

### INITIATING COVERAGE

### INTERARC IN EQUITY

June 04, 2025

## Scaling greater heights

Interarch, a top3 player in the Indian PEB industry, is a proxy play on increasing manufacturing and infra development. Edge stems from track record, long-standing relationships (~80% repeat orders) and cost competitiveness, seen in industry-best margin/RoE. Banking on this, it has been winning **larger orders** with growing average size over the years (>2.5x pre-Covid). Existing orderbook (1.1x FY25 revenue) provides near-term growth visibility. Experience in PEB solutions across sunrise industries, rising PEB penetration and JSPL tie-up for heavy building structures imply continued order flow (1.3x book-to-bill, FY25) in the mid-to-long term. Expect 17%/23%/21% revenue/EBITDA/PAT CAGR (FY25-28) aided by brownfield and greenfield capacity expansion (AP, Gujarat). 2yr TP of ₹3000 implies 26x 1yr fwd P/E. Expanding solutions across industries/segments is key to scalability (Nucor Buildings Group), which can drive further re-rating. Risks: End-user capex slowdown & sharp RM inflation.

Competitive position: **STRONG**

Changes to this position: **POSITIVE**

### One-stop trusted solution for pre-engineered buildings (PEB)

Interarch has the 2<sup>nd</sup> largest PEB capacity in India and has top conglomerates as clients. It clocked 15%/40% rev/PAT CAGR over FY15-25. Track record (750+ PEB contracts, FY15-25) drives profitable larger orders (more complex → less competition → higher GP/MT), reflected in improving realisation and EBITDA/ton. It recently received [India's largest-ever single PEB order](#) worth ₹3bn.

### Industry tailwinds and widening capabilities to aid scalability ambitions

Accelerating capex across sunrise industries (renewable energy, battery, semiconductors, warehousing, electronics, logistics), rising PEB penetration (faster, cost-effective) and expansion of capabilities (multi-story buildings, heavy building structures) will drive scalability. Healthy orderbook, increasing orderflows and proven execution track record provide near-term growth visibility.

### Leads in terms of scale and profitability; remains in a sweet spot

Interarch fares well on IBAS (brand, architecture) and leads on margins/RoE, next only to Kirby. It clocked 15% revenue CAGR in FY20-25E, ahead of Pennar/Everest (8%/6% CAGR). Positive customer feedback (quality, execution, promoters) imply Interarch remains in sweet spot to capitalise on industry tailwinds and gain MS.

### Valuation premium justified given superior growth and return ratios

About 25% capacity expansion to 200ktpa by 1QFY26-end besides expansion plans in AP and Gujarat will support scalability ambitions. Valuation premium to PEB/RCC infra peers is justified given superior growth/RoE, relatively short-cycle order execution, low construction-risks and client-specific customised solutions.

### Key Financials

Year to March (₹ mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	12,933	14,538	16,719	20,063	23,072
EBITDA	1,130	1,362	1,672	2,107	2,538
Profit after tax (adjusted)	863	1,078	1,252	1,582	1,907
EPS (diluted)	59	68	75	95	115
pre-tax RoCE	24.0%	20.1%	18.4%	19.9%	20.4%
PE	38	32	29	23	19.2
EV/EBITDA	31	26	21	16.1	12.9

Source: Company, Ambit Capital research

### Small-Caps

#### Recommendation

Mcap (bn):	₹37/US\$0.4
3M MDV (mn):	₹196/US\$2.3
CMP:	₹2,203
TP (24 Mths):	₹3,000
Upside (%):	36

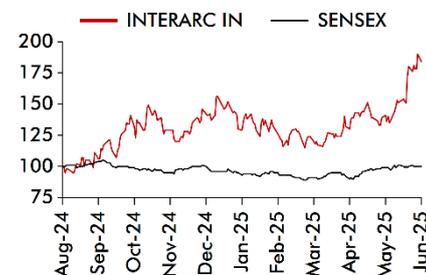
#### Flags

Accounting:	<b>GREEN</b>
Predictability:	<b>GREEN</b>
Earnings Momentum:	<b>GREEN</b>

#### Catalysts

- Timely execution of opening order book and 40ktpa capacity expansion in 1QFY26 driving +15% revenue growth in FY26E (vs 12% in FY25).
- Continued order wins and capacity expansion at AP/Gujarat by FY26-end, driving growth visibility beyond FY26.

#### Performance



Source: ICE, Ambit Capital Research

#### Research Analysts

##### Jaiveer Shekhawat, CFA

+91 22 66233021

jaiveer.shekhawat@ambit.co

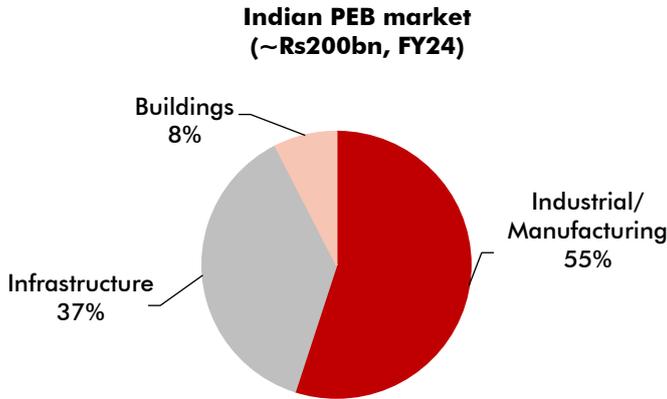
##### Dhruv Jain

+91 22 66233177

dhruv.jain@ambit.co

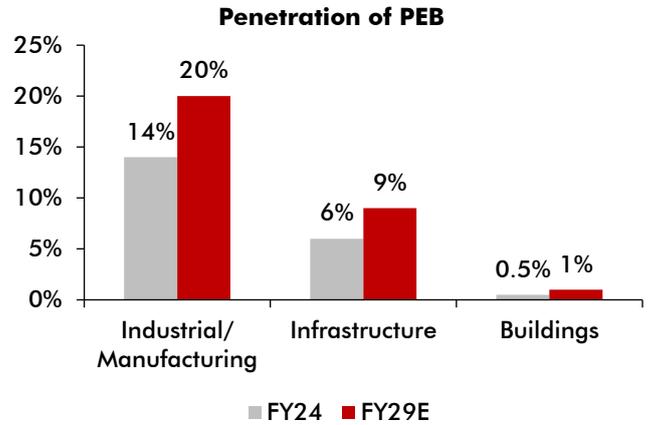
# Narrative in Charts

**Exhibit 1: Industrial/manufacturing makes up ~55% of the Indian PEB market (~₹200bn) ...**



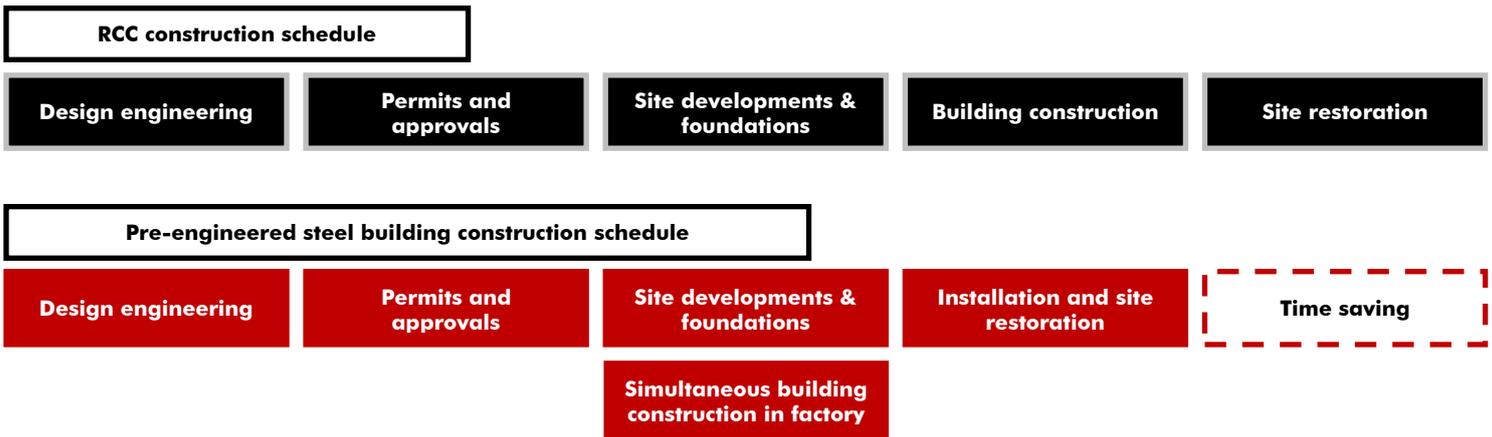
Source: Company, Ambit Capital research

**Exhibit 2: ...given high penetration followed by infrastructure; buildings have lower penetration**



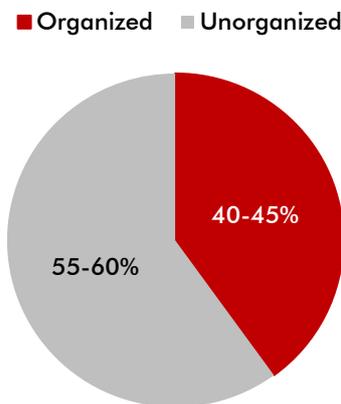
Source: Company, Ambit Capital research

**Exhibit 3: PEB offers the benefits of faster construction and lower overall costs than RCC structures**



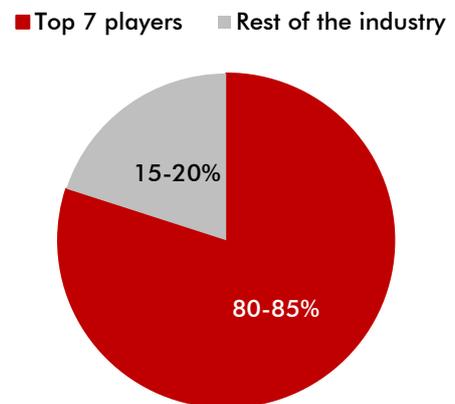
Source: Company, Ambit Capital research

**Exhibit 4: Unorganised segment, although losing MS, still dominates the PEB industry given low capex intensity**



Source: Company, Ambit Capital research

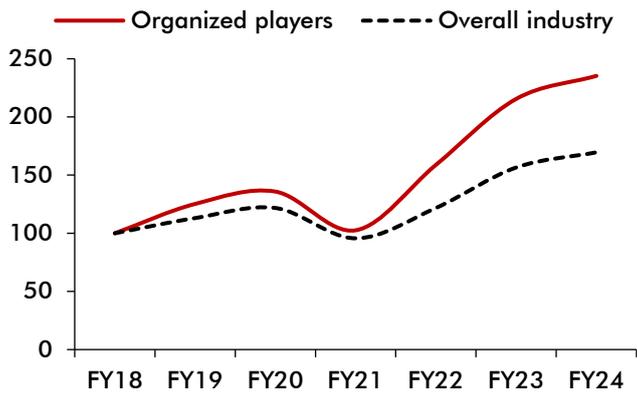
**Exhibit 5: Top 7 players make up 80-85% of the overall organised industry**



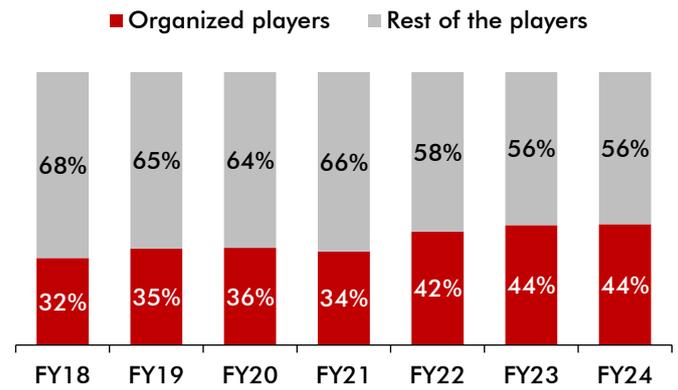
Source: Ambit Capital research; Note: Top 7 players include Kirby India, Pennar, Interarch, M&B engineering, Zamil, Epack Prefab and Smith Structures.

**Exhibit 6: Organised players have outpaced the overall industry...**

**Exhibit 7: ...driving MS gains over the years led by better quality and reliable execution track record**

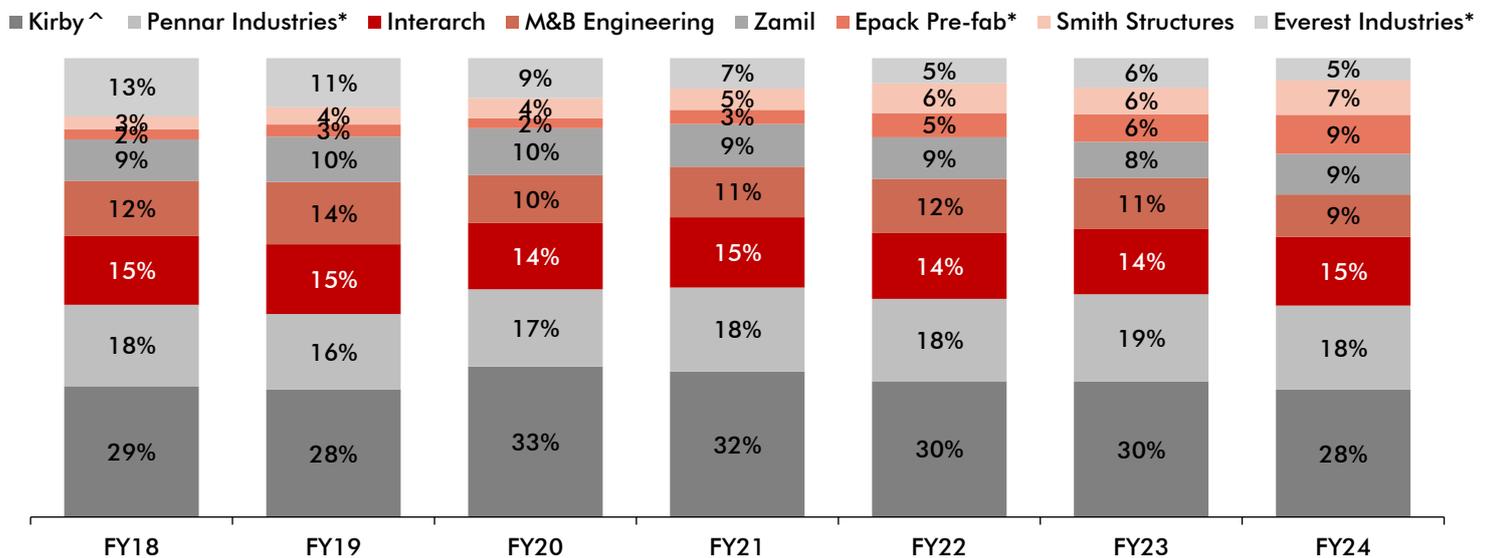


Source: Company, Ambit Capital research; Note: We have considered FY18 as the base year for comparison



Source: Industry reports; Ambit Capital research; Approximate MS estimate; Note: Top organised players include Kirby India, Pennar Industries, Interarch, M&B engineering, Zamil, Epack Prefab, Smith Structures and Everest Industries.

