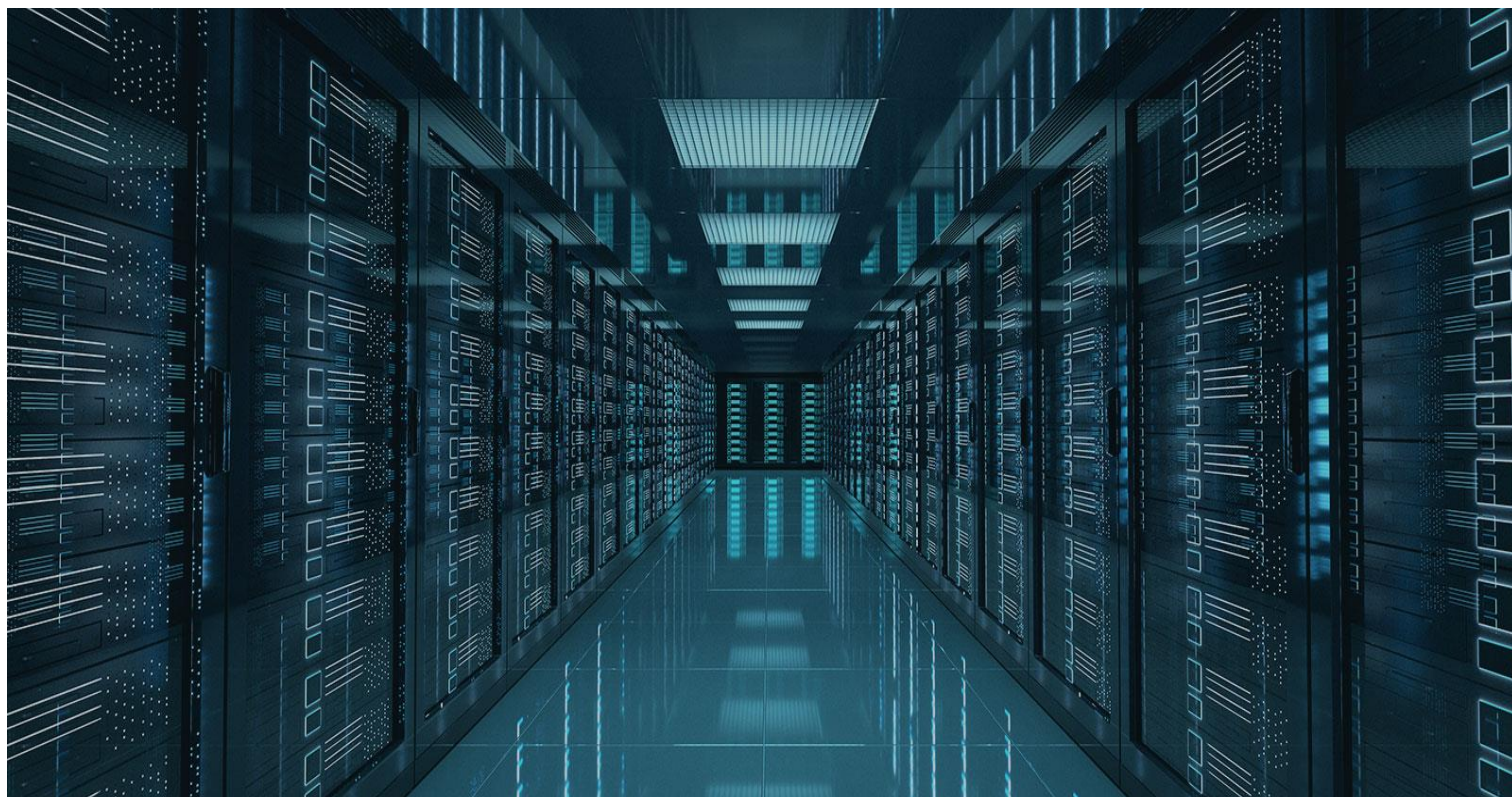


# Netweb Technologies Ltd

On cloud nine



**Kyon ki bhaiya, sabse bada rupaiya.**

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Subscribe at upper price band of INR 500

