

Results mix, Commentary suggest increased uncertainty

- ACN reported 8.5% YoY growth in CC terms, in-line with the guided growth range of 5% to +9%; Outsourcing/Consulting was up 11%/6% YoY in CC.
- The lower band of revenue guidance has increased by 100bps, setting the organic growth band at 2% to 4% (up from the prev. at 1% to 4%), along with ~ 300bps inorganic contribution. The OPM is expected to be between 15.6% to 15.7% (upper end lowered from 15.8%).
- View:** ACN's commentary suggests rising macro uncertainty, particularly due to tariffs, though the company maintains a positive outlook for its FY25E guidance. While no sector specific concerns were highlighted, we expect a caution approach in the FY26 outlook from Indian IT Services in the April earnings season. Consequently, we maintain our relative preference for LTIM/KPIT/eClerx.

In-Line Revenue; Narrowed Guidance lowers deterioration

With Revenue reaching \$16.6Bn, ACN's results were near the upper end of guidance of \$16.8bn. Overall guidance for FY25E has been narrowed to 5-7% CC (Prev: 4-7% CC). For Q3FY25E, organic guidance stands at 3-7% YoY growth (or 0.6% decline to +1.3% QoQ growth). The Products and Health and Public Services segments led to incremental growth of 6.1%/8.2% YoY.

Read-through for Indian IT: Heightened uncertainty

ACN stated client budgets have not significantly increased in Jan/Feb, though cost-optimization projects remain in vogue. Discretionary spends, too, as of Q2FY25, remained constrained, with smaller deals dominating the pipeline. In contrast, management has not yet witnessed any slowdown signs but did mention that uncertainty has elevated (tariff-led).

Earnings KTA- Key Highlights

- Geography-wise commentary:** North America grew 11% YoY in CC led by BFSI, industrial, health and CPG Retail. EMEA grew 8% in CC led by growth in public service, life sciences and health & travel verticals.
- On GenAI:** ACN's GenAI offerings saw bookings of \$1.4Bn and ~\$600mn in Rev. for Q2 (Q1: \$1.2bn & ~\$500mn respectively). The company has increased its data and AI workforce to ~72K (Q1: ~69K), and reiterated the re-skilling of ~80K (~10%) employees by FY'26 end. GenAI is witnessing an increasing no. of client adoption, but larger adoption needs the right data foundation to arrive at meaningful ROI.
- Financial Services (18% of Rev):** Financial reported -5% QoQ/7.2% YoY growth in Q2'25. There was no specific outlook for this vertical.
- Employee metrics:** It saw an addition of 2.3k net headcount in Q2FY25 while attrition inched up to 13% (from 12% in Q1'FY25).
- Margin:** Management stated that while the market remains super competitive, pricing is largely stable.

Key Data

Market Cap	USD 202Bn
52-week High/Low	\$398/279
Avg. Volume (no)	24,19,000
Bloom Code	ACN US Equity

Price Performance	1M	3M	12M
Absolute (%)	(22.4)	(12.8)	(21.5)
S&P 500 (%)	(6.9)	(3.3)	(8.9)

Top 4 Holdings	Feb'24
Vanguard Group	9.5
Blackrock Inc.	7.9
State Street	4.3
Capital Group	3.0

FINANCIALS (USD Mn)

Particulars	FY22A	FY23A	FY24A
Revenue (\$mn)	61,594	64,112	64,896
Growth (%)	21.9	4.1	1.2
EBITDA (\$mn)	11,455	11,091	11,764
OPM (%)	15.2	13.7	14.8
PAT (\$mn)	6,877	6,906	7,265
Growth (%)	16.4	0.4	5.2
EPS(\$)	10.9	11.0	11.7
Growth (%)	19.2	1.0	6.1
PER(x)	27.5	27.3	28.9
ROIC	33	27	26
ROE	33	28	27

Street's Estimates

Particulars	FY24A	FY25E	FY26E
USD Rev.(\$mn)	64,896	68,566	73,034
YoY growth, %	1.2%	5.65%	6.52%
EBIT	9,596	10,753	11,586
EBIT Margin, %	14.8%	15.68%	15.86%
Net Profit	7,265	8,099	8,723
EPS (\$)	11.7	12.7	13.9
YoY growth, %	6.0%	8.90%	9.30%

