



Moderate 2Q, Growth to be back-ended

Netweb reported moderate revenue/PAT growth of 21%/22% YoY, a QoQ flattish performance (a 22/18% miss to IIFLe). While large strategic order wins under India AI Mission (IAIM), worth ~Rs22bn have significantly enhanced growth visibility in the near term, mgmt. guides only 1/3rd of these projects to be billed in FY26, much softer than initial expectations; but expects 1HFY26 growth of 50%+ in the base business to sustain. We keep our forecasts unchanged for now. Mgmt expects significant traction in its base business (60% conversion of Rs42bn bid pipeline) apart from continued order wins under IAIM. Valuations at 52x FY27ii EPS are now rich and discount the step jump of 65% EPS Cagr in FY25-28ii. Maintain BUY.

Record order wins drive strong visibility: OB + L1 expanded 331% YoY to Rs30.3bn (2.2x TTM sales), led by two large India AI Mission orders worth Rs21.8bn, with execution spread over FY26–1HFY27. Excluding these strategic wins, the organic (base business) OB + L1 was Rs8.4bn, +20% YoY/21% QoQ. IAIM projects are backed by advances & LCs, and do not require additional capex. Mgmt guides for 150–200bps lower than the avg. PBT margins here. Order pipeline is 14% higher YoY, at Rs42bn, with ~60% conversion expected by FY27.

Broad-based growth across key verticals: 2QFY26 revenue grew 21% YoY to Rs3bn, led by 78% YoY in AI & EW while HPC grew 25% YoY and HCI was flat; all three contributed > 85% of revenues. Netweb holds 30–35% market share in the HPC market (TAM: ~Rs10bn), with 43% revenues from government and 57% from private sector.

Guides conservatively for FY26: Management maintained its organic revenue growth guidance of 35–40% with OPM/PAT margins at 13–14%/10.5%; conservatively guides a third of the strategic order book execution by 4QFY26 (IIFLe: 50%). Cash conversion cycle is 120 days for 1HFY26, while net cash is at Rs2.4bn (net D/E: -0.41x). ROE/ROCE are at 22.4%/30.2%, underscoring efficient execution.

CMP	Rs3799
12-mth TP (Rs)	4110 (8%)
Market cap (US\$m)	2,412
Enterprise value(US\$m)	2,404
Bloomberg	NETWEB IN
Sector	EMS

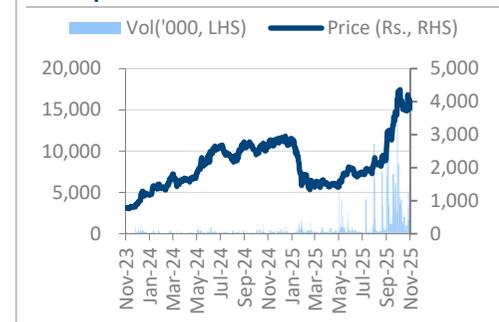
Shareholding pattern (%)

Promoter	71.0
Pledged (as % of promoter share)	0.0
FII	9.5
DII	4.2
52Wk High/Low (Rs)	4360/1339
Shares o/s (m)	57
Del Value 3mth avg (US\$ m)	25.3
Dividend yield FY27ii (%)	0.2
Free float (%)	29.0

Price performance (%)

	1M	3M	1Y
Absolute (Rs)	(11.9)	77.9	40.6
Absolute (US\$)	(11.9)	75.4	33.1
Relative Perf.	(15.0)	72.4	44.1
Cagr (%)		3 yrs	5 yrs
EPS (Rs)		36.5	71.0

