

# Netweb Technologies – BUY

03 June 2026

Earnings upgrade



## Riding India's AI buildout

**Netweb Technologies continues to ride the AI computing wave, backed by a robust order pipeline and steady execution of strategic orders without significant strain on working capital. While pre-buying scarce AI compute and critical components for booked orders elevated inventories in FY26, LC-backed payments for strategic orders reduced receivables and supported positive OCF. New large order wins in private cloud and AI compute infrastructure remain key near-term re-rating catalysts. We raise FY27ii EPS by 6%. Given near-term currency headwinds, expect OPM at 13% (vs. guidance of 13–14%), leaving room for upgrades. Maintain BUY with a TP of Rs5,414 (~13% upside).**

**AI emerges as the key growth driver:** AI-led demand remains strong, driving 460% YoY segment revenue growth in FY26, with AI contributing 43% of revenues (vs. 15% in FY25). Order book (incl. L1) stood at ~Rs24bn (~1.1x TTM sales), while 131 new clients were added during FY26. The order pipeline remains healthy at ~Rs44bn. Management continues to target 30–35% CAGR in organic business revenues, with strategic AI-led orders providing incremental upside. Near-term growth will be driven by the core business, while execution of NVIDIA Blackwell-based server orders (NAIM) is expected from mid-FY27.

**Enhancing product portfolio:** Netweb's recently commissioned facility, capable of manufacturing liquid-cooled high-density rack systems scalable beyond 150kW per rack, positions it favourably for larger AI infra deployments in India. FY26 growth was led by AI solutions (5.5x YoY), while HPC/ HCI revenues grew 59%/ 36% YoY, respectively. Although currency and commodity cost headwinds persist in the near term, management remains confident of sustaining OPMs in the 13–14% range (IIFL: 13%).

**Maintain BUY:** While visibility on fresh strategic order wins remains limited currently, Netweb is well positioned to capture a meaningful share of India's expanding AI compute opportunity. We forecast 48% EPS Cagr over FY26–28ii, supported by improving NWC cycle (54 days vs. 72 days in FY25). FCF is expected to increase meaningfully, generating Rs5.7bn over FY27–29, implying FCF/PAT conversion of over 40%.

## Company update

CMP	Rs4783
12-mth TP (Rs)	5414 (13%)
Market cap (US\$m)	2,830
Enterprise value(US\$m)	2,825
Bloomberg	NETWEB IN
Sector	EMS

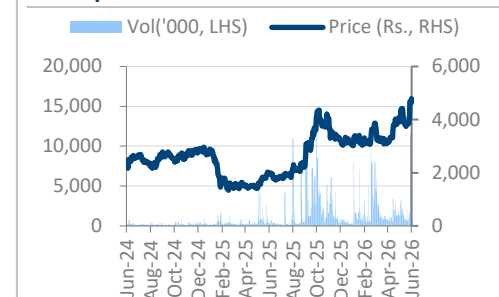
### Shareholding pattern (%)

Promoter	67.0
Pledged (as % of promoter share)	0.0
FII	9.3
DII	4.7
52Wk High/Low (Rs)	4783/1720
Shares o/s (m)	57
Del Value 3mth avg (US\$ m)	17.4
Dividend yield FY27ii (%)	0.1
Free float (%)	33.0

### Price performance (%)

	1M	3M	1Y
Absolute (Rs)	17.7	29.1	146.6
Absolute (US\$)	17.2	24.0	121.0
Relative Perf.	15.8	16.8	147.1
Cagr (%)	3 yrs	5 yrs	
EPS (Rs)	57.7	65.5	

### 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	3,535	4,513	5,762
Reported PAT (Rs m)	1,145	2,058	3,535	4,513	5,762
Pre-exceptional EPS (Rs)	20.2	36.1	62.1	79.3	101.2
Growth (%)	50.0	78.9	71.8	27.7	27.7
IIFL vs consensus (%)			(10.7)	0.2	21.8
PER (x)	NM	132.3	77.0	60.3	47.3
ROE (%)	24.0	32.8	39.8	35.8	33.1
Net debt/equity (x)	(0.3)	(0.4)	(0.3)	(0.3)	(0.4)
EV/Ebitda (x)	168.2	94.5	53.4	42.3	33.2
Price/book (x)	51.1	37.7	25.9	18.5	13.6
OCF/Ebitda (x)	NM	0.6	0.1	0.4	0.5

Source: Company, IIFL Research. Priced as on 02 June 2026

## Partners with Vertiv for liquid cool solutions

- During 4QFY26, Netweb and Vertiv agreed to jointly engineer and validate Netweb's in-house-designed GPU compute platforms using Vertiv's end-to-end AI data-centre infrastructure (power, cooling and rack ecosystem).
- The two will collaboratively design advanced cooling technologies such as Direct-to-Chip (DtC) liquid cooling from the concept stage — i.e. the cooling is co-designed alongside the server, not bolted on afterwards.
- The partnership lets Netweb deliver fully validated, high-density AI systems exceeding 150 kW per rack.

