DAM CAPITAL

Pre-Engineered Buildings

Steeling the capex show

SECTOR INITIATION

4 June 2026

BSE Sensex: 74360

Sector: Engineered Steel

INTERARC

CMP (Rs)	1,779
Mkt Cap (Rsbn/USDm)	29.9/ 312
Target Price (Rs)	2,220
Potential from CMP (%)	24.8

Absolute price performance

(%)	3-mth	6-mth	1-yr
INTERARC	(1.3)	(24.2)	(21.8)
Sensex	(6.0)	(12.8)	(8.2)

EPACKPEB

CMP (Rs)	205
Mkt Cap (Rsbn/USDbn)	20.5/215
Target Price (Rs)	230
Potential from CMP (%)	12.3

Absolute price performance

(%)	3-mth	6-mth	1-yr
EPACKPEB	22.0	(35.2)	-
Sensex	(6.0)	(12.8)	(8.2)

M&B Engineering

CMP (Rs)	284
Mkt Cap (Rsbn/USDbn)	16.2/169
Target Price (Rs)	370
Potential from CMP (%)	30.4

Absolute price performance

(%)	3-mth	6-mth	1-yr
M&B Engineering	(1.7)	(23.6)	-
Sensex	(6.0)	(12.8)	(8.2)

India's private industrial capex cycle is entering an imminent long-term expansion phase, driven by multi-year capacity utilization, sustained government policy efforts, deleveraged balance sheets, and global supply chain diversification. The Indian Pre-Engineered Building (PEB) market, a premium proxy to this cycle, is poised to grow ~10% CAGR over FY25-30E to touch ~Rs340bn, with the organized segment growing faster at ~13% CAGR. PEB adoption is rapidly increasing given its overall benefits that conventional concrete structures cannot economically deliver. As requirements escalate on design / complexity / speed / reliability, volume is funneling towards a few trusted organized vendors. We initiate coverage on the sector with BUY ratings – Interarch Building Solutions (INTERARC / TP Rs 2,220 / 25% upside), Epack Prefab Technologies (EPACKPEB / TP Rs230 / 12% upside) and M&B Engineering (MBEL / TP Rs370 / 30% upside).

❑ Investment Rationale

- **Macro capex tailwinds converging with PEB adoption:** Multiple indicators hint that India is at the cusp of a multi-year industrialization journey – system-wide utilization above the critical 75% level, strengthened corporate balance sheets, policy efforts, etc. As factory rollouts accelerate, PEBs are increasingly turning into the default choice given its speed, reliability, ability to cater to complex requirements, and overall lower costs versus conventional construction.
- **Six-Pillar Moat Framework separates sectoral winners:** While the organized PEB market is expected to grow ~13% CAGR over FY25-30E (vs 10% for the overall industry), we highlight that of the six capabilities that separate market leaders versus the rest, five of them (design depth, technical sales competence, steel price management, delivery execution synchronization, and long track records) require multi-year efforts versus the sixth pillar i.e. production capacity. These pillars mean industry incumbents leverage high customer retention rates (50-80%) to form a powerful flywheel effect, driving faster growth for incumbents.
- **Vendor consolidation unlocks superior unit economics:** As corporates implement large-scale capex projects, single-order PEB ticket sizes are escalating (from sub Rs100m to frequent Rs1bn+ ones) as clients reduce the number of vendors per order. This feeds an attractive industry model where high fixed asset turns (~4-5x) + customer advances (and hence lean working capital cycles (~35-50 days) yields sustainable ~20% pre-tax RoCEs.
- **TAM expansion possibilities on hand:** Besides PEBs, players have the option of adding heavy structures (usages involve high-rise buildings, data centers and infrastructure; ~Rs50bn market growing at 15-25% CAGR), and other categories like roofing and sandwich panels. Exports too is a potent market expander, especially in high entry barrier but lucrative markets like North America.

❑ Valuation

We value the leader INTERARC at 20x FY28E EPS (TP Rs2,220 / 25% upside). The challenger EPACKPEB is valued at 17.5x FY28E EPS (TP Rs230 / 12% upside) reflecting rapid domestic expansion. Differentiated exporter MBEL is valued at 15x FY28E EPS (TP Rs370 / 30% upside).

Pre-Engineered Buildings – Sector Universe Snapshot

Company	Market Cap	TP	Upside	Rating	Target PE	EPS CAGR	RoCE (%)		P/E (x)		EV/EBITDA (x)	
	(Rs mn)	(Rs)	(%)		FY28E (x)	FY26-28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
INTERARC	29,961	2,220	24.8	BUY	20.0	16.5	18.3	19.1	19.2	16.0	14.1	11.4
EPACKPEB	20,566	230	12.3	BUY	17.5	15.5	17.0	20.2	19.6	15.4	10.4	8.3
MBEL	16,219	370	30.4	BUY	15.0	19.9	19.2	22.3	14.9	11.5	8.7	6.6

Source: DAM Capital Research; Note: EPS CAGR accounts for equity base dilution post IPO

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Contents

Executive Summary

Pre-Engineered Buildings (PEB) is a credible proxy play on India's potential industrial capex cycle. Because it houses the primary production line, a PEB structurally precedes machinery installation, functioning as the initial capital asset deployed in an industrial rollout. Near-term uncertainties aside, we believe India's private capex upturn is long awaited and this should converge with rising PEB penetration (which is ~3-5% of overall construction, ~13-15% of industrial construction as of FY25). Organized players, with strong balance sheets (which all our coverage companies have), are well poised to capitalize on these opportunities on hand.

We initiate coverage on Interarch Building Solutions (INTERARC / TP Rs 2,220 / 25% upside), Epack Prefab Technologies (EPACKPEB / TP Rs 230 / 12% upside) and M&B Engineering (MBEL / TP Rs 370 / 30% upside). Each is a distinct way to own the same structural tailwind – INTERARC for scale and stability, EPACK for growth, and MBEL for North America export-led margins + plugging white-spaces in India.

Exhibit 1: Pre-Engineered Buildings (PEB) Coverage Snapshot

Company	CMP (Rs)	TP (Rs)	Upside (%)	Rating	Current PE FY28E (x)	Target PE FY28E (x)	PAT CAGR FY26-28E	RoCE FY28E (%)
INTERARC	1,779	2,220	24.8	BUY	16.0	20.0	16.5	19.1
EPACKPEB	205	230	12.3	BUY	15.4	17.5	20.0	20.2
MBEL	284	370	30.4	BUY	11.5	15.0	22.6	22.3

Source: DAM Capital Research

❑ A structural capex proxy

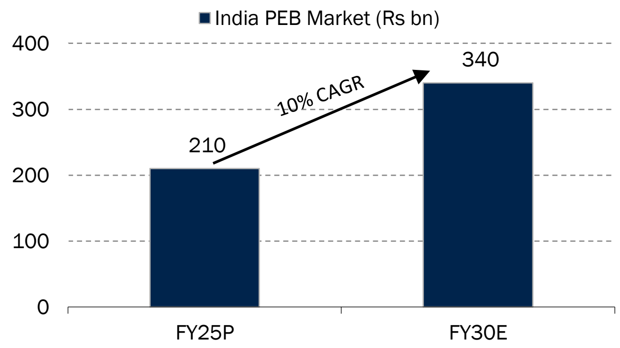
➢ The macro picture is aligning for an industrial capex upcycle ahead

After a services-led decade in which industry's contribution lagged, we believe the stage is being set for industry to take the lead in India's economic growth – government capex has run at ~4-5% of GDP over FY22-26 (vs ~3% over FY10-21), corporate balance sheets have improved (NSE-500 ex-financials D/E ratio is down to ~1x from a ~1.5x FY17 peak; RoE back to ~15%), system-wide capacity utilisation has held above ~75% (a level historically associated with fresh greenfield commitments) and rate cuts through 2025 (and we expect RBI's dovish stance to continue as it focuses on growth) have made financing supportive. Policy initiatives (PLI, industrial corridors, plug-and-play sheds) and potential global supply-chain diversification add structural legs to the forthcoming industrialization capex upcycle theme and, with it, the PEB growth story.

➢ The PEB market – growing and consolidating to the organized few

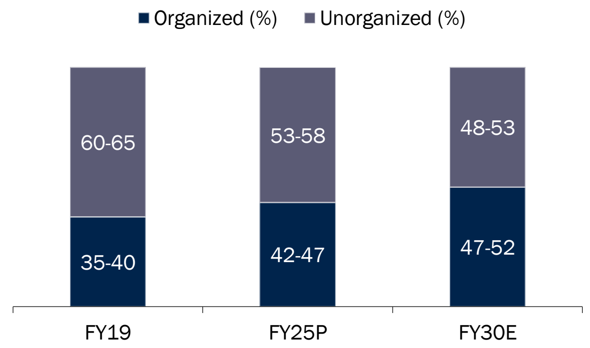
As per CRISIL, the PEB market is expected to grow ~10% CAGR over FY25-30E from ~Rs210bn to ~Rs340bn – with the organized segment compounding faster at ~13% CAGR taking its share from ~42-47% to ~47-52% over this period. Within the organized segment, the largest best-run players can outgrow even these rates of growth, since demand is funnelling towards vendors who can execute large, complex and time-critical orders.

Exhibit 2: India's PEB market to grow ~10% CAGR to ~Rs340bn over FY25-30E



Source: CRISIL, Company DRHPs, DAM Capital Research

Exhibit 3: Organized players to grow faster at ~13% CAGR and gain share from the unorganized space



Source: CRISIL, Company DRHPs, DAM Capital Research

➢ PEB adoption is structural and effectively irreversible

On a like-for-like bill of materials basis, an RCC structure appears 15-35% cheaper versus a PEB – but once the full picture is taken into consideration (speed, quality, expandability, etc.), a PEB wins decisively. For many modern automated plants where the demand for column-free spans is large, an RCC structure cannot economically deliver at the level a PEB can and hence PEBs are becoming an acceptable and at times the default choice for a factory building.

Exhibit 4: PEBs vs Conventional Steel Buildings & RCC Buildings – PEBs tick all the relevant boxes

Dimension	PEB	Conventional Steel Building	RCC
Max Practical Clear Span	60m	40-50m	Economical up to 15-20m
Typical Construction Timeline	4 - 6 months	6 - 9 months	9 - 15 months
Weight	25-30% lighter vs CSB	Baseline	Heaviest
Customisation	Fully engineered on order	Universal sections; Limited	Formwork-constrained
Expandability / Modification	Easy	Possible	Not Practical
Suitability for Automated Plants	Purpose-Built	Possible	Not Suitable
Overall Project Cost (vs RCC)	20-40% lower	15-20% lower	Baseline

Source: Industry, DAM Capital Research; Note: Cost / Weight are broad estimates which vary by parameters

➢ A case for the big to become bigger

Order ticket sizes are escalating (from sub Rs100m earlier, order sizes of ~Rs1bn+ are more frequent today, and the industry expects that this can eventually touch Rs10bn+ as well) and large clients too are increasingly looking to consolidate large ticket orders to a single proven vendor versus splitting orders to multiple vendors (potentially increasing delay risks).

In our opinion, six capabilities separate winners from the long tail of unorganized / small-scale players – (1) design / engineering depth, (2) a technically-adept sales team (which educates and converts clients quickly), (3) steel price management, (4) delivery execution, (5) long track record, and (6) manufacturing capacity. While the first five capabilities require years of operational track record to establish, manufacturing capacity is easily matched with capital expenditure, making it the weakest structural moat. The result for well-run leaders – relatively low cyclicality (no end-sector exceeds ~30% of any player's book), better pricing power and RoCEs of 20%+ at scale.

❑ Beyond the core – levers that widen the TAM

Three adjacencies lift the story above the pure PEB theme for large players:

- **Heavy structures** (load-bearing steel for complex factories, high-rise buildings, infrastructure, data centres) adds ~Rs50bn, taking the addressable market to ~Rs260bn (~25% larger). With adoption increasing here as well, the heavy structures industry can grow faster (versus PEBs) at 15-25% CAGR.
- **Adjacencies** like sandwich panels, self-supported roofing, civil work, cranes can expand client wallet-share and open new accounts.
- **Exports** to developed markets (North America and Europe) are margin-accretive once certifications and GC relationships are earned.

Exhibit 5: PEB vs Heavy Structures – ~25% increase in TAM for companies targeting both spaces

Parameters	PEB	Heavy Structures
FY25 Market Size (Rs bn)	210	50
FY25 Market Size (MT)	1,500,000	500,000
Realisation (Rs / MT)	140	100
Mark-Up vs Steel Price (x)	~3x	~2x
CAGR Growth (FY25-30E) (%)	10	15 – 25

Source: Industry, DAM Capital Research

❑ The three stock plays for this theme

➢ INTERARC – Scale & Stability Play (with embedded options)

India's second-largest PEB player and the largest listed, with a ~4-decade track record and ~70-80% of revenue from repeat clients (most of whom count themselves amongst the largest corporate houses in India). As the company's expansions land (taking capacity to ~290k MTPA by FY27E-end) it completes a near pan-India footprint, driving a ~16% volume / ~17% earnings CAGR over FY26-28E, with RoCE inching back to ~19% and a net-cash balance sheet (~Rs2.5bn by FY28E). Heavy structures and North American exports (Mold-Tek, ER Steel tie-ups) are optionalities not yet in estimates.

➢ EPACKPEB – Pan-India Growth Play

The fastest compounder of the three (~36% revenue CAGR / ~48% PAT CAGR over FY22-26), EPACKPEB has demonstrated its execution capabilities and with its robust order book (from marquee clients) and incoming capacities (~50% addition over current base), we believe it is on track to deliver a strong ~20% earnings CAGR over FY26-28E while keeping working capital lean, and taking RoCE back to the ~20% level by FY28E driven by improved utilization. An integrated suite across the steel building value chain (sandwich panels, LGSF, etc.) can drive wallet-share expansion with existing clients and open new clients in the future.

➢ MBEL – North America Exports + Domestic Expansion Play

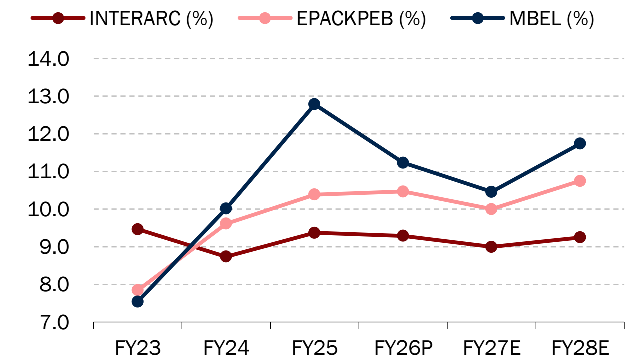
The only Indian PEB player with a credible foothold in the lucrative North American market, built over a decade of GC relationships and certifications (AISC, CWB). With this market opening up well for MBEL, export volumes should grow ~46% CAGR over FY26-28E, lifting consolidated EBITDA margins to ~12% by FY28E and driving a ~23% earnings CAGR over FY26-28E. Brownfield capacity additions should increase MBEL's footprint by 40% to ~144k MTPA by FY28E – aiding exports but also plugging white spaces in the South India market. A near-monopoly (~75% share) in the niche self-supported roofing segment adds a cross-sell lever.

Exhibit 6: PEB Coverage Universe - A Side-By-Side Comparison

Parameters	INTERARC	EPACKPEB	MBEL
FY26 PEB Revenue (Rs m)	18,980	13,659	9,846
FY26 PEB Capacity ('000 MTPA)	201	134*	104
Order Book / FY26 Revenue (Months)	10.8	9.8	10.7
Consolidated Revenue CAGR (FY26-28E)	~17%	~20%	~19%
EBITDA Margin (FY28E)	9.3	10.8	11.7
PAT CAGR (FY26-28E)	~17%	~20%	~23%
PAT Margin FY28E (%)	7.2	6.0	7.9
Net Working Capital FY28E (Days)	48	34	68
RoCE FY28E (%)	19.1	20.2	22.3
Net Cash by FY28E	~Rs2.5bn	~Rs1bn	~Rs2.5bn

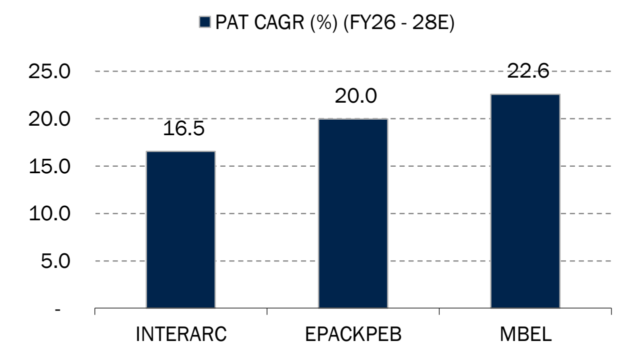
Source: Company, DAM Capital Research; Note: From April 2026, EPACKPEB's PEB capacity has risen to ~147k MTPA

Exhibit 7: EBITDA Margins – FY28E recovery after a temporary FY27E reset (new capacities / steel price uncertainties driven)



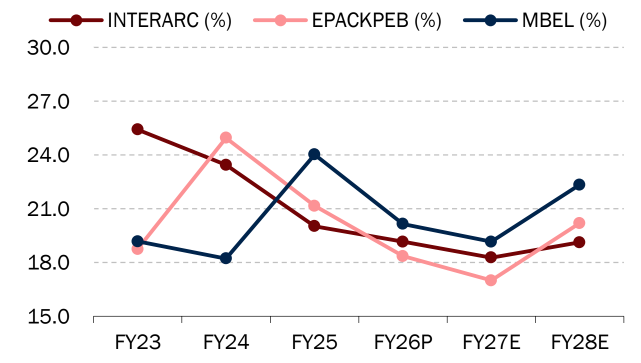
Source: Company, DAM Capital Research

Exhibit 8: Healthy profit growth across players – INTERARC steady, EPACKPEB fast, MBEL export mix-driven



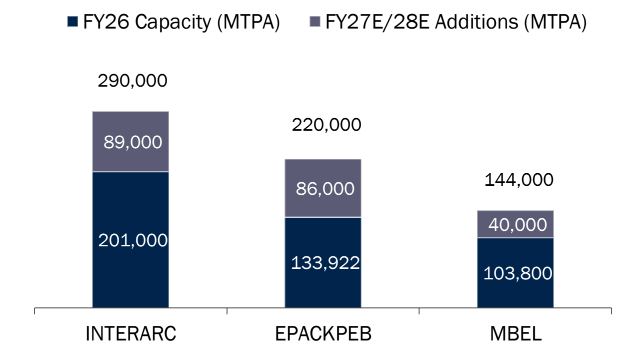
Source: Company, DAM Capital Research

Exhibit 9: RoCEs to trace margin improvement



Source: Company, DAM Capital Research

Exhibit 10: Capacity additions coming up for growth / margins



Source: Company, DAM Capital Research

❑ Comparative scorecard

Ranked 1-5 across nine parameters (5 = best-in-class), INTERARC tops the table, but EPACKPEB and MBEL are close behind – each leads on its own differentiator.

Exhibit 11: Comparative Scorecard – INTERARC ranks first, but EPACKPEB / MBEL not far behind

Parameter	INTERARC	EPACKPEB	MBEL
Scale and Market Position	5	3	2
PEB Revenue Growth (FY26-28E)	3	5	4
Capacity and Expansion Runway	5	4	3
EBITDA Margin	2	4	5
PAT Margin	4	3	5
Return Ratios (Level and Stability)	4	3	4
Balance Sheet Strength	5	3	4
Working-Capital Efficiency	3	5	2
OCF / FCF Generation through FY26-28E	4	4	3
Total (out of 45)	**35**	**34**	**32**

Source: Company, DAM Capital Research

❑ Valuation

We value INTERARC at 20x, EPACKPEB at 17.5x and MBEL at 15x FY28E EPS – the descending ladder reflecting size and scale, track record, growth quality and earnings predictability. EPACKPEB's discount is reflective of its shorter track record, but it scores above MBEL given its fast growth (while keeping balance sheet ratios controlled) and its focus being squarely on the India market. MBEL's discount reflects its smaller domestic scale and the lumpiness of export revenue.

Exhibit 12: PEB Coverage Universe – What to buy and why?

Company	Rating	Target Price (Rs) / Upside (%)	Target PE (FY28E)
INTERARC	BUY	Rs 2,220 (+25% Upside)	20.0
Why Buy?	Largest pure-play PEB name + Emerging optionalities in Heavy Structures / Exports		
USP	40-year track record / Strong foundations across our Six-Pillar Winners' Framework		
Risk	Weak execution in Heavy Structures (where entrenched incumbents are present)		
EPACKPEB	BUY	Rs 230 (+12% Upside)	17.5
Why Buy?	Visible hunger for growth (given ~50% growth in capacity)		
USP	Proven executor given FY22-26 revenue CAGR (+36%)		
Risk	Low working capital hinged on high payables; Fast growth could hurt balance sheet		
MBEL	BUY	Rs 370 (+30% Upside)	15.0
Why Buy?	Only PEB export play in the high-margin US / Canada market		
USP	Multi-year efforts to build US / Canada presence already done (unlike peers)		
Risk	High working capital + potential US tariff uncertainties can cap margins		

Source: DAM Capital Research

❑ Key Risks

- **Dependence on capex cycle:** A broad capex slump should hit PEB demand (and improve buyers' bargaining power), though revenue diversification should help.
- **Steel price volatility:** Fixed price contracts and ~20% of order-book unhedged could mean margin dilution during volatile times. Shorter cycles, inventory discipline and pass-through clauses for large orders help mitigate this.
- **Competitive intensity:** Organized share still <50% and large orders can still be split amongst willing bidders if needed, keeping competitive / pricing pressures alive. Key is to keep moving up the value curve so that pricing power emerges.
- **Execution / working capital risks:** Large milestone billed orders or execution slip-ups (own or another partner working for the same client) could strain working capital and hence cash. Long lead times for exports (especially to North America) are also a risk which can reflect in longer inventory cycles. Strong balance sheets help tide for this.

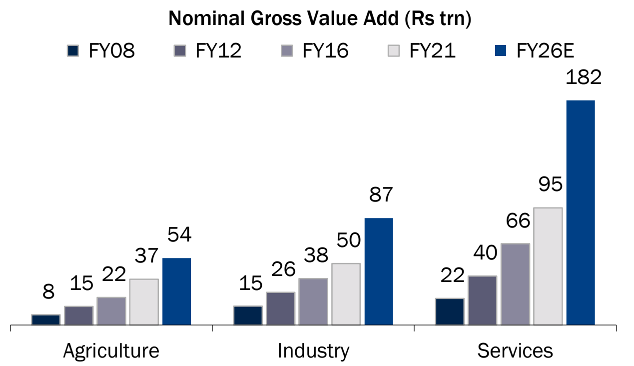
India at the threshold of an Industrial Capex Cycle

India's economic growth has been powered by services, while industry's contribution has remained lacklustre. However, there are signs that this should change in the years ahead as the government (both via its spending and its policy actions) has made the ground fertile for the private sector to take things forward on this front, especially since existing capacities systemwide may be at peak levels and companies as a whole are financially healthy to make such investments. In addition, global supply chain diversification should give additional legs to India's long-term manufacturing capital expenditure upcycle.

❑ India's growth trajectory – industry has not kept up so far...

Since the weakness induced by the global financial crisis in 2008, India's nominal GDP / GVA has registered a healthy ~12% CAGR over FY08-26E. Even over the last 5 / 10-year period, the Indian economy grew by ~10-12% CAGR. However, we note that the majority of the heavy lifting has been done by Services, followed by Agriculture and then Industry as a whole. Only over the last five years has Industry's contribution to overall growth been better versus Agriculture and appears to be catching up, growing close to the Services pace, but Services still beat them all. This does not come as a surprise given India's well-documented services-led growth model since the late 1990s.

Exhibit 13: Industry's contribution to India's growth...



Source: CMIE, DAM Capital Research

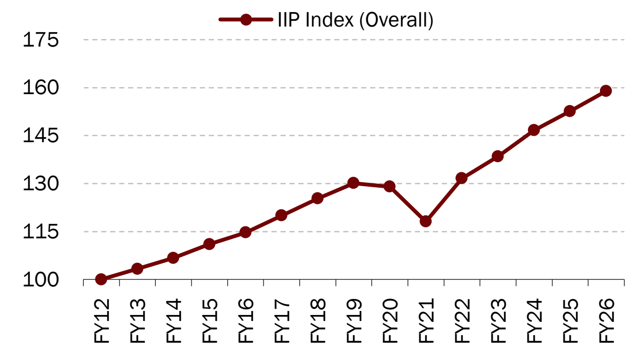
Exhibit 14: ...has lagged for most of the 21st century so far

GVA CAGR (%)	FY08-26E	FY12-26E	FY16-26E	FY21-26E
Agriculture	11.1	9.6	9.3	7.9
Industry	10.2	8.9	8.7	11.7
Services	12.6	11.5	10.7	13.9
Total	**11.6**	**10.4**	**9.9**	**12.2**

Source: CMIE, DAM Capital Research

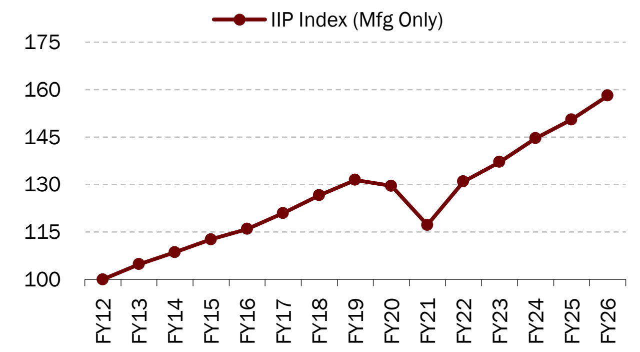
This 'weakness' is made clearer by the Index of Industrial Production (IIP). Since FY12 (the base year for the current IIP series), India's IIP index stands at ~159 (monthly average) in FY26, implying a mere ~3% CAGR over FY12-26E. Stripping out the effect of Electricity within IIP does not move the needle much either. Given that IIP is linked to actual output (volume / quantity driven unlike GVA which is nominal value driven), the anaemic print is indicative that industry's contribution to India's economic output has been lacklustre for long.

Exhibit 15: India's industrial output growth is weak...



Source: MOSPI, DAM Capital Research

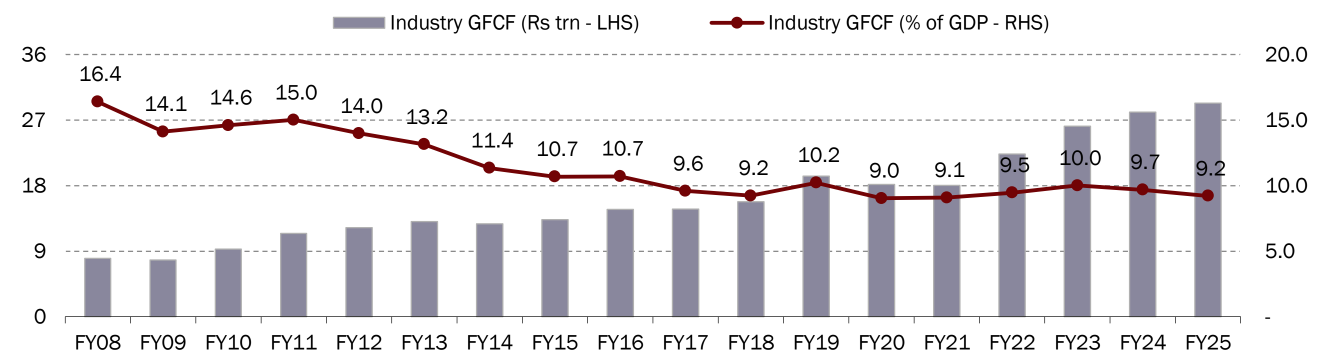
Exhibit 16: ... at ~3% CAGR over FY12-26E



Source: MOSPI, DAM Capital Research

India's Industry Gross Fixed Capital Formation (GFCF) is also indicating the same point of view. While overall GFCF has grown ~10% CAGR over FY08-25 (similar rate over FY12-25), industry GFCF has grown slower at ~8% CAGR over the same period. This figure includes capital expenditure by public sector undertakings in the industrial sector, which has been increasing (especially from FY16 onwards) implying that private industrial GFCF would have grown even slower – especially since as a percentage of GDP, Industry GFCF has been in the 9-11% range since FY15.

Exhibit 17: Industry GFCF at ~8% CAGR over FY08-25 and its share of GDP has been range-bound since FY15



Source: CMIE, DAM Capital Research

Across these three parameters that we have highlighted, it is evident that industry as a whole has a lot of catch-up to do, especially on the investment side (Industry GFCF as a % of GDP should ideally move back to the mid-teens which we saw over FY08-13) so that industrial output (as measured by IIP) breaks out of its anemic growth trajectory.

- ***The Jobs Argument for Industrialization***

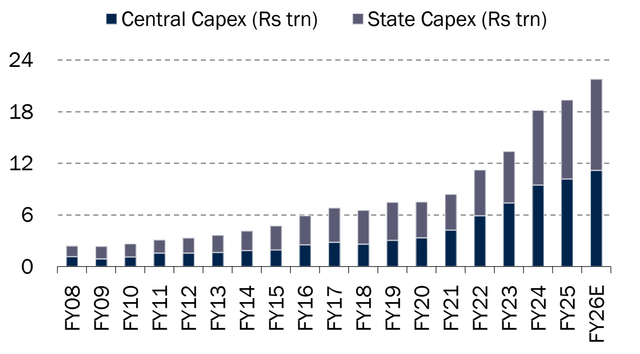
India adds ~10m workers to its labour force each year – a demographic dividend which can fall off track if not employed in a productive way. Services, despite adding higher value per capita (and having driven the bulk of India's GDP growth over the last two decades), is inherently capital and skill-intensive and hence has limited capacity to employ at the scale India needs. Manufacturing, by contrast, creates broad-based employment across skill levels (from floor workers to supply chain professionals). As such, India's industrialization urgency is not merely an economic growth argument, it is a structural necessity to protect its demographic dividend.

Manufacturing jobs also carry a durability advantage that is increasingly relevant in today's technology environment. Unlike services roles – particularly in IT, BPO, and back-office functions – which are directly in the crosshairs of AI-driven automation and offshoring risk, factory-floor and industrial manufacturing jobs are harder to automate at scale in the near term. Physical production, assembly, quality control, and logistics require human presence and judgment in ways that knowledge-process work increasingly does not. For an economy that needs to employ tens of millions of workers at varying skill levels over the next two decades, manufacturing offers a more resilient employment base and eventually a more sustainable economic growth for the country.

❑ ...but there are signs pointing to a potential change ahead

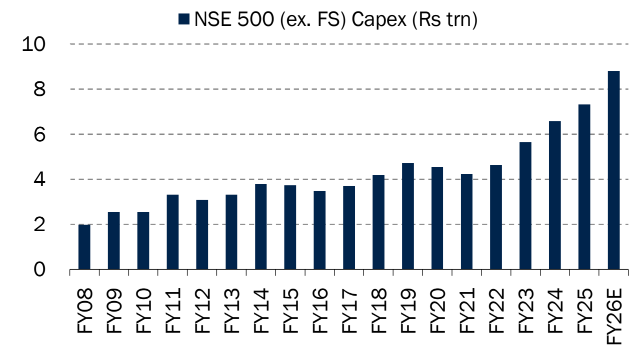
As highlighted in the previous point, industry has a lot of ground to cover, but CMIE data suggests an interesting contrast. As a percentage of GDP, while government capex (central + state) has been healthy since FY14 and has risen in recent years, the same from the private sector (we assume NSE 500 companies excluding financial services as a proxy) has dropped over this period. While we understand that not all components within government capex figures involve industrialization and that the NSE 500 excludes private companies who may have done the work, we believe the gap between the two would still stand, implying that the private sector has to accelerate investments – especially since the government (either through industrialization or infrastructure to support industrialization) seems to be doing its part of the heavy lifting.

Exhibit 18: Government capex is strong and growing...



