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Netweb Technologies

Q2: Scaling the core as well as laying the groundwork for TAM expansion

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NETWEB IN

Reiterate Rating	Price	Price Objective	Upside	Market Cap	Average Daily Value
BUY	4,286.00	5,250.00	22.5%	254,792	62.84
	INR	INR		INR(mn)	USD(mn)

all data as of 26 October 2026

Key takeaways

- Initiatives across physical AI, quantum and Taiwan hiring look encouraging & could support med-term TAM expansion.
- Q2 revenue and margins beat estimates; we raise FY27-29E EPS by 7-9%. Retain Buy.
- Gross order intake during the quarter was also healthy at INR 14.5bn (up 18%qoq). Pipeline expanded 7%qoq.

GPU: Graphics Processing Unit
HPC: High-performance computing
HCI: Hyperconverged Infrastructure
RFP: Request for Proposal
NSM: National Supercomputing Mission

Investments aimed at broadening the med-term TAM

A key focus area on the earnings call was management's continued efforts to broaden Netweb's addressable market and diversify its growth profile. The company has started developing capabilities across the physical-AI technology stack, including digital twins. It has also commenced R&D on quantum simulators and emulators and is engaging with government institutions and research start-ups across the ecosystem. Further, its proposed wholly-owned Taiwan subsidiary is aimed at getting access to specialized hardware-design talent and proximity to high-value technology providers, helping accelerate product development. In our view, continued R&D investments and expansion into these emerging adjacencies should progressively widen its medium-term TAM and diversify its growth drivers beyond AI.

Strong Q2; raise EPS estimates by 7%-9%

As indicated in our first-take report (https://rsch.baml.com/r?q=OdRsPmyCSAYc0o3dUTrf1w), Netweb delivered a strong beat in Q2, both on revenues and margins. AI systems accounted for 58% of revenue, supported by buoyant demand across government & private-sector customers. Gross order intake during the quarter was also healthy at INR 14.5bn (up 18%qoq). Despite strong conversion, pipeline also expanded 7%qoq from INR 104bn in Q1 to INR 112bn in Q2. More importantly, management indicated that enterprise demand is now exceeding government demand in its pipeline. Baking in the Q2 beat, we raise our FY27-29E EPS estimates by 7-9%. We retain Buy with an unchanged PO of INR5,250 (on 50x Sep-28E EPS, see details).

Other key highlights

(i) Netweb expects to commence commercial offerings of Vera Rubin-based systems by January 2027. (ii) While growth continues to be fueled by the AI systems segment, Netweb's other 2 core segments of Private cloud and High-performance computing also registered very strong growth in H1 at 86%yoy & 108%yoy respectively. (iii) Management expects the cash-conversion cycle to remain within 90-110 days in the near-term (iv) Netweb aims to capture more than half of the five-year NSM 2.0 opportunity, supported by the program's emphasis on local manufacturing.

Estimates & Valuation

Estimates (Mar) (Rs)	2025A	2026A	2027E	2028E	2029E
Net Income (Adjusted - mn)	1,138	2,058	4,200	5,423	6,883
EPS	20.12	36.30	71.48	91.23	115.79
EPS Change (YoY)	44.6%	80.4%	96.9%	27.6%	26.9%
Dividend / Share	2.50	3.00	4.29	5.47	6.95
Free Cash Flow / Share	(6.39)	28.40	(128.59)	63.52	91.63
Valuation (Mar)					
P/E	213.02x	118.07x	59.96x	46.98x	37.01x
Dividend Yield	0.058%	0.070%	0.100%	0.128%	0.162%
EV / EBITDA*	157.36x	87.86x	41.72x	32.92x	26.31x
Free Cash Flow Yield*	-0.142%	0.632%	-2.97%	1.48%	2.14%

Key Changes

(Rs)	Previous	Current
2027E EPS	65.25	71.48
2028E EPS	83.25	91.23
2029E EPS	107.24	115.79
2027E EBITDA (m)	5,465.7	5,999.3
2028E EBITDA (m)	6,924.8	7,601.4
2029E EBITDA (m)	8,791.6	9,513.4

Stock Data

Price	4,286 INR
Price Objective	5,250 INR
Date Established	7-Oct-2026
Investment Opinion	C-1-7