### Why the 150 kW+ matters here?

- A conventional enterprise rack ran ~5–10 kW, and even current air-cooled AI racks top out around 40 kW before air cooling becomes impractical.
- NVIDIA's Blackwell GPUs draw up to ~1,000 W per chip and have pushed AI rack densities from ~15 kW to roughly 120–132 kW.
- Vertiv's own published rack-power solutions scale to about 132 kW per rack for OCP ORv3 high-power-rack environments, with some configurable rack concepts going to ~142 kW.
- So, Netweb/Vertiv targeting >150 kW/rack sits at the leading edge of current liquid-cooled design, and it's achievable only with Direct-to-Chip liquid cooling — air cooling is physically out at those loads.

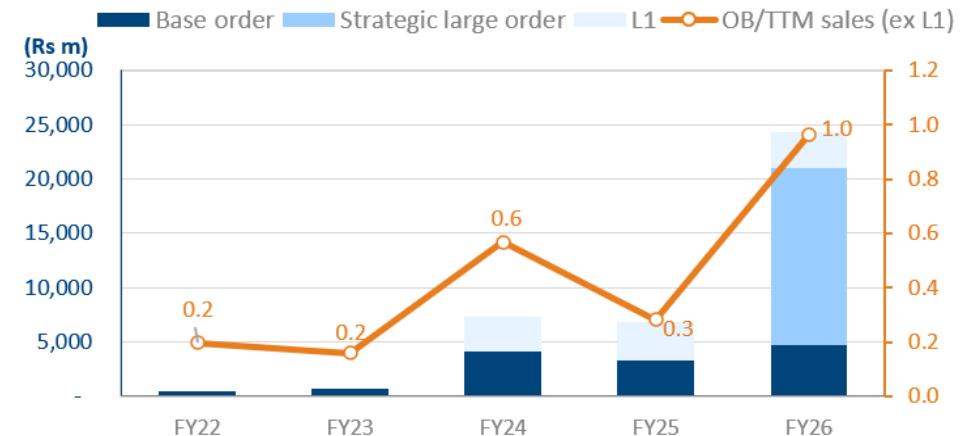
### New product developments continue

- Netweb's offerings span HPC, private cloud/HCI, AI systems, enterprise workstations, high-performance storage and data-centre servers.
- Netweb continued portfolio expansion up the AI stack: the Tyrone Camarero GB200 dense-GPU platform; Skylus.ai (AI/MLOps software stack); the Tyrone ParallelStor Velox high-performance storage line for AI/HPC; and Tyrone Camarero AI edge systems.
- A new ~15,000 sq.ft. production facility was commissioned for design and manufacture of dense-GPU systems and liquid-cooled architectures, and

## Strong order book and pipeline

- Netweb's executable opportunity remains robust, backed by a healthy order book of Rs21bn (Rs24bn including L1 orders), equivalent to ~1x TTM sales, providing strong near-term revenue visibility.
- Order pipeline stands at ~Rs44bn, taking the total opportunity (OB + pipeline) to ~Rs68bn, indicating a healthy medium-term growth runway.
  - Organic OB: Rs4.7bn
  - Strategic OB: Rs16.3bn (largely linked to AI segment) executable over 3 quarters
  - L1 orders (base): Rs3.3bn
- The company indicated that the base (organic) order book is expected to grow at 30-35% CAGR, with growth likely driven primarily by organic demand, while strategic orders provide incremental upside rather than being a key dependency.
- It further noted that AI-driven demand will likely persist for at least next 18-24 months, providing strong tailwind.

