Netweb Technologies – BUY

30 July 2026

Earnings upgrade

AI orders shift gears

We raise Netweb Technologies' FY27/28/29ii EPS by 11%/18%/25%, respectively led by strong order book (+L1) position of Rs34bn (38% qoq, 1.2x TTM sales) which ensures FY27 sales visibility of Rs40bn+. Furthermore, advance procurement of critical components (GPUs and DRAM) has not only helped protect margins amid global supply chain uncertainties but has ensured timely execution. Increase in base order size for AI solutions has stepped-up base growth and profitability outlook for Netweb, while near term NWC cycle is elevated with higher inventories to support growth. Earnings expected to post 52% Cagr over FY26-29ii; Maintain BUY with revised PT of Rs5865 (34% upside).

AI order pipeline scales up sharply: Beyond initial strategic wins of Rs21bn under NAIM 1.0 in FY26, AI solution orders are broadening, with ticket sizes of Rs2-5bn each. The order pipeline surged 135% QoQ to Rs104bn, significantly strengthening medium-term growth visibility. Large GPU infrastructure wins drove 2x QoQ inflows to Rs12.3bn in 1QFY27, taking OB to Rs25bn (0.9x TTM sales), with increasing focus on integrated AI solutions. We upgrade FY27ii/28ii/29ii revenues by 5%/15%/22%, respectively.

Advance procurement supports OPMs and execution: AI revenues grew 5.8x YoY to Rs5.1bn (Rs4.3bn strategic order), 62% share in sales, while HPC/HCI grew 62%/32%. Favourable mix, timely procurement of critical raw materials and operating leverage supported 21% GMs and 14.7% OPM. Management is confident of sustaining 14%+ OPM in FY27. Gross debt remained flat QoQ at Rs2.6bn, though net debt rose to Rs2bn from net cash of Rs833m, as cash conversion cycle increased 14% QoQ to 96 days (inventory +28% to 110 days).

Investing in next-gen solutions: Netweb is developing AI infrastructure for physical AI, digital twins, AI training/simulation platforms, and defence & strategic manufacturing applications, while initiating R&D on quantum simulators. Despite an asset-light model, sustained R&D investments remain critical to long-term competitiveness and growth.

Result update

CMP	Rs4364
12-mth TP (Rs)	5865 (34%)
Market cap (US$m)	2,572
Enterprise value(US$m)	2,565
Bloomberg	NETWEB IN
Sector	EMS

Price performance (%)

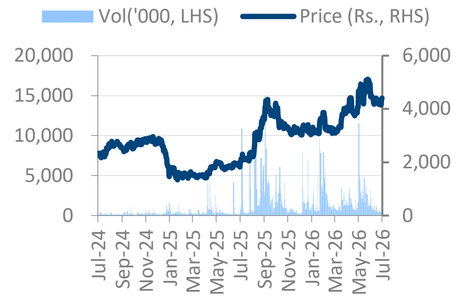
	1M	3M	1Y
Absolute (Rs)	(2.0)	8.3	122.1
Absolute (US$)	(3.2)	7.4	101.6
Relative Perf.	(3.7)	1.0	98.6
Cagr (%)		**3 yrs**	**5 yrs**
EPS (Rs)		57.7	65.5

Shareholding pattern (%)

Promoter	67.0
Pledged (as % of promoter share)	0.0
FII	9.3
DII	4.7

52Wk High/Low (Rs)	5111/1970
Shares o/s (m)	57
Del Value 3mth avg (US$ m)	18.9
Dividend yield FY27ii (%)	0.1
Free float (%)	33.0

Stock performance



Financial summary (Rs m)

