ESDS Software solutions

28th August, 2026

IPO NOTE

Recommendation	Subscribe
Price Band	Rs 408- Rs 429
Bidding Date	28-August-26 to 01-September-26
Book Running Lead Manager	Dam Capital Advisors
Registrar	MUFG Intime
Sector	Data centre and cloud computing

Minimum Retail Application- Detail At Cut off Price	
Number of Shares	34
Minimum Application Money	Rs. 14586
Payment Mode	ASBA

Consolidated Financials (Rs Cr)	FY25	FY26
Total Income	361	472
Adj EBITDA	155	234
Adj PAT	56	121

Valuations (FY25)	Upper Band
Market Cap (Rs Cr)	5,028
Adj EPS	10
PE	41.8
EV/ EBITDA (x)	21.5
Enterprise Value (Rs Cr)	5028

Post Issue Shareholding Pattern	
Public investors	60.5%
Institutions + Employees	39.5%

Offer structure for different categories	
QIB (Including Mutual Fund)	50%
Non-Institutional	15%
Retail	35%
Post Issue Equity (Rs. in Cr)	11.7
Issue Size (Rs in Cr)	720
Face Value (Rs)	1

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BACKGROUND

ESDS Software Solution is an AI-enabled technology infrastructure company. Its offerings are broadly classified into three segments: (a) Infrastructure-as-a-Service (IaaS) which comprises of colocation, data centre and cloud computing services; (b) Managed Services; and (c) Software-as-a-Service (SaaS). In FY26, 44% of the revenue cam from IaaS, 41% came from managed services and 15% came from SaaS.

Objects and Details of the Issue: The public issue comprises an entirely Fresh Issue of Rs 720 Cr, with no Offer for Sale. Rs 576 cr of net proceeds shall be utilized towards Purchase and installation of cloud computing equipment and remaining for General corporate purposes.

Investment Rationale

1. Asset-Light & Scalable Business Model
2. Strong Growth with Significant Margin Expansion
3. Large AI Infrastructure Deal with Sharon AI
4. Strong Exposure to Sovereign Cloud & Regulated Customers

Risks

- Despite the asset-light model, ESDS still requires significant capex for servers, GPUs and other data-centre equipment as it expands capacity.
- Intense Competition & Technology Risk.
- High Customer Concentration

Valuation and Recommendation

ESDS is a high-growth, profitable cloud and data-centre infrastructure company, with strong exposure to cloud computing, GPU-as-a-Service and the emerging AI infrastructure. Revenues have grown at a CAGR of ~28% during FY24–26, while EBITDA margin expanded significantly to ~50% in FY26. At the upper price band of Rs. 429, ESDS is seeking a post-issue market capitalization of ~Rs. 5,028 cr, implying ~41.6x FY26 P/E and ~21.5x EV/EBITDA. Its strong financials and strategic AI cloud infrastructure agreement with Sharon AI offsets the risk associated with this IPO like high customer concentration and intense competition and technology risk. We are giving a **Subscribe** rating to this IPO.

Financials	FY24	FY25	FY26
Net Revenues	287	361	472
Growth (%)	38%	26%	31%
EBITDA	102	155	234
EBITDA (Margin %)	36%	43%	50%
PBT	22	83	167
Adjusted PAT	13	56	120
EPS	1.1	4.7	10.3
ROCE	13%	19%	29%
EV/Sales	17.5	13.9	10.6
EV/EBITDA	49.4	32.5	21.5
P/E	400.0	34.7	41.8

Company Background

ESDS Software Solution Ltd. is a cloud, data centre and managed services company providing cloud computing, data centre infrastructure, cybersecurity, managed IT services and SaaS solutions to enterprises, government organisations and BFSI customers. Its offerings include public, private, hybrid and community cloud solutions, along with GPU-as-a-Service (GPUaaS).

ESDS – Key Service Offerings

Infrastructure-as-a-Service (IaaS):

ESDS provides customers with cloud-based computing infrastructure, including compute, storage, networking and GPU resources, enabling them to access IT infrastructure without making significant investments in their own hardware.

