

# Persistent Systems-Nagarro deal divides analysts, stock plunges 11%

**PROS & CONS.** Acquisition seen as strengthening Persistent's European presence but appears expensive

**Our Bureau**  
Bengaluru

Persistent Systems shares tumbled over 11 per cent to ₹4,298.50 after hitting a 52-week low of ₹4,265 in reaction to the company's voluntary takeover offer for Munich-headquartered digital engineering company Nagarro at €81 per share. While some analysts gave thumbs up to the deal, others see headwinds and emphasise on post-merger execution.

The all-cash offer represents a premium of about 140 per cent to Nagarro's undisturbed closing price on June 25, and around 94 per cent to its three-month volume-weighted average price. The sharp decline in the stock came as investors assessed

the size, valuation and integration implications of the proposed acquisition.

## BULLISH VIEWS

CLSA maintained its 'Outperform' rating with a target price of ₹6,520, saying the acquisition should help Persistent achieve its FY31 vision of \$5 billion in revenue.

CLSA said the transaction values Nagarro at an enterprise value of \$1.4 billion, implying an EV/sales multiple of 1.2x, EV/EBITDA of 9.6x and a PE multiple of 13x. It added despite Nagarro's lower historical growth and margins compared with Persistent, the deal could be around 6 per cent EPS accretive even at the current purchase price.

PL Capital said the deal valuation appears relatively

## Mixed views

		(₹)
		Target
Equirus	Reduce	5,010
PL Capital	Buy	6,400
Emkay Global	Add	5,200
Motilal Oswal	Buy	6,200
JM Financial	Add	5,095
ICICI Securities	Hold	4,930
Kotak Securities	Reduce	4,700
CLSA	Outperformer	6,250
Citi	Sell	4,090
Nomura	Neutral	5,200
Elara Securities	Sell	4,280

fair and should expand Persistent's addressable market, though it expects near-term margin dilution and no immediate turnaround until integration is completed.

## SELL CALLS

In contrast, Equirus maintained a 'Reduce' rating with

## Persistent Systems



a target price of ₹5,010, citing the stock's expensive valuations and limited margin for execution errors amid an uncertain macro environment and increasing client demands to share AI-led productivity gains.

Citi retained its 'Sell' rating with a target price of ₹4,090. It said the acquisition would strengthen Persistent's European presence and improve scale across key

verticals, but added that the deal appears expensive given Nagarro's historical growth trajectory, current global valuations and comparable transactions. Citi cautioned that investors will need to monitor integration risks in the near term.

Nomura maintained a 'Neutral' rating with a target price of ₹5,200. The brokerage highlighted that Persistent intends to acquire a 100 per cent stake in Nagarro and delist it from the German stock exchange through an open offer. According to ICICI Securities, the strategic rationale is sound, but the price paid and leverage assumed place significant emphasis on post-merger execution. It, however, upgraded the stock to 'Hold' from 'Reduce'.