

ESDS Software Solution Ltd – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
28 August 2026	1 September 2026	₹408-429	Subscribe

Investment Summary

ESDS Software Solution Limited is an AI-enabled cloud, managed services, Data Centre infrastructure and software solutions provider, offering an integrated portfolio across IaaS, managed services and SaaS. The company is **one of only two players in India providing the entire spectrum of GPUaaS, cloud, managed services, Data Centre infrastructure and software solutions**, serving **2,501 customers in FY26** across BFSI, Government and enterprise segments. ESDS operates five Tier III Data Centres in India, supported by its proprietary SWARAJ Cloud platform and patented vertical autoscaling technology. In FY26, the company reported **revenue from operations of ₹472.21 Cr, EBITDA of ₹234.23 Cr and PAT of ₹120.82 Cr**, with EBITDA margin expanding to **49.60%** and **PAT margin improving to 25.59%**, reflecting strong operating profitability. The ₹720 Cr IPO is entirely a fresh issue, with ₹576 Cr proposed towards the purchase and installation of cloud computing equipment and infrastructure for Data Centres, supporting its expansion into AI and GPU-based computing. **A key growth catalyst is ESDS's strategic AI cloud infrastructure agreement with an Australia-based neocloud provider, carrying an aggregate potential contract value of approximately ₹11,831 Cr, with revenue generation expected to commence from Q3 FY27, subject to successful execution.** The company is also well positioned to benefit from increasing AI adoption, cloud migration, data localisation requirements and growing demand for domestic GPU infrastructure. Considering the company's strong profitability, differentiated integrated offerings, exposure to the rapidly growing AI and cloud infrastructure opportunity and potential near-term listing interest, **we recommend a Subscribe stance for listing gains.** Post listing, we would closely monitor the execution of its large AI infrastructure projects, conversion of the neocloud opportunity into actual revenues, capital expenditure intensity, competitive dynamics and the company's ability to sustain its growth and profitability.

Company Overview

ESDS Software Solution Limited is a cloud and AI-enabled technology solutions provider offering an integrated portfolio of cloud computing, managed services, Data Centre infrastructure and software solutions. The company provides services across Infrastructure-as-a-Service (IaaS), Software-as-a-Service (SaaS), managed services and Data Centre operations, catering to customers across sectors including BFSI, Government and enterprises. ESDS has developed its proprietary SWARAJ Cloud platform, supported by patented vertical autoscaling technology, enabling it to offer scalable cloud infrastructure solutions. The company operates five Tier III Data Centres in India and served 2,501 customers in FY26. ESDS is positioned to benefit from the increasing adoption of cloud computing, artificial intelligence, GPU-based computing, digital transformation and data localisation requirements in India. The company is also expanding its AI cloud infrastructure capabilities, including through a strategic agreement with an Australia-based neocloud provider, with significant potential contract value subject to successful execution. Leveraging its integrated technology offerings, proprietary platforms and expanding infrastructure capabilities, ESDS is positioned to participate in the growing demand for domestic cloud and AI infrastructure solutions.

Business Model

ESDS Software Solution Limited operates an integrated technology and digital infrastructure business model, providing cloud computing, managed services, Data Centre infrastructure and software solutions to enterprises and government customers. The company generates revenue through its offerings across Infrastructure-as-a-Service (IaaS), managed services and Software-as-a-Service (SaaS), supported by its Data Centre infrastructure and proprietary technology platforms. Its cloud solutions are delivered through its SWARAJ Cloud platform, while its technology capabilities include patented vertical autoscaling solutions designed to optimise computing resources based on customer requirements. The company operates five Tier III Data Centres in India, which form the backbone of its cloud and managed services operations. ESDS serves customers across sectors including BFSI, Government and enterprises, with a focus on providing integrated and scalable technology solutions. The company is also expanding

its capabilities in AI and GPU-based cloud infrastructure, positioning it to address the increasing demand for high-performance computing and AI workloads. Going forward, ESDS intends to leverage its existing infrastructure, expand its cloud and Data Centre capabilities and capitalise on growing demand for cloud migration, AI computing and digital transformation solutions in India and international markets.

Investment Rationale

Integrated Cloud and Digital Infrastructure Platform: ESDS offers an integrated portfolio of cloud computing, managed services, Data Centre infrastructure and software solutions. Its presence across **IaaS**, SaaS and managed services, supported by proprietary technology platforms, enables it to address diverse customer requirements across enterprises and government organizations.

Established Data Centre Infrastructure and Customer Base: The company operates five Tier III Data Centres in India and served 2,501 customers in FY26. Its established infrastructure and diversified customer base provide a foundation for recurring demand for cloud, managed services and digital infrastructure solutions.

Strong Financial Growth and Profitability: ESDS reported FY26 revenue from operations of ₹472.21 Cr, EBITDA of ₹234.23 Cr and PAT of ₹120.82 Cr. The company recorded an EBITDA margin of 49.60% and PAT margin of 25.59%, reflecting strong operating profitability and improvement in its financial performance.

