

NOT RATED**ACCENTURE**

| IT Services

| 19 June 2026

Lower growth guidance points to downside risks for Indian players

- **ACN lowered FY26 (August YE) Local currency (LC) organic revenue growth guide by 50bps to 2%. Reversed its post 2Q move**
- **Indicates weakness towards end of 3QFY26 which it says will continue in 4Q. Indian industry in FY27 (March YE) may be weaker than expected**
- **The sharp stock reaction of ACN is also due to the expensive M&A moves**

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Accenture lowered FY26 (August YE) Local currency (LC) organic revenue growth guidance by 50bps to 2%. It had done the reverse 3 months back after a stronger than expected 1HFY26. Lost revenue of US\$100mn in 3QFY26 to the Middle east situation. Two large orders got pushed to FY27, impacting its TCV. This was indicated to be client specific.

Read through of 3QFY26 Accenture results for Indian industry players*

- If you combine the weakness that ACN is indicating in 2HFY26 with recent commentary of Cognizant CFO (that there is no acceleration in demand near term) one concludes that FY27 for the Indian IT service industry would be weaker than what street anticipated post 4QFY26. Already both Infosys and HCLT are pointing to weaker than FY26 organic growth. Looks like there may be downside risks to those numbers too.
- Managed services growth has been faster than that of consulting and we believe that is where ACN competes with Indian heritage players the most and we believe it is gaining share.
- Enterprise clients are sharply focused on ROI in their decisions regarding AI.
- While Business AI has been dominating discussion on increase in TAM across various Global IT services entities like Capgemini and Cognizant, Accenture TAM expansion narrative as of today revolves around Cyber security and attacking the mid-market segment.
- Accenture for the first time in recent days indicates that some clients are pushing back orders. This was first highlighted by Kyndryl and Epam a few quarters back. Very likely we are going to see this commentary also embraced by some Indian players.



ACN reinforced the view that we have held for many quarters that AI is not a material innovation and growth play yet. As indicated in our recent reports ([Existential threat, value trap or Temporary blip](#)) and ([Narrative of FY27 being modestly better, set for its first test](#)), we think the enterprise uptake will be at a pace similar to that of Cloud Technology in the last 15 years or worse. That required Covid as a catalyst to drive faster adoption. We are not sure about the catalyst for AI adoption.

- ACN's stock performance on 18 June 2026 (down ~17% and ~52% YTD) is also likely influenced by the over-the-top M&A moves made by it. US\$9bn investment in FY26 (compared to pre-acquisition FCF of ~11bn). Market is probably worried about the price being paid. For instance, it is paying US\$4.2bn for a clutch of cyber security companies (Dragos, runZero and NetRise) whose combined ARR is US\$208mn as of June 2026, representing 53% YoY growth (valuation of 20x TTM ARR). With this move it gets a majority stake in Dragos, a leading platform for operational technology cybersecurity, and acquires runZero, a leading asset intelligence and exposure assessment company, and NetRise, a leader in device security and software supply chain security.
- ACN seems interested in buying non – FTE based assets and does not mind paying a steep premium.
- Earlier in the year it acquired 'Faculty' an AI services in the UK (at ~US\$1bn) valuing it at ~19x FY25 sales. With revenue growth of ~30% in FY25. The high price is likely for its proprietary 'Frontier Decision Intelligence Platform' and for hiring the founder of 'Faculty' as CTO of Accenture (an expensive acquire).

Fig 1 – Accenture initial guidance versus delivery

(YE August) (%)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26P
LC growth guidance at year beginning	5-8	5-8	5-8	5-8	5-8	5-8	2-5	12-15	8-11	2-5	3-6	3-4
Actual LC Revenue Growth	11	10.5	7	10.5	8.5	4	11	26	8	2	7	
Inorganic contribution	2	2	2	2.5	2	2	2.5	5	2	3	3	1.5
Organic Revenue Growth	9	8.5	5	8	6.5	2	8.5	21	6	-1	4	2

