

RETAIL EQUITY RESEARCH

Netweb Technologies India Ltd.

IT

SENSEX: 66,061

NIFTY: 19,565

SUBSCRIBE

Price Range Rs. 475- Rs. 500

The leading player in high-end computing solutions

Netweb Technologies India Ltd. (NTIL) is a Delhi-based company that specializes in High-end Computing Solutions (HCS). They serve various sectors, including IT, IT-enabled services, entertainment, media, BFSI, national data centers, and government entities. The company operates a manufacturing facility in Faridabad, Haryana, and has 16 offices across India. NTIL's 3 supercomputers have been listed among the world's top 500 supercomputers 11 times.

- The Indian IT Industry market worth USD 22,500cr in FY23 and is forecasted to reach USD 37,271cr by FY29, with a CAGR of 8.8% over the period (FY23-29).
- NTIL has both design and manufacturing capabilities in house and has undertaken the installation of over 300 supercomputing systems and over 4,000 accelerator/GPU based AI systems and enterprise workstations as of May 2023.
- Netweb is one of the few OEMs that has qualified for the production linked incentives scheme for IT hardware and networking products manufacturing in India.
- Intel, AMD, Samsung India, and Nvidia are some of the technology partners Netweb collaborates with to design and innovate product offerings.
- The company has raised Rs.51cr from pre-IPO placement at an issue price of Rs 500 per share from marquee institutional investors, including LG Family Trust, and Anupama Kishore Patil, among others.
- Netweb is expanding its geographical footprint, targeting the European, Middle Eastern, and African (EMEA) markets.
- In FY23, NTIL's revenue rose by 80% YoY to Rs 445cr, compared to Rs 247cr in the previous year. PAT doubled from Rs 22.5cr to Rs 47cr during the same period.
- NTIL's profitability has improved significantly, with EBITDA margins expanding to 15.7% in FY23 from 10.1% in FY21. Similarly, PAT margins improved to 10.5% in FY23 compared to 5.8% in FY21.
- At the upper price band of ₹500, NTIL is available at a P/E of 59.7x (FY23), which appears reasonably priced compared to peers. With effective management, consistent growth, an expanding product portfolio, geographic footprints and Digital India initiative by the Government, NTIL is well-positioned to capitalize on the Indian IT industry's growth. Therefore, we assign a "Subscribe" rating for the issue on a short to medium-term basis.

Purpose of IPO

The IPO consists of a fresh issue of Rs.206cr and OFS of 8,500,000 equity shares, amounting to Rs.425cr. The objects of the offer are: (i) Funding capital expenditure (Rs.32.3cr); (ii) Funding long term working capital (Rs.128cr); (iii) Repayment or pre-payment of the outstanding borrowings (Rs.22.5cr); (iv) General corporate purposes.

Key Risks

- Dependence on top 10 Customers for ~60 of the revenue in FY23.
- Majority of the revenue in FY23 (~72%) comes from higher education & research and IT & ITES industries.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	Mcap/Sales	P/BV	P/E(x)	CMP(₹)
Netweb Technologies	2,803	445	15.7	10.5	8.4	50.1	6.3	29.9	59.7	500
Syrma SGS Technology	7,947	2,048.4	9.2	5.8	6.8	11.5	3.9	5.2	71.7	484
Kaynes Technology Ltd	9,665	1,126	14.9	8.5	19.6	16.4	8.6	10.1	86.9	1,704
Dixon Technologies Ltd	26,125	12,192	4.2	2.1	43.2	22.4	2.1	20.3	100.4	4,336

Source: Geojit Research, Bloomberg; Valuations of NTIL are based on upper end of the price band (post issue), Financials as per FY23 consolidated.

Issue Details	
Date of opening	July 17, 2023
Date of closing	July 19, 2023
Total No. of shares offered (cr.)	1.26
Post Issue No. of shares (cr)	5.6
Price Band	₹ 475- ₹ 500
Face Value	₹2
Bid Lot	30 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 15,000
Maximum application for retail (upper price band for 13 lot)	₹ 1,95,000
Listing	BSE,NSE
Lead Managers	Equirus Capital Pvt. Ltd, IIFL Securities Ltd
Registrar	LinkIntime India pvt. Ltd

Issue size (upper price)	Rs.cr
Fresh Issue	206.0
OFS	425.0
Total Issue	631.0

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group	98.0	75.0
Public	2.0	25.0
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	315.5
Non-Institutional	15	94.7
QIB	75	220.9
Employee Reservation	-	
Total	100	631.0

Y.E March (Rs cr) Consol.	FY21	FY22	FY23
Sales	142.8	247.0	445.0
Growth (%)	-	73.0	80.1
EBITDA	14.4	34.6	70.0
Margin(%)	10.1	14.0	15.7
PAT Adj.	8.2	22.5	46.9
Growth (%)	-	172.8	109.0
EPS	1.5	4.0	8.4
P/E (x)	340.6	124.8	59.7
EV/EBITDA	197.0	82.0	40.5
RoE (%)	37.7	50.6	50.1

