

Sector Update

December 19, 2025

Strong performance underscores constructive outlook for sector

Quick Pointers:

- Beat on both revenue & deal wins in Q1FY26
- Managed services revenue growth and deal bookings bodes well for Indian peers

Accenture's (ACN: NYSE) organic revenue performance in Q1 was at 4% YoY CC, aided by outsourcing revenues (+7% YoY CC). The outsourcing growth maintains its earlier pace, although limited to certain pockets (BFS and Comms), which is a positive for the Indian peers. The discretionary areas no longer being chased for revival; instead, clients are comfortable spending and deepening partnership with vendors having demonstrated productivity and scale benefits. With advanced AI being the center of focus, the solution-led approach (vs service only) is more pronounced, while fixed price models or outcome-based models are finding more relevance for enterprise clients. Reading for the Indian counterparts, the growth was limited to certain pockets, however, the robust outsourcing bookings (+17% YoY) and strong uptick in GenAI bookings (+80% YoY) are some of the positives. It would benefit the providers having deep capabilities and quality executions at scale.

- **Demand & Outlook:** ACN delivered 2nd straight quarter of revenue growth at the upper end of its guidance band, despite continued weakness in its Federal Services business. AI-led demand remains robust, reflected in USD 1.1 bn of AI revenue in Q1 and sustained momentum in deal bookings, reinforcing the structural tailwind for Indian vendors with scaled AI and managed services capabilities. Notably, managed services growth remained resilient even without a meaningful improvement in the macro backdrop, suggesting improving deal conversion cycles an encouraging signal for Indian peers. The reported slowdown in the Americas appears largely driven by the US Federal Services drag; excluding this, ACN posted ~6% YoY growth, indicating that underlying enterprise demand in the region remains relatively healthy
- **Managed Services continues to moderate:** The marginal pickup in Accenture's managed services growth to 7% in Q1 (from 6% in the prior quarter) signals early stabilization and a gradual improvement in core outsourcing demand. Strong deal bookings of USD 11.06 bn, up 17% YoY outpacing consulting bookings growth of 7% and overall bookings growth of 12% highlight a clear improvement in enterprise decision-making cycles. Additionally, the increasing client preference for fixed-price engagements should structurally benefit the sector by supporting margin expansion for efficient service providers.
- **FS growth, CMT momentum accelerates:** ACN again delivered broad-based growth during the quarter, with the exception of the Healthcare segment. The FS segment posted double-digit growth for the fourth consecutive quarter, while the CMT segment after reporting steady mid-single digit growth over the past three quarters continued its improving trajectory, delivering 8% YoY growth in Q1.

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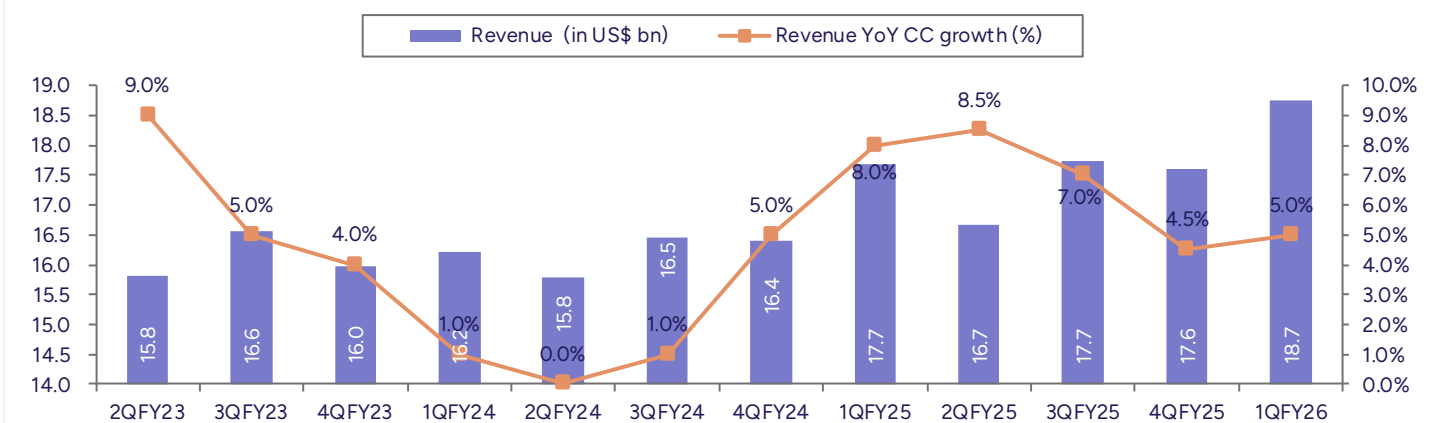
- **Increase in net employee:** Net headcount increased by 4.4k after declining for 2 consecutive quarters with pickup in hiring in new age skills. ACN indicated that hiring will be volatile but pickup in FY26 another indicating factor of improving & stabilizing macro environment.