Source: Company, BOBCAPS Research. Note: FY26 numbers are post 3QFY26

Key points from the quarter and earnings call

- Revenues for 3QFY26 stood at US\$18.72 bn, an increase of 3% in local currency; slightly above the midpoint of the company's guided range of ~US\$18.35 bn to US\$19.0 bn. The foreign-exchange impact for the quarter was ~ +2.5%
 - Excluding the ~1% impact from the federal business, revenue growth was ~4%
 - Revenue saw broad-based growth across geographic markets, industry groups and types of work
 - Management said that based on 3Q performance, the business remains on track to deliver or exceed all aspects of guidance provided in September
 - ACN says significant market share gains continued on a rolling four quarter basis versus the closest global publicly traded competitors
- Consulting revenue was US\$9.3 bn, up 1% in local currency
- Managed services revenue was US\$9.4 bn, up 5% in local currency. Growth was driven by mid-single digit growth in technology managed services, which includes application managed services and infrastructure managed services, and high single digit growth in operations
- Americas revenue grew 1% in local currency. Excluding the ~1.5% impact from the federal business, Americas revenue growth was ~3%
 - Growth in the Americas was led by Software & Platforms, High Tech and Industrials, partially offset by a decline in Public Service
 - Americas growth was driven by the United States
- EMEA revenue grew 4% in local currency
 - Growth was led by Public Service and Software & Platforms
 - Growth was driven by the UK and Italy, partially offset by decline in Germany and the Middle East
- Asia-Pacific revenue grew 8% in local currency
 - Growth was driven by Public Service, Banking & Capital Markets and Insurance
 - Growth was led by Japan, Australia and Singapore
- Operating margin stood at 17%, up 20 bps YoY, despite continued investments in people and the business
- New bookings were US\$19.3 bn, down 3% in local currency, with an overall book-to-bill ratio of 1.0x
 - Consulting bookings were US\$10.3 bn with a book-to-bill ratio of 1.1x; Managed services bookings were US\$9.1 bn with a book-to-bill ratio of 1.0x

- During 3Q, 6mn shares were repurchased or redeemed for US\$1.2 bn at an average price of US\$198.84 per share
- Middle East conflict negatively impacted revenue by ~US\$100 mn versus expectations, entirely within consulting-related work, split evenly between direct impact in the Middle East business and indirect impact outside the region
 - Indirect impact from the Middle East conflict was observed globally during the last few weeks of the quarter, primarily in products and to a lesser extent in resources, mostly in discretionary spending
- Sales were negatively impacted by ~US\$400 mn in the Middle East and also in EMEA due to longer decision-making cycles
- A couple of large managed services opportunities shifted into FY27 due to company-specific reasons
- AI is viewed as a long-term tailwind, acting as a catalyst for reinvention while creating new growth and efficiency opportunities for both clients and the business
- A key theme across AI engagements is helping clients move from using AI to running on AI. More clients are transitioning from AI pilot projects into production deployments, despite AI still being in the early stages of adoption
- An additional 100 clients initiated advanced AI projects during the quarter
- Three acquisitions: A majority stake acquisition of Dragos, a leading OT cybersecurity platform company along with acquisitions of runZero, a vulnerability and exposure assessment firm, and NetRise, a device security company, will create an OT security platform that lets clients see threats, find vulnerabilities, and fix them before it becomes a crisis
 - Cybersecurity is viewed as a critical enabler of AI adoption, with OT security becoming increasingly important given vulnerabilities across critical infrastructure
 - The OT security platform investment more than triples the TAM in OT security, a market growing at double-digit rates
- Expansion into a new customer segment, mid-market, represents another significant total addressable market opportunity
 - The mid-market segment, defined as companies with revenue between US\$300 mn and US\$3 bn, represents an estimated US\$240 bn addressable market growing at high single-digit rates
 - A new business called Accenture Edge is being launched to target the mid-market segment. Accenture Edge will leverage large-enterprise expertise and ecosystem relationships while delivering solutions specifically designed for mid-market clients

Guidance:

