



E2E Networks delivered a strong Q2FY26 performance, reinforcing its position as India's only AI-first cloud GPU platform. The company's September MRR stood at ~Rs.165 mn, supported by higher utilization across existing clusters and incremental contribution from IndiaAI mission contracts. GPU-driven workloads remain the core growth driver, contributing the majority of incremental revenue. Management reiterated confidence in achieving an exit MRR of Rs.350–400 mn by March FY26, translating to an annualized revenue potential of ~Rs.5 bn based on current infrastructure. E2E's installed GPU base has reached ~3,900 units, with all clusters fully online following the Chennai facility's go-live in August. The company now operates through third-party data centers across Tamil Nadu, Maharashtra, and NCR, with an aggregate capacity of ~10 MW—enough to host 8,000–10,000 GPUs. Utilization stood at 35–40% in Q2 but is expected to scale to 80–90% by March, driven by two large IndiaAI mission orders worth ~Rs.26.5 bn combined, aimed at training large domestic LLM models. The company is in advanced stages of procuring up to 4,096 Blackwell GPUs (B200 series), backed by strong internal approvals and debt funding. This expansion follows the strategic acquisition of the Jarvis Lab asset, which enhances self-service capabilities and strengthens access to skilled AI talent. E2E continues to focus on onboarding stable enterprise workloads to offset lumpiness from training jobs, while early-stage software monetization under its sovereign cloud architecture is expected to begin in FY27. The Rs.4.5 bn additional facility is expected to be fully drawn by early FY26 to fund new GPU capacity (Total FY26 debt to stand at Rs.6 bn). Management maintains a balanced stance—acquiring capacity prudently once utilization visibility improves while remaining aggressive enough not to lose growth opportunities. With strong execution, deep partnerships (notably with NVIDIA and L&T), and alignment with the IndiaAI mission, E2E is well positioned to scale rapidly in the AI infrastructure ecosystem.

Financial Summary

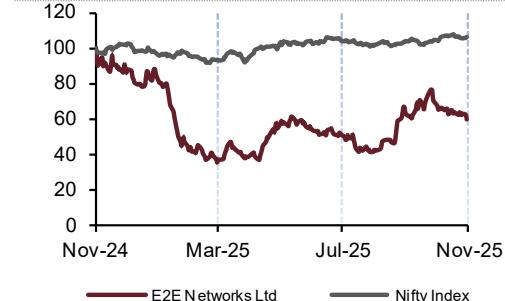
Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
Net sales	353	519	662	945	1,640	2,599	6,516	15,487
EBIDTA	103	229	331	479	967	1,485	4,497	12,130
Margins	29.3	44.2	49.9	50.8	59.0	57.1	69.0	78.3
PAT (adj)	-12	65	99	219	475	-64	-423	1,424
Growth (%)	-86.6	-619.8	53.6	120.7	117.2	-113.5	558.4	-437.0
EPS	-0.86	4.46	6.85	15.11	23.79	-2.95	-19.42	65.44
P/E (x)	-3,400	656	427	194	123	-992	-151	45
P/B (x)	154	110	86	60	4	3	3	3
EV/EBITDA (x)	408	184	127	90	46	44	20	9
RoE (%)	-5	20	23	36	6	-0	-2	6
ROCE (%)	-4	15	31	30	9	0	2	8
RoIC (%)	-4	20	36	15	23	0	1	6

Source: Company, Dalal & Broacha Research

Rating	TP (Rs)	Up/Dn (%)
BUY	4,226	44
Market Data		
Current price	Rs	2,925
Market Cap (Rs.Bn)	(Rs Bn)	59
Market Cap (US\$ Mn)	(US\$ Mn)	663
Face Value	Rs	10
52 Weeks High/Low	Rs 5050 / 1710.05	
Average Daily Volume	('000)	73
BSE Code		540173
Bloomberg		E2E.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-25	Jun-25
Promoters	28	28
Public	72	72
Total	100	100

Source: Bloomberg

Key Risks:

- L&T stake sale
- Underuse of certain GPU SKUs
- Slow progress on India AI Mission
- Long enterprise sales cycles
- Rising global hyperscaler competition, pricing pressure
- Tech disruption risk

