ANANDRATHI

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ESDS Software Solutions Limited

27-August-26

Subscribe- Long Term

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Issue Details

Issue Details	
Issue Size (Value in ₹`million, Upper Band)	7,200
Fresh Issue (No. of Shares in Lakhs)	168
Bid/Issue opens on	28-Aug-26
Bid/Issue closes on	1-Sept-26
Face Value	Rs. 1
Price Band	408-429
Minimum Lot	34

Objects of the Issue:

➢ **Fresh Issue: ₹7,200 Million**

- Purchase and installation of cloud computing and other equipment and infrastructure for the company's Relevant Data Centres
- General corporate purposes

Book Running Lead Managers
DAM Capital Advisors Limited
Systematix Corporate Services Limited
Registrar to the Offer
MUFG Intime India Private Limited

Capital Structure (₹` Million)	Aggregate Value
Authorized share Capital	460
Subscribed paid up Capital (Pre-Offer)	100
Paid up capital (Post - Offer)	117

Share Holding Pattern %	Pre Issue	Post Issue
Promoters & Promoter group	46.1%	39.5%
Public	53.9%	60.5%
Total	100.0%	100.0%

Financials

Particulars (Rs. In Million)	FY26	FY25	FY24
Revenue from operations	**4,722**	**3,613**	**2,865**
Operating expenses	2,380	2,065	1,846
EBITDA	**2,342**	**1,549**	**1,019**
Other Income	84	153	56
Depreciation	635	622	526
EBIT	**1,792**	**1,080**	**549**
Finance cost	117.9	252.49	315.74
PBT	**1,674**	**827**	**234**
Exceptional Items	-	1	11
Tax	466	270	87
Consolidated PAT	**1,208**	**556**	**136**
EPS	**10.3**	**4.7**	**1.2**
Ratio	**FY26**	**FY25**	**FY24**
EBITDAM	49.6%	42.9%	35.6%
PATM	25.6%	15.4%	4.7%
Sales growth	30.7%	26.1%	

Sector- IT and cloud services industry

Company Description

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

The company provides its services to a diverse range of end-user industries and customers, comprising (i) banking, financial services and insurance companies; (ii) public sector entities, including central, state, and local government departments, public sector undertakings, government agencies, and institutions; and (iii) businesses and enterprises not included in BFSI or Government. The company served 2,501 customers in Fiscal 2026.

Valuation

ESDS Software Solutions Limited is an AI-enabled cloud, managed services, Data Centre infrastructure and software solutions provider in India, offering an integrated portfolio across IaaS, managed services and SaaS. The 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, with revenue from operations growing at a CAGR of 28.4% between FY24 and FY26. The company has also demonstrated strong operating performance, with EBITDA margin improving from 35.6% in FY24 to 49.6% in FY26 and PAT margin increasing from 4.8% to 25.6% over the same period.

The company is well positioned to benefit from the increasing adoption of cloud infrastructure, managed services and AI-led workloads in India, supported by its integrated service offerings, expanding Data Centre infrastructure and focus on GPUaaS and AI-driven solutions. However, the company operates in a highly competitive and technology-intensive industry, with increasing competition from global cloud players and domestic data centre and cloud service providers. Further, customer concentration, dependence on Government projects and the need for continuous investment in infrastructure and technology warrant a conservative valuation outlook in the near to medium term.

At the upper price band, the company is valued at 41.6x FY26 P/E, implying a post-issue market capitalization of ₹50,284 million. Given the strong growth potential of the Indian cloud and AI infrastructure market, the company's integrated offerings and improving profitability, we believe the premium valuation is justified to an extent. Accordingly, we recommend a **"Subscribe – Long Term"** rating for the issue.

➢ **Description of Business**

- **Their business model:**

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. The Company's IaaS portfolio includes colocation and Data Centre services, public, private, virtual private, hybrid and community cloud solutions, and GPU-as-a-Service (GPUaaS). It operates five Tier 3 Data Centres across India, covering over 75,266 sq. ft., supported by redundant power, disaster recovery infrastructure and 24/7 services. Its managed services include cloud and Data Centre management, cybersecurity, IT infrastructure and network management, backup and disaster recovery, database management and DevOps services.

- **Infrastructure as a Service (IaaS) Portfolio**

The company operates its IaaS services through five Data Centres in India, which are located in Nashik, Maharashtra; Navi Mumbai, Maharashtra; Bengaluru, Karnataka; Mohali, Punjab; and Noida, Uttar Pradesh. Each of the Data Centres has been granted "Tier 3" status by either QSA International Limited or EPI Certification Pte. Ltd. The five Data Centres cover, in aggregate, over 75,266 square feet and are interconnected by multiple Gbps fibre-optic backbone networks. All of the Data Centres comply with international standards and industry best practices, including guaranteed uptime of at least 99.95%, supported by power redundancy services, and are backed up with disaster recovery services and supported by a 24/7 services team. The company's IaaS portfolio is broadly divided into (i) Colocation and Data Centre Services and (ii) Cloud Services and Cloud Computing, addressing distinct infrastructure needs:

1. **Colocation and Data Centre Services:** The company offers Data Centre colocation, allowing businesses to securely house their own IT infrastructure while benefiting from redundant power, cooling, and high-speed connectivity.
2. **Cloud Services and Cloud Computing:** The company provides fully-managed cloud computing solutions, eliminating the need for enterprises to maintain physical infrastructure. The cloud offerings enable on-demand scalability, disaster recovery, and compliance-driven architectures tailored to industry needs. The company's comprehensive IaaS cloud computing services portfolio includes (1) public cloud, (2) private cloud, (3) virtual private cloud, (4) hybrid cloud, (5) various community cloud offerings and (6) GPU-as-a-Service ("GPUaaS"). The company currently offers community clouds for Enterprises, Government, BFSI companies and smart cities. As at June 30, 2026, the company had 104 Government clients using its government community cloud, 115 banks and financial institutions using its BFSI community cloud across 1,045 branches, 113 organisations using its SAP HANA community cloud and six smart cities using its Smart Cities cloud.

The company's vertical autoscaling cloud technology that powers its IaaS, "SWARAJ Cloud", is patented in the United States and India. Building on the SWARAJ Cloud autoscaling technology, the company has developed SWARAJ Cloud into a full-stack, AI-autonomous cloud platform, built, owned and operated entirely within India, for enterprises, governments and institutions. The technology is structured around five pillars: data sovereignty; scalability; security; compliance; and artificial intelligence ("AI"). The platform takes customers from conceptual design through architecture generation, compliance validation, automated deployment and go-live, and provides AI-native capabilities including GPU-as-a-Service, AI governance, model fine-tuning and machine learning ("ML") operations ("MLOps")/ large language model operations ("LLMOps") tooling, alongside enterprise cloud services spanning compute, storage, security, networking and operations.

