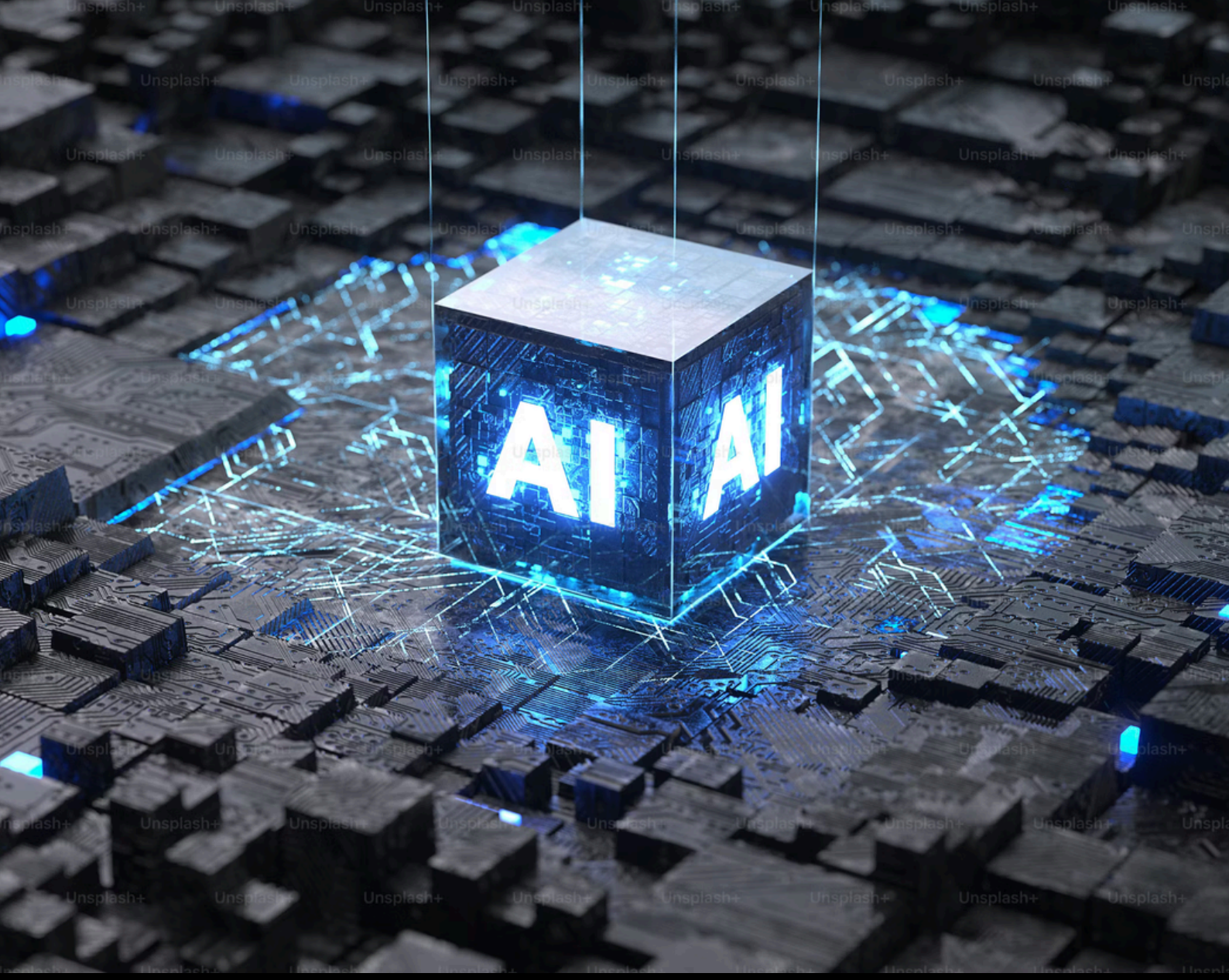

FEBRUARY 2026

Tracxn

INDIA AND THE AGENTIC AI SHIFT

Market Signals, Funding Trends, and SaaS Monetization

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The Catalyst and What Anthropic Released

Recent market volatility coincided with Anthropic's enterprise AI release, an event that may mark a structural inflection in the evolution of artificial intelligence and enterprise software consumption. At the center of this disruption are enterprise agentic capabilities enabled by Claude Opus 4.6, including computer-use functionality that allows AI systems to execute professional workflows autonomously. Built on Anthropic's broader "computer use" capability, the system can read files, organize folders, draft documents, navigate enterprise software interfaces, and carry out multi-step operational tasks with user authorization. Unlike traditional copilots that assist human users, Claude Cowork functions as a digital coworker capable of operating software environments directly.

