

NOT RATED**ACCENTURE**

| IT Services

| 26 September 2025

No positive read through for Indian players

- Organic growth guidance of FY26 (Aug YE) of 2% is lower than actual 4% in FY25. ACN indicated no material change in demand either way
- Gen AI revenue was <4% of total in FY25. Enterprise-wide AI adoption remains slow and value realization underwhelming
- We think the pickup in consensus revenue growth for key Tier-1 Indian companies at 4-7% for FY27 (March YE) is at risk

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FY25 was better than initial guidance. Seems to be gaining share in managed services: As can be seen in Fig 1, organic revenue growth in FY25 (YE August) at 4% was much better than the 1.5% guidance at the beginning of FY25 and is great for a company that is >2x the size of TCS in the current environment. Believe part of this has to do with significant performance in managed services (9% up in LC terms YoY) where we believe it has taken significant share away from Indian players who are its main competitors. Also, the fears around DOGE do not seem to have played out with Accenture Federal Services business (~8% of its revenue in FY24) largely holding up (our calculations indicate just 2.5% dip in FY25).

With only 5% of US employees on H1-B visas, it is better placed to weather challenges on this front: This is unlike some of the Tier-1 Indian companies where this number is 20-50%.

Low value realization on many enterprise AI investments could spell trouble for the large AI capex being done by hyperscalers. Also believe AI will be used more for generating cost savings in a difficult business environment than on growth by end customers.

Read through for the Indian companies

- We think any material improvement in 2HFY26 for Indian companies is unlikely as they go into seasonally weak period.
- The significant market share shift in managed services – which is a key area where Indian players compete with Accenture – indicates need for additional investments in capability building, sales or even pricing going ahead.
- The TTM TCV for FY25 was marginally down YoY, indicating weak demand conditions and potential value compression from Gen AI, despite statements to the contrary from Accenture.
- Restructuring costs for a third year going into FY26 for Accenture indicates problems with reskilling a large workforce. Something we see impacting Indian companies too. Already TCS and HCLT have initiated restructuring in FY26.



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	2-5
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

Quarter and analyst call highlights

- 4Q revenues were US\$17.6 bn, up 7% in USD and 4.5% in local currency (excluding 1.5% impact from federal business, growth was 6%), at top end of guidance range
 - Consulting revenues were US\$8.8 bn, up 6% in USD and 3% in local currency
 - Managed services revenues were US\$8.8 bn, up 8% in USD and 6% in local currency
- Americas revenue grew 5% in local currency, led by banking, capital markets, industrials, software and platforms; public service declined
 - Excluding 3% impact from federal business, Americas grew 8% in local currency
- EMEA revenue grew 3% in local currency, led by insurance, life sciences, utilities, consumer goods, retail and travel services; public service declined
 - UK and Spain led EMEA growth; Italy declined
- Asia Pacific revenue grew 6% in local currency, led by banking, capital markets, public service, and utilities; energy declined
 - Growth in Asia Pacific led by Japan and Australia
- Financial services vertical has grown in double digits for the second consecutive quarter in succession.
- Initiated six-month business optimization program in 4Q; US\$615mn charge recorded in 4Q, additional ~US\$250mn expected in 1Q, totaling ~US\$865mn
 - Program includes rapid talent rotation (severance for headcount reductions) and divestiture of two acquisitions not aligned with strategic priorities
 - Cost savings from optimization to be reinvested into people and business
- Business optimization costs impacted operating margin and EPS in both 4Q FY25 and 4Q FY24
- Adjusted 4Q operating margin was 15.1%, up 10 bps YoY
- 4Q new bookings were US\$21.3 bn, up 6% in USD and 3% in local currency; Book-to-bill ratio was 1.2
 - Consulting bookings were US\$8.9 bn with book-to-bill of 1.0