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Key financial highlights

- Revenues at Rs.439Mn,-7.9%YoY/21.4%QoQ
- EBITDA (Excl OI) at Rs.181Mn,-42.8%YoY/71.2%QoQ
- PAT at Rs.-135Mn,-210.9%YoY/373.8%QoQ
- Gross Margin came in at 67.2% vs 84.8% YoY/60.5% QoQ
- Gross Margin saw decline of -1764 bps on YoY basis
- EBITDA Margin (Excl OI)came in at 41.1% vs 66.2% YoY/29.2% QoQ
- EBITDA Margin (Excl OI)saw decline of -2502 bps on YoY basis

Management confident of achieving Rs.350–400 mn MRR ahead of schedule

E2E Networks reported strong momentum in Q2 FY26 driven by the India AI Mission. Operational revenue rose 21% QoQ to Rs. 438 mn, aided by higher utilization and new workloads going live. Management reaffirmed its exit MRR guidance of Rs. 350–400 mn by March FY26 but indicated the target may be achieved earlier, supported by large India AI orders worth Rs. 880 mn and Rs. 1.77 bn. Utilization improved to 35–40% in Q1 and is expected to reach 80–90% by year-end, driven by strong traction from large language model (LLM) training workloads.

EBITDA margin expands sharply to 41%

EBITDA margin improved to 41% (vs. 29% in Q1) on better operating leverage and higher GPU usage. The company reported a net loss of Rs. 135 mn due to elevated depreciation following the Chennai facility going live on August 1. Gross profit margin on new assets stands at 80–85%, with long-term EBITDA margin guidance of ~70% once utilization scales up. Management reiterated confidence in the long-run profitability profile despite near-term depreciation load.

All 10 MW capacity now live; Chennai cluster operational from August 1

E2E currently operates with >3,900 cloud GPUs across its platform, supported by 10 MW of total capacity (9 MW active + 1 MW reserve). The Chennai data center became operational on August 1, marking full availability of all commissioned capacity. Management expects this setup to support 8,000–10,000 GPUs in total, providing headroom for upcoming AI workload expansion.

Blackwell GPU; expansion strategy balanced between prudence and speed

The company is in advanced stages of acquiring Nvidia Blackwell (B200) GPUs, funded through internal accruals, prior fundraises, and institutional debt. Depending on demand visibility, E2E may scale up to 4,096 Blackwell GPUs by March. The approach remains twofold — prudent (purchase post-utilization visibility) and aggressive (build capacity ahead of demand to avoid opportunity loss). Total debt facility of Rs. 4.5 bn is expected to be fully drawn by end-March.

Valuation & Outlook

“There are decades where nothing happens; and there are weeks where decades happen.” Artificial Intelligence (AI) is one such decadal theme—arguably the most transformative revolution since the internet—impacting every aspect of life and business. The most effective way to ride this wave is by investing in AI infrastructure companies, especially those in the infrastructure-as-a-Service (IaaS) space, where best-in-class EBITDA margins, superior ROCE, steady cashflows, and high entry barriers. India, despite generating ~20% of global data, has <2% of the global compute power—a glaring mismatch and a massive opportunity. E2E Networks Ltd (ENL), India’s only listed, homegrown cloud service provider, is uniquely positioned to capture this opportunity, directly competing with global hyperscalers like AWS, Azure, and Google Cloud.

At the heart of AI lies compute power—particularly GPU-based infrastructure, which must be supported by scalable, robust cloud software. E2E Networks has been building this cloud platform since 2014 and pivoted to GPU-powered workloads in 2018, well before the current LLM boom. What makes E2E unique is its moat—cloud platforms are not built overnight; they’re shaped through years of real-world workload handling, client feedback, and software iteration, creating a steep learning curve and high entry barriers. E2E’s fully in-house cloud software stack, developed and matured over a decade, is now powering the backbone of India’s AI compute ecosystem.

