

# Information Technology

Sector Update

March 20, 2026

## Addressing concerns, reinforcing the long-term thesis

### Quick Pointers

- Mixed quarter with beat on both revenue but soft deal wins
- AI led momentum & narrowing of revenue guidance for FY26 augurs well for Indian peers

Accenture's (ACN: NYSE) CC revenue growth exceeded street estimates and came near the top end of its guidance. The impact of the US Federal business on revenue growth was relatively higher; excluding the US-Fed business, the Americas segment grew 6% YoY in CC terms (vs. 3% YoY CC reported). The evolving AI landscape is perceived as an enabler, accelerating enterprise integration architecture even faster amid expectations of rising workloads. Management believes small and mid-market clients will increasingly adopt technology as costs decline, thereby expanding the addressable market through new verticals and geographic presence. With improving model capabilities, clients are leaning toward upgrading mainframes and legacy architectures. However, enterprises remain focused on AI-driven cost optimization benefits while being selective about deploying AI in growth-oriented areas. The read-through for Indian counterparts remains positive, as momentum in outsourcing continues and revenue growth excluding the US-Fed business appears even more encouraging. Additionally, management commentary largely reinforced the continued relevance of IT vendors in this space and pointed to early signs of improvement in brownfield outsourcing activities, which is also positive.

- **Demand & Outlook:** Accenture reported Q2 revenue growth of 4% YoY in CC, ahead of consensus estimates, driven by strength in the CMT segment and APAC region, despite continued headwinds from the Federal Services business (~6% growth excl. Federal Services). The demand environment remains stable, with management indicating no material impact from ongoing geopolitical uncertainties, including the Middle East conflict. Supported by strong deal bookings, sustained execution, and AI-led momentum, Accenture raised the lower end of its FY26 revenue guidance to 3–5% YoY CC (vs. 2–5% earlier). Additionally, ACN expects client tech budgets in CY26 to remain broadly in line with CY25, suggesting a steady spending environment, which, along with robust deal wins and AI-driven opportunities, remains constructive for Indian IT services peers in the current macro environment.
- **Managed Services growth moderates further:** Managed services growth moderated to 5% YoY CC in Q2 (vs. 7% in Q1), with deal wins also softening to USD 10.8bn, up 3% YoY (vs. USD 11.1bn, up 17% YoY in Q1). Overall bookings growth was relatively muted at USD 22.1bn, up 1% YoY CC (6% reported), while consulting bookings were strong at USD 11.3bn, up 8% YoY. However, managed services growth is expected to gradually improve in H2, supported by conversion of large deals and normalization of the Federal business.

- **CMT momentum continues, FS moderates:** ACN growth was broad based across segments & geographies (excluding healthcare which is impacted by Federal services business). Growth was driven by CMT segment which grew by 10% YoY CC after reporting 8% growth in Q1. FS growth moderated to 7% likely due base effect as it reported double digit growth for last 4 quarters.
- **AI investments for newer opportunities:** ACN is accelerating investments across AI-powered transformation, AI enablers (data, cloud, and cybersecurity), high-growth sectors, and the mid-market to sustain momentum in AI-led services and expand its TAM. These investments are expected to unlock new opportunities in mainframe modernization, data and cloud transformation, and cybersecurity, driving incremental multi-year demand. Management believes AI will expand, not compress, the services opportunity, by adding new layers of integration, modernization, and managed services.
- **Increase in net employee:** Net headcount rose by 2.7k, marking a second consecutive quarter of additions. Management expects hiring to accelerate in H2, albeit in a calibrated manner, with emphasis on AI capabilities and pyramid optimization rather than broad-based expansion.