- Managed services bookings were US\$12.4 bn with book-to-bill of 1.4
- FY25 order inflow was US\$80.6bn (down ~1% YoY)
- Free cash flow in 4Q was US\$3.8 bn and FY25 free cash flow was US\$10.9 bn
- Cash balance at 31 August 2025 was US\$11.5 bn vs US\$5 bn last year
- FY25 revenues were US\$69.7 bn, up 7% in local currency
 - Federal business was a 20bps headwind to overall growth in FY25
 - FY25 consulting revenues were US\$35.1 bn, up 6% in USD and 5% in local currency
 - FY25 managed services revenues were US\$34.6 bn, up 9% in both USD
 - and local currency
- Cloud, Industry X, Security and Song grew by 12%, 10%, 16% and 8% respectively in FY25 in LC terms.
- Adjusted FY25 operating margin was 15.6%, up 10 bps YoY
- US\$3 bn multi-year Gen AI investment initiated in FY23 is paying off; Accenture tripled Gen AI revenue YoY to US\$2.7 bn in FY25.
- Nearly doubled Gen AI bookings YoY to US\$5.9 bn (it was US\$3bn in FY24)
- The above numbers only reflect revenue and bookings specifically related to advanced AI, which is Gen AI, agentic AI and physical AI and do not include data, classical AI or AI used in delivery of services; Advanced AI to be used as umbrella term for latest AI developments gaining traction
- Advanced AI becoming integrated across all aspects of operations, delivery, partnerships, and offerings
- AI and data talent increased from 40,000 in FY23 to 77,000 in FY25
- Over 6,000 advanced AI projects executed in FY25
- In FY25, focus areas included ecosystem, talent strategy, and growth model
- Accenture has seen net reduction of ~22,000 employees over the last two quarters. Utilisation was its highest ever in the last 10 years at 93%.
- FY26 expected to see headcount growth across all three markets, including US and Europe, due to sustained demand

Market Commentary:

- No meaningful change observed in overall market conditions, either positive or negative
- Technology landscape is new and evolving rapidly, creating complexity for enterprise adoption. Advanced AI has gained executive-level attention faster than any tech development in two decades

- Despite strong interest, enterprise-wide AI adoption remains slow and value realization underwhelming, except among digital natives. Main barriers to adoption are tech and organizational readiness, including incomplete cloud, ERP, and security modernization. Data preparedness remains limited, and organizations face fragmented processes and siloed structures
- Early signals of an inflection point as more clients seek enterprise-wide AI adoption strategies

Business Outlook

- Revenue for 1QFY26 expected in the range of US\$18.1 bn to US\$18.75 bn
- 1Q FY26 revenue guidance reflects estimated 1% to 5% growth (local currency), including ~1.5% impact from federal business with AFS contracting mid-teens
- FX impact on 1Q FY26 expected to be approximately +1% YoY
- FY26 revenue growth is expected to be in the range of 2% to 5% in local currency, including estimated 1% to 1.5% impact from federal business. Excluding federal business, FY26 revenue growth expected to be 3% to 6%
- Top end of FY26 revenue guidance range assumes no change in discretionary spending while bottom end of FY26 revenue guidance range allows for deterioration in discretionary spending
- FY26 inorganic contribution expected to be ~1.5% and US\$3 bn planned investment in acquisitions during FY26. In FY25 the inorganic contribution was likely 300bps.
- Adjusted operating margin for FY26 expected to be 15.7% to 15.9%

Other Points

- AI by Accenture is not viewed as deflationary but as expansionary, similar to previous tech evolutions such as digital and cloud. AI boosts efficiency in areas like coding and operations, but resulting savings are reinvested into new priorities
- Managed services are increasingly strategic, not just a cost-reduction tool. Gen AI doesn't displace managed services; instead, it is enhancing the value Accenture delivers. Many clients, especially those behind in tech modernization, use managed services to accelerate transformation. Growth in core operational areas (e.g., digital manufacturing, supply chain) is driving demand for new managed services infused with Gen AI
- Accenture expects to increase its CapEx to ~\$1 bn in FY2026. This increase is primarily attributed to real estate expansion and leasehold improvements in key geographies. The investment is being made to support the company's strategy of bringing more employees back to the office in certain major markets
- Accenture said that pricing for Gen AI and advanced AI projects is accretive. In terms of project velocity, the company is seeing more projects transitioning from proof of concept to production. However, they note that client adoption varies:

some are early leaders scaling rapidly, while others are only now beginning their PoC phase

- Business optimization program is expected to generate over \$1 bn in savings, which will be reinvested into the business and its people to support future growth while still enabling modest margin expansion
- Accenture sees federal procurement activity starting to pick up, though still slower than in previous years
- On H1B visas, the impact on Accenture is minimal, as only about 5% of its U.S. workforce is on H1B visas, primarily specialized roles, so changes in visa policy are not expected to significantly affect the business

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 that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate we believe the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty: The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBA), the crackdown on illegal immigration, DOGE, etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: One of the reasons for optimism around the Indian IT Services sector in late 2024 had been the view that the US would achieve a soft landing in 2025 and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We also 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. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the 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 those who have lower bargaining power – the global IT services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

Weak TCV: The weaker TCV for most players in FY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a set of large clients in FY25 or the need to set off large pass-through items.

