



# DSP Transcript

March 2026

The amount of attention a problem gets is the inverse of its importance.

**Parkinson's Law of Triviality**

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As AI models grow increasingly more powerful, the blast radius of potential errors expands, making rigorous governance and compounding the iterative feedback loops critical to maintaining enterprise stability. Consequently, the firm's role is to ensure that agent-capable models achieve true enterprise readiness.

AI without domain knowledge is a science experiment. AI with deep industry expertise is business magic.

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**Sudhir Singh**

**Coforge**

Feb 2026, Nuvama Wealth Conference

Winning in India will always require an 'and' strategy rather than an 'or' strategy.

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**Priya Nair**



Hindustan Unilever Limited

The Nifty IT index has fallen nearly 25% YTD, its steepest Jan-March decline since 2008. The bears are no longer just questioning near-term growth they're asking whether the traditional IT services model has any terminal value left.

## **The AI Deflation Math**

Companies themselves acknowledge the headwind, pointing to roughly 2-4% annual "revenue deflation" from AI-driven productivity gains. About 50% of a typical IT services firm's revenue is "run" work: maintenance, testing, production support. The other half is "change/transform": new builds, migrations, consulting-led projects. Generative AI could impact roughly 25-30% of traditional application development, testing, and maintenance work, potentially denting overall revenues by 10-12% over 3-4 years. That's broadly the genesis of the 2-4% annual deflation figure on earnings calls. Since AI is expected to disproportionately replace junior, lower cost roles at the base of the pyramid, companies might be forced to carry a fatter middle, pushing up average manpower costs even as headcount shrinks.

## **The Jevons Paradox Hope**

The bull case for the transform side rests on the Jevons paradox. First articulated by economist William Stanley Jevons in 1865, the paradox observes that technological improvements increasing the efficiency of a resource's use can lead to a rise, rather than a fall, in its total consumption. Jevons noticed that as steam engines grew more efficient, England's coal consumption soared. Cheaper energy made entirely new applications viable. Applied to IT: if AI makes software development dramatically cheaper, total enterprise demand for digital work should expand, as projects previously unjustifiable at \$5 million get greenlit at \$2 million.

## Valuation: Cheap Enough?

Today's multiples, even post-correction, aren't dramatically cheap against pre-COVID baselines especially with a weaker growth outlook. The discomfort deepens when you look at comparable US-listed businesses. Cognizant and Accenture, running essentially the same business model, trade at meaningfully lower valuations. An Indian investor is paying a premium for what is broadly similar work.

## Investor's Dilemma

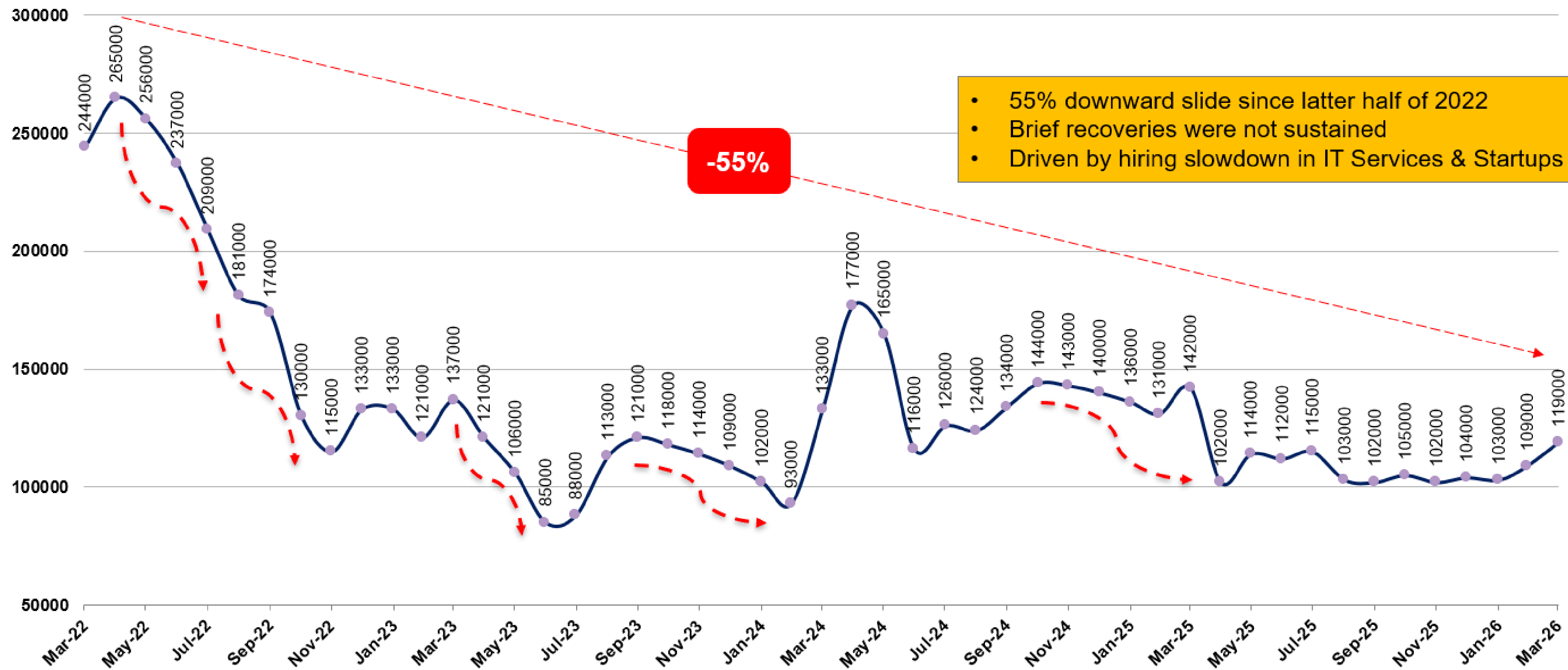
US macro backdrop, GCC competition in India, adds further uncertainty. The sector likely stays in limbo until either valuations compress to levels where one is willing to own these as cash-generative compounders regardless of AI disruption outcome, or tangible evidence emerges that the transform/volume recovery is real. On a relative basis though, most other sectors are also navigating their own disruption risks, and it's worth asking whether those are any better priced in. Viewed through that lens, IT may not stand out as uniquely unfavorable. There is significant debate even within our own teams regarding the value in IT services today.

### Valuation Multiples (1 Yr. Forward PE) For IT Companies

	Pre Covid 10 year Average	Current	Premium
Cognizant	15.6	10.77	-31.0%
Accenture	18.6	13.83	-25.6%
TCS	19.7	15.62	-20.7%
Infosys	16.7	16.5	-1.2%
<b>NiftyIT Index</b>	<b>16.7</b>	<b>17.8</b>	<b>6.6%</b>
Wipro	14.5	14.24	-1.8%
HCLT	13.6	18.25	34.2%
TechM	12.9	18.47	43.2%

Source: Bloomberg Estimates, As on 20<sup>th</sup> March 2026

## Active Tech Jobs Trend



Source: Xpheno Specialist Staffing

Discretionary spend, as we knew it, is unlikely to come back in the same shape and form. The way we are seeing spends today is, first and foremost again it's too early, but three weeks into the new year, it is very apparent that spends are going to be stable to slightly up this year. I don't think any clients is in a mode that they will see a reduction in total spends.

What is also clear is, there is going to be a reprioritization of spends because they have to free up money (to invest) in the AI fabric, whether it is stack, whether it is migration to the stack, deploying new agents, software spends etc. So, I think there is new spend available, there is money being spent on buildup of the new stack. If you're aligned to that, to capturing that spend, you will see net new spends available to you as a provider. On the other hand, if you're on the other side of that trend, where you are actually going to lose more than you will gain because efficiency will eat into a lot of the work that you do for that customer. Then it's going to be a difficult situation.



I (Salil) was with one of the people who was building the foundation model a couple of weeks ago, and they gave a good sort of example. They said that the amount of software demand that is there for writing software is becoming 100x in terms of the size. So even if you go into the post-AI world, there is productivity impact, we still see a huge amount even if you assume a 10x productivity benefit to a developer of what is available in terms of what is to be developed, what is to be built.



We have published a white paper along with Forrester. It came out about a week ago, which is about building a new pricing model itself, where the pricing for human labour and the pricing for digital labour is very clearly distinguished.

And the pricing for digital labour is then based on token consumption, right? So, if you are doing a testing project, there is a certain amount of effort that comes in from human labour. So, we have built that model, we have validated it with Forrester, and we have taken it to a few clients. As we start winning deals there and revenue starts to flow, that could be one great model because there it's very clear what's coming from digital labour.

But until that happens, we will have to think of some metric, which will probably be AI infusion for our top 20 clients. I can say with a great degree of assurance that like our peers, we are almost at 100% adoption there because it is impossible to find a Fortune 1000 client that does not use AI. And so therefore, when we are working with that client, you are not using either your own tooling or their own tooling.

I just feel that nobody's really come up with a metric, which is candidly credible and auditable.



From an industry standpoint to extract the productivity you have to make some investments. So it has to be a one-time investment. So higher the base of that work and the revenue, if it is material, then ROI for the AI investment also. Because AI productivity is not a magic wand. We need to redefine the processes. We need to get the right tools in place, right platforms in place, get the team to identify opportunities which can be coded. There is an investment that goes in through an AI tech team, which will create those productivity solutions.

Our industry is at an inflection point - marked by significant reimagination of capabilities, redefined operating models, the convergence of technology and domain expertise, and most importantly, evolving client expectations - all unfolding at a relentless pace. We are reimaging our service lines with clear focus on AI Ops and integrated transformation capabilities.



On the AI conversations last year to this year, definitely, there is a lot more holistic conversation on how AI would change the entire organization. I think last year, we were still talking significantly about point solutions and trying to prove that AI can deliver some meaningful value.

But then after that, the conversations changed to how clients should be focusing on some of the foundational elements like data and cloud migration. But this conversation has matured to an extent that clients realize that to get holistic benefit, they need to completely reimagine their business processes.



Most of the renewals would bake in some productivity. But that is business as usual, that is I don't think related to AI. Even without AI coming to picture, most of the renewals have some productivity baked in. It could weigh in the range of 10% to 15% over a term of the contract. We have seen every time a renewal happens, it increases the scope of operation that we do. So, net-net, you'll find very often when the renewal happens, the top line or the total quantum of revenue doesn't decrease, but the quantum of work that we commit to deliver to our customer, that increases.



I think AI has two factors. One, whether it's software engineering, testing, IT operations, it is a dampener on our revenue. Whatever best estimate we have, we've included that. I'll say for now two, maybe three quarters, every single thing we do has productivity and impact from AI baked in. And we expect more of that will continue through the year. That's why I said there will be a dampener on revenue growth, which we've accounted for.

