Initiating Coverage

Choice Institutional Equities

ESDS Software Solutions Ltd. (ESDS)

A differentiated full-stack listed play on cloud and AI infrastructure opportunity

September 07, 2026

institutional.equities@choiceindia.com

Initiating Coverage | Sector: Technology

ESDS Software Solutions Limited

September 07, 2026 | CMP: INR 908 | Target Price: INR 1,550

Expected Share Price Return: 70.2% I Dividend Yield: 0.0% I Expected Total Return: 70.2%

Choice Institutional Equities

BUY

ESDS is an AI-enabled cloud, managed services, data-center infrastructure and software solutions provider, and one of only two players in India offering an integrated stack spanning GPUaaS, cloud, managed services, data-center infrastructure and software solutions. Its full-stack capabilities across compute, storage, networking, cloud and security, combined with proprietary cloud technology and a domestic data-center footprint, enable critical workload management. offerings include Infrastructure-as-a-Service (IaaS) comprising colocation, GPU-as-a-Service (GPUaaS), data center and cloud computing services; Managed Services; and Software-as-a-Service (SaaS), enabling customers to adopt secure, scalable and cost-efficient cloud solutions. It serves a diversified customer base across BFSI, Government and Enterprises, with 2,501 customers in FY26.

Issue Details

Particulars	INR Mn
Fresh Issue	7,200
Offer for sale	NA
Total	**7,200**
No. of shares issued at upper band	16.783
Post Issue Mkt Cap (INR Bn)	**47.8-50.3**

Objects of the Issue

Particulars	INR Mn
Investment for Cloud & DC Infrastructure	5,760
General Corporate Purpose	1,440
Total	**7,200**

Shareholding Pattern

Particulars	Pre IPO	Post IPO
Promoters & Promoter Group	46.1	39.5
Public	52.7	59.4
Employee Trusts	1.3	1.1
Total	**100.0**	**100.0**

Key Takeaways from Management Meet and DC Visit

Detailed Valuation Analysis

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ESDS: Riding India's Cloud-to-AI Infrastructure Supercycle

India's underpenetrated cloud market offers a durable growth runway, with AI adding a higher-growth layer. India's **cloud market is expected to grow at a 23.6% CAGR through FY25 from INR 651 Bn to INR 1.9 Tn in FY30**, supported by enterprise digitisation, BFSI adoption and rising government workloads. Increasing data-residency and compliance requirements further favour domestic infrastructure providers, where ESDS has established credentials and diversified exposure across Enterprise (55.1%), Government (27.4%) and BFSI (17.5%). Beyond the core opportunity, **India's cloud GPU market is projected to grow at ~50% CAGR through FY30,** expanding ESDS's addressable market into GPUaaS, GPU colocation and AI-led managed infrastructure.

Full-stack Platform & Proprietary Tech Position ESDS to Capture the Opportunity

ESDS's integrated offering across cloud, colocation, GPUaaS, managed services and SaaS is driving deeper customer relationships, with the share of customers using all three core services rising from 62% in FY24 to 89% in FY26, alongside 94.9% revenue retention. Its proprietary SWARAJ technology further strengthens the proposition, with **EBITDA margin expanding from 35.6% to 49.6% and RoCE from 14.5% to 32.8% over FY24–26.** Meanwhile, its established presence across 115 BFSI institutions and 104 government clients, coupled with a rise in >5-year customer revenue from 23.3% to 47.8%, provides a sticky installed base from which ESDS can cross-sell higher-value cloud, managed-services and AI infrastructure.

AI Infrastructure Contract Could Drive Growth; But Execution Is Critical

The USD 1.25 Bn AI infrastructure contract with Sharon AI marks a potential inflection point for ESDS, with revenue expected to scale from INR 4.7 Bn in FY26 to INR 22.6 Bn in FY27E (two quarter impact) and INR 45.8 Bn in FY28E (full year impact). The contract provides 5-year revenue visibility, with ~8,208 NVIDIA B300 GPUs to be deployed, taking GPU compute capacity from 81 teraflops to 2,481 teraflops (~30.6x). ESDS plans INR 5.7 Bn of capex, ~70% of which is front-loaded in FY27E, to build the required local DC infrastructure and expand new DC. EBITDA is estimated to rise from INR 2.3 Bn in FY26 to INR 9.4 Bn in FY28E, with margin reaching 20.6% by FY28E. **Key earnings upside lies in replicating the GPU lease model beyond the anchor contract,** although execution, deployment and customer monetisation remain critical to converting the headline contract value into sustained earnings.

View and Valuation: We initiate coverage on ESDS with a 'BUY' rating and a TP of INR 1,550, valuing the company at 18x FY28E EV/EBITDA, with a DCF used as a sanity check. In our view, ESDS offers one of the most compelling listed opportunities to gain exposure to India's structural cloud, data-centre and AI infrastructure build-out, supported by its full-stack capabilities across cloud, managed infrastructure and data-centre services. Growth is underpinned by capacity expansion, deeper customer monetisation and operating leverage, with the **USD 1.25 Bn AI contract** adding a significant new leg to the earnings trajectory. We expect **Revenue/EBITDA/PAT** to grow at **120.9%/72.6%/81.3% CAGR** over **FY26–29E**, driven by core business momentum and the ramp-up of AI infrastructure revenues. Our **18x FY28E EV/EBITDA** valuation implies **~31x FY28E forward P/E**, which we believe appropriately reflects ESDS's strong growth profile. Successful execution and faster ramp-up of the AI contract could provide further upside to earnings and valuation.

Optionality: Additional AI/large-cohort wins could accelerate earnings, while broader IT-workload migration by large DC customers to ESDS could deepen wallet share and build recurring revenues.

Key Risks: AI deal execution, customer concentration, capex intensity and competition risks could delay earnings ramp-up, pressure utilisation, margin and returns.

Key Financials (Including Sharon AI Deal)

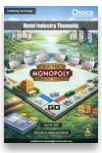
INR Mn	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	2,865	3,613	4,722	22,629	45,811	50,924
YoY Growth (%)	*38.0*	*26.1*	*30.6*	379.2	102.4	11.2
EBITDA	1,019	1,549	2,399	4,096	9,423	12,336
EBITDA Margin (%)	*35.6*	*42.9*	*50.8*	*18.1*	*20.6*	*24.2*
PAT	136	556	1,208	2,516	5,776	7,198
EPS	1.4	5.8	12.0	21.5	49.3	61.4
EV/EBITDA (x)	106.3	69.2	39.5	23.2	10.1	7.7

Source: ESDS, Choice Institutional Equities

Report Structure

Our recent 'Initiating Coverage' reports

The Great Refinery Migration_Capacity Relocates_ Margins Reprice – Pure Play Refiners Monetize the Gap_Refinary Thematic_



Playing Monopoly In Micro-Markets_Indian Hotel Industry_Thematic

NMDC_Executing Growth with Scale, Discipline and Returns_Initiating Coverage

Varun Beverages Ltd - Initiating Coverage

SEAMEC Ltd._ Initiating Coverage

CCL Products_Initiating Coverage

Convex_Choices_Equity Strategy and High-Conviction Ideas_Quarterly_Q1FY27

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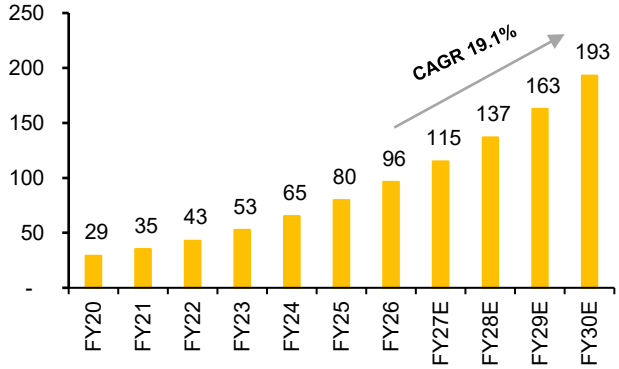
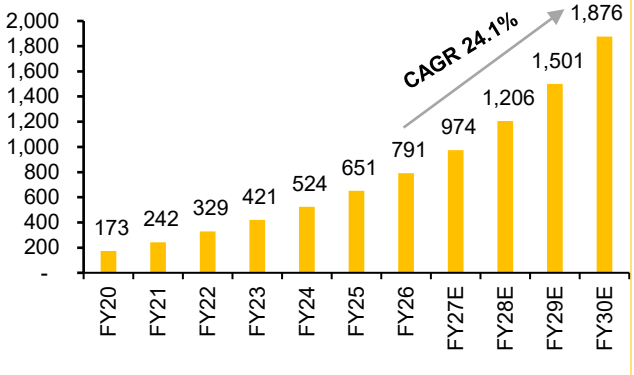
Investment Thesis in Charts (1/4)

Global cloud industry projected to grow at a CAGR of 19.1% over FY26–30E



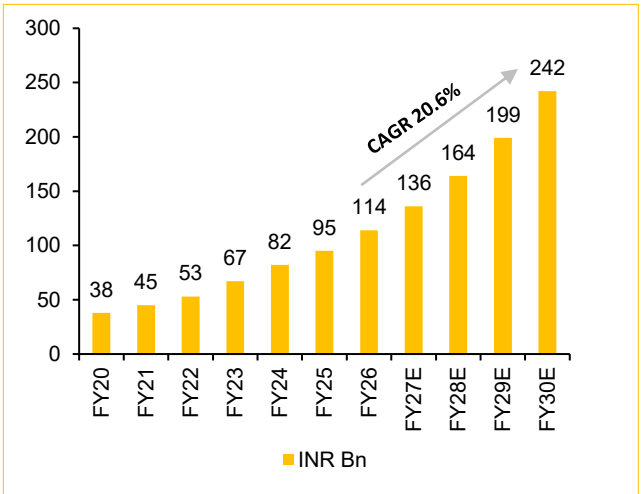
Source: ESDS RHP, Choice Institutional Equities

India cloud services market to grow at a CAGR of 24.1% over FY26–30E outpacing industry



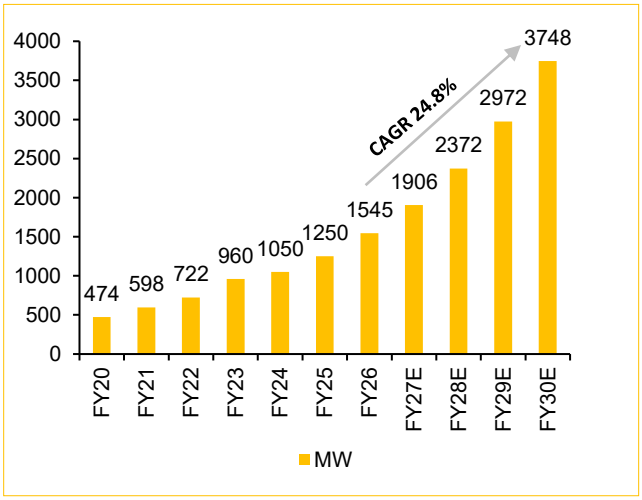
Source: ESDS RHP, Choice Institutional Equities

Data Center market size in India based on operational revenue – 20.6% CAGR Growth over FY26–30E



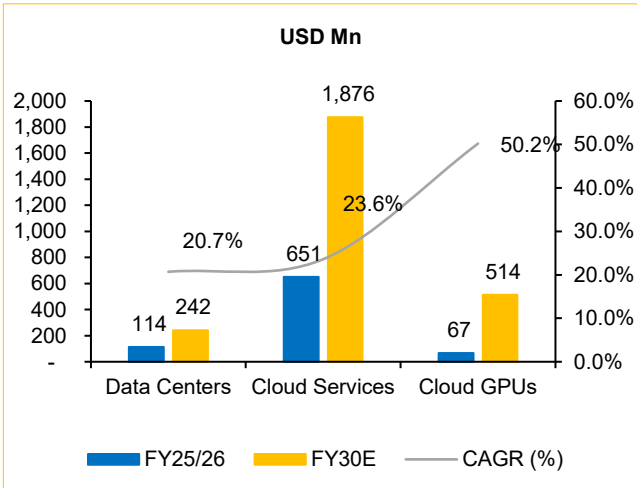
Source: ESDS RHP, Choice Institutional Equities

India IT MW Capacity is expected to expand at 24.6% CAGR over FY26–30E



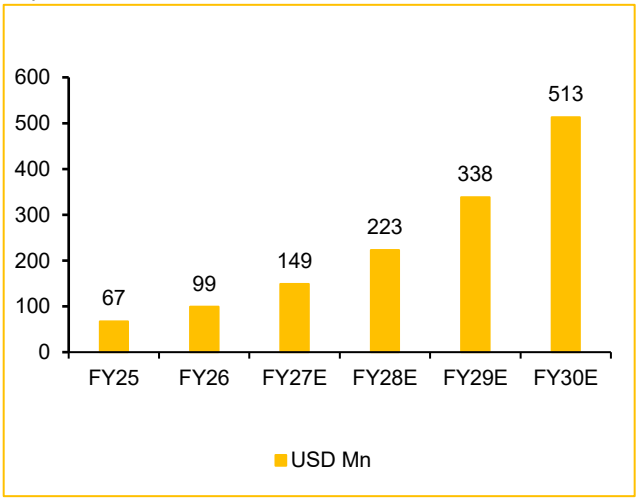
Source: ESDS RHP, Choice Institutional Equities

GPU infrastructure is growing at >2x the pace of traditional cloud



Source: ESDS RHP, Choice Institutional Equities

India cloud GPU industry market size based on revenues (INR Mn)



Source: ESDS RHP, Choice Institutional Equities

Investment Thesis in Charts (2/4)

Indian Cloud GPU Landscape Is Evolving Across Global Hyperscalers, Domestic Operators and Specialised Providers

Global Hyperscalers

AWS, Microsoft Azure, & Google Cloud

- Provide GPU instances for AI/ML workloads
- Scale and manage services globally with strong SLAs
- Support enterprise, research and government AI initiatives

Indian Cloud Providers

ESDS, E2E Networks, Yotta & Tata Communications

- Offer GPU-as-a-Service (GPUaaS)
- Provide private GPU cloud solutions
- Support sovereign cloud infrastructure for AI initiatives

End Users

AI Startups, Enterprises & Research Labs

- Utilise GPU resource for model training and inference
- Deploy AI/ML workloads on scalable cloud infrastructure

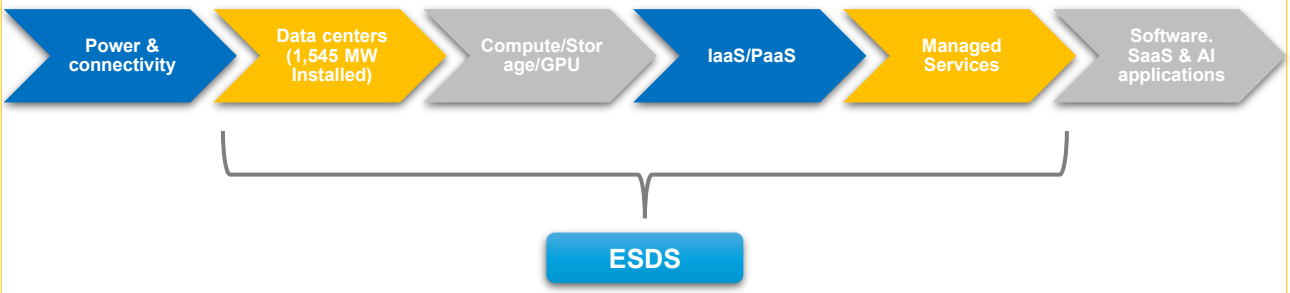
GPU Hardware Manufacturers

Nvidia, AMD & Intel

- Provide GPUs for cloud infrastructure
- Supply hardware backbone for both global & local cloud providers

Source: ESDS RHP, Choice Institutional Equities

ESDS positioning across the stack



Source: ESDS RHP, Choice Institutional Equities

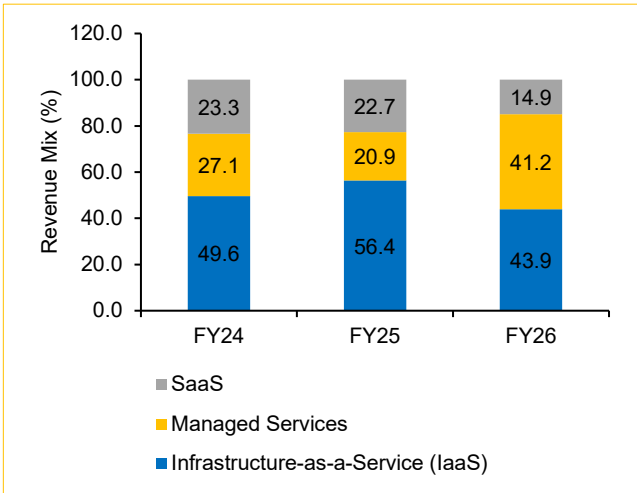
ESDS Competes Across the Full Stack, Creating a Fragmented Competitive Landscape

Parameters	ESDS	E2E	Sify	Yotta	CY Future	Web Werks	CTRLS	Nxtra	Adani ConneX	AWS	Azure	Google
GPU as a Service	Yes	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes	Yes
IaaS												
Cloud	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Colocation	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Managed Services												
Cloud Operations & Management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Data Center Build & Audit Consulting	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
DevOps	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SECaaS	Yes	No	Yes	Yes	Yes	No	Yes	No	No	Yes	Yes	Yes
SaaS												
Marketplace	Yes	No	Yes	No	Yes	No	No	No	No	Yes	Yes	Yes
In-House apps	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
G-SaaS	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Paas	Yes	Yes	Yes	No	Yes	Yes	No	No	No	Yes	Yes	Yes

Source: ESDS RHP, Choice Institutional Equities

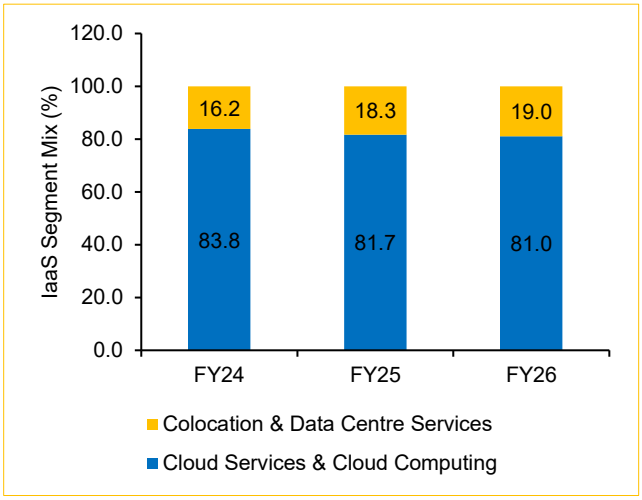
Investment Thesis in Charts (3/4)

IaaS Segment Leads the Business Mix



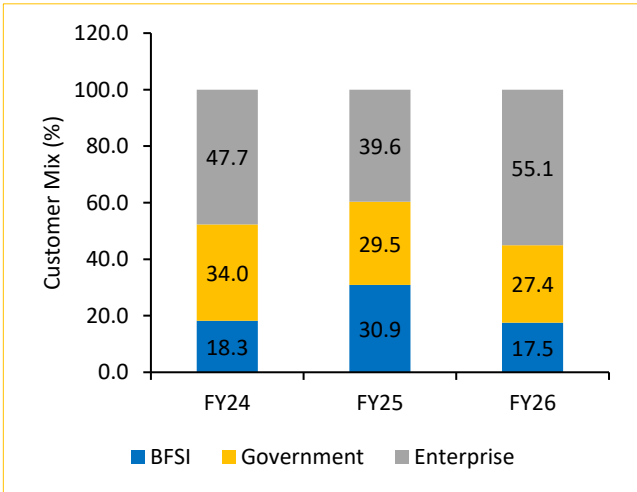
Source: ESDS RHP, Choice Institutional Equities

Colocation & Data center Services sub-segment gradually increasing within IaaS segment



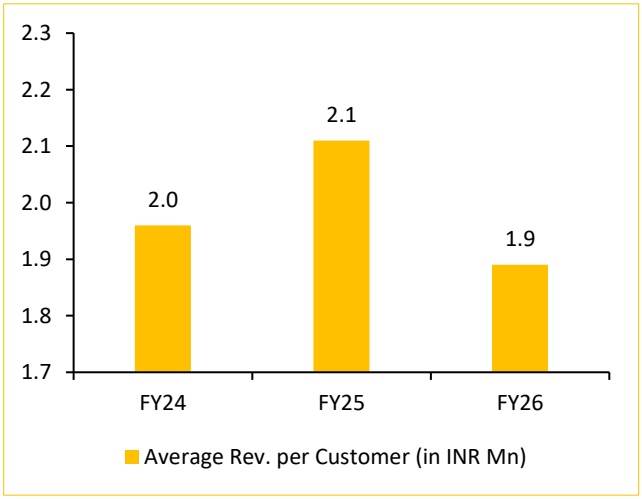
Source: ESDS RHP, Choice Institutional Equities

Revenue from Enterprise leads the Customer segment Mix



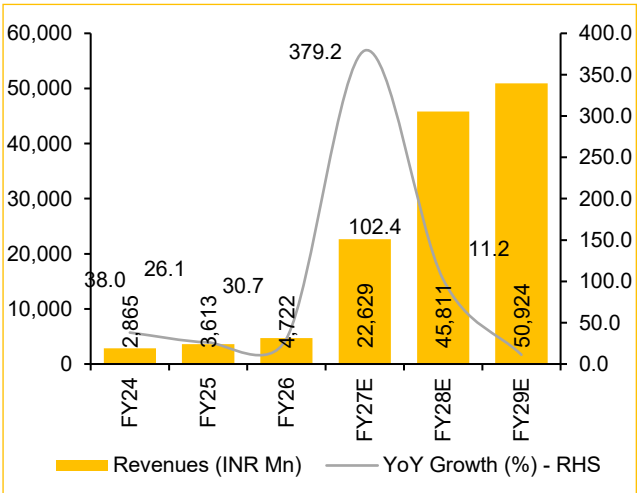
Source: ESDS RHP, Choice Institutional Equities

Average Revenue per Customer Remains Strong



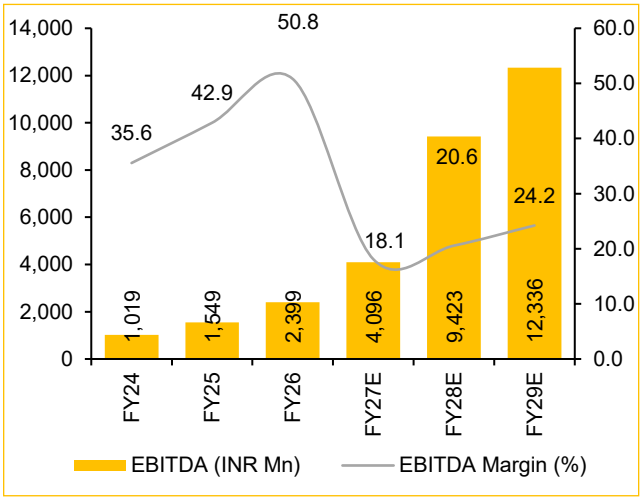
Source: ESDS RHP, Choice Institutional Equities

Revenue expected to expand at 121.0% CAGR over FY26-29E*



Source: ESDS RHP, Choice Institutional Equities

EBITDA to decline in FY27E due to change in business Mix*



Source: ESDS RHP, Choice Institutional Equities

**The estimates includes the Sharon AI deal of USD 1.25 Bn*

Investment Thesis in Charts (4/4)