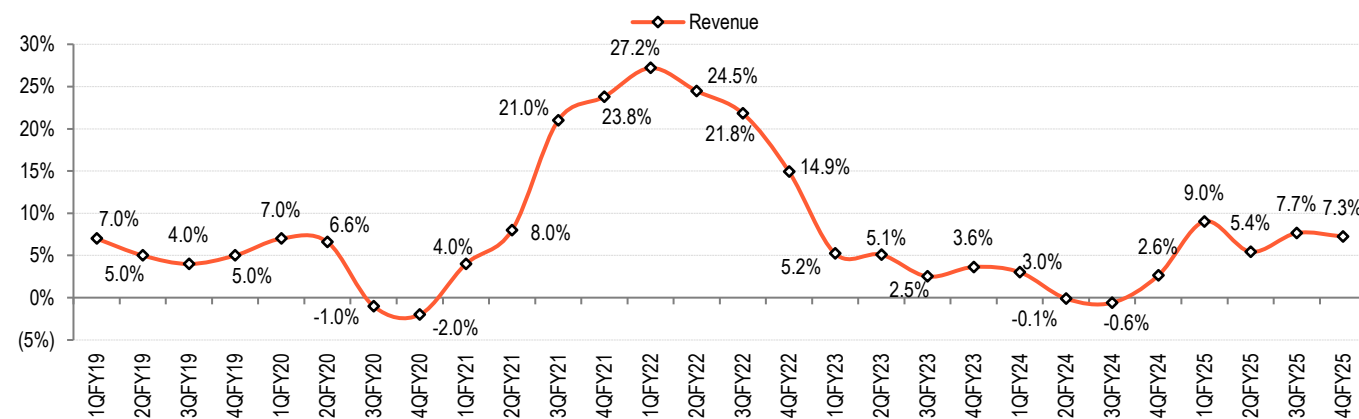
How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

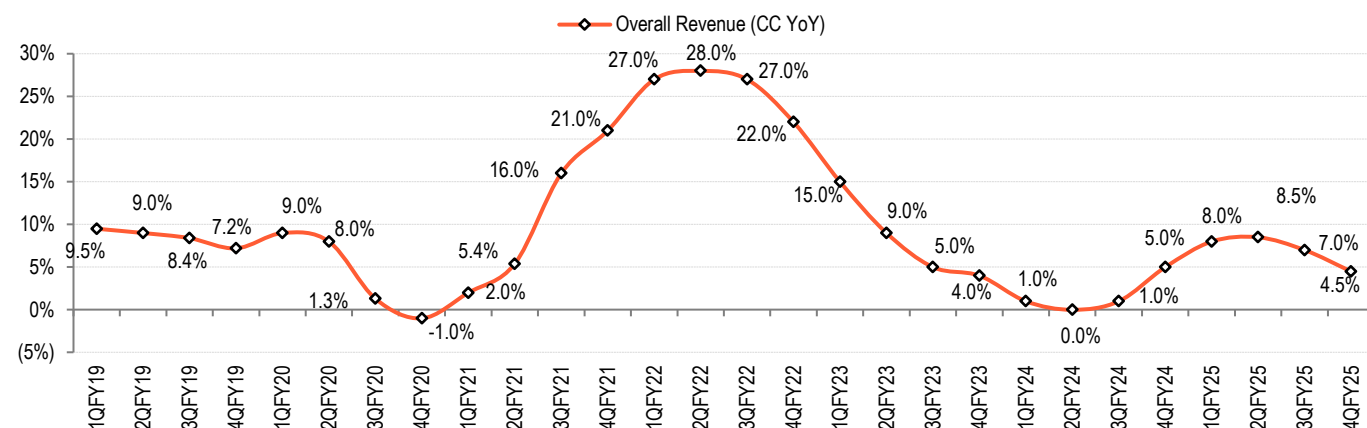
However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

