"ESDS Software Solution Limited

Q2 FY27 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the ESDS Software Solution Limited Q2 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pratik Jagtap from E&Y Investor Relations. Thank you, and over to you, sir.

Pratik Jagtap: Thank you, Rayo. Good evening to all the participants and welcome to Q2 FY27 Earnings Call of ESDS Software Solution Limited. The results and presentation have already been mailed to you and they are also available on the website of ESDS. In case anyone has not received a copy of press release and presentation, please do write to us and we will be happy to send it to you all.

To take us through the results today and to answer your questions, we have with us the top management of the company represented by Piyush Somani, Chairman and Managing Director, Nadukuru Sita Ramaiah, Chief Financial Officer to whom we will be referring as Ram, Saurabh Daga, Account & Finance Team and Prasad Deokar, Company Secretary and Compliance Officer.

Piyush will start the call with brief overview of the quarter on business, which will be then followed by Ram, who will take us through the financials. Then we will open the floor for Q&A session. As usual, I would like to remind you that anything that is said on this call which gives any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual reports, which you can find on our website. With that said, I now hand over the call to Piyush. Over to you, sir.

Piyush Somani: Hey Pratik. Thanks a lot. Good evening everyone, a warm welcome and thank you for joining our Q2 FY27 Earnings Call. We also have our H1 numbers to disclose today. Before I talk about the quarter, I would like to take a moment to reflect on an important milestone for all of us.

We became a listed company on 4th September this year and I would like to once again thank all our shareholders for trust and confidence you have placed in us. Our first earnings interaction as a listed company happened very soon thereafter on 25th of September. As we are still relatively new to the public markets, we thought it would be useful to spend a few minutes today explaining ESDS our business model. And how we look at the business, particularly for shareholders and investors who have joined us after the IPO. If you look at ESDS' journey over the past two decades, we've witnessed significant shifts in the technology landscape, and we have proactively evolved alongside them. Alongside this, our approach to innovation and solving customer problems has remained consistent.

Back then, we began with web hosting, supporting businesses as they established their digital presence. As the requirement became more complex, we expanded into data center and mission-

critical IT infrastructure. We have been early adopters of emerging technologies. We recognize the potential of cloud computing early and developed our own cloud platform with patented vertical auto-scaling technology. As customers increasingly sought integrated services, greater control and digital sovereignty, we developed an artificial intelligence-based autonomous sovereign platform with Swaraj Cloud and AI-enabled sovereign products, bringing multiple capabilities together within one ecosystem.

Today, as artificial intelligence transforms the technology landscape, we are building on this strength through AI factories, large-scale GPU clusters and end-to-end AI-enabled solutions. At every stage, our approach has been to look beyond individual products understand the larger customer challenge and bring together the right technologies to deliver a complete end-to-end solution. This philosophy has remained the foundation of our evolution and continues to guide the future direction of ESDS.

Today, our business can broadly be understood across three offerings:

Infrastructure as a Service, managed Services, and software as a Service. Instead of looking at this as independent businesses, we look at them as an integrated technology platform through which we support customers across infrastructure. Cloud, software, security and the ongoing management of their technology environment. Let me briefly explain how our three core business segments work together.

Infrastructure as a Service now forms the foundation of our business. This is where we provide customers with the AI infrastructure or cloud infrastructure or data center infrastructure they need to run their applications and critical workloads, including be it their data center, cloud, colocation, AI compute, AI factory. So whatever compute capacities or whatever hardware capabilities are required, that we provide to our customers.

Managed services takes this a step further. Beyond providing infrastructure, we help customers manage, monitor, secure, and optimize their IT environment. This allows them to focus on their core business while we take care of their ongoing technology operations.

And Software as a Service represents our proprietary software and platform capabilities, including our growing Swaraj product portfolio across cybersecurity, observability, automation, and enterprise technology.

What is important to understand is that these are not three isolated businesses. They are interconnected capabilities that allow us to address a customer's complete technology requirements. A customer may begin with infrastructure, expand into managed services, and subsequently adopt our software platform. This integrated approach enables us to build deeper customer relationships, address evolving requirements, and deliver end-to-end technology solutions. Our customer base spans enterprises, government organizations, and BFSI clients.

ESDS is also not only an infrastructure company. We have built our own technology and software capabilities over many years. Swaraj Cloud is our patented vertical auto-scaling cloud technology, and we continue to build our capabilities across AI, cloud, cybersecurity, and GPU infrastructure. What differentiates ESDS is that we do not look at technology requirements in

isolation. We focus on understanding the larger business challenge and bringing together the right technologies, services, and expertise to deliver tailored end-to-end solutions. The integrated approach allows us to serve as an accountable technology partner, simplifying complex IT environments while enabling digital sovereignty and giving organizations greater control over their data infrastructure and technology choices.