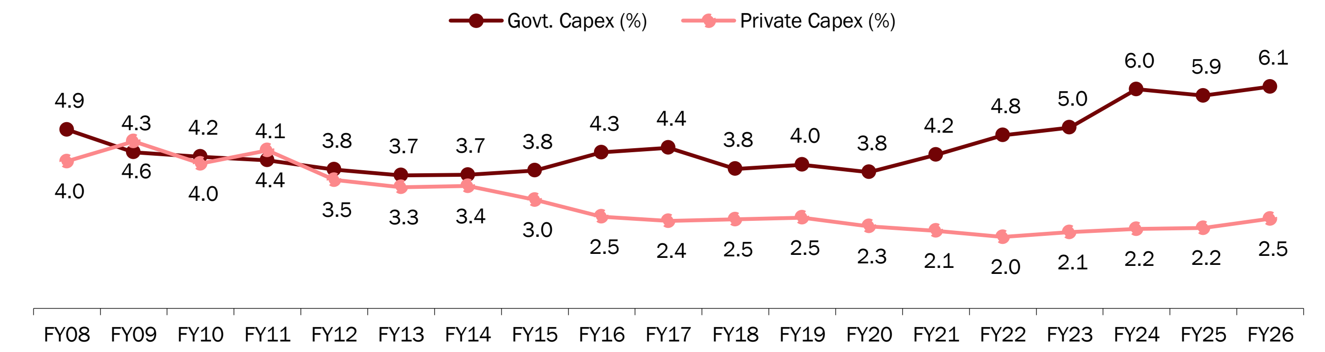
Source: CMIE, DAM Capital Research

Exhibit 19: ...and while private capex is improving...



Source: Bloomberg, DAM Capital Research

Exhibit 20: ...there is still a lot of catch-up the private sector needs to do to bridge the gap versus that of the governments

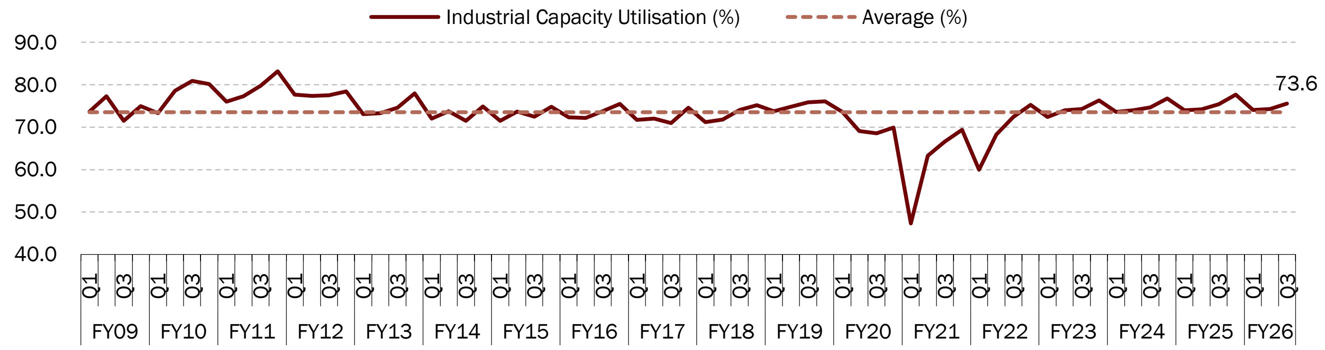


Source: CMIE, Bloomberg, DAM Capital Research; Note: Govt. capex (Central + State) includes loans to state governments by the Central govt.

Subpar IIP performance (given that it is volume / output linked) may indicate two things – (1) sluggish demand and / or (2) capacity constraints. While the former could be a reason, the decent nominal GDP growth (or even real GDP growth for that matter) hints that it may not be the dominant factor. This leads us to believe that capacity constraints at the industry level could be a larger factor behind the overall weak IIP print, hinting that capex needs to pick up.

RBI's OBICUS survey (of ~1,000 large manufacturing companies) too hints at a capacity constraint at the industry level. While overall capacity utilization rates have averaged at ~73% since the survey began in 2008, it has trended at the ~74-75% range over the last thirteen quarters (FY24 / 25 / 9MFY26). This is the longest sustained above-average level since the FY09-12 period (which coincided with the previous strong capex cycle). Q4FY25 reading of ~78% is also in the historical 78-80% zone which is typically associated with fresh greenfield commitments.

Exhibit 21: OBICUS survey data indicates that industrial capacities are close to the 78-80% zone which demands capex



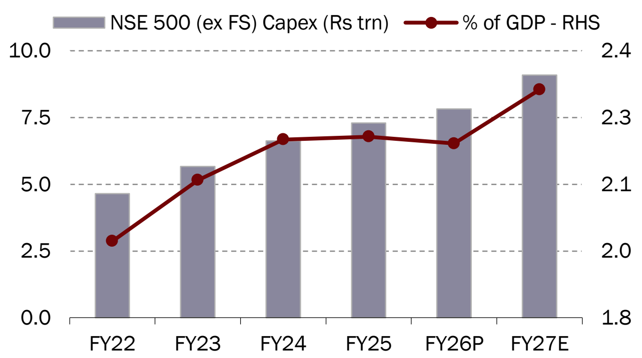
Source: RBI, DAM Capital Research

➢ ***Signs of private capital expenditure emerging***

In sync with OBICUS survey data, we see that the private sector is getting its act together on capital expenditure plans. While government capex (which includes more than just factory level spending) remains stable at ~6% of GDP, private sector capex is inching up from the ~2% levels and should steadily approach the ~2.5% mark. We use NSE 500 (ex. financial services) capex estimates data for FY26P / 27E as a proxy to private sector spending, but we believe that given the near-term period, these estimates should broadly match what companies are doing.

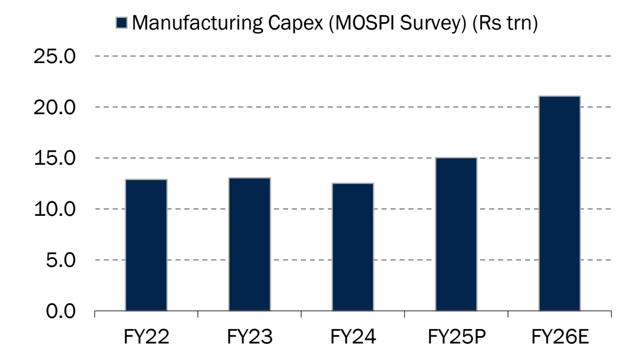
Also, we note that there would be large / medium scale private companies whose data is not captured here, but given the overall capex spending mood, it is unlikely that these players would want to be left out if they are operating at optimal utilizations. A MOSPI capex survey data document (published in 2024) which surveyed 588 manufacturing companies (together with a broader set of companies across sectors) indicated robust ~13% CAGR in capex spending over FY22-26E (mostly back-ended over FY25 / 26E) while our NSE 500 data too indicates a healthy ~14% CAGR over this period.

Exhibit 22: Private sector capex is beginning to trend up from lows in the previous years...



Source: Bloomberg, DAM Capital Research

Exhibit 23: ...with NSE 500 capex / MOSPI survey data pointing to an up move



Source: MOSPI, DAM Capital Research

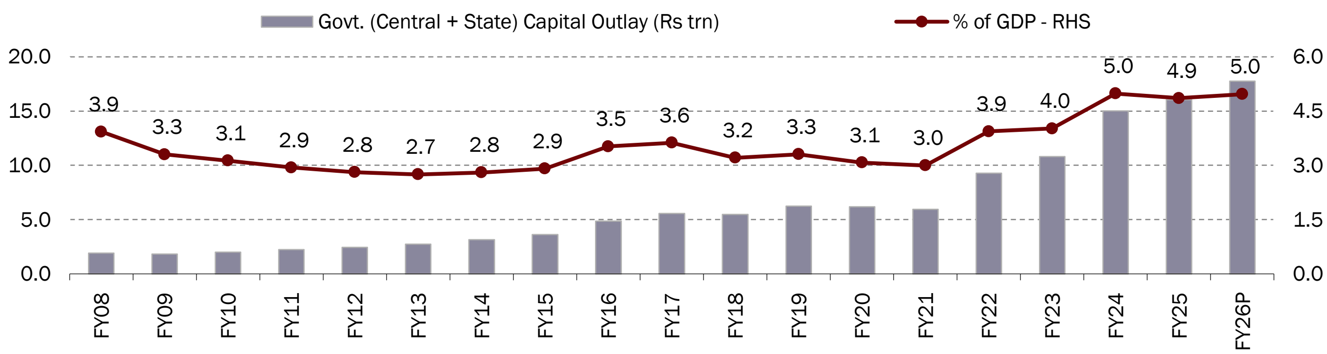
While a lot more must be done, there are signs that animal spirits in private investment spending are steadily coming back.

❑ Foundations for a springboard action in place...

The government continues to put its money where its mouth is when it comes to capital expenditure. Pure play capital outlay (excluding defence expenditure) by the government (central + state combined) has been averaging ~4.5-5% of GDP over the last five years now (vs ~3% over the 2010-20 decade). While there will be an element of factory building (via various unlisted public sector undertakings) within this budget, most of it in our opinion would be to create infrastructure to enable the private sector to step onto the capital expenditure bandwagon. In addition, the government's capex number (which would be higher than capital outlay) includes loans and advances to states, some of which should also find its way to the capital expenditure kitty.

In addition to core infrastructure investments, multiple initiatives have also been put in place to push for industrialization which include tax rationalization measures – corporate tax rates in FY19, income tax slab rationalization in FY25, GST rate changes in FY26 (the latter two to spur consumption which eventually improve end factory utilization), and a bouquet of industrial incentives for setting up new factory units (including industrial corridors, plug-and-play industrial infrastructure set ups, and production-linked incentives for capex).

Exhibit 24: Government Capital Outlay (ex. Defence Expenditure) is averaging ~4.5-5% of GDP over the last five years



Source: CMIE, Union Budget Documents, RBI, DAM Capital Research

Exhibit 25: Key infrastructure initiatives in place to enable India's manufacturing geography to strengthen

Initiative	Year of Launch	Objective
PM Gati Shakti	2021	Coordinated infrastructure development planning
National Logistics Policy	2022	Cut logistics costs (as % of GDP)
National Industrial Corridor	2021	Smart industrial cities along 11 major corridors
Dedicated Freight Corridor	2008	Freight only rail lines (incl. faster double-stack containers)

Source: Industry, DAM Capital Research

➢ *Policy Measures – Industrial Corridors (including Plug-and-Play Units) & PLI*

Three key infrastructure / policy measures which strengthen the case for PEB adoption further include dedicated investments / incentives towards setting up industrial parks / corridors, including industrial plug-and-play units (especially for the MSME sector) and production-linked incentives (to encourage factory capex in new-age industries).

- **Industrial Corridors:** Part of the National Industrial Corridor Development Programme (NICDP), the aim is to develop 11 major corridors across India to set up manufacturing hubs (alongside greenfield smart cities) along major transit hubs. The goal is to attract industrial investments since infrastructure will be ready to use. In addition to the usual provisions such as ready land, road / electricity / water connectivity, smaller parcels will also have ready-made PEB sheds so that MSMEs can immediately move-in with machinery (effectively making them plug-and-play). As on date ~Rs200bn has been approved by the central government for the NICDP of which ~Rs100bn has been spent as of mid-2024. Subsequent Budget documents show continued funding support, with actual FY25 outgo to NICDIT of ~Rs15bn (and a revised FY26 budget of Rs30bn).

The Union Budget 2026-27 has allocated a further Rs30bn to NICDIT (the trust that funds the NICDP programme) – a signal that the programme remains an active policy priority rather than a legacy commitment. In addition, 12 additional projects (total cost Rs286bn – total investment potential Rs1.5trn) have been approved in Budget 2024-25. More recently, the policy push has broadened through the government's latest industrial infrastructure initiative scheme (named Bharat Audyogik Vikas Yojana (BHAVYA)), wherein Rs337bn has been approved to develop 100 plug-and-play industrial parks across India.

Exhibit 26: National Industrial Corridor Development Programme (NICDP) Details

Industrial Corridor	Sanctioned Projects (#)	Completed Projects (#)	Projects Near Completion (#)
Delhi - Mumbai (DMIC)	10	4	2
Chennai - Bengaluru (CBIC)	3	-	2
Amritsar - Kolkata (AKIC)	7	-	-
Vizag - Chennai (VCIC)	3	-	-
Bengaluru - Mumbai (BMIC)	2	-	-
CBIC Extension to Kochi (ECKC)	2	-	-
Hyderabad - Nagpur (HNIC)	1	-	-
Hyderabad - Warangal (HWIC)	1	-	-
Hyderabad - Bengaluru (HBIC)	1	-	-
Odisha Economic Corridor (OEC)	1	-	-
Delhi - Nagpur (DNIC)	-	-	-

Source: PIB, DAM Capital Research; Note: Sanctioned Projects refer to industry / infrastructure estate projects within each corridor. Completed and Near-Completion counts primarily reflect Smart City Node development (Dholera, Shendra-Bidkin, Greater Noida, Vikram Udyogpuri under DMIC)

- **Production-Linked Incentive Scheme (PLI):** India's Production Linked Incentive (PLI) scheme is a set of performance-linked subsidies for incremental manufacturing output, designed to attract investment, build domestic supply chains, and boost exports; launched in 2020, it has since been expanded across 15 sectors (plus ISM 2.0) with a total approved incentive outlay of ~Rs2trn+. Per official data, there are 806 applications approved across sectors with actual investments of ~Rs1.8trn done so far.

Exhibit 27: PLI provides added impetus for industrialization

Production Linked Initiative Scheme	Budget Outlay (Rs bn)
Large-Scale Electronics	410
Auto (+ Components)	259
Solar PV Modules	240
Electronics Components	229
ACC Battery Storage	181
Pharmaceuticals	150
Telecom & Networking	122
Food Processing	109
Textiles & Apparel	107
IT Hardware	73
Bulk Drugs (APIs)	69
Specialty Steel	63
White Goods	62
ISM 2.0	46
Medical Devices	34
Drone (+ Equipment)	1
Total	**2,155**

Source: Industry, DAM Capital Research

Exhibit 28: Other incentives to encourage industrialization

Category	Typical Incentive
Capital Subsidy	15-25% of Fixed Asset Investment
Land	Concessional Rates; Stamp Duty Waivers
SGST	Refund for 5-10 years
Power	Electricity Duty Exemption (5-10 Years); Tariff Subsidy
Debt Cost	Interest subvention of 5-7% on term loans (3-5 years)
Employment	EPF / ESI reimbursement (for initial years)
Clearances	Single-window portals

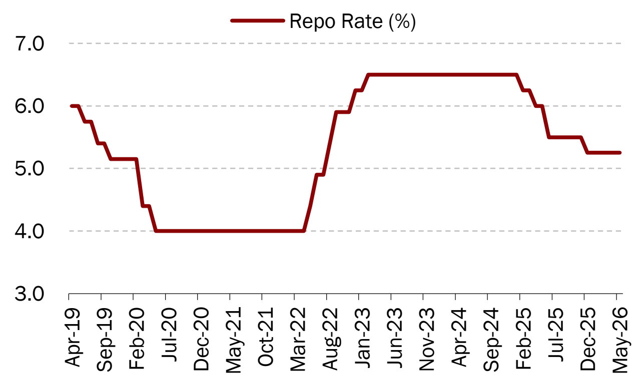
Source: Industry, State Industrial Policies, DAM Capital Research

➢ ***Interest rates have turned supportive as focus turns to growth vs inflation***

Post COVID when supply chain inflation made costs red-hot across the Indian economy, the Reserve Bank of India (RBI) was quick to hike repo rates (to which all lending rates are eventually linked) from 4.0% to 6.5% over April-December 2022. After a prolonged fight (when repo rates clung to the 6.5% level), inflationary pressures cooled down and the RBI (alongside its broader measures to improve liquidity levels on the ground) started cutting rates over 2025. This dovish stance has translated into lending rate cuts across the banking system – conducive for industry to finance capital expenditure needs in the near-term.

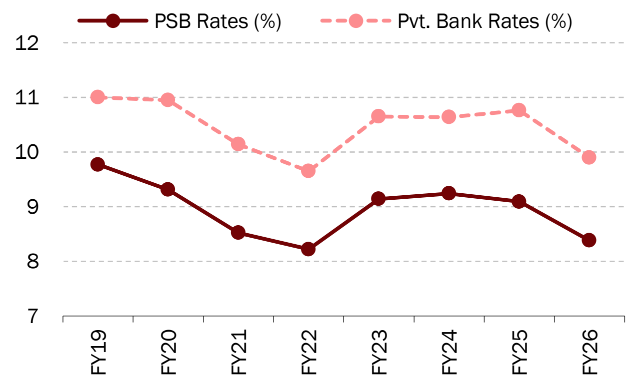
Although in the near-term, there are rising inflationary pressures due to supply chain disruptions post the Middle East war, we believe the RBI will remain growth focused and act accordingly on policy measures like repo rate revisions.

Exhibit 29: RBI doing its bit on lending rates...



Source: RBI, DAM Capital Research

Exhibit 30: ...which should support capex financing



Source: RBI, DAM Capital Research

Case in Point – Semiconductor industry's sunrise moment

India's nascent semiconductor industry is a good case-in-point for how industrialization accelerates when policy and capital (domestic / foreign) stars align. After the Rs760bn Semicon India Programme was launched in December 2021, followed by states providing their own incentives to encourage setting up such factories within their borders, both domestic players and foreign corporations are now taking concrete steps towards building an eventual supply chain for semiconductor chips (ATMP, Fabrication, OSAT facilities) in India. In addition, research and design laboratories too are being set up to bring in technologies which can eventually feed the product ecosystem. As on date, 12 projects across six states have been approved with an investment plan of Rs1.6trn.

This is a long-term developing programme which should eventually lead to India becoming a production powerhouse for electronics including components, both critical and non-critical ones that feed into such devices. This confluence of incentives at the government level should, assuming demand is there (or can be created once supply is solved for), attract players to set up industries, paving the way for industrialization to power on ahead.

Semiconductors – The Policy Bedrock in place…

Incentive	Notes
Semicon India Programme	• 50% Fiscal Support on Project Cost (Silicon / Display FAB, ATMP / OSAT) • Design Linked Incentive Scheme (Indigenous Chip Design) • Rs760bn investment commitment
State Incentives	• **Gujarat** - 50% subsidy of Central Incentive + Dedicated Industrial Infra (Dholera / Sanand) • **Andhra Pradesh** - 60% subsidy of Central Incentive • **Odisha** - 30% Capex Subsidy + Tax / Duty Exemptions

Source: Industry, DAM Capital Research

Semiconductors – …and the investments are following suit

Company	Project	Location	Investment	Remark
Factory-Level Investments				
Tata Electronics (with PSMC)*	Fab Unit	Dholera (Gujarat)	Rs910bn	28-55nm chips manufacturing capacity (50k wafers per month)
Tower Semi (JV with Adani)	Fab Unit	Taloja (Maharashtra)	Rs840bn	80k wafers/month / Currently being re-evaluated given financial/demand concerns
TSAT (Tata)*	OSAT / ATMP	Morigaon (Assam)	Rs270bn	48m chips per day
Micron Technology*	ATMP	Sanand (Gujarat)	Rs225bn	Memory chips assembly / testing
Indichip Semiconductors	Fab Unit	Orvakal (Andhra Pradesh)	Rs140bn	50k SiC wafers per month from launch + 3 years
Lam Research	Equipment Mfg	Bengaluru (Karnataka)	Rs100bn	Equipment mfg facility (MoU at Invest Karnataka 2025) (Inv. amount unconfirmed)
CG Power (Renesas / Stars JV)*	OSAT / ATMP	Sanand (Gujarat)	Rs76bn	14.5m chips testing / packaging per day
Vama Sundari (HCL-Foxconn JV)*	OSAT	Jewar (UP)	Rs37bn	Display Driver Chips assembly / packaging
Kaynes Semicon*	OSAT / ATMP	Sanand (Gujarat)	Rs33bn	6m chips per day
Crystal Matrix*	OSAT / ATMP	Dholera (Gujarat)	Rs31bn	GaN tech for Mini / Micro-LED Display Units
SiCSem*	Power Devices	Bhubaneshwar (Odisha)	Rs21bn	Compound Semiconductor Fab (60k wafers/year) + Packaging (96m units/year)
3D Glass Solutions Inc*	Misc.	Bhubaneshwar (Odisha)	Rs19bn	~70k panels + 50m glass substrates per year
Polymatech Electronics	Fab Unit	Nava Raipur (Chattisgarh)	Rs11bn	GaN semicon chips (10bn/year by 2030)
Suchi Semicon*	OSAT	Surat (Gujarat)	Rs9bn	Chip testing (target 3m chips/day)
RIR Electronics	Fab Unit	Odisha	Rs6bn	SiC Fabrication Unit (Power Sector)
ASIP Technologies (+ APACT)*	OSAT	Andhra Pradesh	Rs5bn	Semicon Packaging + Assembly Unit
Continental Devices India*	Misc.	Mohali (Punjab)	Rs1bn	High-Power Discrete Semiconductors unit expansion (158m devices per year)
Research Laboratories				
Applied Materials	R&D / Engineering	Bengaluru (Karnataka)	$400m	Semicon equipment engineering center (Investment over 4 years; announced June 2023)
AMD	Design	Bengaluru (Karnataka)	$400m	AMD's largest global design center
Lam Research	Training	Bengaluru (Karnataka)	$30m	60k engineers training goal

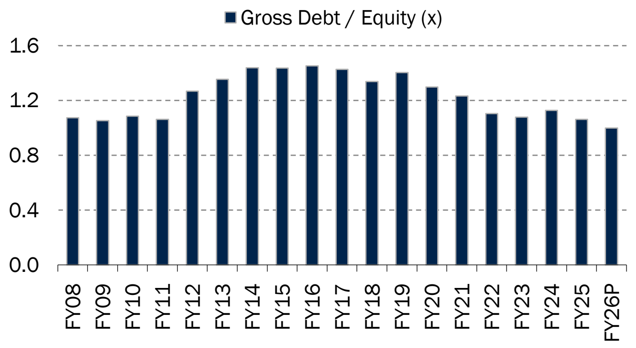
*Source: Industry, DAM Capital Research; *Approved under ISM 1.0 program*

❑ ...and the private sector is prepared to press the pedal hard

India's large, listed corporates (as represented by the NSE 500 ex-Financials) have quietly undergone a decade-long balance sheet repair that now positions them well to fund a new investment cycle. Aggregate Debt/Equity steadily increased over FY10-17, peaking at ~1.5x in FY16 and has since compressed to ~1x by FY26 (~30% decline from the peak). The drop in debt levels has come on the side of improved repayment abilities via operating profits as reflective in the Net Debt/EBITDA metric over recent fiscals.

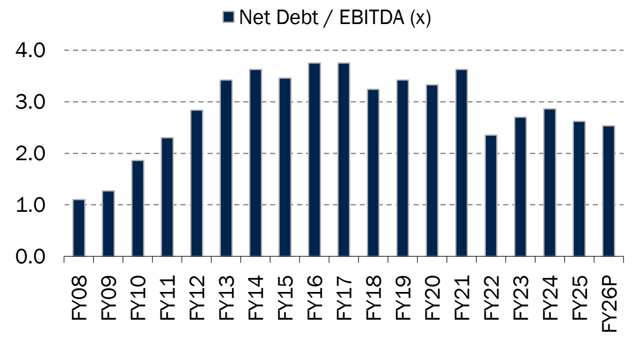
Simultaneously, return on equity, after years of steady decline, bottomed at ~9% in FY21 and has since improved to ~15% by FY26 from trough levels reflective of improved net profit margins or better asset turns (since debt has declined overall). The two factors indicate one thing – that private corporates now have the means to invest and are not constrained by their balance sheets as used to be in the past.

Exhibit 31: NSE-500 debt levels have reduced to ~1x in FY26 from peak levels of ~1.5x seen in FY16...



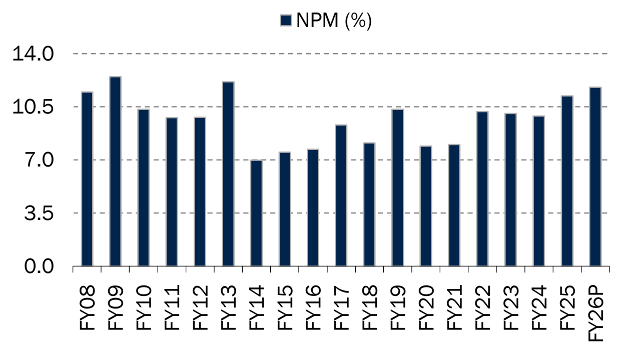
Source: Bloomberg, DAM Capital Research

Exhibit 32: ...while companies' repaying power has improved in recent years as seen by the Net Debt/EBITDA metric



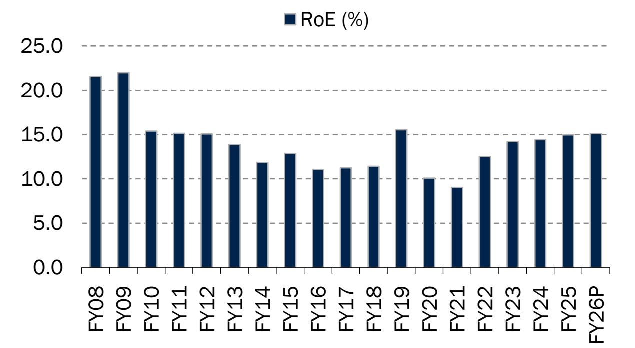
Source: Bloomberg, DAM Capital Research

Exhibit 33: Drop in debt has been a factor in improving net profit margins for NSE-500 companies in recent fiscals...



Source: Bloomberg, DAM Capital Research

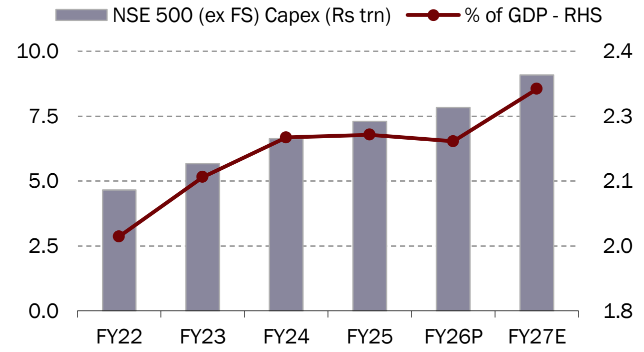
Exhibit 34: ...while aggregate RoE has improved ~600 bps to 15% by FY26 (vs the FY21 bottom of ~9%)



Source: Bloomberg, DAM Capital Research

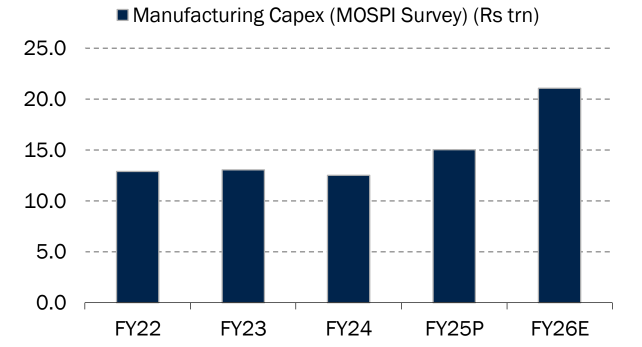
As highlighted earlier in this section, private sector capex has started to trend higher in recent years, but we believe this is just the start. As the hunger for growth returns across the board, overall ground level capex will only increase over the near to medium-term.

Exhibit 35: NSE 500 capex to grow ~12% CAGR (FY25-27E)



Source: Bloomberg, DAM Capital Research

Exhibit 36: MOSPI survey indicates ~13% capex CAGR



Source: MOSPI, DAM Capital Research

❑ China + 1 & Beyond = Structural Tailwind for Indian Manufacturing

COVID-19 exposed the cost of single-country manufacturing concentration. When Chinese factories shut in early 2020, production lines halted globally within weeks. The strategic response → global manufacturers began contemplating and even building geographic redundancy into supply chains that decades of cost optimisation had stripped out. India was an obvious candidate – large domestic market, young English-speaking workforce, competitive labour costs, democratic governance – but it did not win as much market-share versus some of the Southeast Asian countries due to real gaps: logistics costs at 13-14% of GDP, thin industrial ecosystems outside a few clusters, slow clearances, and inadequate infrastructure.

➢ *India is closing the gap*

Multiple initiatives have been put in place to improve India's standing as a manufacturing hub and some of these are already showing signs of progress. As highlighted earlier in this section, measures put in place are yielding results and this has brought in foreign companies to invest in new or existing manufacturing facilities in India – both in existing industries as well as new supply ecosystems around electronics and semiconductors.

India's Apple iPhone success story is a clear case-in-point of what may be in store for other industries diversifying their supply chains. India shipped 55mn iPhones in 2025 (~25% of Apple's total global output; 36mn in 2024), with cumulative shipments worth $50bn over FY22-9MFY26 (Source: ET) under the PLI scheme.

Exhibit 37: India's manufacturing fortress is a work-in-progress

Enabler	What came through	Current Status
Logistics Costs	13-14% of GDP → 8.4% of GDP	Ongoing; NLP target sub 8% by 2030
Freight Infrastructure	Dedicated Freight Corridors (2,843 km)	EDFC 96% Operational; WDFC Final Stretch
Industrial Zones	PM Gati Shakti + 11 Industrial Corridors	293 Projects worth Rs14trn evaluated
Manufacturing Incentives	PLI Schemes across 15 sectors	Rs2trn+ outlay; Rs290bn disbursed so far
State Competition	Capital Subsidies, Power, Clearances	Industrial states have dedicated Industrial Policies
Labour Costs	Competitive vs China / SE Asia still	-

Source: Industry, DAM Capital Research

➤ ***The Middle East Conflict – A potential opportunity for India***

The Red Sea Crisis in 2023 reminded the world again about the fragility of concentrated supply chains – both on the production side as well as the shipping side. While the ongoing Middle East tensions are once again threatening to drive supply constraints higher, we believe global manufacturing companies will once again relook their long-term plans of supply diversification to the extent possible. With India's manufacturing foundations improving, and the China + 1 theme still alive, any further disruptions could accelerate manufacturing investments in countries less dependent on transit via volatile geographies.

The data presented in this section points to a confluence that is rare – capacity utilization at multi-year highs and approaching optimal levels, corporate balance sheets in their healthiest shape in a decade, and a government that has been on the front foot of driving investments (both via policy incentives and actual spending), and a global supply chain diversification mindset that is actively realigning in India's favour. Industry has underperformed India's broader economic growth for most of the last two decades, but there are clear signs of a change ahead where the persistent underperformer can turn into a structural growth engine and the private industrial capex cycle that follows should, in our view, be durable underpinned by structural demand trends.

And when industrialization picks up, demand for industrial structures will also rise materially – this is where the pre-engineered buildings industry comes into play.

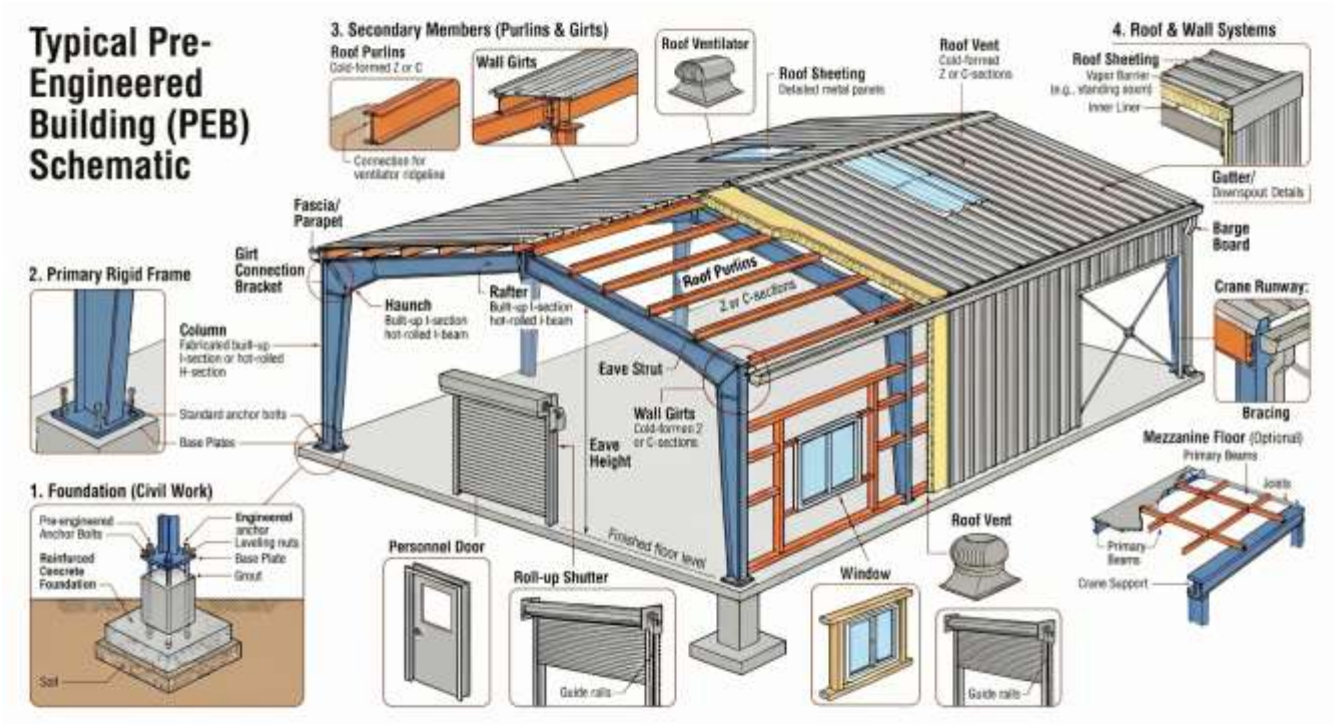
Industrialization push = PEB market gains pace

Per CRISIL, the pre-engineered building (PEB) market is estimated to grow ~10% CAGR over FY25-30E and touch ~Rs340bn. As industrialization gathers pace and given the inherent advantages of PEBs (over RCC structures), low penetration vs traditional construction (3-5% of total) and with order complexity / size increasing, large organized players can grow faster than the organized industry growth estimate of ~13% CAGR over FY25-30E.

