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IPO NOTE

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ESDS Software Solutions Ltd: AI-enabled cloud and data-centre platform offering **GPUaaS, cloud, managed services, software and data-centre solutions**. **Diversified offerings:** IaaS portfolio spans **colocation, data-centre services and cloud computing**, enabling scalable and secure infrastructure solutions.

Strong customer base: 2,501 customers across BFSI, government and enterprises.

ESDS SOFTWARE SOLUTION LIMITED

Mahesh M. Ojha || Vice President Research & Business Development ||

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ONE Page Summary

ESDS SOFTWARE SOLUTION LIMITED

IPO Details

Issue Opens	Fri , Aug 28, 2026
Issue Close	Tue, Sep 1, 2026
Total Size	₹ 720 Crs.
Price Band	₹ 408– ₹ 429
Face Value	₹ 1/- Per Eq. Shares
Implied Market cap at Lower Band	₹ 4,817 Crs
Implied Market cap at Upper Band	₹ 5,028 Crs

Recommendation:

“Subscribe,,

Company Background

ESDS SOFTWARE SOLUTION LIMITED is an AI-enabled cloud, managed services, Data Centre infrastructure and software solutions provider in India. They are one of the only two players in India providing the entire spectrum of GPUaaS, cloud, managed services, data centre infrastructure and software solutions in India (source: Nexdigm Report). Further, among the two, they are the largest in terms of revenue from operations in Fiscal 2026 (source: Nexdigm Report), with a revenue from operations of ₹4,722.10 million in Fiscal 2026.

They offer a comprehensive platform of cloud infrastructure and software solutions consisting of **(i)** infrastructure as a service **(“IaaS”),** which is broadly divided into colocation and Data Centre services, cloud services and cloud computing, **(ii)** managed services, and **(iii)** software as a service **(“SaaS”),** which allows them to provide well architected cloud-adoption solutions to their customers aimed at reducing their cost while providing security, flexibility, scalability and reliability. They were one of the first cloud service providers in India to offer community cloud services, provided on a multi-tenant model to a group of organizations with similar business models and requirements, such as data privacy, security, compliances and regulatory requirements (source: Nexdigm Report). They provide their services to a diverse range of end-user industries and customers, comprising: **(i)** banking, financial services and insurance companies **(collectively, “BFSI”); (ii)** public sector entities, including central, state, and local government departments, public sector undertakings **(“PSUs”),** government agencies, and institutions that procure products or services for administrative, infrastructure, or public service purposes (collectively,**“Government”); (iii)** and businesses and enterprises not included in BFSI or Government (collectively, **“Enterprises”).** They served **2,501 customers in Fiscal 2026.**

Investment Rationale & Recommendation

Scalable asset-light model: ESDS operates largely from leased/licensed data-centre facilities, enabling faster capacity expansion with relatively lower upfront investment in land and buildings.
Strong growth & profitability: Revenue grew at ~28% CAGR during FY24–FY26, while EBITDA margin expanded to **49.6%** and FY26 PAT reached **₹120.8 crore**, highlighting strong operating leverage. **Transformational AI opportunity:** The **₹11,831 crore, five-year AI infrastructure agreement with Sharon AI**, involving ~8,208 NVIDIA B300 GPUs, provides significant growth potential and strengthens ESDS’s positioning in the AI cloud infrastructure market.
Differentiated sovereign cloud positioning: Strong presence across **BFSI, government and regulated enterprises**, supported by its SWARAJ Cloud platform and integrated cloud, data-centre, security and managed-services offerings.
Attractive growth-led proposition: Despite valuation at **~41.8x FY26 P/E and 21.5x adjusted EV/EBITDA**, the strong growth outlook and large AI contract provide a compelling long-term opportunity, partly offsetting risks from customer concentration, competition and technology obsolescence. Hence, We Recommend Investor to Subscribe issue for Long Term Horizon

Mahesh M. Ojha ||Vice President – Research & Business Development ||Email – mahesh.ojha@kcsecurities.com 022-6723 6126

Anchor Bid on : Thu , Aug 27, 2026
Issue Opens on : Fri, Aug 28, 2026
Issue closes on : Tue, Sep 1st 2026

Fresh Issue of Equity Shares aggregating upto ₹720 Cr

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	02-09-2026
Refunds/Unblocking ASBA Fund	03-09-2026
Credit of equity shares to DP A/c	03-09-2026
Trading commences	04-09-2026

Issue - Break up

Issue Break Up Category	No. Of Eq. Shares		Issue Size In Crs.	
	@Lower	@Upper	@Lower	@Upper
QIB - (50%)	8,823,528	8,391,607	360	360.00
NIB - (15%)	2,647,059	2,517,483	108	108.00
NIB 2	1,764,706	1,678,322	72	72.00
NIB 1	882,353	839,161	36	36.00
RET - (35%)	6,176,471	5,874,126	252	252.00
Total	17,647,058	16,783,216	720	720

NIB -2 = NII Bid Above ₹ 10 Lakhs ||\ NIB – 1 + NII Bid Between ₹ 2 tio 10 Lakhs

Issue highlights

IPO Funds Utilization : Purchase and installation of cloud computing and other equipment and infrastructure for their Relevant Data Centers ₹ 576 Crs.

