

## Sector Update

### ***Strong execution, but disappointed on bookings...***

#### Quick Pointers:

- FY25 revenue guidance narrowed to 6-7% YoY CC from 5-7% earlier
- Bookings declined by 6% YoY in USD during the quarter followed by 3% decline in last quarter

***Accenture's (ACN: NYSE) performance in Q3 came above consensus estimates and at top end of the guidance despite the underlying challenges. The growth was driven by managed services, attributed to FS & Americas, a positive read through for Indian IT companies. However, revenue guidance for Q4 (USD 17-17.6 bn) implies softness on account of caution among enterprise clients along with Federal mandates to prioritize spending. We believe the degree of intensity is more noticeable in the former than the latter, as the bookings growth on outsourcing decelerated further (down 10% YoY), while Public Service and Americas are growing at Consol business growth. For the Indian counterpart, the slowdown in outsourcing bookings might further intensify conversion challenges on selective pockets, especially the tariff-induced verticals, while we expect BFS should continue its growth momentum in the subsequent quarters.***

- **Demand & Outlook:** ACN's performance in Q3 came at the top end of the guidance despite the volatile macro environment which the management acknowledged has deteriorated compared to last fiscal year. ACN also increased its FY25 guidance at lower end and is guiding for revenue growth of 6-7% YoY CC with organic growth of 3-4%. This indicates strong execution by the company and that it is gaining market share compared to its comparable peers. However, the guidance band implies sequential USD revenue decline of 4% to 1% in Q4 and this band indicates that despite strong execution in Q3 the macro environment remains volatile in the near-term.
- **Outsourcing performance a mixed bag:** Outsourcing business (9% YoY CC growth) continued its momentum but decelerated after reporting 2 successive quarters of double-digit growth. Also, the outsourcing deal booking declined for 3<sup>rd</sup> consecutive quarter and the decline in Q3 has been sharp 10% YoY. Both of these factors would be concern for Indian IT services companies as it indicate that the adverse macro environment has started impacting clients tech spending decisions.
- **FS momentum continues:** ACN reported broad-based growth during the quarter. However, Financial services reported strong double-digit growth for a second successive quarter which is positive indicators as FS clients continues their tech spending despite the macro uncertainties.
- **Sharp decline in net employee:** Net employees declined by 10.4k sharp in Q4 after 4 successive quarters of net addition, which is concern along with declining deal bookings.

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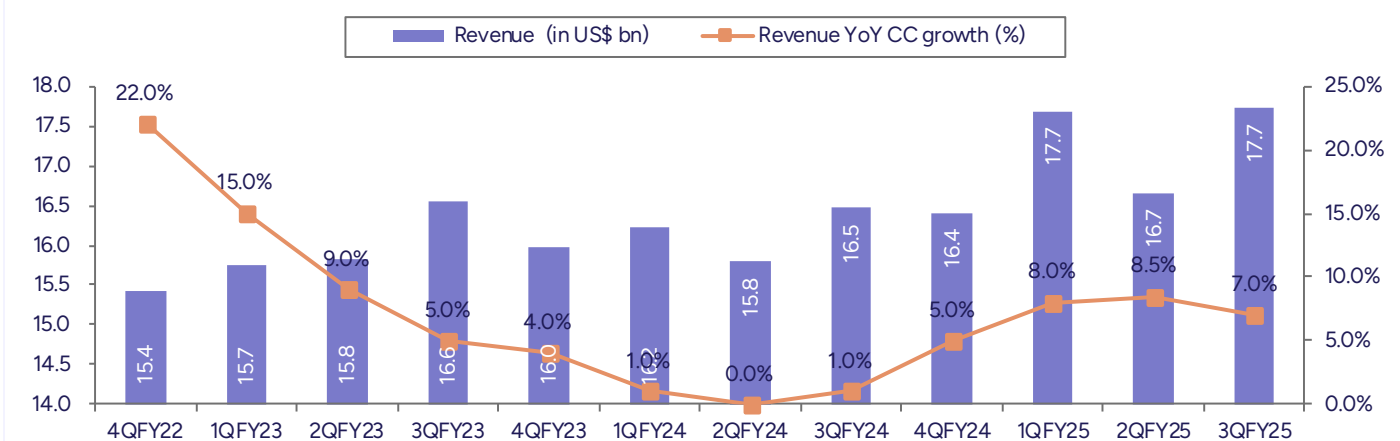
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## Accenture 3Q-2025 first take: Exceeding estimates, but softer deal TCV.

