

Dialectical Debate Transcript

Topic: Indian IT/Technology Sector Analysis - September 2025 **Date:** 2025-09-23 16:46:26 **Total Exchanges:** 0

Turn 1 - Growth Believer (BULLISH)

Opening Bullish Argument: The Indian IT/Technology Sector is Poised for Resilient Growth Amid AI-Driven Transformation – September 2025 Perspective

As of September 2025, the Indian IT/Technology sector stands at a pivotal inflection point, not one of stagnation, but of strategic acceleration. Despite short-term headwinds like the U.S. H-1B visa fee hike announced in mid-September (imposing a \$100,000 one-time fee on new applications), which triggered a ~3% QoQ drop in the Nifty IT index on September 22, the sector's fundamentals reveal a bullish trajectory. This dip, while notable, masks deeper structural tailwinds: explosive data center expansions, AI-led productivity gains, and agile mid-cap outperformance. Year-to-date (YTD) through September 22, the Nifty IT is down ~15.6%, underperforming the Nifty 50's +7.1% gain, but recent quarterly results (Q1 FY26, ending June 2025) and forward indicators point to a rebound. The sector's evolution from legacy services to AI-native digital transformation is creating self-reinforcing growth loops, with QoQ revenue trajectories in Tier-2 firms signaling a polarization where innovators thrive. Let's break this down with the latest data, emphasizing QoQ and YoY shifts from July-September 2025 reports.

Recent Financial Performance: Tier-2 Momentum Outpacing Macro Drag

The most recent quarterly disclosures (Q1 FY26 results reported in July-August 2025) underscore a bifurcated but net-positive landscape. While Tier-1 giants like TCS (-0.6% QoQ USD revenue growth) and Infosys (+4.5% QoQ) navigated cautious client spending, mid-cap leaders delivered blowout performances, highlighting competitive resilience. Coforge surged +9.6% QoQ and +53.6% YoY in USD revenues, driven by AI platform integrations like Forge-X, while Persistent Systems posted +2.8% QoQ and +21.8% YoY, bolstered by BFSI digital deals. Happiest Minds held steady at +1% QoQ, with PAT exploding +68% QoQ despite attrition rising to 18.2%—a testament to margin discipline via AI productivity tools.

This QoQ divergence, as detailed in the Antique Morning Presentation (July 7, 2025) and Centrum's August 2025 analysis, reflects not broad weakness but selective strength. Sector-wide, top-line growth was muted at -2.5% to +2% constant currency (CC) QoQ for Tier-1s, yet mid-caps ranged from -2% to +6% CC QoQ, with deal pipelines remaining healthy (e.g., Infosys' \$3.8B TCV in Q1 FY26, 55% net new from AI transformations). Margins showed resilience too: Tech Mahindra expanded EBIT +56 bps QoQ to 11.1% via offshoring and AI agents (yielding 5-15% productivity), while Persistent held at 15.5%. Even amid the September 22 Nifty IT dip, these Q1 FY26 metrics (reported just weeks ago) indicate that client spending patterns are stabilizing around cost-optimized digital projects, not collapsing. BFSI verticals, contributing 30-40% of revenues for firms like Infosys and Coforge, grew +5-7% YoY in Q1 FY26, acting as a warhorse amid retail and auto fragility.

AI/ML Adoption and Digital Transformation: Productivity as the New Growth Engine

September 2025's landscape amplifies AI's role as a bullish catalyst, countering narratives of deflation (e.g., Bernstein's September 4 note on U.S. AI pricing pressures). Far from eroding revenues, AI is fueling vendor consolidation and self-funded margin defense. In Q1 FY26, Infosys

reported 55% of its \$3.8B TCV from AI-led deals, with AI agents boosting productivity by 5-15%—directly cushioning EBIT erosion from muted discretionary spends. HCLTech's AIForce platform and Coforge's \$58M AI datacenter investment (Q1 FY26 capex) exemplify this: Coforge's inorganic ramp-up added +2.2% to QoQ growth, manufacturing velocity in a soft macro.

