



I P O R E S E A R C H D E S K

RESEARCH REPORT DATED 31 AUGUST 2026

ESDS Software Solution Limited

Mainboard IPO — Research Note

ISSUE DATES	28 August – 1 September 2026
PRICE BAND	₹408 – ₹429 per share (FV ₹1)
LOT SIZE	34 shares — ₹14,586 at cap
ISSUE SIZE	₹720 Cr — 100% Fresh Issue, Nil OFS
LISTING	BSE & NSE — 4 September 2026 (tentative)

SECTOR Technology — Managed Cloud, Data Centre & GPU-as-a-Service	FINANCIALS Rev ₹472 Cr (FY26) • PAT ₹121 Cr • Rev CAGR 28% • EBITDA margin 49.6%
VALUATIONS 41.6x FY26 P/E (post-issue) • 18.6x EV/EBITDA • 4.1x P/B — below both listed comparables	DEMAND Anchor ₹216 Cr (30% of issue) • Day 2 overall 24.5x • NII 51x • QIB still 0.27x
GMP ₹320–325 over ₹429 cap (~75%) • 31 Aug • indicative only, and fading from ₹360	RECOMMENDATION APPLY (listing gains) 50–60% expected on listing

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2. Executive Summary

ESDS runs managed cloud and Tier-3 data centre infrastructure out of Nashik, with four other operating facilities and a software layer sold on top. FY26 closed at ₹472 Cr of operating revenue, ₹234 Cr of EBITDA and ₹121 Cr of PAT. Two years earlier PAT was ₹14 Cr. That is the number the whole issue turns on — revenue compounded at 28% over FY24–FY26 while profit went up nearly nine times, because a fixed data centre cost base finally got filled. EBITDA margin moved 35.6% to 49.6% over the same stretch and borrowings fell from ₹149 Cr to ₹43 Cr.

The structure is the cleanest part of the deal. ₹720 Cr, all of it fresh, no offer for sale at all — not a single existing share is being sold. ₹576 Cr goes into data centre equipment for the Kolkata and Sahibabad builds. Promoters take nothing off the table. In a market where OFS-heavy books are the norm, this one reads differently, and the street has noticed: the NII book was 51x by Day 2 midday and the grey market is quoting a premium around 75% of the cap price. At ₹429 the company is asking 41.6x post-issue FY26 earnings against a listed comparable set that trades at 118x and 408x. On the arithmetic alone this is the cheapest way to own the AI-data-centre theme on the exchange.

We are buyers of the listing, not the story. What gives us pause is not the price — it is the anchor book, which is thinner than the headline ₹216 Cr and 82% mutual-fund share suggests, and a grey market print that has already started to fade. Neither changes the call.

Recommendation	Listing-Day View	Momentum View (T+2 to T+5)
APPLY (listing gains) First priority — apply from all available PANs	50–60% listing gain expected. To qualify in the bHNI book, bid 2,346 shares (69 lots) at ₹429 — an application of ₹10,06,434 per PAN.	Hold only while the tape holds; exit into strength, no story hold

Data as of 31 August 2026 (Day 2 of 3). The issue closes 1 September 2026 — final subscription will differ.

3. Company Overview & Business Model

ESDS sells compute and the operational wrapper around it. Three revenue lines: infrastructure-as-a-service — the eNlight cloud platform plus colocation — at 43.9% of FY26 revenue; managed services at 41.2%; and software sold as SaaS at 14.9%. The mix matters. A pure colocation landlord is a real-estate business with a technology label. A pure SaaS vendor is a software business. ESDS sits between the two, and that is deliberate: the company puts a customer into its own data centre hall, runs the workload for them, and then sells the management, security and compliance layer on top. The managed services line is what lifts the blended margin above what rack rental alone would earn.

Revenue is contracted and recurring rather than project-based, which is why the trajectory has been as steady as it has. Customers pay for capacity, uptime and managed hours; the company commits to a 99.95% SLA and carries performance guarantees equal to roughly 10% of net worth against those commitments. The customer count went from 1,714 in FY25 to 2,501 in FY26, while average revenue per customer fell from ₹21.1 lakh to ₹18.9 lakh — growth is coming from breadth, not from deepening the existing base. That is worth watching. Broad, shallow customer addition is easier to win and easier to lose.

Physically the business is five Tier-3 certified facilities — Nashik, Navi Mumbai, Bengaluru, Mohali and Noida — aggregating over 75,266 sq. ft., staffed by 993 people as of June 2026. Two more are in build: Kolkata targeted for Q3 FY27 and Sahibabad for Q1 FY28. That is what the fresh issue funds.

Promoters are Piyush Somani, who founded and runs the business, Komal Somani, and the P.O. Somani Family Trust, together holding 45.86% pre-issue and 39.47% post-issue. Weighted average acquisition cost over the last three years is ₹81.72 per share against an issue price of ₹429 — unremarkable for a founder-held company that has been building since 2005, but the gap is there and should be read alongside the fact that none of it is being monetised in this issue.

