Netweb Technologies – BUY

04 September 2025

Upgrade to BUY

IIFL CAPITAL

IndiaAI mission: Netweb's AI Inflection

Company update

Success in securing its maiden order (first tender) worth Rs17.3bn for the Sovereign AI Infrastructure under the IndiaAI Mission places Netweb Technologies in pole position, backed by its full stack of AI solutions. With sufficient capacity available, Netweb is well positioned to execute this project within 6–9 months, alongside its expected organic revenues of Rs16.5bn for FY26ii, and nominal maintenance capex planned for the year. We raise FY26ii/27ii/28ii EPS by 50%/73%/40%, and see further headroom for earnings upgrade as ordering momentum accelerates in CY25. A 60% FY25–28ii earnings CAGR, with >50% RoCE and cumulative FCF of Rs4.4bn, further strengthens the balance sheet. We upgrade our reco on Netweb from ADD to BUY, with a revised PT of Rs3317 (31% upside).

Strategic order win under IndiaAI mission: Netweb's AI stack alongside NVIDIA's latest B200 GPU places it ahead of its MNC peers for the Rs100bn+ opportunity of AI infrastructure. While the order of Rs17.3bn is probably the single largest tender in value terms, it kick-starts GoI's spend under IndiaAI mission and with multiple orders in Rs5-10bn range. Netweb targets 50% share under this, translating in Rs50bn incremental revenue pool by FY29.

Boost to AI volumes and earnings: IndiaAI mission orders were outside of Netweb's base business guidance and order pipeline (Rs41.4bn). Mgmt. is confident of early completion of this project within 6-9 mths, with similar terms of trade as its base business. With commencement of GoI spend under the IndiaAI mission and more mid-sized order wins expected in CY26-27, we upgrade FY26/27/28ii revenue forecasts by 51%/78%/44% respectively, while tapering off OPMs by 25 bps. IndiaAI Mission is likely to contribute to over a third to Netweb's FY26-28ii revenues.

Upgrade to BUY: IndiaAI Mission provides an inflexion point to Netweb's AI solutions, driving wider penetration in the domestic market and sustained investments in R&D. With RoEs >35% and ΔRoCE >50%, valuation at 34x FY27ii EPS is attractive.

CMP	**Rs2527**
12-mth TP (Rs)	**3317 (31%)**
Market cap (US$m)	**1,617**
Enterprise value(US$m)	**1,605**
Bloomberg	**NETWEB IN**
Sector	**EMS**

Shareholding pattern (%)

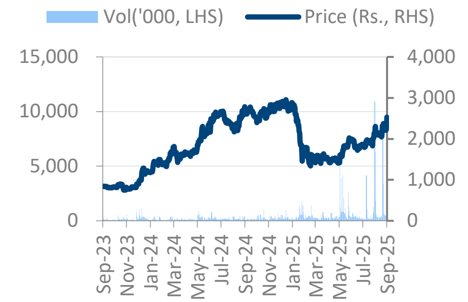
Promoter	71.0
Pledged (as % of promoter share)	0.0
FII	9.5
DII	4.2

52Wk High/Low (Rs)	2958/1339
Shares o/s (m)	57
Del Value 3mth avg (US$ m)	8.0
Dividend yield FY26ii (%)	0.2
Free float (%)	29.0

Price performance (%)

	1M	3M	1Y
Absolute (Rs)	18.3	27.9	(7.7)
Absolute (US$)	17.6	24.3	(12.0)
Relative Perf.	17.3	26.8	(17.9)
Cagr (%)		**3 yrs**	**5 yrs**
EPS (Rs)		36.5	71.0