**Exhibit 8: Kirby, Pennar and Interarch remain among the top3 players in the Indian PEB industry**



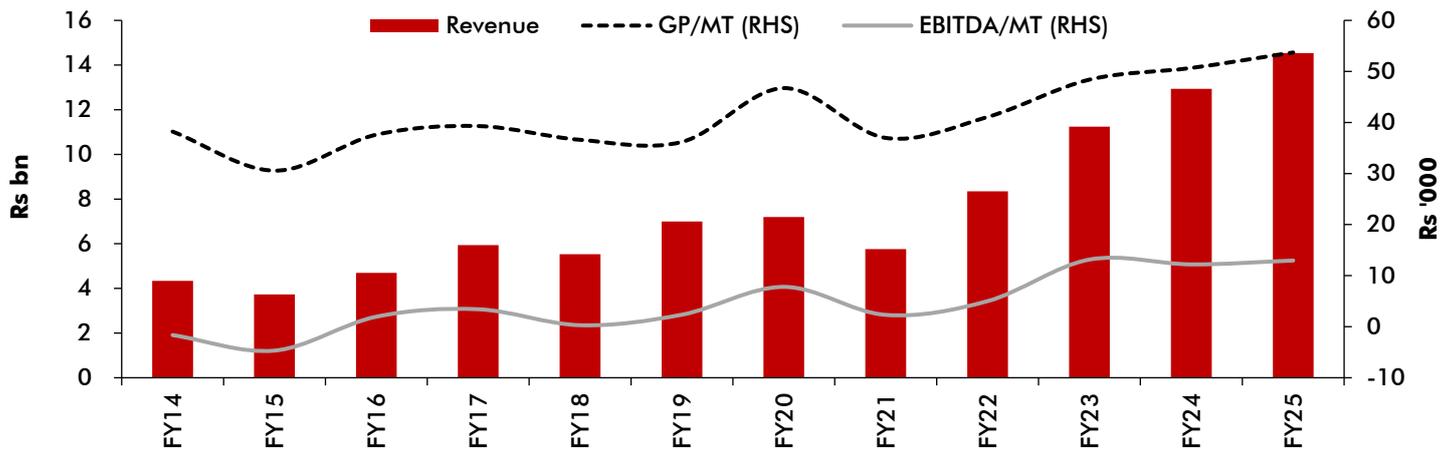
Source: Ambit Capital research; Note: ^ CY instead of FY #s for Kirby; \*Considered revenues from only PEB related vertical; Includes revenues from exports as well

**Exhibit 9: Interarch and Epack Prefab have outperformed peers on growth and enjoy 20%+ RoCE among Indian PEB players**

Particulars	Interarch		Pennar		Kirby		Everest		Epack Prefab		M&B		Zamil	
	FY23	FY24	FY23	FY24	CY22	CY23	FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24
Revenue (₹ bn)	11.2	12.9	28.9	31.3	23.3	24.0	16.5	15.8	6.6	9.0	8.8	8.0	6.2	7.6
YoY change (%)	35%	15%	28%	8%	35%	3%	21%	-4%	46%	38%	28%	-10%	18%	22%
vs FY20/CY19 (x)	1.6	1.8	1.4	1.5	1.4	1.5	1.3	1.2	2.7	3.7	1.7	1.5	1.2	1.5
GM (%)	35%	36%	38%	38%	33%	36%	42%	40%	31%	32%	31%	36%	23%	28%
Employee exp (%)	8%	9%	11%	10%	8%	9%	9%	10%	6%	7%	9%	10%	8%	8%
Other exp (%)	17%	18%	19%	19%	16%	16%	29%	28%	17%	16%	15%	16%	14%	17%
EBITDAM (%)	9%	9%	8%	9%	9%	11%	4%	3%	8%	10%	8%	10%	1%	3%
EBITM (%)	9%	8%	5%	7%	8%	10%	2%	1%	6%	8%	6%	9%	0%	2%
PATM (%)	7%	7%	3%	3%	6%	7%	3%	1%	4%	5%	4%	6%	-1%	1%
RoE (%)	20%	19%	10%	11%	50%	38%	7%	3%	19%	25%	18%	20%	-7%	9%
Pre-tax RoCE (%)	27%	24%	11%	14%	72%	58%	6%	1%	20%	27%	20%	18%	1%	13%
GB turns	6.6	7.1	2.5	2.7	10.8	8.0	3.0	2.7	3.0	2.8	4.5	4.0	3.5	4.0
CE turns	3.0	2.9	2.1	1.9	7.7	5.0	2.6	2.5	2.8	2.9	2.7	1.8	5.6	4.2
Net D/E	-0.3	-0.3	0.5	0.7	-1.3	-1.1	0.1	0.0	0.7	0.8	0.1	0.4	0.1	0.6
Export mix (%)	0%	0%	25%	22%	1%	1%	3%	3%	1%	0%	5%	2%	0%	2%

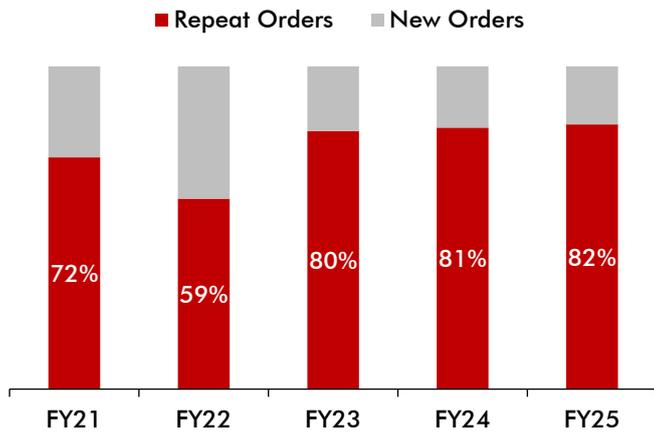
Source: Company, Ambit Capital research; Note: Above analysis also includes revenue from non-PEB verticals as well.

**Exhibit 10: Interarch expanded >3x over the last decade while improving profitability; Growth has accelerated after Covid led by higher intensity of private sector capex and accelerating MS shift towards organised/top players**



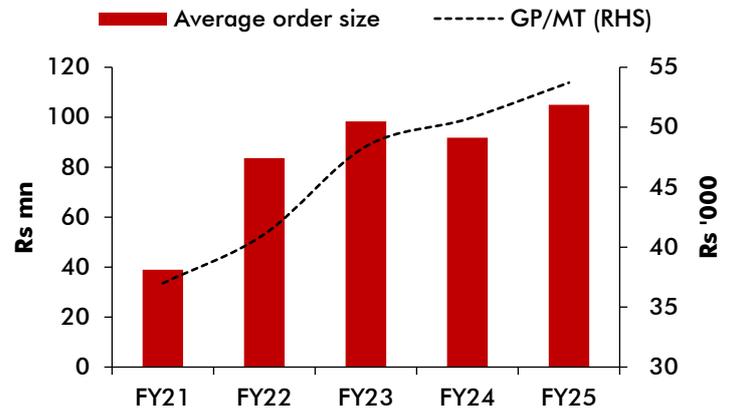
Source: Company, Ambit Capital research

**Exhibit 11: Interarch enjoys high stickiness with customers...**



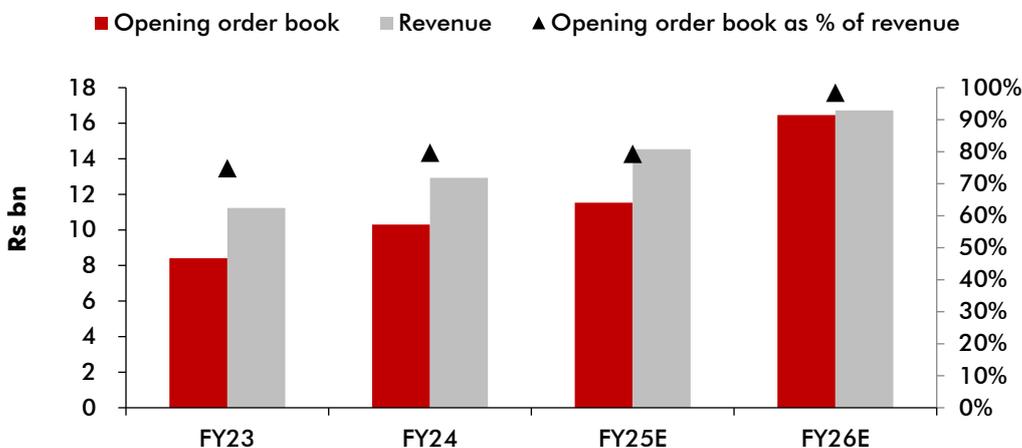
Source: Company, Ambit Capital research; Repeat orders are orders placed by customers that have placed orders with Interarch previously

**Exhibit 12: ...with increasing order sizes over the years**



Source: Company, Ambit Capital research; Note: Average order size is approximated basis management commentary; >₹100mn in FY25

**Exhibit 13: Interarch opening orderbook stands at ~100% of FY26E revenue, higher than with historical trend of ~80%, providing near-term growth visibility**



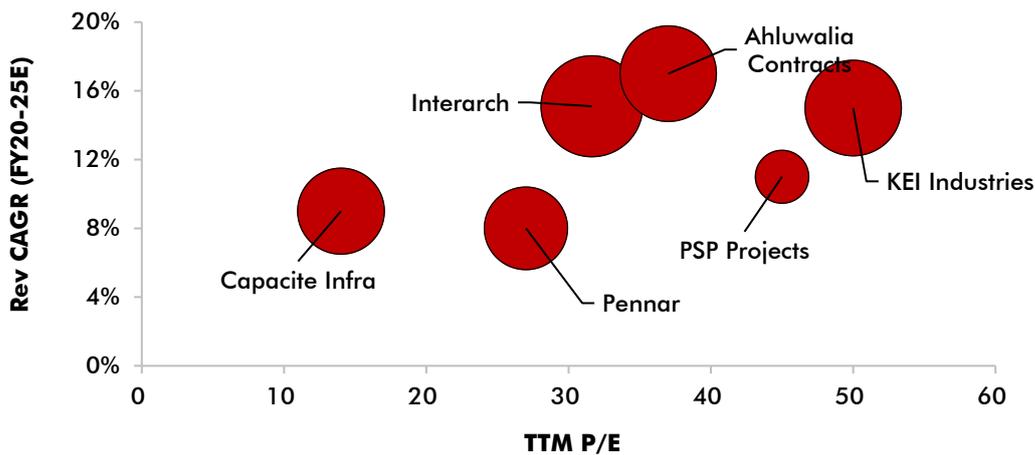
Source: Company, Ambit Capital research; Note: Opening order book for Interarch as of Apr 30, 2025 which was ₹16.5bn. Note: Interarch received the single-largest order worth ₹3bn during Apr'25.

**Exhibit 14: Our three-stage DCF assumptions; Our 2yr DCF-based TP of ₹3,000 implies 26x 1yr fwd P/E**

Phase	CAGR (%)			Median			Remarks
	Revenue	EBITDA	FCF	EBITDAM (%)	Capex to CFO (%)	GB turns	
Stage 1 (FY25-28E)	17%	23%	nmf	10%	46%	5.8	- Continued industry tailwinds coupled with MS gains will drive 17% revenue CAGR over FY25-28E. Better scale coupled with improved margins (+150bps) would imply 23%/21% EBITDA/PAT CAGR over FY25-28E. - Capex to CFO is elevated given the potential greenfield capacity expansion at Gujarat and AP.
Stage 2 (FY28-43E)	14%	15%	19%	13%	20%	6.4	- Over FY28-43E, we expect 14% revenue CAGR given continued MS gains, increasing PEB applications across end-user industries/product segments and continued private sector capex. - Expect 15% EBITDA CAGR driven by revenue growth and 300bps EBITDAM expansion to 14% exit EBITDAM given favourable OL.
<b>FY25-43E</b>	<b>14%</b>	<b>17%</b>	<b>nmf</b>	<b>12%</b>	<b>22%</b>	<b>6.4</b>	<b>Over FY24-41E, we expect 14%/17% revenue/EBITDA CAGR respectively</b>
Stage 3 (FY43E onwards)	5%	-	-	-	-	-	We factor in terminal growth of 5%, which is in line with the long-term real GDP growth rate of India. Further, large exports TAM provide scope for long-term scalability.

Source: Company, Ambit Capital research

**Exhibit 15: Interarch's premium to PEB/ infra peers is justified given superior growth/RoE, relatively short-cycle execution, low construction-risks and customised solutions**



Source: Company, Bloomberg, Ambit Capital research; Note: Size of the bubble represents FY25 RoE; We have considered KEI Industries since it has ~35% of revenue coming from Institutional business wherein it offers a range of products and services for large-scale projects and offers EPC solutions which is akin to Interarch's PEB solutions; Note: RoE is calculated using average net worth

## Industry tailwinds aiding scale ambitions

Indian pre-engineered steel buildings (PEB) industry (~₹200bn) is fragmented owing to (a) low capex intensity and (b) low knowhow requirements. PEB offers the benefits of faster construction and lower overall costs, etc., vis-à-vis RCC structures. The industrial/manufacturing sector makes up the majority of the market, given high penetration, followed by the infrastructure/residential segment. While the unorganised segment continues to dominate the industry, scale barriers imply organised/branded players have been gaining market share over the years. Further, the top7 players control 80-85% of the organised industry. Kirby, Pennar and Interarch are the top3 players. Growth for leading players will be driven by (i) increasing private capex across end-user industries, (ii) rising penetration and use cases across sub-segments, and (iii) increasing MS towards top players and shift from unorganised to organised. Interarch enjoys healthy margins and return ratios and is favourably placed to capitalise on industry tailwinds.

### PEBs – Flexible and cost-effective structures

Pre-engineered steel buildings (PEB) are structures constructed using fabricated steel components. These buildings are designed and manufactured off-site and then assembled on-site. Benefits include:

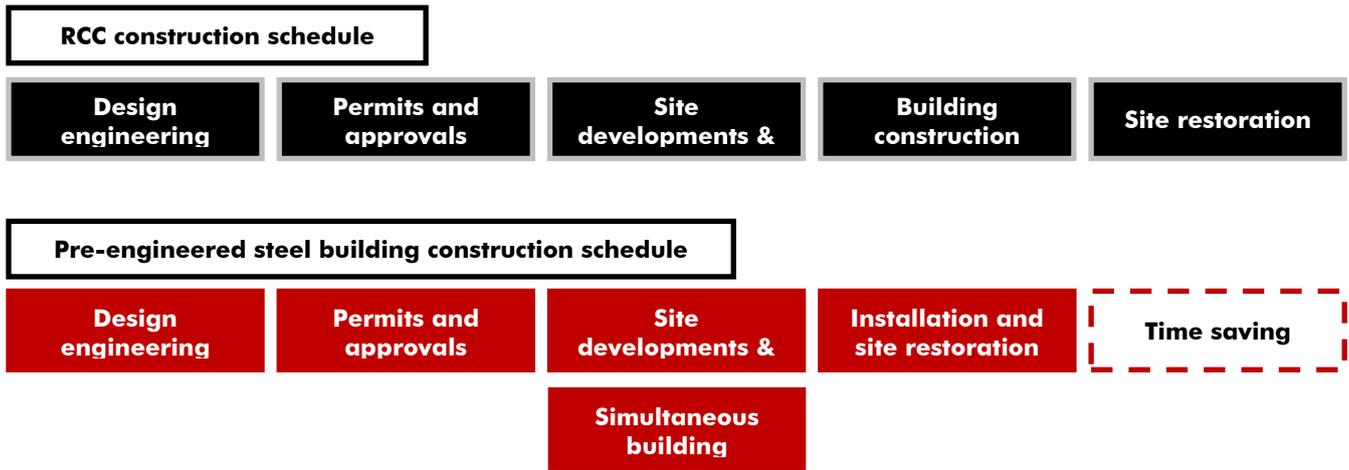
- **Faster construction:** As pre-engineered construction involves components being manufactured at the factory first, it allows for the simultaneous preparation of the foundation at the construction site. This helps accelerate project timelines and decreases overhead site costs, including labour costs. Additionally, as these structures are manufactured at the factory, they also prevent project delays caused by external factors, such as adverse weather.
- **Flexible offerings:** PEBs offer design flexibility and quick installation, making it suitable for a wide range of applications, including industrial buildings and warehouses.
- **Cost-effective:** PEBs are cost-effective due to their reduced construction time (~50% lower) and lower labour costs. Overall cost savings could be 20-40%, apart from the opportunity cost saved in starting the plant early.
- **Sustainable:** PEBs are also sustainable, given steel can be recycled. Further, in-house manufacturing process minimises waste. Further, these require low maintenance as they are resistant to pests, rot, and other issues.