Managed Services:

ESDS manages and operates customers' IT and cloud infrastructure, including cloud management, data-centre operations, cybersecurity, backup and disaster recovery, IT infrastructure management and DevOps. This enables customers to outsource their IT infrastructure management to ESDS.

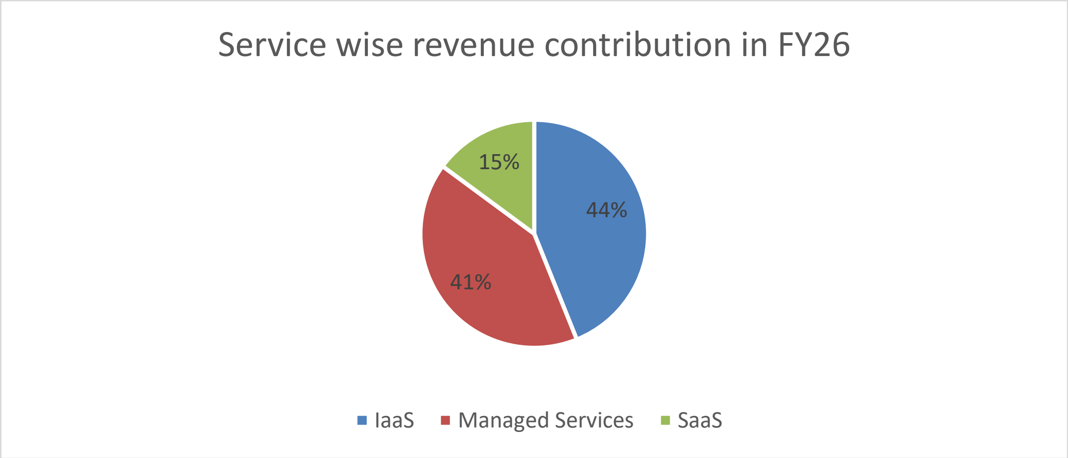
Software-as-a-Service (SaaS):

ESDS provides ready-to-use software applications over the cloud, allowing customers to access software without having to install, maintain or manage the underlying infrastructure themselves.

In simple terms:

IaaS provides the infrastructure → Managed Services manages the infrastructure → SaaS provides the software/application.

ESDS – Service wise revenue contribution in FY26



Source: NBRR

Investment Rationale

Asset-Light & Scalable Business Model

ESDS follows an asset-light data centre model, where it operates certain data centres through leased/licensed premises and partnerships rather than having to invest heavily in owning land and constructing the entire data-centre facility. Its partnership with STPI enables ESDS to establish and operate data centres on premises allocated by STPI, while the company primarily invests in the computing hardware, servers, storage, networking and related technology infrastructure. This allows ESDS to expand its data-center footprint without committing the same level of capital towards land and buildings as a traditional owner-operated data-centre model.

The model also provides greater flexibility to scale capacity based on customer demand. ESDS had five operational data centres as of FY26, compared with four in FY24 and FY25. The company is also expanding its infrastructure to support growing demand for cloud computing and AI workloads. Importantly, however, the asset-light model should not be interpreted as a capex-light model, as the company still needs to make significant investments in servers, GPUs, storage and networking equipment as it scales. The key advantage is that capital can be directed primarily towards revenue-generating technology infrastructure rather than being locked into land and buildings, enabling ESDS to scale its capacity with greater flexibility.

Large AI Infrastructure Deal with Sharon AI

The Sharon AI agreement represents one of the most significant growth opportunities for ESDS and could materially change the scale of its AI infrastructure business. ESDS has entered into a strategic AI cloud infrastructure agreement with an Australia-based neocloud AI compute service provider for an initial period of five years, with an option to extend by a further two years. The agreement has an aggregate contract value of approximately US$1.25 billion.

Under the arrangement, ESDS is expected to deploy and operate a dedicated AI infrastructure cluster comprising approximately 8,208 NVIDIA B300 GPUs, along with associated storage infrastructure, within an existing data-centre facility in Australia. Delivery of the infrastructure is targeted for September 2026, with revenue expected to commence from Q3 FY27.