52-Week Range	2,920 INR-5,813 I NR
Mrkt Val / Shares Out (m n)	2,684 USD / 59.4
Market Value (mn)	254,792 INR
Average Daily Value (mn)	62.84 USD
Free Float	35.8%
BofA Ticker / Exchange	XNTZF / NSI
Bloomberg / Reuters	NETWEB IN / NET E.NS
ROE (2027E)	27.8%
Net Dbt to Eqty (Mar-202 6A)	-12.0%
Price to Book Value	11.1x

PO change

Baking in the Q2 beat, we raise our FY27-29E EPS estimates by 7-9%. We retain Buy with an unchanged PO of INR5,250. Our PO is now based on a 50x target multiple on Sep-28E EPS (vs. 55x earlier) as we incorporate an increase in risk-free rate from 6.5% to 7% in our DCF-derived multiple methodology. This is in-line with the increase in 10yr Gsec yields in India. See details below:

Our target price of INR 5,250 is based on 50x P/E on 12m ending Sep-28 EPS. We derive our target multiple of 50x from a two-stage DCF model that assumes a revenue CAGR of 33% over the next 5 years moderating to 20% over the subsequent five-year period, and a terminal growth rate of 6%. We assume stable EBIT margins of 13.3% and a WACC of 11% (vs. 10.7% earlier)

Our WACC is a function of 13.1% Cost of Equity (vs. 12.6% earlier) and 6.5% after-tax cost of debt, with weights based on a target gross debt-to-equity of 30 : 70. The cost of equity calculation uses a risk-free rate of 7% (vs. 6.5% earlier), Beta of 1.1 and equity risk-premium of 5.5%.

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iQprofile^{SM} Netweb Technologies

Company Description

Netweb is an Indian provider of high-end computing solutions, with in-house capabilities across design, engineering and manufacturing. Its offering spans high-performance computing and supercomputing systems, private cloud and hyperconverged infrastructure, AI systems and enterprise workstations, high-performance storage and data-center servers. Netweb traces its origins to 1996, when Sanjay Lodha founded M/s Netweb Technologies as a proprietorship

Investment Rationale

We rate Netweb as Buy. It is India's largest compute solution OEM who we expect to be a key beneficiary of the AI buildout in India. Its credentials to lead this rapidly growing space (we estimate 30-40% CAGR) include (i) a hard-to-replicate tech moat gained from a 15yr long partnership with NVIDIA & background in supercomputing, (ii) an in-house software stack that enables profitability profile of low-teens vs. 3-4% for box-sellers, and (iii) long-standing relationships with key govt buyers.

Key Income Statement Data (Mar) (Rs Millions)	2025A	2026A	2027E	2028E	2C
Sales	11,490	21,836	43,172	54,243	
Gross Profit	2,655	4,553	8,418	10,577	
Sell General & Admin Expense	(621)	(803)	(1,124)	(1,349)	
Operating Profit	1,477	2,706	5,740	7,276	
Net Interest & Other Income	53	59	(125)	(25)	

Associates	NA	NA	NA	NA
Pretax Income	1,530	2,765	5,615	7,251
Tax (expense) / Benefit	(392)	(707)	(1,415)	(1,827)
Net Income (Adjusted)	1,138	2,058	4,200	5,423
Average Fully Diluted Shares Outstanding	57	57	59	59
Key Cash Flow Statement Data				
Net Income	1,138	2,058	4,200	5,423
Depreciation & Amortization	113	142	259	325
Change in Working Capital	(1,387)	(653)	(11,903)	(1,701)
Deferred Taxation Charge	NA	NA	NA	NA
Other Adjustments, Net	4	167	125	25
Cash Flow from Operations	(132)	1,715	(7,319)	4,073
Capital Expenditure	(229)	(105)	(237)	(298)
(Acquisition) / Disposal of Investments	(89)	(2,238)	0	0
Other Cash Inflow / (Outflow)	1,434	179	389	488
Cash Flow from Investing	1,116	(2,164)	152	191
Shares Issue / (Repurchase)	1	1	11,755	0
Cost of Dividends Paid	(113)	(142)	(252)	(325)
Cash Flow from Financing	(180)	2,404	11,482	(839)
Free Cash Flow	(361)	1,610	(7,556)	3,776
Net Debt	(1,641)	(867)	(4,619)	(8,008)
Change in Net Debt	(828)	719	(3,822)	(3,425)
Key Balance Sheet Data				
Property, Plant & Equipment	415	456	434	406
Other Non-Current Assets	269	195	195	195
Trade Receivables	3,615	6,700	9,462	11,889
Cash & Equivalents	1,701	3,655	7,969	11,395
Other Current Assets	2,922	11,544	23,649	26,911
Total Assets	8,922	22,549	41,709	50,795
Long-Term Debt	10	9	9	9
Other Non-Current Liabilities	37	58	101	123
Short-Term Debt	3	2,708	3,200	3,200
Other Current Liabilities	3,534	12,470	15,321	19,251
Total Liabilities	3,630	15,316	18,773	22,761
Total Equity	5,292	7,233	22,936	28,034
Total Equity & Liabilities	8,922	22,549	41,709	50,795
iQ*method SM – Bus Performance				
Return On Capital Employed	24.0%	27.9%	25.1%	20.0%
Return On Equity	23.9%	32.9%	27.8%	21.3%
Operating Margin	12.9%	12.4%	13.3%	13.4%
EBITDA Margin	13.8%	13.0%	13.9%	14.0%
iQ*method SM – Quality of Earnings				
Cash Realization Ratio	-0.1x	0.8x	-1.7x	0.8x
Asset Replacement Ratio	2.0x	0.7x	0.9x	0.9x
Tax Rate (Reported)	25.7%	25.6%	25.2%	25.2%
Net Debt-to-Equity Ratio	-31.0%	-12.0%	-20.1%	-28.6%
Interest Cover	36.1x	20.9x	11.2x	14.2x

