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ESDS SOFTWARE SOLUTIONS LTD

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IPO Report

29th Aug 26

Snapshot

Company is an AI-enabled cloud, managed services, Data Centre infrastructure and software solutions provider in India. Company 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. Further, among the two, company is the largest in terms of revenue from operations in Fiscal 2026 with a revenue from operations of ₹4,722.10 million in Fiscal 2026. Company offer 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 company to provide well architected cloud-adoption solutions to its customers aimed at reducing their cost while providing security, flexibility, scalability and reliability.

VALUATION

Company is bringing the issue at price band of Rs 408-429 per share at p/e multiple of 42x on post issue FY26 basis.
Company is an AI enabled cloud, managed services, Data Centre infrastructure and software solutions provider in India & has comprehensive Security-as-a-Service (SECaaS) framework enables businesses to proactively manage threats and achieve robust security and compliance objectives.with long-term relationships with well-established banks and other businesses. Hence, we recommend “Subscribe” to issue.

Price Band (Rs./Share)	**408-429**
Opening date of the issue	**28th Aug ‘2026**
Closing Date of the issue	**01st Sept ’2026**
No of shares pre issue	10,04,27,753 Eq Shares
Issue Size	Rs 720 Cr
Fresh Issue	Rs 720 Cr
Face Value (Rs/ share)	Rs 1/share
Bid Lot	34
BIDDING DETAILS	
QIBs (Including Anchor)	50% of the offer (Approx 83,91,607 eq Shares)
Non-Institutional	15% of the offer (Approx 25,17,483 eq Shares)
Retail	35% of the offer (Approx 58,74,126 eq Shares)
Lead managers	DAM Capital, Systematix Corporate Services
Registrar to the issue	MUFG Intime India Pvt Ltd

WHAT WE LIKE

Company is a leading player offering end-to-end cloud, managed services, Data Centre infrastructure and software solutions in India

Among the Indian players, company was one of the early adopters of cloud technology in India, establishing its first Data Centre in Nashik, Maharashtra during 2010 and launching cloud services in 2011 (which was launched as eNLight Cloud and rebranded as SWARAJ Cloud) Recognising the need for holistic solutions, company introduced end-to-end offerings integrating infrastructure, managed services, and application support.

Company’s comprehensive Security-as-a-Service (SECaaS) framework enables businesses to proactively manage threats and achieve robust security and compliance objectives

With more than 123 customers onboarded across more than 7,175 devices as at June 30, 2026, company’s security information and event management (“**SIEM**”) programs analysed more than 5,143 security alerts in the period from January 1, 2026 to June 30, 2026. The SIEM team investigated more than 0.63 million alerts, raising 360 critical security advisories, preventing potential security breaches, and ensuring proactive threat management in the period from January 1, 2026 to June 30, 2026.

Strong Government Partnerships and Policy Advocacy

The Digital Personal Data Protection Act, 2023 ensures that personal data is processed in a manner that recognises the rights of individuals to protect their personal data while allowing for the processing of such personal data for lawful purposes. Apart from this, Reserve Bank of India (RBI) has introduced mandates for the BFSI sector, requiring all payments data to be stored in India, except in cases of banks, specifically foreign banks which are allowed to store banking data abroad, for cross border payment transactions.

COMPANY BACKGROUND

Company was 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.
Company provide its 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"). Company served 2,501 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.
On March 31, 2026, Company has entered into a strategic AI cloud infrastructure agreement with an Australia-based neocloud AI compute service provider. The agreement is for an initial term of five years, with an option to extend for a further two years, aggregating to a total contract value of approximately USD 1,250 million (equivalent to ₹118,312.50 million at an exchange rate of USD 1 = ₹94.65, which was the exchange rate as at March 31, 2026 *(*source: www.rbi.org.in*)*). Pursuant to this agreement, the AI company is required to deploy and operate a dedicated AI infrastructure cluster within an existing data centre facility in Australia. This cluster will comprise approximately 8,208 NVIDIA B300 GPUs, along with associated storage infrastructure. Delivery of such infrastructure is targeted for completion by September 2026, and revenue generation under the agreement is expected to commence in the third quarter of Fiscal 2027. The agreement provides for service fees payable on a monthly basis. This partnership is aimed at strengthening Company's access to dedicated, high-performance AI compute capacity to support its cloud and managed services offerings.
Company's number of customers increased from 1,465 to 2,501 from Fiscal 2024 to Fiscal 2026, reflecting a CAGR of 30.66%. Company have assessed the growth in its number of customers to be gradual, without steep increments year on- year, reflecting a balanced approach where new customer acquisitions have been offset by a strategic shift in Company's customer mix. Company have focused on customers with higher service requirements, leading to a reduction in smaller accounts, which has allowed company to concentrate on higher-value engagements. This approach has resulted in an increase in its average revenue per customer in Fiscal 2025, growing from ₹1.96 million in Fiscal 2024 to ₹2.11 million in Fiscal 2025. However, this metric subsequently decreased to ₹1.89 million in Fiscal 2026, primarily driven by a dilution effect from the rapid acquisition of new customers. Unlike Fiscal 2025, where customer growth was accompanied by a reduction in lower-value accounts, creating a favourable shift in customer mix, the addition of 787 customers in Fiscal 2026 primarily comprised accounts in their early stages of engagement. Because these new cohorts had not yet scaled to their full revenue potential, the dilutive effect of onboarding this larger volume of new customers temporarily outweighed the mix benefits achieved in the prior fiscal year.

OBJECTS OF OFFER

The Issue comprises a fresh issue of Equity Shares of face value of ₹ 1 each, of Company, aggregating up to ₹ 7,200.00 million ("Gross Proceeds"), subject to finalization of Basis of Allotment..
Requirement of funds
Company proposes to utilize the Net Proceeds towards funding the following objects (collectively, referred to as the "Objects"):
1. Purchase and installation of cloud computing and other equipment and infrastructure for company's Relevant Data Centres; and
2. General corporate purposes

RISKS

If company fail to innovate in response to new technological changes and technological innovations, or adapt to technological developments or evolving industry standards, company's business, financial condition, and results of operations could be adversely affected.

Source:RHP

Consolidated Financials **(Rs in Mn)**

Financials	FY24	FY25	FY26
Total Revenue (A)	2865.18	3613.35	4722.10
Total Expenditure (B)	1846.37	2064.5	2379.76
EBIDTA	1018.81	1548.85	2342.34
EBIDTA Margin	35.56	42.86	49.60
Other Income	56.18	153.06	84.42
Depreciation	525.52	622.06	634.63
EBIT	549.47	1079.85	1792.13
Interest	315.74	252.49	117.92
PBT	233.73	827.36	1674.21
Share of profit in Asso	0.00	0.00	0.00
PBIT	233.73	827.36	1674.21
Exceptional	10.74	1.41	0.00
PBT	222.99	825.95	1674.21
Tax	86.90	269.83	466.00
PAT	136.09	556.12	1208.21
NPM	4.75	15.39	25.59
ROE%	6.59	13.71	22.85
EPS	1.35	5.83	12.03
Eq Cap	92.89	100.43	100.43
Net Worth	2,265.11	4,175.83	5,441.99

(Source: RHP)

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