#### Exhibit 16: PEBs are used across manufacturing/industrial, infrastructure, residential and commercial buildings



Source: Company, Ambit Capital research; Note: Above is just an indicative list of projects and not exhaustive

**Exhibit 17: PEB offer benefits of faster construction and lower overall costs vis-à-vis RCC structures**



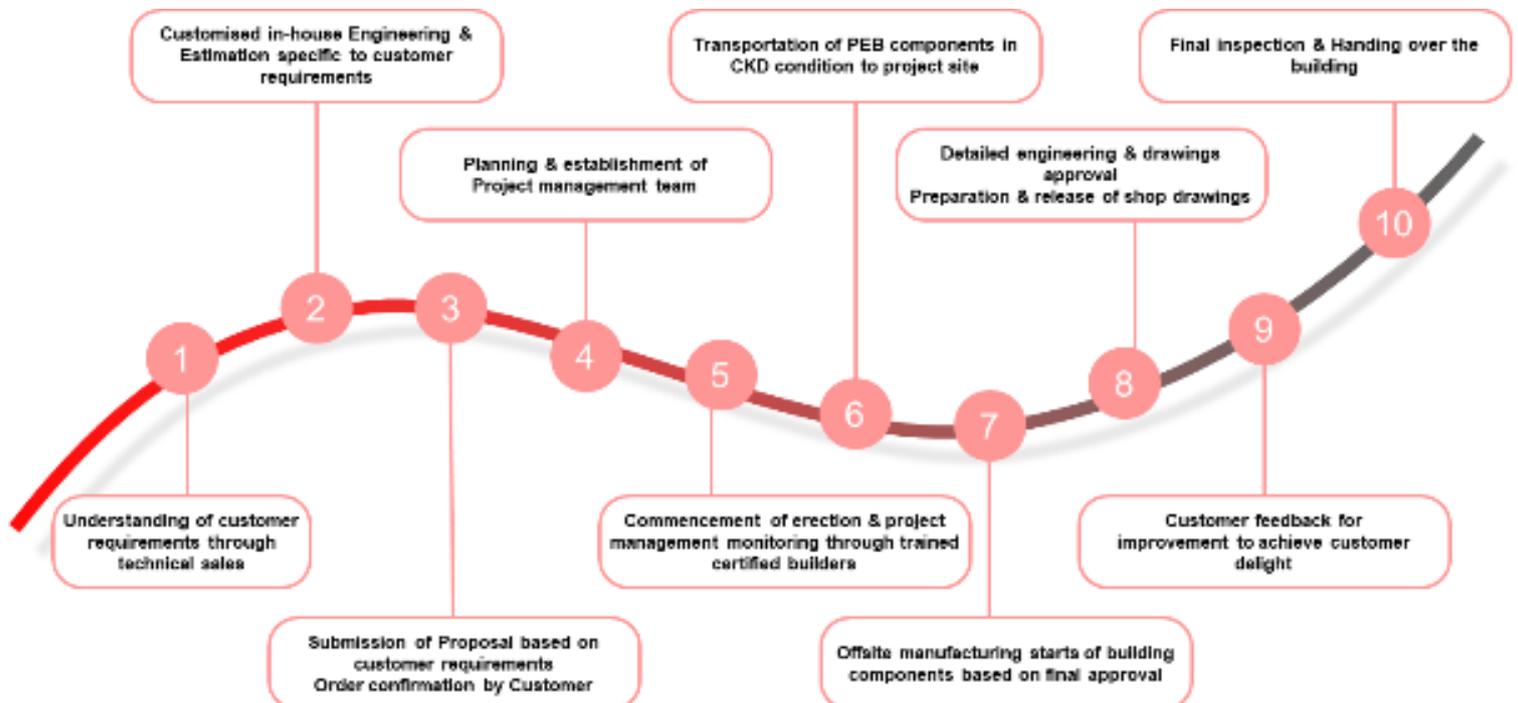
Source: Company, Ambit Capital research

**Exhibit 18: PEB structures are cost-effective given lower construction time and on-site labour requirements – thereby driving increasing adoption across sectors**

“PEB structures have emerged as the preferred choice for industrial and infrastructure buildings given the time and cost benefits they offer. Installation of these structures typically takes 40-50% less time compared with conventional structures, with significant cost savings due to reduced steel and labour requirements. This is fuelling demand for PEB structures along with additional benefits such as modular design and high recyclability of materials used.”

Source: [Industry reports](#), Ambit Capital research

**Exhibit 19: PEB process starts with an understanding of customer requirements through technical sales to on-site installation; Interarch has end-to-end capabilities across the entire process**

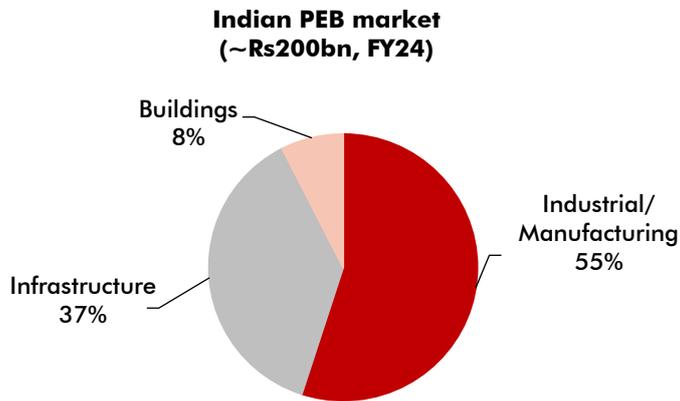


Source: Company, Ambit Capital research

## Industrial segment drives majority of demand for PEBs

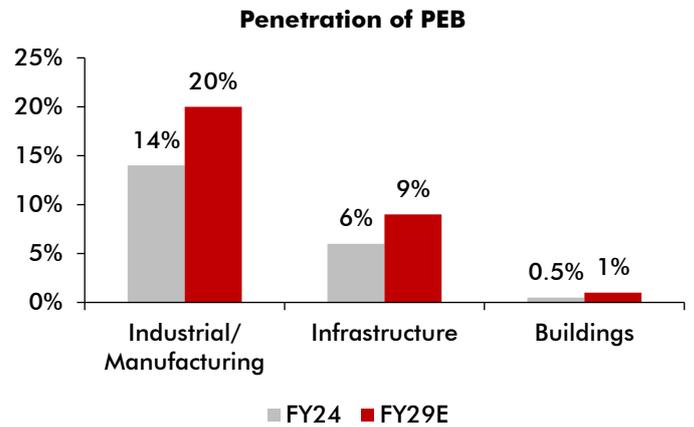
The majority of the demand for PEBs in India comes from the manufacturing and industrial segment, with higher PEB penetration across various sectors, including automobiles, oil and gas, and cement. Apart from this, PEBs across the infrastructure segment include warehouses, cold storage facilities, data centres, aircraft hangars and railway yards. Due to low awareness and limited use cases in residential and commercial buildings, the penetration of PEBs in the building sector remains low.

**Exhibit 20: Industrial/manufacturing makes up ~55% of the Indian PEB market (~₹200bn) ...**



Source: Company, Ambit Capital research

**Exhibit 21: ...given high penetration followed by Infrastructure; Buildings have lower penetration**



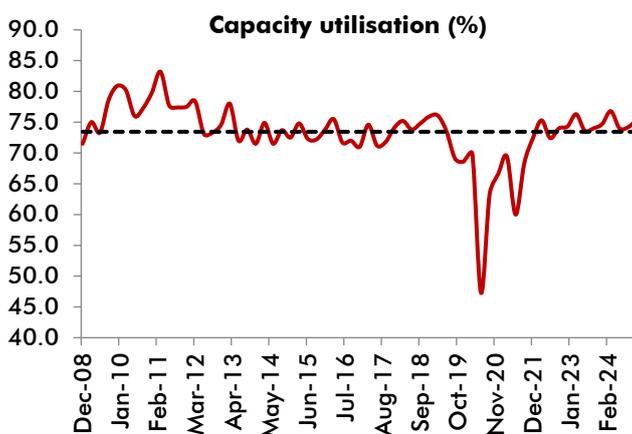
Source: Company, Ambit Capital research

## What is driving PEB demand?

### Industry capacity utilisation remains healthy with positive manufacturing outlook

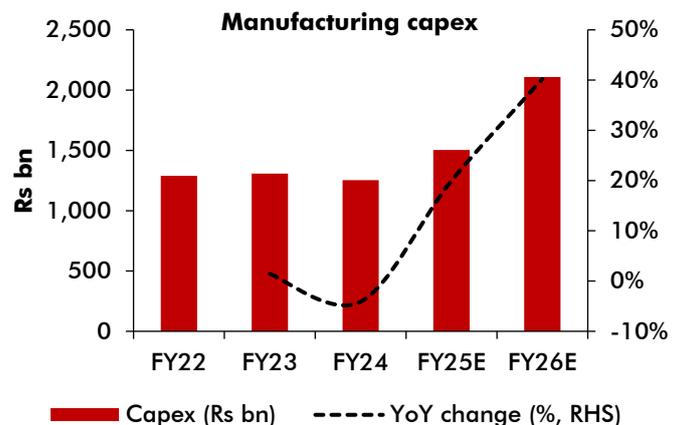
Industry capacity utilisation remains at a healthy level and higher than the historical average. Improvement in capacity utilisation is likely to lead to further capex investments. Furthermore, according to a MoSPI survey, manufacturing capex is expected to increase further in FY26, with higher capex across top companies.

**Exhibit 22: Industry capacity utilisation has been inching higher; >75% which should spur further capex investments**



Source: RBI, Note: Black dotted line represents the average capacity utilisation of 73.4% during the above period

**Exhibit 23: Manufacturing capex is likely to pick up further in FY26 as per MoSPI survey**

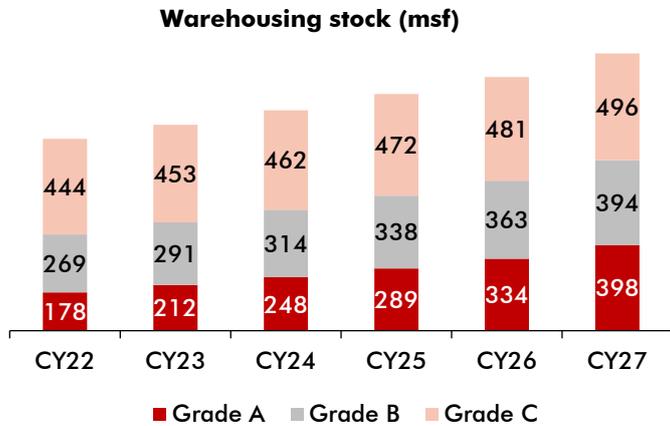


Source: Private Sector capex survey, MoSPI, NSO, Ambit Capital research; Note: Data represents aggregate capex of 588 enterprises as part of the survey

**Warehousing sector witnessing accelerated expansion, mainly at the top-end**

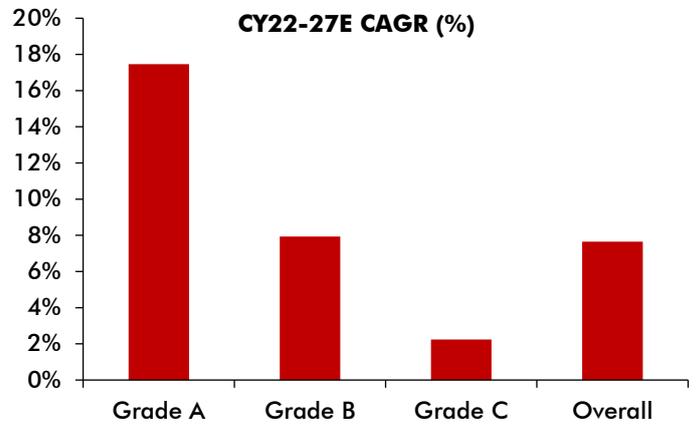
With the warehousing sector experiencing accelerated expansion, primarily for Grade A/B stock, demand for PEB has been increasing. In the warehousing and logistics space, Interarch has secured notable orders from top warehousing and e-commerce companies.

**Exhibit 24: Warehousing stock in India is expected to increase from ~1bn sf in CY24 to ~1.3bn sf by CY27E (~8% CAGR) ...**



Source: Company, Ambit Capital research

**Exhibit 25: ...with higher growth in Grade A warehousing stock (~17% CAGR) implying benefit to leading PEB players**



Source: Company, Ambit Capital research

**Exhibit 26: Interarch counts top logistics, e-commerce and warehousing companies among its clientele**



Source: Company, Ambit Capital research

**Renewable energy and semiconductor industry underway capacity expansion**

In the renewable energy sector, Interarch has secured a project for the largest solar photovoltaic module manufacturing unit in India from Tata Projects for First Solar Power India Pvt Ltd. Apart from this, other notable wins include greenfield turbine blades manufacturing unit for LM Wind Power Blades (India) Pvt Ltd in Gujarat and a solar cells and modules manufacturing unit for Renew Photovoltaics Pvt Ltd.

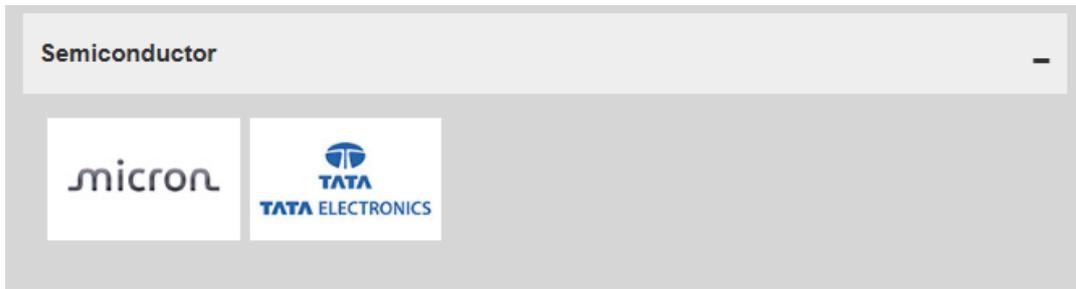
**Exhibit 27: Interarch has supplied PEB solutions to emerging growth areas, including renewable energy...**



Source: Company, Ambit Capital research

In the semiconductor and battery manufacturing space, Interarch received two major projects worth ₹2.2bn from Tata Projects for (i) Tata’s semiconductor manufacturing facility in Jagiroad, Assam and (ii) the construction of a lithium-ion battery manufacturing unit in Sanand, Gujarat for Agratas Energy Storage Solutions Pvt Ltd. ([link](#)).

**Exhibit 28: ...and semiconductor space**

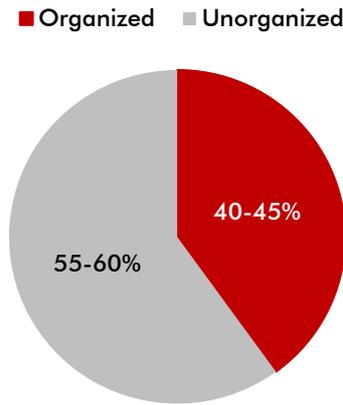


Source: Company, Ambit Capital research

**Indian PEB market: Fragmented with low entry barriers...**

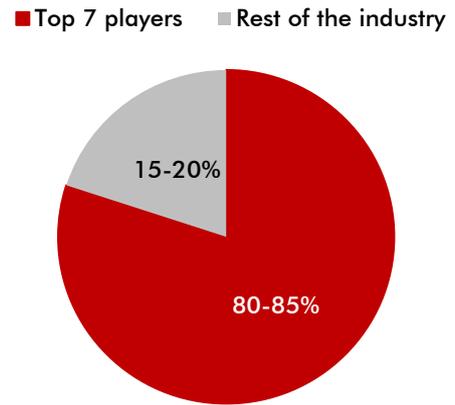
Pre-engineered steel buildings (PEB) are structures constructed using fabricated steel components. These buildings are designed and manufactured off-site and then assembled on-site. The Indian PEB market is characterised by the presence of a handful of sizable players controlling 40-45% of the overall industry, with the remaining industry catered to by multiple small-scale players, owing to low barriers to entry given the low capital investment requirements. Thus, the majority of the industry remains unorganised. The top 7-8 players account for 80-85% of the organised PEB industry in India.