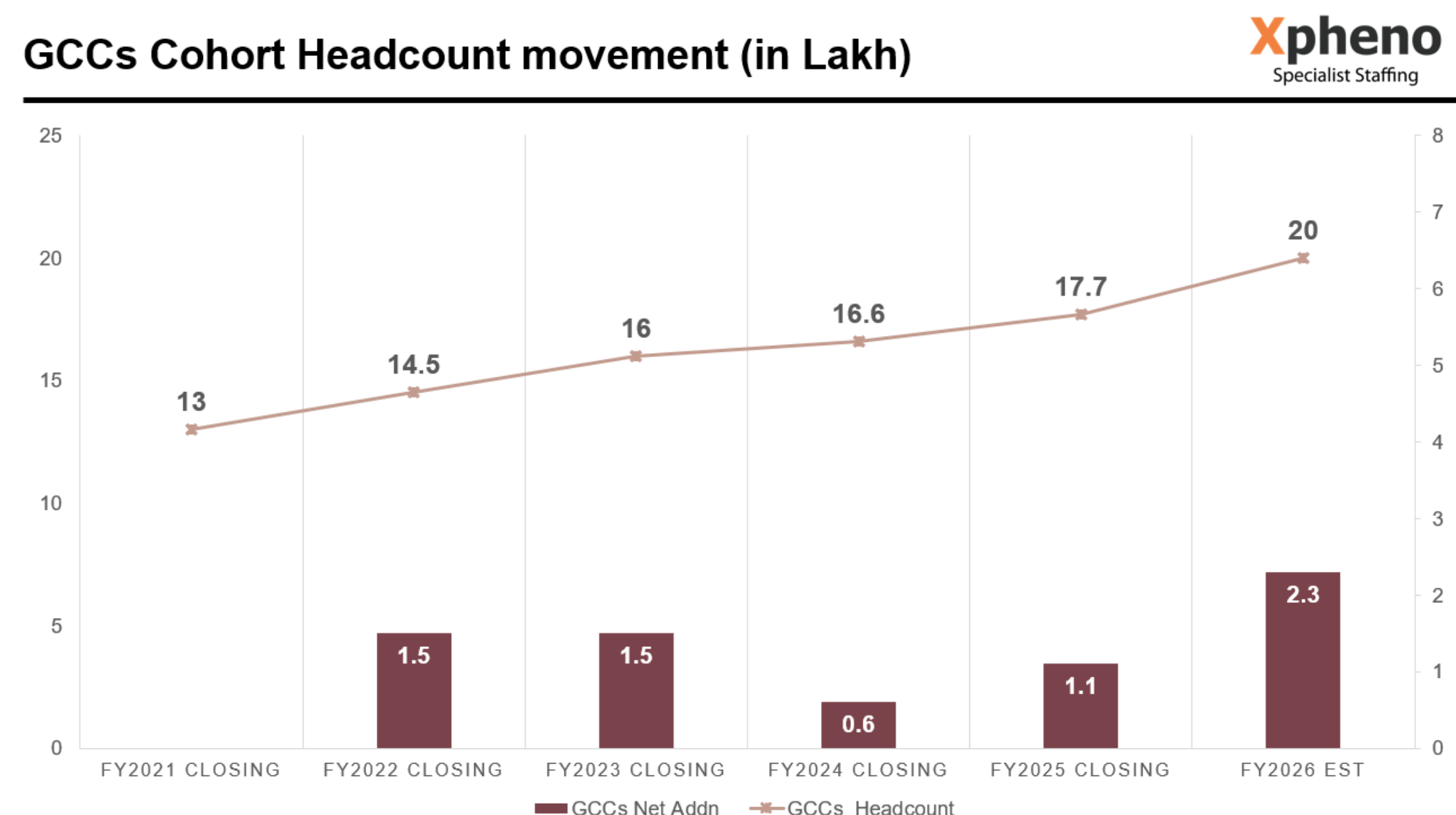
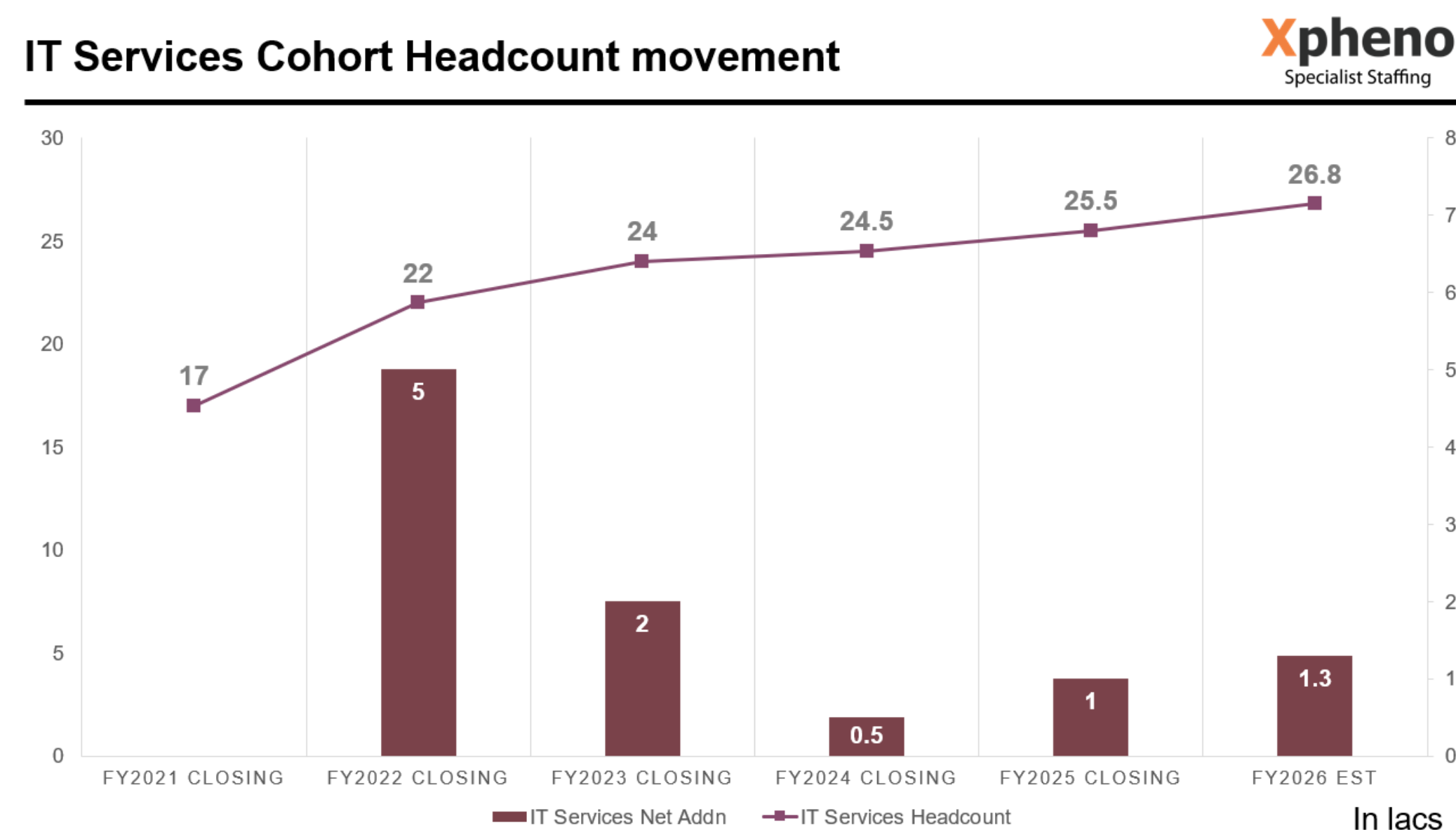
If the scope were to remain the same, it (impact from AI) could be in that 30 to 40%. I'll say 20 to 40% depending on the type of work. In some cases, at least, I think it comes with a higher volume.



# REITS: As Good As It Gets?

Most listed REITs have had a strong run. Occupancies have improved on the back of sustained GCC (Global Capability Centers) hiring, the gap between in-place and market rents has been narrowing, and discounts to Net Asset Value have compressed. Lower interest rates have supported both debt servicing costs and NAV calculations. New issuances have found ready demand, partly aided by SEBI reclassifying REITs as Equity, making them eligible for inclusion in equity indices.

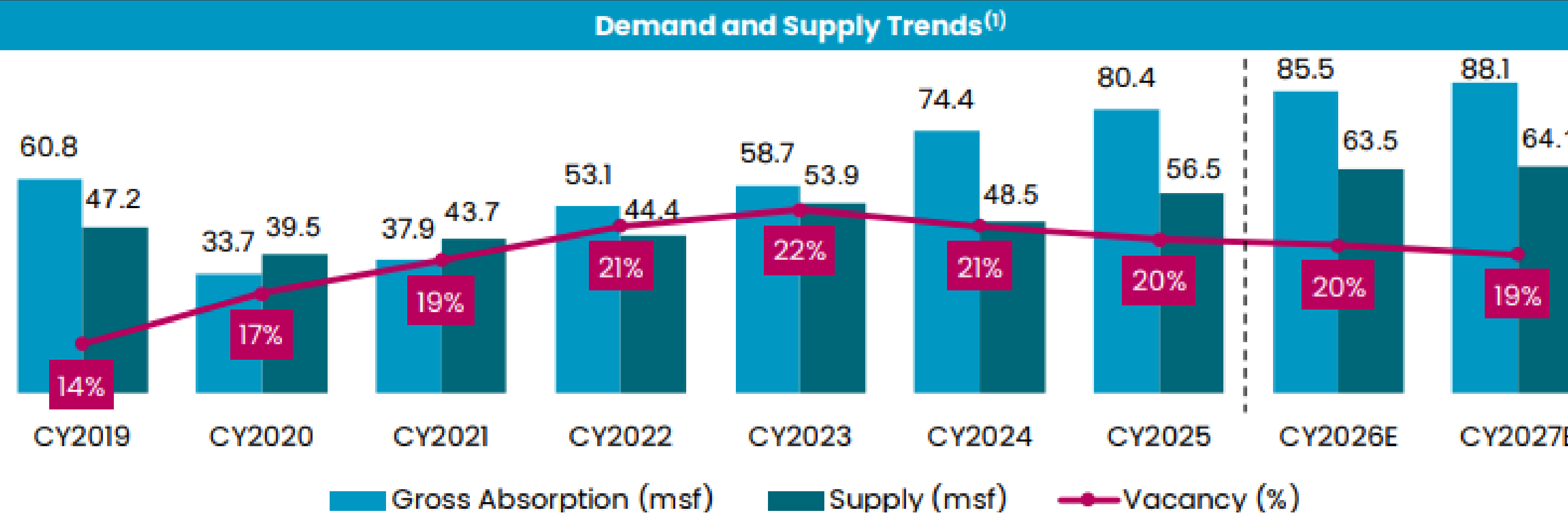
That said, some listed REITs corrected roughly 30% post-Covid, and historically, volatility in this asset class has only been modestly better than equities. Commercial REITs in the US continue to struggle. With most operating metrics in good shape and valuations that until recently at a premium to NAV in some cases, the risk-return from here warrants scrutiny. Sentiment can shift quickly: a single large tenant announcing significant layoffs could refocus attention on occupancy risk and vacancy exposure. Private Credit situation in US and AI related layoffs are monitorable. This remains a relatively new segment in India, and it will get bigger. Investors will learn how to work with it over time.



