ESDS Software Solution Ltd

IPO NOTE | 27th August,2026

Canara Bank Securities Ltd
canmoney.in

ABOUT THE COMPANY: Incorporated in August 2005, ESDS Software Solution Limited is an AI-enabled provider of cloud, managed services, Data Centre infrastructure and software solutions in India. The Company offers an end-to-end portfolio comprising Infrastructure-as-a-Service (IaaS), managed services and Software-as-a-Service (SaaS), serving customers across BFSI, Government and enterprise segments. In Fiscal 2026, the Company served 2,501 customers and reported revenue from operations of ₹4,72.21 crores.

KEY BUSINESS INSIGHTS: Many people get confused and think the company just rents out data center storage. The management explained they actually give complete solutions. They provide the server infrastructure, manage it (like cybersecurity and databases), and also sell their own software. They run all this on their own patented cloud system called "Swaraj". The company has a massive new contract with an Australian partner called Sharon AI to get 8,200 GPUs for AI work. They are paying $1.25 billion over 5 years for this, but they already have a customer who signed a bigger contract with them, so they will make a solid profit. This big project will start showing in their financial numbers from Q3 of this year. For most of their big projects, they don't want to buy expensive machines and put a lot of debt on their balance sheet. Instead, partners buy the equipment, ESDS leases it and loads their "Swaraj" cloud on top, and then subleases it to the final customer. This keeps their risk low and their return on capital very high. Even without the massive new GPU project, their standard business in India is growing fast, about 40% to 50% year-on-year. Their operating profit margins are very high, around 45% to 50%, because their costs are not rising as fast as their revenue. They are raising ₹720 crores through this IPO. They plan to use ₹576 crores of this to buy their own servers, storage, and network devices to expand their data centers in Bangalore, Mumbai, and Nashik.

OUR VIEW: The company has their own patented cloud software called Swaraj which helps them stand out because it scales automatically to save costs for their clients. They do not just rent server space; they provide the whole package including cloud services, managed services, and software. Because they solve the entire business problem, their customers are super loyal and stay with them for many years. The company has a very smart "Asset-Light" business model. Their partners buy super expensive hardware and then ESDS leases the hardware, puts their Swaraj software on top, and leases it to the final customer. They secured a huge international contract with an Australian partner to get a lot of GPUs for AI workloads. Before signing with the supplier, they already locked in customers who will pay them a higher rate, guaranteeing a solid profit margin. Their regular business in India is growing fast, and they have successfully cleared almost all of their debt over the past few years. Their profits are also very high because their revenues are growing much faster than their costs. All these reasons above warrant a **"Subscribe"** rating. Hence, we recommend investors to apply in this IPO for the long term.

ISSUE DETAILS	
Price Band (in ₹ per share)	408-429
Issue size (in ₹ Crore)	720.00
Fresh Issue (in ₹ Crore)	720.00
Offer for Sale (in ₹ Crore)	0.00
Issue Open Date	28-08-2026
Issue Close Date	01-09-2026
Tentative Date of Allotment	02-09-2026
Tentative Date of Listing	04-09-2026
Total Number of Shares (in lakhs)	167.83
Face Value (in ₹)	1.00
Exchanges to be Listed on	BSE & NSE

APPLICATION	LOTS	SHARES	AMOUNT (₹)
Retail (Min)	1	34	₹14,586
Retail (Max)	13	442	₹1,89,618
S-HNI (Min)	14	476	₹2,04,204
S-HNI (Max)	68	2,312	₹9,91,848
B-HNI (Min)	69	2,346	₹10,06,434

BRLMs: DAM Capital Advisors Limited, Systematix Corporate Services Limited

PROMOTERS: PIYUSH PRAKASHCHANDRA SOMANI, KOMAL PIYUSH SOMANI AND P.O. SOMANI FAMILY TRUST

BRIEF FINANCIALS

PARTICULARS (Rs. Cr)*	FY26	FY25	FY24
Share Capital	10.04	10.04	9.29
Net Worth	528.81	405.55	206.36
Revenue from Operations	472.21	361.34	286.52
EBITDA	234.23	154.89	101.88
EBITDA Margin (%)	49.60	42.86	35.56
Profit/(Loss) After Tax	120.82	55.61	13.61
EPS (in Rs.)	12.03	5.83	1.35
Net Asset Value (in Rs.)	52.66	40.38	22.21
Total borrowings	42.92	62.71	149.04
P/E#	35.66	NA	NA
P/B#	8.15	NA	NA

