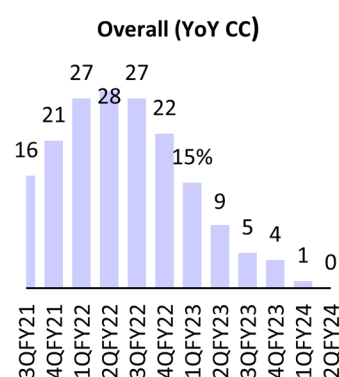
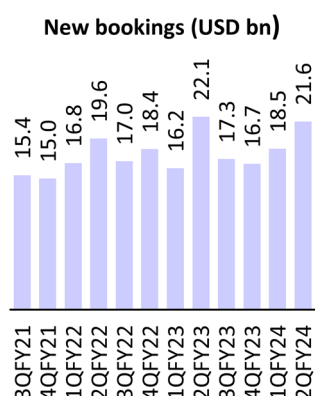




ACN revenue growth stalled in 2QFY24 (%)



Booking saw 21.6 in 2QFY24 (USD bn)



Accenture's 2QFY24 commentary points to continued pressure on demand

Deal wins strong, but guidance cut suggests elevated discretionary pain

Accenture (ACN), a key peer of Indian IT services companies, reported 2QFY24 revenues of USD15.8b, flat YoY CC and down 2.6% QoQ, in line with company guidance and Bloomberg consensus. But the company gave weak 3Q revenue growth guidance of (1%)-3% YoY CC and lowered corresponding FY24 guidance to 1.0%-3.0% (vs. 2.0%-5.0% last quarter), both of which missed Bloomberg consensus expectations. Assuming 3Q growth near the top end, this implies a modest exit to FY24 of 6.0% YoY CC growth for ACN despite a low base and inorganic support. Management commentary continues to indicate weakness in discretionary spending, partially compensated by cost efficiency related spending. Our discussions with Indian IT peers echoed the cautious spending environment in the near term, which should drag down FY24 operational performance for them. On the other hand, outsourcing-driven deal bookings remained robust, clocking the second highest bookings of USD21.6b in 2Q despite the high year-ago base (down 2% YoY but up 17% QoQ). We see continued weakness in CMT as an ongoing overhang on Tech Mahindra (~40% Comm. exposure).

Earnings snapshot – modest 2Q performance, FY24 guidance lowered

- **In-line revenue performance:** Revenue stood at USD15.8b (flat YoY in CC) in 2QFY24, 10bp below the consensus. Managed services revenue grew 3% YoY CC (slowest in last four years), while consulting services continued to decline, down 3% YoY CC.
- **Bookings recovered in 2Q:** ACN reported outsourcing bookings at USD11.1b, down 3% YoY but up 13% QoQ, while consulting bookings declined 2% YoY (up 22% QoQ) to USD10.5b.
- **Revenue guidance trimmed:** ACN expects 3QFY24 revenue growth at -1 to +3% YoY CC, while FY24 revenue growth guidance was lowered to 1.0%-3.0% in CC (from 2.0%-5.0% last quarter). The FY24 revenue guidance includes 3% inorganic contribution.
- **Stable operating margin performance:** Adjusted EBIT margin moderated 10bp YoY to 13.7% in 2Q, missing consensus by 30bp YoY. FY24 margin guidance was adjusted to 15.5%, at the lower end of the previous band of 15.5-15.7%.
- **Attrition picked up:** ACN workforce remained stable in 2Q at around 742k employees, while attrition increased by 200bp QoQ to 13% and utilization rates moved up to 92%.

Managed services growth to outpace consulting services growth

- **Managed services to outperform Consulting:** The management continued to expect managed services to outgrow consulting services in FY24, with the former expected to grow in mid-single digits and the latter staying flat YoY. Robust bookings in large project wins continue to aid the managed services vertical with a book-to-bill (BTB) ratio of 1.4x.

- **Macro headwind continues to weigh on growth:** ACN has not witnessed any meaningful change in the spending pattern of its enterprise clients. They maintain caution, which is leading to slower decision-making and higher deal scrutiny. The revenue conversion for small-size deals remains slow, while execution for large deals remains fairly strong.
- **Demand for key verticals was muted:** Demand for Financial Services and CMT, which have been the key verticals for Indian IT firms, continued to be weak in 2QFY24. CMT reported a 7% CC YoY decline in 2Q vs. 11% CC YoY decline in 1Q. Financial services reported 6% YoY decline vs. flat growth in 1QFY24.