Stock performance



Financial summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenues (Rs m)	7,241	11,490	28,223	45,610	51,483
Ebitda margins (%)	14.2	13.9	13.0	13.1	13.7
Pre-exceptional PAT (Rs m)	759	1,145	2,488	4,139	5,062
Reported PAT (Rs m)	759	1,145	2,488	4,139	5,062
Pre-exceptional EPS (Rs)	13.5	20.2	43.9	73.1	89.4
Growth (%)	46.1	50	117.3	66.4	22.3
IIFL vs consensus (%)			19.3	26.3	21.5
PER (x)	NM	188.0	86.5	52.0	42.5
ROE (%)	29.4	24.0	38.7	44.2	37.7
Net debt/equity (x)	(0.5)	(0.3)	0.8	0.0	(0.3)
EV/Ebitda (x)	NM	133.4	60.4	35.9	29.8
Price/book (x)	50.6	40.6	28.5	19.2	13.8
OCF/Ebitda (x)	0.2	NM	NM	1.1	0.9

Source: Company, IIFL Research. Priced as on 03 November 2025

Performance highlights

Sales: Rs3,037mn, up 21% YoY/1% QoQ (22% below with IIFLe)
 EBITDA: Rs455mn, up 27% YoY/1% QoQ (16% below with IIFLe)
 EBITDA Margins: 15%, +74bps YoY/ +9bps QoQ (IIFLe: 14%)
 PAT: Rs314mn, up 22% YoY/3% QoQ (18% below with IIFLe)
 Order Inflows: Rs27.5bn, up 1269% YoY/ 1236% QoQ
 Order Book + L1: Rs30.3bn (2.2x TTM Sales), up 331% YoY/ 336% QoQ

Figure 1: Financial highlights

Rs mn	2QFY25	1QFY26	2QFY26	YoY	QoQ	1HFY25	1HFY26	YoY
Revenues	2,511	3,012	3,037	21%	1%	4,004	6,049	51%
Raw Materials	1,891	2,240	2,203	17%	-2%	2,985	4,444	49%
Employee expenses	159	161	192	21%	20%	278	353	27%
Other expenses	104	163	187	80%	15%	186	350	88%
EBITDA	357	448	455	27%	1%	554	903	63%
<i>EBITDA margin</i>	<i>14.2%</i>	<i>14.9%</i>	<i>15.0%</i>	<i>74 bps</i>	<i>9 bps</i>	<i>13.8%</i>	<i>14.9%</i>	<i>108 bps</i>
Depreciation	26	33	34	30%	3%	51	68	33%
Finance costs	7	10	9	42%	-5%	14	19	33%
Other income	20	11	9	-55%	-16%	59	20	-66%
PBT	345	416	420	22%	1%	549	836	52%
Tax	87	111	106	21%	-5%	139	217	56%
<i>Tax rate</i>	<i>25.4%</i>	<i>26.7%</i>	<i>25.2%</i>	<i>-17 bps</i>	<i>-154 bps</i>	<i>25%</i>	<i>26%</i>	<i>61 bps</i>
Adjusted PAT	257	305	314	22%	3%	410	619	51%
<i>Net margin</i>	<i>10.2%</i>	<i>10.1%</i>	<i>10.3%</i>	<i>11 bps</i>	<i>23 bps</i>	<i>10.2%</i>	<i>10.2%</i>	<i>1 bps</i>
Adj EPS (Rs)	4.6	5.4	5.5	22%	3%	7.3	10.9	50%
As a % of sales								
<i>Gross margin</i>	<i>24.7%</i>	<i>25.6%</i>	<i>27.5%</i>	<i>277 bps</i>	<i>184 bps</i>	<i>25.4%</i>	<i>26.5%</i>	<i>110 bps</i>
<i>Employee expenses</i>	<i>6.3%</i>	<i>5.3%</i>	<i>6.3%</i>	<i>-1 bps</i>	<i>99 bps</i>	<i>7.0%</i>	<i>5.8%</i>	<i>-112 bps</i>
<i>Other expenses</i>	<i>4.1%</i>	<i>5.4%</i>	<i>6.2%</i>	<i>203 bps</i>	<i>75 bps</i>	<i>4.6%</i>	<i>5.8%</i>	<i>114 bps</i>
<i>Order Pipeline</i>	<i>37,038</i>	<i>41,421</i>	<i>42,043</i>	<i>14%</i>	<i>2%</i>	<i>37,038</i>	<i>42,043</i>	<i>14%</i>
Order Inflows	2,011	2,059	27,517	1269%	1236%	3,589	29,576	724%
Order Book + L1	7,013	6,939	30,259	331%	336%	7,013	30,259	331%
<i>OB+L1/TTM Sales</i>	<i>0.8</i>	<i>0.5</i>	<i>2.2</i>					

