

Aditya Birla Money Ltd.

Interarch Building Solutions- Initiating Coverage – BUY

WELL-PLACED TO RIDE THE PRIVATE CAPEX CYCLE

Interarch Building Solutions Ltd. (Interarch) is the second-largest player in India's rapidly growing pre-engineered building (PEB) solutions industry, with a production capacity of 1,61,000 MTPA. The company operates four integrated manufacturing plants in the states of Uttarakhand, Tamil Nadu & Andhra. Its current order book stands strong at ~₹1,646 cr. (as on 30th April 2025), translating to a healthy book-to-bill ratio of 1.2x. With aggressive expansion plans over the next two years, Interarch aims to close the gap with market leader Kirby Building Systems, targeting a capacity increase to 2,00,000 MTPA by FY26 & 2,40,000 MTPA by FY27–28, with further additions beyond that timeline. We project a revenue/EBITDA/PAT CAGR of 21%/24%/20% over FY25–27. Our TP of ₹2,650 reflects a 28x P/E on FY27 earnings, implying a 22% upside from current levels. Risks include- 1) Intensifying competition 2) low entry barriers 3) RM pricing volatility.

Healthy orderbook along with huge pipeline creates visibility

The orderbook as on 30th April 2025 stands at around ₹ 1,646 cr. indication a 1.2x book-to-bill ratio. In addition to this, the company has a pipeline of ₹ 1,600-1,700 cr. (indicated as P1) for which the management expects a conversion of 30-35%. Beyond this, ~₹ 3,500 cr. (indicated as P2) of enquiries where general estimates and preliminary discussions take place. Generally, 15-20% of P2 gets converted into P1. This instils confidence on industry demand and private capex.

Strong branding & customer stickiness reflects quality & capability

Interarch has successfully executed over 750 PEB projects to date and has built a strong, trusted brand, as evidenced by over 60% of its clients' maintaining relationships for more than five years. Over the past three years, the company has consistently achieved a repeat order ratio exceeding 80%, serving prestigious clients such as Aditya Birla Group, HUL, and the Tata Group. Recently, Interarch achieved a significant milestone by securing India's largest PEB contract, valued at ₹300+ crore, where it is serving as the sole contractor for the first time—marking a major achievement in the company's history.

Unlocking new applications with aggressive expansion plan

Interarch has aggressive expansion plans in next two years. Brownfield expansions at Kiccha & Andhra facilities will add 40,000 MTPA of capacity by June end, taking the aggregate capacity to 2,01,000 MTPA. The company has acquired additional land at Andhra where it aims to add heavy steel structure capacity of 20,000 MTPA (Phase I) by July 26. At the Gujarat land parcel, it expects 20,000 MTPA capacity for PEB to be operational by Q4 FY27 which will mark Interarch's western India footprint. Further, the Andhra land has capacity to scale the heavy structure capacity to 60,000 MTPA unlocking Interarch's capabilities in high rise residential & data centre projects. The company is also looking to acquire additional land in Gujarat.

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STOCKS & SECURITIES

13th June 2025

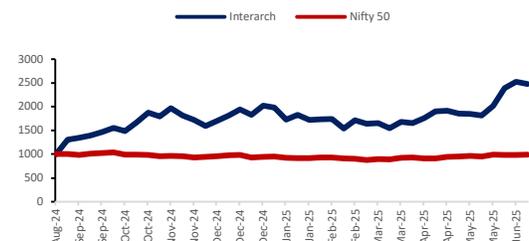
CMP (₹)	2,171
Target (₹)	2,650
Upside /Downside (%)	22%
High/Low (₹)	2,371/ 1,110
Market cap (Cr)	3,625
No. of shares (Cr)	1.66

Shareholding (%)

	Sept-24	Dec-24	Mar-25
Promoter	59.90	59.90	59.90
FII	5.52	5.86	4.70
DII	9.33	6.87	6.51
Retail	25.26	27.37	28.88

Financial & Valuations

Y/E Mar (Rs cr)	FY25	FY26E	FY27E
Capacity (lakh tons)	1.61	2.01	2.41
Revenue	1,454	1,788	2,144
EBITDA	136	164	210
EBITDA Margin (%)	9.4%	9.2%	9.8%
PAT	108	125	155
P/E (x)	33	28	23
ROCE (%)	17%	16%	16%