- **Managed Services Portfolio**

The company's managed services portfolio offers a diverse range of services to customers to complement day-to-day data management of IT services and cloud migration, including the following

1. Cloud managed services
2. Data centre managed services
3. Security managed services (cybersecurity and compliance)
4. IT infrastructure and network managed services
5. Backup and disaster recovery services
6. Managed database services
7. Managed DevOps and automation

As part of these services, the company offers 24/7 IT support, data back-up and recovery, migration services, database administration services, security operations centre ("SOC") services, and disaster recovery services. The company also seeks to provide a one-stop end-to-end solution comprising customised and comprehensive cloud and software offerings for SMB customers that have minimal in-house IT teams with a cost-effective pay-per-use model, which is more streamlined for the Indian SMB market.

- **Software as a Service (SaaS) Portfolio**

The company's SaaS offerings provide, among others, (1) a comprehensive Data Centre management and monitoring suite, (2) vulnerability scanners, (3) web access firewalls, and (4) a virtual private network ("VPN") for secure connectivity. The SaaS offerings include software products and applications hosted on the company's cloud platform on an annual, semi-annual, monthly or quarterly subscription model, which allows clients to develop, run and manage applications and services. Further, the company provides both in house and third party developed applications on a digital marketplace developed by the company, namely "SPOCHUB".

The company also offers SWARAJ GPU Monitoring Tool, a unified, AI-powered GPU monitoring solution designed to provide real-time visibility into an organization's GPU infrastructure to support informed operational decisions for artificial intelligence workloads. Thc solution monitors GPU utilisation, memory, tensor core activity, throttling, temperature and power consumption, alongside CPU and system memory, through purpose-built dashboards for network operations, Data Centre operations, AI/ML and DevOps teams, with an AI recommendation engine that provides predictive risk detection, workload optimisation suggestions and cooling efficiency recommendations, and multi-channel alerting delivered via email, in-application notifications and collaboration platforms. The solution integrates with NVIDIA Data Center GPU Manager, AMD ROCm System Management Interface, Kubernetes and the cloud platform, is available on a software-as-a-service basis, and is designed to help organisations improve GPU utilisation, reduce operational downtime and enhance the reliability of their AI infrastructure. The company collaborates with governmental and public sector organisations to offer SaaS offerings and Data Centre solutions, which is termed as "G-SaaS". The company's G-SaaS collaborations include:

1. partnering with a Government energy service company for implementation of smart metering projects in various states around India,
2. collaborating on e-governance projects of certain ministries of the Government,
3. collaborating with several smart cities in India, to which the company provides smart city solutions by hosting their data on the company's cloud platform,
4. collaborating with government agriculture organisations for smart farming initiatives and
5. collaborating with Software Technology Parks of India ("STPI") to provide managed services, SaaS services and cloud platforms to government entities.

The table below sets forth revenue by (i) IaaS (ii) managed services and (iii) SaaS and such revenue as a percentage of revenue from operations for the fiscal years indicated:

Type of Product/ Service	Fiscal 2026		Fiscal 2025		Fiscal 2024	
	Revenue (₹ in million)	As a % of revenue from operations	Revenue (₹ in million)	As a % of revenue from operations	Revenue (₹ in million)	As a % of revenue from operations
IaaS:	2,072	43.9%	2,036	56.4%	1,421	49.6%
1. Cloud Services and Cloud Computing	*1,679*	*35.6%*	*1,663*	*46.0%*	*1,191*	*41.6%*
2. Colocation and Data Centre Services	*393*	*8.3%*	*373*	*10.3%*	*230*	*8.0%*
Managed services	1,946	41.2%	757	20.9%	775	27.1%
SaaS	704	14.9%	820	22.7%	669	23.4%
Revenue from operations	**4,722**	**100.0%**	**3,613**	**100.0%**	**2,865**	**100.0%**

- **Customers**

The company has a diversified customer base, comprising BFSI customers, Enterprise customers, including customers in the healthcare, education, energy and utilities, real estate, IT and IT enabled services, agriculture, manufacturing, entertainment and media sectors, and Government customers, including government institutions/departments.

Revenue by customer industry	Fiscal 2026		Fiscal 2025		Fiscal 2024	
	Revenue (₹ in million)	As a % of revenue from operations	Revenue (₹ in million)	As a % of revenue from operations	Revenue (₹ in million)	As a % of revenue from operations
BFSI	828	18%	1,115	31%	524	18%
Government	1,293	27%	1,067	30%	975	34%
Enterprise	2,602	55%	1,431	40%	1,366	48%
Revenue from operations	**4,722**	**100%**	**3,613**	**100%**	**2,865**	**100%**

The following table sets certain other information on the company's customers for the fiscal years indicated.

Particulars	Fiscal 2026	Fiscal 2025	Fiscal 2024
Total Customers	2,501	1,714	1,465
Average Revenue per Customer (₹ in million)	1.9	2.1	2.0
Revenue Retention Rate (%)	95%	97%	128%

The number of customers increased from 1,465 to 2,501 from Fiscal 2024 to Fiscal 2026, reflecting a CAGR of 30.66%. The company has assessed the growth in 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 customer mix. The company focused on customers with higher service requirements, leading to a reduction in smaller accounts, which has allowed the company to concentrate on higher-value engagements. This approach has resulted in an increase in an 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.

- **Strengths:**

- **Leading player offering end-to-end cloud, managed services, Data Centre infrastructure and software solutions**

The company is a leading player offering end-to-end cloud, managed services, Data Centre infrastructure and software solutions in India. Among the Indian players, the 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. The company introduced end-to-end offerings integrating infrastructure, managed services, and application support. The company is one of the only two players providing the entire spectrum of GPUaaS, cloud, managed services, data centre infrastructure and software solutions in India.

This includes community clouds tailored for industries such as BFSI, Government and PSU Customers and Enterprise. As at June 30, 2026, the company had 115 banks and financial institutions using secure, scalable cloud services and 113 Enterprise customers using specialised SAP HANA community cloud solutions.

The company's ability to offer end-to-end cloud, Data Centre and software solutions has enabled the company to focus on Revenue Retention Rates as a larger share of existing customers increase their service scope to include the comprehensive range of IaaS, SaaS and managed services. This is reflected in the Revenue Retention Rates and by the split of customers who are availing the comprehensive product and service suite versus those engaging with standalone services.

Particulars	Fiscal 2026	Fiscal 2025	Fiscal 2024
% of customers availing:			
All three service lines	89.0%	79.6%	62.3%
Two service lines	3.6%	5.5%	22.0%
One service line	7.3%	14.9%	15.7%
Revenue Retention Rate (%)	94.9%	96.6%	128.2%

By offering integrated IaaS, managed services, and SaaS, the company enables organisations to seamlessly navigate their cloud transformation journey, ensuring operational continuity, compliance, and cost efficiency. This has enabled the company to deepen relationships with customers across sectors, including BFSI, Government, and Enterprise customers.

- **Comprehensive Security-as-a-Service framework**

The company's comprehensive Security-as-a-Service ("SECaaS") framework enables businesses to proactively manage threats and achieve robust security and compliance objectives. As a cybersecurity partner, the company delivers 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.

As at June 30, 2026, the company had more than 123 customers onboarded across more than 7,175 devices. The company's 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.

The company's cybersecurity services portfolio extends to more than 123 customers, securing more than 5,000 devices through vulnerability assessments, penetration testing, API security testing, and incident response services. The company identified and assessed more than 20,000 vulnerabilities in the period from January 1, 2026 to June 30, 2026, strengthening clients' security posture.