On cloud nine

Netweb Technologies India Ltd (NTL) is one of India's leading High-end Computing Solutions (HCS) provider, with fully integrated design and manufacturing capabilities. Their HCS offerings comprises (i) high performance computing (Supercomputing / HPC) systems; (ii) private cloud and hyperconverged infrastructure (HCI); (iii) AI systems and enterprise workstations; (iv) high performance storage (HPS / Enterprise Storage System) solutions; (v) data centre servers; and (vi) software and services for their HCS offerings. Netweb Technologies is one of India's leading Indian origin owned and controlled OEM in the space of HCS providing Supercomputing systems, private cloud and HCI, data centre servers, AI systems and enterprise workstations, and HPS solutions.

They develop homegrown compute and storage technologies, deploy supercomputing infrastructure to meet the rising computational demands of businesses, academia, and research organisations, particularly, under India's National Supercomputing Mission. Further, thus far, 3 of their supercomputers have been listed 11 times in the world's top 500 supercomputers

NTL's proposed issue size is INR 610 cr out of which INR 206 cr is a fresh issue and the remaining INR 425 cr is OFS. The proposed fresh issue will be utilized for

- INR 32.3cr for funding capital expenditure requirements for:
  - Civil construction of the building for the surface mount technology (SMT) line and interior development; and
  - Purchase of equipment/machineries for its new SMT production line (SMT Line);
- INR 128cr for funding long-term working capital requirement
- INR 22.5 cr for repayment or pre-payment, in full or in part, of certain of its outstanding borrowings
- And the balance amount would be used for general corporate purposes

At the IPO price of INR 500 (upper price band), NTL is valued at P/E of 59.9x. Considering the growth opportunities in the company, strong fundamentals, and robust product portfolio we recommend a SUBSCRIBE rating

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY21	142.8	14.4	8.2	10.1	5.8	9.2	3.9	37.7	29.5	341.4	19.8	196.9
FY22	247.0	34.6	22.5	14.0	9.1	4.4	7.9	50.6	46.8	125.2	11.5	82.0
FY23	445.0	70.0	46.9	15.7	10.5	1.6	16.7	50.1	60.1	59.9	6.4	40.4

Industry IT

#### Issue Details

Listing	BSE & NSE
Open Date	17 <sup>th</sup> July 2023
Close Date	19 <sup>th</sup> July 2023
Price Band	INR 475-500
Face Value	INR 2
Market Lot	30 shares
Minimum Lot	1 Lot

#### Issue Structure

Offer for Sale	67.35%
Fresh Issue	32.65%
Issue Size (Amt)	INR 631 cr
Issue Size (Shares)	1,26,20,000
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	5,19,43,980
Post issue sh (nos)	5,62,81,874
Post issue M Cap	2803 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	94.88	75.45
Public	2.2	24.55
<b>TOTAL</b>	<b>100</b>	<b>100</b>

## Financial Analysis

The performance in FY21 showed a turnover of INR 144.29 cr and a net profit of INR 8.23 cr. However, in FY22, the company experienced a substantial increase in turnover to INR 247.94 cr, representing a growth of approximately 72%. The net profit also rose significantly to INR 22.45 cr, indicating a growth rate of around 173%.

In the most recent fiscal year, FY23, NTL's performance continued to improve. The company achieved a turnover of INR 445.65 cr, marking an impressive growth rate of approximately 80% compared to the previous year. The net profit also saw substantial growth, reaching INR 46.94 cr, representing a growth rate of around 109%.

These remarkable growth rates can be attributed to several factor. One key factor is cost optimization, which likely contributed to improved profitability.

NTL's ability to achieve such significant growth in both turnover and net profit showcases its effective operational strategies and successful implementation of business plans.



