

Closes FY25 on a strong note

Netweb Technologies reported a stellar performance in 4Q – delivering 56%/45% YoY Sales/PAT growth off a strong base in PY. After delivering robust growth over FY23-25, mgmt. is raising growth guidance to 35-40% Cagr (vs 30-35% earlier) driven by strong momentum in core categories, esp. AI&EW. As growth takes precedence, OPMs (ex-PLI) are set to dilute and net margins to sustain at ~10%. We raise our FY26/27ii EPS by 3/6%, led by upgrades to sales estimates even as we trim down margin expectations. We forecast 42%/44% Sales/PAT Cagr over FY25-28ii. Netweb remains one of the leading domestic players in the HCS domain with end-to-end capabilities. Maintain ADD with a revised TP of Rs1,824 (42x FY27ii EPS, ~1x PEG).

Delivers on growth, marginally misses on profitability: 4Q revenue (+56% YoY to Rs4.1bn) came in-line with IIFLe, driven by jump in AI&EW (+80% YoY) and ramp-up in HPC (+57% YoY). HCI (i.e. Private Cloud business) registered healthy rebound in execution sequentially. While revenues were in-line with IIFLe, balance execution of a large order (HPC for VSSC) caused GMs to contract (-132bps YoY to 22.4%), driving 7% PAT miss.

Rapid execution drives dip in orderbook: Netweb's cumulative OB+L1 position declined 5% YoY to ~Rs7bn (0.6x TTM Sales) as execution outpaced receipt of order inflows throughout FY25. However, mgmt. remains confident of sustaining growth momentum led by a strong order pipeline (+15% YoY to Rs40bn), which is poised to grow further in 2HFY26, led by potential inclusion of large-scale GoI HPC orders.

High NWC intensity impacts OCF: Netweb reported negative OCF in FY25 due to higher NWC intensity as on reported date, driven by a sharp pick-up in growth. While OCF was negative for FY25, the company generated OCF of Rs665mn (1.1x Ebitda) in 4Q.

CMP	Rs1604
12-mth TP (Rs)	1824 (14%)
Market cap (US\$m)	1,073
Enterprise value(US\$m)	1,058
Bloomberg	NETWEB IN
Sector	EMS

Shareholding pattern (%)

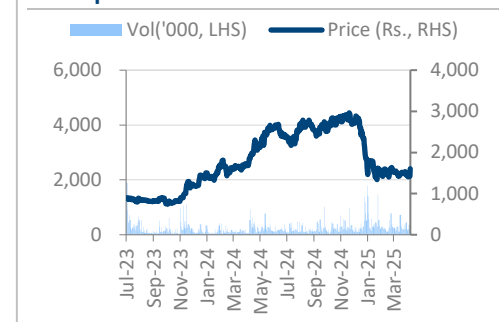
Promoter	71.0
Pledged (as % of promoter share)	0.0
FII	10.7
DII	5.3

52Wk High/Low (Rs)	2961/1341
Shares o/s (m)	57
Del Value 3mth avg (US\$ m)	2.8
Dividend yield FY26ii (%)	0.3
Free float (%)	29.0

Price performance (%)

	1M	3M	1Y
Absolute (Rs)	7.0	(7.9)	(13.0)
Absolute (US\$)	8.3	(4.4)	(13.8)
Relative Perf.	2.4	(3.0)	(14.3)
Cagr (%)	3 yrs	5 yrs	
EPS (Rs)	36.5	71.0	

Stock performance



Financial summary (Rs m)