- **Long-term relationships with well-established banks and other businesses**

As a result of the diversified product offering and clientele, the company is able to cater to a wide range of industries. The company has long-standing relationships with over 100 banks and well-established businesses, including STPI. Customers with a relationship of more than three years increased from 49.28% to 65.60%, while customers with a relationship of more than five years increased from 23.25% to 47.75% from Fiscal 2024 to Fiscal 2026. This reflects the company's ability to foster long-standing partnerships, driven by diversified and end-to-end offerings that cater to evolving digital transformation needs.

Particulars	Fiscal 2026	Fiscal 2025	Fiscal 2024
Total Customers	2,501	1,714	1,465
Customer Ageing: % of revenue from customers with relationships:(2)			
> 3 years	65.60%	61.44%	49.28%
> 5 years	47.75%	31.34%	23.25%

- **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. To meet localisation requirements, India has seen substantial growth in Data Centre infrastructure, with both global giants and local players investing in facilities.

<u>STPI Collaboration</u>**:** 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. Presently, STPI has six tier-3 compliant Data Centres in six major Indian cities, namely: Bengaluru, Karnataka; Mohali, Punjab; Bhubaneshwar, Odisha; Chennai, Tamil Nadu; Vijayawada, Andhra Pradesh; and Noida, Uttar Pradesh. Of these six Data Centres, the Bengaluru, Karnataka, the Mohali, Punjab, and the Noida, Uttar Pradesh Data Centres are run by ESDS Software Solutions ltd. Being associated with a premier science and technology organisation under the Government of India adds to the credibility of STPI's partner companies, of which ESDS Software Solutions Limited is part of**.** The company collaborates with STPI to implement an asset-light Data Centre model. This approach allows for rapid scalability with minimal capital investment, meeting the growing demands of Tier II and Tier III cities for Data Centre services. Through the collaboration with STPI, the company supports public sector entities and enterprises with localised, low-latency cloud and Data Centre solutions that comply with Indian regulatory norms.

The company is a MeitY STQC-audited and empanelled cloud service provider, certified to offer public cloud services, virtual private cloud services and Government community cloud solutions. The company's MeitY STQC empanelment ensures that its cloud services meet stringent security and operational standards set by the Government of India, making it a preferred choice for sensitive public sector projects.

- **AI-driven innovations and patented technology**

The company holds commercial patents for its 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. The company is engaged in the development and commercialisation of AI and ML driven systems for cloud environments. In November 2025, the company launched a fully managed GPUaaS, allowing customers across industries to create customised, high-performance AI environments, on a large scale, at global standards. The company's patented SWARAJ vertical auto scalable cloud technology plays an important role in achieving optimal capacity utilisation thereby allowing the company to service larger load demands. Vertical auto scaling technology is a key differentiator of the business. While companies like Google Cloud, AWS and Azure offer auto vertical scaling globally, the company is the only player in India holding a patent for this technology, which was granted in November 2015 (US patent) and June and November 2022 (India patent).

In November 2025, the company launched a fully managed GPUaaS, with design consultancy for captive GPU environments, GPU infrastructure supply, deployment and operations services, and dedicated managed GPUaaS services. GPUaaS enables mission-critical AI/ML, Generative AI (GenAI) and Large Language Model (LLM) workloads to be run on purpose-built GPU SuperPODs designed for consistent and predictable performance, stable and secure operations and low-latency distributed training. Further, the company operates its business on an asset light model, which comprises ownership of computing hardware assets only, which, together with its vertical auto scaling technology, allows the company to quickly scale by allowing for efficient handling of unexpected loads, scaling up of RAM, CPU, bandwidth, effective use of virtualisation technology, quick and easy way to scale resources, and maximum uptime and performance with auto-scalability.

- **Transparent and flexible customised billing system**

The company's billing system offers customers customisation and flexibility to optimise cost and performance. Customers can choose to pay based on transactions, branches, users, custom consumption metrics and business KPIs. The company's pay-per-use billing solutions include the following:

1. **The "pay-per-consumption" billing model:** Due to the company's patented SWARAJ vertical autoscaling technology, it is able to scale the resources of company's virtual machines automatically, based on the load demand, and invoice customers specifically for such consumed resources. This billing model is in contrast to the "pay-per-use" model adopted for other cloud computing services, under which the customer is charged for the virtual machines allocated to them by the cloud provider. "Pay-per-consumption" billing model is designed to increase operational efficiency and allows the company to better compete with our competitors.
2. **The "pay-per-branch" billing model:** This billing model is used specifically by co-operative banking customers. Under the "pay-per-branch" billing model, a bank pays a fixed amount per month per branch and the company provide core banking on SaaS model to these banks bundled with the required managed services, in collaboration with technology partners.
3. **The "pay-per-transaction" billing model:** This billing model seeks to bill customers per successful transaction.
4. **The "custom consumption metrics" and "business KPI" billing models:** These billing models seeks to bill customers based upon agreed usage-based metrics.

➢ <u>**Key Strategies:**</u>

- **Expand business through enhancing infrastructure, driving AI/ML innovation, and committing to sustainability**

The company's multi-pronged expansion strategy aims to enhance infrastructure capabilities, while ensuring operational efficiency, and customer-centric innovation. The key initiatives include infrastructure expansion and optimisation, AI/ML-driven automation and service enhancement, and sustainability and ESG initiatives.

<u>**Infrastructure Expansion and Optimisation:**</u> The company is investing in compute, storage, memory, power, cooling, and other essential components to support revenue growth and increasing customer demand. The company is also upgrading and replacing end-of-life systems to maintain performance, security, and reliability, while adopting next-generation infrastructure to optimise resource utilisation, improve cost efficiency, and enhance service delivery. The company is investing in both cloud node and GPU node servers, storage, and networking equipment, with the majority of the capital expenditure focused on expanding existing infrastructure besides replacement or upgradation.

The company is planning to open two new Data Centres: one in Kolkata, West Bengal, which it expects to be operational in the third quarter of Fiscal 2027; and one in Sahibabad, Uttar Pradesh, which it expects to be operational in the first quarter of Fiscal 2028.

AI/ML-Driven Automation and Service Enhancement: The company is leveraging AI/ML capabilities to simplify customer onboarding, automate provisioning, and improve overall user experience. The company is also enhancing vertical-specific cloud solutions to cater to evolving enterprise needs and build a robust cloud marketplace.

Data Sovereignty and ESG Commitments: The company is investing in energy-efficient infrastructure, carbon footprint reduction, and green Data Centre strategies to align with ESG goals. The company will seek to continue to innovate with transparent, consumption-based solutions to avoid the need for expensive licenses or hardware. Customers can choose only the services they need and pay based on use, allowing them to focus on optimising their cost and operational performance.

- **Continue to scale AI-driven solutions**

The company is increasing its focus on AI research and development, creating autonomous solutions that enhance operational efficiency across industries. Key development initiatives include:

1. **Healthcare:** An AI-enabled agents service suite supporting healthcare processes and operations, and an AI-enabled disease screening that screens for diseases using blood samples, both backed by GPUaaS and cloud services, facilities in respect of which the company has received a CMMI (Capability Maturity Model Integration) Level 5 certification, managed security services and on-demand cloud and AI platform management services.