The scale of the contract is particularly significant when compared with ESDS's current business size. ESDS generated revenue of ₹472.2 Cr in FY26, whereas the Sharon AI agreement has a stated aggregate contract value of approximately US$1.25 billion and has significant revenue potential. If successfully executed, the contract could therefore provide a substantial new revenue opportunity and accelerate ESDS's transition towards AI/GPU infrastructure.

Strong Exposure to Sovereign Cloud & Regulated Customers

ESDS has developed a strong presence among government and BFSI customers, where data security, data localisation, regulatory compliance and high availability are particularly important. The company provides specialised community cloud offerings for regulated customers, including its Government Community Cloud and BFSI Community Cloud, which are designed to address the specific security and compliance requirements of these segments.

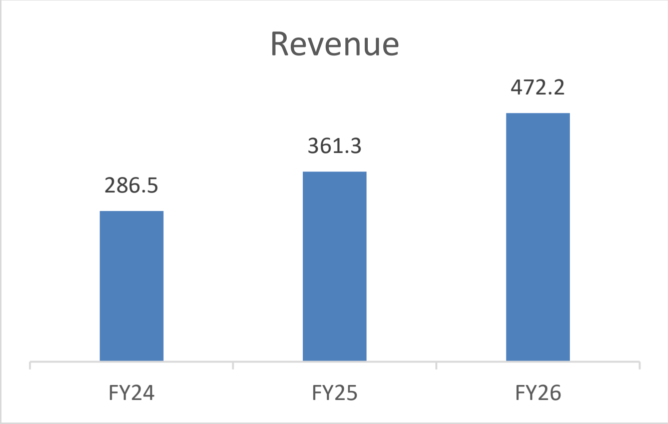
As of June 2026, ESDS had 115 banks and financial institutions using its BFSI community cloud and 104 government clients using its government community cloud. Its customer base also includes enterprises using its SAP HANA community cloud and Smart Cities-related solutions. This provides ESDS with exposure to customers for whom cloud infrastructure is not simply a question of price, but also involves security, compliance, data residency and reliability.

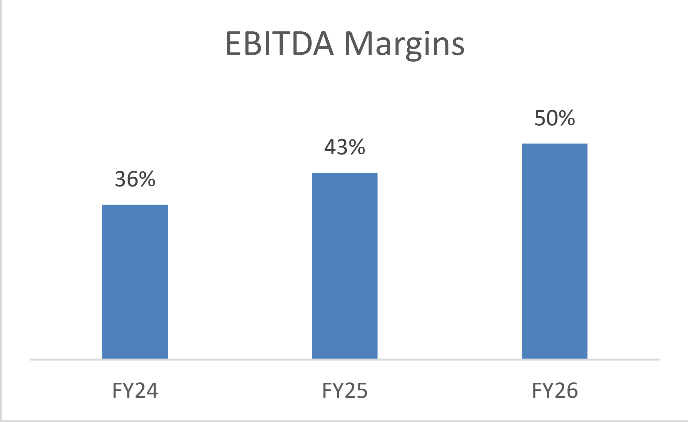
Strong Growth with Significant Margin Expansion

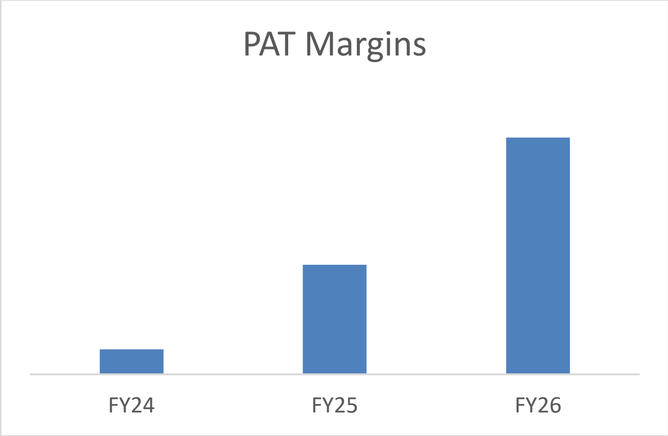
ESDS has demonstrated strong growth in both revenue and profitability, with revenue from operations increasing from ₹286.5 Cr in FY24 to ₹361.3 Cr in FY25 and ₹472.2 Cr in FY26, implying a CAGR of approximately 28% during FY24–FY26. More importantly, the company has been able to achieve this growth while significantly improving its profitability.