What breaks this model: a data centre is a fixed-cost asset that must be filled. The FY26 margin expansion is the arithmetic of a filled hall. Add two new halls in Kolkata and Sahibabad, and the same arithmetic runs in reverse until they fill. Utilisation, not demand narrative, is the variable to track.

4. Market Position & Client Base

ESDS positions itself as one of only two Indian players offering the full stack — GPU-as-a-service, cloud, managed services, data centre infrastructure and software — under one roof. Take that claim for what it is: a self-defined category. The honest positioning is narrower. Against the hyperscalers ESDS competes on data residency, sovereign-cloud compliance and hand-held managed service, not on price or scale. Against the domestic colocation majors it competes by selling the managed layer that they do not. That is a defensible niche as long as Indian regulated buyers keep needing an Indian-domiciled operator to sign the compliance paperwork — and for BFSI and government workloads, they do.

Concentration is present but not acute. The largest customer contributed 15.93% of FY26 revenue, top five 34.89%, top ten 45.36%. All three numbers improved from FY25, where the largest client alone was 20.15% and the top ten were 49.34%. Because the top ten stayed under the 50% disclosure threshold, the RHP does not name them — so we are underwriting a concentration profile without knowing whose renewals we are exposed to. That is a gap, though a common one.

Revenue Concentration	FY2024	FY2025	FY2026
Largest customer	6.00%	20.15%	15.93%
Top 5 customers	25.90%	39.19%	34.89%
Top 10 customers	37.38%	49.34%	45.36%

Source: Red Herring Prospectus dated 24 August 2026, as summarised in the abridged prospectus.

The segment mix has moved sharply, and not in a straight line. BFSI was 30.87% of revenue in FY25 and 17.53% in FY26. Government fell from 29.52% to 27.37%. Enterprises jumped from 39.61% to 55.09%. A 13-point swing out of BFSI in a single year is a large move for a business built on multi-year contracted capacity. It could be the enterprise line simply growing faster off a smaller base — the absolute BFSI rupee number would still have grown. It could equally be a large BFSI account stepping down. The disclosure does not settle it, and we would want it settled before treating the FY26 mix as the run-rate.

The moat, such as it is, sits in switching cost. Once a regulated Indian customer has migrated a production workload into a certified hall and signed the SLA, moving it again is expensive and audit-heavy. That is real. It is also the standard argument every infrastructure operator makes, and it holds only until a hyperscaler offers a compliant sovereign region at scale.

5. Geographic Distribution & Revenue Model

Geography (FY2026)	Revenue (₹ Cr)	Share of Revenue
India	351.77	74.49%
Overseas — primarily UAE	120.44	25.51%
Total revenue from operations	472.21	100.00%

Source: Red Herring Prospectus dated 24 August 2026. Converted from ₹ million as filed.

A quarter of revenue comes from outside India, effectively all of it from the UAE, routed through ESDS Cloud FZ-LLC. This is the part of the geographic story that deserves more attention than it usually gets. That subsidiary lost ₹6.02 Cr in FY24 and ₹4.05 Cr in FY25, and turned a ₹5.46 Cr profit in FY26 — the year the company took its offer document to market. A quarter of the top line sitting in an entity that only became profitable in the pre-IPO year is not a fatal flaw, but it is exactly the kind of item that deserves a second look once two more quarters of standalone disclosure exist.

The revenue model itself is annuity-shaped. Capacity and managed hours are contracted, billed periodically, and renewed. There is an unbilled-revenue and receivables cycle attached to this — the RHP flags collection and unbilled conversion as a named risk — which is what you would expect from a book weighted toward government and BFSI counterparties, where payment cycles are long and procurement approvals slow. Currency exposure runs through the AED-linked UAE line; the dirham's dollar peg makes that a rupee-dollar exposure in practice rather than an exotic one.

6. Technology Stack, GPUaaS and the AI Positioning

The AI framing is the single largest driver of where this issue is priced in the grey market, so it is worth separating what is built from what is being marketed.

What is built: eNlight, the company's own cloud orchestration platform, which handles vertical auto-scaling of live workloads and is the reason ESDS can sell managed IaaS rather than reselling someone else's. That is a genuine piece of owned intellectual property with a decade of production history behind it, and it is what allows the company to describe itself as a platform business rather than a hosting company. The SaaS line — 14.9% of FY26 revenue — sits on top of it.

What is being marketed: GPU-as-a-service. The company offers it and the RHP leads with it, but the offer document does not carve out GPUaaS as a separate reported revenue line, which tells you it is not yet material enough to disclose separately. The ₹576 Cr of issue proceeds earmarked for data centre equipment is where that changes — or does not.