❑ Pre-Engineered Building (PEB) – A quick primer

In the world of factories, **a pre-engineered building (PEB) is the outer structure within which a factory's production processes / machinery are housed.** These structures can be as simple as a large shed or it can have multiple layers of complexity where the outer structure and the machinery are interlinked. Initially, a civil contractor creates a concrete foundation and once that is ready, PEB players step in and construct the building in phases, with the primary rigid frames / columns being built out first followed by secondary elements like roofs, outer walls, etc.

Exhibit 38: Anatomy of a simple Pre-Engineered Building



Source: Industry, DAM Capital Research

Exhibit 39: The primary frames are installed first…

Source: Company, DAM Capital Research

Exhibit 40: …post which walls / roofs / others come in

Source: Company, DAM Capital Research

➢ *Steel – Key raw material for a PEB…*

Steel – either through plates or coils / pipes – constitutes nearly ~85-90% of the total raw material basket of a PEB structure (65-70% is primary / secondary steel alone). The balance constitutes bought-out items like fasteners, bolts, canopies, etc. which are needed to bring up the structure as well as miscellaneous items like paints, primers, insulation materials, etc. depending on the project under question.

Exhibit 41: PEB – Raw material basket

Raw Material	Description	% of Material Cost
Primary Steel (HR Plate)	Primary Frames – Columns, Rafters, Beams (Fabricated from Plates into Built-Up Sections)	55-60%
Secondary Steel (Coils, Pipes, Rods)	Roll-formed into Purlins, Girts, Eave Struts	10-15%
Roof / Wall Claddings	Steel coils with surface coatings (Colour / Zinc)	10-15%
Bought-Out Items	Fasteners, Anchor Bolts, Base Plates, Paints, Primers, Doors, Windows, Canopies, Insulation Materials	10-15%

Source: Industry, DAM Capital Research

➢ *… whose price / inventory management is important*

While certain large-sized long-duration orders may have a steel price pass-through clause, most orders (with typical turnaround times of 4-6 months) are on a fixed price basis. At any given time, a large PEB player will have 7-8 weeks of steel inventory on hand and another 7-8 weeks of steel purchased from mills but not delivered yet – giving 3.5-4 months of steel price clarity. Beyond this period, players will have to estimate steel price movements and build in some margin of safety while bidding (barring unforeseen black swan events, steel prices generally follow a seasonality trend).

Theoretically, steel procurement follows a 'back-to-back' process in sync with order booking, but there are some grey areas which can creep up if steel prices have changed during the bidding stage versus the order win stage (the interval between bid placement and order win can be 4-6 weeks). However, over the course of a year, as multiple orders are executed, these differences get evened out.

➢ *PEB chain – from conceptualization to realization*

While every PEB may look similar from the outside, each PEB tends to be unique since they are all manufactured as per the client's requirement. However, they all follow the same stages which we highlight below:

- **Pre-Bid Groundwork:** Based on understanding the customer requirements, a rough schematic is drawn up, and a price / time of delivery estimate is created depending on the approximate tonnage of steel / products needed, the average price of raw materials on hand plus the various margins that a company will keep over this.
- **Design & Engineering:** Post bidding and after successful order win, the in-house design / engineering team gets to work on finalizing each component that needs to be fabricated or procured from third party suppliers as well as in what order these need to be fabricated (primary components first, secondary ones later).
- **Fabrication:** Building components are fabricated at PEB players' units (all of which are unique since each project is different) as per the sequence in which each component needs to be delivered to the end client's site.
- **Transportation to Client Site:** PEB components are delivered to the client's site in complete knocked down (CKD) condition. This is done in phases so that there is no pile-up of steel components at the client's site.
- **Erection:** Assuming civil work is on track (or completed), the CKD components are assembled at the site – the skeleton structure first, the secondary roofs / cladding comes in later. PEB players generally prefer to hire third-party certified

builders / assemblers for this part (with an in-house project management / erection team overseeing this), though some have erection teams in-house.

- **Final Inspection / Hand-Over:** As the final building is ready, the end client will inspect it again and if any minor changes are needed, the PEB player would incorporate this. Post this, one final inspection will be done after which the building is handed over to the client.

Exhibit 42: The PEB Lifecycle – From concept to delivery

Source: Industry, DAM Capital Research

❑ PEBs score well versus traditional RCC structures

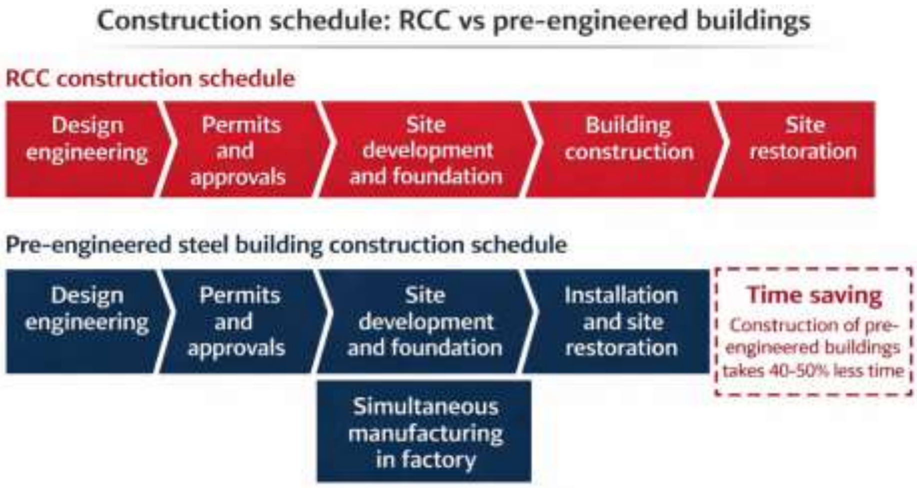
Although on a like-for-like bill of materials basis, reinforced cement concrete (RCC) structures for a factory are 15-35% cheaper versus a comparable PEB, but from an overall lens, PEBs score better across all fronts including time of delivery, quality control, and sustainability (including the ability to recycle at the end of the project's life). While seen in isolation, an RCC structure may be cheaper, but taking time of delivery into the picture (~40-50% slower vs PEBs), from an end-client's lens, a PEB will score higher on economic terms as the client's business will be operational faster (opportunity cost is higher in case of RCC vs PEB).

Exhibit 43: PEB vs RCC – PEB a clear winner in the overall picture

Parameter	PEB	RCC
Construction Cost (Like-To-Like on Bill of Materials (BOM) basis)	15-35% expensive vs RCC	Baseline
Construction Location	Factory fabrication; On-site assembly	Entirely on-site
Construction Time	50% faster vs RCC buildings	Varies but generally takes 12 months at least
Column-Free Span Length	30 – 50 m (possible to expand to 100 m)	9 – 12 m (post-tensioned RCC can extend to 18 – 20 m)
Manpower Requirement	25% lower vs RCC	High (and through the construction period)
Quality Control	Easy given factory level inspections	Site-level inspections need to be on a consistent basis
Environment Effect	Fabrication at factories; Steel = Low Pollution on site; Minimal wastage (given streamlined production)	Generates dust / air pollution and creates waste
Maintenance	Low (vs RCC)	Regular
Future Modifications	Flexible. Extensions are also possible in the future.	Difficult for alterations
Resale Value	Steel can be recycled at the end of the project	Low

Source: Industry, CRISIL, Company RHPs, DAM Capital Research

Exhibit 44: PEB vs RCC – Construction time saved more than overcomes the initial higher construction cost



Source: CRISIL, Company RHPs, DAM Capital Research

❑ India's PEB market – Industrialization + Penetration = Long Runway!

As rightfully said by industry leaders, a PEB is technically the first 'capital good' deployed when a factory (or even a warehouse) is built. Only once a PEB is ready is when the machinery can be installed and production (and eventually cash flow) from the factory can commence. Given that we believe that India is on the cusp of a multi-year factory building cycle, every unit of industrial capex sanctioned would eventually demand a structure which would house the production process. As described earlier in this section, given that PEBs win over RCC structures when the full picture is observed, increasingly we expect PEB players to be the first call of business for any company which plans to set up a factory.

What also plays out in favour of the PEB industry is that it is completely industry agnostic (which is not necessarily the case for other capital goods). The cyclical nature of industry in general can mean certain industries may be in capex phase while others may not, but the PEB industry will always be in business as long as the overall industry capex cycle continues. Multiple initiatives by the government (as highlighted earlier), including creating logistics parks or warehouses (which also need PEBs) means that the PEB industry will remain in reckoning for a long time.

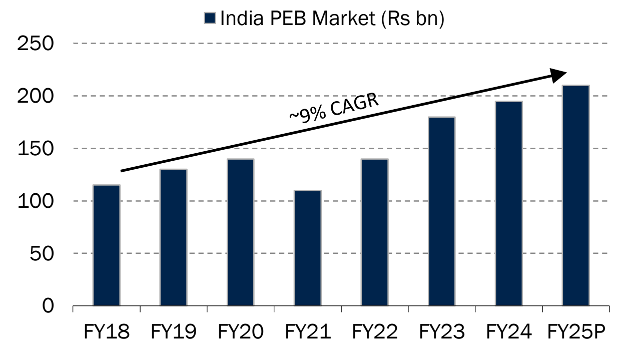
➢ *India's PEB market parameters*

As per CRISIL, the Indian PEB market was valued at ~Rs210bn as of FY25 – registering a ~9% CAGR over the FY18-25 period. A two-year drop in the immediate post COVID period was fully recovered by FY23 before the industry continued its gradual up move. Digging deeper into this growth though, one learns that industry's contribution to incremental PEB growth over this period was lower (+Rs30bn) versus that of infrastructure (+Rs40-45bn) – reflective of what our macro thematic data suggested that at the overall level, the government (which would drive the majority of investments in our view) was the heavy lifter versus industry.

Going forward, CRISIL estimates the PEB industry to grow ~10% CAGR over FY25-30E, touching ~Rs340bn by the end of this period. Unlike the recent historical years, the forward years are where both Industry and Infrastructure will contribute in broadly the same proportion to incremental growth – which we concur with given our expectation of industry (especially the private sector) taking over ahead.

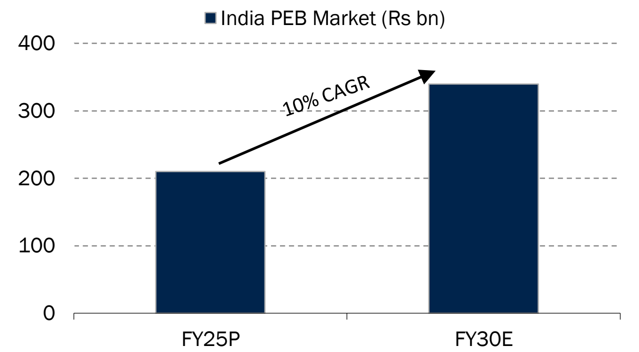
To frame the scale of opportunity differently, the estimated cumulative industrial and infrastructure capex over FY26-30E is ~Rs70-80trn. PEB structures typically represent less than 10% of a factory's total project cost, but even at that modest share, the implied cumulative addressable PEB opportunity from this capex wave alone runs into several trillion rupees – underscoring why the industry's ~10% CAGR estimate may prove conservative if private capex accelerates as we expect.

Exhibit 45: India PEB market valued at ~Rs210bn...



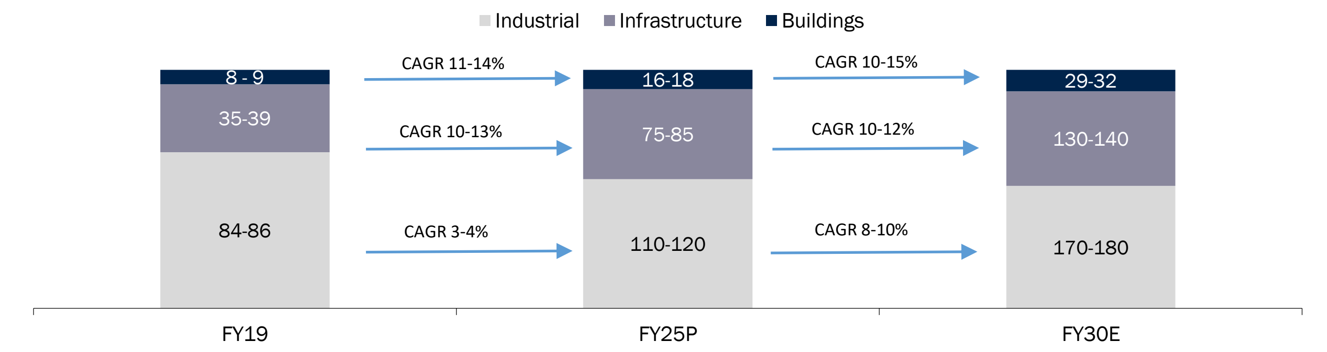
Source: CRISIL, Company RHPs, DAM Capital Research

Exhibit 46: ...which should touch ~Rs340bn by FY30E



Source: CRISIL, Company RHPs, DAM Capital Research

Exhibit 47: Industry's contribution over FY19-25 has been relatively lackluster, but expect better in the years ahead

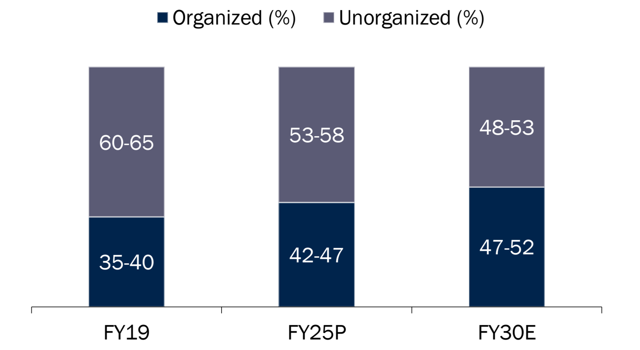


Source: CRISIL, Company RHPs, DAM Capital Research

Unorganized players used to dominate this industry (~60-65% share in FY19) as the end-demand used to be simple low tonnage structures which could be catered by regional players. Pricing was crucial for such demand applications and hence regional players were sufficient to cater to this demand.

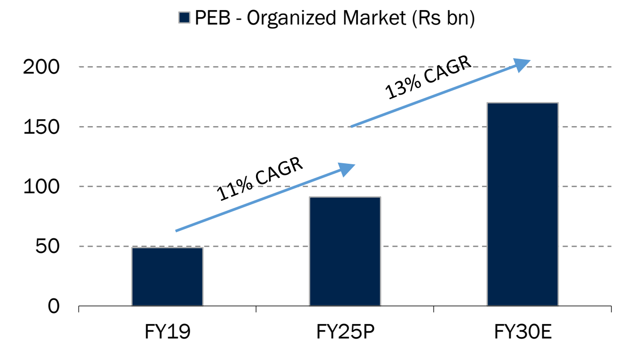
Over time, as awareness of PEBs has increased, structure complexity (while keeping costs in check) and timely delivery has increasingly become the need of the hour. As a result, the organized industry has steadily gained share over the unorganized industry. As per CRISIL, over FY19-25, the organized share of the PEB industry rose from 35-40% in FY19 to 42-47% by FY25. As complexity / size requirements increase – especially from new age industries like Semiconductors, Renewables, etc., the organized share of the industry is expected to touch ~47-52% levels by FY30E – implying that the organized PEB market should grow 13% CAGR.

Exhibit 48: Organized players to expand market-share...



Source: CRISIL, Company RHPs, DAM Capital Research

Exhibit 49: ... and grow faster at ~13% CAGR (FY25-30E)

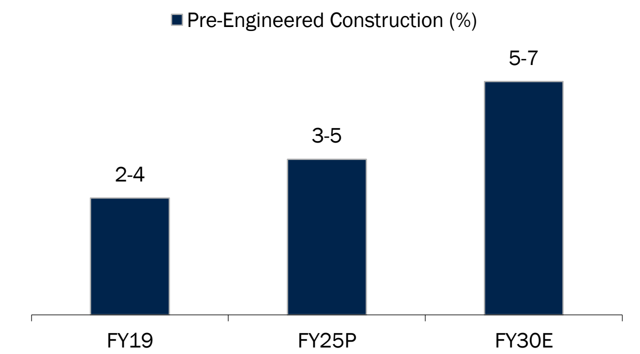


Source: CRISIL, Company RHPs, DAM Capital Research

Estimated construction investments over FY26-30E (cumulative) are expected at ~Rs70-80 trn versus ~Rs50trn over FY21-25 across Industrials, Infrastructure and Building categories. We expect the pre-engineered construction technology to increasingly get adopted across these categories. Adoption has touched 3-5% of overall construction investments (not specific to any industrial category) as of FY25 (as per CRISIL) and this should steadily rise to 5-7% by FY30E.

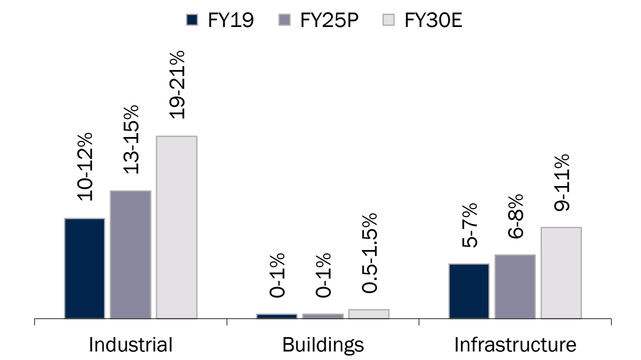
Customers in the Industrial category have been using PEBs for a while, but adoption is barely ~13-15% as of FY25. Similarly, within the world of Infrastructure construction investments, adoption is only 6-8%. Buildings (commercial / residential) has barely scratched the surface, but this too can be a large opportunity especially where quicker project delivery is a crucial requirement. CRISIL expects penetration to increase across each category over FY25-30E, although we believe that penetration rates can be faster as the proof of concept becomes clearer (especially for complex structures and / or buildings, but also for old RCC based factories coming up for replacement).

Exhibit 50: PEB adoption to touch 5-7% by FY30E...



Source: CRISIL, Company RHPs, DAM Capital Research

Exhibit 51: ...led by Industrials / Infrastructure



Source: CRISIL, Company RHPs, DAM Capital Research

Exhibit 52: Potential for PEB adoption could be much faster versus estimates as proof of concept gets established more

Source: CRISIL, Company RHPs, DAM Capital Research

❑ A case for the big becoming bigger in the PEB world

The PEB market is fragmented with multiple unorganized players (est. 400-500 small players; 15-20 regional mid-tier players as per industry participants). Their key credentials are to deliver economically priced simple buildings in the <Rs100m ticket size bracket. Given these constraints (along with a mindset to deliver on price versus performance), many players are unable to break into the big leagues which demand engineering depth, pan-India logistics and a proven time-sensitive track record.

As end industries evolve and large players within these industries go full throttle on their capex plans, the PEB industry will increasingly face orders which are not easy for most players to fulfil – leaving a few players who can deliver.

- **Building / Order Complexity:** Large marquee clients, both in conventional industries as well as sunrise ones have increasingly complex requirements – clean rooms or structures that integrate well with the production machinery of the client, while optimizing for utilisable space within the premises, precise load engineering, steel tonnage required, and time to deliver.
- **Order Size Escalation:** Earlier, when the PEB concept was new, order sizes used to top at ~Rs100m. Now as the concept becomes increasingly accepted and as clients look to set up large scale capacities (complex structures, or multiple structures at one location), order ticket sizes are regularly crossing the ~Rs1bn mark. New age industries, given their complex requirements, also have PEB requirements valued at Rs1bn+. In due course, individual order sizes crossing ~Rs10bn too will become a regular feature. Large sized orders demand strong balance sheets from PEB vendors, which acts as a moat for large vendors.
- **Geographical flexibility:** Large clients (e.g. Tata, Adani, etc.) have factory requirements in multiple locations (at times in different states). For such clients to work with select PEB vendors, such vendors need to have the capacity to deliver these requirements across geographies in the committed timelines.
- **Track record:** While small clients with minimal requirements may opt for small regional players with price on their mind, large clients prefer to work with vendors with proven track records. Client retention rates tend to be high in this business, and large players have a natural advantage since they have a record of timely delivery and safety – both of which are crucial for the end client and hence such clients are ready to pay a price premium versus opting for a cheaper vendor. Having large marquee clients on one's roster also helps attract other clients at times, especially if their usual vendors cannot fulfil their requirements in all the locations of their choice.

All these factors come together in favour of large PEB players whose track records, balance sheet sizes and procedural standards give comfort to existing clients as well as attract new ones. As more projects are delivered, the flywheel effect kicks in compounding the advantage that large PEB players have over small-scale ones.

We also note that as client requirements become increasingly complex, the old adage of splitting large ticket orders amongst multiple players too is coming off. Earlier, it used to be common for large orders to be given to multiple players (e.g. Rs1bn order given to 10 different players) but as track records get established, clients are increasingly reducing the number of players that they need to coordinate with – preferring quality and timely delivery over low prices.

Exhibit 53: Select large-scale capex announcements – An opportunity for large PEB players to grow larger

Company	Capex Budget	Remarks
Tata Electronics	Rs910bn	Semiconductor fab; Operational by 2027
Tata-Micron	Rs270bn	Semiconductor OSAT in Assam
Agratas Energy Storage (Tata)	Rs130bn	20 GWh Battery Plant
Ambani Green Energy Giga Complex	Rs750bn	Solar module production, battery storage (30 GWh) & Green Hydrogen
Maruti Suzuki	Rs350bn	1m automobiles capacity in Gujarat by 2029
Sun Pharma	Rs30bn	Greenfield formulations plant in MP
Foxconn	$1.5bn	3 new units in South India for Apple
Amazon AWS	$8.2bn	Cloud infrastructure investment (incl. Data Centers) by 2030

Source: Industry, Company, DAM Capital Research

❑ Key Players

Kirby Building Systems, the fully-owned India subsidiary of Kuwait-based Alghanim Industries, is the largest player in the Indian PEB market by both revenue and installed capacity and remains the only true pan-India operator today with plants covering the North, West and South. Interarch Building Solutions (INTERARC) is the second largest overall and the largest among the listed players, with a near pan-India footprint built over four decades. Epack Prefab Technologies (EPACKPEB) and M&B Engineering (MBEL) have historically been anchored in North-Central and West India respectively, but both have commissioned southern plants in recent years – EPACKPEB at Mambattu in Andhra Pradesh and MBEL at Cheyyar in Tamil Nadu – and are in the process of shedding their regional tags. INTERARC and EPACKPEB are now expanding into West India through greenfield plants in Gujarat, which will further broaden their geographic reach (and make them true pan-India players in our view), while MBEL is further deepening its reach in existing geographies by adding brownfield capacity.

Among the other players, Pennar Industries is a diversified engineering conglomerate where PEB accounts for approximately half of revenues (major part of its Custom-Building Solutions segment) – it has three plants in Telangana and Uttar Pradesh and a US export subsidiary, but the segment does not command the same strategic focus as it does for the pure-play players. Smith Structures is a well-regarded Gujarat-focused operator that has built a strong regional franchise and is beginning to expand beyond its home market. Everest Industries remains an active PEB player with plants in Uttarakhand, Jharkhand and Gujarat, though PEB represents only about 24% of its revenue within a larger building products business and has struggled to maintain profitability over long periods. Zamil Steel Buildings India, despite the backing of its Saudi parent, has one plant in Maharashtra and has struggled to be consistently profitable and failed to scale up so far.

Exhibit 54: PEB Industry – Key Players Head-to-Head

Parameter	Kirby	Interarch	Epack Prefab	M&B Engg	Pennar Industries	Zamil Steel India	Smith Structures	Everest Industries
Capacity (MTPA)	300,000	201,000	147,000	103,800	156,000	80,000 (+ 20,000 Steel Structures)	72,000	72,000
PEB Plant Locations (#)	3	4	3	2	3 (India) + 1 US	1	2	3
PEB (% of rev)	~100%	~100%	~90%	~78%	~47% (Custom Buildings incl. US Ascent)	~100%	~100%	~24%
Plant Locations	Sangareddy (TL), Haridwar (UK), Halol (GJ)	Pantnagar & Kichha (UK), Sriperumbudur (TN), Athivaram (AP)	Greater Noida (UP), Ghiloth (RJ), Mambattu (AP)	Sanand (GJ), Cheyyar (TN)	Sadashivpet & Velchal (TL), Raebareli (UP), Portland USA (Ascent)	Ranjangaon, Pune (MH)	Gandhidham & Kheda (GJ)	Roorkee (UK), Ranchi (JH), Dahej (GJ)
Domestic Focus	Pan-India (only true pan-India player today)	Pan-India; entering West (GJ)	North-Central + South; entering West (GJ)	West dominant (GJ) + South; plans for North	South + North; US exports via Ascent	West (MH only)	West (GJ) – regional	North + East + West; PEB a minority segment
Export Presence	Minimal from India entity; parent exports globally	Nascent (Myanmar, Ghana); building US / Canada channel	No near-term plans	US + Canada (AISC + CWB certified); 22 countries; ~17% of PEB rev (FY26)	US via Ascent Buildings LLC; Middle East	Global via Saudi parent; India entity domestic-focused	Not material	Not material

Source: Company, DAM Capital Research

Exhibit 55: PEB Industry - Key Financial Comparison (FY26)

FY26 Parameters	Kirby*	Interarch	Epack Prefab	M&B Engg	Pennar Industries	Zamil Steel India#	Smith Structures#	Everest Industries
Total Revenue (Rs bn)	24	19	15	13	36	9	6	14
PEB Revenue (Rs bn)	24	19	14	10	11	9	6	3
EBITDA Margin (%)	10.8	9.3	10.5	11.2	9.8	4.8	10.4	(2.7)
PAT Margin (%)	6.9	7.3	6.1	7.4	3.8	2.5	6.7	(7.2)
RoCE (%)	52.2	19.2	18.4	20.2	13.3	20.3	55.5	(9.3)
Net Debt/Equity (x)	(1.1)	(0.1)	(0.3)	(0.3)	0.7	0.1	(0.4)	0.2
Net Debt/EBITDA (x)	(1.9)	(0.5)	(1.3)	(1.4)	2.5	0.4	(0.7)	(2.2)
OCF/EBITDA (%)	67.4	(10.7)	85.0	63.5	56.9	196.6	88.5	(285.5)
NWC (Days)	(50)	51	32	74	74	29	18	42

*Source: Company, DAM Capital Research; Note: *CY24; #FY25 data, Kirby (high customer advances) / Smith runs asset lean operations*

While the industry is fragmented (50%+ unorganized) with multiple small-scale units across regions, the top 8 players have decent sized capacities as on date (top 5 have greater than 100k MTPA capacity) and most of these are either actively adding capacity or have announced plans to do so (clear sign of end-demand visibility). By FY28E / 29E, the top 8 players should have ~1.5m MTPA of installed capacity to serve the burgeoning PEB market.

Exhibit 56: PEB Industry (Key Players) – Current Capacity and Expansion Plans

Company (MTPA)	Current Capacity	Expansion	Total (Post Expansion)	Remarks
Kirby	300,000	100,000	400,000	New PEB unit to come in 2 phases over CY26E-28E
Interarch	201,000	89,000	290,000	40k in Gujarat / 49k Heavy Structures in AP (FY27E)
Epack Prefab	147,000	74,000	220,000	50k in Gujarat (H2FY27E) / ~23k brownfield to be added over FY27E
Pennar Industries	156,000	-	156,000	36k added at new Rae Bareli (UP) unit in FY25
M&B Engg	103,800	40,000	143,800	20k Sanand (GJ) by Q2FY27E + 20k Cheyyar (TN) by Q2FY28E
Zamil Steel	80,000	-	80,000	20k additional Structural Steel Capacity available
Smith Structures	72,000	72,000	144,000	72k unit originally planned in Bangalore (KN) for FY26
Everest Industries	72,000	36,000	108,000	36k unit in R. Ananthapur (AP) planned although deferred for now
Total	**1,132,000**	**411,000**	**1,542,000**	

*Source: Company, DAM Capital Research; *Totals rounded to nearest thousand*

As on date, the top 8 players have balanced out their capacities across North, South and West India. While North and West India are well served with ~350k MTPA capacity, South India has a wider footprint with ~424k MTPA. However, most capacity additions are happening in the South (~290k MTPA) followed by the West (~110k MTPA) which should make South a far larger supply base for the PEB industry over FY28E / 29E versus the other regions. This is understandable given the industry friendly policies of the Southern States, especially Tamil Nadu and Andhra Pradesh. In comparison, North is seeing minimal capacity additions for now.

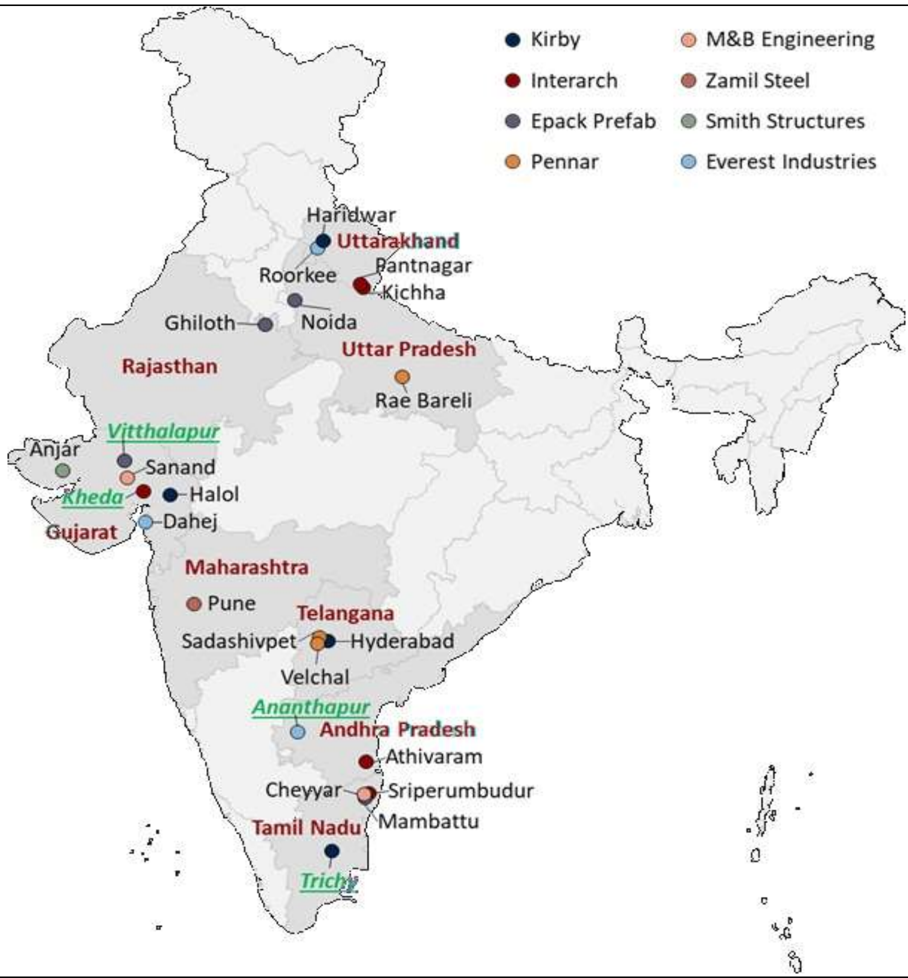
The East stands out with almost no major player serving the market from a plant in that region, and this market will still stand out by the conspicuous absence of these players over FY28E / 29E although several small-scale players will be present here. We believe this white space will be addressed by large PEB players in due course as industrialization picks up pace (or shows signs of doing so) in states like Odisha, Bihar, Jharkhand and West Bengal.