## Understanding the business

Netweb Technologies India Ltd (“Netweb Technologies”) is one of India’s leading High-end Computing Solutions (HCS) provider, with fully integrated design and manufacturing capabilities. Their HCS offerings comprises (i) high performance computing (Supercomputing / HPC) systems; (ii) private cloud and hyperconverged infrastructure (HCI); (iii) AI systems and enterprise workstations; (iv) high performance storage (HPS / Enterprise Storage System) solutions; (v) data centre servers; and (vi) software and services for their HCS offerings. NetWeb Technologies is one of India’s leading Indian origin owned and controlled OEM in the space of HCS providing Supercomputing systems, private cloud and HCI, data centre servers, AI systems and enterprise workstations, and HPS solutions.








In terms of number of HPC installations, they are one of the most significant OEMs in India amongst others. Since the inception of the erstwhile sole proprietorship, one of their Promoters, Sanjay Lodha, M/s Netweb Technologies, which the company had acquired in August, 2016, until February 28, 2023, they have undertaken installations of (i) over 300 Supercomputing systems, (ii) over 50 private cloud and HCI installations; (iii) over 4,000 accelerator / GPU based AI systems and enterprise workstations; and (iv) HPS solutions with throughput storage of up to 450 GB/ sec.

### Company’s offering

- **Supercomputing systems:** Tailored, scalable systems using the 'Tyrone' cluster management suite, deployed in diverse configurations. Market size: USD 493 million (India, 2022).
- **Private cloud and HCI:** Hyper-converged offerings under the 'Tyrone' brand, competing with foreign HCI OEMs. Market size: USD 236.92 crore (India, 2022).
- **AI systems and workstations:** Equipped with proprietary containerized application solution, supporting Supercomputing, ML, and DL. Market size: USD 26.16 crore (India, 2022).
- **HPS solutions:** High throughput, high IOPs storage with 'no single point of failure' and Exabyte scalability. Market size: USD 67.8 crore (India, 2022).
- **Data center servers:** Extensive range of dual processor models with customizable features. Market size: USD 326.5 crore (India, 2022).
- **Software and services for HCS:** Private cloud software stack for Kubernetes, AI/ML/DL, and big data-centric solutions.