- 4QFY26
 - Revenue is expected to be in the range of US\$17.75 bn to US\$18.4 bn
 - Guidance assumes a ~0.5% negative FX impact
 - Revenue guidance implies local currency growth of 1% to 5% YoY
- FY26 revenue growth guidance has been narrowed to 3% to 4% in local currency (~4% – 5% excluding an estimated 1% impact from its U.S. federal business)
 - FX is expected to contribute a positive 2% impact
 - Inorganic contribution to FY26 revenue growth is expected to remain ~1.5%
- Hence the organic revenue growth in LC terms at the midpoint has been lowered from 2.5% to 2%.
- FY26 adjusted operating margin is now expected to be 15.8% (20 bps expansion over FY25)

Other Points:

- Indirect impact from the Middle East conflict emerged only in the last few weeks of 3Q, mainly in discretionary spending. Management expects the impact to continue into 4Q. The pace of recovery remains uncertain, particularly in industries facing broader structural challenges. Automotive was highlighted as a pressured sector, with higher gas prices adding to existing challenges
- FY27 is expected to begin with slightly below 2% inorganic revenue contribution based on acquisition closing timelines and acquisition profiles
- Clients are increasingly seeking help to optimize token usage, creating a growing advisory opportunity
- Overall enterprise budgets are being reallocated towards AI but are not meaningfully increasing. Management remains focused on expanding TAM while capturing a larger share of AI spending
 - Expansion into OT cybersecurity platforms more than triples the addressable market in OT security
 - The mid-market represents a significant new TAM opportunity and a growing strategic focus
- Management continues to see AI demand building quarter after quarter
 - Average AI project size continues to increase, although AI projects remain relatively small overall
- Demand remains centered on building AI readiness and deploying AI at scale

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**) and reiterated our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~3-5% CAGR over FY25-FY30 in constant currency (CC) terms. We also believe that release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).

Multiple speed breakers drive our Underweight stance

Trump policies raise uncertainty: While tariffs drove uncertainty in 2025, Trump's multiple proposals to address affordability crisis in the US ahead of the mid-terms in Nov'26 will be the key monitorable in 2026 (eg: freezing credit card interest rate at 10%, controlling prices of products and services, cash payments to citizens, buying of US\$200bn MBSs, etc.). There will be winners/ losers due to this in USA Inc and that could reflect in the IT spending outcomes.

Higher for longer interest rate environment: Lately, based on inflation prints and fears of a higher fiscal deficit, US 10Y yields have remained firm. There are fears of sustained high interest rates potentially reducing IT outsourcing demand; particularly in BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend:

Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to Cloud/SaaS and move it away from the ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

How we are valuing companies: We are using PE methodology, as also TCS, as our industry benchmark. Target PE for TCS is 16.8x, which is the average PE multiple of TCS over the last 10 years less 1.5SD. We have been giving subjective premium/discount to the benchmark target PE to arrive at target PE multiples for the rest of our coverage.

Our target PE multiples are lower than those used by consensus/competitors. Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

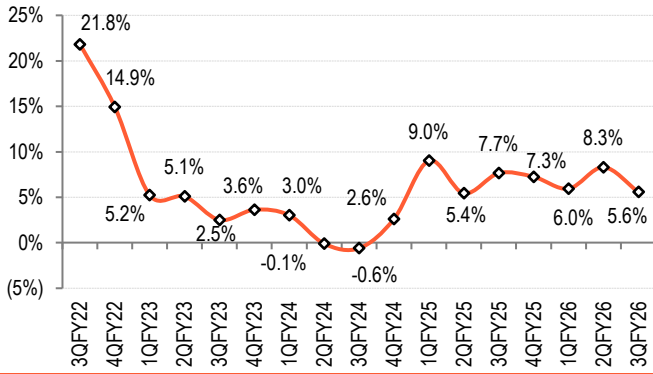
Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