2. **Agriculture:** Smart farming to optimise crop yields and improve farmer livelihoods through the Famrut farmers' advisory portal – a digital agri-ecosystem with the objective of assisting farmers in improving yield and revenue from their land by connecting them with relevant stakeholders.

3. **Cloud Automation:** Self-service and solution generation capability for customers through the platform itself leveraging the experience of community cloud and self-configuration.

4. **Customer Experience and Operational Efficiency:** Utilising AIOps (Artificial Intelligence for IT Operations) and Agentic AIs to improve operational efficiency and enhance customer experience by adapting to changing environments and solving complex problems with minimal human intervention.

The company's R&D initiatives are driving across advanced technologies to enhance its capabilities in cloud and Data Centre solutions. The company's focus on AI-driven solutions is aimed at enhancing operational efficiency across industries while expanding its capabilities in cloud and Data Centre solutions.

- **Enhance collaboration with Government and business partners**

The company intends to scale its presence in public sector projects by expanding its Data Centre network and its public-sector services including cyber security, disaster recovery, and secure cloud services tailored to the individual needs of its government agency partners. The company also intends to collaborate with third parties to benefit from the technological knowhow of third-party partners and offer its products and services to a wider spectrum of business partners. Such collaborations include business collaboration partners and independent software vendors pursuant to which such partners offer core banking software, while the company assists in hosting the core banking software on its community cloud. The company collaborates with STPI to provide digital services, SaaS services and digital platforms to Government entities on a subscription-based payment model. The company also collaborates for the smart metering project and other smart city projects with its technology and business collaboration partners.

Further, the company collaborates with various companies to host SAP on its SWARAJ Cloud. Such companies offer implementation and functional aspect of such hosting and the company provides the infrastructure on its SAP HANA community cloud along with managed services. The company also has collaborations / relationships with multinational technology companies, including Dell International Services India Private Limited. The company plans to increase such technical collaboration with third parties, including collaborations that allow it to offer complete digital transformation solutions to customers. Additionally, the company aims to enhance its ecosystem by expanding its strategic alliances with companies with expertise in robotic process automation, business intelligence, AI/ML and the internet of things ("IoT").

- **Continue to strengthen brand leadership**

The company will continue to promote its expertise through thought leadership events, workshops, and educational content; participation in advocacy organisations, such as the Cloud Computing Innovation Council of India, to address key challenges in data localisation and cloud adoption; and targeted marketing campaigns that showcase the impact of its services across industries, particularly in AI and cloud innovation. The company's strategic approach combines technology, government partnerships, AI-driven solutions, and a customer-centric philosophy to deliver transformative digital solutions. The company's commitment to sustainability, flexible financial models, and leadership in data sovereignty are intended to ensure that it remains a trusted partner for enterprises and governments alike, shaping the future of cloud and Data Centre technologies in India and beyond.

- **Transition towards 100% renewable energy**

The company intends to shift to 100% renewable energy within the next four years. The company has already installed rooftop solar panels at its Registered Office and the Nashik Data Centre. Over the next two years, the company plans to source 50% of its power consumption from solar power, increasing to 70% in three years and reaching 100% by the end of the fourth year. Additionally, the company aims to achieve significant cost benefits through taking advantage of government policies that promote green initiatives, including policies such as the Karnataka Data Centre Policy 2022-27, under which data centres for which green energy is at least 30% of their total power consumption will be provided with power tariff concession.

- **Industry Snapshot:**

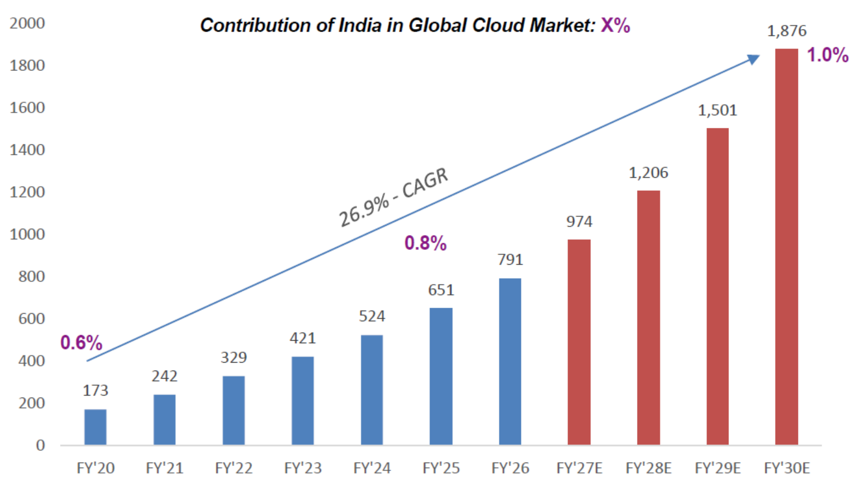
- **Cloud Infrastructure in India**

Cloud has emerged as a strategic priority for enterprises, Governments and SMEs today. The potential of cloud is limitless and forms a crucial foundation for successful digital transformation. Cloud underpins several emerging technologies such as AI/ML, IOT, RPA, AR/VR, etc., which rely on cloud computing to maximize their benefits. India is still at a nascent stage of cloud adoption compared to mature markets.

- **Market Size for Cloud Services in India**

The global cloud services market reached 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. Artificial intelligence accounted for 7.90% of the Indian cloud market in FY 2026. The cloud industry in India is poised for rapid growth due to the Digital India initiative driving Government-led digital transformation, which requires scalable cloud infrastructure. Additionally, the increasing availability of a skilled IT workforce specialized in cloud technologies supports migration and innovation. Evolving data localization regulations are forcing enterprises to adopt on premise cloud solutions, while the expansion of global providers such as AWS and Azure improves service accessibility and reliability.

Market Size for India Cloud Industry on the Basis of Revenues in India in INR billion, FY 2020-2030E:



- **Key Cloud Growth Drivers**

1. **Digital transformation initiatives:** Organizations across industries are prioritizing digital transformation, which relies heavily on cloud infrastructure. This trend is particularly strong among small and medium-sized enterprises (SMEs), which are increasingly adopting cloud solutions to modernize their IT frameworks and improve service delivery.
2. **Government Support:** The Indian Government is actively promoting cloud adoption through policies aimed at improving digital infrastructure. Initiatives such as the National Digital Communications Policy aim to transition a significant portion of Government services to the cloud by 2026, thereby fostering an enabling environment for cloud growth.
3. **Growing demand for advanced technologies:** The integration of technologies such as artificial intelligence (AI) and data analytics into cloud services is driving demand. Enterprises are leveraging these technologies to improve customer experiences and operational efficiencies, further driving the need for robust cloud infrastructure.