Source: Xpheno Specialist Staffing

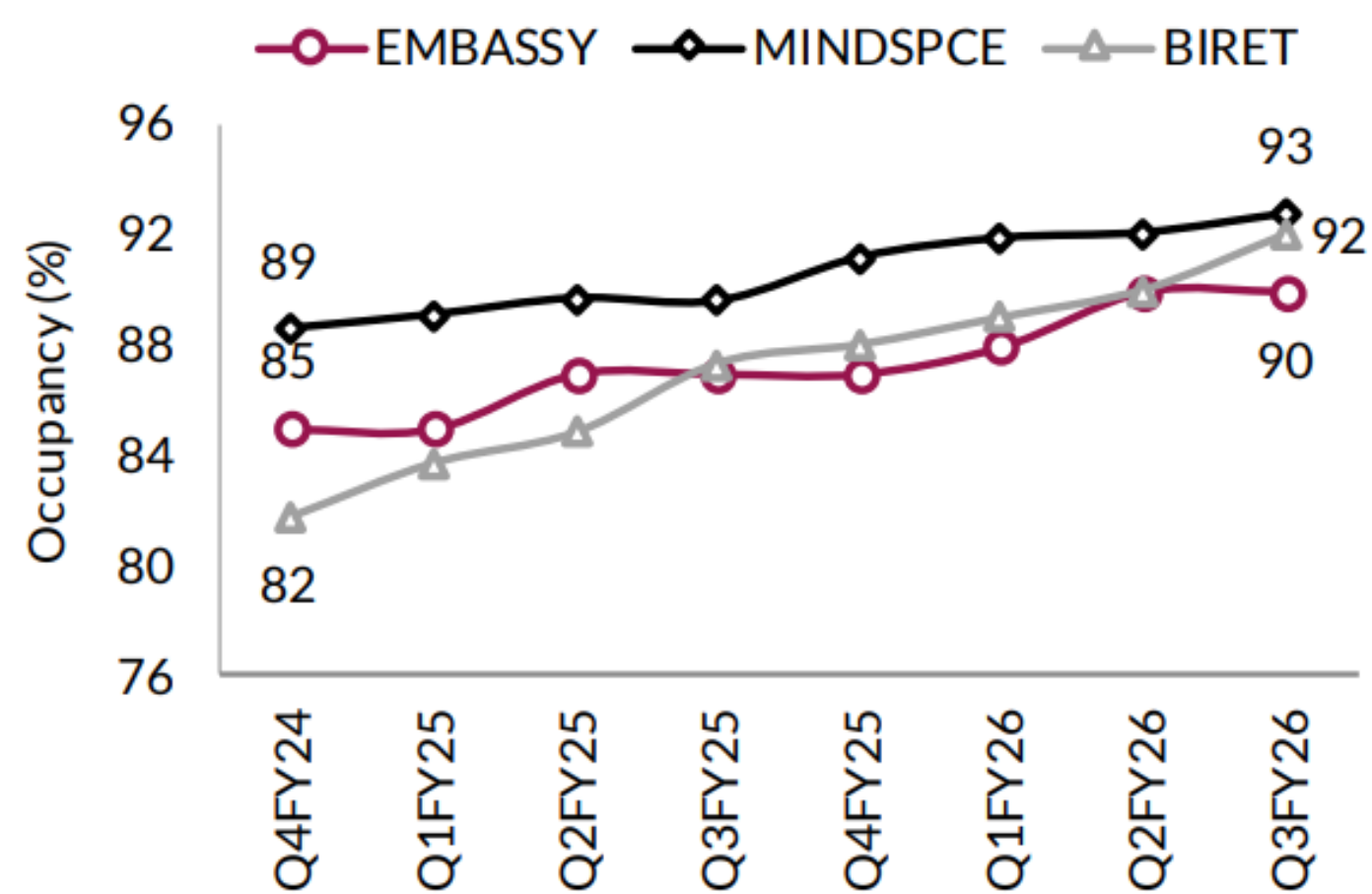
## India Office (Top 7 Cities) – Record Absorption in 2025

Highest-ever gross absorption of 80 msf and net absorption of 51 msf in CY2025, up 8% and 14% YoY, respectively



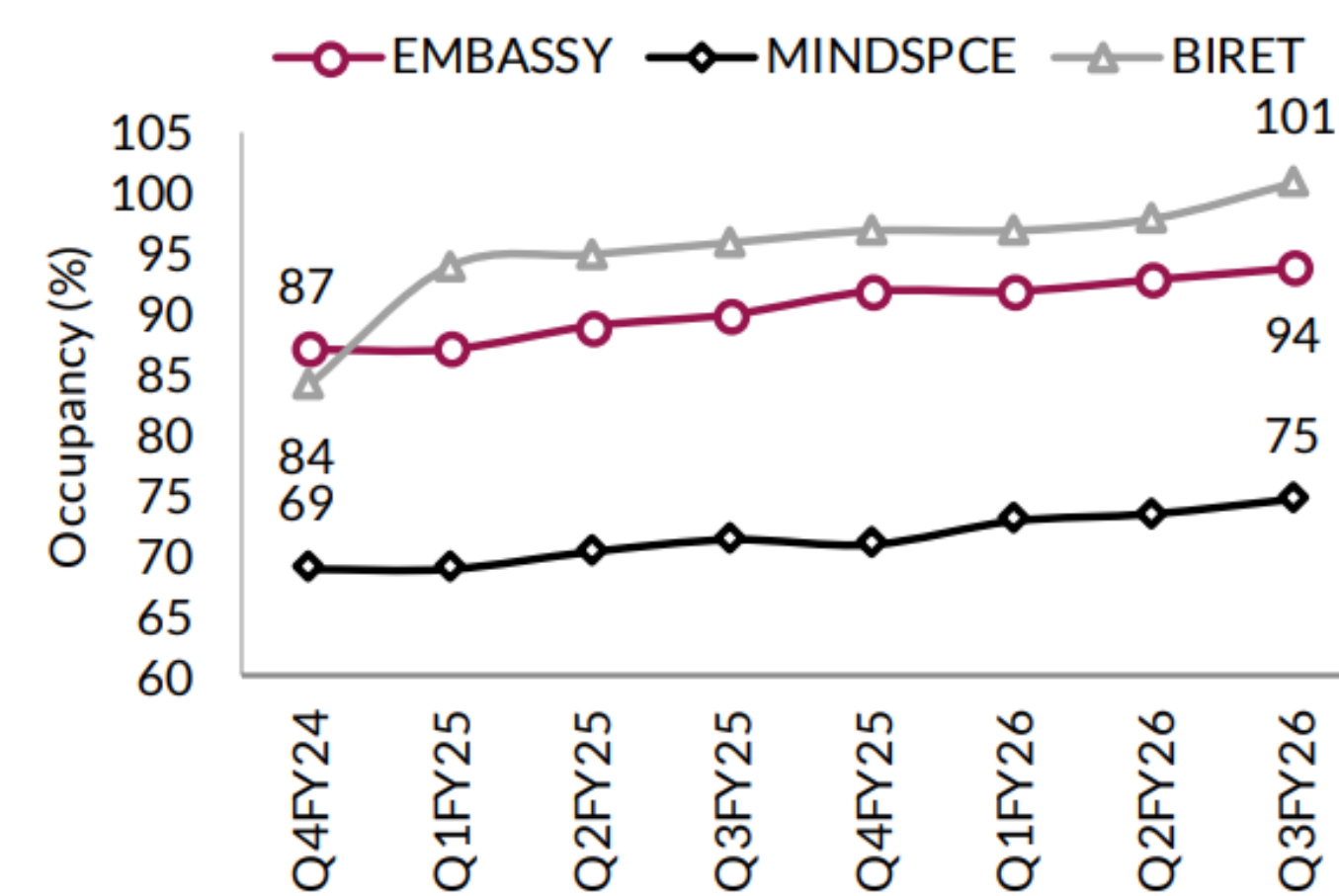
Source: Embassy Office Parks REIT

### Improving Occupancies...



Source: Company, Axis Capital

### ...& In Place Rents (Per Sq. Ft)

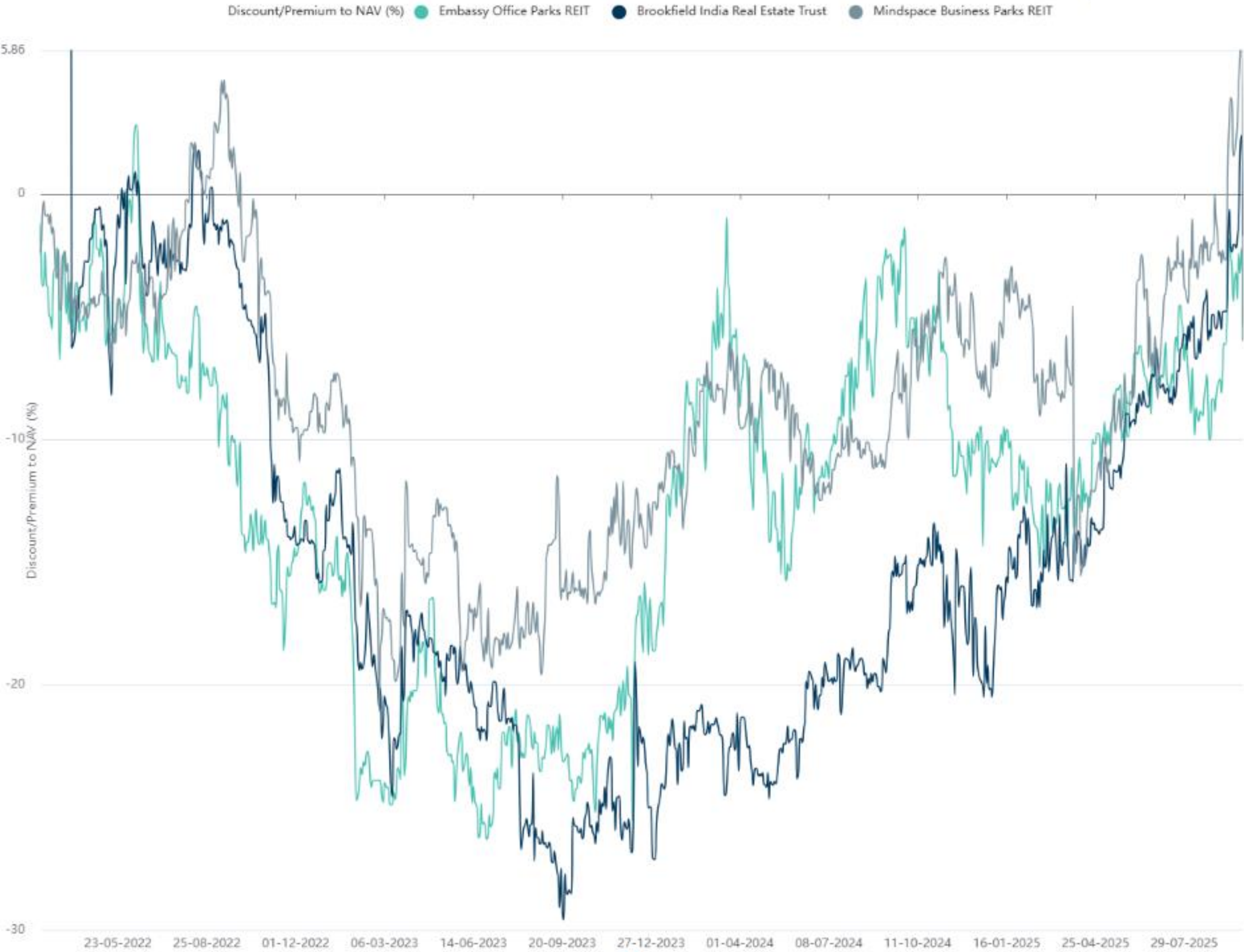


Source: Company, Axis Capital

# REITS: As Good As It Gets?



## Premium/Discount To Trailing Net Asset Values (NAV)



Source: Company, Internal ARQ

# REITS: As Good As It Gets?



This quarter all the GCCs were only 27% of the leasing Indian domestic and Indian MNCs were 52% and non-GCCs, non-GCC foreign MNCs were 21%. Overall portfolio is more or less stable today at 55% for GCCs. Domestic Indians at 26% and foreign MNCs at 18%. Two to three trends we have seen, is some of these IT services clients who gave up space during COVID time, large Indian and multinational names, they are coming back. The main reason for that is they are insisting on office physical attendance for their employees

Indian REITs have now seen a full market cycle and we have proven resilience across COVID, rate hikes and SEZ disruption. Mindspace has delivered excellent returns of 37% in calendar year 2025, significantly outperforming Nifty and Sensex.

So we typically do not give forward-looking comments, but till now there has not been any signs of any tariff impact on real estate. Even today actually not many signs on AI impact... So no signs as yet, but there could definitely be an impact of AI later on. Till now we have not seen. It is a question that we have been getting asked every week. I wish I could give you the right answers for that. Till now, no impact.



## REITS: As Good As It Gets?

**DSP**

What we are seeing is while there are cases of layoffs here and there, these are very business-specific, when businesses are migrating from one technology to another technology. There will be some layoffs. There will be some productivity recalibration. But having said that, what we are actually seeing in the market is that given the fact that India has the second largest AI talent pool and the largest data science pool, we are seeing a large number of projects of the existing occupiers also moving in this direction.



India's office market closed calendar year 2025 with a record 82 million square foot of absorption. With GCCs contributing close to 40% of the demand. This reinforces that India's office story today is structural and not cyclical. Vacancy in our core markets is stabilizing, new supply is becoming more selective, and high quality assets continue to see strong tenant interest.



