

Accenture (ACN) reported a strong operating performance in 4Q. Revenue grew 6% yoy to \$18.7bn (7% in LC), well above its 1-5% LC guidance, supported by an uptick in small deals, faster mobilization of new contracts, and over-delivery in federal. The management indicated that broader demand dynamics remained largely unchanged. Per management, pricing was stable through FY26 but declined in many areas in 4Q, suggesting competitive intensity remains a constraint, while AI-led productivity may allow vendors to support incremental volumes with lower hiring. Fixed-price and outcome-based work now account for >65% of bookings, reflecting the shift away from effort-based pricing. ACN plans to increase its FY27 M&A investment to \$5bn (excluding \$3bn that shifted from 4QFY26 to 1QFY27 due to regulatory timing) to expand into higher-growth, non-FTE revenue areas such as AI, data, cybersecurity, data centers, and IP-led assets. ACN has guided for 3-6% LC revenue growth in FY27, including a 2-2.5% inorganic contribution, implying organic growth of ~1-3.5% in FY27 vs ~3% in FY26. Overall, the print supports a stabilizing demand backdrop rather than a strong cyclical recovery. The NIFTY IT Index has underperformed the broader market by 4.4%/4.6% over the past 1M/6M amid concerns around weak demand, macro uncertainties, soft discretionary spending, AI-led disruption to the traditional book of business, and evolving industry economics, partly offset by rupee depreciation. Our pecking order among large caps is TCS, INFO, LTM, HCLT, TECHM, and WPRO.

4Q revenue above the high end of guidance

Revenue grew 6% yoy to \$18.7bn in 4Q (7% in LC). Consulting revenue grew 6% yoy to \$9.3bn (7% in LC), while Managed Services revenue rose 7% to \$9.4bn (7% in LC). New bookings stood at \$22.2bn (up 4% yoy, 5% in LC), including Consulting bookings of \$9.4bn (up 6% yoy; book-to-bill: 1.0x) and Managed Services bookings of \$12.8bn (up 3% yoy; book-to-bill: 1.4x). Voluntary attrition (annualized) in 4Q was 13%, down 1% qoq and 2% yoy. Headcount increased 5% yoy, taking total headcount to ~814.4k.

Broad-based growth momentum across geographies and verticals

Revenue growth in 4Q was broad-based across industry groups, led by CMT (11% yoy in LC), followed by Health & Public Services (9%), Financial Services (6%), Resources (6%), and Products (4%). The recovery in Health & Public Services indicates that the US federal drag has largely annualized out. By geography, growth was uniform at 7% yoy in LC across all three markets, Americas, EMEA, and Asia Pacific, pointing to a stabilizing demand environment rather than isolated pockets of strength.

Guides for 3-6% LC revenue growth in FY27

ACN guided for 3-6% LC revenue growth in FY27 (including an inorganic contribution of ~2-2.5%, vs ~1.5% in FY26). The guidance assumes a flat FX impact on reported USD revenue (vs ~2% in FY26). It guided for a GAAP operating margin of 15.9-16.1% for FY27, implying expansion of 50-70bps yoy, and adjusted operating margin expansion of 10-30bps (vs 15.8% in FY26). ACN expects 1QFY27 revenue of \$18.95-19.60bn (2-6% LC), assuming a -1% FX impact.

A read-through for Indian IT peers

ACN's 4Q print is mildly reassuring for Indian IT services, with broad-based growth, a revenue beat, and healthy FY27 guidance indicating enterprise technology demand remains resilient, although the underlying demand environment, particularly discretionary spending, has not materially improved. The 4Q beat was driven by small deals, faster mobilization, and federal over-delivery, while growth remained anchored by large-scale reinvention programs, ecosystem partners, and Data and AI. Consulting growth also rebounded, with FY27 guidance implying a more balanced growth profile; however, the read-through for Indian IT is limited given their lower Consulting exposure and different book of business. AI demand continues to build, with ~100 additional clients initiating their first advanced AI work in 4Q (FY26 total at >400), supporting ACN's view that AI-led opportunities will outweigh efficiency-related headwinds. Beyond the near-term demand signal, ACN's increasing investments in AI, talent, ecosystem partnerships, R&D, and M&A raise the competitive bar for Indian IT, while its shift toward IP-, platform-, and outcome-led offerings could accelerate the move away from the traditional FTE-led model and intensify competitive pressure over the medium term.