Accenture 1Q-2026 first take:

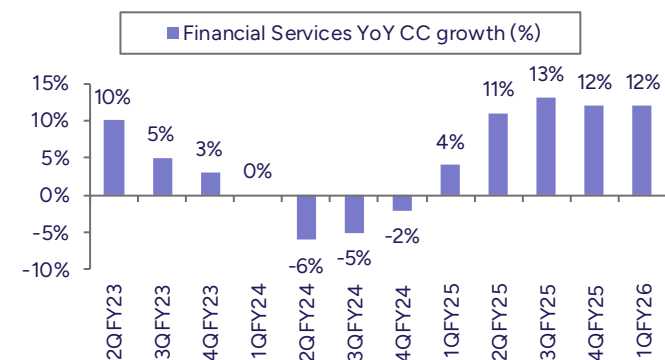
- Revenue at US\$ 18.7 bn, up 6% YoY (5% CC YoY) came at the top end of guidance band of 1-5% YoY CC growth and above street estimates of 3.5% YoY growth
- Outsourcing revenue (50% of mix) came at US\$ 9.3 bn, up 8% YoY in reported & 7% YoY in CC term (street estimate of 5.5%) while Consulting revenue came at US\$ 9.4 bn, up 4.1% YoY (+3% CC YoY)
- **FY26 revenue guidance maintained at 2-5% with inorganic contribution of 1.5% is excluding the US Federal Business impact of 1-1.5%**
- Reported EBIT margin came at 15.3% (down 140 bps YoY) while adjusted EBIT margin came at 17%. **FY26 adjusted Margin guidance band maintained at 15.3-15.8%**
- **New booking win of USD 20.9bn up 10% CC terms & 12% YoY in reported terms. Reported strong Outsourcing bookings of US\$ 11.06 bn, up 17% YoY (double digit growth after 4 quarters). Consulting booking grew by 7% YoY to US\$ 9.88 bn. Gen AI new bookings came at US\$ 2.2 bn compared to US\$ 1.8 bn in Q4**
- FS continued its momentum with 4th successive quarter of double-digit growth with growth of 12% YoY in CC while CMT also continued its momentum with 8% YoY growth. Growth was broad based except Healthcare which declined for 2nd successive quarter likely due to uncertainty in US healthcare market
- Geography wise the growth was again broad based with Americas, EMEA & APAC reporting a growth of 4%, 4% & 9% YoY CC respectively
- **Net employee grew sequentially by 4.4k (after two consecutive quarter of decline), bringing the total headcount to 783.7k employees**

