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Issue Detail

Price Band (₹)	475 - 500
Face Value (₹)	2.00
Issue Size (₹)	631 Cr
Issue Type	Book Building
Minimum lot	30 Shares
Issue Opens	July 17, 2023
Issue Closes	July 19, 2023
Listing on	BSE, NSE

Indicative Timeline

Indicative Timeline	On or before
Finalization of Basis of Allotment	July 24, 2023
Unblocking of Funds	July 25, 2023
Credit of shares to Demat Account	July 26, 2023
Listing on exchange	July 27, 2023

Other Detail

Book Running Lead Managers	Equirus Capital Private Limited. IIFL Securities Limited.
Registrar	Link Intime India Private Limited.

IPO Shareholding (%)

Category	Pre-Issue	Post-Issue
Promoters	97.80%	75.45%
Public	2.20%	24.55%
Total	100.00%	100.00%

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Netweb Technologies India Limited

Company Background

Netweb Technologies India Limited (NTIL) was incorporated on September 22, 1999. Netweb Technologies India Limited provides high-end computing solutions (HCS). It manufactures and deploys HCS comprising proprietary middleware solutions, end-user utilities, and precompiled application stack. It develops homegrown compute and storage technologies, and deploys supercomputing infrastructure to meet the rising computational demands of businesses, academia, and research organizations, particularly, under India's National Supercomputing Mission. Two of the company's supercomputers have been listed 10 times in the world's top 500 supercomputers.

Issue Details:

Fresh Issue of Equity Shares aggregating upto ₹ 206 Cr and Offer for Sale aggregating upto ₹ 425 Cr.

Issue Objectives :

1. 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),
2. Funding of long-term working capital requirements,
3. Repayment or pre-payment, in full or in part, of certain outstanding borrowings, and
4. General corporate purposes.

IPO Share Issue Structure

Category	Allocation	Number of Shares at ₹ 500	Value at Upper Band (₹ in Cr.)
QIB (Institutional)	50%	63,00,500	315.03
Non Institutional	15%	18,90,150	94.51
Retail	35%	4,410,350	220.52
Employee		20,000	0.95
Total	-	1,26,21,000	631.00

Note; Employee Discount is Rs. 25 Per share

Source: Company RHP, ACMIIL Research

Outlook and Valuation

NTIL is one of India's leading Indian-origin-owned and controlled OEM for HCS with integrated design and manufacturing capabilities. The Company also has a long-standing relationship with a marquee and diverse customer base. Though the issue appears lucratively priced based on FY23 performance. Management's sound understanding of the HCS segment, experienced board and senior management and significant product development to drive growth. At the upper price band of ₹ 500/-, stock is priced at 55.12x its FY23 EPS. **We recommend subscribing to the issue from a long-term perspective.**

Company & Business Overview

Netweb Technologies India Ltd (NTIL) 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 hyper converged 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.

As indigenous HPC solutions provider, Netweb widely known for its implementation of the PARAM Yuva II, one of India's fastest and largest Hybrid supercomputer till date. Netweb's recent AI Super-computer 'AIRAWAT', installed at C-DAC, Pune has been ranked 75th in the world and puts India on top of AI Supercomputing nations worldwide. Three of Netweb's supercomputer have been listed 11 times in the world's top 500 supercomputers.

Netweb's HCI cloud offering gives its clients the quickest route to a private or hybrid cloud (For this offering, the company is also focusing on the core cloud and edge cloud.) This help customers scale the cloud easily and have the flexibility to add compute-only GPU nodes dynamically.

Netweb is one of the 1st Indian OEMs to enter workstations market in India. Netweb provides new generation workstations which has efficient and rugged designs with a wide range of more than 50 models and wide application support across AI, CFD, MD, CAD/CAM.

Netweb has come up with path-breaking innovations in their data center server capabilities. Company's servers suitable for building private cloud solutions, High-Performance Computing Clusters, and modern data centres.

Netweb provides next generation high performance enterprise storage solutions along-with flexible scalability, data protection and redundancy with great ease of integration and management.

The company also caters to an Indian Government space research organization and an R&D organization of the Ministry of Electronics and Information Technology, Government of India which is involved in carrying out R&D in information technology and electronics and associated areas including Supercomputing.

Key Products/Services:

Tyrone Camarero DIT400 Series, SDI100 series, HCI cloud (Skylus), KUBYTS Platform, Skylus Cloud for HCI.

Key Partnerships/Mergers/Acquisitions:

Netweb collaborates with technology providers such as Intel, AMD, Samsung, Segate, etc to design and develop products based on latest technology. Netweb's Tyrone provides High Performance Servers, File Servers, Clusters, Network Attached Storage Servers (NAS), HPC's & Firewall.

Customer 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), Airamatrix Pvt Ltd (Airamatrix), Graviton Research Capital LLP (Graviton), Institute of Nano Science and Technology (INST), HL Mando Softech 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.