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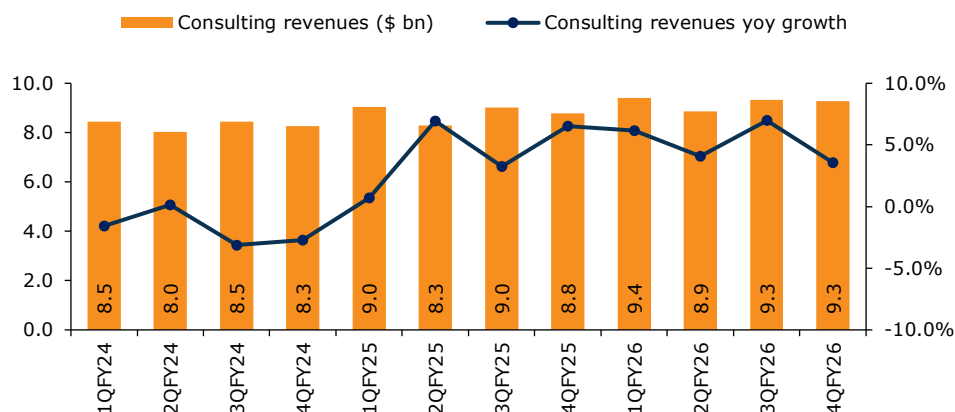
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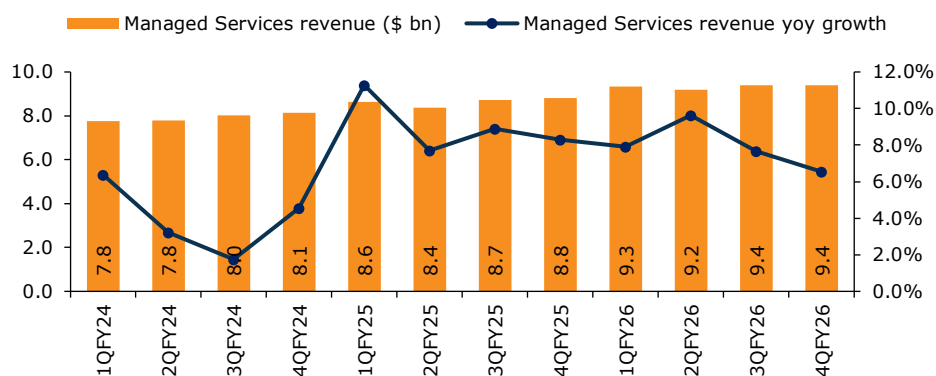
Earnings call KTAs

- 1) AI demand is broadening across enterprise functions, including customer experience (conversational AI), supply chain (advanced AI for demand forecasting), and finance (AI reasoning agents for P&L analysis).
- 2) AI is driving client productivity and creating a deflationary force, but new AI-led work and broader project scopes are offsetting the resulting efficiency pressures.
- 3) Around 100 additional clients initiated their first advanced AI work in 4Q, taking the FY26 total to more than 400.
- 4) The AI and data workforce has scaled rapidly to nearly 110,000 professionals, well above the 3Y target of 80,000 by end-FY26.
- 5) Headcount grew 5% despite the increased use of non-FTE commercial models, reflecting continued investment in hiring and upskilling.
- 6) FY27 hiring will continue across all markets, but at a slower pace than FY26, partly due to AI-driven productivity gains. Entry-level hiring will increase as AI reshapes the nature of entry-level work.
- 7) The FDE model offers a growth opportunity, with the company scaling FDEs alongside partners such as Palantir and replicating proven solutions across multiple clients.
- 8) Ecosystem partners continue to drive growth. The top 10 partners accounted for >60% of FY26 revenue, with revenue from this group growing 6%, ahead of overall company growth. Across 8 emerging AI and data partners, bookings more than tripled and revenue more than doubled vs FY25.
- 9) The company plans to invest \$1bn over 5Y to build an AI safety business. The Anthropic relationship is explicitly non-exclusive, and the Faculty acquisition was partly driven by its existing safety capability.
- 10) The Middle East remains a ~\$1bn annualized headwind, with the impact worsening in 4Q, although indirect discretionary impacts stabilized. The FY27 outlook assumes no growth in the region at the top end and further deterioration at the bottom end.
- 11) Federal should contribute significantly in FY27 as the company laps the sunset headwind, supported by wins such as the Department of War data platform.
- 12) The company deployed \$4.9bn across 17 acquisitions in FY26 and plans to invest \$8bn in M&A in FY27 (including \$3bn related to the Cyber OT acquisitions, including Dragos which shifted from 4QFY26 to 1QFY27 due to regulatory timing).
- 13) There were 37 clients with bookings of over \$100mn in 4QFY26, taking the total to 141 clients in FY26 (12 higher than FY25).

