

ESDS Software Solution SUBSCRIBE

India's Sovereign Cloud, Priced for the AI Pivot

Summary

Incorporated in 2005 and based at Nashik, Maharashtra, ESDS Software Solution Limited is an AI-enabled provider of cloud, managed services, Data Centre infrastructure and software solutions. It is one of only two players in India offering the full spectrum from GPU-as-a-Service through cloud, managed services and Data Centre infrastructure to software, and is the larger of the two by FY26 revenue (Nexdigm). Operations run from five Tier-3 Data Centres at Nashik, Navi Mumbai, Bengaluru, Mohali and Noida spanning over 75,266 sq ft, three of which are operated on Software Technology Parks of India premises. Revenue compounded at 28.38% over FY24-26 to INR 4,722.10mn while EBITDA margin expanded from 35.56% to 49.60% and PAT rose nearly nine-fold to INR 1,208.23mn. The Company served 2,501 customers in FY26, including 115 banks, 104 government clients and 113 SAP HANA community-cloud users as at 30 June 2026, and holds an Indian and US patent for its SWARAJ vertical autoscaling technology. At the Cap Price of Rs429 the post-Issue market capitalisation is INR 50,283.5mn, valuing the Company at 35.7x FY26 basic EPS and 41.8x post-Issue EPS. The sole listed peer named in the RHP, E2E Networks, was loss-making in FY26, so no meaningful peer P/E exists. We recommend subscribing to the IPO, supported by its strong digital infrastructure capabilities, attractive growth prospects, and long-term industry opportunity.

Key Investment Rationale

- **Rare full-spectrum, India-owned cloud platform:** One of only two Indian players spanning GPUaaS, cloud, managed services, Data Centre infrastructure and software, and the larger of the two by FY26 revenue. 89.04% of customers now buy all three service lines, up from 62.32% in FY24.
- **Margin structure that reads like software, not colocation:** EBITDA margin of 49.60% in FY26 against 42.86% in FY25 and 35.56% in FY24, with employee cost down from 29.69% to 22.11% of revenue and finance cost from 11.02% to 2.50%. RoCE improved from 14.53% to 32.78%.

Issuer	ESDS Software Solution Limited
Transaction Type	Fresh Issue of up to 1.68cr Equity Shares aggregating up to INR 7,200.00 Mn. No Offer for Sale
Issue Open / Close	28-Aug-2026 / 01-Sep-2026 (Anchor: 27-Aug-2026)
Type of Offering	100% Fresh Issue
Total Offer Size	Rs. 7,200.00 Mn (1,67,83,216 Equity Shares at Cap Price)
Price Band	Rs. 408-429/Sh (Face value Rs. 1)
Bid Lot	34 Equity Shares and in multiples thereafter
Percentage of Offer Size (Allocation)	- QIB: 50% - NII: 15% - Retail: 35%
Objective	Purchase and installation of cloud computing and other equipment and infrastructure for the Airoli, Bengaluru, Mohali and Nashik Data Centres (INR 5,760.00mn). General corporate purposes

Share holding pattern (%)

	Pre-Issue	Post-Issue
Promoter	46.06%	39.47%
Public	53.94%	60.53%
Total	100%	100%

**Post-Issue computed at the Cap Price. Public includes 1.29% held by the ESDS Employee Benefit Trust.*

Financial Snapshot

(Rs mn)	FY24	FY25	FY26
Revenue	2,865.18	3,613.35	4,722.10
Change yoy, %	-	26.11	30.68
EBITDA	1,018.81	1,548.85	2,342.34
EBITDA Margin (%)	35.56	42.86	49.60
Adj. PAT	136.09	556.12	1,208.23
EPS (Rs)	1.35	5.83	12.03

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COMPANY OVERVIEW & BUSINESS MODEL

ESDS Software Solution Limited was incorporated in Maharashtra in August 2005, became a public limited company in July 2021 and is promoted by Piyush Prakashchandra Somani, Komal Piyush Somani and the P.O. Somani Family Trust. The Company established its first Data Centre at Nashik in 2010 and launched cloud services in 2011 under the eNLight brand, since rebranded SWARAJ.

The strategic choice that defines the business is where it sits in the stack. Rather than compete with hyperscalers on generic public cloud or with REIT-style operators on raw colocation, ESDS sells an integrated platform of infrastructure, managed services and software, aimed at customers for whom data sovereignty, regulatory compliance and rupee-denominated, consumption-linked billing matter more than global scale. It was one of the first Indian providers to offer community cloud, a multi-tenant environment shared by organisations with common compliance requirements, and today runs separate community clouds for Government, BFSI, SAP HANA users and smart cities.

Service Portfolio

The platform has three layers. Infrastructure as a Service covers colocation and Data Centre services together with public, private, virtual private, hybrid and community cloud and, since November 2025, a fully managed GPU-as-a-Service offering. Managed services span cloud and Data Centre operations, security operations centre and SIEM, network and infrastructure management, backup and disaster recovery, managed database including SAP Basis and SAP HANA administration, and DevOps. Software as a Service comprises in-house products including eMagic Data Centre management, VTMscan vulnerability scanning, SWARAJ WAF, SWARAJ Web VPN, SWARAJ GPU monitoring and SWARAJ Nandi privileged access management, alongside third-party applications distributed through the Company's SPOCHUB marketplace and a government-facing G-SaaS suite.

