

Company Overview

Incorporated in 1999, Netweb Technologies India Ltd. (NTIL) is in the business of providing high-end computing solutions (HCS) to its customers. The various HCS offerings include (a) computing (Supercomputing / HPC) systems; (b) private cloud and hyper-converged infrastructure (HCI); (c) AI systems and enterprise workstations; (d) high-performance storage (HPS / Enterprise Storage System) solutions; (e) data center servers; and (f) other software and service offerings which are sold under the 'Tyrone' brand. Equipped with fully integrated design and manufacturing capabilities, the company has developed its compute and storage technologies and deploy supercomputing infrastructure catering to the computational demands of businesses, academia, and research organizations, particularly under India's National Supercomputing Mission. Over the years, the company has expanded its end-user industries to information technology, information technology-enabled services, entertainment and media, banking, financial services and insurance (BFSI), national data centres and government entities including the defense sector, and education and research development institutions. In its new foray, the business has developed two new product lines, i.e. Network Switches and 5G ORAN Appliances which are critical to the data center industry for enterprise IT and the telecommunication industry for enabling 5G services. The marquee customers include IIT Jammu, IIT Kanpur, Airamatrix, NMDC Data Centre, Graviton, INST, HL Mando, IIT Naya Raipur, JNU, Hemvati University, Akamai, A.P.T. Portfolio, Yotta Data, CUHP University, an Indian government space research organization, and an R&D organization of the Ministry of Electronics and Information Technology, Government of India.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Funding capital expenditure requirements for civil construction of the building for the surface mount technology (SMT) line and interior development, and purchase of equipment/machinery for the new SMT production line (SMT) Line.
- ⇒ Funding of long-term working capital requirements
- ⇒ Repayment or pre-payment, in full or in part, of certain outstanding borrowings
- ⇒ General corporate purposes.

Investment Rationale

High focus on R&D augmenting the company's product portfolio

The company believes in evolving itself with the ever-changing technology through a high focus on its R&D resources. Through this focus, the company has developed eight product lines which include Tyrone Cluster Manager, KUBYTS, VERTA, ParallelStor, Collectivo, SKYLUS, and Tyrone Camarero AI Systems and GPU System and collaborate with various technology partners, such as Intel America Inc. (Intel), Advanced Micro Devices, Inc. (AMD), Samsung India Electronics Private Limited, Nvidia Corporation (Nvidia), and Seagate India Private Limited catering to their specific requirements. The company has capabilities of manufacturing servers suitable for building private cloud solutions, supercomputing systems clusters, and modern data centres. Going forward, the business intends to expand its bouquet of product offerings in 5G and private 5G solutions and Network Switches. The 5G market is expected to grow at an exponential CAGR growth of 90% from FY2024-28 which as a result will increase the demand for HCI and private cloud infrastructure in India, thus presenting the company with an attractive business opportunity.

Expanding geographic footprint and increasing penetration in existing verticals

Presently, the business has concentrated its efforts on offering its HCS offerings to the domestic market and growing deeper in this segment. Looking ahead, the business aims to grow its geographical footprint in EMEA (Europe, Middle East, and Africa) region by offering the following HCS in (i) private cloud and HCI, (ii) HPC solutions, (iii) AI systems and enterprise workstations, and (iv) 5G products and solutions, where the company has already established its footprint. The 5G market in European and African countries is expected to grow at a CAGR of 45.7% between 2023 and 2029. As mentioned above, the company focuses on leveraging its 5G IT infrastructure roll-outs to target this growing business space. Apart from this, the business strives for its reach by expanding verticals in oil and gas in India, deepening penetration across sectors such as the automobile sector, particularly in the western and southern regions of India, BFSI clusters in the western region of India, and multi-sector corporates to expand its customer base. Oil & Gas companies are increasingly relying on powerful computers/supercomputers to process complex data faster which enables these companies to cut costs while boosting productivity and success rates of projects. The BFSI industry growth is expected to be driven by the use of high-performance computing solutions, such as supercomputers and AI. Thus, we expect a large addressable market for companies like NTIL due to the growing need to process large amount of data at faster speeds.

Issue Details

Offer Period	17 th July, 2023 - 19 th July, 2023
Price Band	Rs. 475 to Rs. 500
Bid Lot	30
Listing	BSE & NSE
Issue Size (no. of shares in mn)	12.62
Issue Size (Rs. in bn)	6.31
Face Value (Rs.)	2

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	Equirus Capital Private Ltd.
	IIFL Securities Ltd.
Registrar	Link Intime India Private Ltd.

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	98.00	75.00
Public	2.00	25.00
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138



Netweb Technologies India Ltd.