Fig 2 – USD YoY Growth Rate



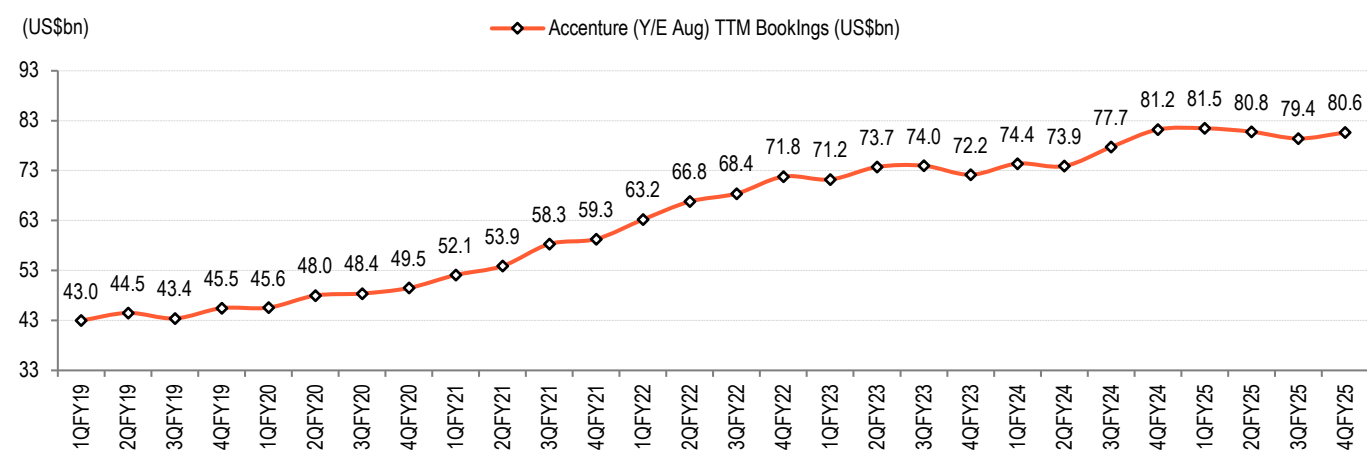
Source: Company, BOBCAPS Research

Fig 3 – Local currency YoY Growth Rate

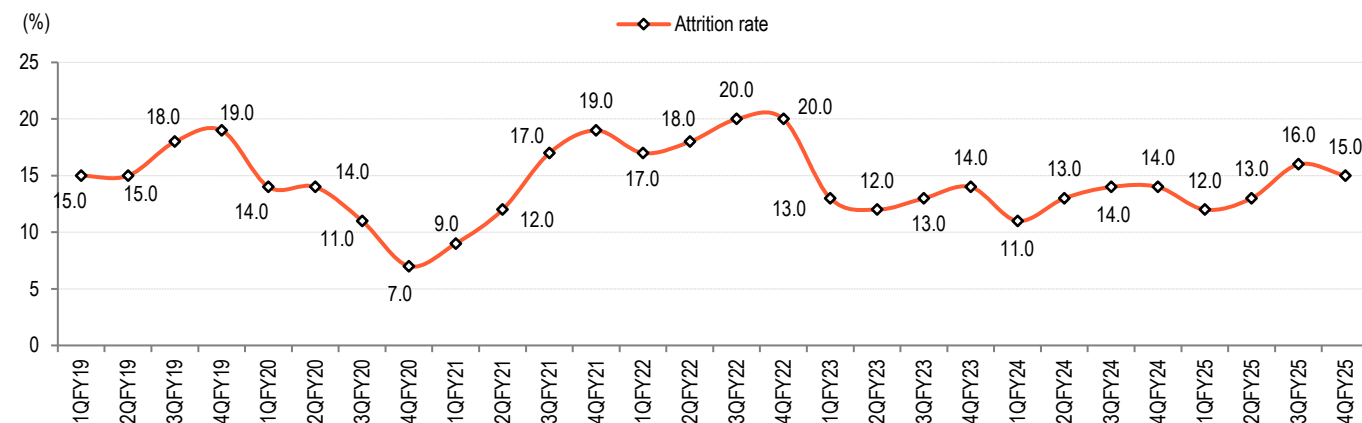


Source: Company, BOBCAPS Research

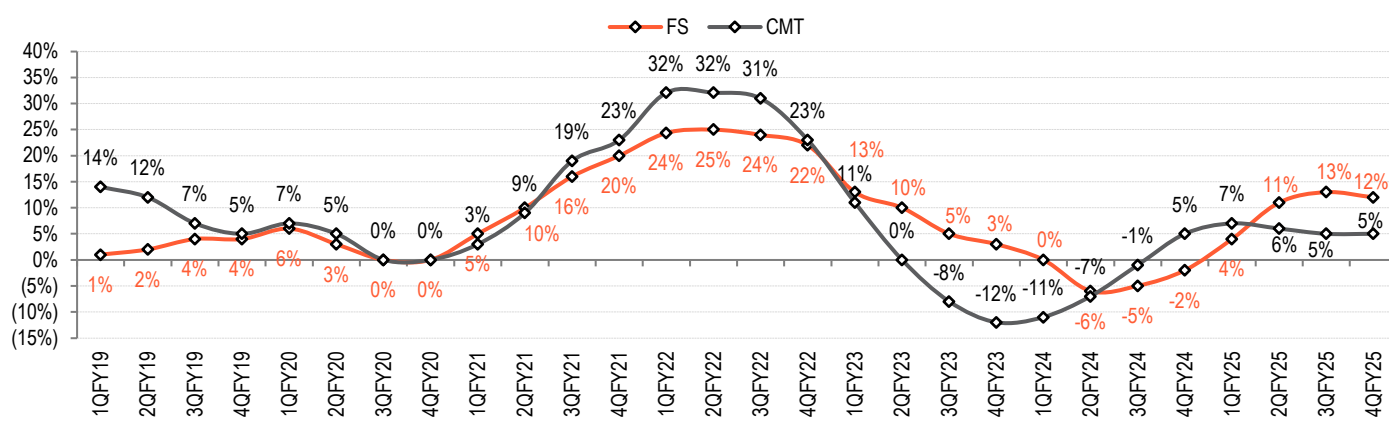
Fig 4 – TTM Order inflow



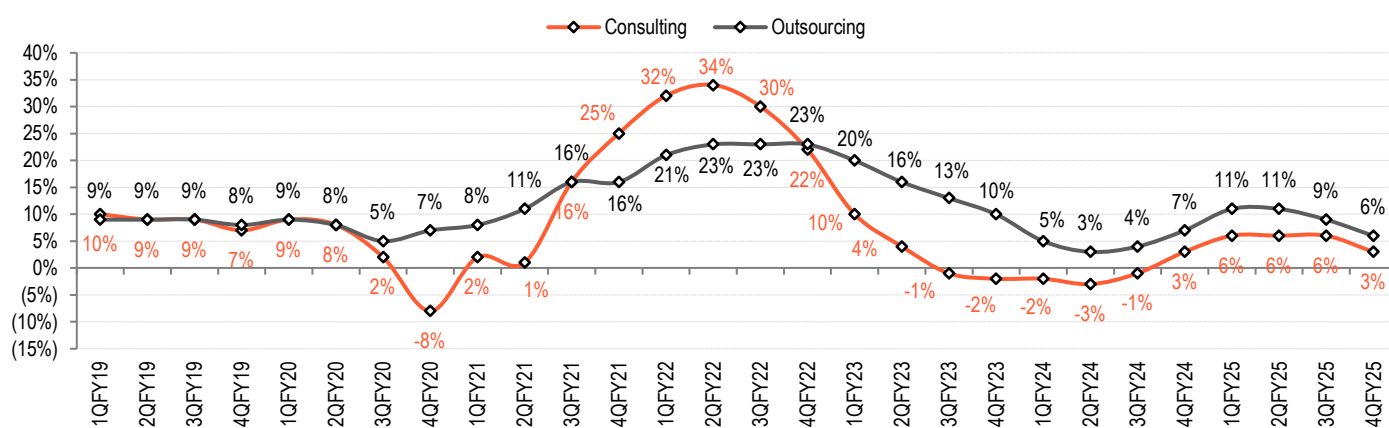
Source: Company, BOBCAPS Research

Fig 5 – Attrition trend

Source: Company, BOBCAPS Research

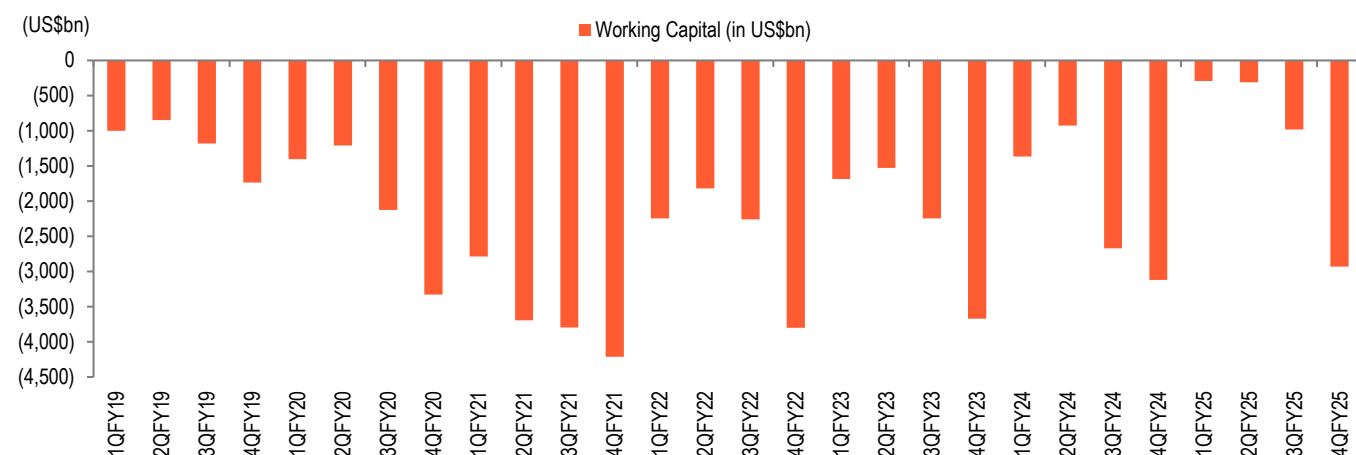
Fig 6 – LC growth of CMT and FS

Source: Company, BOBCAPS Research

Fig 7 – Growth trajectory in services lines in LC terms

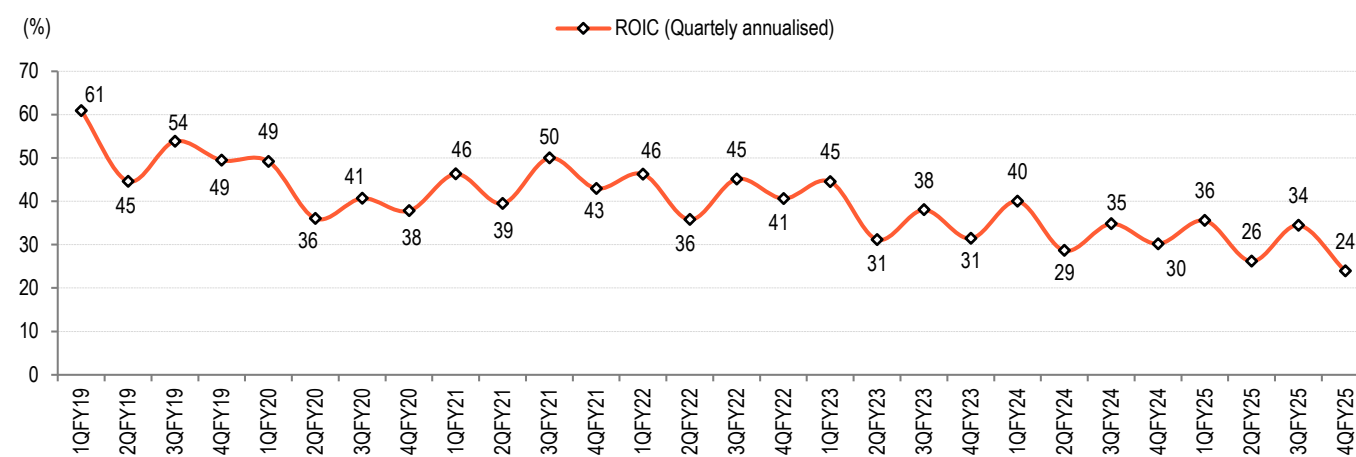
Source: Company, BOBCAPS Research

Fig 8 – Quarterly working capital situation



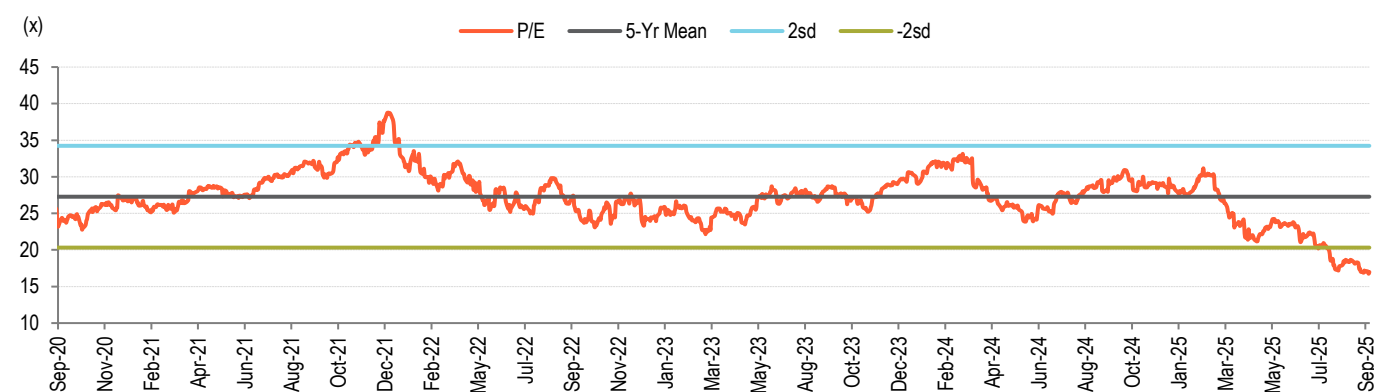
Source: Company, BOBCAPS Research

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	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Revenue	15,748	15,814	16,565	15,985	16,224	15,800	16,467	16,406	17,690	16,659	17,728	17,596