Exhibit 1: Revenue by Product Category (Rs mn)

Product Category	FY26	% Rev	FY25	% Rev	FY24	% Rev
Infrastructure as a Service (IaaS)	2,071.97	43.88	2,036.41	56.36	1,420.82	49.59
Cloud services and cloud computing	1,678.90	35.55	1,663.16	46.03	1,191.09	41.57
Colocation and Data Centre services	393.07	8.33	373.25	10.33	229.73	8.02
Managed services	1,945.91	41.21	756.50	20.94	775.39	27.06
Software as a Service (SaaS)	704.22	14.91	820.44	22.71	668.97	23.35
Revenue from operations	4,722.10	100.00	3,613.35	100.00	2,865.18	100.00

Source: RHP, IDBI Capital

The FY26 mix shift deserves attention. The entire INR 1,108.75mn of incremental revenue came from managed services, which grew 157.22%, of which Rs752.40mn was a single new enterprise customer incorporated outside India. IaaS grew only 1.75% and SaaS declined 14.17%. Both were held back by the run-off of the Russian BFSI client that had been the largest customer in FY25, whose contribution fell from Rs728.08mn to Rs132.41mn following sanctions imposed on it by OFAC, the EEA and the UK OFSI. Excluding that client, the underlying IaaS and SaaS lines grew, but the reported picture is one of a business whose growth in the reported year rested on one contract.

Exhibit 2: Revenue by Customer Industry (Rs mn)

Customer Industry	FY26	% Rev	FY25	% Rev	FY24	% Rev
Enterprises	2,601.62	55.09	1,431.17	39.61	1,366.36	47.69
Government and PSU	1,292.58	27.37	1,066.84	29.52	975.33	34.04
BFSI	827.90	17.53	1,115.35	30.87	523.50	18.27
Revenue from operations	4,722.10	100.00	3,613.35	100.00	2,865.18	100.00

Source: RHP, IDBI Capital

Data Centre Infrastructure and Capacity

All five Data Centres carry Tier-3 certification from QSA International or EPI Certification and have maintained uptime of at least 99.995% over the last three fiscals against a Tier-3 standard of 99.98%. Facilities carry N+N or N+1 redundancy on UPS, diesel generators and precision cooling, power racks of 3KW to 20KW with intelligent rack-level PDUs for metered billing, and VESDA smoke detection. Average PUE across locations is 1.55, with 150kWp of rooftop solar installed and a stated intention to move to 100% renewable power within four years. Certifications include ISO 27001:2022, ISO 20000-1, ISO 22301, PCI DSS 4.0, CMMI Maturity Level 5, SOC I/II/III and MeitY-STQC empanelment for public, virtual private and government community cloud.

Three of the five Data Centres, at Bengaluru, Mohali and Noida, sit on STPI premises under master service agreements with ten-year terms, under which the Company pays STPI the higher of a minimum guaranteed charge or 18% of the revenue generated from that Data Centre. This is an asset-light route into new geographies and a credibility marker with public-sector buyers, but it also means a meaningful share of capacity is held on contract rather than owned, and renewal is at STPI's discretion. Two further Data Centres are planned, at Kolkata (expected Q3 FY27, also on STPI premises) and Sahibabad (expected Q1 FY28).

Exhibit 3: Installed Capacity and Utilisation

Particulars	Cloud Servers	Enterprise Storage	Archive Storage
Installed capacity FY26 (TB)	1,270.16	18,795.00	19,631.23
Utilisation FY26 (TB)	851.41	12,287.65	8,944.00
Capacity utilisation FY26 (%)	67.03	65.38	45.56
Capacity utilisation FY25 (%)	67.20	63.88	40.44
Capacity utilisation FY24 (%)	68.61	64.07	54.01

Source: RHP, IDBI Capital. Utilisation is based on allocation and average daily consumption. The Company maintains a deliberate buffer for demand spikes, on boarding and maintenance.

Customers and Retention

Total customers rose from 1,465 in FY24 to 2,501 in FY26, a 30.66% CAGR, though average revenue per customer slipped from Rs2.11mn to Rs1.89mn as 787 early stage accounts were added in FY26. Revenue Retention Rate was 94.92% in FY26 against 96.63% in FY25 and 128.24% in FY24, the last reflecting exceptional expansion within the existing base rather than a normalised level. Customer ageing has

lengthened materially: revenue from relationships older than three years rose from 49.28% to 65.60% and from relationships older than five years from 23.25% to 47.75% between FY24 and FY26. Concentration remains a live issue, with the top client at 15.93% and the top ten at 45.36% of FY26 revenue.