#### Accenture 2Q-2026 first take:

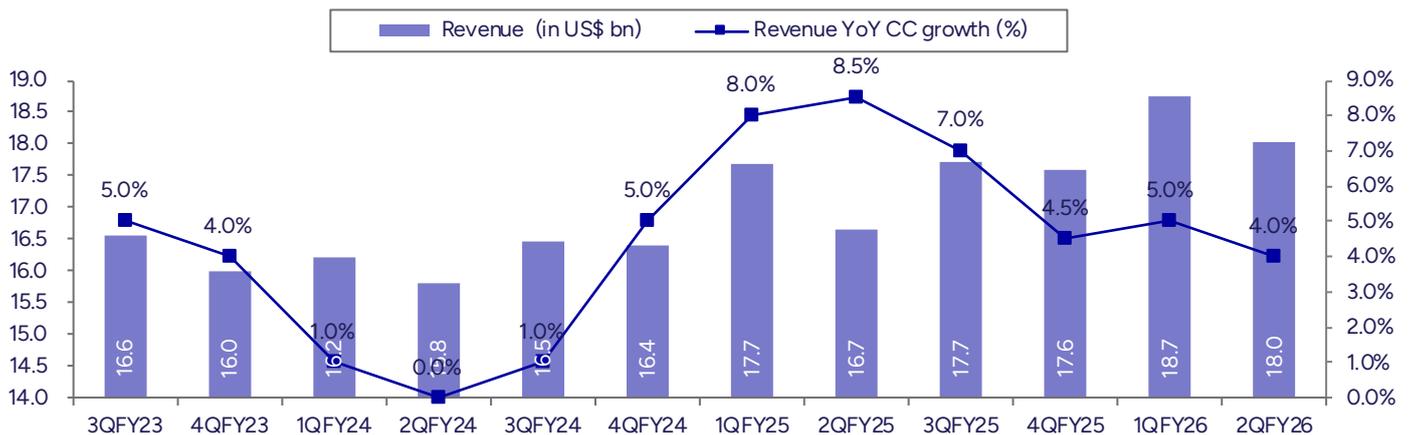
- Revenue at USD 18 bn, up 8% YoY (4% CC YoY) above street estimates of 3.6% YoY growth
- Outsourcing revenue (51% of mix) came at USD 9.18 bn, up 9.6% YoY in reported & 5% YoY in CC term (street estimate of 6%) while Consulting revenue came at USD 8.86 bn, up 7% YoY (3% CC YoY)
- **FY26 revenue guidance increased from 2-5% to 3-5% YoY CC**
- Reported EBIT margin came at 13.8% (up 30 bps YoY)
- **New booking win of USD 22.1 bn up 1% CC terms & 6% YoY in reported terms was below street expectations of 6% YoY CC. Reported strong Outsourcing bookings of USD 10.8 bn, up 3% YoY. Consulting booking grew by 8% YoY to USD 11.3 bn**
- FS growth moderated to 7% YoY CC after 4 successive quarters of double-digit growth. CMT continues to improve with 10% YoY CC growth after reporting 5% & 8% growth in last 2 quarters while Healthcare segment remained weak with revenue decline of 1% YoY CC (US Federal services impact)
- Geography-wise the growth was again broad based but driven by APAC which grew by 10% YoY CC while Americas & EMEA reported muted growth of 3% & 2% respectively
- **Net employee grew sequentially by 2.7k bringing the total headcount to ~786k 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 Insurance, Life Sciences & public services with the UK and Italy as the leading geographies. In APAC, growth was underpinned by Banking & Cap markets, Communications, and Media, with Japan & Australia leading the regions.
- ACN highlighted that client spending on AI remains skewed toward efficiency-led use cases, with enterprises prioritizing cost optimization and productivity gains while building capabilities for future growth. Large investments continue to be concentrated in PoCs and pilot programs, with a gradual shift toward production-scale deployments.

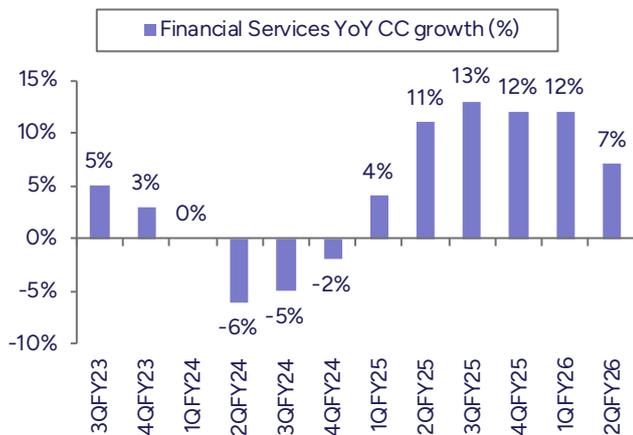
- Management indicated that clients are increasingly adopting end-to-end transformation programs, embedding AI across enterprise workflows, with a clear shift toward AI-native SaaS implementations that leverage both embedded SaaS capabilities and external LLM providers. This is enabling process reimagination and scalable, AI-led operating models, creating incremental opportunities for services vendors.
- ACN highlighted that AI adoption is broad-based and not limited to large enterprises, with large clients driving higher deal sizes due to the scale of transformation, while mid-market and smaller firms are also actively investing. Management noted that the mid-market segment is witnessing faster growth and quicker deal conversion cycles, supported by greater agility in adopting AI-led solutions, making it an increasingly important driver of incremental demand.

