

Netweb Technologies India

IT | India

IPO | 15 July 2023

High-End Computing Solutions Provider

About the Company

Netweb Technologies is a High-End Computing Solutions (HCS) provider, incorporated in 1999. The company designs, manufactures and deploys HCS comprising proprietary middleware solutions, end-user utilities, and precompiled application stack. As of Feb'23, the company has undertaken installations of 300+ supercomputing systems, 50+ private cloud and HCI installations and 4,000+ accelerator or GPU-based AI systems and enterprise workstations, and HPS solutions with throughput storage of up to 450 GB/Sec. Two of the company's supercomputers have been listed 10 times as the world's top 500 supercomputers. The company also caters to an Indian government space research organization and an R&D organization of the Ministry of Electronics and Information Technology, Government of India which is involved in carrying out R&D in information technology and electronics and associated areas including supercomputing. The company is coming out with an IPO comprising of Fresh Issue of ~4.1mn shares and an OFS of ~8.5mn shares, aggregating to ~Rs6,310mn.

Strong In-House Capabilities

The company develops in-house compute and storage technologies. Leveraging India's National Supercomputing Mission, it deploys supercomputing infrastructure to meet the rising computational demands of businesses, academia, and research organizations. Netweb Technologies' HCS offerings comprise of i) High-performance computing (supercomputing / HPC) systems, ii) Private cloud and hyper-converged infrastructure (HCI), iii) AI systems and enterprise workstations, iv) High-performance storage (HPS / enterprise storage system) solutions, v) Data centre servers, and vi) Software and services for HCS offerings.

Catering to Multiple End-User Industries & Customers

Netweb Technologies caters to several marquee customers across various end-user industries such as information technology, information technology-enabled services, entertainment and media, banking, financial services and insurance (BFSI), national data centres and government entities including in the defence sector. Additionally, the company also provides its solutions to education and research development institutions such as IIT Jammu, IIT Kanpur, NMDC Data Centre, Airamatrix and Jawaharlal Nehru University among several others. Moreover, the company has forayed into developing new product lines, namely, Network Switches and 5G ORAN Appliances, in FY23. These are critical to the data centre industry for enterprise IT, and the telecommunication industry for enabling 5G services.

Financials in Brief

On the financial front, the company has reported a net revenue of Rs1.4bn, Rs2.5bn and Rs4.5bn for FY21, FY22 and FY23 respectively. EBITDA for FY21, FY22 and FY23 were Rs144mn, Rs346mn and Rs700mn respectively, while net profit stood at Rs82mn, Rs225mn and Rs469mn for the aforementioned period. The company registered Revenue/EBITDA/PAT CAGR of 77%/121%/139% over FY21-23. PAT margin has steadily increased from 5.8% in FY21 to 10.5% in FY23. Netweb Technologies has maintained a healthy average RoE of ~46% over FY21-23.

Our View

On FY23 financials, the IPO is valued at 59.7x P/E, 40.3x EV/EBITDA and 6.3x EV/Sales. The over IT market in India is forecasted to be \$225bn in FY23 and is expected to reach \$372.7bn by FY29 with a CAGR of 8.8%. The PLI scheme and 'China Plus One' strategy will further boost the IT sector which will provide growth opportunities to the company. Moreover, high-end computing solutions, such as HPC, HCI, AI&EW, data centre servers etc., are expected to witness growth leading to increased adoption of technology in various end-use industries in addition to increased investment by public and private players in these solutions. **In view of strong in-house capabilities, healthy financials, foray into new product-lines, multiple end-user industries and marquee customers and strong growth prospects, we recommend a 'SUBSCRIBE' to the issue.**

SUBSCRIBE 

IPO Details

Price Band (Rs)	475-500
Face Value (Rs)	2
Issue Open/Closing Date	17-Jul-23/19-Jul-23
Fresh Issues (mn)	4.1
OFS (mn)	8.5
Total Issue (mn)	12.6
Minimum Bid Qty. (Nos)	30
Issue Size (Rs bn)*	6.31
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs bn)*	28.0

*At higher band

Object of the Issue

- ▶ Funding capex and working capital requirements.
- ▶ Repayment of borrowings.
- ▶ General corporate purposes.

Strengths

- ▶ India's leading Indian origin owned and controlled OEM for HCS.
- ▶ Marquee and diversified customer base.
- ▶ Focus on R&D and strong in-house capabilities.
- ▶ Healthy financial performance.
- ▶ Focus on expanding the product portfolio.