Exhibit 4: Customer Metrics

Particulars	FY26	FY25	FY24
Total customers	2,501	1,714	1,465
Average revenue per customer (Rs mn)	1.89	2.11	1.96
Revenue Retention Rate (%)	94.92	96.63	128.24
Customers availing all three service lines (%)	89.04	79.58	62.32
Revenue from existing customers (%)	72.63	76.63	92.91
Revenue from top client (%)	15.93	20.15	6.00
Revenue from top 10 clients (%)	45.36	49.34	37.38
Number of Data Centres	5	4	4

Source: RHP, IDBI Capital

The Australian GPU Contract

On 31 March 2026 the Company entered a strategic AI cloud infrastructure agreement with an Australia-based neocloud AI compute provider, for an initial five years extendable by two, with a total contract value of approximately USD 1,250mn, or INR 118,312.50mn at the 31 March 2026 rate of INR 94.65. Under it, a dedicated cluster of approximately 8,208 NVIDIA B300 GPUs with associated storage is to be deployed within an existing Data Centre facility in Australia, targeted for completion by September 2026, with revenue expected to begin in Q3 FY27 and service fees payable monthly. Separately, subsidiary SPOCHUB has secured a GPUaaS contract with an enterprise customer incorporated outside India, against which an advance of INR 11,766.35mn has already been received and will be amortised only after go-live.

Note:- The contract value is roughly 25 times FY26 revenue. Nothing in the FY26 accounts reflects it other than the advance sitting in cash and other current liabilities. Investors are being asked to underwrite delivery, counterparty performance and GPU economics on a contract whose counterparty is not named in the RHP.

Investment Rationale

- **One of only two full-spectrum Indian providers:** ESDS is one of two players in India offering the entire spectrum of GPUaaS, cloud, managed services, Data Centre infrastructure and software solutions, and the larger by FY26 revenue (Nexdigm). The practical benefit shows in cross-sell: the share of customers buying all three service lines rose from 62.32% in FY24 to 89.04% in FY26, and revenue from relationships older than five years nearly doubled to 47.75%.
- **Margin expansion of 1,404bps in two years:** EBITDA margin moved from 35.56% in FY24 to 42.86% in FY25 and 49.60% in FY26. This was operating leverage rather than pricing: revenue grew 64.8% over two years while employee cost rose only 22.7% and headcount fell from 1,091 to 995. Finance cost fell 63% in absolute terms as borrowings were repaid. PAT margin went from 4.75% to 25.59%.
- **Balance sheet repaired ahead of the raise:** Debt-to-equity fell from 0.66x in FY24 to 0.08x in FY26, debt service coverage improved from 1.59x to 16.15x, and total borrowings stood at INR 429.17mn against equity of INR 5,441.99mn. Credit ratings have been upgraded through the cycle, with CRISIL at BBB+/Positive and India Ratings at IND BBB+/Positive in 2025, against the BB/A4+ Acuite rating of March 2025 that the Company has since ceased to co-operate with. The Issue adds INR 7,200mn of primary capital to an already unlevered balance sheet.
- **Regulatory tailwind the hyperscalers cannot fully capture:** RBI payment-data localisation, the Digital Personal Data Protection Act 2023 and MeitY-STQC empanelment create a procurement lane where an India-owned, India-operated, rupee-billed platform is structurally advantaged. The Company runs three of STPI's six Tier-3 Data Centres, is authorised on the GeM portal, and its Chairman presides over the Bharath Digital Infrastructure Association.
- **Patented technology and a genuine AI option:** SWARAJ vertical autoscaling is patented in the US (2015) and India (2022), and the Company is the only Indian holder of a patent for this technology. Vertical scaling adds power and memory to the same virtual machine rather than provisioning new servers, supporting the pay-per-consumption billing model that differentiates it from pay-per-use pricing. The November 2025 GPUaaS launch and the USD 1,250mn Australian agreement extend this into AI compute, where the India cloud GPU market is forecast to grow from USD 67.31mn in FY25 to USD 513.67mn by FY30, a 50.15% CAGR.

- **Sticky, compliance-driven customer base:** 115 banks and financial institutions across 1,045 branches on the BFSI community cloud, 104 government clients, 113 SAP HANA community cloud customers and six smart cities as at 30 June 2026. Switching a regulated workload out of a certified environment is expensive and slow, which supports the lengthening customer ageing profile.
- **Entirely primary, with no promoter selling:** The Issue is a 100% fresh issue with no Offer for Sale. Promoter and Promoter Group holding falls from 46.06% to 39.47% purely through dilution. Every rupee raised goes to the Company, of which INR 5,760mn is earmarked for revenue-generating cloud and GPU equipment.

MARKET POSITION & INDUSTRY OUTLOOK

Competitive Position

The Company competes on several fronts at once. Global hyperscalers (AWS, Azure, Google Cloud) dominate generic public cloud but, cloud is only one part of far larger conglomerates whose capital allocation and strategic focus differ fundamentally from a pure-play provider; the Nexdigm Report treats direct comparison with them as unhelpful. Domestically, ESDS competes with colocation and Data Centre operators, system integrators and managed service providers, and with E2E Networks in cloud and GPU compute. Its differentiation lies in being one of only two Indian players covering the entire stack from GPUaaS to software, combined with sovereign-cloud positioning and community cloud verticals

Exhibit 5: Addressable Market Size and Growth

Market	Size FY26	Forecast FY30	CAGR (%)
India Data Centre industry (operational revenue)	Rs114bn	Rs242bn	20.70
India cloud services	Rs651bn (FY25)	Rs1,876bn	23.56
India managed services	Rs175,717mn	Rs402,846mn	23.15
India cloud GPU services	USD 67.31mn (FY25)	USD 513.67mn	50.15
India software development	Rs3,961bn	Rs5,581bn	8.95
India AIOps	Rs5,154mn	Rs197,165mn	19.01

Source: Nexdigm Report as cited in the RHP, IDBI Capital. Cloud services and cloud GPU growth measured from FY25 base to FY30.