Gross Margin	5,186	4,835	5,529	5,182	5,448	4,878	5,498	5,337	5,823	4,975	5,827	5,611
EBIT	2,593	1,945	2,359	1,913	2,565	2,046	2,631	2,354	2,948	2,245	2,983	2,050
PAT	1,965	1,524	2,010	1,373	1,973	1,675	1,932	1,684	2,279	1,788	2,198	1,414
Margins (%)												
Gross Margin	32.9	30.6	33.4	32.4	33.6	30.9	33.4	32.5	32.9	29.9	32.9	31.9
EBIT Margin	16.5	12.3	14.2	12.0	15.8	13.0	16.0	14.3	16.7	13.5	16.8	11.6
Vertical Mix (%)												
Communications & High Tech	18.9	18.2	17.4	16.9	16.5	16.8	16.8	16.8	16.2	16.4	16.4	16.8
Financial Services	18.8	19.0	18.9	18.9	18.7	17.8	17.6	17.5	17.9	18.1	18.5	18.8
Health & Public Service	19.1	19.1	19.7	20.5	20.8	21.1	21.3	22.0	21.6	21.7	21.3	20.3
Products	29.6	29.8	30.0	29.7	30.0	30.1	30.3	30.2	30.7	30.3	30.1	30.6
Resources	13.6	13.8	14.0	13.9	14.1	14.2	14.0	13.5	13.7	13.6	13.6	13.6
Geography Mix(%)												
Americas	48.4	46.8	46.6	47.3	46.6	46.7	47.6	48.6	49.4	51.3	50.6	50.0