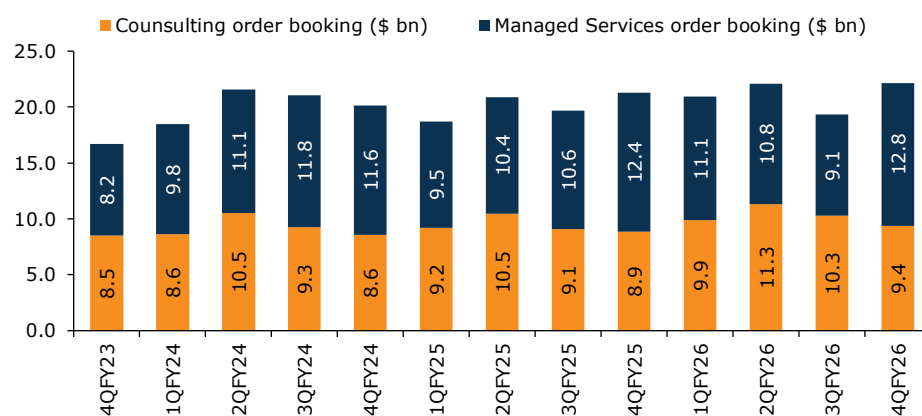
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Exhibit 1: Consulting – robust revenue growth of 7% in LC

Source: Company, Emkay Research

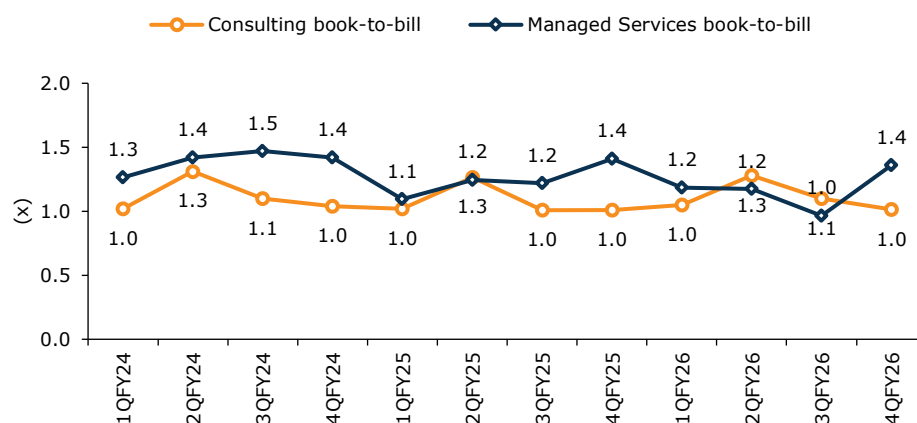
Exhibit 2: Managed Services – steady revenue growth at 7% in LC

Source: Company, Emkay Research

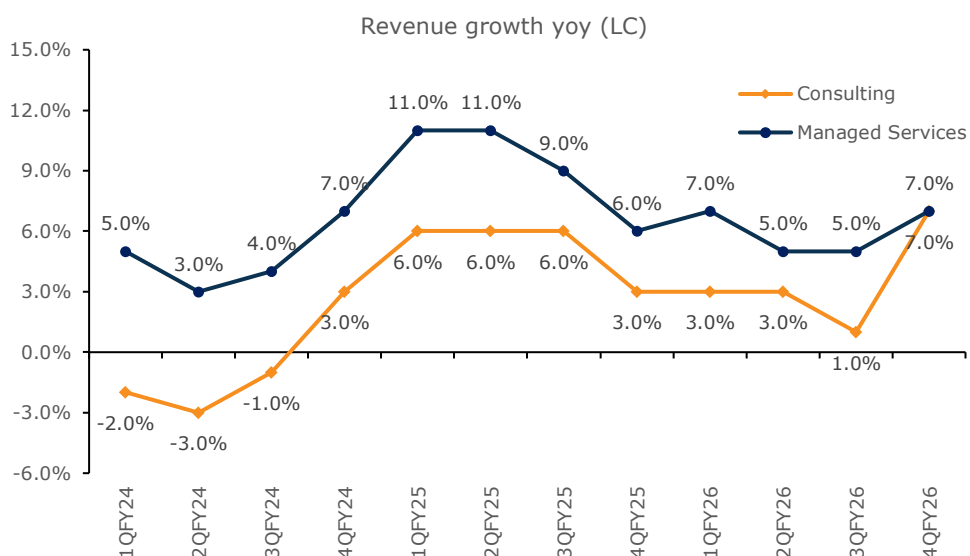
Exhibit 3: Strong 4Q deal bookings of \$22.2bn, up 5% in LC

Source: Company, Emkay Research

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Exhibit 4: Book-to-bill rebounded for Managed Services, while Consulting was stable

Source: Company, Emkay Research

Exhibit 5: Growth in Consulting catches up with Managed Services in 4QFY26, aiding the overall uptick

Source: Company, Emkay Research

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