Industry Growth Drivers

- **Data Centre capacity build-out:** India's installed Data Centre capacity stood at 1,545 MW as at 31 March 2026. Internet subscribers reached 1,092.79mn in March 2026, a 13.02% CAGR since 2014, and 5G rollout is lifting data consumption. Demand for Tier-3 and Tier-4 facilities is disproportionately strong given their uptime and disaster recovery characteristics.
- **Data localisation and sovereignty:** RBI requires payments data to be stored in India, and the DPDP Act 2023 governs personal data processing. Both push regulated workloads toward domestic, compliant providers. Nexdigm notes Indian Data Centre providers are well positioned to benefit from this regulatory push.
- **Cloud adoption still early:** India remains at a nascent stage of cloud adoption relative to mature markets and, per the Asian Development Bank, trails Brazil and South Africa among BRICS nations. Cloud and cloud-enabled services are expected to contribute Rs310-380bn by CY26, with cloud-related talent demand of 2mn.
- **AI compute as the new layer:** Artificial intelligence accounted for 7.90% of the Indian cloud market in FY26. Generative AI in India is projected to grow at 26.73% between 2023 and 2030, with demand for over 500 MW from hyperscalers, driving requirements for high-density racks and advanced cooling that favour operators already running Tier-3 infrastructure.
- **Government digitisation:** Digital India, state-level programmes and smart city projects continue to migrate workloads off legacy systems. STPI-registered unit exports grew from Rs520mn in FY1993 to Rs8,500bn in FY2023, and government institutions are increasingly moving to cloud as legacy systems lack the scalability and security modern operations require.

FINANCIAL PERFORMANCE & ANALYSIS

Exhibit 6: Key Performance Indicators

KPI	FY26	FY25	FY24
Revenue from operations (Rs mn)	4,722.10	3,613.35	2,865.18
Growth of revenue from operations (%)	30.68	26.11	-
EBITDA (Rs mn)	2,342.34	1,548.85	1,018.81
EBITDA Margin (%)	49.60	42.86	35.56
Profit after tax (PAT) (Rs mn)	1,208.23	556.12	136.09
PAT Margin (%)	25.59	15.39	4.75
Return on Equity (RoE) (%)	25.12	17.27	6.23
Return on Capital Employed (RoCE) (%)	32.78	24.73	14.53
Days Sales Outstanding (DSO) (Days)	79	101	88
Debt-to-Equity Ratio (Times)	0.08	0.15	0.66
Debt Service Coverage Ratio (Times)	16.15	7.00	1.59
Total Customers (No.)	2,501	1,714	1,465
Average revenue per customer (Rs mn)	1.89	2.11	1.96
Number of Data Centres (No.)	5	4	4
R&D expenditure (Rs mn)	62.47	82.41	126.62
R&D as % of revenue (%)	1.32	2.28	4.42

Source: RHP, IDBI Capital

Revenue and Margin Analysis

Revenue from operations grew 30.68% in FY26 to INR 4,722.10mn, following 26.11% in FY25, a 28.38% CAGR over FY24-26. The composition of that growth changed sharply. In FY25 the driver was IaaS, up 43.33%, of which INR 501.92mn came from the Russian BFSI customer. In FY26 the driver was managed services, up 157.22% to INR 1,945.91mn, of which INR 752.40mn came from a single new offshore enterprise customer, while IaaS grew 1.75% and SaaS fell 14.17%. Two consecutive years of growth concentrated in one new large account is a pattern worth watching, particularly since the FY25 account has since largely disappeared.

Margin expansion has been more broadly based. Total expenses grew only 6.57% in FY26 against 30.68% revenue growth, falling from 81.34% to 66.33% of revenue. Employee cost fell from 26.05% to 22.11% of revenue on a headcount reduction from 1,044 to 995. Other expenses rose 18.90% but declined from 31.09% to 28.28% of revenue. Finance costs fell 53.31% to INR 117.90mn as borrowings were repaid, and depreciation was almost flat at Rs634.63mn despite capex of INR 1,258.94mn, reflecting equipment commissioned late in the year. Profit before tax more than doubled to INR 1,674.23mn and PAT rose 117.26% to INR 1,208.23mn at an effective tax rate of 27.83%.

Two items temper the margin story. R&D spend has fallen in absolute terms for two consecutive years, from Rs126.62mn to Rs62.47mn, and from 4.42% to 1.32% of revenue, in a business whose thesis rests on technology differentiation. And other expenses include Rs57.18mn of charge for non-performance of obligation arising from the invocation of a bank guarantee on a customer contract.

Balance Sheet, Cash Flow and the Customer Advance

The reported FY26 balance sheet and cash flow statement cannot be read at face value. Cash and cash equivalents rose from INR 606.80mn to INR 12,533.85mn, and other current liabilities from INR 144.53mn to INR 11,957.17mn. Both movements are the same item: the INR 11,766.35mn advance received by SPOCHUB against the GPUaaS contract, which is amortised only after go-live. Net cash from operating activities of INR 13,677.13mn, against operating profit before working capital changes of INR 2,422.33mn, is almost entirely this advance. Net working capital of negative INR 10,284.66mn is the same artefact.