PRODUCTS AND SOLUTIONS PORTFOLIO

Currently, the solutions portfolio comprises

◆ **Supercomputing system**

NTIL is one of India's largest manufacturer of Supercomputing systems. (Source: F&S Report). Over the years, they have designed, developed and deployed some of India's most powerful Supercomputing systems including AIRAWAT, and PARAM Ambar. The Supercomputing systems use the 'Tyrone' cluster management suite which is an integrated set of software components that can be deployed in a variety of configurations. The Indian Supercomputing systems market is expected to grow from USD 539 million in Fiscal 2023 (F) to USD 919 million in Fiscal 2029 (F) at a CAGR of 9.3%. (Source: F&S Report)

◆ **Private cloud and HCI**

The private cloud and HCI offering, which is built and sold under the Tyrone Skylus brand, offers hyper-converged capabilities i.e., combining compute, storage, and network, thereby enabling them to provide a bespoke hardware and curated software stack. The private cloud and HCI offerings comprise (i) private cloud; (ii) hybrid cloud; (iii) cloud tools; (iv) HCI; and (v) cloud native storage. Since inception until May 31, 2023, they have undertaken installations of over 50 private cloud and HCI to marquee Customers such as Graviton, Akamai A.P.T. Portfolio, and Yotta Data. The Indian private cloud and HCI market is expected to grow from USD 2,797 million in Fiscal 2023 (F) to USD 8,007 million in Fiscal 2029 (F) at a CAGR of 19.2%. (Source: F&S Report)

◆ **AI systems and enterprise workstations**

The AI systems and enterprise workstations address requirements of Supercomputing systems, machine learning and deep learning, and are equipped with the proprietary containerised application solution (viz., Tyrone Kubyts) to address standalone parallel compute intensive applications. Since inception until May 31, 2023, they have undertaken installations of over 4,000 accelerator / GPU based AI systems and enterprise workstations for marquee Customers such as IIT Jammu, IIT Kanpur, IIIT Naya Raipur, JNU, HL Mando, Hemvati University, and Airamatrix. The Indian AI systems and enterprise workstations market is expected to grow from USD 333.6 million in FY23 (F) to USD 1,456.40 million in FY29 (F) at a CAGR of 27.8%. (Source: F&S Report).

◆ **HPS solutions**

The HPS solutions are capable of being integrated into private and public cloud environment. The HPS solutions are used across various industries such as media and entertainment, information technology and information technology enabled services, academia, banking, financial services and insurance, e-commerce, defence and media streaming. The hardware and software have been developed in-house and are compliant with the 'Make in India' initiative and comprises a management suite and hardware controller units with input-output benchmarking and application scaling capabilities and they have proprietary middleware. The Indian HPS solutions market is expected to grow from USD 709 million in Fiscal 2023 (F) to USD 948 million in Fiscal 2029 (F) at a CAGR of 5%. (Source: F&S Report)

◆ **Data centre server**

They have designed and built an extensive range of over 200 dual processor server models under the brand 'Tyrone Camarero'. The servers are designed and built with the intent of providing operational flexibility, and they have built servers to cater to disparate customer needs from entry level servers to high-end 'mission-critical' servers. The Indian data centre servers market is expected to grow from USD 3,414 million in Fiscal 2023 (F) to USD 4,564 million in Fiscal 2029 (F) at a CAGR of 5%. (Source: F&S Report).

◆ **Software and services for HCS**

They provide private (on-premises and off-premises) cloud software stack designed for managed Kubernetes, open stack services, AI-machine learning and deep learning as a service, containers as a service, and handle complex workloads (including 5G enterprise cloud, 5G edge compute, private 5G and enterprise IT). The cloud solutions comprise deployment services which includes designing, application migration, virtual machine migration, to application porting services.

Industry Outlook...

High-end computing solutions industry is a rapidly evolving and technologically advanced industry that requires the vendors to stay abreast of the developments and improve & customise their designs, and hardware and software offerings. High-end computing solutions make it possible for organizations to create more efficient operations, reduce downtime and improve worker productivity. High-end computing solutions, such as HPC, HCI, AI&EW, Data Center Servers etc., are expected to witness growth during the forecast period leading to increased adoption of technology in various end use industries plus increased investment by public and private players in these solutions. (Source: F&S Report).

Promoter and promoter group

The Promoters of the company are Sanjay Lodha, Navin Lodha, Vivek Lodha, and Niraj Lodha. The promoters hold 49,286,330 equity shares constituting 94.89% of the issued, subscribed and paid-up equity share capital of the company.