What amplified the impact was the introduction of deep workflow plug-ins spanning productivity, sales, marketing, finance, data analysis, customer support, product management, and biology research. These integrations allow enterprises to define workflows, connect internal tools, and automate task execution across departments. The legal automation plugin, capable of contract review, NDA triage, compliance checks, and legal brief generation, became the symbolic trigger for market concern. Even with disclaimers requiring licensed attorney oversight, the release signaled that AI had moved beyond assistance into execution across regulated knowledge domains.

Market Response and Valuation Adjustments

Public markets reacted sharply as investors began repricing the long-term implications of autonomous enterprise agents. Indian IT services firms, whose revenues are deeply tied to billable knowledge labor, saw immediate drawdowns. Companies such as Infosys, TCS, Tech Mahindra, HCLTech, and Wipro registered declines as markets priced in the risk of automation across outsourcing workflows. The reaction reflected concern that agentic systems capable of executing documentation, analytics, compliance, and customer operations could reduce billing volumes and slow headcount-driven growth.

Software vendors reliant on seat-based licensing models faced valuation pressure as investors questioned whether AI agents could reduce enterprise dependence on human software users. The repricing was therefore not driven by near-term revenue loss but by potential long-term structural compression in seat expansion, utilization, and pricing leverage.

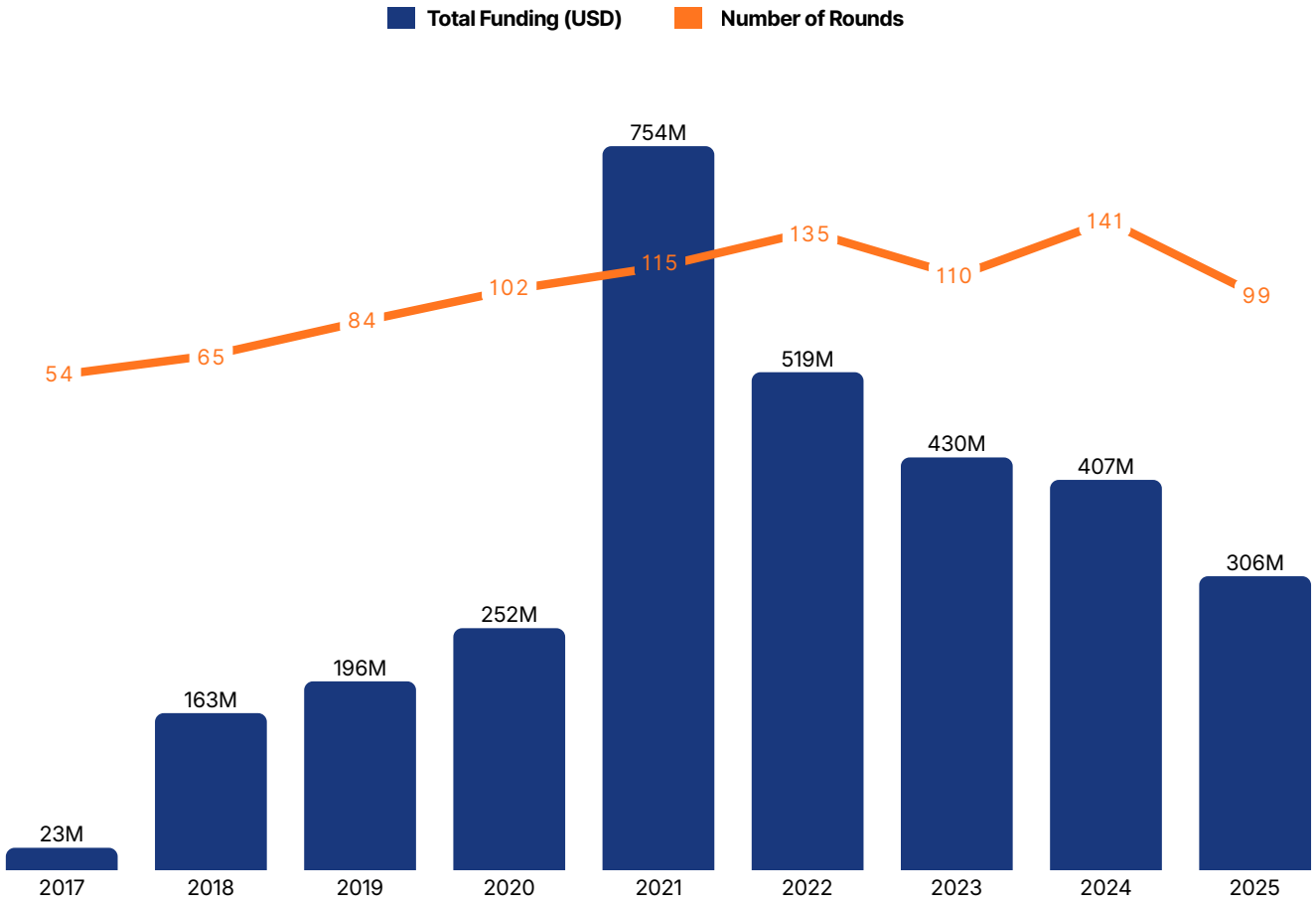
The Structural Lead-Up: Funding Divergence