Key Metrics

** Click for full definitions of iQmethod℠ measures.*

Price Objective Basis & Risk

Netweb Technologies (XNTZF)

Our target price of INR 5,250 is based on 50x P/E on 12m ending Sep-28 EPS.

We derive our target multiple of 50x from a two-stage DCF model that assumes a revenue CAGR of 33% over the next 5 years moderating to 20% over the subsequent five-year period, and a terminal growth rate of 6%. We assume stable EBIT margins of 13.3% and a WACC of 11%.

Our WACC is a function of 13.1% Cost of Equity and 6.5% after-tax cost of debt, with weights based on a target gross debt-to-equity of 30 : 70. The cost of equity calculation uses a risk-free rate of 7%, Beta of 1.1 and equity risk-premium of 5.5%.

Downside risks:

While so far demand for Netweb's offerings has behaved relatively inelastic to increase in pricing (on account of RM cost inflation), continued increase in memory prices could put pressure on Netweb's margins.

Potential execution delays in the large strategic orders.

Rupee depreciation, if it continues in the manner it has been over the last year, can increase cost of hedging for Netweb as a large share of the raw materials are imported (GPUs from US, and memory from Korea). Increase in volatility in global sentiment around AI adoption.

Upside risks:

Faster-than-expected scale up of GPU-as-a-service model in India.