Stock performance



Financial summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenues (Rs m)	7,241	11,490	25,158	42,372	47,693
Ebitda margins (%)	*14.2*	*13.9*	*13.8*	*13.7*	*13.7*
Pre-exceptional PAT (Rs m)	759	1,145	2,500	4,217	4,730
Reported PAT (Rs m)	759	1,145	2,500	4,217	4,730
Pre-exceptional EPS (Rs)	13.5	20.2	44.1	74.4	83.5
Growth (%)	*46.1*	*50*	*118.3*	*68.7*	*12.2*
PER (x)	**187.6**	**125.1**	**57.3**	**33.9**	**30.3**
ROE (%)	*29.4*	*24.0*	*38.9*	*44.8*	*35.4*
Net debt/equity (x)	(0.5)	(0.3)	(0.2)	(0.2)	(0.3)
EV/Ebitda (x)	136.8	88.4	40.8	24.3	21.2
Price/book (x)	33.7	27.0	19.0	12.7	9.3
OCF/Ebitda (x)	0.2	NM	0.0	0.2	0.6

Source: Company, IIFL Research. Priced as on 03 September 2025

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IndiaAI Mission infra ordering commences

Netweb secures mandate for the first large order (tender)

- Order size: Rs17.34bn
- Delivery timelines: Between 4QFY26 and 1HFY27
- Supply of servers based on NVIDIA's Blackwell architecture
- Netweb will deliver these systems through its flagship **Tyrone Camarero AI platform**, built for large scale generative AI, foundational model training and exascale computing
- Each node will use Nvidia's latest generation **8x GPU-HGX-B200 accelerators**
- Aimed at strengthening India's AI compute capabilities under the IndiaAI mission

- Netweb was working on the solution and the architect over the past two years, hence was able to secure access to the B200 range of GPUs. Netweb's AI stack alongside NVIDIA's latest B200 GPU makes its solutions superior to global MNC peers like HP, Dell, Atos.

- This order win positions Netweb as a key provider for India's infrastructural push in AI and a key beneficiary of future rollouts of similar volumes.

- While this initial tender was of significantly large value, subsequent order are likely to be pegged in Rs5-10bn range.

- We forecast execution of this Rs17.34bn order by 1QFY27 (Rs8.5bn in FY26 and rest Rs8.8bn in 1QFY27), and expect further order execution worth Rs10bn for FY27ii and Rs15bn for FY28ii. Mgmt targets near 50% share under the IndiaAI Mission (~Rs50bn) by FY29.

- While this single project is larger than the forecasted revenues of Rs16.5bn for FY26, the company should be able to execute this at ease, ahead of the scheduled timelines, with sufficient capacities in-hand (current utilization: 65%)

- While the order win is completely backed by LC and carries similar credit terms as its base business with the intermediate agency (service provider), we perceive some risk to the OPMs (25-50 bps) given the size and scale of the project and marginally trim our OPM forecasts to sub 14% range. Year-end NWC is, however, expected to be slightly elevated due to sharp jump in billings in end 4QFY26.

- Key risk to estimates is weaker-than-expected OPMs on these large orders under IndiaAI Mission, thereby diluting the OPM profile, despite strong operating leverage gains.

Figure 1: Changes in estimates

	New			Old			Change		
Rs bn	FY26ii	FY27ii	FY28ii	FY26ii	FY27ii	FY28ii	FY26ii	FY27ii	FY28ii
Revenue	25.2	42.4	47.7	16.7	23.8	33.2	51%	78%	44%
Ebitda	3.5	5.8	6.5	2.3	3.4	4.7	49%	72%	40%
OPMs	13.8%	13.7%	13.7%	14.0%	14.2%	14.0%	-15bps	-48bps	-34bps
PAT	2.5	4.2	4.7	1.7	2.4	3.4	50%	73%	40%
EPS (Rs)	44.1	74.4	83.5	29.4	43.1	59.5	50%	73%	40%

Source: Company, IIFL Research

Figure 2: List of service providers under IndiaAI Mission

Name of service providers
Cyfuture India
Sify Digital Services
Vensysco Technologies
Locuz Enterprise Solutions
Yotta Data Services
Ishan Infotech
CMS Computers Ltd
E2E Networks
Jio Platforms
Tata Communications