**Exhibit 29: The unorganised segment still dominates the PEB industry given low capex intensity**



Source: Company, Ambit Capital research

**Exhibit 30: Top 7 players make up 80-85% of the overall organised industry**

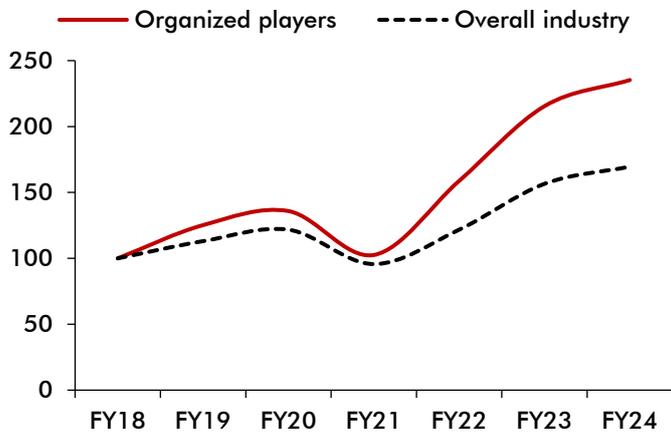


Source: Company, Ambit Capital research; Note: Top 7 players include Kirby India, Pennar Industries, Interarch, M&B engineering, Zamil, Epack Prefab and Smith Structures.

### ...but dominated by a handful of large players

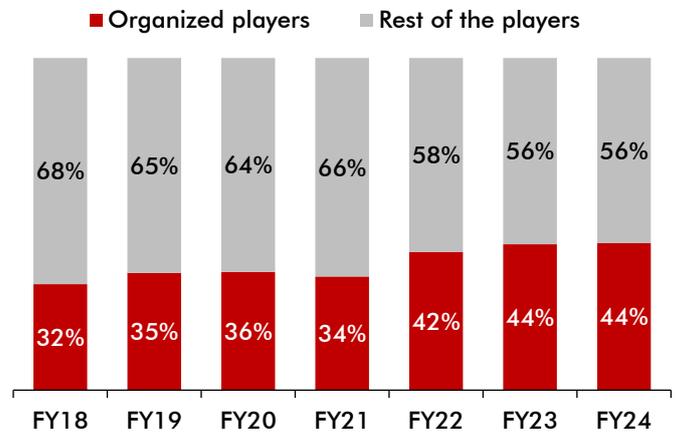
That said, over the years, the organised players, owing to better execution, quality engineering services and reliable track record, have gained market share. This implies that even in the event of an overall slowdown, the top players remain better positioned to grow, given continued market share gains. Kirby leads the top players in terms of installed capacities for PEB followed by Interarch, Epack prefab and others.

**Exhibit 31: Organised players have outpaced the overall industry...**



Source: Company, Ambit Capital research; Note: We have considered FY18 as the base year for comparison

**Exhibit 32: ...driving MS gains over the years led by better quality and reliable execution track record**



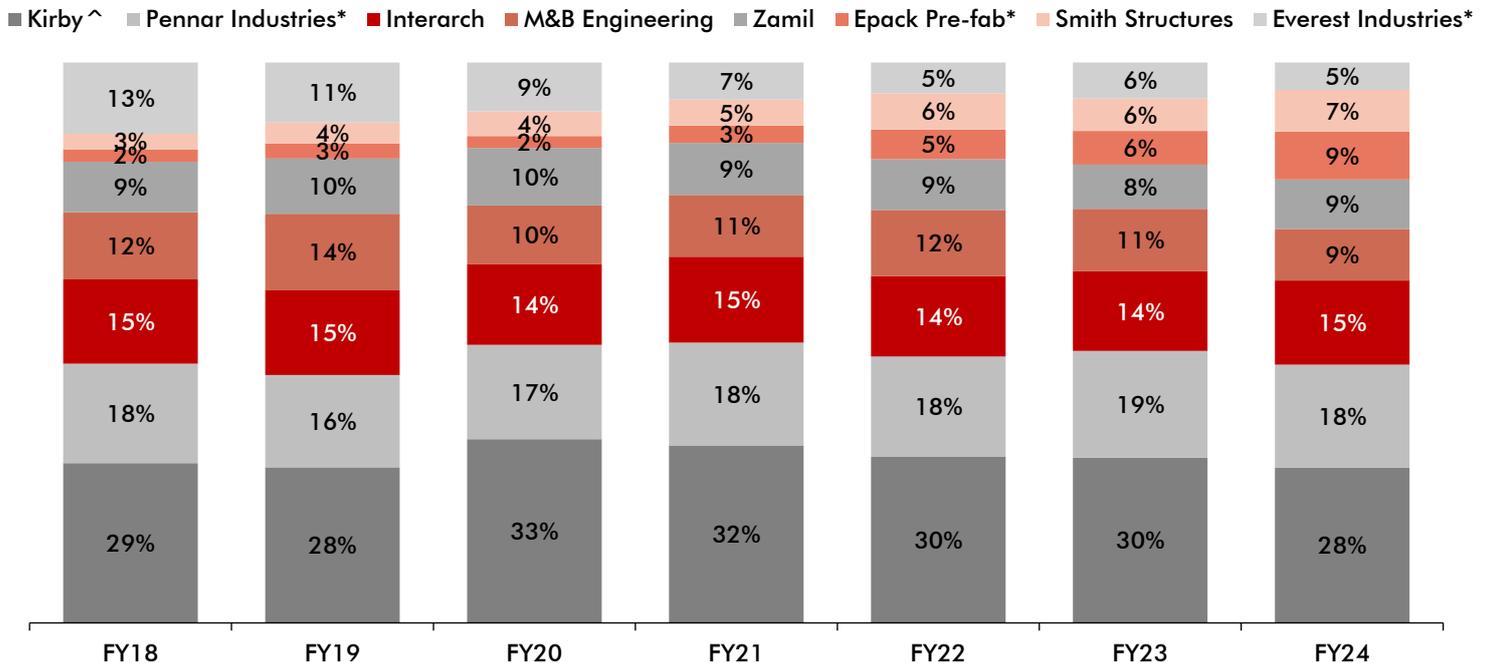
Source: Industry reports; Ambit Capital research; Approximate market share estimate; Note: Top organised players include Kirby India, Pennar Industries, Interarch, M&B engineering, Zamil, Epack Prefab, Smith Structures and Everest Industries.

**Exhibit 33: Kirby India has the highest installed capacity for PEB in India followed by Interarch and Epack Prefab**

Company name	Date of incorporation	Installed capacity (MTPA)	Brief overview
Kirby Building Systems & Structures India Pvt Ltd	2005	<u>300,000</u>	Kirby is the market leader in the PEB industry in India, with its facilities at Halol, Hyderabad and Haridwar. Kirby is a part of the Kuwait-based Alghanim Industries, which has over 4 decades of experience in the global PEB industry.
Interarch Building Products Ltd	1983	161,000	Interarch Building Products has over 4 decades of experience in the PEB industry with its facilities at Pantnagar and Kichha in Uttarakhand, Tamil Nadu and Andhra Pradesh, with further expansion plans in Gujarat.
EPack Prefab Technologies Ltd*	1999	133,924	EPack Prefab is a group company of EPack and has over 2 decades of experience. It offers prefabricated and pre-engineered solutions across multiple sectors. It has facilities at Noida (UP), Ghiloth (Rajasthan) and Mambattu (AP). Apart from pre-engineered building solutions, it also offers expanded polystyrene packaging (EPS) solutions (~20% of rev).
M & B Engineering Ltd	1981	103,800	M & B Engineering Ltd is part of M&B Group, which provides customer-specific turnkey solutions for engineering and infrastructure projects. It has facilities at Sanand, Gujarat and Cheyyar, Tamil Nadu.
Zamil Steel Buildings India Pvt Ltd	2003	100,000	Zamil Steel Buildings India is the subsidiary of Zamil Steel Pre-Engineered Buildings Co. Ltd, which was established in 1977 in Dammam, Saudi Arabia. Zamil Steel Pre-Engineered Buildings is a key global structural steel/pre-engineered steel building supplier, having supplied over 90,000 steel structures in 90 countries. Zamil India has a manufacturing facility in Pune.
Pennar Industries Ltd	1975	90,000	Pennar Industries has over 5 decades of experience in offering a range of products and services, including pre-engineered buildings and structural steel buildings, across various sectors. It has 13 manufacturing plants, with three related to PEBs located at Velchal (Telangana), Raebareli (Uttar Pradesh), and Sadashivpet (Telangana). Pennar derives ~50% of its revenue from custom-designed building solutions and auxiliaries.
Everest Industries Ltd	1934	72,000	Everest Industries is a pre-engineered steel building manufacturer in India and has over 9 decades of legacy with its facilities at Gujarat and Uttarakhand.
Smith Structures (India) Pvt Ltd	2011	72,000	Smith Structures (India) promoted by the Panchal family, has over a decade of experience in the PEB industry, with its facility located at Ahmedabad.

Source: Company, Ambit Capital research, Epack Prefab Technologies DRHP; Note: \*As of Dec'24

**Exhibit 34: Kirby, Pennar and Interarch are among the top3 players in the Indian PEB industry**



Source: Company, Ambit Capital research; Note: ^ CY instead of FY #s for Kirby; \*Considered revenues from only PEB related vertical; Includes revenues from exports as well

**Exhibit 35: Interarch and Epack Prefab outpaced peers on growth and enjoy 20%+ RoCE among Indian PEB-focused players**

Particulars	Interarch		Pennar		Kirby		Everest		Epack Prefab		M&B		Zamil	
	FY23	FY24	FY23	FY24	CY22	CY23	FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24
Revenue (₹ bn)	11.2	12.9	28.9	31.3	23.3	24.0	16.5	15.8	6.6	9.0	8.8	8.0	6.2	7.6
YoY change (%)	35%	15%	28%	8%	35%	3%	21%	-4%	46%	38%	28%	-10%	18%	22%
vs FY20/CY19 (x)	1.6	1.8	1.4	1.5	1.4	1.5	1.3	1.2	2.7	3.7	1.7	1.5	1.2	1.5
GM (%)	35%	36%	38%	38%	33%	36%	42%	40%	31%	32%	31%	36%	23%	28%
Employee exp (%)	8%	9%	11%	10%	8%	9%	9%	10%	6%	7%	9%	10%	8%	8%
Other exp (%)	17%	18%	19%	19%	16%	16%	29%	28%	17%	16%	15%	16%	14%	17%
EBITDAM (%)	9%	9%	8%	9%	9%	11%	4%	3%	8%	10%	8%	10%	1%	3%
EBITM (%)	9%	8%	5%	7%	8%	10%	2%	1%	6%	8%	6%	9%	0%	2%
PATM (%)	7%	7%	3%	3%	6%	7%	3%	1%	4%	5%	4%	6%	-1%	1%
RoE (%)	20%	19%	10%	11%	50%	38%	7%	3%	19%	25%	18%	20%	-7%	9%
Pre-tax RoCE (%)	27%	24%	11%	14%	72%	58%	6%	1%	20%	27%	20%	18%	1%	13%
GB turns	6.6	7.1	2.5	2.7	10.8	8.0	3.0	2.7	3.0	2.8	4.5	4.0	3.5	4.0
CE turns	3.0	2.9	2.1	1.9	7.7	5.0	2.6	2.5	2.8	2.9	2.7	1.8	5.6	4.2
Net D/E	-0.3	-0.3	0.5	0.7	-1.3	-1.1	0.1	0.0	0.7	0.8	0.1	0.4	0.1	0.6
Export mix (%)	0%	0%	25%	22%	1%	1%	3%	3%	1%	0%	5%	2%	0%	2%

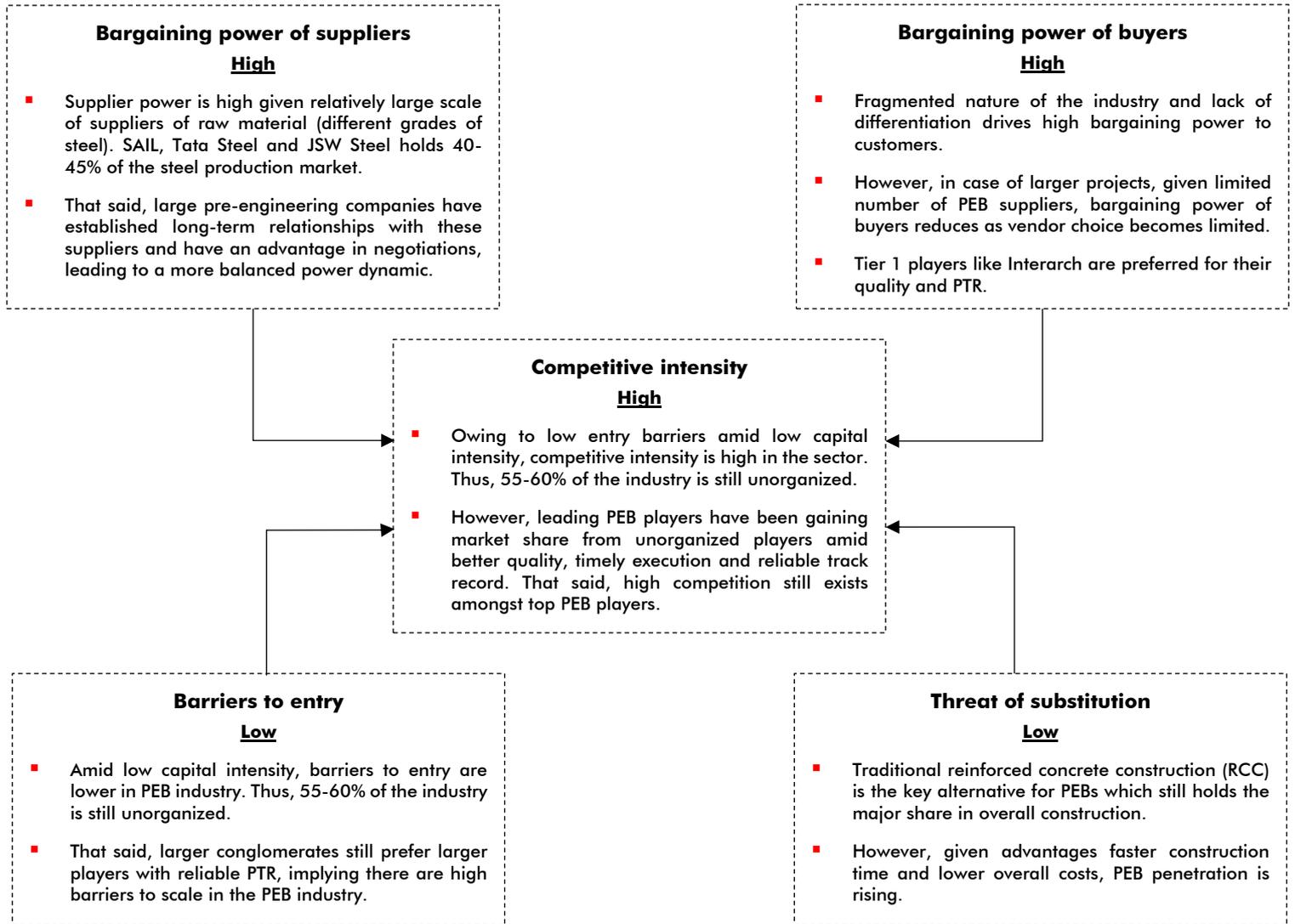
Source: Company, Ambit Capital research; Note: The above analysis also includes revenue from non-PEB verticals as well

**Exhibit 36: Interarch fares well on IBAS, with its edge stemming from high brand recall and long-standing relationships**

Particulars	Interarch	Kirby	Pennar	Everest	Epack Prefab	Remarks
Innovation						<ul style="list-style-type: none"> <li>Interarch has the capability to provide a wide range of customised PEB solutions across end-user industries and has integrated facilities for design, engineering and manufacturing.</li> <li>That said, differentiation in this industry is not owing to product innovation but rather to quality and timely execution of projects.</li> </ul>
Brand						<ul style="list-style-type: none"> <li>Interarch is among the top3 integrated players in the PEB industry and has a track record of delivering PEB solutions across different end-use industries. Further, ~80% of revenue comes from repeat clients.</li> <li>Kirby is the largest PEB company in India, known for its high-quality solutions and established PTR.</li> </ul>
Architecture						<ul style="list-style-type: none"> <li>Interarch has high stickiness with its clientele, reflected in high repeat order wins. Further, it has tie-ups with JSPL and Mold-Tek Technologies, along with other steel suppliers to procure its RM material and also tech knowhow.</li> </ul>
Strategic assets						<ul style="list-style-type: none"> <li>Interarch has 2nd largest PEB capacity in India, with a combined installed capacity of 161ktpa. It plans to expand its capacities by 40k, taking its overall capacity to &gt;200ktpa. Moreover, it looks to expand capacities at its AP and Gujarat plant.</li> </ul>
Overall						

Source: Company, Ambit Capital research Note: - Strong; - Relatively Strong; - Average; - Relatively weak

**Exhibit 37: While Porter’s five forces analysis for the PEB industry is not attractive, leading PEB players are favourably placed to win MS from the unorganised players**



Source: Company, Ambit Capital research

## Leading player in the Indian PEB market

With a legacy of 4 decades, Interarch is among the top3 players in the Indian PEB industry. Interarch offers PEB solutions across end-user industries, product segments and geographies. Interarch counts top conglomerates across industries among its clientele. The industrials/manufacturing sector comprises ~75% of revenues, given the high penetration and use case of PEB. Over the last decade, Interarch scaled by more than three times while improving profitability. Interarch has the 2nd largest integrated PEB capacity in India at 161ktpa across Uttarakhand, Tamil Nadu and Andhra Pradesh. It plans to further expand capacities across existing locations and in Gujarat. Interarch enjoys high stickiness with customers, led by a proven track record of quality and timely delivery, which has resulted in repeat and increasing order sizes over the years. Interarch’s opening orderbook stands at ~100% of FY26E revenue, higher than the historical trend of around 80%, providing near-term growth visibility.