Note:- Adjusted for the advance, FY26 operating cash flow was approximately INR 1,910mn and the Company held net cash of roughly INR 338mn rather than INR 12,105mn. This distinction materially changes the enterprise value calculation and is the single most important adjustment in analysing this issue.

Excluding that item, the underlying balance sheet is clean. Property, plant and equipment stood at INR 3,164.12mn with INR 39.92mn of capital work-in-progress. Total borrowings were INR 429.17mn against total equity of INR 5,441.99mn, giving debt-to-equity of 0.08x, down from 0.66x in FY24. As at 30 June 2026, total borrowings including non-fund based facilities were INR 1,029.18mn against sanctions of INR 1,884.65mn, with interest rates of 8.00% to 10.25%. DSO improved from 101 to 79 days, though it remains far above E2E Networks at 25 days, reflecting the government and PSU receivable cycle. Contingent liabilities of INR 551.68mn represent 10.43% of Net Worth, down from 30.50% in FY24, and are dominated by INR 526.04mn of performance bank guarantees.

OBJECTS OF THE ISSUE & USE OF PROCEEDS

The Issue comprises a Fresh Issue of up to INR 7,200mn with no Offer for Sale component, so the entire proceeds accrue to the Company. There was no pre-IPO placement. None of the Objects have been appraised by any bank, financial institution or agency, and funding requirements rest on management estimates, vendor quotations and a certificate dated 24 August 2026 from Apt Data Center Consultants India LLP, an independent IT consultant.

Exhibit 7: Utilisation of Net Proceeds

Particulars	Amount from Net Proceeds (Rs mn)
Purchase and installation of cloud computing and other equipment and infrastructure for the Relevant Data Centers	5,760.00
General corporate purposes	1,440.00
Total Net Proceeds	7,200.00

Source: RHP, IDBI Capital.

Exhibit 8: Break-up of Equipment Spend

Particulars	FY27 (Rs mn)	FY28 (Rs mn)	Total (Rs mn)
Computer servers	1,995.00	665.00	2,660.00
Data storage devices	625.20	208.40	833.60
Networking equipment	387.30	129.10	516.40
Infrastructure	1,312.50	437.50	1,750.00
Total	4,320.00	1,440.00	5,760.00

Source: RHP, IDBI Capital. Orders for this equipment had not been placed as at the date of the RHP.

PROMOTERS, MANAGEMENT & SHAREHOLDING

Promoters

The Promoters are Piyush Prakashchandra Somani, Komal Piyush Somani and the P.O. Somani Family Trust, holding 46,056,731 Equity Shares, or 45.86% of the fully diluted pre-Issue capital and 46.06% of paid-up capital. Piyush Somani, aged 47, holds 24.54% directly, has led the Company since incorporation and has over 20 years of experience in information technology. Komal Somani holds 10.13% and is a Whole-time Director. The Company had 2,622 shareholders as at the RHP date, with notable public holders including Mukul Mahavir Agrawal at 7.00% and Ashish Kacholia at 2.39%.

Exhibit 9: Principal Shareholders (Pre-Issue)

Shareholder	Equity Shares	% Pre-Offer
Piyush Prakashchandra Somani (Promoter)	24,648,670	24.54
P.O. Somani Family Trust (Promoter)	11,233,739	11.19
Komal Piyush Somani (Promoter)	10,174,322	10.13
Mukul Mahavir Agrawal	7,032,960	7.00
Vanaja Sundar Iyer (jointly with Sundar Iyer)	2,948,301	2.94
Suresh Kumar Agarwal (jointly with Sarita Agarwal)	2,491,592	2.48
Ashish Kacholia	2,402,000	2.39
NKA Resources LLP	1,808,182	1.80
ESDS Employee Benefit Trust	1,291,894	1.29
Total pre-Issue capital	100,427,753	100.00

Source: RHP, IDBI Capital. Based on the beneficiary position statement dated 21 August 2026.

Board and Management

The Board comprises six Directors, three executive and three Independent, including one Independent woman Director. Piyush Somani is Chairman and Managing Director, Komal Somani is Whole-time Director, and Sameer Suresh Redij was appointed Additional Director (Executive) in July 2026 subject to shareholder approval. Independent Directors are T.G. Dhandapani, Pamela Kumar and Venkatesh Natarajan. Nadukuru Sita Ramaiah has been Chief Financial Officer since October 2022, with over 28 years of finance experience; Prasad Deochand Deokar has been Company Secretary and Compliance Officer since July 2022.

Two governance points warrant mention. The RHP discloses as a risk factor that none of the Directors has prior experience of holding a directorship in a listed company, so the Board has no collective experience of listed-company compliance. Separately, the Chief Operations Officer, Jitendra Pathak, resigned on 15 June 2026 with effect from 15 September 2026, shortly after listing.