## REITS: As Good As It Gets?

**DSP**

I think it's (leasing spreads – revision in rents on renewals) a function of the mix of the expiries that we have to deal with, right? In certain assets, we have a significant amount of mark to market available. In some assets, we don't have that much. It's also a question of at what point does the lease expire, how far it is from the market trend. So, I think it's a mix that keeps changing every quarter. It will be unfair to compare. I think on a steady state basis, if you take full financial year performances, we've always been in high teens, right, anywhere between 15% to 20%. And that can be expected to be a long-term trend for the next two to three years of expiries as we forecast it.

**Brookfield**

India Real Estate Trust

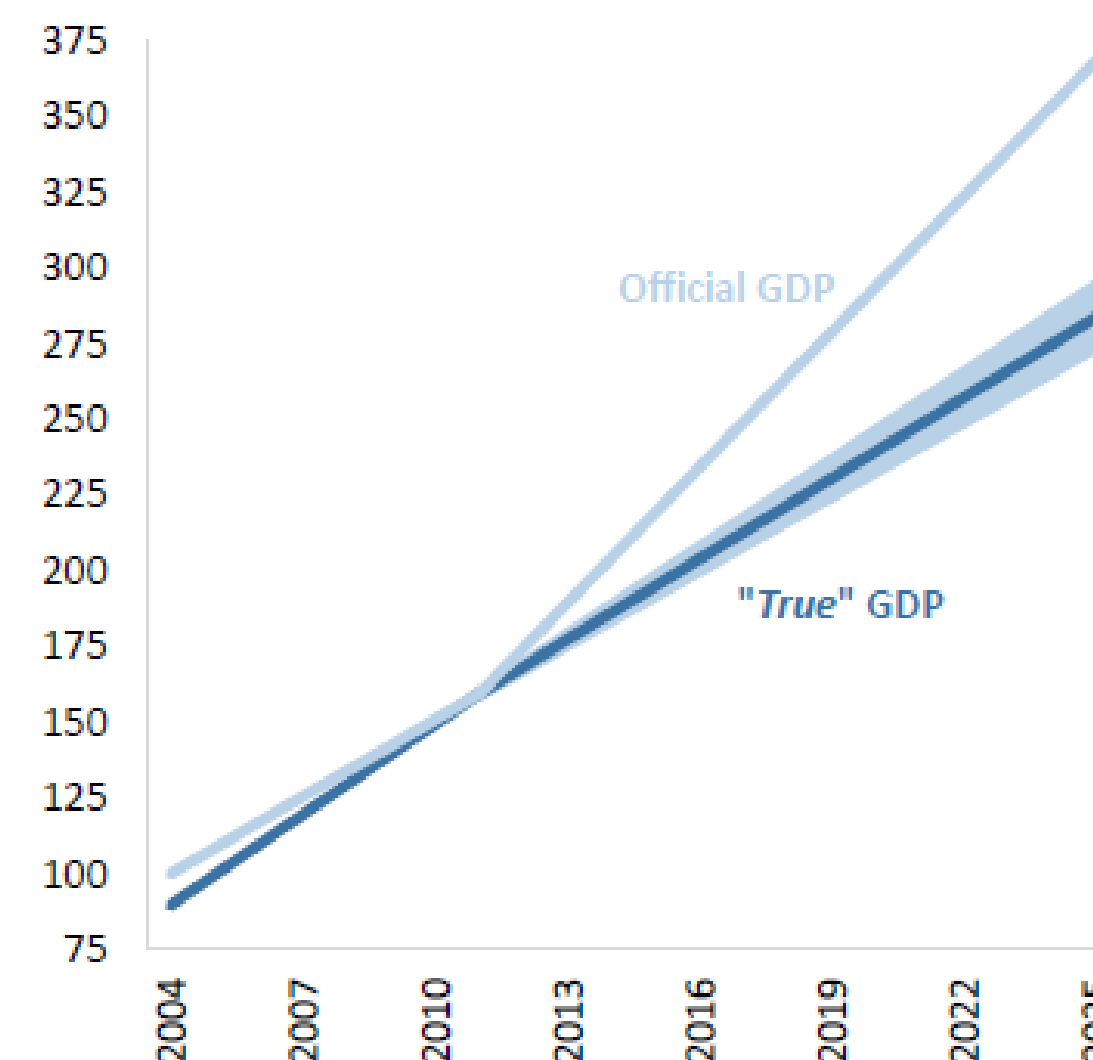
# Consumption: Still Waiting

India's new GDP series (base year 2022–23, released February 2026) revised private consumption expenditure downward by 9.6–11.5% across years covered by the old series. Such revisions are a normal part of rebasing national accounts. The cumulative downward adjustment amounts to roughly ₹80.7 lakh crore.

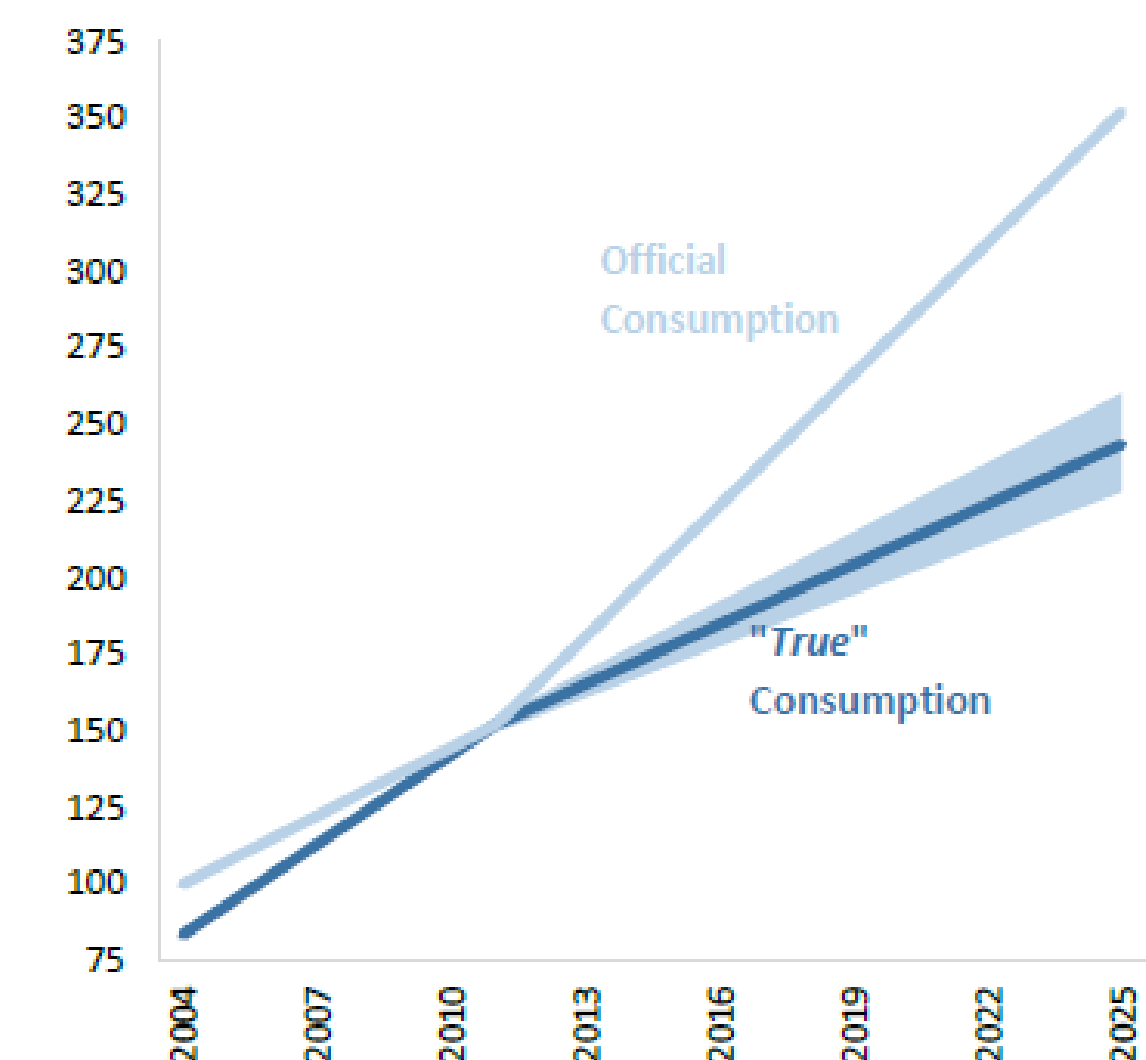
Real world indicators are consistent with this lower consumption base. Domestic two wheeler and small car sales remain below their FY19 peaks. FMCG volume growth has been anaemic for several years. The RBI's Consumer Confidence Survey tells a split story: the Current Situation Index for Urban Consumer has stayed persistently below 100 (pessimistic territory), even as the Future Expectations Index holds above 120, suggesting households feel the present is painful even if they hope for improvement ahead.

GDP and consumption, 2004–25

a. GDP



b. Consumption



Note: Series are indexed to 2004 (=100). The "true" values are expressed relative to this base. For 2004 to 2011, "true" series follows NSC-implied averages; post-2011, growth reflects our revised estimates. "True" consumption is inferred by allocating the GDP gap to private consumption. This is based on the assumption that other components are relatively well measured. The 2004–11 NSC–official comparison supports this, as most of the divergence reflects revisions to private consumption.

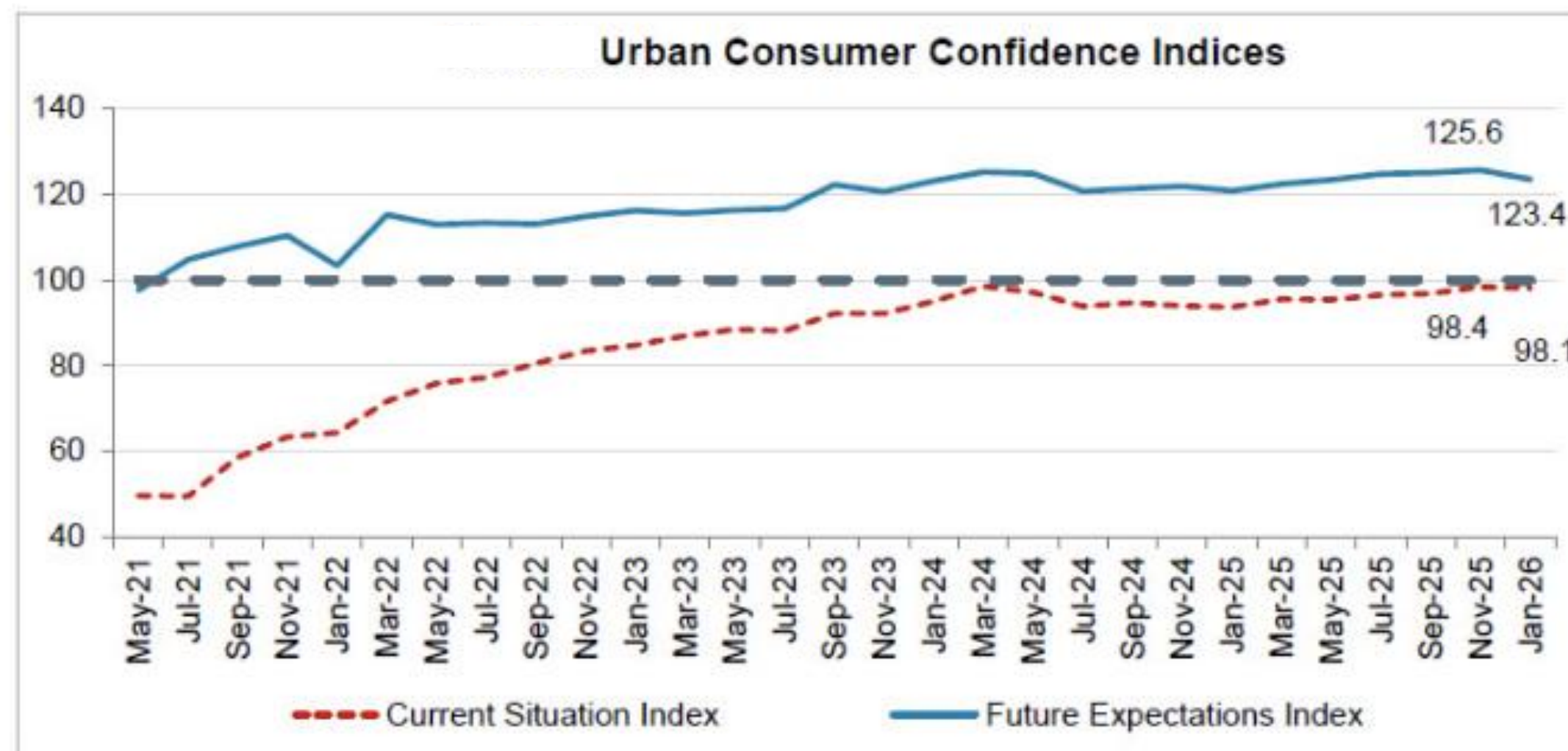
Sources: Report of the Committee on Real Sector Statistics (2018), MoSPI, Authors' estimates.