Source: Company, Dolat Capital, Bloomberg

Director Research: Rahul Jain
+9122 40969771
rahulj@dolatcapital.com

Associate: Harsh Yadav
+9122 40969773
harshy@dolatcapital.com

Exhibit 1: Quarterly financial snapshot

(USD mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	QoQ (%)	YoY (%)	H1FY24	H1FY25	YoY (%)
USD Revenue	15,800	16,467	16,406	17,690	16,659	(5.8)	5.4	32,024	34,349	7.3
Operating Expense	12,023	12,197	12,227	13,108	12,816	(2.2)	6.6	23,988	25,925	8.1
Cost of Sales	10,392	10,447	10,472	11,297	11,139	(1.4)	7.2	20,647	22,437	8.7
as % of sales	65.8	63.4	63.8	63.9	66.9	300 bps	109 bps	64.5	65.3	85 bps
Other Expenses	1,631	1,750	1,755	1,811	1,677	(7.4)	2.8	3,341	3,488	4.4
as % of sales	10.3	10.6	10.7	10.2	10.1	(17 bps)	(26 bps)	10.4	10.2	(28 bps)
EBITDA	2,575	3,152	2,950	3,518	2,790	(20.7)	8.3	5,662	6,307	11.4
Depreciation	529	521	596	569	545	(4.3)	3.0	1,050	1,114	6.1
EBIT	2,046	2,631	2,354	2,948	2,245	(23.9)	9.7	4,611	5,193	12.6
Net Other Income	49	24	(21)	7	44	551.0	(10.7)	101	51	(49.7)
PBT	2,096	2,654	2,333	2,955	2,289	(22.6)	9.2	4,712	5,244	11.3
Total Tax	387	673	614	639	466	(27.0)	20.6	993	1,105	11.3
PAT before MI	1,709	1,981	1,719	2,316	1,822	(21.3)	6.6	3,719	4,139	11.3
MI	34	49	34	37	34	(7.9)	0.1	71	72	1.1
PAT after MI	1,675	1,932	1,684	2,279	1,788	(21.5)	6.8	3,648	4,067	11.5
Reported EPS	2.6	3.1	2.7	3.6	2.8	(21.4)	7.2	5.7	6.4	11.9
Margins (%)						(bps)	(bps)			
EBIDTA	16.3	19.1	18.0	19.9	16.7	(314 bps)	44 bps	17.7	18.4	68 bps
EBIT	13.0	16.0	14.3	16.7	13.5	(319 bps)	52 bps	14.4	15.1	72 bps
PBT	13.3	16.1	14.2	16.7	13.7	(297 bps)	47 bps	14.7	15.3	55 bps
PAT	10.6	11.7	10.3	12.9	10.7	(215 bps)	13 bps	11.4	11.8	45 bps
Effective Tax rate	18.4	25.4	26.3	21.6	20.4	(125 bps)	193 bps	21.1	21.1	0 bps