The market is paying an AI multiple for a business whose AI revenue is not yet large enough to disclose separately. That is not a reason to avoid the issue — it is a reason to be precise about what we are trading. We are trading a theme and a book, not a proven GPU franchise.

Certifications and compliance are, unglamorously, part of the technology moat here. Tier-3 certification across all five facilities, the 99.95% uptime SLA, and the security and data-residency posture are what get ESDS onto regulated buyers' approved-vendor lists. For a sovereign-cloud pitch, the paperwork is the product.

7. IPO Structure & Use of Proceeds

Issue Structure

Particulars	Amount (₹ Cr)	% of Total
Fresh Issue	720.00	100.0%
Offer for Sale (OFS)	Nil	0.0%
Total Issue Size	720.00	100.0%

1,67,83,216 equity shares of face value ₹1 each at the ₹429 cap price.

Use of Proceeds

Objective	Amount (₹ Cr)	% of Fresh Issue
Purchase and installation of cloud computing equipment and infrastructure for Data Centres	576.00	80.0%
General corporate purposes and issue expenses	144.00	20.0%
Total	720.00	100.0%

General corporate purposes capped at 25% of gross proceeds per SEBI ICDR. Capex is directed at the Kolkata (Q3 FY27) and Sahibabad (Q1 FY28) builds.

OFS is nil. Not reduced — nil. Every rupee raised goes to the company, and no promoter or pre-IPO investor sells a single share into this issue. On our OFS screen this is the strongest possible reading: the people who know the business best are not using the listing to exit any part of it.

Allocation and Book Structure

Category	Shares	% of Issue	Notes
QIB (incl. anchor)	83,91,607	50%	Anchor 50,34,964 shares — 60% of the QIB book
Non-Institutional (NII)	25,17,483	15%	bHNI 2/3 (>₹10L) · sHNI 1/3 (₹2–10L)
Retail (RII)	58,74,126	35%	Minimum bid 34 shares — ₹14,586
Total	1,67,83,216	100%	₹720 Cr at cap

Anchor allocation was ₹215.99 Cr on 27 August — 30% of the total issue and 60% of the QIB portion. The residual QIB book is therefore only about ₹144 Cr, which is a small amount to fill and explains why the QIB line can sit at 0.27x through Day 2 without anyone panicking. Book running lead managers are DAM Capital Advisors and Systematix Corporate Services; the registrar is MUFG Intime India. Both bankers are backtested in Section 10.

8. Financial Performance Analysis

Profit & Loss

Particulars (₹ Cr)	FY2024	FY2025	FY2026	CAGR / Δ
Revenue from Operations	286.52	361.34	472.21	28.4%
Total Income	292.14	376.64	480.65	28.3%
EBITDA	101.88	154.89	234.23	51.6%
EBITDA Margin (%)	35.6%	42.9%	49.6%	+1,400 bps
Profit After Tax	13.61	55.61	120.82	198%
PAT Margin (%)	4.8%	15.4%	25.6%	+2,080 bps
Diluted EPS (₹)	1.35	5.71	11.81	—

Restated consolidated figures per the RHP dated 24 August 2026, converted from ₹ million. CAGR computed FY24–FY26.

Balance Sheet & Cash Flow

Particulars (₹ Cr)	FY2024	FY2025	FY2026
Net Worth	206.36	405.55	528.81
Total Borrowings	149.04	62.71	42.92
Debt / Equity	0.72x	0.15x	0.08x
Cash Flow from Operations	53.05	162.62	n.a.*
Return on Equity	—	17.27%	25.12%
Return on Capital Employed	—	24.73%	32.78%
Return on Net Worth	—	13.71%	22.85%

*The FY26 operating cash flow figure as printed in the abridged filing (₹1,367.7 Cr) is not reconcilable with a ₹472 Cr revenue base, a ₹529 Cr net worth or the accompanying investing and financing lines. We have not relied on it and flag it as an item to verify against the full RHP financial statements.

The trajectory is the argument. Revenue compounded 28.4% over two years, EBITDA compounded 51.6%, and PAT went from ₹13.61 Cr to ₹120.82 Cr. Read the margin line rather than the profit line to understand why: 35.6% to 42.9% to 49.6%. A data centre is a fixed-cost asset. Once the depreciation, power and staffing base is set, incremental revenue drops through at very high contribution margin. ESDS filled capacity across FY25 and FY26 and the operating leverage did the rest. That is a real mechanism, not an accounting one, and it is the single best thing about this business.

It is also the thing to be careful about. A near-nine-fold profit increase over two years, landing in the year the offer document is filed, is the classic shape of a pre-IPO earnings ramp — whether or not that is what happened here. Two specific items we could not close out from the filed summary: the FY26 tax charge (a ₹65 Cr year-on-year PAT jump on ₹111 Cr of incremental revenue implies either exceptional operating leverage or a favourable tax item, and the abridged filing does not separate them), and the operating cash flow line, which as printed is not internally consistent. Neither is evidence of a problem.