Intellectual Property Rights

Particulars	Total	Approved	Applied/Pending	Remark
Trademarks	19	7	12	Registered: TCM, Collectivo, Parallestor, Tyrone, Camarero, EDRA, Janus, Tyrone NXT, Verta and Applied: Skulus, Tyrone
Patent	2	1	1	
Design	3	1	2	

Source: Company RHP, ACMIIL Research

Revenue from Operation - Business vertical:

Business Verticals	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Revenue (₹ Cr)	% to Revenue	Revenue (₹ Cr)	% to Revenue	Revenue (₹ Cr)	% to Revenue
Supercomputing system	13.88	39.19%	103	41.70%	172.84	39.19%
Private cloud and HCI	40.54	33.13%	47.88	19.38%	146.11	33.13%
AI systems and enterprise workstations	14.57	7.01%	24.31	9.84%	30.93	7.01%
HPS solutions	33.62	6.99%	21.68	8.78%	30.81	6.99%
Data centre server	16.82	6.42%	24.12	9.76%	28.33	6.42%
Software and service -HCS offerings	2.5	2.15%	6.86	2.78%	9.47	2.15%
Spare and others	20.87	5.11%	19.18	7.76%	22.52	5.11%
Total	142.79	100.00%	247.03	100.00%	441.00	100.00%

Source: Company RHP, ACMIIL Research

Competitive Strengths

One of India's leading Indian origin owned and controlled OEM for HCS with integrated design and manufacturing capabilities

The Indian Supercomputing systems market has grown consistently from USD 378 million in Fiscal 2019 to USD 493 million in Fiscal 2022 (E) at a CAGR of 9.3%. Further, the Indian Supercomputing systems market is expected to grow from USD 539 million in Fiscal 2023 (F) to USD 919 million in Fiscal 2029 (F) at a CAGR of 9.3%. Further, Government measures aimed at driving digital infrastructure growth include the Digital India initiative. Some of the Digital India initiative programmes are DigiLocker, E-hospitals, E-Pathshala, Bharat Interface for Money (BHIM) etc.

Netweb is one of India's leading Indian origin owned and controlled OEM for HCS with integrated design and manufacturing capabilities.

Long standing relationship with a marquee and diverse customer base

Netweb design, develop, and implement their entire solutions package which helps them engage with their customers in a more holistic manner. This enables them to embed themselves within the institutional framework of their customers and helps in customer retention and repeat business. The diverse customer base spread across different Application Industries demonstrates the suitability of their systems, design, and architecture across disparate applications. Their customer accretion between April 1, 2020, and March 31, 2023, had grown at a CAGR of 11.26%.

Significant product development and innovation through R&D

The industry in which Netweb operates is R&D intensive and relies significantly on technically qualified resources. They have endeavoured to inculcate a culture of innovation in the company and instil a firm belief that R&D is a key element of their growth and will continue to remain so. They have continued to strive towards innovation in their product range and have continued to build their R&D capabilities by continuously developing the R&D team to improve their systems design and architecture and to expand their products and solutions suite. Netweb has dedicated R&D Facilities which, as at May 31, 2023, comprised a 38 member technically skilled R&D team based in Faridabad, Hyderabad and Gurgaon, comprising 34, 1 and 3 members, respectively.

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

The nature of the industry and the rapidity of technological advancement necessitates continual innovation, improvement, and customisation of their solutions. Modification of designs and changes in implementation of the offerings requires technical skill set and expertise which is a significant entry barrier in the industry for new entrants.

The company has the capabilities of manufacturing servers that are suitable for building private cloud solutions, Supercomputing systems clusters, and modern data centres. The modification of designs and changes in implementation of the offerings require technical skill set and expertise which is a significant entry barrier in the industry. Netweb has through the technical and technological expertise that they have built over time, the experience gained from executing various projects across sectors, large collection of problem sets, wide range of problem-solving solutions, surmounted these entry barriers.

Experienced Board and Senior Management

Netweb has an experienced board and strong management team led by persons with significant experience in the information technology industry. Their Senior Management group have an average tenure of over 9 years with the company. Considering developing their product and solutions offering requires technical skill set and experience, Netweb has a workforce of 48 number of technical staff as on May 31, 2023, and 84 number of engineers. Their workforce of trained and skilled engineers facilitate them in meeting the constantly evolving demands of the industry.

Track record of financial performance and consistent growth

Company's revenue from operations have increased from ₹ 142.79 crore in Fiscal 2021 to ₹ 444.97 crore in Fiscal 2023, at a CAGR of 76.53%. Also, during the same period Profit before Tax has increased from ₹ 11.10 crore in Fiscal 2021 to ₹ 62.96 crore in Fiscal 2023 at a CAGR of 138.16%. The EBITDA, increased from ₹ 15.89 crore in Fiscal 2021 to ₹ 70.69 crore in Fiscal 2023 at a CAGR of 110.95%. The return on capital employed was 35.54%, 51.63% and 64.42% in Fiscal 2021, Fiscal 2022 and Fiscal 2023, respectively. The company has able to grow both their revenue and the profit, without any external equity funding from strategic investors or private equity funds and without high leverage from lenders. Their Net Debt - Equity ratio was 0.30 times, 0.73 times and 1.31 times during Fiscal 2023, Fiscal 2022, and Fiscal 2020, respectively.