Generative AI continues to gain traction among clients

- ACN is seeing good interest from clients on Generative AI, with cumulative revenues of USD1.1b during the first two quarters (USD600m in 2Q).
- The implications of Gen AI will become more pronounced and clients' conversations are changing from POCs to material rollout and integration of AI into their core operations.

Key highlights from the management commentary

- Clients continue to prioritize investing in large-scale transformations, which convert to revenue more slowly while further limiting discretionary spending particularly on smaller projects.
- ACN also saw continued delays in decision-making and a slower pace of spending.
- Clients are navigating an uncertain macro-environment due to economic, geopolitical and industry-specific conditions.
- Gen AI has seen strong early interest, with USD1b+ in sales in the first six months of the year. This is the fastest scale-up the company has ever seen.
- For FY24, revenue guidance was lowered to 1-3% from 2-5% YoY in CC terms earlier with no forex impact and 3% inorganic contribution.

Quarterly performance

Y/E August	FY23				FY24	FY22	FY23
	2Q	3Q	4Q	1Q	2Q		
Revenue (USD b)	15.8	16.6	16.0	16.2	15.8	61.6	64.1
QoQ (%)	0.4	4.7	-3.5	1.5	-2.6		
YoY (%)	5.1	2.5	3.6	3.0	-0.1	21.9	4.1
GPM (%)	30.6	33.4	32.4	33.6	30.9	32.0	32.3
SGA (%)	9.9	10.5	10.8	10.5	10.3	9.9	10.3
EBIT (USD m)	1,945	2,359	1,913	2,565	2,046	9,367	8,810
EBIT Margin (%)	12.3	14.2	12.0	15.8	13.0	15.2	13.7
Other income	2	272	46	52	49	-171	329
PBT (USD m)	1,947	2,632	1,959	2,617	2,096	9,196	9,139
ETR (%)	20.4	22.2	28.1	23.2	18.4	24.0	23.4
Adj. PAT (USD m)	1,524	2,010	1,373	1,973	1,675	6,877	6,872
Exceptional items	0	0	0	0	0	0	0
Reported PAT (USD m)	1,524	2,010	1,373	1,973	1,675	6,877	6,872
QoQ (%)	-22.5	31.9	-31.7	43.7	-15.1		
YoY (%)	-6.8	12.5	-17.5	0.4	9.9	16.7	0.2
EPS (INR)	2.4	3.1	2.1	3.1	2.6	10.7	10.8

Source: MOFSL, Company

Key highlights from the management interaction

Performance and operations

- ACN closed a record 39 clients with quarterly bookings of over USD100m.
- It witnessed over USD600m in new-gen AI bookings in 2Q and USD1.1b in the first-half of the fiscal year.
- The company is gaining market share by having a strong play in both cost takeout and growth initiatives. The client conversations are changing and they want to participate and integrate new technologies in order to streamline their operations.
- Gen AI has seen strong early interest, with USD1b+ in sales in the first six months of the year. This is the fastest scale-up the company has ever seen.

Demand highlights

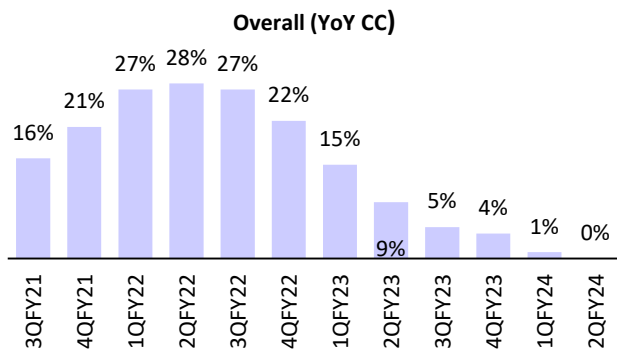
- The company's clients continue to prioritize investing in large-scale transformations, which convert to revenue more slowly while further limiting discretionary spending particularly on smaller projects.
- It also saw continued delays in decision-making and a slower pace of spending.
- Clients are navigating an uncertain macro-environment due to economic, geopolitical and industry-specific conditions.

Outlook

- For 3QFY24, the management has guided for -1 to +3% YoY growth in CC terms and -1.0% impact from forex.
- For FY24, revenue guidance was lowered to 1-3% from 2-5% YoY in CC terms earlier with no forex impact and 3% inorganic contribution.
- ACN assumes no improvement in macro for full-year guidance and suggests that it will build on gradually over full year FY24.
- The management has marginally lowered its adjusted operating margin guidance to 15.5% from the earlier range of 15.5%-15.7% for FY24.