Exhibit 1: Revenue growth in Q2 ahead of consensus estimate of 3.6%



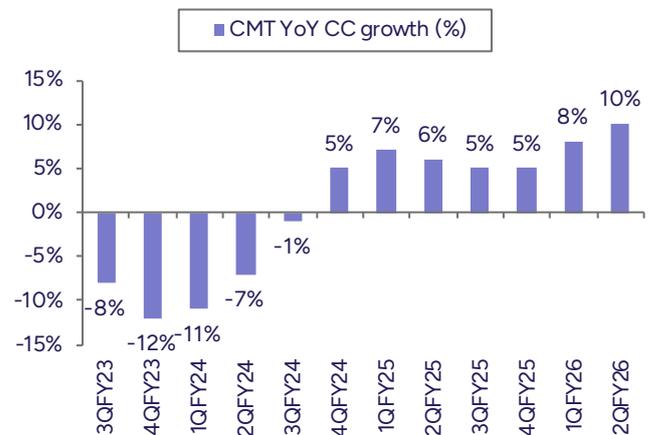
Source: Company, PL

Exhibit 2: FS growth moderates on high base



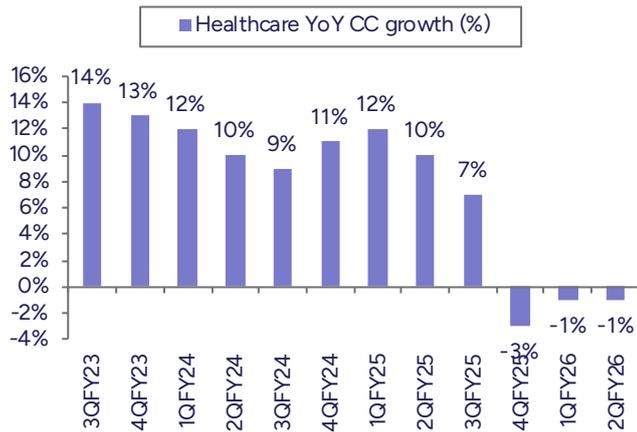
Source: Company, PL

Exhibit 3: CMT momentum continues



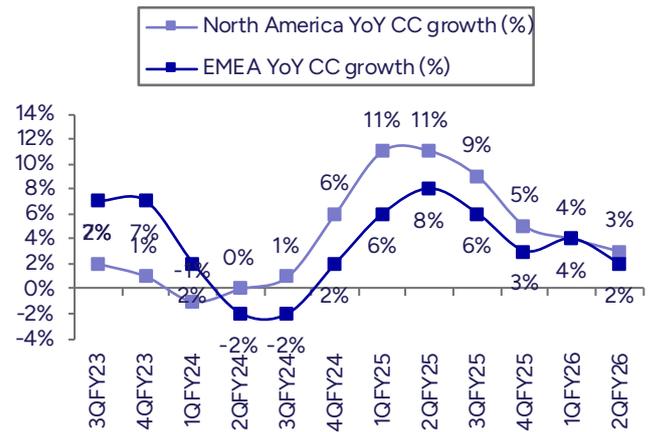
Source: Company, PL

Exhibit 4: Healthcare impacted by policy changes



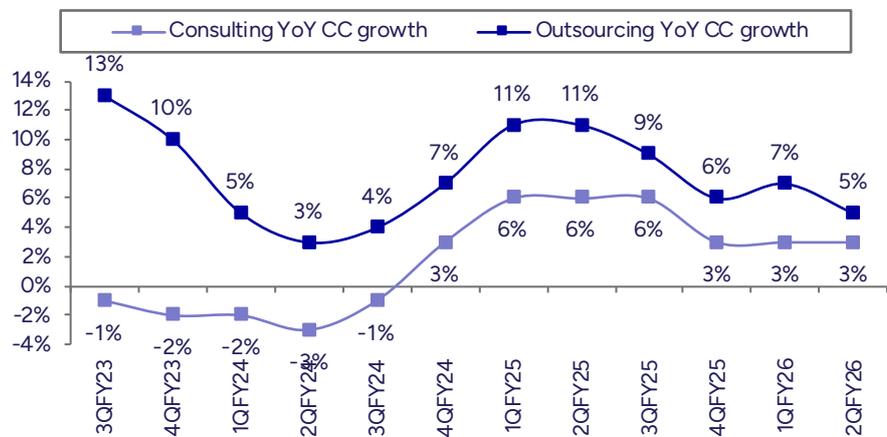
Source: Company, PL

Exhibit 5: Broad based growth in key geographies



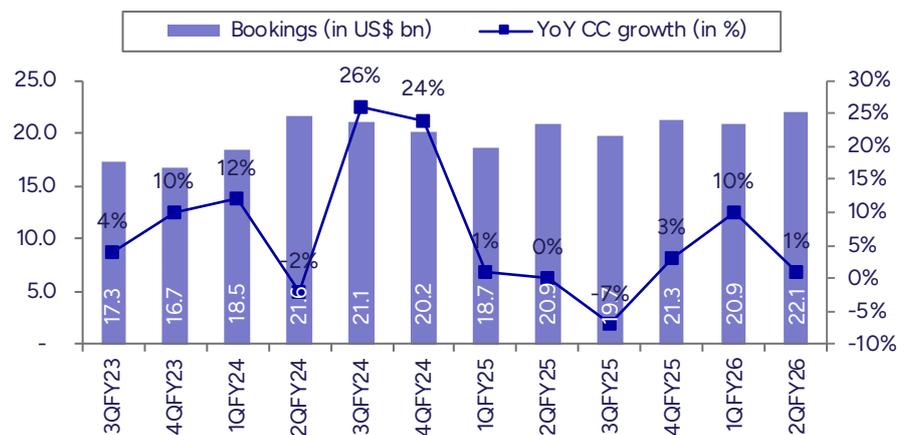
Source: Company, PL

Exhibit 6: Outsourcing growth continues to moderate



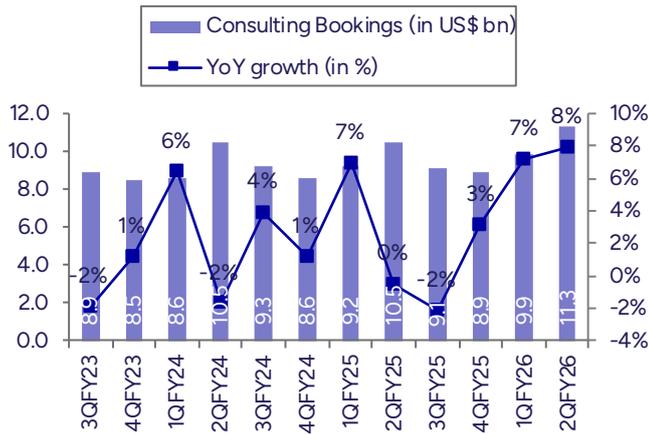
Source: Company, PL

Exhibit 7: Bookings were muted in Q2



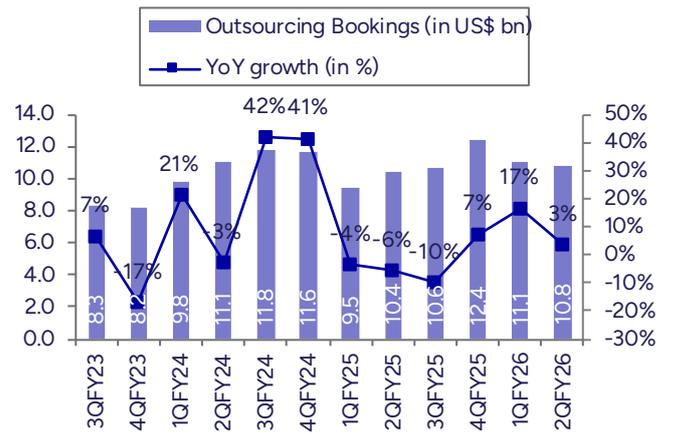
Source: Company, PL

Exhibit 8: Consulting grew by 8% YoY CC



Source: Company, PL

Exhibit 9: Outsourcing bookings were muted in Q2



Source: Company, PL

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Coforge	BUY	2150	1636
2	Cyient	Hold	1070	1109
3	Fractal Analytics	BUY	1110	798
4	HCL Technologies	BUY	1910	1667
5	Infosys	BUY	1900	1391
6	KPIT Technologies	Hold	1090	1047
7	L&T Technology Services	Hold	4070	4244
8	Latent View Analytics	BUY	490	327
9	LTIMindtree	Hold	6000	6407
10	Mphasis	BUY	3480	2800
11	Persistent Systems	BUY	7360	6343
12	Tata Consultancy Services	BUY	4040	3240
13	Tata Elxsi	Hold	5500	5793
14	Tata Technologies	Hold	660	651
15	Tech Mahindra	Accumulate	1860	1671
16	Wipro	Hold	260	267

**PL's Recommendation Nomenclature (Absolute Performance)**

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

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