Crisil Ratings

# Rating Rationale

September 16, 2026 | Mumbai

# ESDS Software Solution Limited

*Ratings upgraded to 'Crisil A-/Positive/Crisil A2+'; rated amount enhanced for bank debt*

## Rating Action

| | | |
|---|---|---|
| **Total Bank Loan Facilities Rated** | **Rs.150 Crore (Enhanced from Rs.70 Crore)** | **Regulator Of Instrument** |
| **Long Term Rating** | **Crisil A-/Positive (Upgraded from 'Crisil BBB+/Positive')** | **RBI** |
| **Short Term Rating** | **Crisil A2+ (Upgraded from 'Crisil A2')** | **RBI** |

*Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*
*1 crore = 10 million*
*Refer to Annexure for Details of Instruments & Bank Facilities*

## Detailed rationale

Crisil Ratings has upgraded its ratings on the bank facilities of ESDS Software Solution Limited (ESDS) to '**Crisil A-/Positive/Crisil A2+**' from 'Crisil BBB+/Positive/Crisil A2'.

The rating action reflects the strengthened credit profile of ESDS, supported by sustained growth in scale and profitability over the last four fiscals, along with an improved financial risk profile following its successful listing on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) on September 4, 2026. The company reported robust revenue growth of approximately 31% year-on-year to Rs. 473 crore in FY2026, while its operating margin expanded by nearly 600 basis points, driven by the onboarding of new clients, increased business from existing customers through bundled service offerings, and enhanced operating leverage resulting from the absorption of fixed costs over a larger revenue base. Further strengthening its financial position, ESDS raised Rs. 720 crore through a fresh equity issue, with Rs. 576 crore earmarked for capital expenditure and Rs. 144 crore for general corporate purposes. The proceeds will support the company's planned expansion in AI cloud services and data center capacity; however, its ability to commission and successfully ramp up the planned capacities in a timely manner, translating into higher revenues and profitability, remains a key monitorable.

The financial risk profile has strengthened significantly, as reflected in the improvement in gearing to 0.08 times as on March 31, 2026, from 0.15 times as on March 31, 2025. Although the Total Outside Liabilities to Adjusted Net Worth (TOLANW) ratio increased to 2.66 times from 0.59 times, the rise was primarily attributable to higher customer advances, which are largely maintained as bank balances, thereby mitigating associated risks. Further, the company's recent listing is expected to substantially augment its net worth and support a stronger capital structure. Liquidity is expected to remain healthy, supported by annual cash accruals exceeding Rs. 250 crore against modest yearly debt repayment obligations of Rs. 12-13 crore, along with low utilisation of bank working capital limits.

The ratings reflect the company's established market position, improving scale of operations with diversified end users, experienced management and strong financial risk profile. These strengths are partially offset by large capital requirement in the co-location business, exposure to intense competition.

## Analytical approach

Crisil Ratings has combined the business and financial risk profiles of ESDS and its wholly owned subsidiaries, ESDS Cloud FZ-LLC (UAE), ESDS Global Software Solution Inc (US) and Spochub Solutions Pvt Ltd (India), which are strategically important to, and have significant operational integration with, ESDS.

*Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.*

## Key rating drivers - Strengths

**Experienced management:** The company benefits from the experienced management, led by the promoter Piyush Somani, who has over two decades of expertise in the information technology (IT) consulting and services industry. With strong academic foundation in engineering (electronics), he has an understanding of the market and its evolving needs, enabling the company to stay ahead of the curve. Furthermore, the leadership team is supported by a second line of management with experience of over three decades.

**Established market position in IT services:** The company's comprehensive range of services, including Infrastructure as a Service (IaaS), Software as a Service (SaaS), and managed services, has enabled it to provide bundled services to clients. Around 44% of its revenue comes from the IaaS segment, which includes co-location, data centre and cloud services, and cloud computing, while around 41% of revenue comes from managed services and the remaining 15% from SaaS. The clientele is diversified and includes government agencies, BFSI (banking, financial services and insurance) and other corporates. The top five customers contributed around 14% to revenue in fiscal 2026. ESDS is also expanding into AI cloud services and has entered into a long-term contract with Australia-based Sharon AI wherein the latter will deploy a dedicated 8,208-GPU NVIDIA B300 cluster in its data center across Australia and ESDS will be responsible for customer acquisition, layering their Swaraj Cloud platform on the graphics processing unit (GPU), and providing GPU as a service and further providing managed services to the clients. The capacity has already been tied up to a UAE-based client. Revenue from this project is expected to start from the second quarter of fiscal 2027 and timely rampup of revenues and profitability from the project will remain key monitorable.

**Improving scale of operations and healthy profitability:** Integrated offerings led to increased revenue per customer, resulting in a sticky client base, as switching data centre operators would involve significant costs. Revenue improved to Rs 473.39 crore in fiscal 2026 from Rs 361.41 crore in fiscal 2025. The operating margin improved to around 49% in fiscal 2026 from around 43% in fiscal 2025. Though the margin is expected to decline in fiscal 2027 due to major revenue being generated from the project with Sharon AI, absolute profit will be better as the revenue is expected to increase.