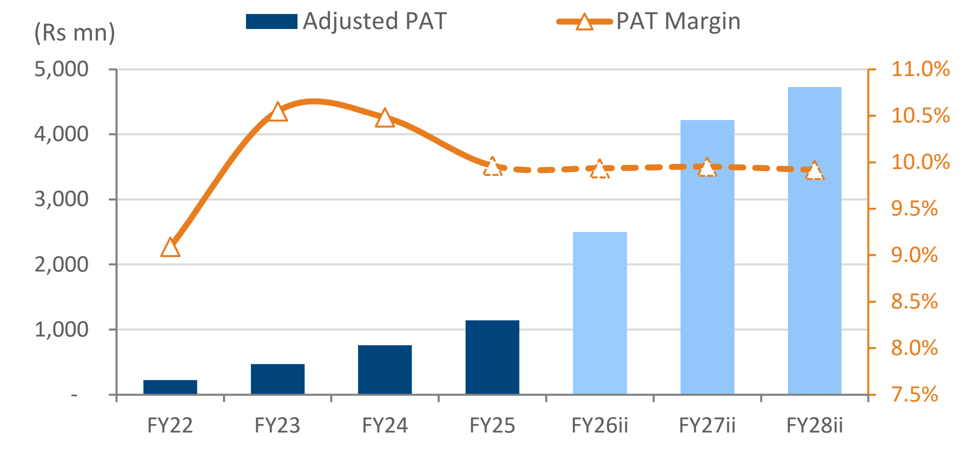
Source: Industry sources

Background about IndiaAI Mission

- GoI had approved National Artificial Intelligence Mission ("IndiaAI Mission") with budgeted outlay of ~Rs104bn till FY29 aimed at building scalable AI computing infrastructure by deploying 10,000+ GPUs through public-private collaborations.
- Netweb is participating in IndiaAI Mission by supporting the empanelled service providers with AI hardware and its complete SaaS solutions alongside,
- With strong partnerships, next-gen systems, and government-backed initiatives, Netweb is well-positioned to participate and win further orders of similar volumes under the IndiaAI Mission opportunity.
- National Supercomputing Mission (NSM) 2.0 is also expected to launch soon, and with ~35% of revenues already coming from HPC, Netweb is well-positioned to benefit from both government and rising enterprise demand for supercomputing solutions.

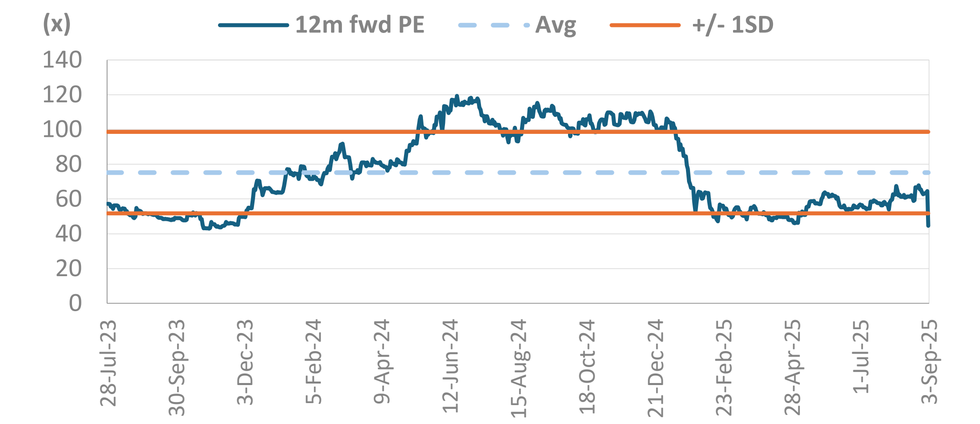
Upgrade to BUY: Earnings to quadruple in 3 yrs

Figure 3: Strong volume led growth with localization to drive 60% PAT Cagr in FY25-28ii