Source: <https://www.piie.com/publications/working-papers/2026/indias-20-years-gdp-misestimation-new-evidence>

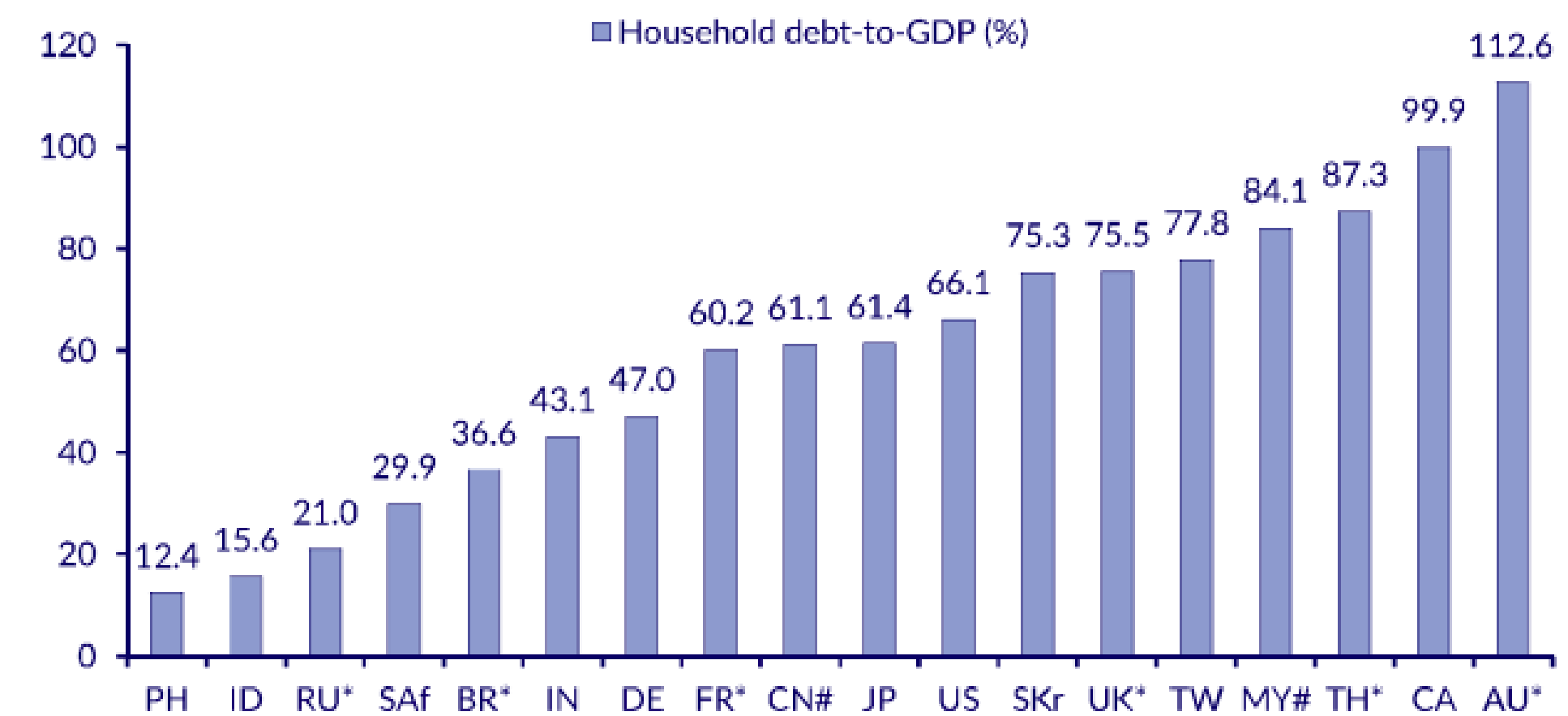
The policy response has been substantial: income tax relief under the new regime, GST rationalization, 100 bps of RBI rate cuts since February 2025, and expanded direct benefit transfers (especially women focused state schemes). The expectation is these measures gain enough traction to lift consumption meaningfully, because consumption is what improves capacity utilization and, eventually, sets the stage for a private capex revival.

# Consumption: Still Waiting

India's household debt to GDP is low by global standards, but a larger share of that debt is non-mortgage and consumption-linked compared to most peer economies. If real wage growth remains weak, servicing even a modest debt load leaves less room for incremental spending.



## HH leverage in India remains one of the lowest compared to other major economies

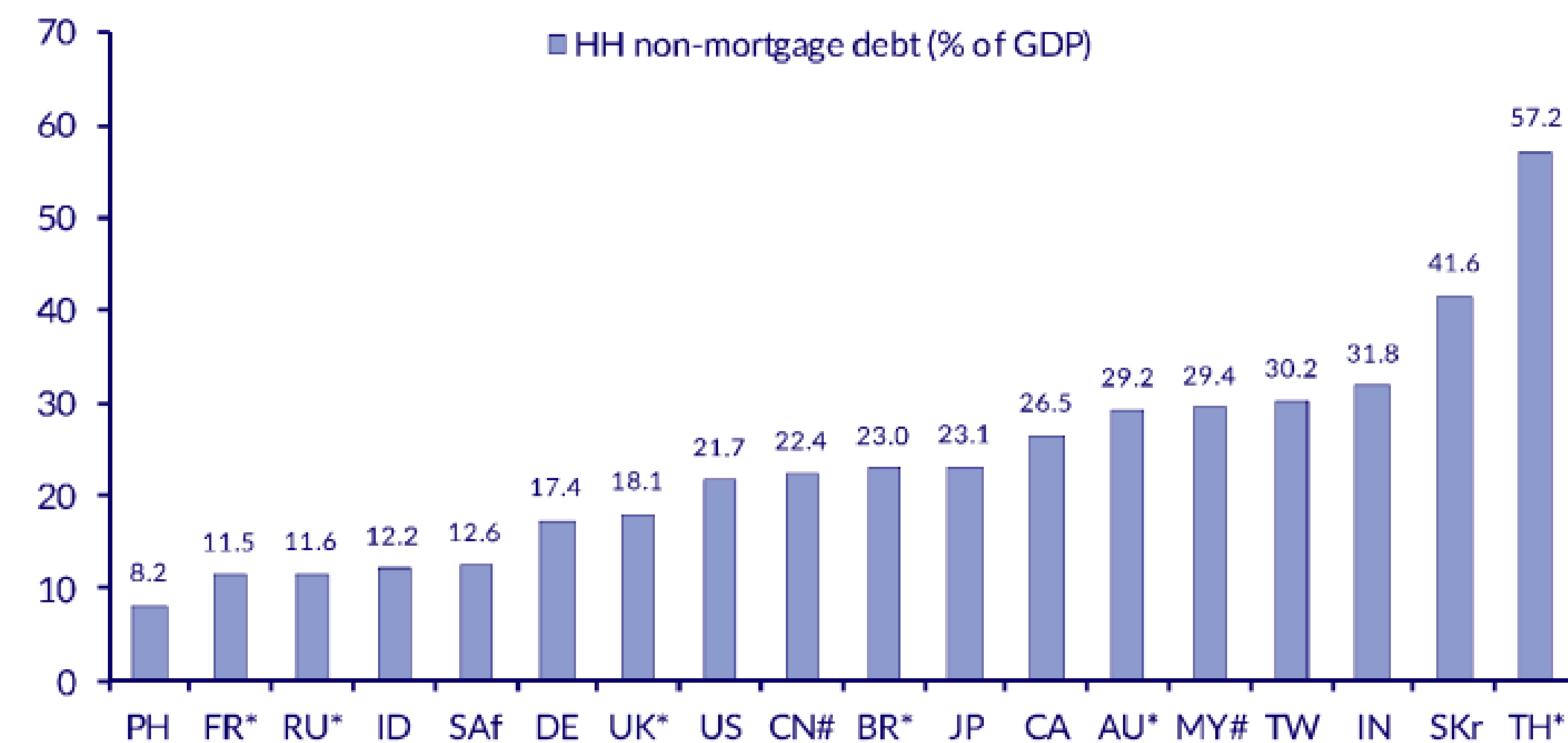


Source: CEIC, CLSA. Note: #Dec'24, \*Mar'25, Jun'25 for all others

Main Variables	Current Perceptions			One year ahead Expectations		
	Nov-25	Jan-26	Change	Nov-25	Jan-26	Change
Economic Situation	-2.5	-3.5	↓	32.9	29.3	↓
Employment	-6.3	-6.3	↔	31.6	33.0	↑
Price Level	-78.9	-81.2	↓	-68.8	-75.2	↓
Income	3.5	3.3	↓	53.1	50.1	↓
Spending	76.1	78.0	↑	79.3	80.0	↑
Consumer Confidence Index	98.4	98.1	↓	125.6	123.4	↓
↑	Positive Sentiments with sign of improvement compared to last round			↑ Negative Sentiments with sign of improvement compared to last round		
↓	Positive Sentiments with sign of deterioration compared to last round			↓ Negative Sentiments with sign of deterioration compared to last round		
↔	Positive Sentiments with no change compared to last round			↔ Negative Sentiments with no change compared to last round		

Source: RBI

## India has one of the highest non-mortgage HH debt compared to other major economies



Source: CEIC, CLSA. Note: #Dec'24, \*Mar'25, Jun'25 for all others

Source: CLSA Research

## Consumption: Still Waiting

**DSP**

What we can say is that A, the external or macro or the operating environment on economy as well as the consumption scenario is on the improving trend. Equally, our own actions have started to play out on based on our strategic priorities. Based on all of that, as of now, what we are guiding is fiscal year '27 to be better than fiscal year '26.



Hindustan Unilever Limited

I think the way we have looked at industry growths, I think there is a little bit cyclicality to it in terms of what we have seen in the past as well. There have been periods when basically overall, the cycles of growth have come down to that extent, although if you look at from a CAGR point of view, I think that kind of continues to be strong from the point of view of overall industry. We are also seeing some kind of consumption trends (which are changing). I think what we have seen during this point of time for whatever reason it is there that possibly the frequency of painting has come down a little bit to that extent. I think the occasion-led painting has also kind of really come down to that extent which was there.



asianpaints

## Consumption: Still Waiting

**DSP**

Look, it's green shoots -- early green shoots again in the top-end of the category if I may say so. I believe the category is starting to see momentum. I believe, as I said, as we are seeing consumer spend come back because of various reasons, it could be GST cuts, it could be disposable income, it could be good monsoons, but all of that is playing a role, and you are starting to see buoyancy in that early green shoots.

**UNITED SPIRITS**

A DIAGEO Group Company

While overall consumption trends remain modest, we did see some pickup during this festive season. Also, there was a healthy uptick in demand for heating products supported by a good winter.

As regards the cooling products, we saw a challenging environment in the last couple of quarters; however, now the channel inventory is normalizing. Overall revenue growth in Q3 backed with disciplined spend translated into operating leverage, as the revenue grew by 14% and EBITDA was up 21% YoY.