## One-stop trusted solution for pre-engineered buildings

Interarch Building Solutions was incorporated in 1983 and is currently among the top 3 integrated PEB players in India in terms of operating revenue. It provides PEB solutions that are designed, engineered, and fabricated in line with customer requirements, with end-use applications predominantly in manufacturing, industry, and infrastructure. Interarch today has an installed capacity of 1,61,000MTPA and ~7% market share in the domestic PEB market worth >₹200bn. Interarch has a proven track record of delivering PEBs across various end-user industries and segments and counts top conglomerates across multiple industries among its clients.

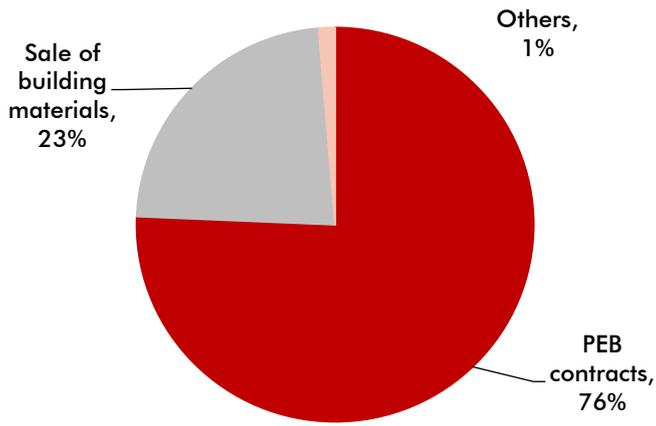
### Exhibit 38: Interarch has track record of delivering PEBs across different end-user industries and across segments

Extensive Track Record of Delivering Significant / Complex Projects across India



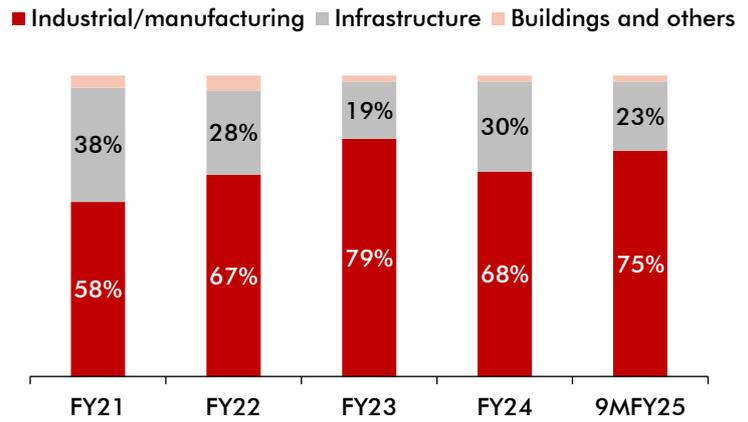
Source: Company, Ambit Capital research

**Exhibit 39: Turnkey PEB contracts comprise ~3/4<sup>th</sup> of revenue, with the remaining from the sale of building materials**



Source: Company, Ambit Capital research; Sale of building materials including sale of steel structure, metal ceilings and corrugated roofing, light gauge framing systems and others; Revenue mix as of FY24

**Exhibit 40: Industrials/manufacturing sector comprises ~75% of revenues given high penetration and use case of PEB**



Source: Company, Ambit Capital research

## Interarch's track record and client stickiness drive new order wins

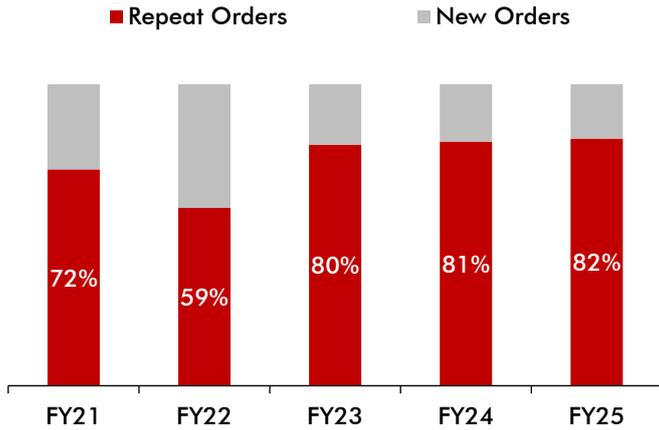
Interarch has completed various marquee projects since its inception and has emerged as one of the leading companies in the PEB space in India. Given that this is a reference-based business, their successful track record of working on various marquee projects enables them to drive new project wins. Over 80% of revenue from repeat orders from existing clients demonstrates this.

**Exhibit 41: Interarch counts top conglomerates across industries among its clientele**



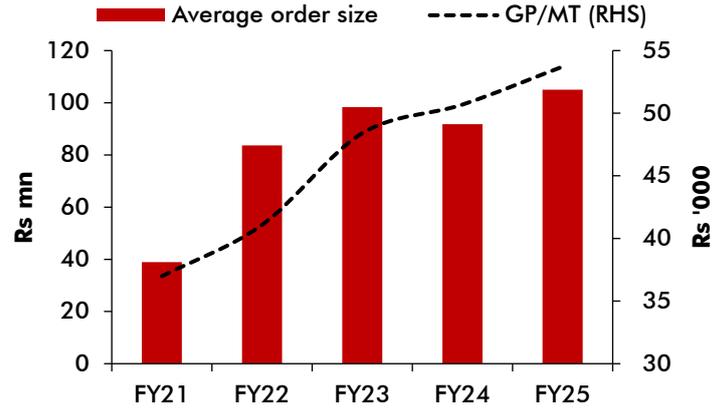
Source: Company, Ambit Capital research

**Exhibit 42: Interarch enjoys high stickiness with customers...**



Source: Company, Ambit Capital research; Repeat orders are orders placed by customers that have placed orders with Interarch previously

**Exhibit 43: ...with increasing order sizes over the years**



Source: Company, Ambit Capital research; Note: Average order size is approximated basis management commentary; >₹100mn in FY25

**Exhibit 44: Customer feedback provides timely delivery and high satisfaction, leading to high repeat order rate**

- We appreciate the effort put in by the project team and their cooperation in the satisfactory completion of the project. Further, thank the team for maintaining safety requirements.

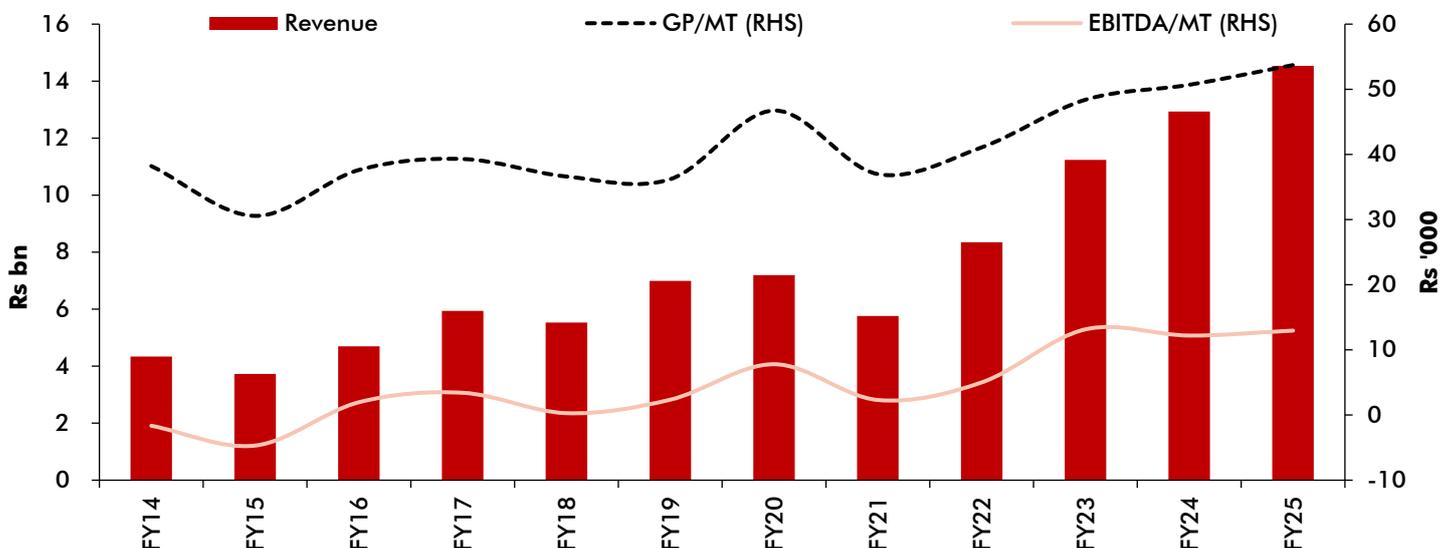
- Leading Indian FMCG conglomerate
- Highly impressed with the turnkey solution provided by Interarch for the manufacturing plant. We found their approach and skills to be very professional from the start of the project to the handover. The safety practices followed during the erection process and the timely delivery of our project is highly appreciated.

- Leading MNC construction equipment manufacturer

Source: Company, Ambit Capital research

Having established its reliability by successfully delivering on large projects like factories for Daikin, Grasim, Pepsico, Foxconn, HUL, Tata Group etc., Interarch now receives more orders for larger projects which involve more complexities and faces less competition, allowing it to earn higher realisation/MT of steel used and hence make a higher GP/MT.

**Exhibit 45: Interarch scaled >3x over the last decade while improving profitability; Growth has accelerated after Covid led by higher intensity of private sector capex and accelerating MS shift towards organised/top players**

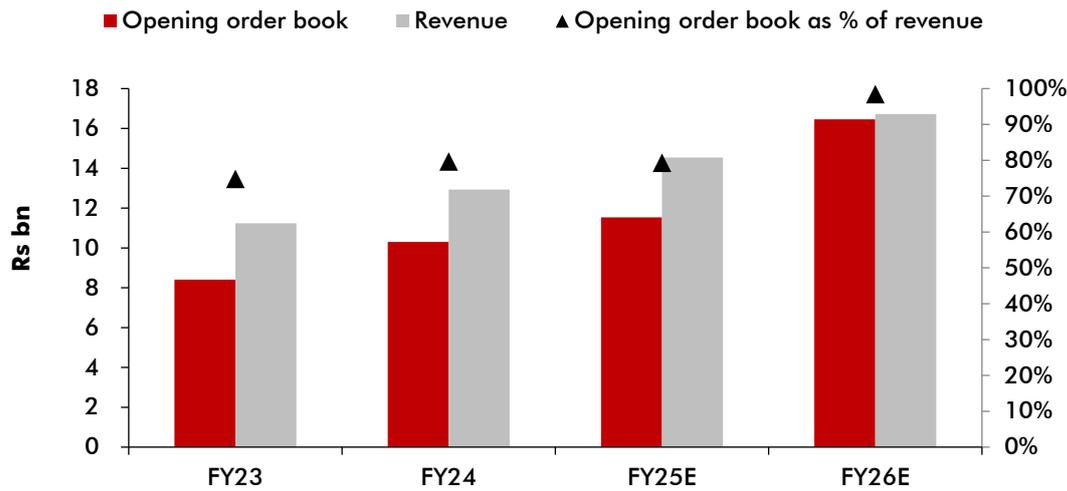


Source: Company, Ambit Capital research

## Healthy orderbook and capacity expansion to support growth ambitions

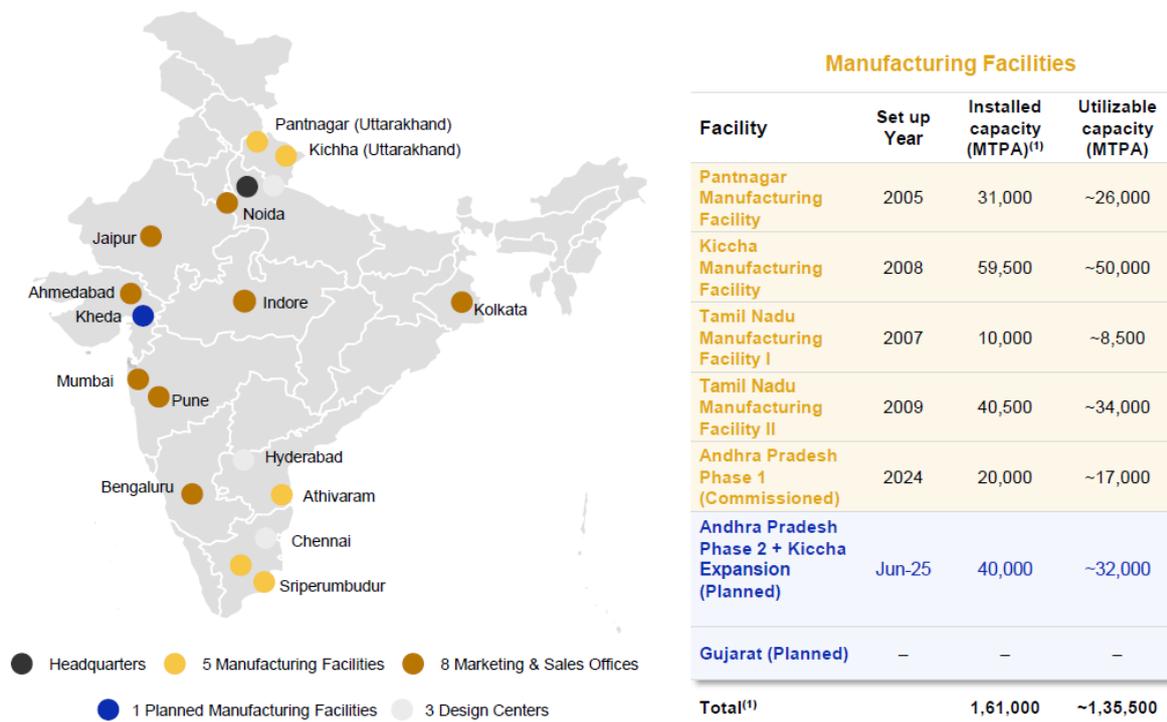
Interarch plans to grow its revenues at 17-18% CAGR over the next few years. Opening orderbook as of 30 Apr'25 was ₹16.5bn, 1.1x FY25 revenue (~100% of FY26E revenue, higher than with historical trend of ~80%) which provides near-term growth visibility. Interarch has the 2nd largest integrated PEB capacity in India at 161ktpa across Uttarakhand, Tamil Nadu and Andhra Pradesh. It is on track to increase its installed capacity to >200ktpa by 1QFY26 across existing locations with further potential capacity expansion in AP and Gujarat.

**Exhibit 46: Interarch opening orderbook stands at ~100% of FY26E revenue, higher than with historical trend of ~80%, providing near-term growth visibility**



Source: Company, Ambit Capital research; Note: Opening order book for Interarch as of Apr 30, 2025 which was ₹16.5bn. Note: Interarch received the single-largest order worth ₹3bn during Apr'25.