Exhibit 57: PEB Industry (Key Players) – Capacity by Geography

Region / Cluster (MTPA)	Current Capacity	Expansion	Total (Post Expansion)	Remarks
North India	352,000	11,300	363,300	Well served; Minimal capacity additions for now
South India	423,600	289,300	712,900	Largest cluster + multiple capacities coming in (esp. AP / TN)
West India	356,000	110,000	466,000	Gujarat concentration mostly + new units coming in Gujarat
East India	-	-	-	Complete white space for large PEB players
Total	**1,132,000**	**411,000**	**1,542,000**	

*Source: Company, DAM Capital Research; Top 8 Players Capacities / Expansions used for this table; *Totals rounded to nearest thousand*

Exhibit 58: PEB Industry (Key Players) – Manufacturing Footprint



Source: Company, DAM Capital Research; Note: Town names in green indicate planned or upcoming greenfield plant locations

❑ Wide manufacturing footprint – not essential, but very useful

For large and complex PEB requirements, a proven track record typically carries more weight in vendor selection than geographic proximity – which means a pan-India plant network, while useful, is not a prerequisite. However, each plant acts as a geographic beachhead and opens business for the company at a regional level. Proximity to both established supply chains and end client sites (especially in known / developing industrial belts) does act as an advantage as it cuts freight costs and improves delivery timelines. Eventually, multiple plants (or plant-level decentralisation) have a self-reinforcing dynamic – unlock mid-market orders → strengthen local track record → open up larger orders → entrench market-share in that particular geography.

***As industrialization picks up pace, we believe that the pre-engineered buildings space (PEB) will be a key winner. The concept of PEB, while well-established in industrial and warehouse construction, remains underpenetrated across the broader construction universe, despite its inherent advantages over traditional RCC structures. We expect this to change in the years ahead, and with order complexities / ticket / tonnage requirements increasing, the industry should ideally shift more towards large vendors who can deliver such projects in relevant timelines while keeping costs low. As such, while CRISIL estimates the organized PEB industry to grow ~13% CAGR over FY25-30E, we believe that with the favourable macro tailwind and large players playing their cards right, the top-tier players can grow faster than these projected growth rates*.**

The growth story, however, rests on a foundation that goes deeper than market sizing. The question worth asking is not how fast the PEB industry will grow, but whether the forces driving adoption are structural and durable – or whether they are cyclical and reversible. We talk about this in the next section.

PEBs are here to stay

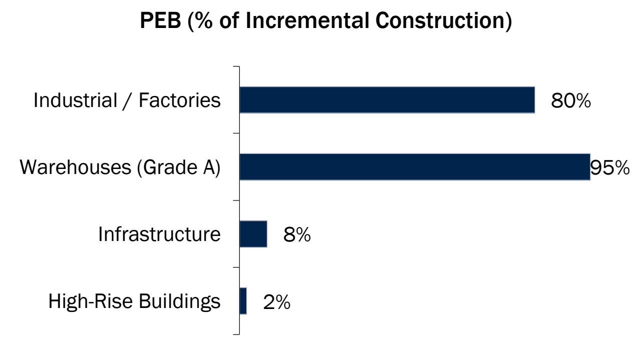
PEB adoption is structural and accelerating in our view. Given the benefits of overall cost and short turnaround times versus RCC (and even conventional steel structures), PEBs are increasingly the go-to option for most new factory and even warehouse investments. In cases where the demand is for large-scale units, complex structures, and especially for new-age industries, PEBs are the only choice in our view.

❑ Core segments have already accepted PEBs with open arms

PEBs are increasingly the first choice for new factory building investments – as per our discussions with industry participants, we understand that ~80-85% of new factories either accept a PEB or demand it at the time of zeroing in on contractors to set up such buildings. PEBs, like-for-like on a bill-of-materials basis, may appear expensive to a conventional RCC structure, but after end clients experience the economic benefits of faster commissioning (earlier revenue generation) and the flexibility to expand, the choice becomes easy. In addition, modern automated plants require column-free spans exceeding 25 meters for machinery layouts, robotic lines and forklift corridors that RCC structures cannot economically deliver.

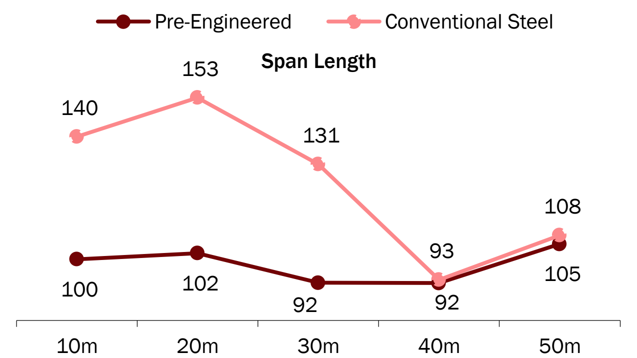
While a small factor, we understand that even versus conventional steel structures, PEBs tend to be economically cheaper as unlike conventional steel structures where steel tonnage is uniform across the building, PEBs use fabricated / built-up sections optimised per load, while conventional steel uses hot-rolled universal sections of uniform cross-section regardless of actual load requirement – the result is 25-30% less steel per MT in PEBs (as per industry estimates).

Exhibit 59: New industry / warehouse construction are adopting PEBs versus conventional methods...



Source: Industry, DAM Capital Research

Exhibit 60: ...and on costs, PEBs beat conventional steel buildings across most span parameters



Source: CRISIL, INTERARC Prospectus, DAM Capital Research

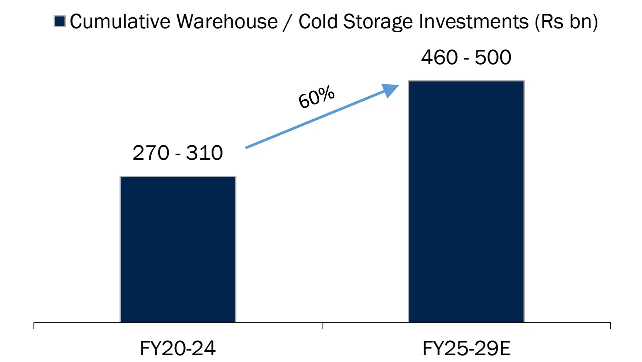
Warehousing – the other core end-industry embracer – has also seen deep penetration by PEBs at the upper Grade A category. Per our discussions, PEB structures are preferred for large-sized warehouses (leased by preferential clients in the eCommerce, 3PL, FMCG, and Automotive industries) due to efficient rack deployment factors such as:

- **Eave Height Requirements:** 10-12m
- **Column Free Spans:** 30-40m
- **Load-Bearing Requirements:** ~8 MT/sq m.

Grade B warehouses, by contrast, are older or more basic structures with lower ceiling heights, conventional column spacing, and lower load bearing requirements.

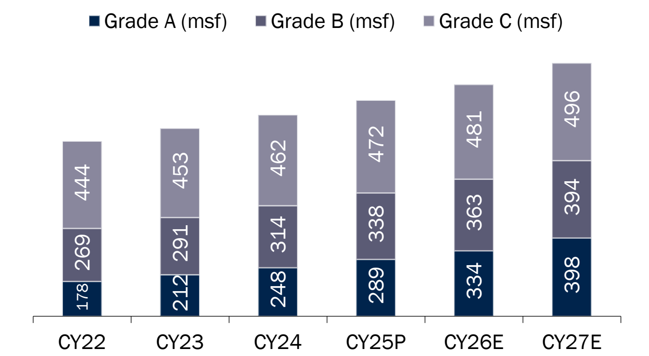
Going forward, while cumulative warehouse construction investments are expected to rise 60% over FY25-29E (vs FY20-24; per CRISIL), Grade A warehouse stock is expected to grow ~17% CAGR over CY24-27E (per JLL) and touch ~400 mn sq. feet by CY27E (ahead of total Grade B stock) – faster than Grade B / total warehouse stock CAGR of ~8%. This would give a natural boost to the PEB industry catering to the warehouse part of the market.

Exhibit 61: 60% growth in supply chain infrastructure (FY25-29E)



Source: CRISIL, DAM Capital Research

Exhibit 62: Grade A warehouses to lead (driving PEB sales too)



Source: JLL, DAM Capital Research

Exhibit 63: Warehousing – Grade A / B / C Technical Comparison

Parameters	Grade A	Grade B	Grade C
Roof Type	Standing Seam	Screwed Down	Screwed Down
Clear Eaves (m)	10+	7+	4.5+
Insulation Type	Glasswool	Insulation	Nil
Flooring Thickness (mm)	200	150-170	125.00
Flooring Load (MT/sq m)	5 – 8	3 – 5	2 – 3
Concrete Strength	M30	M25	M20
Plinth Height (m)	1.2 – 1.4	1.2 – 1.4	0.8
Flooring Finish	Hardeners & Densification	Hardeners	Hardeners

Source: JLL, DAM Capital Research

Beyond factories and warehouses, PEBs have a small but decent footprint in infrastructure – airport terminals, aircraft hangars, railway depots / stations, metro structures, and port sheds – where large clear spans and speed of erection make it the natural choice. PEB penetration in this segment stands at 6-8% as of FY25P, with projections pointing toward 8-10% by FY30E (CRISIL) – a low base running parallel to and independent of the private industrial capex cycle.

❑ PEB – The only choice for multiple large-scale / complex industries

As India's industrial capex moves up the value and complexity curves, PEBs emerge as the economically viable option over conventional structures. The key constraint is span length for modern factories – the need for column free floors exceeding 25 meters with ample space for automated guided vehicles, robotic cranes, and forklift corridors with desirable ceiling heights. Modern warehouses also need wide unobstructed aisles for automatic loading / unloading of pallet racks.

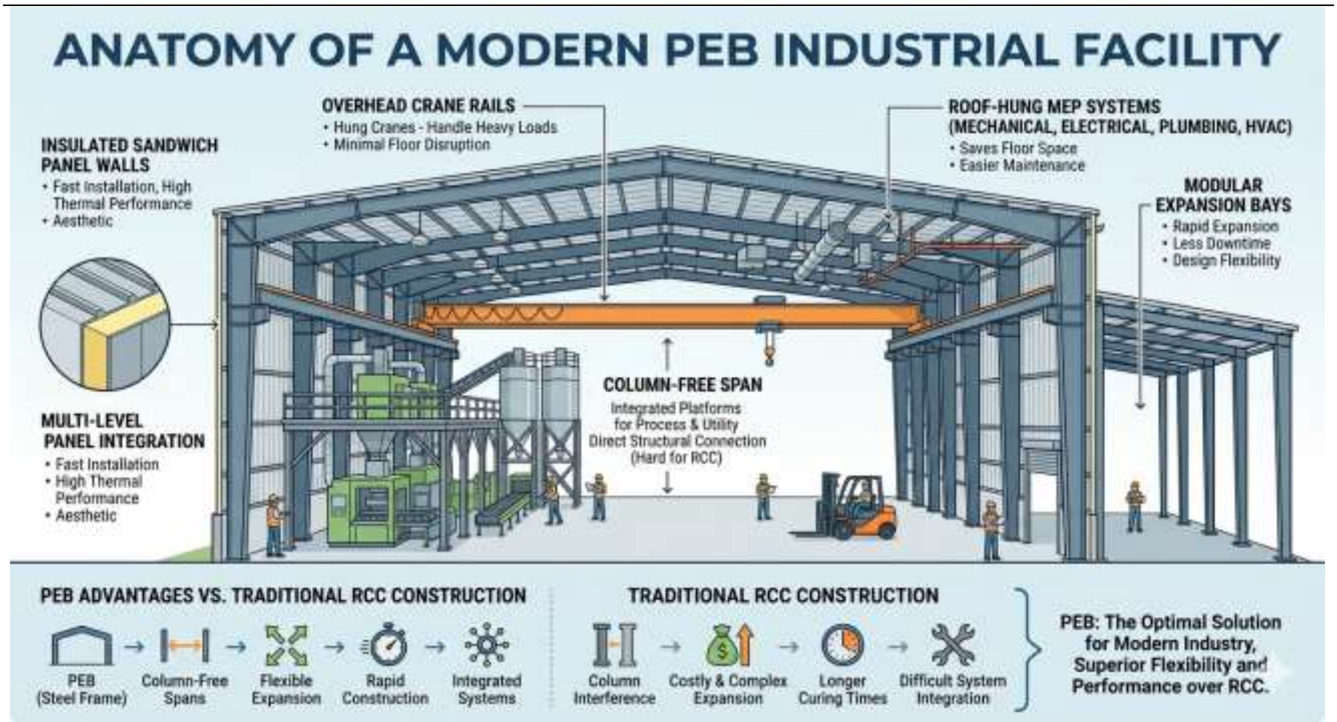
From industry participants, we learn that for an RCC structure to achieve these objectives effectively, it would need deep, heavy beams that are expensive to form, slow to cure, and would need heavily fortified foundations. On the other hand, PEBs and their fabricated steel frames (each of which carries its own load effectively) can achieve wider spans with structural ease, making PEB's made-to-order model a perfect fit for such client demands. In certain highly specialized industries where heights of 60-70 meters are needed and / or machinery needs to be integrated with the structure across multiple floors, a PEB is the only efficient choice.

Exhibit 64: PEBs vs Conventional Steel & RCC Buildings – PEBs tick all the relevant boxes

Dimension	PEB	Conventional Steel Building	RCC
Max Practical Clear Span	60m	40 – 50m	Economical up to 15 – 20m
Typical Construction Timeline	4 – 6 months	6 – 9 months	9 – 15 months
Weight	25-30% lighter vs CSB	Baseline	Heaviest
Customisation	Fully engineered on order	Universal sections; Limited	Formwork-constrained
Expandability / Modification	Easy	Possible	Not Practical
Suitability for Automated Plants	Purpose-Built	Possible	Not Suitable
Overall Project Cost (vs RCC)	20 – 40% lower	15 – 20% lower	Baseline

Source: Industry, DAM Capital Research; Note: Cost / Weight are broad estimates which vary by parameters

Exhibit 65: Anatomy of a modern large-scale PEB industrial facility



Source: Industry, DAM Capital Research

❑ New age industries to add to structural demand for the PEB industry

The above market estimates may prove conservative. India's industrial landscape is steadily shifting toward new-age industries – semiconductor ecosystem facilities, data centers, solar manufacturing lines, EV gigafactories – in addition to conventional growth sectors like food processing and pharmaceuticals; most of these demand categorically different buildings in scale, technical complexity, and structural load, for which PEB (or Heavy Structures for the most demanding applications) is the natural and often only viable solution.

The connecting thread across all these new industries is that since the overall capex cost for each project is generally upwards of Rs5bn+ (and much higher in the case of semiconductor fabrication facilities), it is unlikely that these customers are focused only on the material cost of the structure and opt for the cheapest one. Especially when considering other advantages of PEBs – speed, engineering precision, controlled-environment manufacturing and modular expandability – these stand out as high-value requirements for such industries and hence price is unlikely to be the deciding factor against a PEB structure.

Exhibit 66: New-age industry capex outlook and their estimated PEB value demand

Industry	Projects / Investments in Pipeline	Long-Term Potential	PEB Revenue (Per Project)*
Data Centers	~200 MW capacity to be added over CY26E (total ~1.7 GW)	Capacity to touch 6-8 GW by CY30E (Rs5-7trn investment)	Rs500-700m
Semiconductor Ecosystem	12 plants approved as part of ISM 1.0 (4 to be ready in CY26E)	ISM 2.0 (announced in Union Budget 2026-27) to deepen backward integration	Rs2-3bn for Fab Units
Solar Module Manufacturing	40 plants planned	Module capacity to touch 280 GW by 2030 (215-220 GW by 2027) / Cell capacity to touch 100 GW by 2028)	Rs800m-1bn
EV / Battery Gigafactories	50 GWh capacity targeted via PLI of which 40 GWh already awarded	260 GWh capacity needed by CY30 (vs 60 GWh currently)	Rs1-2bn

*Source: Cushman & Wakefield, CareEdge Ratings, S&P Global Market Intelligence, Media Articles, DAM Capital Research; *Rough Estimates; Note: Data Center opportunity is more linked to Heavy Structures (over PEBs)*

❑ Cost equation has firmly shifted in PEB's favour

While a multitude of factors are important for an industrial client before greenlighting the construction of a factory PEB, three factors stand out – cost of raw material (steel), speed of construction (especially when land acquisition is expensive), and skilled labour availability.

- **Steel:** While steel costs on a per-unit basis remain higher than concrete, we made a case earlier that for larger spans / heights, columns need to be heavier and hence costs rise dramatically for RCC due to the demand for stronger beams and foundations. However, this equation had gone against Steel in 2022-23 when steel prices rose and touched ~Rs70/kg. Since then, however, prices have retreated and touched ~Rs50/kg (average) in 2025-26. Notwithstanding near-term turbulences, we believe steel prices will remain close to this band given multiple domestic capacities that have (or will) come up, keeping supplies regular and hence prices under check. Steady (and relatively benign) steel prices should keep PEBs high up for contention even for the price sensitive client.
- **Construction Speed:** For a PEB structure, components are manufactured / fabricated in factories simultaneously while the client's site is prepped for the eventual construction (clearances, civil foundations, etc.) and hence a factory is set up far faster. For an RCC structure, on the other hand, the foundations need to go up first and even after that as structural elements are added, there is a period for curing which adds to the time needed for the structure to come up. Given that land acquisition is both a time consuming and an expensive affair, the speed of setting up the factory structure would determine how much implicit opportunity cost can be saved by the end client.
- **Labour:** Labour cost tends to be expensive (wage inflation + shortage of workers due to urbanization and other factors), especially in industrial zones away from main cities. In this regard, a PEB wins since most of the labour needed is only during the erection stage (which is at best a 4-6 month period) and needs comparatively less labour. On the other hand, an RCC structure involves labour during the entire erection stage (which is a 12+ month affair for most structures). Managing these costs can be challenging if construction periods stretch, but given PEB's speed versus RCC, labour costs also tend to be lower for PEBs.

All factors come together to bolster the case for PEBs as the most cost-effective construction method for factory builders.

The following table gives a broad gist of the cost differential (per our discussions with industry partners and our own estimates) between PEBs, Conventional Steel and RCC structures when we take the entire cost into picture. On a bill-of-materials basis alone, steel costs make PEB appear 15-35% more expensive than a comparable RCC structure – but this is before accounting for timelines, execution complexity, and timeline-driven carrying charges (including working capital costs). When we take these into the picture, the equation reverses decisively in favour of PEBs.

Exhibit 67: PEB vs CS vs RCC – Rough Turnkey Cost (50k sq feet / 25m height)

Cost Parameter (Rs / sq foot)	PEB	Conventional Steel	RCC
Site / Civil Work	410	410	410
Structural Systems	1,590	1,850	2,055
Execution	280	420	590
MEP Engineering / Services	380	380	405
Design, Fees & Working Capital	250	330	490
Total	**2,910**	**3,390**	**3,950**
+10% Contingency	290	340	400
Grand Total	**3,200**	**3,730**	**4,350**
Premium (vs PEB) (%)	*-*	***16.6***	***35.9***

Source: Industry, DAM Capital Research; Note: Costs are broad estimates; RCC structural cost advantage flips in favour of PEB at eave heights above 10-12m. At 25m eave height, RCC column / beam sizes, foundation depths, and wall areas make RCC structurally more expensive vs PEBs.

The case for PEBs rests not on a single advantage but on a convergence of structural forces – each of which, taken alone, would be compelling, but when taken together, are decisive. Adoption in the two largest end-markets is already effectively irreversible in our opinion; the technology constraints of modern industrial facilities leave no realistic alternative at scale; new-age industries are adding demand that is both growing faster than the broader market and categorically indifferent to the marginal cost premium; and the economics have swung further in PEB's favour even as these structural arguments have hardened, making it the default choice for new factory investments.

<u>While PEBs may appear simpler and lower-value relative to other capital goods, we point out in the next section that there are multiple factors that make the industry resilient, especially for well-run market leaders</u>.

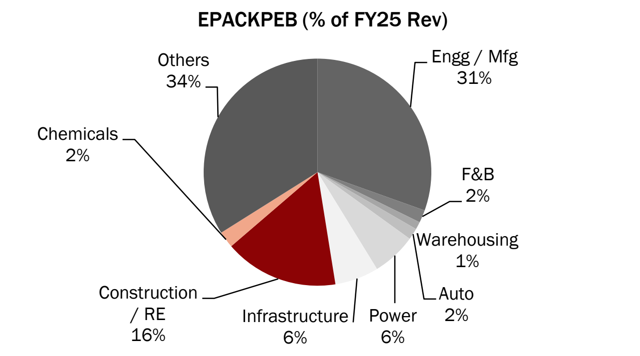
Lucrative business despite appearance of simplicity

Despite its simple appearance, the PEB industry stands out for its resilience to broader business cycles, with large players benefiting from a consistent track record that drives high client retention and eventually larger, more complex orders. This enhances pricing power, while scale drives steady margin expansion. Coupled with relatively low capex intensity, market leaders in the PEB space regularly generate 20%+ RoCEs.

❑ Industry-agnostic nature makes business relatively less cyclical

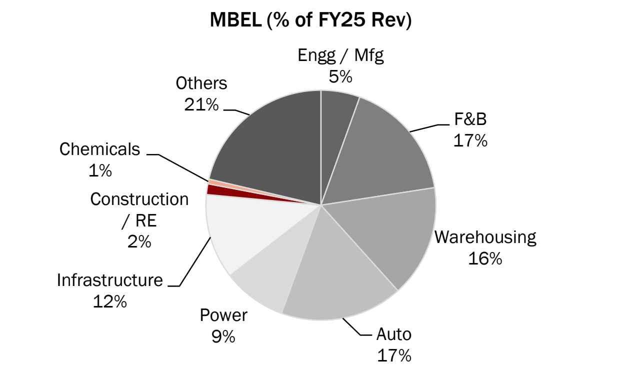
Since PEBs are universal in the world of factory buildings and can be adapted to fit any requirement, the fortunes of the PEB industry track the broad industrial economy rather than the capex cycle of any one sector. While the percentage share of outstanding order book or revenue will vary each year, no industrial sector crosses more than 30% of total for any company in this business on a consistent basis, making this segment relatively resilient to industry cycles. The demand pool therefore expands more with the overall industrial economy than with any end-industry specific cycle.

Exhibit 68: No sector has a disproportionate share in revenue…



Source: Company, DAM Capital Research

Exhibit 69: …and these shares keep oscillating every year



Source: Company, DAM Capital Research

In addition, new age industries like semiconductors, renewable energy, etc. too are demanding PEBs for their factory set ups, which erase any doubts over whether PEBs are capable to cater to these emerging sunrise sectors. In many cases, the PEB industry itself is educating consultants of these new age sectors so that they can appreciate the benefits that PEBs bring to the table.

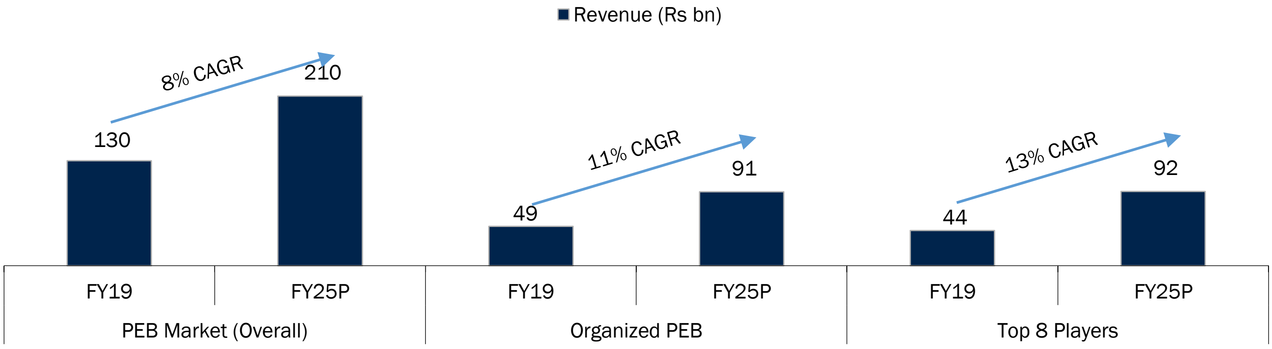
Given that PEBs can be a proxy of a 'capital good' – since it is the first input that shows up on the scene before any other capital good inputs that go into a factory, PEBs are among the more resilient segments within the capital goods basket unlike other goods whose fortunes are dependent on only a few or at times just one particular industry.

❑ The compounding moat – track record builds on itself

While PEBs are, on a bill-of-materials basis, 15-35% expensive versus RCC, we have made our case earlier in this note on why PEBs come out on top when the overall cost (including opportunity cost) is taken into consideration. Industry participants now understand this and are hence asking for PEBs for a large share of incremental industrial capex (either for part or the entire project itself).

Given that it is not just the critical / technical requirements that are better met by PEBs which is key, but the speed of delivery is of utmost importance here, large players who are better equipped to deliver (based on their execution track records) end up being the eventual winners. As their track records get built, these companies increasingly win new clients or deepen existing clients while steadily increasing their average order ticket sizes (either large scale projects or more complex ones). This aids better margins, which eventually permits companies to deepen their strengths and widen their competitive gaps further versus the rest. This flywheel effect is a key reason why the top players in the industry have grown faster versus the rest in the past and this should continue in the years ahead as well (as CRISIL also states).

Exhibit 70: Top 8 players together have grown faster than the Organized / Overall PEB market in the past; Expect this to continue



Source: CRISIL, Company RHPs, DAM Capital Research

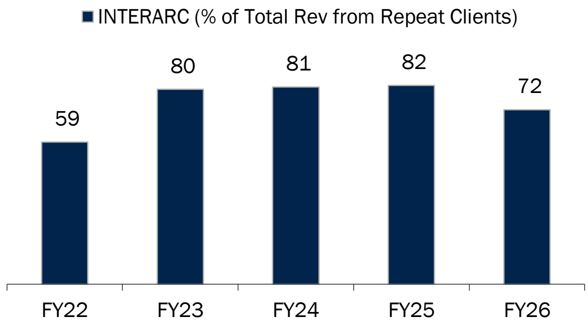
❑ High client retention rates indicate embedded switching costs

While the components of a PEB structure are relatively easier to produce, as is its assembly on site, the real value-add in the client's mindset is how well the PEB vendor understands the client's requirements and how well it can design and engineer a building that fits all of its needs without compromising on quality while keeping costs under control. A substantial design effort is done even before the first steel components arrive on site for assembly. As engineering turns into timely execution on site, a client is more inclined to work with the same PEB vendor for a future project wherever possible.

For repeat projects with the same client, the PEB vendor is already well-versed with not just the client's needs in general, but in cases of an existing site (e.g. a second PEB for a capacity expansion) all the operational and site-level parameters are also known and hence the bid-to-order cycle is shorter versus the first time. A new PEB vendor, by contrast, starts afresh and must figure out all of this before commencing on engineering various components. Even in a large project with multiple buildings involved, it is likely that a client may lean in favour of their existing PEB vendors than split it across multiple vendors and deal with coordination complexity for the project.

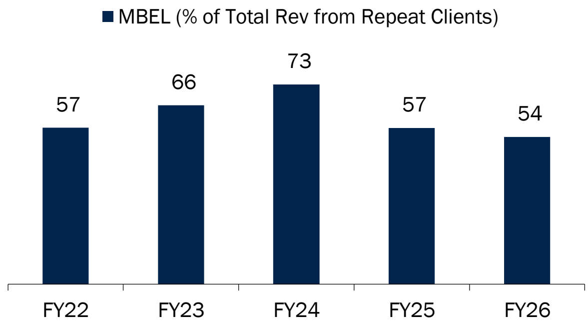
As such, clients select their PEB vendor in the same way as they would select a machinery OEM – on design capability, execution prowess, and relationship length. While repeat order rates cited by key companies in this industry tend to be high (~70-80% for Interarch; ~50-60% for M&B Engineering; ~40-60% for EPack Prefab), we believe that this is not just a sign of customer satisfaction, but also a hint of genuine switching costs, especially when execution is a very important factor for the overall industrial project.

Exhibit 71: Client retention rates tend to be high in PEBs…



Source: Company, DAM Capital Research

Exhibit 72: … reflecting confidence + potential switching costs



Source: Company, DAM Capital Research

❑ Higher complexity / scale of orders = improved pricing power

Although PEB manufacturing per se is the simple part of the entire value chain (and hence there are an estimated 400-500 such fabricators present in India, most of whom are small / sub-scale beyond the top 8-10 players), as order requirements scale up – both on tonnage and in complexity (especially with new age industry demands being higher), the number of players who can execute such orders drops off drastically.

While this does not necessarily translate into very high price premiums over the base rates, it does move the realisation needle higher (on a per MT basis). Even for orders which involve multiple buildings (and hence high tonnage), end clients are increasingly open to work with few (or even a single) PEB vendor who can deliver the required buildings on time. For the end-client, the price premium of 10-15% versus the base rate (which would translate to 1-1.5% higher total capex cost assuming PEB is ~10% of total capex) is an acceptable price to pay in lieu of quicker delivery and a quality product.

We do note that the PEB market at the upper end of the industry does not necessarily behave as the famous 'L1' system (lowest qualified bidder wins). With few players at the table for such complex orders, fears of price aggression are relatively low.

❑ Scale = structural margin expansion runway ahead

As order books swell and order ticket sizes scale up, the delta on margins via fixed cost absorption should kick-in. While capacity expansion and skilled engineering / project management team investments will be a constant affair, these costs should get spread over large order sizes as these increase in frequency in the future. Any premium on pricing (however slight) should also aid margins to an extent as well.

Exhibit 73: Recent PEB order wins – Increasing ticket sizes to aid margin expansion

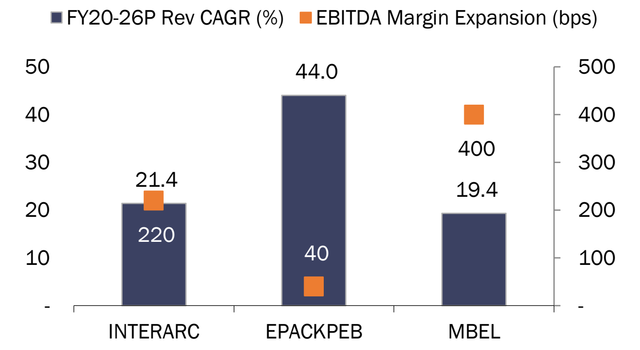
Disclosure Date	Order Size (Rsm)	Duration (Months)
INTERARC		
Jan 13, 2026	1,300	17
Mar 10, 2026	440	7
Mar 31, 2026	800	7
Apr 18, 2026	600	8
Apr 20, 2026	800	6
MBEL		
Jan 13, 2026	635	9
Jan 23, 2026	477	5
Mar 25, 2026	732	5
Apr 30, 2026	720	8
EPACKPEB		
June 2, 2026	1,650	4

Source: Company, DAM Capital Research; Note – Orders disclosed on the exchanges by INTERARC / MBEL / EPACKPEB

One key element of employee cost is the design and engineering staff. While it is early days still, AI can make deep in-roads and reduce the need for skilled employee cost at this level to scale-up in parallel with order book sizes, which should also unlock additional margin levers for large players. In the charts below, we trace out the margin expansion profiles for INTERARC, EPACKPEB and MBEL and while each company does have its own micro-factors which influence this, broadly, the scale narrative and its benefit on margins holds.

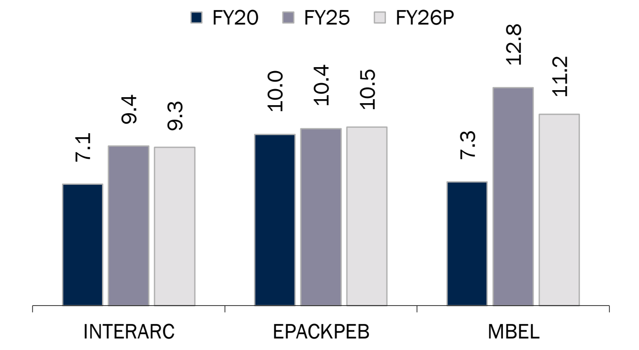
While margins may not jump fantastically higher versus current levels in the domestic market, we believe there is scope for margins to inch upwards gradually from the 9-10% levels where the top three listed companies are currently at. Near-term margin expansion may get capped since all companies will be investing for growth too.