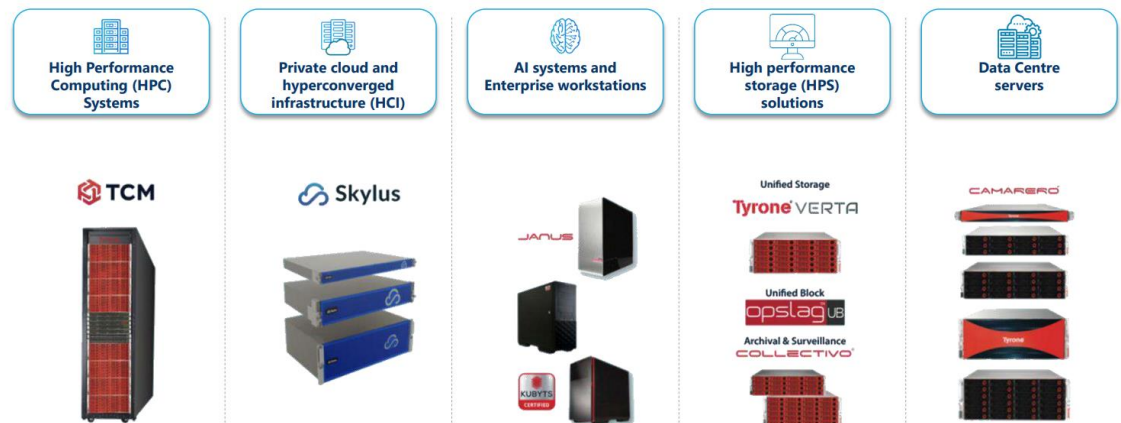


## Product and Solution offering

Product name	Description	Engineered Solutions Bundled with
 <b>TCM™</b>	Tyrone Cluster Manager	Simplified Cluster Deployment and Unified Management
 <b>KUBYTS™</b>	KUBYTS	Container Optimized Utility for AI (Machine learning and Deep learning) Workloads.
 <b>Tyrone VERTA</b>	VERTA	Unified, Flexible, High-Performing Storage Solution (an upgraded version of Tyrone Opslag FS2)
 <b>ParallelStor™</b>	ParallelStor	High-Performance Storage Solution for HPC, AI and Container workloads
 <b>COLLECTIVO™</b>	Collectivo	Highly Efficient Storage Solution for Archival and Surveillance
 <b>Skylus</b>	SKYLUS	Private Cloud Solution, HCI Appliance and Private Cloud utility.
 <b>CAMARERO™</b>	Tyrone Camarero	Dual/ Multi processor server, AI Systems and Enterprise Workstation models
		Tyrone Camarero range of Data centre servers, Enterprise workstations and AI Systems are supplied with multiple engineered solutions.

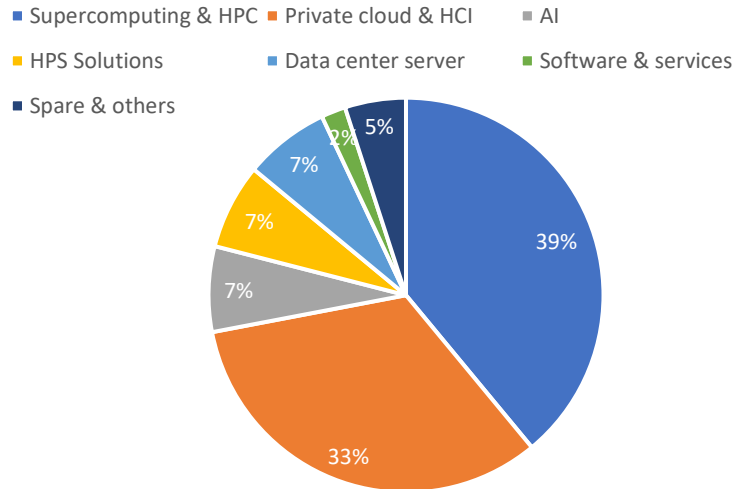
Source: Company RHP

## Diverse product offerings



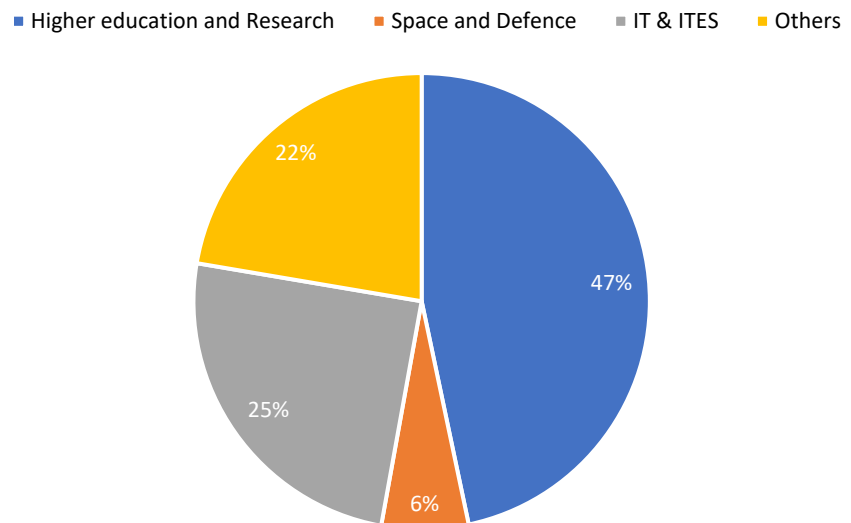
Source: Company Data

### FY23 Revenue Split – Business Verticals



Source: Company Data

### FY23 Revenue Split- Industry-wise



Source: Company Data

### Strengths

**One of India's leading HCS provider and operates in a rapidly evolving and technologically advanced industry with high entry barriers**

The business is capable of producing servers that may be used to create private cloud solutions, clusters for supercomputing systems, and contemporary data centres. Modifying designs and changing how products are implemented requires technical skill sets and knowledge, which is a substantial barrier to entrance in the market. Netweb has overcome these entry obstacles because to the technical and technological knowledge they have amassed through time

### **Significant product development and innovation through R&D**

The sector in which Netweb works is highly dependent on technical experts and R&D resources. They have worked to instill a culture of innovation within the business and to instill a strong conviction that R&D has been and will continue to be a crucial component of their expansion.

