Indian IT sector's revenue growth to remain stable at 6 pc in FY27: Report

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Mumbai, Aug 26 (IANS) The revenue growth of India's IT sector is expected to remain stable at 6 per cent in FY27, supported by steady technology exports, AI adoption and policy support, a new report showed on Wednesday.

Operating margins are projected to recover to 21.8 per cent, while debt-to-equity declines to 0.1 and debt service coverage rises to 16.8 in FY27, as credit outlook remains stable, the report mentioned.

According to Brickwork Ratings, India's IT sector is undergoing a structural shift from volume based contracts to high-value digital services, driven by hyper-automation and artificial intelligence (AI).

The sector recorded $418 billion in services exports in FY26, while revenue growth is estimated at 6.1 per cent in FY26 and projected at 6.0 per cent in FY27.

Early results for Q1 FY27 from the sector's largest firms broadly validate this trajectory.

The report said that India's IT services sector began FY27 on a soft note. Larger tier-1 firms posted modest low-single-digit growth in constant currency terms, though revenue in rupee terms appeared higher on account of currency depreciation, while margins came under pressure from annual wage hikes and continued investment in AI talent.

Mid-sized firms fared somewhat better on growth, and steady deal wins and rising AI-led revenue helped keep the sector's medium-term outlook intact.

India's second position globally in AI skill development and India AI Mission's deployment of more than 38,000 GPUs are supporting the sector's transition, according to the ratings agency.

"More than 1,700 Global Capability Centres (GCCs) are leveraging domestic data-centre capacity, expanding at over 20 per cent annually. The sector further benefits from a 15.5 per cent common safe harbour margin for consolidated IT categories introduced in the Union Budget 2026-27," said Rajeev Sharan, Head of Research, Brickwork Ratings.

The US and Europe accounted for 52.9 per cent and 32.8 per cent, respectively, of IT spending in FY25, creating geographical concentration risk.

"That said, rapid AI adoption also requires continuous investment in skills to address potential skill obsolescence," said Sharan.