

NETWEB TECHNOLOGIES INDIA LIMITED

17th July - 19th July, 2023

Industry: IT/ITES

Price Band: ₹ 475 - 500

Recommendation: Subscribe for listing gains

Post Implied Market Cap: ₹ 2,673- 2,803 Cr

Key Data

Issue Size (₹ Cr)	610 - 631
Fresh (₹)	206
OFS (₹)	425
No of shares offered	12837894 - 12601000
Face Value (₹ /share)	2
Bid Lot	30

About the Company

Netweb Technologies India Ltd (NTIL) is an Indian-owned original equipment manufacturer (OEM) and is a prominent player in India's high-end computing solutions (HCS) sector. The company operates under the brand name "Tyrone" and stands out for offering a comprehensive suite of products and solutions with end-to-end capabilities. With a manufacturing facility in Faridabad, Haryana, and a presence in 16 offices across India, Netweb caters to various industries including IT, ITes, entertainment, banking, and government entities. Their product portfolio includes supercomputing systems, private cloud & HCI, data center servers, AI systems, enterprise workstations, and high-performance storage solutions. Netweb commitment to innovation and excellence is reflected in its 3 supercomputers being listed among the world's top 500 supercomputers 11 times. Overall, Netweb expertise, wide range of offerings, and strong market presence position it as a leading Indian-owned and controlled OEM in India's high-end computing solutions space.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	24-07-2023
Refunds/Unblocking ASBA Fund	25-07-2023
Credit of equity shares to DP A/c	26-07-2023
Trading commences	27-07-2023

Investment Rationale

- Unique full-stack company with six verticals:** Netweb, a leading Indian-owned and controlled OEM, specializes in high-performance computing solutions (HCS) with integrated design and manufacturing capabilities. Their expertise in system design and architecture enables them to deliver bespoke solutions. They offer a full stack of products and solutions, including supercomputing systems, private cloud, data center servers, AI systems, enterprise workstations, and HPS solutions. Netweb is committed to the 'Make in India' initiative and manufactures its offerings under this program. They prioritize indigenous manufacturing, including the production of made-in-India servers. Additionally, they are eligible for production-linked incentives under the Government of India's IT Hardware PLI Scheme and Telecom and Networking PLI Scheme.
- Diversified Customer Base:** Netweb's ability to cater to a diverse customer base across various industries demonstrates the adaptability and efficacy of their systems, design, and architecture in different applications. Their extensive product portfolio serves a wide range of sectors, including IT, ITes, entertainment and media, banking, financial services and insurance, national data centers, and government entities like defense, education, and research institutions. In the fiscal year 2023, Netweb successfully engaged with 2,011 customers, with 317 of them being repeat customers who have maintained a fruitful association for an average of 4.86 years since fiscal year 2016. This signifies the trust and satisfaction that customers place in Netweb's offerings, reflecting their expertise and ability to meet the unique needs of diverse industries.
- Strategic focus on expanding services and geographic reach:** Netweb intends to expand its product offerings to include 5G and private 5G solutions, as well as network switches. Their expertise in deploying 5G cloud solutions for an international telecommunication service provider showcases their capabilities. With a specific focus on the BFSI segment, they aim to capitalize on the projected growth in enterprise networking in India. Netweb plans to concentrate on 5G IT infrastructure roll-outs, particularly targeting the specialized needs of their existing Indian multinational clients with international operations. Additionally, they seek to extend their reach in sectors like oil and gas, the automobile industry in western and southern India, BFSI clusters in the western region, and multi-sector corporates, in order to expand their customer base and drive growth.
- Experienced Board and Senior Management:** Netweb is supported by an experienced board and strong management team with significant industry expertise. Their senior management group has an average tenure of over 9 years. With a workforce of 48 technical staff and 84 skilled engineers, Netweb is equipped to meet the evolving demands of the industry and drive innovation in their products and solutions.

Shareholding (No. of shares)

Pre-Issue	5,19,43,980
Post Issue (Lower price band)	5,62,81,874
Post Issue (Higher price band)	5,60,64,980

Shareholding Pattern

	%
Promoters:	
Pre Issue	94.88
Post Issue	75.16
Promoters Group:	
Pre Issue	2.91
Post Issue	0.29
Public - Other Selling S/h:	
Pre Issue	0
Post Issue	0
Public - Others:	
Pre Issue	2.2
Post Issue	24.55

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Risk

- Difficulty in overseas expansion
- Dependence on top 10 Customers for ~60% of the revenue in FY23

Other Details

BRLMs: Equirus Capital, IIFL Securities

Registrar: Link Intime India Pvt. Ltd.

Listing: BSE & NSE

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MView

We believe that Netweb, with its significant market share of approximately 20-25% in the domestic supercomputing market, is poised for further growth and success. The company's expansion into network switches and 5G Open Radio Access Network (ORAN) appliances reflects its strategic approach to capitalize on the data center market for enterprise IT and the telecommunications sector, enabling the provision of 5G services. Furthermore, Netweb's investment in a new manufacturing facility for surface mount technology demonstrates its commitment to expanding capabilities and reducing reliance on third-party vendors. The company's focus on expanding and diversifying its product portfolio, along with its efforts to deepen penetration across verticals and expand geographic footprints in EMEA, positions it well for future growth opportunities. With the support of the Digital India initiative by the Government, Netweb is in a favorable position to leverage the growth of the Indian IT industry. However, on a valuation basis, Netweb's higher price band demands a P/E multiple of 59.7x (on its FY23 earnings), which appears to be on the higher side due to the company's niche product segment of private cloud services and its advantageous position as a first mover in the listed space, which commands a premium. We believe such businesses would get strong demand in the IPO offer. Hence we recommend investors to subscribe for listing gains only.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	2023	2022	2021
Equity Share Capital	10.19	5.66	5.66
Reserves	83.48	38.71	16.16
Net worth as stated	93.67	44.37	21.82
Revenue from Operations	444.97	247.03	142.79
Revenue Growth (%)	80.13%	73.00%	-
EBITDA	70.69	35.51	15.89
EBITDA Margin	15.89%	14.37%	11.13%
Net Profit	46.94	22.45	8.23
Net Profit Margin	10.55%	9.09%	5.76%
EPS	9.22	4.41	1.62

Source: RHP

COMPARISON WITH LISTED PEERS SEGMENT - NETWEB TECHNOLOGY

Companies	Mcap (in Cr)	FV	Revenue from operation (as at march 2023)	EPS	NAV	P/E	EV/EBITD	RONW
Netweb Technologies Limited*	2803	2	446	9	18	59	40	68%
Syrma SGS Technology Limited	448	10	2,092	8	87	60	35	12%
Kaynes Technology India Limited	1,505	10	1,137	20	165	77	47	16%
Dixon Technologies (India) Limited	4,389	2	12,198	43	216	103	51	22%

Source: RHP, Data as on 31st March 2023, *on higher price band



MSEARCH

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Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

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