

July 07, 2026

Persistent Systems Limited: Placed on Rating Watch with Negative Implications

Summary of rating action

Instrument [^]	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Issuer Rating	-	-	[ICRA]AA+; placed on Rating Watch with Negative Implications
Total	-	-	

[^]Instrument details are provided in Annexure II

Rationale

Material event

On June 27, 2026, Persistent Systems Limited (PSL) announced a voluntary public takeover offer for Nagarro SE (Nagarro), a Germany-headquartered global digital engineering and technology services company, listed on the Frankfurt Stock Exchange. PSL, through its German subsidiary (Galaxy Germany Holding SE), signed a share purchase agreement to acquire a 21% stake in Nagarro from Lantano Beteiligungen GmbH and has made an open offer at EUR 81 per share to acquire a controlling stake, subject to a minimum acceptance threshold of 50% plus one share, with an eventual target holding of 100%. The offer price implies an enterprise valuation (EV) of around EUR 1.27 billion for Nagarro, translating into an EV/Revenue multiple of around 1.27 times and an EV/OPBDITA multiple of around 9.1 times. The proposed transaction is subject to regulatory approvals and fulfilment of customary conditions precedent and is expected to be completed by Q4 CY2026/Q1 CY2027.

Impact of material event

ICRA has placed the rating of PSL on Watch with Negative Implications following the announcement of the proposed acquisition of Nagarro, reflecting the uncertainty around the final stake acquired, resultant leverage, overall credit metrics and the expected pace of deleveraging, clarity on which will be critical from a credit perspective.

The revenues of PSL and Nagarro stood at USD 1.6 billion and USD 1.1 billion, respectively, in FY2026. The proposed acquisition is expected to strengthen the company's business profile through a significant increase in scale, broadening its geographic and industry diversification, expanding service capabilities and access to a larger client base. Nagarro's established presence in Europe complements PSL's North America-centric operations and would improve the geographic diversification of the combined entity. Consequently, the revenue contribution from North America is expected to decline to 62% from 81%, while that from Europe is likely to increase to 22% from 9%. PSL has an established presence in telecommunications, media and technology (TMT), banking and financial services (BFSI) and healthcare and life sciences (HLS) industries. The acquisition is expected to deepen the company's presence in the TMT, BFSI and HLS segments and also lead to a significant diversification into the industrials, consumer and public sector segments where Nagarro has a firm footprint. The acquisition will also enhance PSL's capabilities in artificial intelligence, digital engineering and enterprise resource planning. The combined entity would have more than 46,000 employees (as compared to the existing employee base of more than 27,500) across over 40 countries (as compared to over 21 countries at present) and is expected to generate annual revenues of around USD 2.9 billion initially, with further growth potential over time. The operating margin of Nagarro is relatively lower (12.1% in CY2025) than that of PSL (19.0% in FY2026). Hence, the blended operating margin of the consolidated entity is likely to moderate to some extent. However, synergies expected from leveraging of complementing capabilities of the entities are likely to be value-accretive.

The transaction, however, is sizeable relative to PSL's existing scale and is proposed to be funded entirely through debt. The acquisition will be financed through a committed bridge financing facility of EUR 1.4 billion, covering both the acquisition

funding and refinancing of Nagarro's existing debt. Consequently, PSL's consolidated leverage, post-acquisition, is expected to increase materially and is likely to be in the range of 2.0-4.5 times over the medium term. As per ICRA's estimates, the total debt relative to OPBDITA for the combined entity will remain materially above the stipulated negative trigger threshold of 1.3 times at least till FY2029, if 100% stake acquisition were to happen. Further, it also exposes the company to refinancing risk owing to the short-term nature of the acquisition debt. Accordingly, while the proposed acquisition has the potential to materially strengthen PSL's business profile going forward, it is expected to weaken its financial risk profile in the medium term because of the debt-funded nature and size of the transaction.

ICRA will continue to monitor the progress of the transaction, including the final acquisition structure, funding arrangements, integration plans and leverage levels, and will take appropriate rating action once greater clarity emerges.

