momentum, with one of the strongest banking and financial services deal pipelines in recent quarters and strong collections demand
Revenue (Rs mn)	23,122	27,249	27,961	2.6	20.9	
EBIT (Rs mn)	2,665	3,367	3,504	4.1	31.5	Expect EBIT margin at 12.5%, up 17 bps QoQ. Management maintained FY27 EBIT margin guidance of 12.25-12.75%
PAT (Rs mn)	1,795	1,659	2,305	38.9	28.4	To monitor: the ramp-up of recent large deal wins, with four large deals signed in 1Q, the sixth consecutive quarter with four or more
EBIT Margin (%)	11.5	12.4	12.5	17bps	101bps	Expect the company to hold on its overall guidance for both revenue growth and margins with growth expected to accelerate in the second half of FY27.
PAT Margin (%)	7.8	6.1	8.2	215bps	48bps	The visibility towards the second half growth will be through the higher people addition number in 2Q.

Source: Company, BOBCAPS Research

Fig 16 – ECLX

	2QFY26	1QFY27	2QFY27E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	116	126	130	3.4	12.7	Expect 3.6% QoQ CC revenue growth. Management expects 2Q to be another quarter of sequential growth.
Revenue (Rs mn)	10,049	11,524	12,357	7.2	23.0	CMT and Hi-tech are expected to continue delivering strong growth, and the Emerging business is expected to remain one of the fastest-growing segments
EBIT (Rs mn)	2,254	2,156	2,543	17.9	12.8	Expect EBIT margin at 20.6%, up 187 bps QoQ. Margins are expected to improve sequentially from 2Q onwards following the annual wage hike in 1Q, supported by revenue growth
PAT (Rs mn)	1,832	1,643	1,896	15.4	3.5	To monitor: recovery in BFSI, which was flat QoQ in 1Q, with growth expected to contribute from 2H
EBIT Margin (%)	22.4	18.7	20.6	187bps	(185bps)	To monitor: ACV, as management targets above the US\$170mn achieved last year and expects quarterly ACV volatility to continue
PAT Margin (%)	18.2	14.3	15.3	108bps	(289bps)	

Source: Company, BOBCAPS Research

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