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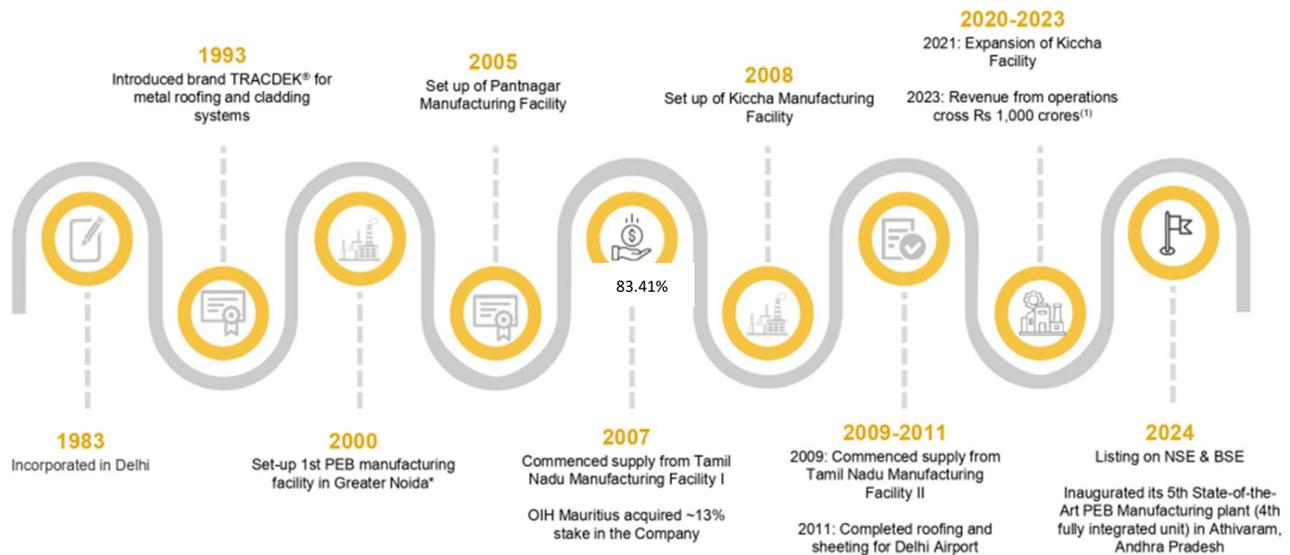
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About Interarch Building Solutions Ltd.

Incorporated in 1983, Interarch is a leading provider of turnkey pre-engineered steel building (PEB) solutions, serving a wide range of industrial and non-industrial construction requirements. The company is the second-largest player in the sector by capacity, with a total annual production of 161,000 MTPA across five manufacturing facilities—two in Uttarakhand (90,500 MTPA), two in Tamil Nadu (50,500 MTPA), and one in Andhra Pradesh (20,000 MTPA). With a ~15% market share in the organised PEB segment and a proven track record of executing over 750 projects, Interarch stands as a prominent player in the industry. The company serves marquee clientele across sectors like automobiles, cement, paints, warehouses, data centres, etc.



Source: Company

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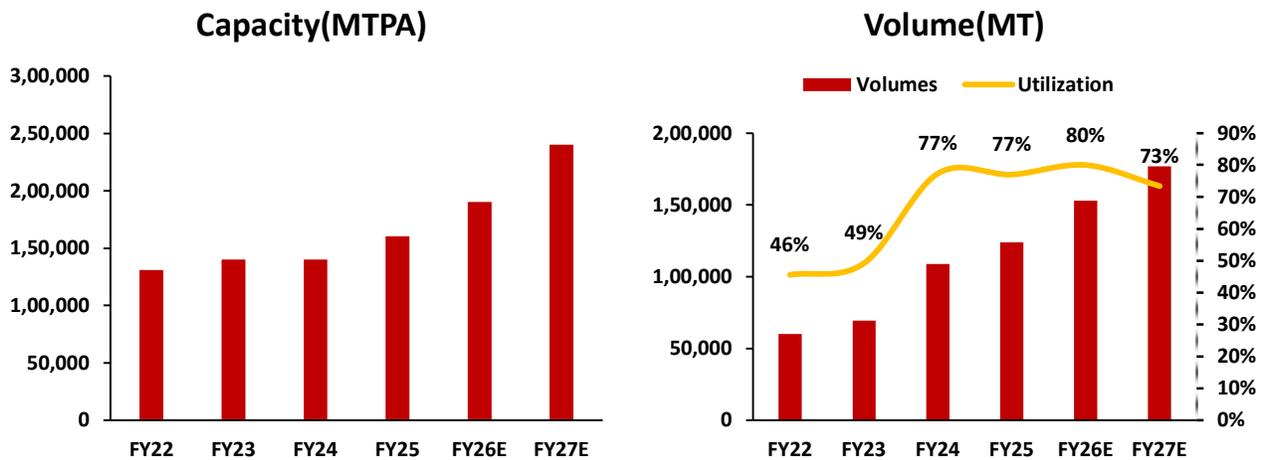
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Investment Rationale:

Strong orderbook & capacity expansions to drive topline growth

The company is aggressively expanding its capacity in next 2-3 years. We expect the capacities to grow from 1,61,000 MTPA currently to ~2,81,000 MTPA by FY28 which would include ~40,000 MTPA of heavy steel structures. This would imply a capacity growth CAGR of ~20% over FY25-28.

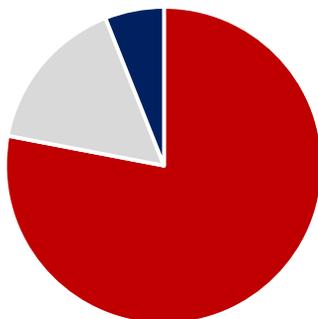


Source: Company, ABML research

40,000 MTPA of capacity will be immediately added with the brownfield expansions at Andhra & Kiccha (Uttarakhand) going live by June end taking the total capacity to 2,01,000 MTPA with a potential peak revenue of ~₹ 2,500 cr. We expect volumes to grow at a CAGR of 19% over FY25-27 at average utilization of 77%. The company is actively looking to acquire additional land in Gujarat.

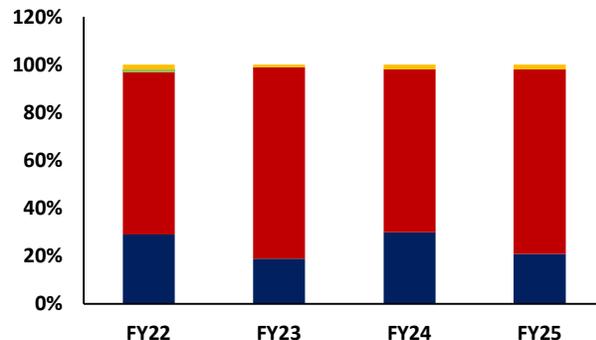
Order Book - FY25

Industrial Renewable Logistics



Revenue Mix

Infra Ind & Mfg Residential Others



Source: Company, ABML research

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The company currently has an order book of ~ ₹1,646 cr. (as on 30th April 2025), reflecting a healthy book-to-bill ratio of 1.2x. Additionally, it has a project pipeline (referred to as P1) worth ₹1,600–1,700 crore, with management anticipating a conversion rate of 30–35%. Beyond this, there are enquiries totalling around ₹3,500 crore (classified as P2), which are at the stage of initial estimates and preliminary discussions. Historically, about 15–20% of P2 enquiries transition into the P1 pipeline. ***This robust pipeline and order flow underscore strong industry demand and a positive outlook for private sector capital expenditure.***

Heavy Steel Structure Facility to create self-reliance and unlock new business segments with big ticket size

Interarch is establishing a greenfield heavy steel structure manufacturing facility in Andhra Pradesh with an initial capacity of 20,000 MTPA, targeted for completion by July 2026 (Phase I). The company plans to scale this up to 40,000 MTPA by FY28. The acquired land for this facility has the potential to support a total capacity of ~60,000 MTPA, offering an additional 20,000 MTPA in future expansion. Notably, these capacities are fungible, meaning they can be utilized to produce up to 1.5 times the volume in light steel structures. Heavy steel structures typically weigh between 5–15 tonnes per piece, compared to 2–3 tonnes for light steel components. This in-house introduction will also aid margin improvement.

At present, Interarch has a supply arrangement with Jindal Steel, which provides around 1,000–1,200 tonnes of heavy steel per month. Historically, heavy steel components have accounted for less than 20% of the company's project compositions. While Interarch can currently produce these components at its existing facilities due to fungible capacities, doing so results in operational inefficiencies and reduced throughput for other projects.