**Figure 1: Strong OB ex. L1 at Rs21bn (1x TTM sales); Order pipeline robust at Rs44bn**

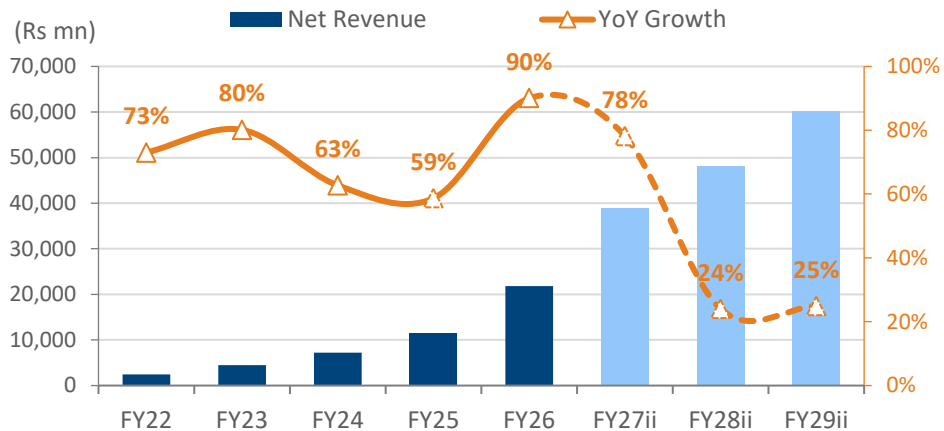


Source: Company, IIFL Research

## Strategic orders: execution to be back ended

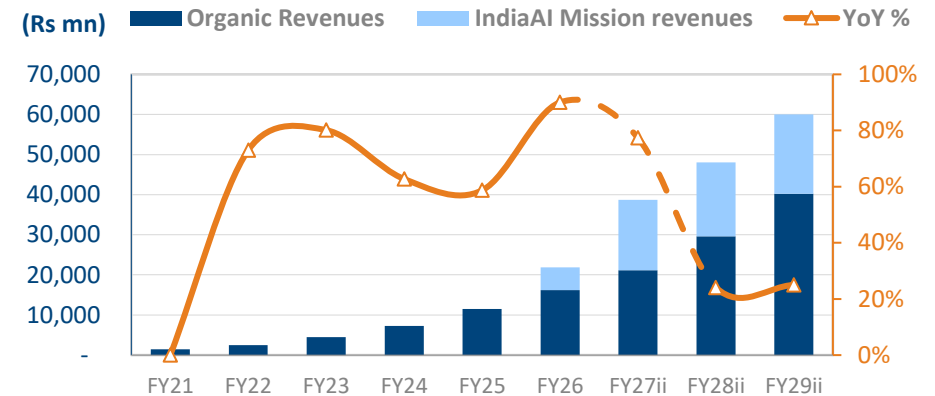
- Strategic ordering opportunities, primarily related to AI infrastructure, continue to represent a significant growth lever for the company.
- Netweb's in-house R&D and system design capabilities enable it to develop next-generation AI computing platforms, strengthening its position in the rapidly evolving AI ecosystem.
- Strategic orders are expected to be executed over the next three quarters, with no significant new inflows anticipated in the near term. Thus, near-term growth is likely to be driven by the base business, while strategic order execution is expected to be back-ended.

**Figure 2: Revenue grew 90% YoY in FY26 led by AI solutions (5.5x YoY)**



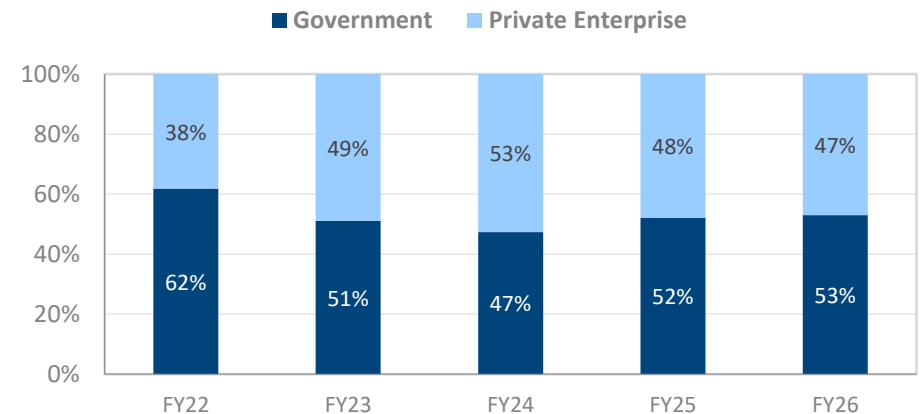
Source: Company, IIFL Research

**Figure 3: While run-rate business is likely to grow at 35% Cagr, NAIM to aid overall revenues to grow 49% Cagr over FY26-28ii**