ANCHOR BOOK & MARKET SENTIMENT

The Anchor Investor bidding date is 27 August 2026, with up to 60% of the QIB Portion allocable to Anchor Investors on a discretionary basis, of which 33.33% is reserved for domestic mutual funds and 6.67% for life insurance companies and pension funds. Anchor allocations had not been published as at the date of this note. There was no pre-IPO placement and no primary or secondary transaction above the 5% threshold in the 18 months preceding the RHP, so the last five primary transactions, at INR 164 and INR 225 per share in October 2024 and February 2025, give a weighted average cost of acquisition of INR 187.48, and the last five secondary transactions give INR 15.99. The Cap Price of INR 429 is 2.29 times the primary weighted average cost and 26.83 times the secondary.

SWOT ANALYSIS

Strengths

- One of only two Indian players offering the entire spectrum from GPUaaS and cloud through managed services and Data Centre infrastructure to software, and the larger of the two by FY26 revenue.
- EBITDA margin of 49.60% in FY26, up 1,404bps in two years, with PAT margin at 25.59% against 4.75% in FY24.
- Debt-to-equity of 0.08x and debt service coverage of 16.15x, with credit ratings upgraded to CRISIL BBB+/Positive and IND BBB+/Positive in 2025.
- Five Tier-3 certified Data Centres with 99.995% demonstrated uptime, MeitY-STQC empanelment, PCI DSS 4.0 and CMMI Level 5, and average PUE of 1.55.
- Patented SWARAJ vertical autoscaling, the only such Indian patent, enabling pay-per-consumption billing distinct from hyperscaler pay-per-use pricing.
- Deep, compliance-driven relationships: 115 banks across 1,045 branches, 104 government clients, 113 SAP HANA customers; 89.04% of customers buy all three service lines.
- 100% fresh issue with no promoter selling; entire proceeds accrue to the Company, of which 80% funds revenue-generating equipment.

Weaknesses

- Customer concentration: top client at 15.93% and top ten at 45.36% of FY26 revenue, with no long-term agreements in place with all of the top ten.
- Growth quality: the entire FY26 revenue increase came from managed services, and Rs752.40mn of it from one new offshore customer. IaaS grew 1.75% and SaaS declined 14.17%.
- Reported FY26 cash flow and working capital are distorted by the INR 11,766.35mn customer advance; adjusted operating cash flow was approximately INR 1,910mn.
- R&D spend has halved in two years, from INR 126.62mn (4.42% of revenue) in FY24 to INR 62.47mn (1.32%) in FY26.

- Three of five Data Centres operate on STPI premises under agreements requiring the higher of a minimum guarantee or 18% of that Data Centre's revenue, renewable at STPI's discretion.
- DSO of 79 days against 25 days for the listed peer, reflecting government and PSU payment cycles; government revenue was 27.37% of FY26 revenue.
- No Director has prior listed-company directorship experience, and the COO resigned effective shortly after listing

Opportunities

- The USD 1,250mn (INR 118,312.50mn) Australian AI cloud infrastructure agreement, with revenue expected from Q3 FY27, is roughly 25 times FY26 revenue.
- India cloud GPU services forecast to grow from USD 67.31mn in FY25 to USD 513.67mn by FY30, a 50.15% CAGR, well ahead of the broader cloud market.
- India managed services market forecast to grow at 23.15% to INR 402,846mn by FY30, the segment where the Company already has momentum.
- Two new Data Centres planned at Kolkata (Q3 FY27) and Sahibabad (Q1 FY28), extending reach into eastern and northern India.
- Data localisation under RBI mandates and the DPDP Act 2023 continues to channel regulated workloads toward compliant domestic providers.
- Transition to 100% renewable power within four years should lower the largest variable cost and unlock state green Data Centre incentives..

Threats

- Competition from AWS, Azure and Google Cloud with vastly deeper capital, alongside domestic Data Centre operators and system integrators.
- Technology obsolescence in GPU, server, power and cooling infrastructure, where power and cooling systems are difficult and expensive to upgrade.

- Delivery and counterparty risk on the Australian GPU contract, whose counterparty is unnamed and where no revenue has yet been recognised.
- Cyber-security breach or data loss, which in a sovereign-cloud and BFSI context would be reputationally severe.
- Sanctions exposure: the former largest client is on the OFAC SDN list, and expansion of secondary sanctions under CAATSA could affect residual dealings.
- Equipment orders not yet placed for INR 5,760mn of planned spend, with dollar-denominated pricing and potential time and cost overruns.
- Litigation from a former employee claiming share entitlement, with an aggregate claim of Rs184.80mn against the Company, Promoters and Directors.

PEER COMPARISON & VALUATION

At the Cap Price of INR 429 the post-Issue market capitalisation is INR 50,283.5mn on 117,210,970 Equity Shares. On FY26 basic EPS of INR 12.03 this implies a P/E of 35.7x and on diluted EPS of INR 11.81, 36.3x. At the Floor Price of INR 408 the corresponding multiples are 33.9x and 34.6x. Those multiples use pre-Issue share count, as the RHP does. On post-Issue share count, FY26 earnings attributable to owners of INR 1,202.83mn give EPS of Rs10.26 and a P/E of 41.8x at the Cap Price.

There is a single identified listed peer, E2E Networks Limited, which reported a loss of INR 155.66mn in FY26 and therefore a P/E of negative 819.78x on diluted earnings. The RHP consequently discloses industry high, low and average P/E all as that same negative figure. No usable peer P/E benchmark exists, and the comparison has to be made on revenue, margins and enterprise value instead.

