

# Netweb Technologies

**CMP:** Rs2,002 | **TP:** Rs2,130 | **Market cap (US\$m):** 1,396 | **Bloomberg:** NETWEB IN

## Growth moderates off a high base

### 3QFY25 Update

Sales: Rs3,340mn, up 32% YoY/ up 33% QoQ (in-line with IIFLe)  
EBITDA: Rs439mn, up 28% YoY/ up 23% QoQ (10% below IIFLe)  
EBITDA Margins: 13.2%, down 36bps YoY/ down 107bps QoQ (IIFLe: 14.7%)  
PAT: Rs303mn, up 17% YoY/ up 18% QoQ (14% below IIFLe)  
Order Inflows: Rs3,246mn, down 13% YoY/ up 61% QoQ  
Order Book (incl. L1): Rs7,084mn (0.8x TTM Sales), up 10% YoY/ flat QoQ

**Netweb Technologies reported an in-line growth in 3Q revenue driven by AI&EW (+92% YoY) while pace of growth moderated for HPC & HCI segments (+27%/12% YoY) off a high base. While Order inflows declined YoY, same should scale up on the back of a strong order pipeline (ex-India AI mission) of Rs38bn (+18% YoY). Execution of a large order for VSSC impacted GMs (down 35bps YoY), which coupled with recognition of PLI pushing out to 4Q led to a 150bps miss on IIFLe OPMs. Management reiterated guidance of 30-35% sales Cagr over the medium term but moderated margin improvement expectations as the company continues the growth trajectory. We tone down our revenue and margins expectations, driving 11/10/8% cut to FY25/26/27ii EPS. Even as Netweb remains a quality play on the fast-growing HPC market in India, expensive valuations leave little room for upside. Maintain ADD with a revised TP of Rs2,130 (50x FY27ii).**

## Performance highlights

### Financial highlights

- Implied order inflows declined by 13% YoY to ~Rs3.2bn while the L1 position stood at ~Rs3.5bn. Cumulative order book (existing OB + L1) is Rs7.1bn, 0.8x TTM sales. OB contains export orders from ME & Europe. Order pipeline improved by 18% YoY to ~Rs38bn (+3% sequentially).
- For end-customer segments, sales growth was led by Space & Defence (up 34x YoY to Rs1,134mn) on the back of execution of the supercomputer order from VSSC. Other Enterprises and Higher Education & Research Institutions witnessed 26/21% YoY decline. Mix of Government & Private enterprises stood at 60:40.
- During the quarter the company forayed into international markets (Europe & Middle East) with exports making up 9% of sales. Margins for the exports business were in-line with the domestic business.
- Netweb on boarded 33 new clients in 3QFY25, cumulatively added 103 new customers in 9MFY25. Customer concentration increased during the period with Top 10 clients constituting 72% of sales in 9MFY25 vs 65% in FY24.
- Execution of a large order during the quarter impacted gross margins (-35bps YoY to 21.4%), leading to Ebitda margins declining to 13.2%. Current order book has no large chunky orders and hence margins should improve in the coming quarters.
- Decline in other income (-65% YoY) and increase in D&A (+72% YoY) owing to operationalisation of the new SMT facility led PAT margins to contract by 119bps YoY to 9.1%. PAT grew by 17% YoY to Rs303mn.
- Mgmt. reiterated guidance for 30-35% sales Cagr over the medium term. OPMs set to sustain at 14% for FY25 and mgmt. guides for marginal expansion over the next two years.

**Other highlights**

- **Product Development** – The company is developing AI GPU systems based on the NVIDIA Blackwell GB200 platforms. It is expected to launch in the next four months, in-line with NVIDIA's worldwide launch.
- The company is still working on 5G ORAN and the R&D team is making the product ready, but it will take at least one or two quarters to have a commercial product ready.
- **GPU embargos** – Mgmt. doesn't expect possible GPU export restrictions by USA to impact Netweb's operations esp. for projects involving government or large enterprises.

**Figure 1: Financial summary (Rs mn)**

Y/e 31 Mar, Consolidated	FY23A	FY24A	FY25ii	FY26ii	FY27ii
Revenues (Rs m)	4,450	7,241	10,982	15,461	21,489
Ebitda margins (%)	15.7	14.2	14.5	15.2	15.6
Pre-exceptional PAT (Rs m)	469	759	1,166	1,663	2,401
Reported PAT (Rs m)	469	759	1,166	1,663	2,401
Pre-exceptional EPS (Rs)	9.2	13.5	20.7	29.5	42.6
Growth (%)	16.1	46.1	53.6	42.6	44.4
IIFL vs consensus (%)			(3.3)	(4.9)	(4.2)
<b>PER (x)</b>	<b>NM</b>	<b>159.3</b>	<b>103.7</b>	<b>72.7</b>	<b>50.4</b>
ROE (%)	68.0	29.4	24.7	28.3	32.4
Net debt/equity (x)	0.2	(0.5)	(0.4)	(0.4)	(0.3)
EV/Ebitda (x)	156.3	115.8	74.5	50.5	35.2
Price/book (x)	116.6	28.6	23.2	18.6	14.5
OCF/Ebitda (x)	0.4	0.2	0.2	0.3	0.3

Source: Company, IIFL Research

**Figure 2: Summary of change in estimates**

Rs bn	New			Old			Change		
	FY25ii	FY26ii	FY27ii	FY25ii	FY26ii	FY27ii	FY25ii	FY26ii	FY27ii
Revenue	11.0	15.5	21.5	11.7	16.5	23.0	-6%	-6%	-6%
OPMs	14.5%	15.2%	15.6%	15.3%	15.7%	15.9%	-80 bps	-51 bps	-25 bps
PAT	1.2	1.7	2.4	1.3	1.8	2.6	-11%	-10%	-8%
EPS (Rs)	20.7	29.5	42.6	23.4	32.7	46.4	-11%	-10%	-8%

Source: Company, IIFL Research

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