Source: Company, Dolat Capital

Exhibit 2: Operating Metrics

Operating Metrics	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
CC growth (%) (YoY)	9.0	5.0	4.0	1.0	0.5	1.4	5.0	8.0	8.5
Bookings (USD bn)									
Consulting	10.7	8.9	8.5	8.6	10.5	9.3	8.6	9.2	10.5
Managed Services	11.4	8.3	8.2	9.8	11.1	11.8	11.6	9.5	10.4
Total	22.1	17.3	16.7	18.5	21.6	21.1	20.2	18.7	20.9
Bookings Growth (YoY)									
Consulting	(2.4)	(2.0)	1.2	6.3	(1.2)	3.9	1.2	7.0	(0.2)
Managed Services	31.8	6.1	(17.2)	21.2	(3.2)	41.6	41.5	(3.6)	(6.0)
Total	12.8	1.8	(8.7)	13.7	(2.3)	22.1	21.0	1.4	(3.2)
Incremental Bookings (\$ bn)									
Consulting	2.5	(1.7)	(0.4)	0.1	1.9	(1.2)	(0.7)	0.6	1.3
Managed Services	3.3	(3.1)	(0.1)	1.6	1.2	0.7	(0.2)	(2.1)	0.9
Total	5.9	(4.8)	(0.6)	1.8	3.1	(0.5)	(0.9)	(1.5)	2.2
LTM Bookings (USD bn)									
Consulting	36.3	36.1	36.2	36.7	36.6	36.9	37.0	37.6	37.6
Managed Services	37.3	37.8	36.1	37.8	37.4	40.9	44.3	43.9	43.3
Total	73.6	73.9	72.3	74.5	74.0	77.8	81.3	81.5	80.9
Book-to-Bill ratio									
Consulting	1.29	1.03	1.04	1.02	1.31	1.10	1.04	1.02	1.27
Managed Services	1.52	1.06	1.05	1.27	1.42	1.47	1.42	1.10	1.24
Total	1.40	1.04	1.04	1.14	1.37	1.28	1.23	1.06	1.25
Headcount									
Total employees	7,38,143	7,31,868	7,32,819	7,43,041	7,42,318	7,50,200	7,74,303	7,98,781	801,099
Growth YoY	5.7	3.0	1.6	0.7	0.6	2.5	5.7	7.5	7.9
Net Additions	424	(6,275)	951	10,222	(723)	7,882	24,103	24,478	2,318
Attrition	12.0	13.0	14.0	11.0	13.0	14.0	14.0	12.0	13.0
Utilization	91.0	91.0	91.0	91.0	92.0	92.0	92.0	91.0	91.0

Source: Company, DART, *Note: FY22/FY23/FY24 has inorganic contribution of 500bps/200bps/300bps.

Financial Performance

Profit and Loss Account

(USD Mn)	FY21A	FY22A	FY23A	FY24A
Revenue	50,533	61,594	64,112	64,896
Total Expense	41,021	50,139	51,958	48,413
Employees Cost	32,278	39,805	41,099	41,566
Other expenses	8,743	10,334	10,859	6,847
EBIDTA	9,513	11,455	11,091	11,764
Depreciation	1,891	2,088	2,281	2,168
EBIT	7,622	9,367	8,810	9,596
Interest	59	47	13	59
Other Income	199	(27)	377	162
Exc. / E.O. items	0	0	0	0
EBT	7,761	9,293	9,174	9,699
Tax	1,771	2,207	2,136	2,280
RPAT	5,907	6,974	6,906	7,265
Minority Interest	84	112	132	154
Profit/Loss share of associates	0	0	0	0
APAT	5,907	6,974	6,906	7,265

Balance Sheet

(USD Mn)	FY21A	FY22A	FY23A	FY23A
Sources of Funds				
Equity Capital	6,960	6,093	8,120	6,359
Minority Interest	568	641	766	880
Reserves & Surplus	12,569	16,014	17,573	21,929
Net Worth	19,529	22,107	25,693	28,289
Total Debt	12	9	105	946
Net Deferred Tax Liability	53	46	43	79
Total Capital Employed	20,163	22,802	26,606	30,193

Applications of Funds

Net Block	15,947	17,811	19,740	25,399
CWIP	0	0	0	0
Investments	334	322	202	340

Current Assets, Loans & Advances

Inventories	0	0	0	0
Receivables	9,728	11,777	12,227	13,665
Cash and Bank Balances	8,168	7,890	9,045	5,004
Loans and Advances	0	0	0	0
Other Current Assets	8,998	9,464	10,031	11,524
	26,895	29,130	31,303	30,194

Less: Current Liabilities & Provisions

Payables	2,274	2,559	2,491	2,744
Other Current Liabilities	20,739	21,902	22,148	22,995
sub total	23,013	24,461	24,639	25,739
Net Current Assets	3,881	4,669	6,664	4,454
Total Assets	20,163	22,802	26,606	30,193