Source: Company, IIFL Research

**Figure 4: Mix of govt vs private sector revenues remain steady**

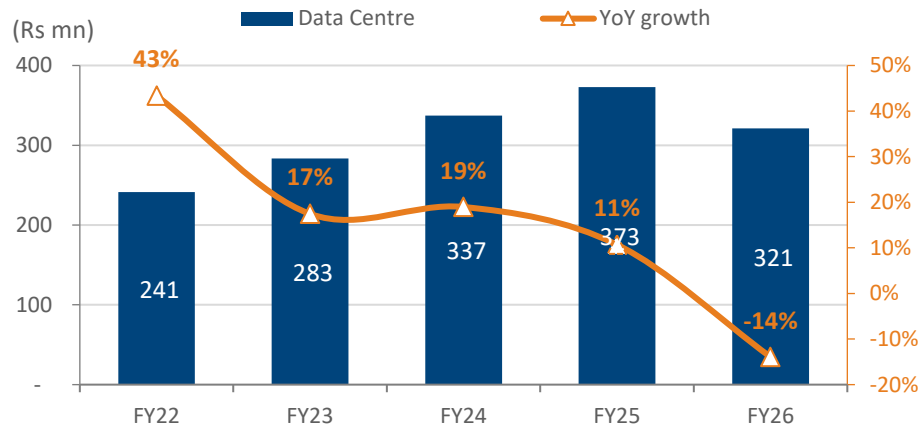


Source: Company, IIFL Research

### Datacenter demand muted; hyperscaler not yet for India

- **Portfolio mix shift offsets DC softness:** A slowdown in DC in FY26 is being offset by stronger traction AI segment with 43% of FY26 revenue coming from this segment (vs 15% in FY25).
- **Limited exposure to traditional DC servers:** DC for the company is largely private cloud/HCI-led, with conventional DC servers never a focus area (~5% of revenue historically).
- The company is not targeting hyperscale DCs, as management believes that India is still largely sovereign-led rather than hyperscaler-driven. While greenfield DC announcements are rising, a meaningful shift to hyperscale remains some time away.

