

FIRST LIGHT

21 March 2025

RESEARCH

ACCENTURE | NOT RATED

Significant deceleration on the cards. Unsure if worst is over

SUMMARY

ACCENTURE

- YoY organic growth is expected to decelerate from ~4.5% in 2QFY25 to 0.5% in 4Q. Implies a US\$2.6bn annualized organic revenue loss
- New guide factors loss of business due to DOGE in US government (8% of revenue) and weakness in the rest due to higher uncertainty
- Expect Infosys/HCLT to guide revenue growth of low-mid-single digits for FY26. 2 months back consensus was at mid-high single digits

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| IT Services

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Significant deceleration guided: Optically the rise in organic revenue growth guidance for FY25 (Aug YE) by 50bps at the mid-point to 3% compared to 2.5%, given 3 months ago, seems positive. However, the math based on the performance in 1H and 3Q guidance midpoint and the inorganic growth distribution between the 2 halves (400bps in 1H and 200bps in 2H) indicates that YoY organic growth is going to decelerate from ~4.5% in 2QFY25 to 0.5% in 4QFY25.

Growth in FY26 will at best be equal to that in FY25: As indicated in our recent note, 'FY26 unlikely to be better than FY25' ([Update](#)) we believe the uncertainty around the Trump 2.0 policies (Tariffs, DOGE and immigration) will impact spending sentiment.

'Detox' could hit US government spending: While Tariffs have hogged news headlines, we believe the fiscal spending compression that is likely based on statement of the US treasury secretary where he talked about US having to go through a 'detox' implies that there could be pain not just in 2025 but also beyond.

Considerable fiscal tightening likely: Currently the annualized run rate of US fiscal deficit (based on 5 months of FY25 till February) is at USD2.75trn. With the budgeted number at USD1.9trn, there is considerable fiscal tightening on the cards in the next 7 months of FY25 (which will take fiscal deficit as % of GDP to ~6.5%).

Read through for the Indian companies - Negative

- While Indian services providers do not have much of direct exposure to the US government IT and ITES business, there could be second order impact. This could also lead to Accenture also going after the non-US government business in a more aggressive fashion negatively impacting Indian peers.
- With Accenture talking about elevated level of uncertainty we expect Indian players like Infosys and HCLT to guide towards a CC revenue growth of low to mid-single digits for FY26 compared to the mid to high single digit expectations that the market had two months back (we were not in that camp due to macro and sector specific reasons). With the kind of competitive demand environment expect EBIT margins to be flattish at best during FY26.



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