- **SMEs Adoption of Cloud in India**

Indian small and medium-sized businesses are rapidly adopting the cloud, leveraging its efficiency, reliability, and adaptability to transform their businesses. The shift to the cloud has enabled SMEs to streamline their operations, drive growth, and deliver exceptional customer experiences. Cloud adoption unlocks access to cutting-edge advancements like AI, enabling SMEs to compete and thrive. Around 55-60% of surveyed SMEs are leveraging cloud technology for business expansion by FY 2026. A significant number of Small and Medium-sized Businesses (SMEs) in India are increasingly adopting cloud solutions, with 25-30% successfully migrating more than half of their workloads to the cloud. Over half of SMEs prefer public cloud services due to their scalability and affordability, which makes them adaptable to varying business needs. A key driver for this shift is security, as nearly 40-45% of SMEs cite improved security compliance as a primary reason for adopting cloud solutions. Additionally, 51-55% of SMEs use cloud services to enhance their customer service capabilities.

- **Demand for Cloud across End User Industries**

1. **Financial Services:** Increasing digitization, modernization of legacy systems, and compliance with regulatory standards are driving demand. There is also a need for agility in service delivery and enhanced customer experience, while sovereign cloud initiatives and local data management are supporting demand.
2. **Healthcare:** Growing need for efficient patient data management and compliance with health regulations, along with increasing cyber threats and data breaches, is necessitating robust cloud security framework.

3. **Manufacturing:** Adoption of cloud platforms to manage IoT devices and enhance operational efficiency, with preference for hybrid cloud solutions to balance on-premises and cloud capabilities.
4. **E-Commerce and Retail:** Cloud solutions are required to handle increased traffic during sales events, while cloud analytics are used to tailor offerings based on consumer behaviour.
5. **Technology and Startups:** Demand is driven by flexible cloud platforms that support quick iterations in product development and cloud services for advanced analytics and machine learning applications.

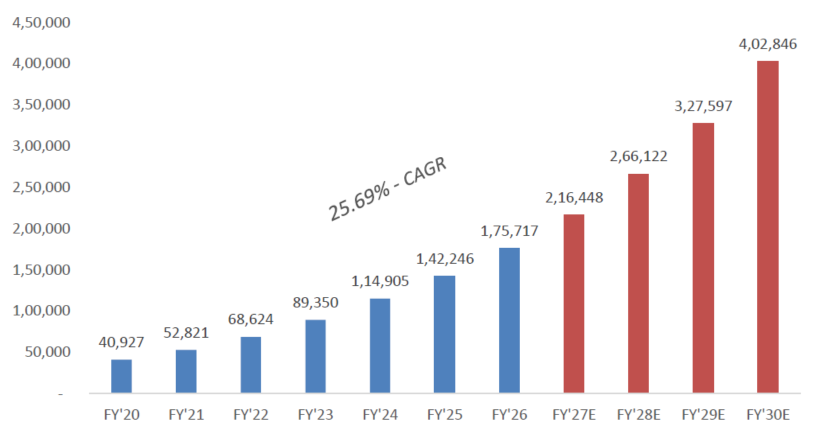
- **Public Cloud Adoption in India**

A public cloud is a public, hyperscale, multi-tenant platform where computing services can be reserved or rented on demand. These resources are available over the internet and allow customers to provision and scale services instantly, without the time and cost associated with purchasing dedicated infrastructure. Applications, storage and other resources are shared by multiple customers. Public cloud adoption in India continues to rise as enterprises prefer public cloud services for their digital transformation initiatives, application modernization, and productivity improvements. As enterprises continue to modernize their IT with IaaS offerings, core business applications are seeing a shift toward SaaS models in the public cloud, while the increased focus on cost optimization has accelerated the transition towards as-a-service consumption models. With enterprises making significant investments in next-generation technologies like GenAI, the demand for robust computing infrastructure and data management capabilities will continue to drive public cloud adoption in the coming years. Among the global players, Microsoft Azure, Google Cloud Platform (GCP), and Amazon Web Services (AWS) are considered as key players in public cloud adoption in India. Among the Indian players, ESDS Software Solutions Limited was one of the early adopters of cloud technology in India, establishing its first data centre in Nashik during 2010 and launching cloud services eNlight Cloud in 2011. eNlight product family has been rebranded as the SWARAJ product family effective June 2026.

- **Managed Services in India**

Managed services involve outsourcing the management of various processes and functions to enhance operational efficiency and reduce costs. In the current digital landscape, businesses face mounting pressure to innovate, streamline operations, and elevate customer experiences. The managed services market in India is currently valued at **INR 175,717 million in FY 2026** and has grown at a **CAGR of 27.49% from FY 2020 to FY 2025**. It is expected that the managed services market will grow at a **CAGR of 23.15% to INR 402,846 million by FY 2030**. This promising outlook aligns with the overall expansion of the IT sector in India, indicating a robust future for managed services. By leveraging managed services, organizations can focus on their core competencies while delegating the complexities of technology management to specialized providers.

Market Segmentation for India Managed Service Industry by Service Mix on the Basis of Revenues in Percentage (%), FY 2026:



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, which account for 59% of the total market share, followed by managed cloud hosting services at 25% and managed data centre services at 16%**. The managed security services market and managed cloud services market continue to expand, while the managed data centre services market plays a crucial role in supporting India's digital transformation.

- **Usage of Managed Services by End User**

1. **BFSI:** Largest consumer of managed services, focusing on compliance and security. Key applications include Core Banking Systems, Risk Management Solutions and Fraud Detection Systems, with benefits including enhanced operational efficiency, reduced costs through outsourcing and improved compliance.
2. **Retail:** Increasingly leveraging managed services for e-commerce and customer engagement. Key applications include E-commerce Platforms and Customer Relationship Management (CRM), with benefits including improved customer experience, real-time inventory management and increased sales.
3. **Healthcare:** Reliance on managed services for application support and regulatory compliance. Key applications include Electronic Health Records (EHR) and Telemedicine Solutions, with benefits including enhanced patient care, efficient data management and reduced operational costs.
4. **Manufacturing:** Utilization of managed services for supply chain management and IoT applications. Key applications include IoT Device Management and Supply Chain Optimization Tools, with benefits including increased productivity, real-time monitoring of processes and reduced downtime.
5. **Telecommunications:** Leveraging managed services for network management and customer support systems. Key applications include Network Monitoring Services and Customer Support Solutions, with benefits including improved service delivery and enhanced customer satisfaction through proactive management.

- **Managed Services across Government and Private Sector**

The managed services industry in India is expanding rapidly across both the public and private sectors, with organizations outsourcing IT functions to optimize efficiency, reduce costs, and improve security. The Government uses managed services for digital infrastructure, e-governance, and cybersecurity, while private enterprises leverage them for IT infrastructure management, cloud services, business continuity, and application management.

The Indian Government is increasingly adopting managed services to accelerate digital transformation, improve operational efficiency, and enhance citizen services. Managed service providers support the development of smart cities and digital infrastructure by managing complex IT systems such as sensor networks, data analytics, and cloud computing. Under the Digital India initiative, managed services facilitate secure and reliable digitization of services such as e-filing, healthcare, and education. Managed cloud services ensure cost-effective and highly available data hosting, while managed security services protect sensitive data, provide real-time threat detection, and ensure compliance with regulations such as the Digital Personal Data Protection Act, 2023.