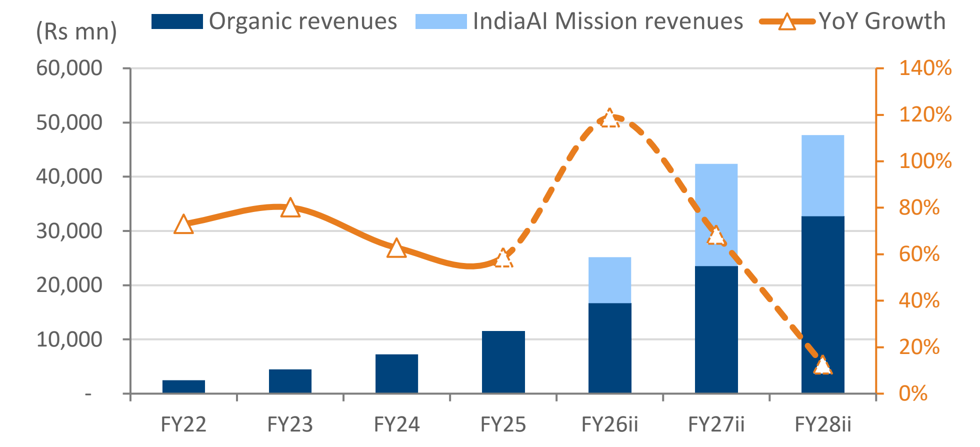
Source: Company, IIFL Research

Figure 4: Netweb currently trades at 34x FY27ii EPS



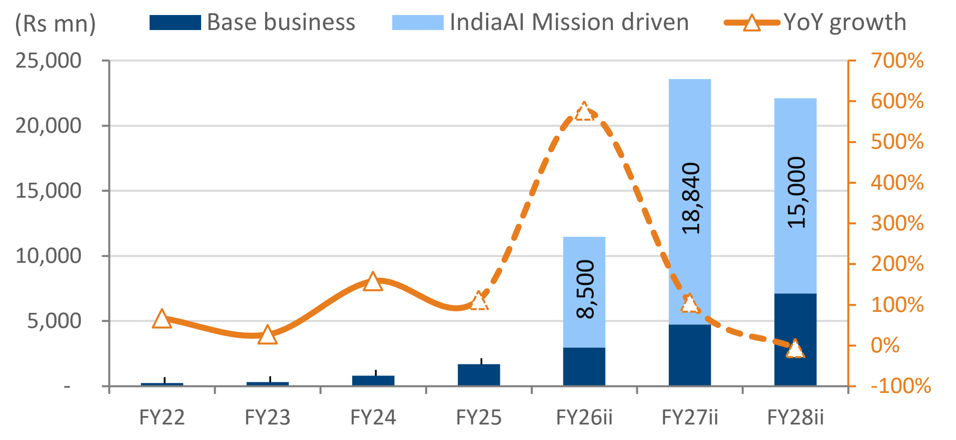
Source: Company, IIFL Research

Figure 5: We forecast 61% revenue Cagr over FY25-28ii, driven by AI portfolio (Management guides for organic growth of 35-40% Cagr)