Both are things a buyer holding this beyond the listing would need to resolve. We are not holding it beyond the listing.

The balance sheet has genuinely improved. Debt went from ₹149 Cr to ₹43 Cr while net worth more than doubled, taking gearing from 0.72x to 0.08x. RoCE at 32.78% on a capital-intensive asset base is a strong number in absolute terms and is the metric that best supports the valuation being asked. Against that, 96.72% of current assets were hypothecated to lenders at FY26 close and 18.89% of property, plant and equipment mortgaged — unremarkable for an asset-financed infrastructure business, but it means the remaining debt sits ahead of equity on effectively everything the company owns.

The forward risk is the reverse of the FY26 story. ₹576 Cr goes into Kolkata and Sahibabad. New halls carry full depreciation and power cost from commissioning and earn revenue only as they fill. FY28 margins will look worse than FY26 margins for entirely healthy reasons. Anyone underwriting 49.6% EBITDA margin as the steady state is going to be wrong.

9. Valuation

Company	P/E	P/B	EV/EBITDA	RoE %	Rev Growth
ESDS Software (at ₹429)	41.6x	4.1x	18.6x	25.1%	28.4% (3Y)
E2E Networks — RHP peer	408x	7.6x	~54x	2.1%	55% (3Y)
Netweb Technologies	118x	41.9x	~88x	32.8%	70% (3Y)
Comparable median	263x	24.8x	~71x	17.5%	62.5%

ESDS on post-issue FY26 earnings and post-money book value; market cap ₹5,028 Cr at the ₹429 cap. Peers on trailing-twelve-month data as of 31 August 2026. E2E Networks is the sole listed peer named in the RHP; Netweb is added by this desk for context and is not an RHP-cited comparable.

At ₹429 the company is asking 41.6x post-issue FY26 earnings, 18.6x EV/EBITDA and about 4.1x post-money book. Set against the peer table, that looks like a gift. It mostly is — but the peer table is close to unusable as a valuation anchor and we would rather say so than hide behind a median. E2E Networks trades at 408x because its earnings have collapsed to near zero, not because the market has assigned it a considered multiple; a P/E built on a ₹31 Cr profit base tells you nothing. Netweb at 118x is a systems-integration and server-hardware business running 13% operating margins — a different economic animal from a 49.6%-margin managed data centre operator, and its 41.9x book multiple reflects an asset-light model that ESDS is the opposite of.

Strip the comparables out and value it on its own terms. 41.6x for a business growing revenue at 28%, earning 32.8% on capital employed, running near-zero net debt and funding its own expansion from a fresh issue is not cheap in absolute terms — but it is not demanding either. On EV/EBITDA, 18.6x for an Indian data centre asset with contracted annuity revenue is close to fair. The multiple is the part of this deal we have least trouble with.

The honest caveat is that 41.6x rests on FY26 being a clean, repeatable base. It is the year margins expanded 680 basis points and profit doubled. If FY27 normalises — and the Kolkata and Sahibabad commissioning schedule suggests it should — the same price is a considerably higher forward multiple. For a listing-window trade that does not matter. For anything longer it matters a great deal, which is one more reason this is a listing call and not a portfolio position.

10. Demand, Application Breakup, Anchor Quality & BRLM Track Record

10.1 Subscription Trajectory

Category	Day 1 — 28 Aug	Day 2 — 31 Aug	Day 3 — 1 Sep
QIB (ex-anchor)	0.01x	0.27x	Open
NII — bHNI (>₹10L)	2.40x	49.88x	Open
NII — sHNI (₹2-10L)	5.74x	54.50x	Open
NII — total	3.51x	51.42x	Open
Retail (RII)	2.69x	14.77x	Open
Overall	2.10x	18.48x	Open

Day 2 figures as at approximately midday, 31 August 2026. Exchange data at 15:00 the same day showed the overall book at 24.49x on 30,25,13,368 shares bid against 1,23,52,942 on offer. The issue remains open until 1 September — these are not final numbers.

The shape of this book is unusual and worth reading carefully. NII went from 3.5x to 51x in one session while QIB moved from 0.01x to 0.27x. That is not a warning sign in itself — institutional bids land on the final afternoon as a matter of routine, and with anchors already holding 60% of the QIB portion there is only about ₹144 Cr of residual institutional paper to place, which will fill. But it does mean that as of writing, the entire visible demand story is HNI and retail. The institutional verdict on this issue has not been delivered yet.