The Kotak July 31, 2025 note reinforces this, spotlighting Cognizant's (a key competitor influencing Indian dynamics) +7.2% CC QoQ growth in Q2 CY25 (April-June 2025), with 97% of accounts adopting AI and 30% of code AI-generated—mirroring Indian firms' pivot. For Indian players, this translates to enhanced indispensability in cloud migration and modernization: Persistent's +7.7% YoY headcount growth in Q1 FY26 supports AI training

Turn 2 - Cynic (BEARISH)

Bearish Rebuttal: The Indian IT/Technology Sector's "Resilience" is a Mirage in a Deflationary Storm – September 2025 Perspective

As of late September 2025, the Indian IT/Technology sector is not accelerating but fracturing under mounting pressures, with recent events like the U.S. H-1B visa fee hike (announced mid-September, imposing a \$100,000 one-time fee on new applications) delivering a stark reality check. This policy shift triggered a ~3% drop in the Nifty IT index on September 22—part of a YTD underperformance of -15.6% versus the Nifty 50's +7.1% gain—exposing the sector's vulnerability to external shocks rather than masking "structural tailwinds." While the bullish view cherry-picks Q1 FY26 (April-June 2025) results from July-August reports to paint a picture of mid-cap momentum and AI-driven rebound, this ignores the broader deflationary trajectory outlined in September 2025 analyses (e.g.,

Bernstein's September 4 note and Systematix's market brainwaves). QoQ revenue muting, YoY growth throttling to low single digits, and regulatory headwinds are not short-term noise but symptoms of a sector trapped in a low-growth equilibrium, where AI adoption amplifies competitive erosion rather than fueling sustainable expansion. Client spending remains in retrenchment mode, talent costs are ballooning amid visa barriers, and digital transformation pivots are yielding marginal productivity at best. Let's dismantle the optimistic narrative with the latest data, prioritizing September 2025 developments and Q1 FY26 QoQ/YOY metrics.

Recent Financial Performance: Sector-Wide Stagnation Overshadows Selective Mid-Cap Sparks

The bullish emphasis on Q1 FY26 results (reported in July-August 2025) as evidence of "net-positive" bifurcation conveniently glosses over the dominant Tier-1 drag and the unsustainability of mid-cap gains in a macro-constrained environment. Per the Centrum August 2025 breakdown and Antique's July 7 presentation, sector topline growth was tepid: Tier-1 firms like TCS (-0.6% QoQ USD revenue), Wipro (-1.6% QoQ), and HCLTech (+0.3% QoQ) reflected cautious discretionary spending, with overall guidance muted—Infosys at 0-3% FY26 CC growth and Wipro at -1% to +1% for Q2 FY26 (July-September). Even the highlighted mid-cap "blowouts" like Coforge's +9.6% QoQ USD (and +53.6% YoY) and Persistent's +2.8% QoQ (+21.8% YoY) are outliers in a field where Antique flagged top-six IT firms at -2.5% to +2% CC QoQ, and mid-caps only marginally better at -2% to +6% CC QoQ. Happiest Minds' +1% QoQ came with PAT volatility tied to a 68% QoQ surge, but attrition spiked +160 bps QoQ to 18.2%, signaling talent retention cracks that could erode these gains in Q2 FY26.

This QoQ softness isn't "selective strength" but a symptom of client spending patterns locked in ROI-retrench mode, as detailed in the September 11, 2025 intelligence report. Enterprises, post a \$280B annual tech spend binge from 2021-24, are now optimizing budgets amid U.S. tariff risks (expected 20-25% effective burdens per

Systematix September 2025), diverting funds to hardware/AI infra over services. BFSI's +5-7% YoY support in Q1 FY26 (per Centrum) is a lifeline, but it's fragile—retail, auto, and consumer verticals lagged with flat-to-negative QoQ, per Antique, underscoring uneven demand. Margins tell a bleaker story: HCLT slipped -171 bps QoQ to 16.3%, Infosys edged -13 bps to 20.8%, and sector EBIT is projected to flatline at ~20% through FY28 (September 11 report), as wage hikes and deal ramp-up costs in H2 FY25 (Kotak July 31) offset any AI cushions. The September 22 Nifty IT plunge, driven by visa fee realities, isn't a "dip" to rebound from—it's a forward indicator of margin compression, with Indian firms' onsite-heavy models now facing 25% tax risks under the proposed U.S. HIRE Act (Financial Times, September 2025), potentially shaving 1-2% off FY26 EBIT.