Looking ahead over the next 3 to 5 years, we believe this model will become increasingly relevant. AI is fundamentally reshaping businesses, and enterprises need an integrated technology foundation to build, deploy, and scale AI. Through our AI Factory ecosystem, we bring them capabilities together under one umbrella. ESDS represents more than a traditional cloud or data center company. We are an end-to-end AI ecosystem and IT service provider focused on strengthening our competitive position and delivering sustainable long-term growth.

As we start our journey in the public markets, I would also like to provide some context on how we believe our performance should be evaluated. Given the nature of our business, quarterly performance can vary based on project execution and revenue recognition. We therefore believe year-on-year trends provide a more meaningful view of our underlying progress and encourage investors to evaluate ESDS over a longer period rather than focusing only on any single quarter.

Coming to Q2 FY27, we are pleased with the progress made during the quarter. During the quarter, we continued strengthening our core business while accelerating our transition towards an integrated AI-enabled sovereign technology ecosystem. Our priorities centered on expanding the Swaraj product portfolio, advancing AI factory business model, and GPU infrastructure initiative and bringing together cloud managed services and AI capabilities to address increasingly complex enterprise requirements.

Going forward, our focus remains on strengthening the core ESDS business while building our AI and GPU infrastructure opportunity in a measured manner. We are excited about the opportunity ahead, but equally our focus remains on execution capability, capital discipline, and creating sustainable long-term value for our customers and shareholders.

With that, I will hand over to our CFO, Nadukuru Sita Ramaiah. You can call him Ram as well, to take you through our Q2 financial performance. Thank you.

Nadukuru Ramaiah: Thank you, Piyush, and good evening everyone on this call, and thank you for joining this call. Really appreciate. As Piyush mentioned, I will take you through the key financial highlights for Q2 fiscal year '27. I will start with the year-on-year performance, which we believe gives a better view of our business trend while also explaining the important sequential moments, whatever relevant.

Revenue from operation in Q2 is INR 1,383.4 million whereas for Q1 it was INR 1,336.6 million, so resulting in a growth of 3.5%. Whereas when I compare H1 FY27 with H1 FY26, the revenue in H1 FY27, was INR 2,719 million, whereas revenue in H1 FY26 is INR 2,183.7 million. With a growth of 24.6% that we achieved. And the total revenue in, H1 FY27 is INR 2,788 million, which includes INR 68 million of other income against a total income in H1 FY26 of INR 2,219 million. So thereby we see a growth of 25.6%. EBITDA margin for H1 FY27 is INR 1,137.5

million, whereas for H1 FY26 is INR 1,012.7 million. So we again see a growth of 12.3% there. Similarly, PAT has also increased to INR 603.7 million in H1 FY27 against INR 477.9 million in H1 FY26. Thereby we see a growth of 26.3%.

So total amount raised through IPO issue is INR 7,200 million. Utilized out of the same is INR 469.13 million. The unutilized amount stands at INR 6,730.87 million as of date. We see most of them, we have close to INR 6,500 million, we have put that in fixed deposit and remaining amount has been there in the monitoring account.

We had a cash and cash equivalent amounting to INR 16,368.31 million and other bank balances equal to INR 3,419.80 million as on September 30th, 2026, which includes FDR due to IPO proceeds, close to INR 6,500 million. The total assets as on September 30th, 2026 is INR 41,095 million and reserve stands at INR 12,822.76 million.

With this, I hand it back to moderator to open the floor for Q&A session.

Moderator: Thank you very much. The first question is from Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much, sir, for this opportunity. So just wanted to understand on the Sharon part, we were expecting to get commissioned, the Sharon GPUs this month, November. So just wanted to know the status of it and how much revenue it can contribute in FY27 and FY28 and corresponding EBITDA margin we can expect in Sharon. Yes, that would be it from my side.

Piyush Somani: Yes. So we are in the final stages of testing now. So NVIDIA testing is happening simultaneously as we speak. NVIDIA is doing the cluster testing. So, this is expected to complete within the next two to three weeks' time, maximum three weeks' time. So on the higher side, they have mentioned that by 27th of November they will hand over us for testing, and after that we have to hand over to our customers for 20 days of testing.

So on the higher side, the go-live would happen RFS, ready for service, would happen on 17th of December. This is on the higher side. Lower side, it can happen somewhere in the first week of December also, ready for service. We are hopeful in this quarter, we should be able to book 1 month of our revenue and 1 month of our profits. And next quarter would be full, uh, all 3 months for the next quarter.

So somewhere around like INR 50 crores to INR 60 crore, in that range is going to be our monthly PAT once the cluster goes live.

Deepak Poddar: So, INR 50 crores to INR 60 crores per month, after the entire 8,200?