10.2 Application-Wise Breakup and Allotment Math

Category	Shares on Offer	Lots on Offer	Shares Bid (Day 2)	Subscription	Minimum Application
QIB (ex-anchor)	35,29,412	—	9,53,041	0.27x	—
Retail (RII)	61,76,471	1,81,660	9,12,26,476	14.77x	34 sh — ₹14,586
NII — sHNI (₹2-10L)	8,82,353	25,951	4,80,88,239	54.50x	476 sh — ₹2,04,204
NII — bHNI (>₹10L)	17,64,706	51,903	8,80,23,535	49.88x	2,346 sh — ₹10,06,434
Overall	1,23,52,942	—	22,82,91,291	18.48x	—

Bid quantities derived from Day 2 subscription multiples against the exchange offer sizes, as at approximately midday on 31 August 2026. Exchange data at 15:00 the same day put the overall book at 24.49x on 30,25,13,368 shares bid. The issue closes 1 September — these are not final numbers.

The bHNI reservation is 17,64,706 shares — 51,903 lots. The qualifying application is 69 lots: 2,346 shares, ₹10,06,434 at the ₹429 cap. That is the ticket to place, on every available PAN. Allotment runs per application, not per rupee, so the same capital spread across several minimum tickets bids into more allotments than one large application.

Funding cost is not the constraint on this issue. At the current grey market print a leveraged application clears its roughly five-day carry many times over at any subscription level this book will reach. The listing print is the only variable that matters.

10.3 Grey Market Premium

Date	GMP (₹)	Implied Premium	Implied Listing
25 August	245	57%	₹674
27 August	335	78%	₹764
29 August	360	84%	₹789
31 August	320–325	~75%	₹749–754

Grey market quotes as reported by public trackers. Premium computed against the ₹429 cap price.

Two things about this GMP. First, it is enormous — a 75% premium is at the very top of what the Indian mainboard market prints, and premia at that level historically compress into the listing rather than expand. Second, and more usefully, it has already turned: ₹360 on 29 August, ₹335 on the morning of 31 August, ₹320–325 by midday. The direction is down while subscription is still climbing, which is the sequence you see when grey market operators start marking their own risk rather than the demand.

None of which makes the number a forecast. The grey market is an unregulated, thin, quote-driven bilateral market with no settlement guarantee and no obligation on anyone to trade at the print. It is a sentiment reading, nothing more. We use it to gauge the temperature of the book — we do not underwrite a listing price from it, and no one should size a position as though 75% is a number that has been promised.

10.4 Anchor Quality — 7-Year Backtest

Anchor Investor	₹ Cr	% Book	Prior Issues	Avg Listing Gain	Avg P/E Bought	Last Active
Motilal Oswal MF	48.0	22.2%	101	26.8%	87.3x	2025
Bandhan MF	48.0	22.2%	116	26.7%	76.0x	2026
Quant MF	48.0	22.2%	46	13.4%	48.8x	2025
ITI MF (5 schemes)	20.0	9.3%	24	2.3%	44.9x	2023
Meru Investment Fund	10.0	4.6%	17	18.4%	28.9x	2023
Sanshi Fund-I	10.0	4.6%	14	3.5%	33.1x	2021
JM Financial MF	8.0	3.7%	22	13.1%	121.6x	2026
Bajaj General Insurance	8.0	3.7%	12	12.2%	92.6x	2024
Cognizant Capital	6.0	2.8%	4	8.0%	23.9x	2022
Samco MF	5.0	2.3%	3	16.3%	15.6x	2022
CP Capital Limited	5.0	2.3%	Not in base	—	—	—
Allocation-weighted	216.0	100%	359	18.0%	64.6x	—

Backtested against the desk's proprietary base of 688 mainboard anchor investors across 2020–2026. Weighted averages computed on rupee allocation; CP Capital excluded from the weighting as it does not appear in the base file.

The headline reads well — ₹216 Cr, nineteen investors, 81.94% to six domestic mutual funds across thirteen schemes. Our base file gives a more textured picture, and it is not the picture the headline implies.

The strength is real at the top. Motilal Oswal Mutual Fund has anchored 101 prior mainboard issues with a 26.8% average listing gain, and its 2025 vintage — ten issues — averaged 59.1%. Bandhan Mutual Fund has 116 prior issues at 26.7%, and its five 2026 participations have averaged 63.0% on listing at an average subscription of 69x. Those two names take 44.4% of the anchor book between them, and their recent form is as good as anything in our data. That is the genuinely bullish part of this section.

Below them it thins out quickly. Quant Mutual Fund, at another 22.2% of the book, carries a 13.4% average across 46 issues and only 8.2% across its two 2025 participations — a middling record, not a strong one. Then comes the tail: ITI Mutual Fund at 9.3% of the book has a 2.3% average listing gain across 24 issues and has not anchored a mainboard issue since 2023. Sanshi Fund-I, at 4.6%, averages 3.5% and last participated in 2021. Cognizant Capital last appeared in 2022, Samco in 2022, Meru in 2023, Bajaj General Insurance in 2024 with a -7.8% print. JM Financial Mutual Fund's single 2026 participation listed down 14.0%. CP Capital does not appear in our 688-name base at all — a first-time or very infrequent mainboard anchor, which we cannot score.