Exhibit 74: Revenue CAGR vs Margin Expansion (FY20-26)



Source: Company, DAM Capital Research

Exhibit 75: EBITDA margin movement for key players

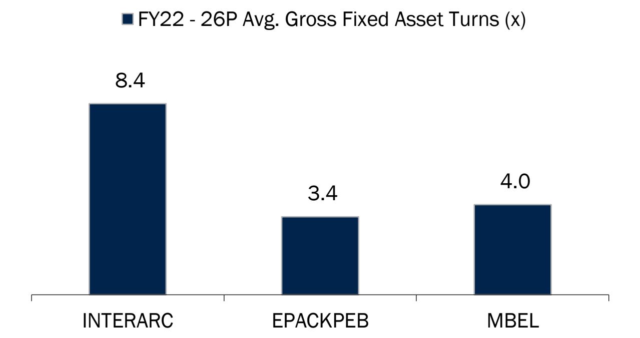


Source: Company, DAM Capital Research

❑ Asset light nature for a 'capital goods' industry

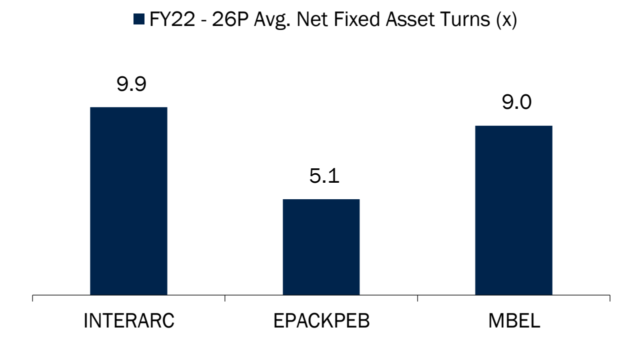
Even though the PEB industry is a proxy to industrialization and is (rightfully) considered a capital good since it is the first building block of the factory itself, this industry is characterised by a relatively lower capital employed at the business level. Factory capital expenditure budgets tend to be on the lower side – approximately ~Rs25,000/MT for a 40k MTPA facility (~Rs1bn capex); brownfield additions reduce the per MT cost further. Per our discussions, we learn that a fully scaled up factory can approach fixed asset turns as high as ~5x.

Exhibit 76: High fixed asset turn business...



Source: Company, DAM Capital Research

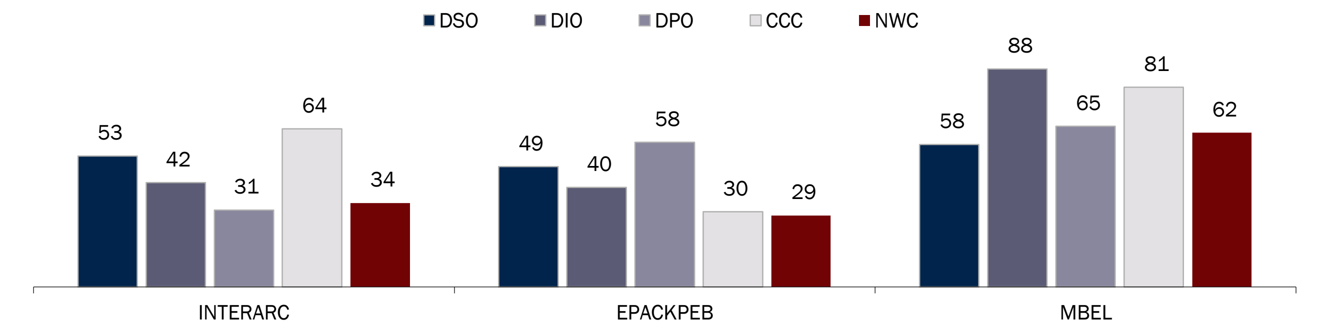
Exhibit 77: ...makes the PEB industry asset light in nature



Source: Company, DAM Capital Research

Net working capital days (including customer advances which is generally 10-20% of the contract value) for large-scale players is ~30-50 days (MBEL's is higher and can remain so due to higher inventory, especially due to its self-supported roof segment / US business mix which involves long transit times). We believe there is limited scope for this number to drop further with scale, especially since payables are already optimized via supplier financing programs (since steel sales happen on advance payment basis in the Indian market).

Exhibit 78: Average Working Capital Days (FY22-26) is generally 30 days for the industry



Source: Company, DAM Capital Research

The combination of low capex intensity and a normal 30-day working capital cycle together with average EBITDA margins of 10-11% (or EBIT margin of 8-9%) yield ~20% RoCEs (pre-tax) for well-run PEB companies.

Exhibit 79: Asset light balance sheets (relatively speaking) and decent margins come together to juice out ~20% (pre-tax) RoCEs

RoCE Decomposition	INTERARC				EPACKPEB				MBEL			
	FY23	FY24	FY25	FY26P	FY23	FY24	FY25	FY26P	FY23	FY24	FY25	FY26P
RoCE (Pre-Tax)	**25.4**	**23.5**	**20.0**	**19.2**	**18.8**	**25.0**	**21.2**	**18.4**	**19.2**	**18.2**	**24.0**	**20.2**
- EBIT Margin (%)	8.8	8.1	8.6	8.5	6.3	8.2	8.9	9.0	6.4	8.9	11.5	10.0
- Capital Employed Turns (x)	2.9	2.9	2.3	2.2	3.0	3.0	2.4	2.0	3.0	2.0	2.1	2.0
RoCE (Post-Tax)	**19.0**	**17.5**	**15.1**	**13.9**	**13.8**	**18.3**	**15.7**	**13.9**	**13.9**	**13.7**	**18.1**	**15.1**

Source: Company, DAM Capital Research

The exhibit below is an indicative unit economics table for a typical PEB plant at peak utilization levels. While the scope for margin improvement beyond a point may be limited, the (relatively) low capex intensity, which can be reduced further on a per MT basis with brownfield expansion, is a key driver for RoCE accretion.

Exhibit 80: Rough unit economics for a fully scaled PEB – 20%+ RoCEs are well within reach

Parameters	Data (Rs m)	Assumption / Remarks
Capital Employed	**1,582**	
- Capex	1,000	40k MTPA plant
- Net Working Capital	582	50 days of sales
Revenue	**4,250**	
- Volume (MT)	34,000	85% utilization
- Realisation (Rs/MT)	125,000	Approx. blended value
EBIT	**352**	
- EBIT (%)	8.3	15-year depreciation policy assumed
- Tax Rate (%)	25.2	
RoCE (%)		
- Pre-Tax (%)	**22.2**	
- Post-Tax (%)	**16.6**	
Asset Turns (x)		
- Fixed Asset (x)	4.3	
- Total Asset (x)	3.1	

Source: DAM Capital Research

The PEB industry, despite its inherent simplicity, has a clear advantage of being end-industry sector agnostic instead of its fortunes being linked to a few. For well scaled leaders in particular, their time in the market is their biggest moat since an established execution track record begets more business, new clients (especially from complex / new age industries), and higher ticket size orders which provide a lever of pricing power (fewer players at the table) and structural margin expansion potential ahead. These factors combine favourably with the industry's low capex intensity, and if working capital cycles are managed well, 20%+ RoCEs are not out of reach for large players.

<u>The business case is compelling – but it accrues disproportionately to those who have built the right capabilities over time. What those capabilities are, and why they are harder to replicate than they appear, is what we turn to next</u>.

Winners' secret sauce – 6-pillars for success

The PEB industry is deceptively simple – fabricate steel, deliver it to the site, erect it. Yet, there are few players who have scaled up meaningfully over the years (despite the low capital intensity that the business requires). Key factors for success which separate those who have compounded for long versus those who could not include (1) design & engineering talent, (2) technically adept sales & marketing personnel, (3) effective steel price management, (4) delivery execution capability, (5) a long-proven track record of delivering large / complex projects to clients and (6) manufacturing capacity (preferably a geographically distributed one, though we note that it is the easiest cog in the wheel to solve for).

❑ Design / engineering capability – Launch pad for the big leagues

Since every PEB is unique to an extent (as it depends on several conditions which include site location, client requirements, etc.), even before a bid is placed for a project order, PEB vendors have to custom engineer a structure which takes a client's functional specifications into account – machinery layout, load requirements, site conditions (including seismic zone classifications), ceiling heights, forklift corridors – and generate a single lump-sum quote. A design too heavy is uncompetitive on price, while one too light could invite structural risks.

This upfront engineering requirement even before a bid is formally placed needs a strong and experienced design and engineering team. This depth cannot be created overnight (as is visible by Kirby and Zamil's global and even domestic track record). INTERARC, EPACKPEB and MBEL have built a strong in-house design and engineering function over many years of recruitment, training, and calibration. With conversion rates of bids in the 15-25% range, multiple buildings are designed but never built – this adds to the experience of design teams and hence time in the market is a compounding factor which fortifies large PEB vendors' design moat.

In recent times, companies are also experimenting with in-house AI engineer teams to build modules that can reduce designer uptime by ~50%. As this succeeds, and eventually more parts of the design can be taken care of by AI tools, companies with this expertise will be able to bid for more projects while not necessarily increasing headcount by the same proportion.

❑ Sales & marketing competence laced with an Engineering mindset

PEB's design and engineering mindset also extends to sales and marketing personnel – the actual feet on the ground who build relationships and generate leads for potential bids. While soliciting business, especially with new clients, a company's sales and marketing employees need to be technically literate enough to discuss client specifications since clients consider this a crucial first signal of whether a PEB vendor can deliver before the first design draft is submitted.

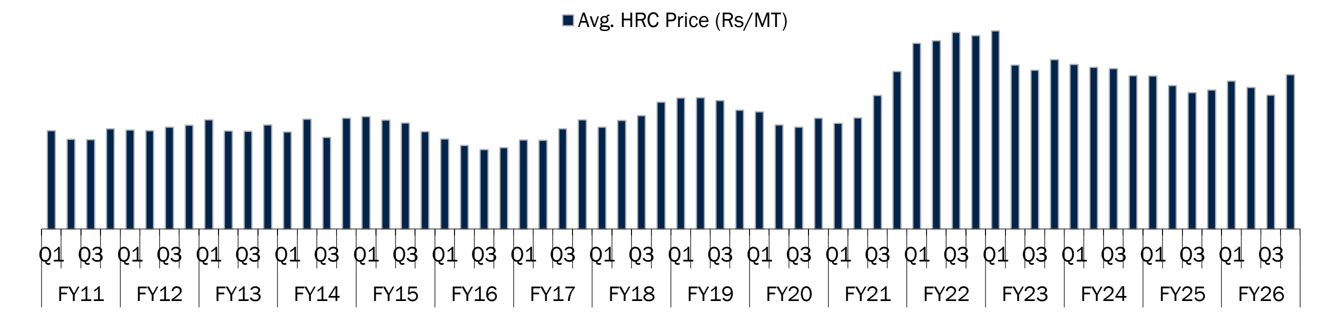
The best PEB companies engage with clients before land is acquired or machinery is finalised – which allows them to shape the building's specifications around their own design capabilities and establish a relationship layer that a competitor arriving later will find difficult to displace. As a strong track record gets built, many times the client (a recurring or even at times a prospective one) approaches such vendors even before the land purchase decision is made.

Sales teams also need to gauge the end client's payment ability – since a PEB fabricated to specification has negligible reuse value if a client defaults. Disciplined players with the ability to deliver therefore focus on large companies where payment risk is structurally low.

❑ Steel price management – key for margin stability

Steel being ~65-70% of a PEB raw material basket, and since most PEB contracts are on fixed price basis, managing the price of steel is a crucial aspect of profitability (and at times survivability). Experienced PEB vendors manage this risk by procuring inventory of ~3.5-4 months (7-8 weeks of inventory on hand, 7-8 weeks of steel ordered from mills but not yet delivered) giving them price clarity for that period. Also, steel prices follow a well-established seasonal rhythm – rising through January to June and easing through July to December – which allows experienced teams to build directional price estimates into bids with reasonable confidence.

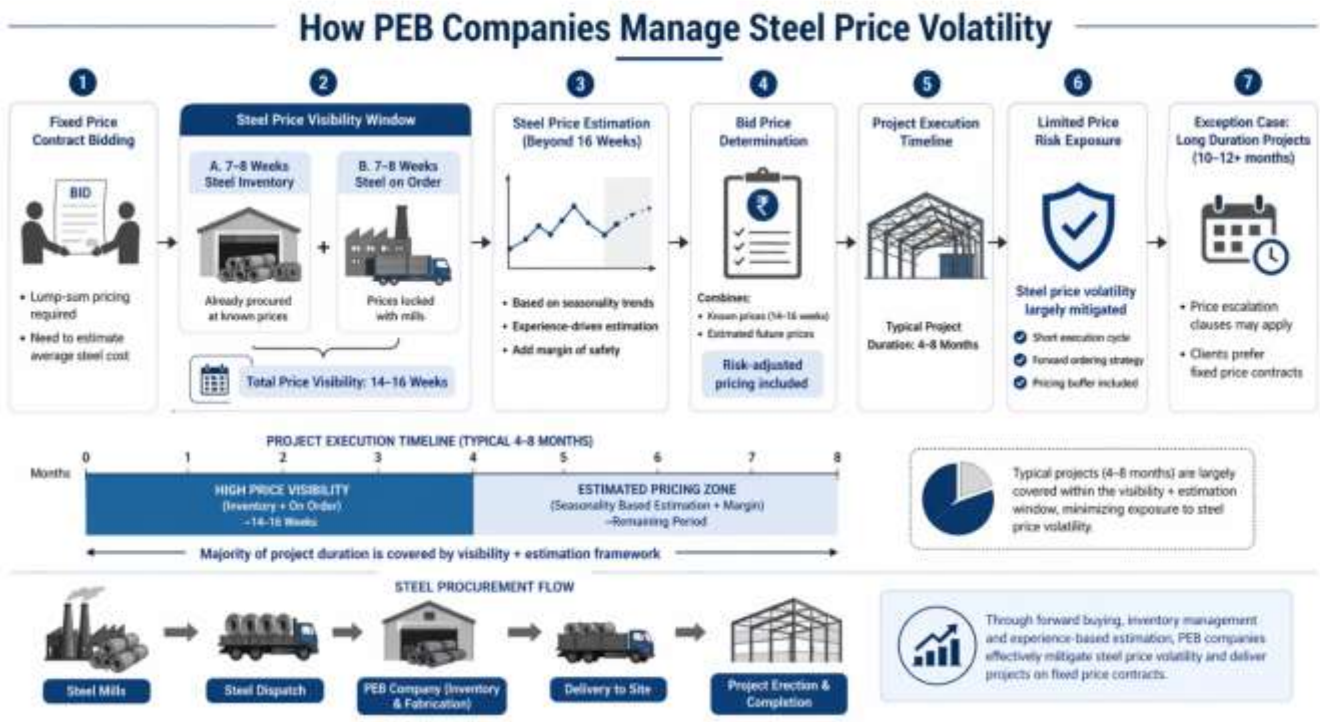
Exhibit 81: HRC Steel prices generally follow a high / low cycle during the year giving experienced buyers an edge



Source: Industry, DAM Capital Research

For short-cycle orders (delivery within 4-5 months), bids are priced on a fully fixed basis within the known inventory and order window. For longer-duration orders (10-12 months plus), variable pricing clauses are typically included which shift steel price risk to the client – though in practice many clients prefer fixed prices to avoid complexity, in which case the PEB player carries and prices the risk itself.

Exhibit 82: Managing steel price volatility – a crucial aspect in the PEB trade



Source: Industry, DAM Capital Research

Pricing contracts effectively while keeping a healthy risk premium over steel prices (especially for the portion where prices may not be known) is an area where experienced PEB players have a clear advantage. Besides timely delivery, a PEB player taking over the risk of steel price volatility is desired by clients.

❑ Delivery discipline – Separating the leaders from the rest

Delivery execution capability is crucial – even a single SKU delay will have a cascading effect on erection timelines. Production scheduling, shipping and project management / erection must be synchronized with delivery timeline promised to the end client.

This project management layer – coordinating certified erectors, sequencing steel deliveries and syncing with the client's civil / MEP / machinery contractors – is where a key difficulty lies in the value chain. Managing this reliably gives larger PEB vendors a definite edge over the others.

Globally, PEB companies typically supply to a general contractor (GC) who manages erection of the building. In India, larger PEB companies also manage the erection process, which (1) eliminates the GC as an intermediary and hence captures additional margin in the value chain and (2) creates a tighter feedback loop with the client as the building progresses. Given the higher operational complexity in the overall process, delivery execution becomes a prime component of the entire order which is not necessarily everyone's cup of tea.

Exhibit 83: The need to be in-sync – Fabrication/transport/erection (done by PEB vendor) must coincide with Civil work (done by others)

Source: Industry, DAM Capital Research

❑ Track record – everyone must pass the test of time

Track record is the most durable moat in the PEB industry and understandably the hardest to replicate. Every building is a custom lump-sum commitment on a fixed timeline. Even for mid-sized / regional players, branching into a new geographical market entails starting small with new clients before order sizes become larger and / or more complex (unless the same clients are working with them in new markets). This track record also acts as a self-reinforcing factor to gain new business (e.g. a vendor that has delivered a semiconductor facility will most likely be considered for the next one).

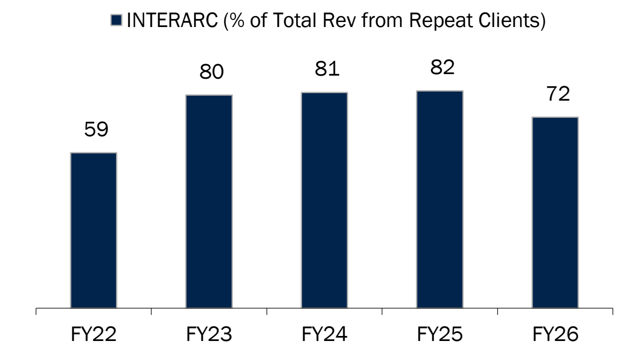
Exhibit 84: PEB Players Track Records

Parameters	INTERARC	EPACKPEB	MBEL
Company Inception Year	1983	1999	1981
PEB Track Record (Years)	26	15	18
Notable Clients	Reliance Industries Hindustan Unilever Tata Projects Aditya Birla Group Asian Paints	Reliance Industries Aditya Birla Group Haier Waaree Energies Premier Energies	Adani Renewables Tata Advanced Systems AIA Engineering Alembic Elecon

Source: Company, DAM Capital Research

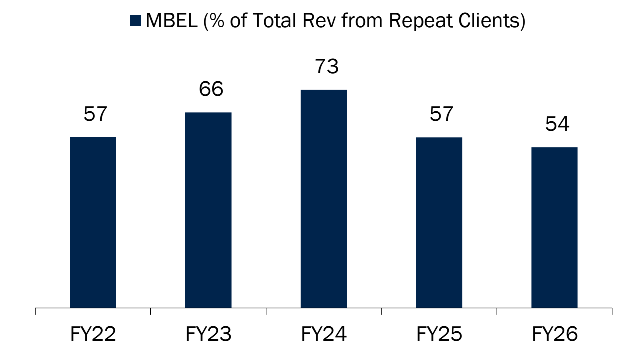
A strong track record across the elements – design, supply, erection, and eventual handover – translates into high repeat order rates. Per our understanding, repeat business as a percentage of revenue is ~40-50% on average for EPACKPEB (and most likely lower given its challenger status and so it is currently adding new clients) and ~50-60% for MBEL (INTERARC is higher at ~70-80%) which is a clear hallmark of these vendors track records. As discussed in the preceding section, these retention rates reflect genuine switching costs – not merely satisfaction – and the incumbent advantage compounds with every project delivered.

Exhibit 85: Client retention rates tend to be high in PEBs…



Source: Company, DAM Capital Research

Exhibit 86: .. reflecting confidence + potential switching costs



Source: Company, DAM Capital Research

The premium on established track records also eventually shows up in order ticket sizes – players with credible track records are closer to winning the potential Rs1bn+ order versus someone with a shorter track record (who would need to climb the execution curve first before reaching this stage). For clients with large scale requirements, the higher premium per MT is no longer the key concern but timely delivery with quality factors kept under strict tolerance limits and hence clients cannot afford to experiment with unproven vendors.

The history of the Indian PEB industry also starkly illustrates what happens when a credible track record is absent and growth is pursued without the operational foundations to support it – we present below a sample of key names which are / were in the PEB space but have since become small in the overall scheme.

Exhibit 87: Marginalised / Sub-scale PEB Players

Company	What went wrong?
Alive but Marginalised	
Zamil Steel Buildings	• Sub-scale despite being known for quality • Only 1 plant so far • Weak margin profile (indicative of aggressive price contracts)
Everest Industries (PEB)	• Lack of proper focus on segment • No meaningful track record • Loss-making / low-margin segment
Exited / Wound Down	
Tiger Steel Engineering	• Execution complexity / payment cycles possibly proved difficult to navigate in India • Never scaled up; effectively exited India since
Jindal Buildsys	• Could not develop meaningful scale • Possibly a me-too player • Wound down / Inactive per MCA filings
Era Infra Engineering	• Financially overstretched conglomerate • Group level financial stress cascaded to PEB operations • Insolvency case

Source: PrivateCircle, MCA, Tofler, NCLT, Industry, DAM Capital Research

❑ Manufacturing capacity – good to have, but the easiest to solve for

Manufacturing capacity is a key cog in the PEB value chain. However, it is the most straightforward to address since it only requires capital. Unlike the other pillars that we mentioned in this section, a factory is the fastest one can bring to the table. A greenfield PEB plant (~40k MTPA) costs ~Rs750m-1bn and needs 9-12 months to commission (brownfield additions are cheaper / faster).

Exhibit 88: PEB manufacturing capex economics – Greenfield vs Brownfield

Parameters	Greenfield Plant	Brownfield Plant
Capacity (MTPA)	40,000	10,000 – 20,000
Capex (Rs m)	Rs 750 – 1,000	Rs 250 – 400
Commission Period	9 – 12 months	6 – 9 months
Capex (Rs / MT)	Rs 19,000 – 25,000	Rs 15,000 – 20,000
Peak Fixed Asset Turns (x)	4 – 5	5 – 6

Source: Industry, DAM Capital Research

This relative simplicity is the reason why we consider manufacturing capacity as 'good to have, but the easiest to solve for' since experienced talent (design, sales, etc.) and long consistent track records of client satisfaction take far longer to develop. A company that has solved for the harder pillars can solve for capacity relatively quickly when demand requires it, but the converse takes far longer.

What a wide manufacturing footprint does provide is geographic optionality. A plant in South India can address the South market cost-effectively; a plant in Gujarat opens the West. Plant proximity matters more for mid-market orders (Rs200-500m) where logistics costs represent a meaningful share of the bid, and less so for large complex orders (Rs1bn+) where track record carries more weight than freight advantage. INTERARC, in the past, has won several large Gujarat orders without a local plant, demonstrating this clearly. The recent expansions announced by INTERARC and EPACKPEB into Gujarat (for example) are an effort to unlock the mid-market instead of competing for the large orders which they can already win and execute from their existing plants.

The PEB industry rewards a specific combination of strengths that are easy to enumerate but hard to build simultaneously. Engineering depth takes years to develop; technically trained sales teams are scarce; delivery discipline is as much a cultural as an operational characteristic; and track record is not transferable. Manufacturing capacity is the one pillar that capital can solve for relatively quickly – which is precisely why it is the least differentiating of the six. Companies that have assembled all six pillars are structurally difficult to displace. Those that have solved only for capital and capacity remain vulnerable until they attain scale – which takes time that well-capitalised new entrants often underestimate.

While being an all-round champion in the PEB world increases one's competitive advantage over time, having a supporting business to complement the PEB component not just helps increase client wallet-share, but can also act as a cross-selling tool for the main product. In addition, the (relatively) virgin category of Heavy Steel Structures, as well as exporting PEB components are markets which large domestic players can tap into to grow overall revenue – we touch upon this in the next section.

Beyond the core – TAM widening opportunities

Heavy structures provide an entry into the nascent but growing vertical of building construction (steel replacing RCC). Adjacent entries like sandwich panels, roofing, civil work, allied products (cranes, doors, etc.) and light-gauge steel frames increase a PEB player's client wallet-share (or make an entry into a new client to whom it can potentially sell PEBs in the future). Export experience (especially in developed markets which have their own barriers to entry through certifications and track record) can be margin-accretive if played right. All these opportunities put together provide a PEB player with a wider product and geographical addressable market which can eventually help it entrench itself and drive earnings growth.

❑ Heavy structures – A market beyond the core industrialization theme

Unlike PEBs, which are technically light structures and the core requirements involve enclosures (walls / roofs and the associated support components for these), heavy structures in comparison are fabricated with the objective of bearing / lifting high loads. Fabricated steel components generally weigh 5-10 MT per piece versus 3-4 MT in a standard PEB – and hence steel grades, crane capacities and fabrication tolerances are correspondingly more demanding. Accordingly, the requirements for Heavy Structures arise from complex industrial facilities (e.g. Refineries, Petrochemicals, etc. which do not merely involve a shed with machinery lines within it), commercial (and even residential) high rise buildings, transport infrastructure (bridges, elevated metro / train lines, airport structures) and data centers (which demand multi-storey heavy steel building frames capable of bearing the concentrated loads of servers, cooling equipment and UPS systems).

Exhibit 89: Heavy Structures - Unlocks a world away from conventional PEB structures

Source: Industry, DAM Capital Research

As per our discussions with industry players, we understand that the Heavy Structures market is ~500k MTPA as of now – this is a subset of the overall structural steel market where the requirements are far more complex and hence multiple pre-conditions are needed (including track record) to qualify for bidding. Assuming a ~Rs100/kg realization rate (pure supply, no erection / design related mark-up assumed) – the current annual market potential is ~Rs50bn. A company that has an active role in both the PEB and the Heavy Structures market plays in a total addressable market (TAM) of ~Rs260bn (vs a pure PEB market of ~Rs210bn; ~25% higher) – however, given that penetration at the commercial / residential structures adoption is still low (~4-5% of total construction) and the Data Center boom is only picking pace now (which also has a lot of scope for steel structures), there is scope for the Heavy Structures segment to grow faster (and hence increase TAM potential higher than our current ~25% estimate).

From our discussions with industry participants, we learn that the Heavy Structures market can grow 2-3x versus its current state over the medium term. If erection and higher design / engineering work accrue to the Heavy Structures vendor, value growth for the industry can be faster.

Exhibit 90: PEB vs Heavy Structures – ~25% increase in TAM for companies targeting both spaces

Parameters	PEB	Heavy Structures
FY25 Market Size (Rs bn)	210	50
FY25 Market Size (MT)	1,500,000	500,000
Realisation (Rs/MT)	140	100
Mark-Up vs Steel Price (x)	~3x	~2x
CAGR Growth (FY25-30E) (%)	10	15 – 25

Source: Industry, DAM Capital Research

We believe India's Data Centers opportunity can alone add cumulative Heavy Structures demand of Rs250-580bn over CY25-30E. The exhibit below shows our rough calculation basis the ~6-8 GW of data center capacity that is coming up (of which ~3GW minimum is in Visakhapatnam (AP) alone) which would demand ~Rs5-7trn of capex investments (per CareEdge, average data center capex cost is ~Rs600-700m/MW today). Assuming 5-8% of this capex accrues towards Heavy Steel Structures, the industry can see cumulative demand of ~Rs250-580bn over CY25-30E – a meaningful uplift to the current ~Rs50bn annual Heavy Structures market.

Exhibit 91: Data Centers – ~Rs250-580bn opportunity for Steel Structures over 2025-30

Region	2025 Capacity (GW)	Incremental Capacity by 2030 (GW)	Incremental Capex (Rs bn)	Steel Structure Opportunity (Rs bn)
West	0.95	1.4 – 2.4	840 – 1,680	42 – 134
South	0.55	4.0 – 5.0	3,800 – 5,000	190 – 400
North	0.18	0.2 – 0.3	140 – 210	7 – 17
East	0.02	0.1 – 0.2	70 – 140	4 – 11
Central	0.01	0.1 – 0.2	70 – 140	4 – 11
Total	**1.70**	**5.8 – 8.1**	**4,900 – 7,200**	**250 – 580**

Source: CBRE, Cushman & Wakefield, CareEdge Ratings, Media Reports, DAM Capital Research; ***Note:*** *Structures opportunity assumed at 5-8% of total incremental data center capex / Within South India, 3GW+ expected in Vishakapatnam alone (RIL, Google, Sify announcements)*

Exhibit 92: Key Players – JSW Severfield is the largest; INTERARC will enter this space soon

Player	Heavy Fabrication Capacity (MTPA)
JSW Severfield Structures	175,000+
SISCOL	100,000
Eversendai Construction	30,000
Atmastco	24,000
Zamil Steel Buildings (Structural Steel)	20,000
Planned Capacity Additions	
INTERARC (Athivaram, Andhra Pradesh)	49,000
SISCOL (Vadodara, Gujarat)	15,000

Source: Company, DAM Capital Research

INTERARC tied up with Jindal Steel & Power (JSPL) to address its heavy steel structures requirements – not just for emerging categories but also for certain large PEB orders where 20-30% of heavy structure content was needed. INTERARC brought its design, engineering, customer access and project-management capabilities to the table, while JSPL brought its fabrication / manufacturing capabilities for sections INTERARC could not profitably produce by itself. Since then, INTERARC has committed investments for a dedicated heavy structures facility (AP Phase II & III – 49k MTPA / ~Rs1bn capex / ready over FY27E). Although MBEL and EPACKPEB have not yet committed investments to this space, we believe both players will be eyeing this segment given the growth potential and their own track records.

❑ Adjacencies – Wallet-share expansion / cross-selling prospects

Being present in an adjacency or a closely complementing business helps PEB vendors to not just increase client wallet-share (by bringing more than just steel frames to the table) but also unlock new clients trying a vendor's delivery capability (alongside the quality of the adjacency product). This is particularly useful for emerging players like EPACKPEB and MBEL, who both have such offerings (detailed below), to broaden their client base and eventually cross-sell their PEB service.

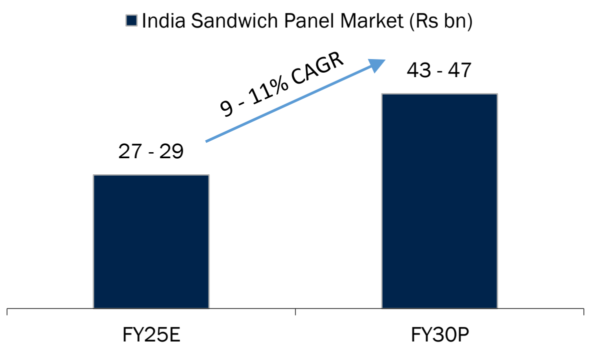
➢ *Insulated Sandwich Panels (EPACKPEB):*

Insulated sandwich panels are used for roofing and wall cladding (two outer metal sheets with an insulating core such as EPS / PUF / PIR). These panels are used for climate regulation (weather / thermal insulation), and acoustic control making them critical in applications such as cold storage, food processing, pharmaceuticals, data centers and clean rooms.

From a PEB player's perspective, sandwich panels are a natural forward adjacency in the building envelope / surrounding layer (after the structural erection) and having (or acquiring) it in-house allows a PEB player to have better quality controls, especially for orders which have critical requirements where insulation performance is an important parameter. Having such panels can also invite potential large project opportunities too – for example, a gigafactory may first purchase panels (and hence test a company's delivery capability alongside quality parameters) and in a subsequent PEB order may consider the panels + PEB vendor for a future project.

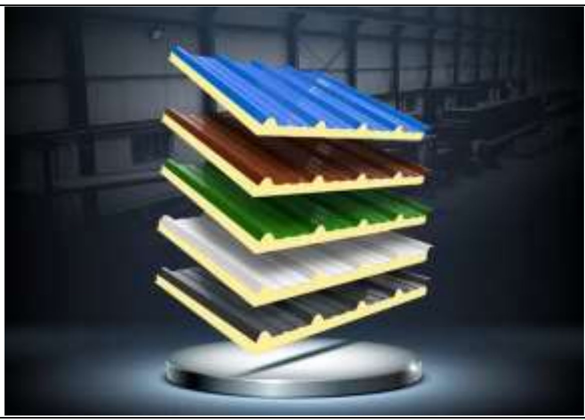
As per CRISIL, the insulated sandwich panels market should grow ~10% CAGR over FY25E-30P with growth drivers similar to the overall PEB market. Key players besides EPACKPEB in this space include Kingspan Jindal, Metecno, Lloyd Insulations and Rinac India (all private companies).

