

ESDS Software Solution IPO

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- The company is an AI-enabled cloud managed services, data center infra and software solutions provider in India.
- Spectacular profits earned by the company from FY25 onwards raise eyebrows and concern over its sustainability.
- For FY26 it served 2501 customers and earned fabulous profits.
- Based on its recent average financial data, the issue appears aggressively priced.
- Well-informed investors can park funds for medium to long term, in this pricey issue.

About the Company

ESDS Software Solution Ltd. (ESSL) is an AI-enabled cloud, managed services, Data Centre infrastructure and software solutions provider in India. It is 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, ESSL is the largest in terms of revenue from operations in Fiscal 2026 (source: Nexdigm Report) with a revenue from operations of Rs. 472.21 cr. in Fiscal 2026.

The company offers 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 it to provide well architected cloud-adoption solutions to customers aimed at reducing their cost while providing security, flexibility, scalability and reliability. It is 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).

ESSL provides 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"). The company served 2501 customers in Fiscal 2026. As businesses undergo rapid digital transformation, the need for secure, high-performance, and cost-effective cloud solutions has become paramount. Enterprises require scalable infrastructure to handle growing workloads, while small and medium sized

businesses ("SMB") look for cost-efficient cloud adoption without heavy upfront investments.

Government bodies seek compliance-driven and secure cloud environments, and BFSI institutions demand high-availability architectures with stringent security standards. Cloud service providers bridge the identified gaps faced by businesses, enabling businesses to focus on their core operations, while cloud service providers handle the complexities of IT infrastructure management (source: Nexdigm Report).

On March 31, 2026, the Company has entered into a strategic AI cloud infrastructure agreement with an Australia-based neocloud AI compute service provider. As of June 30, 2026, it had 993 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO of worth Rs. 720.00 cr. (approx. 16783217 equity shares, at the upper cap). The company has announced a price band of Rs.408 – Rs. 429 per equity shares of Re. 1 each. The issue opens for subscription on August 28, 2026, and will close on September 01, 2026. The minimum application to be made is for 34 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 14.32% of the post-IPO paid-up equity capital. From the net proceeds of the equity issue, the company will utilize Rs. 576.00 cr. for purchase and installation of cloud computing and other equipment and infrastructure for relevant data center., and the rest for general corporate purposes.

The two joint Book Running Lead Managers (BRLMs) to this issue are DAM Capital Advisors Ltd., and Systematix Corporate Services Ltd., while MUFG Intime India Pvt. Ltd., is the registrar to the issue. Sharekhan Ltd., and Systematix Shares and Stocks (India) Ltd. are syndicate members.

After issuing/converting initial equity shares at par value, the company has issued further equity shares in the price range of Rs. 4.30 – Rs. 295.00 per share (on the basis of Re. 1 FV), between February 2015, and February 2025. It has also issued bonus shares in the ratio of 247 for 1 in September 2012. The average cost of acquisition of shares by the promoters is Rs. NIL, Rs. 0.08, and Rs. 0.15 per share.

Post-IPO, its current paid-up equity capital of Rs. 10.04 cr. (100427753 equity shares) will stand enhanced to Rs. 11.72 cr. (117210970 equity shares). Based on the upper cap of the price band, the company is looking for a market cap of Rs. 5028.35 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit, of Rs. 292.14 cr. / Rs. 13.61 cr. (FY24), Rs. 376.64 cr. / Rs. 55.61 cr. (FY25), and Rs. 480.65 cr. / Rs. 120.82 cr. (FY26). The company posted growth in its top and bottom lines for the reported periods. However, surging bottom lines from FY25 onwards raise eyebrows and concern over its sustainability going forward. Rising Trade Receivables, year-on-year

as well as its contingent liabilities of Rs. 55.17 cr. as of March 31, 2026, raise alarm.

For the last three fiscals, the company has posted an average EPS of Rs. 8.18 (basic) and an average RoNW of 17.09 %. The issue is priced at a P/BV of 8.15 based on its NAV of Rs. 52.66 as of March 31, 2026, and at a P/BV of 4.03 based on its post-IPO NAV of Rs. 106.54 per share at the upper cap.

If we attribute FY26 super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 41.61. Based on FY25 earnings, the P/E stands at 90.51. The issue appears aggressively priced based on its recent average performance.

For the reported periods, the company has reported PAT Margins of 4.75% (FY24), 15.39% (FY25), 25.59% (FY26), and RoCE margins of 14.53%, 24.73%, 32.78%, respectively, for the referred periods .

Dividend Policy

The company has not paid any dividends for the reported periods of the offer document. It has already adopted a dividend policy in August 2021, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown E2E Network, as its listed peer. It is currently trading at a P/E of 405 (as of Aug. 26, 2026). However, they are not truly comparable on an apple-to-apple basis. This comparison appears to be an eyewash.

Merchant Banker's Track Record

The two BRLMs associated with this offer have handled 23 issues in the last three years, out of which 8 issues closed below the issue price on listing date.

Conclusion / Investment Strategy

ESSL is an AI-enabled cloud managed services, data center infra and software solutions provider in India. Spectacular profits earned by the company from FY25 onwards raise eyebrows and concern over its sustainability. It is the largest among the only two players from India, providing cloud based services. For FY26 it served 2501 customers and earned fabulous profits. Based on its recent average financial data, the issue appears aggressively priced. Well-informed investors can park funds for medium to long term, in this pricey issue.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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