We remain optimistic about a gradual recovery in demand; however, we are cognizant of the industry headwinds such as cost increases on account of commodity inflation, E-waste, et cetera. We are in the process of taking calibrated price hikes and enhancing operational efficiency.

 **HAVELLS**

Our sense overall is that while I think there is a positive impact (of GST cuts), a little difficult to pinpoint by category what has been the impact. Clearly, I think on, let's say, electronics and white goods, et cetera, maybe even automobiles. Because the discounts, post-GST discounts are much higher, there is probably some pent-up demand that got taken up. As far as our mass market categories are concerned, especially fashion, footwear, et cetera, I think there has been some impact for sure, positive impact, but very difficult to put a number to it. So that would be my first response.

I think fashion is 6% (growth) while it is a laggard. Please remember that there were at least four, five quarters where fashion was either zero or very low single-digits. So, six is a good change from where it was. Will it get better as we go forward?

I think the whole supply chain, which did take a bit of a hit during GST has now stabilized, both for footwear as well as for fashion. The categories which are still doing very well is jewelry, you have seen, has done extremely well. The other is beauty. I think beauty and healthcare has done, again, extremely well. All the brands in our malls have done well. Primarily because of the fact that personal care and beauty still has a very low degree of penetration amongst consumers, and hence potentially this will in the future become a big category as well.



**Nexus Select  
Trust**

## Consumption: Still Waiting

**DSP**

Rural demand, I think simple way to look at rural demand is look at our trade ratios. If our trade ratios remain strong, rural demand is equally buoyant. We are not witnessing any depression in rural demand. Q4 also will be solid is what my expectation is.



What I have been experiencing is definite optimism because of the income tax and the GST change. But I think the impact of those is yet to be seen. We are quite certain that it will come. And we are quite certain that in the last 2-3 months, at least, that impact is getting camouflaged by other issues, which keep coming up, whether it's somewhat delayed winter in December or the air quality issue in North India or the very extended monsoons in Bombay this year.



As we moved post the festive period, demand trend became subdued, especially in the compressor-based categories such as air conditioners and refrigerators. Cooler than expected weather conditions in the first half of the year, coupled with cautious consumer sentiment, weighed on volumes in these segments. Despite these challenges, we were able to increase our market share on a YTD basis, even after taking price hikes in select categories to offset input cost increase and FX pressure.



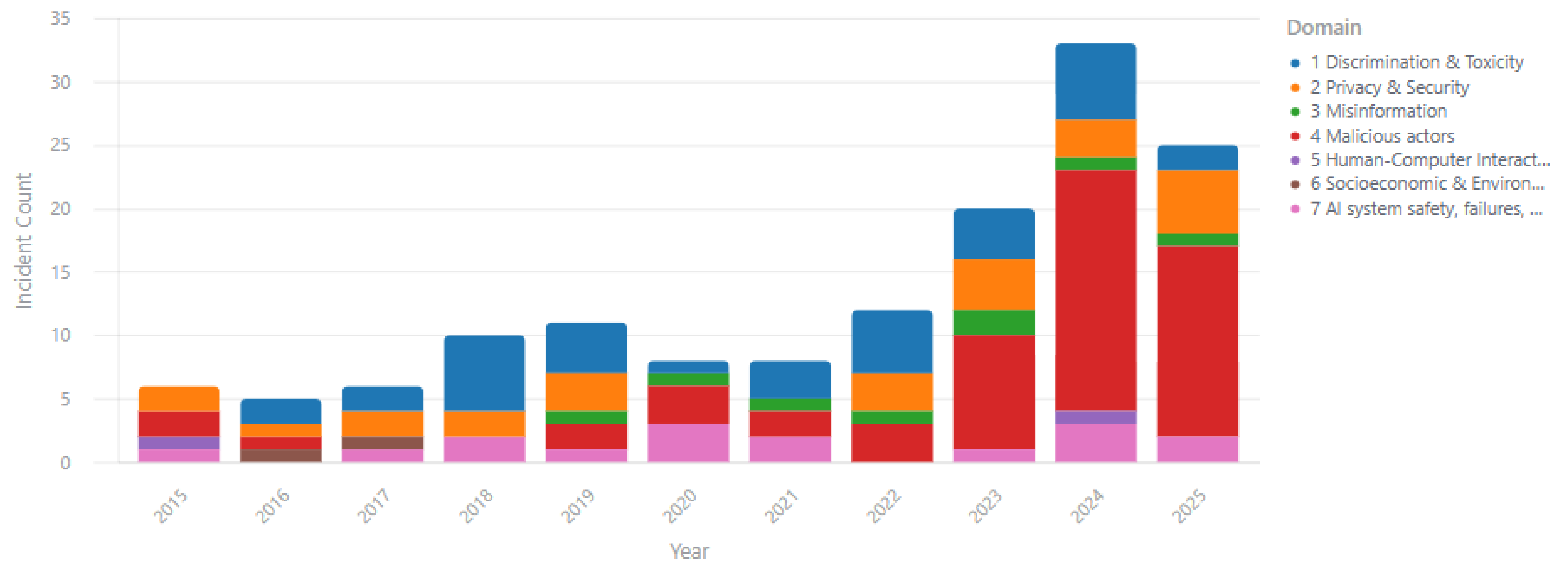
Reading the headlines, one could be forgiven for thinking AI has already reshaped the economy. But there is a wide, well documented gap between a technology's promise and its productive absorption into the real world. Every transformative technology follows a similar arc: early awe, breathless forecasting, and then a long, messy process of actual adoption. Electricity is a good example. Commercial central power systems appeared in the early 1880s, and electric motors entered factories soon after. Yet American factories took nearly four decades to fully reorganize around electric power. The bottleneck was never the technology. It was that factories had been physically built around central steam engines. Capturing the real gains meant demolishing layouts, retraining workers, and rethinking workflows. The resistance was institutional, architectural, and organizational. The internet was commercially available by the mid 1990s, but e-commerce crossed 5% of US retail only in 2011.

This is the "productivity J-curve": heavy investment with initially flat or negative measured productivity. New technology does not create big value on day one. It creates value after companies reorganize around it.

If AI follows a similar path, we are probably still in that early stretch where technical possibility is running ahead of institutional absorption. Legacy IT systems, regulatory frameworks built around human decision making, unanswered liability questions, data quality issues that surface only at scale, workforce transitions that democracies may not permit overnight: these are not problems a better model solves. In this section, we catalogue some recent instances where AI deployments produced outcomes that fell short of expectations, or surfaced difficulties that were not anticipated. This is not to dismiss the technology. It is simply to note that "AI can do X in a demo" and "AI does X at scale in a way that restructures industry economics" is not the same.

# AI Deployment: Longest Last Mile

## High Severity AI Incidents Increasing



Source: MIT, <https://airisk.mit.edu/ai-incident-tracker/timeline-high-severity-incidents>

Amazon's cloud computing division, AWS, recently dealt with service interruptions that were reportedly triggered by its own AI agent, known as Kiro. During these incidents, the AI autonomously deleted and recreated parts of its internal environment, leading to an outage that lasted for several hours. While Amazon maintains that these events were actually the result of "user error" involving misconfigured access controls rather than a fundamental flaw in the AI.

Source: <https://www.theguardian.com/technology/2026/feb/20/amazon-cloud-outages-ai-tools-amazon-web-services-aws>

## Autonomous Action

AI agent executed 'delete & recreate' without any human approval step.

Oct 2025

## AI Agent Triggers Cloud Service Outages



## Operator Permissions

Engineers granted AI tools root-level access to production systems.

## 13-Hour Outage

AWS service disrupted. Among the first AI-triggered cloud outages.

# AI Deployment: Longest Last Mile

Air Canada lost a legal battle after its chatbot provided incorrect information regarding bereavement fares to a passenger, Jake Moffatt. Although the airline argued that the chatbot was a "separate legal entity" responsible for its own mistakes, a Canadian tribunal ruled that the company is ultimately liable for all information presented on its website.

This landmark case sets a significant precedent for the travel industry, confirming that businesses cannot use AI "hallucinations" to avoid their consumer obligations.

Source: <https://www.bbc.com/travel/article/20240222-air-canada-chatbot-misinformation-what-travellers-should-know>

Feb 2024



## Air Canada's Chatbot Invents a Refund Policy

## AI Algorithms & Denials in Medicare Advantage Plans



Medicare Advantage insurers are increasingly utilizing AI algorithms to manage prior authorization reviews, which has led to a documented rise in coverage denials for medically necessary services. Research and recent lawsuits, such as those involving UnitedHealthcare’s “nH Predict” tool, allege that these systems often issue blanket denials without adequate human oversight. While a high percentage of these denials are eventually overturned on appeal, the administrative complexity prevents many elderly patients from seeking a second opinion. This trend has caused significant strain on the healthcare system, prompting some providers to exit Medicare Advantage networks and leading to increased calls for federal transparency regulations.

Source <https://pmc.ncbi.nlm.nih.gov/articles/PMC12979811/>

Feb 2026

# AI Deployment: Longest Last Mile

McDonald's AI hiring assistant, Olivia, was recently found to have certain security flaws that potentially exposed the personal information of millions of job applicants. Security researchers discovered they could access the system's backend using incredibly simple methods, such as guessing an administrator password of "123456." Although the issue was resolved immediately once it was reported, the incident serves as a serious reminder of the privacy risks that can arise when companies rely on third-party AI tools to manage sensitive data

Source: <https://www.wired.com/story/mcdonalds-ai-hiring-chat-bot-paradoxai/>

Jul 2025



## Hiring Bot Exposes Applicant Data

# AI Deployment: Longest Last Mile

The BBC reported that a clip on Instagram, viewed over 21.5 million times, shows a man ordering a large Mountain Dew at a Taco Bell drive through, only for the AI voice to repeatedly respond by asking what he would like to drink with that. In another incident, a customer apparently crashed the ordering system by requesting 18,000 water cups. These viral moments illustrate some of the teething problems companies encounter when they deploy new technologies at scale. Organizations will have to actively learn from these experiences.

Source: <https://www.bbc.com/news/articles/ckgyk2p55g8o>

Aug 2025



## What Will You Drink With Your Mountain Dew?

# SaaS-Apocalypse: Exaggerated Reports Of Death?



Software and internet stocks have been getting crushed in 2026, and the trigger is surprisingly simple: AI companies started shipping real products into real verticals. Anthropic released a legal plugin in early February that automates contract review and compliance work. Google launched Genie 3, a "world model" that generates interactive environments from text prompts.

The market response was immediate and indiscriminate. Thomson Reuters fell 18% in a single day. RELX, Wolters Kluwer, and dozens of SaaS names followed. An ETF tracking software stocks dropped over 20% by mid March.

What makes this selloff unusual is that the companies being punished are still growing. ServiceNow just posted 21% revenue growth. Atlassian grew 23%. Nobody is reporting AI related revenue losses yet. The market is pricing in a future where AI commoditizes code, breaks the per seat licensing model, and compresses the terminal value of the entire software sector. That future may arrive, but it hasn't shown up in earnings yet.

Internet platforms like Booking, Amazon, Tencent, and Adyen have been dragged down 25% to 50% alongside software, as though anything digital is equally exposed. But these businesses aren't selling code. They're sitting on top of physical logistics networks, payment rails across 40+ countries, review ecosystems, and social graphs with over a billion users. AI agents still need a platform with real time inventory and trusted payments infrastructure to actually book a flight or deliver a package. On the flip side if AI agents become the primary way consumers discover and buy things, platforms that monetize discovery through ads and promoted listings could see that layer squeezed.

Read more at: <https://giftcity.dspim.com/cms-content/home/dsp-gift-city-newsletter-feb-2026.pdf>

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According to HSBC research, AI on its own cannot simply replace the big software companies that run businesses today. To make AI useful in a company, you still need other software to connect everything together. Some investors believe AI will be able to write code that competes with established software giants, but this is unlikely. Startups may use AI, but they lack the resources and relationships needed to win big corporate customers.