ESDS leads peers on margins, underscoring strong operating efficiency, while higher DSO reflects its significant exposure to government and enterprise clients

Company Name	Revenue (INR Mn-FY26)	EBITDA (INR Mn-FY26)	EBITDA Margin (FY26 %)	ROE (FY26 %)	Debt/Equity (x)	DSO	Total Customers	Avg. Rev. per Customer (INR Mn-FY26)	No. of data centers	Revenue from Existing Customers (FY26 %)	Revenue from New Customers (FY26 %)
ESDS	4,722	2,342	49.6%	25.1%	0.1x	79	2,501	1.89	5	72.6	27.3
E2E Networks	2,456	1,263	51.4%	-1.0%	0.1x	25	3,000+	NA	NA	55-60	40-45
Sify	17,605	7,932	45.1%	1.9%	1.2x	77	500+	NA	14	NA	NA
Nxtra by Airtel	24,341	10,076	41.4%	7.7%	0.7x	22	2,000+	NA	15	NA	NA
Yotta	NA	NA	NA	NA	NA	NA	13,000+	NA	2	60-70	30-40
CYFuture	NA	NA	NA	NA	NA	NA	9,500+	NA	3	NA	NA
WebWerks	NA	NA	NA	NA	NA	NA	NA	NA	6	NA	NA
CTRLS	19000*	NA	NA	NA	NA	NA	10,500+	NA	17	65-70	30-35

Source: ESDS RHP, Choice Institutional Equities
*Note: All Operating & Financial Metrics are based on FY26 data. *FY26 Revenue of Ctrl S is estimated as per RHP*

Private Data center Players Command Premium Valuations, Supported by Recent Funding Rounds

Company Name	Revenue CAGR FY24-FY26	EBITDA CAGR FY24-FY26	EBITDA Margin FY26	PAT CAGR FY24-FY26	PAT Margin FY26	Recent Funding (INR Bn)	Valuation (INR Bn)	EV/Revenue Multiple (TTM) (X)
ESDS	28.4%	53.5%	50.8%	197.9%	25.6%	NA	106.4	**20.1x**
Sify	25.7%	31.0%	45.1%	-42.9%	2.1%	37.0	NA	NA
Yotta	NA	NA	NA	NA	NA	14.3	370.0	**41.5x**
CYFuture	NA	NA	NA	NA	NA	NA	NA	NA
WebWerks	NA	NA	NA	NA	NA	NA	NA	NA
CTRLS	19.1%	NA	NA	NA	NA	70.0	448.2	**23.6x**
Nxtra by Airtel	15.4%	20.4%	41.4%	2.0%	9.9%	95.0	294.0	**14.1x**

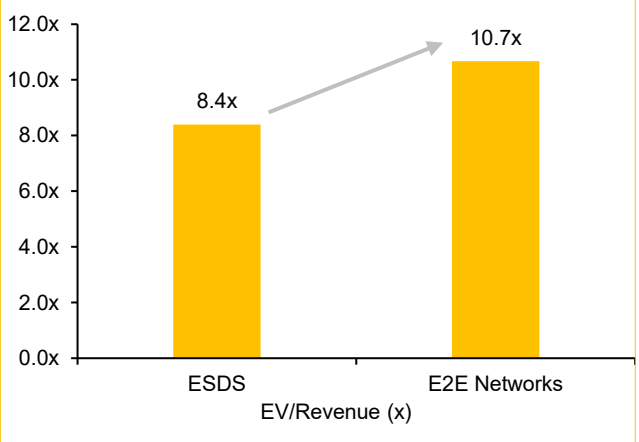
Source: ESDS RHP, Choice Institutional Equities

ESDS Offers Valuation Comfort vs. Peers, With Sharon AI Deal as Additional Upside

Company	CMP (INR)	Market Cap (INR Bn)	Revenue CAGR (FY27-29E)	EPS Growth (FY27-29E)	EBITDA Margin (%)				EV/ Revenue (x)			
					FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E
ESDS (Excl. Sharon AI)	908	106.4	73.8%	99.8%	50.8%	45.9%	54.9%	55.3%	20.1x	17.4x	8.4x	5.8x
ESDS (with Sharon AI deal)	908	106.4	50.0%	69.1%	50.8%	18.1%	20.6%	24.2%	20.1x	4.2x	2.1x	1.9x
E2E Networks	601	120	38.8%	38.4%	51.4%	75.5%	75.5%	71.0%	48.0x	14.8x	10.7x	7.7x

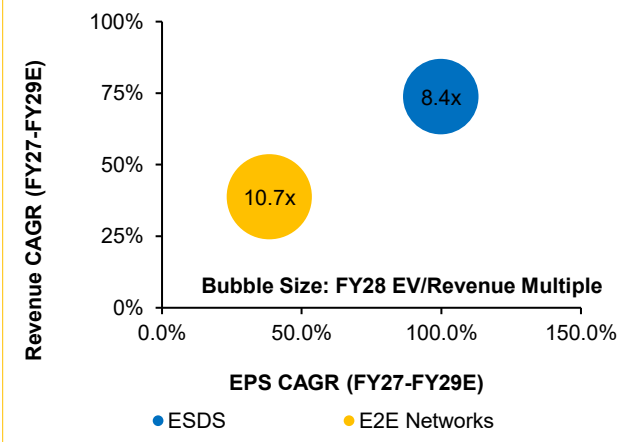
Source: ESDS RHP, BBG Estimates, Choice Institutional Equities ***Note:*** *1. We benchmark ESDS against its closest listed peer E2E Networks 2. We have prepared the comp sheet illustrating the impact of the Sharon AI deal on ESDS' financials, both with and without the deal.*

ESDS FY28 EV/Revenue (excl. Sharon AI) Has Upside Headroom



Source: ESDS RHP, Choice Institutional Equities

ESDS With Better Growth & Profitability Estimates Trades At Discount To E2E Network In EV/Revenue Multiple



Source: ESDS RHP, Choice Institutional Equities

1.1 Riding India's Cloud-to-AI Infrastructure Supercycle

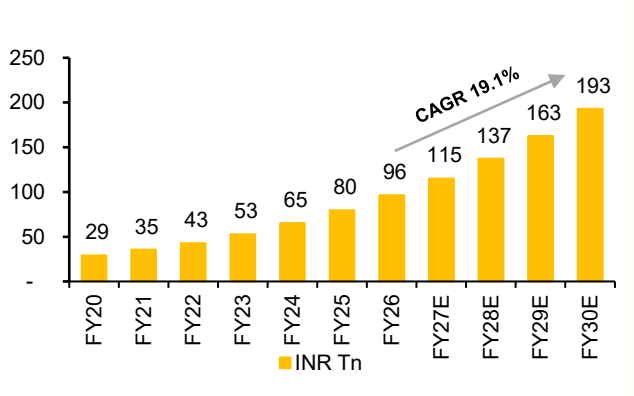
India's underpenetrated cloud market offers a durable growth runway, with AI adding a higher-growth layer. India's **cloud market is expected to grow at a 23.6% CAGR through FY25 from INR 651 Bn to INR 1.9 Tn in FY30**, supported by enterprise digitisation, BFSI adoption and rising government workloads. Increasing data-residency and compliance requirements further favour domestic infrastructure providers, where ESDS has established credentials and a diversified exposure across Enterprise (55.1%), Government (27.4%) and BFSI (17.5%). Beyond the core opportunity, **India's cloud GPU market is projected to grow at ~50% CAGR through FY30,** expanding ESDS's addressable market into GPUaaS, GPU colocation and AI-led managed infrastructure.

1.1.1 Structural underpenetration of cloud services in India creates a long-term demand opportunity

India's cloud market is rapidly expanding, with substantial untapped adoption potential through FY30

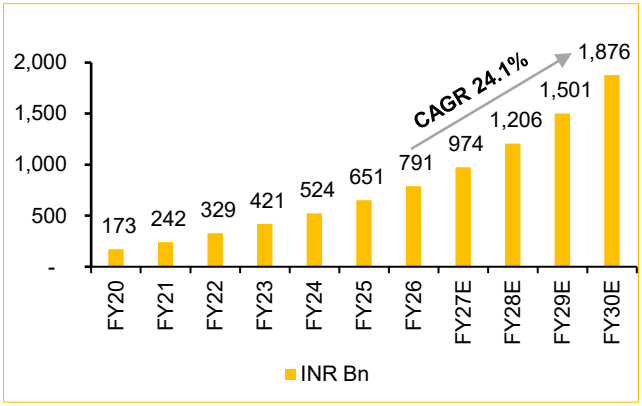
- **India's cloud services market** has already scaled up rapidly, growing at 22.25% CAGR during FY20–25 and is expected to sustain 23.56% CAGR through FY30, **expanding from INR 651 Bn in FY25 to INR 1,876 Bn by FY30.**
- Importantly, India remains at an early stage of cloud adoption even within the BRICS cohort, trailing more mature markets, such as Brazil and South Africa, **suggesting that the opportunity is driven by continued penetration rather than a late-cycle replacement market.**

Global cloud industry projected to grow at a CAGR of 19.1% (FY26–30E)



Source: ESDS RHP, Choice Institutional Equities

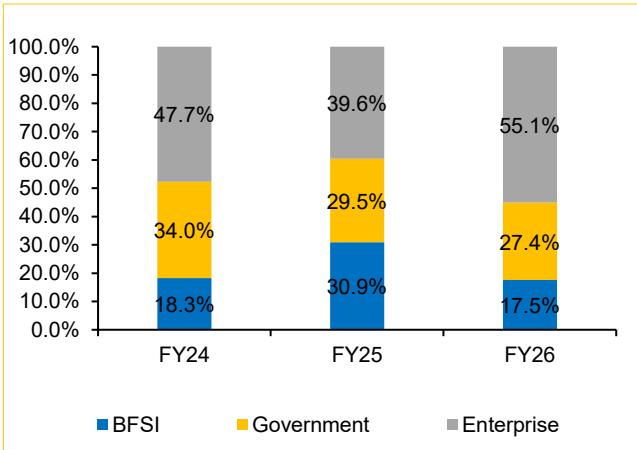
India cloud services market to grow at a CAGR of 24.1% (FY26–30E)



Source: ESDS RHP, Choice Institutional Equities

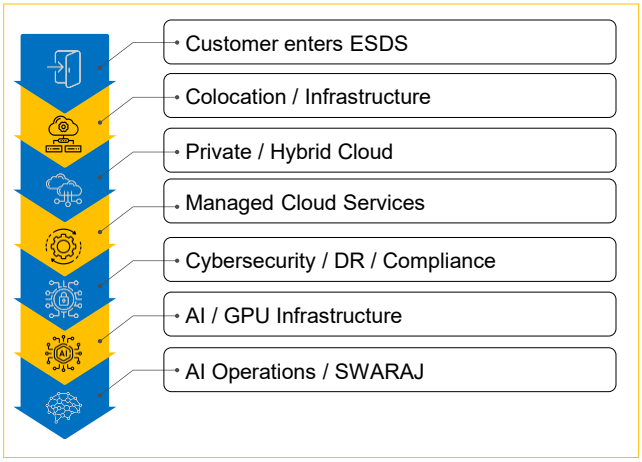
- Enterprise digitisation, BFSI technology adoption and increasing government workloads are creating multiple, relatively independent demand pools for cloud, data-center and managed infrastructure.
- ESDS is already positioned directly against these demand vectors, with **Enterprise, Government and BFSI contributing 55.1%, 27.4% and 17.5% of FY26 revenue, respectively.**

Enterprise clients now account for 55.1% of FY26



Source: ESDS RHP, Choice Institutional Equities

ESDS's opportunity compounds through wallet expansion



Source: Choice Institutional Equities

1.1 Riding India's Cloud-to-AI Infrastructure Supercycle

1.1.2 Sovereign-cloud requirements creates a domestic opportunity

- India's evolving data-governance framework is increasingly making data residency, security and regulatory compliance integral to infrastructure procurement, particularly across BFSI and government workloads.

- Mandates payment-system data storage within India, extending requirements across service providers and intermediaries, strengthening demand for compliant domestic cloud and data-center infrastructure.

RBI

SEBI

- Links data localisation to sovereignty, regulatory oversight and compliance, requiring regulated entities to retain relevant data within India and reducing offshore data-storage risks.

Regulation is creating a structural preference for domestic infrastructure

Regulatory development	What it means for cloud infrastructure ?
DPDP Act, 2023	Government can restrict transfer of personal data outside India
DPDP Rules, 2025	Establishes operational framework for data protection
RBI – Payment System Data	Entire payment-system data must be stored in India
SEBI Cloud Framework	Storage & processing of regulated data within India
SEBI CSCRF	Emphasises data localisation, sovereignty & regulatory access
RBI IT Outsourcing Directions	Banks remain accountable for data confidentiality, integrity and regulatory oversight

Source: ESDS RHP, Choice Institutional Equities

ESDS's differentiated positioning: Indian-owned infrastructure + Tier-III standards + MeitY/STQC credentials

- **Government-grade infrastructure:** ESDS's STPI facilities in Bengaluru, Mohali and Noida hold STQC-MeitY and Tier-III certifications, strengthening credibility for secure and compliant government workloads

- **Early-mover advantage**: Early MeitY empanelment and STQC certification, combined with the STPI partnership, position ESDS to serve government cloud and managed IT requirements

Why this matters for ESDS? : Sovereignty + Cost Advantage

1. Regulatory tailwinds drive domestic infrastructure
- Data localisation accelerates domestic cloud demand
- Regulation strengthens sovereign infrastructure requirements
- SWARAJ ensures 100% Indian data residency
- Security and control span cloud environments

2. Full-stack infrastructure creates differentiation
- Integrated data-center and cloud capabilities
- Managed services strengthen customer relationships
- GPU infrastructure enables AI workloads
- Single-vendor model reduces integration complexity
- Integrated offering increases customer switching cost

3. Domestic infrastructure offers cost advantage
- Indian GPUs offer competitive compute economics
- INR 115–150/hour versus INR 213–256/hour globally
- Potential 40–50% domestic cost advantage
- Sovereignty combines with cost-efficiency
- Managed services strengthen overall customer proposition

4. ESDS sits at the intersection
- Combines GPUaaS, cloud and managed services
- Owns supporting data-center infrastructure
- Integrated software completes full-stack offering
- One of the only 2 Indian players
- Largest revenue among full-spectrum peers

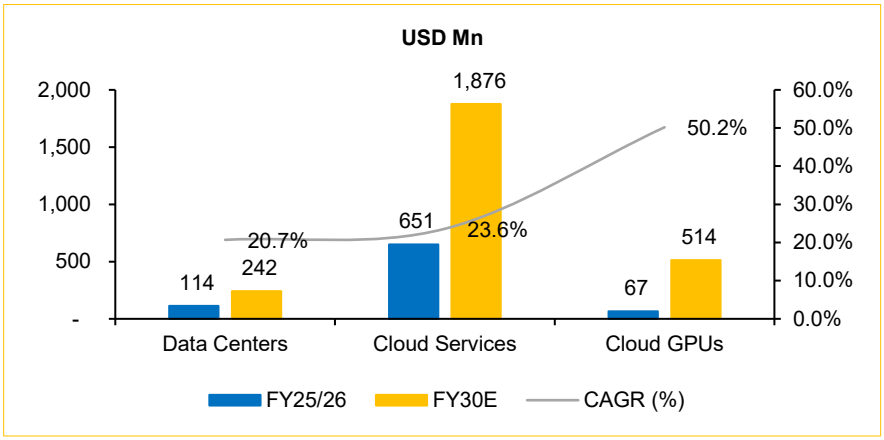
1.1 Riding India's Cloud-to-AI Infrastructure Supercycle

1.1.3 AI giving rise to a rapidly expanding infrastructure layer above the existing cloud opportunity

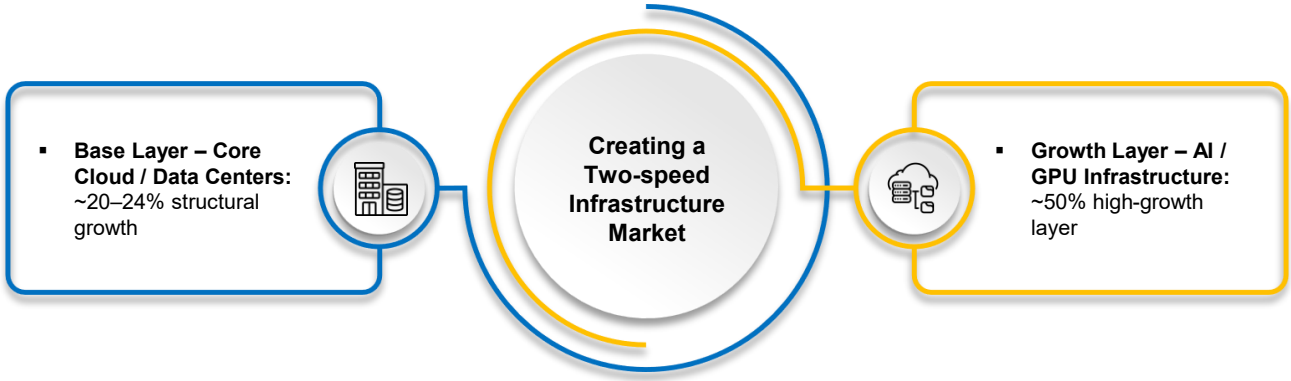
- India's cloud GPU market is projected to grow ~50% CAGR through FY30, significantly outpacing conventional cloud growth of ~24%, creating a rapidly expanding incremental compute opportunity
- ESDS can leverage its existing cloud and data-center base through GPUaaS, colocation and managed AI infrastructure, with India's GPU market estimated to expand ~7.6x from USD 67.3 Mn to USD 513.7 Mn

India's GPU cloud market is surging, creating significant AI infrastructure growth opportunities for ESDS

GPU Infrastructure is growing at >2x the pace of traditional cloud



Source: ESDS RHP, Choice Institutional Equities



AI expands ESDS's TAM by driving higher compute intensity and sophistication

Government investments and rising GPU demand create opportunities for ESDS

- AI represents a **TAM expansion opportunity for ESDS**, rather than merely another technology trend. Its core cloud business establishes the **infrastructure and customer base**, while AI increases the **volume, intensity and sophistication of compute** consumed by these customers.
- **India's GPU capacity remains underpenetrated:** Despite generating ~20% of global data, India holds only ~2% of global compute capacity. With GPU deployments projected to grow 72.5% CAGR through FY30, significant infrastructure catch-up remains.
- **Government-led AI buildout creates opportunity:** IndiaAI Mission and private investment are accelerating GPU capacity expansion. **ESDS is participating with 21 GPUs today, targeting 85 GPUs by FY28, positioning itself for growing AI compute demand.**

1.2 Full-stack Platform and Proprietary Technology Position ESDS to Capture the Opportunity

ESDS's integrated offering across cloud, colocation, GPUaaS, managed services and SaaS is driving deeper customer relationships, with the share of customers using all three core services rising from 62% in FY24 to 89% in FY26, alongside 94.9% revenue retention. Its proprietary SWARAJ technology further strengthens the proposition, with **EBITDA margin expanding from 35.6% to 49.6% and RoCE from 14.5% to 32.8% over FY24–26.** Meanwhile, its established presence across 115 BFSI institutions and 104 government clients, coupled with a rise in >5-year customer revenue from 23.3% to 47.8%, provides a sticky installed base from which ESDS can cross-sell higher-value cloud, managed-services and AI infrastructure.

ESDS drives deeper wallet share through IaaS, managed services and SaaS

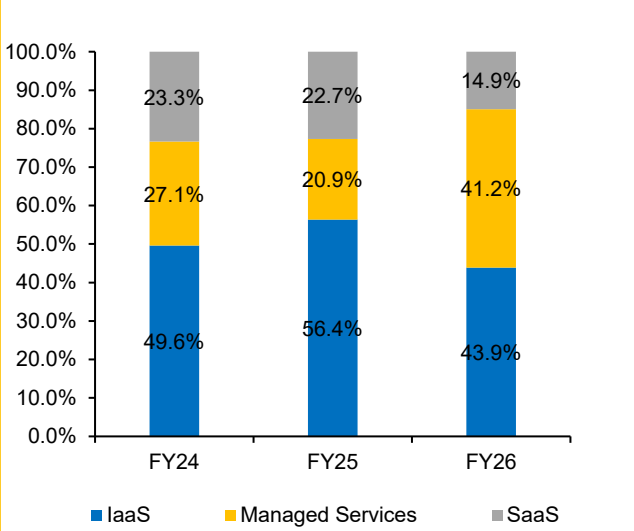
End-to-end capabilities differentiate ESDS across GPUaaS, cloud, infrastructure and software

ESDS leads E2E Networks with nearly 2x FY26 revenue

1.2.1 Integrated infrastructure stack enables deeper monetisation

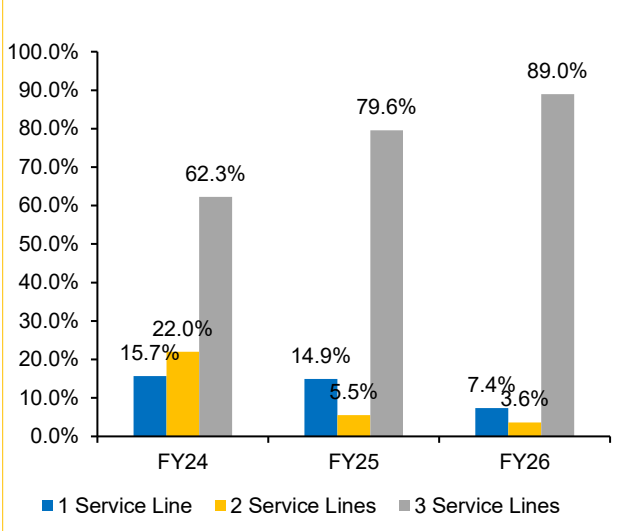
- ESDS monetises customer relationships beyond infrastructure deployment, leveraging a broad technology stack spanning IaaS, Managed services and SaaS. This enables deeper wallet share and recurring revenue opportunities compared with conventional data-center operators focused primarily on rack space and power.
- Its differentiated proposition lies in end-to-end technology coverage, extending from GPUaaS and cloud to managed services, data-center infrastructure and software. ESDS positions itself as one of India's two full-spectrum cloud infrastructure providers, with FY26 revenue of INR 4,722 Mn, nearly 2x of E2E Networks' FY26 revenue of INR 2,460 Mn.

Revenue mix is becoming more diversified across offerings



Source: ESDS RHP, Choice Institutional Equities

Sustained cross-sell drives 3 service lines to 89.0% in FY26



Source: ESDS RHP, Choice Institutional Equities

- The integrated model is translating into deeper wallet penetration, rather than remaining a theoretical cross-sell opportunity. While FY24 RRR was elevated by methodology, the 89% three-service adoption provides a cleaner indicator of sustained expansion in customer-level monetisation.
- ESDS's strategic advantage lies in increasing revenue per customer over time, rather than simply offering a broader product portfolio. Continuous engagement across the cloud-adoption lifecycle creates recurring opportunities to cross-sell SaaS, managed services and adjacent solutions.