DETAILED NOTE

Issue Details

Issue Size - ₹ 720 Crs

Face Value - ₹ 1/-

Price Band - ₹ 408-429

Bid Lot - 34 and in multiples

Post Issue Implied Mkt. Cap - ₹ ₹ 4,817 – 5,028 Cr

Shareholding (No. of Shares)

Pre-issue	Post-issue*	Post-issue^
10,04,27,753	11,80,74,811	11,72,10,969

*@Lower price Band ^@ Upper Price Band

BRLM's - DAM Capital / Systematix Corporate Serice

Registrar – MUFG Intime India Pvt Ltd

Shareholding (%)

Shareholder	Pre Issue	Post Issue
Promoters	45.86%	39.30%
Promoters Group	0.20%	0.17%
Public	52.65%	59.43%
Employee Trust	1.29%	1.10%
Total	100.00%	100.00%

Category	Retail Category	Small HNI 2 - 10 Lakhs	Big HNI > ₹ 10 Lakhs
Min. Bid Lot	34 Shares	476 Shares	2346 Shares
Min. Bid	₹ 14,586^	₹ 2,04,204^	₹10,06,434^
Appl for 1x	1,72,768 Apps	1763 Apps	3526 Apps

Share Holding Pattern

Shareholders	Pre-offer			Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital	Fresh Issue shares^	Number of Equity Shares	% of Total Equity Share Capital
Promoters	4,60,56,731	45.86%	-	4,60,56,731	39.29%
Promoter Group	2,03,810	0.20%	-	2,03,810	0.17%
Total for Promoters and Promoter Group	4,62,60,541	46.06%	-	4,62,60,541	39.47%
Public	5,28,75,318	52.65%	1,67,83,216	6,96,58,534	59.43%
Total for Public Shareholders	5,28,75,318	52.65%	1,67,83,216	6,96,58,534	59.43%
Total Shares held by Employee Trust	12,91,894	1.29%	-	12,91,894	1.10%
Total Equity Share Capital	10,04,27,753	100.00%	1,67,83,216	11,72,10,969	100.00%

Back Ground

The company was originally incorporated as a private limited company under the name of 'ESDS Software Solution Private Limited' on August 18, 2005. Piyush Prakashchandra Somani, Komal Piyush Somani and P.O. Somani Family Trust are the Promoters of the company. Currently, the Promoters, in aggregate, hold 46,056,731 Equity Shares in the company, representing 45.86% of the issued, subscribed, and paid-up Equity Share capital of the company on a fully diluted basis.

Directors & Senior Managament

Piyush Prakashchandra Somani is one of the Promoters and Managing Director of the Company and Chairman of the Board. He has been associated with the Company since incorporation. He has over 20 years of overall experience in the information technology sector.

Komal Piyush Somani is one of the promoters, the Whole-time Director, Chief Marketing Officer and Chief Human Resource Officer of the Company. She has been associated with the Company since September 1, 2012. She has 13 years of overall experience in the information technology sector.

Sameer Suresh Redij is the Additional Director (Executive) and Chief Business Officer of the Company. He has been associated with the Company since August 4, 2021. He has 14 years of overall experience in the IT and systems sector.

Thandankorai Ganapathy Dhandapani is the Independent Director of the Company. He has been associated with the Company since July 28, 2021. He has 38 years of overall experience in the information technology sector.

Pamela Kumar is the Independent Director of the Company. She has been associated with the Company since July 28, 2021. She has 18 years of overall experience in the systems and technology sector.

Venkatesh Natarajan is the Independent Director of the Company. He has been associated with the Company since July 1, 2023. He has 24 years of overall experience in information management services.

Nadukuru Sita Ramaiah is the Chief Financial Officer of the Company. He has been associated with the Company since October 31, 2022. He has 28 years of overall experience in the field of finance.

Prasad Deochand Deokar is the Company Secretary and Compliance Officer of the Company. He has been associated with the Company since July 13, 2022. He has 10 years of overall experience in the field of secretarial compliance

Business Overview

ESDS Software Solution Ltd is an AI-enabled cloud, managed services, Data Centre infrastructure and software solutions provider in India. They are one of the only two players in India providing the entire spectrum of GPUaaS, cloud, managedservices, Data Centre infrastructure and software solutions. Among the two, the company is the largest in terms of revenue from operations in Fiscal 2026, with a revenue from operations of **₹472.21 crore** in Fiscal 2026.
The company offers a comprehensive platform of cloud infrastructure and software solutions consisting of (i) infrastructure as a service ("IaaS"), broadly divided into colocation and Data Centre services, cloud services and cloud computing, (ii) managed services, and (iii) software as a service ("SaaS"). This allows them to provide well-architected cloud-adoption solutions aimed at reducing customer cost while ensuring security, flexibility, scalability and reliability.
The company was one of the first cloud service providers in India to offer community cloud services, delivered on a multi-tenant model to organizations with similar business models and requirements, including data privacy, security, compliances and regulatory needs.

