Netweb Technologies – BUY

27 October 2026

Result review

2QFY27: Record performance, upbeat outlook

Netweb's 2QFY27 revenue grew 336%/61% yoy/qoq to Rs13.2bn, driven by AI systems rising 11x (Rs7.6bn strategic order execution). Ebitda margin rose 21bps qoq to 14.9%. H1 PAT of Rs2.2bn has already surpassed FY26 PAT. Order inflows were Rs14.5bn (+18% qoq), while OB (+L1) of Rs32.8bn and a pipeline of Rs112bn underpin mgmt's FY27 revenue target of Rs40bn+ (IIFLe: Rs43bn) and 30-40% Cagr in medium term. Inventory accretion is a conscious decision by mgmt. to support execution elevating NWC (90-110 days CCC guidance, 94 in 1HFY27). IndiaAI's 10000 GPUs RFE (Oct-26) and NSM 2.0 are key sovereign driven opportunities. After a strong FY27ii, we expect 36%/37% sales/PAT Cagr over FY27-29ii. We assume coverage with a BUY rating and TP of Rs5700 (33% upside), valuing it at 50x Sep-27ii EPS.

Organic growth broadens beyond strategic orders: Execution of Rs7.6bn of strategic AI orders took revenue to Rs13.2bn (+336% yoy/ +61% qoq), while organic revenue grew 86% yoy/ 47% qoq to Rs5.7bn. With the strategic backlog down to Rs4.3bn, organic OB (+L1) rose 32% qoq to Rs28.5bn (3.4x yoy), and inflows rose 18% qoq to Rs14.5bn. With lumpy AI order largely behind us, we expect 2H sales to be flattish.

Operating leverage offsets GM pressure: AI systems grew to 11.7x yoy at Rs7.7bn (58% of sales), while HPC/HCI grew to 2.4x yoy each. Larger deal sizes and memory inflation pulled GMs down 111bps qoq to 20.1%, but op. leverage helped Ebitda margin rise 21bps qoq to 14.9%. Net debt of Rs2bn in 1QFY27 turned to net cash of Rs136mn (also helped by Rs12bn QIP). Cash conversion cycle eased to 94 days (96 in 1QFY27) but remains elevated due to advance inventory accretion.

New Taiwan sub underscores R&D focus: A new Taiwan R&D subsidiary and Vera Rubin platform launch (by January) keep the product roadmap aligned with global timelines and innovations. Netweb also plans to invest in R&D for physical AI and quantum computing.

CMP	**Rs4286**
12-mth TP (Rs)	**5700 (33%)**
Market cap (US$m)	**2,538**
Enterprise value(US$m)	**2,505**
Bloomberg	**NETWEB IN**
Sector	**EMS**

Shareholding pattern (%)

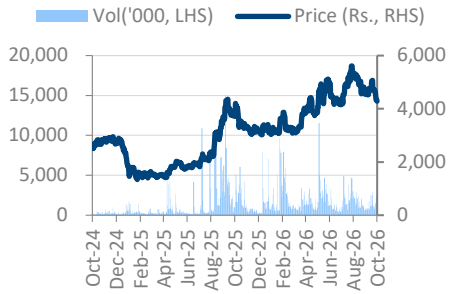
Promoter	67.0
Pledged (as % of promoter share)	0.0
FII	9.3
DII	5.9

52Wk High/Low (Rs)	5601/3022
Shares o/s (m)	59
Del Value 3mth avg (US$ m)	21.4
Dividend yield FY28ii (%)	0.2
Free float (%)	33.0

Price performance (%)