ESDS is steadily expanding customer wallet share through deeper lifecycle engagement

Particulars	FY24	FY25		FY26	
	INR Mn	INR Mn	% increase	INR Mn	% increase
Revenue from top 50 customers	1976.93	2751.47	39.18%	3482.91	26.58%
Avg revenue per customer for top 50 customers	39.54	55.03	39.18%	69.66	26.58%

Source: ESDS RHP, Choice Institutional Equities

1.2 Full-Stack Platform and Proprietary Technology Position ESDS to Capture the Opportunity

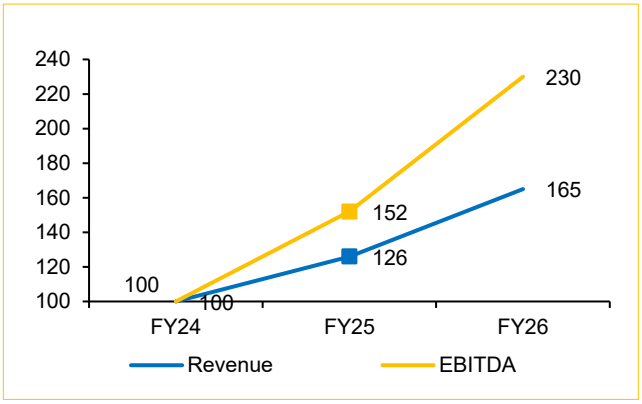
1.2.2 Proprietary technology has demonstrated operating leverage, with AI investments creating a near-term margin reset

SWARAJ enables real-time resource optimisation, improving utilisation, efficiency and automated provisioning

It supports ESDS's scalability and operating leverage, rather than independently driving margin expansion

- SWARAJ enables dynamic resource allocation by monitoring CPU, memory, storage and utilisation in real time, improving capacity utilisation, resource efficiency and automated provisioning. **We view it as an important technology-enabler supporting ESDS's scalable, infrastructure-intensive operating model.**
- SWARAJ reinforces ESDS's utilisation-efficiency flywheel, rather than representing a standalone driver of margin expansion. The company has demonstrated operating leverage through scale and higher utilisation, with SWARAJ supporting efficiency rather than explaining the entire 1,404-bps EBITDA margin expansion from FY24 to FY26.

ESDS EBITDA scaling up significantly faster than revenue



Source: ESDS RHP, Choice Institutional Equities

Revenue growth is outpacing employee base expansion

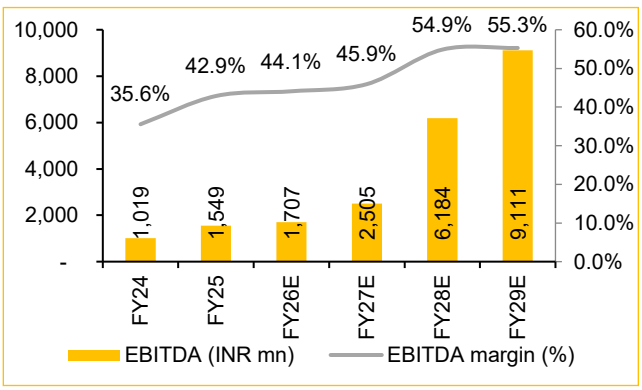
Particulars (INR Mn)	FY24	FY25	FY26	% change
Revenue	2865	3613	4722	**65%**
Employees	1091	1044	995	**-9%**
Rev/ Employee	2.63	3.46	4.75	**81%**

Source: ESDS RHP, Choice Institutional Equities

EBITDAM decline stems from the AI deal being ~5x normal run-rate and carrying lower margin (~20% gross, ~15% PAT) Vs ESDS's core domestic business (~55% gross). This change in mix reduces EBITDAM to ~20% despite strong revenue growth

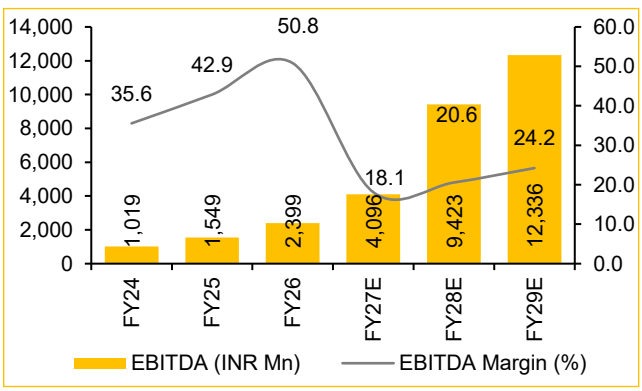
- On March 31, 2026, ESDS entered a five-year strategic AI cloud infrastructure agreement, with a potential two-year extension, with an Australia-based neocloud AI compute provider. The ~USD 1.25 Bn contract targets deployment of ~8,208 NVIDIA B300 GPUs, with revenue generation expected from Q3FY27.
- We expect full year FY28 to represent a temporary margin reset, with EBITDA margin declining to 20.6%, primarily reflecting incremental GPUaaS and system-integration costs. We view this as upfront investment ahead of scale-up, rather than evidence of structural margin deterioration.
- As GPUaaS scales, operating leverage should strengthen, with fixed technology and platform costs amortised across a larger revenue base. Improving AI infrastructure utilisation could drive EBITDAM recovery towards ~25% by FY29E, creating a potential second leg of margin expansion.

Standalone EBITDAM projected to expand to 55.3% in FY29E



Source: ESDS RHP, Choice Institutional Equities

Consol. EBITDAM to moderate in FY27E on business mix changes



Source: ESDS RHP, Choice Institutional Equities

1.2 Full-Stack Platform and Proprietary Technology Position ESDS to Capture the Opportunity

1.2.3 Sticky Regulated-Sector Customer Base Creates a Strong AI Upsell Opportunity

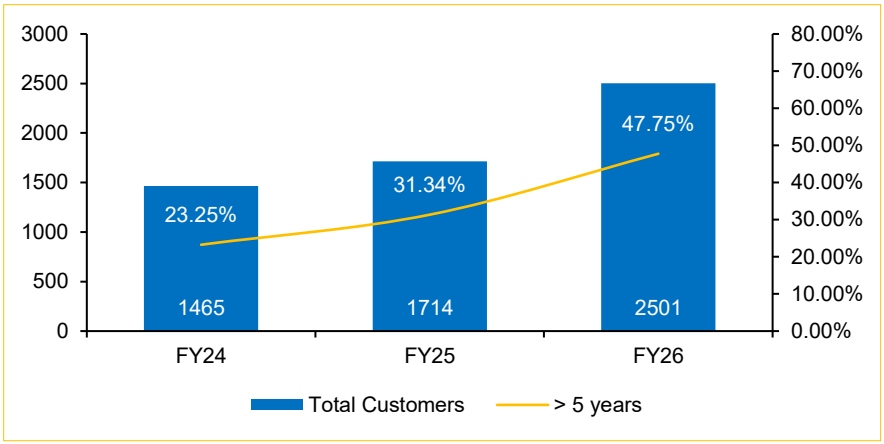
- ESDS has established a meaningful regulated-sector franchise, with its BFSI Community Cloud serving 115 banks and financial institutions across 1,045 branches, alongside 104 government clients, underscoring its presence in security-sensitive, compliance-intensive workloads.
- Its security franchise further deepens customer relationships, with 123+ SECaaS/SOC customers covering 7,175+ devices. This creates additional touchpoints across infrastructure and cybersecurity, strengthening ESDS's positioning within mission-critical technology environments.

115 **banks** / FIs

104 **government** clients

123+ SECaaS/ SOC **customers** covering 7,175+ devices

Nearly half of revenue now comes from 5-yr+ relationships



Source: ESDS RHP, Choice Institutional Equities

- **Customer longevity provides evidence of increasing relationship stickiness**, with revenue from customers having relationships exceeding five years, **rising from 23.25% in FY24 to 47.75% in FY26**, indicating deeper, more embedded technology relationships.
- The strategic value of regulated-sector exposure extends beyond customer scale, as infrastructure migration can involve compliance validation, application reconfiguration, security testing and operational risks. Consequently, **long-tenured relationships can create higher switching friction, supporting retention and cross-selling.**
- This installed base could provide a natural distribution channel for AI infrastructure, as regulated customers already possess sensitive enterprise data, mission-critical applications, compliance requirements, cloud workloads and governance needs attributes that can support increasing adoption of AI/ML infrastructure.
- ESDS's GPUaaS offering targets enterprises, Government, BFSI and research institutions, supporting AI/ML, GenAI and LLM workloads through purpose-built GPU SuperPODs. Its existing regulated customer relationships therefore provide potential access to incremental AI workloads without requiring an entirely new acquisition engine.

Customer longevity is rising, indicating stickier relationships and higher switching friction

Embedded regulated customers provide a potential channel for incremental AI infrastructure adoption

1.3 AI Infrastructure Contract Could Drive Growth; But Execution Is Critical

The USD 1.25 Bn AI infrastructure contract with Sharon AI marks a potential inflection point for ESDS, with revenue expected to scale from INR 4.7 Bn in FY26 to INR 22.6 Bn in FY27E (two quarter impact) and INR 45.8 Bn in FY28E (full year impact). The contract provides 5-year revenue visibility, with ~8,208 NVIDIA B300 GPUs to be deployed, taking GPU compute capacity from 81 teraflops to 2,481 teraflops (~30.6x). ESDS plans INR 5.7 Bn of capex, ~70% of which is front-loaded in FY27E, to build the required local DC infrastructure and expand new DC. EBITDA is estimated to rise from INR 2.3 Bn in FY26 to INR 9.2 Bn in FY28E, with margins reaching 20.6% by FY28E. **Key earnings upside lies in replicating the GPU lease model beyond the anchor contract,** although execution, deployment and customer monetisation remain critical to converting the headline contract value into sustained earnings.

1.3.1 Landmark contract provides significant revenue visibility

ESDS × Australia-based Neocloud — AI Infrastructure Deal Timeline

1. 31 Mar 2026 | Contract Signed

- TCV of USD 1.25-Bn, 5-year AI infrastructure contract, with a potential 2-year extension
- Mandate covers dedicated AI infrastructure deployment and managed operations

2. Q2–Q3 FY27 | Infrastructure Build-Out

- Deployment of a dedicated Australian AI cluster comprising ~8,208 NVIDIA B300 GPUs, storage and related infrastructure within an existing data-center facility
- ESDS/SPOCHUB to manage deployment and ongoing infrastructure operations

3. Oct 2026E | Targeted Go-live

AI cluster targeted for completion and deployment by October 2026, enabling dedicated large-scale AI compute for the customer.

4. Q3 FY27E | Revenue Commencement

Monthly recurring service revenue expected to begin upon deployment/go-live, converting the infrastructure build-out into a long-term contracted revenue stream.

5. FY27–FY32E | Long-term Growth Opportunity

5-year contracted revenue visibility, with a potential 2-year extension, while strengthening ESDS/SPOCHUB's credentials in hyperscale GPU deployments and global AI infrastructure.

- The USD-1.25 Bn AI infrastructure agreement represents a step-change in revenue visibility, equivalent to ~25x FY26 revenue, while the INR 11.8 Bn advance demonstrates tangible customer commitment. The 5-yr term and ~8,208 NVIDIA B300 GPUs, to be deployed within an existing data-center facility in Australia, provide a contracted bridge into AI infrastructure.
- **We believe successful execution could materially accelerate growth and reshape ESDS's earnings mix towards AI infrastructure, although deployment timelines, revenue recognition, GPU utilisation and sustainable margin remain key variables. Revenue commencement is expected from Q3FY27, meriting close monitoring.**

1.3 AI Infrastructure Contract Could Drive Growth; But Execution Is Critical

1.3.2 The IPO-funded capacity expansion provides the physical infrastructure

- ESDS operates 5 Tier-3 data centers spanning 75,266+ sq. ft., supported by redundant power system, disaster-recovery capabilities and 24/7 operations. **The IPO therefore augments an established infrastructure platform rather than requiring ESDS to build capabilities from scratch.**
- The IPO should materially enhance ESDS's capacity to support growth, with incremental GPU compute, storage and networking strengthening its existing cloud and managed-services platform. This additional capacity should provide operating headroom as demand increasingly shifts towards AI workloads.

Utilisation of funds across key infrastructure and business requirements

Use of Funds	Key equipment / scope	Key vendors	Estimated cost (INR Mn)	% of total
Computer Servers	80 cloud nodes + 20 GPU Cloud servers with HGX B300*	Orient Technologies	2,660	36.9%
Data Storage	Enterprise, archive & GPU storage	Orient Technologies	833.6	11.5%
Networking	High-speed switches + GPU networking	Orient Technologies	516.4	7.1%
Infrastructure	Racks, BMS, security, cooling, UPS, transformers, DG sets, cabling	Deore Electrical; Shree Sai Electrical; Rudra Electricals	1,750	24.3%
General Corporate Purposes	Working capital, strategic initiatives, growth opportunities & other business requirements	N/A	Balance	≤25% of gross issue
Total	**Cloud + GPU compute, storage & DC infrastructure**	**Multiple**	**7,200**	**100%**

**Note: The 20 HGX B300 servers are part of ESDS's planned in-house infrastructure capex and are separate from the 8,208 GPU capacity being sourced under the Sharon AI agreement.*

Deployment of core capex timeline

Particulars (INR Mn)	FY27E	FY28E	Total
Computer Servers	1,995	665	2,660
Data Storage	625	208	834
Networking	387	129	516
Infrastructure	1,313	438	1,750
Total	**4,320**	**1,440**	**5,760**
% of Capex	**75%**	**25%**	**100%**

GPU compute capacity expands disproportionately

Metric	Existing	Post IPO investment	Increase
GPU-server RAM	18 TB	66 TB	3.7x
GPU compute	81 Teraflops	2,481 Teraflops	30.6x

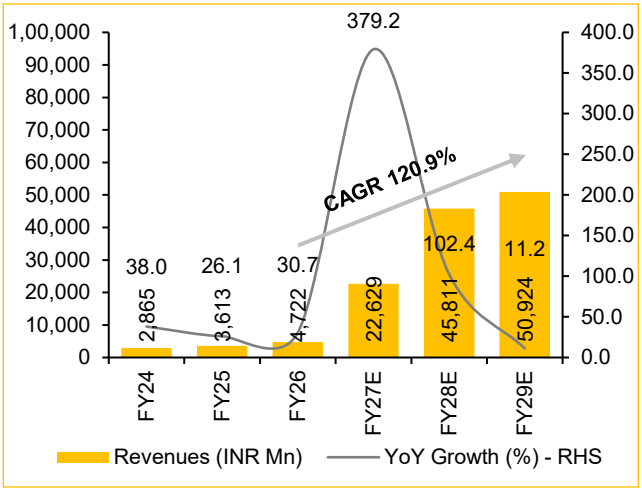
- Planned GPU-server RAM expansion from 18TB to 66TB implies 3.7x growth, while GPU compute capacity rises from 81 to 2,481 teraflops, representing 30.6x growth and significantly outpacing conventional cloud capacity.

1.3 AI Infrastructure Contract Could Drive Growth; But Execution Is Critical

1.3.3 AI contract becomes a durable re-rating catalyst

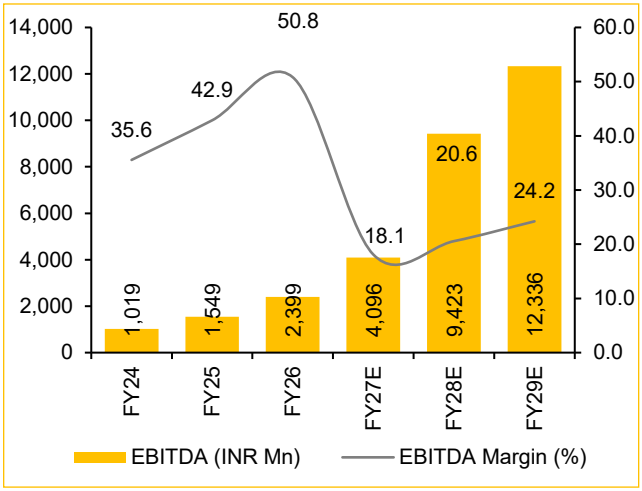
- The USD-1.25 Bn AI infrastructure contract is potentially transformational versus ESDS's FY26 revenue base, with ~8,208 NVIDIA B300 GPUs targeted for deployment by October 2026 and revenue commencement expected in Q3FY27.
- Q3FY27 represents the key validation quarter for the AI thesis; successful execution and revenue conversion could drive a second-order re-rating through stronger growth, recurring revenues and greater earnings visibility.

Revenue to grow substantially on back of Sharon AI deal



Source: ESDS, Choice Institutional Equities

EBITDA, including the AI deal, expands at 24.2% margin in FY29E vs. 50.8% in FY26.



Source: ESDS, Choice Institutional Equities

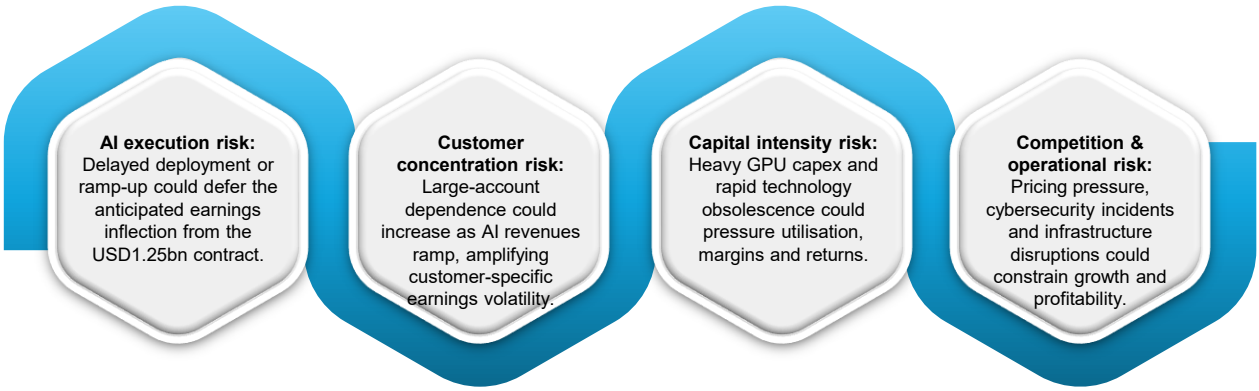
Unit Economics of the Sharon AI Deal	USD / GPU / hour	Margin impact
Customer billing rate	5.0	100%
Less: GPU lease cost	(4.0)	
Gross profit	1.0	20%
Less: Other operating / deployment costs	(X.X)	—
Target PAT	—	14–18%

ESDS's AI infrastructure model is built around earning a spread on GPU capacity: a ~USD5 /GPU-hour customer billing rate versus ~USD 4/GPU-hour lease cost creates ~20% gross margin, with management targeting ~14–18% PATM after other operating/ deployment costs

Notably, these assumptions are conservative relative to management's guidance

- **ESDS plans to replicate its GPU lease-led model across additional customers**, creating an opportunity to build a growing base of long-duration, contracted revenues and improve earnings visibility as AI compute adoption scales.
- The **GPU lease/contract model allows ESDS to participate in the AI infrastructure opportunity without bearing the full burden of upfront capex**, while its low leverage provides further headroom to scale the business.
- Unlike traditional data-center expansion requiring substantial upfront capex, **GPU lease contracts can enable ESDS to align infrastructure deployment with contracted demand, potentially improving asset utilisation and returns on incremental capital**.
- With debt-to-equity reduced to 0.08x in FY26, ESDS enters its GPU expansion phase with a significantly stronger balance sheet, providing financial flexibility to fund growth without excessive reliance on external leverage.
- ESDS's **evolving GPU model could shift growth from a capex-led infrastructure approach toward demand-backed capacity deployment**, allowing the company to scale GPUaaS while limiting balance-sheet intensity.
- **Any delays in GPU deployment or revenue recognition would weaken the central re-rating argument** and increase the risk that the headline TCV remains disconnected from near-term earnings.

2.1 Key Risks



Key Investor Questions Answered

1. How does the company plan to use the IPO proceeds? Does the capital raise directly support its AI growth strategy?

ESDS' INR-7,200 Mn fresh issue is primarily growth-capex oriented, with INR 5,760 Mn earmarked towards cloud-computing equipment and infrastructure in the existing and upcoming DCs. The proceeds will fund cloud servers, GPU cloud equipment, storage and networking infrastructure, directly supporting the company's transition towards higher-performance AI workloads. The investment is expected to increase GPU-server RAM capacity from 18TB to 66TB and compute capacity from 81 to 2,481 teraflops, providing the infrastructure required to service the company's AI opportunity. Importantly, the capex is linked to a contracted demand opportunity rather than being purely capacity-led: ESDS has signed a USD 1.25 Bn AI infrastructure agreement, with revenue expected to commence from Q3FY27. We therefore view the IPO primarily as a capacity-enablement exercise for the next phase of growth, rather than promoter liquidity or balance-sheet repair.

2. Can ESDS successfully convert the USD-1.25 Bn AI contract into a sustainable earnings engine?

The ~USD-1.25 Bn five-year AI infrastructure agreement represents a potential step-change, equivalent to roughly 25x ESDS' FY26 revenue, and requires deployment of approximately 8,208 NVIDIA B300 GPUs. The contract provides substantially greater forward visibility than ESDS' traditional business, with infrastructure deployment targeted by October 2026 and revenue generation expected from Q3FY27. The company has also received an advance of ~INR 11.8 Bn, providing tangible evidence of customer commitment and helping fund the infrastructure buildout. However, we believe the contract should be viewed as a conditional earnings catalyst rather than immediately annualised revenue. The key variables are timely GPU deployment, utilisation, pricing and eventual return on the incremental capital deployed. Q3FY27 is therefore the critical checkpoint: Commencement of AI revenue and a subsequent utilisation ramp-up would provide the first evidence that the contract is transitioning from contractual visibility into a sustainable earnings stream.

3. What differentiates ESDS from conventional data-center and cloud infrastructure providers? Could this differentiation sustain growth?

ESDS' differentiation lies in its full-stack infrastructure proposition rather than standalone data-center capacity. The company combines data-center infrastructure, cloud, managed services, SaaS, security and GPUaaS, enabling it to capture a larger share of customers' technology spend as workloads migrate and become more compute-intensive. This is increasingly visible in customer behaviour: The proportion of customers using all three core service lines increased from 62.3% in FY24 to 89.0% in FY26, while revenue retention remained high at 94.9% in FY26. ESDS also has meaningful exposure to regulated workloads, with 115+ banks/financial institutions and 104 government clients, supported by domestic Tier-3 infrastructure and compliance credentials. Its proprietary SWARAJ vertical auto-scaling technology adds a technology layer to the infrastructure proposition, while historical EBITDA margin expansion from 35.6% in FY24 to 49.6% in FY26 demonstrates that the platform has already translated differentiation into improved operating economics.

2.2 Key Insights from Management Meet and DC Visit

We attended the IPO meet held in Mumbai and had the opportunity to interact one-on-one with the management. Following are the key takeaways from the meeting:

Strategic Shift to AI Factories

- **AI-focussed transformation:** ESDS is shifting from conventional cloud and data-center services towards building and deploying AI Factories to capture opportunities across rapidly expanding AI infrastructure value chain
- **Expanding footprint:** It's first AI Factory in Sydney operates ~8,200 B300 GPUs across 16 MW, while new facilities planned in New Delhi & Kolkata

ESDS is shifting from traditional cloud services towards AI Factories and AI infrastructure

Sydney hosts ~8,200 B300 GPUs, with new AI Factories planned in Delhi and Kolkata

AI GPU Strategy & Growth

- **Large contract:** A USD-1.25 Bn, 5-year AI infrastructure agreement, backed by 8,208 NVIDIA B300 GPUs and a 2-year extension option, provides significant revenue visibility
- **Owned capacity:** ESDS plans to deploy 21 HGX B300 GPU servers, expanding in-house AI capacity alongside external infrastructure
- **Replicable model:** The management plans to pursue more large-scale AI/GPU contracts, enhancing revenue visibility.