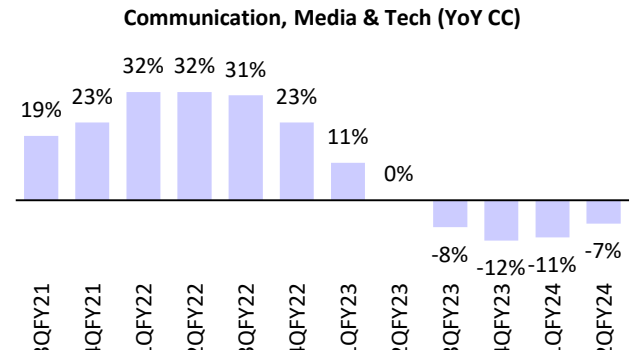
Story in charts

Exhibit 1: Revenue growth was 0% YoY CC in 2Q



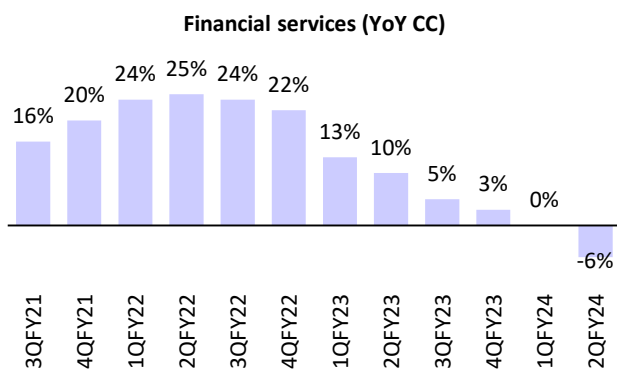
Source: Company, MOFSL

Exhibit 2: Communications, Media, and Technology (CMT) remained weak in 2Q



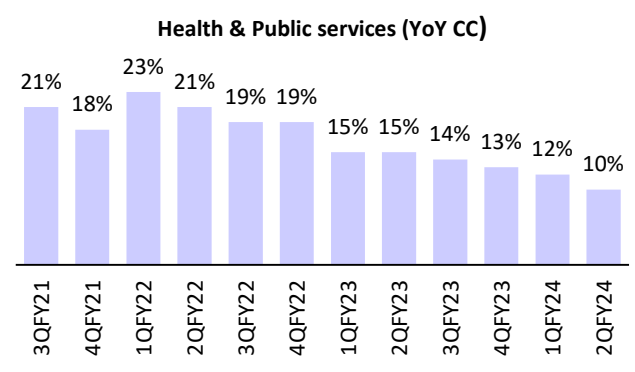
Source: Company, MOFSL

Exhibit 3: Financial Services growth was muted



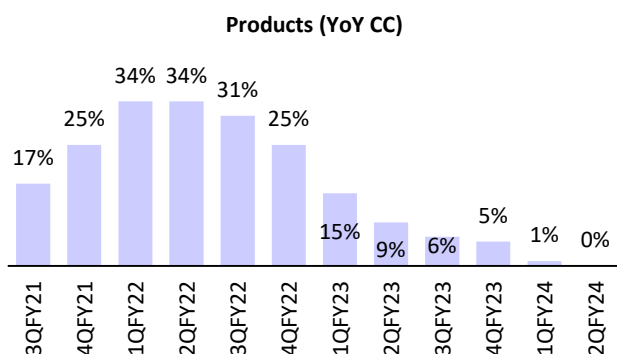
Source: Company, MOFSL

Exhibit 4: Healthcare and public services delivered double-digit growth



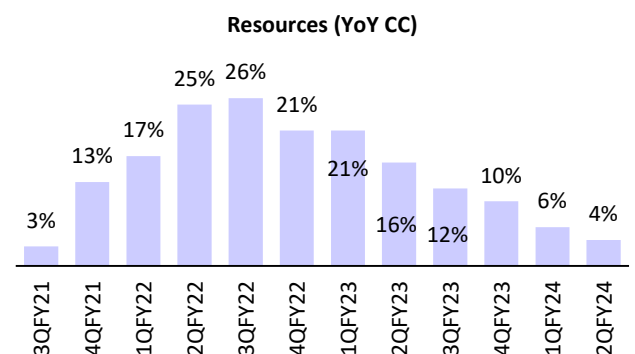
Source: Company, MOFSL

Exhibit 5: Products saw nil growth YoY CC

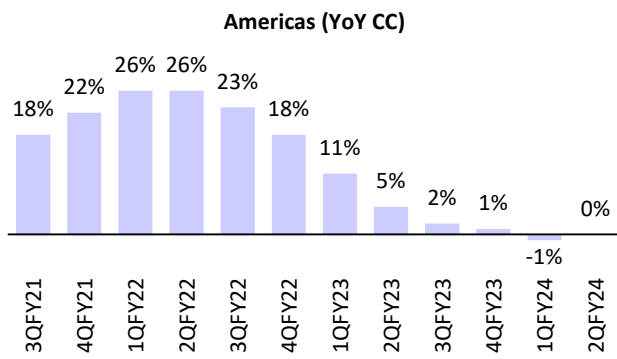


Source: Company, MOFSL

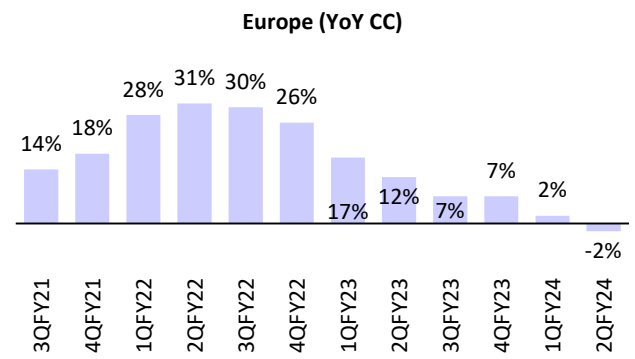
Exhibit 6: Resources clocked single-digit YoY growth in CC



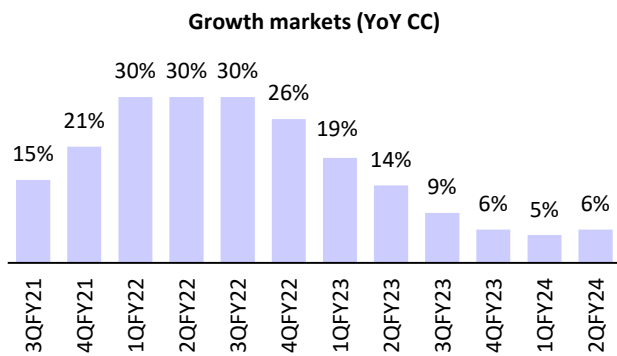
Source: Company, MOFSL

Exhibit 7: YoY growth in Americas was flat in 2Q...