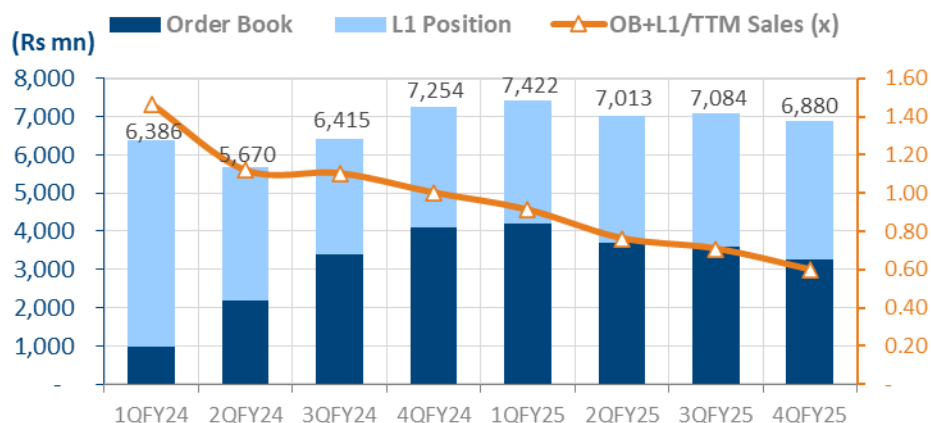
Y/e 31 Mar, Consolidated	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenues (Rs m)	7,241	11,490	16,658	23,807	33,163
Ebitda margins (%)	14.2	13.9	14.0	14.3	14.2
Pre-exceptional PAT (Rs m)	759	1,145	1,667	2,461	3,423
Reported PAT (Rs m)	759	1,145	1,667	2,461	3,423
Pre-exceptional EPS (Rs)	13.5	20.2	29.4	43.4	60.4
Growth (%)	46.1	50	45.6	47.6	39.1
IIFL vs consensus (%)		2.8	5.3	7.7	0.0
PER (x)	119.1	79.4	54.5	36.9	26.6
ROE (%)	29.4	24.0	27.6	31.5	33.2
Net debt/equity (x)	(0.5)	(0.3)	(0.4)	(0.4)	(0.4)
EV/Ebitda (x)	86.1	55.7	37.8	25.7	18.3
Price/book (x)	21.4	17.1	13.4	10.3	7.7
OCF/Ebitda (x)	0.2	NM	0.5	0.3	0.3

Source: Company, IIFL Research. Priced as on 05 May 2025

Concall highlights

- Order book declined 21% YoY to Rs3.6bn on the back of robust execution outpacing growth in implied order inflows (+12% YoY to Rs3.8bn). Cumulative OB+L1 position stood at Rs6.9bn (-5% YoY, 0.7x TTM sales).

Figure 1: Robust execution drives decline in OB+L1 position

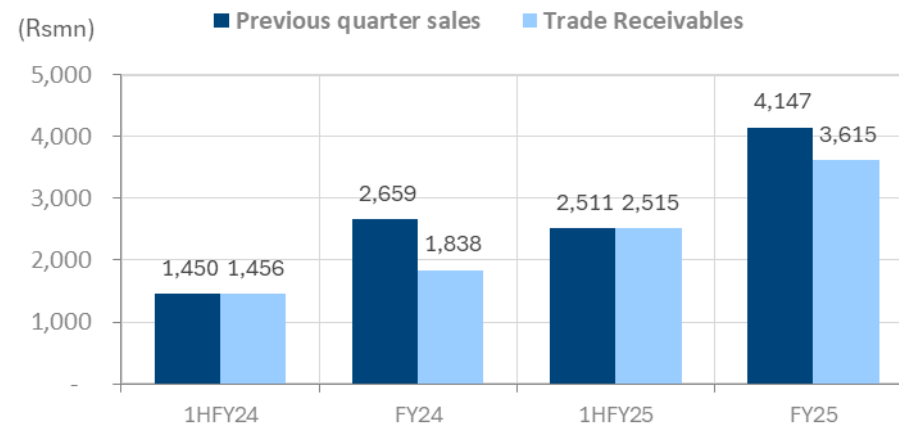


Source: Company, IIFL Research

- Order pipeline improved by 15% YoY to Rs39.7bn, albeit flat sequentially. Large HPC orders are expected to become a part of the funnel towards the end of FY26.
- Mgmt. highlighted that historically 60% of pipeline has converted to L1, whole of which, has flowed into the orderbook. Average execution cycle remains 8-12 weeks.
- Netweb onboarded 44 new clients in 4QFY25, cumulatively adding 147 new customers in FY25. Customer concentration was largely flat YoY during the period with Top 10 clients constituting 66% of sales in FY25 vs 65% in FY24.
- Revenue growth was led by jump in AI&EW (+80% YoY) and ramp-up in HPC (+57% YoY). HCI registered healthy rebound in execution, growing 39% sequentially. HPC, HCI and AI&EW segments contributed 33%/35%/15% of sales – dominating the mix.