Other KTA's

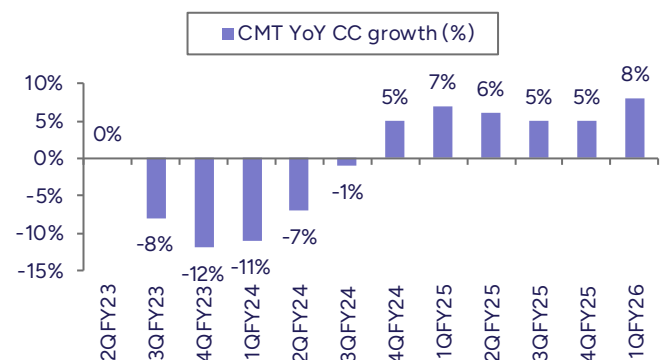
- **Geography- & sector-wise performance:** In the Americas, growth was primarily driven by the US, supported by strength in Banking & Cap. Markets, offset by weakness in Healthcare. In EMEA, key growth drivers was Banking & Capital Markets and Life Sciences, with the UK and Italy as the leading geographies. In APAC, growth was underpinned by Banking, Communications, and Services, with Australia leading the region.
- Gen AI booking & revenue momentum continues but management mentioned that enterprise AI scaling will be a slower pace.
- Management mentioned that they witnessed pricing improvement in some business. Also, the FPP rev. mix increased to 60% from 50% in FY25.

Exhibit 1: Revenue growth at top end of guidance band of 1-5% YoY CC

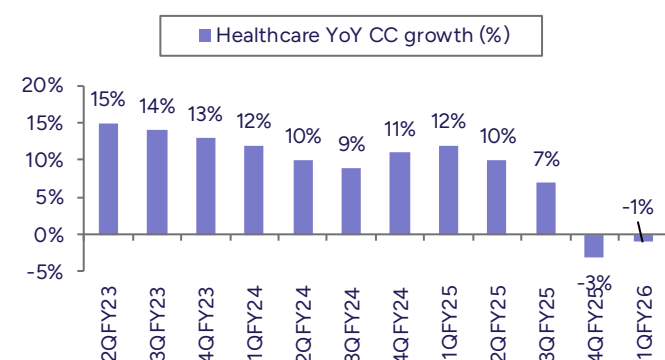
Source: Company, PL

Exhibit 2: FS momentum continues

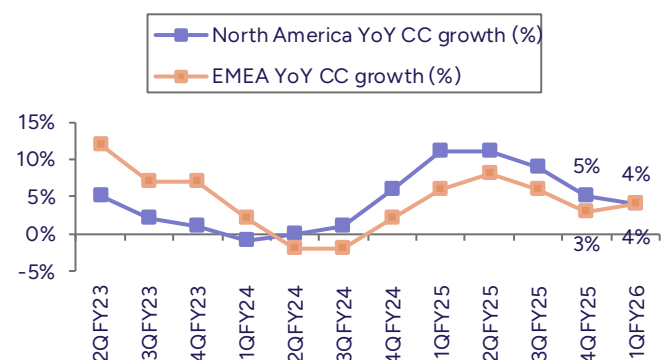
Source: Company, PL

Exhibit 3: CMT momentum accelerates

Source: Company, PL

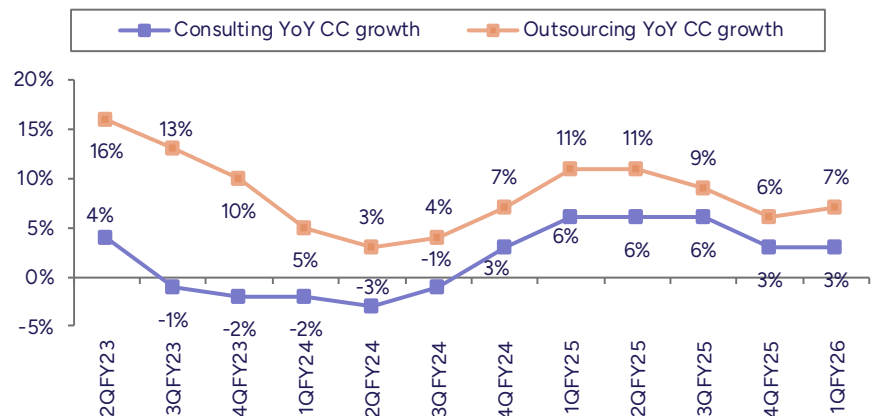
Exhibit 4: Healthcare impacted by policy changes