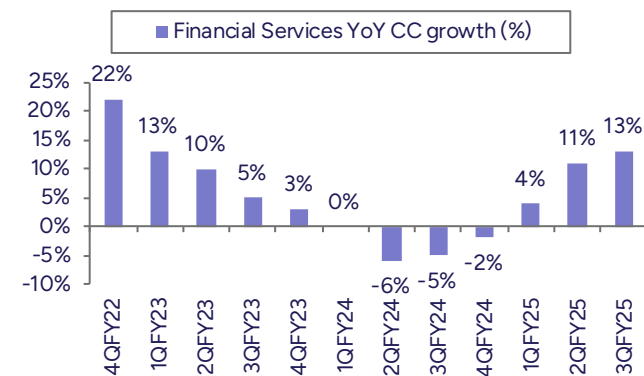
- Revenue at US\$ 17.7 bn, up 7.7% YoY (7% CC YoY) came at the top end of guidance band of 3-7% YoY CC growth and above street estimates of 5.5% YoY CC growth
- Outsourcing revenue (51% of mix) came at US\$ 8.72 bn, up 9% YoY in reported & 9% YoY in CC term while Consulting revenue (49% of mix) came at US\$ 9.01 bn, up 7% YoY (+6% CC YoY)
- **FY25 revenue guidance narrowed further to 6-7% from earlier 5-7%**
- 4QFY25 revenue guidance of US\$ 17-17.6 bn, guidance band of 1-5% YoY growth with impact of forex of +2.5%
- Adjusted EBIT margin came at 16.8% (up 40 bps YoY) and margin guidance revised to 15.6% from band of 15.6-15.7% earlier for FY25
- **New booking at US\$ 19.7bn down 7% CC terms & 6% YoY in reported terms. Outsourcing bookings declined by strong 10% YoY to US\$ 10.62 bn while consulting booking declined by YoY 2% to US\$ 9.08 bn**
- Segments wise growth was broad based with Financial Services continuing its momentum with 13% YoY CC growth. Health, Products, CMT & Resources grew by 7%, 7%, 5% & 4% YoY CC growth respectively
- Geography wise also the growth was broad based with Americas, EMEA & reporting a growth of 9% & 6% YoY CC respectively while APAC reported growth of 4%
- **Net employee declined sequentially by 10.4k, taking the total headcount to 790k employees**

## Other KTA's

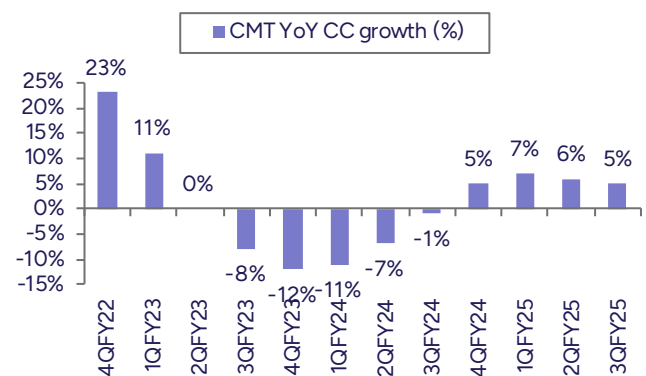
- **Geography- & sector-wise performance:** Growth in the Americas was primarily driven by the US, with strong momentum in banking and capital markets, industrials, and healthcare. In EMEA, life sciences, banking & capital markets and insurance were the key growth drivers. Geography wise the growth was driven by UK, Germany & Italy in EMEA region. In APAC, growth was driven by public services, banking & capital markets, and insurance offset by decline in chemicals & natural resources. Geography wise growth was led by Japan and Australia offset by decline in Singapore.
- ACN expects organic growth of 3-4% in FY25 with an inorganic contribution of 3%. ACN expects decline of 2% in US public services and factoring this decline it expects growth of 1-5% YoY CC in Q4FY25.
- Gen-AI – Gen AI demand remains strong for the company and ACN booking of Gen AI coming at USD 1.5 bn in Q3 compared to USD 1.4 bn in Q2.