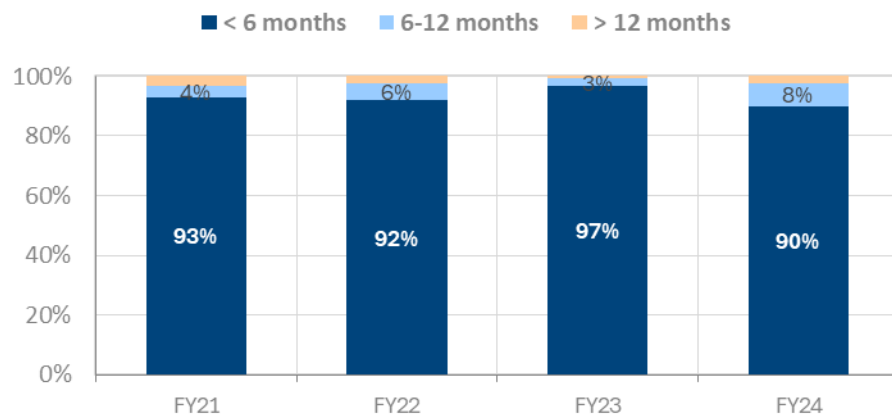
- Mgmt. revised growth guidance upwards to 35-40% sales Cagr over the medium term, up from 30-35% earlier.
- Moderation in GMs (-132bps YoY to 22.4%) led to contraction in OPMs despite healthy operating leverage and receipt of PLI of Rs59mn during the quarter.
- Fall in Ebitda margins, lower other income (-37% YoY) and higher D&A owing to operationalisation of the new SMT facility in FY25 led PAT margins to contract by 79bps YoY to 10.4%.
- As growth takes preference, mgmt. lowered OPMs guidance to 13-14% range while maintaining 10% net margin profile.
- Netweb incurred net capex of Rs229mn in FY25. With sustained growth in revenues, the company is set to surpass revenue of Rs20bn in FY27, necessitating fresh capex – albeit small, considering the high asset turns.
- Cash conversion cycle increased by 3 days YoY to 91 days in FY25. Higher working capital intensity led to negative OCF generation for the full year; however, concerted efforts aided OCF generation of Rs665mn in 4Q (1.1x Ebitda).

Figure 2: Jump in receivables closely mirror previous quarter's revenue



Source: Company, IIFL Research

Figure 3: Mgmt. contended that the quality of receivables remains pristine, with the age of majority receivables < 6 months – in-line with FY22/23 levels



Source: Company, IIFL Research

Figure 4: Summary of change in estimates

Rs bn	New		Old		Change	
	FY26ii	FY27ii	FY26ii	FY27ii	FY26ii	FY27ii
Revenue	16.7	23.8	15.7	21.4	6%	11%
OPMs	14.0%	14.3%	14.6%	15.2%	-60 bps	-85 bps
PAT	1.7	2.5	1.6	2.3	3%	6%
EPS (Rs)	29.4	43.4	28.7	41.1	3%	6%

Source: Company, IIFL Research

Figure 5: Financial highlights

Rs mn	4QFY24	3QFY25	4QFY25	YoY	QoQ	FY24	FY25	YoY
Revenues	2,659	3,340	4,147	56%	24%	7,241	11,490	59%
Raw Materials	2,028	2,625	3,218	59%	23%	5,445	8,825	62%
Employee expenses	119	162	181	53%	12%	500	621	24%
Other expenses	108	114	150	39%	31%	270	449	67%
EBITDA	404	439	598	48%	36%	1,025	1,594	55%
<i>EBITDA margin</i>	<i>15.2%</i>	<i>13.2%</i>	<i>14.4%</i>	<i>-79 bps</i>	<i>126 bps</i>	<i>14.2%</i>	<i>13.9%</i>	<i>-29 bps</i>
Depreciation	17	31	32	84%	2%	63	113	81%
Finance costs	28	15	12	-58%	-19%	62	41	-34%
Other income	39	16	25	-37%	60%	119	100	-16%
PBT	398	409	579	45%	41%	1,020	1,540	51%
Tax	101	106	149	47%	41%	261	395	52%
<i>Tax rate</i>	<i>25.5%</i>	<i>25.9%</i>	<i>25.7%</i>	<i>26 bps</i>	<i>-16 bps</i>	<i>26%</i>	<i>26%</i>	<i>10 bps</i>
Adjusted PAT	297	303	430	45%	42%	759	1,145	51%
<i>Net margin</i>	<i>11.2%</i>	<i>9.1%</i>	<i>10.4%</i>	<i>-79 bps</i>	<i>129 bps</i>	<i>10.5%</i>	<i>10.0%</i>	<i>-52 bps</i>
Adj EPS (Rs)	5.3	5.4	7.6	44%	41%	13.6	20.3	49%
As a % of sales								
Gross margin	23.7	21.4	22.4	-132 bps	98 bps	24.8	23.2	-160 bps
Employee expenses	4.5	4.8	4.4	-10 bps	-48 bps	6.9	5.4	-150 bps
Other expenses	4.0	3.4	3.6	-44 bps	20 bps	3.7	3.9	19 bps
Order Pipeline	34,466	38,149	39,714	15%	4%	34,466	39,714	15%
Order Inflows	3,380	3,246	3,796	12%	17%	NA	10,630	NA
Order Book + L1	7,254	7,084	6,880	-5%	-3%	7,254	6,880	-5%
<i>OB+L1/TTM Sales</i>	<i>1.0</i>	<i>0.7</i>	<i>0.6</i>			<i>1.0</i>	<i>0.6</i>	