Exhibit 10: Listed Industry Peer Comparison (FY26)

Company	Revenue (Rs mn)	EBITDA Margin (%)	PAT (Rs mn)	PAT Margin (%)	RoNW (%)	NAV (Rs)	Diluted EPS (Rs)	P/E (x)
ESDS Software Solution	4,722.10	49.60	1,208.23	25.59	22.85	52.66	11.81	36.3
E2E Networks	2,455.80	51.41	(155.66)	(6.34)	(0.92)	81.97	(0.76)	(819.78)

Source: RHP, IDBI Capital

Exhibit 11: KPI Comparison with Listed Peers (FY26)

Particulars	ESDS FY26	ESDS FY25	ESDS FY24	E2E FY26	E2E FY25	E2E FY24
Revenue from operations (Rs mn)	4,722.10	3,613.35	2,865.18	2,455.80	1,639.61	944.64
EBITDA (Rs mn)	2,342.34	1,548.85	1,018.81	1,262.62	966.61	479.40
EBITDA Margin (%)	49.60	42.86	35.56	51.41	58.95	50.75
PAT Margin (%)	25.59	15.39	4.75	(6.34)	28.97	23.15
RoE (%)	25.12	17.27	6.23	(0.95)	5.71	36.37
RoCE (%)	32.78	24.73	14.53	(0.52)	8.40	29.01
Days Sales Outstanding	79	101	88	25	22	10
Debt-to-Equity (x)	0.08	0.15	0.66	0.06	0.01	1.45
Debt Service Coverage (x)	16.15	7.00	1.59	5.45	18.20	3.29

Source: RHP, IDBI Capital

Valuation Assessment

The comparison against E2E Networks is instructive in both directions. ESDS is 92% larger by revenue, converts at a similar EBITDA margin (49.60% against 51.41%), and unlike its peer is solidly profitable, with RoE of 25.12% against negative 0.95% and RoCE of 32.78% against negative 0.52%. E2E's margin fell 754bps in FY26 and it swung to a loss, illustrating how quickly GPU-led cloud economics can deteriorate when depreciation on new compute arrives ahead of utilisation. ESDS is materially weaker on working capital, with DSO of 79 days against 25, a direct consequence of the government and PSU mix.

Exhibit 12: Implied Valuation Multiples

Particulars	At Floor Price (Rs408)	At Cap Price (Rs429)
Post-Issue equity shares	11,80,74,812	11,72,10,970
Post-Issue market capitalisation (Rs mn)	48,174.5	50,283.5
P/E on FY26 basic EPS of Rs12.03 (x)	33.9	35.7
P/E on FY26 diluted EPS of Rs11.81 (x)	34.6	36.3
P/E on post-Issue FY26 EPS (x)	40.1	41.8
EV/FY26 EBITDA, headline net cash (x)	15.5	16.3
EV/FY26 EBITDA, adjusted for customer advance (x)	20.4	21.3
Market capitalisation to FY26 revenue (x)	10.2	10.6
P/B on post-Issue book value (x)	3.9	4.0

Source: IDBI Capital estimates based on RHP data. Adjusted EV treats the INR 11,766.35mn customer advance as a liability rather than free cash.

KEY RISK FACTORS

- **Customer concentration and contract renewal:** The top client contributed 15.93% and the top ten 45.36% of FY26 revenue. The Company has not entered into long-term agreements with all of its top ten clients. The precedent is recent: the FY25 top client, a Russian BFSI institution, fell from INR 728.08mn to INR 132.41mn in FY26.
- **Sanctions exposure:** The former largest client is on the OFAC Specially Designated Nationals and Blocked Persons list and is subject to UK OFSI and EEA sanctions. Primary sanctions do not apply to an Indian company, but any expansion of secondary sanctions under CAATSA could prevent further dealings or recovery of amounts already billed.
- **Revenue quality and the customer advance:** The INR 11,766.35mn advance against the GPUaaS contract inflates reported cash and operating cash flow and is amortised only after go-live. If the contract does not proceed as expected, the advance is a liability rather than a resource.
- **Execution risk on the Australian GPU agreement:** The USD 1,250mn contract requires deployment of approximately 8,208 NVIDIA B300 GPUs targeted for September 2026, with revenue only from Q3 FY27. The counterparty is not named. No revenue has been recognised to date.
- **Government and PSU dependence:** Revenue directly or indirectly from government entities and projects was 27.37% of FY26 revenue. Changes in policy, budgetary allocation or eligibility criteria could affect this stream, which also carries the longest receivable cycle.
- **STPI tenancy of three Data Centres:** Bengaluru, Mohali and Noida, and the proposed Kolkata facility, operate on STPI premises under agreements requiring the higher of a minimum guaranteed charge or 18% of that Data Centre's revenue. Termination or non-renewal would require relocation, with no assurance of comparable alternatives.
- **Net Proceeds not independently appraised and orders not placed:** The INR 5,760mn equipment programme rests on management estimates, vendor quotations and an independent IT consultant's certificate. No orders had been placed as at the RHP date, exposing the plan to time and cost overruns and to dollar pricing.