Key Business Strategies

Expanding and augmenting company's product portfolio

Currently, Netweb has a manufacturing agreement with a third-party entity pursuant to which such entity has been appointed as a contract manufacturer for the purpose of manufacturing server motherboards and related printed circuit board (PCB) assemblies using surface mount technology (SMT), for their products. In order to manufacture their products, without any reliance on any third-party entity, they propose to set up a manufacturing unit at Faridabad, Ballabgarh, Haryana towards setting up their new SMT line. They have already demonstrated their expertise in deploying 5G cloud solutions for an international telecommunication service provider. Blockchain and artificial intelligence is transforming industries across globe. Blockchain is a solution to provide insights into AI's framework and model to meet the challenge of transparency and data integrity may be through the immutable digital records. Netweb has in Fiscal 2023 deployed their first order by establishing a centre of excellence wherein they inter alia supplied, installed, and configured the required hardware and software for blockchain based AI systems. Currently they are working primarily with Intel, Nvidia and AMD.

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

The 5G market in European and Africa countries is expected to grow at a CAGR of 45.7% between Fiscal 2023 and Fiscal 2029 and Netweb proposes to focus on 5G IT infrastructure roll-outs that require their specialised solutions and leverage their existing strengths. They already cater to a number of Indian multinational companies that have operations overseas and they propose to start by leveraging their existing relationship to expand their business and cater to the international operations of such companies. 5G is expected to drive growth in businesses globally.

While, thus far, company's growth has been organic and through developing their product and service portfolio, they may also, in future, consider and evaluate inorganic growth opportunities, in India or overseas, if and when commercially viable opportunities arise.

Deepen the penetration across verticals

Currently, company's HCS offerings cater to various Application Industries such as information technology, information technology enabled services, entertainment, and media, BFSI, and government entities including the defence, education and research development institutions, national data centres such as NMDC Data Centre. The company strives to expand verticals namely oil and gas in India and deepen their penetration across sectors such as the automobile sector particularly in western and southern region of India, BFSI clusters in the western region of India, and multi-sector corporates in order to expand their customer base.

Financial Snapshot (Consolidated)

Particulars (₹ in Cr)	As at Mar' 31, 2023		
	2021	2022	2023
Equity Share Capital	5.66	5.66	10.19
Reserves	16.16	38.71	83.48
Net worth as stated	21.82	44.37	93.67
Revenue from Operations	142.79	247.03	444.97
EBITDA	15.89	35.51	70.69
EBITDA Margin (%)	11.13%	14.37%	15.89%
Profit Before Tax	11.10	30.23	62.96
Net Profit for the period	8.23	22.45	46.94
Net Profit Margin (%)	5.76%	9.09%	10.55%
EPS - Basic (₹)	1.62	4.41	9.22
EPS - Diluted (₹)	1.62	4.41	9.07
RONW (%) as stated#	46.41%	67.85%	68.01%
NAV (₹) as stated	4.28	8.71	18.39
ROCE (%)	35.54%	51.63%	64.42%
Debt Equity Ratio	1.31	0.73	0.30

Note: #RONW calculated on Average Network

Source: Company RHP, ACMIL Research

Comparison with Listed Peers FY23

Name of the Company	Face Value	Total Income for Fiscal 2023 (₹ Cr)	EPS		NAV per Equity Share	P/E	RoNW(%)
			Basic	Diluted			
Netweb Technologies India Ltd	2	445.65	9.22	9.07	18.39	55.12	68.01%
Syrma SGS Technology Ltd	10	2,092.14	7.59	7.50	87.28	59.72	11.58%
Kaynes Technology India Ltd	10	1,137.51	19.84	19.51	165.17	76.77	16.36%
Dixon Technologies (India) Ltd	2	12,197.62	42.92	42.62	215.69	102.97	22.36%

Source: Company RHP, ACMIIL Research

Risks and concerns:

- NTIL derive a majority portion of the revenues from operations from a select few of HCS offerings. Loss or decline in the demand of such offerings may result in an adverse effect on their business, revenue from manufacturing operations and financial condition.
- Company had low-capacity utilization in Fiscals 2021, 2022 and 2023. Reduction in actual production or inability to consistently achieve higher production could adversely affect the installed capacity utilization.
- NTIL depend on few Application Industries for majority of the revenue from operations. Loss of Customers in these Application Industries may result in an adverse effect on their business, revenue from manufacturing operations and financial condition.
- Delays in Customer payments and receivables may adversely impact their profits and affect their cash flows.

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