Source: Company, IIFL Research

Order book and pipeline

- Order book expanded 624% YoY to Rs26.8bn leading to implied order inflows (+1269% YoY to Rs27.5bn). Cumulative OB+L1 position stood at Rs30.3bn (+331% YoY, 2.2x TTM sales).
- The above order book includes two strategic, large-value orders of Rs21.8bn under the India AI Mission, received in Sept 2025. ~ 1/3rd of these will be executed in FY26 with the remainder in FY27. Excluding these, organic order book (incl. L1) stands at Rs8.4bn (0.6x TTM Sales), up 20% YoY/21% QoQ.
- Management highlighted that these orders will not require any significant capex, and short-term working capital needs are being met through customer advances and LC-backed funding. Margins on these projects are expected to be 150–200 bps lower than the company's average PBT margins.
- Management indicated that they do not expect any sourcing challenges from NVIDIA, as Netweb's exclusive OEM partnership ensures priority access to new chipsets and steady supply allocations, supporting uninterrupted GPU availability for its strategic orders.

Figure 2: Big-ticket AI orders drive OB+L1 position



Source: Company, IIFL Research

- Beyond the existing orders, mgmt. expects additional opportunities under the IndiaAI Mission, from the govt.'s allocation of Rs100bn

mainly focusing on the two pillars of enhancing AI infrastructure and compute services.

- Order pipeline improved by 14% YoY/2% QoQ to Rs42bn, with an estimated conversion ratio of 60% within 6-18 months.

Key Financial Highlights

- Expansion in GMs by 277bps YoY to 27.5% partially offset by an increase in other expenses by 203bps YoY led to an expansion in OPMs by 74bps YoY to 15%, driven by healthy demand and execution capabilities.
- Moderate increase in OPMs was offset by lower other income (-55% YoY) and higher D&A (+30% YoY) leading to flattish net margins at 10.3% (vs 10.2% in 2QFY25). R&D expenses remained at ~ 3% of revenue, with the entire amount expensed in the P&L.
- Mgmt. maintains the organic revenue growth guidance of 35-40% and expects OPMs/PAT margin ~13-14%/10.5%. Beyond FY26, mgmt. is targeting organic revenue growth of 30-35% annually for the next 2-3 years.
- Cash conversion cycle stood at 120 days, while the net cash on its books stood at Rs2.4bn as on Sept 2025. Net debt/equity stood at (0.41).
- ROE and ROCE for H1FY26 were 22.4% and 30.2% respectively.

Segmental Highlights

- Revenue growth was led by jump in AI&EW (+78% YoY) and HPC (+25% YoY) while HCI remained flattish (-1% YoY).
- Management continues to focus on HPC, HCI and AI&W which contributed 33%/33%/21% respectively to sales, accounting for majority of the revenue mix. Growth was also seen in HCS & Software (+121% YoY) and HPS & Storage (+81% YoY), forming ~6% of the revenue mix.
- The company holds a 30–35% market share in the HPC segment, where the TAM is estimated at ~ Rs 10bn.
- Government clients contributed 43% of total revenue, with the rest from private enterprises. Management expects broad mix of 50:50.
- Customer concentration with Top 10 clients and Top 5 clients constituted 71%/56% of sales in H1FY26 vs 66%/51% in FY25.

Additionally, 74.7% of the revenue was derived from repeat customers in H1FY26.

- Export contribution is expected in the range of 5-6%.