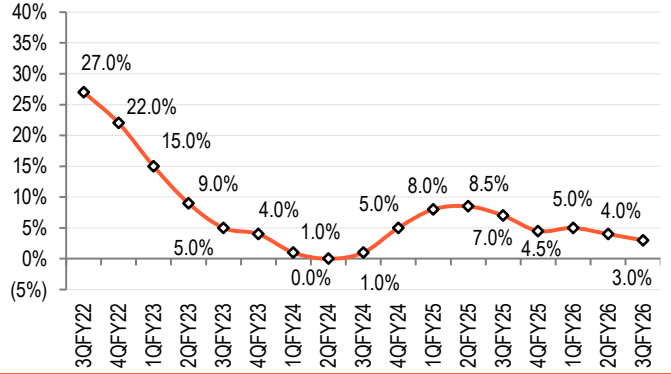
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 2 – USD YoY Growth Rate



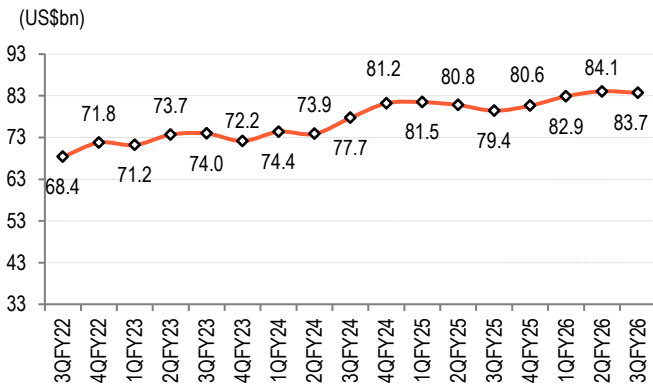
Source: Company, BOBCAPS Research

Fig 3 – Revenue Growth Rate (CC YoY)



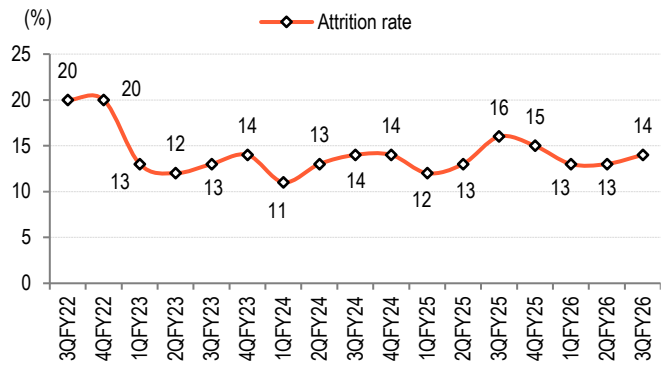
Source: Company, BOBCAPS Research

Fig 4 – TTM Order inflow



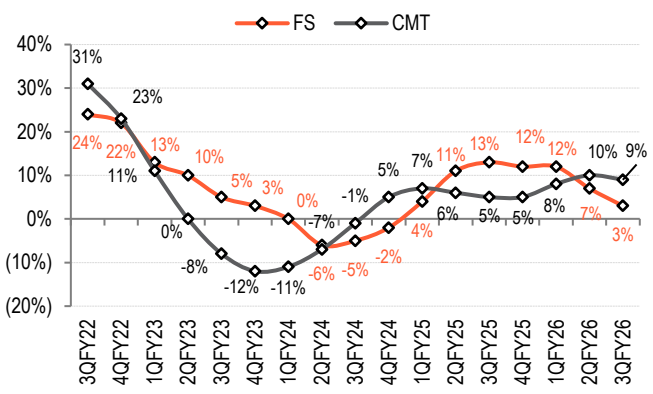
Source: Company, BOBCAPS Research

Fig 5 – Attrition trend



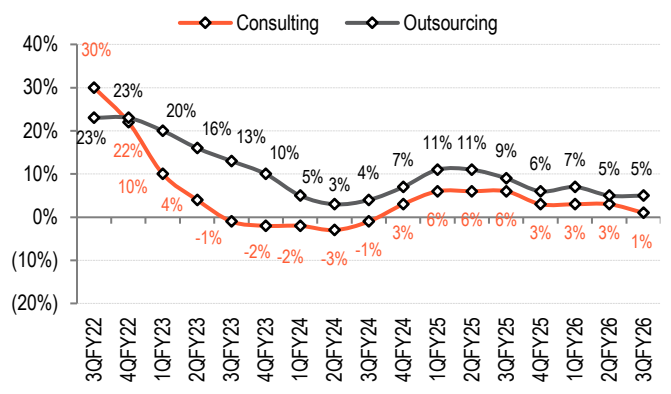
Source: Company, BOBCAPS Research

Fig 6 – LC growth of CMT and FS (%)