Y/e 31 Mar, Parent	FY25A	FY26A	FY27ii	FY28ii	FY29ii
Revenues (Rs m)	11,490	21,836	38,905	48,244	60,246
Ebitda margins (%)	*13.9*	*13.0*	*13.0*	*13.1*	*13.2*
Pre-exceptional PAT (Rs m)	1,145	2,058	3,543	4,514	5,762
Reported PAT (Rs m)	1,145	2,058	3,543	4,514	5,762
Pre-exceptional EPS (Rs)	20.2	36.1	62.2	79.3	101.2
Growth (%)	*50.0*	*78.9*	*72.2*	*27.4*	*27.6*
IIFL vs consensus (%)			*(4.4)*	*6.5*	*9.8*
PER (x)	**NM**	**120.7**	**70.1**	**55.0**	**43.1**
ROE (%)	*24.0*	*32.8*	*39.9*	*35.7*	*33.1*
Net debt/equity (x)	(0.3)	(0.4)	(0.3)	(0.3)	(0.4)
EV/Ebitda (x)	153.4	86.1	48.7	38.5	30.2
Price/book (x)	46.6	34.4	23.6	16.9	12.4
OCF/Ebitda (x)	NM	0.6	0.1	0.4	0.5

Source: Company, IIFL Research. Priced as on 29 July 2026

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1QFY27: Strong OPMs drive earnings beat

Sales: Rs8.2bn, up 172% YoY/ 6% QoQ (6% below IIFLe/ 26% above BBG)
EBITDA: Rs1.2bn, up 169% YoY/ 25% QoQ (5%/17% above IIFLe/BBG)
OPM: 14.7%, -17bps YoY/ +222bps QoQ (IIFLe: 13.1%/BBG: 15.8%)
Adj. PAT: Rs853mn, up 180% YoY/ 21% QoQ (9%/12% above IIFLe/ BBG)
Order inflows: Rs12.3bn, up 6x YoY/ 101% QoQ
Order book (+ L1): Rs33.5bn (1.2x TTM Sales), 4.8x YoY/ +38% QoQ

- Revenue growth was led by jump in AI systems & workstations (up 5.8x YoY), while HPC (+62% YoY) and HCI (+32% YoY) maintained strong growth momentum, albeit sequential decline. HPC, HCI and AI system segments contributed 15%/17%/62%, respectively to sales – accounting for majority of the revenue mix.
- Customer concentration with Top 10 clients and Top 5 clients constituted 88%/81% of sales in 1QFY27 vs 76%/62% in FY26. Additionally, 99% of the revenue was derived from repeat customers.
- Despite sharp decline in GMs (-446bps YoY to 21.2%), operating leverage and lower Esop provisioning led to only 17bps decline in OPMs.
- Finance costs increased 11x YoY, reflecting higher borrowings on a YoY basis, partially offset by higher other income (7.6x YoY).
- As a result, net profit increased to Rs853mn (2.8x YoY), with net margins at 10.4% (+29bps YoY).
- Gross debt remained largely unchanged QoQ at Rs2.6bn; however, the company transitioned from a net cash position of Rs833mn in 4QFY26 to net debt of Rs2bn in 1QFY27, reflecting cash deployment towards working capital.
- Consequently, the cash conversion cycle increased to 96 days from 84 days in 4QFY26, primarily reflecting a deliberate inventory build-up to support execution amid a strong order pipeline, with inventory days rising to 110 from 86 days QoQ.