Piyush Somani: Yes. All 8,200 once they fire up, then somewhere between INR 50 crores to INR 60 crores will be our PAT per month from this project alone.

Deepak Poddar: INR 50 crores to INR 60 crores PAT per month?

Piyush Somani: Per month, yes.

Deepak Poddar: And top line, so what sort of revenue we can generate from this?

Piyush Somani: Top line, just a minute, I'll give you an approximate number only. I cannot give you an exact number.

Saurabh Daga: INR 288 crores monthly revenue.

Piyush Somani: Yes. INR 288 crores would be the monthly revenue.

Deepak Poddar: Okay. So, annually around INR 3,000 crores revenue we can do it next year?

Piyush Somani: Yes.

Deepak Poddar: So, the PAT margin, that is coming is close to what, 15%-16% on INR 3,000 crores, so INR 500 crores, INR 600 crores kind of a PAT we can generate from this entire utilization of this 8,200?

Piyush Somani: Yes. So domestic PAT margin would be like in the range of 26%- 27%, and this one AI factory PAT margin would be in the range of 16% to 18%. And once our AI also goes live in India, then that will have a higher margin.

Deepak Poddar: Sure, sir. That would be it from my side. Thank you so much, sir.

Piyush Somani: Thank you.

Moderator: Thank you. The next question is from Yash Sidhani from Integrity Ventures. Please go ahead.

Yash Sidhani: Hi, sir. So, you told us about the revenue and the profit numbers. Can I get to know the per hour revenue rentals that we are earning from this new customer?

Piyush Somani: Yes. So, as I mentioned, we can't be giving too many details about it. But yes, our monthly revenue would be INR 288 crores and monthly PAT would be in the range of INR 50 crores to INR 52 crores.

Yash Sidhani: Okay. Got it. Just another question on this Sharon AI deal only. As you know, Sharon AI is also selling the services to other customers. And in the light of recent increase in GPU prices of B300, how you see Sharon themselves competing with you guys in terms of selling the services?

Piyush Somani: This is a committed AI factory and private dedicated AI factory for us. It is not shared with anyone else. So, in this AI factory, there is no competition. This 8,200 GPUs are fully contracted to ESDS.

Yash Sidhani: Okay. And what's your view on recent increase in B300 GPU prices?

Piyush Somani: We are also committed to some clients, so that's the reason we also cannot increase our prices. Looking at the current prices, we could have had a potential to earn almost INR 150 crores PAT every month, even more than that was a possibility. But unfortunately, because we are already committed to our clients, Sharon AI is committed to us, so we cannot charge more.

Yash Sidhani: Okay. So, full 8,200 is committed to another client from you?

Piyush Somani: Yes, certain number of clients. So that's why we now don't have opportunity to increase the prices.

Yash Sidhani: Okay. But we will be able to increase the prices in our own data center that we are building in India?

Piyush Somani: Correct. In India what we are building, so there we will be able to charge higher price.

Yash Sidhani: Okay. Got it. Thank you. That's it.

Piyush Somani: Thank you.

Moderator: Thank you. The next question is from Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: Yes, sir. Thanks for the opportunity. So, my first question is again on the Sharon AI. Obviously, you have mentioned that there has been a delay. So, any specific reason that you want to highlight why the delayhappened, especially if I see the Sharon AI performance in terms of their price performance over the last 1 month, they have been under stress and the market cap of Sharon AI has gone down .

So, is there any kind of funding issue from Sharon AI point of view where they have not been able to deliver on their commitments in terms of the AI factory? And if there is any further delay in this contract, so in terms of the experience that we have with the clients with whom we have signed the contracts, what are the kind of SLA in the contract terms, if you can highlight some?

Piyush Somani: Yes. Amit, thanks. Good to connect with you. But Amit, we should never compare a company and company's performance with the stock market because stock markets may one day buy, one day sell, but the company has certain cultures, certain principles. Sharon AI is a very strong and ethical organization, very much firm on their commitments, their delivery timelines. What they have committed to us, they are in the final stages of delivering also that. They have more than $2 billion sitting with them today. So, though their market cap is like $1.5 billion, but they have in their bank account the cash equivalent of $2 billion sitting with them. So much hardware which has already come, multiple AI factories parallelly going live. So, cash-wise and financial positioning-wise, they are very well-to-do.

We are lucky that we identified them as our partner very early because now the same B300 rates are being quoted at $7 an hour. What we got at $3.50 an hour from them, now the market is demanding $7 for the same B300s. So, they are firm to deliver this, run this project for 7 years for us. We have contracted with them. We have a pricing with them. We have done with them for 7 years, so that's the reason nothing to be worried about. And we've met them many times. They've come to India, we've gone to Australia. Again this month they are also coming again back to India. We are again next month going to Australia. So, we keep on meeting on a regular basis. Every month we meet each other, and there is a strong camaraderie between both the organizations.