Source: Company, IIFL Research

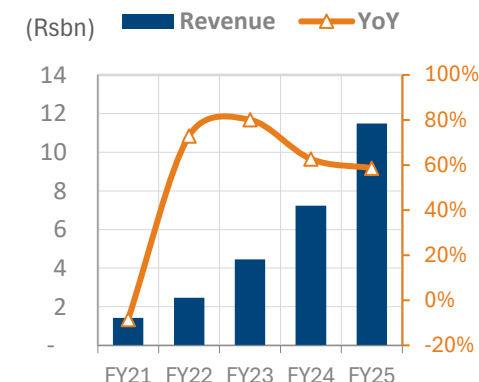
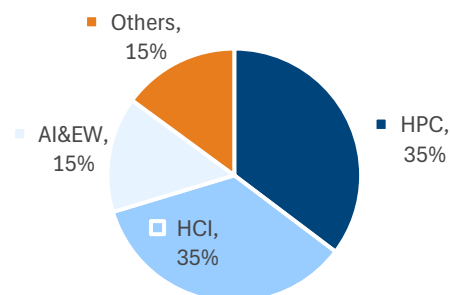
Background: Netweb Technologies is one of India's leading high-end computing solutions (HCS) providers, with fully integrated design and manufacturing capabilities. Established as a sole proprietorship in 1999 (incorporated as a company in 2016), over the last two decades Netweb has installed over 300 supercomputing systems, over 50 private cloud & HCI installations and 4,000+ AI systems and enterprise workstations.

Management

Name	Designation
Sanjay Lodha	Chairman & MD
Ankit Kumar Singhal	CFO
Hridey Vikram	Chief Marketing Officer

Customers: ISRO, HAL, Graviton, IITs, Akamai, Yotta
Competitors: IBM, ATOS, Lenovo, HPE

Revenue Mix - FY25



Assumptions

Y/e 31 Mar, Consolidated	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenue YoY (%)	0.0	0.0	0.0	0.0	0.0
HPC	51.8	54.5	45.0	50.0	45.0
Private cloud & HCI	81.0	52.3	40.0	35.0	32.0
AI&EW	158.3	112.0	75.0	60.0	50.0
HPS	10.0	(18.9)	30.0	25.0	25.0
Data centre server	19.0	10.7	17.5	18.0	18.0
HCS focussed Software and Service	85.9	158.5	10.0	10.0	10.0
Spare & Others	27.9	71.9	20.0	20.0	20.0
Network switches & 5G	0.0	248.2	60.0	60.0	60.0
ORAN					

Source: Company data, IIFL Research

PE Chart



EV/Ebitda



Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Consolidated	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenues	7,241	11,490	16,658	23,807	33,163
Ebitda	1,025	1,600	2,329	3,409	4,724
Depreciation and amortisation	(63)	(113)	(132)	(146)	(175)
Ebit	963	1,487	2,197	3,263	4,549
Non-operating income	119	94	99	108	119
Financial expense	(62)	(41)	(57)	(68)	(73)
PBT	1,020	1,540	2,238	3,303	4,595
Exceptionals	0	0	0	0	0
Reported PBT	1,020	1,540	2,238	3,303	4,595
Tax expense	(261)	(395)	(571)	(842)	(1,172)
PAT	759	1,145	1,667	2,461	3,423
Minorities, Associates etc.	0	0	0	0	0
Attributable PAT	759	1,145	1,667	2,461	3,423

