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# Accenture's growth outlook augurs well for Indian IT services players

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Accenture's Q1 FY22 results have sent a wave of cheer among analysts, as the company raised its revenue guidance and said it expects double-digit growth in outsourcing, up from single digit to low double-digit growth expected earlier.

Accenture's financial year ends on August 31.

The company raised its revenue outlook for FY22 to 19-22 per cent in local currency, up from 12-15 per cent earlier. The company stated that technology continues to be the single biggest driver of change, accelerating, disrupting, and creating new opportunities.

The company's management expects the current demand environment will sustain for many years as just 30 per cent of firms have completed their Cloud migration journey. The company believes the acceleration in the quarter was much higher than expected and, hence, it is raising its FY22 guidance, anticipating extraordinary demand.

Such strong revenue growth and order booking augur well for the Indian IT services players not only in the third quarter (ending December 31, 2021), but also for the whole of FY23.

An Edelweiss report said: "Accenture's blockbuster performance and solid commentary support our thesis of a robust tech upcycle that would continue for four-five years. In large caps, we prefer HCL, Infosys, and TCS; Coforge, LTI, and Mindtree in mid-caps; and Zensar, Persistent, Birlasoft, and Firstsource in small-caps."


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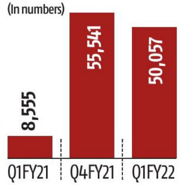
(In numbers)




Source: Company

"Accenture's revenue beat in Q1FY22 ($600 million) and a strong upward revision in revenue growth outlook for FY22 (an increase of $3.5 billion) indicate a robust demand environment. Accenture has pointed out that it is seeing an improvement in pricing in various parts of its business, which should support margins," said Dipesh Mehta and Monit Vyas of Emkay in their report.

The other highlight of Accenture's performance was it has managed to hold to margins despite high growth and rising attrition within the industry. Accenture hired more than 50,000 employees in Q1 on the back of 55,000 additions in the fourth quarter of FY21.

"While quarterly annualised attrition has cooled off a little aided by the higher base, we note that the attrition is broadly unchanged in absolute terms on a QoQ basis. Despite the significant cost of talent seen across the sector, and expected revival of travel costs in the second half, ACN continues to expect a 10-30 basis points margin expansion in FY22, from the 15.1 per cent reported for FY21. We note that a majority of the Indian techs also surprised Street expectations on margins in Q2 and could continue to defend margins aided by growth and pricing leverage in the near term," said a note from Manik Taneja, from JM Financial.

Going ahead, analysts say, the attrition rates will come down to pre-Covid levels over the next two-three quarters.