Exhibit 93: Insulated sandwich panels market to grow ~10% CAGR over FY25E-30P



Source: CRISIL, Company, DAM Capital Research

Exhibit 94: Insulated sandwich panel product offerings



Source: Company, DAM Capital Research

EPACKPEB has a slight edge in this space as it is backward integrated into Expanded Polystyrene (EPS), which is one of the insulation materials used in sandwich panels.

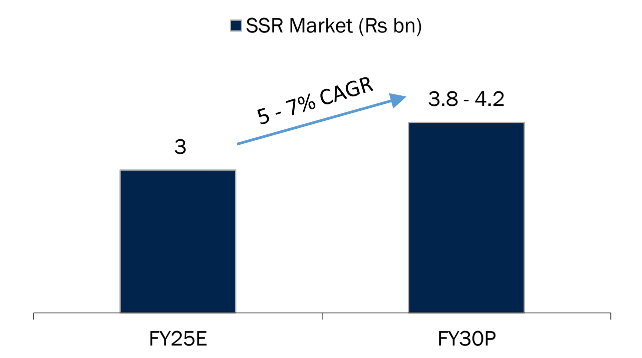
➢ *Self-Supported Roofing (MBEL):*

Self-supported roofing (SSR) systems are long-span, arch-shaped steel roofs which do not require intermediate columns, enabling large unobstructed spaces (~9-34 meters clear spans) for sheds / warehouses. These are pre-painted galvalume (PPGL) sheets – a steel substrate coated with aluminium, zinc and silicon – which interlock together to form a column-less structure. Since these are interlocked sheets, mobile units are used to set up such structures directly at the project site.

From a PEB player's perspective, SSR products can be used for sheds / warehouses both as an extension to a PEB structure or an industrial complex. There can be large size PEB orders which demand plain vanilla sheds and having an in-house product for this helps win such integrated orders.

At ~Rs3bn (FY25E CRISIL estimate), SSR is a small portion of the overall roofing market, and a fraction of the PEB universe (~1-1.5%) and is expected to grow 5-7% CAGR over FY25E-30P to ~Rs4bn. While not a needle mover per se, SSR is a specialized adjacency which can enable eventual client in-roads or size-up PEB integrated orders where sheds are also needed. MBEL is the only company within our coverage universe with a dedicated business in the SSR space (under the brand 'Proflex') and contributes ~22% of revenue as of FY26.

Exhibit 95: SSR market to grow ~6% CAGR over FY25E-30P



Source: CRISIL, Company RHP, DAM Capital Research

Exhibit 96: SSR product portfolio

Source: Industry, DAM Capital Research

- ***Civil work:***

Civil work involves site preparation (land preparation + foundation construction) over which the eventual PEB will be set up. This is a critical factor in the execution timeline – any delay here will have an impact on the end client's own deadlines.

From a PEB player's perspective, this delay has an impact on production schedules and a chance of idle inventory pile-up at the client's site, which eventually extends project cycles and deferred revenue recognition. In this context, closer integration – either via strategic tie-ups or acquiring capabilities – can enhance project coordination and reduce execution risks. While full-scale acquisition may not always be optimal (different business economics and execution complexity vs PEB) – solving for this unknown timeline can strengthen the PEB player's positioning as a turnkey solution provider.

Though none of our coverage companies have stated their ambitions to explore this adjacency (yet), we believe there is a case for a PEB company to explore such tie-ups or in-house these capabilities to provide a holistic bouquet of services than just a PEB structure (and hence increase eventual order ticket sizes).

- ***Cranes / Doors & Shutters:***

Most PEB structures also involve Electric Overhead Travelling (EOT) cranes as part of the manufacturing process. Since EOT cranes are generally integrated with the PEB structure itself – and the cranes themselves are fabricated from steel – this category too is a natural extension that a PEB player can explore as part of a comprehensive project bid, reducing or eliminating the friction that may arise due to coordination requirements from Crane manufacturers.

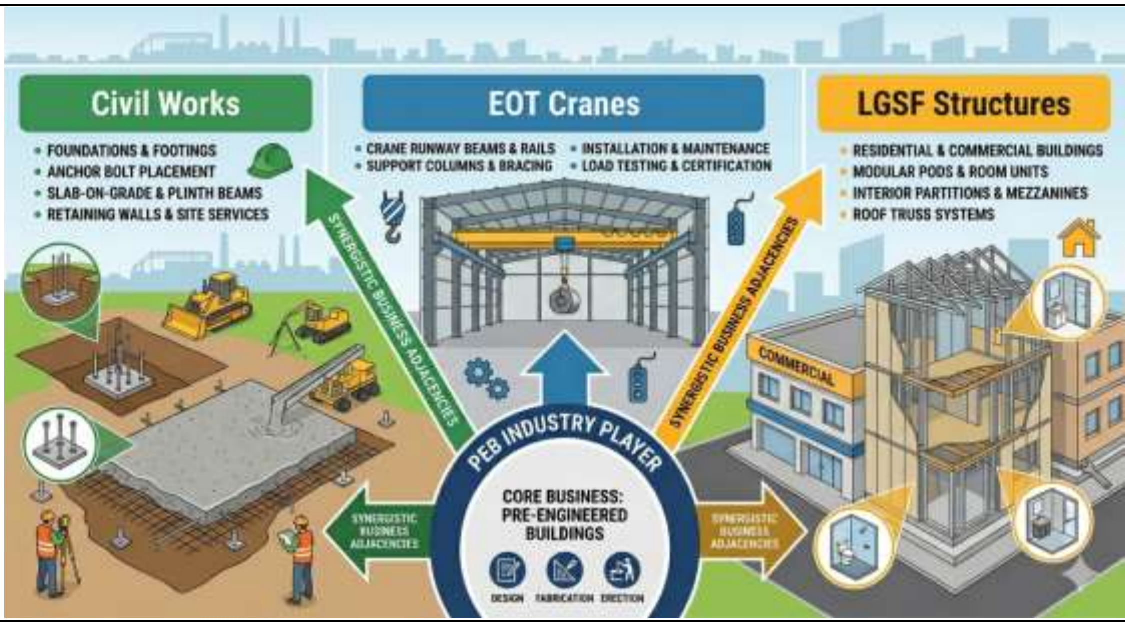
Doors & Shutters – albeit a much smaller part of the overall PEB package – can also follow the same footsteps since these too are fabricated out of steel. None of our coverage companies have talked about entering these adjacencies, but like civil works (albeit less critical), we believe these segments too would be explored ahead.

- ***Light Gauge Steel Framing (LGSF):***

LGSF are used for small-sized multi-floor structures using cold-formed thin-gauge steel sections as the structural skeleton for walls, floor joists and roof trusses. These are a substitute for the traditional RCC / brick-and-mortar construction for low-rise structures. The case for LGSF adoption (over RCC) is the same as in the PEB world – fast erection and relatively lower dead load. However, penetration has been subpar (similar to Heavy Structures) due to low awareness and preference for RCC.

Though the market is nascent today (and within our coverage universe, EPACKPEB and INTERARC are present in this space), we believe there is scope for the acceptance of such structures with increasing awareness.

Exhibit 97: Miscellaneous adjacencies that PEB industry players can latch-on to increase TAM or order sizes



Source: Industry, DAM Capital Research

❑ PEB Exports – Margin accretion once key markets are cracked

While the India manufacturing opportunity and its positive impact on the PEB industry has been illustrated across this report, we point out that the same opportunity is also available in multiple foreign markets. The business model here generally involves design / engineering and supply as per the end-client's specifications (who is usually a 'General Contractor' (GC)) while the erection is the client's lookout in most cases.

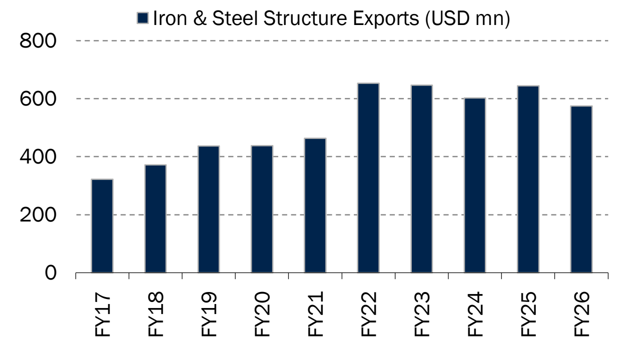
The exports market can be margin accretive for PEB players involved as it helps improve capacity utilization, and in markets where realisations are higher (esp. in developed markets like North America) the margin expansion can be far better since labour / cost arbitrage comes into play. However, high realisation markets have their own entry barriers – mainly a proven track record and local steel organization certifications (American Institute of Steel Construction (AISC) in the United States and Canadian Welding Bureau (CWB) in Canada) – which means time in the market is far more valuable versus manufacturing capacities (familiar story as in India).

➢ *USD 600-650m worth of steel structure exports per year from India*

Indian iron & steel structure exports (HSN 73089090 – this includes structural steel components alongside PEBs) have risen from ~USD320m in FY17 to ~USD575m in FY26 – a large part of this growth has been powered by steadily growing exports to the US market (~USD205m in FY26 vs ~USD35m in FY17). Other key markets include the GCC, UK, Nepal, and Australia which consistently clock double-digit absolute values per year, while Canada takes in ~USD7-8m per year on average.

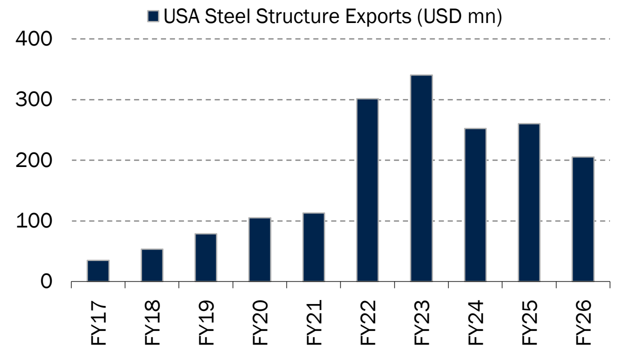
FY26 was a tough year due to the tariff wars unleashed by the United States (Steel products come under Section 232 tariffs which has a 50% import duty). This led to a drop in US exports as many GCs deferred orders (awaiting clarity on tariff sustenance and eventually renegotiating prices on contracts signed before the new tariffs became a reality. While the tariff overhangs are not completely over (although new contracts are factoring in tariff realities), we expect FY27E to be a relatively strong year vs FY26 as the US market rebounds.

Exhibit 98: Steel structure exports have risen over the years…



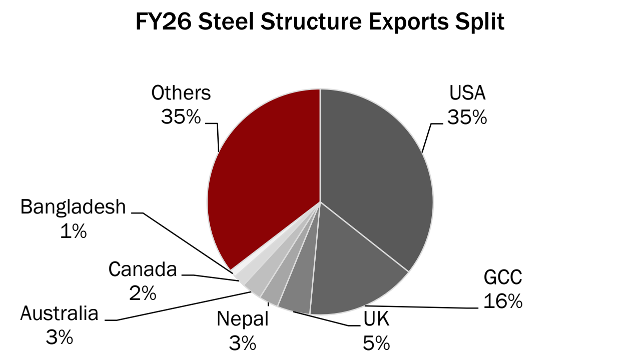
Source: Ministry of Commerce & Industry, DAM Capital Research

Exhibit 99: …majorly driven by the United States post COVID



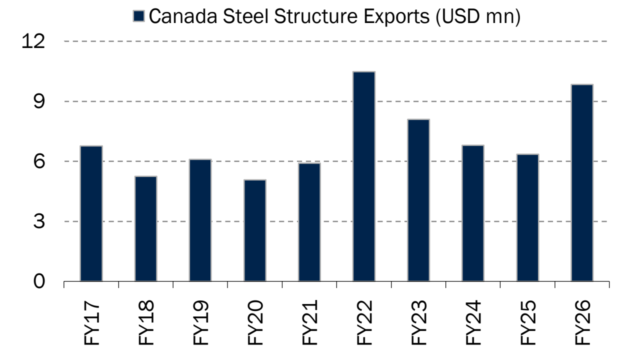
Source: Ministry of Commerce & Industry, DAM Capital Research

Exhibit 100: US, despite the tariff uncertainty, still has a lion's share of India's steel structure exports…



Source: Ministry of Commerce & Industry, DAM Capital Research

Exhibit 101: …while Canada remains a low-focus area but this should change courtesy MBEL over time



Source: Ministry of Commerce & Industry, DAM Capital Research

➢ ***Certifications – key to unlocking developed market doors faster***

GCs in developed markets, where regulations are tightly implemented, demand various certifications before they would start procuring from PEB companies. These certifications involve application, trials and surveillance during which samples are tested to meet various specifications (welding & fabrication). Each market has its own certification given by industry bodies. In the US, this is done by the American Institute of Steel Construction (AISC), while in Canada, this is issued by the Canadian Welding Bureau (CWB). In UK / Europe, Bureau Veritas – which covers certification across multiple industries – provides this certification.

From our discussions, we understand that the AISC Certification for Steel Fabricators (US), CWB Certified Fabricator (Canada) and ISO 3834 / EN 1090 (Europe) – all of which certify a supplier's factory / workshop – are key certifications before a company can begin to supply steel structures / PEB components in these developed markets. MBEL has the AISC and CWB certifications already for its Sanand (Gujarat) facility – it is in the process of applying for these for its Cheyyar (Tamil Nadu) facility and has also applied with Bureau Veritas to open the European market. INTERARC is in the process of applying with AISC (it has the AC-472 certificate, but we understand that the AISC Steel Fabricator certification too is needed).

Exhibit 102: Certifications - a necessary key to unlock developed markets for PEB players

Certification	Issued By	Region	Focus Area
AISC Certification for Steel Fabricators	AISC	US	Steel fabrication standards for structural steel buildings and PEBs
CWB Certified Fabricator	CWB	Canada	Welding and fabrication standards for structural steel
ISO 3834 / EN 1090 (CE Marking)	Bureau Veritas	Europe	Welding quality standards and Conformité Européenne (CE) marking for steel structures
AC – 472	AISC	US	Certification for PEB design and fabrication

Source: Industry, DAM Capital Research

➢ *Track record – Most important factor for success*

Certifications open the door, but time in the market (post certifications) remains the most distinguishing factor. In this regard, MBEL is ahead of the pack since it started developing relations in the US as early as 2017 and its order book has ramped up only after 2024. Per our channel checks, we learn that getting onto the preferred vendor list is a lot of effort for both sides, and once in, there is little incentive for the GC to switch unless the purchase economics materially deviate versus competition.

Exhibit 103: MBEL's recent export orders – a testimony of its 'time in the market'

Disclosure Date	Order Size (USDm)	Duration (Months)
Oct 17, 2025	24.14	9
Nov 26, 2025	7.53	3.5

Source: Company, DAM Capital Research

INTERARC – via its tie-ups with Mold-Tek Technologies (Hyderabad-based design / engineering firm with a presence in the US) and ER Steel, Inc. (Canada-based PEB company) – has long-term plans to explore the North American market, but we believe it too would need to go through the experience curve before it can ramp-up this market. EPACKPEB, on the other hand, intends to focus more on the domestic market and may explore SAARC nations (low entry barriers) if needed.

➢ *Navigating tariffs – near-term disruption; not a structural headwind*

Although a lot of dust has been thrown up in the air due to the reciprocal tariff mandates imposed by the United States on all countries across the globe since April 2025, steel product players (including PEB companies) remain caught in an old 2018 tariff order (Section 232 Tariffs on Steel) which imposed a 25% tariff on all steel (and related products) imports into the US. This increased to 50% in June 2025, before an April 2026 restructuring introduced tiered rates (Per MBEL, this means that tariffs are back to 25%).

Indian PEB players enjoy better margins in the US versus India as they benefit from the cost production arbitrage between both countries. While this has shrunk post tariffs, the cost arbitrage remains (since US-based steel producers have hiked prices post tariffs). Per our analysis, pre-tariff US EBITDA margins were ~4x versus India's on a Rs/MT basis, and post-tariffs this is still ~2.5x higher versus India's. On a percentage margin basis, the pre / post-tariff differentials are still 2x / 3x higher versus that of India's respectively.

Exhibit 104: US / Canada PEB margins can be ~3-4x vs India's on EBITDA/kg basis (Pre and Post Tariffs)

(Rs/kg)	India	US (before tariffs)	US (with tariff sharing)	Remarks
Realisation	110	140	140	Like-To-Like realisation (excluding Freight / Insurance / Duties)
COGS	72	72	72	Production cost similar since produced in India
SG&A	28	28	43*	*assumes 50:50 tariff sharing (25% tariff on 80% of realisation)
EBITDA	**11**	**41**	**26**	
EBITDA Margin (%)	**10.0**	**29.3**	**18.6**	

Source: Industry, DAM Capital Research

As such, Indian PEB players (who have gone through the experience curve) still have a strong play in the US market and while exports to the US (per official data) have dropped in FY26 vs FY25, we believe this is merely a product of order deferment. New order wins for MBEL in October / November 2025 are indicative that the tariff upheaval is now getting priced into business.

The addressable market for India's PEB leaders extends beyond industrial structures – heavy structures provide an entry into high-rise construction and infrastructure, adjacencies provide an opportunity to increase client wallet-share or provide an entry into a new client's roster, while exports (which require their own credentials) can provide better margins. Key PEB players are building this capability stack to entrench themselves deeper into the steel structure ecosystem.

INTERARC vs EPACKPEB vs MBEL – A comparison

Per our operating / financial comparison of our coverage companies, we highlight that all three ride the same tailwind, but each offers a distinctly different operating and financial profile. While INTERARC does come ahead versus EPACKPEB / MBEL, the latter are not far behind. INTERARC brings scale, balance-sheet strength and earnings stability, EPACKPEB brings the fastest growth and the tightest working-capital cycle while MBEL brings sector-leading margins and a differentiated export franchise. Together, they account for ~18% of the total PEB market (~41% of the organized segment) and each stays a proxy play on the Indian capex buildout theme.

❑ Scale and market position

Given its relatively long history, INTERARC is comfortably the largest of the three companies we spotlight in our report – its FY26 PEB revenue is ~1.4x that of EPACKPEB and ~2x that of MBEL. A similar picture is visible through its order book size relative to these peers, signifying its position as one of the top league players in this industry.

EPACKPEB, a relative newcomer in the industry, has grown much faster over FY23-26P period. Although this is on a relatively low base, its quick growth on the back of capacity expansions and marquee clients makes it a credible challenger in our view. MBEL, a Gujarat / West India focused play until 2024, is now branching out into South India, but it is the only company in our coverage universe that has actively built out its export business (~17% of FY26 PEB revenue).

Together, the three account for ~18% of the total PEB market and ~41% of the organized segment – capturing the core of the formal industry which should see more of the growth tailwinds that we argue in favour of in this report.

Exhibit 105: INTERARC anchors the coverage universe - ~1.4x EPACKPEB and ~2x MBEL on PEB revenue

PEB Performance Snapshot	INTERARC	EPACKPEB	MBEL
FY26 Revenue (Rs m)	18,980	13,659	9,846
FY23 – 26 Revenue CAGR (%)	19.0	42.7	15.6
FY26 Volume (MT)	159,978	107,677	72,070
FY23 – 26 Vol. CAGR (%)	25.5	42.2	15.2
FY26 Order Book (Rs m)	17,030	11,127	8,772
Order Book / FY26 Revenue (Months)	10.8	9.8	10.7
Market Share (%)	8.2	5.9	4.3
Organized Market Share (%)	18.5	13.3	9.6

Source: Company, DAM Capital Research

❑ Manufacturing capacity and footprint

INTERARC is the scale leader on capacity as well – its ~201k MTPA capacity today is ~1.5x that of EPACKPEB and ~2x of MBEL. This gap will broadly hold even after the three players' expansion cycles conclude over FY27E / 28E. EPACKPEB's capacity expansion plan is the most aggressive (~64% growth from FY26-end base; ~13k MTPA added in April 2026; balance ~74k MTPA will come over FY27E) which would add similar capacity to what INTERARC is adding, but off a smaller base.

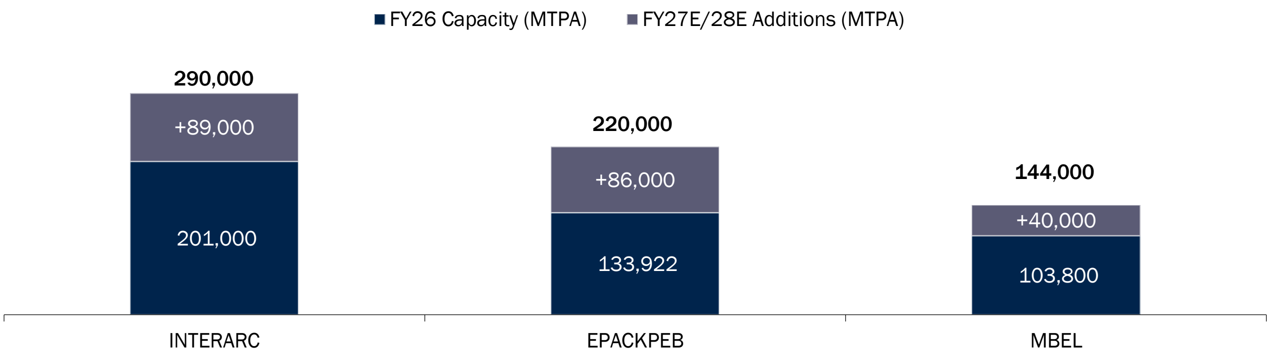
Both INTERARC and EPACKPEB have kickstarted the process of setting up a greenfield plant each in Gujarat which would make these two true pan India players by manufacturing reach over FY27E. MBEL, in comparison, is focusing on brownfield additions at their existing locations to deepen their existing market reach but we expect the company to eventually focus on the North India market (which currently is a largely unaddressed whitespace for it).

Exhibit 106: Incoming capacities should alleviate INTERARC / EPACKPEB's utilization levels, while also making them pan India players

Manufacturing Footprint	INTERARC	EPACKPEB	MBEL
FY26 PEB Capacity (MTPA)	201,000	133,922	103,800
FY26 Blended Utilisation (%)	79.6	80.4	59.1
FY27E / 28E Additions (MTPA)	89,000	86,000	40,000
FY28E PEB Capacity (MTPA)	290,000	220,000	143,800
Plant Locations (#)	5	4	2
Geographies Covered (Post Announced Expansion)	North / West / South	North / West / South	West / South

Source: Company, DAM Capital Research; Note: As of May 2026, EPACKPEB's capacity is ~147k MTPA and ~74k will be added over FY27E

Exhibit 107: INTERARC is and will continue to be the leader by capacity, but EPACKPEB is closing the gap



Source: Company, DAM Capital Research; Note: As of May 2026, EPACKPEB's capacity is ~147k MTPA and ~74k will be added over FY27E

❑ PEB segment performance

EPACKPEB is the standout amongst our coverage companies in terms of historical revenue growth (~43% CAGR over FY23-26) – while it has come on a small base, it does shine a light on the company's on-ground execution abilities. INTERARC and MBEL in comparison have grown in a relatively moderate (but still decent) manner over FY23-26.

Going forward, we model EPACKPEB and MBEL to grow at a similar ~21-22% CAGR over FY26-28E, while INTERARC's growth will moderate to a still-healthy ~17% off a much larger base. We note that INTERARC / EPACKPEB's growth trajectories (both in the past and ahead) are purely domestic in nature, while MBEL also has exports contribution that influences it. Stripping out exports from its mix, MBEL's domestic PEB revenue growth is expected to be at ~15% CAGR over FY26-28E.

Exhibit 108: EPACKPEB / MBEL's PEB revenue to grow faster versus INTERARC (which will also grow decently over a heavier base)

PEB Revenue	FY23	FY24	FY25	FY26P	FY27E	FY28E
Absolute Amount (Rs m)						
- INTERARC	11,239	12,933	14,538	18,980	22,344	26,075
- EPACKPEB	4,697	7,316	9,439	13,659	16,808	20,379
- MBEL	6,380	5,806	7,647	9,846	12,583	14,465
Growth (%)						
- INTERARC	34.6	15.1	12.4	30.6	17.7	16.7
- EPACKPEB	57.4	55.7	29.0	44.7	23.1	21.3
- MBEL	27.4	(9.0)	31.7	28.8	27.8	15.0
CAGR (%)	**FY23 – 26**					**FY26 – 28E**
- INTERARC	19.1					17.2
- EPACKPEB	42.7					22.1
- MBEL	15.6					21.2

Source: Company, DAM Capital Research

PEB volume growth broadly mirrors revenue growth for EPACKPEB / MBEL over FY23-26. For INTERARC, volume has outgrown revenue, implying an ‘adverse’ mix impact. Going forward, we expect revenue growth to run slightly ahead of volume growth for all three over FY26-28E – for INTERARC, this largely reflects higher FY27E steel prices inflating realisations before reversing in FY28E, leaving realisations broadly flat across the two years; for EPACKPEB and MBEL, it reflects a genuine mix benefit.

Volume growth expectations should be achievable given visibility for most of FY27E (orders on hand are ~10-11 months of FY26 revenue for all) and new capacities are coming up steadily over FY27E / 28E which gives them headroom to grow volumes.

Exhibit 109: Healthy high-teen volume growth expected for all players under our coverage universe over FY26-28E

PEB Volume	FY23	FY24	FY25	FY26P	FY27E	FY28E
Absolute Tonnage (MT)						
- INTERARC	80,879	92,634	124,000	159,978	183,975	217,090
- EPACKPEB	37,428	58,292	75,000	107,677	123,829	154,786
- MBEL	47,124	45,620	58,305	72,070	85,130	100,926
Growth (%)						
- INTERARC	23.0	14.5	33.9	29.0	15.0	18.0
- EPACKPEB	57.4	55.7	28.7	43.6	15.0	25.0
- MBEL	14.8	(3.2)	27.8	23.6	18.1	18.6
CAGR (%)	**FY23 – 26**					**FY26 – 28E**
- INTERARC	25.5					16.5
- EPACKPEB	42.2					19.9
- MBEL	15.2					18.3

Source: Company, DAM Capital Research

Exhibit 110: INTERARC / EPACKPEB approached peak utilization in FY26, but new capacities should ease this over FY27E / 28E

PEB Capacity Utilisation (%)	FY23	FY24	FY25	FY26P	FY27E	FY28E
- INTERARC	57.4	65.7	77.0	79.6	63.4	74.9
- EPACKPEB	56.9	71.5	56.0	80.4	72.5	70.1
- MBEL	65.4	63.4	51.1	59.1	68.8	70.2

Source: Company, DAM Capital Research

❑ Consolidated revenue and profitability trends

For all players under our coverage universe, the PEB segment has powered their FY23-26 revenue growth. INTERARC, being the only pure-play PEB company, makes it the cleanest read on the PEB cycle over FY23-26 (and the way ahead too).

EPACKPEB has a modest ~10% of its revenue arising from the EPS business (as of FY26), but we expect this contribution to drop in the years ahead as its PEB segment (in which it includes Sandwich Panel sales for which EPS is an input) remains the key driver powering its growth over FY26-28E. MBEL, in contrast, has been a ‘diversified’ player with a roofing business in its mix that complements its PEB segment. Like EPACKPEB, for MBEL too, the PEB segment will be the fastest growing element in its mix, but unlike the former, roofing will still contribute ~20% of the latter’s overall revenue over FY26-28E.

We expect INTERARC / EPACKPEB / MBEL to register ~17% / 20% / 19% revenue CAGR over FY26-28E – EPACKPEB / MBEL growing slightly slower than their PEB segments as we expect modest growth in their non PEB businesses over the forecast period.

Exhibit 111: INTERARC the purest PEB play; EPACKPEB / MBEL's total revenue to grow slightly slower than their PEB segments

Consolidated Revenue	FY23	FY24	FY25	FY26P	FY27E	FY28E
Absolute Amount (Rs m)						
- INTERARC	11,239	12,933	14,538	18,980	22,344	26,075
- EPACKPEB	6,568	9,049	11,339	15,253	18,442	22,064
- MBEL	8,805	7,951	9,886	12,597	15,842	17,943
Growth (%)						
- INTERARC	34.6	15.1	12.4	30.6	17.7	16.7
- EPACKPEB	45.9	37.8	25.3	34.5	20.9	19.6
- MBEL	27.9	(9.7)	24.3	27.4	25.8	13.3
CAGR (%)	**FY23 – 26**					**FY26 – 28E**
- INTERARC	19.1					17.2
- EPACKPEB	32.4					20.3
- MBEL	12.7					19.3

Source: Company, DAM Capital Research

On the operating margins front, EPACKPEB and MBEL have seen sharp expansion over FY23-26, while the same has been more measured in the case of INTERARC. For EPACKPEB, the ~270 bps margin expansion is reflective of economy of scale benefits as it ramped up its PEB capacities over this period. For MBEL, the ~370 bps expansion is partially explained by its Sanand facility (the mature one) running at peak utilization and partially by a higher US exports mix (which rose from ~9% in FY23 to ~17% by FY26).

In case of INTERARC, margins are broadly stable over this period as it has steadily invested in its Andhra Pradesh plant as well as preparing for its new ventures of Heavy Structures and North America exports. PAT margin movement over this period broadly tracks that of EBITDA for all companies under coverage.

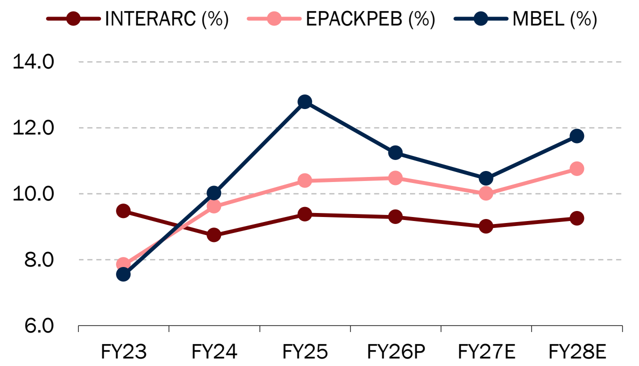
Over FY26-28E, we expect EBITDA and PAT margins to be broadly stable. New capacities coming online, plus the near-term uncertainty on steel prices and their potential impact on contracts where raw material exposure is not fully covered can have a dampening effect, but volume growth (given healthy order book visibility) should cover for this. At the PAT level, most of the margin delta arising from EPACKPEB and MBEL turning net cash has already played out over FY25-26 and hence we do not expect any material support from this lever over FY26-28E.

Exhibit 112: Scale driven margin improvement over FY23-26 / steady margins expected over FY26-28E

Profitability	FY23	FY24	FY25	FY26P	FY27E	FY28E
EBITDA Margin (%)						
- INTERARC	9.5	8.7	9.4	9.3	9.0	9.3
- EPACKPEB	7.8	9.6	10.4	10.5	10.0	10.8
- MBEL	7.5	10.0	12.8	11.2	10.5	11.7
PAT Margin (%)						
- INTERARC	7.2	6.7	7.4	7.3	7.0	7.2
- EPACKPEB	3.7	4.7	5.2	6.1	5.7	6.0
- MBEL	3.7	5.7	7.8	7.4	6.9	7.9

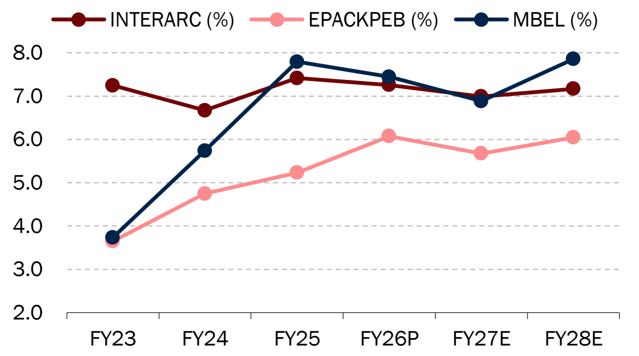
Source: Company, DAM Capital Research

Exhibit 113: PEB universe EBITDA margin profile



Source: Company, DAM Capital Research

Exhibit 114: PEB universe PAT margin profile



Source: Company, DAM Capital Research

On an absolute basis, INTERARC operates the largest profit pool of the three companies within our coverage universe, and hence its CAGR performance vis-à-vis EPACKPEB / MBEL are lower, but still healthy given its base. However, given EPACKPEB's fast growth at the EBITDA level over FY23-26, and its capacity expansion roadmap and recent execution, we believe EPACKPEB should bridge the gap between itself and INTERARC by FY28E (although for INTERARC, we do not assume any material benefit from its Heavy Structures given its near optionality status in our estimates).