What is not in this book is as informative as what is. No ICICI Prudential, no HDFC, no SBI, no Nippon India, no Kotak, no Axis, no Mirae — not one of the seven largest domestic anchor participants in our seven-year base took a rupee of this issue. Nor did a single foreign portfolio investor: the book is 100% domestic. For an issue being priced on a global AI-infrastructure theme, the complete absence of offshore money is the most striking single fact in the anchor circular.

One point cuts the other way, and it is worth stating. On an allocation-weighted basis these anchors have historically bought issues at an average 64.6x P/E. ESDS is coming at 41.6x. This issue sits comfortably below the valuation band this particular group is used to paying — they are not stretching here, they are buying something cheaper than their habit. Their allocation-weighted historical listing gain is 18.0%. Read that as the base rate this book's own history implies — not as a ceiling, and certainly not as a promise, but as a sober counterweight to a 75% grey market quote.

10.5 BRLM Track Record — 7-Year Backtest

Book Running Lead Manager	IPOs (7Y)	Positive Listings	Hit Rate	Avg Listing Gain	2024-26 Activity
DAM Capital Advisors	39	26	66.7%	13.8%	10 issues, 8 positive (80%)
Systematix Corporate Services	7	1	14.3%	15.4%	None since 2023

Backtested against the desk's proprietary base of 77 book running lead managers across 2020–2026.

DAM Capital is the substantive banker on this issue and the record is respectable and improving. Thirty-nine mainboard issues since 2020 at a 66.7% hit rate and 13.8% average listing-day gain — middle of the pack over the full period. The recent slice is better: nine issues in 2024 with seven positive at a 16.5% average, and their single 2025 issue listed up 18.6%. Where the methodology says to lead with the recent trend over the lifetime average, here the recent trend is the more flattering read. A 66.7% lifetime hit rate understates where this franchise currently sits.

Systematix is the weak half of the pairing and we will not dress it up. Seven mainboard issues in seven years, one positive listing, a 14.3% hit rate. Four issues in 2020, all four negative, averaging -5.7%. Two in 2023, both negative. Nothing at all since. This is a banker with almost no recent mainboard book to point to. On a ₹720 Cr issue with DAM running the process, Systematix reads as distribution reach rather than underwriting — which is a legitimate role, and is how we are treating it. It does not change the call. It is simply not a name whose presence adds anything to the setup.

Strong anchor participation and a good BRLM track record reduce listing risk; they do not eliminate it.

11. Risk Factors

[PRIMARY CONCERN] Grey market premium at 75% — and already fading.

The entire economics of this trade rest on a listing print somewhere near the grey market quote. That quote is 75% over the cap price — among the most extreme premia the Indian mainboard has carried — and it has fallen from ₹360 on 29 August to ₹320–325 by midday on 31 August while subscription was still climbing. Premia at this level compress into the listing far more often than they expand. Our 50–60% listing-day view is already struck below that quote for exactly this reason, but it rests on the same foundation: an unregulated bilateral quote market with no settlement guarantee, currently marking itself lower, against an anchor book whose own allocation-weighted history implies 18%. The trade can work well and still land materially below the band we have underwritten.

1.  **Listing volatility.** Even with a heavily subscribed book and a credible lead banker, mainboard issues in the current regime have printed sharp intraday swings on the listing day and through the first sessions. A weak open, a broad-market gap-down on 4 September, or thin follow-through can undo the setup regardless of how the book looked on 1 September. Issues carrying very high grey market premia are the most exposed to this, because the marginal seller on listing day is a leveraged applicant with a funding cost to clear. We do not consider this a risk-free recommendation.
2.  **The anchor book is mid-tier, not marquee.** Two strong names — Motilal Oswal and Bandhan — hold 44% of the anchor portion. The remainder is Quant at a middling 13.4% historical average and a tail of names that are largely dormant: ITI (2.3% average, last active 2023), Sanshi (3.5%, last active 2021), Cognizant, Samco and Meru all last seen in 2022–23. None of the seven largest domestic anchors in our seven-year base participated, and no FPI took any part of the book. The ₹216 Cr headline overstates the institutional conviction behind this issue.
3.  **FY26 earnings quality is unresolved.** PAT rose from ₹13.6 Cr to ₹120.8 Cr in two years, with ₹65 Cr of that increase landing in FY26 on ₹111 Cr of incremental revenue. Operating leverage on a filled data centre explains a great deal of it and is a real mechanism. It does not obviously explain all of it, and the abridged filing does not separate the tax charge or present an internally consistent FY26 operating cash flow line. The FY26 base is what the 41.6x multiple rests on. A buyer holding past the listing window needs that base verified; we are not holding past the listing window.
4. **QIB demand is unproven at the time of writing.** The QIB book stood at 0.27x through Day 2 while NII was at 51x. Anchors already hold 60% of the QIB portion, leaving only about ₹144 Cr to place, and institutional bids conventionally arrive on the final afternoon — so this is not yet a red flag. But it is unresolved. If the residual QIB book closes thin, the entire demand case for this issue is a retail and HNI phenomenon, and those buyers are also the listing-day sellers.
5. **Capacity absorption on the new builds.** ₹576 Cr of the issue funds data centre equipment for Kolkata (Q3 FY27) and Sahibabad (Q1 FY28). New halls carry full depreciation and power cost from commissioning and fill gradually. The 49.6% FY26 EBITDA margin is the margin of a filled

