

February 09, 2026

IBM India Private Limited: Ratings reaffirmed; outlook revised to Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short-term – Non-fund Based	220.00	220.00	[ICRA]A1+; reaffirmed
Long-term (Interchangeable)	(1.00)	(1.00)	[ICRA]AA+ (Stable); reaffirmed and outlook revised to Stable from Negative
Total	220.00	220.00	

*Instrument details are provided in Annexure I

Rationale

The revision in the outlook of the long-term rating of IBM India Private Limited (IBM India) to Stable from Negative factors in the strengthening credit profile of its ultimate parent, International Business Machines Corporation¹, USA (IBM Corporation/the parent). IBM Corporation is expected to report strong EBITDA growth and a healthy financial profile, characterised by a strong cash position relative to debt. The reaffirmation of the ratings of IBM India factors in the expected sustenance of its healthy financial profile, while also factoring in the strong parentage of IBM Corporation. IBM India derives more than 70% of its revenues from services provided 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 low, at around 6%, India remains a key global delivery centre for the parent, and IBM India contributes nearly one-third of its global workforce. Accordingly, the ratings factor in implicit support from IBM Corporation, given the strong linkages between the parent and the subsidiary.

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. 32,935.1 crore in FY2025 and Rs. 17,520 crore in H1 FY2026², representing a YoY growth of 7.9% and 6.4% (annualised), respectively, aided by improvement in performance across segments, in both export 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 15.1% in H1 FY2026 and 18.2% in FY2025 (FY2024: 17.7%). IBM India remained net debt negative, with free cash and bank balances of over Rs. 11,000 crore as of September 30, 2025. Overall, ICRA expects the company's revenue growth to continue, supported by increased adoption of automation and artificial intelligence over the medium term. Margins are expected to remain healthy going forward as well; however, the company remains exposed to challenges such as 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 related to tax disputes. The company is open to acquisitions in related verticals. Any acquisitions, upon materialisation, would be evaluated on a case-by-case basis.

¹ Moody's Investors Service has revised the ratings of IBM Corporation to A3/Stable/P2 from A3/Negative/P2 vide PR dated January 29, 2026

² unaudited

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 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 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 and Rs. 17,520 crore in H1 FY2026, representing a YoY growth of 7.9% and 6.4% (annualised), respectively, aided by improvement in performance across segments, in both export 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 15.1% in H1 FY2026 and 18.2% in FY2025 (FY2024: 17.7%), and it has remained net debt negative over the last several years, with debt comprising only lease liabilities, a net worth of over Rs. 17,500 crore, and free cash and bank balances of over Rs. 11,000 crore as of September 30, 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 portion of its revenues from exports and is thus exposed to volatility in forex rate fluctuations. Nevertheless, this risk is mitigated to an extent by the natural hedge arising from imports and the hedging policies adopted at the Group level. Like other industry players, the company also witnesses challenges related to wage inflation and the retention and reskilling of its talent pool. The company's performance is also exposed to macroeconomic uncertainties and any adverse regulatory or legislative changes in its key operating markets.

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. 1,200 crore of tax under protest as of March 31, 2025. 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 international players such as Accenture Plc, Oracle Corporation, and Hewlett Packard Enterprise,

among others. In addition, there are several smaller, niche technology players, which intensify 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. 11,000.00 crore and undrawn working capital lines of Rs. 510.7 crore as on September 30, 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 a strong liquidity position and debt protection metrics of IBM India, would be a trigger for an upgrade of the company's long-term rating.

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

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT - Software & Services
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 businesses related to the sale of computer systems, software, consulting, and IT services, including maintenance services, and in carrying out lease and financing activities in connection with the 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	FY2024	FY2025
Operating income	30,519.8	32,935.1
PAT	2,798.1	3,968.0
OPBDIT/OI	17.7%	18.2%
PAT/OI	9.2%	12.0%
Total outside liabilities/Tangible net worth (times)	0.6	0.6
Total debt/OPBDIT (times)	0.5	0.6
Interest coverage (times)	31.2	16.5