Figure 3: Segmental highlights

Rs mn	2QFY 25	1QFY26	2QFY26	YoY	QoQ	1HFY25	1HFY26	YoY
Revenue by Vertical								
HPC	818	774	1,021	25%	32%	1,394	1,795	29%
HCI	1,029	1,024	1,019	-1%	0%	1,484	2,043	38%
AI&EW	371	874	662	78%	-24%	589	1,536	161%
HPS & Storage	36	61	65	81%	7%	73	126	73%
Data Centre	78	81	51	-35%	-37%	128	132	3%
HCS & Software	53	107	117	121%	9%	93	224	141%
Spares & Others	126	60	121	-3%	101%	215	181	-16%
Network Switches	23	30	30	34%	1%	52	60	15%
% share								
HPC	32%	26%	33%			35%	29%	
HCI	41%	34%	33%			37%	34%	
AI&EW	15%	29%	21%			15%	25%	
HPS & Storage	1%	2%	2%			2%	2%	
Data Centre	3%	3%	2%			3%	2%	
HCS & Software	2%	4%	4%			2%	4%	
Spares & Others	5%	2%	4%			5%	3%	
Network Switches	1%	1%	1%			1%	1%	
Revenue by Customer Type								
Government	941	1,792	1,291	37%	-28%	1,825	3,083	69%
Private	1,569	1,220	1,746	11%	43%	2,178	2,966	36%
% share								
Government	38%	60%	43%			46%	51%	
Private	63%	41%	58%			54%	49%	

Source: Company, IIFL Research

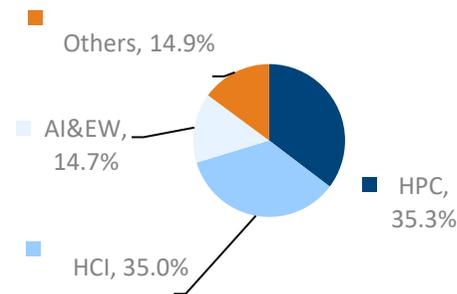
Background: Netweb Technologies is one of India’s leading high-end computing solutions (HCS) provider, with fully integrated design and manufacturing capabilities. Established as a sole proprietorship in 1999 (incorporated as a company in 2016), over the last two decades Netweb has installed over 300 supercomputing systems, over 50 private cloud & HCI installations and 4,000+ AI systems and enterprise workstations.

Management

Name	Designation
Sanjay Lodha	Chairman & MD
Ankit Kumar Singhal	CFO
Hridey Vikram	Chief Marketing Officer

Customers: ISRO, HAL, Graviton, IITs, Akamai, Yotta
 Competitors: IBM, ATOS, Lenovo, HPE

Segment mix - FY25



Assumptions

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenue YoY (%)	62.7	58.7	145.6	61.6	12.9
HPC	51.8	54.5	30.0	50.0	45.0
Private cloud & HCI	81.0	52.3	30.0	40.0	40.0
AI&EW	158.3	112.0	817.4	77.9	(4.9)
HPS	10.0	(18.9)	30.0	25.0	25.0
Data centre server	19.0	10.7	17.5	18.0	20.0
HCS focussed Software and Service	85.9	158.5	10.0	10.0	10.0
Spare & Others	27.9	71.9	20.0	20.0	20.0
Network switches & 5G	0.0	248.2	60.0	70.0	100.0

Source: Company data, IIFL Research

PE Chart



EV/Ebitda



Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Revenues	7,241	11,490	28,223	45,610	51,483
Ebitda	1,025	1,600	3,657	5,993	7,054
Depreciation and amortisation	(63)	(113)	(154)	(187)	(225)
Ebit	963	1,487	3,503	5,805	6,829
Non-operating income	119	94	85	76	114
Financial expense	(62)	(41)	(248)	(326)	(149)
PBT	1,020	1,540	3,339	5,556	6,795
Exceptionals	0	0	0	0	0
Reported PBT	1,020	1,540	3,339	5,556	6,795
Tax expense	(261)	(395)	(852)	(1,417)	(1,733)
PAT	759	1,145	2,488	4,139	5,062
Minorities, Associates etc.	0	0	0	0	0
Attributable PAT	759	1,145	2,488	4,139	5,062

