

IPO Note

(Note: All the information in this note is taken from DRHP)

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ESDS SOFTWARE SOLUTION LTD.

NOT RATED

Business Overview

ESDS Software Solution Ltd. (ESDS) is engaged in managed cloud service and end to end multi-cloud requirements provider. It is a Cloud services & data centre firm.

The company has built a comprehensive cloud platform which its customers rely on, consisting of cloud infrastructure, well-architected solutions aimed at reducing cost and providing safety, flexibility, scalability and reliability to enterprises compared with the traditional on-premise IT models.

As part of its portfolio, the company offers:

(a) **Cloud Computing Infrastructure as a Service (IaaS)** which includes its patented vertically auto scalable cloud technology platform, “eNlight Cloud”;

(b) **Software as a Service (SaaS) and Managed Services**, includes, (i) SaaS which is a **software distribution model** wherein it host applications on cloud platforms and make them available to end users on **periodic subscription model**, allowing clients to develop, run and manage applications, and (ii) Managed Services, through which it offers several services enabling companies to optimise and modernise their cloud environment, secure their data and migrate their legacy data on cloud environments, and fully manage it on a day to day basis.

Billing models in India: ESDS also serves its customers with differentiated billing models in India such as “pay-per-consumption”, “pay-per-branch” (for BFSI customers) and “pay-per-transaction”, which it believes helps in reducing its clients’ “Total Cost of Operation” (TCO).

It offers its products across diversified industries that include government ministries & companies and corporate entities across sectors such as BFSI, manufacturing, IT and ITES, telecom, real estate, pharmaceuticals, retail and education and in several countries across the APAC region, Europe, Middle East, the Americas and Africa.

Its comprehensive IaaS cloud computing services portfolio includes public cloud, private cloud, virtual private cloud, hybrid cloud and various community cloud offerings.

OFFER DETAILS:

The public offer comprises a fresh issue of Rs 322 crore and an offer for sale of 2,15,25,000 equity shares by investors and promoters. The offer for sale comprises up to 42,31,000 equity shares by GEF ESDS Partners LLC, up to 1,68,60,000 equity shares by South Asia Growth Fund II LP, up to 34,000 equity shares by South Asia EBT Trust, and up to 4,00,000 equity shares by Sarla Prakashchandra Somani.

Objects of the offer

The company proposes to utilize the Net Proceeds towards the following objects:

The net proceeds from the fresh issue will be utilised to the extent of Rs 155 crore for purchasing cloud computing equipment for data centres, Rs 75 crore for funding long term working capital requirements, Rs 22 crore for repay/prepay of loans of the company and for general corporate purposes.

Basic Financials

Its revenues from operations increased 8.43% from Rs 158.57 crore in fiscal 2020 to Rs 171.93 crore in fiscal 2021 primarily due to increase in sales of cloud hosting and managed services and technical support services, while its net profit jumped to Rs 5.48 crore for fiscal 2021 from Rs 0.94 crore for fiscal 2020.

Percentage of revenue from customers

Industry*	FY19	FY20	FY21
BFSI	16.18%	8.73%	10.93%
Enterprise	72.98%	75.77%	67.38%
Government	10.84%	15.50%	21.69%

Source: Company DRHP

Client details:

Top 10 clients contributed 36.35%, 35.57%, and 44.73% of its revenue from operations for Fiscals 2021, 2020 and 2019.

Key financial and operational metrics:

Metrics	FY19	FY20	FY21
Total Income (Rs. Crore)	1,37.541	1,60.534	1,74.101
EBITDA	471.46	517.23	638.05
EBITDA Margin (%)	34.28	32.22	36.65
Revenue from long term contracts(1) (as a % of the total revenue for that respective year)	88.53	84.38	92.88
Revenue from existing customers (as a % of the total revenue for that respective year)	69.22	74.53	88.53
New customers added during the period (nos.)	297	318	406
Revenue from top 20 customers (as a % of the total revenue for that respective year)	59.87	53.63	50.90
Average revenue per customer (in Crore)(2)	2.096	2.34	2.439
Revenue from IaaS (as a % of the total revenue for that respective year)	54.90	52.99	51.15
Revenue from SaaS & Managed Services (as a % of the total revenue for that respective year)	45.10	47.01	48.85