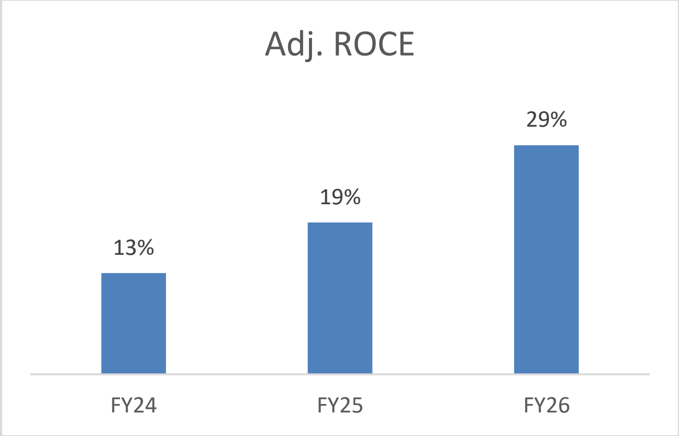
EBITDA increased from ₹101.9 Cr in FY24 to ₹154.9 Cr in FY25 and ₹234.2 Cr in FY26, resulting in EBITDA margin expansion from 35.6% to 42.9% and 49.6%, respectively. PAT increased even faster, from ₹13.6 Cr in FY24 to ₹55.6 Cr in FY25 and ₹120.8 Cr in FY26, with PAT margin expanding from 4.8% to 25.6% over the same period.

The sharp improvement in margins indicates the presence of operating leverage in the business, as the company's existing technology platform and infrastructure can support additional revenue without a proportionate increase in operating expenses..









Source: NBRR

Valuation and Recommendation

ESDS is a high-growth, profitable cloud and data-centre infrastructure company, with strong exposure to cloud computing, GPU-as-a-Service and the emerging AI infrastructure. Revenues have grown at a CAGR of ~28% during FY24–26, while EBITDA margin expanded significantly to ~50% in FY26. At the upper price band of Rs. 429, ESDS is seeking a post-issue market capitalization of ~Rs. 5,028 cr, implying ~41.6x FY26 P/E and ~21.5x EV/EBITDA. EV/EBITDA is also lower vs the peer (E2E networks). Its strong financials and strategic AI cloud infrastructure agreement with Sharon AI offsets the risk associated with this IPO like high customer concentration and intense competition and technology risk.

Peer Competition

FY26	E2E Networks	ESDS
Revenue (In cr.)	246	472
CAGR (FY24-26)	61.8%	28%
EBITDA Margin	51.4%	49.6%
Asset Turns (x)	0.1	0.2
Wkg Cap Days	153	163
ROCE	-2.4%	29.1%
ROE	-1.3%	22.1%
Debt/Equity	0.1	0.1
EV/EBITDA	95.8	21.5
P/E	-76.9	41.8