USD-1.25 Bn five-year contract provides strong long-term AI infrastructure revenue visibility

20 HGX B300 servers will expand ESDS' in-house AI computing capacity

Asset-light Infrastructure Model

- **Avoiding delays:** ESDS avoids greenfield construction from scratch, reducing development timeline by approximately 1–1.5 years
- **Flexible ownership:** Of 5 data centers, only 1 is fully owned, while the remaining facilities operate through leases or partnerships
- **Rapid deployment:** ESDS uses existing buildings, completes MEP fit-outs, deploys its software platforms and brings facilities online faster

Asset-light infrastructure enables faster deployment through leased facilities and strategic partnerships

Dubai operations improve international financing access while reducing geopolitical and regulatory risks

Capital Partnerships & Global Structuring

- **Sharon AI partnership:** ESDS partnered with NASDAQ-listed Sharon AI in Australia, which leverages international financing to fund infrastructure and deploy large GPU clusters.
- **Margin preservation:** ESDS pays Sharon AI a fixed infrastructure cost rather than sharing revenue/ profit, targeting 14–18% PATM through Swaraj Cloud and managed services.
- **Dubai structure:** International operations are routed through Dubai, offering greater comfort to international lenders and partners, alongside a comparatively lower tax environment.
- **Risk mitigation:** ESDS has exited sanctioned Russian business and has no Chinese client exposure, reducing geopolitical and regulatory risks.

IPO primarily strengthens institutional credibility despite substantial surplus cash on ESDS' balance sheet

IPO Purpose & Financial Position

- **Strong liquidity:** The management indicates ~INR 12,000 Mn of surplus cash and does not currently require additional debt financing
- **IPO rationale:** INR 7,200 Mn IPO primarily aims to enhance institutional credibility, strengthen relationships with international lenders and partners, increase visibility and share wealth with employees.
- **Competitive outlook:** The management views domestic players like E2E Networks and Yotta as healthy competitors, believing India's growth requires multiple capable AI infrastructure companies.

Integrated services and flexible billing models support customer retention and cross-selling growth

Cross-selling & Revenue Strategy

- **Integrated offering:** ESDS is moving customers from standalone services toward integrated IaaS, SaaS and Managed Services, lowering customer cloud-adoption cost while increasing revenue per customer.
- **Flexible billing:** Customised models such as pay-per-consumption, pay-per-branch, and pay-per-transaction improve customer retention and facilitate smoother cross-selling opportunities.

ESDS's AI infrastructure model is built around earning a spread on GPU capacity: a ~USD5 /GPU-hour customer billing rate versus ~USD 4/GPU-hour lease cost creates ~20% gross margin, with management targeting ~14–18% PATM after other operating/ deployment costs.

Notably, these assumptions are conservative relative to management's guidance.

2.3 View & Valuation Rationale

ESDS leads peers on margins, underscoring strong operating efficiency, while higher DSO reflects its significant exposure to government and enterprise clients

	Revenue (INR Mn-FY26)	EBITDA (INR Mn-FY26)	EBITDA Margin (FY26 %)	ROE (FY26 %)	Debt/Equity (x)	DSO	Total Customers	Avg. Rev. per Customer (INR Mn-FY26)	No. of data centers	Revenue from Existing Customers (FY26 %)	Revenue from New Customers (FY26 %)
ESDS	4,722	2,342	49.6%	25.1%	0.1x	79	2,501	1.89	5	72.6	27.3
E2E Networks	2,456	1,263	51.4%	-1.0%	0.1x	25	3,000+	NA	NA	55-60	40-45
Sify	17,605	7,932	45.1%	1.9%	1.2x	77	500+	NA	14	NA	NA
Nxtra by Airtel	24,341	10,076	41.4%	7.7%	0.7x	22	2,000+	NA	15	NA	NA
Yotta	NA	NA	NA	NA	NA	NA	13,000+	NA	2	60-70	30-40
CYFuture	NA	NA	NA	NA	NA	NA	9,500+	NA	3	NA	NA
WebWerks	NA	NA	NA	NA	NA	NA	NA	NA	6	NA	NA
CTRLS	19000*	NA	NA	NA	NA	NA	10,500+	NA	17	65-70	30-35

Source: ESDS RHP, Choice Institutional Equities
*Note: All Operating & Financial Metrics are based on FY26 data. *FY26 Revenue of Ctrl S is estimated as per RHP*

ESDS' Full-stack Integrated Platform is a Key Competitive Advantage

Parameters	ESDS	E2E	Yotta	CY Future	Web Werks	CTRLS	Nxtra	Adani Connex	AWS	Azure	Google
IaaS											
Cloud	✓	✓	✓	✓	✓	✓	✗	✗	✓	✓	✓
Colocation	✓	✗	✓	✓	✓	✓	✓	✓	✗	✗	✗
Managed Services											
Cloud Operations & Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Data center Build & Audit Consulting	✓	✗	✓	✓	✓	✓	✓	✓	✗	✓	✓
Development Operations	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
SECaaS	✓	✗	✓	✓	✗	✓	✗	✗	✓	✓	✓
SaaS											
Marketplace	✓	✗	✗	✓	✗	✗	✗	✗	✓	✓	✓
In-House applications	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
G-SaaS	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓
PaaS	✓	✓	✗	✓	✓	✗	✗	✗	✓	✓	✓
GPU as a Service	✓	✓	✓	✓	✗	✗	✗	✗	✓	✓	✓

Source: RHP, Choice Institutional Equities

Unlike pure-play data center providers focused primarily on physical infrastructure and colocation, ESDS combines colocation with cloud services & computing, enabling customers to access both dedicated infrastructure and cloud-based resources under a single platform. At the same time, unlike global hyperscalers that primarily provide cloud infrastructure, ESDS owns and operates the underlying data center infrastructure, giving it greater control over the infrastructure–cloud stack.

2.3 View & Valuation Rationale

Private Data Centre Players Command Premium Valuations, Supported by Recent Funding Rounds

Company Name	Revenue CAGR FY24-FY26	EBITDA CAGR FY24-FY26	EBITDA Margin FY26	PAT CAGR FY24-FY26	PAT Margin FY26	Recent Funding (INR Bn)	Valuation (INR Bn)	EV/Revenue Multiple (X)
ESDS	28.4%	53.5%	50.8%	197.9%	25.6%	NA	106.4	**20.1x**
Sify	25.7%	31.0%	45.1%	-42.9%	2.1%	37.0	NA	NA
Yotta	NA	NA	NA	NA	NA	14.3	370.0	**41.5x**
CYFuture	NA	NA	NA	NA	NA	NA	NA	NA
WebWerks	NA	NA	NA	NA	NA	NA	NA	NA
CTRLS	19.1%	NA	NA	NA	NA	70.0	448.2	**23.6x**
Nxtra by Airtel	15.4%	20.4%	41.4%	2.0%	9.9%	95.0	294.0	**14.1x**

Source: ESDS RHP, Choice Institutional Equities
Note: Funding Data for private comp peers has been taken from relevant sources

ESDS Offers Valuation Comfort vs. Peers, With Sharon AI Deal as Additional Upside

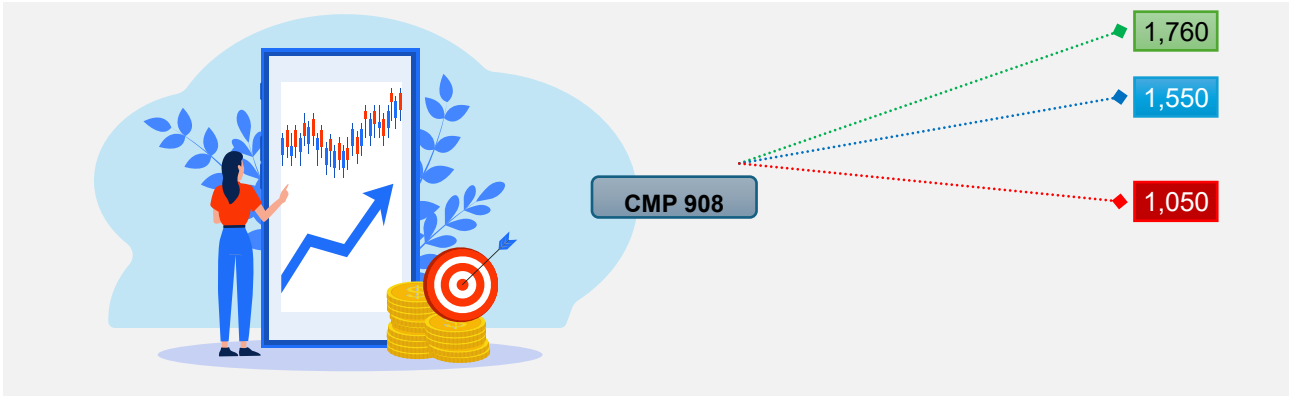
Company	CMP (INR)	Market Cap (INR Bn)	Revenue CAGR (FY27-29E)	EPS Growth (FY27-29E)	EBITDA Margin (%)				EV/ Revenue (x)			
					FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E
ESDS (Excl. Sharon AI)	908	106.4	73.8%	99.8%	50.8%	45.9%	54.9%	55.3%	20.1x	17.4x	8.4x	5.8x
ESDS (with Sharon AI deal)	908	106.4	50.0%	69.1%	50.8%	18.1%	20.6%	24.2%	20.1x	4.2x	2.1x	1.9x
E2E Networks	601	120	38.8%	38.4%	51.4%	75.5%	75.5%	71.0%	48.0x	14.8x	10.7x	7.7x

Source: ESDS RHP, BBG Estimates, Choice Institutional Equities

Note:
1. We benchmark ESDS against its closest listed peer E2E Networks
2. We have prepared the comp sheet illustrating the impact of the Sharon AI deal on ESDS' financials, both with and without the deal.

- We initiate coverage on **ESDS with a BUY rating and a TP of INR 1,550**, valuing the company at **18x FY28E EV/EBITDA.** Our valuation is anchored on the core business, supported by capacity expansion, deeper customer monetisation and sustained operating leverage.
- Our **18x FY28E EV/EBITDA** valuation implies **~31x FY28E forward P/E**, which we believe appropriately reflects ESDS's strong growth profile. Successful execution and faster ramp-up of the AI contract could provide further upside to earnings and valuation.
- Further, **we incorporate the USD-1.25 Bn Sharon AI deal into our valuation, given its contracted recurring revenue over five years**, with an option to extend for an additional two years.
- **ESDS is one of only two Indian players offering an integrated full-stack platform across cloud, colocation, GPUaaS, managed services and SaaS**, with the other being E2E Networks, albeit at a materially smaller scale. This breadth provides ESDS with greater wallet-share and cross-sell potential, while its differentiated positioning is supported by strong profitability and improving returns.
- **Proprietary SWARAJ technology reinforces ESDS' infrastructure-efficiency proposition, with EBITDA margins expanding to 49.6% in FY26 from 35.6% in FY24** and RoCE improving to 32.8% from 14.5%. We view **SWARAJ as an enabler of the utilisation-efficiency flywheel rather than a standalone driver of margin expansion**, with the historical improvement in operating metrics providing evidence of the scalability of the underlying platform.
- **Private-market transactions across peers have attracted ~14–42x EV/EBITDA multiple, depending on scale, growth and service mix**. While ESDS' stronger profitability and full-stack offering support a premium valuation, its smaller scale versus Sify, Yotta and CtrlS warrants a measured multiple. The USD-1.25 Bn AI contract provides a replicable model with further upside potential, with a relatively capex-light structure capable of materially scaling up the business, albeit with some margin dilution as AI infrastructure gains mix share.
- **ESDS offers one of the best opportunities in the listed space to gain exposure to India's rapidly growing data centre, cloud and AI infrastructure opportunity.**

2.4 Bull/ Bear Case



INR 1,760
94% Upside

BULL Assumptions

- Our Bull case assumes the onboarding of additional large domestic customers during the year, including one large deal expected to be closed by year-end. Revenue growth from FY26-FY29E assumed at **121% CAGR**
- Further, we expect margin to improve gradually as the contract reaches mid cycle.
- EBITDA margin is expected to be around 27.9% by FY29E

INR 1,550
70% Upside

BASE Assumptions

- Our Base case assumes projections taking into consideration USD-1.25 Bn AI deal. Financials are consolidated accordingly. Revenue growth from FY26-FY29E assumed at **121% CAGR**
- EBITDA margin is expected to be around 24.2% by FY29E

INR 1,050
15% Upside

BEAR Assumptions

- Our Bear case assumes projections without taking into consideration USD-1.25 Bn. AI deal. Revenue growth from FY26-FY29E assumed at **52% CAGR**
- EBITDA margin to expand to 55.3% in FY29E

3.1 Financials & Ratios (Excluding Sharon AI Deal)

Income Statement (INR Mn)

Particulars	FY24	FY25	FY26	FY27E	FY28E	FY2E
Revenue	2,865	3,613	4,722	5,453	11,271	16,479
COGS	1,654	1,755	2,101	2,616	4,396	6,351
Gross profit	1,211	1,858	2,621	2,837	6,875	10,128
EBITDA	1,019	1,549	2,399	2,505	6,184	9,111
Depreciation	526	622	635	938	2,165	3,077
EBIT	549	1,080	1,849	1,606	4,100	6,133
Other Income	56	153	84	39	81	99
Interest Expenses	316	252	118	80	59	43
PAT	136	556	1,208	1,068	2,829	4,263
EPS	1.4	5.8	12.0	9.1	24.1	36.4

Ratio Analysis	FY24	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)						
Revenue	38.0	26.1	30.6	40.8	106.7	46.2
Gross Profit	72.2	53.5	41.0	47.1	142.3	47.3
EBITDA	114.6	52.0	54.8	46.7	146.9	47.3
EBIT	1727.0	96.5	71.2	33.8	155.3	49.6
Margins (%)						
Gross Profit	42.3	51.4	55.5	52.0	61.0	61.5
EBITDA	35.6	42.9	50.8	45.9	54.9	55.3
EBIT	19.2	29.9	39.1	29.5	36.4	37.2
PAT	4.7	15.4	25.6	19.6	25.1	25.9
Profitability (%)						
ROE	6.0	13.3	14.9	8.4	18.2	21.5
ROIC	7.9	14.2	24.5	17.0	22.4	22.0
ROCE	10.3	16.0	24.6	18.5	22.5	22.0
Valuation						
BVPS (INR)	22.5	43.8	48.8	108.4	132.6	168.9
OCF/ Net Profit (%)	3.9	1.8	1.7	1.3	1.3	1.8
Free Cash Flow Yield (%)	0.0	0.0	0.0	0.0	-0.1	0.0

Balance Sheet (INR Mn)

Particulars	FY24	FY25	FY26	FY27E	FY28E	FY29E
Tangible Fixed Assets	3,223	3,525	3,919	10,091	19,310	25,867
Goodwill & Intangible Assets	-	-	-	-	-	-
Investments	644	589	593	772	1,470	1,765
Cash & Cash Equivalents	22	607	182	1,389	156	28
Other Non-current Assets	68	29	58	58	58	58
Other Current Assets	1,581	1,835	2,090	2,921	5,213	5,898
Total Assets	**5,539**	**6,585**	**6,843**	**15,231**	**26,207**	**33,617**
Shareholder's Funds	2,259	4,176	4,895	12,703	15,532	19,795
Minority Interest	6	0	5	5	5	5
Borrowings	2,588	1,267	965	704	7,716	9,751
Other Non-current liabilities	240	283	229	517	1,128	2,024
Other Current liabilities	446	858	749	1,302	1,826	2,041
Total Equity & Liabilities	**5,539**	**6,585**	**6,843**	**15,231**	**26,207**	**33,617**

Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	1,026	1,267	1,363	3,653	7,862
Cash Flows from Investing	(1,089)	(1,332)	(6,376)	(11,141)	(9,648)
Cash Flows from Financing	498	(447)	6,220	6,255	1,658

DuPont Analysis (INR Mn)	FY25	FY26E	FY27E	FY28E	FY29E
ROE (%)	**13.3%**	**14.9%**	**8.4%**	**18.2%**	**21.5%**
Net Profit Margin (%)	15.4%	18.9%	19.6%	25.1%	25.9%
Asset Turnover	0.5	0.6	0.4	0.4	0.5
Equity Multiplier	1.6	1.4	1.2	1.7	1.7

Source: RHP, Choice Institutional Equities

3.1 Financials & Ratios (Including Sharon AI Deal)

Income Statement (INR Mn)

Particulars	FY24	FY25	FY26	FY27E	FY28E	FY2E
Revenue	2,865	3,613	4,722	22,629	45,811	50,924
COGS	1,654	1,755	2,101	18,201	35,698	37,571
Gross profit	1,211	1,858	2,621	4,428	10,113	13,353
EBITDA	1,019	1,549	2,399	4,096	9,423	12,336
Depreciation	526	622	635	938	2,165	3,077
EBIT	549	1,080	1,849	3,197	7,339	9,358
Other Income	56	48	84	39	81	99
Interest Expenses	316	252	118	80	59	43
PAT	136	556	1,208	2,516	5,776	7,198
EPS	1.4	5.8	12.0	21.5	49.3	61.4

Ratio Analysis	FY24	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)						
Revenue	38.0	26.1	30.7	379.2	102.4	11.2
Gross Profit	72.2	53.5	41.0	68.9	128.4	32.0
EBITDA	52.0	54.9	70.7	130.1	30.9	19.3
EBIT	1727.0	96.5	71.3	72.9	129.6	27.5
Margins (%)						
Gross Profit	42.3	51.4	55.5	19.6	22.1	26.2
EBITDA	42.9	50.8	18.1	20.6	24.2	26.5
EBIT	29.9	39.2	14.1	16.0	18.4	19.9
PAT	4.7	15.4	25.6	11.1	12.6	14.1
Profitability (%)						
ROE	6.0	13.3	22.2	17.1	28.2	26.0
ROIC	7.9	14.2	7.6	8.2	17.6	19.6
ROCE	7.9	15.9	26.5	45.1	31.6	22.3
Valuation						
BVPS (INR)	22.5	43.8	54.2	125.4	174.7	236.1
OCF/ Net Profit (%)	3.9	1.8	11.3	0.8	0.5	1.0
Free Cash Flow Yield (%)	0.0	0.0	0.3	0.0	0.0	0.0

Balance Sheet (INR Mn)

Particulars	FY24	FY25	FY26	FY27E	FY28E	FY29E
Tangible Fixed Assets	3,223	3,525	3,919	10,091	19,310	25,867
Goodwill & Intangible Assets	-	-	-	-	-	-
Investments	644	589	683	862	1,560	1,856
Cash & Cash Equivalents	22	607	12,534	14,474	5,062	1,743
Other Non-current Assets	68	29	58	5,271	5,271	5,271
Other Current Assets	1,581	1,835	2,185	3,015	5,307	5,992
Total Assets	**5,539**	**6,585**	**19,379**	**33,713**	**36,511**	**40,729**
Shareholder's Funds	2,259	4,176	5,437	14,692	20,469	27,666
Minority Interest	6	0	5	5	5	5
Borrowings	2,588	1,267	965	704	516	351
Other Non-current liabilities	240	283	12,025	16,991	13,677	10,647
Other Current liabilities	446	858	947	1,320	1,844	2,060
Total Equity & Liabilities	**5,539**	**6,585**	**19,379**	**33,713**	**36,511**	**40,729**

Cash Flows (INR Mn)	FY25	FY26E	FY27E	FY28E	FY29E
Cash Flows from Operations	1,026	13,677	2,097	2,674	6,871
Cash Flows from Investing	(1,089)	(1,312)	(6,376)	(18,341)	(11,848)
Cash Flows from Financing	498	(447)	6,220	6,255	1,658

DuPont Analysis (INR Mn)	FY25	FY26E	FY27E	FY28E	FY29E
ROE (%)	**13.3%**	**22.2%**	**17.1%**	**28.2%**	**26.0%**
Net Profit Margin (%)	15.4%	25.6%	11.1%	12.6%	14.1%
Asset Turnover	0.5	0.2	0.7	1.3	1.3
Equity Multiplier	1.6	3.6	2.3	1.8	1.5

Source: RHP, Choice Institutional Equities

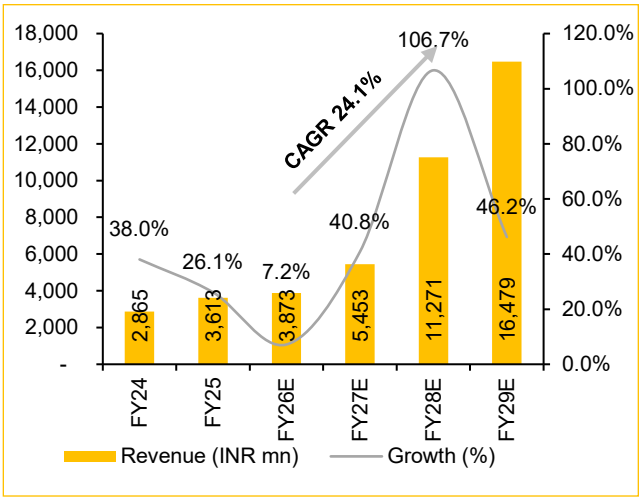
3.2 Key Operating Metrics

	FY24	FY25	FY26
Income Statement			
Revenues (INR Mn)	2,865	3,613	4,722
Gross Profit (INR Mn)	1,211	1,858	2,621
Gross Margin (%)	42.3	51.4	55.5
EBITDA (INR Mn)	1,019	1,549	2,399
EBITDA Margin (%)	35.6	42.9	50.8
PAT (INR Mn)	136	556	1,208
PAT Margin (%)	4.8	15.4	25.6
EPS (INR)	1.4	5.8	12.0
Revenue Mix by Segments (%)			
IaaS	49.6	56.4	43.9
Managed Services	27.1	20.9	41.2
SaaS	23.3	22.7	14.9
Total	**100.0**	**100.0**	**100.0**
Revenue mix of IaaS Segment (%)			
Cloud Services & Computing	83.8	81.7	81.0
Colocation & Data centers	16.2	18.3	19.0
Total	**100.0**	**100.0**	**100.0**
Revenue by Customer Segment (%)			
BFSI	18.3	30.9	17.5
Government	34.0	29.5	27.4
Enterprise	47.7	39.6	55.1
Total	**100.0**	**100.0**	**100.0**
Revenue by Customer Tenure (%)			
Existing Customer	92.9	76.6	72.6
New Customers	7.0	23.3	27.3
Total	**100.0**	**100.0**	**100.0**
Other Operating Metrics			
Enterprise Storage (TB)	10,823.0	13,126.0	18,795.0
Utilisation (TB)	6,935	8,365	12,287
Capacity Utilisation (%)	64.1%	63.7%	65.4%
Total Customers	1,465	1,714	2,501
Average Rev. per Customer (INR Mn)	2.0	2.1	1.9
Revenue Retention Rate (%)	128.2	96.6	94.9
Number of Data centers	4.0	4.0	5.0