Amit Chandra: Okay. And sir, there has been a recent resignation of the CTO, so is that going to have any impact on this deal in terms of the timeline?

Piyush Somani: So, a year back we initiated a concept of CAIO, so Chief Artificial Intelligence Officer and Chief Product Officer. So, what happened was that the young people were brought to this position. So, for a CAIO role, we found someone internally. For CPO, we got a person from outside. We did not have a clue that the CAIO would eat up the role of the CIO and CTO.

Over the period of 6 months time, it so happened that both the functions, the CIO role and CTO, became redundant and there was nothing left for the CIO and CTO to handle. And since the arrival of CTO in the company, we further realized that the products and the entire operations around products and services, those also got taken over by AI.

So, AI brought massive changes, and the CAIO that we brought, and under the CAIO and CTO all the AI skills that came in, they made certain roles redundant. But we have seen this happening from last 23 years. This is not the first time this is happening in ESDS that a role has become redundant. We have seen many such roles in the past becoming redundant. Five times company has diversified and five times we have seen multiple roles getting redundant.

So, probably we may not need to hire. CIO role is 100% redundant now. CTO, we may decide whether we want to hire, but at the moment we don't see any reason to hire a new CTO.

Amit Chandra: Okay. And for the India business, which is the, you know, like, existing business for us, what is the kind of, obviously you mentioned the IPO, but also, if you can update that, what is the capex guidance for the next year? And what is the expansion plans in terms of the total like megawatt, like capacity we have? And in terms of additions, like what is the pipeline?

Piyush Somani: It would be difficult to give guidance, but I can tell you that we have a pipeline of INR 3,000 crores for India. And from our IPO proceeds plus customer advance, we will be doing capex of INR 1,500 crores. Where we expect that to go live by June next year. So, that would be definitely a smaller AI factory, but that will go live from India. And we are looking for delivering more AI factories.

Aspiration is to quarter-on-quarter deliver more AI factories in India, outside India. So, definitely we are quite positive that the numbers where they are today, from a INR 500 crores domestic revenue, we are hopeful that this should triple or quadruple in the next one or two years.

Amit Chandra: And sir, one last question from my side. So, obviously we have the seven-year kind of lock-in in terms of the AI factory capacity. So, similar to that, we also have the client lock-in also in terms of end users who are going to use that AI factory. So, what is the like mix of clients, or is it going to be a single client, or it's going to be kind of multi-tenant, or how the functioning will be in terms of who is going to use that AI factory?

Piyush Somani: This kind of AI factories are consumed by AI labs only at the moment. So, majority of the consumption of AI compute, AI factories, is being done by AI labs. So, we are now connected to the top 17-18 AI labs across the world and also the banks that are consuming AI. So, obviously banks are smaller compared to AI labs, so we are connected to the entire ecosystem and we are quite hopeful that as and when more capacity comes and as and when renewal comes, we will be able to demand better pricing from the clients.

Amit Chandra: Okay, Piyush sir. Thank you and all the best.

Piyush Somani: Thank you, Amit.

Moderator: Thank you. The next question is from Prateek Srivastava from Nivesh Wisdom. Please go ahead.

Prateek Srivastava: Hi. Thank you, sir, for giving me this opportunity. So, I just wanted to understand the Sharon AI economics little better. I see that in the deck you have mentioned it's a USD 1,250 million contract. And you mentioned around also around INR 288 crores ofrevenue per month once it's starts getting fired up.

So, I just wanted to sort of, tie these two. How does this work? Is this committed contract and is this over a five-year or seven-year? Earlier I was hearing also that it was seven-year lockdown. Now I'm hearing five years plus two years. So, can you please clarify some of these multiple things where I have confusion?

Piyush Somani: Yes, so our commitment to Sharon AI is for five years. But we have locked the rate for seven years. So, if we will renew with Sharon AI after five years, we will renew at that lower price, so 30%-40% discounted pricing to the first five years. But with our client, we have kept the price flexible. At the end of five years, we will increase the price, or maybe we will retain the same price that we will be billing to them for the first five years.

Prateek Srivastava: Got it. And for this contract value, for this USD 1,250 million contract, this is the one which we are talking about when we are saying the INR 3,000 crores revenue per year once it goes live?

Nadukuru Ramaiah: That is Sharon AI.

Piyush Somani: That is our liability. INR 3000 crores per year is our liability to Sharon AI, and INR 288 crores per month is our billing to our customers.

Prateek Srivastava: Okay, got it. And colour on our core business, sir? I see that our cloud services fell, 9% Q-on-Q. The infrastructure is 4%. BFSI revenue is down and customers have also dropped from 2,216 to 1,709. So, any colour on that? how are you seeing this business from here on?