facility; it will not survive two new ones coming online. Execution delay or slow fill is the single most likely source of an earnings disappointment in FY28.

6. **Segment mix instability.** BFSI fell from 30.87% of revenue in FY25 to 17.53% in FY26 while enterprise rose from 39.61% to 55.09%. A 13-point swing in one year on a contracted-capacity book is a large move. It may simply be faster enterprise growth off a smaller base, but the filing does not settle whether a significant BFSI relationship stepped down, and BFSI is the segment that carries the compliance moat.
7. **UAE subsidiary and export concentration.** 25.51% of FY26 revenue is overseas, effectively all UAE, through ESDS Cloud FZ-LLC — which lost ₹6.02 Cr in FY24, ₹4.05 Cr in FY25, and turned a ₹5.46 Cr profit in FY26. A quarter of the top line sitting in an entity that became profitable in the pre-IPO year deserves two more quarters of disclosure before it is treated as settled.
8. **Customer concentration and undisclosed counterparties.** Largest customer at 15.93% and top ten at 45.36% of FY26 revenue. The ratios are improving and sit below the 50% disclosure threshold — which is precisely why the RHP does not name the customers. We are underwriting a renewal profile without knowing whose renewals they are. Government at 27.37% of revenue adds a long, budget-cycle-dependent payment tail on top.
9. **Asset encumbrance and operational liability.** 96.72% of current assets were hypothecated and 18.89% of property, plant and equipment mortgaged at FY26 close. Performance guarantees against the 99.95% uptime SLA run to roughly 10% of net worth. A material outage is not merely a reputational event for this business — it is a contractual one with a quantified cost.
10. **Weak co-lead manager and litigation overhang.** Systematix Corporate Services carries a 14.3% listing-premium hit rate across seven mainboard issues and has not led one since 2023. Separately, a former employee has filed suit in the Bombay High Court claiming a 1% equity stake or ₹18.48 Cr in the alternative, with the same claim named against promoters and directors, and six GST proceedings are outstanding. None is large against a ₹529 Cr net worth. The equity claim is the one to watch because of what it asserts rather than what it is worth.
11. **Technology and hyperscaler competition.** The moat is data residency, sovereign-cloud compliance and managed service — not scale or cost. It holds while regulated Indian buyers need an Indian-domiciled operator to sign the compliance paperwork. It narrows the moment a hyperscaler offers a compliant sovereign region at scale, and the GPU layer that the market is currently paying a premium for is the layer where hyperscaler capital advantage is largest.

12. Investment Strengths & Positive Indicators

1. **Nil offer for sale.** The entire ₹720 Cr is a fresh issue. No promoter, no pre-IPO investor, no institutional holder sells a single share into this listing. On our OFS screen — where anything above 50% is flagged as an exit signal — this is the strongest possible reading, and it is rare enough in the current mainboard pipeline to be worth naming first.
2. **Operating leverage that has actually shown up.** EBITDA margin went 35.6% → 42.9% → 49.6% across FY24–FY26 as capacity filled. This is the mechanism a data centre business is supposed to demonstrate and most demonstrate late or never. EBITDA compounded 51.6% against 28.4% revenue growth — the gap between those two numbers is the whole investment case.
3. **Capital efficiency on an asset-heavy base.** RoCE of 32.78% and RoE of 25.12% in FY26, on a business that owns its halls rather than renting them, is a strong combination. Asset-heavy businesses usually trade capital efficiency away for control. This one currently has both.
4. **Deleveraging is essentially complete.** Borrowings fell from ₹149 Cr to ₹43 Cr while net worth more than doubled to ₹529 Cr. Debt-to-equity of 0.08x going into a ₹720 Cr capital raise means the expansion is equity-funded rather than levered — the balance sheet has room, and the FY28 story does not depend on refinancing markets.
5. **Valuation that is defensible on its own terms.** 41.6x post-issue FY26 earnings and 18.6x EV/EBITDA is not a stretched multiple for 28% revenue growth and 33% RoCE. Both listed comparables trade materially higher on every measure. The peer set is too distorted to lean on as an anchor, but it does mean nobody can argue this issue is the expensive way to own the theme.
6. **Two anchors with genuinely strong recent form.** Motilal Oswal Mutual Fund and Bandhan Mutual Fund hold 44.4% of the anchor book between them. Motilal's 2025 vintage of ten issues averaged 59.1% on listing; Bandhan's five 2026 participations averaged 63.0%. In a mid-tier book, these two are the names that carry it, and their recent record is as strong as anything in our seven-year base.
7. **The issue is below its own anchors' habitual valuation band.** Allocation-weighted, this anchor group has historically bought mainboard issues at an average 64.6x P/E. ESDS is coming at 41.6x. They are not reaching for this one — which is a different and better signal than a marquee book buying something expensive.
8. **Sector positioning and issue-size scarcity.** Managed cloud, sovereign data residency and GPU capacity is the most bid theme on the Indian market right now, and there is almost nothing listed that offers clean exposure to it at a rational earnings multiple. A ₹720 Cr issue is small enough that a bid of this intensity has real scarcity value on listing day — that scarcity is a meaningful part of why the book looks the way it does.
9. **Recurring, contracted revenue with high switching cost.** Revenue is annuity-shaped rather than project-based, customer count grew from 1,714 to 2,501, and a migrated production workload in a certified hall is expensive and audit-heavy to move. The revenue base is more predictable than a 28% growth rate would normally imply.

