

August 29, 2025

## IBM India Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short-term – Non-fund Based	170.00	170.00	[ICRA]A1+; reaffirmed
Long-term (Interchangeable)	(6.00)	(6.00)	[ICRA]AA+ (Negative); reaffirmed
<b>Total</b>	<b>170.00</b>	<b>170.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The reaffirmation in the ratings of IBM India Private Limited (IBM India) factors in the expected sustenance of its healthy financial profile, while factoring in the strong parentage from International Business Machines Corporation, USA (IBM Corporation/ ultimate holding company/ the parent). IBM India derives more than 70% of its revenues from services to the parent and fellow subsidiaries, which is expected to continue going forward. While the company's share in the overall revenues of IBM Corporation is relatively less at around 6%, India remains a key global delivery centre for the parent and IBM India contributes to one-third of its global workforce. Accordingly, the company's ratings factor in implicit support from IBM Corporation, given the strong linkages between the parent and the subsidiary. The outlook on the long-term rating of the company has been retained at Negative, in line with the anticipation of weakening in the credit profile of the parent. IBM Corporation's debt metrics are likely to be weighed down in the near term by the allocation of capital towards acquisitions beyond its free cash flow generation<sup>1</sup>.

The ratings continue to reflect IBM India's established position in the domestic IT industry and access to IBM Corporation's technical expertise and capabilities. Further, the ratings favourably factor in IBM India's strong financial profile, characterised by its healthy and stable earnings and cash flows, net debt-free status and strong liquidity profile.

The company reported a consolidated operating income of Rs. 32,339.9 crore in FY2025<sup>2</sup>, representing a YoY growth of 6.0%, aided by improvement in performance across segments, in both exports and domestic business, growth in IBM's addressable market in India and favourable forex movements. The company's operating profit margins (OPM) remained healthy at 18.1% in FY2025 (FY2024: 17.7%). IBM India remained net debt negative, with free cash and bank balances of over Rs. 10,000 crore in FY2025. Although the situation related to the tariff on import of goods into the US is not having any direct impact on IT services, the situation is continuously evolving and is expected to have short-term slowdown in discretionary spending by the end-user industries. However, ICRA expects the company's revenue growth to remain moderate despite the US tariff, through increase in adoption of automation and artificial intelligence over the medium term. Margins are expected to remain healthy going forward as well, although the company remains exposed to challenges like forex fluctuations, employee attrition and policy changes in key operating markets, like other industry players. Further, ICRA expects IBM India to remain net debt negative over the medium term, despite any potential dividend payouts and payments towards any unfavourable outcomes for tax-related disputes. The company is open to acquisitions in related verticals. The acquisitions, upon materialisation, would be evaluated on a case-by-case basis.

<sup>1</sup> Moody's Investors Service has revised the ratings of IBM Corporation to A3/Negative/P2 from A3/Stable/P2 vide PR dated April 26, 2024

<sup>2</sup> Provisional financials

## Key rating drivers and their description

### Credit strengths

**Strong parentage** – IBM India is a step-down subsidiary of IBM Corporation, a global leader in providing IT-related services and products. The company generates a significant proportion of its revenues by providing with technology services, global business services and cloud services to the parent and its fellow subsidiaries and comprises around one-third of the global workforce of IBM Corporation. IBM India executes the orders on a cost-plus basis, and the pricing on such orders is determined through advance pricing agreement (APA) with the Central Board of Direct Taxes (CBDT). With a large share of revenues derived from IBM Corporation, the company's performance benefits from the global end-user business segments. ICRA expects that IBM India would continue to be a key delivery centre for the parent and benefit from access to IBM Corporation's technical expertise and capabilities. Further, IBM India has a strong management team with extensive experience in the IT industry, which has facilitated relationships with large clients in the domestic market.

**Healthy operational profile with established position in the IT industry** – The company has a strong operational profile with an established position in the domestic IT industry. It also caters to leading clients across the globe, including its parent entity and fellow subsidiaries. The company's clientele spans across various sectors such as banking, financial services and insurance (BFSI), telecom, healthcare, automotive, education, consumer durables, etc., and across service lines such as consulting, application management services, and global process services.

**Robust financial profile with sizeable net worth and debt metrics** – IBM India has a healthy scale of operations and earnings, a sizeable net worth, conservative debt protection metrics and a strong liquidity profile. The company reported a consolidated operating income of Rs. 32,339.9 crore in FY2025, representing a YoY growth of 6.0%, aided by improvement in performance across segments, in both exports and domestic businesses, growth in IBM's addressable market in India and favourable forex movements. The company's operating profit margins (OPM) remained healthy at 18.1% in FY2025 (FY2024: 17.7%). The company has remained net debt negative in the last several years, with debt comprising only lease liabilities worth around Rs. 3,400 crore, net worth of over Rs. 17,500 crore and had free cash and bank balances of over Rs. 10,000.0 crore as on March 31, 2025. ICRA expects the company's financial profile to remain healthy, going forward as well.

### Credit challenges

**Exposed to industry specific challenges like forex fluctuations, high employee attrition and policies in key operating markets** – IBM India derives a sizeable part of its revenues from exports and is thus exposed to volatility in forex rate fluctuations. Nevertheless, the risk is mitigated to an extent by the natural hedge from imports and hedging policies adopted at the Group level. Like other industry players, the company also witnesses challenges pertaining to wage inflation and retention and reskilling of its talent pool. The company's performance is also exposed to macro-economic uncertainties and adverse regulatory/ legislative changes in its key operating markets, if any.