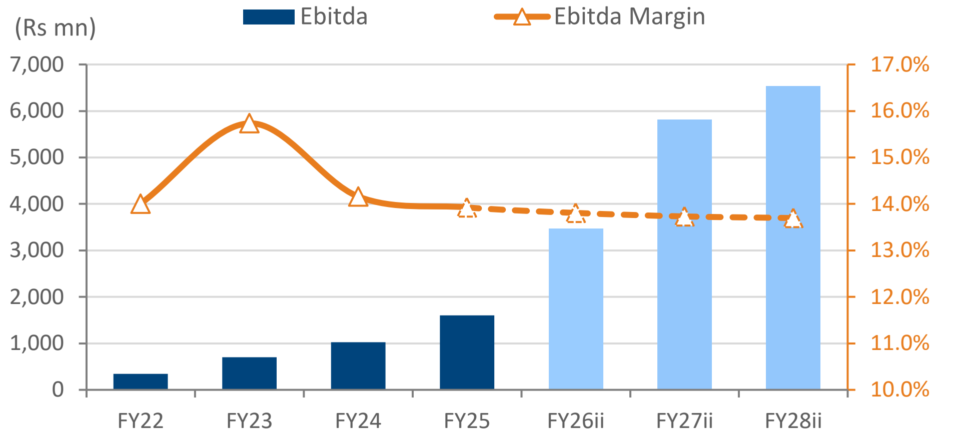
Source: Company, IIFL Research

Figure 6: AI segment (with NAIM orders) is expected to contribute to ~50% of overall revenues (135% Cagr), with a 61% Cagr in base run-rate business over FY25-28ii



Source: Company, IIFL Research

Figure 7: We expect OPMs to dip marginally 25 bps over FY25-28ii vs a 25-50 bps expansion targeted in the base run-rate business, due to the IndiaAI Mission orders



Source: Company, IIFL Research

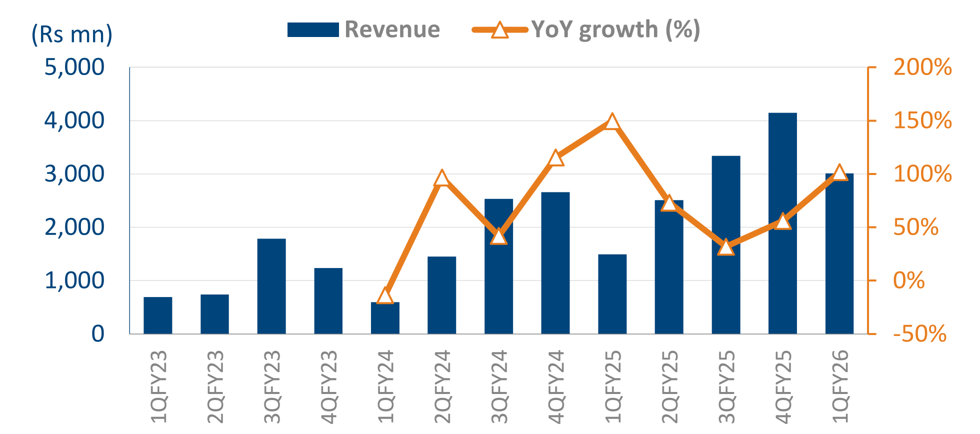
Figure 8: With similar NWC expected, strong operating profitability to aid >50% RoCE and cumulative FCF of Rs4.4bn, further strengthening the balance sheet

	FY22	FY23	FY24	FY25	FY26ii	FY27ii	FY28ii
Working Capital Days							
Inventory	50	38	43	54	55	55	55
Sundry debtors	99	94	85	87	100	90	90
Other current assets	14	12	15	16	16	16	16
Sundry creditors	71	64	58	67	70	65	65
Other current liabilities	22	20	21	17	20	20	20
NWC Days	70	60	63	72	81	76	76
Cash Conversion Cycle	**78**	**68**	**69**	**73**	**85**	**80**	**80**
Capex (Rs mn)	**54**	**133**	**186**	**229**	**150**	**200**	**200**
FCF (Rs mn)	(2)	139	(2)	(361)	(126)	930	3,603
ROE %	**68%**	**68%**	**29%**	**24%**	**39%**	**45%**	**35%**
ROCE %	53%	66%	39%	33%	53%	61%	48%
ROIC %	43%	55%	46%	40%	51%	54%	47%