**** Restated consolidated financials; #Calculated at upper price band.***

Source: RHP

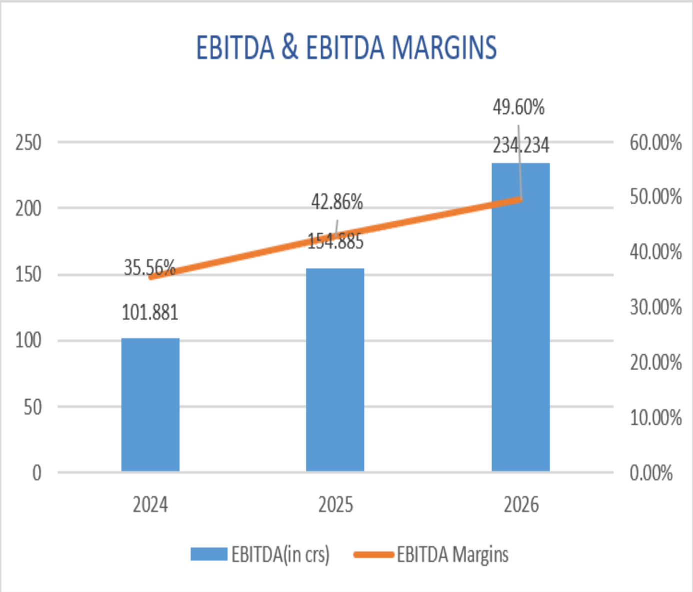
FINANCIAL STATEMENTS

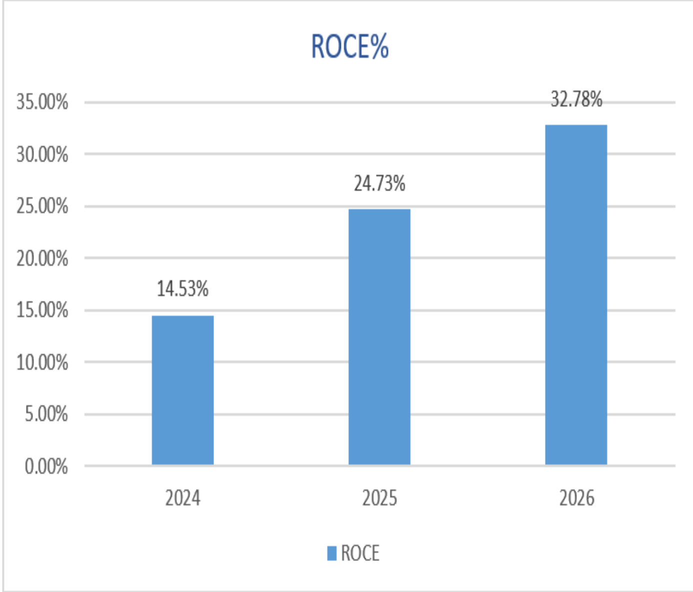
Particulars	FY2024	FY2025	FY2026
I.Income			
Revenue from Operations	286.52	361.34	472.21
Other income	5.62	15.31	8.44
Total income	**292.14**	**376.65**	**480.65**
II.Expenses			
Employee benefits expense	85.07	94.13	104.42
Employee Benefit Expenses as a % Revenue	29.69%	26.05%	22.11%
Other expenses	99.57	112.32	133.56
Other Expenses as a % Revenue	34.75%	31.08%	28.28%
Total expenses	**184.64**	**206.45**	**237.98**
EBITDA	**101.88**	**154.89**	**234.23**
EBITDA Margins	**35.6%**	**42.9%**	**49.6%**
Less			
Depreciation and amortisation expense	52.55	62.21	63.46
EBIT	**49.33**	**92.68**	**170.77**
EBIT Margins	**17%**	**25%**	**36%**
Less			
Finance cost	31.57	25.25	11.79
Profit before share of profit of joint venture, exceptional item and income tax	23.37	82.74	167.42
Exceptional Item (Impact of Labour Codes)	1.07	0.14	0.00
Share of profit/(loss) of joint venture, net of tax	0.00	0.00	0.00
III.Profit from continuing operations before tax(PBT)	**22.30**	**82.60**	**167.42**
IV.Tax Expense			
Current tax	0.91	24.56	43.27
Current tax relating to prior years	0.44	-7.39	3.64
Deferred tax	7.35	9.82	-0.30
Total tax expenses	**8.70**	**26.99**	**46.61**
V.Profit for the year / Profit After Tax (PAT)	**13.60**	**55.61**	**120.81**
PAT Margins	**5%**	**15%**	**25%**
VI.EPS			
Basic	12.03	5.83	1.35
Diluted	11.81	5.71	1.35