Ratio analysis

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Per share data (Rs)					
Pre-exceptional EPS	13.5	20.2	43.9	73.1	89.4
DPS	2.0	2.5	5.3	8.8	10.7
BVPS	75.0	93.6	133.1	197.4	276.0
Growth ratios (%)					
Revenues	62.7	58.7	145.6	61.6	12.9
Ebitda	46.4	56.1	128.6	63.9	17.7
EPS	46.1	50.0	117.3	66.4	22.3
Profitability ratios (%)					
Ebitda margin	14.2	13.9	13.0	13.1	13.7
Ebit margin	13.3	12.9	12.4	12.7	13.3
Tax rate	25.6	25.7	25.5	25.5	25.5
Net profit margin	10.5	10.0	8.8	9.1	9.8
Return ratios (%)					
ROE	29.4	24.0	38.7	44.2	37.7
ROIC ex goodwill	45.8	39.8	30.9	35.1	46.7
ROIC	45.8	39.8	30.9	35.1	46.7
Solvency ratios (x)					
Net debt to Ebitda	(2.1)	(1.1)	1.6	0.0	(0.7)
Interest coverage	15.5	36.3	14.1	17.8	46.0

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Cash & cash equivalents	2,216	1,795	1,715	2,428	5,134
Inventories	1,147	2,228	5,394	6,846	7,025
Receivables	1,838	3,615	13,099	12,446	12,645
Other current assets	399	615	1,241	2,005	2,263
Creditors	1,266	2,979	5,394	8,090	9,133
Other current liabilities	520	555	1,549	2,502	2,824
Net current assets	3,814	4,720	14,506	13,133	15,111
Fixed assets	429	531	510	523	497
Intangibles	18	30	30	30	30
Investments	0	0	0	0	0
Other long-term assets	77	119	139	164	193
Total net assets	4,339	5,400	15,185	13,850	15,832
Borrowings	16	13	7,520	2,520	20
Other long-term liabilities	95	84	123	145	172
Shareholders equity	4,228	5,303	7,543	11,185	15,639
Total liabilities	4,339	5,400	15,185	13,850	15,832

Cash flow summary (Rs m)

Y/e 31 Mar, Parent	FY24A	FY25A	FY26ii	FY27ii	FY28ii
Ebit	963	1,487	3,503	5,805	6,829
Tax paid	(261)	(395)	(852)	(1,417)	(1,733)
Depreciation and amortization	63	113	154	187	225
Net working capital change	(683)	(1,397)	(9,866)	2,086	728
Other operating items	102	60	50	0	0
Operating cash flow before interest	184	(132)	(7,011)	6,662	6,050
Financial expense	(62)	(41)	(248)	(326)	(149)
Non-operating income	119	94	85	76	114
Operating cash flow after interest	240	(79)	(7,175)	6,412	6,016
Capital expenditure	(186)	(229)	(150)	(200)	(200)
Long-term investments	(1,406)	1,126	(64)	(51)	(85)
Others	1,177	(1,215)	(199)	(447)	(525)
Free cash flow	(175)	(397)	(7,588)	5,713	5,206
Equity raising	2,571	1	0	0	0
Borrowings	(316)	(24)	7,507	(5,000)	(2,500)
Dividend	0	0	0	0	0
Net chg in cash and equivalents	2,080	(421)	(80)	713	2,706

Source: Company data, IIFL Research

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Key to our recommendation structure

BUY - Stock expected to give a return 10%+ more than average return on a debt instrument over a 1-year horizon.

SELL - Stock expected to give a return 10%+ below the average return on a debt instrument over a 1-year horizon.

Add - Stock expected to give a return 0-10% over the average return on a debt instrument over a 1-year horizon.

Reduce - Stock expected to give a return 0-10% below the average return on a debt instrument over a 1-year horizon.

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