They provide services to a diverse range of end-user industries and customers, comprising banking, financial services and insurance companies (“BFSI”), public sector entities including government departments, PSUs, agencies and institutions (“Government”), and businesses and enterprises not included in BFSI or Government (“Enterprises”). The company served **2,501 customers in Fiscal 2026**.
As businesses undergo rapid digital transformation, the need for secure, high-performance and cost-effective cloud solutions has become critical. Enterprises require scalable infrastructure to handle growing workloads, SMBs seek cost-efficient adoption without heavy upfront investments, Government bodies demand compliance-driven secure environments, and BFSI institutions require high-availability architectures with stringent security standards. Cloud service providers bridge these gaps, enabling businesses to focus on core operations while providers manage IT infrastructure complexities.
On March 31, 2026, the company entered into a strategic AI cloud infrastructure agreement with an **Australia-based neocloud AI compute service provider**. The agreement is for an initial term of five years, with an option to extend for a further two years, aggregating to a total contract value of **~₹11,831.25 crore**. Under this agreement, the AI company will deploy and operate a dedicated AI infrastructure cluster within an existing data centre facility in Australia, comprising approximately 8,208 NVIDIA B300 GPUs along with associated storage infrastructure. Delivery is targeted for completion by September 2026, with revenue generation expected to commence in the third quarter of Fiscal 2027. The agreement provides for service fees payable monthly. This partnership is aimed at strengthening the company’s access to dedicated, high-performance AI compute capacity to support its cloud and managed services offerings.

Infrastructure as a Service (IaaS) Portfolio : The company operates IaaS services through five Data Centres in Nashik, Navi Mumbai, Bengaluru, Mohali and Noida. Each facility holds “Tier 3” certification, located near major IT hubs, covering **75,266 sq. ft.** in aggregate. They are interconnected by fibre-optic backbone networks, ensuring secure data exchange. All centres comply with global standards, offering **99.95% uptime**, power redundancy, disaster recovery, and 24/7 support.
The company operates its IaaS portfolio which is broadly divided into **colocation and Data Centre services**, and **cloud services and cloud computing**, thereby addressing distinct infrastructure needs.

Colocation and Data Centre Services : This form part of the company’s IaaS portfolio, offering Data Centre colocation that enables businesses to securely house their IT infrastructure while benefiting from redundant power, cooling and high-speed connectivity. This service is suited for organisations requiring physical control over their hardware while leveraging a professional Data Centre environment

Cloud Services and Cloud Computing : This form part of the company’s IaaS portfolio, providing fully-managed cloud computing solutions that eliminate the need for enterprises to maintain physical infrastructure. Their offerings enable on-demand scalability, disaster recovery and compliance-driven architectures tailored to industry needs.
The company’s portfolio includes public cloud, private cloud, virtual private cloud, hybrid cloud, community cloud offerings and GPU-as-a-Service (“GPUaaS”). Community clouds are shared virtual infrastructures designed for organisations with common concerns such as security, compliance and jurisdiction. They currently serve Enterprises, Government, BFSI companies and smart cities. As at June 30, 2026, the company had **104 Government clients**, **115 banks and financial institutions across 1,045 branches**, **113 organisations using SAP HANA community cloud**, and **six smart cities** using the Smart Cities cloud.

SPOCHUB Solutions Pvt Ltd, one of their subsidiaries, has secured a contract with an Enterprise customer incorporated outside India for a new GPUaaS project, providing exclusive access to cloud infrastructure. The company has received an advance of **₹1,176.64 crore** for the contract, which will be amortised after the go-live date

SWARAJ Cloud: The company’s vertical autoscaling cloud technology, is patented in the United States and India. Building on this autoscaling technology, they have developed SWARAJ Cloud into a full-stack, AI-autonomous cloud platform, built, owned and operated entirely within India for enterprises, governments and institutions.
The technology is structured around five pillars: **data sovereignty**, scalability, security, compliance and artificial intelligence. The platform takes customers from conceptual design through architecture generation, compliance validation, automated deployment and go-live, and provides AI-native capabilities including GPU-as-a-Service, AI governance, model fine-tuning and ML/LLM operations tooling, alongside enterprise cloud services spanning compute, storage, security, networking and operations.
SWARAJ Cloud is designed to unify cloud service provider and managed service provider operations through a single control plane, offers INR-denominated billing, and interoperates with open tooling such as Terraform, APIs and Kubernetes, providing customers with cost predictability and control over data and infrastructure. The company operated four Data Centres in India in Fiscal 2023 and has been operating five Data Centres since October 2025

Source: RHP

Managed Services Portfolio : The company offers a managed services portfolio comprising **cloud managed services, Data Centre managed services, security managed services, IT infrastructure and network managed services, backup and disaster recovery, managed database services,** and **managed DevOps with automation**.
As part of these services, they provide 24/7 IT support, data backup and recovery, migration services, database administration including SAP Basis and SAP HANA, security operations centre services, and disaster recovery. The company also seeks to deliver a one-stop end-to-end solution with customised and comprehensive cloud and software offerings for SMB customers, designed with a cost-effective pay-per-use model streamlined for the Indian SMB market.