**Exhibit 47: Interarch has the 2<sup>nd</sup> largest integrated PEB capacity in India at 161ktpa across Uttarakhand, Tamil Nadu and Andhra Pradesh; It plans to further expand capacities across existing locations and in Gujarat**



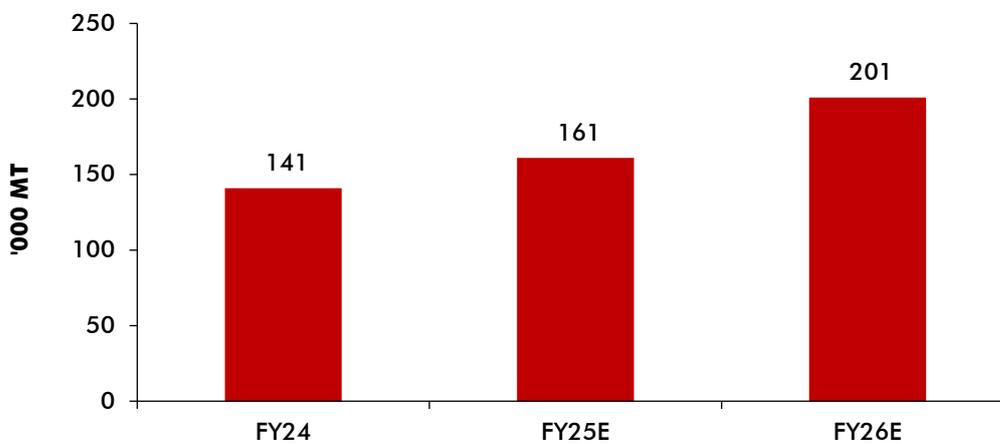
Source: Company, Ambit Capital research

**Exhibit 48: Interarch has an overall installed capacity of 161ktpa as of FY25-end...**

Location	Installed capacity as of FY25 (MTPA)	Nature of manufacturing
Pantnagar, Uttarakhand	31,000	PEB steel structures, comprising complete PEBs, primary framing systems, secondary framing systems.
Kichha, Uttarakhand	59,500	PEB steel structures, comprising complete PEBs, primary framing systems, secondary framing systems, metal ceilings and corrugated roofing and LGFS.
Sriperumbudur, Tamil Nadu	10,000	Metal ceilings and corrugated roofing.
Sriperumbudur, Tamil Nadu	40,500	PEB steel structures, comprising complete PEBs, primary framing systems, secondary framing systems
Attivaram, Andhra Pradesh	20,000	-
<b>Total</b>	<b>161,000</b>	<b>-</b>

Source: Company, Ambit Capital research

**Exhibit 49: ...and is on track to increase its installed capacity to >200ktpa by 1QFY26**



Source: Company, Ambit Capital research

**Exhibit 50: SWOT analysis for Interarch**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>End-to-end capabilities for providing customised PEB solutions</li> <li>125+ qualified structural design engineers and detailers, along with experienced technical sales and project management teams</li> <li>Long-standing relationship with end-users driving 80%+ business from repeat clients</li> <li>Industry/segment/geography-agnostic solutions implying low revenue concentration</li> </ul>	<ul style="list-style-type: none"> <li>Impact on margins given volatility in RM prices and inability to pass on prices to customers</li> <li>Limited suppliers of high-grade steel imply a high susceptibility to supplier concentration from supply chain and geopolitical issues.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Rising use cases and penetration across manufacturing/industrials and infrastructure led by the growing acceptance of PEB given faster construction time and lower overall costs</li> <li>Rising PEB penetration in buildings, both residential and commercial</li> <li>Accelerating capex across sunrise industries, including semiconductors, renewable energy, battery, warehousing and logistics, driving acceleration in orderflows</li> <li>Shift from unorganised to organised players with larger clients preferring players with proven track record</li> </ul>	<ul style="list-style-type: none"> <li>High threat of new entrants given low-entry barriers due to low capital intensity. Thus, the share of the unorganised segment remains high.</li> <li>Increase in competitive intensity impacting win rates/margins/both</li> <li>Lack of skilled labourers, including fabricators and designers, leading to operational inefficiencies, growth challenges</li> <li>Limited pricing power with buyers and suppliers given the lower scale of PEB players vs buyers/suppliers</li> </ul>

Source: Company, Ambit Capital research

## Experienced promoter and management team

The promoters, Mr. Arvind Nanda (CA) and Mr. Gautum Suri (IIT Delhi, Mechanical Engineering) built the business from scratch as they initially began by importing false ceilings from the Netherlands to India. They started running the business from a piece of land they had in Noida. After getting a breakthrough order from Delhi Airport, where Mr. Suri was a consultant, the company developed many contacts with professionals and architects, which brought in orders for these false ceilings. Soon, the demand was high enough to justify them bringing the machines to India and manufacturing the roofing systems themselves. Getting into PEB was then a natural extension of the existing business around the year 2000. Interarch is led by Arvind Nanda as its MD, Gautam Suri as its WTD and Manish Garg as its CEO and supported by an experienced BoD and management team.

### Exhibit 51: BoD has representation from technocrat promoters and independent directors

Name	Designation	Associated since	Remarks
Sonali Bhagwati Dalal	Chairperson and Independent Director	2024	<ul style="list-style-type: none"> <li>▪ Holds a diploma in architecture from the Centre for Environmental Planning and Technology, Ahmedabad, Gujarat and is registered with the Council of Architecture, India.</li> <li>▪ Previously associated with Designplus Architecture, Shared Workspace Solutions Pvt Ltd.</li> </ul>
Arvind Nanda	Managing Director	Since inception	<ul style="list-style-type: none"> <li>▪ Holds a bachelor's degree in commerce (honours) from University of Delhi, India and is a member of the Institute of Chartered Accountants of England &amp; Wales and India.</li> <li>▪ Over 30 years of experience in pre-engineered steel buildings industry and is responsible for overall business decision-making and financial oversight of operational management in the company</li> </ul>
Gautam Suri	Whole Time Director	Since inception	<ul style="list-style-type: none"> <li>▪ Holds a bachelor's degree in technology in mechanical engineering from IIT, Delhi.</li> <li>▪ Over 30 years of experience in pre-engineered steel buildings industry and is responsible for critical technical business decisions of the company</li> </ul>
Viraj Nanda	Non-Executive Director	2017	<ul style="list-style-type: none"> <li>▪ Holds a bachelor's degree in tourism and hospitality management from William Angliss Institute and a diploma in CAD from CADD Centre Training Services, Delhi.</li> </ul>
Ishaan Suri	Non-Executive Director	2011	<ul style="list-style-type: none"> <li>▪ Holds a bachelor's degree in science from the London School of Economics and Political Science.</li> </ul>
Mohit Gujral	Independent Director	2024	<ul style="list-style-type: none"> <li>▪ Holds a Diploma in architecture from Centre for Environmental Planning and Technology, Ahmedabad and is an associate of the Indian Institute of Architects.</li> <li>▪ He was previously associated with DLF Limited as a full-time director.</li> </ul>
Sanjiv Bhasin	Independent Director	2024	<ul style="list-style-type: none"> <li>▪ Holds a bachelor's degree in commerce from the University of Delhi.</li> <li>▪ He was previously associated with Afra-Asia Bank, DBS Bank Limited and the Hong Kong and Shanghai Banking Corporation Limited.</li> </ul>

Source: Company, Ambit Capital research

### Exhibit 52: Key management heads have experience spanning multiple decades and across leading companies

Name	Designation	Associated since	Remarks
Manish Kumar Garg	Chief Executive Officer	2021	<ul style="list-style-type: none"> <li>▪ He holds a diploma in civil engineering from the Board of Technical Education, Delhi, India and has also completed the senior executive leadership program from Harvard Business School, Boston, Massachusetts, United States.</li> <li>▪ He was previously associated with the company as general manager (marketing) and has worked at Everest Industries Limited and Safal Building System Limited.</li> </ul>
Pushpendra Kumar Bansal	Chief Financial Officer	2025	<ul style="list-style-type: none"> <li>▪ He holds a bachelor's degree in commerce from Ajmer University, Rajasthan, India and is an associate of the ICAI.</li> <li>▪ He was previously associated with Action Construction Equipment Limited, Omax Autos Limited, Jakson Limited and Microtek International Private Limited.</li> </ul>
Navaz Cheriya Malikakkal	Chief Operating Officer	2022	<ul style="list-style-type: none"> <li>▪ He holds a Master's degree in science (civil engineering) from King Fahd University of Petroleum and Minerals, Saudi Arabia.</li> <li>▪ He was previously associated with Kirby Building Systems, Kuwait.</li> </ul>
Anil Chandani	President, CF & Strategy	2021	<ul style="list-style-type: none"> <li>▪ He is a qualified CA and CS.</li> <li>▪ He was previously associated with Hindustan Construction Company, Oriental Structural Engineers, Hindware Italian Tiles, GHCL and Asahi India Glass, among others, in leadership/CFO roles.</li> </ul>
Vikas Kaushal	President, Sales & Marketing	2001	<ul style="list-style-type: none"> <li>▪ He is a Civil Engineering graduate and has done a certified course in marketing from IIM, Kozhikode.</li> <li>▪ He has been with Interarch for &gt;2 decades and was previously associated with Grasim Industries.</li> </ul>

Source: Company, Ambit Capital research

## Valuations set to re-rate with better scale

Continued industry tailwinds coupled with market share gains will drive 17% revenue CAGR over FY25-28E. Better scale coupled with improved margins (+150bps) implies 23%/21% EBITDA/PAT CAGR over FY25-28E. Over FY28-43E, we expect 14%/15%/19% revenue/EBITDA/FCF CAGR given continued MS gains and increasing applications across end-user industries/product segments. We use a three-stage DCF-based model to arrive at fair value while considering 15%/14% CoE/WACC (assuming a target debt/equity ratio of 0.15x) and 5% terminal growth. Our two-year DCF-based TP of ₹3,000 implies 26x 1-year fwd P/E. Consensus estimates are not available for comparison. Interarch's premium to PEB and infra peers is justified given superior growth and healthy return ratios and client-specific solutions offering.

### Exhibit 53: We expect 17%/23%/21% revenue/EBITDA/PAT CAGR over FY25-28E

₹ mn, unless specified	FY23	FY24	FY25	FY26E	FY27E	FY28E	Comments
<b>P&amp;L</b>							
Revenue	11,239	12,933	14,538	16,719	20,063	23,072	Expect 17% revenue CAGR over FY25-28E given healthy opening order backlog at ₹16.5bn for FY26, continued order inflows supported by execution track record and capacity expansion.
YoY change (%)	35%	15%	12%	15%	20%	15%	
<b>Revenue mix (%)</b>							
Industrial/manufacturing	80%	69%	77%				Expect share of industrial/manufacturing to remain the largest albeit with increase towards infrastructure and buildings as PEB penetration picks up.
Infrastructure	19%	30%	21%				
Buildings and others	1%	1%	2%				
Gross margin (%)	34.8%	36.3%	38.8%	39.0%	39.0%	39.0%	Expect stable GM.
Employee cost (%)	8.3%	9.2%	10.1%	10.0%	10.0%	10.0%	Expect to remain stable (as % of revenue).
Job work, installation costs (%)	10.1%	10.5%	10.5%	10.5%	10.3%	10.0%	Expect to come marginally down given favourable OL.
Freight and forwarding cost (%)	1.9%	2.6%	2.5%	2.5%	2.5%	2.5%	Expect to remain stable (as % of revenue).
Stores, spares cost (%)	1.8%	2.0%	2.0%	2.0%	2.0%	2.0%	Expect to remain stable (as % of revenue).
Other expenses (%)	3.2%	3.3%	4.4%	4.0%	3.8%	3.5%	Expect to come marginally down given favourable OL.
EBITDA	1,064	1,130	1,362	1,672	2,107	2,538	
EBITDA margin (%)	9.5%	8.7%	9.4%	10.0%	10.5%	11.0%	Expect EBITDAM to improve by ~150bps over FY25-28E given GM improvement and favourable operating leverage. Thus, expect 23% EBITDA CAGR over FY25-28E.
EBITDA (including OI)	1,188	1,260	1,569	1,839	2,307	2,769	
EBITDA margin (including OI) (%)	10.6%	9.7%	10.8%	11.0%	11.5%	12.0%	
PAT	815	863	1,078	1,251	1,582	1,907	Expect 21% PAT CAGR over FY25-28E mainly led by EBITDA increase.
EPS (₹)	54.3	58.7	68.0	75.2	95.0	114.6	
<b>Balance Sheet</b>							
Net debt	-1,078	-1,285	-1,866	-2,407	-2,821	-3,850	Net cash position to remain.
Net debt/ equity (x)	-0.3	-0.3	-0.2	-0.3	-0.3	-0.3	
Pre-tax RoCE (%)	26.8%	24.0%	20.1%	18.4%	19.9%	20.4%	Expect stable RoCE.
<b>Cash flows</b>							
Net operating cash flows	313	815	536	914	954	1,338	
Capex	-131	-249	-758	-500	-700	-500	Capex mainly towards expansion at AP and potentially at Gujarat.
FCF	181	567	-222	414	254	838	
CE t/o (x)	3.0	2.9	2.4	2.0	2.0	2.0	
WC t/o (x)	6.8	6.9	6.6	6.3	6.7	6.5	

Source: Company, Ambit Capital research

A larger scale provides a sourcing advantage, but is offset by RM price volatility and the inability to pass it entirely on to customers.

**Exhibit 54: Our three-stage DCF assumptions**

Phase	CAGR (%)			Median			Remarks
	Revenue	EBITDA	FCF	EBITDAM (%)	Capex to CFO (%)	GB turns	
Stage 1 (FY25-28E)	17%	23%	nmf	10%	46%	5.8	- Continued industry tailwinds coupled with MS gains will drive 17% revenue CAGR over FY25-28E. Better scale coupled with improved margins (+150bps) would imply 23%/21% EBITDA/PAT CAGR over FY25-28E. - Capex to CFO is elevated given the potential greenfield capacity expansion at Gujarat and AP.
Stage 2 (FY28-43E)	14%	15%	19%	13%	20%	6.4	- Over FY28-43E, we expect 14% revenue CAGR given continued MS gains, increasing PEB applications across end-user industries/product segments and continued private sector capex. - Expect 15% EBITDA CAGR driven by revenue growth and 300bps EBITDAM expansion to 14% exit EBITDAM given favourable OL.
<b>FY25-43E</b>	<b>14%</b>	<b>17%</b>	<b>nmf</b>	<b>12%</b>	<b>22%</b>	<b>6.4</b>	<b>Over FY24-41E, we expect 14%/17% revenue/EBITDA CAGR respectively</b>
Stage 3 (FY43E onwards)	5%	-	-	-	-	-	We factor in terminal growth of 5%, which aligns with India's long-term real GDP growth rate. Further, large exports TAM provides scope for long-term scalability.

Source: Company, Ambit Capital research

**Exhibit 55: Our 2yr DCF based TP of ₹3,000**

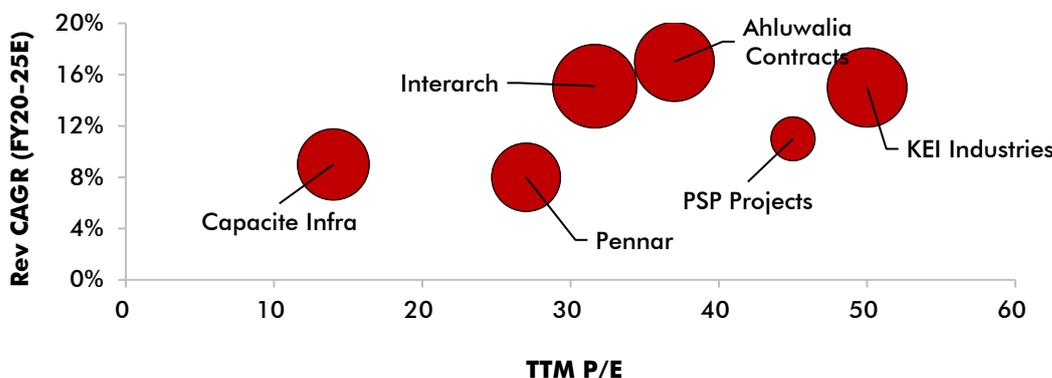
Particulars	₹ mn
Enterprise Value	47,101
Net debt (Mar' 27)	-2,821
Equity Value	49,922
Number of shares (mn)	17
<b>Value Per Share (Target Price [₹])</b>	<b>3,000</b>
CMP (₹)	2,204
Upside	<b>36%</b>

Source: Company, Ambit Capital research

**Superior growth/RoE and faster turnaround cycle justify valuation premium**

For valuation comparison, we have considered other listed PEB players in India (Pennar and Everest) and RCC (Reinforced Cement Concrete) infrastructure peers (Ahluwalia Contracts, PSP projects, Capacite Infra). Compared to these players, Interarch's valuation premium is justified given superior growth/RoE vs PEB peers and relatively short-cycle order execution, low construction risks and client-specific customised solutions vs RCC peers. Furthermore, we have also considered KEI Industries, as it generates ~35% of its revenue from the Institutional business, which offers a range of products and services for large-scale projects, including EPC solutions. This is similar to Interarch's PEB solutions.

