AI, uncertain macros may cloud IT earnings

AVIK DAS
Bengaluru, 1 July

The Indian information technology (IT) services sector, which has traditionally relied on a strong first half to drive annual growth, is entering financial year 2026-2027 (FY27) on a weak footing as an uncertain macroeconomic environment, volatile geopolitics and artificial intelligence (AI) deflationary pressure continues to weigh on discretionary spending and decision making cycles.

Such an overhang is not new off late but has only intensified with fresh layer of uncertainties being added to the list almost every quarter. That makes it all but certain that the current year is likely to see another low single-digit growth, making it the fourth on a trot.

Analysts expect a soft first quarter for large and mid-cap companies though the latter are expected to perform relatively better than their bigger counterparts. Sequential growth in constant currency is expected in the range of -1.5-2 per cent and mid-caps are expected to outperform once again, with growth ranging from a degrowth of 1 per cent to growth of 4.8 per cent, led by continued large-deal ramp-ups.

"With 1H tracking below the run-rate needed to sustain the upper end of FY27 guidance ranges, the ask on 2H to bridge the gap becomes increasingly impractical. We, therefore, expect companies to walk back the top end of their guidance bands this quarter. We expect Infosys to lower the upper end of its FY27 guidance by 50bp, while HCLTech could trim the upper end of its services growth guidance by 100bp," Motilal Oswal wrote in a note on Wednesday.

The sombre mood has been hurt further when industry leader Accenture cut its full-year guidance last month citing revenue headwinds from the West Asia war, which has finally started hitting the companies' top line. That led to a bloodbath of all Indian IT stocks.

The results season will be kicked off by the sectors largest player Tata Consultancy Services (TCS) on July 9.

For IT companies, the near-term growth levers remain limited. They are all chasing the same set of large deals, which are essentially vendor consolidation and cost optimisation ones. Such deals have also shrunk in size and the intense competition is also putting pressure on margins. They are also facing AI deflationary pressure by about 2-3 per cent annually on their bread and butter business, which needs to be offset by AI revenue that will take time to ramp up. They have pegged new revenue from AI services to be worth about $300-400 billion by 2030 as demand for orchestrating workflows for proper returns on AI goes up.

"We cut our 1Q revenue growth assumptions for all companies on the back of delays in deal closures and revenue conversion. Our checks indicated delays in deal ramp-ups and signings due to continued client indecision from geopolitical uncertainty and sharp AI changes," JP Morgan said.

Margins thus will be under stress. Analysts expect a modest sequential improvement, helped by operating leverage and cost actions. TCS' margins may even decline due to the annual wage hikes, while Wipro, Coforge, and Persistent are likely to see pressure from weaker operating leverage, wage hikes, deal ramp-up costs and continued AI investments. The depreciation of the rupee is expected to be the only saving grace.

Facing headwinds

- Uncertain macroeconomic environment, volatile geopolitics, AI deflationary pressure to weigh on discretionary spending
- Current year is likely to see another low single-digit growth, making it the fourth on a trot
- Analysts expect a soft first quarter for large and mid-cap companies
- BFSI remains most resilient vertical, supported by continued deal ramp-ups, relatively stable spending
- Telecom remains soft; manufacturing seeing uneven demand across auto and industrial clients

AI becomes largest hiring driver with GCCs

India's overall white-collar hiring stayed subdued in June 2026, with the foundit Insights Tracker (fit) recording a 5% month-on-month and 9% year-on-year (Y-o-Y) decline.

Against that slowdown, the country's global capability centre (GCC) ecosystem continued to expand — and hiring has shifted decisively towards artificial intelligence (AI)-based skills.

Nearly two in three new GCC roles created in 2026 (64%) now require AI, data science or intelligent automation skills, even as technology and software, and banking, financial services, and insurance together account for 56% of all GCC hiring.

SHIVANI SHINDE

Key findings

- India has already recorded 227,991 GCC hires till June 2026, up 11% Y-o-Y
- Nearly 2,120 GCCs now operating across the country
- GCC hiring is projected to reach 510,452 jobs by year-end, up 12% from 2025
- India's GCC hiring has grown 3.4-fold since 2021, reaching 227,991 jobs in the first half of 2026 alone — a 27.4% CAGR over five years
- Professionals with 4-10 years of experience account for 56% of GCC hiring (4-6 years at 34% and 7-10 years at 22%)

MEIL, Analog tie up to deploy physical intelligence in India

SURAJEET DAS GUPTA & SHINE JACOB
New Delhi/Chennai, 1 July

Hyderabad-based infrastructure and engineering major Megha Engineering & Infrastructures (MEIL) and Abu Dhabi-based Analog on Wednesday announced a strategic partnership to deploy physical intelligence (Pi) for the first time in India. Both companies have set up a 50:50 joint venture (JV) to bring Analog's technology platform to the country, which will involve investments of $300-500 million over the next three to four years.