Exhibit 115: Volume / scale driven EBITDA CAGR expected for our coverage universe over FY26-28E

Consolidated EBITDA	FY23	FY24	FY25	FY26P	FY27E	FY28E
Absolute Amount (Rs m)						
- INTERARC	1,064	1,130	1,362	1,763	2,011	2,412
- EPACKPEB	515	870	1,178	1,597	1,844	2,372
- MBEL	664	796	1,264	1,415	1,657	2,107
Growth (%)						
- INTERARC	223.4	6.2	20.6	29.4	14.0	19.9
- EPACKPEB	45.0	68.8	35.4	35.6	15.5	28.6
- MBEL	58.8	19.9	58.7	12.0	17.1	27.1
CAGR (%)	**FY23 – 26**					**FY26 – 28E**
- INTERARC	18.3					17.0
- EPACKPEB	45.8					21.9
- MBEL	28.7					22.0

Source: Company, DAM Capital Research

However, at the net profit level, the gap between INTERARC and EPACKPEB will still be sufficiently wide given the former's strong net cash position which should keep Other Income higher and finance costs lower relative to EPACKPEB. MBEL's EBITDA and PAT growth will be linked to its exports mix increasing in its overall revenue pie.

Exhibit 116: Depreciation impact to keep PAT CAGRs slightly lower versus EBITDA for INTERARC / EPACKPEB over FY26-28E

Consolidated PAT	FY23	FY24	FY25	FY26P	FY27E	FY28E
Absolute Amount (Rs m)						
- INTERARC	815	863	1,078	1,378	1,562	1,871
- EPACKPEB	240	430	593	926	1,047	1,334
- MBEL	329	456	770	938	1,091	1,410
Growth (%)						
- INTERARC	375.5	5.9	25.0	27.8	13.4	19.8
- EPACKPEB	22.8	79.2	38.1	56.2	13.0	27.4
- MBEL	101.6	38.7	68.8	21.7	16.3	29.2
CAGR (%)	**FY23 – 26**					**FY26 – 28E**
- INTERARC	19.1					16.5
- EPACKPEB	56.9					20.0
- MBEL	41.8					22.6

Source: Company, DAM Capital Research

❑ Balance sheets have turned net cash post IPO

INTERARC / EPACKPEB / MBEL raised ~Rs2bn / ~Rs3bn / ~Rs3bn respectively (primary / fresh issue) in their recent IPOs. Barring INTERARC which has been relatively low / zero debt since FY20 (and hence did not need an equity raise to delever), EPACKPEB / MBEL used part of the primary capital to pare down debt on their books. As a result, these two companies joined INTERARC in the 'net cash' club starting FY26. While net cash positions converge for INTERARC and MBEL by FY28E, that of EPACKPEB is progressively drawn down as it funds its large-scale expansion. Nonetheless, the strong net cash position of each leaves them in a comfortable state to fund growth ahead without balance-sheet stress.

Exhibit 117: Strong net cash positions post IPO provides a platform for future growth without balance sheet stress

Net Cash Positions	FY23	FY24	FY25	FY26P	FY27E	FY28E
Net Cash / (Debt) (Rs m)						
- INTERARC	1,078	1,285	1,866	803	1,508	2,534
- EPACKPEB	(926)	(1,296)	(564)	2,007	1,369	962
- MBEL	(231)	(1,056)	(1,013)	1,997	1,801	2,401
Net Debt / EBITDA (x)						
- INTERARC	(1.0)	(1.1)	(1.4)	(0.5)	(0.7)	(1.1)
- EPACKPEB	1.8	1.5	0.5	(1.3)	(0.7)	(0.4)
- MBEL	0.3	1.3	0.8	(1.4)	(1.1)	(1.1)
Net Debt / Equity (x)						
- INTERARC	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)	(0.2)
- EPACKPEB	0.7	0.8	0.2	(0.3)	(0.2)	(0.1)
- MBEL	0.1	0.5	0.3	(0.3)	(0.2)	(0.3)

Source: Company, DAM Capital Research

❑ Working capital – picture changes across companies

The strong net cash positions also help these companies to manage working capital. Receivables (as measured by days of sales) generally tend to be at the 1.5-2 months mark, as is inventory (raw material + finished goods) – 7-8 weeks of steel requirement is always on hand (plus another 7-8 weeks is booked but not delivered) at any given time. Payables arise due to letters of credit issued from banks to pay the large steel companies (who do business on a cash-and-carry basis), although other payables arise from traded goods purchases and steel purchased from traders. Also, customer advances (part of current liabilities) are a key lever in tempering down the overall working capital requirements in this business.

While DSOs are broadly similar for all companies, we point out some divergences and reasons behind these (as we understand from the respective managements):

- **MBEL's high inventory levels:** At ~90 days, these are nearly 1 month more than the average. This is mainly due to its exports business – where goods in transit sit on the company's books till handed over to its North Americans based clients.
- **INTERARC's low payable levels:** Strategic call taken by the company to pay vendors faster (this is also reflective of the company's net cash strength).

Exhibit 118: Working capital (days) varies basis players' business mixes and strategic calls on payables

Working Capital (Days)	FY23	FY24	FY25	FY26P	FY27E	FY28E
Receivables (DSO)						
- INTERARC	48	55	58	61	64	62
- EPACKPEB	52	50	53	62	60	57
- MBEL	50	59	61	63	63	63
Inventory (RM + FG) (DIO)						
- INTERARC	44	40	39	37	39	39
- EPACKPEB	38	44	47	50	49	46
- MBEL	78	85	96	97	90	92
Payables (DPO)						
- INTERARC	30	33	32	27	28	28
- EPACKPEB	57	62	65	74	74	67
- MBEL	70	52	59	63	60	60
Net Working Capital (incl. Advances)						
- INTERARC	27	26	38	51	51	48
- EPACKPEB	29	32	36	32	29	34
- MBEL	42	72	79	74	67	68

Source: Company, DAM Capital Research

❑ Return ratios strong across players

All companies, despite being in typical B2B setups and with a commodity price 'risk' overhang, have maintained strong return ratios over FY23-26 period. The decline from the high-water marks across the board is linked to (1) IPO money temporarily 'bloating' the balance sheet and (2) capacity expansions being done pre / post IPO, while margins (as seen in the RoCE / RoE decomposition exhibits below) were broadly stable to improving.

Going forward, we expect margins to temporarily dip due to (1) new capacities coming online over FY27E (and to an extent FY28E) and (2) potential impact due to near-term steel price volatility, although asset / capital turns should stabilize at FY26 levels. As capacity utilization pulls up margins over FY28E and steadily pulls up turnover ratios, we expect RoCE to inch higher and come close or surpass their FY26 levels by FY28E.

Exhibit 119: Return ratios decline post-IPO on balance sheet 'bloat', then recover into FY28E

Return Ratios (%)	FY23	FY24	FY25	FY26P	FY27E	FY28E
RoCE						
- INTERARC	25.4	23.5	20.0	19.2	18.3	19.1
- EPACKPEB	18.8	25.0	21.2	18.4	17.0	20.2
- MBEL	19.2	18.2	24.0	20.2	19.2	22.3
RoE						
- INTERARC	22.7	20.4	18.0	16.9	16.5	17.1
- EPACKPEB	21.0	29.1	22.8	17.0	13.4	15.2
- MBEL	20.2	22.1	28.6	19.5	15.4	17.2

Source: Company, DAM Capital Research

Exhibit 120: Drop in margins (and higher cash in books) has hurt FY26 / 27E RoCE, but expect recovery over FY28E (margin led mostly)

RoCE Decomposition	FY23	FY24	FY25	FY26P	FY27E	FY28E
INTERARC (%)	**25.4**	**23.5**	**20.0**	**19.2**	**18.3**	**19.1**
- EBIT Margin (%)	8.8	8.1	8.6	8.5	8.0	8.2
- Capital Employed Turnover (x)	2.9	2.9	2.3	2.2	2.3	2.3
EPACKPEB (%)	**18.8**	**25.0**	**21.2**	**18.4**	**17.0**	**20.2**
- EBIT Margin (%)	6.3	8.2	8.9	9.0	8.5	9.2
- Capital Employed Turnover (x)	3.0	3.0	2.4	2.0	2.0	2.2
MBEL (%)	**19.2**	**18.2**	**24.0**	**20.2**	**19.2**	**22.3**
- EBIT Margin (%)	6.4	8.9	11.5	10.0	9.2	10.4
- Capital Employed Turnover (x)	3.0	2.0	2.1	2.0	2.1	2.1

Source: Company, DAM Capital Research

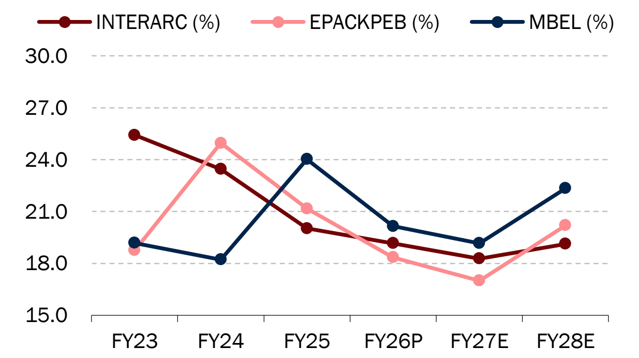
In FY24 / 25, when leverage peaked, EPACKPEB and MBEL posted RoE above INTERARC's, even though INTERARC's superior net margin had kept its FY23 RoE the highest of the three. Post their IPOs, EPACKPEB / MBEL have pared down their debt which has meant the leverage component has reduced and that has pulled down RoE levels from their peaks in FY24 / 25 for both companies. While margin compression will have its role to play in RoE reducing again in FY27E vs FY26, margin recovery will be partially negated by the leverage factor dropping further, culminating into RoE levels in FY28E still lower than FY26 (but higher than FY27E). We believe these RoE levels are far more sustainable as they reflect stronger, de-risked balance sheets versus earlier.

Exhibit 121: RoE dip over FY25-28E is mainly to do with lower leverage (debt repaid post IPOs)

RoE Decomposition	FY23	FY24	FY25	FY26P	FY27E	FY28E
INTERARC (%)	**22.7**	**20.4**	**18.0**	**16.9**	**16.5**	**17.1**
- Net Profit Margin (%)	7.2	6.7	7.4	7.3	7.0	7.2
- Total Asset Turnover (x)	1.8	1.8	1.6	1.6	1.6	1.6
- Leverage (x)	1.7	1.7	1.6	1.5	1.5	1.5
EPACKPEB (%)	**21.0**	**29.1**	**22.8**	**17.0**	**13.4**	**15.2**
- Net Profit Margin (%)	3.7	4.7	5.2	6.1	5.7	6.0
- Total Asset Turnover (x)	1.8	1.7	1.5	1.3	1.3	1.4
- Leverage (x)	3.2	3.5	2.9	2.2	1.9	1.8
MBEL (%)	**20.2**	**22.1**	**28.6**	**19.5**	**15.4**	**17.2**
- Net Profit Margin (%)	3.7	5.7	7.8	7.4	6.9	7.9
- Total Asset Turnover (x)	1.6	1.3	1.3	1.3	1.3	1.3
- Leverage (x)	3.4	2.9	2.7	2.1	1.7	1.7

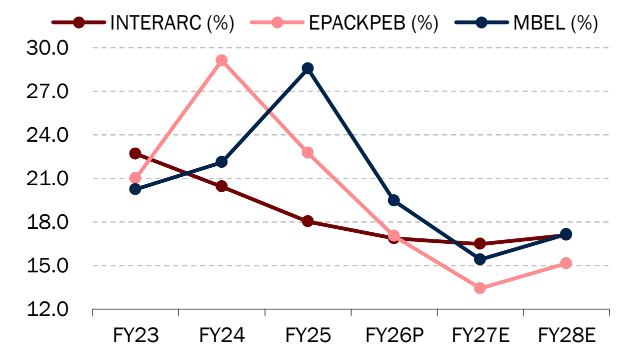
Source: Company, DAM Capital Research

Exhibit 122: RoCE Trends – Recovery ahead



Source: Company, DAM Capital Research

Exhibit 123: RoE Trends – Lower but more sustainable



Source: Company, DAM Capital Research

❑ Capex cycles peak through FY27E; FCF strengthens into FY28E for all

Operating cash flow trends have been company specific in FY26:

- **INTERARC:** OCF turned negative as its overall working capital increase nullified the gains via growth. While INTERARC has indicated higher receivables to be one culprit (as large ticket size orders were being executed which follow a milestone system in collections), but in our view, lower customer advances too have played their part. We believe this is a timing issue and should self-correct ahead.
- **EPACKPEB:** OCF has more than doubled in FY26 vs FY25, a factor of both growth and payables trending higher.
- **MBEL:** OCF generation has steadily improved and we expect this trend to continue – higher export mix will have a tempering effect, but this should get covered by higher margins which come from exports versus domestic.

We expect OCF levels to turn positive for INTERARC (EPACKPEB / MBEL should continue their positive momentum) in FY27E as working capital line items grow in a more measured way in FY27E vs FY26. At the same time, capex levels peaked for INTERARC in FY26 and will peak for EPACKPEB / MBEL in FY27E. INTERARC's free cash flow turns positive as early as FY27E; for EPACKPEB and MBEL, FCF strengthens decisively into FY28E as their capex rolls off. While we do not rule out further capacity expansion announcements (to come online post FY28E), we believe FCF generation should largely stay positive in the near-to-medium term.

Exhibit 124: Cash flow snapshot – FY27E to see recovery in OCF conversion / FY28E to see FCF generation strengthen for all

Cash Flow (Rs m)	FY23	FY24	FY25	FY26P	FY27E	FY28E
Operating Cash Flow						
- INTERARC	313	815	536	(188)	1,670	1,744
- EPACKPEB	15	717	558	1,357	1,488	1,235
- MBEL	290	57	332	899	1,076	1,456
Capital Expenditure						
- INTERARC	139	255	764	1,196	700	400
- EPACKPEB	285	961	864	1,332	1,600	1,000
- MBEL	185	716	397	307	1,000	500
Free Cash Flow						
- INTERARC	174	560	(229)	(1,384)	970	1,344
- EPACKPEB	(270)	(244)	(305)	25	(112)	235
- MBEL	105	(659)	(65)	593	76	956
OCF / EBITDA (%)						
- INTERARC	29.4	72.1	39.3	(10.7)	83.1	72.3
- EPACKPEB	3.0	82.4	47.4	85.0	80.7	52.1
- MBEL	43.6	7.1	26.3	63.5	64.9	69.1

Source: Company, DAM Capital Research

❑ Comparative Scorecard – INTERARC comes on top, but others not far off

In the below exhibit, we distil how each of the three companies within our coverage universe ranks across each parameter that we compared across in this section. We score each company on a 1-5 rank (5 = best-in-class; 1 = clear laggard). While, not surprisingly, INTERARC does top the rankings here, in our opinion its peers EPACKPEB and MBEL are not far behind since they too have certain strengths which they can capitalize upon as they carve out their own niches in the growing organized PEB market.

Exhibit 125: Comparative Scorecard – INTERARC ranks first, but EPACKPEB / MBEL not far behind

Parameter	INTERARC	EPACKPEB	MBEL
Scale and Market Position	5	3	2
PEB Revenue Growth (FY26-28E)	3	5	4
Capacity and Expansion Runway	5	4	3
EBITDA Margin	2	4	5
PAT Margin	4	3	5
Return Ratios (Level and Stability)	4	3	4
Balance Sheet Strength	5	3	4
Working-Capital Efficiency	3	5	2
OCF / FCF Generation through FY26-28E	4	4	3
Total (out of 45)	**35**	**34**	**32**

Source: Company, DAM Capital Research

Notable scorecard takeaways in the above table include:

- **PEB Revenue Growth:** INTERARC ranks last, but this is a scale impact (given its ~1.5-2x size versus peers)
- **Margins:** MBEL tops this given its reliance on US / Canada exports which boost overall margins in a meaningful way
- **Working Capital Efficiency:** High payables / customer advances have driven this in favour of EPACKPEB, sustenance of which would be key.

❑ Conclusion – Three routes, one destination

Our coverage universe offers three distinct ways to own the formalization of India's industrial build-out:

- **INTERARC:** A clear scale-and-stability play. It is the largest and only pure-play name, is structurally net cash, has the largest absolute profit pool and enjoys steady return ratios. Lower EBITDA margin / slower forward growth is a trade-off given the natural consequence of its size.
- **EPACKPEB:** This company is the growth-and-efficiency play – the fastest revenue compounder, operating with an exceptionally lean net working capital footprint. The trade-off here is low PAT margin and a sharp drop in near-term RoE (mainly to do with deleveraging than operating deterioration).
- **MBEL:** This is a major play on PEB North America exports (and hence margins) and a decent wallet-share play in its SSR segment. The trade-off here is its scale is small versus INTERARC / EPACKPEB, and its leaning on North America also exposes it to higher working capital cycle and potential margin dampeners due to tariff / duty changes, especially in the US.

While each company has its pros and cons, a common structural tailwind, ~10 months of orders on hand, a capacity expansion phase which eventually inflects to positive free cash flow by FY28E, and strong net-cash balance sheets unite them all. On a relative operating-and-financial scorecard, the three rank closely, making each company a unique play on the differentiation it brings to the table.

Outlook & Valuation

We believe the PEB sector is a strong proxy play to the Indian capex cycle story – a story which we believe has multiple growth legs ahead (despite near-term noise that may lead to some deferments). The sector not being dependent on a few industries also strengthens our investment case. Within this, we believe that as industrialization gets concentrated amongst large / well capitalized corporations, the demand for large / complex factories will increase, which will only be catered by a few large and proven PEB vendors. With our coverage universe enjoying strong balance sheets (especially after their IPOs), they are all in pole position to capitalize on these opportunities ahead.

We initiate coverage on the space with BUY ratings for INTERARC (TP Rs2,220 / +25% upside / 20x FY28E EPS), EPACKPEB (TP Rs230 / +12% upside / 17.5x FY28E EPS), and MBEL (TP Rs370 / +30% upside / 15x FY28E EPS).

❑ Industrial capex proxy play, but with relatively shallow cyclicality

PEBs fit squarely downstream of India's industrial capital formation – factories, warehouses, and multiple other structures involved in infrastructure need some form of a PEB. With its advantages over traditional construction methods clear, it is becoming the default choice for end clients and hence enlarging the opportunity base for industry incumbents.

The breadth of the demand funnel softens the cyclicality of the PEB business. Unlike various industries which go through their own demand cycles, the PEB industry's order book is fed by manufacturing industries across the board (automobiles, pharmaceuticals, consumption, electronics, etc.) with no one single end-market dominating demand. This layer makes the industry far less cyclical than a 'commodity converter / factory-linked' label implies.

❑ Credible case for the big becoming bigger

Layered on top of this is a structural driver – large clients are increasingly mandating certified, reliable vendors over the unorganized tail. As large corporate groups build at scale while new industries (semiconductors, renewables, etc.) bring in their own complexity, vendor selection is tilted heavily towards speed, engineering capabilities and track record, rather than price alone. Large order ticket sizes and complex requirements (along with quick / reliable delivery) narrow the PEB vendor pool to the top few – where INTERARC, EPACKPEB, and MBEL fit in well.

This same dimension would also be applicable in the world of Heavy Structures (large commercial buildings / infrastructure) as large players start to make in-roads here since the end contractors requiring these services are generally large EPC players.

❑ Strong balance sheets = stability to navigate near-term headwinds

During broad downturns, when most industries slow and capex is pushed out into the future, companies with strong balance sheets are the ones to fall back on. This is especially so in the current scenario where steel prices have shot up (and the entire price hike may not be passed through for orders already in hand / under execution) and with inflationary pressures causing near-term demand concerns (which may necessitate postponement of capex plans as corporates choose to wait and watch the situation unfold).

With all three of our coverage companies being net cash as of FY26 (and we expect this over FY27E / 28E too) and their ~10-11 months of order-book cover, near-term revenue visibility remains healthy, but if demand gets pushed into the future, these companies will not go through a cash crunch situation as they wait for the environment to improve.

❑ Initiate coverage on the PEB sector – Each company has its own flavour

We initiate coverage on the PEB sector – we rate all three companies with BUY ratings with ~12-30% upside from current market prices. The investment case for each is built on a different combination of growth, quality, and value – and we believe that the market does not fully appreciate what each brings to the table.

- **Interarch Building Solutions (INTERARC):**

INTERARC is India's second largest (and the largest listed) PEB company. It has an enviable client roster built over four decades with ~70-80% of annual revenue now coming from old (but growing) clients. As it completes its pan-India footprint by FY27E (~290k MTPA capacity), INTERARC is on course to ride a virtuous flywheel driving ~17% earnings CAGR over FY26-28E with RoCE inching back to ~19%. **We initiate coverage with a BUY and a Rs2,220 target price (20x FY28E EPS)**.

- **Epack Prefab Technologies (EPACKPEB):**

EPACKPEB is India's (soon to be) third largest PEB player by capacity. It has reached this stage by rapidly growing revenue at ~36% CAGR (FY22-26) on the back of new capacities, strong client lists (especially in new-age industries) and an integrated product suite across the value chain which drives wallet-share expansion with existing clients and opens new ones. With earnings expected to grow ~20% CAGR over FY26-28E and RoCE of ~20%, EPACKPEB is well on its way to transition from a regional challenger to a pan-India contender. **We initiate coverage with a BUY and a Rs230 target price (17.5x FY28E EPS)**.

- **M&B Engineering (MBEL):**

MBEL, though still a relatively regional player in India, has built a hard-won, first-mover foothold as India's premier PEB exporter to the lucrative North American market. Current capacity expansions (+40% growth over FY26-28E to ~144k MTPA) should provide headroom to deepen its export presence while also plugging whitespaces in South India. Its self-supported roofing business (monopoly in a niche space) also aids wallet-share expansion / new client in-roads. Together, these should drive a ~23% earnings CAGR over FY26-28E with RoCE touching ~22%. **We initiate coverage with a BUY and a Rs370 target price (15x FY28E EPS)**.

Exhibit 126: PEB Coverage Universe – What to buy and why?

Company	Rating	Target Price (Rs) / Upside (%)	Target PE (FY28E)
INTERARC	**BUY**	**Rs 2,220 (+25% Upside)**	**20.0**
Why Buy?	Largest pure-play PEB name + Emerging optionalities in Heavy Structures / Exports		
USP	40-year track record / Strong foundations across our Six-Pillar Winners' Framework		
Risk	Weak execution in Heavy Structures (where entrenched incumbents are present)		
EPACKPEB	**BUY**	**Rs 230 (+12% Upside)**	**17.5**
Why Buy?	Visible hunger for growth (given ~50% growth in capacity)		
USP	Proven executor given FY22-26 revenue CAGR (+36%)		
Risk	Low working capital hinged on high payables; Fast growth could hurt balance sheet		
MBEL	**BUY**	**Rs 370 (+30% Upside)**	**15.0**
Why Buy?	Only PEB export play in the high-margin US / Canada market		
USP	Multi-year efforts to build US / Canada presence already done (unlike peers)		
Risk	High working capital + potential US tariff uncertainties can cap margins		

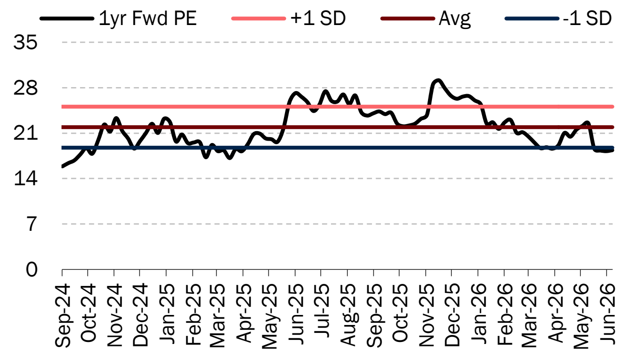
Source: DAM Capital Research

Exhibit 127: PEB Coverage Universe – Target Price / Valuation Metrics

Company	CMP (Rs)	TP (Rs)	Upside (%)	Rating	Current PE FY28E (x)	Target PE FY28E (x)
INTERARC	1,779	2,220	24.8	BUY	16.0	20.0
EPACKPEB	205	230	12.3	BUY	15.4	17.5
MBEL	284	370	30.4	BUY	11.5	15.0

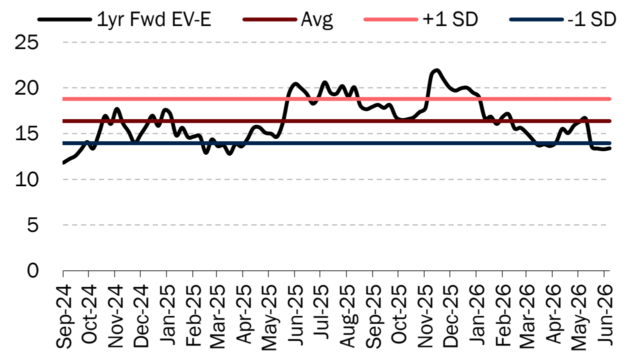
Source: DAM Capital Research

Exhibit 128: INTERARC – 1-Year Forward P/E Chart



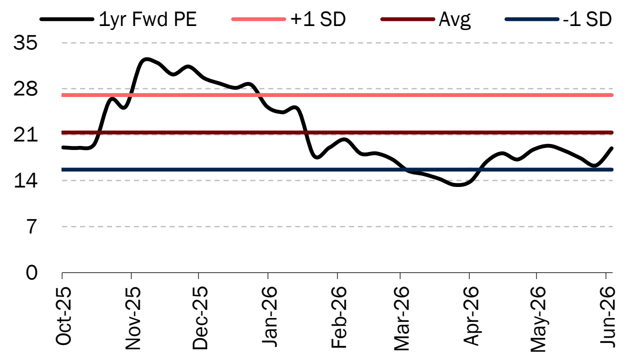
Source: Bloomberg, DAM Capital Research

Exhibit 129: INTERARC – 1-Year Forward EV/EBITDA Chart



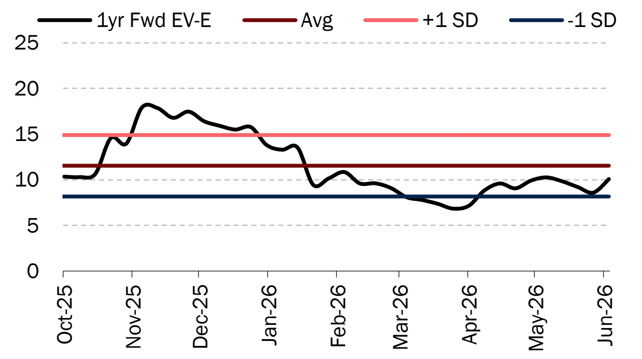
Source: Bloomberg, DAM Capital Research

Exhibit 130: EPACKPEB – 1-Year Forward P/E Chart



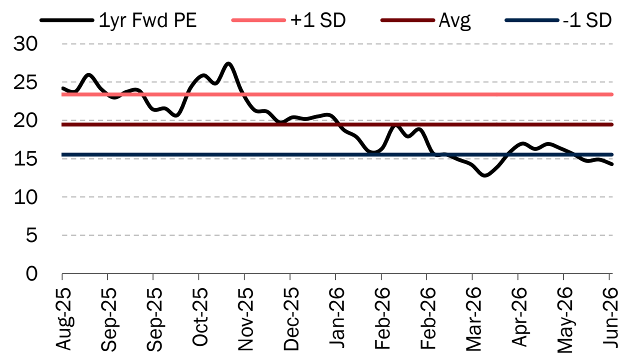
Source: Bloomberg, DAM Capital Research

Exhibit 131: EPACKPEB – 1-Year Forward EV/EBITDA Chart



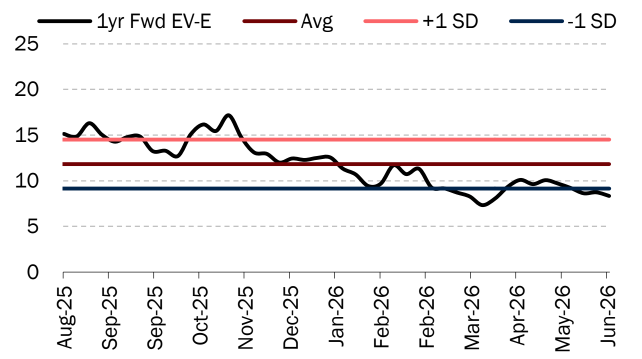
Source: Bloomberg, DAM Capital Research

Exhibit 132: MBEL – 1-Year Forward P/E Chart



Source: Bloomberg, DAM Capital Research

Exhibit 133: MBEL – 1-Year Forward EV/EBITDA Chart



Source: Bloomberg, DAM Capital Research

Key Risks

❑ Dependence on the broader capex cycle

Since the PEB market is industry agnostic in most ways, the sector is not dependent on the up / down-cycles of a few industries. However, in an environment where the overall capex cycle remains muted as end-clients defer / cancel new factory building plans, overall PEB demand will be hit and there is a possibility that bargaining power of buyers increases as orders become scarce.

Mitigation: Companies (especially under our coverage universe) are actively building revenue streams (exports / heavy structures) and focusing on sunrise industries where capex continues unabated. Revenue diversification should mitigate the negative impact of an overall capex slump to an extent.

❑ Steel price volatility can impact margins

Steel is a major part of PEB's raw material basket (primary steel is ~55-60% of total; along with secondary steel, this proportion rises to ~65-75%). Companies manage steel price risk by bidding for projects wherein close to 80% of steel requirement is secured by existing inventory on hand (or ordered but not received). The balance 20% demands experience in steel price cycles to price contracts accordingly. However, in times when steel prices are very volatile, there is a possibility that the 'unhedged' portion of steel may be margin dilutive as prices could not be passed through.

Mitigation: Companies reducing project delivery cycles to shorter time durations (adding capacity helps in this regard) so that price unpredictability can be managed. Large / long lead time orders generally have price pass-through clauses. In an absolute unavoidable scenario, players can try to renegotiate prices to reflect current realities.

❑ High competitive intensity

Organized players' market share is still <50% of the total, leaving a long tail which continues to compete on prices wherever possible. Within the organized segment too, large sized orders are still split between players, which can bring in a degree of competitive pricing pressure here too.

Mitigation: Large players must go up the value-curve to be the preferred choice for clients with large / complex requirements. Mid-sized orders (where price can be key) should increasingly be used for capacity utilization purposes versus being the key driver of growth.

❑ Execution risks and its impact on working capital cycles

Large-ticket / milestone-billed orders can strain cash holdings if execution slips or receivables build up. Inventory and possibly receivables may also build up if PEB vendors experience delays from circumstances out of their control – incomplete civil works or another PEB vendor who delayed their part of supplies for a project. In the case of North America exports (where transit times can be as long as 45 days), any delay in shipments could mean money stuck in inventory.

Mitigation: Cover for working capital risk via customer advances to the extent possible. Strong balance sheets can cover for temporary elongated WC cycles.

Companies

Interarch Building Solutions

Legacy, Scale, Optionality!

BUY

INITIATING COVERAGE

4 June 2026

BSE Sensex: 74360

Sector: Engineered Steel

INTERARC is India's second largest and the largest listed pre-engineered buildings (PEB) company. Incorporated in 1983, it has a solid track record of relationships with most of India's top industrial houses, with ~70-80% of annual revenue now coming from old (but growing) clients. As its capacity expansions come online (+89k MTPA; ~290k MTPA by FY27E end) plugging all geographies in India, INTERARC is riding a virtuous flywheel which should drive ~17% earnings CAGR over FY26-28E, RoCE inching back to ~19% (after front-loading capex) and fortify its balance sheet (~Rs2.5bn net cash by FY28E). We initiate coverage with a BUY and a Rs2,220 target price (20x FY28E EPS / 25% upside).

❑ Investment Rationale

- **Unassailable track record:** With nearly 4 decades in the PEB industry, INTERARC has become a go-to player for most of India's top industrial corporate houses given its track record of reliable delivery across scenarios. With large corporates becoming larger in India, and ~70-80% of revenue flowing from repeat clients, and growing order complexity (from standard units to semiconductor plants to data centers), the company's moat keeps getting deeper. As India's industrialization accelerates, INTERARC is a natural first call for corporates seeking a PEB partner – a structural advantage versus peers.
- **Capacity roll-out makes it a pan-India force:** With its Andhra Pradesh plant now operational, and a Gujarat facility (40k MTPA) due in FY27E, INTERARC will have production units across North, South and West India, making it a pan-India force. This enables it to service orders which were earlier economically unviable. As total capacity (incl. heavy structures) expands to ~290k MTPA by FY27E end (vs 201k as of FY26), we estimate ~16% volume CAGR over FY26-28E. While we expect INTERARC to focus on volume, we note that these expansions (plus increasing order ticket sizes) can boost margins too.
- **Meaningful optionality on hand:** INTERARC's heavy structures foray (capacity coming online) + focused approach to increase exports (~Rs400m export orders in FY26, work in progress in the North American market via its partner Mold-Tek Technologies, and more recently, ER Steel) can deliver an additional boost to revenue (and margins). These options (if scaled fast) represent credible medium-term upside if traction builds (and INTERARC has the balance sheet (~Rs2.5bn net cash by FY28E) to pursue capacity to support this).

