

Retail Research	IPO Note
Sector: IT	Price Band (Rs): 408 – 429
27 th August 2026	Recommendation: SUBSCRIBE

ESDS Software Solution Ltd.

Company Overview:

ESDS Software Solution Ltd. is an AI-enabled cloud, managed services, data centre infrastructure and software solutions provider. The company offers a comprehensive platform of cloud infrastructure and software solutions which includes infrastructure as a service (IaaS), managed solutions, and software as a service (SaaS). IaaS is broadly divided into colocation and data centre services, cloud services and cloud computing. It operates five tier 3 data centres across India, covering over 75,266 sqft., supported by redundant power, disaster recovery infrastructure and 24/7 services. Its managed services include cloud and data centre management, cybersecurity, IT infrastructure and network management, backup and disaster recovery, database management and DevOps services. ESDS' caters to a diverse range of end-user industries and customers such as BFSI, public sector entities, etc.

Key Highlights:

1. End-to-end service platform: ESDS offers an end-to-end cloud, managed services, data centre infrastructure and software solutions in India, which enables it to focus on higher revenue retention rates, driven by larger share of existing customers increasing their usage of different services. Over the last three fiscal years % of customers availing all three services (IaaS, SaaS and Managed Services) has grown from ~62.3% to ~89%, showcasing the company's ability to cross-sell and strength of its comprehensive product suite. This approach has also enabled ESDS to deepen customer relationships across sectors, including BFSI, government, and enterprise customers.

2. AI-driven innovations and patented tech: ESDS holds commercial patents for the SWARAJ software, which intelligently identifies customer requirements and applies vertical and diagonal scaling technologies, enabling dynamic resource allocation for cost-effective and efficient cloud performance. Further, the company is engaged in the development and commercialization of AI & ML driven systems for cloud environments. It has launched a fully managed GPUaaS, allowing customers across industries to create, customized, high-performance AI environments, on a large scale and at-par with global standards.

3. Asset-light model underpinned by vertical scaling: ESDS operates on an asset light model, comprising only of computing hardware assets, which, together with the company's patented vertical auto scaling tech, allows it to quickly scale. Vertical scaling is a more efficient system of increasing cloud computing capacity, in which more power and memory is added to the same virtual machine, thereby increasing the resource capacity of the virtual machine and in effect, the machine optimization. According to the Nexdigm Report, ESDS is the only known Indian player holding a patent for vertical auto-scaling technology, which was granted to it in Nov'15 (US patent) and Jun & Nov'22 (India patent).

Valuation: At the upper price band of Rs 429, ESDS is valued at FY26 P/E of 41.6x and EV/EBITDA multiple of 13.2x on post issue capital. ESDS is well positioned to benefit from India's rapidly growing cloud and data centre industry, with the Indian data centre market expected to grow at a CAGR of ~20.7% during FY26-FY30, driven by increasing cloud adoption, AI workloads, data localisation requirements and ongoing digital transformation initiatives. The company has delivered a strong FY24-26 Revenue/EBITDA/PAT CAGR of 28.4%/51.6%/186.9%, respectively, supported by operating leverage and an improving business mix. EBITDA margin expanded significantly from 35.6% in FY24 to 49.6% in FY26. While risks remain around government exposure (~27% of FY26 revenue), customer concentration and rapid technological changes, these are partly mitigated by rising enterprise revenues, diversified service offerings and healthy customer retention. Considering its differentiated cloud platform, improving profitability, scalable business model and favourable industry tailwinds, we recommend investors to SUBSCRIBE to the issue at the Cut-Off Price.