E2E’s business model further strengthens its position. Unlike traditional hyperscalers offering a broad suite of services, E2E focuses on the 10% of infrastructure that constitutes 80% of client spending. Offering these mission-critical services at ~30% of the cost of global peers allows E2E to enable cost optimization without compromising performance. This makes it highly relevant in today’s cost-sensitive environment, while remaining scalable due to broad applicability. The company has maintained EBITDA profitability since inception, a rarity in the cloud industry, and now benefits from financial strength and strategic validation after L&T’s data center arm bought ~19% stake, positioning E2E for its next leg of growth.

We have a BUY rating on E2E Networks, projecting revenue/EBITDA/PAT/EPS CAGR of 111%/132%/44%/40% over FY25–28e. PAT and EPS growth trail EBITDA due to high depreciation from capex—a non-cash impact. Given the ongoing high-capex growth phase, EV/EBITDA is a more suitable valuation multiple over PE. We assign a 15x EV/EBITDA multiple to arrive at a target price of Rs. 4,226 (45% upside to CMP), reflecting scarcity premium for a listed AI cloud infrastructure play with strong unit economics and significant entry barriers.

Valuation Summary

Particulars	FY27e	FY28e	Average
EBITDA	4,497	12,130	8,313
Target Multiple (x)	15	15	15
Target Enterprise Value	67,455	1,81,943	1,24,699
Less : Total Debt	26,137	46,137	36,137
Add : Cash & Cash Equivalents	1,400	5,480	3,440
Market Capitalisation (Rs Mn)	42,718	1,41,285	92,002
No.of Shares (Mn)	22	22	22
Target Price (Rs)	1,962	6,491	4,226
CMP (Rs)	2,925	2,925	2,925
Potential Upside (%)	-33%	122%	45%

Conference Call KTA**Guidance & Outlook:**

- Target Exit MRR (March FY26): Rs. 350–400 mn
- FY26 MRR growth to be driven by:
 - Ramp-up of India AI Mission orders (Rs. 880 mn + Rs. 1.77 bn)
 - Higher utilization from Chennai facility (live since Aug 1)
 - Addition of new GPU clusters and Jarvis Lab acquisition synergy
- EBITDA Margin Guidance (at Exit MRR): ~65–75%
- Target GPU utilization by Q4FY26: 80–90%
- Long-term EBITDA margin target: ~70% (steady-state)
- Gross profit on newly deployed GPUs: 80–85%

Capacity & utilisation:

- Total deployed GPU capacity: ~3,900 GPUs
- All existing clusters (including Chennai) now fully online and available for customer workloads
- Current infrastructure capacity: ~10 MW (9 MW live + 1 MW holding capacity)
- Capacity potential: 8,000–10,000 GPUs
- Target utilization by March FY26: 80–90%
- New GPUs (Blackwell B200s) being ordered; may scale up to 4,096 based on demand