This market shock followed a multi-year capital buildup across both global and Indian AI ecosystems. Globally, artificial intelligence funding has scaled dramatically over the past decade, rising from single-digit billions in the late 2010s to peaking at nearly $140B by 2025. A substantial share of this capital concentrated in frontier model developers and compute infrastructure providers, financing large-scale training clusters, orchestration frameworks, and enterprise deployment tooling. These investments constructed the foundational intelligence layer required for autonomous enterprise systems to function reliably.

India's funding trajectory mirrored this buildup at a smaller but structurally significant scale. Domestic AI investment rose steadily from exploratory levels in the early 2010s to nearly $754M by 2021, driven by enterprise AI platforms, analytics firms, and automation infrastructure. Although funding moderated thereafter—declining to roughly $518M in 2022 and tapering through 2023–2025—the cumulative capital deployed built foundational capability across applied AI deployment.

Exhibit 1

Annual Funding and Investment Scale in Native AI in India



Source: Tracxn

Note: AI Funding Includes equity funding raised by Native AI companies IN INDIA, Nominal USD. Based on Tracxn tracked disclosed rounds only. Undisclosed amounts excluded

Agentic AI includes companies building autonomous workflow execution systems and agentic applications only. Foundational model and infrastructure providers (e.g., large model labs) are classified separately under AI Infrastructure and are not part of Agentic AI dataset

Native AI denotes companies built AI-first, where artificial intelligence models and data systems form the foundation of the product architecture, rather than being layered onto existing software platforms.

Within this broader capital cycle, agentic AI funding in India reflects a downstream commercialization phase rather than an early innovation wave. Investment activity remained modest through the late 2010s. The structural inflection emerged post-2022, coinciding with the global acceleration in generative AI adoption following large language model breakthroughs and the enterprise mainstreaming of systems such as ChatGPT, supported by overall funding scaling to approximately $247M. This capital has primarily flowed into autonomous workflow agents, enterprise copilots, and orchestration platforms, signaling the localization of the global transition from generative assistance toward execution-layer automation within the Indian ecosystem.

The Future State of the IT Industry in India

India's IT services sector sits at the center of this transition due to its structural dependence on execution-layer knowledge work. For decades, the industry scaled on a labor arbitrage model, delivering documentation, compliance, analytics, testing, and operational workflows through offshore staffing. Agentic AI introduces automation into precisely these service lines, challenging time-and-material billing structures and pyramid workforce models.