Issue Details

Date of Opening	28 th August 2026
Date of Closing	01 st September 2026
Price Band (Rs)	408 – 429
Issue Size (Rs cr)	720
Fresh Issue (Rs cr)	720
Issue Size (No. of shares)	1,67,83,216 @ UB
Face Value (Rs)	1.0
Post Issue Market Cap (Rs cr)	4,817 – 5,028
BRLMs	DAM Capital Advisors Ltd. Systematix Corporate Services Ltd.
Registrar	MUFG Intime India Pvt. Ltd.
Bid Lot	34 shares and in multiples thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%

Objects of Issue

Particulars (Rs cr)	Estimated utilization from net proceeds
Purchase and installation of cloud computing and other equipment and infrastructure for data centres	576.0
General corporate purposes*	-
Net proceeds from fresh issue*	-

*The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern

Pre-Issue	No. of Shares	%
Promoter & Promoter Group	4,62,60,541	46.1
Public & Others	5,41,67,212	53.9
Total	10,04,27,753	100.0

Post Issue @ Upper Price Band	No. of Shares	%
Promoter & Promoter Group	4,62,60,541	39.5
Public & Others	7,09,50,429	60.5
Total	11,72,10,970	100.0

Source: RHP, SBICAP Securities Research

Key Financials

Particulars (Rs cr)	FY24	FY25	FY26
Revenue from Operations	287	361	472
EBITDA	102	155	234
Adj. PAT	15	56	121
EBITDA Margin (%)	35.6	42.9	49.6
Adj. PAT Margin (%)	5.1	15.4	25.6
RoE (%)	6.5	13.4	22.2
RoCE (%)	14.7	22.5	30.6
P/E (x)*	345.0	90.9	41.9
P/BV (x)*	22.4	12.1	9.3
EV/EBITDA (x)*	51.2	32.7	16.5
Total Debt / Equity (x)*	0.7	0.2	0.1

Source: RHP, SBICAP Securities Research

*Pre-issue based on upper price band

Risk Factors

- **Technological risk:** The company is exposed to fast-changing technological changes and innovations. Any failure to offer or adapt to technological developments or evolving industry standards may lead to loss of business.
- **Customer concentration:** During FY26/FY25, the company derived ~27%/~30% of its revenue from government entities and projects. Any changes in government policies or budgetary allocations or ESDS' ability to meet eligibility and selection criteria in relation to outsourcing of services may affect business operations.
- **Cybersecurity risk:** Any unauthorized access to its network or data, or cybersecurity threats could harm ESDS' reputation, create additional liability and adversely affect business growth.
- **Geopolitical risk:** ESDS derived ~16% of its FY26 revenue from a UAE-based customer. Hence, the company is exposed to macroeconomic downturns and geopolitical tensions, trade policies, and regulatory changes in the countries it exports to.

Growth Strategy

- Expand its business through focusing on enhancing infrastructure, driving AI/ML innovation, and committing to sustainability for efficient scaling and customer value.
- Continue to scale the AI-driven solutions that enhance operational efficiency across industry.
- Enhance collaboration with the Government and business partners.
- Transition towards 100% renewable energy for sustainable and efficient operations.

Product-wise Revenue Split

Particulars	FY24		FY25		FY26	
	Rs cr	as % of revenue	Rs cr	as % of revenue	Rs cr	as % of revenue
IaaS	142	49.6	204	56.4	207	43.9
Cloud Services & Cloud Computing	119	41.6	166	46.0	168	35.6
Colocation & Data Centre Services	23	8.0	37	10.3	39	8.3
Managed Services	78	27.1	76	20.9	195	41.2
SaaS	67	23.3	82	22.7	70	14.9
Revenue from operations	287	100.0	361	100.0	472	100.0

Source: RHP, SBICAP Securities Research

Customer-wise Revenue Split

Particulars	FY24		FY25		FY26	
	Rs cr	as % of revenue	Rs cr	as % of revenue	Rs cr	as % of revenue
BFSI	52	18.3	112	30.9	83	17.5
Government	98	34.0	107	29.5	129	27.4
Enterprise	137	47.7	143	39.6	260	55.1
Revenue from operations	287	100.0	361	100.0	472	100.0