	1M	3M	1Y
Absolute (Rs)	(5.7)	7.7	21.3
Absolute (US$)	(5.1)	9.2	12.0
Relative Perf.	3.0	13.8	23.9
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	42,982	58,325	79,071
Ebitda margins (%)	*13.9*	*13.0*	*14.1*	*13.8*	*13.8*
Pre-exceptional PAT (Rs m)	1,145	2,058	4,195	5,678	7,875
Reported PAT (Rs m)	1,145	2,058	4,195	5,678	7,875
Pre-exceptional EPS (Rs)	20.2	36.1	71.7	95.5	132.5
Growth (%)	*50.0*	*78.9*	*98.4*	*33.2*	*38.7*
IIFL vs consensus (%)			*3.4*	*8.6*	*4.7*
PER (x)	**NM**	**118.6**	**59.8**	**44.9**	**32.4**
ROE (%)	*24.0*	*32.8*	*27.6*	*22.0*	*24.6*
Net debt/equity (x)	(0.3)	(0.4)	(0.4)	(0.5)	(0.4)
EV/Ebitda (x)	150.6	84.6	39.6	30.0	21.9
Price/book (x)	45.8	33.7	10.8	9.0	7.1
OCF/Ebitda (x)	NM	0.6	NM	0.5	0.3

Source: Company, IIFL Research. Priced as on 26 October 2026

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2QFY27: Record quarter; organic growth accelerates

Sales: Rs13.2bn, up 336% yoy/ 61% qoq
Ebitda: Rs2.0bn, up 334% yoy/ 64% qoq
OPM: 14.9%, -6bps yoy/ +21bps qoq
Adj. PAT: Rs1.4bn, up 335% yoy/ 60% qoq
Order inflows: Rs14.5bn, down 47% yoy (strategic order in base)/ up 18% qoq
Order book (+ L1): Rs32.8bn (0.9x TTM sales), +8% yoy/ -2% qoq

- Revenue growth was led by AI systems & workstations (11.7x yoy/ +51% qoq to Rs7.7bn), which included ~Rs7.6bn of strategic order execution. HPC (+143% Yoy/ +98% qoq) and HCI (+140% yoy/ +81% qoq) rebounded sharply after a soft 1QFY27. AI, HPC and HCI contributed 58%/19%/19%, respectively, to sales.
- Organic revenue (ex-strategic orders) grew 86% yoy/ 47% qoq to Rs5.7bn, while 1HFY27 revenue rose 254% yoy to Rs21.4bn.
- GMs declined 740bps yoy/ 111bps qoq to 20.1%, reflecting larger deal sizes and component (memory) inflation. However, employee and other expenses fell to 2.5%/2.7% of sales (-385bps/-349bps yoy), keeping OPM steady at 14.9%.
- Employee costs rose 33% qoq on annual increments, growth-linked variable pay and 120+ headcount additions yoy; ESOP costs were negligible as pre-IPO grants fully vested last year.
- Finance costs doubled qoq to Rs238mn as gross debt rose to Rs3.2bn (Rs2.6bn in 1QFY27), partly offset by higher other income (Rs129mn, +52% qoq).
- As a result, Adj. PAT rose 4.4x yoy to Rs1.4bn, with net margins at 10.3%. 1HFY27 PAT of Rs2.2bn has already surpassed full-year FY26 PAT of Rs2.1bn.
- The company raised Rs12bn via QIP (first capital raise since listing in July 2023), of which Rs7.7bn was utilized by Sep-26. Net debt of Rs2bn in 1QFY27 turned to net cash of Rs136mn.
- The cash conversion cycle improved to 94 days from 96 days in 1QFY27, as receivable days fell to 62 from 78, offsetting higher inventory days (117 vs 110) and lower payable days (85 vs 92). RoE/RoCE moderated to 31.4%/38.6% on the enlarged equity base.