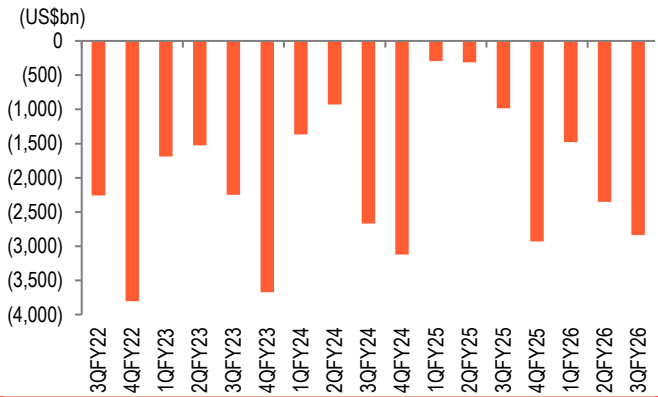
Source: Company, BOBCAPS Research

Fig 7 – LC Growth trajectory in services lines (%)



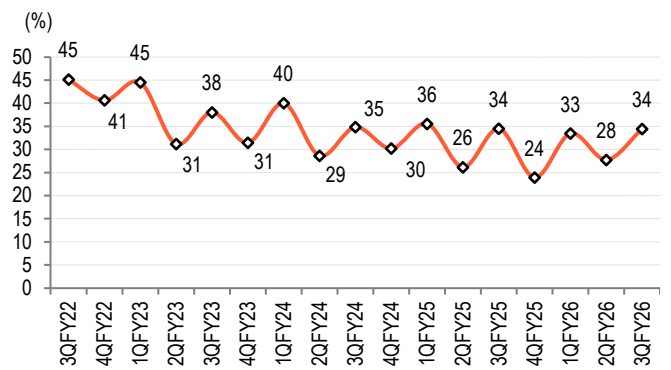
Source: Company, BOBCAPS Research

Fig 8 – Quarterly working capital situation



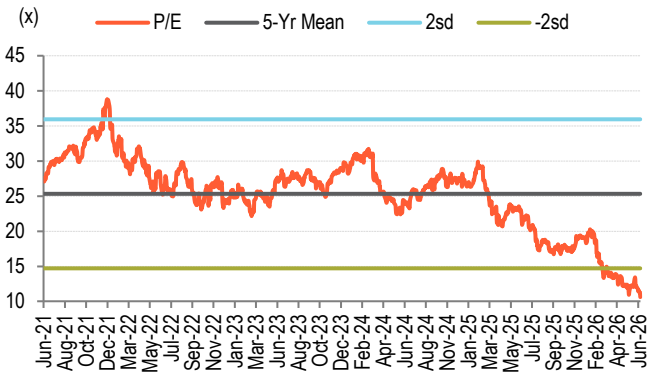
Source: Company, BOBCAPS Research

Fig 9 – ROIC (%)



