



## Devina Mehra on IT stocks: No reason to panic sell or bottom-fish right now

Devina Mehra, Founder, Chairperson and Managing Director of First Global, said that IT will no longer play the same role as a mass employer for the Indian economy as it has over the past two and a half decades, even though companies will continue to adapt and remain relevant.

February 5, 2026



Devina Mehra, Founder, Chairperson & MD of First Global, said investors should avoid reacting emotionally to the current [AI-led narrative around the IT sector](#). In her view, while artificial intelligence (AI) will clearly change how work is delivered and priced, the situation does not justify extreme positioning.

“I do not think this is the time to be kind of panic selling out of it. I’m not saying that they should be either panic selling or panic buying in it right now,” she said, adding that she is also not advising investors to aggressively bottom-fish at this stage. Her own positioning in IT, she said, remains broadly around market weight.

Mehra emphasised that the industry has repeatedly navigated periods when its relevance was questioned—from the end of the Y2K (late 1990s and early 2000s) cycle to the rise of cloud, software-as-a-service (SaaS) and large-scale digitisation. Each time, Indian IT services firms were able to pivot. She believes AI represents another transition rather than an existential threat to the sector.

At the same time, Mehra was clear that the biggest structural shift will be in employment, not in the survival of IT businesses. According to her, IT will no longer play the same role as a mass employer for the Indian economy as it has over the past two and a half decades, even if companies continue to adapt and remain relevant.

# THE 'ANTHROPIC' EFFECT

## Jefferies View

- ▣ Prefer HCLTech & Infosys among large IT cos
- ▣ Prefer Coforge & Sagility among small & midcap stocks

She also pointed out that AI has not arrived unexpectedly for large IT companies. Mehra said that their AI practices and leadership teams have been preparing for this change for several years, and that the industry has already been working towards this transformation.

On the role of IT services companies in an AI-driven world, Mehra said enterprises are unlikely to hand over critical systems directly to AI platforms. Integration of new technologies into complex enterprise workflows, along with risk management and governance, will continue to require large IT services providers and layered delivery models.

However, Mehra cautioned that AI can meaningfully compress revenues and delivery intensity. Shorter implementation cycles and higher productivity will reduce the number of engineers required for similar work. “Instead of requiring five engineers, maybe you require two engineers going forward, so that does put the pressure on it,” she said, highlighting the deflationary pressure this creates for traditional IT revenue models.

That, in turn, raises a deeper challenge to the long-standing billable-hours and headcount-based pricing structure. Mehra said the industry will need to evolve new commercial models, just as it has done in earlier technology shifts, because productivity gains of 25–30% fundamentally alter how value is created and billed.



From a macro perspective, Mehra flagged that the more serious concern lies in the indirect impact of slower IT hiring on the broader economy. Over the past 25 years, IT employment has acted as a multiplier for housing, transport, security, food delivery and several other urban services. A slowdown in IT hiring, she said, therefore has wider implications beyond the sector itself.

On valuations and broader market risk, Devina Mehra said sector-level valuations are not at extremes and, in many cases, are below long-term averages. She also sees no clear signs of a major market breakdown at this point and reiterated that investors should remain invested in equities in line with their asset allocation discipline. As she put it, “there doesn’t appear to be any risk of a big crash.”