Source: Company, PL

Exhibit 5: Broad based growth in key geographies

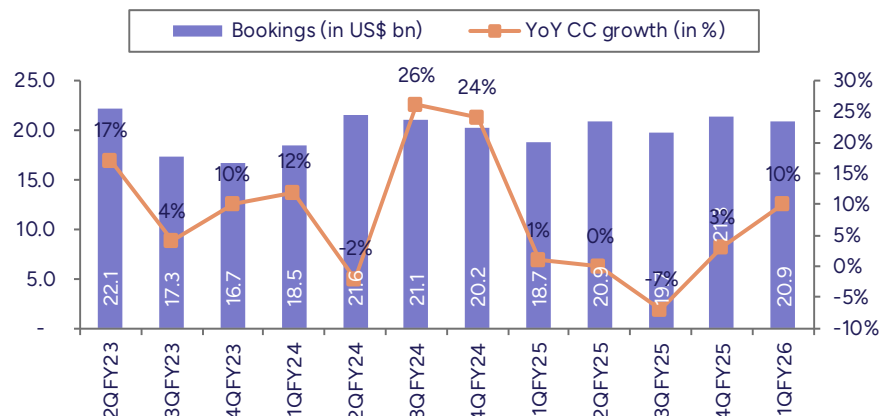
Source: Company, PL

Exhibit 6: Outsourcing growth picks up in Q1 after 2 qtrs of moderation



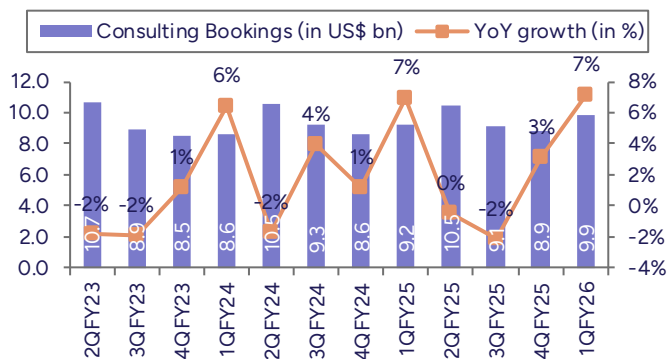
Source: Company, PL

Exhibit 7: Bookings remain robust



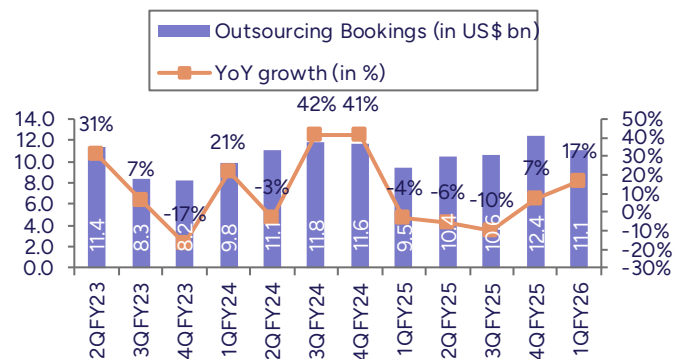
Source: Company, PL

Exhibit 8: Consulting grew by 7% YoY CC



Source: Company, PL

Exhibit 9: Outsourcing bookings were strong in Q1



Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Hold	1,130	1,170
2	HCL Technologies	BUY	1,760	1,495
3	Infosys	BUY	1,780	1,472
4	KPIT Technologies	BUY	1,380	1,193
5	L&T Technology Services	Hold	4,360	4,155
6	Latent View Analytics	BUY	600	425
7	LTIMindtree	Hold	5,470	5,623
8	Mphasis	BUY	3,310	2,861
9	Persistent Systems	BUY	6,280	5,338
10	Tata Consultancy Services	BUY	3,800	3,218
11	Tata Elxsi	Hold	5,010	4,861
12	Tata Technologies	Reduce	640	685
13	Tech Mahindra	Hold	1,500	1,468
14	Wipro	Hold	250	254

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Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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