AI/ML Adoption and Digital Transformation: Deflationary Disruption, Not a Growth Engine

The bullish portrayal of AI as a "self-reinforcing growth loop" via Q1 FY26 deals (

Turn 3 - Growth Believer (BULLISH)

Bullish Rebuttal: Indian IT/Technology Sector's Resilience is Real – AI and Mid-Cap Velocity Counter Deflationary Headwinds in September 2025

As of late September 2025, the Indian IT/Technology sector's trajectory remains fundamentally bullish, with recent Q1 FY26 (April-June 2025) results and emerging Q2 indicators signaling adaptive strength amid transient shocks like the U.S. H-1B visa fee hike (mid-September announcement of \$100,000 per new application). This event, which drove a ~3% Nifty IT drop on September 22 as part of a YTD -15.6% underperformance versus

Nifty 50's +7.1%, is a tactical setback—not a structural fracture. Bearish arguments overstate this as a "mirage" by fixating on Tier-1 QoQ muting and macro drags (e.g., Bernstein's September 4 note on U.S. AI pricing and Systematix's tariff warnings), while downplaying the sector's pivot to AI-led digital transformation and data center synergies. In reality, Q1 FY26 data (Centrum August 2025, Antique July 7) shows QoQ revenue polarization favoring agile players, with AI productivity offsetting client retrenchment and regulatory frictions. Client spending is shifting—not shrinking—toward high-ROI modernization, talent strategies are evolving via offshoring, and policy tailwinds like the IndiaAI Mission (launched 2024, with 34,371 GPUs awarded by mid-2025) are unlocking sovereign AI infrastructure. This isn't low-growth equilibrium; it's a reallocation where mid-caps lead a QoQ rebound, and Tier-1s stabilize. Let's counter the bearish narrative point-by-point with the latest September 2025 context and Q1 FY26 metrics, emphasizing YoY/QoQ trajectories.

Recent Financial Performance: Mid-Cap Momentum as Sector Leading Indicator, Not Outlier

The bearish dismissal of Q1 FY26 results as "unsustainable sparks" ignores their recency and forward momentum, where mid-cap outperformance (Coforge +9.6% QoQ USD, +53.6% YoY; Persistent +2.8% QoQ, +21.8% YoY) is scaling into Q2 FY26 amid deal ramp-ups. Antique's July 7 presentation projected top-six Tier-1s at -2.5% to +2% CC QoQ, but this masks positives: Infosys delivered +4.5% QoQ USD growth (strongest Tier-1), TCS PAT rose +4.4% QoQ, and HCLTech's flat +0.3% QoQ came with a robust pipeline. Wipro's -1.6% QoQ reflects one-off delays, yet its Q2 FY26 guidance (-1% to +1% CC) aligns with sector stabilization, per Centrum's August 2025 BUY ratings on Infosys, TCS, and mid-caps like Coforge/Persistent. Happiest Minds' +1% QoQ and +68% PAT surge, despite +160 bps attrition to 18.2%,

demonstrate margin levers firing independently—EBIT held steady via AI tools, countering bearish volatility claims.

This QoQ bifurcation, detailed in Doc_4's August 2025 analysis, isn't "dominant Tier-1 drag" but evidence of competitive positioning: BFSI verticals grew +5-7% YoY across Infosys and Coforge in Q1 FY26, comprising 30-40% of revenues and buffering retail/auto softness (flat-to-negative QoQ per Antique). Client spending patterns, post-2021-24's \$280B binge (September 11 report), are indeed ROI-focused, but this favors Indian firms' offshore models—headcount flat/muted in Tier-1s (TCS +0.8% YoY, Infosys +0.1%) reduces costs, while mid-caps like Coforge (+28.5% YoY headcount) ramp for AI deals. The September 22 Nifty IT dip from visa hikes? It's already rebounding in early September trading, as firms like Infosys announce accelerated offshoring (targeting 70% offshore by FY26 end), mitigating the \$100,000 fee's impact. Proposed U.S. HIRE Act taxes (25% on foreign services, per Financial Times September 2025) pose risks, but Indian IT's 60-70% offshore leverage (up +5-10% YoY per Kotak July 31) positions it to absorb 1-2% EBIT hits via productivity, not derate the sector. Guidance remains intact—Infosys 0-3% FY26 CC, HCLT 2-5%—signaling QoQ acceleration in H2 FY26 as macro eases.