Source: RHP, Choice Institutional Equities

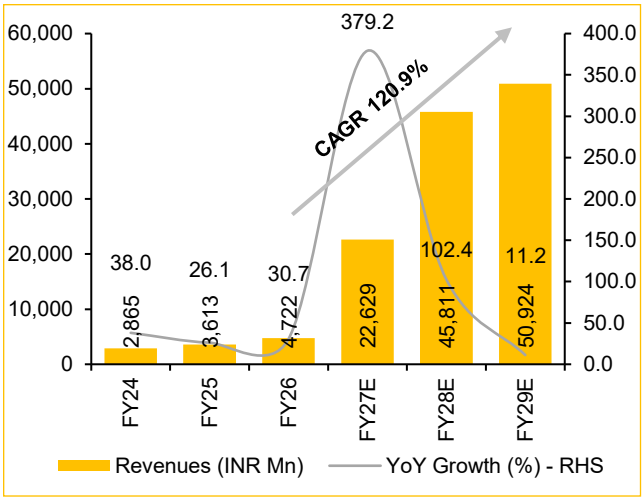
3.3 Graphs & Trends

Revenue expected to expand at 62.0% CAGR over FY26-29E



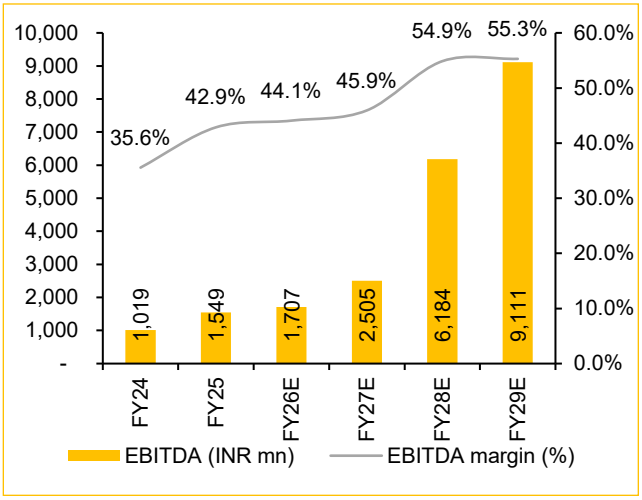
Source: ESDS, Choice Institutional Equities

Revenue to grow substantially on back of Sharon AI deal*



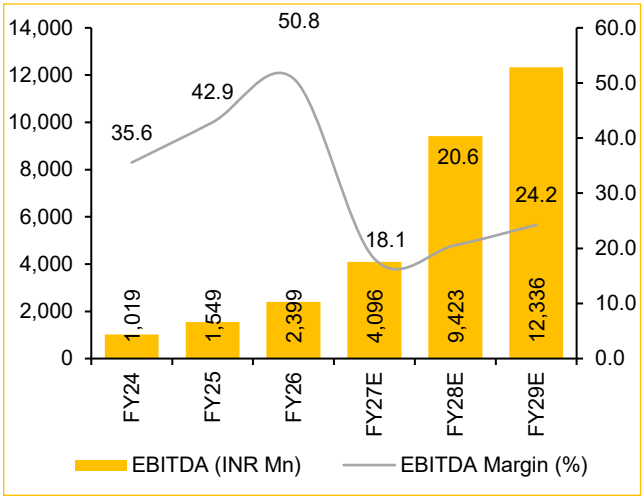
Source: ESDS, Choice Institutional Equities

EBITDA Margin to expand from 44.1% to 55% by FY29E



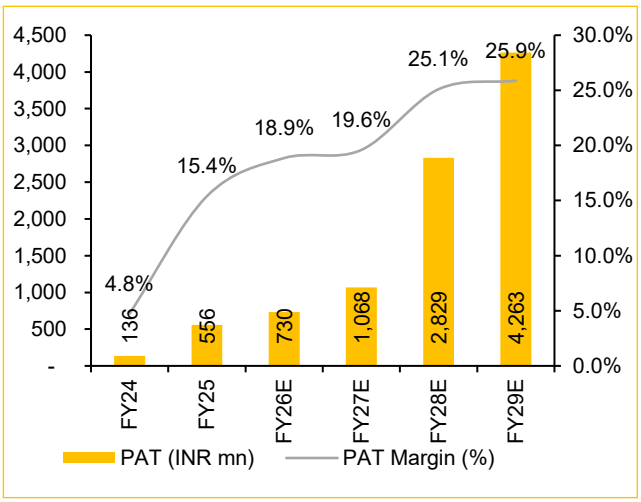
Source: ESDS, Choice Institutional Equities

EBITDA, including the AI deal, expands at 24.2% margin in FY29E vs. 50.8% in FY26.*



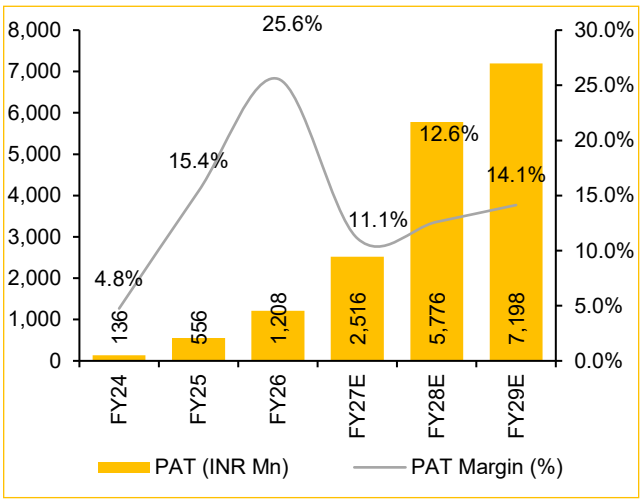
Source: ESDS, Choice Institutional Equities

PAT Margin to expand from 15.4% to 25.9% by FY29E



Source: ESDS, Choice Institutional Equities

Profitability to improve substantially including Sharon AI deal*

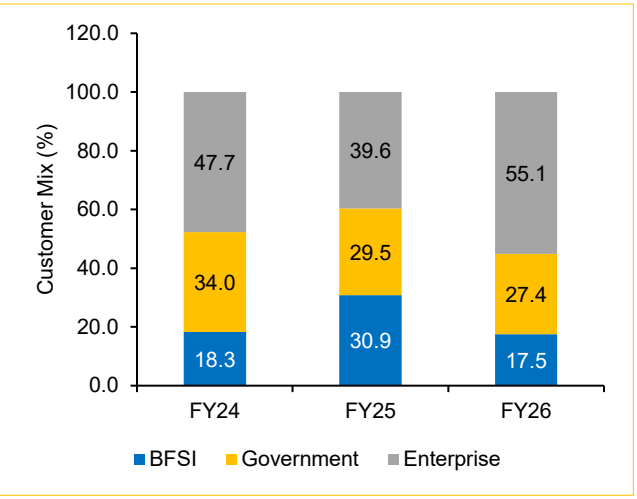


Source: ESDS, Choice Institutional Equities

**Financials including the Sharon AI deal*

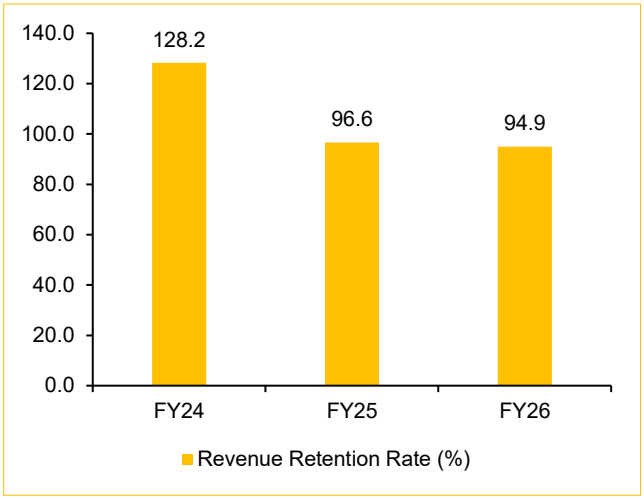
3.3 Graphs & Trends

Enterprise customers leads the customer revenue segment Mix



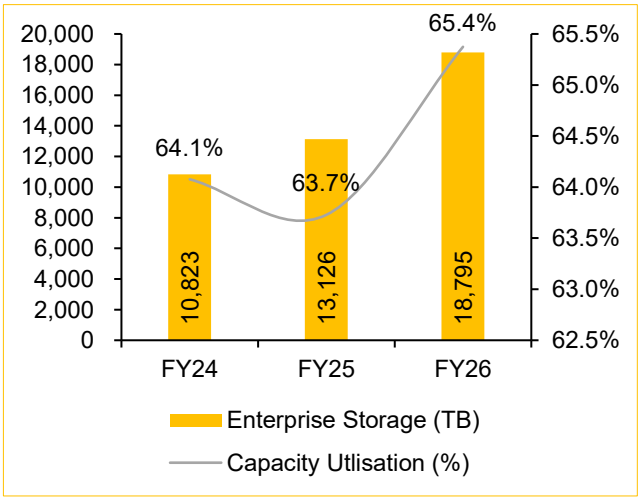
Source: ESDS, Choice Institutional Equities

Strong Revenue Retention Supports Recurring Revenues



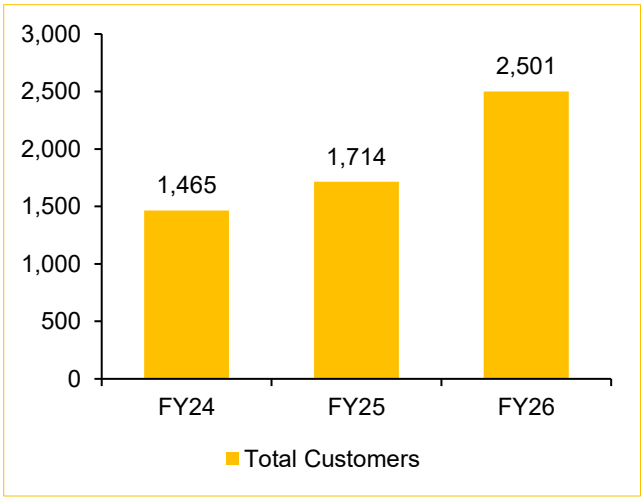
Source: ESDS, Choice Institutional Equities

Capacity Utilisation in Enterprise Storage Gradually Improving



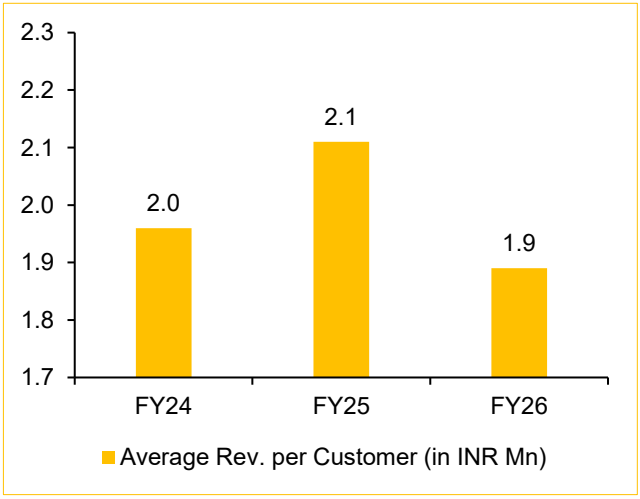
Source: ESDS, Choice Institutional Equities

Strong Growth in Customer Base, Led by Enterprise Customers



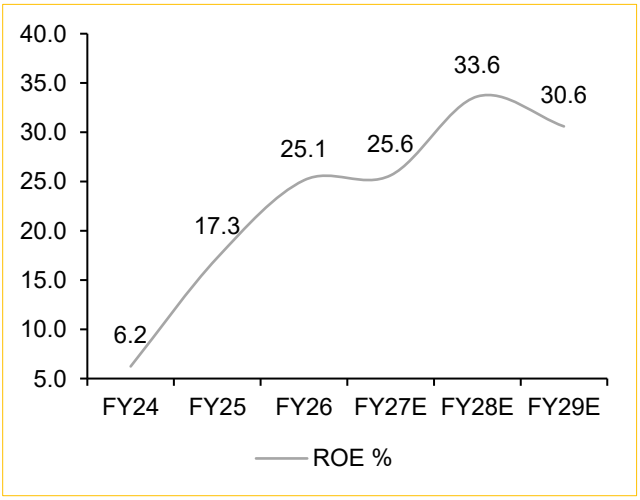
Source: ESDS, Choice Institutional Equities

Average Revenue per Customer Remains Strong



Source: ESDS, Choice Institutional Equities

ROE projected to Improve owing to strong profitability



Source: ESDS, Choice Institutional Equities

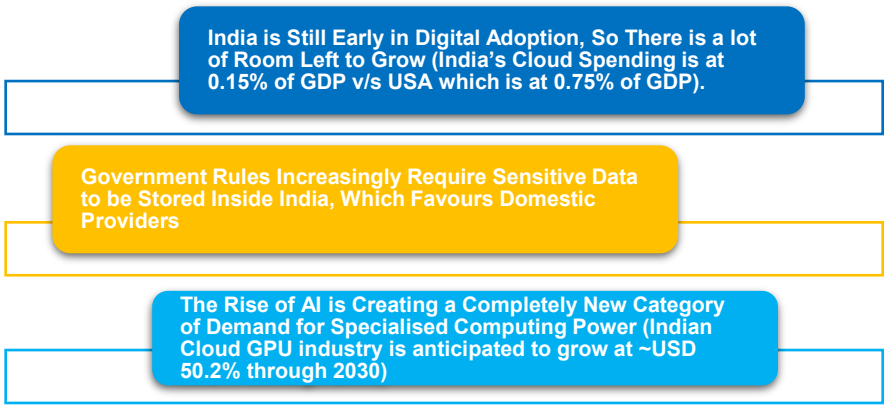
4.1 India's digital infrastructure is entering a structural investment cycle

India's data center market stood at INR 114 Bn in FY26, having grown at a 20.4% CAGR during FY20–25 and is expected to reach INR 242 Bn by FY30E, implying a 20.7% CAGR over FY26–30E. Installed data center capacity has reached 1,545 MW as of March 2026, providing a strong physical infrastructure base for the next phase of growth. The broader data center, cloud and managed-services market represents an ~INR 1.08 Tn Cr addressable market in FY26, which is expected to more than double to ~INR 2.52 Tn by FY30E (~23% CAGR). Growth is being driven by digitalisation, cloud adoption, data-sovereignty requirements and rising AI/GPU compute demand, with these trends increasingly converging across the same physical and virtual infrastructure stack.

The industry comprises three interlinked but distinct revenue pools — **(i) Data center (colocation, managed data center, hyperscaler-owned facilities), (ii) Cloud Services (IaaS/PaaS/SaaS across public, private, hybrid and government-community models), and (iii) Managed Services (managed security, managed cloud hosting, managed data center). A fourth, faster-growing but smaller adjacency — Cloud GPU/AI infrastructure — sits on top of the data center layer and is the marginal driver of new capex.**

~20% industry revenue CAGR through FY30E provides a multi-year structural demand runway; the key question is who can capture it profitably.

Three things are driving this industry forward at the same time:



Segment	FY26 market size	FY30E market size	CAGR (FY26–30E)
Data Center (operational revenue)	INR 114 bn	INR 242 bn	20.7%
Cloud Services (India revenue)	INR 791 bn	INR 1,876 bn	24.1%
Managed Services	INR 175.7 bn	INR 402.8 bn	23.2%
Core addressable market (sum of above)	~INR 1,081 bn	~INR 2,521 bn	~23.5%
Cloud GPU (early-stage adjacency)	USD 99.5 mn (~INR 8.3 bn)	USD 513.7 mn (~INR 43 bn)	50.2%
Software Development (much larger, different competitive set i.e. TCS/Infosys-type players)	INR 3,961 bn	INR 5,581 bn	8.95%

Source: ESDS RHP, Choice Institutional Equities

4.2 Data Center Infrastructure in India - Defining the White Space

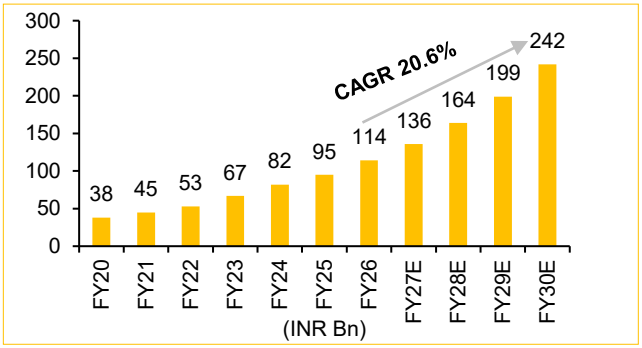
India's data-center industry is entering a **structural capacity upcycle**, with installed capacity reaching **1,545 MW as of March 2026**, nearly 4x the level six years ago. While Mumbai and Chennai remain the core hubs, expansion is gradually broadening as operators seek power availability, lower costs and redundancy. More importantly, **AI is changing the nature of capacity demand** from conventional infrastructure toward power-dense, compute-intensive and highly connected facilities. This is increasing capex and operational complexity per MW, making **power access, AI-readiness, balance-sheet strength and execution capability** key competitive differentiators. The opportunity, therefore, is not merely to add capacity, but to capture the **higher-value economics of AI-led digital infrastructure**.

4.2.1 India's Data-center Capacity Quadruples in Six Years, Shifting from Capacity Expansion Towards AI Infrastructure

- India's data-center industry has entered a sustained capacity-expansion cycle, with live IT capacity rising ~4x over the past six years. The current cycle is being driven by hyperscaler demand, enterprise digitalisation and AI workloads, with a sizeable pipeline already under construction or backed by land, power and approvals, providing visibility on near-term capacity additions.

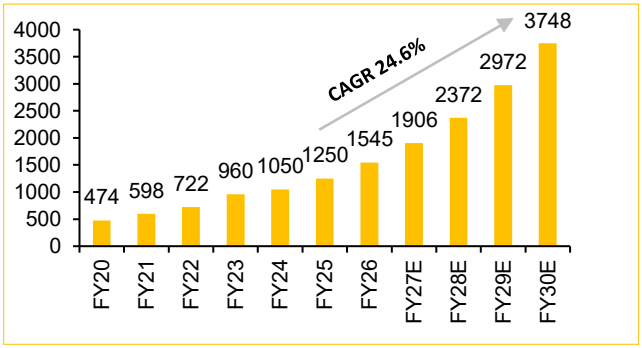
- The more important shift is in the quality of demand. Earlier data-center growth was driven primarily by conventional enterprise workloads and public-cloud migration; the next cycle is increasingly being shaped by AI, which requires substantially greater compute density and power per workload. This is changing not only the amount of capacity required, but also the specifications and economics of new capacity.

Data Center Market Size Based on Operational Revenue – 20.6% CAGR Growth over FY26-30E



Source: ESDS RHP, Choice Institutional Equities

India IT MW Capacity is expected to expand at 24.6% CAGR over FY26-30E



Source: ESDS RHP, Choice Institutional Equities

Key participants across the value chain

Layer	What it provides	Representative participants
Physical infrastructure	Land, power, cooling, connectivity, racks	ESDS, CtrlS, Sify, Yotta, Nxtra, AdaniConneX, WebWerks
Cloud / compute	Compute, storage, networking, IaaS/PaaS	AWS, Microsoft Azure, Google Cloud, ESDS, E2E Networks
Managed services / applications	Security, databases, applications, AI operations	TCS, Infosys, Wipro, LTIMindtree, Accenture + specialist providers
End users	Workloads and data consumption	Enterprises, BFSI, government, GCCs, hyperscalers

4.2 Data Center Infrastructure in India - Defining the White Space

4.2.2 India's 1.5 GW Data-center base is hub-centric; next growth wave is decentralising

- As of 31 March 2026, India's installed data-center capacity stood at **1,545 MW**, with ~99% concentrated across key data-center hubs.
- Mumbai and Chennai remain the dominant hubs, supported by submarine connectivity, fibre density and established infrastructure. Mumbai holds ~46% of capacity and >41% of incremental capacity, while Delhi contributes ~11% and Noida is emerging as a growth hub.
- The next phase of capacity expansion is broadening geographically, with Tier-2/3 cities gaining traction due to lower land and labour costs, improving infrastructure and the need for geographic redundancy.

India Data Center Market: Installed Capacity by Major City (MW), FY26

Cities	Total Capacity (In MW), Mar'26
Delhi NCR	170
Kolkata	15
Hyderabad	170
Mumbai Metropolitan Region	711
Pune	139
Bengaluru	93
Chennai	232
Others	15

Source: ESDS RHP, Choice Institutional Equities

Strong capacity absorption and low vacancy indicate that India remains supply constrained despite rapid capacity additions

The strength of the demand cycle is evident in actual capacity absorption. India's data-center market recorded 97.9 MW of net take-up in H1 2025, representing 48% YoY growth, while vacancy remained at only 4.3%.

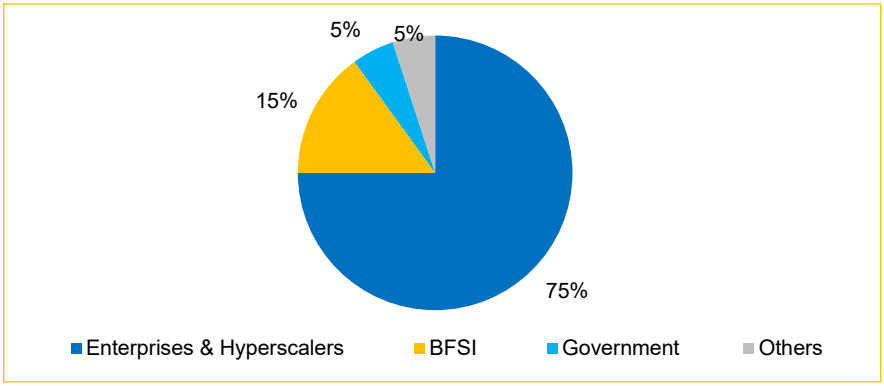
This indicates that demand from hyperscale cloud providers, BFSI and increasingly AI workloads has so far been sufficient to absorb a substantial portion of new supply.

4.2 Data Center Infrastructure in India - Defining the White Space

4.2.3 Strong Hyperscaler Demand Visibility; AI reshapes capacity requirements

- Enterprises and hyperscalers account for ~75% of data center demand, driven by cloud adoption, hyperscale expansion, AI workloads and increasing digitisation.
- This concentration provides strong demand visibility on capacity demand, but also creates customer-concentration risk. At the same time, the shift toward cloud and AI is increasing demand for higher-capacity, power-intensive and well-connected data centers.
- BFSI contributes ~15% of demand, while government accounts for ~5%, with both driven by data intensity, security, compliance and sovereign infrastructure needs; healthcare, telecom, media and manufacturing contribute another ~5% collectively.