The Abu Dhabi-based company is a pioneer in Pi globally. Pi is a new frontier in artificial intelligence (AI) that gives machines the ability to perceive, understand, and act within the real world rather than through rigid programming. This is done through continuous learning and the creation of a living model that grows more intelligent with every interaction.

MEIL MD P V Krishna Reddy *(left)* with Analog founder and CEO Alex Kipman

Analog was founded by Brazilian engineer Alex Kipman, known globally as the inventor of HoloLens while serving as the head developer at Microsoft. Analog has already set up a wholly owned subsidiary in India through which it will invest in the JV. It is also planning to set up an Analog facility in Hyderabad within six months, while a commercial launch is expected within three months. "While Megha brings us the reach that we don't have in India, we bring the technology. Our aim is to work with governments, the public sector, the construction industry, and urban infrastructure, among others," Kipman said.

Machines build data continuously in Pi through thousands of sensors across cities, enterprises, hotels, or homes, supported by robots and agents.

Kipman said their first project with the Telangana government is aimed at reducing traffic congestion in real time in Hyderabad.

This partnership brings that capability to India at scale. MEIL brings the reach. Analog brings the intelligence. Together, they will work across infrastructure, mobility, industrial systems, public safety, urban transformation, and intelligent operations.

"In the next three to four years, we are planning to invest $300-500 million in Pi," said P V Krishna Reddy, managing director of MEIL.

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Cult.fit flexes its IPO muscle

PEERZADA ABRAR
Bengaluru, 1 July

Cult.fit, the Bengaluru fitness chain that opened in 2015 with a no-machine workout concept, is preparing for a stock market debut next month, according to sources.

The company, which has grown to 712 centres and ₹1,700 crore in revenue, has hired Goldman Sachs and Morgan Stanley to work towards an initial public offering (IPO), people familiar with the matter said. A draft prospectus for a ₹3,500-4,000 crore issue is expected in early July.

Cult.fit Chief Executive Officer (CEO) Naresh Krishnaswamy, who took over the role in 2023, said the listing remains a milestone rather than a near-term target. "I do not have any timeline to share," he told *Business Standard*.

The original Cult was founded in Bengaluru in 2015 by Rishabh Telang, offering a machine-free fitness approach built around martial arts, yoga, and outdoor activities. Serial entrepreneur and Myntra cofounder Mukesh Bansal acquired a controlling stake in 2016 and built a broader platform around it.

Krishnaswamy, who previously helped scale Myntra's revenue, joined Cult.fit in 2018 and became CEO in 2023. Cult.fit operates 712 centres across company-owned and franchise-operated formats. It also owns the Indian operations of Gold's Gym and Fitness First. The company's products arm, Cult Store, sells athleisure wear, footwear, and fitness equipment through its own website, exclusive outlets, multi-brand retail, and ecommerce platforms.

Cult.fit has raised $714 million to date from investors, including Temasek, Accel, and Fireside Ventures, according to Tracxn. Temasek raised its stake to 12 per cent this year with a ₹440 crore investment.

The pandemic hit hard: revenue fell to ₹161.4 crore in 2020-21 amid a ₹671 crore loss. Krishnaswamy said the recovery since then has been the result of four years of steady execution rather than a single strategic shift. Cult.fit entered the pandemic with adequate capital, a strong brand, and loyal customers, which, he said, helped it weather the disruption.

He credited the recovery to franchise-driven expansion,

Naresh Krishnaswamy, CEO of Cult.fit, said the listing remains a milestone rather than a near-term target

deeper penetration in India's top cities, and growth in the company's products business, which was launched around 2019-20 and has since expanded from a single category into apparel, footwear, and fitness equipment. The unit also improved gym economics by growing revenue while keeping costs largely flat.

In 2024-25 (FY25), revenue grew 31 per cent to ₹1,216 crore, while earnings before interest, tax, depreciation, and amortisation (Ebitda) losses narrowed from ₹209 crore to ₹36 crore. Services generated ₹844 crore of FY25 revenue; Cult Store contributed ₹372 crore.

The company turned Ebitda-positive in the final quarter of 2025-26 (FY26), according to people familiar with the matter, marking a double-digit improvement in Ebitda. Revenue surpassed ₹1,700 crore, up about 40 per cent from a year ago.

Krishnaswamy declined to comment on FY26 results before they are finalised but confirmed the company had reached Ebitda profitability, adding that he expects profitability to improve further in the coming years. Cult.fit is present in more than 75 cities and aims to become a 100-city business within five to six years.

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