Brief Biographies of directors

- **Sanjay Lodha** is the Promoter and the Chairman and Managing Director of the Company. He has been associated with the Company as a director since September 22, 1999. He was the sole proprietor of the proprietorship, M/s Netweb Technologies since 1996 which was acquired by the Company in August 2016. He has also served on the Board of Advisors for Intel for the years 2020 and 2022.
- **Navin Lodha** is the Promoter and the Whole Time Director of the Company. He has been associated with the Company as a director since September 22, 1999.
- **Vivek Lodha** is the Promoter and the Whole Time Director of the Company. He has been associated with the Company as a director since April 13, 2015
- **Niraj Lodha** is the Promoter and the Whole Time Director of the Company. He has been associated with the Company as a director since April 13, 2015.
- **Mrutyunjay Mahapatra** is the Independent Director of the Company since February 23, 2023.
- **Jasjeet Singh Bagla** is the Independent Director of the Company since February 23, 2023.
- **Romi Jatta** is the Independent Director of the Company since February 23, 2023.
- **Vikas Modi** is the Independent Director of the Company since February 23, 2023.



CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY21	FY22	FY23
Sales	142.8	247.0	445.0
% change	-	73.0	80.1
EBITDA	14.4	34.6	70.0
% change	-	141	102
Depreciation	1.5	1.6	3.7
EBIT	12.9	33.0	66.4
Interest	3.3	3.6	4.1
Other Income	1.5	0.9	0.7
Exceptional items	-	-	-
PBT	11.1	30.2	63.0
% change	-	172.0	108.3
Tax	2.9	7.8	16.0
Tax Rate (%)	26	26	25
Reported PAT	8.2	22.5	46.9
Adj	-	-	-
Adj. PAT	8.2	22.5	46.9
% change	-	172.8	109.0
Post issue No. of shares (cr)	5.6	5.6	5.6
Adj EPS (Rs)	1.5	4.0	8.4
% change	-	172.8	109.0

BALANCE SHEET

Y.E March (Rs cr)	FY21	FY22	FY23
Cash	7.2	7.5	13.6
Accounts Receivable	55.7	77.8	151.5
Inventories	29.2	38.3	54.1
Other Cur. Assets	8.3	11.1	18.9
Investments	1.2	1.5	1.0
Deff. Tax Assets	1.3	1.1	0.7
Net Fixed Assets	6.6	9.6	21.9
CWIP	0.0	0.5	1.8
Intangible Assets	0.0	0.7	1.5
Other Assets	0.6	0.3	1.0
Total Assets	110.0	149.0	266.0
Current Liabilities	47.1	58.2	114.6
Provisions	1.3	1.4	1.8
Debt Funds	30.5	34.5	35.6
Other Fin. Liabilities	6.5	4.3	11.8
Deferred Tax liability	3.0	5.9	8.4
Equity Capital	5.7	5.7	10.2
Reserves & Surplus	16.2	38.7	83.5
Shareholder's Fund	21.8	44.4	93.7
Total Liabilities	110.0	149.0	266.0
BVPS (Rs)	3.9	8.0	17.0

CASH FLOW

Y.E March (Rs cr)	FY21	FY22	FY23
PBT Adj.	11.1	30.2	63.0
Non-operating & non cash adj.	3.6	4.8	9.5
Changes in W.C	-24.6	-29.8	-45.4
C.F. Operating	-9.9	5.19	27.1
Capital expenditure	-1.6	-5.4	-13.3
Change in investment	-0.5	-0.4	-1.0
Sale of investment	-	0.0	-
Other invest.CF	0.2	0.3	0.3
C.F - investing	-1.9	-5.5	-14.0
Issue of equity	-	-	-
Issue/repay debt	11.8	0.3	-8.0
Dividends paid	-	-	-
Other finance.CF	-	-	-
C.F - Financing	11.8	0.3	-8.0
Change. in cash	0.02	0.00	5.08
Closing cash	2.0	2.0	7.1

RATIOS

Y.E March	FY21	FY22	FY23
Profitab. & Return			
EBITDA margin (%)	10.1	14.0	15.7
EBIT margin (%)	9.1	13.3	14.9
Net profit mgn.(%)	5.8	9.1	10.5
ROE (%)	37.7	50.6	50.1
ROCE (%)	40.9	38.3	48.0
W.C & Liquidity			
Receivables (days)	143	99	94
Inventory (days)	100	66	52
Payables (days)	109	79	85
Current ratio (x)	2.1	2.3	2.1
Quick ratio (x)	1.3	1.5	1.4
Turnover & Levq.			
Net asset T.O (x)	21.7	30.5	28.2
Total asset T.O (x)	1.3	1.9	2.1
Int. covge. ratio (x)	0.3	0.1	0.1
Adj. debt/equity (x)	1.4	0.8	0.4
Valuation ratios			
EV/Sales (x)	19.8	11.5	6.4
EV/EBITDA (x)	197.0	82.0	40.5
P/E (x)	340.6	124.8	59.7
P/BV (x)	128.5	63.2	29.9

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CERTIFICATION

We, Rajeev T and Mithun T Joseph, author (s) of this Report, hereby certify that all the views expressed in this research report reflect my personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

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