Source: Company, IIFL Research

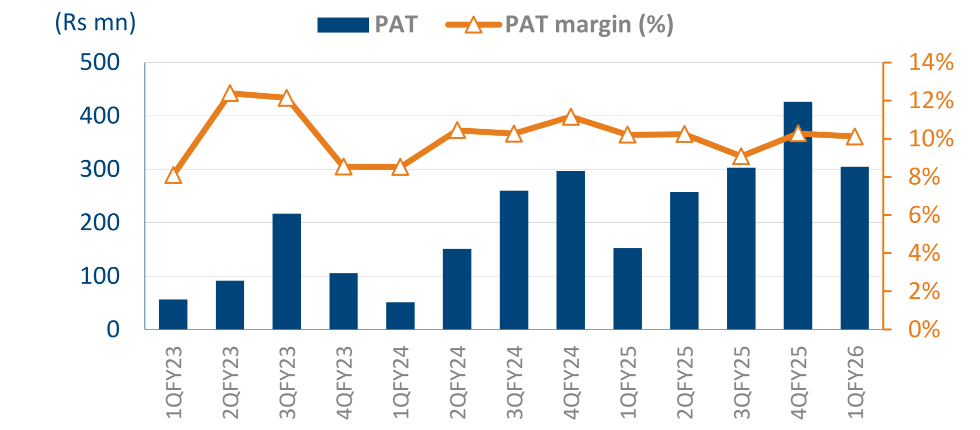
Quarterly performance mirrors strong momentum

Figure 9: 1QFY26 revenues grew 100% (in-line with IIFL) driven by AI&EW (+301% YoY) and ramp up in HCI (+125% YoY)