Source: RHP, SBICAP Securities Research

Key Business KPIs

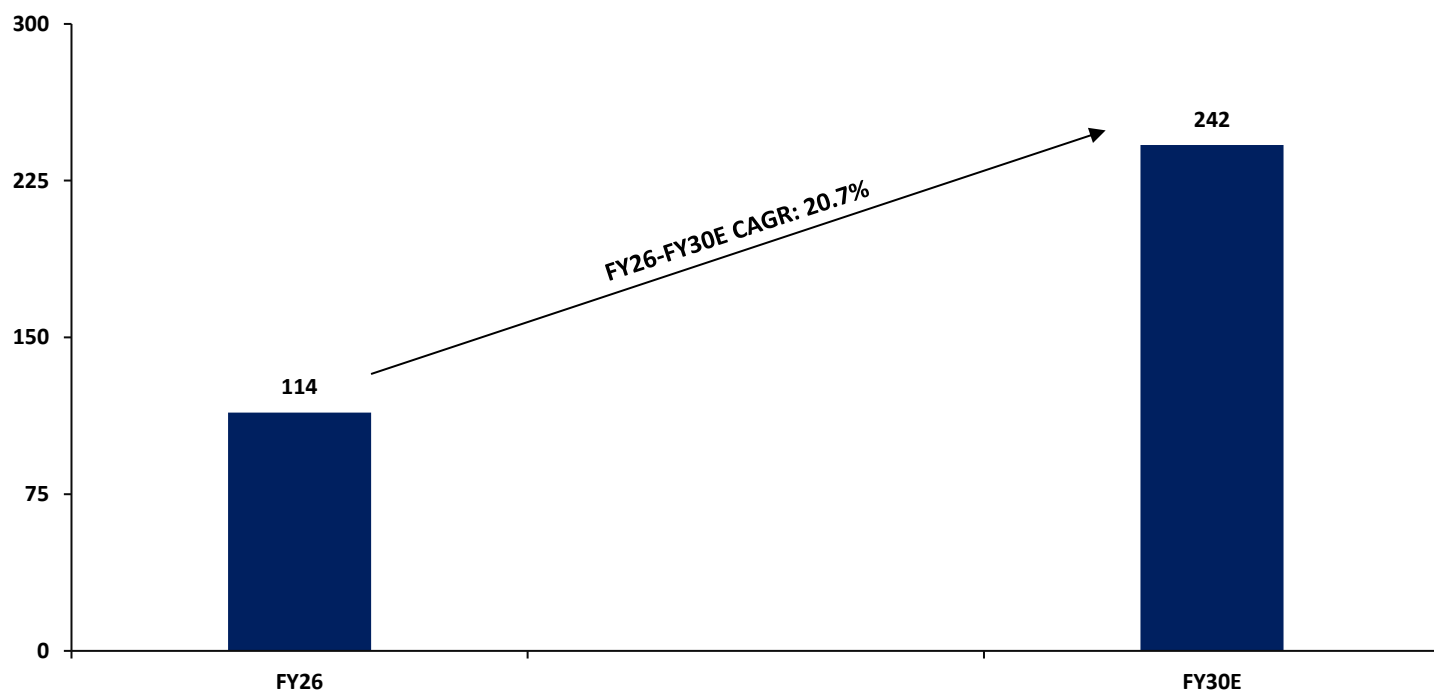
Particulars	FY24	FY25	FY26
Total Customers	1,465	1,714	2,501
Customer Ageing (% of revenue from customers)			
>3Y	49.3	61.4	65.6
>5Y	23.3	31.3	47.8
Average Revenue Per Customer (Rs lakh)	19.6	21.1	18.9
Revenue Retention Rate (%)*	128.2	96.6	94.9
Revenue by customer tenure (%)			
Existing Customers	92.9	76.6	72.6
New Customers	7.1	23.4	27.4
No. of Data Centres	4	4	5
Employee Attrition Rate (%)	19.3	19.9	24.9
Employee cost as % of revenue	29.7	26.1	22.1

*Note: Revenue Retention Rate: Revenue from existing customers in the current year divided by revenue from operations of the previous year