### **Experienced Board and Senior Management**

The management staff of Netweb is robust, and its board of directors has extensive knowledge of the information technology sector. Their senior management team has been with the company on average for more than 9 years.

As of May 31, 2023, Netweb employed 84 engineers and 48 technical staff members since improving their product and solution offerings required technological know-how and experience. They are able to meet the continuously changing demands of the business thanks to their workforce of trained and professional engineers.

### **Marquee Client Base**

The company caters to marquee Customers across various end-user industries such as information technology, information technology enabled services, entertainment and media, banking, financial services and insurance (BFSI), national data centres and government entities including in the defence sector, education and research development institutions (Application Industries) such as Indian Institute of Technology (IIT) Jammu, IIT Kanpur, NMDC Data Centre Pvt Ltd (NMDC

Data Centre), Airmatrix Pvt Ltd (Airmatrix), Graviton Research Capital LLP (Graviton), Institute of Nano Science and Technology (INST), HL Mando Softtech India Pvt Ltd (HL Mando), Dr. Shyam Prasad Mukherjee International Institute of Information Technology, Naya Raipur (IIIT Naya Raipur), Jawaharlal Nehru University (JNU), Hemvati Nandan Bahuguna Garhwal University (Hemvati University), Akamai India Networks Pvt Ltd (Akamai), A.P.T. Portfolio Pvt Ltd (A.P.T.), and Yotta Data Services Pvt Ltd (Yotta), Centre for Computational Biology and Bioinformatics, Central University of Himachal Pradesh (CUHP University). The company also caters to an Indian Government space research organisation and an R&D organisation of the Ministry of Electronics and Information Technology, Government of India ("GoI") which is involved in carrying out R&D in information technology and electronics and associated areas including Supercomputing.

The company design, manufacture and deploy their HCS comprising proprietary middleware solutions, end user utilities and precompiled application stack. They develop homegrown compute and storage technologies, deploy supercomputing infrastructure to meet the rising computational demands of businesses, academia, and research organisations, particularly, under India's National Supercomputing Mission. Further, thus far, **3 of their supercomputers have been listed 11 times in the world's top 500 supercomputers.**



## Over the years they have designed, developed and deployed some of India's most powerful

Supercomputer	Year of Deployment	User	Speed in teraflops		Particulars
			(Rpeak)	(Rmax)	
<b>AIRAWAT#</b>	2023	Centre for Development of Advanced Computing, India (CDAC)	13,169.86	8,500.00	Ranked 75 <sup>th</sup> in the world and puts India on top of AI Supercomputing nations worldwide and has been included in the 61 <sup>st</sup> edition of Top 500 Global Supercomputing List released in June 2023. It is also India's largest and fastest AI supercomputing system.
<b>Agastya</b>	2020	IIT Jammu	256.00	161.00	At the time of commissioning, it was India's 27 <sup>th</sup> fastest supercomputer
<b>PARAM Ambar</b>	2019	Indian Space Research Organisation (ISRO), Gol	1,384.85	919.61	At the time of commissioning, it was India's 4 <sup>th</sup> fastest supercomputer
<b>Hartree</b>	2018	National Institute of Science Education and Research (NISER), Bhubaneswar	51.90	38.87	At the time of commissioning, it was India's 29 <sup>th</sup> fastest supercomputer
<b>Kalinga upgrade</b>	2016 & 2020	NISER, Bhubaneswar	249.37	161.42	At the time of commissioning, it was India's 26 <sup>th</sup> fastest supercomputer
<b>Kohinoor 3</b>	2016	TIFR-TCIS Hyderabad	70.85	43.59	At the time of commissioning, it was India's 20 <sup>th</sup> fastest supercomputer
<b>PARAM YUVA-II</b>	2013	Centre for Development of Advanced Computing, India (CDAC)	529.38	386.71	At the time of its commissioning, it was the 69 <sup>th</sup> most powerful super-computer in the world
<b>Kabru</b>	2004	The Institute of Mathematical Sciences, Chennai	1.38	1.00	The first supercomputing system which was, then, one of the Top-500 most powerful supercomputing systems in the world