EMEA	32.2	33.5	33.9	33.1	35.8	35.4	35.1	34.4	36.2	34.8	35.2	35.2
Asia Pacific	19.4	19.7	19.5	19.6	17.6	17.9	17.3	17.1	14.4	13.8	14.3	14.8
Services Mix in Revenues(%)												
Consulting	53.6	52.4	52.5	51.3	52.1	50.8	51.4	50.4	51.1	49.7	50.8	49.9
Managed Services	46.4	47.6	47.5	48.7	47.9	49.2	48.6	49.6	48.9	50.3	49.2	50.1
Order Inflow (\$bn)												
Consulting	8.1	10.7	8.9	8.5	8.6	10.5	9.3	8.6	9.2	10.5	9.1	8.9
Managed Services	8.1	11.4	8.3	8.2	9.8	11.1	11.8	11.6	9.5	10.4	10.6	12.4
Total	16.2	22.1	17.3	16.6	18.5	21.6	21.1	20.1	18.7	20.9	19.7	21.3
Order Inflow Mix (%)												
Consulting	50.0	48.4	51.8	51.2	46.7	48.7	44.1	42.8	49.2	50.1	46.1	41.6
Managed Services	50.0	51.6	48.2	49.4	53.3	51.2	55.9	57.7	50.8	49.9	53.9	58.4
Other Metrics												
Number of employees	737,719	738,143	731,868	732,819	743,041	742,318	750,200	774,303	798,781	801,099	790,692	779,273
Employee growth YoY (%)	9.4	5.7	3.0	1.6	0.7	0.6	2.5	5.7	7.5	7.9	5.4	0.6
Net addition of employees	16,340	424	(6,275)	951	10,222	(723)	7,882	24,103	24,478	2,318	(10,407)	(11,419)