Figure 1: 2QFY27 financial snapshot

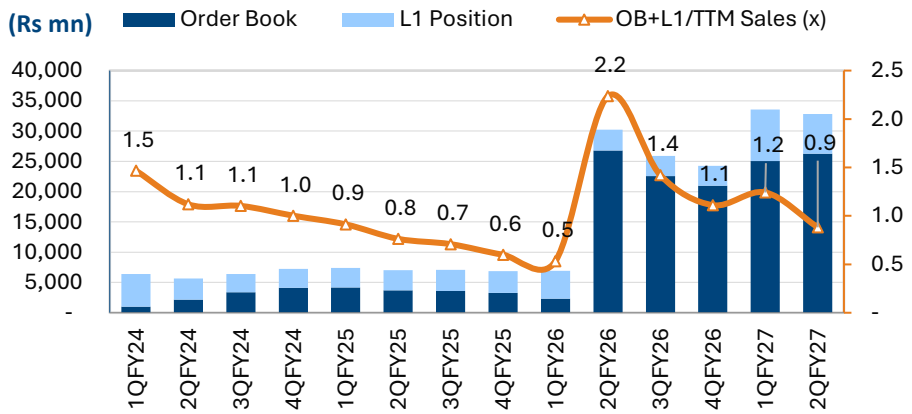
Rs mn	2QFY26	1QFY27	2QFY27	Yoy	Qoq
Revenues	3,037	8,197	13,233	336%	61%
Organic revenue	3,037	3,857	5,653	86%	47%
Raw Materials	2,203	6,462	10,580	380%	64%
Employee expenses	192	247	328	70%	33%
Other expenses	187	282	353	89%	25%
EBITDA	455	1,205	1,973	334%	64%
EBITDA margin	15.0%	14.7%	14.9%	-6 bps	21 bps
Depreciation	34	33	37	8%	12%
Finance costs	9	115	238	2459%	107%
Other income	9	85	129	1292%	52%
PBT	420	1,141	1,826	335%	60%
Tax	106	288	460	334%	60%
Tax rate	25.2%	25.2%	25.2%	-2 bps	-6 bps
Exceptional items					
Reported PAT	314	853	1,367	335%	60%
Adjusted PAT	314	853	1,367	335%	60%
Net margin	10.3%	10.4%	10.3%	-2 bps	-8 bps
Adj EPS (Rs)	5.5	15.1	24.1	335%	60%
As a % of sales					
Gross margin	27.5%	21.2%	20.1%	-740 bps	-111 bps
Employee expenses	6.3%	3.0%	2.5%	-385 bps	-54 bps
Other expenses	6.2%	3.4%	2.7%	-349 bps	-78 bps
Order Pipeline	42,043	104,100	111,518	165%	7%
Order Inflows	27,517	12,290	14,453	-47%	18%
Order Book + L1	30,259	33,550	32,815	8%	-2%
Organic OB + L1	8,419	21,638	28,483	238%	32%
OB+L1/TTM Sales	2.2	1.2	0.9		

Source: Company, IIFL Research

Organic order book surges as strategic backlog is largely executed

- Order inflows rose 18% qoq to Rs14.5bn in 2QFY27 (Rs12.3bn in 1QFY27). Despite record billing of Rs13.2bn, the OB rose to Rs26.3bn from Rs25.1bn in 1QFY27.
- OB (incl. L1) stood at Rs32.8bn (0.9x TTM sales), with L1 at Rs6.5bn. The strategic AI backlog declined to Rs4.3bn (Rs11.9bn in 1QFY27) as execution accelerated, while organic OB (+L1) surged 32% Qoq to Rs28.5bn (3.4x Yoy), indicating that growth is broadening beyond the NAIM 1.0 strategic orders.
- The opportunity pipeline rose 7% Qoq to Rs112bn. Management noted a ~60% conversion ratio and indicated that enterprise demand currently exceeds government demand in the pipeline.