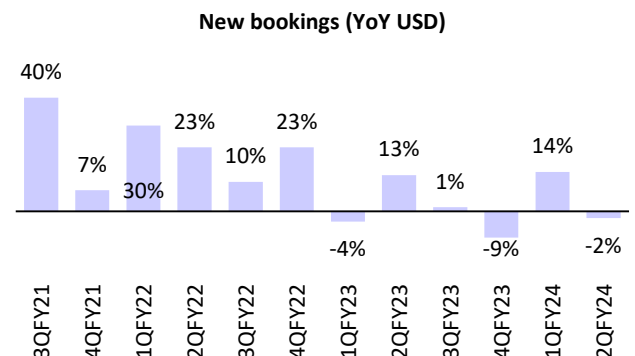
Source: Company, MOFSL

Exhibit 8: ...as compared to Europe decline of 2% YoY CC

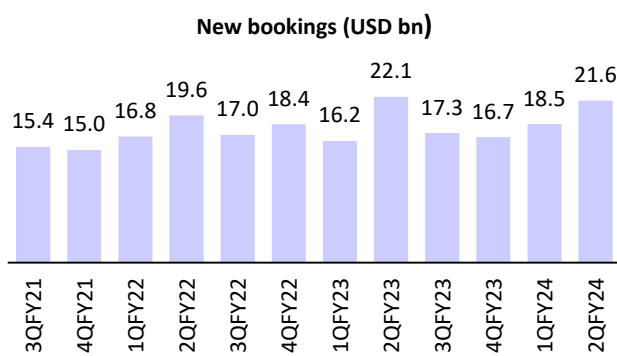
Source: Company, MOFSL

Exhibit 9: Growth markets remained stable

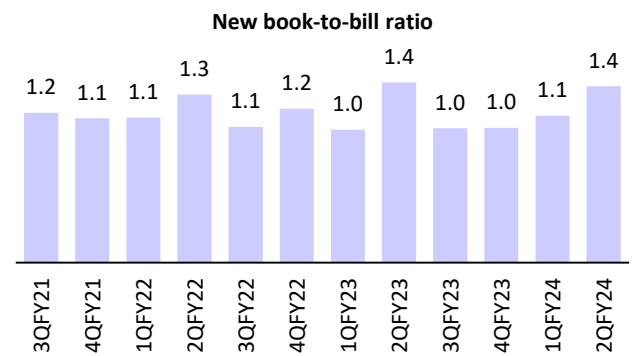
Source: Company, MOFSL

Exhibit 10: New bookings declined 2% YoY in 2QFY24 on a high base

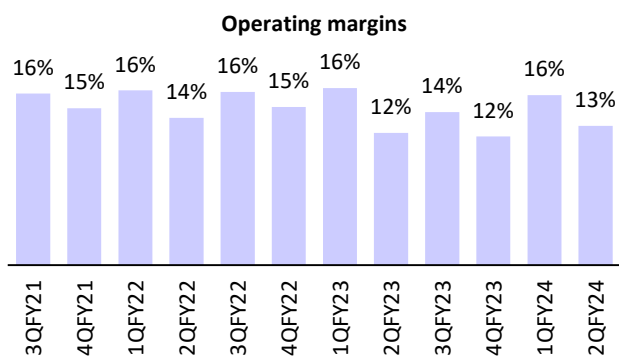
Source: Company, MOFSL

Exhibit 11: New booking were near all-time high in 2QFY24

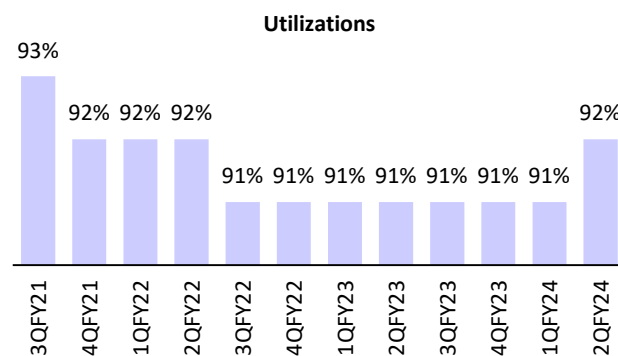
Source: Company, MOFSL

Exhibit 12: The BTB ratio is still holding above 1x

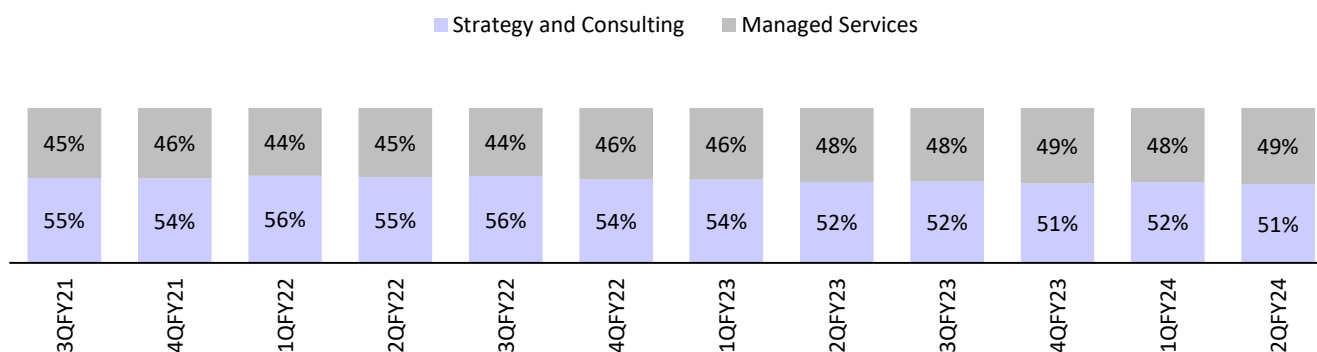
Source: Company, MOFSL

Exhibit 13: Operating margin, excluding business optimization impact, declined 10bp YoY

Source: Company, MOFSL

Exhibit 14: Utilization improved marginally QoQ

Source: Company, MOFSL

Exhibit 15: Strategy and Consulting declined faster (-3% YoY CC) in 2QFY24

Source: Company, MOFSL

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at <http://online.reports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

MOFSL, its associates, Research Analyst or their relatives may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst or their relatives may have actual beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may have any other potential conflict of interests at the time of publication of the research report or at the time of public appearance, however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

In the past 12 months, MOFSL or any of its associates may have:

- received any compensation/other benefits from the subject company of this report
- managed or co-managed public offering of securities from subject company of this research report,
- received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
- received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.

- MOFSL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
- Subject Company may have been a client of MOFSL or its associates during twelve months preceding the date of distribution of the research report.
- Research Analyst may have served as director/officer/employee in the subject company.
- MOFSL and research analyst may engage in market making activity for the subject company.

MOFSL and its associate company(ies), and Research Analyst and their relatives from time to time may have:

a) a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein.

(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.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement

Analyst ownership of the stock

Companies where there is interest

No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

MOTILAL Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under

applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilaloswal.com.

Nainesh
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

Rajani

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. 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 MOFSL 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 certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.