AI/ML

Turn 4 - Cynic (BEARISH)

Bearish Rebuttal: Indian IT/Technology Sector's "Resilience" is Overstated – Deflationary Pressures and Regulatory Squeezes Dominate September 2025 Landscape

As of late September 2025, the Indian IT/Technology sector is not rebounding but buckling under escalating deflationary forces and regulatory barriers, with the U.S. H-1B visa fee hike (announced mid-September, adding a \$100,000 one-time cost per new application) crystallizing a ~3% Nifty IT index plunge on September 22—extending YTD underperformance to -15.6% against the Nifty 50's +7.1% gain. Bullish arguments lean heavily on Q1 FY26 (April-June 2025) mid-cap sparks and AI "productivity gains" from July-August reports (e.g., Antique July 7, Centrum August), framing them as leading indicators of acceleration. This is selective optimism that ignores the sector's structural headwinds: QoQ revenue muting across Tier-1s, AI-driven revenue deflation projected at ~20% by FY30 (September 11 intelligence), and client spending locked in optimization mode amid U.S. tariff risks (20-25% effective burdens per Systematix September). The proposed U.S. HIRE Act (September discussions, imposing ~25% tax on foreign services payments) further threatens onsite models, which still comprise 30-40% of delivery for many firms. Far from a "reallocation where mid-caps lead," this is a low-growth trap where Tier-1 stagnation drags the sector, mid-cap gains prove fleeting amid talent cost spikes, and AI adoption amplifies competitive erosion rather than insulating revenues. Drawing on the latest September 2025 data and Q1 FY26 QoQ/YOY metrics, let's counter the bullish narrative systematically, prioritizing recency over outdated Q1 enthusiasm.

Recent Financial Performance: Mid-Cap "Momentum" Masks Sector-Wide QoQ Weakness and Unsustainable Volatility

Bullish claims of Q1 FY26 mid-cap outperformance as a "sector leading indicator" (Coforge +9.6% QoQ USD, +53.6% YoY; Persistent +2.8% QoQ, +21.8% YoY) overlook the dominant Tier-1 drag and the fragility of these gains in a macro-constrained Q2 FY26 (July-September). Per Antique's July 7 presentation—still the most recent forward guidance as of September—the top-six IT firms are projected at -2.5% to +2% constant currency (CC) QoQ, with mid-caps only edging to -2% to +6% CC QoQ, reflecting delayed deal ramp-ups and cautious discretionary spending. Infosys' +4.5% QoQ USD (Q1 FY26) was a high-water mark for Tier-1s, but TCS dipped -0.6% QoQ, Wipro -1.6% QoQ, and HCLTech barely +0.3% QoQ—trends that carried into September's market reaction to visa hikes, per Doc_7's September 15-22 summary. Wipro's Q2 FY26 guidance (-1% to +1% CC, issued late July) signals no QoQ inflection, while Infosys' FY26 outlook (0-3% CC growth) and HCLT's (2-5%) remain muted, underscoring a sector CAGR throttling to 3.8% FY25-28 (September 11 report), half the prior decade's pace.

This QoQ bifurcation isn't "net-positive resilience" but evidence of polarization where mid-cap velocity (e.g., Happiest Minds' +1% QoQ with +68% PAT surge) comes at the cost of heightened volatility—attrition jumped +160 bps QoQ to 18.2% at Happiest Minds and +250 bps at Tech Mahindra, per Centrum August, inflating talent acquisition costs by 10-15% YoY amid flat headcount in Tier-1s (TCS +0.8% YoY, Infosys +0.1%). Coforge's +28.5% YoY headcount ramp and +2.2% inorganic contribution (Q1 FY26) sound impressive, but they expose dependency on M&A-fueled growth in a deal environment where TCV bookings rose just 6% YoY (Kotak July 31), skewed toward cost-takeout rather

than expansion. Client spending patterns, post the 2021-24 \$280B tech binge, are firmly in retrenchment: BFSI's +5-7% YoY support (30-40% of revenues for Infosys/Coforge) buffered Q1, but retail/auto/consumer verticals stagnated flat-to-negative QoQ (Antique July), per Doc_4. The September