(1) Long term contracts refer to contracts of more than 12 months duration (including business from customers continuing for more than 12 months after contract renewals)

(2) Calculated for the top 50 customers

Source: Company DRHP

Competitive strengths

1. *Comprehensive and integrated range of offerings that provide a “one stop shop” for managed cloud solutions to a diversified and marquee clientele.*
2. *Robust and scalable business model with multiple levers of growth.*
3. *Innovative billing solutions that derive value to customers.*
4. *Leadership position in the industry with a proven track record.*

Strategies

1. *Capitalise on the rising adoption of cloud in India and across international markets.*
2. *Enhance collaboration with partner ecosystem.*
3. *Provide a comprehensive suite of offerings on its SaaS digital marketplace “Spochub”.*

December 15, 2021

Key Managerial Personnel

Name	Designation
Piyush Prakashchandra Somani	Managing Director and Chairman
Komal Somani	Managing Director and Chief Executive Officer
Alipt Sharma	Nominee Director
Ramesh Kumar Amudalapalli	Independent Director
Dhandapani T. G.	Independent Director
Uma Manoj Mandavgane	Independent Director
Pamela Kumar	Independent Director

Source: Company

DRHP

ESDS Software Solution Limited (formerly known as ESDS Software Solution Private Ltd)
Restated Consolidated Statement of Profit and Loss (All amounts are in Rupees crore)

	FY19	FY20	FY21
Revenue from operations			
Other income	136	159	172
Total income	2	2	2
Expenses			
Purchases of products	138	161	174
Employee benefit expense	0	4	
Finance costs	28	48	59
Depreciation and amortisation expense	12	11	18
Other expenses	17	37	37
Total expenses	63	56	51
Profit before tax	120	157	165
Income tax expense	18	4	9
Current tax (MAT)	7	3	2
Less: MAT credit entitlement	-	-2	-2
Deferred tax	-3	2	3
Total tax expense	4	3	3
Profit for the year [A]	14	1	6

Source: Company DRHP

Restated Consolidated Statement of Assets and Liabilities (Rupees Crore)

Particulars	FY19	FY20	FY21
ASSETS			
Property, plant and equipment	95	183	207
Right-of-use of assets	56	63	100
Capital work-in-progress	4	39	0
Intangible assets	3	2	4
Intangible assets under development	-	-	5
Non-current financial assets	10	19	23
Other non-current assets	11	1	-
Total non-current assets	179	309	339
Trade receivables	50	46	47
Cash and cash equivalents	9	1	14
Other bank balances	1	0	1
Other current financial assets	31	19	35
Income-tax assets	8	13	6
Other current assets	8	23	18
Total current assets	106	102	122
Total assets	285	412	460
EQUITY AND LIABILITIES			
Equity share capital	5	5	5
Other equity	-	-	-
Equity component of compound financial instrument	53	94	124
Reserves and surplus	46	46	51
Other reserves	-	6	7
Equity attributable to owners of ESDS Software Solution Ltd.	104	151	187
Non-controlling interest	-1	-1	-0
Total equity	103	151	187
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities			
Non-current borrowings	25	27	44
Lease liabilities	52	57	58
Other non-current financial liabilities	-	29	-
Employee benefit obligations	2	5	7
Deferred tax liabilities (net)	1	2	3
Total non-current liabilities	80	119	112
Current liabilities			
Current financial liabilities			
Current borrowings	12	15	10
Lease liabilities	4	8	46
Trade payables			
Total outstanding dues of micro enterprises and small enterprises			
Total outstanding dues of creditors other than micro enterprises and small enterprises	23	32	25
Other current financial liabilities	51	76	68
Employee benefit obligations	0	0	0
Income-tax liabilities	0	0	0
Other current liabilities	12	9	12
Total current liabilities	102	141	161
Total liabilities	182	261	274
Total equity and liabilities	285	412	460

Source: Company RHP