Market Segmentation for India Data Center Industry Basis End User Industries (Revenues in %), FY2026



Source: ESDS RHP, Choice Institutional Equities

Key End-User Industry Applications of Data centers

BFSI

Real-time trading
High-frequency trade
Instant payments

Risk analytics
Fraud detection,
Credit risk scoring

Compliance & storage
Secure data,
Localisation ready

Enterprises

Hybrid cloud
On-prem + cloud
elastic scaling

Disaster recovery
Backup & business continuity

Dev & test setups
Isolated environments
faster innovation

Government

E-governance
Citizen access to public services

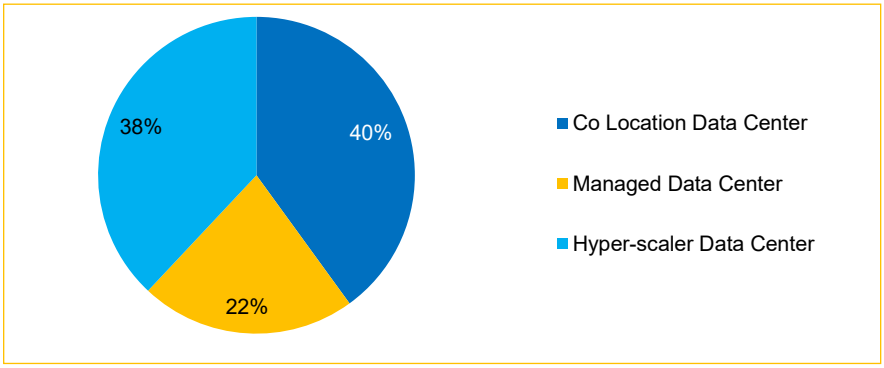
Secure citizen data
Compliant storage of sensitive info

Service continuity
Backup for essential services

Common to all three: Uptime, security and compliance-grade data handling — applied to different regulatory and latency requirements.
Source: Industry articles, Noxdiam analysis

4.2 Data Center Infrastructure in India - Defining the White Space

Market Segmentation for India Data center Industry by Segments (Revenues in %), FY2026



Source: ESDS RHP, Choice Institutional Equities

Types of Data Centers

Managed

Description / Key Benefits

Combines colocation with managed IT services, enabling businesses to outsource infrastructure management and focus on core operations.

Key Benefits

- Expert management of IT resources
- Flexible scalability
- Focus on strategic initiatives
- Reduced IT management burden

Colocation

Description / Key Benefits

Provides secure, power- and cooling-enabled space for servers and networking equipment, allowing businesses to share infrastructure costs while retaining hardware control.

Key Benefits

- Enhanced security measures
- Cost savings on infrastructure investments
- Improved interconnectivity with network providers

Hyperscaler

Description / Key Benefits

Large-scale facilities supporting computing, processing and storage for major organisations such as Amazon, Google and Microsoft, typically housing 5,000+ servers across 10,000+ sq. ft.

Key Benefits

- Extreme scalability
- Cost efficiency through economies of scale
- High-performance infrastructure for rapid growth

Source: Industry Articles, Nexdigm Analysis

4.2.4 Government Initiatives and Regulations in cloud, Data center and SaaS ecosystem

1. Government digitisation is creating a structural cloud demand pool

- Government cloud adoption is accelerating, with departments onboarded under GI Cloud (Meghraj) rising from 342 in FY16 to 2,323 as of June 2026, alongside growing reliance on platforms such as DigiLocker, MyGov and the National Scholarship Portal.
- Government digitalisation is expanding demand beyond data-center capacity into IaaS, managed cloud, security, backup and disaster recovery, broadening the opportunity for integrated infrastructure providers.

2. Data sovereignty and sectoral regulation are increasing the value of domestic infrastructure

- The DPDP Act and sector-specific regulations are strengthening data-governance and sovereignty requirements, reinforcing demand for secure, compliant and locally controlled infrastructure, particularly across BFSI.
- For regulated workloads, security, compliance, availability and localisation are increasingly becoming key provider-selection criteria alongside price and capacity, supporting greater customer stickiness.

3. Regulation and policy support reinforce India's structural data-center capacity cycle

- Regulation is adding a structural demand layer alongside cloud migration, enterprise digitalisation and AI, with ~1.03 GW under construction and ~1.29 GW planned by 2028, taking projected capacity to ~3.29 GW.
- Budget 2026's INR 5.5 Bn AI Education CoE, INR 20 Bn Fund of Funds for Advanced Technologies, and initiatives such as Smart Cities and digital public infrastructure are supporting incremental demand for cloud, data-center and DR infrastructure.
- The tax holiday till 2047 for eligible foreign cloud providers using Indian data centers for global operations enhances India's attractiveness as a global cloud/AI infrastructure hub and supports long-term capacity demand.

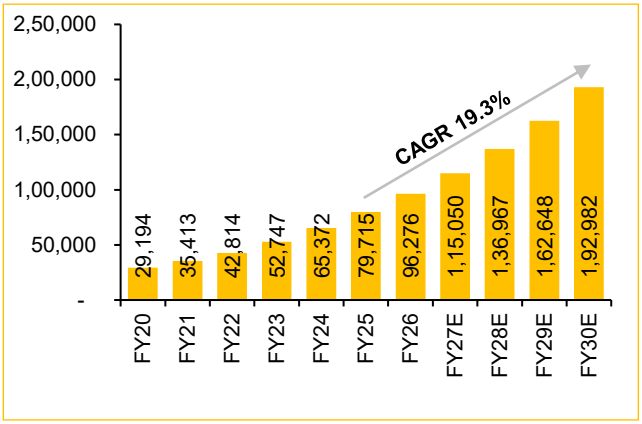
4.3 Cloud Infrastructure in India - Value Is Moving Up the Stack

India's cloud market remains structurally underpenetrated but is entering a strong adoption cycle, with spending projected to grow at **23.6% CAGR from INR 651 Bn in FY25 to INR 1,876 Bn by FY30**. Cloud is increasingly becoming the backbone of enterprise and government digitalisation, particularly for SMEs, while the integration of **AI, data analytics and other advanced workloads** is raising both the intensity and strategic importance of cloud adoption. Government-led digital infrastructure initiatives, expanding hyperscaler presence, a growing technology talent pool and data-localisation requirements are further improving the ecosystem for local cloud deployment. The combination of **low penetration, digital transformation and AI-led workload growth** therefore creates a multi-year runway for cloud infrastructure demand in India.

4.3.1 India's Public Cloud Spend to Grow 28%, Led by IaaS

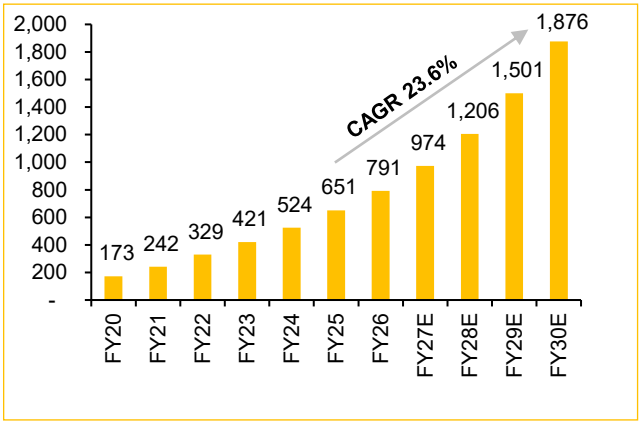
- Cloud is becoming a strategic priority for enterprises, governments and SMEs, serving as a core foundation for digital transformation and enabling technologies such as AI/ML, IoT, RPA and AR/VR.
- **India remains relatively underpenetrated, providing significant cloud adoption headroom:** Cloud adoption trails mature markets and even Brazil and South Africa within BRICS, while the market is expected to grow at 23.6% CAGR from INR 651 Bn in FY25 to INR 1,876 Bn by FY30, with AI already accounting for 7.9% of the market in FY26.
- **Digitalisation, AI and ecosystem tailwinds are accelerating adoption:** Government initiatives, enterprise digital transformation and AI adoption are driving demand, while a growing skilled workforce, expanding hyperscaler presence and data-localisation requirements are improving cloud accessibility and supporting local infrastructure deployment.

Market Size for Global Cloud Industry based on revenue (INR Bn) Expected to Grow 19.3% CAGR over FY25-30E



Source: ESDS RHP, Choice Institutional Equities

Market Size for India Cloud Industry based on revenue (INR Bn) Expected to Grow 23.6% CAGR over FY25-30E



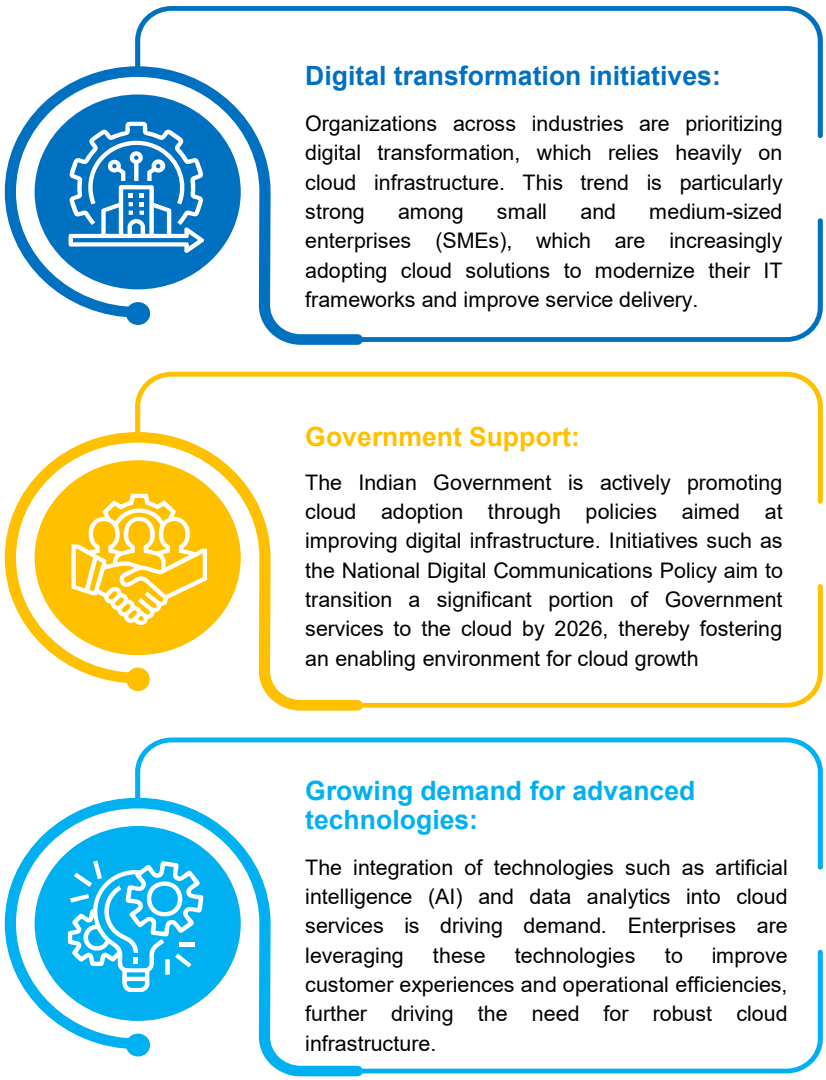
Source: ESDS RHP, Choice Institutional Equities

4.3 Cloud Infrastructure in India - Value Is Moving Up the Stack

4.3.2 Market Segmentation for India Cloud Industry by Type of Cloud

Cloud Model	Definition	Best For
Public Cloud	Shared, third-party infrastructure delivered over the internet	SMEs, startups, and variable-workload sectors (e-commerce, media)
Private Cloud	Dedicated infrastructure for a single organisation (on-prem or hosted)	Large enterprises, government, and compliance-heavy sectors (finance, healthcare)
Hybrid Cloud	Combines public and private cloud for flexibility	Sectors balancing security and scalability (retail, finance, manufacturing)
Government Community Cloud	Secure, shared infrastructure for government/public-sector bodies, compliant with data privacy laws	Public sector, Digital India initiatives, inter-department collaboration
Enterprise Community Cloud	Shared infrastructure across multiple enterprises with common compliance/security needs	Enterprises requiring data isolation, governance, and secure inter-stakeholder collaboration

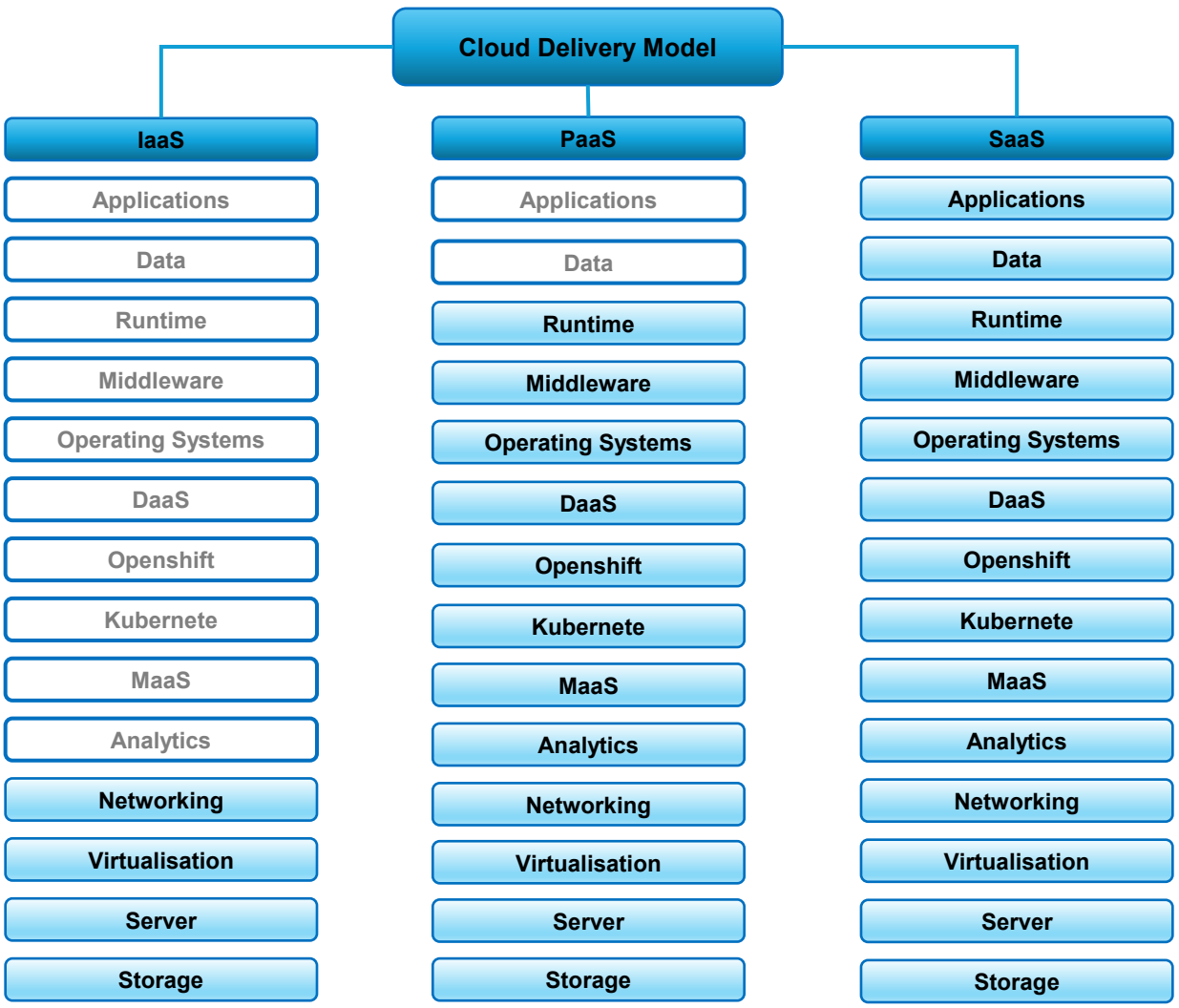
Key Cloud Growth Drivers



4.3 Cloud Infrastructure in India - Value Is Moving Up the Stack

4.3.3 India's Cloud Market Scales Rapidly, Shifting Toward Higher-Value Layers

Infrastructure as a Service (IaaS)	Platform as a Service (PaaS)	Software as a Service (SaaS)
IaaS provides on-demand compute, storage and networking without requiring ownership of physical infrastructure.	PaaS provides a cloud-based environment to build, test and deploy applications without managing underlying infrastructure.	SaaS delivers applications over the cloud, eliminating the need for on-premise hosting and maintenance.
Shifts infrastructure spending to a flexible, consumption-based model, lowering upfront capex and enabling on-demand scalability.	Improves cost and resource efficiency	Reduces IT complexity and costs by outsourcing application hosting, maintenance and upgrades.
Demand is supported by complex workloads, hybrid-cloud adoption and SMEs seeking enterprise-grade infrastructure with lower upfront investment.	Pay-as-you-go model enables scalable access to computing and development resources without upfront infrastructure investment.	Enterprise adoption is rising as businesses shift from on-premise software to subscription-based, cloud-delivered applications.
Flexibility and scalability enable customers to control configurations and provision resources on demand.	Adoption is rising, driven by start-ups, rapid application development and growing AI/ML workloads.	AI, automation and ML are accelerating SaaS adoption, expanding the range of cloud-native applications across business functions.
IaaS forms the foundational cloud layer, underpinning PaaS, SaaS, managed services and AI/GPU workloads.	AI-PaaS is emerging as a key growth layer, enabling faster AI application development and deployment.	SaaS growth indirectly drives demand for underlying compute, storage and networking infrastructure.



4.4 Managed Services in India - Capturing Value Beyond Infrastructure

India's managed-services market is shifting from infrastructure provision to higher-value IT management, driven by hybrid/multi-cloud complexity, cybersecurity and outsourcing. The market is projected to grow from ~USD 4.3 Bn in 2025 to ~USD 11.8bn by 2033 (13.7% CAGR). For infrastructure providers, managed services offer the next layer of value capture—driving recurring revenues, higher switching costs and greater wallet share beyond core capacity.

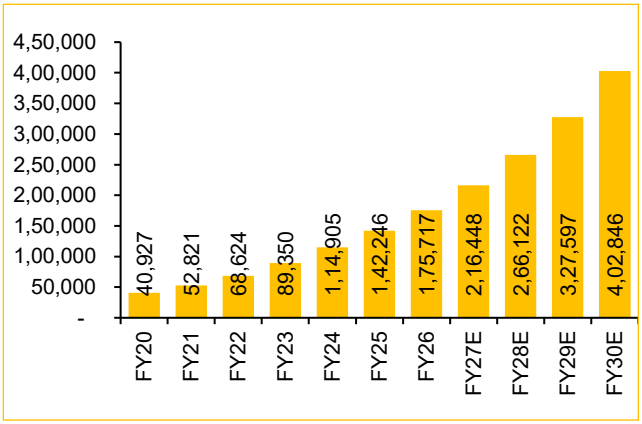
4.4.1 Managed Services monetises the complexity created by cloud

- Hybrid and multi-cloud architectures are increasing enterprise IT complexity, with workloads spread across on-premise infrastructure, private/public clouds and SaaS platforms.
- Managed-service providers are increasingly taking end-to-end responsibility for infrastructure, networks, security, applications and data, shifting the proposition from infrastructure provision to availability, performance, security and optimisation.
- Deeper integration into customers' day-to-day IT operations supports recurring revenues and higher switching costs, making managed services more valuable than basic infrastructure hosting.

4.4.2 Cloud-Managed Services Market to Nearly 3x by 2033, Driven by Hybrid IT

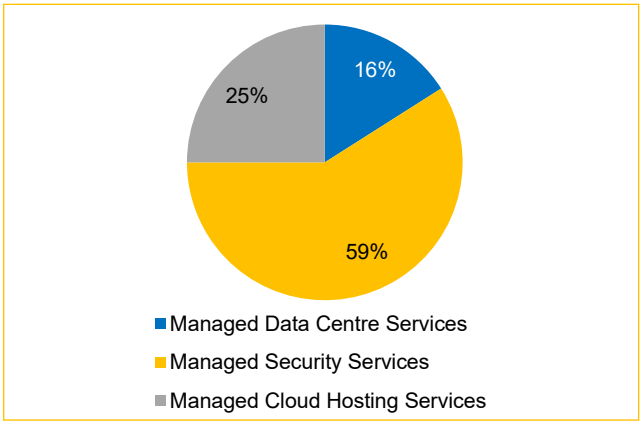
- India's cloud managed-services market is estimated at ~USD 4.3 Bn in 2025 and projected to reach ~USD 11.8 Bn by 2033 (13.7% CAGR), driven by cloud migration, hybrid/multi-cloud adoption, cybersecurity and talent shortages.
- Bundling managed services with data-center and cloud infrastructure enables providers to monetise existing customers beyond capacity, driving higher recurring revenue, customer stickiness and wallet share.

India Managed Services Market to Grow 23.1% CAGR over FY25–30E



Source: ESDS RHP, Choice Institutional Equities

Market Segmentation for India Managed Services Industry by Service Mix on the Basis of Revenues FY2026



Source: ESDS RHP, Choice Institutional Equities

4.4.3 Economic Value Shifts from Infrastructure to Customer Outcomes

- Managed services adoption is accelerating as enterprises outsource IT management to specialised providers to reduce complexity, strengthen security and improve operational efficiency.
- Security and cloud are the key growth engines, with managed security services accounting for 59% of the market, followed by managed cloud hosting at 25% and managed data-center services at 16%.
- Managed data center services remain strategically important, supporting cloud and hybrid-IT migration, digital workloads and the growing demand for AI-ready infrastructure.

4.5 Cloud GPU / AI Infrastructure - The Next Frontier

India's emerging GPU infrastructure market represents the next growth layer of cloud, with AI shifting demand from CPU capacity to specialised GPU compute. The market is projected to grow from ~USD 67 Mn in FY25 to ~USD 514 Mn by FY30 (~50% CAGR), well ahead of broader cloud growth. As monetisation shifts from physical capacity to GPU utilisation, availability, power density, networking and consumption-based pricing will increasingly determine competitive advantage, creating a new value pool between data centers and applications.

4.5.1 AI Is Creating a New Layer: GPU Cloud Emerges as Specialised IaaS

- AI is creating a specialised infrastructure market, shifting demand from conventional CPU capacity toward GPU compute.
- GPU-as-a-Service (GPUaaS) enables customers to access AI infrastructure without owning GPU clusters, effectively creating an AI-specific IaaS layer.
- Monetisation is shifting from physical capacity to compute utilisation, with GPU-hours and AI compute/inference capacity emerging as key demand metrics.
- This creates a new monetisation layer between data centers and applications, potentially enabling infrastructure providers to capture a larger share of AI economics.