**Exhibit 56: Interarch's premium to PEB/infra peers is justified given superior growth/RoE, relatively short-cycle execution, low construction risks and customised solutions**



Source: Company, Bloomberg, Ambit Capital research; Note: Size of the bubble represents FY25 RoE; We have considered KEI Industries since it has ~35% of revenue coming from Institutional business wherein it offers range of products and services for large-scale projects and offers EPC solutions which is akin to Interarch's PEB solutions; Note: RoE calculated using average net worth

**Exhibit 57: Interarch has seen lower volatility in margins over the last few years vis-à-vis RCC EPC peers; leads on growth and return ratios too**

Particulars	Interarch			Ahluwalia Contracts			PSP Projects		
	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
Revenue (₹ bn)	11.2	12.9	14.5	28.4	38.6	41.0	19.4	25.1	25.1
YoY change (%)	35%	15%	12%	5%	36%	6%	11%	29%	0%
vs FY20/CY19 (x)	1.6	1.8	2.0	1.5	2.0	2.2	1.3	1.7	1.7
Employee exp (%)	8%	9%	10%	7%	7%	9%	4%	4%	5%
EBITDAM (%)	9%	9%	9%	11%	10%	8%	12%	10%	7%
EBITM (%)	9%	8%	9%	9%	8%	7%	10%	8%	4%
PATM (%)	7%	7%	7%	7%	10%	5%	7%	5%	2%
RoE (%)	22%	20%	18%	16%	23%	11%	17%	13%	5%
Pre-tax RoCE (%)	27%	24%	20%	23%	22%	16%	22%	17%	7%
GB turns	6.6	7.1	6.6	5.7	6.4	5.2	4.7	4.5	4.0
CE turns	3.0	2.9	2.4	2.3	2.3	2.3	2.0	1.8	1.7
Net D/E	-0.3	-0.3	-0.2	-0.5	-0.5	-0.5	-0.1	0.2	0.1

Source: Company, Ambit Capital research

**Exhibit 58: Interarch trades at a premium to PEB peers given superior growth outlook and healthy return ratios; premium to pure play construction peers is justified in light of Interarch's client-specific solutions offering**

Particulars	BVG Ticker	Mcap (USDmn)	3m MDV (USDmn)	PE (x)			EV/EBITDA (x)			ROE (%)			FY25-28E CAGR (%)		
				FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	Rev	EBITDA	EPS
Interarch Building Solutions	INTERARC IN	414	2.2	33	30	24	26	21	17	18%	15%	16%	17%	23%	19%
<b>PEB peers</b>															
Pennar Industries	PSL IN	365	1.3	24	19	15	12	10	8	13%	15%	17%	DNA	DNA	DNA
Everest Industries	EVI IN	91	0.0	nmf	DNA	DNA	DNA	DNA	DNA	-1%	DNA	DNA	DNA	DNA	DNA
<b>EPC/Construction peers</b>															
KEI Industries*	KEII IN	4,095	18.3	50	40	33	34	28	22	16%	14%	15%	19%	20%	22%
Ahluwalia Contracts India	AHLU IN	757	0.6	33	23	18	17	12	10	12%	15%	16%	23%	32%	35%
Capacit'e Infraprojects	CAPACITE IN	336	1.9	16	13	11	8	7	6	11%	13%	14%	DNA	22%	19%
PSP Projects	PSPPL IN	296	0.4	45	18	14	12	9	7	5%	11%	13%	20%	30%	52%
<b>Global PEB peers</b>															
Nucor Corp	NUE US	25,115	274.8	13	15	11	7	7	6	10%	8%	11%	5%	11%	15%
Steel Dynamics Inc	STLD US	18,812	199.8	13	13	10	9	9	7	17%	15%	17%	5%	11%	13%
BlueScope Steel	BSL AU	6,493	28.7	21	11	10	7	5	5	4%	7%	8%	5%	15%	34%

Source: Company, Bloomberg, Ambit Capital research; Note: Ambit estimates for Interarch, Bloomberg estimates for rest; nmf stands for not meaningful; We have considered KEI Industries since it has ~35% of revenue coming from Institutional business wherein it offers range of products and services for large-scale projects and offers EPC solutions which is akin to Interarch's PEB solutions; Note: RoE is calculated using average net worth

## Nucor Buildings: Expansion aided by track record

Nucor Buildings Group (NBG) is part of Nucor Corporation, the largest steel and steel products company in North America and the world's largest recycler. NBG is North America's largest and most experienced manufacturer of metal building systems. NBG utilises a network of authorised builders and four distinct brands (American Buildings, CBC Steel Buildings, Kirby Building Systems, and Nucor Building Systems) to offer a wide range of steel building solutions, ranging from 1,000 sqft to over 1 million sqft. They are known for their sustainable practices and commitment to quality and customer service. It is involved in a diverse range of projects, including warehouses and logistics facilities, industrial and manufacturing facilities, commercial and retail spaces, agricultural and farm buildings, community, recreational, and institutional facilities, as well as aviation hangars and more.

### Exhibit 59: Nucor Buildings Group, part of Nucor Corporation is North America's largest provider of metal building systems

#### Nucor Buildings Group

One of North America's largest and most experienced manufacturers of metal building systems, insulated metal panels, and elevated solar structures.

Source: Company, Ambit Capital research

### Exhibit 60: It houses highly renowned brands American Buildings, Nucor, CBC and Kirby Building Systems



Source: Company, Ambit Capital research

The four leading brands under Nucor Buildings Group are:

- **American Buildings:** A pioneer in metal building design, manufacturing, and delivery since 1947, offering customised, energy-efficient, and environmentally friendly solutions with plants and service centres across the US.
- **CBC Steel Buildings:** Based in Central California, CBC specialises in unique and complex projects, focusing on sustainable and energy-efficient metal buildings primarily serving the western US and overseas markets.
- **Kirby Building Systems:** An industry-leading manufacturer of custom-engineered, high-quality, and cost-effective metal building systems with over 50 years of experience.
- **Nucor Building Systems:** With multiple locations across the US, NBS focuses on customer service, price, and quality, providing building solutions for industrial, commercial, agricultural, and retail industries.

### How did Nucor Building Group scale up?

Nucor Building Systems has grown from its initial beginnings with a single plant in Waterloo, Indiana to a leading provider of custom-engineered metal building systems across North America. This scale-up involved expanding its manufacturing operations, acquiring other building system companies, and diversifying into new markets and capabilities. Further, it partnered with various organisations and adopted new technologies to enhance its design and manufacturing capabilities. Today, Nucor Corporation generates over \$1.3bn in revenue from its buildings systems business vertical.

### Inferences for Interarch

We see many parallels in how Interarch has been expanding its capabilities to provide PEB solutions across multiple industries. It has collaborated with Mold-Tek Technologies for detailing for PEB and structural steel projects in the export market. Furthermore, it has partnered with Jindal Steel and Power Ltd (JSPL) to offer PEB solutions for multi-story buildings and heavy building structures.

# Risks and Catalysts

## Risks

### **Slowdown in end-user capex/private sector capex driving growth moderation**

Interarch's growth is highly dependent on the private sector capex. Any slowdown here is likely to impact the growth prospects. That said, near-term growth visibility is supported by a healthy opening order book (1.1x FY25 rev) and management commentary, which indicates enough demand momentum currently.

### **Increase in competitive intensity and sharp RM increase driving margin pressure**

An increase in competitive intensity among the top players could impact Interarch's win rate, profitability, or both. That said, we have seen Interarch gaining market share among the top players and being among the preferred suppliers for PEB to top clients. Furthermore, a sharp RM increase will likely impact margins, which Interarch may not be able to fully pass on.

## Catalysts

### **Timely execution and capacity expansion driving +15% rev growth in FY26E**

Interarch has a healthy order book of ₹16.5bn as of 30 Apr'25, which provides it near-term growth visibility. Further, Interarch is also increasing its installed production capacity by ~25% to 200kpta to support its growth plans. Timely execution and capacity expansion to drive +15% rev growth in FY26E (vs 12% in FY25E).

### **Continued order wins driving growth visibility beyond FY26**

Accelerating capex across emerging industries, including renewable energy, battery, semiconductors, warehousing, electronics and logistics, along with increasing PEB penetration, implies increasing order flows over the near-to-mid-term. Continued order wins, driving further growth visibility beyond FY26, is key.

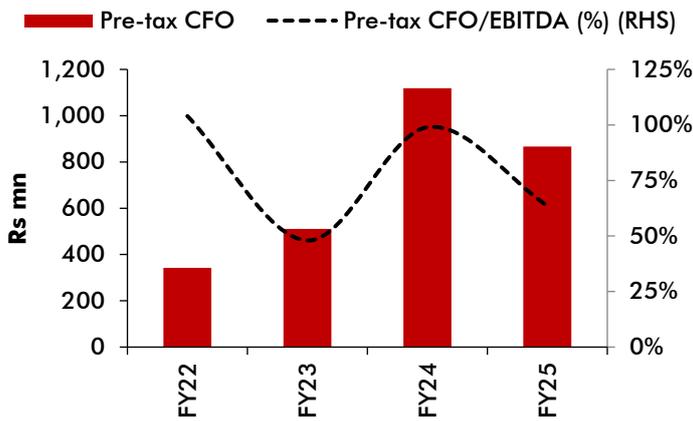
# Accounting and governance checks

## Cash flow analysis

### Cash conversion and WC analysis

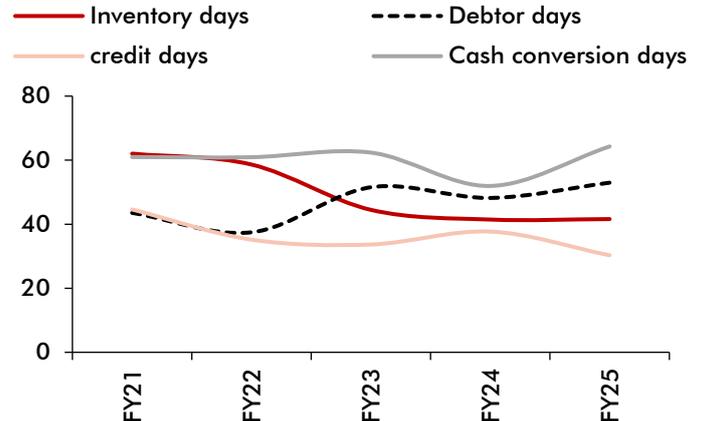
Cash conversion and WC levels have remained healthy over the last few years. Cash conversion stood at ~65% during FY25 (avg. pre-tax CFO/EBITDA of ~80% over FY22-25). Net working capital days stood at ~65 days in FY25, largely stable over the years.

**Exhibit 61: Average cash conversion stood at ~80% during FY22-25**



Source: Company, Ambit Capital research

**Exhibit 62: Net WC days stood at ~65 days in FY25, largely stable over the years but higher YoY**

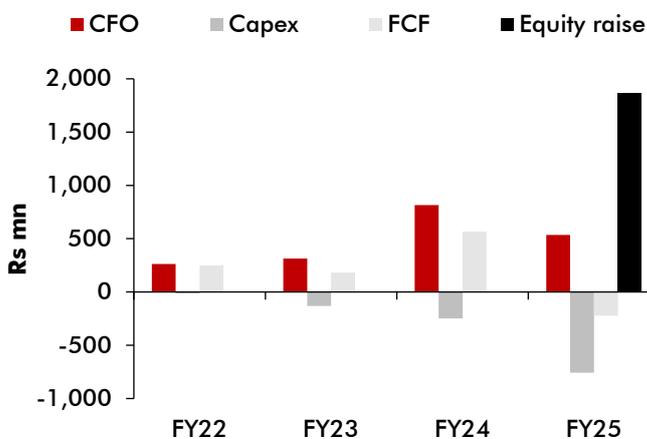


Source: Company, Ambit Capital research

### Capex intensity and FCF generation

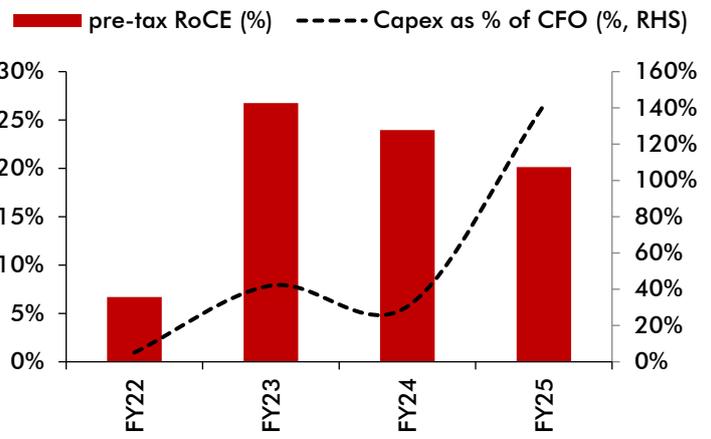
Capex intensity has increased in FY25 as company is expanding its PEB capacity by ~25% from ~160ktpa to ~200ktpa, set to commission by 1QFY26. Resultantly, all of the CFO along with part of the IPO proceeds have been proactively invested back into expanding capacities. Resultantly, FCF generation has been low as % of CFO. That said, the company has maintained avg. 20%+ pre-tax RoCE during last few years, which implies capex reinvestment at healthy RoCE.

**Exhibit 63: Capex intensity increased in FY25 with all of CFO being invested into capex along with recent fund raise**



Source: Company, Ambit Capital research

**Exhibit 64: Resultantly, capex as % of CFO has increased YoY in FY25; pre-tax RoCE at >20% implies healthy reinvestment**



Source: Company, Ambit Capital research

## Others accounting and governance checks

### Contingent liabilities

#### Exhibit 65: Contingent liabilities are not meaningful

Particulars (₹ mn)	FY21	FY22	FY23	FY24
Demand from Sales tax/GST authorities and others	186	186	99	262
Outstanding bank guarantees by the company	567	851	646	868
<b>Total contingent Liabilities</b>	<b>753</b>	<b>1,037</b>	<b>746</b>	<b>1,130</b>
Net Worth	3,057	3,208	4,052	4,503
<b>Contingent liabilities as % of net worth</b>	<b>24.6%</b>	<b>32.3%</b>	<b>18.4%</b>	<b>25.1%</b>

Source: Company, Ambit Capital research

### Related party transactions

Apart from remuneration to KMPs, there are no material related party transactions with any entities owned or controlled by the promoters or their relatives.