Figure 1: Financial highlights

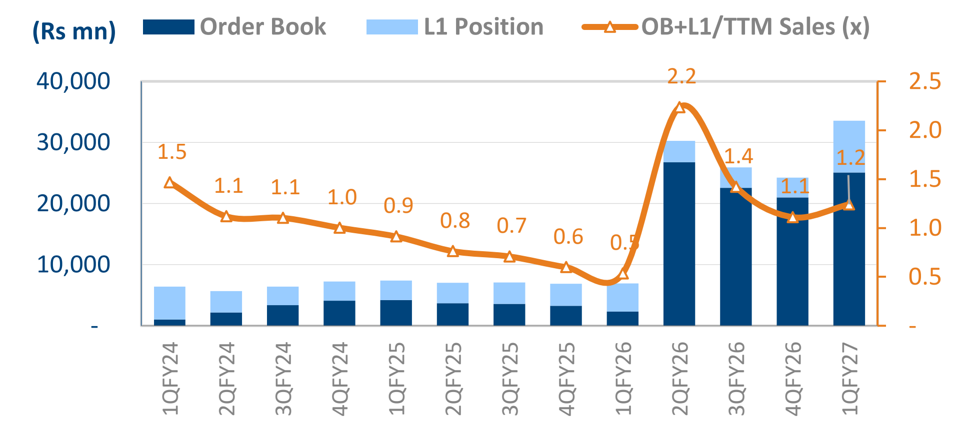
Rs mn	1QFY26	4QFY26	1QFY27	YoY	QoQ	FY25	FY26	YoY
Revenues	**3,012**	**7,737**	**8,197**	172%	6%	**11,490**	**21,835**	90%
Organic revenue	*3,012*	*6,653*	*3,857*	*28%*	*-42%*	*7,486*	*16,247*	*117%*
Raw Materials	2,240	6,158	6,462	188%	5%	8,841	17,283	95%
Employee expenses	161	214	247	54%	15%	621	803	29%
Other expenses	163	399	282	73%	-29%	449	902	101%
EBITDA	**448**	**966**	**1,205**	169%	25%	**1,578**	**2,848**	80%
EBITDA margin	*14.9%*	*12.5%*	*14.7%*	*-17 bps*	*222 bps*	*13.7%*	*13.0%*	*-69 bps*
Depreciation	33	38	33	0%	-13%	113	142	25%
Finance costs	10	82	115	1078%	41%	41	130	217%
Other income	11	102	85	667%	-17%	100	189	89%
PBT	**416**	**948**	**1,141**	174%	20%	**1,524**	**2,765**	81%
Tax	111	242	288	159%	19%	391	707	81%
Tax rate	*26.7%*	*25.6%*	*25.2%*	*-150 bps*	*-31 bps*	*26%*	*26%*	*-9 bps*
Adjusted PAT	**305**	**706**	**853**	180%	21%	**1,133**	**2,058**	82%
Net margin	*10.1%*	*9.1%*	*10.4%*	*29 bps*	*129 bps*	*9.9%*	*9.4%*	*-43 bps*
Adj EPS (Rs)	5.4	12.5	15.1	180%	21%	20.1	36.3	81%
As a % of sales								
Gross margin	*25.6%*	*20.4%*	*21.2%*	*-446 bps*	*75 bps*	*23.1%*	*20.8%*	*-220 bps*
Employee expenses	*5.3%*	*2.8%*	*3.0%*	*-233 bps*	*24 bps*	*5.4%*	*3.7%*	*-173 bps*
Other expenses	*5.4%*	*5.2%*	*3.4%*	*-196 bps*	*-171 bps*	*3.9%*	*4.1%*	*22 bps*
Order Pipeline	41,421	44,315	104,100	151%	135%	41,421	104,100	151%
Order Inflows	2,059	6,119	12,290	497%	101%	10,630	39,559	272%
Order Book + L1	6,939	24,254	33,550	383%	38%	6,939	33,550	383%
Organic OB + L1	6,939	6,918	17,298	149%	150%	6,939	17,298	149%
OB+L1/TTM Sales	*0.5*	*1.1*	*1.2*					

Source: Company, IIFL Research

Order inflows double QoQ; backlog visibility strengthens with normalization of strategic AI orders

- Order inflows doubled QoQ to Rs12bn in 1QFY27, reinforcing our view that AI infrastructure demand is broadening beyond large one-off projects and becoming more diversified across customer segments.
- OB (incl. L1) expanded to Rs34bn (+38% QoQ), providing healthy near-term execution visibility.
- In addition, the company reported strong opportunity pipeline of Rs104bn, significantly enhancing medium-term growth visibility.
- **Importantly, management has now started including strategic AI opportunities within the reported pipeline,** indicating that such orders are no longer viewed as exceptional but part of the normal course of business.