**Figure 5: Datacenter segment declined 14% YoY to Rs321mn**

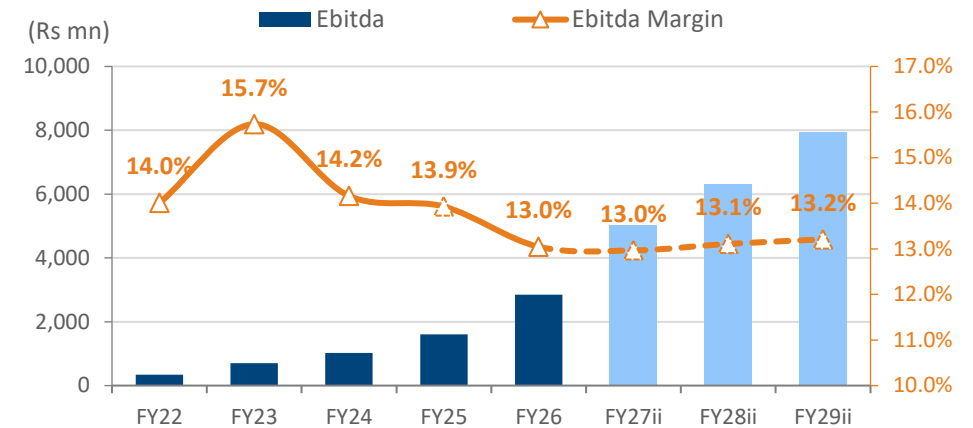


Source: Company, IIFL Research

### OPM to sustain at 13-14% levels

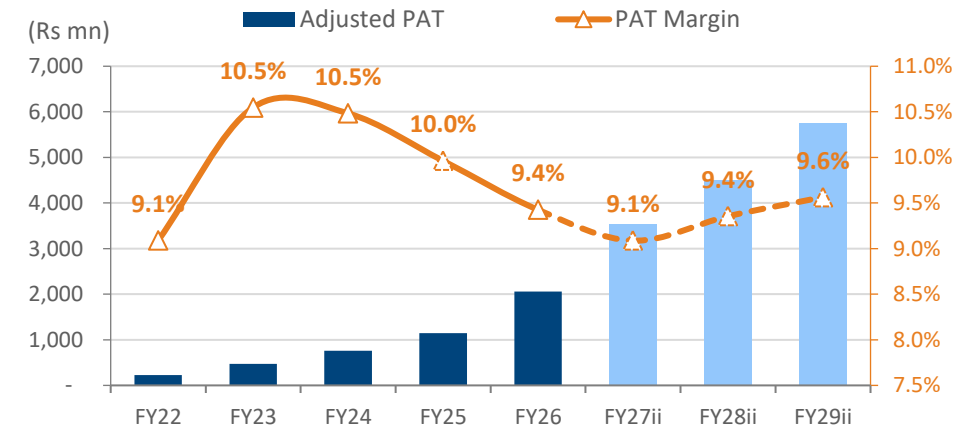
- While OPMs softened to ~12.3% in 2HFY26, we expect margins to recover to ~13% for FY27-28, at the lower end of company's guided 13-14% range, supported by scale benefits and operating leverage
- That said, rising AI-driven demand is exerting pressure on component prices, which could act as a near-term margin headwind.
- Global GPU/component supply tightness as a watch item for OPMs.

**Figure 6: OPMs softened to 12.3% in 2HFY26; Guidance at 13-14% over FY27-28**



Source: Company, IIFL Research

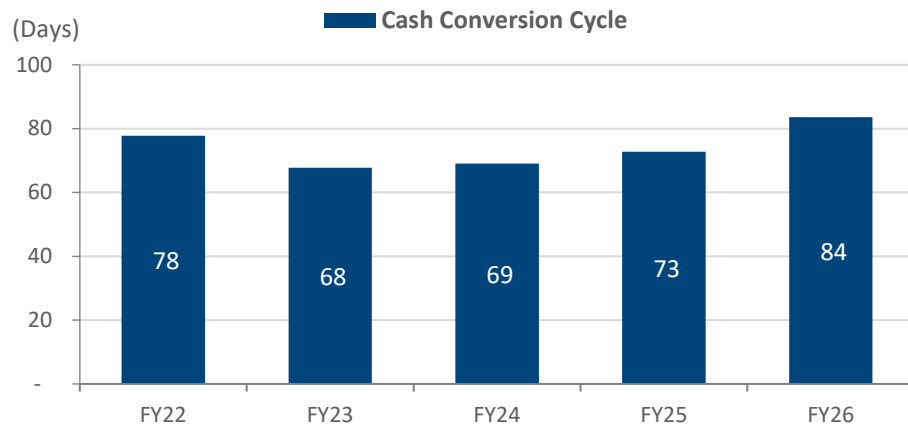
**Figure 7: PAT grew 80% YoY to Rs2.1bn in FY26, while PAT margin declined to 9.4% (vs 10% in FY25) due to higher finance costs arising from bridge financing-related debt**



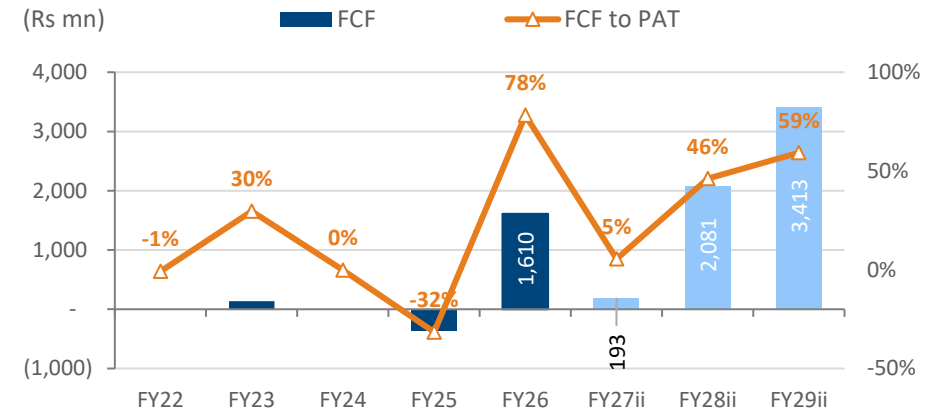
Source: Company, IIFL Research

**Pressure on Cash Conversion Cycle to be transient in nature**

- CCC increased to ~84 days in FY26 (vs 73 days in FY25), with increase in higher inventory holdings to support:
  - Strategic order readiness
  - Procurement of critical AI-related imported components
- CCC is expected to remain in the 90–110 days range for FY27, despite a temporary increase in inventory levels.
- Over the long term, CCC is expected to normalize to ~80–90 days.