Software as a Service (SaaS) Portfolio : The company provides SaaS offerings including a Data Centre management and monitoring suite, vulnerability scanners, web access firewalls and secure VPN connectivity. These software products and applications are hosted on their cloud platform under annual, semi-annual, monthly or quarterly subscription models, enabling clients to develop, run and manage applications and services. They also provide in-house and third-party applications through a digital marketplace, **SPOCHUB**, which allows customised packages for enterprise customers. In addition, the company offers the **SWARAJ GPU Monitoring Tool**, an AI-powered solution that delivers real-time visibility into GPU infrastructure, monitoring utilisation, memory, tensor core activity, throttling, temperature and power consumption, with predictive risk detection and optimisation recommendations

The company collaborates with governmental and public sector organisations under **G-SaaS**, including smart metering projects with a Government energy service company, e-governance projects with ministries, smart city solutions hosted on their cloud platform, smart farming initiatives with agriculture organisations, and managed services, SaaS services and cloud platforms provided to government entities in partnership with STPI.
The company adopts a “go-to-market” strategy by collaborating with third-party IT companies to deliver bundled solutions to customers. Such collaboration enables both parties to leverage their technologies, align synergies, reduce time-to-market and remain competitive in terms of pricing and innovation

CUSTOMER BASE

The company has a diversified customer base comprising BFSI, Enterprise customers across healthcare, education, energy and utilities, real estate, IT and IT enabled services, agriculture, manufacturing, entertainment and media, and Government institutions and departments. The number of customers increased from 1,465 in Fiscal 2024 to **2,501 in Fiscal 2026**, reflecting a CAGR of **30.66%**. Growth has been gradual, with new acquisitions offset by a strategic shift in customer mix, focusing on higher-value engagements. Average revenue per customer rose from ₹0.20 crore in Fiscal 2024 to ₹0.21 crore in Fiscal 2025, before decreasing to ₹0.19 crore in Fiscal 2026, primarily due to dilution from onboarding 787 new customers in early stages of engagement.
The company has been recognised with multiple awards, including “Most Preferred and Trusted Cloud Service Provider” by Economic Times Achievers (Karnataka) and the Aegis Graham Bell Award in 2022. In 2023, they received “Outstanding Cloud Service Provider” at the NBFC Tech Summit. In 2025, recognitions included Excellence in Cybersecurity at the Urban Innovation & Infrastructure Summit, “Innovation in Self-Service Storage Management” at the NetApp Innovation Awards, “Best Managed Security Services” at the Middle East Gen AI & Analytics Summit, and “Best Cybersecurity Innovation in Fintech” at the Bharat NBFC & Fintech Summit. In 2026, they were honoured with the “Data Center & Cloud Innovation Award” at the Bharat PSU Corporate Awards, “Excellence in Energy-Efficient & Green Data Centre Initiatives” at DCIS, and recognised as the “Most Admired Brand” by VARIndia Magazine. As at June 30, 2026, the company had **993 employees**, regarded as a key asset. The company attributes its growth to the strength and experience of its Directors, Key Managerial Personnel and Senior Management. Piyush Somani, Promoter, Chairman and Managing Director, has over 20 years of experience in the IT sector and has been instrumental in expanding operations in India and overseas.

REVENUE FROM OPERATIONS

Type of Product/Service	Fiscal 2026		Fiscal 2025		Fiscal 2024	
	Revenue (₹ Cr)	% of Revenue	Revenue (₹ Cr)	% of Revenue	Revenue (₹ Cr)	% of Revenue
IaaS	207.2	43.88	203.64	56.36	142.08	49.59
- Cloud Services & Cloud Computing	167.89	35.55	166.32	46.03	119.11	41.57
- Colocation & Data Centre Services	39.31	8.33	37.33	10.33	22.97	8.02
Managed Services	194.59	41.21	75.65	20.94	77.54	27.06
SaaS	70.42	14.91	82.04	22.71	66.9	23.35
Revenue from Operations	472.21	100	361.34	100	286.52	100

Research And Development

The Company is innovation-driven, with R&D initiatives leading to patented **SWARAJ cloud technology** in the United States and India, and the launch of its first "Made in India" cloud in 2011

Key products developed include:

WARAJ Cloud – patented vertical auto-scalable hybrid orchestration solution
eMagic – Data Centre management and monitoring suite
VTMscan – intelligent vulnerability scanner for websites, networks, and applications
SWARAJ WAF – web application firewall
SWARAJ Web VPN – secure web-based private network access
SCOS – cloud object storage for static files
SWARAJ IoT – IoT platform running on SWARAJ Cloud
SWARAJ Meet – audio, video, screen sharing, and chat solution for virtual meetings
This portfolio complements the company's **Data Centre** and **cloud business**, reinforcing its innovation-driven positioning.
The Company is committed to supporting innovation and contributing to **Atmanirbhar Bharat** through cost-effective technology solutions. A key initiative is the **Famrut farmers' advisory portal**, a digital agri-ecosystem designed to help farmers improve yield and revenue by connecting them with relevant stakeholders. As of June 30, 2026, the R&D team comprised 87 members.

Data Centre

A **Data Center** is a dedicated physical infrastructure housing servers, storage systems, networking equipment, cabling, and racks, supported by power distribution and supplemental subsystems, all secured within a physical facility. Operational efficiency depends on factors such as location, geographic stability, submarine cable connectivity, construction activity, power capacity, and water availability.
The company operates five **Tier 3 Data Centers** in India, located at Nashik, Navi Mumbai, Bengaluru, Mohali, and Noida. Together, they cover over 75,266 sq. ft., interconnected through multi-Gbps fibre-optic backbone networks for secure data exchange. Each centre complies with international standards and industry best practices, offering guaranteed uptime of 99.95%, supported by **power redundancy**, **24x7 services**, and **disaster recovery** capabilities.
During the last three fiscal years, all Data Centers maintained uptime of at least 99.995%, exceeding the Tier-3 standard of 99.98%.

Data Centre Sustainability Initiatives :**Renewable Energy Integration**: On-site solar panels (150kWp) supply non-critical areas, improving energy efficiency by 5% and reducing ~61 tonnes of CO_2 annually.

PUE Maintainability: Achieved and maintained average Power Usage Effectiveness (PUE) of 1.55 across all locations.

Occupancy Sensors: Motion-sensing LED lighting reduces power consumption in unoccupied areas.

Optimised Cooling: Cold aisle containment, active tiles, booster fans, and blanking plates improved cooling efficiency by ~35%.
IoT Monitoring: IoT platform deployed for temperature and humidity monitoring in Bengaluru and Mohali centres

The details of installed capacity of cloud services, enterprise storage and archive storage, the utilisation of cloud servers , enterprise storage and archive storage, and the capacity utilisation of cloud servers, enterprise storage and archive storage

Particulars	Fiscal 2026			Fiscal 2025			Fiscal 2024		
	Installed (TB)	Utilisation (TB)	Capacity Utilisation (%)	Installed (TB)	Utilisation (TB)	Capacity Utilisation (%)	Installed (TB)	Utilisation (TB)	Capacity Utilisation (%)
Cloud Servers	1,270.16	851.41	67.03%	917.95	616.87	67.20%	838	575	68.61%
Enterprise Storage	18,795.00	12,287.65	65.38%	13,126.87	8,385.65	63.88%	10,823	6,935	64.07%
Archive Storage	19,631.23	8,944.00	45.56%	10,942.71	4,425.34	40.44%	8,488	4,584	54.01%

Competitive Strength

The leading player offering end-to-end cloud, managed services, Data Centre infrastructure and software solutions in India

The Company is an AI-enabled provider of cloud, managed services, Data Centre infrastructure and software solutions in India. The company is one of the only two players offering the entire spectrum of cloud, managed services, Data Centre and software solutions. Their ability to provide end-to-end cloud, Data Centre and software solutions has enabled them to focus on Revenue Retention Rates, as existing customers expand their service scope to include IaaS, SaaS and managed services. The company's revenue retention rate for Fiscal 2026 was 94.92**%.**

The comprehensive Security-as-a-Service (SECaaS) framework enables businesses to proactively manage threats and achieve robust security and compliance objectives

The Company had 123+ customers onboarded across 7,175 devices as at June 30, 2026. Their SIEM programs analysed 5,143 security alerts in the period from January 1, 2026 to June 30, 2026. The SIEM team investigated more than 0.63 million alerts, raising 360 critical security advisories, preventing potential breaches and ensuring proactive threat management in the same period.

Long-term relationships with well-established banks and other businesses

The Company has a diversified product offering and clientele, enabling them to cater to a wide range of industries. They have long-standing relationships with over 100 banks and well-established businesses, including STPI. They have steadily increased the ageing of customer relationships, with customers having a relationship of more than three years rising from 49.28% to 65.60%, and those with a relationship of more than five years increasing from 23.25% to 47.75% from FY2024 to FY2026.