Key Risk

- ▶ Heavily reliant on top 10 customers.
- ▶ Majority portion of revenues are from operations from selected HCS offerings.
- ▶ Depend on few application Industries for majority of revenue from operations.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	97.8	75.5
Others	2.2	24.6

Key Financials

(Rs mn)	FY21	FY22	FY23
Revenue	1,428	2,470	4,450
EBITDA	144	346	700
EBITDA Margin (%)	10.1	14.0	15.7
PAT	82	225	469
PAT Margin (%)	5.8	9.1	10.5
EPS (Rs)	1.5	4.0	8.4
P/E (x)	340.6	124.8	59.7
EV/EBITDA (x)	196.4	81.8	40.3
EV/Sales (x)	19.8	11.5	6.3
Net Worth	218	444	937
RoE (%)	37.7	50.6	50.1
Gross Debt	291	336	304
Net Block	66	104	234
Net Asset Turnover (x)	21.7	23.8	19.0

Source: RHP

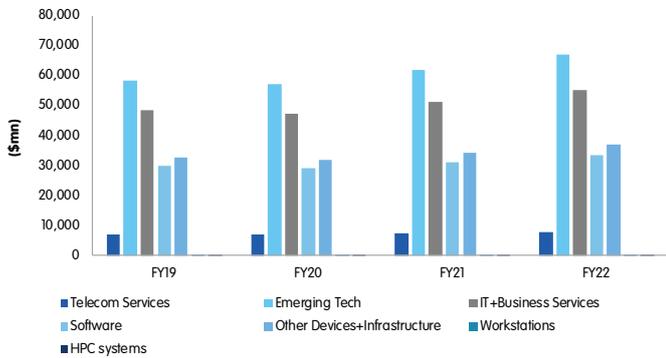
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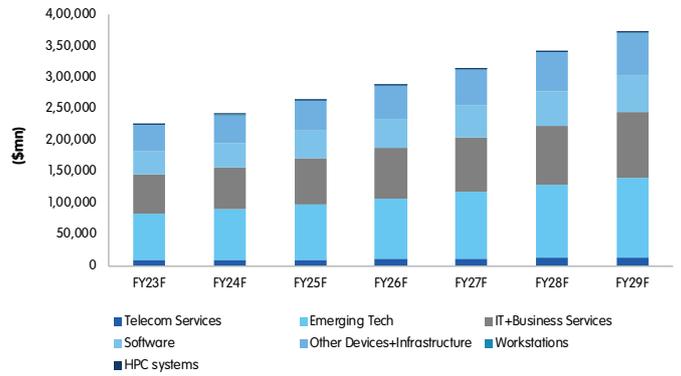
Industry Data