**Figure 8: CCC elevated due to strategic inventory build-up; expect CCC to rise to 90–110 days in near term before normalizing to 80–90 days**


Source: Company, IIFL Research

**Figure 9: Strong FCF to PAT generation likely to continue with cumulative FCF generation of Rs5.7bn over FY26-29, implying over 40% FCF to PAT conversion**


Source: Company, IIFL Research

**Management guidance**

- **Revenue:** Organic revenue is expected to grow 35-40% in FY27, excluding any contribution from strategic orders.
- Within segments, company expects the AI segment to grow faster than other segments, increasing its contribution to ~35% of total revenue, with the balance split between HPC and private cloud
- **Margins:** 13-14% range over next couple of years.
- **Capex:** No major capex in FY27, apart from maintenance expenses between Rs200-250mn.

**Figure 10: Summary of change in estimates**

Rs bn	Old		New		Change	
	FY27ii	FY28ii	FY27ii	FY28ii	FY27ii	FY28ii
Revenue	36.9	47.9	38.9	48.2	5%	1%
Ebitda	4.8	6.4	5.0	6.3	6%	-1%
OPMs	12.9%	13.3%	13.0%	13.1%	4 bps	-17 bps
PAT	3.3	4.5	3.5	4.5	6%	0%
EPS (Rs)	58.7	79.8	62.1	79.3	6%	-1%

Source: Company, IIFL Research

**FY26 highlights**

- Revenue grew by 90% yoy to Rs21.8bn, supported by strong demand for high-end computing solutions (HPC, Private cloud/ HCI) and a massive 5.6x growth in AI segment, which together are >90% of revenue mix.
- Gross margins contracted by 234bps yoy owing to elevated prices of GPUs and other AI components. This was third consecutive year for decline in gross margins, reaching 20.8% (vs 27.1% in FY23).
- As a result, OPM fell to its lowest in last 3 years at 12.5% (vs 15.7% in FY23).
- Adjusted for the hedging gains, OPMs would have been at 13.2%.
- PAT grew 80% yoy to Rs2.1bn on healthy execution, partially offset by lower OPMs.
- Inflows during FY26 were Rs6bn, 61% yoy

**Figure 11: Financial highlights**

Rs mn	4QFY25	3QFY26	4QFY26	YoY	QoQ	FY25	FY26	YoY
<b>Revenues</b>	<b>4,147</b>	<b>8,049</b>	<b>7,737</b>	87%	-4%	<b>11,490</b>	<b>21,835</b>	90%
<i>Organic revenue</i>	4,147	3,545	6,653	60%	88%	7,486	16,247	117%
Raw Materials	3,223	6,681	6,158	91%	-8%	8,841	17,283	95%
Employee expenses	181	236	214	18%	-9%	621	803	29%
Other expenses	150	153	399	166%	160%	449	902	101%
<b>EBITDA</b>	<b>593</b>	<b>979</b>	<b>966</b>	63%	-1%	<b>1,578</b>	<b>2,848</b>	80%
EBITDA margin	14.3%	12.2%	12.5%	-181 bps	32 bps	13.7%	13.0%	-69 bps
Depreciation	32	36	38	21%	6%	113	142	25%
Finance costs	12	29	82	587%	182%	41	130	217%
Other income	25	66	102	310%	54%	100	189	89%
<b>PBT</b>	<b>574</b>	<b>980</b>	<b>948</b>	65%	-3%	<b>1,524</b>	<b>2,765</b>	81%
Tax	148	248	242	64%	-2%	391	707	81%
Tax rate	25.8%	25.2%	25.6%	-20 bps	30 bps	26%	26%	-9 bps
Exceptional items								
Reported PAT	426	733	706	66%	-4%	1,133	2,058	82%
<b>Adjusted PAT</b>	<b>426</b>	<b>733</b>	<b>706</b>	66%	-4%	<b>1,133</b>	<b>2,058</b>	82%
Net margin	10.3%	9.1%	9.1%	-115 bps	2 bps	9.9%	9.4%	-43 bps
<b>Adj EPS (Rs)</b>	<b>7.5</b>	<b>12.9</b>	<b>12.5</b>	66%	-4%	<b>20.1</b>	<b>36.3</b>	81%
<b>As a % of sales</b>								
Gross margin	22.3%	17.0%	20.4%	-186 bps	341 bps	23.1%	20.8%	-220 bps
Employee expenses	4.4%	2.9%	2.8%	-160 bps	-16 bps	5.4%	3.7%	-173 bps
Other expenses	3.6%	1.9%	5.2%	154 bps	325 bps	3.9%	4.1%	22 bps
Order Pipeline	39,714	42,703	44,315	12%	4%	39,714	44,315	12%
Order Inflows	3,796	3,864	4,673	23%	21%	10,630	38,113	259%
Order Book + L1	6,880	25,910	24,254	253%	-6%	6,880	24,254	253%
Organic OB + L1	6,880	8,574	8,002	16%	-7%	6,880	8,002	16%
OB+L1/TTM Sales	0.6	1.4	1.1					