Figure 2: Strong OB incl. L1 at Rs32.8bn (0.9 TTM sales); organic OB (+L1) up 32% Qoq to Rs28.5bn



Source: Company, IIFL Research

- The OB is typically executed over 10-16 weeks, while AI order sizes vary widely from Rs50mn to Rs10bn, with strong traction from both private enterprises and government.
- Neoclouds such as Yotta and E2E, which have announced capex plans for FY27 and beyond, are existing customers and part of the OB/pipeline. CDAC's fresh RFP (on behalf of IndiaAI) to empanel CSPs for ~10,000 GPUs should add to the pipeline, as Netweb already serves many of the participating CSPs.
- NSM 2.0 orders are expected from early 2027; Netweb is targeting more than half of the five-year programme outlay, given its emphasis on indigenous design and manufacturing.

Figure 3: Segmental highlights

Rs mn	2QFY26	1QFY27	2QFY27	Yoy	Qoq
Revenue by Vertical					
HPC	1,021	1,253	2,482	143%	98%
HCI	1,019	1,353	2,449	140%	81%
AI systems & workstations	662	5,106	7,731	1068%	51%
HPS & Storage	65	73	131	102%	79%
Data Centre	51	112	173	239%	55%
HCS & Software	117	300	267	128%	-11%
Spares & Others	121	-	-	-100%	NA
Network Switches	30	-	-	-100%	NA
% share					
HPC	33%	15%	19%	-1433 bps	347 bps
HCI	33%	17%	19%	-1451 bps	199 bps
AI systems & workstations	21%	62%	58%	3697 bps	-387 bps
HPS & Storage	2%	1%	1%	-112 bps	9 bps
Data Centre	2%	1%	1%	-35 bps	-6 bps
HCS & Software	4%	4%	2%	-178 bps	-165 bps
Spares & Others	4%	0%	0%	-393 bps	0 bps
Network Switches	1%	0%	0%	-99 bps	0 bps

Source: Company, IIFL Research

FY27 revenue target of Rs40bn; 30-40% Cagr thereafter

- Management is targeting FY27 revenue of Rs40bn (H1FY27: Rs21.4bn). We build in Rs42.2bn (+93% yoy), implying 2HFY27ii revenue of Rs20.8bn, which is well supported by the OB (+L1) of Rs32.8bn.
- Management expects to sustain 30-40% revenue Cagr over the next 2-3 years, supported by a robust pipeline and ~60% conversion ratio. We raise FY28/29ii revenue by 3%/6%, building in ~36% growth in each year.
- New customers contribute 8-9% of revenue, and the top-5/top-10 client set rotates within a pool of 25-30 customers, mitigating concentration risk. Newly added BFSI clients (SBI, IDFC First Bank) point to data-localization-led demand in banking.

EBITDA framework intact despite GM volatility

- Management reiterated that GMs vary with deal mix and should be assessed on a full-year basis. Large deals carry lower GMs but deliver operating leverage, as overheads do not scale proportionately.
- H1FY27 OPM of 15.1% was ahead of the 13-14% framework, though management cautioned against extrapolating it to the full year. Memory prices have risen 200%+, but management sees no impact on demand.
- We build in OPM of 14.1%/13.7%/13.5% for FY27/28/29ii, respectively.

QIP strengthens balance sheet to fund inventory-led execution

- Of the Rs12bn QIP proceeds, Rs7.7bn was utilized as of Sep-26, with ~Rs4bn unutilized, providing headroom to fund growth.
- Inventory (~Rs19bn) has been built deliberately to secure critical components amid longer supply-chain lead times, and will be consumed in executing the OB.
- Management expects the cash conversion cycle to remain in the 90-110 days range (84 days in FY26), with receivables remaining healthy and no instances of bad debt.

R&D: Taiwan subsidiary and Vera Rubin launch

- The board approved a wholly-owned subsidiary in Taiwan, purely for R&D, to access hardware design talent and be close to technology partners' R&D centres. Management clarified there is no partnership, and no plan to become an ODM/box seller.
- Design work on Vera Rubin-based platforms (schematics, Gerber files) is underway, with commercial availability targeted by January, in line with global launch timelines.