Valuation & Outlook

NTIL presents a unique business model and is the only domestic company offering HCS offerings (with high entry barriers) which makes it stand out due to lack of listed domestic and international players in the field. The company is a leading player in the controlled OEM (original equipment manufacturers) space for HCS offerings. Presently, the business has its manufacturing facility located in Faridabad, Haryana. Moving ahead, it aims to eliminate the reliance on third-party entities for manufacturing server motherboards and related printed circuit board (PCB) assemblies through surface mount technology (SMT) by setting up a manufacturing facility in Haryana with the aid of net proceeds received from the IPO. Another positive is the growing order book of the company which has increased from Rs. 485.61 million in FY21 to Rs. 902.05 million in FY23. Over the years, the company has displayed a consistent financial performance, as reflected by its healthy ROCE of 64.42% in FY23 and net debt-equity consistently inching downwards from 1.31 in FY21 to 0.3 in FY23. The company has almost seen a 3x rise in revenues and a near 6x rise in profitability, with a consistent improvement in the margin profile. **On the upper end of the price band, the issue is valued at a P/E of 55.1x based on FY2023 earnings which we feel is fairly valued. We, therefore, recommend a “Subscribe” rating for the issue.**

Key Risks

- ⇒ The company's business operations are heavily reliant on its top ten customers.
- ⇒ The company does enter into hedging transactions in respect of our foreign currency exposure. Any losses, on account of foreign currency exchange rate fluctuations may adversely affect its business in the future.
- ⇒ The company depends on few Application Industries for majority of its revenue from operations. Loss of Customers in these Application Industries may result in an adverse effect on its business operations.



Netweb Technologies India Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23
Revenue			
Revenue from Operations	1,428	2,470	4,450
Total Revenue	1,428	2,470	4,450
Expenses			
Cost of material consumed	1,186	1,781	3,252
Changes in inventory	(125)	84	(9)
Employee benefit expenses	127	152	294
Other expenses	95	108	212
Total Operating Expenses	1,284	2,124	3,750
EBITDA	144	346	700
Depreciation and Amortization expenses	15	16	37
Other income	15	9	7
EBIT	144	339	670
Finance costs	33	36	41
PBT	111	302	630
Current tax	37	76	156
Deferred Tax charge/ (credit)	(8)	2	4
Total tax	29	78	160
PAT	82	225	469
Diluted EPS	1.6	4.4	9.1

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23
Cash Flow from operating activities	(99)	52	271
Cash flow from investing activities	(19)	(55)	(140)
Cash flow from financing activities	118	3	(80)
Net increase/(decrease) in cash and cash equivalents	0	0	51
Cash and cash equivalents at the beginning of the period	20	20	20
Cash and cash equivalents at the end of the period	20	20	71

Source: RHP, BP Equities Research



Netweb Technologies India Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23
Equity and Liabilities			
Equity Share Capital	57	57	102
Other equity	162	387	835
Total Equity	218	444	937
Non-Current Liabilities			
Financial Liabilities			
(i) Borrowings	144	144	93
(ii) Lease liabilities	9	7	41
Other non current liabilities	2	1	1
Provisions	10	11	15
Current Liabilities			
Financial Liabilities			
(i) Borrowings	147	191	211
(ii) Lease liabilities	5	2	11
(iii) Trade Payables			
(a) total outstanding dues of micro enterprises and small enterprises	1	2	1
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	425	531	1,033
(iv) Other Financial Liabilities	65	43	118
Other current liabilities	45	49	113
Provisions	1	1	2
Current tax liabilities (net)	30	59	84
Total Current Liabilities	719	878	1,573
Total liabilities	884	1,042	1,723
Total Equity and Liabilities	1,102	1,486	2,660
Assets			
Non-Current Assets			
Property, plant and equipment	54	89	169
Capital work in Progress	-	5	18
Right of use assets	12	8	49
Other intangible assets	-	7	15
Intangible assets under development	-	-	0
Financial Assets			
(i) Investments	-	-	-
(ii) Other financial assets	12	15	10
Deferred tax assets (net)	13	11	7
Other non-current assets	6	3	10
Total Non-Current Assets	97	138	278
Current Assets			
Inventories	292	383	541
Financial assets			
(i) Trade receivables	557	778	1,515
(ii) Cash and cash equivalents	20	20	71
(iii) Bank balances other than cash and cash equivalents	51	55	65
(iv) Other financial assets	19	14	22
Other current assets	64	97	167
Total Current Assets	1,005	1,348	2,382
Total Assets	1,102	1,486	2,660

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

General Disclaimer

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392