To overcome this constraint and become self-reliant in heavy steel supply, the company is investing in its own dedicated facility. This strategic move will enable Interarch to bid for larger, high-value projects and tap into emerging opportunities in high-rise building and data center construction.

In-house R&D guarantees quality reflected by customer stickiness

The company has hosted some marquee names in the industry as its clientele.



Source: Company, ABML research

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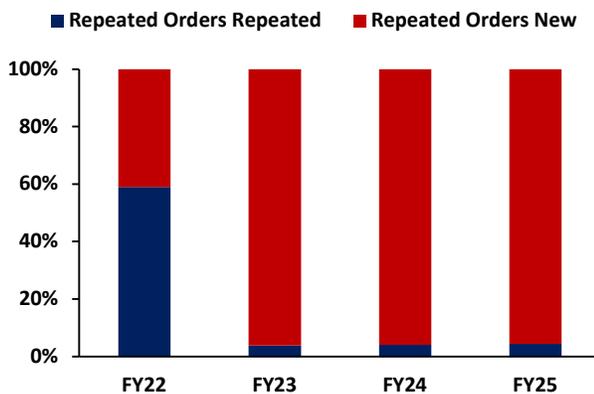
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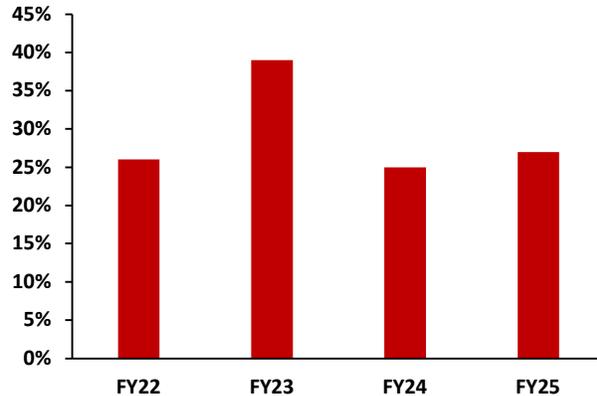
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Interarch boasts a strong in-house design capability, with a team of 119 qualified structural design engineers and detailers operating out of three dedicated design centres located in Noida, Chennai, and Hyderabad. This in-house expertise forms one of the company’s key competitive moats, enabling efficient, precise, and optimised structural and architectural design solutions for its projects. In the PEB industry, clients place high value on suppliers with established design and architectural capabilities, as these directly impact both the functionality and aesthetics of the final structure. Companies with strong design teams can better optimise layouts, maximise space utilisation, and ensure seamless integration of various building components. Compared to traditional construction methods like RCC, PEB projects demand significantly higher levels of coordination, planning, and execution from the initial stages, making design expertise even more critical.

Customer Penetration



Top 5 Customers



Source: Company, ABML research

Interarch has formed a strategic two-year partnership with Mold-Tek Technologies, extendable by mutual agreement, to support project detailing. Mold-Tek, which serves American and Canadian clients, can now offer end-to-end services through this tie-up, helping Interarch expand its international presence. Interarch will pay a 5% commission on export orders secured through Mold-Tek. The company continues to handle 100% of pre-bid design and engineering in-house, while outsourcing part of the detailing work post project award.

3-pronged growth opportunity & Interarch is in a sweet spot

With rapid capacity expansion, Interarch is poised to narrow the gap with market leader Kirby Building Systems. Growth will be driven by new capacities, rising market share, and increasing formalisation within the industry. The Indian PEB market, valued at ~₹20,000 crore in FY24, is largely unorganised (55–60%) due to low entry barriers. According to CRISIL, the market is projected to grow at a 12% CAGR to ~₹34,000 crore by FY29, with the unorganised share expected to decline to 50–55%. The capacity of Interarch is expected to grow at a CAGR of 20% from 1,61,000 MTPA to ~2,81,000 MTPA between FY25–28. The company further plans to add new capacities every 18-20 months subject to market demand & traction. **We expect 19% volume CAGR at an average utilization of 77%. The management claims that at peak, an asset turn of 6 times can be achieved.**