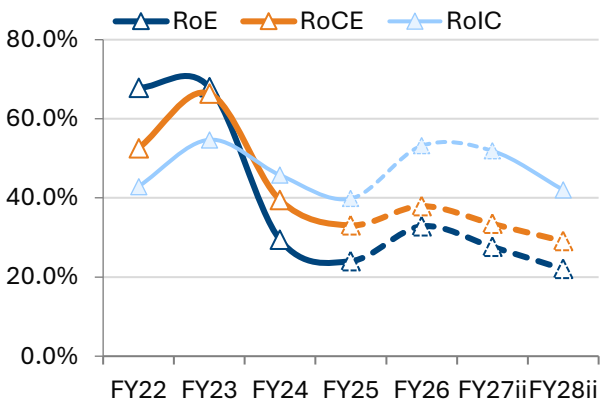
Physical AI and quantum computing (simulators and emulators) initiatives remain at an initial development stage; management did not provide monetization timelines.

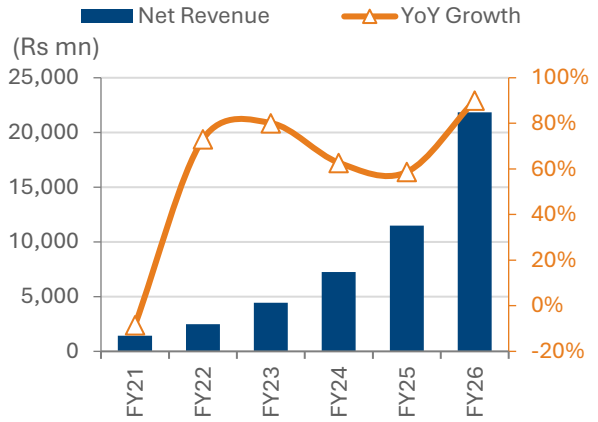
Background: Netweb Technologies is one of India's leading high-end computing solutions (HCS) provider, with fully integrated design and manufacturing capabilities. Established as a sole proprietorship in 1999 (incorporated as a company in 2016), over the last two decades Netweb has installed over 300 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





Assumptions

Y/e 31 Mar, Parent	FY25A	FY26A	FY27ii	FY28ii	FY29ii
Revenue YoY (%)	58.7	90.0	96.8	35.7	35.6
HPC	54.5	30.9	40.0	25.0	25.0
Private cloud & HCI	52.3	28.4	40.0	38.0	35.0
AI&EW	112.0	459.5	174.1	40.0	40.0
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
Network switches & 5G ORAN	248.2	(100.0)	0.0	0.0	0.0

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**	**42,982**	**58,325**	**79,071**
Ebitda	1,600	2,848	6,080	8,051	10,928
Depreciation and amortisation	(113)	(142)	(176)	(209)	(243)
Ebit	1,487	2,706	5,905	7,842	10,685
Non-operating income	94	188	132	92	97
Financial expense	(41)	(130)	(401)	(306)	(201)
PBT	1,540	2,765	5,636	7,628	10,580
Exceptionals	0	0	0	0	0
Reported PBT	1,540	2,765	5,636	7,628	10,580
Tax expense	(395)	(707)	(1,441)	(1,950)	(2,705)
PAT	1,145	2,058	4,195	5,678	7,875
Minorities, Associates etc.	0	0	0	0	0
Attributable PAT	**1,145**	**2,058**	**4,195**	**5,678**	**7,875**