Source: RHP, SBICAP Securities Research

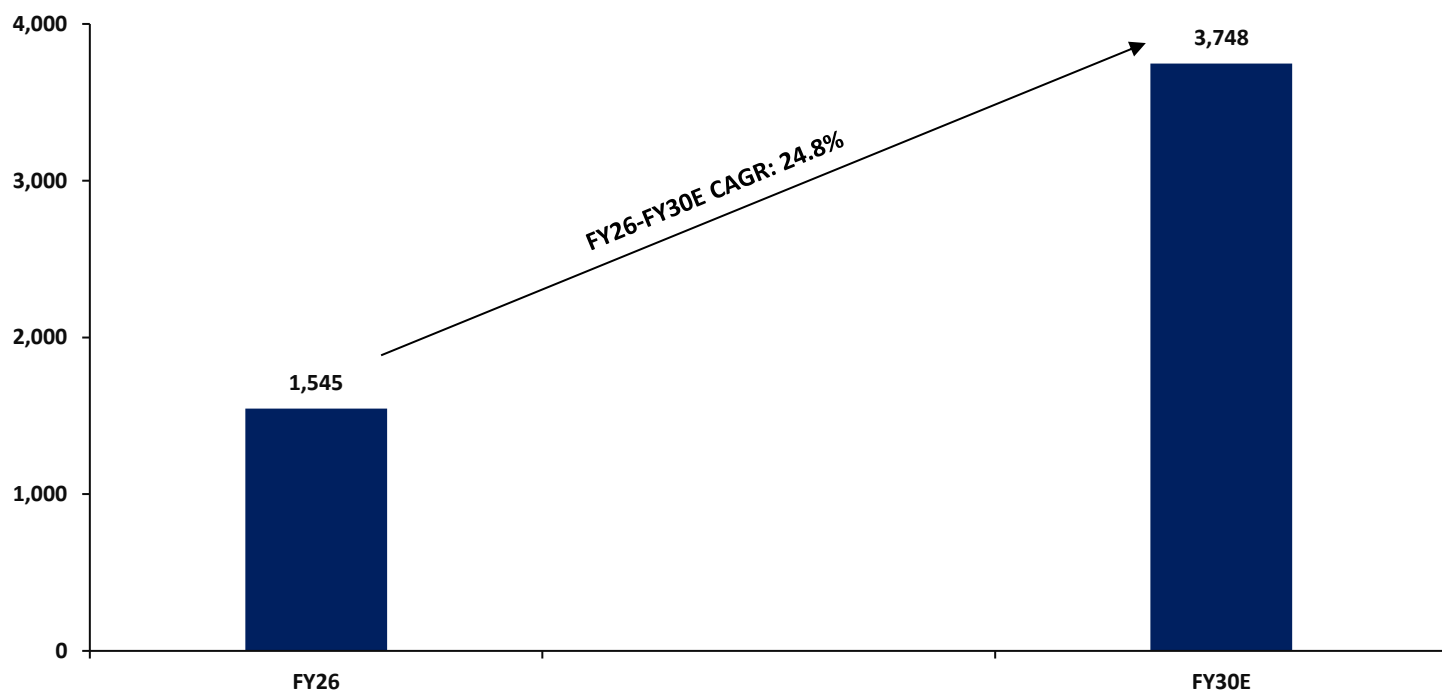
Industry Overview

India Data Centre Industry Market Size on basis of Operational Revenue, FY26-30E (in Rs bn)



Source: RHP, SBICAP Securities Research

India IT MW Capacity, FY26-30E



Source: RHP, SBICAP Securities Research

Peer Comparison (FY26)

Particulars (Rs cr)	ESDS Software Solution Ltd.	E2E Networks Ltd.
CMP (Rs)	429	618
Mkt Cap.	5,028	12,708
Enterprise Value	3,098	12,501
Sales	472	246
EBITDA	234	126
Net Profit	121	-16
EBITDA Margin (%)	49.6	51.2
Net Profit Margin (%)	25.6	(6.5)
RoE (%)	22.2	(0.9)
RoCE (%)	30.6	(0.5)
P/E (x)	41.6	(794.3)
EV/EBITDA (x)	13.2	99.2
EV/Sales (x)	6.6	50.8

For ESDS Ltd., the Market cap, P/E(x) is calculated on post-issue equity share capital based on the upper price band.