Source: Company, IIFL Research

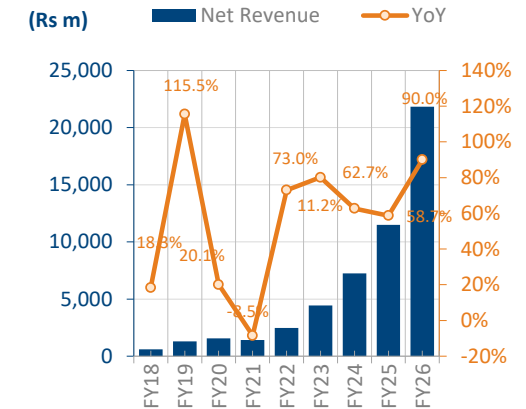
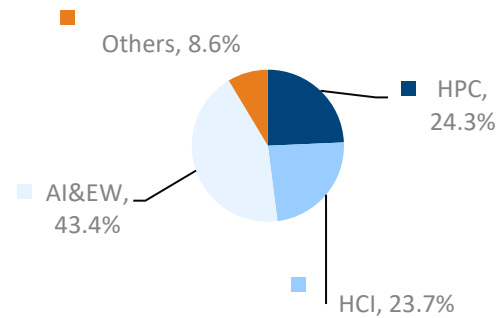
**Background:** Netweb Technologies is one of India’s leading high-end computing solutions (HCS) provider, with fully integrated design and manufacturing capabilities. Established as a sole proprietorship in 1999 (incorporated as a company in 2016), over the last two decades Netweb has installed over 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 - FY26



## Assumptions

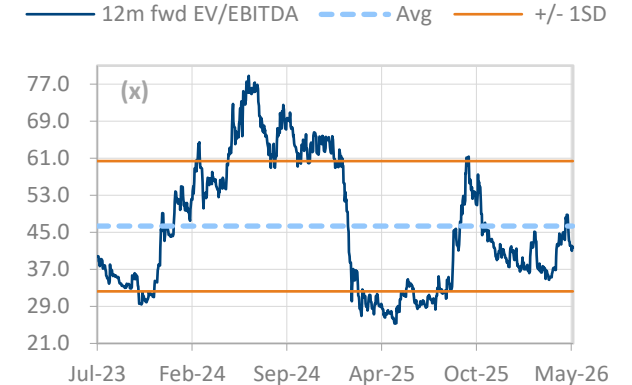
Y/e 31 Mar, Parent	FY25A	FY26A	FY27ii	FY28ii	FY29ii
Revenue YoY (%)	58.7	90.0	78.2	24.0	24.9
HPC	54.5	30.9	20.0	25.0	25.0
Private cloud & HCI	52.3	28.4	28.0	38.0	35.0
AI&EW	112.0	459.5	148.8	20.7	22.6
HPS	(18.9)	19.3	20.0	20.0	20.0
Data centre server	10.7	(13.9)	5.0	5.0	5.0
HCS focussed Software and Service	158.5	13.0	10.0	10.0	10.0
Spare & Others	71.9	44.4	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
<b>Revenues</b>	<b>11,490</b>	<b>21,836</b>	<b>38,905</b>	<b>48,244</b>	<b>60,246</b>
Ebitda	1,600	2,848	5,044	6,324	7,956
Depreciation and amortisation	(113)	(142)	(203)	(241)	(286)
Ebit	1,487	2,706	4,841	6,083	7,670
Non-operating income	94	188	151	166	182
Financial expense	(41)	(130)	(242)	(185)	(111)
PBT	1,540	2,765	4,750	6,064	7,742
Exceptionals	0	0	0	0	0
Reported PBT	1,540	2,765	4,750	6,064	7,742
Tax expense	(395)	(707)	(1,215)	(1,550)	(1,979)
PAT	1,145	2,058	3,535	4,513	5,762
Minorities, Associates etc.	0	0	0	0	0
<b>Attributable PAT</b>	<b>1,145</b>	<b>2,058</b>	<b>3,535</b>	<b>4,513</b>	<b>5,762</b>