Voluntary Attrition (%)	13	12	13	14	11	13	14	14	12	13	16	15
Utilisation	91	91	91	91	91	92	92	92	91	91	92	93
TCV (US\$bn)	16.2	22.1	17.3	16.6	18.5	21.6	21.1	20.1	18.7	20.9	19.7	21.3
TTM TCV (US\$bn)	71.2	73.7	74.0	72.2	74.4	73.9	77.7	81.2	81.5	80.8	79.4	80.6
Growth TTM TCV (YoY %)	12.7	10.4	8.1	0.5	4.5	0.2	5.1	12.5	9.5	9.3	2.2	-0.7
TTM Revenue (US\$bn)	62.4	63.1	63.6	64.1	64.6	64.6	64.5	64.9	66.4	67.2	68.5	69.7
Book/Bill (TTM)	1.14	1.17	1.16	1.13	1.15	1.14	1.21	1.25	1.23	1.20	1.16	1.16
Revenue Per Capita (US\$)	86,343	85,722	90,147	87,310	87,945	85,095	88,263	86,091	89,961	83,303	89,096	89,664
EBIT Per Capita (US\$)	14,218	10,541	12,840	10,448	13,903	11,022	14,102	12,351	14,995	11,224	14,991	10,445
PAT Per Capita (US\$)	10,774	8,259	10,939	7,499	10,697	9,021	10,357	8,839	11,589	8,941	11,044	7,205
Average Employees	729,549	737,931	735,006	732,344	737,930	742,680	746,259	762,252	786,542	799,940	795,896	784,983