- **Adoption of Managed Services by Small and Medium Businesses (SMEs)**

Partnering with a Managed Service Provider (MSP) offers significant benefits for Small and Medium-sized Businesses (SMEs) in India, helping them optimize IT operations, reduce costs, and enhance overall performance. Outsourcing IT functions eliminates the need for in-house teams, reducing hiring and training costs while providing predictable, subscription-based pricing for hardware and software management. MSPs offer access to skilled professionals, ensuring quick resolution of IT issues and minimizing disruptions.

Managed services provide the scalability and flexibility to adjust IT infrastructure as needed, enabling SMEs to respond to changing business demands without significant costs. By outsourcing routine IT tasks, businesses can focus on core functions, driving growth and improving operational efficiency. In essence, managed services deliver cost-effective, secure, and scalable IT solutions, allowing SMEs to innovate and thrive. According to experts, large players account for 67.20% of managed services usage**.**

- **Major Managed Services Offerings in India**

1. **Disaster Recovery:** Disaster Recovery as a Service (DRaaS) is a cloud computing model that enables organizations to back up their IT infrastructure and data to a third-party cloud environment, facilitating rapid recovery after a disaster. With increasing cyber threats and the critical need for business continuity, industries such as finance, healthcare, and retail are adopting DRaaS for its benefits, including high-speed recovery, negligible data loss, enhanced security, and improved compliance.
2. **Managed Co-Location:** Managed Colocation enhances the colocation process by allowing organizations to maintain control over their IT infrastructure while outsourcing server management to a third-party vendor. This model is particularly beneficial for small and medium-sized businesses (SMEs) that want to avoid the high costs associated with IT infrastructure and management, thus saving on physical space and reducing the need for expensive IT personnel. Key benefits of managed colocation include business continuity, enhanced security, and global reach.
3. **Application Management:** Application management encompasses the entire lifecycle of software applications, including their operation, maintenance, version control, and upgrades. This service provides organizations with access to specialized expertise, delivering a cost-effective solution that reduces the burden on internal resources. Additionally, it offers proactive monitoring and enhanced security, which are crucial for maintaining optimal performance and safeguarding sensitive data across various industries such as finance, healthcare, and retail.
4. **Database Management:** Managed database is a cloud-based service that delegates database management to a third-party provider, covering setup, maintenance, scaling, and security. This approach allows organizations to concentrate on core business activities while simplifying database administration. Key advantages include enhanced security, cost efficiency, and high availability, making this solution particularly beneficial for industries such as finance, healthcare, and e-commerce that demand robust and scalable data management.
5. **Backup Services:** Backup as a Service (BaaS) is a cloud-based solution that enables organizations to securely back up and recover data without the need for on-premises hardware. By outsourcing backup management to a third-party provider, businesses protect critical data in secure off-site locations, safeguarding it from unauthorized access and physical damage. BaaS offers customizable schedules and rapid recovery options, making it ideal for mitigating data loss from accidental deletion, corruption, or cyberattacks.
6. **Remote Infrastructure Management:** Remote infrastructure management refers to the overall management of all elements of enterprise IT infrastructure and resolving relevant issues from a remote location, thus enabling continuous availability. RIM services add value to IT systems, improve service availability, increase efficiencies, and reduce costs. In India, RIM is used across industries such as Banking, Financial Services, Insurance (BFSI), healthcare, IT and telecommunication, retail and eCommerce, transportation, etc.
7. **Cross Platform Migration:** With continuous innovations and the emergence of new players in the cloud market, it is crucial for cloud solution providers to attract potential customers who already have cloud infrastructure in place and are looking to enhance or shift their cloud presence. This challenge is addressed through cross-platform migration services, which enable providers to tap into a larger market of existing cloud users and expand their customer base. These migration services are also supported by cross-platform data recovery tools, ensuring that the migration process is smooth and reliable.

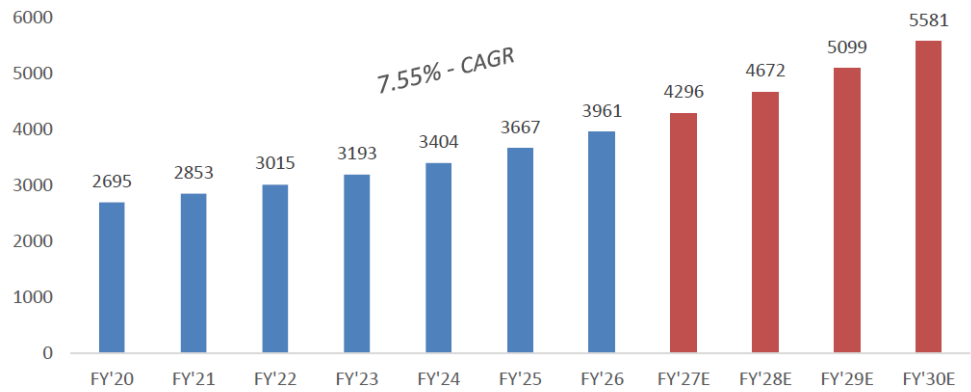
- **Software Development in India**

During 2000-2010, the rise of Indian MNCs and R&D, with the confidence in solving complex IT problems and the experience of working with international clients, boosted the Indian entrepreneurial spirit. Thus, many Indian companies opened offices in India and overseas and thereby became multinational organizations. These new MNCs started offering a wide spectrum of services ranging from complex IT projects to last-mile infrastructure integration.

- **Market Size for Software Development in India:**

Indian software development market has demonstrated significant growth over the past few years, particularly following a boom in the IT industry in 2021. During FY 2020 to FY 2026, the market revenues increased from INR 2,695 billion to INR 3,961 billion, reflecting a CAGR of 6.63%. This steady growth trajectory highlights the industry's resilience and adaptability amid global economic fluctuations. During the forecasted period, software development industry in India is poised for robust expansion. Projections indicate that the market will continue to grow at a CAGR of 8.95%, increasing from INR 3,961 billion for FY 2026 to an estimated INR 5,581 billion by the end of FY 2030. The ongoing digital transformation in sectors such as finance and healthcare is significantly increasing the demand for advanced software solutions. Additionally, the growing adoption of cloud computing and artificial intelligence is improving operational efficiency and facilitating data-driven decision making. Government initiatives, such as Digital India and Make in India, are fostering an enabling environment for innovation and investment in the software sector.