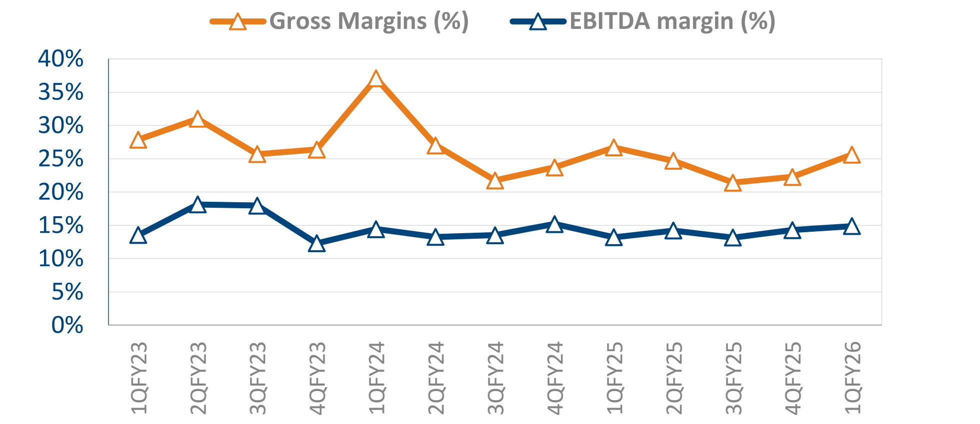
Source: Company, IIFL Research

Figure 11: Net margins were broadly flattish at 10.1%



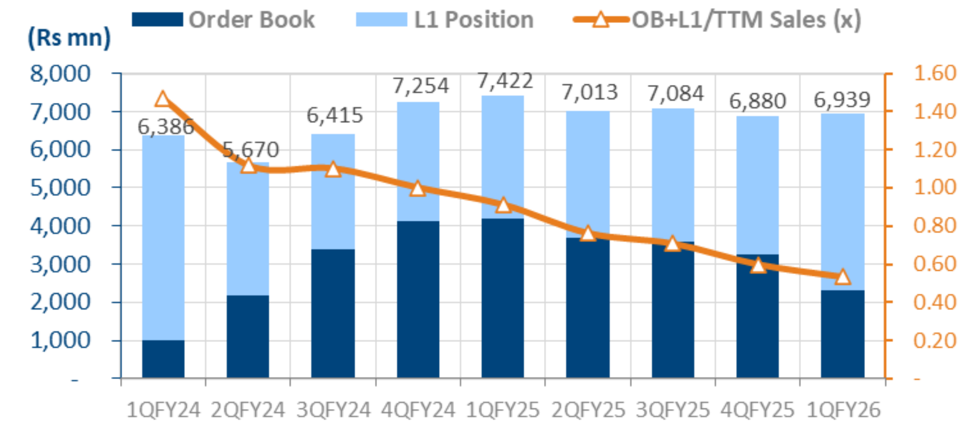
Source: Company, IIFL Research

Figure 10:OPMs improved YoY, led by operating leverage & lower ESOP provisioning



Source: Company, IIFL Research

Figure 12: IndiaAI Mission opportunities were excluded from its base order pipeline of Rs41.4bn



Source: Company, IIFL Research

Background: Netweb Technologies is one of India's leading high-end computing solutions (HCS) provider, 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.

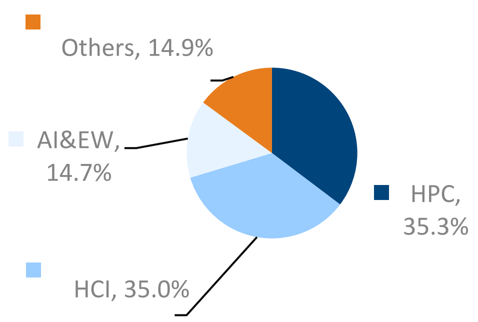
Management

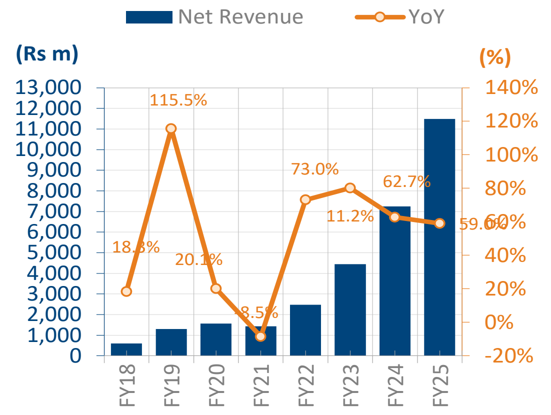
Name	Designation
Sanjay Lodha	Chairman & MD
Ankit Kumar Singhal	CFO
Hridey Vikram	Chief Marketing Officer

Customers: ISRO, HAL, Graviton, IITs, Akamai, Yotta

Competitors: DELL, IBM, ATOS, Lenovo, HPE

Segment mix - FY25





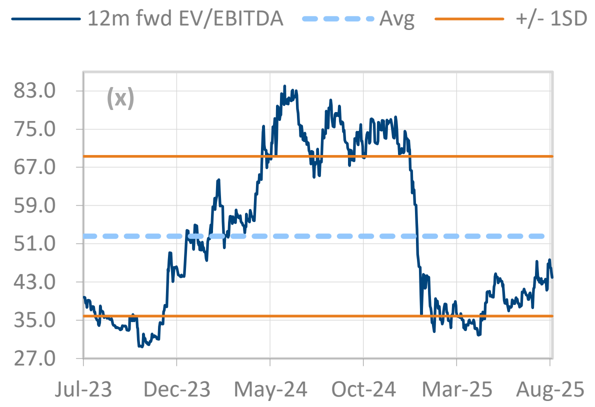
Assumptions

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenue YoY (%)					
HPC	51.8	54.5	45.0	45.0	40.0
Private cloud & HCI	81.0	52.3	40.0	35.0	35.0
AI&EW	158.3	112.0	576.8	105.7	(6.2)
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 ORAN	0.0	248.2	60.0	70.0	100.0