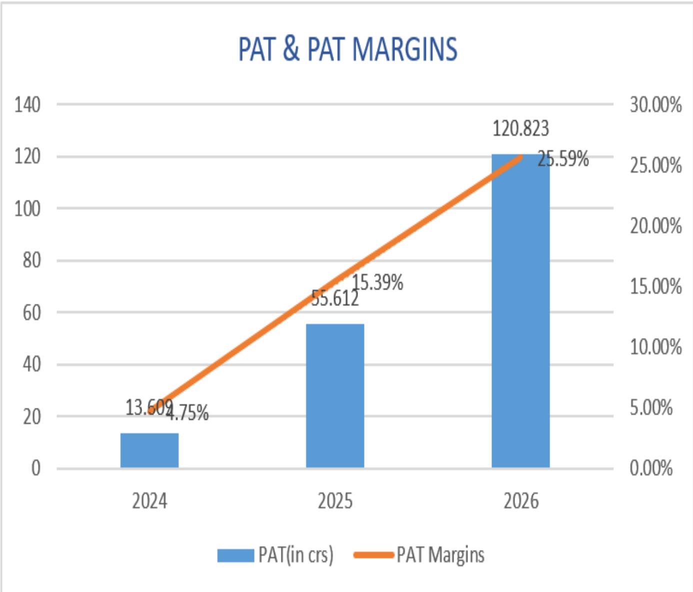
Particulars	FY2024	FY2025	FY2026
Cash generated from operating activities	45.14	166.78	1391.71
Income tax paid (net of refunds)	7.91	-4.16	-23.99
Net cash generated from operating activities	53.05	162.62	1367.71
Net cash used in investing activities	-1.45	-109.34	-131.17
Net cash (used in) / generated from financing activities	-66.41	7.45	-44.72
Net increase / (decrease) in cash and cash equivalents	-14.81	60.73	1191.83
Balance as at beginning	16.89	2.25	60.68
Cash and cash equivalent as at year end	***2.25***	***60.68***	***1253.38***

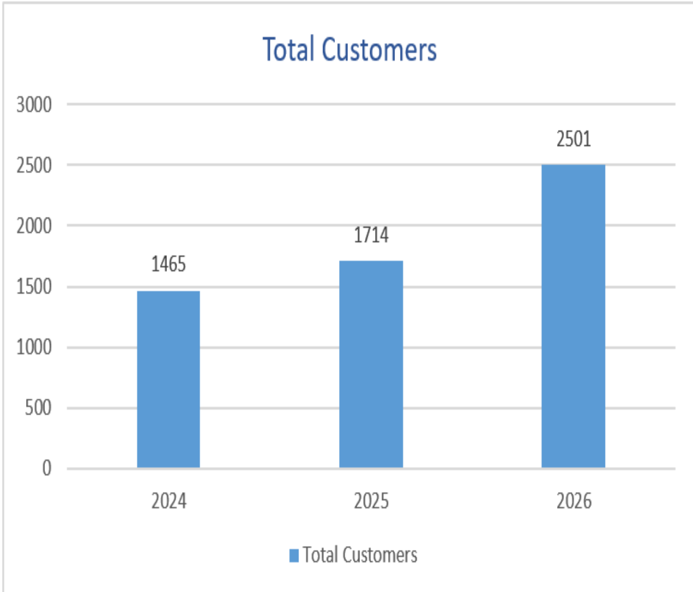
Particulars	FY2024	FY2025	FY2026
I. ASSETS			
1.Non-Current Assets			
Property, Plant and Equipment	218.05	285	316.41
Right-of-use assets	99.5	66.24	58.44
Capital Work in progress	0	0	3.99
Other intangible assets	4.78	1.27	13.04
Investments	0	4.28	4.54
Other Financial Assets	14.37	18.3	18.65
Deferred Tax Assets (Net)	0	2.36	2.36
Other Non-Current Assets	2.48	7.76	6.33
Total Non-Current Assets	**339.18**	**385.21**	**423.76**
2.Current Assets			
Trade Receivables(Billed)	69	99.76	102.13
Trade receivables (Unbilled)	51.52	43.73	63.39
Cash and cash equivalents	2.25	60.68	1253.38
Other Financial Assets	53.52	36.68	45.63
Current Tax Assets(Net)	14.24	0	0
Other current assets	18	29.9	49.61
Total Current Assets	**208.53**	**270.75**	**1514.14**
TOTAL ASSETS	**547.71**	**655.96**	**1937.9**
II. EQUITY AND LIABILITIES			
A.Equity			
Equity Share capital	9.29	10.04	10.04
Other Equity	216.62	407.54	533.62
Non-controlling interest	0.6	0	0.54
Total Equity	**226.51**	**417.58**	**544.2**
B.LIABILITIES			
1.Non-current Liabilities			
Non-current borrowings	84.77	40.6	28.42
Lease liabilities	93.31	49.99	37.58
Employee benefit obligations	7.68	9.31	9.69
Deferred tax liability (net)	5.65	11.65	14.29
Total Non-Current Liabilities	**191.41**	**111.55**	**89.98**
2.Current Liabilities			
Current Borrowings	64.27	22.12	14.5
Lease liabilities	16.45	14.04	15.97
Trade Payables (MSME)	0.57	2.65	1.82
Trade Payables (Other than MSME)	22.72	26.38	37.08
Other Financial Liabilities	10.12	39.51	12.66
Employee benefit obligations	4.81	5.18	3.01
Other Current Liabilities	10.85	14.45	1195.72
Current tax Liabilities (net)	0	2.5	22.97
Total Current Liabilities	**129.79**	**126.83**	**1303.73**
TOTAL EQUITY AND LIABILITIES	**547.71**	**655.96**	**1937.91**

