



IPO Note – Netweb Technologies India – Technology Exceeds Humanity

17 July 2023

Netweb Technologies India (Netweb) incorporated on September 22, 1999, is one of India's leading OEMs in the space of HCS (high-end computing solutions) providing supercomputing systems, private cloud and HCI (hyper-converged infrastructure), data centre servers, AI systems and enterprise workstations and HPS solutions with manufacturing facility in Faridabad and Haryana. The company caters to many Indian and multinational customers based in India and proposes to grow its geographical footprint in Europe, Middle East, and Africa (EMEA). It recently forayed into developing new product lines - network switches and 5G ORAN appliances. It's R&D team's in-depth understanding of HCS enable them to stay at the forefront of technological evolution and anticipate and envision the future needs of the market.

Key Highlights: -

- Currently, Netweb's HCS offerings cater to various application industries such as IT, IT-enabled services, entertainment and media, BFSI, and government entities, (including defence), education and research development institutions and national data centers such as NMDC Data Centre.
- Indian supercomputing systems market has increased from \$378mn in FY19 to \$539mn in FY23, at a CAGR of ~7%. Further, the market is expected to grow to \$919mn by FY29, at a CAGR of ~9% over FY23-29.
- Netweb has robust financial performance with profit growing at a CAGR of 139% during FY21-FY23 to INR 47cr and the revenue grew at a CAGR of 77% to INR 445cr in FY23 backed by growth across segments.
- On the operating front, EBITDA for FY23 increased 102% YoY to INR 70cr with a margin expansion of 173 bps YoY to 15.7%. RoE stood at ~68% in FY23 (flattish YoY) while RoCE rose to 64.4% from 51.6% in FY22, while the net debt to equity ratio was 0.30x at the end of FY23, improving from 0.73x in FY22.
- During FY23, the company catered to 2,011 customers. Total Customers contributed to revenue was 509 in FY23 vs 474 in FY22. Netweb acquired 192 customers in FY23. Repeat Customers contributed 90.68% of the revenue.

Key Risks:- 1) Netweb is exposed to concentration risk as it is reliant on top 10 customers. 2) Decline in demand from HCS solution may have a negative impact on the business operations and financial condition.

Outlook & valuation – SUBSCRIBE

We have a **SUBSCRIBE** recommendation to this issue on the back of a) extraordinary performance over past three years, b) well positioned to capture the future growth due to its presence in government, defense, higher education, and research sectors. and c) valuation of 54.2x PE (pre-money) and 59.2x PE (post-money) on a trailing basis is reasonable and at a discount compared to industry.

Key Financials (INR Cr)	FY21	FY22	FY23
Net Revenue	143	247	445
EBITDA	14	35	70
EBITDA Margin	10.1%	14.0%	15.7%
PAT	8	22	47
RoE	46.4%	67.9%	68.0%
RoCE	35.5%	51.6%	64.4%
EPS	1.6	4.4	9.2
P/E			54.2

Source: ABML Research, RHP

Rating	SUBSCRIBE
Issue Details	
Issue Opens	17-July-23
Issue Closes	19-July-23
Price Band (₹)	475-500
Bid Lot	30 shares
Issue Size at higher price band (₹ Cr)	631
Market cap @ upper price band (₹ cr)	2,752
Listing	NSE/BSE
BRLMs	Equirus Capital Private Ltd, IIFL Securities Ltd.
Registrar	Link Intime India Pvt Ltd
Issue Structure (Shares in cr)	
Issue size	1.26
OFS	0.85
Break-up of net issue to public (%):	
QIB	50.0
NIB	15.0
Retail	35.0

Source: ABML Research, RHP

Analyst Details

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