Figure 2: Strong OB incl. L1 at Rs33.5bn (1.2x TTM sales); Order pipeline saw sharp sequential increase of 2.35x to Rs104bn.



Source: Company, IIFL Research

- Management noted a ~60% conversion ratio over 18-24 months for the order pipeline, while the OB is expected to be executed over 16-20 weeks (vs. 8-12 weeks earlier), reflecting the increasing size and complexity of AI infrastructure deployments.
- Order book composition also remains well balanced, with AI accounting for 40-45% of the backlog and the balance split across HPC and Private Cloud.

Figure 3: Segmental highlights

Rs mn	1QFY26	4QFY26	1QFY27	YoY	QoQ	FY25	FY26	YoY
Revenue by Vertical								
HPC	774	2,206	1,253	62%	-43%	4,055	5,308	31%
HCI	1,024	2,013	1,353	32%	-33%	4,027	5,170	28%
AI&EW	874	2,774	5,106	484%	84%	1,694	9,478	460%
HPS & Storage	61	115	-	-100%	-100%	275	328	19%
Data Centre	81	137	-	-100%	-100%	373	321	-14%
HCS & Software	107	100	-	-100%	-100%	455	514	13%
Spares & Others	60	392	-	-100%	-100%	496	735	48%
Network Switches	30	-	-	-100%	#DIV/0!	115	60	-47%
% share								
HPC	26%	29%	16%	-946 bps	-1227 bps	35%	24%	-1107 bps
HCI	34%	26%	18%	-1646 bps	-847 bps	35%	24%	-1146 bps
AI&EW	29%	36%	66%	3718 bps	3035 bps	15%	43%	2850 bps
HPS & Storage	2%	1%	0%	-203 bps	-149 bps	2%	1%	-90 bps
Data Centre	3%	2%	0%	-269 bps	-178 bps	3%	1%	-179 bps
HCS & Software*	4%	1%	0%	-356 bps	-130 bps	4%	2%	-162 bps
Spares & Others	2%	5%	0%	-201 bps	-507 bps	4%	3%	-97 bps
Network Switches	1%	0%	0%	-101 bps	0 bps	1%	0%	-73 bps

Source: Company, IIFL Research; *includes spares & others in 1QFY27 as per new reporting

AI business continues to scale rapidly; now 62% of revenues

- AI revenues grew 5.8x YoY to Rs5.1bn, contributing 62% of total revenues, reaffirming AI as the dominant growth driver. ~Rs4.3bn of the first strategic AI order (Rs17bn) was executed during 1QFY27.
- Management indicated that the company continues to win large GPU infrastructure projects, although the focus remains on delivering integrated AI solutions rather than pure hardware (box selling).
- Its integrated hardware-software design capabilities, indigenous manufacturing and proprietary software stack continue to differentiate Netweb against system integrators and global competitors.
- Management also highlighted that India remains one of the strongest AI infrastructure markets globally, with demand extending beyond hyperscalers into enterprises, sovereign AI initiatives and cloud providers.

Capacity not a constraint; growth remains capability-driven

- Despite targeting strong growth, management does not foresee any meaningful capacity expansion.
- Existing facilities are already capable of supporting annual revenues exceeding Rs30bn, implying only routine maintenance capex will be required.
- Management emphasized Netweb is a capability-driven rather than manufacturing-capacity-driven organization.
- Growth should remain asset-light, supporting superior incremental returns on capital in our view.

Margin discipline remains intact despite component inflation

- Management reiterated OPM guidance of 13-14%, despite continued inflation in memory and AI components.
- Margin resilience is supported by Netweb's project-led business model, which provides strong order visibility and enables advance procurement, long-term supplier arrangements and disciplined pricing.
- Management emphasized that existing projects are largely backed by pre-procured inventory, while new contracts are bid using prevailing component costs, limiting input cost volatility.
- We believe the company's integrated solutions and supply-chain planning capabilities should continue to support margin stability despite ongoing component inflation.