### Remuneration checks

#### Exhibit 66: Combined remuneration to MD, WTD and their relatives is ~1% of PAT which is reasonable

Particulars (₹ mn)	Designation	FY22	FY23	FY24
Arvind Nanda	Managing Director	3	3	3
Gautam Suri	Whole-time Director	4	5	5
Viraj Nanda	Non-Executive Director	1	2	2
<b>PAT</b>		<b>9</b>	<b>10</b>	<b>9</b>
<b>as % of PAT</b>		<b>5%</b>	<b>1%</b>	<b>1%</b>

Source: Company, Ambit Capital research

### Audit quality checks

#### Exhibit 67: Audit fees as % of revenue remains insignificant over the years; company accounts audited by a Big4 auditor (S.R. Batliboi & Co LLP, member firm of E&Y)

₹ mn	FY21	FY22	FY23	FY24
<b>Audit fee</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>6</b>
Net revenue	5,761	8,349	11,239	12,933
<b>Audit fee as % of net revenue</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

Source: Company, Ambit Capital research

## **Interarch Building Solutions (INTERARC IN, BUY)**

### **Valuation Methodology**

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- We use a three-stage DCF-based model to arrive at our fair value while considering 15%/14% CoE/WACC and 5% terminal growth
- 

### **Risks**

---

- Slowdown in end-user capex/private sector capex driving growth moderation
  - Increase in competitive intensity driving margin pressure/growth moderation
-

# Financials - Consolidated

## Income statement

Year to March (₹ mn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Revenue</b>	<b>12,933</b>	<b>14,538</b>	<b>16,719</b>	<b>20,063</b>	<b>23,072</b>
-growth (Rev)	15.1%	12.4%	15.0%	20.0%	15.0%
Cost of goods sold	8,238	8,891	10,199	12,238	14,074
<b>Gross profit</b>	<b>4,695</b>	<b>5,648</b>	<b>6,520</b>	<b>7,824</b>	<b>8,998</b>
Gross profit growth	20.0%	20.3%	15.5%	20.0%	15.0%
Employee expenses	1,190	1,470	1,672	2,006	2,307
Other expenses	2,376	2,815	3,177	3,712	4,153
<b>EBITDA</b>	<b>1,130</b>	<b>1,362</b>	<b>1,672</b>	<b>2,107</b>	<b>2,538</b>
-growth (EBITDA)	6.2%	20.6%	22.7%	26.0%	20.5%
Depreciation	80	118	126	153	180
<b>EBIT</b>	<b>1,050</b>	<b>1,245</b>	<b>1,546</b>	<b>1,954</b>	<b>2,358</b>
-growth (EBIT)	6.0%	18.5%	24.2%	26.4%	20.7%
Other income	130	207	167	201	231
<b>EBIT (including other income)</b>	<b>1,181</b>	<b>1,451</b>	<b>1,713</b>	<b>2,154</b>	<b>2,589</b>
Finance costs	22	24	41	41	41
<b>Profit before tax</b>	<b>1,159</b>	<b>1,427</b>	<b>1,672</b>	<b>2,113</b>	<b>2,548</b>
<b>Profit before tax (adjusted)</b>	<b>1,159</b>	<b>1,427</b>	<b>1,672</b>	<b>2,113</b>	<b>2,548</b>
-growth (PBT)	6.4%	23.1%	17.2%	26.4%	20.6%
Tax	296	349	421	532	641
<b>PAT</b>	<b>863</b>	<b>1,078</b>	<b>1,251</b>	<b>1,582</b>	<b>1,907</b>
<b>Profit after tax (adjusted)</b>	<b>863</b>	<b>1,078</b>	<b>1,251</b>	<b>1,582</b>	<b>1,907</b>
-growth (PAT)	5.9%	25.0%	16.1%	26.4%	20.6%
<b>Consolidated profit after tax</b>	<b>863</b>	<b>1,078</b>	<b>1,251</b>	<b>1,582</b>	<b>1,907</b>
-growth (CPAT)	5.9%	25.0%	16.1%	26.4%	20.6%
EPS (basic) (₹)	59	68	75	95	115
EPS (diluted)	59	68	75	95	115

Source: Ambit Capital research, Company

**Balance sheet**

Year to March (₹ mn)	FY24	FY25	FY26E	FY27E	FY28E
Capital work in progress	127	135	135	135	135
<b>Total fixed assets</b>	<b>1,785</b>	<b>2,313</b>	<b>2,687</b>	<b>3,234</b>	<b>3,554</b>
Non-current investments	54	359	359	359	359
Other non-current assets	79	204	366	440	506
<b>Total non-current assets</b>	<b>2,404</b>	<b>3,548</b>	<b>4,084</b>	<b>4,704</b>	<b>5,090</b>
Inventories	1,468	1,657	1,832	2,199	2,528
Current investments	-	50	50	50	50
Trade receivables	1,708	2,110	2,290	2,748	3,161
Cash and cash equivalents	1,387	1,988	2,529	2,943	3,971
Other current assets	577	1,782	1,782	1,782	1,782
<b>Total current assets</b>	<b>5,146</b>	<b>7,592</b>	<b>8,489</b>	<b>9,727</b>	<b>11,498</b>
<b>Total assets</b>	<b>7,550</b>	<b>11,140</b>	<b>12,573</b>	<b>14,432</b>	<b>16,588</b>
Share capital	144	166	166	166	166
Other equity	4,302	7,348	8,599	10,181	12,087
<b>Total equity</b>	<b>4,446</b>	<b>7,514</b>	<b>8,766</b>	<b>10,347</b>	<b>12,254</b>
Long-term borrowings	6.4	2.8	2.8	2.8	2.8
Deferred tax liabilities (net)	57	77	77	77	77
Other non-current liabilities	38	23	23	23	23
<b>Total non-current liabilities</b>	<b>102</b>	<b>103</b>	<b>103</b>	<b>103</b>	<b>103</b>
Short-term borrowings	96	169	169	169	169
Trade payables	1,336	1,207	1,388	1,665	1,915
Other current liabilities	1,554	2,108	2,108	2,108	2,108
Short term provisions	16.8	39	39	39	39
<b>Total current liabilities</b>	<b>3,002</b>	<b>3,523</b>	<b>3,704</b>	<b>3,981</b>	<b>4,231</b>
<b>Total liabilities</b>	<b>3,104</b>	<b>3,626</b>	<b>3,807</b>	<b>4,084</b>	<b>4,334</b>
<b>Total equity and liabilities</b>	<b>7,550</b>	<b>11,140</b>	<b>12,573</b>	<b>14,432</b>	<b>16,588</b>

Source: Ambit Capital research, Company

**Cash flow statement**

Year to March (₹ mn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Profit before tax</b>	<b>1,159</b>	<b>1,427</b>	<b>1,672</b>	<b>2,113</b>	<b>2,548</b>
Depreciation	80	118	126	153	180
Interest expense	22	15.2	41	41	41
Working capital changes	(50)	(616)	(337)	(620)	(558)
Taxes	(303)	(331)	(421)	(532)	(641)
<b>Cash flow from operations</b>	<b>815</b>	<b>536</b>	<b>914</b>	<b>954</b>	<b>1,338</b>
(Net) capital expenditure	(249)	(758)	(500)	(700)	(500)
Acq./ (disp.) of Investments	167	-	-	-	-
Interest/dividend Received	(102)	(161)	(167)	(201)	(231)
<b>Cash flow from investments</b>	<b>(322)</b>	<b>(2,231)</b>	<b>(333)</b>	<b>(499)</b>	<b>(269)</b>
Net short-term borrowings	(6.0)	(4.6)	-	-	-
Issuance of equity	-	1,868	-	-	-
Interest paid	(8.2)	(12.7)	(41)	(41)	(41)
Other items	(5.6)	(4.5)	-	-	-
<b>Cash flow from financing</b>	<b>(458)</b>	<b>1,921</b>	<b>(41)</b>	<b>(41)</b>	<b>(41)</b>
<b>Opening cash balance</b>	<b>587</b>	<b>621</b>	<b>1,988</b>	<b>2,529</b>	<b>2,943</b>
<b>Net change in cash</b>	<b>35</b>	<b>226</b>	<b>541</b>	<b>414</b>	<b>1,028</b>
<b>Closing cash balance</b>	<b>621</b>	<b>847</b>	<b>2,529</b>	<b>2,943</b>	<b>3,971</b>
<b>Free cash flow to firm</b>	<b>567</b>	<b>(222)</b>	<b>414</b>	<b>254</b>	<b>838</b>

Source: Ambit Capital research, Company

**Preferred Ratios**

Year to March (₹ mn)	FY24	FY25	FY26E	FY27E	FY28E
EBITDA margin	8.7%	9.4%	10.0%	10.5%	11.0%
EBIT margin	8.1%	8.6%	9.2%	9.7%	10.2%
Net profit margin	6.7%	7.4%	7.5%	7.9%	8.3%
ROE (%)	20.2%	17.8%	15.2%	16.4%	16.8%
pre-tax RoCE	24.0%	20.1%	18.4%	19.9%	20.4%
Net debt/equity	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)
pre-tax CFO/EBITDA	99.0%	63.6%	79.9%	70.6%	78.0%

Source: Ambit Capital research, Company

**Ratio analysis**

Year to March (₹ mn)	FY24	FY25	FY26E	FY27E	FY28E
Gross margin	36.3%	38.8%	39.0%	39.0%	39.0%
EBITDA margin	8.7%	9.4%	10.0%	10.5%	11.0%
EBIT margin	8.1%	8.6%	9.2%	9.7%	10.2%
Net profit margin	6.7%	7.4%	7.5%	7.9%	8.3%
Net debt/equity	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)
Net debt/EBITDA	(1.1)	(1.4)	(1.4)	(1.3)	(1.5)
Inventory days	41	42	40	40	40
Receivable days	48	53	50	50	50
Payable days	38	30	30	30	30
pre-tax CFO/EBITDA	99.0%	63.6%	79.9%	70.6%	78.0%
pre-tax RoCE	24.0%	20.1%	18.4%	19.9%	20.4%
post-tax RoCE	17.8%	15.2%	13.8%	14.9%	15.3%
ROE (%)	20.2%	17.8%	15.2%	16.4%	16.8%

Source: Ambit Capital research, Company

**Valuation parameters**

Year to March (₹ mn)	FY24	FY25	FY26E	FY27E	FY28E
PE	38	32	29	23	19.2
EV/EBITDA	31	26	21	16.1	12.9
P/B	8.2	4.9	4.2	3.5	3.0

Source: Ambit Capital research, Company

## Institutional Equities Team

**Research Analysts**

Name	Industry Sectors	Desk-Phone	E-mail
Nitin Bhasin – Head of Equities	Strategy / Accounting	(022) 66233241	nitin.bhasin@ambit.co
Ashwin Mehta, CFA - Head of Research	Technology	(022) 66233295	ashwin.mehta@ambit.co
Achal Shah	Oil & Gas	(022) 66233194	achal.shah@ambit.co
Amey Dargude	Mid-Caps	(022) 66233225	amey.dargude@ambit.co
Aryan Garodia	Consumer Discretionary / Consumer Staples	(022) 66233271	aryan.garodia@ambit.co
Bharat Arora, CFA	Strategy	(022) 66233278	bharat.arora@ambit.co
Charvin Gandhi	Forensic Accounting / ESG / Strategy	(022) 66233149	charvin.gandh@ambit.co
Dhruv Aggarwal	Metals & Mining / Cement / Power / Utilities	(022) 66233246	dhruv.aggarwal@ambit.co
Dhruv Jain	Mid-Caps / Logistics / Consumer Durables	(022) 66233177	dhruv.jain@ambit.co
Eashaan Nair	Economy / Strategy	(022) 66233033	eashaan.nair@ambit.co
Jaiveer Shekhawat, CFA	Mid/Small-Caps	(022) 66233021	jaiveer.shekhawat@ambit.co
Jinesh Gandhi	Automobile & Automobile Components	(022) 66233028	jinesh.gandhi@ambit.co
Jignesh Shial	Banking / Financial Services	(022) 66233206	jignesh.shial@ambit.co
Karan Khanna, CFA	Mid/Small-Caps / Hotels / Real Estate / Aviation	(022) 66233251	karan.khanna@ambit.co
Kumar Saumya	Chemicals	(022) 66233242	kumar.saumya@ambit.co
Kaushal Mohata	Technology	(022) 66233029	kaushal.mohata@ambit.co
Moez Chandani	Technology	(022) 66233299	moez.chandani@ambit.co
Moksh Mehta	Technology	(022) 66233101	moksh.mehta@ambit.co
Neeraj Makhijani	Strategy	(022) 66233272	neeraj.makhijani@ambit.co
Parth Majithia	Forensic Accounting / ESG / Strategy	(022) 66233149	parth.majithia@ambit.co
Prakhar Porwal	Metals & Mining / Cement / Power / Utilities	(022) 66233246	prakhar.porwal@ambit.co
Pranav Chawla	Healthcare	(022) 66233062	pranav.chawla@ambit.co
Pratik Matkar	Banking / Financial Services	(022) 66233107	pratik.matkar@ambit.co
Prashant Nair, CFA	Healthcare	(022) 66233171	prashant.nair@ambit.co
Raghav Garg, CFA	Banking / Financial Services	(022) 66233206	raghav.garg@ambit.co
Raghvendra Goyal	Automobile & Automobile Components	(022) 66233257	raghvendra.goyal@ambit.co
Rushin Shah	Forensic Accounting / ESG / Strategy	(022) 66233229	rushin.shah@ambit.co
Samarth Agrawal	Mid/Small-Caps / Hotels / Aviation	(022) 66233251	samarth.agrawal@ambit.co
Sanket Gharat	Consumer Staples / Consumer Discretionary	(022) 66233012	sanket.gharat@ambit.co
Sarthak Sancheti	Metals & Mining / Cement / Power / Utilities	(022) 66233246	sarthak.sancheti@ambit.co
Sanil Jain	Chemicals	(022) 66233145	sanil.jain@ambit.co
Satyadeep Jain, CFA	Metals & Mining / Cement / Power / Utilities	(022) 66233246	satyadeep.jain@ambit.co
Swayamsiddha Panda	Economy / Strategy	(022) 66233247	swayamsiddha.panda@ambit.co
Shubham Sandeep Gupta	Media / Telecom / Oil & Gas	(022) 66233209	shubhamsandeep.gupta@ambit.co
Supratim Datta	Banking / Insurance	(022) 66233252	supratim.datta@ambit.co
Tushar Narwal	Banking / Insurance	(022) 66233183	tushar.narwal@ambit.co
Videesha Sheth	Consumer Discretionary / Consumer Staples	(022) 66233264	videesha.sheth@ambit.co
Vinit Powle	Forensic Accounting / ESG / Strategy	(022) 66233149	vinit.powle@ambit.co
Viraj Sanghvi	Automobile & Automobile Components	(022) 66233212	viraj.sanghvi@ambit.co
Vivekanand Subbaraman, CFA	Media / Telecom / Oil & Gas	(022) 66233261	vivekanand.s@ambit.co
Yash Jain	Mid-Caps / Logistics / Consumer Durables	(022) 66233053	yash.jain@ambit.co
Yogesh Toshaniwal	Banking / Financial Services	(022) 66233206	yogesh.toshaniwal@ambit.co

**Sales**

Name	Regions	Desk-Phone	E-mail
Sujay Kamath – MD / Head of Sales	India / APAC / ME	(022) 66233127	sujay.kamath@ambit.co
Pranav Modi	India	(022) 66233102	pranav.modi@ambit.co
Bhavin Shah	India	(022) 66233186	bhavin.shah@ambit.co
Dharmen Shah	India / Asia	(022) 66233289	dharmen.shah@ambit.co
Pranav Verma	Asia / India/ ME	(022) 66233214	pranav.verma@ambit.co
Anuj Jain	India	(022) 66233008	anuj.jain@ambit.co
Manvi Jain	India / Australia	(022) 66233018	manvi.jain@ambit.co
Yusuf Inamdar	India	(022) 66233121	yusuf.inamdar@ambit.co
Dhruv Srivastava	India	(022) 66233050	dhruv.srivastava@ambit.co

**USA / Canada**

Harshav Raj	UK / Europe	(022) 40673138	harshav.raj@ambit.co
-------------	-------------	----------------	----------------------

**Singapore**

Pooja Narayanan	APAC / ME	+65 98003170	pooja.narayanan@ambit.co
Kushagr Parashar	APAC / ME	+65 91311879	kushagr.parashar@ambit.co

**Production**

Sajid Merchant	Production	(022) 66233247	sajid.merchant@ambit.co
Sharoz G Hussain	Production	(022) 66233183	sharoz.hussain@ambit.co
Jestin George	Editor	(022) 66233272	jestin.george@ambit.co
Richard Mugutmal	Editor	(022) 66233273	richard.mugutmal@ambit.co
Nikhil Pillai	Database	(022) 66233265	nikhil.pillai@ambit.co
Amit Tembhornikar. CQF	Database	(022) 66233265	amit.tembhornikar@ambit.co

**Interarch Building Solutions (INTERARC IN, BUY, CMP: ₹ 2,203)**



Source: ICE, Ambit Capital research

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**Registered Office Address:** Ambit Capital Private Limited, 449, Ambit House, Senapati Bapat Marg, Lower Parel, Mumbai-400013. Contact Number: +91 22 6623 3000.

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