Financials

P&L (Rs. Cr)	FY24	FY25	FY26	Balance Sheet (Rs. Cr)	FY24	FY25	FY26
Net Revenue	**286.5**	**361.3**	**472.2**	Equity Share Capital	9.3	10.0	10.0
% Growth	*38%*	*26%*	*31%*	Other Equity	216.6	407.5	533.6
				Non controlling interest	0.6	0.0	0.5
Employee Cost	85.1	94.1	104.4	**Networth (Exc. Non Controlling)**	**225.9**	**417.6**	**543.7**
% of Revenue	*30%*	*26%*	*22%*	**Total Loans**	**149.0**	**62.7**	**42.9**
Other expenses	99.6	112.3	133.6	Non-current Provisions	13.3	20.956	24.0
EBITDA	101.9	154.9	234.2	Trade payable	23.3	29.0	38.9
EBITDA Margin	*36%*	*43%*	*50%*	**Other Current Liab**	25.8	61.6	1,234.4
Depreciation	52.6	62.2	63.5	Other current liabilities	10.8	14.5	1,195.7
Other Income	5.6	15.3	8.4	Other financial liabilities	10.1	39.5	12.7
Interest (Finance cost)	31.6	25.2	11.8	Emeployee benefit obligations	4.812	7.679	25.978
Exceptional Item	1.1	0.1	0.0	**Total Equity & Liab.**	**547.7**	**656.0**	**1,937.9**
PBT	**22.3**	**82.6**	**167.4**	Property, Plant and Equipment	218.1	285.0	316.4
PBT Margin	*8%*	*23%*	*35%*	Other intangible assets (incl. Goodwill)	4.8	1.3	17.0
Share of profit / (Loss) of a	0.0	0.0	0.0	Right-of-use assets	99.5	66.2	58.4
Tax	8.7	27.0	46.6	Non Currrent Financial assets	14.4	24.9	25.6
Tax rate	0.4	0.3	0.3	Other financial assets, investments	14.4	24.9	25.6
Adj PAT	**13.6**	**55.6**	**120.8**	Other non Curr. Assets	2.5	7.8	6.3
Profit of equity holders of	12.6	55.6	120.3	cash and cash equivalents	2.2	60.7	1,253.4
	0.9	1.0	1.0	Trade receivables(debtor)	120.5	143.5	165.5
PAT Margin	5%	15%	26%	Loans	0.0	0.0	0.0
PAT margins (equity holder	4%	15%	25%	Other financial assets	53.5	36.7	45.6
% Growth		309%	117%	Other Current assets	32.2	29.9	49.6
EPS (Post Issue)	1.1	4.7	10.3	**Total Assets**	**547.7**	**656.0**	**1,937.9**

Ratios & Others	FY24	FY25	FY26
Debt / Equity	0.7	0.2	0.1
EBITDA Margin (%)	36%	43%	50%
PAT Margin (%)	4%	15%	25%
Adj ROE (%)	6%	13%	22%
Adj ROCE (%)	13%	19%	29%

Turnover Ratios	FY24	FY25	FY26
Debtors Days	153.5	144.9	127.9
Creditor Days	29.7	29.3	30.1
Asset Turnover (x)	0.5	0.6	0.2
Working capital cycle	124	116	98

Valuation Ratios	FY24	FY25	FY26
Price/Earnings (x)	400.0	35	41.8
EV/ EBITDA (x)	49.4	32.5	21.5
EV/Sales (x)	17.5	13.9	10.6

Cash Flow (Rs. Cr)	FY24	FY25	FY26
Profit Before Tax	22.3	82.6	167.4
Depreciation, finance cost & other non-cash	86.2	83.6	74.8
Op. profit before WC	**108.5**	**166.2**	**242.2**
Change in WC	(63.4)	0.6	1,149.5
Less: Tax	7.9	(4.2)	(24.0)
CF from operations	**53.0**	**162.6**	**1,367.7**
Purchase of PPE	(23.0)	(113.4)	(125.9)
Proceeds from sale of PPE	0.0	0.2	0.7
Investments in fixed deposits with banks	18.1	0.0	(11.0)
Interest income received	3.5	3.9	5.0
CF from Investing	**(1.4)**	**(109.3)**	**(131.2)**
Equity & share transactions, net	0.0	132.8	0.0
Borrowings, net (LT + ST)	(16.3)	(86.3)	(19.8)
Principal repayment of lease liabilities	(27.8)	(22.7)	(19.6)
Finance cost paid (incl. interest on lease)	(22.4)	(16.3)	(5.4)
CF from Financing	**(66.4)**	**7.4**	**(44.7)**
Net Change in cash	**(14.8)**	**60.7**	**1,191.8**
Cash & Bank at beginning	16.9	2.2	60.7
Exchange difference	0.2	(2.3)	0.9
Cash & Bank at end	2.2	60.7	1,253.4

Source: Company Data, NBRR

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