E – Estimates

Important Ratios

Particulars	FY21A	FY22A	FY23A	FY24A
(A) Margins (%)				
Gross Profit Margin	36.1	35.4	35.9	36.0
EBIDTA Margin	18.8	18.6	17.3	18.1
EBIT Margin	15.1	15.2	13.7	14.8
Tax rate	22.8	23.8	23.3	23.5
Net Profit Margin	11.7	11.3	10.8	11.2
(B) As Percentage of Net Sales (%)				
COGS	0.0	0.0	0.0	0.0
Employee	63.9	64.6	64.1	64.0
Other	17.3	16.8	16.9	10.6
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	128.1	198.3	692.7	162.7
Average Cost of Debt	597.9	444.4	22.3	11.2
Debtors days	70	70	70	77
Inventory days	0	0	0	0
Payable days	16	15	14	15
Working Capital days	28	28	38	25
FA T/O	3.2	3.5	3.2	2.6
(D) Measures of Investment				
AEPS (\$)	9.1	10.9	10.8	11.4
CEPS (\$)	12.1	14.1	14.4	14.8
DPS (\$)	3.5	3.8	4.4	5.1
Dividend Payout (%)	37.8	35.2	40.9	44.6
BVPS (\$)	30.2	34.5	40.2	44.5
RoANW (%)	32.3	33.5	28.9	26.9
RoACE (%)	32.1	33.2	28.5	26.3
RoAIC (%)	72.1	69.6	54.3	44.9
(E) Valuation Ratios				
CMP (\$)	298	298	298	298
P/E	32.6	27.3	27.1	25.5
Mcap (\$ Mn)	188,995	188,995	188,995	188,995
MCap/ Sales	3.7	3.1	2.9	2.9
EV	183,991	182,790	181,354	185,106
EV/Sales	3.6	3.0	2.8	2.9
EV/EBITDA	19.3	16.0	16.4	15.7
P/BV	9.9	8.6	7.4	6.7
Dividend Yield (%)	1.2	1.3	1.5	1.7
(F) Growth Rate (%)				
Revenue	14.0	21.9	4.1	1.2
EBITDA	14.8	20.4	(3.2)	6.1
EBIT	17.0	22.9	(5.9)	8.9
PBT	14.6	19.7	(1.3)	5.7
APAT	15.6	18.1	(1.0)	5.2
EPS	16.0	19.0	(0.7)	5.7

E – Estimates

Cash Flow

Particulars	FY21A	FY22A	FY23A	FY24A
Profit before tax	5,991	6,989	7,004	7,419
Depreciation & w.o.	1,891	2,088	2,281	2,168
Net Interest Exp	0	0	0	0
Direct taxes paid	1,343	1,680	1,913	1,942
Change in Working Capital	(250)	(1,216)	(1,673)	(2,398)
Non Cash	0	0	0	0
(A) CF from Operating Activities	8,975	9,541	9,524	9,131
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(167)	(826)	(104)	(488)
Free Cash Flow	8,809	8,715	9,420	8,643
(Inc.)/ Dec. in Investments	0	0	0	0
Other	0	0	0	0
(B) CF from Investing Activities	(4,310)	(4,261)	(2,622)	(7,062)
Issue of Equity/ Preference	1,013	1,263	1,512	875
Inc./(Dec.) in Debt	0	0	0	0
Interest exp net	(3,703)	(4,116)	(4,330)	(3,697)
Dividend Paid (Incl. Tax)	(2,236)	(2,457)	(2,827)	(3,241)
Other	0	0	0	0
(C) CF from Financing	(4,926)	(5,311)	(5,645)	(6,064)
Net Change in Cash	(247)	(278)	1,155	(4,041)
Opening Cash balances	8,415	8,168	7,890	9,045
Closing Cash balances	8,168	7,890	9,045	5,004

E – Estimates

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Dolat Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
--------------------	--------------------------	--------------------------------	------------------------

Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
--------------------------	-------------------------	------------------------------	------------------------

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	Director - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	Director - Equity Sales & Corporate Access	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	Director - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Girish Raj Sankunny	Director - Equity Sales	girishr@dolatcapital.com	+9122 4096 9625
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Rajeev Lala	AVP - Equity Sales	rajeevl@dolatcapital.com	+9122 4096 9767
Equity Trading	Designation	E-mail	
P. Sridhar	Director and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	Director - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	Director - Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Director - Sales Trading	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	Director Research - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited, to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited, and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited, and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited, and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited, may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited, does not warrant its accuracy or completeness. Dolat Capital Market Private Limited, may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited, reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited, and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited, and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. persons only: This research report is a product of Dolat Capital Market Private Limited, under Marco Polo Securities 15a-6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Research reports are intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be affected through Marco Polo or another U.S. registered broker dealer.



Dolat Capital Market Private Limited.

Corporate Identity Number: U65990GJ993PTC116741

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000014012

Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
