

February 10, 2026

### AI and Indian IT – Enterprise Adoption would be key

#### What's the Point?

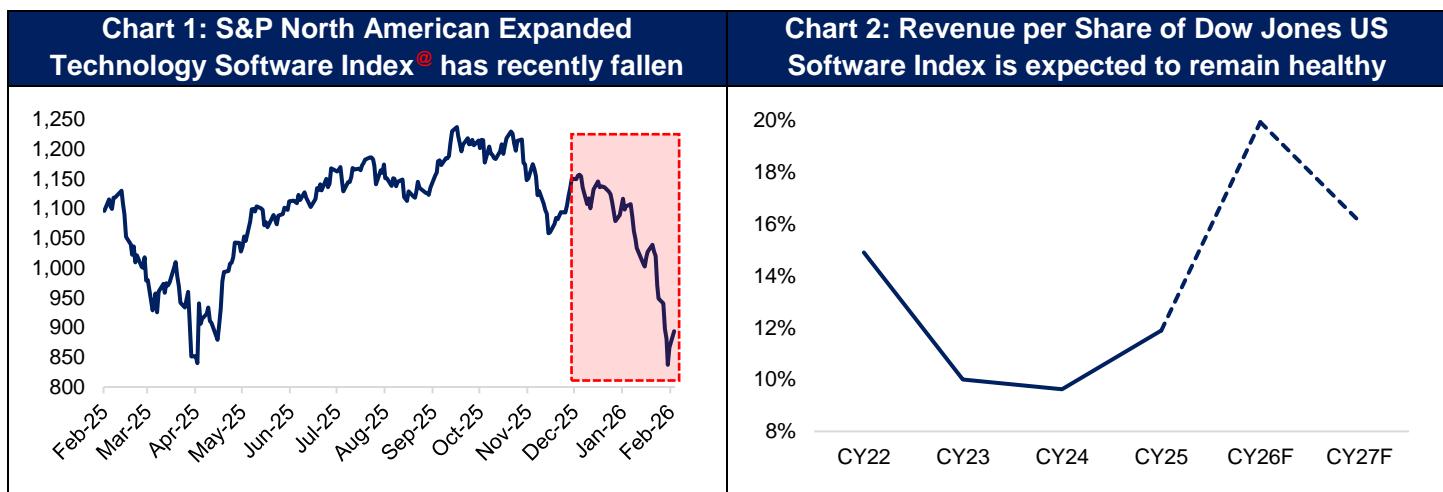
- Between late January and early February 2026, 2 developments have shaken the global technology landscape:
  - 1) Palantir highlighted that its Artificial Intelligence Platform (AIP) could significantly shorten complex SAP\*\* migration timelines from years to weeks by unifying data, context and validation across the entire process.
  - 2) Anthropic unveiled a legal plugin that helps customise its large language model Claude for handling complex professional tasks (white-collar work) such as contract review, marketing workflows, and data analysis.
- While AI promises long-term productivity gains at a macroeconomic level, it poses short-term concerns like labour displacement and weaker services-led export growth. This led to a sell-off in the United States (US) equity markets and among Indian IT companies.
- Indian IT companies have historically navigated through such cycles of change to tap emerging areas of growth. While the scale and pace of adoption of AI has been much higher than the other cycles of change in IT, Indian IT firms are likely to reposition themselves as key enablers of enterprise AI adoption.

\*\*SAP: Systems, Applications & Products in Data Processing

#### Global Commentary: Performance of Major Software Names – Divergent from Fundamentals?

The recent slump in major software names has been driven by rising concern that AI systems capable of executing complex professional workflows could reduce demand for traditional subscription software. Elevated valuations across US software firms amplified the sell-off, as markets rapidly priced in potential long-term revenue compression and slower client spending.