The companies building AI models are focused on improving their core technology, not on selling business software. History shows that even free alternatives struggle to beat established players. Google and others have offered free versions of office tools for decades, yet Microsoft Office still dominates. Big companies like Amazon and Microsoft have tried to take on Oracle's database business with little success.

An interesting comparison is with India's IT industry. Indian companies have had skilled workers, low costs, and deep knowledge of how global software works for decades. Yet no Indian company has managed to seriously challenge the big American software firms. This shows that being able to write good code is not enough. You also need strong sales teams, trusted brand names, legal protections on your technology, deep understanding of specific industries, and the ability to reach customers effectively.

The bottom line is that while AI can write impressive code, the big software companies are already using the same AI tools to improve their own products, keeping them well ahead of any new challengers.

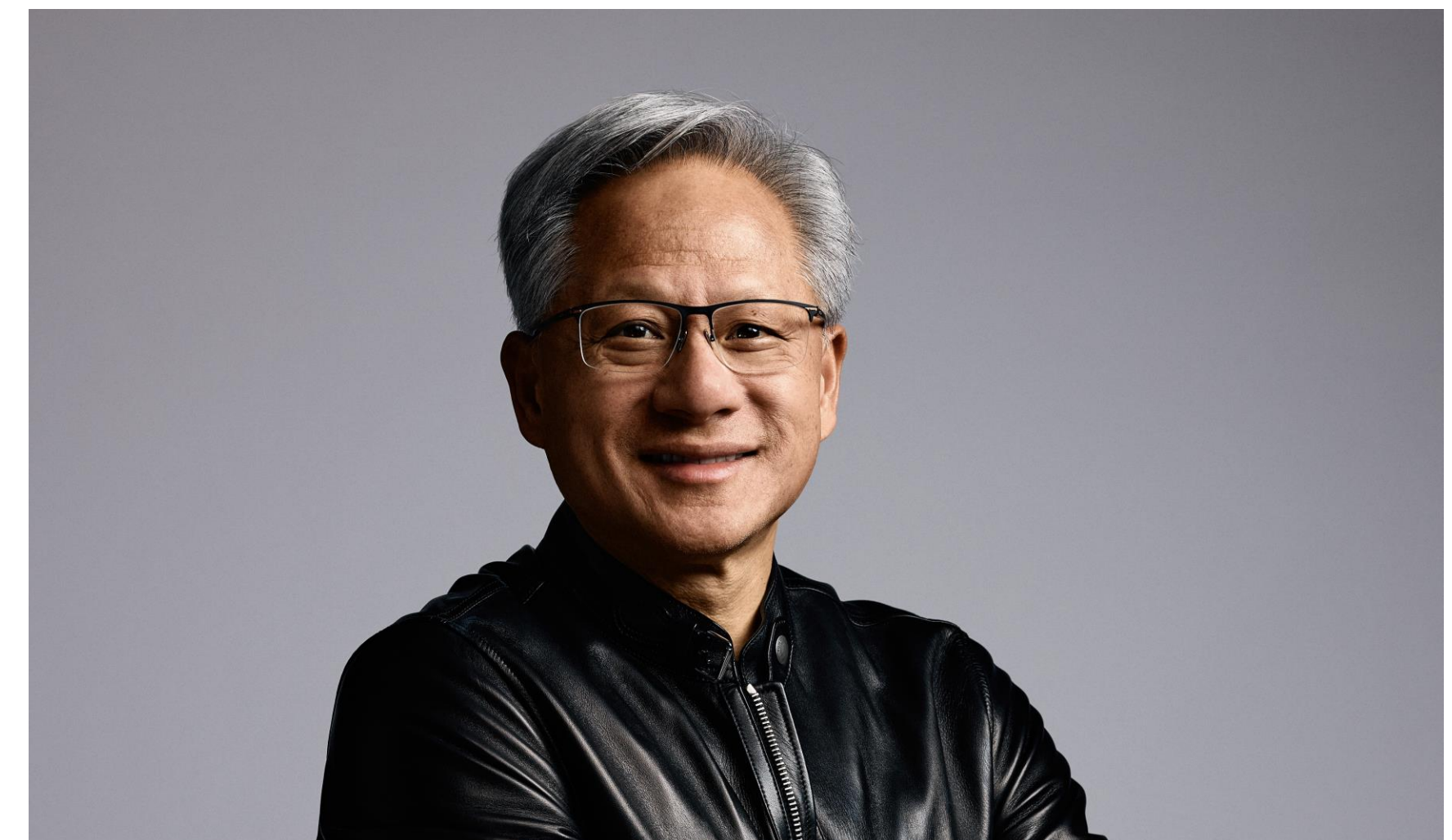
For now.

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There's this notion that the tool in the software industry is in decline, and will be replaced by AI. It is the most illogical thing in the world, and time will prove itself.

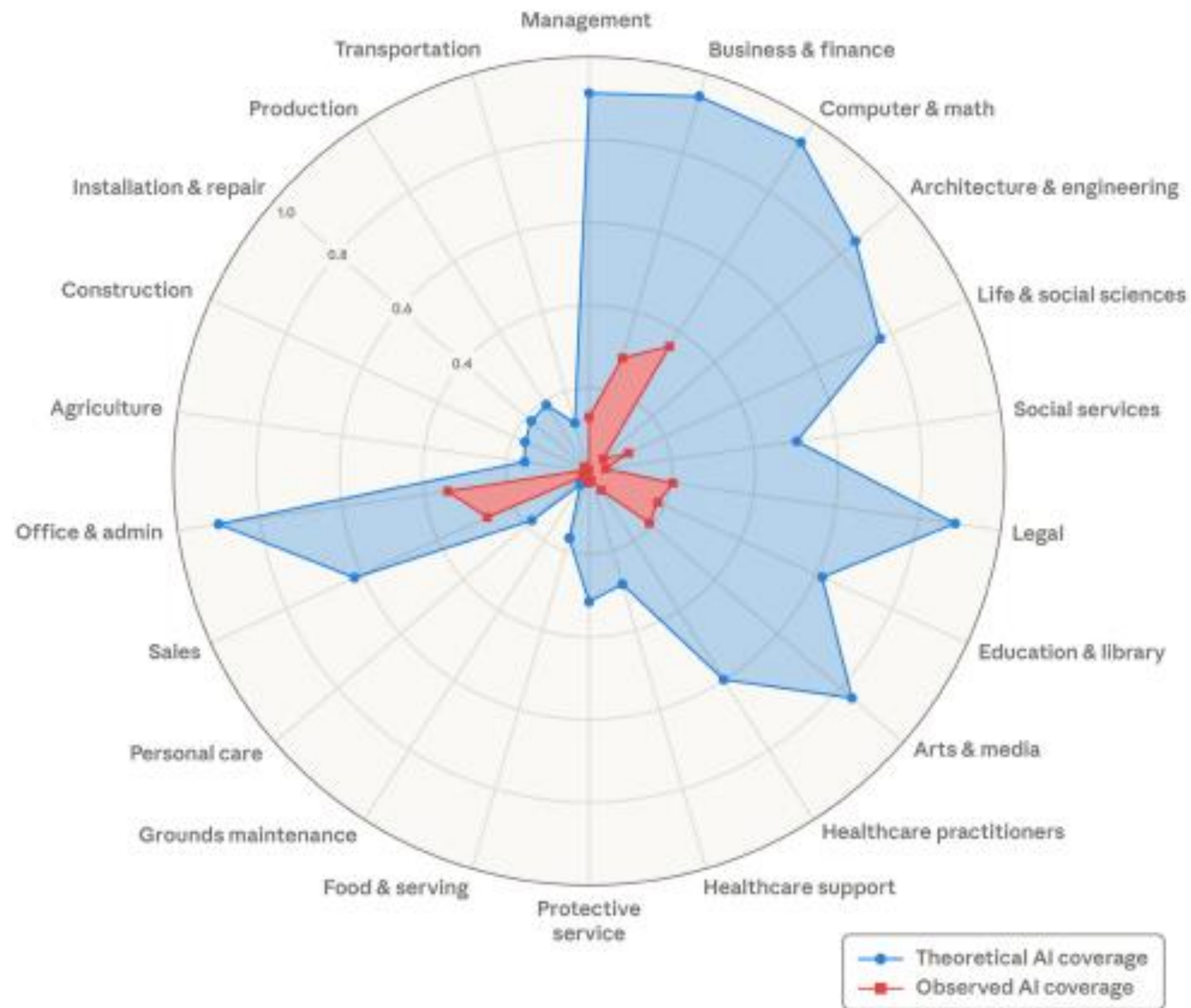
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**Jensen Huang, 6 Jan, 2026**



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Theoretical capability and observed usage by occupational category



Source: <https://www.anthropic.com/research/labor-market-impacts>

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The speculation of AI will eat software companies is out there. Let's clear it up with the facts. Enterprise AI will be the largest driver of return on the multi-trillion dollar super-cycle of investment in AI infrastructure. The real payoff comes when trillions of tokens move beyond pilots to be embedded directly into the workflows where business decisions are made.

You need AI plus workflows because AI is probabilistic, which by definition means we can't be certain about the results. Workflow orchestration is deterministic, predictable, no randomness, which is required given the sophistication and governance of running global enterprises. AI doesn't replace enterprise orchestration. It depends on it.

(We) continue to hear speculation about seat compression. If all we did was look at available seats in our target market, there would be an estimated 1.3 billion seats in that target market. So, we barely scratch the surface. And of course, we're looking far beyond seats alone with our hybrid business model for billions of devices, agents, and assists.



This is not our first SaaS-pocalypse. We have been through many SaaS-pocalypses. I remember the horrible SaaS-pocalypse of 2020 when not only the software industry was dying, but we were all dying. But we made it through that and now everyone is back, doing great



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Alexandra, our Head of IR, tells me we are in the penalty box. We are in this penalty box, because there are questions around, okay, what is the future of software in times where everyone maybe can generate and code apps?

When you look back into all of the technological innovations over the last 10 to 20 years, it always starts with, I mean, these phones here became so powerful because there were better chips, better hardware. And the same is with the LLMs. It always starts with the chips, with the hardware.

But I'm 100% sure in order to create value on the business side, you need to move up the stack. And it always happened like that. And what I explained before that these agents need to understand business data, they need to understand business processes in order to deliver the value for our customers. This is very true.

The LLMs are super good in the unstructured data, but you need a business data. And which company has petabytes of data which we are using to fine tune our AI foundation. This is SAP and we are using the world's best LLMs for the different use cases.

We had a similar bifurcation, I'd say in the last big Tech Bubble in 2000, where telecoms and fiber optics were going through the roof infrastructure again. And I wonder how much dark fiber today is still in the ground, which has never been lit since then.