Source: Company, BOBCAPS Research

Fig 10 – 5-year PE multiple chart trajectory



Source: Company, BOBCAPS Research

Fig 11 – Key Metrics

(\$mn) YE August	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Revenue	16,565	15,985	16,224	15,800	16,467	16,406	17,690	16,659	17,728	17,596	18,742	18,044	18,718
Gross Margin	5,529	5,182	5,448	4,878	5,498	5,337	5,823	4,975	5,827	5,611	6,197	5,459	6,134
EBIT	2,359	1,913	2,565	2,046	2,631	2,354	2,948	2,245	2,983	2,050	2,874	2,494	3,175
PAT	2,010	1,373	1,973	1,675	1,932	1,684	2,279	1,788	2,198	1,414	2,212	1,825	2,339
Margins (%)													
Gross Margin	33.4	32.4	33.6	30.9	33.4	32.5	32.9	29.9	32.9	31.9	33.1	30.3	32.8
EBIT Margin	14.2	12.0	15.8	13.0	16.0	14.3	16.7	13.5	16.8	11.6	15.3	13.8	17.0
Vertical Mix (%)													
Communications & High Tech	17.4	16.9	16.5	16.8	16.8	16.8	16.2	16.4	16.4	16.8	16.6	17.1	17.2
Financial Services	18.9	18.9	18.7	17.8	17.6	17.5	17.9	18.1	18.5	18.8	19.2	18.8	18.6
Health & Public Service	19.7	20.5	20.8	21.1	21.3	22.0	21.6	21.7	21.3	20.3	20.3	20.3	20.5
Products	30.0	29.7	30.0	30.1	30.3	30.2	30.7	30.3	30.1	30.6	30.6	30.4	30.3
Resources	14.0	13.9	14.1	14.2	14.0	13.5	13.7	13.6	13.6	13.6	13.3	13.4	13.3
Geography Mix(%)													
Americas	46.6	47.3	46.6	46.7	47.6	48.6	49.4	51.3	50.6	50.0	48.4	49.3	48.8
EMEA	33.9	33.1	35.8	35.4	35.1	34.4	36.2	34.8	35.2	35.2	37.0	36.4	36.7
Asia Pacific	19.5	19.6	17.6	17.9	17.3	17.1	14.4	13.8	14.3	14.8	14.5	14.3	14.5
Services Mix in Revenues(%)													
Consulting	52.5	51.3	52.1	50.8	51.4	50.4	51.1	49.7	50.8	49.9	50.2	49.1	49.8
Managed Services	47.5	48.7	47.9	49.2	48.6	49.6	48.9	50.3	49.2	50.1	49.8	50.9	50.2
Order Inflow (\$bn)													
Consulting	8.9	8.5	8.6	10.5	9.3	8.6	9.2	10.5	9.1	8.9	9.9	11.3	10.3
Managed Services	8.3	8.2	9.8	11.1	11.8	11.6	9.5	10.4	10.6	12.4	11.1	10.8	9.1
Total	17.3	16.6	18.5	21.6	21.1	20.1	18.7	20.9	19.7	21.3	20.9	22.1	19.3
Order Inflow Mix (%)													
Consulting	51.8	51.2	46.7	48.7	44.1	42.8	49.2	50.1	46.1	41.6	47.2	51.2	53.1
Managed Services	48.2	49.4	53.3	51.2	55.9	57.7	50.8	49.9	53.9	58.4	52.8	48.8	46.9
Other Metrics													
Number of employees	731,868	732,819	743,041	742,318	750,200	774,303	798,781	801,099	790,692	779,273	783,691	786,432	798,739
Employee growth YoY (%)	3.0	1.6	0.7	0.6	2.5	5.7	7.5	7.9	5.4	0.6	(1.9)	(1.8)	1.0
Net addition of employees	(6,275)	951	10,222	(723)	7,882	24,103	24,478	2,318	(10,407)	(11,419)	4,418	2,741	12,307
Voluntary Attrition (%)	13	14	11	13	14	14	12	13	16	15	13	13	14
Utilisation	91	91	91	92	92	92	91	91	92	93	93	93	93
TCV (US\$bn)	17.3	16.6	18.5	21.6	21.1	20.1	18.7	20.9	19.7	21.3	20.9	22.1	19.3
TTM TCV (US\$bn)	74.0	72.2	74.4	73.9	77.7	81.2	81.5	80.8	79.4	80.6	82.9	84.1	83.7
Growth TTM TCV (YoY %)	8.1	0.5	4.5	0.2	5.1	12.5	9.5	9.3	2.2	-0.7	1.7	4.1	5.4
TTM Revenue (US\$bn)	63.6	64.1	64.6	64.6	64.5	64.9	66.4	67.2	68.5	69.7	70.7	72.1	73.1
Book/Bill (TTM)	1.16	1.13	1.15	1.14	1.21	1.25	1.23	1.20	1.16	1.16	1.17	1.17	1.14
Revenue Per Capita (US\$)	90,147	87,310	87,945	85,095	88,263	86,091	89,961	83,303	89,096	89,664	95,931	91,937	94,466
EBIT Per Capita (US\$)	12,840	10,448	13,903	11,022	14,102	12,351	14,995	11,224	14,991	10,445	14,709	12,705	16,025
PAT Per Capita (US\$)	10,939	7,499	10,697	9,021	10,357	8,839	11,589	8,941	11,044	7,205	11,320	9,300	11,804