**History of large cash flows towards tax-related disputes and dividend payouts** – The company has paid out a large sum towards dividend and income tax matters under dispute in the past, arising from transfer pricing adjustments determined by the Income Tax authorities. The company has paid dividends of around Rs. 1,300-1,400 crore in the last two years. The dividend payout remained moderate as a proportion of accruals in FY2025. Further, it has paid Rs. 1,398 crore of tax under protest as of March 31, 2024, and a similar amount was outstanding as of March 31, 2025 as well. ICRA would continue to monitor any significant dividend/tax-related payments that may have a material impact on the company's cash flows, going forward.

**Exposure to competition and emerging technological challenges in the global IT industry** – The global IT services industry is dominated by several large players, leading to competition and pressure on margins. While IBM is one of the larger companies in the global IT services industry, it faces competition from domestic players such as Tata Consultancy Services, Infosys Limited and Wipro Limited, as well as from international players like Accenture Plc, Oracle Corporation and Hewlett Packard Enterprise, among others. Besides, there are various smaller, niche technology players, which lead to competition while bidding for new contracts.

## Liquidity position: Strong

The company's liquidity position is strong with free cash and liquid investments of over Rs. 10,000.00 crore and undrawn working capital lines of Rs. 281.5 crore as on March 31, 2025, along with healthy cash flow generation. Against these sources of cash, the company has annual capex plans of Rs. 700-1,000 crore per annum over FY2026-FY2028, which are expected to be funded by internal accruals. Given its net debt-free status and the absence of incremental debt, ICRA expects IBM India's liquidity profile to remain strong, going forward. Further, ICRA draws comfort from IBM India's strong financial flexibility and its lender/investor comfort. ICRA would continue to monitor any significant dividend/tax-related payouts/acquisitions that may have a material impact on the company's liquidity position, going forward.

## Rating sensitivities

**Positive factors** – Improvement in the credit profile of IBM Corporation (parent) along with strong liquidity position and debt protection metrics in IBM India would be a trigger for revision in outlook on the long-term rating for the company.

**Negative factors** – Pressure on the company's ratings could arise in case of a deterioration in the credit profile of IBM Corporation (parent) or weakening of linkages between the two entities. Sustained deterioration in the earnings profile, cash flows and debt protection metrics of IBM India will also be a negative rating trigger.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">IT - Software &amp; Services</a>
Parent/Group support	International Business Machines Corporation, USA (IBM Corporation) IBM India enjoys implicit financial and operational support by virtue of its parentage.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of IBM India.

## About the company

IBM India Private Limited is primarily involved in domestic and export business of selling computer systems, software, consulting and IT services, including maintenance services and carrying out lease and financing activities in connection with sale of products. IBM World Trade Corporation holds a 99.9% stake in the company, which is ultimately held by IBM Corporation, USA. The company is the Indian arm of IBM Corporation and has facilities in Bangalore, Ahmedabad, Delhi, Kolkata, Mumbai, Chennai, Pune, Gurgaon, Noida, Lucknow, Coimbatore, Mysore, Bhubaneswar, Kochi and Hyderabad.

## Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	28,052.8	30,519.8
PAT	2,964.3	2,798.1
OPBDIT/OI	18.2%	17.7%
PAT/OI	10.6%	9.2%
Total outside liabilities/Tangible net worth (times)	0.6	0.6
Total debt/OPBDIT (times)	0.4	0.5
Interest coverage (times)	25.2	31.2

Source: Company, ICRA Research; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Current ratings (FY2026)					Chronology of rating history for the past 3 years					
FY2026					FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Non-fund based	Short term	170.00	29-Aug-25	[ICRA]A1+	08-May-24	[ICRA]A1+	-	-	23-Feb-23	[ICRA]A1+
Interchangeable	Long term	(6.00)	29-Aug-25	[ICRA]AA+ (Negative)	08-May-24	[ICRA]AA+ (Negative)	-	-	23-Feb-23	[ICRA]AA+ (Stable)

### Complexity level of the rated instruments

Instrument	Complexity indicator
Short term – Non-fund based	Very Simple
Long-term (Interchangeable)	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

#### Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Short term – Non-fund based	NA	NA	NA	170.00	[ICRA]A1+
NA	Long-term (Interchangeable)	NA	NA	NA	(6.00)	[ICRA]AA+ (Negative)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis

Company Name	IBM India Ownership	Consolidation Approach
Sterling Commerce Solutions India Private Limited	100.00%	Full Consolidation
Sanovi Technologies Private Limited	100.00%	Full Consolidation
Sanovi Technologies DMCC	100.00%	Full Consolidation
Truven Health Analytics India Private Limited	100.00%	Full Consolidation
Fiberlink Software Private Limited	100.00%	Full Consolidation
Simpler Consulting India Private Limited	100.00%	Full Consolidation
Ahana Ray Technologies Private Limited	100.00%	Full Consolidation
Spartan Technology Services and Solutions Private Limited	100.00%	Full Consolidation
Neudesic Technologies Private Limited	100.00%	Full Consolidation

Source: IBM India Annual Report for FY2024

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

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