Strong Government Partnerships and Policy Advocacy

The Company collaborates with STPI to implement an asset-light Data Centre model. This approach allows rapid scalability with minimal capital investment, meeting the growing demands of Tier II and Tier III cities for Data Centre services. Presently, STPI has six tier-3 compliant Data Centres located in Bengaluru, Mohali, Bhubaneshwar, Chennai, Vijayawada and Noida. The Bengaluru, Mohali and Noida centres are operated by the company**.**

AI-driven innovations and patented technology

The Company holds commercial patents for their Swaraj software, which intelligently identifies customer requirements and applies vertical and diagonal scaling technologies. They are the only player in India holding a patent for this technology, which was granted in November 2022.

Transparent and flexible customised billing system

The Company offers a billing system that provides customers with customization and flexibility to optimize cost and performance. Their customers can choose to pay based on **transactions, branches, users, custom consumption metrics,** and **business KPIs**.

Strength and experience of the Directors, Key Managerial Personnel and Senior Management

The Company has an intellectual capital comprising a team of industry experts who bring domain expertise, technological proficiency, product

innovation, and regulatory acumen. This intellectual depth enables them to anticipate market trends, drive innovation, and deliver robust, scalable, and secure solutions. As at June 30, 2026, the company had a workforce of 993 employees, with core technical teams demonstrating deep expertise in **cloud computing**, **cybersecurity**, **Data Centre infrastructure**, and **enterprise IT solutions**.

Key Business Strategies

Expand the business through focusing on enhancing infrastructure, driving AI/ML innovation, and committing to sustainability for efficient scaling and customer value

The Company's strategy is a multi-pronged expansion approach aimed at enhancing infrastructure capabilities, ensuring operational efficiency, and driving customer-centric innovation.
Infrastructure Expansion and Optimisation a. **Scaling Data Centre Resources**: Investments in compute, storage, memory, power, cooling, and other essential components to support revenue growth and increasing customer demand. b. **Lifecycle**

Management: Upgrading and replacing end-of-life systems to maintain performance, security, and reliability. c. **Technology Rebalancing**: Adopting next-generation infrastructure to optimise resource utilisation, improve cost efficiency, and enhance service delivery.

Continue to scale their AI-driven solutions
The Company is focusing on **AI research and development** to build autonomous solutions that improve efficiency across industries. Key initiatives are:

Healthcare: AI-enabled agents and disease screening using blood samples, supported by GPUaaS, cloud services, **CMMI Level 5** certification, managed security, and on-demand AI platforms.

Agriculture: Smart farming through the **Famrut portal**, connecting farmers with stakeholders to improve yield and revenue.

Cloud Automation: Self-service and solution generation via community cloud and self-configuration.

Customer Experience & Efficiency: Use of **AIOps** and **Agentic AIs** to enhance customer experience and operational efficiency with minimal human intervention.

Enhance collaboration with the Government and business partners
The Company intends to scale its presence in public sector projects by expanding its **Data Centre network** and offering public-sector services such as **cybersecurity**, **disaster recovery**, and secure cloud solutions tailored to government agencies. They also plan collaborations with third parties to leverage technological expertise and broaden their reach.

Continue to strengthen the brand leadership
The Company will promote expertise through thought leadership, participation in the Cloud Computing Innovation Council of India, and targeted campaigns showcasing AI and cloud innovation. Their strategy combines technology, government partnerships, AI-driven solutions, and a customer-centric approach, with commitment to sustainability, flexible models, and data sovereignty, positioning them as a trusted partner for enterprises and governments in shaping cloud and Data Centre technologies

Transition towards 100% renewable energy for sustainable and efficient operations
The Company highlights rising demand for data storage and notes Data Centres contribute ~3.5% of global emissions, with IT industry emissions projected to rise to 14% by 2040. They plan to shift to 100% renewable energy in four years, with rooftop solar already installed at the Registered Office and Nashik Data Centre. Power sourcing will reach 50% in two years, 70% in three years, and 100% by the fourth year. The company also aims to benefit from government green policies, including the Karnataka Data Centre Policy 2022-27, which offers tariff concessions for centres using at least 30% green energy.

Competition

The company faces competition from varied players across product and service offerings. Competitors principally include Indian companies such as **CtrlS Datacenters Ltd**, **Nxtra by Airtel**, **Yotta Data Services Pvt Ltd**, **WebWerks India Pvt Ltd**, **Cyfuture India Pvt Ltd**, **E2E Networks Ltd**, and **Sify Infinit Spaces Ltd.** The company believes that the strength of its brand, end-to-end and diverse cloud computing portfolio, unique pricing models such as "pay-per-consumption", "pay-per-branch" and "pay-per-transaction", SWARAJ vertically auto-scalable capacities, and customer experience are key differentiating factors that help retain customers and set them apart from competitors

Key Challenges for Company

The company offers a comprehensive platform of cloud infrastructure and software solutions consisting of infrastructure as a service (“IaaS”), divided into cloud services and cloud computing, and colocation and Data Centre services, along with managed services and software as a service (“SaaS”). If the company fails to innovate in response to new technological changes or adapt to evolving industry standards, its business, financial condition and results of operations could be adversely affected.