Indian Cloud GPU Landscape Is Evolving Across Global Hyperscalers, Domestic Operators and Specialised Providers

Global Hyperscalers

AWS, Microsoft Azure, & Google Cloud

- Provide GPU instances for AI/ML workloads
- Sacle and manage services globally with strong SLAs
- Support enterprise, research and government AI initiatives

Indian Cloud Providers

ESDS, E2E Networks, Yotta & Tata Communications

- Offer GPU-as-a-Service (GPUaaS)
- Provide private GPU cloud solutions
- Support sovereign cloud infrastructure for AI initiatives

End Users

AI Startups, Enterprises & Research Labs

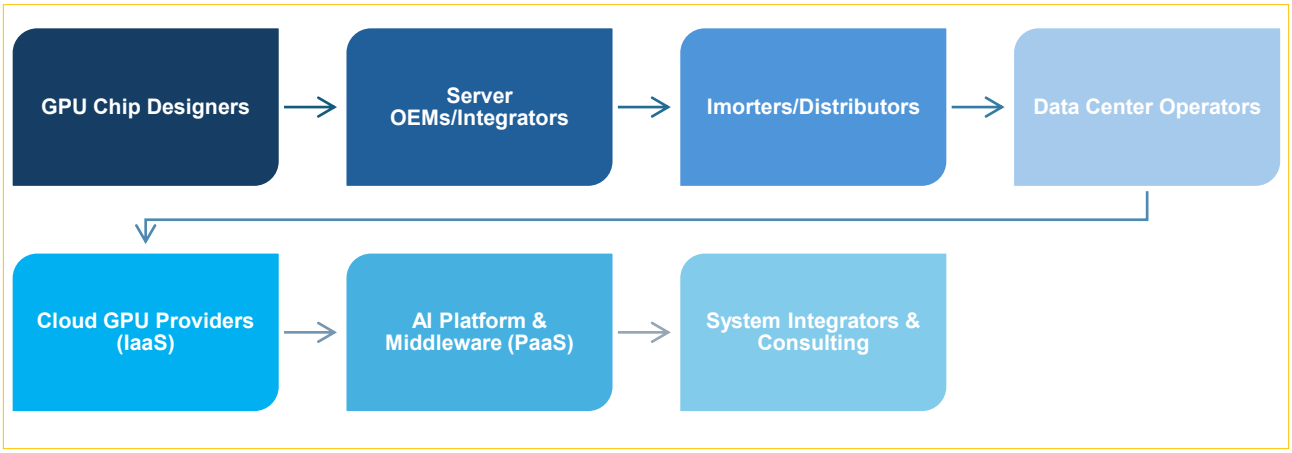
- Utilise GPU resource for model training and inference
- Deploy AI/ML workloads on scalable cloud infrastructure

GPU Hardware Manufacturers

Nvidia, AMD & Intel

- Provide GPUs for cloud infrastructure
- Supply hardware backbone for both global & local cloud providers

4.5.2 Value Chain



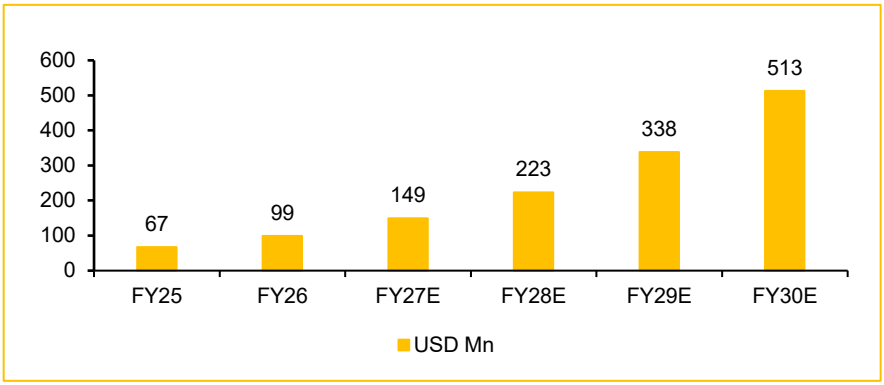
Source: ESDS RHP, Choice Institutional Equities

4.5 Cloud GPU / AI Infrastructure - The Next Frontier

4.5.3 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 67.3 Mn in FY25 and is projected to reach around USD 513.6 Mn by FY30, reflecting a CAGR of approximately 50.1% over the period.
- This growth rate is higher than that observed in the broader cloud services market, indicating increasing demand for specialised compute infrastructure to support artificial intelligence, machine learning and data-intensive workloads.

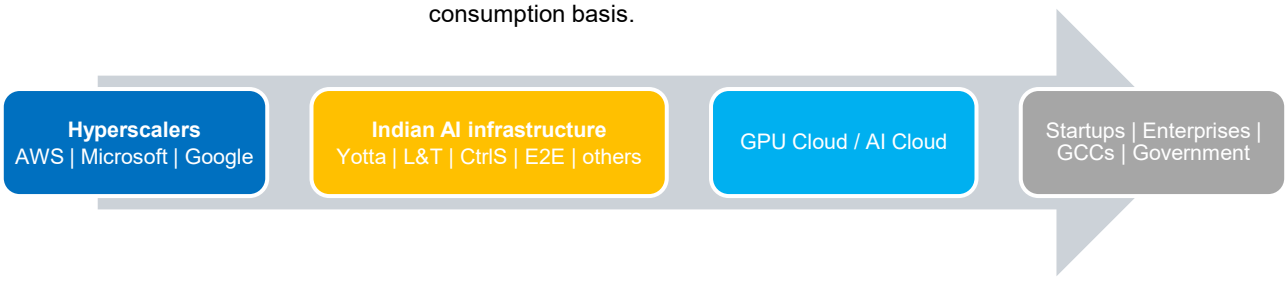
India Cloud GPU Industry Market Size based on Revenues (USD Mn)



Source: ESDS RHP, Choice Institutional Equities

India's AI Infrastructure Shifts from GPU Pilots to Dedicated AI Factories

India's GPU infrastructure market is evolving rapidly as AI workloads move from experimentation towards production. The market is developing across global hyperscalers, domestic data center operators and specialised AI-cloud providers, with competition increasingly centerd around GPU availability, power density, cooling, networking and the ability to offer compute on a consumption basis.



Shift from CPU to GPU

AI is pushing cloud/compute spending from ~1–2% to potentially 5–7% of enterprise revenue, making GPUs a strategic investment while rising costs drive greater focus on utilisation and efficiency.

Emergence of Neo Clouds

Specialised GPU cloud providers are challenging hyperscalers with AI-focused compute. In India, ESDS, E2E Networks, Yotta and Tata Communications are building GPU cloud capabilities, intensifying competition for AI compute demand.

AI startups driving incremental GPU demand

India's GenAI startup base has expanded rapidly to 3,100+ by mid-2026, with >80% focused on AI applications/SaaS. USD 1.07 Bn funding in H1 2026 is supporting demand for flexible, on-demand GPU capacity.

FinTech emerging as a major GPU consumer

With 10,000+ entities and 2,100+ startups, growing use of AI for fraud detection, credit scoring, trading and compliance is driving demand for high-performance, scalable compute.

IT & SaaS embedding AI

India's USD 315 Bn IT-SaaS ecosystem is increasingly integrating AI into software and services, creating sustained GPU demand for model training, inference and deployment.

Application-layer AI ecosystem expanding

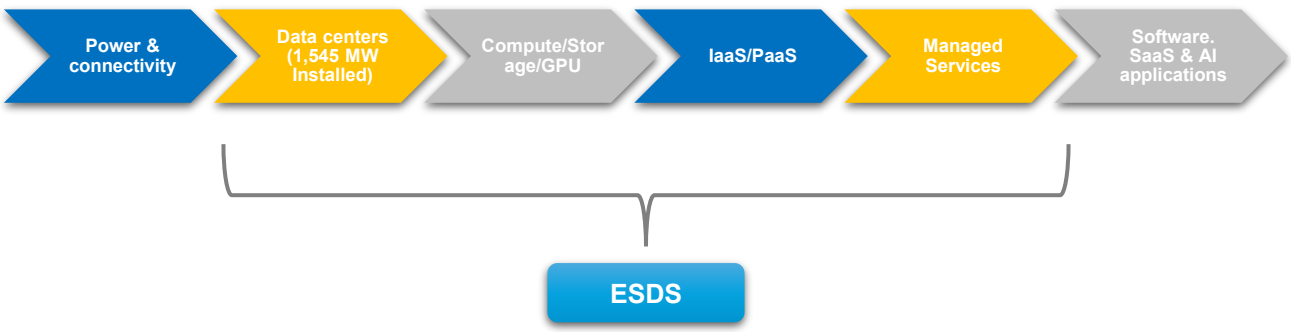
The GenAI startup ecosystem is increasingly focused on copilots, vertical AI agents and productivity applications, with many existing tech/SaaS companies pivoting toward AI.

4.6 The Complete Digital Infrastructure Value Chain

India's digital-infrastructure opportunity is evolving into a reinforcing demand cycle from digitalisation to cloud to AI/GPU, with data centers, cloud and managed services forming a ~INR 1,081 Bn market in FY26. While cloud migration drives infrastructure consumption, AI is creating a faster second growth leg, increasing compute, power and cooling intensity, while hybrid-cloud complexity supports higher-value managed services. However, rapid capacity additions and low GPU utilisation make returns, utilisation and capital efficiency more important than capacity growth alone. Against this backdrop, **ESDS's integrated model across owned data centers, cloud/IaaS, managed services and GPUs provides differentiated exposure across the value chain, enabling it to monetise customers across multiple layers and capture a larger share of the emerging AI infrastructure opportunity.1**

4.6.1 India's Digital Infrastructure Opportunity Spans the Full Stack — from Data centers to AI

- **Integrated value chain:** Data centers, cloud and managed services form an interconnected market of ~INR 1,081 Bn in FY26, growing ~23.5% CAGR to ~INR 2,521 Bn by FY30E.
- **AI as the key demand accelerator:** India's GPU deployment is projected to grow at 72.5% CAGR (FY25–30E), with the GPU market growing ~50% CAGR to USD 513.7mn by FY30E.
- **AI is increasing data-center intensity:** 150–200kW AI racks require significantly higher power, cooling and capex per MW than conventional racks.
- **Cloud is accelerating infrastructure outsourcing:** India's public-cloud spending is estimated at **USD 17.5 Bn in 2026 (+28.1% YoY)**, driving greater migration from on-premise to third-party infrastructure.
- **Hybrid-cloud complexity drives managed services:** Rising hybrid-cloud complexity is increasing demand for managed and security services, with managed security accounting for ~59% of the market.



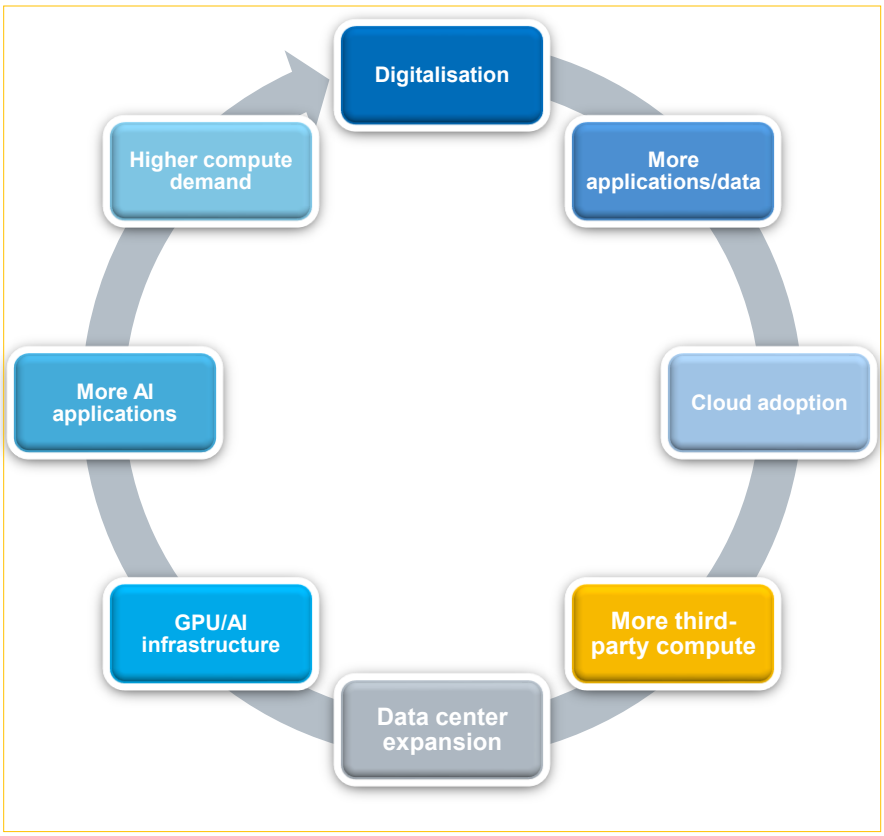
ESDS positioning across the stack

- **Multi-layer exposure:** ESDS participates directly across four of the nine layers—owned data centers, GPUs, cloud/IaaS and managed services.
- **GPU expansion:** GPU fleet targeted to increase from 21 units to 85 by FY28E (~4x), providing direct exposure to the rapidly growing GPU infrastructure segment.
- **Integrated model:** Cloud/IaaS and managed services are layered on ESDS's owned data-center infrastructure, creating exposure across multiple points of the value chain.

4.6 The Complete Digital Infrastructure Value Chain

4.6.2 Digitalisation, Cloud and AI Create a Reinforcing Demand Loop Across the Infrastructure Stack

- **Digitalisation creates the base:** India has 1,000 Mn+ internet subscribers and 365mn+ 5G subscribers as of March 2026, driving application usage and data creation.
- **Cloud accelerates infrastructure consumption:** India's cloud market is growing at ~24% CAGR, materially faster than the underlying digitalisation trend, as workloads shift to third-party infrastructure.
- **GCCs deepen enterprise demand:** 2,117 GCCs employing 2.36mn professionals are increasing enterprise workload and compute intensity.
- **AI creates a second acceleration:** Enterprise cloud/compute spend is rising from 1–2% of revenue in the CPU era to ~5–7% in the GPU era, while the cloud GPU market is growing at ~50% CAGR vs ~24% for the broader cloud market.
- **Demand flywheel:** Digitalisation → Cloud → AI/GPU represents successive layers of accelerating demand, with GPU growth roughly 2x the broader cloud market, extending the infrastructure runway beyond the initial cloud-migration cycle.
- **Supply is scaling up rapidly:** Data-center capacity is expected to more than double from 1,545 MW to ~3,290 MW by 2028, raising the risk of overcapacity and pricing pressure.
- **Returns are the key constraint:** Revenue per MW has declined ~19% from FY20 to FY30E, while GPU utilisation remains <20% vs 60–70% for mature cloud workloads.



4.6 The Complete Digital Infrastructure Value Chain

4.6.3 Five structural trends define who wins and who is squeezed over the next cycle

What is changing?

1. IaaS → PaaS mix shift (cloud revenue share: IaaS 70%→50%, PaaS 13%→28%, FY20–FY26).

Why?	Who benefits?	Who is squeezed?	Economic Implication
Shift from raw infrastructure to ready-to-use platforms, driven by AI/ML workloads.	Providers with platform/software capability layered on infrastructure	Pure infrastructure resellers competing only on IaaS pricing, where commoditisation and margin compression are most acute.	This shift structurally raises blended industry margin over time, assuming providers can build (or acquire) the platform layer rather than remaining infrastructure-only.

2. Data localisation converting compliance cost into demand tailwind.

Why?	Who benefits?	Who is squeezed?	Economic Implication
DPDP enforcement and sectoral mandates are cumulatively tightening compliance requirements.	Domestic, India-headquartered infrastructure and cloud providers with required compliance certifications gain an edge with regulated customers.	Offshore-only or hyperscaler-dependent models serving regulated Indian customers without local, audit-accessible infrastructure.	Raises compliance costs while accelerating demand for secure domestic infrastructure.

3. Consolidation toward "end-to-end" bundled models.

Why?	Who benefits?	Who is squeezed?	Economic Implication
Regulated customers increasingly prefer integrated colocation, cloud and managed services, reducing vendor and compliance complexity.	A limited set of providers—essentially two among the identified Indian peers—can offer the full stack.	Single-product specialists (pure colocation or pure cloud) who risk being disintermediated from the customer relationship by an end-to-end competitor.	Market share gains increasingly come from deepening existing customer relationships, not just acquiring new logos.

4. Emergence of GPU-specialist "Neo Clouds."

Why?	Who benefits?	Who is squeezed?	Economic Implication
Rising GPU cloud spend creates a specialised, price-sensitive market supporting dedicated providers beyond hyperscalers and traditional colocation players.	New entrants and adjacent incumbents that can move fast on GPU procurement and deployment (global examples: CoreWeave, Nebius; India: specialised Cloud GPU providers).	Providers slow to build GPU-ready (high power-density) capacity, who risk ceding the fastest-growing sub-segment entirely	Neo-clouds are emerging as a distinct competitive segment, with potential for consolidation and partnerships with hyperscalers or domestic incumbents.

5. Early shift toward AI-managed, autonomous infrastructure (AIOps, autonomous cloud platforms).

Why?	Who benefits?	Who is squeezed?	Economic Implication
Hybrid/multi-cloud complexity is driving AIOps adoption, with users reporting up to 50% cost savings and 45% productivity gains.	AI-led management layers are a 26.4% CAGR growth opportunity, while simultaneously lowering providers' opex and creating a differentiated customer offering.	Providers relying purely on headcount-based managed-services delivery, whose cost structure will compare unfavourably to automated competitors over time.	AI-native management could drive incremental margin differentiation in managed services, beyond traditional service-mix advantages.

4.7 ESDS Competes Across the Full Stack, Creating a Fragmented Competitive Landscape

Parameters	ESDS	E2E	Sify	Yotta	CY Future	Web Werks	CTRLS	Nxtra	Adani ConneX	AWS	Azure	Google
GPU as a Service	Yes	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes	Yes
IaaS												
Cloud	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Colocation	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Managed Services												
Cloud Operations & Management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Data Center Build & Audit Consulting	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
DevOps	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SECaaS	Yes	No	Yes	Yes	Yes	No	Yes	No	No	Yes	Yes	Yes
SaaS												
Marketplace	Yes	No	Yes	No	Yes	No	No	No	No	Yes	Yes	Yes
In-House apps	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
G-SaaS	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Paas	Yes	Yes	Yes	No	Yes	Yes	No	No	No	Yes	Yes	Yes

Source: ESDS RHP, Choice Institutional Equities

- ESDS operates across a fragmented digital-infrastructure landscape spanning data centers, cloud, managed services, software and GPUaaS.
- Global hyperscalers such as AWS, Azure and Google Cloud are not directly comparable, given their significantly larger scale, diversified business models and broader exposure beyond cloud and digital infrastructure.
- We therefore benchmark ESDS against seven Indian peers with greater business-model overlap: CTRL Data centers, Nxtra by Airtel, Yotta, Web Werks, CYFuture, E2E Networks and Sify Infinit Spaces.

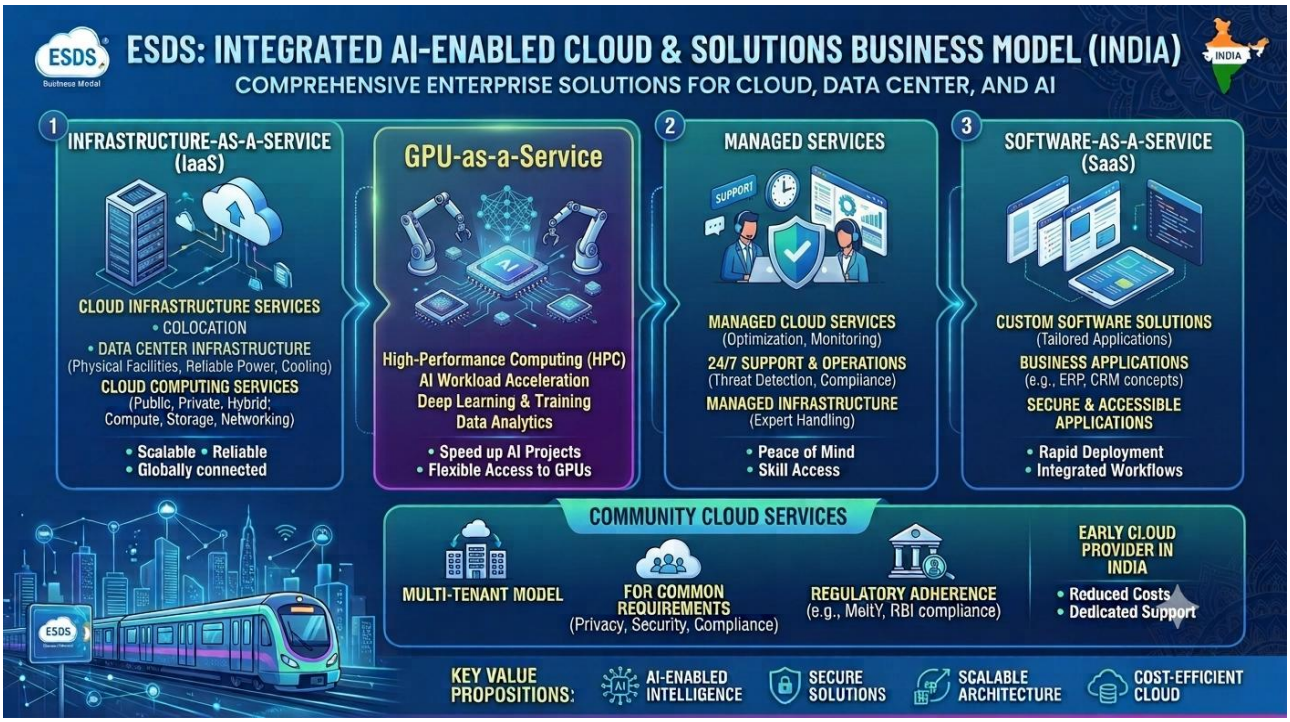
Margins Are Broadly Comparable Across Peers — Capital Discipline Is Where the Real Dispersion Sits

Parameters	ESDS			E2E Networks			Sify			Nxtra (Airtel)		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Revenue (INR Mn)	2,865	3,163	4,722	945	1,640	2,456	11,142	14,284	17,605	18,266	20,785	24,341
Revenue Growth (FY25-26)	+30.7%			+49.8%			+23.2%			+17.1%		
EBITDA Margin (%)	35.6%	42.9%	49.6%	50.8%	59.0%	51.4%	41.5%	44.4%	45.1%	38.1%	37.8%	40.3%
PAT Margin (%)	4.8%	15.4%	25.6%	23.2%	29.0%	(6.3%)	10.3%	8.9%	2.1%	12.7%	10.8%	9.9%
ROE	6.2%	17.3%	25.1%	36.4%	5.7%	(1.0%)	8.7%	7.7%	1.9%	8.8%	7.8%	7.7%
ROCE	14.5%	24.7%	32.8%	29.0%	8.4%	(0.5%)	7.8%	8.8%	7.8%	10.9%	9.1%	8.5%
Debt/Equity	0.66	0.15	0.08	1.45	0.01	0.06	1.28	1.33	1.20	0.29	0.46	0.65

Source: ESDS RHP, Choice Institutional Equities

5.1 Introduction to the Company & Key Milestones

- ESDS is an AI-enabled cloud, managed services, data center infrastructure and software solutions provider in India. It is one of the only two players in India providing the entire spectrum of **GPUaaS (GPU-as-a-Service), cloud, managed services, data center infrastructure and software solutions in India**
- Its offerings include **Infrastructure-as-a-Service (IaaS) comprising colocation, GPU-as-a-Service (GPUaaS), data center and cloud computing services; Managed Services; and Software-as-a-Service (SaaS)**, enabling customers to adopt secure, scalable and cost-efficient cloud solutions.
- ESDS was also among the early cloud service providers in India to offer community cloud services through a multi-tenant model tailored to customers with common privacy, security, compliance and regulatory requirements.
- The company serves a diversified customer base across **BFSI, Government and Enterprises**, with **2,501 customers in FY26**.