Please refer to the following link for the previous detailed rationale that captures the Key rating drivers and their description, Liquidity position and Rating sensitivities: [Click here](#)

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	IT - Software & Services Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Persistent Systems Limited. Refer to Annexure III for the list of entities considered for consolidation.

About the company

Incorporated in 1990 by Dr. Anand Deshpande, Persistent Systems Limited is engaged in the business of providing software and technology services. The company provides a range of services, including software, product and platform engineering, customer experience (CX) transformation, cloud and infrastructure services, intelligent automation, enterprise information technology (IT) security, enterprise integration, application development and management and data and analytics. It serves various industries, including BFSI, HLS, software and hi-tech and emerging industries.

As on March 31, 2026, the company had an employee strength of over 27,500, with a presence in more than 21 countries, and around 86.8% of the employees operated from India, 11.3% from North America, 1.1% from Europe and 0.8% from the rest of the world. PSL is headquartered in Pune, Maharashtra, India.

Key financial indicators (audited)

PSL (consolidated)	FY2025	FY2026
Operating income (OI)	11,938.7	14,748.4
PAT	1,400.2	1,865.1
OPBDIT/OI	16.0%	19.0%
PAT/OI	11.7%	12.6%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	0.2	0.2
Interest coverage (times)	28.5	38.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 07, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Issuer Rating	Long term	-	[ICRA]AA+; Rating Watch with Negative Implications	Mar 05, 2026	[ICRA]AA+ (Stable)	Jan 21, 2025	[ICRA]AA+ (Stable)	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA-rated instruments fall under the regulatory purview of various Financial Sector Regulators (FSRs) as under:

Sr. no.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$))	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. no.	Activity name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI

Sr. no.	Activity name	FSR
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of FSR other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Issuer Rating	Not Applicable

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 II: Instrument details

ISIN	Instrument name	Date of issuance / Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current Rating and Outlook
NA	Issuer Ratings	NA	NA	NA	-	[ICRA]AA+; Rating Watch with Negative Implications

Source: Company

Annexure III: List of entities considered for consolidated analysis

Company name	PSL ownership	Consolidation approach
Persistent Systems, Inc	100%	Full consolidation
Persistent Systems Pte Ltd	100%	Full consolidation
Persistent Systems France SAS	100%	Full consolidation
Persistent Telecom Solutions Inc	100%	Full consolidation
Persistent Systems Malaysia Sdn. Bhd.	100%	Full consolidation
Aepona Group Limited	100%	Full consolidation
Persistent Systems UK Limited	100%	Full consolidation
Persistent Systems Lanka (Private) Limited	100%	Full consolidation
Persistent Systems Mexico, S.A. de C.V.	100%	Full consolidation
Persistent Systems Israel Ltd.	100%	Full consolidation
Persistent Systems Germany GmbH	100%	Full consolidation
Persistent Systems Switzerland AG	100%	Full consolidation
Persistent Systems Australia Pty Ltd	100%	Full consolidation
Persistent Systems Costa Rica Limitada	100%	Full consolidation
MediaAgility India Private Limited	100%	Full consolidation
MediaAgility Inc.	100%	Full consolidation
Digitalagility S. DE R.L. de C.V.	100%	Full consolidation

Company name	PSL ownership	Consolidation approach
MediaAgility UK Limited	100%	Full consolidation
Media Agility Pte Ltd	100%	Full consolidation
Persistent Systems S.R.L. Romania	100%	Full consolidation
Persistent Systems Poland sp z.o.o.	100%	Full consolidation
PSPL ESOP Management Trust	100%	Full consolidation
Persistent India Foundation	100%	Full consolidation
Starfish Associates LLC, USA	100%	Full consolidation
Arrka Infosec Private Limited	100%	Full consolidation
Baixinteng System Service (Shanghai) Co. Ltd.	100%	Full consolidation

Source: Company

ANALYST CONTACTS

Jitin Makkar

+91 124 4545 368

jitinm@icraindia.com

Kinjal Kirit Shah

+91 22 6114 3442

kinjal.shah@icraindia.com

Sovanlal Biswas

+91 33 6521 6808

sovanlal.biswas@icraindia.com

Viren Jhunjunwala

+91 22 6169 3328

viren.jhunjunwala@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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