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 rating (FY2026)				Chronology of rating history for the past 3 years					
		FY2026				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs crore)	Feb 09, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Non-fund based	Short Term	220.00	[ICRA]A1+	Aug 29, 2025	[ICRA]A1+	May 08, 2024	[ICRA]A1+	-	-	Feb 23, 2023	[ICRA]A1+
				Sep 22, 2025	[ICRA]A1+	-	-	-	-	-	-
Interchangeable limits	Long Term	(1.00)	[ICRA]AA+ (Stable)	Aug 29, 2025	[ICRA]AA+ (Negative)	May 08, 2024	[ICRA]AA+ (Negative)	-	-	Feb 23, 2023	[ICRA]AA+ (Stable)
				Sep 22, 2025	[ICRA]AA+ (Negative)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Short term – Non-fund based	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	220.00	[ICRA]A1+
NA	Long-term (Interchangeable)	NA	NA	NA	(1.00)	[ICRA]AA+(Stable)

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
Ahana Ray Technologies Private Limited	100.00%	Full Consolidation
IBM Global Financing India Private Limited	100.00%	Full Consolidation
Kenexa Technologies Private Limited	100.00%	Full Consolidation
Softlayer Technologies India Private Limited	100.00%	Full Consolidation
Apptio India LLP	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 FY2025

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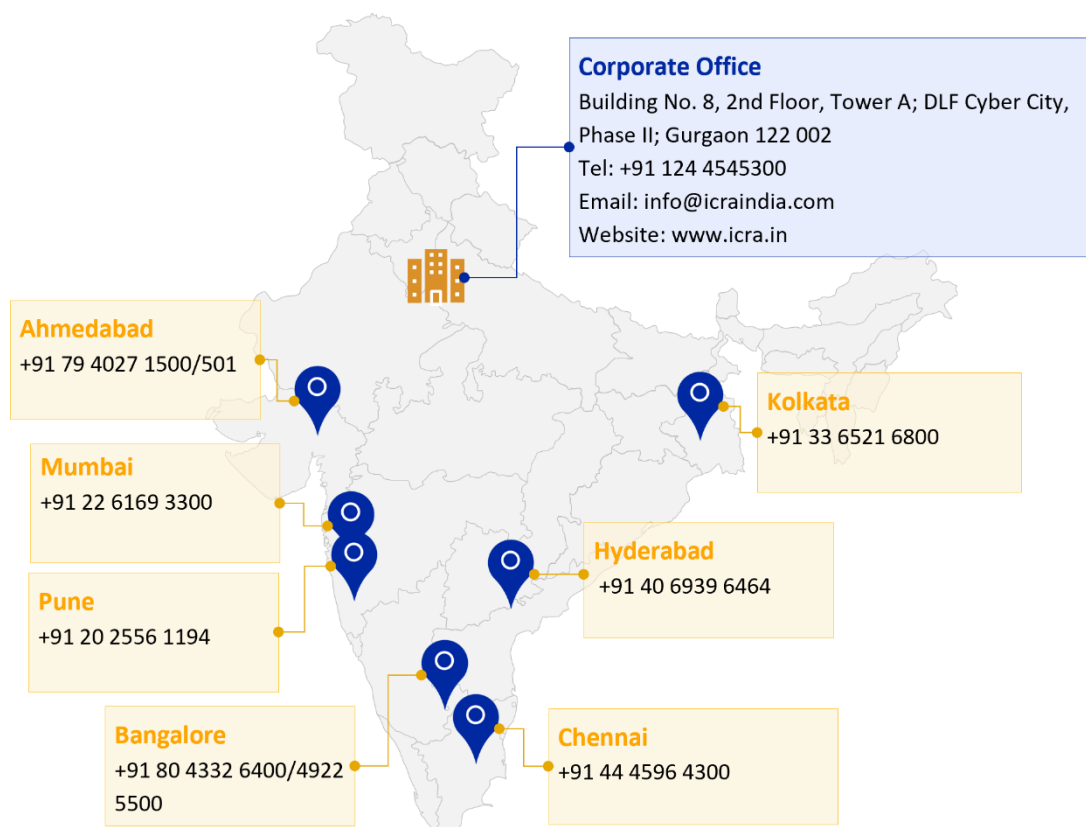
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