Source: Company RHP

## Growth Strategies

### Expanding and augmenting company's product portfolio

Industries all over the world are being transformed by blockchain and artificial intelligence. Blockchain is a way to tackle the challenge of transparency and data integrity by offering insights into the model and framework of AI through immutable digital records.

By establishing a centre of excellence, Netweb has deployed their first order in fiscal 2023, among other things by supplying, installing, and configuring the necessary hardware and software for blockchain-based AI systems. Currently, Intel, Nvidia, and AMD are their main partners.

### Expanding geographic footprints in EMEA (i.e., Europe, Middle East and Africa)

Between Fiscal 2023 and Fiscal 2029, the 5G market in Europe and Africa is anticipated to develop at a CAGR of 45.7%, and Netweb has proposed to concentrate on the roll-out of 5G IT infrastructure, which calls for their specialist solutions and makes use of their current strengths.

They already provide services to a number of Indian multinational corporations with international operations, and they want to build on this relationship to grow their business

and provide services to these corporations' global operations. Business expansion across the globe is anticipated to be fueled by 5G.

**Deepen the penetration across verticals**

Currently, the company's HCS offerings serve a variety of Application Industries, including IT, IT-enabled services, media, entertainment, BFSI, government organisations like the military, educational institutions, and research and development organisations, as well as national data centres like the NMDC Data Centre.

In order to grow their customer base, the company works to expand verticals like oil and gas in India and deepen their penetration across sectors like the automobile industry, especially in the western and southern regions of India, BFSI clusters in the western region of India, and multi-sector corporates.



**NTL Key Managerial Personnel**

Key Person	Designation	Details
Sanjay Lodha	Chairman and Managing Director	He has been associated with the company as a director since September 22, 1999. He was the sole proprietor of the proprietorship, M/s Netweb Technologies since 1996 which was acquired by the company in August 2016.
Navin Lodha	Whole Time Director	He has been associated with the company as a director since September 22, 1999. He has over 15 years of experience in sales and marketing. Prior to joining the company, he was associated with the erstwhile proprietorship of their Chairman and Managing Director, M/s Netweb Technologies since 2008 until its acquisition by the company in August 2016.
Vivek Lodha	Whole Time Director	He has been associated with the company as a director since April 13, 2015. He has over 15 years of experience in sales and marketing. Prior to joining the company, he was associated with the erstwhile proprietorship of their Chairman and Managing Director, M/s Netweb Technologies since 2008 until its acquisition by the Company in August 2016.
Niraj Lodha	Whole Time Director	He has been associated with the company as a director since April 13, 2015. He has over 15 years of experience in sales and marketing. Prior to joining the company, he was associated with the erstwhile proprietorship of their Chairman and Managing Director, M/s Netweb Technologies since 2008 until its acquisition by the Company in August 2016.
Mrutyunjay Mahapatra	Independent Director	He has over 40 years of experience in banking and finance sector. He is presently associated with T A Pai Management Institute as a professor.
Prawal Jain	CFO	He has an experience of over 24 years in accountants and finance. He is a chartered accountant and holds a certificate of membership from the ICAI and the Institute of Cost and Works Accountants of India
Lohit Chhabra	Company Secretary	He holds a bachelors' degree in commerce from the University of Delhi. He also holds a certificate of membership from the Institute of Company Secretaries of India. He has over 8 years of experience in secretarial compliance. Prior to his association with the Company, he was associated with CMR Green Technologies Limited from the year 2014 till 2023

Source: Company Reports

## Key Risks & Concerns

- The company is heavily reliant on its top 10 Customers. It generally, enter into long term contracts with Customers, which exposes the company to risks emanating from the inability to retain its established customers as its clients.
- Promoters and Whole Time Directors possess educational qualifications in management and commerce, they do not possess educational qualifications in the field of information technology.
- The company had low-capacity utilisation in Fiscals 2023, 2022 and 2021. Reduction in its actual production or inability to consistently achieve higher production could adversely affect its installed capacity utilization.