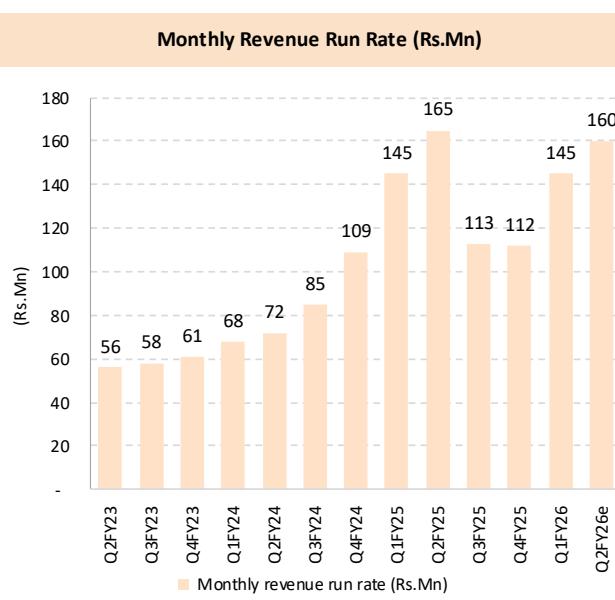
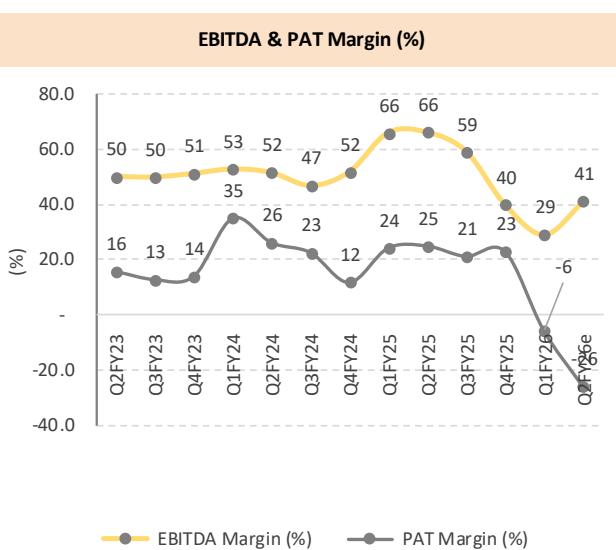
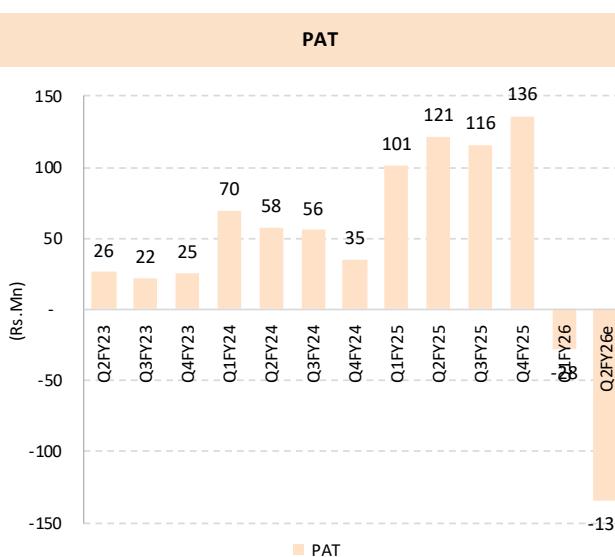
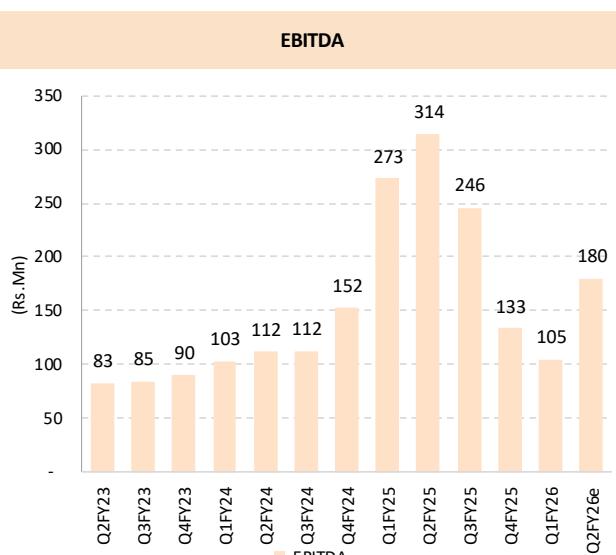
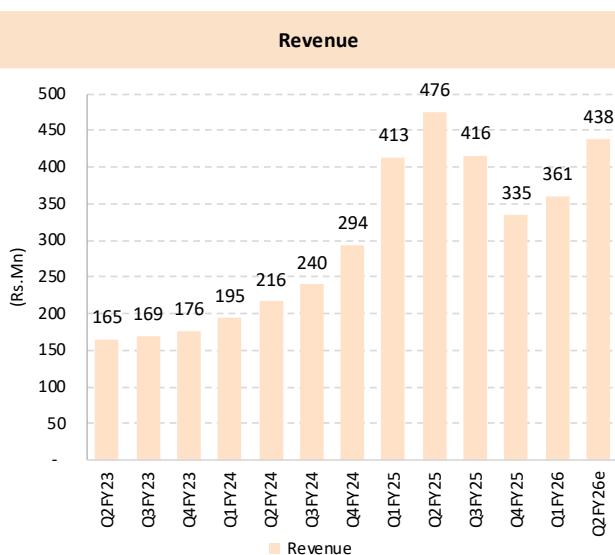
Capex & Expansion Plans

