

Netweb Technologies Ltd IPO – Should you Apply?

➤ About the Company: -

- Netweb Technologies designs, manufactures and deploys High end Computing solutions Domestically comprise: -
 1. Supercomputer systems
 2. Private cloud
 3. AI systems
 4. High-performance storage (HPS / Enterprise Storage System) solutions,
 5. Data centre servers, and
 6. Software and services for our HCS offerings.

- Netweb Technologies caters to various end-user industries such as
 1. Information technology,
 2. Information technology-enabled services,
 3. Entertainment and media,
 4. Banking, financial services and insurance (BFSI),
 5. National data centres, and
 6. Government entities including in the defence sector, education and research development institutions.

➤ IPO Details : -

IPO Opening Date	17/07/2023
IPO Closing Date	19/07/2023
Allotment Date	24/07/2023
Listing Date	27/07/2023
Issue Price	Rs. 475 to Rs. 500
Lot Size	30 Shares

Category	Retail	sHNI	bHNI
Minimum no of Shares	30.00	420.00	2,010.00
Maximum no of Shares	390.00	1,980.00	-
minimum Amount	15,000.00	2,10,000.00	10,05,000.00
Maximum Amount	1,95,000.00	9,90,000.00	-

➤ Object of the Issue :-

- Out of 631 Cr, 425 Cr will be Paid to selling promoters stake and Remaining 206 Cr will be used by the Company for the Following Purpose

Purpose	Amount (Rs in Mn)
Civil Construction of the Building for Surface Mount Technology (SMT) Production Line	90.00
Purchase of Machineries for new SMT Production Line	232.86
Long term Working Capital Requirements	1280.22
Repayment of Outstanding Borrowings	225.00

- Earlier Company is used to be dependent on Third Party entity for Manufactures of Server Motherboards and Related Printed circuits using SMT. Now with Setting up its Own SMT Production line, company will be reducing its reliance on third Party entities.

➤ Valuations: -

- From Valuation Point of View, IPO Offer Price is at 55.13x PE for Fiscal FY 2023 as EPS Stands at 9.07. Industry Average PE ratio is at 82.31X and Highest Peer PE ratio is at 105.48x.
- However, Company doesn't have any Direct Competitor. However Listed Companies who are engaged in the Business of Electronics and IT manufacturing are trading above 100x PE Multiple.

➤ Financials: -

Period Ended	Total Assets	Total Revenue	Profit After Tax	Net Worth	Reserves and Surplus	Total Borrowing
31-Mar-20	509	1572.3	39.1	136.5	79.9	152.3
31-Mar-21	1102	1442.9	82.3	218.2	161.5	305.4
31-Mar-22	1486.1	2479.4	224.5	443.7	387.1	344.8
31-Mar-23	2659.5	4456.5	469.4	936.7	834.8	356

Particulars	2023	2022	2021
Gross Margin (%)	27.10%	24.52%	25.65%
EBITDA %	15.89%	14.37%	11.13%
Profit Margin %	10.55%	9.09%	5.76%
ROE %	68.01%	67.85%	46.41%
ROCE %	64.42%	51.63%	35.54%

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➤ Segmental Information: (Revenue From operations Excludes Other Revenues)

A) Application Wise Revenue From Operations: -

Application Industries	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Rs in Millions	% of revenue	Rs in Millions	% of revenue	Rs in Millions	% of revenue
Higher education and Research	2059.09	46.69%	1409.48	57.06%	597.62	41.85%
Space and Defence	271.33	6.15%	262.9	10.64%	128.63	9.01%
IT & ITES	1094.93	24.83%	526.24	21.30%	426.6	29.88%
Others	984.68	22.33%	271.71	11.00%	275.02	19.26%
	4410.03	100%	2470.33	100%	1427.87	100%

B) Business Vertical Wise Revenue From Operations: -

Business Vertical	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Rs in Millions	% of revenue	Rs in Millions	% of revenue	Rs in Millions	% of revenue
Supercomputing system	1728.38	39.19%	1030.02	41.70%	138.75	9.72%
Private Cloud	1461.08	33.13%	478.82	19.38%	405.41	28.39%
AI Systems	309.3	7.01%	243.12	9.84%	145.65	10.20%
Others	911.26	20.66%	718.37	29.08%	738.06	51.69%
	4410.02	100%	2470.33	100%	1427.87	100%

C) Customer Wise Revenue From Operations: -

Type of Customers	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Rs in Millions	% of revenue	Rs in Millions	% of revenue	Rs in Millions	% of revenue
Government Customers	2345.79	53.19%	1527.56	61.84%	664.89	46.57%
Non-Government Customers	2064.23	46.81%	942.77	38.16%	762.98	53.43%
	4410.02	100%	2470.33	100%	1427.87	100%

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➤ Company Plans: -

- Company Started Developing New Product Lines such as Network Switches and 5G organ.
- GoI is Expecting the Investment of USD 58 Billion in 2023 in Indian oil and Industry.
- Growth in the oil and gas industry in India is expected to get driven by the use of high-end computing solutions, such as supercomputers and AI. Oil and gas companies are increasingly relying on powerful computers / supercomputers to process complex data faster and that enables these companies to cut costs while boosting productivity and success rates of projects.
- Also recently PM Narendra modi Tweeted AI IS THE FUTURE, BE IT ARTIFICIAL INTELLIGENCE OR AMERICA – INDIA.

➤ Market Size of Following products in India in Fiscal 2022: -

Products	Size of Industry
Super Computers	\$ 493 Mn
Private clouds	\$ 2369 Mn
AI	\$ 261.6 Mn
Other	\$ 678 Mn

➤ Overall Observations: -

- Company as order book as on 31/05/2023 of Rs. 902.05 Mn . However, Company is having low order book in figure because Company Executes the order within 6-12 Weeks cycles. Company is able to execute the order in such a short span of time because Hardware and Software design are already being designed and just they need to be assembled.
- Company is enjoying monopoly business with first moving advantage.
- More than 50 % Business is from government contracts.
- Company Raised 189 Cr from Anchor Investors.
- Currently Company is working at 52% Capacity utilization.

➤ Overall Review :-

- A) From Listing gains Point of View, Apply from Strong listing gains as Company Left space for Good Listing gains and Already 72% Premium is Going on in Grey market as on 17/07/2023.
- B) From Long Term View, One Must Consider for keeping this company stock in portfolio as Company is enjoying monopoly with first moving advantage and Size of this Industry is Huge. So in Coming years Management are expecting strong growth in the business.

Disclaimer:- View expressed in this report is only for educational purpose . we are not sebi registered and do consult your Financial Advisor before Making Any Investments.

Thank you

CA Narayan Loya
Founder