

## TECHNOLOGY & INTERNET

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### Accenture's Q4FY21 growth at upper end of guidance

- Good Q4FY21 performance from Accenture (Y/E Aug) with guidance of 12-15% CC growth in FY22
- Q4 did lack positive surprises unlike past quarters but management commentary suggests buoyant demand ahead
- Results offer insipid readthrough for Indian IT players. We continue to prefer TECHM and HCLT among large-caps and Coforge among mid-caps

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**Q4 at upper end of guidance:** Accenture's (ACN) Q4FY21 topline grew 21% YoY CC, meeting the upper end of its guidance (17-21% CC). The consulting business outperformed at 28.6% YoY USD while outsourcing followed at 18.6%. Growth was broad-based with all verticals clocking in above 15% YoY (except resources) and a double-digit uptick seen across geographies. Products (+25% YoY) grew the most among verticals and North America (+22%) led among geographies. Hiring continued at full throttle with ACN posting its highest single-quarter tally at 55,541 employees.

**Strong bookings:** New bookings during the quarter totalled US\$15bn, up 7% YoY. Outsourcing bookings declined 6.3% YoY to US\$ 7.1bn (book-to-bill of 1.2x) while consulting grew 23.4% to US\$ 8bn (book-to-bill of 1.1x). ACN won bookings worth over US\$ 100mn from 72 clients in FY21 and 18 clients in Q4FY21.

**Upbeat outlook:** Management has guided for 18-22% CC revenue growth in Q1FY22 and 12-15% in FY22 – the latter far above the 5-8% CC growth outlook with which it typically starts the year. About 5% of the annual growth is expected to come from acquisitions worth ~US\$ 4bn (vs. 2.5% in FY21), implying organic growth guidance of 7-10%. We highlight that ACN has a history of upgrading its guidance through the year – a trend that has continued since Q1FY18, barring the Covid-hit quarters of Q3-Q4FY20.

**Insipid readthrough for Indian IT:** Unlike the previous three quarters, ACN's Q4 performance lacks positive surprises. However, management commentary suggests buoyant demand led by the multiyear technology refresh by client enterprises. Management characterised the demand climate for FY22 as similar to that of last year, led by cloud and digital transformation. The hiring spree and growth guidance are positives for Indian IT players. Moreover, ACN's cloud segment grew 44% YoY in FY21 (~36% of revenue), implying room for further growth among players with deep expertise in the area (see our report [On cloud nine](#), 17Aug21).

### Recommendation snapshot

Ticker	Price	Target	Rating
AFFLE IN	5,174	6,200	BUY
COFORGE IN	5,653	5,860	BUY
ECLX IN	2,292	2,880	BUY
HCLT IN	1,328	1,360	BUY
INFO IN	1,743	2,020	BUY
INMART IN	8,563	7,200	HOLD
JUST IN	989	1,330	BUY
MPHL IN	3,339	3,020	HOLD
MTCL IN	4,554	2,400	SELL
PSYS IN	3,772	3,050	HOLD
TCS IN	3,869	4,270	BUY
TECHM IN	1,522	1,660	BUY
WPRO IN	674	620	HOLD

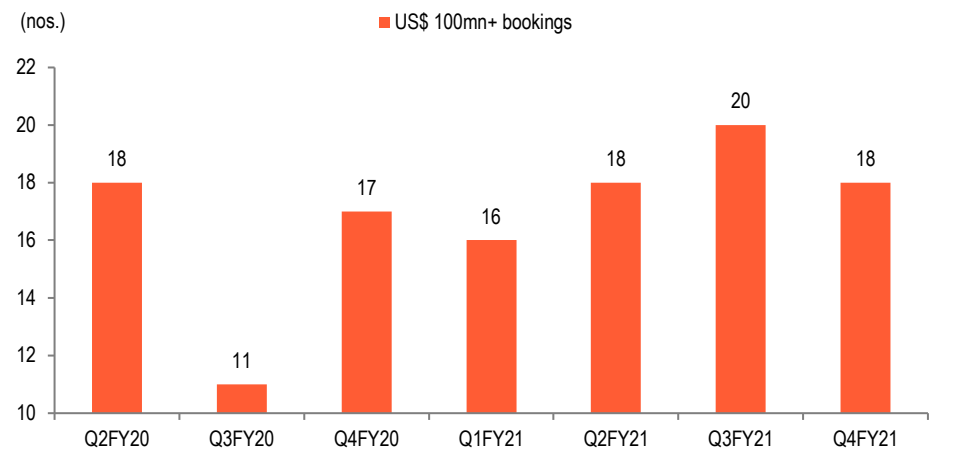
Price & Target in Rupees | Price as of 23 Sep 2021



### Other highlights

- Cloud a key growth driver:** Among ACN's four strategic priorities, the cloud business led the way growing 44% YoY in FY21, Industry-X grew 36% (and is expected to be a key growth frontier after cloud), followed by interactive and security at 29% and 15% YoY respectively. As more enterprises moved data to the cloud, ACN has begun reaping the benefits of its decade-long investment in building cloud capabilities (Accenture Cloud First).

**Fig 1 – Continued traction in large deals; 18 clients with >US\$ 100mn bookings in Q4FY21**



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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