- Total additional debt facility: Rs. 4.5 bn; expected full drawdown by Mar–Apr FY26
- Funding mix: internal accruals, previous fundraise, and institutional debt
- Capex focus: phased GPU purchase aligned to utilization visibility

Quarterly Financials

(Rs.Mn)	Q2FY26e	Q2FY25	YoY Growth (%)	Q1FY26	QoQ Growth (%)
Revenue from Operations	438	476	-8%	361	21%
Other Income	83	9	863%	150	-45%
Total RM Cost	144	72	99%	143	1%
Employee Benefits Expense	76	61	24%	77	-2%
Other Expenses	38	28	38%	36	7%
Total Expenses	258	161	60%	256	1%
EBITDA (Excluding Other Income)	180	314	-43%	105	71%
Depreciation and Amortisation Expenses	428	126	241%	274	56%
EBIT / PBIT	(165)	197	-184%	(19)	758%
Finance Costs	20	36	-45%	18	9%
EBT/ PBT	(185)	161	-215%	(38)	393%
Tax Expense	(50)	40	-227%	(9)	452%
Net Profit after Tax	(135)	121	-211%	(28)	374%
Adj Earning Per Share	(6.75)	7.81	-186%	(1.39)	386%
Margins (%)					
			(In bps)		(In bps)
Gross Margins	67.1%	84.8%	-1764	60.5%	667
EBITDA Margins (Excl Other Income)	41.1%	66.1%	-2502	29.1%	1197
PAT Margins	-25.8%	25.1%	-5092	-5.6%	-2027
Tax Rate	27.2%	24.6%	260	24.3%	291
As a % to sales					
RM as a % to sales	32.9%	15.2%		39.5%	
EE Cost as a % to sales	17.3%	12.8%		21.4%	
Other exps as a % to sales	8.8%	5.8%		9.9%	

Source: Dalal & Broacha Research



Source: Dalal & Broacha Research, Company

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
Net Sales	353	519	662	945	1,640	2,599	6,516	15,487
Operating Expenses	-127	-154	-169	-202	-305	-611	-1,303	-2,323
Employee Cost	-87	-102	-121	-176	-235	-351	-475	-618
Other Expenses	-35	-34	-41	-88	-133	-152	-241	-416
Operating Profit	103	229	331	479	967	1,485	4,497	12,130
Depreciation	-124	-178	-201	-157	-601	-1,738	-3,826	-7,570
PBIT	-20	51	130	322	366	-252	671	4,560
Other income	10	4	8	16	394	296	54	236
Interest	-2	-2	-5	-36	-132	-125	-1,290	-2,891
PBT	-12	53	132	302	628	-81	-565	1,904
Profit before tax	-12	53	132	302	628	-81	-565	1,904
Provision for tax	-	12	-33	-83	-153	17	142	-480
Profit & Loss from	-	-	-	-	-	-	-	-
Reported PAT	-12	65	99	219	475	-64	-423	1,424
MI	-	-	-	-	-	-	-	-
Owners PAT	-12	65	99	219	475	-64	-423	1,424
Adjusted Profit	-12	65	99	219	475	-64	-423	1,424

Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
Equity capital	144	145	145	145	200	218	218	218
Reserves	130	240	349	564	15,730	21,966	21,543	22,968
Net worth	274	385	494	709	15,930	22,184	21,761	23,185
MI	-	-	-	-	-	-	-	-
Non Current Liabilities	7	26	49	1,272	745	6,719	26,687	46,639
Current Liabilities	85	69	141	572	9,135	189	230	272
TOTAL LIABILITIES	366	480	684	2,552	25,809	29,091	48,679	70,097
Non Current Assets	282	387	423	2,167	10,321	20,037	38,919	54,046
Fixed Assets	265	358	365	1,680	9,620	19,362	38,270	53,415
Right of Use Assets	-	12	55	424	635	608	576	527
Financial Assets	0	0	-	39	12	12	20	50
Deferred Tax Asset	17	16	3	24	54	54	54	54
Advances	-	-	-	-	-	-	-	-
Assets	0	0	-	-	-	-	-	-
Current Assets	84	93	261	385	15,488	9,055	9,759	16,051
Current investments	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Trade Receivables	3	1	6	26	97	641	1,607	3,819
Cash and Bank Balances	52	68	218	90	13,571	4,967	1,400	5,480
Advances	22	20	33	240	1,704	1,704	1,704	1,704
Other Financial Assets	-	-	-	-	-	-	-	-
Other Current Assets	6	4	5	29	115	1,743	5,048	5,048
TOTAL ASSETS	366	480	684	2,552	25,809	29,091	48,679	70,097