Ratio analysis

Y/e 31 Mar, Consolidated	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Per share data (Rs)					
Pre-exceptional EPS	13.5	20.2	29.4	43.4	60.4
DPS	2.0	2.5	4.4	6.5	9.1
BVPS	75.0	93.6	119.5	156.4	207.8
Growth ratios (%)					
Revenues	62.7	58.7	45.0	42.9	39.3
Ebitda	46.4	56.1	45.5	46.4	38.6
EPS	46.1	50.0	45.6	47.6	39.1
Profitability ratios (%)					
Ebitda margin	14.2	13.9	14.0	14.3	14.2
Ebit margin	13.3	12.9	13.2	13.7	13.7
Tax rate	25.6	25.7	25.5	25.5	25.5
Net profit margin	10.5	10.0	10.0	10.3	10.3
Return ratios (%)					
ROE	29.4	24.0	27.6	31.5	33.2
ROIC ex goodwill	0.0	0.0	0.0	0.0	0.0
Solvency ratios (x)					
Net debt-equity	(0.5)	(0.3)	(0.4)	(0.4)	(0.4)
Net debt to Ebitda	(2.1)	(1.1)	(1.2)	(1.0)	(0.9)
Interest coverage	15.5	36.3	38.2	48.0	NM

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Consolidated	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Cash & cash equivalents	2,216	1,795	2,802	3,450	4,321
Inventories	1,147	2,228	2,495	3,571	4,981
Receivables	1,838	3,615	4,083	5,843	8,150
Other current assets	399	615	731	1,046	1,459
Creditors	1,266	2,979	2,949	4,220	5,886
Other current liabilities	520	555	907	1,298	1,811
Net current assets	3,814	4,720	6,255	8,392	11,213
Fixed assets	429	531	462	406	481
Intangibles	18	30	30	30	30
Investments	0	0	0	0	0
Other long-term assets	77	119	139	164	193
Total net assets	4,339	5,400	6,886	8,991	11,917
Borrowings	16	13	20	20	20
Other long-term liabilities	95	84	95	109	125
Shareholders equity	4,228	5,303	6,770	8,862	11,772
Total liabilities	4,339	5,400	6,886	8,991	11,917

Cash flow summary (Rs m)

Y/e 31 Mar, Consolidated	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Ebit	963	1,487	2,197	3,263	4,549
Tax paid	(261)	(395)	(571)	(842)	(1,172)
Depreciation and amortization	63	113	132	146	175
Net working capital change	(683)	(1,397)	(528)	(1,489)	(1,951)
Other operating items	102	60	50	0	0
Operating cash flow before interest	184	(132)	1,280	1,078	1,601
Financial expense	(62)	(41)	(57)	(68)	(73)
Non-operating income	119	94	99	108	119
Operating cash flow after interest	240	(79)	1,321	1,118	1,648
Capital expenditure	(186)	(229)	(80)	(90)	(250)
Long-term investments	(1,406)	1,126	(78)	(84)	(90)
Others	1,177	(1,215)	(163)	(296)	(437)
Free cash flow	(175)	(397)	1,000	648	870
Equity raising	2,571	1	0	0	0
Borrowings	(316)	(24)	7	0	0
Dividend	0	0	0	0	0
Net chg in cash and equivalents	2,080	(421)	1,007	648	870

Source: Company data, IIFL Research

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Key to our recommendation structure

BUY - Stock expected to give a return 10%+ more than average return on a debt instrument over a 1-year horizon.

SELL - Stock expected to give a return 10%+ below the average return on a debt instrument over a 1-year horizon.

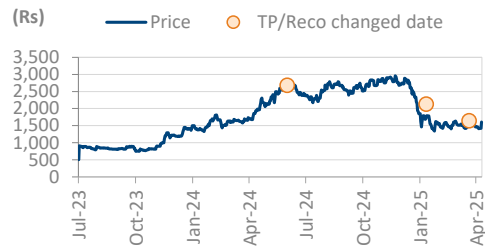
Add - Stock expected to give a return 0-10% over the average return on a debt instrument over a 1-year horizon.

Reduce - Stock expected to give a return 0-10% below the average return on a debt instrument over a 1-year horizon.

Distribution of Ratings: Out of 305 stocks rated in the IIFL coverage universe, 158 have BUY ratings, 5 have SELL ratings, 102 have ADD ratings, 1 have NR ratings and 38 have REDUCE ratings

Price Target: Unless otherwise stated in the text of this report, target prices in this report are based on either a discounted cash flow valuation or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, in fashion. Valuations may also be affected by changes in taxation, in exchange rates and, in certain industries, in regulations. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, and political and social conditions. This discussion of valuation methods and risk factors is not comprehensive – further information is available upon request.

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 - iii. Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Netweb Tech: 3 year price and rating history


Date	Rating	Close price (Rs)	Target price (Rs)	Upside (%)
15 Apr 2025	ADD	1465	1645	12.3
05 Feb 2025	ADD	1684	2130	26.5
26 Jun 2024	ADD	2570	2680	4.3