The company derived revenue, directly or indirectly, from government entities and projects representing 27.37% in Fiscal 2026, 29.52% in Fiscal 2025, and 34.04% in Fiscal 2024 of its revenue from operations. Any changes in government policies, budgetary allocations, or the company’s ability to meet eligibility and selection criteria for outsourcing of services may adversely affect its business, financial condition, results of operations and cash flows.

ESDS Cloud FZ-LLC, the company’s subsidiary, reported losses of ₹4.05 crore in Fiscal 2025 and ₹6.02 crore in Fiscal 2024, representing (7.28%) and (44.23%) of consolidated profit for those years. Although the subsidiary recorded a profit of ₹5.46 crore in Fiscal 2026, there can be no assurance that it will not incur losses in the future. Continuous or large losses could affect its ability to operate as a going concern, requiring additional financing that may not be available, and would adversely impact the company’s consolidated financial condition.

In Fiscal 2026, the company derived 15.93% of revenue from its top client and 45.36% from its top 10 clients. Any loss or reduction of business from these clients could materially and adversely affect its business, financial condition, results of operations and cash flows.

A substantial portion of the company’s assets are hypothecated or mortgaged in favour of lenders as security for borrowings. As at March 31, 2026, 2025 and 2024, hypothecated current assets represented 96.72%, 88.96% and 84.84% of total current assets, while mortgaged property, plant and equipment represented 18.89%, 27.05% and 56.62% of total property, plant and equipment, respectively. Lenders may enforce security in the event of failure to service debt obligations, which could adversely affect the company’s business, financial condition, results of operations and cash flows.

The company is exposed to macroeconomic downturns, geopolitical tensions, trade policies and regulatory changes in the countries it exports to, primarily the United Arab Emirates in Fiscal 2026. Any downturn in macroeconomic conditions in these markets, increases in trade barriers, or the imposition or expansion of sanctions that the company must comply with could adversely affect its business, financial condition, results of operations and cash flows.

The company is highly dependent on its ability to provide customers with continuous and seamless access to services within acceptable timeframes. Any disruption in access could adversely affect its reputation, business, financial condition, results of operations and cash flows. The company is typically required to furnish performance bank guarantees in connection with services or products provided. As at March 31, 2026, 2025 and 2024, performance bank guarantees represented 9.95%, 11.65% and 20.36% of Net Worth, respectively.

The company reported total contingent liabilities representing 10.43% of Net Worth as at March 31, 2026, 11.96% as at March 31, 2025, and 30.50% as at March 31, 2024. These contingent liabilities have not been provided for in the financial statements, and if they materialise, they may have a material adverse effect on the company’s financial condition, results of operations and cash flows.

Key Risks

Elevated Capex & Asset Upgradation Requirements: Although ESDS follows a relatively asset-light model, scaling its data-centre and AI infrastructure requires substantial investments in servers, GPUs and related equipment. Rapid technological advancements may further necessitate frequent asset upgrades, resulting in sustained capital expenditure.

Competitive Intensity & Technology Obsolescence: ESDS operates in a highly competitive and fast-evolving cloud and AI infrastructure market, competing with global majors such as AWS, Microsoft Azure and Google Cloud, alongside domestic players. Maintaining competitiveness requires continuous technology investments, while rapid innovation could increase the risk of asset obsolescence.

Meaningful Customer Concentration Risk: Customer concentration remains a key monitorable, with the top 10 customers accounting for **~45.4% of FY26 revenue** and the largest customer contributing **~15.9%**. Any loss, downsizing or delay in business from key accounts could adversely impact revenue growth and profitability.

PEER COMPARISON

Company	Revenue from Operation (₹ Cr)	Face Value (₹)	Closing Price as on 20-08-2026 (₹)	EPS		NAV as on 31-03-2026 (₹)	P/E		RoNW (%)	Mkt Cap / Revenue (x)
				Basic	Diluted		Basic	Diluted		
ESDS Software Solution Ltd	472.21	1	[●]	12.03	11.81	52.66	[●]	[●]	22.85	[●]
E2E Networks Ltd	245.58	1	623.85	-0.78	-0.76	81.97	-804.97	-819.78	-0.92	52.22

Restated Consolidated Statement of Profit and Loss

(₹ in Crs.)

Particulars	For the Year ended March 31,		
	2026	2025	2024
Revenue from operations	472.21	361.34	286.52
Other income	8.44	15.31	5.62
Total income	480.65	376.64	292.14
Expenses			
Employee benefit expenses	104.42	94.13	85.07
Finance costs	11.79	25.25	31.57
Depreciation & amortization	63.46	62.21	52.55
Other expenses	133.56	112.32	99.57
Total expenses	313.23	293.91	268.76
Profit before exceptional items	167.42	82.74	23.37
Exceptional items	–	0.14	1.07
Profit before tax	167.42	82.6	22.3
Total Income tax expense	46.6	26.98	8.69
Profit for the year	120.82	55.61	13.61
Total other comprehensive income	1.86	-1.25	2.23
Total comprehensive income	122.68	54.36	15.84

Restated Consolidated Statement of Cash Flow

(₹ in Crs.)