Source: RHP, Choice Institutional Equities

ESDS' Operates 5 Data centers in India

ESDS Data center Portfolio

Operational data centers	**Nashik, Navi Mumbai, Bengaluru, Mohali, Noida**
Aggregate area	**75,266 sq. ft.**
Rack Power Density	**3KW to 20KW**
Certification	Tier III across all 5 DCs
Uptime SLA	99.95% portfolio-wide
Domestic ownership	100% domestically owned
Operations	24×7
Colocation model	Shared racks → dedicated racks → private suites
Connectivity	Multi-ISP / carrier-neutral architecture
Power architecture	Dual utility feeds + redundant UPS + generator backup
Cooling	N+1 precision cooling; hot/cold aisle containment
Fire protection	VESDA + pre-action suppression
Security	Multi-layer physical security + biometric access + 24×7 CCTV
Compliance	ISO, PCI DSS, SOC, MeitY/STQC, TIA-942 etc.
Target workloads	BFSI, Government, Enterprise, Cloud, AI/HPC
Upcoming Data center	Kolkata DC + Ghaziabad DC

Source: RHP, Choice Institutional Equities

5.1 Introduction to the Company & Key Milestones

2005

ESDS started in Nashik, Maharashtra as a web hosting and managed services provider

2010

Launched the Nashik data center

2011

Launched the intelligent cloud computing platform – eNlight cloud

2015

Received the USPTO Patent for method and system for real time detection of resource requirement and automatic adjustments in relation to the "eNlight Cloud" service.

2016

Launched data center in Mahape, Navi Mumbai, Maharashtra

2019

Received Investment by GEF Capital Partners through South Asia Growth Fund II, LP. And Global Environment Capital Company, L.L.C.

2020

Further investment by GEF Capital Partners through South Asia Growth Fund II Holdings, LLC and South Asia EBT Trust (acting through its trustee at the time, Orbis Capital Limited); introduced IT consultancy in services portfolio and launched Data center in Bengaluru, in partnership with STPI.

2022

Launched Mohali Data center with STPI

2023

Launched data center in Airoli, Navi Mumbai, Maharashtra.

2024

Expanded its AI/cloud infrastructure capabilities

2025

- Launched GPU-as-a-Service (GPUaaS), enabling enterprises to access high-performance GPU infrastructure on demand
- Launched data center in Noida, Uttar Pradesh

2026

- Entered into a strategic AI cloud infrastructure agreement with an Australia-based neocloud AI compute provider
- **Scaled its GPUaaS proposition** with next-generation GPU infrastructure, including NVIDIA/AMD platforms and SuperPOD-scale clusters for large-scale AI workloads.

5.2 Key Product Offerings

ESDS' Key Product Offerings

Business Segment	Product / Service	What ESDS offers?
Infrastructure-as-a-Service (IaaS)	Colocation & Data center Services	Houses customers' servers, storage and networking infrastructure in ESDS data centers with redundant power, cooling, security and connectivity
	Cloud Services & Computing	ESDS provides Public, Private, Virtual Private, Hybrid and Community Cloud solutions, allowing **enterprises to access computing, storage and networking resources on demand without owning physical infrastructure**. Its portfolio also **includes GPU-as-a-Service (GPUaaS)** for AI/ML and high-performance computing workloads, with a focus on scalability, security, compliance and data sovereignty.
Managed Services	Cloud Managed Services	Cloud administration, monitoring, migration and optimisation
	Data center Managed Services	Day-to-day management and monitoring of IT infrastructure
	Security Managed Services	Cybersecurity, compliance and Security Operations center (SOC) services
	IT Infrastructure & Network Management	Management of servers, networks and IT infrastructure
	Backup & Disaster Recovery	Data backup, recovery and DR solutions
	Managed Database Services	Database administration including **SAP Basis & SAP HANA administration**
	Managed DevOps & Automation	Development/operations automation and application management
Software-as-a-Service (SaaS)	Data center Management	**eMagic** – monitoring and management suite
	Cybersecurity	VTMscan, SWARAJ WAF, SWARAJ Web VPN
	Cloud Storage	SCOS – SWARAJ Cloud Object Storage
	IoT	SWARAJ IoT
	Communication	SWARAJ Meet
	Government Software	IPeG & IPAS
	Low-code Development	Low-code Magic
	Other Vertical SaaS	Healthcare, lending, education, agriculture and document digitisation solutions
AI Stack	SWARAJ Bodhi – AIOps	GPU fleet management, ML pipelines, distributed training, model serving, governance and GPU cost tracking
	SWARAJ Garuda – APM	Application performance monitoring, transaction tracing, database/Kubernetes monitoring and AI-driven root-cause analysis
Cybersecurity / SWARAJ Security	SWARAJ Nandi – PAM	Privileged access management, credential vaulting, session monitoring/recording and behavioural analytics
	SWARAJ Jatayoo – DAM	Database activity monitoring, anomaly detection, risk scoring and access controls
	SWARAJ Hansa – SIEM	AI-agentic security monitoring, threat detection, risk scoring, threat intelligence and automated ticketing
Digital Marketplace	SPOCHUB	Marketplace hosting ESDS's own and third-party software applications

Source: RHP, Choice Institutional Equities

5.2 Key Product Offerings

1. Infrastructure as a Service (Iaas) (44% of Revenue)

Colocation and Data center Services (19.0% of IaaS Revenue)

1. Enables businesses to securely house their **own IT infrastructure**

2. Offers redundant **power, cooling, and high-speed connectivity**

3. Ideal for customers needing **physical control** over their hardware while leveraging a professional data center environment

Cloud Services and Cloud Computing (81.0% of IaaS Revenue)

1. **Fully managed** cloud computing solutions

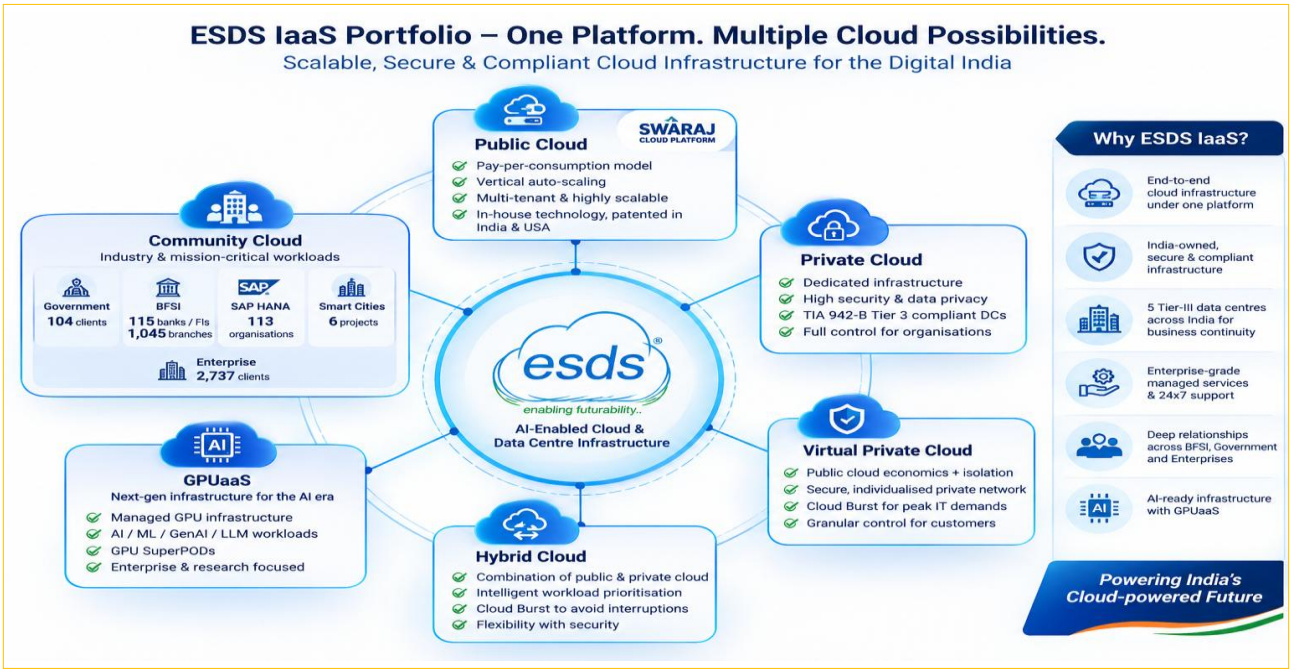
2. **On-demand scalability**.

3. Portfolio includes: (1) public cloud, (2) private cloud, (3) virtual private cloud, (4) hybrid cloud, and (5) various community cloud offerings

4. **Community Cloud Use Cases** as at Jan 31, 2025:
- **Government Community Cloud**: 115 clients
- **BFSI Cloud:** 152 banks and Financial Institutions across 724 branches
- **SAP HANA Community Cloud:** 142 organizations

Source: RHP, Choice Institutional Equities

ESDS Offerings under Cloud Services & Cloud Computing Sub-segment



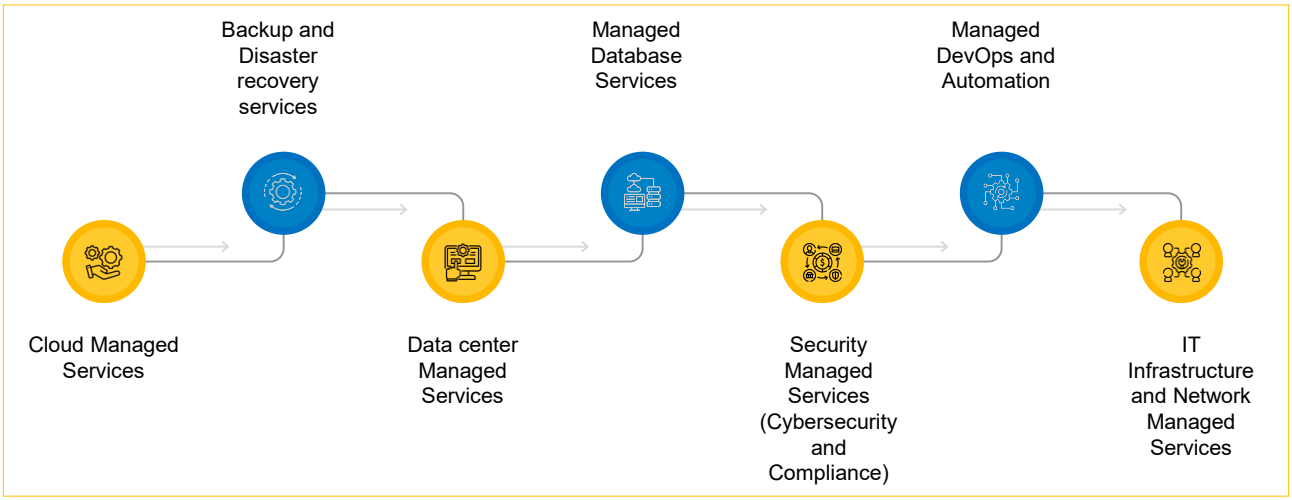
Source: RHP, Choice Institutional Equities

- ESDS combines multiple cloud deployment architectures with verticalised community clouds, while expanding into GPUaaS for AI workloads.

- **GPU-as-a-Service (GPUaaS) is a new service offering for ESDS, extending its existing cloud and IaaS capabilities into AI-focused computing.** Under this model, ESDS provides customers on-demand access to high-performance GPUs needed for AI/ML workloads. ESDS is scaling this business through large international contracts, including a USD **1.25bn** Australia-based neocloud deal, alongside building its own domestic GPU capacity.

5.2 Key Product Offerings

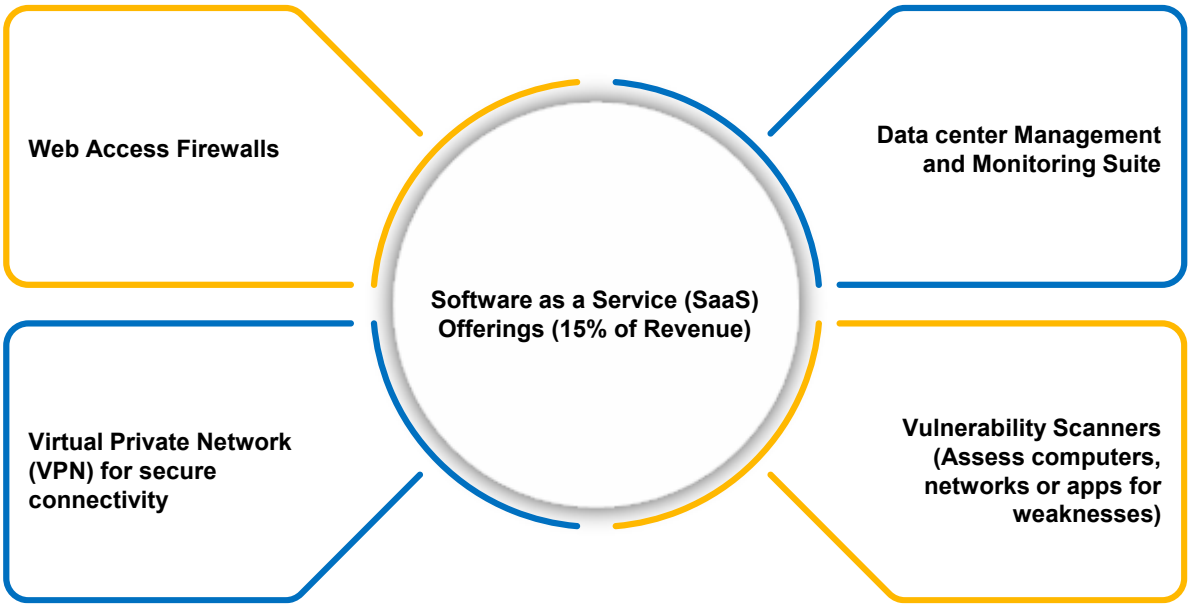
Managed Services (41% of Revenue)

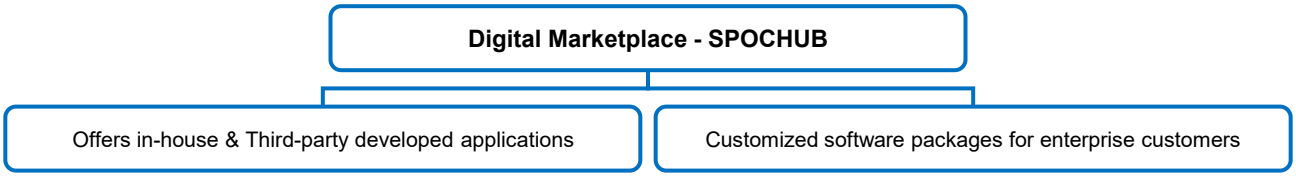


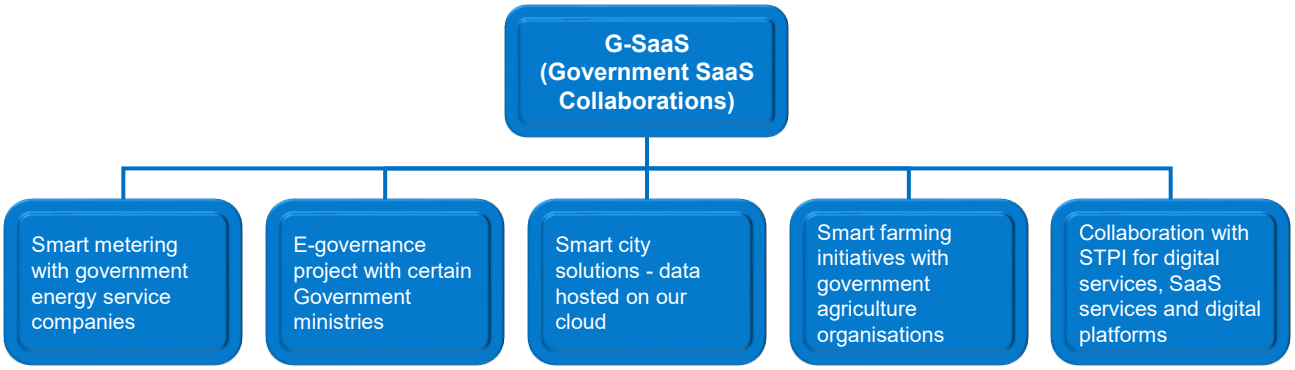
Source: RHP, Choice Institutional Equities

- **ESDS's Managed Services portfolio complements its IaaS and cloud offerings by providing end-to-end management of customers' IT infrastructure, including monitoring, security, backup, migration and optimisation.**
- This creates a sticky, recurring service layer around its infrastructure business, enabling ESDS to deepen customer relationships and increase wallet share beyond basic cloud/hosting services.

5.2 Key Product Offerings







Source: RHP, Choice Institutional Equities

5.3 Understanding ESDS

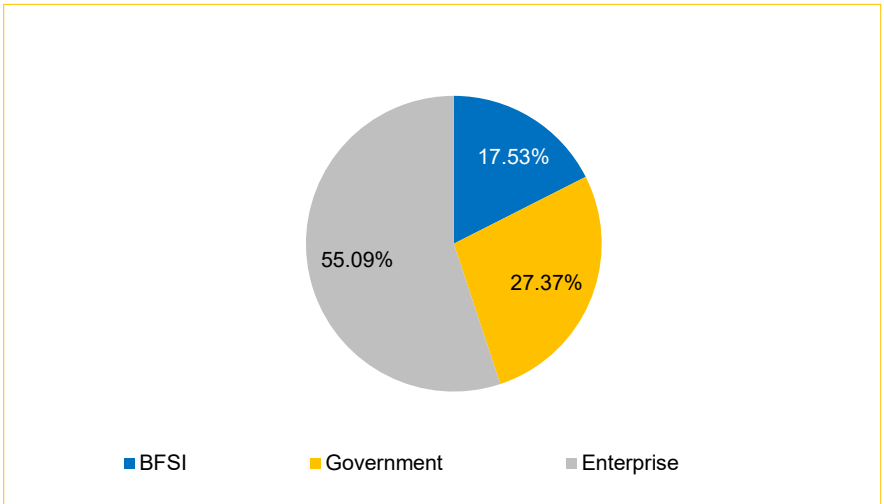
Business Segment Mix

Segment	Sub-segment	Rev. Share	Key Offerings	Key Markets	Target Clients	Strategic Positioning / Differentiation
Infrastructure-as-a-Service (IaaS)	**Colocation & Data center Services**	**~8%**	Rack/space, power, cooling, connectivity, physical security, data-center facilities	Data centers, Enterprise IT, BFSI, Government	Enterprises, BFSI, Government, regulated industries, digital businesses	**India-based data-center infrastructure** with focus on security, reliability and local/sovereign workloads
	Cloud Services & Computing	**~36%**	Public/private/hybrid cloud, compute, storage, backup & DR, **GPUaaS**, networking	Cloud Computing, AI/GPU Compute, Enterprise Cloud	Enterprises, BFSI, Government, SMEs, Smart Cities	SWARAJ Cloud – patented vertical autoscaling technology evolved into a full-stack, AI-autonomous cloud platform, built and operated entirely in India; differentiated on data sovereignty, security, compliance, scalability and AI
Managed Services	—	**~41%**	Managed Cloud, Managed Infrastructure, Cybersecurity, Monitoring, Application Management, Backup & DR	Managed Cloud, IT Infrastructure, Cybersecurity	Enterprises, BFSI, Government, regulated sectors	**Services layer** on top of IaaS; drives customer stickiness and deeper wallet share
Software-as-a-Service (SAAS)	—	**~15%**	**SWARAJ portfolio** and other proprietary software solutions	Enterprise Software, Vertical SaaS, BFSI/regulated sectors	Enterprises, BFSI, Government & institutions	**Moves ESDS up the value chain** from infrastructure to proprietary software/IP

Source: RHP, Choice Institutional Equities

27.3% of FY26 revenue comes from government clients, providing ESDS with a strong foothold in India's sovereign cloud and digital infrastructure ecosystem. This is particularly relevant as data sovereignty and localisation gain importance in India.

Revenue Mix by Customer Segment



Source: RHP, Choice Institutional Equities

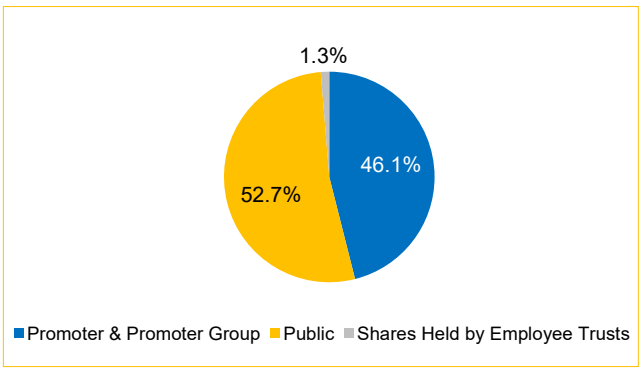
5.4 About the Management

Name	Designation	Qualification	Experience
 Piyush Prakashchandra Somani	Promoter, Managing Director and Chairman	Bachelor's degree in engineering(Electronics) from the University of Pune	Piyush Prakashchandra Somani founded ESDS in 2005 and has over 19 years of experience in the Information Technology sector. He is primarily responsible for overseeing overall strategy and business development functions of ESDS. He has been instrumental in expanding the operations of ESDS in India and in international markets. He is also on the board of directors of company's subsidiaries, SPOCHUB Solutions Private Limited, ESDS Cloud FZ-LLC, ESDS Global Software Solution, Inc. Further, he is also on board of directors of Bharath Digital Infrastructure Association and Imanes Private Limited.
 Komal Piyush Somani	Whole-time Director, CMO & CHRO	Bachelor's degree in engineering from the University of Pune	Komal Piyush Somani is a Whole-time Director, Chief Marketing Officer and Chief Human Resources Officer. She has been associated with the company since September 2012. She has over 13 years of experience in the information technology sector and oversees the company's strategy, human resources and marketing functions. She has received several industry recognitions and is also a recipient of the Maharashtra Nari Ratna Award, Tejaswini Sanmaan and Nashik Best HR Leaders recognition in 2017.
 Nadukuru Sita Ramaiah	CFO	Master of Commerce (Berhampur University)	Nadukuru Sita Ramaiah is the Chief Financial Officer of ESDS and joined the company in 2022. He has over 28 years of experience in the finance function. He is primarily responsible for overseeing the company's finance, domestic billing and purchase functions. Prior to joining the company, he held finance and accounting roles at RMSI Private Limited, R-Systems International Limited, Open Solutions Software Services Private Limited, Microsemi India Private Limited, ZF India Technology Center and Advanced System in Package Technologies Private Limited.
 Sameer Redij	Chief Business Officer	MBA from Indian Business Academy	Sameer Rejij has over 13 years of experience in the field of IT and systems. Prior to joining ESDS, he worked with CtrlS Datacenters Limited, Gartner India Research & Advisory Services Private Limited, HCL Infinet Limited and IBM India private Limited.

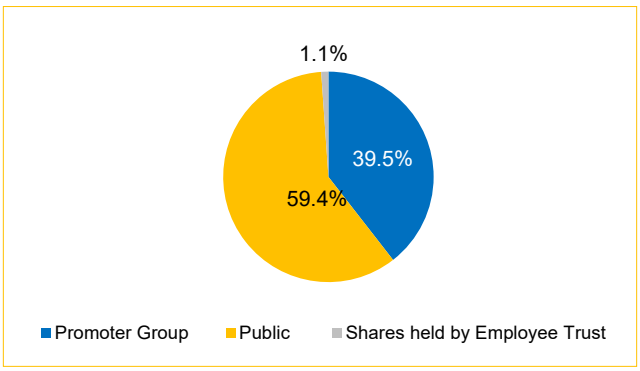
Source: RHP, Choice Institutional Equities

Shareholding Pattern

Pre IPO Issue



Post IPO Issue



Source: RHP & Choice Institutional Equities

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000 Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000 Cr Market Cap**

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