However, the correction appears largely sentiment-driven rather than fundamentally justified, given that top line growth expectations remain strong, with Dow Jones US Software Index revenue per share projected to rise by ~20% in CY26 and ~16% in CY27. Overall, the sharp repricing reflects heightened investor anxiety and narrative-driven volatility more than any immediate deterioration in earnings or demand.



Source: Bloomberg; Data for Chart 1: February 07, 2025 to February 09, 2026; ®Total Returns Index; F: Forecast

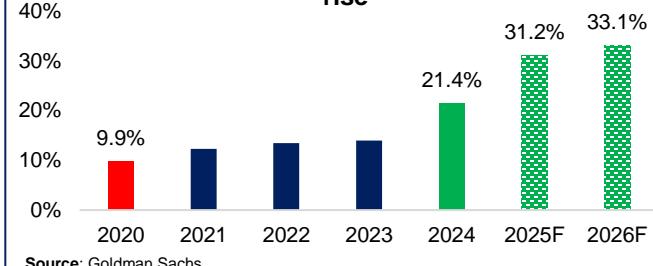
#### Understanding the US Tech Capex Story – Rising Capital Investments by Hyperscalers\*

Recent times have been characterized by rising capital investments in AI. The AI capex by Hyperscalers as a percentage of S&P 500 capex, which stands at 21.4% as of 2024, is expected to rise to 33.1% by 2026. This surge is being driven by the need to meet rising demand for AI-ready compute and cloud capacity, as companies race to build the backbone for next-generation services and capture a “winner-takes-most” market in the AI era.

While such investment underpins a long-term opportunity – enabling scalable AI products, new revenue streams and expanded enterprise adoption – it also raises ROI concerns in the near term. This is indicated by the rising capex-to-revenue ratio among US Hyperscalers, which questions the revenue potential, especially given the significant capital intensity and lag between investment and monetisation.

**Hyperscalers:** Companies providing large-scale by delivering, managing, and scaling vast, distributed computing, storage, and AI infrastructures to support users.

AI Capex (as % of S&P 500 Capex) by Hyperscalers is expected to see a notable rise



Source: Goldman Sachs

### What does all of this mean for Indian IT?

The 2 new developments discussed at the start has led NIFTY IT TRI to drop by 6.5% in the last 1 week (between February 02, 2026 and February 06, 2026). The major driver of this fall has been the fear that AI can automate routine and mid-level tasks faster and cheaper, prompting global clients to reduce reliance on large human teams and pressuring future revenues. While fears persist that a slowdown in software demand could reduce the need for related services, Indian IT companies are trying to evolve by focussing on providing AI-based solutions to enterprises. This is especially evident in the management commentaries, some of which are as follows:

#### CEO Commentaries of 2 Leading Indian Technology Services and Consulting Companies in Q3FY26

*"As AI becomes a strategic imperative, XXXX Intelligence is emerging as a differentiator and contributed to several wins this quarter. We saw greater adoption of our AI-enabled platforms and solutions, scaled AI-led delivery, and expanded our innovation network across global locations."*

*"We have deepened our XXXX AI capability with an agent services suite. This suite helps our clients manage and implement AI agents across the enterprise. We had strong momentum in AI adoption across our client base. Today, we work with 90% of our largest 200 clients to unlock value with AI. We are currently working on 4,600 AI projects. Our teams have generated over 28 million lines of code using AI. We have built over 500 agents."*

While the preparedness of Indian IT companies may still be under scrutiny, their resolve to adjust in response to AI-driven change to enable enterprise adoption means that the future of the industry will be one closely to monitor.

**Sources:** Bloomberg, BlackRock Inc., Citi Research, Goldman Sachs, and other publicly available information.

**About Tuesday's Talking Point (TTP):** TTP is an effort by HDFC AMC to guide key conversations in the Indian financial markets and investing ecosystem. We aspire to do this by providing relevant facts, along with our perspective on the issue at hand. Please provide your feedback at this link: <https://forms.office.com/r/Cr8JNjMGWk>

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