Market Size for Software Development Industry in India on the Basis of Revenues in INR Billion, FYs 2020-2030E:

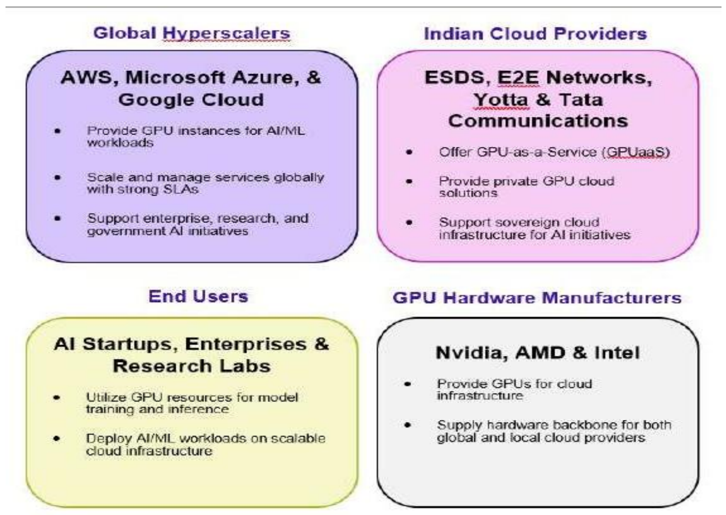


- **Software Development Adoption by SMEs in India:**

Small and medium-sized enterprises (SMEs) in India are increasingly adopting software development to drive digital transformation and improve operational efficiency. It has been observed that nearly 70% of SMEs have integrated some form of software solution, ranging from custom applications to off-the-shelf software for customer relationship management (CRM), inventory management, and accounting. The rise of cloud-based software and SaaS (Software as a Service) platforms has made it easier for these businesses to access advanced technology without upfront investments. These SMEs are leveraging software to streamline operations, improve customer service, and scale their businesses, while reducing reliance on manual processes. As the digital economy grows, more SMEs are expected to adopt enterprise-grade software tools, fostering a more competitive business environment.

- **Cloud GPU Market Landscape in India**

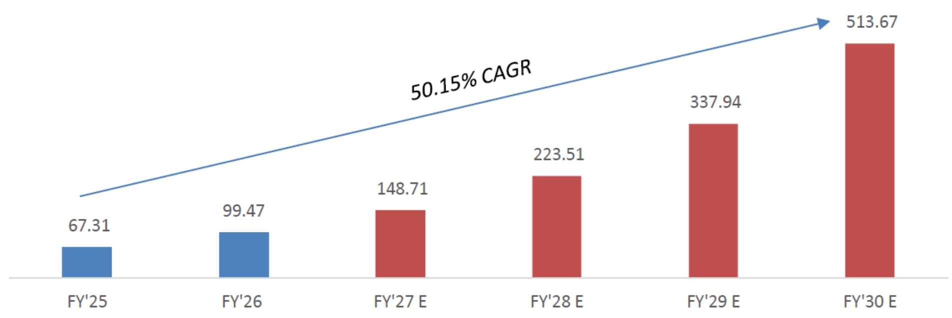
The Indian cloud GPU market is experiencing higher growth, driven by massive demand for artificial intelligence (AI), machine learning (ML), gaming, and data analytics. While dominated by international hyperscalers like AWS and Azure, the market is also seeing strong competition from specialized Indian players like Yotta, ESDS Software Solutions Limited, E2E Networks and others which leverages its "end-to-end" cloud philosophy to offer high-performance, cost-effective, and locally controlled infrastructure. The Indian cloud GPU market has a multi-tiered structure, with global providers leading in market share and local players carving out strong niche positions.



- **Market size and growth outlook Of Cloud GPU Market in India**

The India cloud GPU services market is at an early stage of development. The market was approximately at USD 67.31 million in FY 25 and is projected to reach around USD 513.67 million by FY 30, reflecting a CAGR of approximately 50.15% over the period. This growth rate is higher than that observed in the broader cloud services market, indicating increasing demand for specialized compute infrastructure to support artificial intelligence, machine learning, and data-intensive workloads.

India Cloud GPU Industry Market Size Based on Revenues in USD million. FY 2025- 2030F:



- **Demand Drivers of Cloud GPU:**

1. **Shift from CPU to GPU:** The landscape of cloud computing is undergoing a profound transformation driven by the emergence of AI-first enterprises. Traditionally, organizations allocated 1-2% of their total revenue toward cloud and compute requirements in the CPU-centric era. However, the rapid adoption of GPU-based cloud computing, primarily propelled by the computational demands of modern AI workloads, has fundamentally altered this financial equilibrium. GPUs have a long operational lifespan, typically lasting at least 6 years and often extending to 6–8 years. In the GPU-driven paradigm, cloud and compute expenditures have grown disproportionately, with organizations now potentially dedicating 5-7% of their revenue to these functions. This represents an incremental 4-5% net new spend directly attributable to GPU cloud adoption. Importantly, GPU infrastructure spending has shifted from being an element of the IT budget to becoming a core component of the business budget, reflecting its strategic role in enabling AI capabilities and innovation. As organizations increasingly pursue AI-first strategies, their investments in AI infrastructure are expanding into high single-digit or even low double-digit percentages of revenue, with a steady portion directed toward cloud or on-premises GPU capacity. Consequently, the rising cost of GPU compute is encouraging AI-driven companies to prioritize cost optimization and efficiency in their GPU utilization strategies.
2. **Emergence of "Neo Clouds":** A new class of cloud service providers known as "Neo Clouds" or next-generation cloud platforms is redefining the global compute ecosystem. These providers specialize in delivering high-performance, GPU-based computing infrastructure tailored for artificial intelligence (AI), machine learning (ML), and other data-intensive workloads. Unlike traditional hyperscalers such as AWS, Google Cloud, or Microsoft Azure, which offer broad, general-purpose cloud services, Neo Clouds focus on specialized, scalable, and cost-efficient GPU compute environments designed to meet the needs of AI-first enterprises. Prominent global Neo Cloud providers include CoreWeave (listed), Crusoe, Lambda Labs, and Nebius (listed). In the Indian context, emerging players such as ESDS Software Solutions Limited, E2E Networks, Yotta Shakti Cloud, Tata Communications and others are establishing themselves as competitive, cost-effective providers of GPU cloud solutions for AI, ML, and high-performance computing (HPC) workloads.
3. **Surge in AI Startups, Fintech, and SaaS Models:** India's rapidly expanding digital economy is fuelling a strong surge in demand for cloud-based GPU infrastructure, driven by the growth of AI startups, FinTech firms, and SaaS companies integrating AI into their products and operations.
4. **AI and GenAI:** India's Generative AI (GenAI) ecosystem has grown exponentially, with the number of startups increasing nearly fourfold to over 3,100+ by mid-2026. Of these ventures, more than 80% are building AI-driven applications and SaaS solutions from multilingual chatbots and AI assistants to domain-specific automation tools. Funding in Indian GenAI startups touched USD 1.07 billion in H1 2026, a 30% year-on-year increase, reflecting investor confidence in the country's AI innovation potential. However, training and deploying such advanced models is compute-intensive, pushing startups to adopt affordable, on-demand cloud GPU platforms instead of investing in costly physical hardware. As a result, the growing base of AI-first startups is emerging as one of the largest new demand segments for GPU cloud services, seeking scalability and flexibility to accelerate product development and innovation.
5. **FinTech as a Key AI Adopter:** The FinTech industry, home to 10,000+ entities and over 2,100 startups, making India the third-largest FinTech ecosystem globally is another major driver of GPU consumption. AI-powered use cases such as fraud detection, credit scoring, algorithmic trading, customer personalization, and compliance automation increasingly rely on GPU-accelerated machine learning models. With the sector poised to reach a USD 160 billion market size by FY 2026, FinTech companies require scalable, secure, and high-performance compute to process massive transaction volumes and real-time analytics, leading to sustained demand for GPU-enabled cloud infrastructure.
6. **IT & SaaS Industry Integration:** India's IT and SaaS sectors, contributing over 7% to national GDP and generating USD 315 billion in FY 2026 revenues, are now embedding AI deeply into their service portfolios. Large IT service providers are building AI-driven automation and analytics platforms, while SaaS firms, many catering to global clients, are integrating AI features into enterprise software. These activities require significant GPU resources for training models, inference, and deployment at scale. With over 5.8 million tech professionals and major firms investing in AI skill development, the IT-SaaS ecosystem is becoming a steady, high-volume consumer of cloud GPUs, both for client delivery and internal transformation.