Piyush Somani: Yes, so what we've done is that we've created an internal subsidiary, which is a virtual subsidiary only. It is not an actual subsidiary. And all the small customers that we had, we are transferring those. So, we are trying to keep only 400-500 customers in ESDS, not more than that. And all the smaller customers go to a Internal subsidiary, they sit in a separate office, they have their own operation.

People come at a lesser price, the support services costs are lower there, and they are given a certain profitability target that you achieve so-and-so profitability or else ask your customers to go. So, out of these 2,500 customers we had last year, we have actually asked some 50-60 customers to exit also, and we are looking to make a strong base between this top 400-500 customers only. Maybe in future we may want to limit ourselves to 250-300 customers only, but at the moment we are wanting to focus our energies only on the top 500 customers.

Prateek Srivastava: Got it, sir. Thank you very much.

Moderator: Thank you. The next question is from Deepak Pandey from Sagun Capital. Please go ahead.

Deepak Pandey: Hi sir, thanks for the opportunity. Sir, on the international demand side for the GPUs, you had mentioned around 50,000 GPU pipeline from your existing client last time. So, how is that shaping up for you, and will the setup be similar as it is in Sharon AI, or anything else can be done?

Piyush Somani: Yes, so we are targeting to have similar arrangements. We are looking for American partners and South Korean partners, Taiwanese partners. So, we are working very closely with partners from multiple regions. We recently signed an MOU with a partner in Sweden as well. So, we are aggressively working on how we can conclude on this pipeline, have firm MSA signed with the customers and advance commit from the customers. And how fast can we deliver.

So very important to note that ESDS carries a reputation in the market that they sign the large deals and they deliver the large deals. So, that perception that ESDS has in the market of a strong delivery partner, we have to retain that.

So, we all the time when we communicate with various AI labs, we very clearly give them a deadline that this is the timeline by which we will deliver, be it a B300, GB300, where are we going or Rubin Ultra, whatever the customer is wanting, we are giving them a timeline and we are very firmly telling them that we will deliver as per this timeline.

So, these things take time. Large AI factories, upwards of 8,000, 16,000 GPUs kind of AI factories, they take time. Signing an MSA with the customer can get dragged for almost two months. So, their legal team, two, three different legal counsels, we have our own legal counsels, That is where it takes time, but we are on track.

Deepak Pandey: Understood, sir. In fact, on the balance sheet, there are some elements, other non-current liabilities worth INR 670 crores, and there is some other current liabilities around INR 1,900 crores. What does this pertain to?

Saurabh Daga: Yes, so, we have paid an advance to Sharon AI of USD 140 million, out of which the 50% will be amortized over a period of three months from go-live, and the remaining 50% will be amortized in the month of 34, 35, 36. An exact similar arrangement we have done with our customer. So, customer have given us the advance which is sitting in the liability. You can see the exact replicating amount in the non-current asset and current assets.

Deepak Pandey: Okay. The last question is on the domestic side. When you say you have a pipeline of INR 3,000 crores, can you elaborate a bit on that? Where does it is coming from? And how the supply side of it will be taken care of? Is it around Managed Services or again Infrastructure-as-a-Service largely?

Piyush Somani: Mostly Infrastructure-as-a-Service only at the moment. All the demand that is coming to us from defense PSUs or defense department, central government defense department. This is mostly for AI infra. So, these are obviously small AI factories that they are wanting. So, we are at the moment positioned very strongly for AI infra workloads of government and also enterprises and

banks in India. Managed Services and SaaS funnel is not as promising as the AI infra funnel is at the moment.

Deepak Pandey: Okay. Thank you, sir. Good luck for the future.

Piyush Somani: Thank you.

Moderator: Thank you. The next question is from Ashish Das from Systematix. Please go ahead.

Ashish Das: Thank you for the opportunity. Sir, I just want to understand your expansion plan in the domestic side. So, you have existing data center and also some data center will be coming, upcoming data centers are there. So, could you please guide us, what is your planned expansion in existing as well as upcoming data centers?

Piyush Somani: Yes, Ashish. Very good question. But I will not disclose our business strategy, but I will tell you that we are in the process of acquiring data centers with a lot of power, 50-megawatt, 100-megawatt kind of power capabilities. At the moment, it is the most vital thing across the world to get power allocation, to get a land which is powered. So, in our business language, we call it powered land.

So, if you are getting a powered land, immediately get the contracts done, MSA done, and get that powered land locked with you. So, that is what is our focus at the moment. But the detailed strategy that we have for domestic and detailed strategy that we have for international, that obviously cannot be shared.

Ashish Das: Okay. Thank you so much, sir. That's all from me.

Piyush Somani: Thanks, Ashish.