Particulars	FY21	FY22	FY23
Production capacity (no. of servers)	7500	7500	7500
Actual Production	3901	3983	3873
Capacity Utilization	52%	53%	52%

## Issue Structure and Offer Details

The proposed fresh issue size of NTL is INR 631 cr (INR 425 cr OFS and 206 cr fresh issue) and the price band for the issue is in the range of INR 475 – 500 and the bid lot is 30 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No. of shares offered
QIB	Not more than 50% of the Offer	63,10,000
NIB	Not less than 15% of the Offer	18,93,000
Retail	Not less than 35% of the Offer	44,17,000

*Number of shares based on a higher price band of INR 500*

*Source: Company Reports*

Details of the selling shareholders		
Promoter Selling shares	Amount offered	No of shares
Sanjay Lodha	Not more than 143 Cr	28,60,000
Navin Lodha	Not more than 71.5Cr	14,30,000
Vivek Lodha	Not more than 71.5 Cr	14,30,000
Niraj Lodha	Not more than 71.5 Cr	14,30,000
Sujata Vemuri	Not more than 67.5 Cr	13,50,000

*The amount is based on a higher price band of INR 500*

*Source: Company Reports*

## NTL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
<b>Income Statement</b>				<b>Per share data &amp; Yields</b>			
<b>Revenue</b>	<b>142.8</b>	<b>247.0</b>	<b>445.0</b>	Adjusted EPS (INR)	1.5	4.0	8.4
<i>YoY Growth (%)</i>	<i>(8.5)</i>	<i>73.0</i>	<i>80.1</i>	Adjusted Cash EPS (INR)	1.7	4.3	9.0
Raw Material Cost	106.2	186.5	324.4	Adjusted BVPS (INR)	3.9	7.9	16.7
<i>RM Cost to Sales (%)</i>	<i>74.3</i>	<i>75.5</i>	<i>72.9</i>	Adjusted CFO per share (INR)	(17.4)	0.9	4.8
Employee Cost	12.7	15.2	29.4	CFO Yield (%)	(3.5)	0.2	1.0
<i>Employee Cost to Sales (%)</i>	<i>8.9</i>	<i>6.2</i>	<i>6.6</i>	Adjusted FCF per share (INR)	(35.4)	0.1	0.1
Other Expenses	9.5	10.8	21.2	FCF Yield (%)	(7.1)	0.0	0.0
<i>Other Exp to Sales (%)</i>	<i>6.7</i>	<i>4.4</i>	<i>4.8</i>	<b>Solvency Ratio (X)</b>			
<b>EBITDA</b>	<b>14.4</b>	<b>34.6</b>	<b>70.0</b>	Total Debt to Equity	1.3	0.8	0.3
<i>Margin (%)</i>	<i>10.1</i>	<i>14.0</i>	<i>15.7</i>	Net Debt to Equity	1.0	0.6	0.2
<i>YoY Growth (%)</i>	<i>78.3</i>	<i>140.6</i>	<i>102.4</i>	Net Debt to EBITDA	1.5	0.8	0.2
Depreciation & Amortization	1.5	1.6	3.7	<b>Return Ratios (%)</b>			
<b>EBIT</b>	<b>12.9</b>	<b>33.0</b>	<b>66.4</b>	Return on Equity	37.7	50.6	50.1
<i>Margin (%)</i>	<i>9.1</i>	<i>13.3</i>	<i>14.9</i>	Return on Capital Employed	18.8	31.4	39.9
<i>YoY Growth (%)</i>	<i>92.2</i>	<i>154.9</i>	<i>101.3</i>	Return on Invested Capital	29.5	46.8	60.1
Other Income	1.5	0.9	0.7	<b>Working Capital Ratios</b>			