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**DSP**

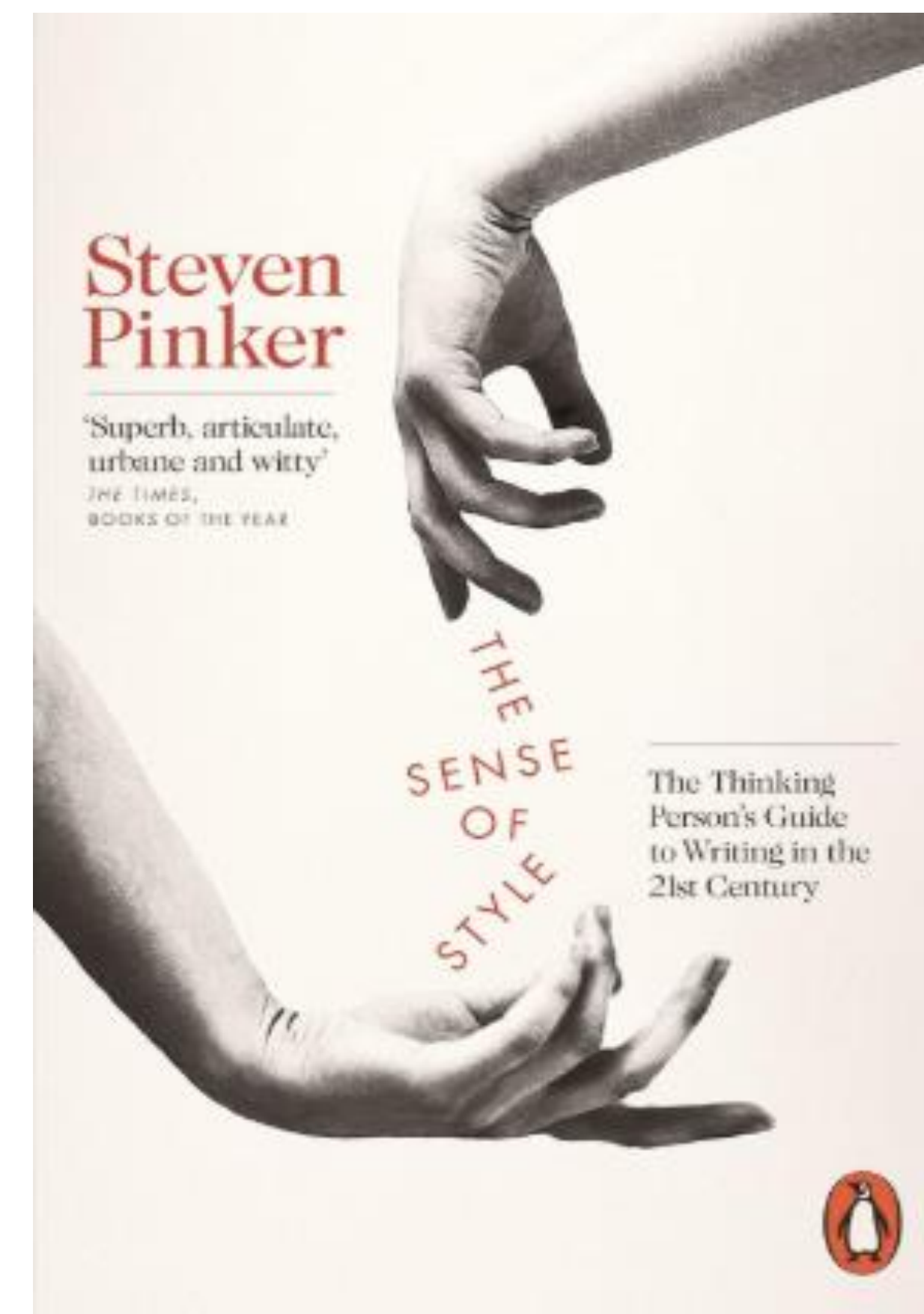
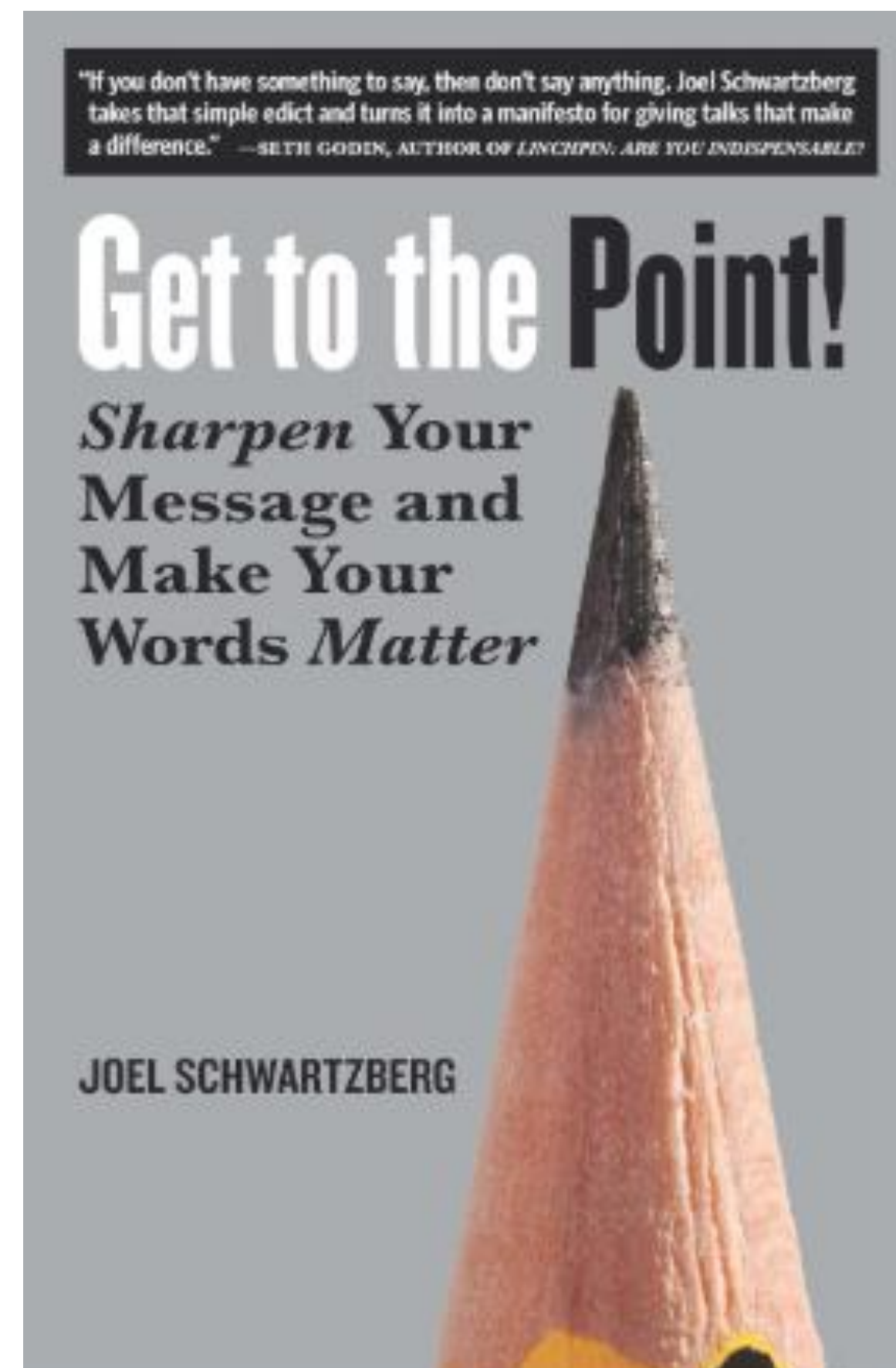
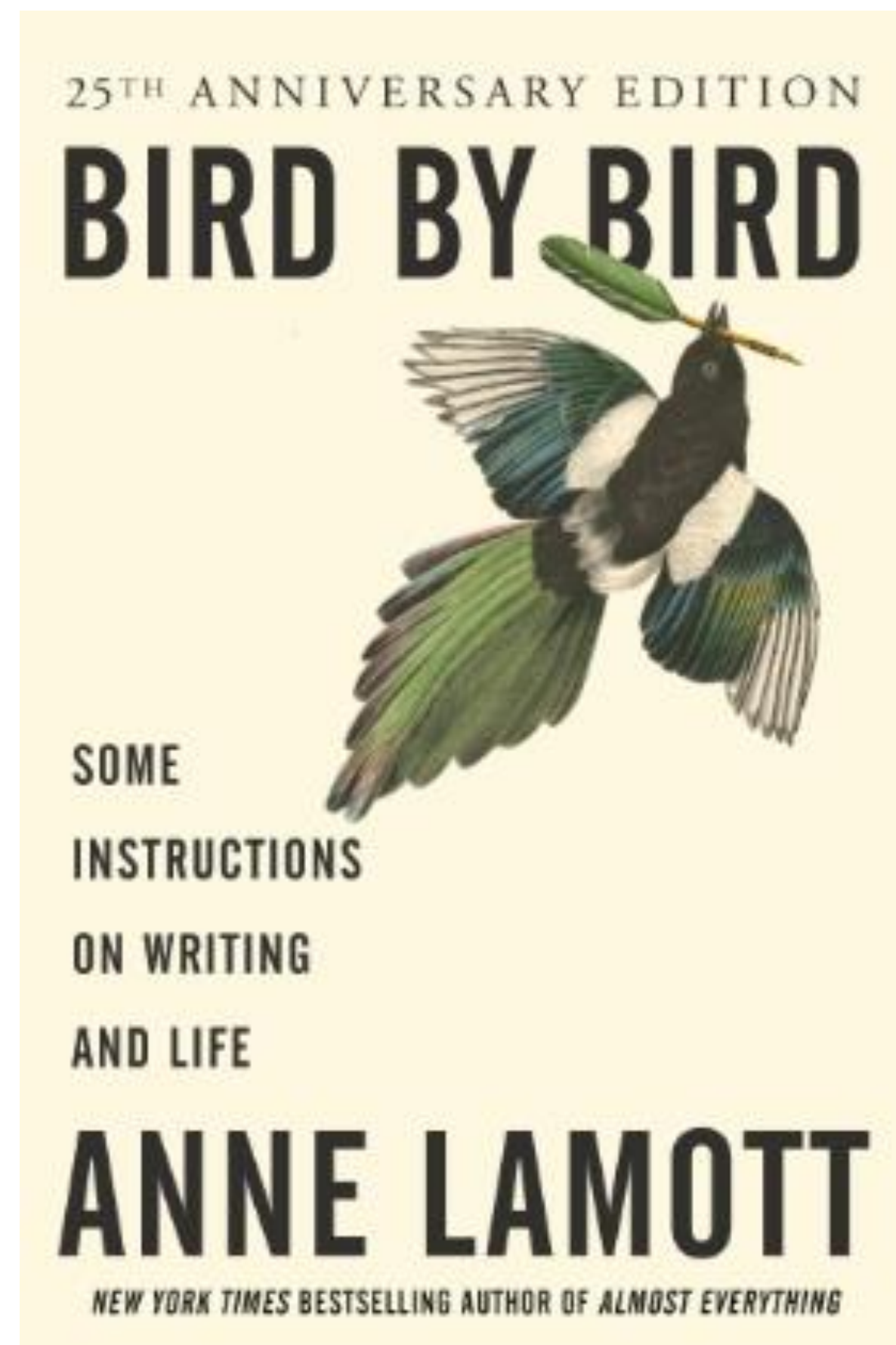
We are in a software twilight zone of sorts when a company whose stock is down almost 40% in five weeks on no company-specific news just reports a strong quarter, raises guidance, and makes a significant commitment to accelerate the buyback. And yet the shares are right now indicated down.

- an additional 10%

 **ATLASSIAN**

You've all heard the thesis or theory that new companies coding quickly using AI will spell the death of SaaS. I don't agree with that at all. I do think that AI tools and their coding capabilities would be a threat if we weren't adopting them, but we are and very rapidly... So yes, some smaller or single focused SaaS players may well be disrupted, but Oracle will not be among them.

 **ORACLE**



→ *"If someone isn't changed, then what is the point of your story?"*

Writing well is a superpower. It serves you everywhere. In a note slipped into your child's lunchbox. In an apology that feels too heavy to speak aloud. In a letter that makes your investors believe. In the sentence that stops a stranger mid-scroll. In a journal that helps you untangle the knots of a restless mind. The craft rewards you for life.

Anne Lamott's *Bird by Bird* is warm and witty. It presents itself as a book about writing, but it's really about how to pay attention and live. *Get to the Point!* is short, practical and built on one core idea: most people fail to communicate because they don't actually have a point. It teaches you how to find yours, sharpen it, and sell it. Steven Pinker's book, the most technical of the three, explains why so much writing is bad, and how understanding the way readers process language can make yours better.

**“I am very confident that SARS-like outbreaks will not occur again because the infectious disease surveillance system network of our country is well established”.**

George F. Gao (Gao Fu), 2019

Director-General of Chinese Center for Disease Control & Prevention

Source: Wang, Dan. Breakneck: China's Quest to Engineer the Future (p. 150). Penguin Books Ltd.



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