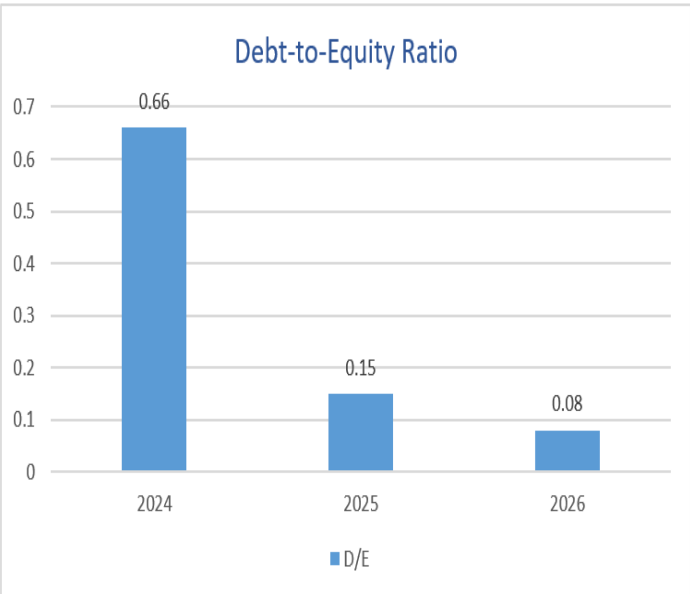
STORY IN CHARTS

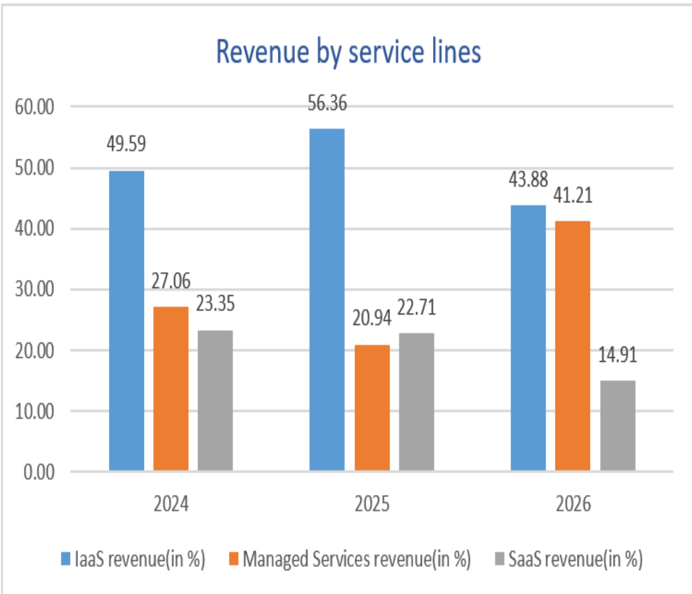












OBJECTS OF THE OFFER

The Company proposes to utilise the Net Proceeds from the Issue towards the following objects:

- Purchase and installation of cloud computing and other equipment and infrastructure for Data Centres - Rs.576.00Cr.
- General Corporate Purposes

INDUSTRY OVERVIEW

Industry Size & Market Share

- Total Size: The Data Centre market in India is valued at INR 114 billion for FY 2026 and has grown at a CAGR of 20.39% from FY 2020 to FY 2025. The market in the future is expected to grow at a CAGR of 20.70% from INR 114 billion in FY 2026 to INR 242 billion in FY 2030. As of 31st March 2026, the total data centre installed capacity in India is 1,545 MW.
- Global cloud services market reached at INR 96,276 billion in FY 2026 wherein Indian cloud services market has grown at a CAGR of 22.25% during FY 2020 to FY 2025 and is expected to grow at a CAGR of 23.56% from INR 651 billion in FY 2025 to INR 1,876 billion in FY 2030.
- Market Share: India managed services market is experiencing higher growth, with enterprises increasingly turning towards specialized service providers to optimize their IT infrastructure, enhance security, and improve overall operational efficiency. The market is primarily driven by managed security services.

Scope & Tailwinds (Growth Drivers)

- Natural Language Processing (NLP): NLP helps enhance operational efficiency, improve data management practices, strengthen security measures, and simplify advanced analysis.
- As businesses increasingly depend on fast and efficient data processing, integrating edge computing into their strategies will be essential for maintaining a competitive advantage.

Headwinds (Challenges)

Cloud Sector Challenges

- Rising Cloud Costs- It has been observed that nearly 60% of businesses in India have seen increased cloud spending, with nearly 40% reporting cost increases of more than 25%. This trend is largely attributed to inflation and rising energy costs affecting cloud service prices.

Global competition

- This always remains a threat to India's IT sector as other countries such as Philippines and Vietnam are emerging as attractive alternatives for outsourcing due to their competitive labour costs and improving infrastructure.

Operational Challenges

- Scalability: This remains a major challenge for data centres as the demand for data storage and processing continues to increase. To accommodate this growth, data centres have to adopt modular and scalable designs. The use of prefabricated modules enables rapid deployment and expansion, reducing the time and cost associated with infrastructure upgrades. Power Downtime has been steadily declining, but the costs of just one outage are very high.

Competitive Placement

- The company face competition from varied players across our different product and service offerings. Such companies principally include companies of Indian origin, such as CtrlS Datacenters Limited, Nxtra By Airtel, Yotta Data Services Private Limited, WebWerks India Private Limited, Cyfuture India Private Limited, E2E Networks Limited and Sify Infinit Spaces Limited. They also face competition from cloud service providers with decentralized and open-source offerings. These new entrants focus on blockchain-based, peer-to-peer, and open-source models that challenge the conventional, centralized cloud models offered by established players.

COMPETITIVE STRENGTHS OF THE COMPANY

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

- BFSI: Empowering 115 banks and financial institutions with secure, scalable cloud services as at June 30,2026;
- Government and PSU Customers: Supporting digital transformation initiatives, including Smart Meters, Public Distribution System, Pradhan Mantri Swanidhi, National Register of Citizens, Pradhan Mantri Kisan, Gruh Jyothi and Mudra Yojana; and;
- Enterprise: Specialised SAP HANA community cloud solutions catering to 113 Enterprise customers as at June 30, 2026.

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

- As a cybersecurity partner, they deliver Security as a Service ("SECaaS") solutions to enterprises, BFSI institutions, and government organisations. The Company's Security Operations Centre (SOC) actively monitors and mitigates cyber threats, ensuring operational resilience and regulatory compliance. 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.

The Company have long-term relationships with well-established banks and other businesses

- As a result of their diversified product offering and clientele, they are able to cater to a wide range of industries. They have long-standing relationships with over 100 banks and well-established businesses, including STPI. They have been able to steadily increase the ageing of their customer relationships, with customers having a relationship of more than three years rising from 49.28% to 65.60%, and those with a relationship of more than five years increasing from 23.25% to 47.75% from Fiscal 2024 to Fiscal 2026.