Moderator: Thank you. The next question is from Anmol from DAM Capital. Please go ahead.

Anmol: Yes. Hi. Thanks for the opportunity. A couple of things I wanted to understand. Firstly, in this quarter, was there any international revenue in terms of design sort of revenue for the international contract that will we come to us?

Piyush Somani: No, Anmol. Nothing of international customers for design or anything.

Anmol: Okay. And secondly, wanted to understand that, you've spoken about the GPUs that you will be building AI factories. Now, from perspective of that, will this be international customer or will this be for domestic customers largely?

Piyush Somani: We are speaking to both simultaneously, but because we don't have a delivery date at the moment, that can we deliver this by April, May, June, what date we are going to deliver, so the negotiations are going on. Whoever gives us better pricing and better advance, we will give it to them.

Anmol: Right. So, this INR 1,500 crores worth of GPUs, this is not for one particular customer, this would be for a particular set of customers?

Piyush Somani: Maybe two customers, three customers, can be one single because in the funnel we have international customers who are looking for this kind of capacity or even 2 times, 3 times, 4 times more than this capacity. So, we have international customers who can take one single AI factory of 1,000 warehouse bins or 4,000, 8,000 warehouse bins also.

Anmol: Understood. And just one thing more into this is that if you can sort of explain us that what would motivate an international customer to come to India and set up its GPU factory rather than in its home country. So, - is there any benefit for the same?

Piyush Somani: Power shortage. So, wherever NVIDIA GPUs can be sold, in none of the countries power is available now. So, be it America, be it Europe. So, Europe had these 30 gigawatts 40 gigawatts, 3 years-4 years back. It's all gone now. So, Europe is left with no power, Australia is left with no power. So, every country which has power GPU, AI factories are there now and they don't have enough power left. So, India is the only country which has got 40 gigawatt 50 gigawatt surplus to be given for AI factories over the next 4 years-5 years.

Anmol: Understood. Yes. That's it from my end. Thank you so much.

Piyush Somani: Thanks, Anmol.

Moderator: Thank you. The next question is from Shiv from Aryan Investing. Please go ahead.

Shiv: Hi, Piyush-ji. I have a question. I know that meaningful numbers will come Q4 onwards, that you have already explained in a number of calls. I have a question on the future engagements. So, since you're saying that power is a major bottleneck in terms of our expansion and also in terms of the future of AI compute, so what are the new geographies where we are targeting?

For example, I see that you have been traveling a lot also. In other South American countries. And also, I saw a report that in the existing Sharon AI facility in Sydney where this installation is happening, there also is a possibility of another 80-megawatt expansion cleared by Australian authorities. So, can you throw some light on these facts also.

Piyush Somani: Yes. So, Shiv, obviously we have put up our strategy in place that how we want to bring 1 gigawatt of power under our captivity, under our control. So, we have put up a strategy in place and we are targeting all those countries where hydropower is available, wind power is available, or geothermal power is available.

We are targeting India also because 40 gigawatt 50 gigawatt surplus power will be available for AI factories, and government is also trying to promote AI factories in India. But will we give this to Indian customers or will we give this to international customers is completely dependent on how much profit we can make from each of the AI factories.

Shiv: Got it. So, in terms of new inquiries, from across the world and the GPU funnel which you already have had, so from which kind of geographies these demands are coming to us? From which parts of the world? That would be my last question.

Piyush Somani: So, demand is coming from AI labs. Now, there are this 17-18 top AI labs in the world, and very easy for anyone to find out which are the countries where most of the AI labs are there today. So, we are talking to all of them.

Shiv: Okay. No worries. Thank you so much, and all the best.

Piyush Somani: Thank you, Shiv.

Moderator: Thank you. The next question is from Akash Jain from Vijit Global Services. Please go ahead.

Akash Jain: My question is regarding the Indian business. We are talking about a planned GPU expansion in India business as well. So, what is the expected timeline and what is the expected revenue potential from that business?

Piyush Somani: Timeline target is June-July next year and we are targeting INR 1,000 crores of revenue from that business per year.

Akash Jain: Okay. And with regards to technology leadership transition, our CTO and CIO Sajiv Nair resigned. So, what led to this transition? And who will lead this technology product development functions?

Piyush Somani: So, the CPO was onboarded two months back and all the product portfolio is with the Chief Product Officer, while all the technology operations, we had created a position of Chief AI Officer. This was done almost a year back, and the entire technology operations were like taken over by the CAIO function.

And all the new generation people who joined the organization, be it the IITians or those who were hired through our autonomous human hiring platform, those people also started reporting into the CAIO, which made the CIO, Chief Information Officer, and CTO, Chief Technology Officer, those two functions became redundant because of the changes that we did. So see, the Chief Product Officer, which was mostly an AI Product Officer, and Chief Artificial Intelligence Officer, they have made these two positions redundant.