R&D investments expanding into next-generation AI technologies

- Beyond current AI infrastructure, management announced incremental investments in two emerging areas:
  - **Physical AI:** Netweb is developing AI infrastructure for physical AI applications, digital twins, AI training simulation platforms, defence and strategic manufacturing applications.
  - **Quantum Computing:** The company has initiated R&D on Quantum simulators.
  - While management refrained from providing commercialization timelines, these initiatives leverage existing compute expertise and could create long-term optionality.

Figure 4: Summary of changes in estimates

(Rs bn)	Old			Revised			Change		
	FY27ii	FY28ii	FY29ii	FY27ii	FY28ii	FY29ii	FY27ii	FY28ii	FY29ii
Revenue	38.9	48.2	60.2	40.8	55.4	73.5	5%	15%	22%
Ebitda margins	13.0%	13.1%	13.2%	14.1%	13.6%	13.5%	112 bps	52 bps	29 bps
PAT	3.5	4.5	5.8	3.9	5.3	7.2	11%	18%	25%
EPS (Rs)	62.2	79.3	101.2	69.3	93.7	126.0	11%	18%	25%

Source: Company, IIFL Research

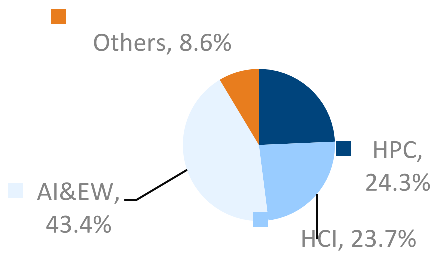
Background: Netweb Technologies is one of India's leading high-end computing solutions (HCS) provider, with fully integrated design and manufacturing capabilities. Established as a sole proprietorship in 1999 (incorporated as a company in 2016), over the last two decades Netweb has installed over 300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