Particulars	Year ended March 31,		
	2026	2025	2024
Profit before tax	167.42	82.6	22.3
Adjustments Related to Non-Cash & Non-Operating Items	74.81	83.6	86.19
Operating Profits before Working Capital Changes	242.23	166.19	108.49
Adjustments for Changes in Working Capital	1,149.47	0.59	-63.35
Net cash generated from operations before tax	1,391.70	166.78	45.14
Income tax (paid)/Refund, (net)	-23.99	-4.16	7.91
Net cash generated from operating activities	1,367.71	162.62	53.05
Net cash used in investing activities	-131.17	-109.34	-1.45
Net cash used in financing activities	-44.72	7.45	-66.41
Net (decrease)/ increase in cash and cash equivalents during the period	1,191.82	60.73	-14.81
Foreign Currency Translation Reserve	0.88	-2.3	0.17
Cash and Cash Equivalents at the beginning of the year	60.68	2.25	16.89
Cash and cash equivalents as at the end of the period	1,253.39	60.68	2.25

Source: RHP

Restated Consolidated Statement of Assets and Liabilities

(₹ in Crs.)

Particulars	As at Mar 31,		
	2026	2025	2024
Non-current assets			
Property, plant & equipment	316.41	285	218.05
Right-of-use assets	58.44	66.24	99.51
Capital work-in-progress	3.99	–	–
Other intangible assets	13.04	1.27	4.78
Investments	4.55	4.28	–
Other financial assets	18.65	18.3	14.37
Deferred tax assets	2.36	2.36	–
Other non-current assets	6.33	7.76	2.48
Total non-current assets	423.76	385.2	339.18
Current assets			
Trade receivables – billed and unbilled	165.52	143.49	120.52
Cash & cash equivalents	1,253.39	60.68	2.25
Other financial assets	45.63	36.68	53.52
Current tax assets	–	–	14.24
Other current assets	49.61	29.9	18
Total current assets	1,514.14	270.75	208.53
Total assets	1,937.90	655.95	547.71
Equity			
Equity share capital	10.04	10.04	9.29
Reserves & surplus	533.62	407.54	216.62
Equity attributable to owners	543.66	417.58	225.91
Non-controlling interest	0.54	–	0.6
Total equity	544.2	417.58	226.51
Non-current liabilities			
Borrowings	28.42	40.6	84.77
Lease liabilities	37.58	49.99	93.31
Employee benefit obligations	9.66	9.31	7.68
Deferred tax liability	14.29	11.65	5.65
Total non-current liabilities	89.81	111.54	191.41
Current liabilities			
Borrowings	14.5	22.12	64.27
Lease liabilities	15.97	14.04	16.45
Trade payables – micro enterprises and other creditors	38.9	29.03	23.29
Other financial liabilities	12.66	39.51	10.12
Employee benefit obligations	3.01	5.18	4.81
Current tax liabilities	22.97	2.5	–
Other current liabilities	1,195.72	14.45	10.85
Total current liabilities	1,303.72	126.83	129.79
Total liabilities	1,393.53	238.37	321.2
Total equity & liabilities	1,937.90	655.95	547.71

Source: RHP

KC Securities (Kantilal Chhaganlal Securities) Outlook

- **Rating - Subscribe for Long Term**

- **Valuation: Attractive long-term growth proposition:** Despite premium valuations of **~41.8x FY26 P/E and 21.5x adjusted EV/EBITDA**, strong financial performance and the large AI opportunity support a favourable long-term risk-reward.

- **Scalable Model - Strong growth & scalable model:** ESDS combines an asset-light data-centre model with ~28% FY24–FY26 revenue CAGR, **49.6% EBITDA margin** and FY26 PAT of **₹120.8 crore**, reflecting strong operating leverage

- **Significant AI & sovereign cloud opportunity:** The **₹11,831 crore Sharon AI agreement** for ~8,208 NVIDIA B300 GPUs provides substantial growth potential, while its established presence across BFSI, government and regulated enterprises strengthens its sovereign cloud positioning.

Key Risk Factors :

- **Elevated Capex & Asset Upgradation Requirements:** Although ESDS follows a relatively asset-light model, scaling its data-centre and AI infrastructure requires substantial investments in servers, GPUs and related equipment. Rapid technological advancements may further necessitate frequent asset upgrades, resulting in sustained capital expenditure.

- **Competitive Intensity & Technology Obsolescence:** ESDS operates in a highly competitive and fast-evolving cloud and AI infrastructure market, competing with global majors such as AWS, Microsoft Azure and Google Cloud, alongside domestic players. Maintaining competitiveness requires continuous technology investments, while rapid innovation could increase the risk of asset obsolescence.

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