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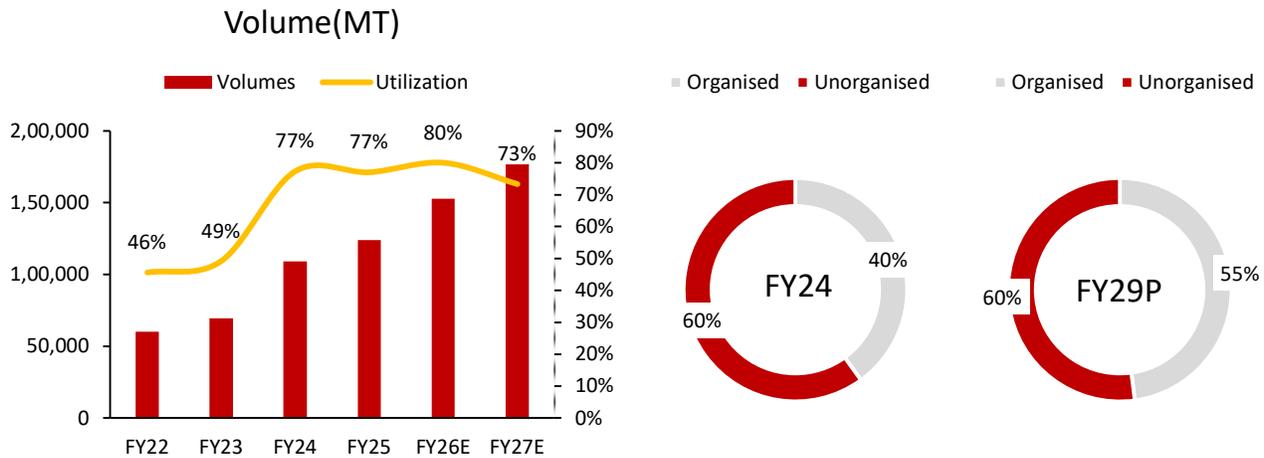
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Source: Company, ABML research

The company has a track record of executing 750+ PEB projects. It recently won a single project of ₹300+ cr. & a ₹220 cr. order from the Tata group for its semiconductor & EV facility in Q4 FY25. Initially, the company won and executed projects along with other developers in the market. This was beneficial for the client too in terms of timely execution and reduction in single party risk. The recent ₹300 cr. was one of the biggest PEB project orders in India & Interarch is the sole developer for this project marking a feat in its history & reflecting its execution capacity and brand image.

Extensive Track Record of Delivering Significant / Complex Projects across India



Source: Company, ABML research

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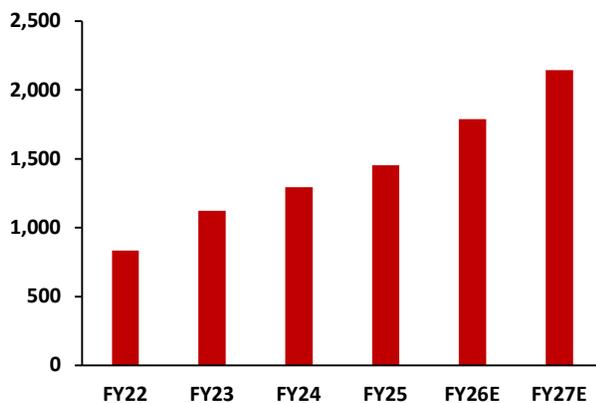
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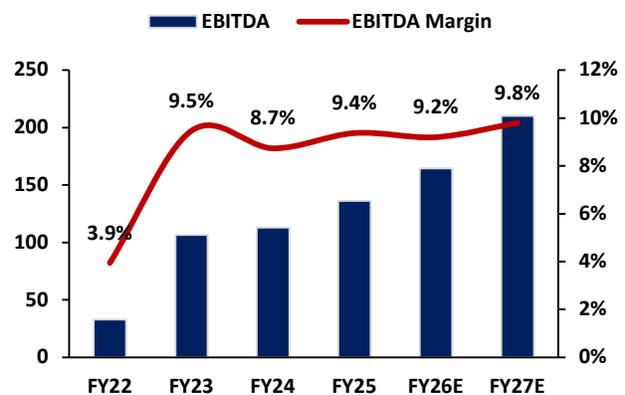
Strong financial performance with debt free balance sheet places Interarch at a fundamentally strong position

The company has no long-term debt as on balance sheet date at FY25 end. Historically, the company’s topline grew at a CAGR of 20% from ₹835 cr. to ₹1,454 cr. for the period FY22-25 while the EBITDA grew at CAGR of 61% on account of jump in EBITDA margins post FY22 from 3.9% to 9.5%. Going forward, we expect the revenues to grow at a CAGR of 21% between FY25-27 while the EBITDA to grow at CAGR of 24% driven by operating leverage. The company as on FY25 end maintains a cash balance of ~₹ 200 cr. Further, it will spend ~₹200 cr. for capex in next two years which we expect to be fully funded from internal accruals supported by strong cashflows.