Source: Company data, IIFL Research

PE Chart

EV/Ebitda



Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenues	**7,241**	**11,490**	**25,158**	**42,372**	**47,693**
Ebitda	1,025	1,600	3,473	5,818	6,531
Depreciation and amortisation	(63)	(113)	(154)	(187)	(213)
Ebit	963	1,487	3,319	5,631	6,318
Non-operating income	119	94	99	108	119
Financial expense	(62)	(41)	(62)	(78)	(88)
PBT	1,020	1,540	3,355	5,661	6,349
Exceptionals	0	0	0	0	0
Reported PBT	1,020	1,540	3,355	5,661	6,349
Tax expense	(261)	(395)	(856)	(1,444)	(1,619)
PAT	759	1,145	2,500	4,217	4,730
Minorities, Associates etc.	0	0	0	0	0
Attributable PAT	**759**	**1,145**	**2,500**	**4,217**	**4,730**

Ratio analysis

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Per share data (Rs)					
Pre-exceptional EPS	13.5	20.2	44.1	74.4	83.5
DPS	2.0	2.5	5.3	8.9	10.0
BVPS	75.0	93.6	133.3	198.8	272.3
Growth ratios (%)					
Revenues	62.7	58.7	118.9	68.4	12.6
Ebitda	46.4	56.1	117.0	67.5	12.3
EPS	46.1	50.0	118.3	68.7	12.2
Profitability ratios (%)					
Ebitda margin	14.2	13.9	13.8	13.7	13.7
Ebit margin	13.3	12.9	13.2	13.3	13.2
Tax rate	25.6	25.7	25.5	25.5	25.5
Net profit margin	10.5	10.0	9.9	10.0	9.9
Return ratios (%)					
ROE	29.4	24.0	38.9	44.8	35.4
ROIC ex goodwill	45.8	39.8	51.1	53.9	47.2
ROIC	45.8	39.8	51.1	53.9	47.2
Solvency ratios (x)					
Net debt to Ebitda	(2.1)	(1.1)	(0.4)	(0.3)	(0.7)
Interest coverage	15.5	36.3	NM	NM	NM

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Cash & cash equivalents	2,216	1,795	1,421	1,864	4,917
Inventories	1,147	2,228	3,776	6,368	7,170
Receivables	1,838	3,615	6,865	10,421	11,733
Other current assets	399	615	1,106	1,865	2,100
Creditors	1,266	2,979	4,806	7,526	8,474
Other current liabilities	520	555	1,373	2,316	2,607
Net current assets	**3,814**	**4,720**	**6,989**	**10,677**	**14,839**
Fixed assets	429	531	510	523	509
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**	**7,668**	**11,393**	**15,572**
Borrowings	16	13	20	20	20
Other long-term liabilities	95	84	95	109	125
Shareholders equity	**4,228**	**5,303**	**7,553**	**11,264**	**15,427**
Total liabilities	**4,339**	**5,400**	**7,668**	**11,393**	**15,572**

Cash flow summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Ebit	963	1,487	3,319	5,631	6,318
Tax paid	(261)	(395)	(856)	(1,444)	(1,619)
Depreciation and amortization	63	113	154	187	213
Net working capital change	(683)	(1,397)	(2,644)	(3,244)	(1,110)
Other operating items	102	60	50	0	0
Operating cash flow before interest	184	(132)	24	1,130	3,803
Financial expense	(62)	(41)	(62)	(78)	(88)
Non-operating income	119	94	99	108	119
Operating cash flow after interest	**240**	**(79)**	**60**	**1,160**	**3,834**
Capital expenditure	**(186)**	**(229)**	**(150)**	**(200)**	**(200)**
Long-term investments	(1,406)	1,126	(78)	(84)	(90)
Others	1,177	(1,215)	(213)	(433)	(492)
Free cash flow	**(175)**	**(397)**	**(382)**	**443**	**3,053**
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)	(374)	443	3,053

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.

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Netweb Tech: 3 year price and rating history

Date	Rating	Close price (Rs)	Target price (Rs)	Upside (%)
06 May 2025	ADD	1604	1824	13.7
15 Apr 2025	ADD	1465	1645	12.3
05 Feb 2025	ADD	1684	2130	26.5
26 Jun 2024	ADD	2570	2680	4.3