13. Final Recommendation & Conclusion

R E C O M M E N D A T I O N

APPLY (listing gains)

Run the five pillars and four of them come back clean. Financial quality: revenue compounding at 28%, EBITDA at 51.6%, margin up 1,400 basis points, gearing down to 0.08x, RoCE at 32.8% — with an FY26 earnings base whose composition we would want verified before holding it, which we are not doing. Valuation: 41.6x post-issue FY26 earnings and 18.6x EV/EBITDA, defensible in isolation and cheap against a distorted but directionally useful peer set. OFS: nil, the best structural reading available. Demand: 24.5x by mid-afternoon on Day 2 with the NII book at 51x and the final day still to come.

The fifth pillar is where we differ from the consensus around this issue. The grey market is quoting roughly 75% over the cap price and the tone in the market is that the anchor book is exceptional. Our base file says otherwise. Two anchors — Motilal Oswal and Bandhan — are excellent and carry 44% of the book. The rest is a middling Quant allocation and a tail of names that have largely been absent from mainboard issues since 2021–23. Not one of the seven largest domestic anchors in our seven-year base took part, and no foreign investor took a rupee. Allocation-weighted, this book's own history implies an 18% average listing gain, not a 75% one. And the grey market print has already fallen from ₹360 to ₹320–325 while subscription was still climbing.

None of that changes the call. It sets the expectation attached to it. Our listing-day view is a gain of 50–60% — deliberately struck below the ~75% the grey market is quoting, because premia at that level compress into the print more often than they hold, and because the allocation-weighted history of this issue's own anchor book sits well under it. On the structure, the multiple and the intensity of the book, 50–60% is the band we are underwriting.

Execution is straightforward and is first priority for the desk. Apply from every available PAN at the ₹429 cap. The qualifying bHNI bid is 2,346 shares — 69 lots — an application of ₹10,06,434 per PAN. Place the minimum bHNI ticket on each PAN rather than concentrating capital into one large application: the final-day allotment runs as a draw per application, so more tickets is more draws for the same rupees. Take the listing print on 4 September. If the tape holds into T+2, run it to T+5 on a trailing stop and no further. There is no long-term view here and this desk does not carry one — the FY26 margin is the margin of a filled facility, and Kolkata and Sahibabad will dilute it before they add to it.

The case for applying is the structure — nil OFS, a real operating-leverage story, and a multiple that is not demanding. It is not the grey market quote, and it is not the anchor headline. The 50–60% listing-day band is an expectation drawn from a fading grey market print and a mid-tier anchor book; it is a view, not a floor, and it is not a number anyone has promised.

Category-Wise Guidance

Investor Category	Guidance	Allocation Approach	Exit Window
BHNI	APPLY (listing gains) 50-60% expected	First priority. Apply from all available PANs — 2,346 shares (69 lots) at ₹429, ₹10,06,434 per PAN. Minimum bHNI ticket on each PAN rather than one concentrated application.	Listing day; hold to T+5 only on a trailing stop if momentum holds

IPO Research Desk operates a BHNI-only mandate covering the listing print and the immediate momentum window. No long-term or post-listing accumulation view is issued.

14. Standard Disclaimer

The analysis presented herein is based on publicly available information and data as of the date of publication. Investors should conduct their own due diligence before making investment decisions. Past performance is not indicative of future results. The author does not guarantee the accuracy, completeness, or timeliness of the information provided. Investment in IPOs and equity markets involves substantial risk, including the risk of loss of principal. Market conditions, company performance, regulatory changes, and macroeconomic factors can significantly impact investment outcomes.

Past performance is not indicative of future returns.