**Exhibit 1: Q3 growth at top end of guidance band of 3-7% YoY CC**


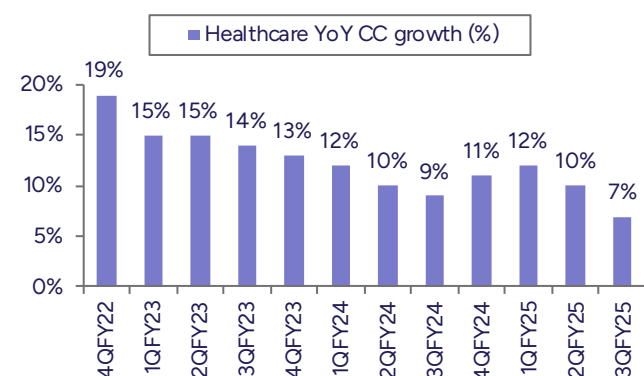
Source: Company, PL

**Exhibit 2: FS momentum continues**


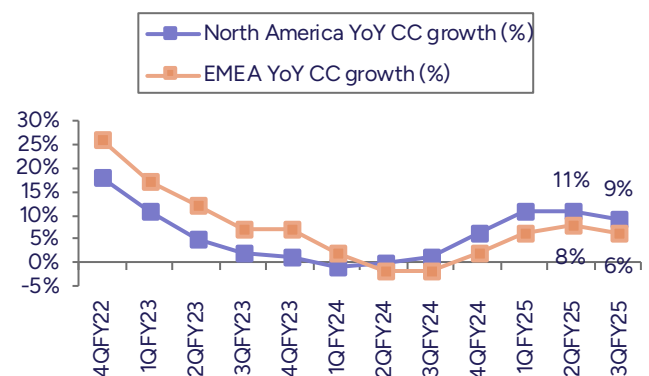
Source: Company, PL

**Exhibit 3: CMT performance steady**


Source: Company, PL

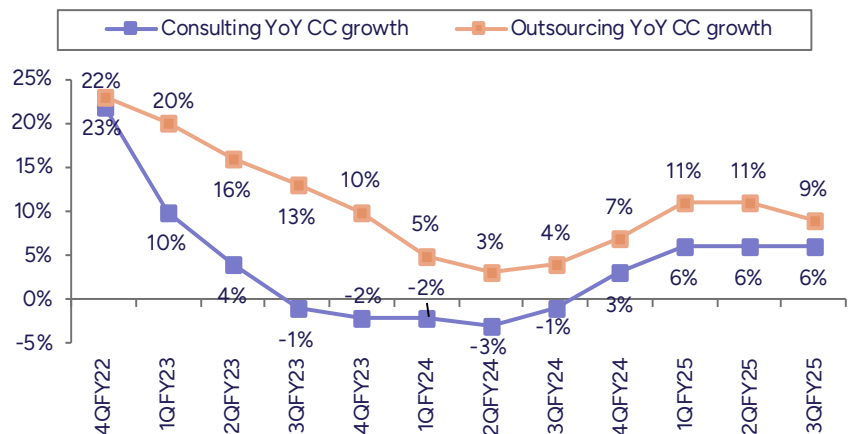
**Exhibit 4: Healthcare growth tapers**


Source: Company, PL

**Exhibit 5: Broad based growth in key geographies**


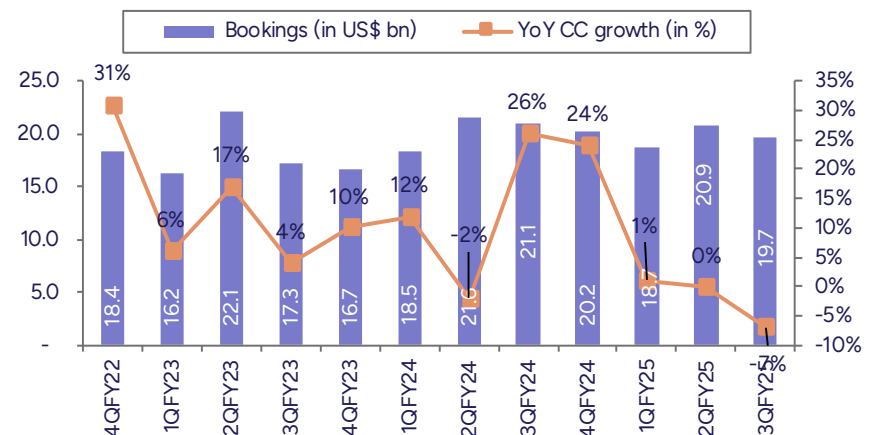
Source: Company, PL

**Exhibit 6: Outsourcing growth tapers while consulting remains steady**



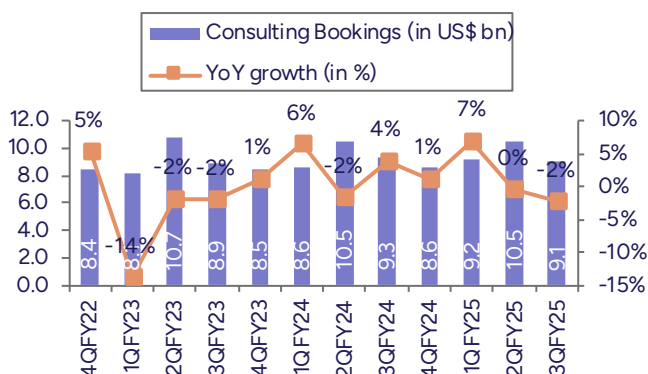
Source: Company, PL

**Exhibit 7: Bookings declined in Q3**



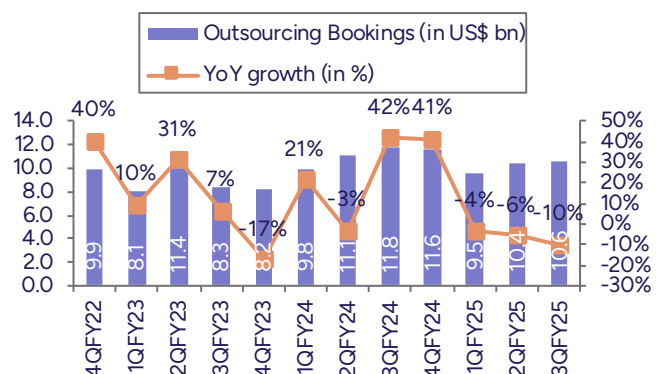
Source: Company, PL

**Exhibit 8: Consulting declined by 2% YoY CC in Q2**



Source: Company, PL

**Exhibit 9: Outsourcing bookings down by sharp 10% YoY CC**



Source: Company, PL

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Hold	1,200	1,244
2	HCL Technologies	Hold	1,540	1,480
3	Infosys	BUY	1,630	1,420
4	KPIT Technologies	Hold	1,410	1,365
5	L&T Technology Services	Hold	4,360	4,474
6	LTIMindtree	Accumulate	4,980	4,537
7	Mphasis	BUY	2,860	2,468
8	Persistent Systems	BUY	5,910	5,164
9	Tata Consultancy Services	BUY	4,160	3,247
10	Tata Elxsi	Sell	4,950	6,212
11	Tata Technologies	Sell	590	751
12	Tech Mahindra	Accumulate	1,530	1,445
13	Wipro	Hold	260	248

## PL's Recommendation Nomenclature

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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