An increase in scarcity premium given limited direct AI-themed plays in India

Analyst Certification

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Coverage Cluster

APR - Technology Hardware Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AAC Technologies	AACAF	2018 HK	Katherine Zhu
	Accton	XTWOF	2345 TT	Doris Kao
	Advantech	ADTEF	2395 TT	Robert Cheng
	Asia Vital Components	AVMPF	3017 TT	Doris Kao
	Asustek	AKCPF	2357 TT	Robert Cheng
	BizLink	BIZLF	3665 TT	Doris Kao
	Chenbro	CEOMF	8210 TT	Doris Kao
	Cowell	CWLLF	1415 HK	Katherine Zhu
	Crystal-Optech	XMKAF	002273 CH	Katherine Zhu
	Delta Electronics (Thailand)	XLETF	DELTA TB	Suppapong Iemkongaek, CFA, CMT
	Delta Electronics Inc.	DLTEF	2308 TT	Robert Cheng
	Duksan Neolux	XDSXF	213420 KS	Simon Woo, CFA
	Dynamic Holding	XLHCF	3715 TT	Mike Yang
	Elite Material	ETMCF	2383 TT	Mike Yang
	Foxconn Industrial Internet	XDAZF	601138 CH	Robert Cheng
	Goertek	XGKCF	002241 CH	Katherine Zhu
	Gold Circuit	GOCCF	2368 TT	Doris Kao
	Hana Microelectronics	XHNNF	HANA TB	Suppapong Iemkongaek, CFA, CMT
	Hon Hai Precision Industry	HNHAF	2317 TT	Robert Cheng
	Huaqin	XHUAF	603296 CH	Katherine Zhu
	Huaqin	XPEZF	3296 HK	Katherine Zhu
	ISU Petasys	IPTYF	007660 KS	Matt Shin
	Jentech	XVFSF	3653 TT	Doris Kao
	KCE Electronics	XKKRF	KCE TB	Suppapong Iemkongaek, CFA, CMT
	King Slide	KGSLF	2059 TT	Doris Kao
	Kingboard Laminates	KGBLF	1888 HK	Katherine Zhu
	Kinsus	KNSUF	3189 TT	Mike Yang
	Largan Precision	LGANF	3008 TT	Robert Cheng
	Lenovo Group	LNVGF	992 HK	Robert Cheng
	Lenovo Group	LNVGY	LNVGY US	Robert Cheng
	Lens Tech	XLTVF	6613 HK	Katherine Zhu
	LG CNS	XLGLF	064400 KS	Simon Woo, CFA
	LG Electronics	LGEAF	066570 KS	Simon Woo, CFA
	LG Innotek	XLGQF	011070 KS	Simon Woo, CFA
	Lotes	ZYZTF	3533 TT	Doris Kao
	Luxshare	XNJQF	002475 CH	Katherine Zhu
	Netweb Technologies	XNTZF	NETWEB IN	Jatin Kalra, CFA
	NYPCB	NANYF	8046 TT	Mike Yang
	Quanta Computer	QUCPF	2382 TT	Robert Cheng
	Samsung Electro-Mechanics	SMSGF	009150 KS	Simon Woo, CFA
	Samsung SDI	SSDIF	006400 KS	Simon Woo, CFA
	Samsung SDS	XWPBF	018260 KS	Simon Woo, CFA
	Shennan Circuits	XAMKF	002916 CH	Katherine Zhu
	Taiwan Union Technology Corporation	TWUNF	6274 TT	Mike Yang
	Unimicron	UMCRF	3037 TT	Mike Yang
	Universal Display	OLED	OLED US	Simon Woo, CFA
	Victory Giant	XENEF	300476 CH	Katherine Zhu
	Wistron	WICOF	3231 TT	Doris Kao
	Wiwynn	XWIQF	6669 TT	Robert Cheng
	Xiaomi Corporation	XIACF	1810 HK	Robert Cheng
	Yageo	YGEQF	2327 TT	Robert Cheng
	Zhen Ding Tech	XFAGF	4958 TT	Doris Kao
	Zhongji Innolight	XZICF	300308 CH	Katherine Zhu
NEUTRAL				
	Auras Technology	AUTCF	3324 TT	Doris Kao
	BYD Electronic	BYDIF	285 HK	Katherine Zhu
	DS Precision	XBASF	002384 CH	Katherine Zhu
	E Ink Holdings	PVWIF	8069 TT	Doris Kao
	Lite-On Tech	LOTZF	2301 TT	Doris Kao
	Sunny Optical	SNPTF	2382 HK	Katherine Zhu
UNDERPERFORM				
	Acer	ASIYF	2353 TT	Robert Cheng
	Catcher Tech	CHERF	2474 TT	Robert Cheng
	Compal Electron	XLCPF	2324 TT	Doris Kao

Everwin Precision	XSHZF	300115 CH	Katherine Zhu
Genius Electronic Optical	GNSEF	3406 TT	Robert Cheng
Lens Tech	XLTGF	300433 CH	Katherine Zhu
LG Display	LPHLF	034220 KS	Simon Woo, CFA
LG Display-ADR	LPL	LPL US	Simon Woo, CFA
Pegatron	PGTRF	4938 TT	Robert Cheng
Sanan Opto	XEQYF	600703 CH	Katherine Zhu
Seoul Semiconductor	SLSOF	046890 KS	Simon Woo, CFA
Shengyi	DGUNF	600183 CH	Mike Yang
Sunway Communications	XWSVF	300136 CH	Katherine Zhu
Transsion	XCINF	688036 CH	Robert Cheng
ZTE Corporation	SHZZF	000063 CH	Katherine Zhu
ZTE Corporation	ZTCOF	763 HK	Katherine Zhu

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Netweb (XNTZF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	255	62.04%	Buy	157	61.57%
Hold	82	19.95%	Hold	46	56.10%
Sell	74	18.00%	Sell	31	41.89%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	2057	57.03%	Buy	1386	67.38%
Hold	806	22.35%	Hold	563	69.85%
Sell	744	20.63%	Sell	446	59.95%

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fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster R2
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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