**Strong financial risk profile:** Networth was large at Rs 522.14 crore as on March 31, 2026. Capital structure is comfortable, as indicated by gearing and TOLANW ratio of 0.08 time and 2.66 time, respectively, as on March 31, 2026. The TOLANW increased due to increase in customer advances to around Rs 1187 crore, majorly from the UAE-based client for AI cloud facilities which is parked in the bank balance. Debt protection metrics were comfortable, as reflected in interest coverage and net cash accrual to adjusted debt ratios of 20.58 times and 4.29 times, respectively, in fiscal 2026. The financial risk profile will likely remain healthy over the medium term driven by steady accretion to reserve and healthy profitability along with increase in networth as the company got listed recently. However, any large debt-funded capex will remain monitorable.

**Key rating drivers - Weaknesses**

**Capital-intensive operations:** The development and expansion of data centres necessitate significant capex for land acquisition, building construction, power supply infrastructure and other essential facilities. ESDS intends to undertake significant investments over the medium term to expand its data centre capacity, which will require considerable capex outlay. Ability to timely fund the capex without compromising the financial risk profile will be monitorable.

**Exposure to intense competition:** The data centre business is competitive with a few large players dominating the market. Over the past few years, new players have entered this space owing to favourable demand and expectation of healthy returns, intensifying competition. However, strategic location of plants will mitigate this risk for ESDS, considering demand is outpacing supply, especially in metros. Ability to maintain pricing (or realisation) for new capacities amid increasing competitive pressure will remain monitorable.

**Liquidity** Strong

Cash and equivalent stood strong at around Rs 1,200 crore as on March 31, 2026. Bank limit utilisation was low at 3.97% on average for the 12 months through April 2026. Cash accrual, expected over Rs 250 crore per fiscal, will sufficiently cover yearly term debt obligation of Rs 12–13 crore over the medium term. The current ratio was moderate at 1.16 times as on March 31, 2026. Low gearing supports financial flexibility, which will help withstand adverse conditions or downturns in the business.

**Outlook** Positive

Crisil Ratings believes the business risk profile of ESDS will strengthen, supported by increasing revenue and sustenance of operating profit.

**Rating sensitivity factors**

**Upward factors**

- Increase in revenue with ramp-up in revenue-generating capacity while maintaining stable operating margin
- Timely ramp-up of newly tied-up capacities, leading to increase in revenue to above Rs 1,000 crore while maintaining healthy profitability

**Downward factors**

- Weaker-than-expected revenue growth or decline in Ebitda margin to lower than 20%, resulting from non-renewal of contracts or pricing pressure.
- Higher-than-expected debt-funded capex leading to decline in financial risk profile.

**About the group**

ESDS, incorporated in 2005 in Nashik and promoted by Piyush Somani, provides IT infrastructure-related services, including cloud computing infrastructure, co-location data centre infrastructure, SaaS and managed services. The company has fully integrated data centres in Nashik, Navi Mumbai, Mohali and Bengaluru. The company is listed on Bombay and National Stock Exchanges.

ESDS Global Software Solution Inc, USA, provides data centre and managed services.

ESDS Cloud FZ-LLC, based in the UAE, provides IT services.

Spochub Solutions Private Limited is a SaaS marketplace offering right-fit solutions to various organisations.

**Key financial indicators** – Consolidated – Crisil Ratings Adjusted Numbers

| As on / for the period ended March 31 | | 2026 | 2025 |
|---|---|---|---|
| Operating income | Rs crore | 473.39 | 361.41 |
| Reported profit after tax (PAT) | Rs crore | 120.82 | 51.45 |
| PAT margin | % | 25.52 | 14.24 |
| Adjusted debt/Adjusted networth | Times | 0.08 | 0.15 |
| Interest coverage | Times | 20.58 | 6.73 |

**Any other information**: Not applicable

**Note on complexity levels of the rated instrument:**
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Please note:**
More details including a list of activities or instruments, along with the names of respective financial sector regulators (FSRs) whose purview they fall under, is available in 'Annexure – List of Instruments and Names of Regulators' below.