Turn 1 - Growth Believer (BULLISH)

Opening Bullish Argument: Indian IT/Technology Sector's Resilient Momentum in September 2025 – AI and Mid-Cap Agility Drive QoQ Recovery

As of late September 2025, the Indian IT/Technology sector is not buckling under recent headwinds but accelerating through a transformative pivot, with Q1 FY26 (April-June 2025) results and early Q2 indicators revealing robust QoQ and YoY growth in key sub-segments. The sector's ~3% Nifty IT index drop on September 22—triggered by the U.S. H-1B visa fee hike (\$100,000 one-time fee on new applications, announced mid-September)—represents a tactical volatility spike amid YTD underperformance (-15.6% vs. Nifty 50's +7.1%), but it overlooks the underlying strength: AI/ML adoption fueling productivity gains, data center expansions unlocking infrastructure-led revenues, and mid-cap firms outpacing Tier-1 giants in deal wins. Client spending patterns have shifted toward high-ROI digital modernization (e.g., cloud migration and AI integrations), with BFSI verticals providing a stable base (+5-7% YoY in Q1 FY26).

Regulatory tailwinds like the IndiaAI Mission (34,371 GPUs awarded by mid-2025) and state policies (Maharashtra's AVGC-XR Policy, September 17-18) are amplifying domestic talent and compute capacity, positioning the sector for H2 FY26 acceleration. This isn't stagnation; it's a QoQ rebalancing where agile players capture market share, with aggregate EBIT margins holding ~20% despite macro softness. Drawing from the latest reports (Centrum August 2025, Antique July 7, and Systematix September 2025), let's dissect the evidence emphasizing recent Q1 FY26 metrics and September developments.

Q1 FY26 Financial Performance: Mid-Cap QoQ Surge Signals Sector Polarization and Rebound Potential

The most recent quarterly data from Q1 FY26 (reported July-August 2025) highlights a bifurcated but net-bullish landscape, with Tier-2 firms driving QoQ velocity amid Tier-1 stabilization. Infosys led Tier-1s with +4.5% QoQ USD revenue growth, fueled by \$3.8B in total contract value (TCV), 55% from net-new AI-led transformations—outpacing TCS's -0.6% QoQ dip (attributable to delayed ramp-ups) and Wipro's -1.6% QoQ. HCLTech remained nearly flat at +0.3% QoQ, but its PAT trajectory supports resilience, with BFSI deals contributing ~35% of revenues and growing +6% YoY. Critically, mid-caps shone brighter: Coforge exploded +9.6% QoQ and +53.6% YoY in USD terms, propelled by inorganic integrations (+2.2% QoQ contribution) and AI platform Forge-X; Persistent Systems advanced +2.8% QoQ and +21.8% YoY, leveraging cloud migration in healthcare (+10% YoY vertical growth); Happiest Minds posted +1% QoQ with PAT surging +68% QoQ, even as attrition rose +160 bps to 18.2%, thanks to AI-driven cost controls.

Antique's July 7, 2025 presentation projected sector-wide CC revenue at -2.5% to +2% QoQ for top Tier-1s, but this masks mid-cap strength (-2% to +6% CC QoQ), with deal pipelines intact (e.g., Infosys' 0-3% FY26 CC guidance reaffirmed post-Q1). Margins diverged positively: Tech Mahindra expanded EBIT +56 bps QoQ to 11.1% via "Project Fortius" offshoring and AI agents (5-15% productivity uplift); Persistent held steady at 15.5%, Coforge widened +100 bps to 13.2% through integration savings. TCS's PAT rose +4.4% QoQ, underscoring PAT resilience despite topline muting. Year-to-date through September, these Q1 trends (just two months old) outweigh older FY25 data, with early Q2 whispers (per Centrum August) indicating BFSI as a "warhorse" vertical (+5-7% YoY across Infosys/Coforge), buffering retail and auto fragility (flat QoQ). The September 22 Nifty IT dip? It's already showing signs of reversal in late-September trading, as firms accelerate offshore shifts (targeting 70% offshore delivery by FY26 end, up +5-10% YoY per Kotak July 31), mitigating visa costs estimated at 1-2% EBIT impact.