Strong Government Partnerships and Policy Advocacy

- STPI Collaboration: STPI was set up to boost software exports and services from the country by promoting the IT/ITeS industry. STPI has supported exports by increasing STPI-registered units from ₹520 million in Fiscal 1993 to ₹8,500 billion in Fiscal 2023.
- Ministry of Electronics and Information Technology ("MeitY") STQC Empanelment: The Standardisation Testing and Quality Certification ("STQC") Directorate is an attached office of the MeitY, that provides quality assurance services in the area of electronics and IT through countrywide network of laboratories and centres.

AI-driven innovations and patented technology

- They hold commercial patents for their SWARAJ software, which intelligently identifies customer requirements and applies vertical and diagonal scaling technologies, which enable dynamic resource allocation for cost-effective and efficient cloud performance. They are engaged in the development and commercialisation of AI and ML driven systems for cloud environments. In November 2025, they launched a fully managed GPUaaS, allowing their customers across industries to create customised, high-performance AI environments, on a large scale, at global standards.

Transparent and flexible customised billing system

- The Company's billing system offers their customers customisation and flexibility to optimise cost and performance. Their customers can choose to pay based on: Transactions; Branches; Users; 249 Custom consumption metrics; and Business KPIs. They believe that this model democratises digital transformation, enabling organisations of all sizes to access advanced cloud services without heavy upfront investments.

RISK FACTORS

Depend too much on few customers and services

- Too much government work: The company gets a lot of its business from government departments and projects. If the government changes its mind, changes its rules, or cuts its budget, it will hurt their sales very badly.
- Only a few big clients: A huge part of the company's money comes from only a few top clients. If these clients decide to leave them or give them less work, the company will lose a lot of income. For example, one big international bank client stopped working with them almost completely because of sanctions on their country.
- Mainly relying on one service (IaaS): Most of the company's revenue comes from just hosting and cloud infrastructure services. If customers stop wanting this service or go to competitors, their business will suffer a lot.

Hard to manage money and loans

- Buildings and assets given to banks: ESDS took many bank loans to buy equipment. To get these loans, they had to give almost all of their properties and machines as a guarantee to the banks. If they fail to follow the bank's strict rules or miss payments, the banks can take away their data centers and machines.
- Customers pay very slowly: Running data centers costs a lot of daily cash, but the company's customers take a very long time to pay their bills. This makes it really hard for them to manage their daily expenses and working capital.
- Their credit score dropped: The company's credit rating got downgraded by rating agencies in the past. Because of this, it will be harder for them to get new loans, or banks will make them pay much higher interest.

Too much dependency on electricity, leased places, and public protests

- Need electricity and water non-stop: The data centers must run all day and night. They need a massive amount of power and water to keep the servers cool. If there is a power cut or system failure, their servers will shut down, and they might have to pay penalties to angry customers.
- They do not own their buildings: Almost all the data centers are on rented land or run under agreements with STPI. If these landlords cancel the contracts or ESDS cannot renew them, they will have to move everything, which is super expensive and will stop their services.
- Local people are protesting: In some places, local residents and activists are protesting against new data centers because they use too much water and strain the local electricity grid. This can delay or stop them from building new centers.

Legal cases, late taxes, and staff leaving

- Lawsuit by ex-employee: The company has some pending court cases. The biggest one is from a former employee who says they promised him a share of the company and is demanding a lot of money.
- Delay in tax payments: In the past, they were late in paying taxes like TDS and GST. If they are late again, the tax department can punish them with big fines or take legal action.
- IT staff leaving too fast: It is very hard for them to find and keep smart computer engineers and IT experts. A lot of their employees leave the company every year, which makes their work slow and forces them to spend too much money training new staff. They have earned revenue from government and quasi-government clients and private sector clients that assist in the execution of government IT projects. Therefore, any changes in relevant government policies or budgetary allocations, could adversely affect their ability to retain business from government and quasi-government entities, or from third parties who work with government entities.

PEER COMPARISON

Name of the company	Revenue from Operations(in cr)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoE (%)	P/E*	P/B*
ESDS Software Solution Limited	472.21	1	12.03	52.66	22.85	35.66	8.15
E2E Networks Limited	245.58	1	-0.78	81.97	-0.92	NA	7.28

*P/E & P/B ratio based on closing market price as of August 25th 2026,at the upper price band of IPO, financial details consolidated audited results as of FY26.

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