Source: Company, BOBCAPS Research

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

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
QoQ Growth												
Overall Revenue (%)	2	0	5	(3)	1	(3)	4	(0)	8	(6)	6	(1)
Vertical Wise (%)												
Communications & High Tech	(3)	(3)	(0)	(6)	(1)	(1)	4	(0)	4	(4)	7	1
Financial Services	1	1	5	(4)	0	(7)	3	(1)	10	(5)	9	1
Health & Public Service	4	1	8	0	3	(1)	5	3	5	(5)	5	(6)
Products	4	1	5	(4)	2	(2)	5	(1)	10	(7)	6	1
Resources	5	2	6	(4)	2	(2)	3	(4)	9	(7)	7	(1)
Other												
Geography Wise (%)												
Americas	1	(3)	4	(2)	0	(2)	6	2	10	(2)	5	(2)
EMEA	6	4	6	(6)	10	(4)	3	(2)	14	(9)	7	(1)
Asia Pacific	(1)	2	4	(3)	(9)	(1)	1	(2)	(9)	(10)	10	3
Services Wise (%)												
Consulting	1	(2)	5	(6)	3	(5)	5	(2)	10	(8)	9	(3)
Managed Services	3	3	4	(1)	(0)	0	3	2	6	(3)	4	1
Growth Rate in Bookings (%)												
New	(12)	36	(22)	(4)	11	17	(3)	(5)	(7)	12	(6)	8
Consulting	(3)	32	(17)	(5)	1	22	(12)	(7)	7	14	(13)	(2)
Managed Services	(18)	41	(27)	(1)	20	13	7	(2)	(18)	10	2	17
YoY Growth												
Overall Revenue (%)	5	5	3	4	3	0	-1	3	9	5	8	7
Vertical Wise (%)												
Communications & High Tech	(3)	(10)	(16)	(12)	(10)	(8)	(4)	2	7	3	5	7
Financial Services	2	5	2	3	2	(6)	(8)	(5)	4	7	13	15
Health & Public Service	10	13	12	13	13	10	8	10	13	8	7	(1)
Products	9	9	8	6	4	1	0	4	12	6	7	9
Resources	10	11	8	10	7	3	(0)	(0)	6	1	5	8
Other												
Geography Wise (%)												
Americas	10	5	1	0	(1)	(0)	1	5	15	16	14	11
EMEA	(1)	6	5	10	14	6	3	6	10	4	8	10
Asia Pacific	3	5	1	1	(6)	(9)	(12)	(11)	(11)	(18)	(11)	(7)
Services Wise (%)												
Consulting	1	(1)	(4)	(2)	0	(3)	(3)	1	7	3	7	6
Managed Services	11	12	10	10	6	3	2	5	11	8	9	8
Growth Rate in Bookings (%)												
Total	(3)	13	1	(10)	14	(2)	22	21	1	(3)	(6)	6
Consulting	(14)	(2)	(2)	1	6	(2)	4	1	7	(0)	(2)	3
Managed Services	10	31	7	(17)	21	(3)	42	41	(3)	(6)	(10)	7

Source: Company, BOBCAPS Research

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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