*CMP is closing price as of 27th Aug'26.

Source: RHP, SBICAP Securities Research

Financial Snapshot

INCOME STATEMENT			
Particulars (Rs cr)	FY24	FY25	FY26
Revenue from Operations	287	361	472
YoY growth (%)	-	26.1%	30.7%
Employee Cost	85	94	104
Other Operating Expenses	100	112	134
EBITDA	102	155	234
EBITDA margins (%)	35.6%	42.9%	49.6%
Other Income	6	15	8
Interest Exp.	32	25	12
Depreciation	53	62	63
PBT	23	83	167
Exceptional item	(1)	(0)	-
Tax	9	27	47
PAT	14	56	121
PAT margin (%)	4.7%	15.4%	25.6%
EPS (Rs)	1.4	5.5	12.0
Adj. PAT	15	56	121
Adj. PAT margin (%)	5.1%	15.4%	25.6%
Adj. EPS	1.5	5.6	12.0

BALANCE SHEET			
Particulars (Rs cr)	FY24	FY25	FY26
Assets			
Net Block	218	285	316
Capital WIP	-	-	4
Intangible Assets	5	1	13
Right of use assets	100	66	58
Other Non-current Assets	17	33	32
Current Assets			
Trade receivables	121	143	166
Cash and Bank Balances	2	61	1,253
Other Current Assets	86	67	95
Total Current Assets	209	271	1,514
Current Liabilities & Provisions			
Trade payables	23	29	39
Other current liabilities	21	56	1,231
Short-term provisions	5	5	3
Total Current Liabilities	49	91	1,273
Net Current Assets	159	180	241
Total Assets	499	565	665
Liabilities			
Share Capital	9	10	10
Reserves and Surplus	217	408	534
Total Shareholders' Funds	226	418	544
Minority Interest	1	-	1
Total Debt	149	63	43
Long Term Provisions	8	9	10
Lease Liabilities	110	64	54
Net Deferred Tax Liability	6	12	14
Total Liabilities	499	565	665

Cash Flow Statement (Rs cr)	FY24	FY25	FY26
Cash flow from Operating Activities	53	163	1,368
Cash flow from Investing Activities	(1)	(109)	(131)
Cash flow from Financing Activities	(66)	7	(45)
Free Cash Flow	30	49	1,242

RATIOS			
Particulars	FY24	FY25	FY26
Profitability			
Return on Assets	2.7%	8.5%	6.2%
Return on Capital Employed	14.7%	22.5%	30.6%
Return on Equity	6.5%	13.4%	22.2%
Margin Analysis			
EBITDA Margin	35.6%	42.9%	49.6%
Adj. Net Profit Margin	5.1%	15.4%	25.6%
Short-Term Liquidity			
Current Ratio (x)	1.8	2.4	1.2
Quick Ratio (x)	1.8	2.4	1.2
Avg. Days Sales Outstanding	154	145	128
Avg. Days Payables	46	51	60
Fixed asset turnover (x)	1.3	1.3	1.5
Debt-service coverage (x)	0.3	1.2	3.3
Long-Term Solvency			
Total Debt / Equity (x)	0.7	0.2	0.1
Interest Coverage Ratio (x)	1.7	4.3	15.2
Valuation Ratios*			
EV/EBITDA (x)	43.7	27.8	13.2
P/E (x)	293.4	77.3	35.7
P/B (x)	19.1	10.3	7.9
EV/Sales (x)	15.5	11.9	6.6
P/Sales (x)	15.0	11.9	9.1

**Valuation ratios are based on pre-issue capital at the upper price band*

Source: RHP, SBICAP Securities Research

SBICAP Securities Limited

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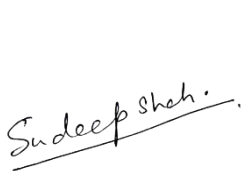
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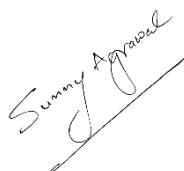
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