Exhibit 1: Indian IT Market by Segment



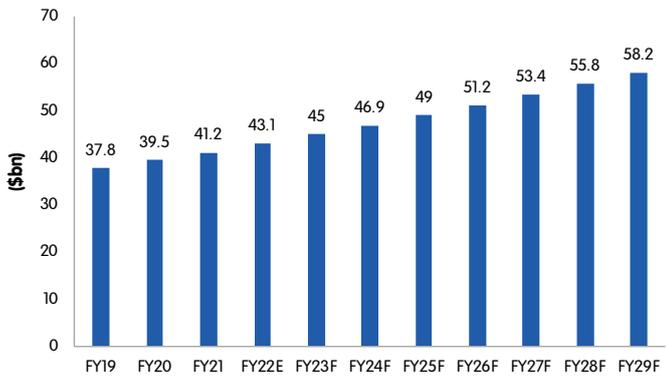
Source: RHP, Frost & Sullivan Analysis

Exhibit 2: India IT Industry Market by Application



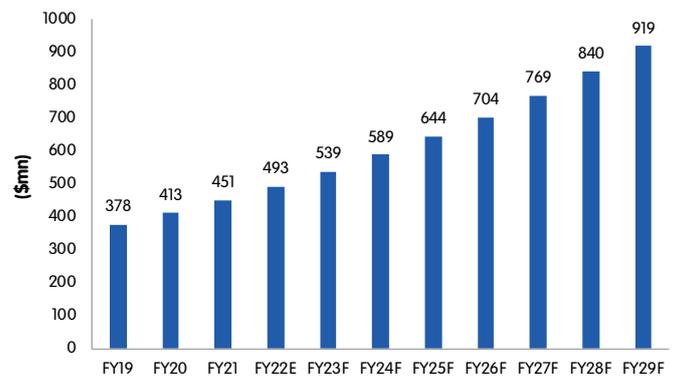
Source: RHP, Frost & Sullivan Analysis

Exhibit 3: Global HPC Market



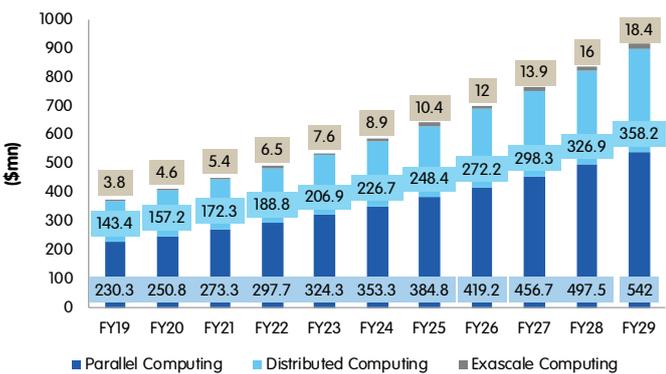
Source: RHP, Frost & Sullivan Analysis

Exhibit 4: Indian HPC Market



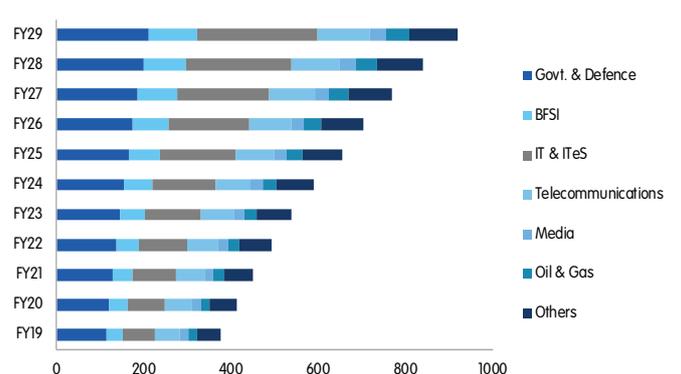
Source: RHP, Frost & Sullivan Analysis

Exhibit 5: India HPC Market by Computation Type



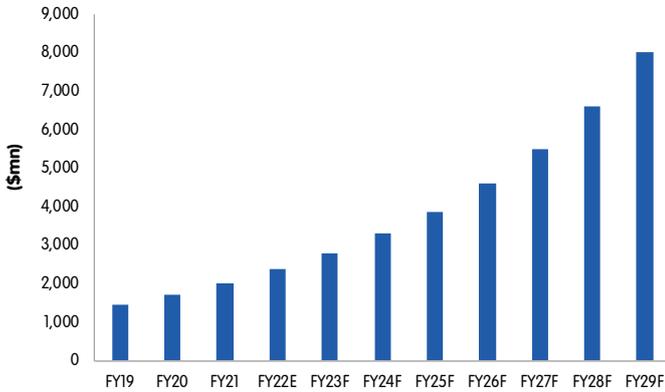
Source: RHP, Frost & Sullivan Analysis

Exhibit 6: India HPC Market by Application (\$mn)



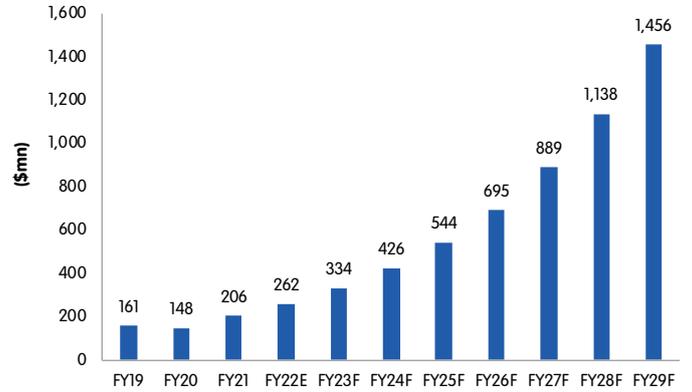
Source: RHP, Frost & Sullivan Analysis

Exhibit 7: India Private Cloud & Hyperconverged Infrastructure (HCI)