However, the disruption is not uniformly negative. The Economic Survey positions AI as a general-purpose productivity technology capable of expanding economic capacity if deployed strategically. Rather than competing in capital-intensive frontier model development, India's opportunity lies in application-layer deployment, enterprise integration, and sector-specific AI solutions. Constraints around compute infrastructure, energy requirements, and capital access make large-scale model training less viable domestically, but India's engineering talent, digital public infrastructure, and services expertise position it strongly as an AI implementation hub.

The industry's future will therefore depend on its ability to pivot from labor provisioning to intelligence deployment—embedding AI into enterprise workflows while retaining oversight, governance, and customization roles.

Balancing Labor Market Implications and AI Deployment

Labor disruption concerns remain central but require calibrated interpretation. Execution-heavy roles in testing, documentation, customer support, and compliance processing face automation exposure as agents assume repeatable cognitive tasks. This creates compression at the base of India's IT workforce pyramid.

Yet the Economic Survey and broader labor data suggest that AI initially augments rather than replaces workers. As the cost of cognitive execution declines, enterprises expand the volume and complexity of work undertaken. Demand rises for AI supervision, exception management, governance oversight, and regulatory validation. Liability frameworks further reinforce human involvement, as AI systems cannot assume professional accountability. The long-term labor impact is therefore best understood as role reconfiguration rather than systemic displacement.

Economic Dynamics of Agentic & Native AI Firms

While agentic AI firms are driving disruption, they face mounting economic pressures of their own. Autonomous agents are computationally intensive, requiring persistent reasoning, tool invocation, screen interpretation, and workflow memory. Operating such systems at enterprise scale generates substantial inference costs. The surge in venture funding across frontier labs and agentic startups has financed capability expansion but also created return expectations.

As capital deployment intensified through the early 2020s, investors began seeking monetization pathways capable of sustaining compute-heavy operations. This dynamic explains the acceleration in enterprise agent releases, workflow automation products, and commercial plug-in ecosystems. Revenue generation, ROI realization, and enterprise contract scaling have become urgent imperatives, driving faster productization of autonomous capabilities.

OpenAI's exploration of advertising within ChatGPT's free tiers illustrates how frontier AI providers are broadening monetization frameworks to support expanding usage and access. As agentic systems scale in capability and adoption, diversified revenue models—combining subscriptions, enterprise licensing, and ad-supported access—are becoming integral to sustaining widespread deployment.

Reading Between the Lines: Capital Migration

Beneath the market reaction lies a deeper capital reallocation across the technology value chain. Funding is increasingly concentrating in compute infrastructure providers, model developers, and orchestration platforms that enable intelligence execution. Application-layer software firms—particularly those reliant on seat-based usage—face relative pressure as value shifts toward systems that automate work rather than host it.

However, the impact is uneven. Software firms anchored by proprietary datasets, compliance embedding, or system-of-record positioning retain structural defensibility. Infrastructure providers, GPU cloud platforms, and orchestration-layer vendors emerge as relative beneficiaries, monetizing the rise of autonomous enterprise execution.

Strategic Outlook

Taken together, the Anthropic release represents less a cyclical market event and more a structural reordering of enterprise technology economics. Autonomous agents capable of executing workflows signal a transition from user-operated software to intelligence-operated systems. For India, the implications are dual-sided. Operational workflows outsourcing faces margin and hiring pressure, while AI deployment, orchestration, and governance services present long-term expansion opportunities.

The Economic Survey's policy framing aligns with this transition. By emphasizing application-led AI adoption, workforce reskilling, and infrastructure pragmatism, it outlines a pathway through which India can adapt to execution automation while capturing value in enterprise AI deployment. The strategic challenge is therefore not technological displacement but structural repositioning within the global AI value chain. As intelligence becomes operational, value will accrue to economies and firms that control how autonomous systems are implemented, supervised, and scaled—an arena in which India retains meaningful strategic leverage if the transition is executed effectively.

List of References

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