E2E Networks Ltd (ENL)

1QFY27 Result Update | AI/ML | IaaS

DALAL & BROACHA
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Institutional Equity Research Desk

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Strong Quarter setting foundation for future Growth

E2E Networks delivered a strong 1QFY27 performance, reinforcing its position as one of India's largest AI-first cloud GPU platform. The company's June exit MRR stood at Rs.718 mn, supported by the intiation of Inida AI mission contracts along with existing business. GPU-driven workloads remain the core growth driver, contributing the majority of incremental revenue. Management remains confident of maintaining this MRR translating to an annualized revenue potential of ~Rs.8 bn based on current infrastructure. E2E's installed GPU base has reached ~5,100 units, with all clusters fully online following the deployment of B200 GPUs in the end of May and to end FY27 with additional 1,024 B200 GPUs deployed. The company now operates through third-party data centers across Tamil Nadu and NCR, with an aggregate capacity of ~10 MW—enough to host 8,000–10,000 GPUs. Utilization stood at max levels in 1Q and are expected to remain stable in the meduim term. The company has incured (CAPEX 5,330 Mn) up to 1,024 Blackwell GPUs and some other older generation GPUs, backed by strong cash balances (Rs.1,220Mn) and debt funding. The 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 with L&T bringing in order worth ~85Mn with revenues to show in Jan 26 to offset lumpiness from training jobs, while early-stage software monetization under its sovereign cloud architecture is expected to begin in FY27. 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)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Net sales	519	662	945	1,640	2,456	8,200	11,000
EBIDTA	229	331	479	967	1,263	6,296	8,524
Margins	44.2	49.9	50.8	59.0	51.4	76.8	77.5
PAT (adj)	65	99	219	475	-156	2,103	3,220
Growth (%)	-619.8	53.6	120.7	117.2	-132.8	-1,450.9	53.1
EPS	0.45	0.68	1.51	2.38	-0.76	10.23	15.66
P/E (x)	1,052	685	310	197	-619	46	30
P/B (x)	177	137	96	6	6	5	4
EV/EBITDA (x)	296	205	144	92	75	15	11
RoE (%)	20	23	36	6	-1	12	16
ROCE (%)	15	31	30	9	-1	17	20
RoIC (%)	20	36	15	5	-0	14	16

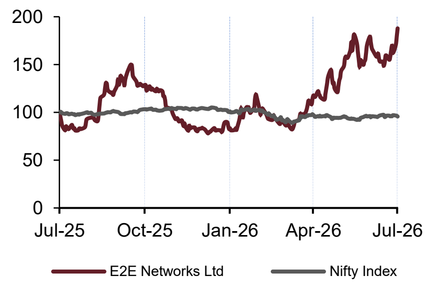
Source: Dalal and Broacha

Rating	TP (Rs)	Up/Dn (%)
BUY	**617**	**32**

Market Data		
Current price	**Rs**	**469**
Market Cap (Rs.Bn)	(Rs Bn)	96
Market Cap (US$ Mn)	(US$ Mn)	1,001
Face Value	Rs	1
52 Weeks High/Low		Rs 469.4 / 183.36
Average Daily Volume	('000)	3,283
BSE Code		544783
Bloomberg		E2E.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-26	Dec-25
Promoters	39.50	28.00
Public	60.50	72.00
Total	**100.00**	**100.00**

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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MRR achieved; revenue visibility strong with utilizations at peak levels.

Exit MRR witnessed a sharp increase, driven by the B200 deployment and strong utilisation levels. With utilisation now approaching peak levels, incremental QoQ MRR growth is expected to moderate, with pricing hikes likely to become the key growth driver going forward.

Positive Outlook on Margins.

Gross margins expanded sharply on both a QoQ and YoY basis as operating leverage kicked in amid strong utilisation, while COGS, largely comprising data centre costs, remained broadly stable. Gross and EBITDA margins should remain sustainable as DC costs have largely peaked, while OPEX is stabilising after several quarters of investments in people and technology.

Incremental CAPEX expected for FY27.

E2E recently completed CAPEX for 1,024 NVIDIA B200 GPUs, which were deployed in mid-May, later than the initial March-end timeline. Management has also indicated plans to procure an additional 1,024 B200 GPUs during FY27, although no specific procurement or deployment timeline has been provided. Over the longer term, capacity expansion is expected to include next-generation GPUs such as the B300 and Vera Rubin series, while procurement of CPUs and other non-flagship GPUs will continue alongside.

ROCEs to improve while OCF will continue to compound aiding CAPEX.

Given improving utilisation levels, ROCE is expected to improve to ~20%. However, with planned FY27 CAPEX, FCF is likely to remain broadly neutral as most operating cash flows are redeployed toward GPU procurement.

Financial Outlook.

Depreciation is largely baked in, though some further uptick is expected due to the timing mismatch from Blackwell GPUs deployed toward the end of the quarter. Finance costs are also likely to remain elevated, reflecting debt raised (~Rs 4.5 Bn) for the previous B200 procurement and additional borrowings expected to fund the next batch of B200 GPUs.

