

'IT revenue growth to be stable at 6% in FY27'

Our Bureau

Bengaluru

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

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

Early results for Q1FY27 from the sector's largest firms broadly validate this trajectory. 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.

UNDER PRESSURE

Meanwhile, margins came under pressure from annual wage hikes and continued investment in AI talent. Mid-sized firms fared somewhat better on growth, with steady deal wins and rising AI-led revenue helping keep the sector's medium-term outlook intact. **Brickwork**

Ratings maintains a stable credit outlook, supported by steady technology exports, AI adoption and policy support. However, AI-based developments may necessitate operational realignment and investment in specialised capabilities.

AI SKILL DEVELOPMENT

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 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 Budget 2026-27," said Rajeev Sharan, Head of Research, Brickwork Ratings.

Operating margins are estimated to have moderated to 20.1 per cent in FY25, as companies absorbed higher costs of specialised AI talent. As digital investments mature and automation improves efficiency, margins are projected to recover to 21.8 per cent in FY27.