

~50%

correction in Infosys
& TCS since Jul 2024

Closing Our Bearish Call on Indian IT

A Two-Year Review

JUNE 2026

OUR JULY 2024 INVESTMENT THESIS

Five concerns behind a contrarian bearish call

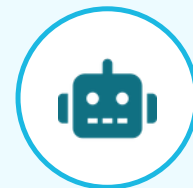
At the time, large-cap Indian IT was widely owned, considered defensive, and priced for a strong growth recovery. We chose to avoid the sector. Our concerns centred on five issues:



01

Slowing discretionary spend

Global technology budgets tightening, with discretionary projects deferred.



02

AI & automation disruption

Structural pressure on traditional service lines from AI and automation.



03

Weak revenue growth

Subdued top-line despite heavy client investment in technology.



04

Earnings downgrade risk

Elevated risk of consensus earnings cuts across the sector.



05

Stretched valuations

Multiples unsupported by the underlying growth outlook.

WHAT HAPPENED OVER TWO YEARS

The outcome broadly validated our concerns

- ✓ Infosys and TCS corrected by nearly 50% from July 2024 levels.
- ✓ The fall came despite sharp rupee depreciation — historically a tailwind for IT.
- ✓ Revenue growth remained subdued through the period.
- ✓ Earnings growth failed to justify the multiples stocks traded at.
- ✓ Investor expectations reset sharply, compressing multiples sector-wide.

~50%

peak-to-July'24 fall in Infosys & TCS

Rupee ↓

depreciation tailwind could not arrest the de-rating

Multiples

compressed sharply as optimism unwound

WHY DID THE STOCKS CORRECT?

The answer is simple: a lack of earnings growth.

Premium valuations hold only while investors believe earnings will keep compounding at attractive rates. Over the last two years, that belief eroded:

✕ Earnings growth disappointed

✕ Revenue growth slowed materially

✕ AI revenues did not offset traditional weakness

✕ Clients stayed cautious on discretionary spend

WHY THIS MATTERS FOR SENORA

A research-led edge, not just a bearish call

The value of this call lies in the process it demonstrates — identifying risk before consensus, and letting data, not narrative, drive positioning.



Ahead of consensus

We flagged the risks before they became the market's view.



Contrarian discipline

We avoided a widely owned, supposedly defensive sector.



Held through optimism

We stayed disciplined despite strong market enthusiasm.



Data over narrative

Research and evidence guided the positioning throughout.



PERFORMANCE IMPACT

+6 ppt

Senora STAG AIF outperformance vs the Nifty, net of fees, over two years.

Driven by stock selection and sector allocation, not market beta, in a period of modest market returns.

WHERE DO WE STAND TODAY

The valuation case has reset; the growth case has not

WHAT HAS CHANGED

- ✓ Valuations have corrected significantly.
- ✓ Excess optimism has been priced out.
- ✓ The risk-reward profile is more balanced.
- ✓ The valuation mismatch behind our thesis has largely gone.

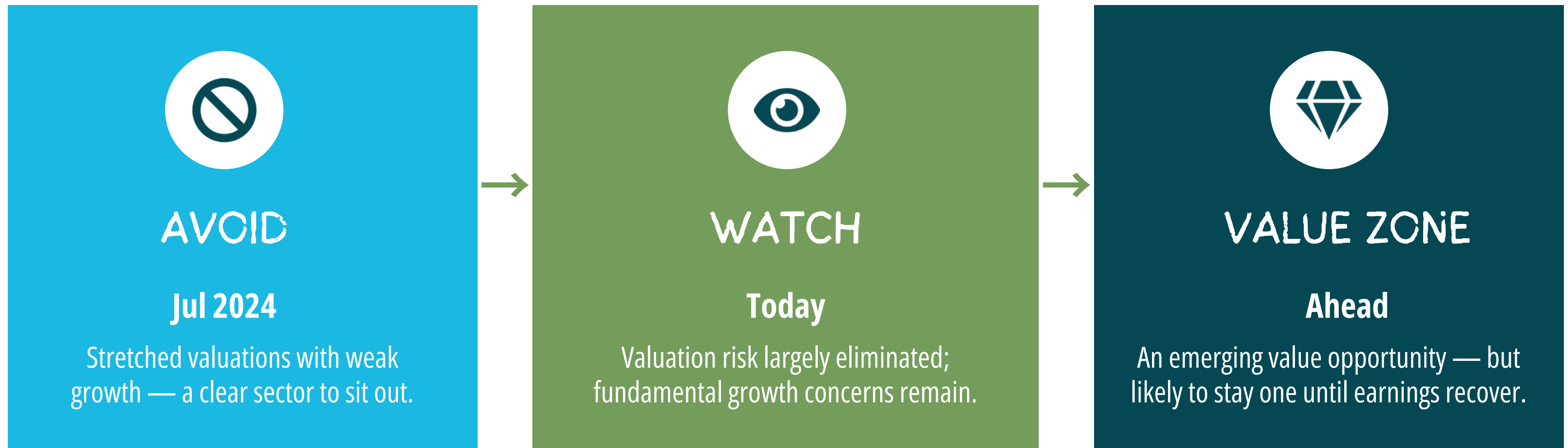
WHAT HAS NOT CHANGED

- ✗ Earnings growth remains weak.
- ✗ Revenue growth still trails historical averages.
- ✗ AI revenues are too small to offset traditional pressure.
- ✗ Visibility on a sustained recovery remains limited.

OUR CURRENT VIEW

From “avoid” to “watch” — closing the bearish call

We are formally closing our bearish call on Indian IT. Closing a bearish call, however, is not the same as turning bullish.





KEY TAKEAWAY

THESIS, VALIDATED

Without earnings growth, premium valuations are not sustainable.

Two years on, that thesis has largely played out, so we are closing our bearish call. Until we see firmer evidence of a sustained earnings recovery, we are not yet ready to turn bullish. We continue to monitor earnings trends, client spending, and the pace of AI monetisation.

- ✓ ~50% correction in leading IT names
- ✓ Significant multiple compression
- ✓ Earnings-growth concerns confirmed
- ✓ Valuation mismatch corrected