**AI/ML Adoption and Digital Transformation:
Productivity Gains Fueling QoQ Margin Defense and
Deal Momentum**

September 2025's context ampl

Turn 2 - Cynic (BEARISH)

Bearish Rebuttal: Indian IT/Technology Sector's "Resilient Momentum" is a Fragile Facade – September 2025 Headwinds Expose Deepening Stagnation

As of late September 2025, the Indian IT/Technology sector is not pivoting to acceleration but sliding deeper into a deflationary quagmire, with the U.S. H-1B visa fee hike (mid-September announcement of a \$100,000 one-time fee per new application) delivering a ~3% Nifty IT index plunge on September 22—compounding YTD underperformance to -15.6% versus the Nifty 50's +7.1% gain. The bullish narrative clings to Q1 FY26 (April-June 2025) mid-cap QoQ sparks and AI "productivity uplifts" from July-August reports (e.g., Antique July 7, Centrum August), portraying them as harbingers of H2 FY26 rebound. This is myopic optimism that downplays the sector's core vulnerabilities: Tier-1 revenue muting dominating aggregate growth, AI/ML adoption accelerating deflation rather than insulating margins, and client spending entrenched in cost-optimization amid regulatory squeezes like the proposed U.S. HIRE Act (September discussions, ~25% tax on foreign services payments). Early Q2 FY26 indicators (July-September) show no inflection—Wipro's guidance (-1% to +1% CC QoQ) and Infosys' reaffirmed 0-3% FY26 CC outlook signal a throttled CAGR of 3.8% FY25-28 (September 11 intelligence report), with AI projected to erode ~20% of existing revenues by FY30. Domestic

tailwinds like the IndiaAI Mission (34,371 GPUs awarded by mid-2025) and Maharashtra's AVGC-XR Policy (September 17-18) are incremental at best, overshadowed by U.S. policy barriers inflating talent costs and eroding onsite delivery (30-40% of models for many firms). Far from "net-bullish polarization," this is a sector-wide trap where mid-cap volatility masks structural decline, and recent September events amplify margin erosion. Countering the bullish case with the latest data, prioritizing Q1 FY26 QoQ/YOY metrics and September 2025 developments.

Q1 FY26 Financial Performance: Mid-Cap QoQ "Surges" Are Volatile Outliers Amid Tier-1 Drag and Q2 Muted Guidance

The bullish emphasis on Q1 FY26 mid-cap velocity (Coforge +9.6% QoQ USD, +53.6% YoY; Persistent +2.8% QoQ, +21.8% YoY; Happiest Minds +1% QoQ with +68% PAT) as "sector-leading indicators" ignores their unsustainability and the Tier-1 anchor weighing down the aggregate. Per Antique's July 7 presentation—the most recent forward-looking analysis as of September—top Tier-1 firms are confined to -2.5% to +2% CC QoQ, with mid-caps only marginally superior at -2% to +6% CC QoQ, reflecting delayed deal ramp-ups and discretionary spending caution. Infosys' +4.5% QoQ USD was a fleeting Tier-1 bright spot, but TCS's -0.6% QoQ, Wipro's -1.6% QoQ, and HCLTech's +0.3% QoQ (Centrum August) underscore broader muting, with Q2 FY26 guidance offering no relief: Wipro at -1% to +1% CC (late July issuance), Infosys at 0-3% FY26 CC (reaffirmed post-Q1), and HCLT at 2-5% (muted by

tariff risks). This QoQ trajectory aligns with Systematix's September 2025 brainwaves, where non-financial corporate sales growth crawled at 3.9% YoY—lagging GDP at 7.8%—and highlights client retrenchment post the 2021-24 \$280B tech spend binge.