### Ratio analysis

Y/e 31 Mar, Parent	FY25A	FY26A	FY27ii	FY28ii	FY29ii
<b>Per share data (Rs)</b>					
Pre-exceptional EPS	20.2	36.1	62.1	79.3	101.2
DPS	2.5	3.0	4.3	5.5	7.6
BVPS	93.6	127.0	184.8	258.5	352.1
<b>Growth ratios (%)</b>					
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	71.8	27.7	27.7
<b>Profitability ratios (%)</b>					
Ebitda margin	13.9	13.0	13.0	13.1	13.2
Ebit margin	12.9	12.4	12.4	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
<b>Return ratios (%)</b>					
ROE	24.0	32.8	39.8	35.8	33.1
ROIC ex goodwill	39.8	53.2	62.5	52.0	51.7
ROIC	39.8	53.2	62.5	52.0	51.7
<b>Solvency ratios (x)</b>					
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	6,061	4,818	7,883
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
<b>Net current assets</b>	<b>4,720</b>	<b>9,429</b>	<b>13,033</b>	<b>14,282</b>	<b>19,711</b>
Fixed assets	531	568	565	525	439
Intangibles	30	24	24	24	24
Investments	0	0	0	0	0
Other long-term assets	119	59	69	81	95
<b>Total net assets</b>	<b>5,400</b>	<b>10,080</b>	<b>13,690</b>	<b>14,911</b>	<b>20,268</b>
Borrowings	13	2,717	3,020	20	20
Other long-term liabilities	84	130	149	173	200
<b>Shareholders equity</b>	<b>5,303</b>	<b>7,233</b>	<b>10,521</b>	<b>14,718</b>	<b>20,048</b>
<b>Total liabilities</b>	<b>5,400</b>	<b>10,080</b>	<b>13,690</b>	<b>14,911</b>	<b>20,268</b>

### Cash flow summary (Rs m)

Y/e 31 Mar, Parent	FY25A	FY26A	FY27ii	FY28ii	FY29ii
Ebit	1,487	2,706	4,841	6,083	7,670
Tax paid	(395)	(707)	(1,215)	(1,550)	(1,979)
Depreciation and amortization	113	142	203	241	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	393	2,281	3,613
Financial expense	(41)	(130)	(242)	(185)	(111)
Non-operating income	94	188	151	166	182
<b>Operating cash flow after interest</b>	<b>(79)</b>	<b>1,774</b>	<b>302</b>	<b>2,262</b>	<b>3,684</b>
<b>Capital expenditure</b>	<b>(229)</b>	<b>(105)</b>	<b>(200)</b>	<b>(200)</b>	<b>(200)</b>
Long-term investments	1,126	(2,427)	(141)	(154)	(168)
Others	(1,215)	2,182	(97)	(151)	(251)
<b>Free cash flow</b>	<b>(397)</b>	<b>1,425</b>	<b>(136)</b>	<b>1,757</b>	<b>3,065</b>
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	168	(1,243)	3,065

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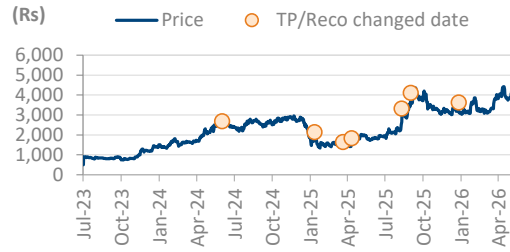
**Name, Qualification and Certification of Research Analyst:** Renu Baid Pugalia(MMS), Nikhil Jain(CFA)

Renu Baid





Netweb Tech: 3 year price and rating history



Date	Rating	Close price (Rs)	Target price (Rs)	Upside (%)
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