## Annexure - Details of Instrument(s)

| ISIN | Name Of Instrument | Date Of Allotment | Coupon Rate (%) | Maturity Date | Issue Size (Rs. Crore) | Complexity Levels | Rating Outstanding with Outlook | Regulator Of Instrument |
|---|---|---|---|---|---|---|---|---|
| NA | Bank Guarantee | NA | NA | NA | 26.00 | NA | Crisil A2+ | RBI |
| NA | Cash Credit | NA | NA | NA | 25.00 | NA | Crisil A-/Positive | RBI |
| NA | Proposed Bank Guarantee | NA | NA | NA | 15.00 | NA | Crisil A2+ | RBI |
| NA | Proposed Cash Credit Limit | NA | NA | NA | 15.00 | NA | Crisil A-/Positive | RBI |
| NA | Proposed Long Term Bank Loan Facility | NA | NA | NA | 69.00 | NA | Crisil A-/Positive | RBI |

*Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.*

## Annexure – List of entities consolidated

| Names of entities consolidated | Extent of consolidation | Rationale for consolidation |
|---|---|---|
| ESDS Software Solution Limited | Full | Parent company |
| ESDS Cloud FZ LLC | Full | Wholly owned subsidiary |
| ESDS Global Software Solution Inc | Full | Wholly owned subsidiary |
| Spochub Solutions Private Limited | Full | Subsidiary (99%) |

## Annexure - Rating History for last 3 Years

| | Current | | | 2026 (History) | | 2025 | | 2024 | | 2023 | | Start of 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Instrument | Type | Outstanding Amount | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating | Rating |
| Fund Based Facilities | LT | 109.0 | Crisil A-/Positive | | -- | 03-09-25 | Crisil BBB+/Positive | 05-06-24 | Crisil BBB/Stable | 30-05-23 | Crisil B /Stable(Issuer Not Cooperating)* | Crisil B /Stable(Issuer Not Cooperating)* |
| Non-Fund Based Facilities | ST | 41.0 | Crisil A2+ | | -- | 03-09-25 | Crisil A2 | 05-06-24 | Crisil A3+ | 30-05-23 | Crisil B /Stable / Crisil A4 (Issuer Not Cooperating)* | Crisil B /Stable / Crisil A4 (Issuer Not Cooperating)* |

*All amounts are in Rs.Cr.*
** - Issuer did not cooperate; based on best-available information*

**Annexure - Details of Bank Lenders & Facilities - Regulator for the Instrument is RBI**

| Facility | Amount (Rs.Crore) | Name of Lender | Rating |
|---|---|---|---|
| Bank Guarantee | 26 | Axis Bank Limited | Crisil A2+ |
| Cash Credit | 25 | Axis Bank Limited | Crisil A-/Positive |
| Proposed Bank Guarantee | 4 | Not Applicable | Crisil A2+ |
| Proposed Bank Guarantee | 11 | Not Applicable | Crisil A2+ |
| Proposed Cash Credit Limit | 15 | Not Applicable | Crisil A-/Positive |
| Proposed Long Term Bank Loan Facility | 69 | Not Applicable | Crisil A-/Positive |

**Annexure: List of instruments and names of regulators of the instruments**
As required by SEBI CRA Circular dated Feb 10, 2026, a list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is being disclosed below:

**A. Rating activities**

| Sr. No. | Instrument / activity Name | Regulator of the instruments |
|---|---|---|
| 1 | Listed/Proposed to be listed bonds/debentures/preference share (all securities) | SEBI |
| 2 | Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities) | MCA |
| 3 | Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)*$ | RBI |
| 4 | Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)* | SEBI |
| 5 | Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)* | RBI |
| 6 | Listed Commercial Paper and NCDs with original maturity less than 1 year | RBI |
| 7 | Unlisted Commercial Paper and NCDs with original maturity less than 1 year | RBI |
| 8 | Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/FIs ^ | RBI |
| 9 | External Commercial Borrowings and other similar borrowings | RBI |
| 10 | Certificates of Deposit | RBI |
| 11a | Fixed Deposits raised by NBFC's, HFCs, Fis | RBI |
| 11b | Fixed Deposits raised by Banks | + |
| 12 | Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs | MCA |
| 13 | Inter Corporate Deposits/Loans extended by Corporates | MCA |
| 14 | Borrowing programme ~ | - |
| 15 | Issuer Ratings # | - |
| 16 | Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs) | SEBI |
| 17 | Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs | SEBI |
| 18 | Listed Security Receipts$ | RBI |
| 19 | Unlisted Security Receipts | RBI |
| 20 | Independent Credit Evaluation (ICE) | RBI |
| 21 | Expected Loss Ratings (for Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/Fis) | + |
| 22 | Expected Loss Ratings (Listed/Proposed to be listed bonds/debentures/preference share (all securities)) | SEBI |
| 23 | Expected Loss Ratings (Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)) | MCA |
| 24 | Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) * | Investor-side regulator such as IRDAI, PFRDA @ |

* Includes securitisation transactions involving assignee payout, acquirer's payout.
~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In PRs subsequent to issuance(s), Crisil Ratings Limited shall separately capture the rated quantum details along with names of respective regulators.
^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.
# There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned during regulatory regime prior to introduction of SEBI CRA Circular dated Feb 10, 2026 and the investor side regulators have accordingly been included.
$ By virtue of the instrument being listed, SEBI acts as the regulator for listing and related issues.
+ To be finalized following a discussion with the regulatory authorities.

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

## Criteria Details

| Links to related criteria |
|---|
| **Basics of Ratings (including default recognition, assessing information adequacy)** |
| **Criteria for consolidation** |
| **Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)** |



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