Finance Cost	3.3	3.6	4.1	Payable Days (Nos)	109	79	85
Interest Coverage (X)	3.9	9.1	16.3	Inventory Days (Nos)	75	57	44
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	143	115	124
<b>PBT</b>	<b>11.1</b>	<b>30.2</b>	<b>63.0</b>	Net Working Capital Days (Nos)	108	93	84
<i>Margin (%)</i>	<i>7.8</i>	<i>12.2</i>	<i>14.1</i>	Net Working Capital to Sales (%)	29.7	25.4	23.0
<i>YoY Growth (%)</i>	<i>108.6</i>	<i>172.3</i>	<i>108.3</i>	<b>Valuation (X)</b>			
Tax Expense	2.9	7.8	16.0	P/E	341.4	125.2	59.9
<i>Tax Rate (%)</i>	<i>25.9</i>	<i>25.7</i>	<i>25.5</i>	P/BV	128.8	63.3	30.0
<b>PAT</b>	<b>8.2</b>	<b>22.5</b>	<b>46.9</b>	EV/EBITDA	196.9	82.0	40.4
<i>Margin (%)</i>	<i>5.8</i>	<i>9.1</i>	<i>10.5</i>	EV/Sales	19.8	11.5	6.4
<i>YoY Growth (%)</i>	<i>110.7</i>	<i>172.8</i>	<i>109.0</i>	<b>Cash Flow Statement</b>			
Min Int/Sh of Assoc	0.0	0.0	0.0	PBT	11.1	30.2	63.0
<b>Net Profit</b>	<b>8.2</b>	<b>22.5</b>	<b>46.9</b>	Adjustments	11.4	3.2	19.6
<i>Margin (%)</i>	<i>5.8</i>	<i>9.1</i>	<i>10.5</i>	Change in Working Capital	(29.5)	(20.5)	(39.4)
<i>YoY Growth (%)</i>	<i>110.7</i>	<i>172.8</i>	<i>109.0</i>	Less: Tax Paid	(2.9)	(7.8)	(16.0)
<b>Balance Sheet</b>				<b>Cash Flow from Operations</b>	<b>(9.9)</b>	<b>5.2</b>	<b>27.1</b>
Share Capital	5.7	5.7	10.2	Net Capital Expenditure	(1.6)	(5.4)	(13.3)
Total Reserves	16.2	38.7	83.5	Change in Investments	(0.3)	(0.1)	(0.8)
<b>Shareholders Fund</b>	<b>21.8</b>	<b>44.4</b>	<b>93.7</b>	<b>Cash Flow from Investing</b>	<b>(1.9)</b>	<b>(5.5)</b>	<b>(14.0)</b>
Long Term Borrowings	14.4	14.4	9.3	Change in Borrowings	15.1	3.9	(4.0)
Deferred Tax Assets / Liabilities	(1.3)	(1.1)	(0.7)	Less: Finance Cost	(3.3)	(3.6)	(4.1)
Other Long Term Liabilities	1.2	0.8	4.2	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	1.0	1.1	1.5	Dividend Paid	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>37.0</b>	<b>59.7</b>	<b>108.0</b>	<b>Cash flow from Financing</b>	<b>11.8</b>	<b>0.3</b>	<b>(8.0)</b>
Net Block	6.6	10.4	23.4	<b>Net Cash Flow</b>	<b>0.0</b>	<b>0.0</b>	<b>5.1</b>
Capital Work in Progress	0.0	0.5	1.8	Forex Effect	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	Opening Balance of Cash	2.0	2.0	2.0
Non Current Investments	0.0	0.0	0.0	<b>Closing Balance of Cash</b>	<b>2.0</b>	<b>2.0</b>	<b>7.1</b>
Long Term Loans & Advances	0.7	1.5	1.7				
Other Non Current Assets	1.1	0.3	0.3				
Net Current Assets	28.6	47.0	80.9				
<b>Total Assets</b>	<b>37.0</b>	<b>59.7</b>	<b>108.0</b>				

Source: Ventura Research



## Disclosures and Disclaimer

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