

## How surprising is the surprise?

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Accenture's low growth guidance of the previous quarter (Nov-20, [link](#)) made a potential beat and raise more or less inevitable. In that context, Feb-21 earnings outcome (overall and for outsourcing) and guidance revision were unsurprising. The upgraded revenue growth guidance (+5.5%-7.5% YoY, organic, CC, adjusted for reimbursements) is more or less in-line with the conventional guidance of the company, mid-fiscal, despite a weak base (FY20, ending Aug-20). Building in a buffer for further upgrades, FY21E growth should be largely similar to pre-covid levels adjusted for a bit of base shift. While Accenture's recent strength in outsourcing has often been perceived as the lead indicator for Indian IT by consensus, it needs to be seen whether it is coming at the expense of market share consolidation(?). Outlook on mean reversion of utilisations is in-line with our argument that covid-led transient margin tailwinds (e.g. due to WFH) are unlikely to outlive the pandemic. Incrementally, the gradient of surprise should be lower (or even negative) for Indian IT – where lofty expectations are more than fully reflected in life time high valuations (NIFTY IT P/E: +55% vs avg 10 year P/E before covid). As elaborated in our recent notes ([link](#)), we maintain our anti-consensus UNDER WEIGHT stance on the IT sector. INR depreciation and potential 2<sup>nd</sup> wave of infections in India are key risks to our stance.

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