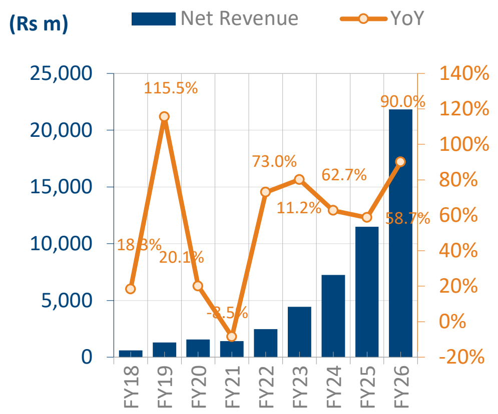
Management

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

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

Segment mix - FY26



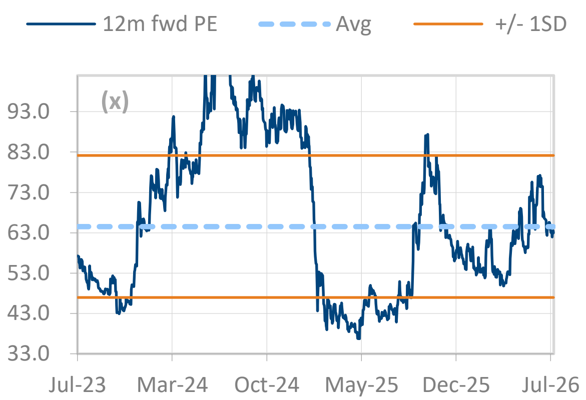


Assumptions

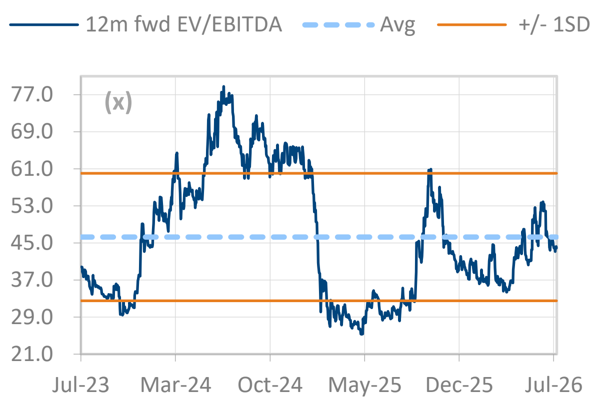
Y/e 31 Mar, Parent	FY25A	FY26A	FY27ii	FY28ii	FY29ii
Revenue YoY (%)	58.7	90.0	78.2	24.0	24.9
HPC	54.5	30.9	20.0	25.0	25.0
Private cloud & HCI	52.3	28.4	28.0	38.0	35.0
AI&EW	112.0	459.5	148.8	20.7	22.6
HPS	(18.9)	19.3	20.0	20.0	20.0

Source: Company data, IIFL Research

PE Chart



EV/Ebitda



Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Parent	FY25A	FY26A	FY27ii	FY28ii	FY29ii
Revenues	**11,490**	**21,836**	**38,905**	**48,244**	**60,246**
Ebitda	1,600	2,848	5,044	6,324	7,956
Depreciation and amortisation	(113)	(142)	(192)	(240)	(286)
Ebit	1,487	2,706	4,852	6,084	7,670
Non-operating income	94	188	151	166	182
Financial expense	(41)	(130)	(242)	(185)	(111)
PBT	1,540	2,765	4,761	6,065	7,741
Exceptionals	0	0	0	0	0
Reported PBT	1,540	2,765	4,761	6,065	7,741
Tax expense	(395)	(707)	(1,217)	(1,551)	(1,979)
PAT	1,145	2,058	3,543	4,514	5,762
Minorities, Associates etc.	0	0	0	0	0
Attributable PAT	**1,145**	**2,058**	**3,543**	**4,514**	**5,762**

Ratio analysis

Y/e 31 Mar, Parent	FY25A	FY26A	FY27ii	FY28ii	FY29ii
Per share data (Rs)					
Pre-exceptional EPS	20.2	36.1	62.2	79.3	101.2
DPS	2.5	3.0	4.4	5.5	7.6
BVPS	93.6	127.0	184.9	258.6	352.2
Growth ratios (%)					
Revenues	58.7	90.0	78.2	24.0	24.9
Ebitda	56.1	78.0	77.1	25.4	25.8
EPS	50.0	78.9	72.2	27.4	27.6
Profitability ratios (%)					
Ebitda margin	13.9	13.0	13.0	13.1	13.2
Ebit margin	12.9	12.4	12.5	12.6	12.7
Tax rate	25.7	25.6	25.6	25.6	25.6
Net profit margin	10.0	9.4	9.1	9.4	9.6
Return ratios (%)					
ROE	24.0	32.8	39.9	35.7	33.1
ROIC ex goodwill	39.8	53.2	62.6	52.0	51.6
ROIC	39.8	53.2	62.6	52.0	51.6
Solvency ratios (x)					
Net debt to Ebitda	(1.1)	(1.1)	(0.6)	(0.8)	(1.0)
Interest coverage	36.3	20.9	20.0	32.9	NM

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Parent	FY25A	FY26A	FY27ii	FY28ii	FY29ii
Cash & cash equivalents	1,795	5,894	6,057	4,814	7,879
Inventories	2,228	8,048	9,549	11,846	13,983
Receivables	3,615	6,700	9,549	12,110	14,806
Other current assets	615	1,258	1,698	1,974	2,468
Creditors	2,979	7,607	9,018	11,188	13,161
Other current liabilities	555	4,862	4,805	5,278	6,268
Net current assets	**4,720**	**9,429**	**13,029**	**14,278**	**19,707**
Fixed assets	531	568	576	536	450
Intangibles	30	24	24	24	24
Investments	0	0	0	0	0
Other long-term assets	119	59	69	81	95
Total net assets	**5,400**	**10,080**	**13,698**	**14,919**	**20,276**
Borrowings	13	2,717	3,020	20	20
Other long-term liabilities	84	130	149	173	200
Shareholders equity	**5,303**	**7,233**	**10,528**	**14,726**	**20,056**
Total liabilities	**5,400**	**10,080**	**13,698**	**14,919**	**20,276**