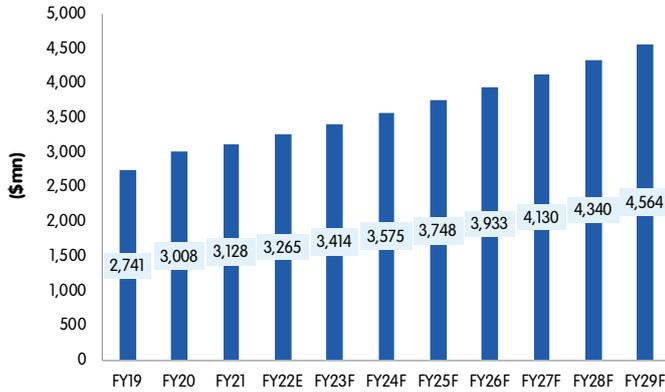
Source: RHP, Frost & Sullivan Analysis

Exhibit 8: India AI Systems & Enterprise Workstations (AI & EW) Market



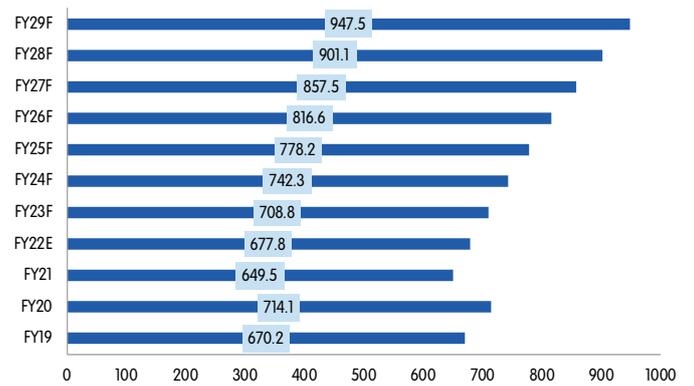
Source: RHP, Frost & Sullivan Analysis

Exhibit 9: India Data Centre Server Market



Source: RHP, Frost & Sullivan Analysis

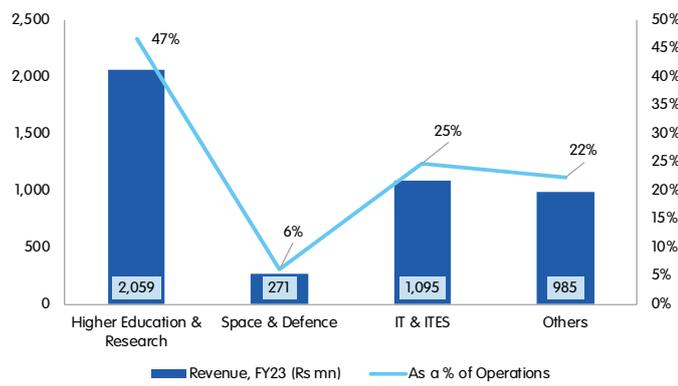
Exhibit 10: India Enterprise Storage Systems market (\$mn)



Source: RHP, Frost & Sullivan Analysis

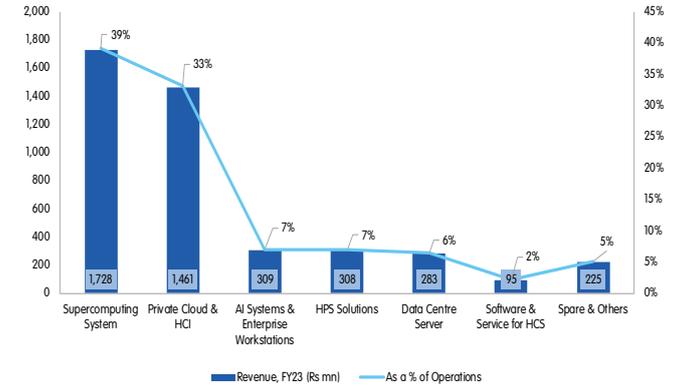
Company Data

Exhibit 11: Revenue Breakup (Application Industries) - FY23



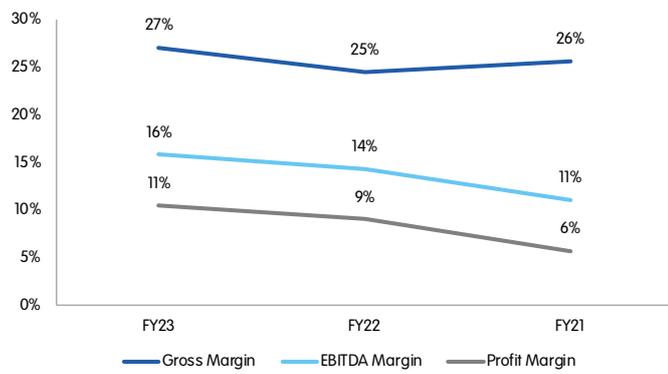
Source: RHP

Exhibit 12: Revenue Breakup (Business Vertical) - FY23



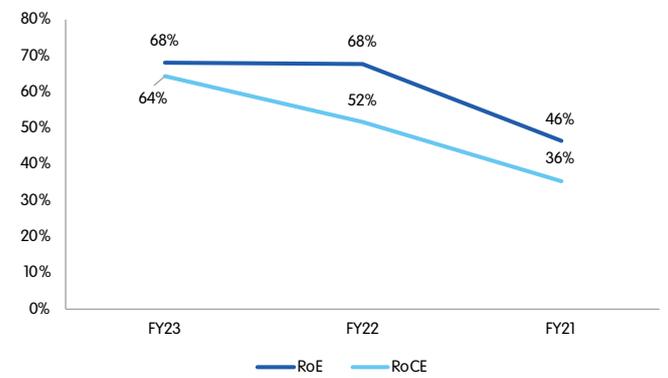
Source: RHP

Exhibit 13: Margins (%)



Source: RHP

Exhibit 14: RoE & RoCE (%)



Source: RHP

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