Ratio analysis

Y/e 31 Mar, Parent	FY25A	FY26A	FY27ii	FY28ii	FY29ii
Per share data (Rs)					
Pre-exceptional EPS	20.2	36.1	71.7	95.5	132.5
DPS	2.5	3.0	5.0	6.7	9.9
BVPS	93.6	127.0	395.4	478.0	600.5
Growth ratios (%)					
Revenues	58.7	90.0	96.8	35.7	35.6
Ebitda	56.1	78.0	113.5	32.4	35.7
EPS	50.0	78.9	98.4	33.2	38.7
Profitability ratios (%)					
Ebitda margin	13.9	13.0	14.1	13.8	13.8
Ebit margin	12.9	12.4	13.7	13.4	13.5
Tax rate	25.7	25.6	25.6	25.6	25.6
Net profit margin	10.0	9.4	9.8	9.7	10.0
Return ratios (%)					
ROE	24.0	32.8	27.6	22.0	24.6
ROIC ex goodwill	39.8	53.2	51.9	42.0	45.7
ROIC	39.8	53.2	51.9	42.0	45.7
Solvency ratios (x)					
Net debt to Ebitda	(1.1)	(1.1)	(1.7)	(1.7)	(1.4)
Interest coverage	36.3	20.9	14.7	25.6	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	13,268	13,553	15,784
Inventories	2,228	8,048	11,727	15,129	19,448
Receivables	3,615	6,700	11,140	14,332	19,448
Other current assets	615	1,258	2,345	3,185	4,322
Creditors	2,979	7,607	9,381	13,536	17,287
Other current liabilities	555	4,862	3,530	4,793	6,504
Net current assets	**4,720**	**9,429**	**25,569**	**27,869**	**35,210**
Fixed assets	531	568	642	633	590
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**	**26,303**	**28,607**	**35,919**
Borrowings	13	2,717	3,020	20	20
Other long-term liabilities	84	130	149	173	200
Shareholders equity	**5,303**	**7,233**	**23,134**	**28,414**	**35,699**
Total liabilities	**5,400**	**10,080**	**26,303**	**28,607**	**35,919**

Cash flow summary (Rs m)

Y/e 31 Mar, Parent	FY25A	FY26A	FY27ii	FY28ii	FY29ii
Ebit	1,487	2,706	5,905	7,842	10,685
Tax paid	(395)	(707)	(1,441)	(1,950)	(2,705)
Depreciation and amortization	113	142	176	209	243
Net working capital change	(1,397)	(653)	(8,765)	(2,015)	(5,110)
Other operating items	60	226	0	0	0
Operating cash flow before interest	(132)	1,715	(4,126)	4,086	3,113
Financial expense	(41)	(130)	(401)	(306)	(201)
Non-operating income	94	188	132	92	97
Operating cash flow after interest	**(79)**	**1,774**	**(4,395)**	**3,871**	**3,008**
Capital expenditure	**(229)**	**(105)**	**(250)**	**(200)**	**(200)**
Long-term investments	1,126	(2,427)	(122)	(80)	(82)
Others	(1,102)	2,353	131	91	96
Free cash flow	**(284)**	**1,595**	**(4,635)**	**3,683**	**2,821**
Equity raising	1	0	12,000	0	0
Borrowings	(24)	2,674	303	(3,000)	0
Dividend	(113)	(171)	(294)	(397)	(591)
Net chg in cash and equivalents	(421)	4,098	7,374	285	2,231

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.

Distribution of Ratings: Out of 331 stocks rated in the IIFL coverage universe, 189 have BUY ratings, 3 have SELL ratings, 105 have ADD ratings, 1 have NR ratings and 33 have REDUCE ratings

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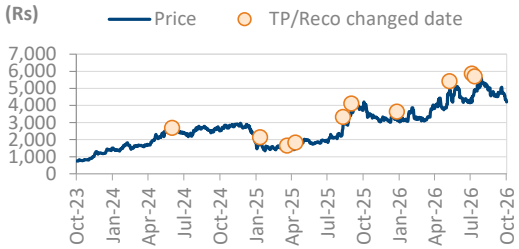
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Name, Qualification and Certification of Research Analyst: Prateek Singh(MBA), Yash Upadhyay(Chartered Accountant)

Prateek Singh



Netweb Tech: 3 year price and rating history



Date	Rating	Close price (Rs)	Target price (Rs)	Upside (%)
06 Aug 2026	BUY	4894	5698	16.4
30 Jul 2026	BUY	4364	5865	34.4
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