Cash flow summary (Rs m)

Y/e 31 Mar, Parent	FY25A	FY26A	FY27ii	FY28ii	FY29ii
Ebit	1,487	2,706	4,852	6,084	7,670
Tax paid	(395)	(707)	(1,217)	(1,551)	(1,979)
Depreciation and amortization	113	142	192	240	286
Net working capital change	(1,397)	(653)	(3,436)	(2,492)	(2,364)
Other operating items	60	226	0	0	0
Operating cash flow before interest	(132)	1,715	391	2,281	3,613
Financial expense	(41)	(130)	(242)	(185)	(111)
Non-operating income	94	188	151	166	182
Operating cash flow after interest	**(79)**	**1,774**	**299**	**2,262**	**3,684**
Capital expenditure	**(229)**	**(105)**	**(200)**	**(200)**	**(200)**
Long-term investments	1,126	(2,427)	(141)	(154)	(168)
Others	(1,215)	2,182	(98)	(151)	(251)
Free cash flow	**(397)**	**1,425**	**(139)**	**1,757**	**3,065**
Equity raising	1	0	0	0	0
Borrowings	(24)	2,674	303	(3,000)	0
Dividend	0	0	0	0	0
Net chg in cash and equivalents	(421)	4,098	164	(1,243)	3,065

Source: Company data, IIFL Research

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Key to our recommendation structure

BUY - Stock expected to give an absolute return of >15% over a 1-year horizon.

HOLD - Stock expected to give an absolute return of -5% to +15% over a 1-year horizon.

SELL - Stock expected to give an absolute return of <-5% over a 1-year horizon

Distribution of Ratings: Out of 320 stocks rated in the IIFL coverage universe, 178 have BUY ratings, 3 have SELL ratings, 103 have ADD ratings, 2 have NR ratings and 34 have REDUCE ratings

Price Target: Unless otherwise stated in the text of this report, target prices in this report are based on either a discounted cash flow valuation or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, in fashion. Valuations may also be affected by changes in taxation, in exchange rates and, in certain industries, in regulations. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, and political and social conditions. This discussion of valuation methods and risk factors is not comprehensive – further information is available upon request.

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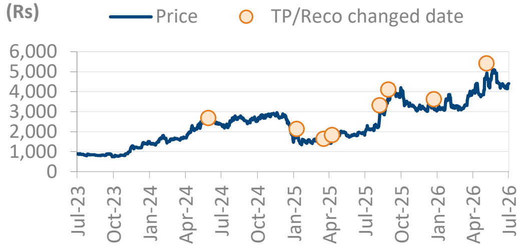
Name, Qualification and Certification of Research Analyst: Renu Baid Pugalia(MMS), Nikhil Jain(CFA)

Renu Baid

Renu Baid Pugalia

Netweb Tech: 3 year price and rating history



Date	Rating	Close price (Rs)	Target price (Rs)	Upside (%)
03 Jun 2026	BUY	4783	5414	13.2
20 Jan 2026	BUY	3403	3629	6.6
26 Sep 2025	BUY	3614	4110	13.7
04 Sep 2025	BUY	2527	3317	31.3
06 May 2025	ADD	1604	1824	13.7
15 Apr 2025	ADD	1465	1645	12.3
05 Feb 2025	ADD	1684	2130	26.5
26 Jun 2024	ADD	2570	2680	4.3