Valuation & Outlook

E2E's near-term outlook remains positive, supported by strong GPU utilisation, a sharp increase in exit MRR and sustained operating leverage. With existing GPU capacity operating near peak utilisation, incremental growth is likely to depend increasingly on pricing, further capacity additions and timely deployment of the next B200 batch. Margin visibility remains strong as data centre costs have largely stabilised and recent investments in people and technology begin to scale, supporting structurally higher EBITDA margins.

From a valuation perspective, the key rerating drivers will be sustained MRR growth, execution of FY27 CAPEX and improvement in return ratios. ROCE is expected to move toward ~20% as utilisation improves, although FCF is likely to remain broadly neutral as operating cash flows are reinvested into GPU procurement.

We revise our estimates on E2E Networks given the strong exit MRR and CAPEX visibility for the coming years. Current MRR indicates peak utilization warrants a topline of Rs 8 bn with EBITDA margins >75% as gross margins remain at 85% and opex stability is achieved.

We maintain our BUY rating on E2E Networks, projecting Revenue / EBITDA / PAT CAGR of 89%/107%/89% over FY25–28E. PAT and EPS growth are expected to trail EBITDA growth due to elevated depreciation from the ongoing CAPEX cycle, which remains largely a non-cash charge. We have a TP: 617.

Strong utilisation levels have driven significant operating leverage, enabling E2E to achieve sustained PAT profitability. Given improving earnings visibility and structurally higher profitability, we shift our valuation framework to P/E (x), as we expect PAT positivity to sustain and profitability to strengthen further as utilisation remains high and incremental capacity is deployed.

Valuation Summary

Particular	FY28E
1 Yrs Fwd P/E	32
Assigned P/E	42
Expected EPS	14.7
Target Price	**617**
Potential Upside	32%

Quarterly Financials

(Rs.Mn)	Q1FY27	Q1FY26	YoY Growth (%)	Q4FY26	QoQ Growth (%)
Revenue from Operations	**1,568**	**361**	**334%**	**956**	**64%**
Other Income	114	150	-24%	55	108%
Total RM Cost	229	143	60%	208	10%
Employee Benefits Expense	110	77	42%	124	-11%
Other Expenses	50	36	39%	44	14%
Total Expenses	389	256	52%	375	4%
EBITDA (Excluding Other Income)	**1,179**	**105**	**1021%**	**581**	**103%**
Depreciation and Amortisation Expenses	606	274	121%	513	18%
EBIT / PBIT	**687**	**(19)**		**122**	**461%**
Finance Costs	101	18	449%	37	173%
EBT/ PBT	**586**	**(38)**		**86**	**585%**
Tax Expense	147	(9)		21	595%
Net Profit after Tax	**439**	**(28)**		**64**	**582%**
Adj Earning Per Share	2.14	(0.14)		0.32	567%
Margins (%)			**(In bps)**		**(In bps)**
Gross Margins	85.4%	60.5%	2495	78.2%	717
EBITDA Margins (Excl Other Income)	75.2%	29.1%	4609	60.7%	1446
PAT Margins	26.1%	-5.6%	3165	6.4%	1973
Tax Rate	25.1%	24.3%	85	24.8%	35
As a % to sales					
RM as a % to sales	14.6%	39.5%		21.8%	
EE Cost as a % to sales	7.0%	21.4%		12.9%	
Other exps as a % to sales	3.2%	9.9%		4.6%	

Source: Dalal & Broacha Research

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Net Sales	353	519	662	945	1,640	2,456	8,200	11,000
Operating Expenses	-127	-154	-169	-202	-305	-660	-1,230	-1,650
Employee Cost	-87	-102	-121	-176	-235	-374	-524	-655
Other Expenses	-35	-34	-41	-88	-133	-159	-191	-226
Operating Profit	**103**	**229**	**331**	**479**	**967**	**1,263**	**6,255**	**8,469**
Depreciation	-124	-178	-201	-157	-601	-1,692	-3,176	-4,376
PBIT	-20	51	130	322	366	-430	3,079	4,093
Other income	10	4	8	16	394	340	500	700
Interest	-2	-2	-5	-36	-132	-122	-800	-700
PBT	-12	53	132	302	628	-212	2,779	4,093
Profit before tax	-12	53	132	302	628	-212	2,755	4,039
Provision for tax	-	12	-33	-83	-153	56	-689	-1,018
Profit & Loss from	-	-	-	-	-	-	-	-
Reported PAT	-12	65	99	219	475	-156	2,066	3,021
MI	-	-	-	-	-	-	-	-
Owners PAT	-12	65	99	219	475	-156	2,066	3,021
Adjusted Profit	**-12**	**65**	**99**	**219**	**475**	**-156**	**2,066**	**3,021**

Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Equity capital	144	145	145	145	200	206	206	206
Reserves	130	240	349	564	15,730	16,645	18,711	21,732
Net worth	**274**	**385**	**494**	**709**	**15,930**	**16,850**	**18,916**	**21,938**
MI	-	-	-	-	-	-	-	-
Non Current Liabilites	7	26	49	1,272	745	1,377	5,077	3,577
Current Liabilites	85	69	141	572	9,135	5,053	4,976	4,993
TOTAL LIABILITIES	**366**	**480**	**684**	**2,552**	**25,809**	**23,281**	**28,970**	**30,508**
Non Current Assets	282	387	423	2,167	10,321	17,197	20,635	23,259
Fixed Assets	265	358	365	1,680	9,620	15,133	18,747	21,547
Right of Use Assets	-	12	55	424	635	558	382	206
Financial Assets	0	0	-	39	12	438	438	438
Deferred Tax Asset	17	16	3	24	54	54	54	54
Long Term Loans and	-	-	-	-	-	-	-	-
Other Non Current Assets	0	0	-	-	-	1,014	1,014	1,014
Current Assets	**84**	**93**	**261**	**385**	**6,555**	**5,640**	**7,891**	**6,805**
Current investments	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Trade Receivables	3	1	6	26	97	171	1,670	2,260
Cash and Bank Balances	52	68	218	90	4,639	3,215	3,967	2,291
Short Term Loans and	22	20	33	240	1,704	-	-	-
Other Financial Assets	-	-	-	-	-	151	151	151
Other Current Assets	6	4	5	29	115	2,103	2,103	2,103
TOTAL ASSETS	**366**	**480**	**684**	**2,552**	**16,877**	**22,837**	**28,526**	**30,064**

Cashflow (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
PBT	25	53	132	302	628	-212	2,755	4,039
Depreciation	88	178	201	157	601	1,692	3,176	4,376
Net Chg in WC	17	19	37	-53	-149	-76	-1,576	-573
Taxes	-26	0	-18	-22	-26	56	-689	-1,018
Others	-4	8	3	44	-169	-738	786	700
CFO	**100**	**259**	**355**	**429**	**885**	**1,221**	**4,452**	**7,524**
Capex	-106	-214	-189	-1,455	-1,259	-12,625	-6,600	-7,000
Net Investments made	-133	15	-23	4	-8,894	8,071	-	-
Others	3	7	6	14	325	265	-	-
CFI	**-237**	**-192**	**-207**	**-1,438**	**-9,828**	**-4,288**	**-6,600**	**-7,000**
Change in Share capital	159	1	-	-	14,728	1,072	-	-
Change in Debts	-	-13	-3	1,023	-915	918	3,700	-1,500
Div. & Div Tax	-0	-2	-1	-24	-73	-122	-800	-700
Others	-12	-6	-20	-75	-238	59	-	-
CFF	**147**	**-20**	**-24**	**924**	**13,502**	**1,926**	**2,900**	**-2,200**
Total Cash Generated	**10**	**47**	**125**	**-85**	**4,559**	**-1,142**	**751**	**-1,676**
Cash Opening Balance	**27**	**-8**	**38**	**163**	**78**	**4,637**	**3,215**	**3,967**
Cash Closing Balance	**37**	**38**	**163**	**78**	**4,637**	**3,215**	**3,967**	**2,291**

Ratios	FY21	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
GM	63.9	70.3	74.4	78.7	81.4	73.1	85.0	85.0
OPM	29.3	44.2	49.9	50.8	59.0	51.4	76.3	77.0
NPM	-3.4	12.4	14.8	22.8	23.4	-5.6	23.7	25.8
Tax rate	-	22.0	-25.1	-27.6	-24.4	-26.6	-25.0	-25.2
Growth Ratios (%)								
Net Sales	40.7	46.9	27.6	42.7	73.6	49.8	233.9	34.1
Operating Profit	-1,024.2	121.9	44.1	45.0	101.6	30.6	395.4	35.4
PBIT	-82.1	-353.7	153.1	148.6	13.6	-217.4	-816.6	33.0
PAT	-86.6	-619.8	53.6	120.7	117.2	-132.8	-1,427.3	46.2
Per Share (Rs.)								
Net Earnings (EPS)	-0.09	0.45	0.68	1.51	2.38	-0.76	10.05	14.70
Cash Earnings (CPS)	0.77	1.68	2.07	2.60	5.39	7.48	25.50	35.99
Dividend	-	-	-	-	-	-	-	-
Book Value	1.90	2.66	3.41	4.89	79.78	81.97	92.02	106.72
Free Cash Flow	2.51	0.39	1.06	-7.51	-38.04	-19.62	-13.18	-0.85
Valuation Ratios								
P/E(x)	-5,453	1,052	685	310	197	-619	47	32
P/B(x)	247	177	137	96	6	6	5	4
EV/EBIDTA(x)	654	296	205	144	92	75	16	11
Div. Yield(%)	-	-	-	-	-	-	-	-
FCF Yield(%)	0.54	0.08	0.23	-1.60	-8.11	-4.18	-2.81	-0.18
Return Ratios (%)								
ROE	-5%	20%	23%	36%	6%	-1%	12%	15%
ROCE	-4%	15%	31%	30%	9%	-1%	17%	19%
RoIC	-4%	20%	36%	15%	5%	0%	14%	15%

Source: Dalal & Broacha Research

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