Mid-cap gains are no "rebound signal" but high-risk bets: Coforge's +2.2% inorganic QoQ contribution relies on M&A in a deal environment where TCV rose just 6% YoY (Kotak July 31), while Persistent's healthcare cloud migration (+10% YoY vertical) faces fragility from Medicaid cuts and auto/retail flatness (Antique July). Happiest Minds' PAT surge came despite attrition spiking +160 bps QoQ to 18.2%, and Tech Mahindra's +250 bps QoQ jump to elevated levels (Centrum August), inflating talent costs 10-15% YoY amid flat Tier-1 headcount (TCS +0.8% YoY, Infosys +0.1%). Margins

Turn 3 - Growth Believer (BULLISH)

**Bullish Rebuttal: Indian IT/
Technology Sector's Momentum is
Adaptive Strength, Not Fragile
Facade – September 2025 Data
Reveals QoQ Acceleration Amid
Regulatory Noise**

As of late September 2025, the Indian IT/
Technology sector's trajectory is one of

resilient adaptation, not deepening stagnation, with Q1 FY26 (April-June 2025) results and early Q2 indicators (July-September) demonstrating QoQ revenue polarization that favors AI-agile players while Tier-1s stabilize. The bearish portrayal of the U.S. H-1B visa fee hike (\$100,000 one-time fee per new application, announced mid-September) as a "quagmire" catalyst—driving the Nifty IT's ~3% plunge on September 22 and YTD -15.6% underperformance versus Nifty 50's +7.1%—overstates its impact, ignoring firms' swift offshore pivots (targeting 70% offshore delivery by FY26 end, up +5-10% YoY per Kotak July 31, 2025). This event, while inflating talent costs short-term (estimated 1-2% EBIT hit), accelerates digital transformation imperatives like AI/ML adoption and cloud migration, reducing onsite dependency (30-40% of models). Client spending patterns, post the 2021-24 \$280B binge, are indeed ROI-focused but channeling into vendor consolidation and AI-led deals—evident in Infosys' \$3.8B Q1 FY26 TCV (55% net-new AI transformations, Centrum August 2025). The proposed U.S. HIRE Act (~25% tax on foreign services, September discussions) poses risks, but recent domestic policies like the IndiaAI Mission (34,371 GPUs awarded by mid-2025, adding ~2 TWh annual power demand) and Maharashtra's AVGC-XR Policy (September 17-18, ₹3,268 crore outlay targeting 200,000 jobs) bolster sovereign compute and talent pools, offsetting U.S. frictions. Far from a "sector-wide trap," Q1 FY26 QoQ metrics (Antique July 7, Centrum

August) show mid-cap velocity as a scalable trend, with aggregate FY26 CC growth guidance (Infosys 0-3%, HCLT 2-5%) intact and AI productivity (5-15% uplifts) insulating margins at ~20%. Countering the bearish case point-by-point with the latest September 2025 context and Q1 FY26 data, emphasizing recent QoQ/YoY shifts.

**Q1 FY26 Financial Performance: Mid-Cap
QoQ Velocity as Scalable Leading Indicator,
Tier-1 Stabilization Counters Aggregate
Drag**

The bearish dismissal of mid-cap Q1 FY26 surges (Coforge +9.6% QoQ USD, +53.6% YoY; Persistent +2.8% QoQ, +21.8% YoY; Happiest Minds +1% QoQ, +68% PAT QoQ) as "volatile outliers" amid Tier-1 "drag" misreads the sector's hourglass-shaped polarization, where mid-caps are compounding momentum into early Q2 FY26 (July-September whispers per Systematix September 2025). Antique's July 7 projection of -2.5% to +2% CC QoQ for top Tier-1s is outdated context—actual Q1 results (reported July-August) delivered stronger: Infosys +4.5% QoQ USD (BFSI-led, +6% YoY vertical), TCS PAT +4.4% QoQ despite -0.6% topline (pipeline healthy at +6% YoY TCV, Kotak July 31), HCLTech +0.3% QoQ with AIForce ramp-ups, and Wipro's -1.6% QoQ tied to one-off delays but offset by +34% YoY PAT in peers like Tech Mahindra. This QoQ trajectory, per Centrum's August 2025 analysis, reflects client patterns favoring cost-optimized digital projects over discretionary,

with BFSI (30-40% sector revenues) growing +5-7% YoY across Infosys/Coforge/Persistent —buffering retail/auto flatness (0% QoQ, Antique July).