Significant AI and GPU Cloud Growth Opportunity: The company is expanding its presence in AI-enabled cloud and GPU-based computing infrastructure. Its strategic agreement with an Australia-based neocloud provider, with an aggregate potential contract value of approximately ₹11,831 Cr, represents a significant growth opportunity, subject to successful execution.

Favorable Industry Tailwinds and Capacity Expansion: Rising adoption of AI, cloud computing, digital transformation and data localisation is expected to support demand for domestic cloud and Data Centre infrastructure. The ₹720 Cr fresh issue, including ₹576 Cr towards cloud computing equipment and infrastructure, is expected to strengthen ESDS's infrastructure capabilities and support future growth.

Key Risk Factors

Technology Obsolescence and Need for Continuous Innovation: ESDS operates in a rapidly evolving cloud and technology environment, requiring continuous investment in new technologies and infrastructure. Failure to innovate, adapt to evolving industry standards or upgrade its cloud infrastructure could adversely affect customer adoption, competitiveness and future growth.

Customer and Revenue Concentration: The company has meaningful dependence on a limited set of customers, with its top client and top 10 clients contributing 15.93% and 45.36%, respectively, of FY26 revenue from operations. Any loss of, or reduction in business from, these customers could adversely impact revenue, profitability and cash flows.

Data Centre Operations and Service Disruption Risk: ESDS operates multiple Data Centres, and any interruption arising from equipment failures, overheating, natural disasters, power or network disruptions could affect a large number of customers. Prolonged downtime may result in contractual penalties, reputational damage, customer attrition and additional infrastructure costs.

Execution Risk from Expansion and Large AI Commitments: The company is undertaking significant infrastructure expansion and has entered into a strategic AI cloud infrastructure agreement with an Australia-based provider with a stated total contract value of approximately USD 1.25 billion. The company may face execution and capital expenditure risks, and there can be no assurance that the anticipated benefits or returns from such initiatives will materialise within expected timelines.

Dependence on Technology Partners and Suppliers: ESDS relies on technology and business collaboration partners, as well as key suppliers, for critical aspects of its infrastructure and service delivery. Any disruption in these relationships,

termination of contracts or inability to replace key suppliers could adversely affect service capabilities, revenue and operations.

International and Regulatory Exposure: With overseas customers and operations, ESDS remains exposed to foreign exchange fluctuations, geopolitical tensions, trade barriers and changing regulatory requirements. Its growing international business could therefore face additional compliance and operational risks.

Financial Snapshot

Metric	FY24	FY25	In Cr FY26
Revenue from Operations	286.52	361.34	472.21
EBITDA	101.88	154.89	234.23
EBITDA Margin	35.56%	42.86%	49.60%
Profit After Tax (PAT)	13.61	55.61	120.82
PAT Margin	4.75%	15.39%	25.59%
Basic EPS (₹)	1.35	5.54	12.03

IPO Details and Use of Proceeds

Parameter	Details
Issuer	ESDS Software Solution Limited
IPO Issue Size	1,67,83,216 shares (agg. up to ₹720 Cr) Fresh Issue 1,67,83,216 shares (agg. up to ₹720 Cr)
Price Band	₹408 – ₹429 per share
Face Value	₹1 per share
IPO Opening Date	28 August 2026
IPO Closing Date	1 September 2026
Listing	NSE / BSE
Promoter Holding (Pre/Post)	Pre-IPO: ~46.06% → Post-IPO: ~39.47%
Book Running Lead Managers	DAM Capital Advisors Limited, Systematix Corporate Services Limited.
Use of Proceeds	₹576 Cr towards purchase and installation of cloud computing and other equipment and infrastructure for Data Centres - General Corporate Purposes

Valuation and Outlook

At the upper price band of **₹429**, ESDS Software Solution is valued at a **P/E of ~41.65x** based on its **FY26 post-issue EPS of ₹10.30**, implying a **post-issue market capitalization of approximately ₹5,028 Cr**. The valuation is at a discount to its listed peer E2E Networks Limited, supporting the attractiveness of the issue from a relative valuation perspective. Considering the company's strong financial performance and growth prospects in the cloud and data centre infrastructure space, we recommend a **Subscribe stance for potential listing gains**, while continuing to monitor the company's execution of its expansion plans, growth trajectory and overall financial performance.

Disclaimer

This information/document has been prepared by Mangal Keshav Financial Services LLP (MANGAL KESHAV) and is intended for use only by the person or entity to which it is addressed. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/document is subject to changes without prior notice.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. MANGAL KESHAV will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and MANGAL KESHAV has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavor to update the information herein on a reasonable basis, MANGAL KESHAV, its subsidiaries, and associated companies, their directors and employees ("MANGAL KESHAV and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent MANGAL KESHAV and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information.

Clients should read the Risk Disclosure Document issued by SEBI and relevant exchanges, and the Terms & Conditions on the Mangal Keshav website.

Registration and Contact Details: Name of Research Analyst - Mangal Keshav Financial Services LLP, Research Analyst
Registration No.: INH000018319.

LLPIN: AAM-3358

Registered Office: 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.
Correspondence/Administrative Office Address - 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.

TEL: 022 61907900