Cashflow (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
PBT	25	53	132	302	628	-81	-565	1,904
Depreciation	88	178	201	157	601	1,738	3,826	7,570
Net Chg in WC	17	19	37	-53	-149	-590	-937	-2,170
Taxes	-26	0	-18	-22	-26	17	142	-480
Others	-4	8	3	44	-169	125	1,291	2,892
CFO	100	259	355	429	885	1,209	3,757	9,716
Capex	-106	-214	-189	-1,455	-1,259	-13,108	-26,038	-22,716
Net Investments made	-133	15	-23	4	-8,894	-	-7	-30
Others	3	7	6	14	325	-8,910	-	-
CFI	-237	-192	-207	-1,438	-9,828	-22,018	-26,045	-22,745
Change in Share capital	159	1	-	-	14,728	6,318	-	-
Change in Debts	-	-13	-3	1,023	-915	6,011	20,013	20,000
Div. & Div Tax	-0	-2	-1	-24	-73	-125	-1,290	-2,891
Others	-12	-6	-20	-75	-238	-	-	-
CFF	147	-20	-24	924	13,502	12,204	18,722	17,109
Total Cash Generated	10	47	125	-85	4,559	-8,605	-3,566	4,080
Cash Opening Balance	27	-8	38	163	78	13,569	4,967	1,400
Cash Closing Balance	37	38	163	78	4,637	4,967	1,400	5,480

Ratios	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
GM	63.9	70.3	74.4	78.7	81.4	76.5	80.0	85.0
OPM	29.3	44.2	49.9	50.8	59.0	57.1	69.0	78.3
NPM	-3.4	12.4	14.8	22.8	23.4	-2.2	-6.4	9.1
Tax rate	-	22.0	-25.1	-27.6	-24.4	-21.0	-25.2	-25.2
Growth Ratios (%)								
Net Sales	40.7	46.9	27.6	42.7	73.6	58.5	150.7	137.7
Operating Profit	-1,024.2	121.9	44.1	45.0	101.6	53.6	202.8	169.7
PBIT	-82.1	-353.7	153.1	148.6	13.6	-169.0	-365.9	579.2
PAT	-86.6	-619.8	53.6	120.7	117.2	-113.5	558.4	-437.0
Per Share (Rs.)								
Net Earnings (EPS)	-0.86	4.46	6.85	15.11	23.79	-2.95	-19.42	65.44
Cash Earnings (CPS)	7.70	16.77	20.74	25.99	53.87	76.87	156.33	413.20
Dividend	-	-	-	-	-	-	-	-
Book Value	19.00	26.57	34.13	48.95	797.77	1,019.10	999.68	1,065.12
Free Cash Flow	25.14	3.86	10.58	-75.05	-380.42	-473.90	-879.16	-630.17
Valuation Ratios								
P/E(x)	-3,400	656	427	194	123	-992	-151	45
P/B(x)	154	110	86	60	4	3	3	3
EV/EBIDTA(x)	408	184	127	90	46	44	20	9
Div. Yield(%)	-	-	-	-	-	-	-	-
FCF Yield(%)	0.86	0.13	0.36	-2.57	-13.01	-16.20	-30.06	-21.55
Return Ratios (%)								
ROE	-5%	20%	23%	36%	6%	0%	-2%	6%
ROCE	-4%	15%	31%	30%	9%	0%	2%	8%
RoIC	-4%	20%	36%	15%	23%	0%	1%	6%

Source: Dalal & Broacha Research

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