Akash Jain: Okay, and so my question is regarding customer advances. As we have already tied up 8,200 GPUs with global customers, so any customer advances you received in Q2?

Piyush Somani: No major advances received in Q2. We've not signed any major contracts in Q2, so that's the reason we don't have any advance.

Akash Jain: Okay, so for this 8,200 GPUs, the contracts has not been signed yet?

Piyush Somani: No, that was signed, it was signed earlier itself.

Akash Jain: Okay, and with global rates going up for GPU, so when can we expect that the rates would be revised for our customers? Is there some lock-in for the price?

Piyush Somani: The Sydney GPU AI factory, we cannot change the rates now because we offered that to customers who were available that time to give us the price which we wanted. Now that the rates

have increased, so the rate is not floating. Today the rate has increased, after a year the rate will decrease, so then again, the client will negotiate with us. So that's not the right way.

These are some largest of the companies in the world which are ready to commit this kind of money for AI labs, AI factories. So they, they stick to the contracts. Same is with Sharon AI. They have committed to us; they will stick to the pricing. We have committed to our customers, we will stick to our pricing for 5 years.

Akash Jain: Okay, and my next question is regarding the India data center business. So what is the utilization rate as of now and any capacity addition we are expected in this business?

Nadukuru Sita Ramaiah: Yes, so currently we are utilizing close to 85% of our existing data centers and we are also increasing capacity in other three data centers which should be up and running in next two to three months.

Akash Jain: Okay, and my next question is regarding technology obsolescence, like with NVIDIA continuously launching newer GPU architectures. So how does the company protect the residual value of its existing GPU fleet, and what is the expected useful life of GPUs?

Piyush Somani: It is very important to understand that NVIDIA GPU is not like a car model that it becomes outdated. With NVIDIA GPU and CUDA platform from NVIDIA, they both have a fantastic combination. And what CUDA does, every GPU that gets old, CUDA improves its performance because CUDA improves with time.

So typically, in an iPhone, the software becomes slow after some time, but in case of NVIDIA, CUDA makes the hardware faster and faster with time. That is the reason H100 and H200 in a retail market also is selling at three times to four times of its buying price two years back. So whatever price at which you bought an H100 or H200 2 years, 3 years back, anyone in the market is ready to pay four times today of that price.

So this is the reason, the Pura is the reason why NVIDIA GPUs continue to have, continue to demand so much them in the market. Same thing is going to happen with the B300 or GB300. They will also continue to demand price for next 6 years, 7 years, 8 years also.

Akash Jain: Okay, sir, my next question is regarding Swaraj Cloud business. So, what is the scalability you do expect from this business considering the trust on the data protection in India?

Piyush Somani: We are very hopeful that DPDP, as soon as DPDP kicks in next year, there will be a kind of a chaotic situation where people may want to exit the foreign cloud platform and come to ESDS. So that would create a kind of a demand for us which we've been anticipating. We are preparing for that kind of an opportunity to come, and we'll definitely love to grab that opportunity.

Akash Jain: So as of now, are we in talks with some customers for this business? Any visibility?

Piyush Somani: Yes, so that is what we mentioned, that the domestic cloud and colocation opportunities that we have, majorly cloud, is around INR 3,000 crores kind of opportunity.

Akash Jain: Okay. And so going forward with the Sharon AI deal, are we in talks with some other players who have contracted GPUs from NVIDIA?

Piyush Somani: Yes, we are talking to other new cloud companies, AI infra companies also, and looking to contract with them.

Akash Jain: Okay, I will come back in queue. Thank you, sir.

Moderator: Thank you. The next question is from Bharat Sheth from Diva Investments. Please go ahead.

Bharat Sheth: Yes, thanks very much for the opportunity. I just have - one simple short question, sir. That our deal with Sharon, with our customer for the Sydney data center is on a take-on -- take-or-pay basis, right? So, which means every available GPU per hour will be billed to the customer irrespective of the fact that how much ever is the utilization.

Piyush Somani: Correct.

Bharat Sheth: Okay, thank you so much, sir. That's all from my side.

Moderator: Thank you. The next question is from Raj Mohan V, who's an Individual Investor. Please go ahead.

Raj Mohan V: Yes, thank you for the opportunity. Piyush, actually you indicated to NVIDIA evaluation currently happening for the Sharon AI project. Has it revealed any challenges vis-a-vis your initial assessment in terms of timelines and other technicalities, or has your harness been satisfactory? And then you have indicated 250,000 GPUs in the pipeline. In this light, based on the SharaonAI project, when can one expect you to garner the next deal of this kind of a cluster?