Source: Company, BOBCAPS Research

Fig 12 – QoQ and YoY Growth of various parameters (USD)

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
QoQ Growth													
Overall Revenue (%)	5	(3)	1	(3)	4	(0)	8	(6)	6	(1)	7	(4)	4
Vertical Wise (%)													
Communications & High Tech	(0)	(6)	(1)	(1)	4	(0)	4	(4)	7	1	5	(0)	4
Financial Services	5	(4)	0	(7)	3	(1)	10	(5)	9	1	9	(6)	3
Health & Public Service	8	0	3	(1)	5	3	5	(5)	5	(6)	7	(3)	5
Products	5	(4)	2	(2)	5	(1)	10	(7)	6	1	7	(5)	4
Resources	6	(4)	2	(2)	3	(4)	9	(7)	7	(1)	5	(4)	4
Other													
Geography Wise (%)													
Americas	4	(2)	0	(2)	6	2	10	(2)	5	(2)	3	(2)	3
EMEA	6	(6)	10	(4)	3	(2)	14	(9)	7	(1)	12	(5)	5
Asia Pacific	4	(3)	(9)	(1)	1	(2)	(9)	(10)	10	3	5	(5)	5
Services Wise (%)													
Consulting	5	(6)	3	(5)	5	(2)	10	(8)	9	(3)	7	(6)	5
Managed Services	4	(1)	(0)	0	3	2	6	(3)	4	1	6	(2)	2
Growth Rate in Bookings (%)													
New	(22)	(4)	11	17	(3)	(5)	(7)	12	(6)	8	(2)	6	(13)
Consulting	(17)	(5)	1	22	(12)	(7)	7	14	(13)	(2)	11	15	(9)
Managed Services	(27)	(1)	20	13	7	(2)	(18)	10	2	17	(11)	(3)	(16)
YoY Growth													
Overall Revenue (%)	3	4	3	0	-1	3	9	5	8	7	6	8	6
Vertical Wise (%)													
Communications & High Tech	(16)	(12)	(10)	(8)	(4)	2	7	3	5	7	9	13	10
Financial Services	2	3	2	(6)	(8)	(5)	4	7	13	15	14	13	6
Health & Public Service	12	13	13	10	8	10	13	8	7	(1)	(0)	2	2
Products	8	6	4	1	0	4	12	6	7	9	6	8	6
Resources	8	10	7	3	(0)	(0)	6	1	5	8	3	7	3
Other													
Geography Wise (%)													
Americas	1	0	(1)	(0)	1	5	15	16	14	11	4	4	2
EMEA	5	10	14	6	3	6	10	4	8	10	8	13	10
Asia Pacific	1	1	(6)	(9)	(12)	(11)	(11)	(18)	(11)	(7)	7	12	7
Services Wise (%)													
Consulting	(4)	(2)	0	(3)	(3)	1	7	3	7	6	4	7	4
Managed Services	10	10	6	3	2	5	11	8	9	8	8	10	8
Growth Rate in Bookings (%)													
Total	1	(10)	14	(2)	22	21	1	(3)	(6)	6	12	6	(2)
Consulting	(2)	1	6	(2)	4	1	7	(0)	(2)	3	7	8	13
Managed Services	7	(17)	21	(3)	42	41	(3)	(6)	(10)	7	16	3	(15)

Source: Company, BOBCAPS Research

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Note: Recommendation structure changed with effect from 21 June 2021

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