- **Growing Importance of End-to-End Data Services**

In conclusion, end-to-end data services offer the ideal balance between flexibility, scalability, control, and cost-effectiveness. While co-location provides physical security, it comes with high costs, scalability limitations, and significant infrastructure investment. Pure co-location providers like Adani and CTRLS offer secure environments, but lack the scalability and flexibility of cloud services. Cloud data centres like AWS and Azure provide resources on demand, but often involve middlemen, adding costs and restricting access, particularly for regulated industries like BFSI. End-to-end services combine the benefits of both co-location and cloud, offering scalability and flexibility while maintaining control and security. Companies like ESDS Software Solutions Limited and Yotta are leading the way in this approach. ESDS Software Solutions Limited stands out for its experience in integrating on-demand resources with infrastructure control, while Yotta, a newer entrant, is still evolving. By cutting out the middleman, end-to-end solutions reduce costs and improve transparency. As regulations around data sovereignty increase, on-premises providers like end to end domestic players offer a more cost-effective and scalable solution that ensures compliance, making them a superior option to traditional cloud and co-location models.

- **KPI:**

Metrics	As at and for the year ended March 31,		
	2026	2025	2024
Financial Parameters			
Revenue from operations (₹ in million)	4,722	3,613	2,865
EBITDA (₹ in million)	2,342	1,549	1,019
EBITDA Margin *(in %)*	49.6%	42.9%	35.6%
Profit after tax (PAT) (₹ in million)	1,208	556	136
PAT Margin *(in %)*	25.6%	15.4%	4.8%
RoE *(in %)*	25.1%	17.3%	6.2%
RoCE *(in %)*	32.8%	24.7%	14.5%
Days Sales Outstanding (DSO)	79	101	88
Debt-Equity Ratio	0.1	0.2	0.7
Debt Service Coverage Ratio	16.2	7.0	1.6
Operational Parameters:			
Total Customers	2,501	1,714	1,465
Average Revenue per Customer (₹ in million)	1.9	2.1	2.0
Revenue by customer tenure:			
Existing Customers *(in %)*	72.6%	76.6%	92.9%
New Customers *(in %)*	27.4%	23.4%	7.1%
Revenue by customer industry:			
BFSI *(in %)*	17.5%	30.9%	18.3%
Government *(in %)*	27.4%	29.5%	34.0%
Enterprises *(in %)*	55.1%	39.6%	47.7%
Revenue by service lines:			
IaaS revenue *(in %)*	43.9%	56.4%	49.6%
Managed services revenue *(in %)*	41.2%	20.9%	27.1%
SaaS revenue *(in %)*	14.9%	22.7%	23.4%
Number of Data Centres	5	4	4

- **Key Risk:**

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

- **Dependence on Government entities and projects:** The company's revenue, directly or indirectly, from government entities and government projects represented 27.37%, 29.52%, and 34.04% of revenue from operations for Fiscals 2026, 2025 and 2024, respectively. Any changes in government policies or budgetary allocations or the company's ability to satisfy eligibility and selection criteria in relation to outsourcing of services may adversely affect the company's business, financial condition, results of operations and cash flows.

- **Performance of ESDS Cloud FZ-LLC:** ESDS Cloud FZ-LLC, the company's subsidiary, had a loss of ₹40.46 million and ₹60.19 million for Fiscals 2025 and 2024, respectively. Although ESDS Cloud FZ-LLC had a profit for the year of ₹54.62 million for Fiscal 2026, there can be no assurance that ESDS Cloud FZ-LLC will not incur a loss for the year in the future. If ESDS Cloud FZ-LLC were to experience a loss for the year over continuous fiscal years, especially if the losses were large, its ability to operate its business as a going concern may be adversely affected, which may require it to raise additional financing, which may not be available, and it would adversely affect the company's consolidated financial condition, results of operations and cash flows.

- **Cybersecurity and data security:** Any unauthorized access to the company's network or data could harm the company's reputation, create additional liability and adversely affect its financial condition, results of operations and cash flows.

- **Customer concentration:** In Fiscal 2026, revenue from the company's top client and top 10 clients represented 15.93% and 45.36% of revenue from operations, respectively, and any loss or reduction of business from these clients could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

- **Assets pledged as security:** A substantial portion of the company's assets are hypothecated or mortgaged in favour of lenders as security for some of its borrowings. As at March 31, 2026, 2025 and 2024, the total value of hypothecated current assets as a percentage of total current assets was 96.72%, 88.96% and 84.84%, respectively, while the total value of mortgaged property, plant and equipment as a percentage of total property, plant and equipment was 18.89%, 27.05% and 56.62%, respectively. The lenders may enforce the security in the event of the company's failure to service its debt obligations, which could adversely affect its business, financial condition, results of operations and cash flows.

- **Service continuity and performance guarantees:** The company's business is highly dependent on its ability to allow customers to have access to its services on a continuous and seamless basis or within an acceptable amount of time. If the company is unable to prevent disruptions to customers' access to its services, it could adversely affect its reputation, business, financial condition, results of operations and cash flows. The company is typically required to furnish performance bank guarantees in connection with services or products provided. As at March 31, 2026, 2025 and 2024, performance bank guarantees as a percentage of Net Worth stood at 9.95%, 11.65% and 20.36%, respectively.

- **Contingent liabilities:** The company's total contingent liabilities represented 10.43%, 11.96% and 30.50% of Net Worth as at March 31, 2026, 2025 and 2024, respectively. These contingent liabilities have not been provided for in the financial statements, and if they materialise, they may have a material adverse effect on the company's financial condition, results of operations and cash flows.

- **Financing agreement covenants:** Any non-compliance with restrictive covenants under the company's financing agreements may lead to, amongst others, accelerated repayment schedule and suspension of further drawdowns, which could adversely affect the company's business, financial condition, results of operations and cash flows.

➢ **Valuation:**

At the upper price band, the company is valued at **41.6x FY26 P/E**, implying a post-issue market capitalization of ₹50,284 million. Given the strong growth potential of the Indian cloud and AI infrastructure market, the company's integrated offerings and improving profitability, we believe the premium valuation is justified to an extent. Accordingly, we recommend a **"Subscribe – Long Term"** rating for the issue.

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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (Top 100 companies)	**>15%**	**0%-15%**	**Below 0%**
Mid Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small caps (251st company onwards)	>25%	0%-25%	Below 0%

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