Also, based on your internal assessment of your capacity and capabilities, what kind of frequency do you see in garnering such deals? Logically, you should improve on this incrementally. So broadly, I wanted to know the challenges you faced for this, the next deal anticipated, and the future frequencies?

Piyush Somani: Yes. Thank you, Mr. Raja Mohan. Fantastic question. It is very important for people to understand that such a large AI factory which consumes 16 megawatts of power, 8,202 GPUs in one single data center. So it's not an easy thing. Many things go wrong in this process, and NVIDIA is very strong-headed, like their auditors are very strong-headed. They will not tolerate even smallest of the configuration mistakes.

So they run your entire cluster through very stressful tests, and they will make sure that the cluster goes up to 100% utilization, 100% power, 100% CPU, GPU, RAM utilization for 1 hour continuously. And then from that, they will decide whether this cluster can be certified or not.

So fortunately, all of that has now been cleared. The toughest of the tests that our cluster had to go through, those have been cleared now. And we are just hoping now that they will be submitting a report. And as soon as they submit a report, then we should be in a position to take over and then hand it over to customer for testing 20 days.

Raj Mohan V: Okay. So based on this experience of yours, which has been certified, which would get certified by NVIDIA, your next deal, in terms of grabbing the or garnering the next deal, one would expect objectively for it to happen at a more quicker frequency. Is my understanding correct?

Okay. And when do you anticipate the next deal of such proportion? Obviously one cannot expect it to happen regularly, but then broadly I'm saying in a matter of one quarter, two quarters, one deal. Is that the kind of frequency that one should be looking at?

Piyush Somani: Yes. So, we are preparing the ground for the next few deals. Because if we disclose everything today and then from here it takes 8-9 months to deliver the next AI factories again that has butterflies in the stomachs of the investors. So that's the reason we are trying to make sure that how we can bring the timeline to less than 6 months' time, and then we make the announcement.

So we are very closely working with NVIDIA, Supermicro, Dell, and the new cloud companies, data centers where power is there. We are ensuring that everything that is required in the factory is already there, so that the only thing that has to happen is the GPUs to come and then NVIDIA to do the testing and hand it over to us. So all that is happening simultaneously. We will definitely come back and tell, share with the regulator first that once we have signed the contract and the delivery timelines are there in the foresight, we will accordingly come and notify the regulator.

Raj Mohan V: Okay. Finally, on one of your holistic views, which you are normally generous with on the US midterms, if as anticipated Democrats win any of the House or the Senate, do you think it could undergo some change in terms of deployment of data centers? Generally, your perspective on this?

Piyush Somani: In both scenarios, they don't have power in US. So power companies in US and Europe have nothing with them at the moment. So whoever wins, will he be able to solve power problems? Can they immediately give 300 gigawatts of power in America? No. Can they give like 150 gigawatts of power in Europe? So the answer is no. So where do they have to come? They have to go to those countries where power is available.

Raj Mohan V: Fine. Thank you very much and best wishes.

Piyush Somani: Thank you.

Moderator: Thank you. The next question is from Gaurav from GFS Capital. Please go ahead.

Gaurav: Thank you so much, sir. You just gave a guidance that by next year, June, July, we are expecting INR 1,000 crores revenue. Is it per month or per year?

Piyush Somani: INR 1,000 crores per year will get added to our India business.

Gaurav: Understood.

Gaurav: Any expectation on number of GPUs to be increased in India?

Piyush Somani: In India, it will go up by 1,200, 1,150 to 1,200 GPUs is what we will be adding on an immediate basis in India. Immediate means like by the time they go live again, it is June-July next year. So there will be more that we will add in India, but then that will maybe August, September next year.

Gaurav: So, by June-July, 1,150 is fixed, and by August-September it will be plus add-on to the existing one?

Piyush Somani: Yes.

Gaurav: Okay. And sir, I know you have answered it in quite different questions as well today. I'm not asking a new deal or anything, but just asking that in the next 5 years, can I expect three to four Sharon AI kind of deals? I don't need timelines, nothing, just a broad expectation.

Piyush Somani: Aspiration is to do many more such than what you are targeting. You have a positive aspiration for the companies which you have invested. We also have very strong aspirations to deliver more such AI factories. Let's see where we reach. We all work together, create a kind of a positive mindset, and things will automatically happen.

Gaurav: Thank you so much.

Piyush Somani: Thank you.

Moderator: Thank you very much. We'll take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Saurabh Daga: Thank you everyone for attending this conference call for our results of Q2 FY27 and H1 FY27. Thank you for showing trust on us. We would continue to work for the purpose of investors and our shareholders and the company. Thank you.

Moderator: Thank you very much. With that, we concludes today's conference. Thank you for joining us. Ladies and gentlemen, you may disconnect your lines.

Piyush Somani: Thank you everyone.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.