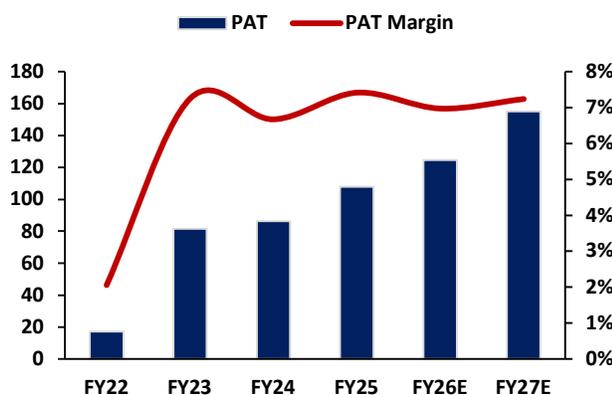
Revenue



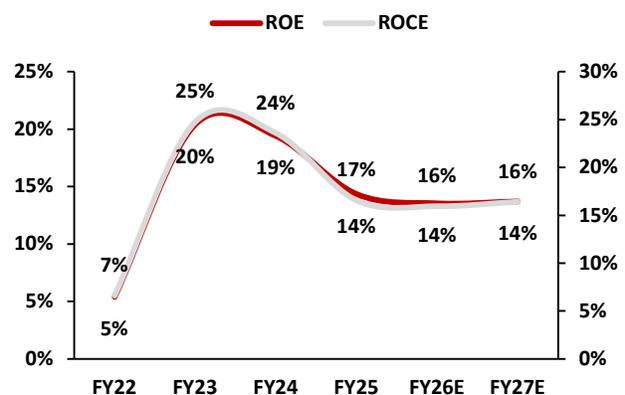
EBITDA & EBITDA Margins



PAT & PAT Margins



ROE & ROCE



Source: Company, ABML research

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Key Risks:

- The company enters into fixed price contracts and holds inventory of ~2 months of raw material (steel). Any changes in regulation, disruption in supply & sharp volatility in prices of raw material can affect the operations & financials of the company.
- The company's order inflow depends on the capex cycle of its clientele. All the company's clientele are private sector players majorly from the automobile, cement, renewables, logistics & FMCG industries. Any slowdown in the industry capex can adversely affect the order inflows of the company.
- The PEB industry is largely unorganized, while the organized markets are dominated by 4-5 leading players in this business. Low entry barriers like limited capital requirement & quick turnaround time makes the industry vulnerable to entry from new or international players. This may result in intensifying competition & can affect company's growth.
- Company relies on its internal design & engineering team for optimum & efficient designing of its project. Any alteration or loss of this talent may cause the company to lose its moat.

Outlook:

With over 40 years of experience, Interarch is well-positioned to capitalize on the rapidly growing PEB industry. We project the company's capacity expansion to drive a topline CAGR of 21% and EBITDA CAGR of 24%, with a 60 bps margin improvement supported by operating leverage. Interarch has built a strong, reliable brand through consistent execution and quality, evident from its high repeat order rate and large project wins. The addition of heavy steel structure capacity further strengthens its value proposition, supported by robust in-house design and engineering capabilities. Looking beyond FY27, the company remains committed to ongoing expansion aligned with rising market demand and PEB adoption. We initiate coverage with a BUY rating, assigning a 28x PE multiple on FY27 earnings, leading to a target price of ₹2,650/ share—implying a 22% upside.

Particulars	FY22	FY23	FY24	FY25	FY26E	FY27E
Operating Revenue	835	1,124	1,293	1,454	1,788	2,144
EBIDTA	33	106	113	136	164	210
EBIDTA margins (%)	3.9%	9.5%	8.7%	9.4%	9.2%	9.8%
Depreciation	12	7	8	12	18	24
Interest	4	3	2	2	3	3
PAT	17	81	86	108	125	155
ROE	5%	20%	19%	14%	14%	14%
ROCE	7%	25%	24%	17%	16%	16%

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