- **Technology obsolescence and capital intensity:** Cloud and GPU infrastructure ages rapidly, and power and cooling systems are difficult and expensive to upgrade. R&D spend has fallen to 1.32% of revenue.
- **Cyber-security and data integrity:** Unauthorised access to networks or customer data would create liability and reputational damage disproportionate to its direct cost, given the BFSI, government and sovereign-cloud positioning.
- **Overseas subsidiary performance:** ESDS Cloud FZ-LLC posted losses of INR 40.46mn and INR 60.19mn in FY25 and FY24, being 7.28% and 44.23% of consolidated profit, before returning a profit of INR 54.62mn in FY26. ESDS Global Software Solution Inc has negative net worth of INR 13.38mn and no revenue.
- **Litigation and statutory dues:** A former employee's civil suit before the Bombay High Court claims share entitlement or INR 184.80mn in the alternative, against the Company, Promoters and Directors. A GST show cause notice for FY2019-20 alleges wrongful input tax credit of INR 24.79mn with interest and penalty taking the total to INR 39.70mn. There were delays in TDS payment across five assessment years, settled by compounding charges of INR 6.06mn in April 2025, and GST liabilities of INR 10.44mn settled in March 2025.
- **Listed-company governance experience:** The RHP discloses that none of the Directors has previously held a directorship in a listed company.
- **Contingent liabilities:** INR 551.68mn as at 31 March 2026, being 10.43% of Net Worth, of which INR 526.04mn is performance bank guarantees issued to customers. A guarantee invocation in FY26 already produced a charge of INR 57.18mn.

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY24	FY25	FY26
Net sales	2,865	3,613	4,722
<i>Change (yoy, %)</i>	-	26	31
Operating expenses	(1,846)	(2,065)	(2,380)
EBITDA	1,019	1,549	2,342
<i>Change (yoy, %)</i>	-	52	51
<i>Margin (%)</i>	35.6	42.9	49.6
Depreciation	(526)	(622)	(635)
EBIT	493	927	1,708
Interest paid	(316)	(252)	(118)
Other income	56	153	84
Exceptional items	(11)	(1)	-
Pre-tax profit	223	826	1,674
Tax	(87)	(270)	(466)
<i>Effective tax rate (%)</i>	38.9	32.7	27.8
Net profit	136	556	1,208
Minority interest	10	-	5
Profit to owners	126	556	1,203
<i>Change (yoy, %)</i>	-	309	117
EPS (Rs)	1.35	5.83	12.03

Balance Sheet

(Rs mn)

Year-end: March	FY24	FY25	FY26
Shareholders' funds	2,265	4,176	5,442
Share capital	93	100	100
Reserves & surplus	2,172	4,075	5,342
Total Debt	848	406	284
Other liabilities	1,066	709	616
Curr Liab & prov	1,298	1,268	13,037
Current liabilities	1,298	1,268	13,037
Provisions	-	-	-
Total liabilities	3,212	2,384	13,937
Total equity & liabilities	5,477	6,560	19,379
Net fixed assets	3,223	3,525	3,919
Investments	144	226	232
Other non-curr assets	25	101	87
Current assets	2,085	2,709	15,141
Inventories	-	-	-
Sundry Debtors	1,205	1,435	1,655
Cash & Liquid	22	607	12,534
Other Curr Assets	858	668	952
Total assets	5,477	6,560	19,379

Cash Flow Statement

(Rs mn)

Year-end: March	FY24	FY25	FY26
Pre-tax profit	223	826	1,674
Depreciation	526	622	635
Tax paid	79	(42)	(240)
Chg in working capital	(621)	(31)	11,494
Other operating activities	324	251	114
Cash flow from operations (a)	530	1,626	13,677
Capital expenditure	(230)	(1,134)	(1,259)
Other investing activities	216	39	(53)
Cash flow from investing (b)	(14)	(1,093)	(1,312)
Equity raised/(repaid)	-	1,371	-
Debt raised/(repaid)	(163)	(863)	(198)
Lease and interest payments	(502)	(390)	(249)
Other financing activities	1	(43)	-
Cash flow from financing (c)	(664)	75	(447)
Net chg in cash (a+b+c)	(148)	607	11,918

Source: RHP, IDBI Capital Research. FY26 operating cash flow includes the INR 11,766.35mn customer advance; adjusted for it, operating cash flow was approximately INR 1,910mn.

Financial Ratios

Year-end: March	FY24	FY25	FY26
Book Value (Rs)	22.22	40.38	52.66
EPS (Rs)	1.35	5.83	12.03
EPS growth (%)	-	332	106
EBITDA margin (%)	35.6	42.9	49.6
Pre-tax margin (%)	7.8	22.9	35.5
Debt/Equity (x)	0.66	0.15	0.08
ROCE (%)	14.5	24.7	32.8
ROE (%)	6.2	17.3	25.1

DuPont Analysis

Asset turnover (x)	0.52	0.55	0.24
Leverage factor (x)	2.42	1.57	3.56
Net margin (%)	4.8	15.4	25.6

Working Capital & Liquidity

Days Sales Outstanding	88	101	79
Debt service coverage (x)	1.59	7.00	16.15
Contingent liab. as % of Net Worth	30.5	12.0	10.4

Source: RHP, IDBI Capital Research. Total Debt includes lease liabilities in FY24 for comparability of leverage; the RHP Debt-Equity Ratio uses borrowings only. FY26 asset turnover and leverage factor are distorted by the customer advance held in cash.



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