Mid-cap strength is no "high-risk bet" but evidence of competitive positioning: Coforge's +2.2% inorganic QoQ (via M&A and \$58M AI datacenter capex in Q1) scales AI platform Forge-X for cloud migration deals, adding +100 bps to EBIT at 13.2%; Persistent's +10% YoY healthcare vertical leverages AI training data services (mirroring Cognizant's 30% AI-generated code in Q2 CY25, Kotak July 31), with headcount +7.7%

Turn 4 - Cynic (BEARISH)

**Bearish Rebuttal: Indian IT/
Technology Sector's "Adaptive
Momentum" is a Delusional
Facade – September 2025
Regulatory Squeezes and QoQ
Mutedness Signal Deepening
Deflationary Trap**

As of late September 2025, the Indian IT/Technology sector is not adapting resiliently but entrenching in a deflationary stagnation, with the U.S. H-1B visa fee hike (\$100,000 one-time fee per new application, announced mid-

September) and proposed HIRE Act (~25% tax on foreign services payments, under September discussions) amplifying a ~3% Nifty IT index plunge on September 22—extending YTD underperformance to -15.6% against the Nifty 50's +7.1% gain. Bullish arguments frame Q1 FY26 (April-June 2025) mid-cap QoQ surges and AI "productivity uplifts" (from Antique July 7 and Centrum August 2025 reports) as scalable trends, with offshore pivots mitigating visa costs and domestic policies like the IndiaAI Mission (34,371 GPUs awarded by mid-2025) providing tailwinds. This is overly sanguine revisionism that downplays the sector's core frailties: Tier-1 revenue muting dominating aggregates, AI/ML adoption accelerating ~20% revenue deflation by FY30 (September 11, 2025 intelligence report), and client spending locked in post-2021-24 \$280B binge retrenchment, favoring hardware/infra over services. Early Q2 FY26 indicators (July-September, per Systematix September 2025) show no QoQ inflection—Wipro's -1% to +1% CC guidance (late July) and Infosys' 0-3% FY26 CC outlook (reaffirmed post-Q1)—while Bernstein's September 4 note warns of U.S. AI dominance eroding Indian pricing power. Domestic incentives like Maharashtra's AVGC-XR Policy (September 17-18, ₹3,268 crore outlay) are nascent and job-focused, insufficient against U.S. regulatory barriers inflating talent costs

10-15% YoY and onsite dependency (30-40% of delivery models). Far from "net-bullish polarization," recent September 2025 developments reveal a sector trapped in low-growth volatility, where mid-cap "velocity" masks structural erosion. Countering the bullish case directly with the latest data, prioritizing Q1 FY26 QoQ/YOY metrics and September events.

Q1 FY26 Financial Performance: Mid-Cap QoQ "Velocity" is Unsustainable Volatility, Not a Scalable Rebound Amid Tier-1 and Aggregate Drag

Bullish portrayals of Q1 FY26 mid-cap surges (Coforge +9.6% QoQ USD, +53.6% YoY; Persistent +2.8% QoQ, +21.8% YoY; Happiest Minds +1% QoQ with +68% PAT) as "scalable leading indicators" and Tier-1 stabilization (Infosys +4.5% QoQ USD) ignore their outlier nature in a sector-wide QoQ muting that persists into early Q2 FY26. Antique's July 7, 2025 projection—still the freshest forward guidance as of September—pegged top Tier-1s at -2.5% to +2% CC QoQ, a range validated by actuals: TCS -0.6% QoQ USD (despite +4.4% PAT QoQ from one-offs), Wipro -1.6% QoQ (tied to discretionary delays, with Q2 guidance -1% to +1% CC signaling no uplift), HCLTech +0.3% QoQ but with PAT pressured by BFSI softness beyond the +5-7% YoY headline. Infosys' +4.5% QoQ was BFSI-driven (+6% YoY

vertical, ~35% of revenues), but even this was modest YoY at +4.5%, reflecting client patterns in ROI-retrench mode (Systematix September 2025: non-financial corporate sales +3.9% YoY, lagging GDP at 7.8%). Aggregate sector CAGR is throttling to 3.8% FY25-28 (September 11 report), half the prior decade, with Q1 FY26 topline "polarization" more hourglass than bullish—mid-caps at -2% to +6% CC QoQ per Antique, but this masks volatility from attrition spikes (+160 bps QoQ to 18.2% at Happiest Minds, +250 bps at Tech Mahindra, Centrum August), inflating talent acquisition costs 10-15% YoY amid flat Tier-1 headcount (TCS +0.8% YoY, Infosys +0.1%).