❑ Valuation and Risks

We value INTERARC at 20x FY28E EPS arriving at a target price of Rs2,220 (25% upside). Key risks – (1) execution delays for incoming factories; (2) weak heavy structures ramp-up; and (3) site erection delays (given dependence on third-party contractors for this).

Key valuation metrics

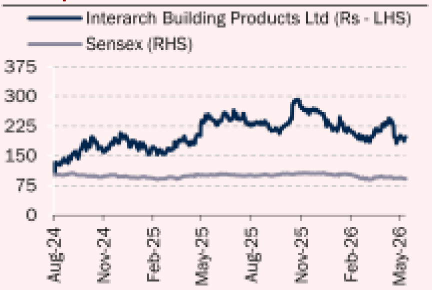
Year to 31 Mar	FY24	FY25	FY26	FY27E	FY28E
Net sales (Rs m)	**12,933**	**14,538**	**18,980**	**22,344**	**26,075**
EBITDA (Rs m)	1,130	1,362	1,763	2,011	2,412
Adj. net profit (Rs m)	863	1,078	1,378	1,562	1,871
Adj. EPS (Rs)	58.7	68.0	81.8	92.7	111.1
% change	8.1	15.9	20.2	13.4	19.8
PE (x)	30.3	26.1	21.7	19.2	16.0
Price/ Book (x)	5.9	3.8	3.4	3.0	2.6
EV/ EBITDA (x)	22.0	19.3	16.5	14.1	11.4
RoE (%)	20.4	18.0	16.9	16.5	17.1
RoCE (%)	23.5	20.0	19.2	18.3	19.1

Source: Company, DAM Capital Research

Stock data

CMP (Rs)	1,779
Mkt Cap (Rs bn/USD m)	29.8 /312
Target Price (Rs)	2,220
Change in TP (%)	NA
Potential from CMP (%)	24.8
Earnings change (%)	
FY27E	⬄
FY28E	⬄
Bloomberg code	INTERARC IN
1-yr high/low (Rs)	2,763/1,600
6-mth avg. daily volumes (m)	0.1
6-mth avg. daily traded value	
(Rsm/USDm)	213.5/2.2
Shares outstanding (m)	16.8
Free float (%)	40.6
Promoter holding (%)	59.4

Price performance – relative & absolute



(%)	3-mth	6-mth	1-yr
INTERARC IN	(1.3)	(24.2)	(21.8)
BSE Sensex	(6.0)	(12.8)	(8.2)

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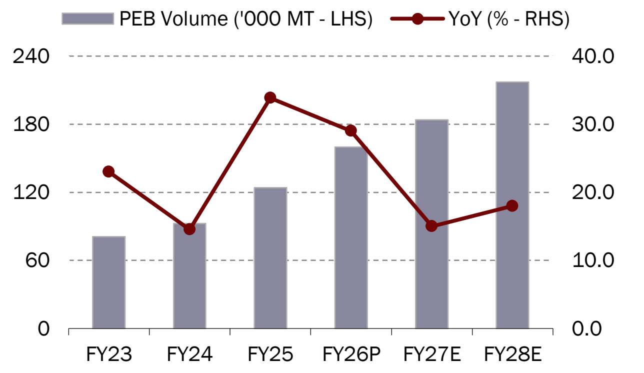
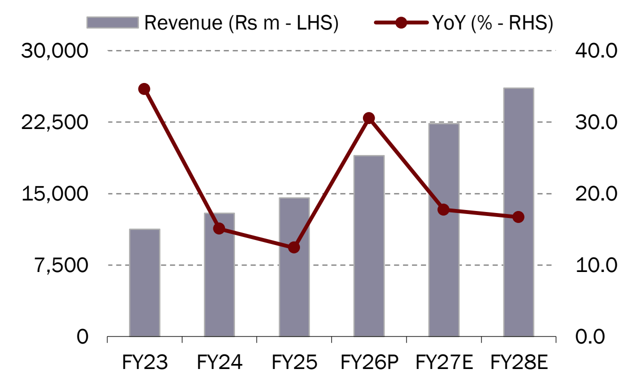
Story in Charts

Exhibit 1: ~16% volume CAGR expected over FY26-28E…



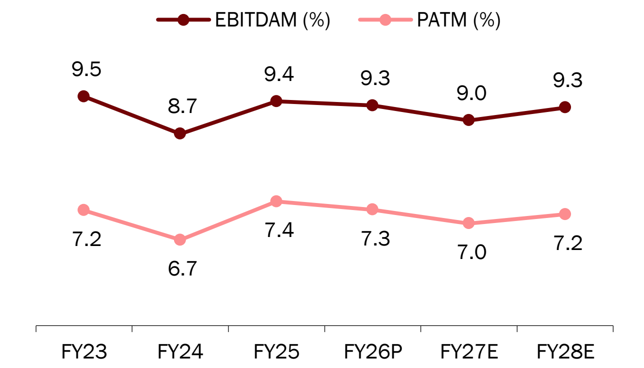
Source: Company, DAM Capital Research

Exhibit 2: …with revenue growth slightly ahead of volume



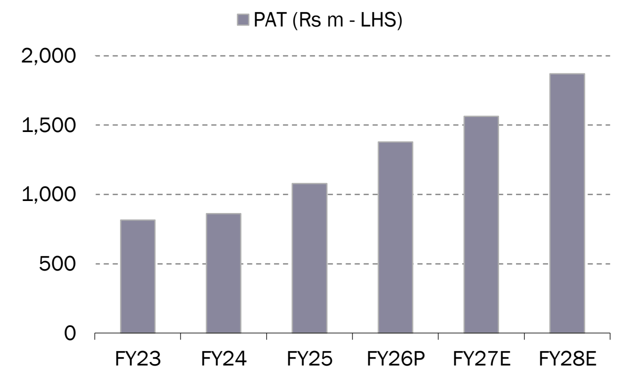
Source: Company, DAM Capital Research

Exhibit 3: Stable margins, though higher depreciation…



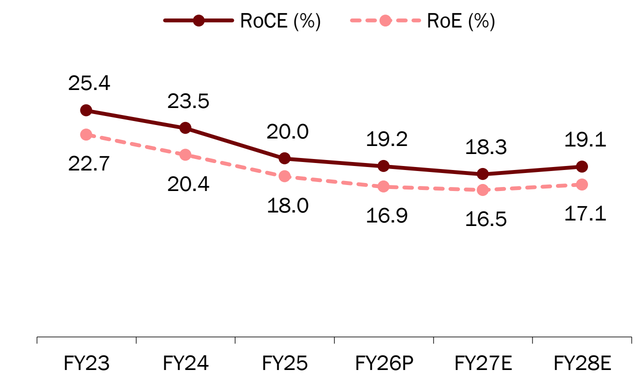
Source: Company, DAM Capital Research

Exhibit 4: …to drive a ~17% earnings CAGR over this period



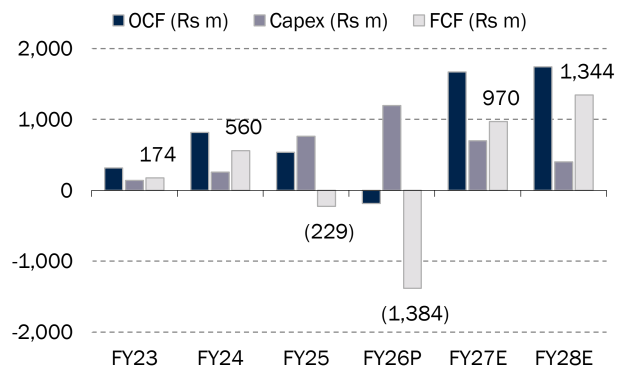
Source: Company, DAM Capital Research

Exhibit 5: RoE / RoCE to inch back to ~17% / 19% by FY28E…



Source: Company, DAM Capital Research

Exhibit 6: …with FCF generation resuming from FY27E



Source: Company, DAM Capital Research

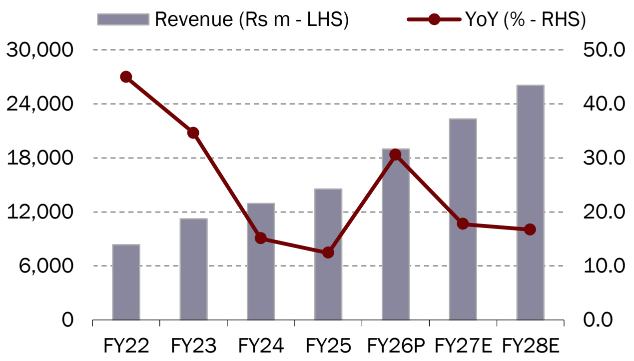
Company Overview

❑ Brief Summary

INTERARC is India's second largest (and the largest listed) player in India's PEB industry. Incorporated in 1983, the company entered the steel structures space in 1993 by introducing metal roofing and cladding systems (under the brand TRACDEK), followed by a full-fledged entry into PEBs with its first factory in Greater Noida (Uttar Pradesh, India) in 2000. The company currently has a manufacturing capacity of ~201k MTPA across its North and South India plants and it will enter West India through its Gujarat plant by H1FY27E.

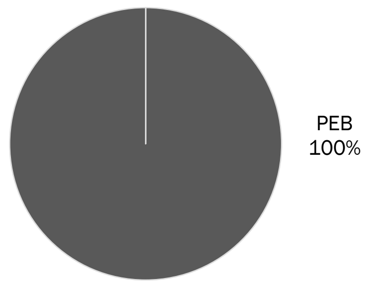
The company is led by first-generation promoters Mr. Arvind Nanda (Managing Director) and Mr. Gautam Suri (Whole-Time Director) and has grown revenue by a robust ~23% CAGR over FY22-26.

Exhibit 7: Revenue Trajectory + Expectations



Source: Company, DAM Capital Research

Exhibit 8: Revenue Mix (FY26)



Source: Company, DAM Capital Research

Exhibit 9: INTERARC – Manufacturing Footprint

Category	Existing	Incoming	Total
PEB (MTPA)	201,000	40,000	241,000
Heavy Structures (MTPA)	-	49,000	49,000
Total	**201,000**	**89,000**	**290,000**

Source: Company, DAM Capital Research

❑ Key Financials

Exhibit 10: Key Financial Data

Parameters	FY23	FY24	FY25	FY26P	FY27E	FY28E
Revenue (Rs m)	11,239	12,933	14,538	18,980	22,344	26,075
YoY (%)	*34.6*	*15.1*	*12.4*	*30.6*	*17.7*	*16.7*
EBITDA (Rs m)	1,064	1,130	1,362	1,763	2,011	2,412
EBITDAM (%)	9.5	8.7	9.4	9.3	9.0	9.3
Net Income (Rs m)	815	863	1,078	1,378	1,562	1,871
PATM (%)	7.2	6.7	7.4	7.3	7.0	7.2
RoCE (%)	25.4	23.5	20.0	19.2	18.3	19.1
RoE (%)	22.7	20.4	18.0	16.9	16.5	17.1
NWC (Days)	27	26	38	51	51	48
OCF / EBITDA (%)	29.4	72.1	39.3	(10.7)	83.1	72.3

Source: Company, DAM Capital Research

❑ Management Team & Board of Directors

Exhibit 11: Key Management Team

Name	Designation	Approx. Tenure (Years)	Key Highlights
Arvind Nanda	Managing Director	32	• Co-Founder; B.Com (Hons) from University of Delhi • Responsible for business decision-making / fin. oversight
Gautam Suri	Whole-Time Director	32	• Co-Founder; B.Tech (Mechanical Engg) from IIT Delhi • Responsible for critical technical business decisions
Manish Kumar Garg	Chief Executive Officer	5	• Diploma in Civil Engg (BTE Delhi) • Previous roles include Everest Industries and Safal Building System Limited
Pushpendra Kumar Bansal	Chief Financial Officer	2	• B.Com from Ajmer University / Fellow of the ICAI • Previous roles at Action Construction Equipment, Omax Autos, Jakson Ltd and Microtek International Pvt. Ltd.
Ms. Nidhi Goel	Company Secretary & Compliance Officer	19	• B.Com (Hons) from University of Delhi / Associate of Institute of Company Secretaries of India • Responsible for Compliance / Corp. Governance Functions

Source: Company

Exhibit 12: Board of Directors

Name	Classification	Tenure (Years)	Key Highlights
Ms. Sonali Bhagwati Dalal	Chairperson & Independent Director	2	• Associated since January 2024 • Diploma in Architecture (Center for Environmental Planning & Tech) • Associated with Designplus Architecture, Shared Workspace Solutions Pvt. Ltd, Fade to Black Design & Media Pvt. Ltd., etc.
Arvind Nanda	Managing Director	32	• Associated since inception • 30+ years of experience in the PEB space with INTERARC
Gautam Suri	Whole-Time Director	32	• Associated since inception
Viraj Nanda	Director	9	• Associated since February 2017 • Bachelors' Degree in Tourism & Hospitality (William Angliss, Australia) • Previously Manager – Marketing at INTERARC
Ishaan Suri	Director	15	• Associated since September 2011 • Bachelor's degree in science from LSE
Mohit Gujral	Independent Director	2	• Associated since January 2024 • Diploma in Architecture (Center for Environmental Planning & Tech) • Previously Chief Executive Officer at DLF Ltd.
Sanjiv Bhasin	Independent Director	2	• Associated since January 2024 • Bachelor's in Commerce from University of Delhi • Previous experiences include AfrAsia Bank, DBS Bank and HSBC

Source: Company

❑ Milestones

Exhibit 13: INTERARC – Major Milestones

Year	Achievement
1983	• Incorporated in New Delhi (initially started as an importer of metal roofs / false ceilings)
1993	• Introduced metal roofs / cladding systems under 'TRACDEK' brand
2000	• Set up first PEB manufacturing facility in Greater Noida (Uttar Pradesh)
2001	• Received first PEB order post setting up facility
2005	• Set up second PEB manufacturing unit in Pantnagar (Uttarakhand)
2007	• Commenced supply from Tamil Nadu - I manufacturing unit
2008	• OIH Mauritius acquired ~13% stake in INTERARC • Kichha (Uttarakhand) PEB facility set up
2009	• Commenced supply from Tamil Nadu – II manufacturing unit
2021	• Kichha facility expanded
2023	• Revenue from operations crossed Rs10bn
2024	• INTERARC listed on the NSE and BSE • PEB unit inaugurated in Athivaram (Andhra Pradesh)
2025	• Secured India's single largest PEB order

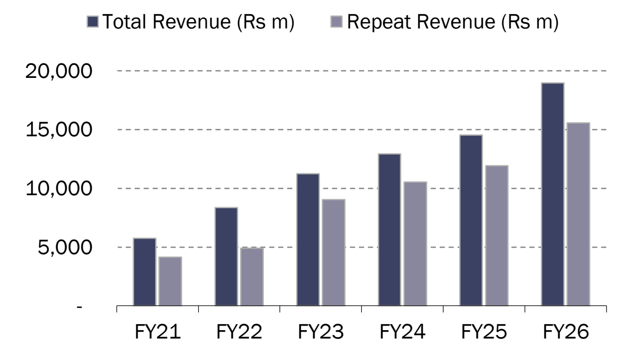
Source: Company, DAM Capital Research

Investment Rationale

❑ Unassailable track record and deep relationships = virtuous flywheel

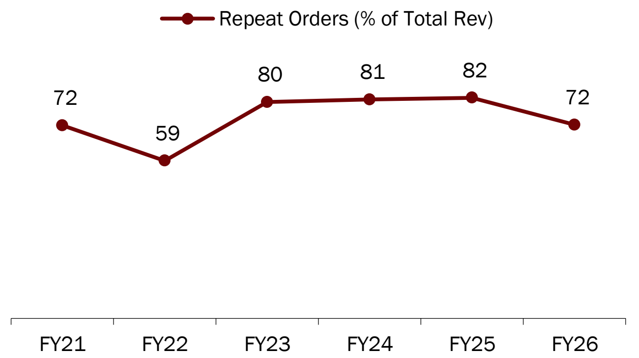
INTERARC is one of the oldest players in the Indian PEB landscape and has built a reputation of institutional delivery over its 30+ year history. The long vintage not only brings back existing clients for their factory project needs but also makes it comforting for new clients (or their contractors) evaluating PEB vendors. This virtuous flywheel drives momentum for long-term growth as client stickiness remains high (~70-80% of orders from repeat clients) and as India's re-industrialization picks up pace, large industrial corporates would more likely take the lead here and when they need a PEB partner to accelerate their capex plans, INTERARC comes out as a natural choice.

Exhibit 14: Repeat client revenue has grown ~30% CAGR over FY21-26 versus overall revenue CAGR of ~27%



Source: Company, DAM Capital Research

Exhibit 15: Orders from old / repeat clients average ~70-80% of total revenue in recent years



Source: Company, DAM Capital Research

INTERARC works with India's top 200-300 corporations

We understand that INTERARC is working with multiple companies that count themselves as India's top 200-300 corporate houses. These include new age industries from the Semiconductor space (both Tata mega projects in Dholera and Jagiroad (Guwahati)) and Data Centers (Iron Mountain and RailTel).

This combination of track record and deep relationships is a near-unassailable moat (only Kirby, by our understanding, commands similar respect among top corporates). As these corporates' demands increase, order ticket sizes too will move upwards (higher tonnage / more complexity) giving INTERARC a clear opportunity to deepen its competitive advantages (especially since the bid-to-order cycle should shrink for repeat clients).

❑ Capacity build-up to leverage the relationship moat

INTERARC initially concentrated its fabrication capacity in North India, with only a small Tamil Nadu facility added in 2007. For markets outside its geographical sphere of influence, the company relied either on third-party suppliers or its northern manufacturing base (despite the logistics cost disadvantage).

Following a prolonged cyclical retrenchment in industrial asset formation in India, and with that, the fortunes of INTERARC and the industry, the post-COVID demand for industrial structures prompted the company to branch out and set up a large-scale production hub in South India at Athivaram (Andhra Pradesh) in 2024. With the harder part of building deep client relationships already accomplished, INTERARC is now directing that same organizational discipline towards its next challenge – scaling physical capacity to match the demand its reputation commands. Since its listing on the exchanges, the company has added ~40k MTPA capacity (taking its total capacity to ~201k MTPA) and is currently adding a ~40k MTPA plant in Gujarat (which will open the West India market). The company has also purchased land near its upcoming Gujarat facility for a potential future expansion.

In addition, the company's board has passed an enabling resolution for a ~Rs1bn qualified institutional placement (QIP) to accelerate / pre-pone future capex plans (no money raised yet). Though we have not considered these potential capacity enhancements in our estimates (barring the preponed ~24k MT additional for Heavy Structures), this is reflective of the confidence that INTERARC is going into another orbit when it comes to distancing itself vis-à-vis peers in the PEB race.

Exhibit 16: INTERARC – Capacity additions make it a true pan-India player

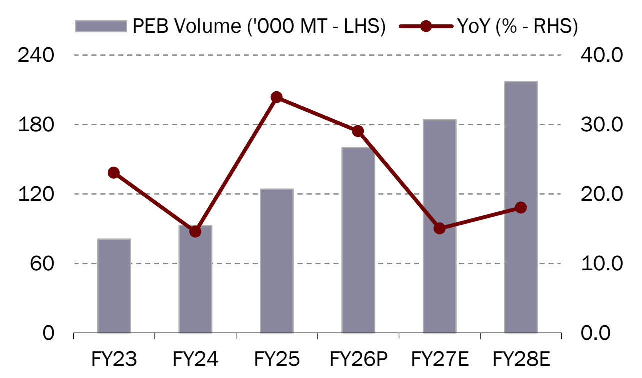
Capacity Plans (MTPA)	Existing	Incoming	Total
PEB	**201,000**	**40,000**	**241,000**
- North India	100,500	-	100,500
- South India	100,500	-	100,500
- West India	-	40,000	40,000
Heavy Structures	**-**	**49,000**	**49,000**
- South India	-	49,000	49,000
Total	**201,000**	**89,000**	**290,000**

Source: Company, DAM Capital Research; Note: PEB 40k MT + Heavy Structures 25k MT to be ready by Q2FY27E; Heavy Structures 24k MT to be ready by Q4FY27E

While we await clarity on this front, INTERARC's current capacity augmentation plans make it a true pan-India player and with its reach extending to South (and soon West) India, INTERARC can either pass on logistics savings to win share or retain them as margin uplift – we believe the management will prioritise the former.

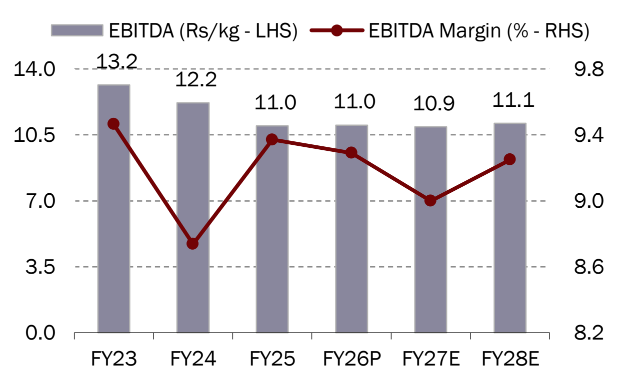
Coming closer to both new and existing clients' potential project sites makes it viable to bid for small / mid-sized ticket orders (and focus on market share over margin from such orders), and while INTERARC has been supplying partially to large ticket orders away from its existing manufacturing footprint already (e.g. both Tata's Semiconductor plants), coming closer should ideally translate to higher wallet shares (and potentially the entire project order) for large sized orders and some margin accretion as well.

Exhibit 17: ~16% volume CAGR over FY26-28E…



Source: Company, DAM Capital Research

Exhibit 18: …with stable EBITDA margins (focus on growth)



Source: Company, DAM Capital Research

❑ Addressable market expansion – sowing the seeds for the future

Besides solving for capacity, INTERARC is actively working on addressing two areas, which if it succeeds, will extend the company's total addressable market (TAM) in a material way:

➢ **Heavy Structures:**

INTERARC is setting up a ~25k MTPA capacity to fabricate heavy structures (columns, girders, trusses, etc. where each component weighs 5-10 MT vs PEB where most components weigh 3-4 MT) at its Athivaram facility (Andhra Pradesh) and is now preponing the second phase here (additional ~24k MTPA) so that ~49k MTPA capacity will be available by the end of FY27E versus FY28E earlier (and an option of increasing it to ~60k MTPA is also being considered). At full utilization, this

Data center execution and a recent high-rise order win → Heavy Structure credentials being built

capacity will be ~10% of India's estimated annual demand but given that the market is adopting heavy structures (over conventional construction means) fast, the actual industry potential is likely higher than current estimates.

Heavy structures TAM is a natural extension of INTERARC's existing value proposition – higher complexity, higher ticket sizes, and clients INTERARC already serves. The company has quietly been building capability here through its JSPL tie-up and has already executed a G+5 data center for Iron Mountain, is currently setting up the structure for a data center for RailTel (via Techno Electric & Engineering Company) and has recently won a ~Rs1bn order for a heavy structure building (most likely within Delhi's Common Central Secretariat (Central Vista) project) with deliveries scheduled to commence from September 2026. Dedicated capacity coming online over FY27E will only improve the company's execution capability in this space (which earlier was dependent on JSPL's facilities).

Though we model heavy structures capacity of ~49k MTPA in our financial estimates, we assume a gradual ramp-up – leaving option value if ramp-up exceeds expectations.

- **PEB Exports:**

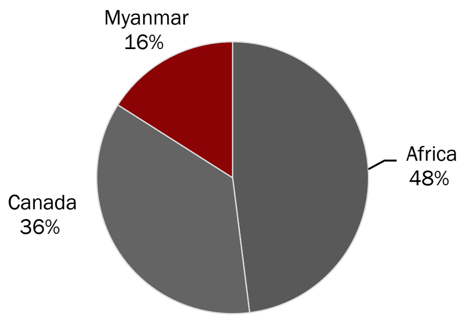
Exports have been negligible in INTERARC's scheme of things (<0.1% of revenue), but the company is actively working on this space as well. Key geographies on the company's radar include Africa, South Asia, and CIS markets (all of whom are price sensitive and have low barriers to entry), with US and Canada as longer-term ambitions. Given the growth potential in India, orders from these geographies are likely to be selective – either high-margin opportunities or utilisation fillers – while the management focuses on the more lucrative US / Canada markets longer-term. In FY26, INTERARC has secured export orders totalling ~Rs400m (~2% of FY26 revenue if fully executed) from Kenya, Ghana, Myanmar and Canada.

Exhibit 19: ~Rs400m export orders secured over FY26...

Country	Order Value (Rs m)
Kenya	127
Canada	109
Canada	36
Myanmar	66
Ghana	65
Total	**402**

Source: Company, DAM Capital Research

Exhibit 20: ...majority still from low barriers to entry markets



Source: Company, DAM Capital Research

Besides this, the company is also exploring the North American market (both US and Canada) to export PEB structures / components. We understand that this market has its own entry barriers – certifications (which INTERARC is working on) and deep relationships with general contractors (which takes time to build as MBEL has demonstrated). Within North America, INTERARC has tied up with Mold-Tek Technologies (a design / engineering firm with a presence in the United States) which provides it access to the latter's GC network in that country. In May 2026, INTERARC has signed a Memorandum of Understanding (MoU) with ER Steel, Inc. (Canada) – a structural steel and PEB company with an established local market presence and execution capability.

Recent tie-ups (Mold-Tek + ER Steel) makes INTERARC's North American export aspirations slightly easier

Unlike the Mold-Tek partnership (design / engineering focus; US-centric), ER Steel brings on-ground execution support and Canadian GC relationships, plugging what we view as the single most critical gap in INTERARC's North American strategy – on-ground execution capability – with certifications being the remaining piece (work in progress). Importantly, the MoU covers both PEB and Structural Steel, giving INTERARC's incoming heavy structures capacity a potential export outlet in North America – an optionality that did not exist until now. The combination of Mold-Tek (US design access) + ER Steel (Canada / North America execution) represents a more complete platform than either partnership alone and materially de-risks the North American export ramp-up optionality.

Exhibit 21: INTERARC – Strategic tie-ups to extend the company's TAM

Partner	Jindal Steel & Power	Mold-Tek Technologies	ER Steel, Inc.
Announcement Date	Q3FY25	Q4FY25	Q1FY27
What does the partner bring?	Heavy structures fabrication capacity and know-how	US engineering client base, detailing services, business development in US	Canada / North America market access (for Heavy Structures and PEB)
What does INTERARC bring?	Design, manufacturing, relevant certifications and project management prowess in the steel buildings space		
Product / Segment unlocked	Heavy steel structures	US PEB exports	Canada PEB / Heavy Structure exports + Open Web Steel Joists (OWSJ)* product category

*Source: Company, DAM Capital Research; *OWSJ are lightweight steel trusses used for roof / floor supports (majorly used in North America)*

While this geography will be a slow and steady effort to ramp-up, if INTERARC cracks the code, it can be margin accretive in the long run as realisations are higher in this market and INTERARC can benefit from a manufacturing cost advantage by producing in India (especially if it earmarks a dedicated facility for this effort in the future).

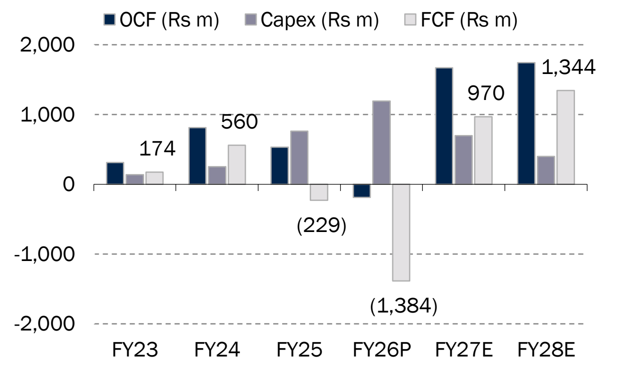
Overall, exports should be a modest contributor in INTERARC's scheme of things in the near-term (given plenty of domestic market potential on hand) unless a dedicated plant is set up for it – this may be explored in the ER Steel tie-up case – but if a decent portion of revenue eventually accrues from US / Canada, it can drive some margin expansion – we do not model this eventuality in our estimates.

❑ Strong balance sheet = greater risk-taking ability

INTERARC's net cash balance sheet greatly improves its competitive advantage as it provides the ability to pursue higher-ticket, longer-cycle orders and, eventually, export markets without strain. This is a clear structural advantage versus peers. We estimate INTERARC's net cash levels to touch ~Rs2.5bn by FY28E (even after absorbing the current capex cycle).

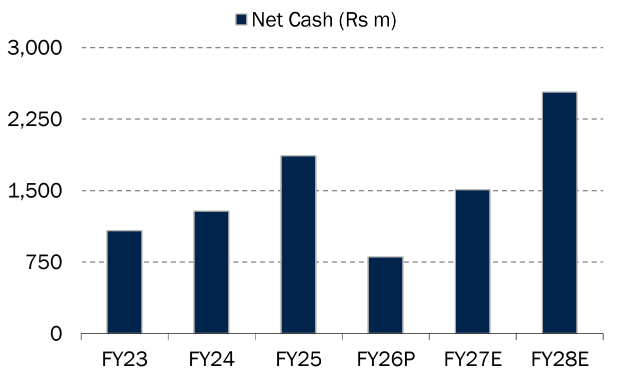
Historically, INTERARC has played its game in a meticulous but measured fashion to build its franchise in the PEB market. This is reflected in its judicious focus on order book building and working capital management (crucial given dependence on steel price volatility) as well as capacity additions (after 2009, INTERARC added capacity only in 2021, followed by its greenfield plant in Andhra in 2024).

Exhibit 22: Consistent FCF generation by INTERARC...



Source: Company, DAM Capital Research

Exhibit 23: ... + IPO funds = Enviable net cash position



Source: Company, DAM Capital Research

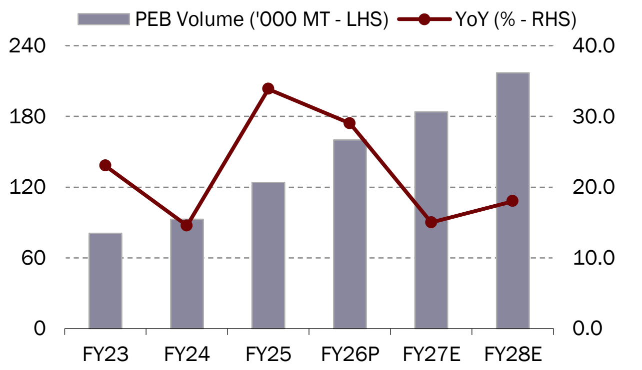
While we note that INTERARC is growing increasingly confident and hence investing for the future – the company is building capacities in response to market demand (both in PEB and Heavy Structures) rather than waiting for demand to catch up after building factories. This, alongside its strong cash-rich balance sheet (est ~Rs2.5bn net cash by FY28E despite ongoing capex) should permit the company to pursue higher absolute working capital business opportunities like higher ticket orders (more tonnage) and exports (especially to lucrative developed markets like the US / Canada and possibly Europe too).

Financial Analysis & Expectations

❑ Steady capacity ramp-up driven growth expected over FY26-28E

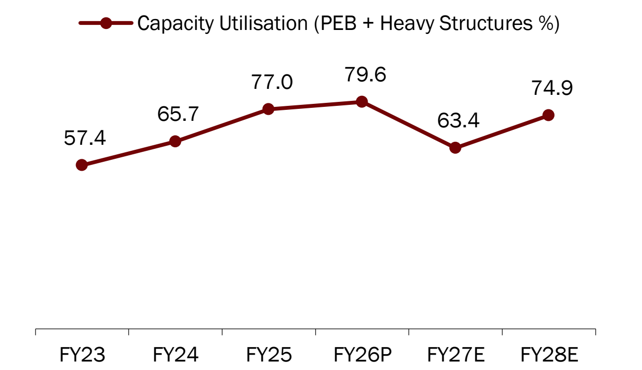
While FY25 / 26 have been strong volume growth years for INTERARC, we expect the pace of growth to soften over FY27E (especially H1) as existing capacity nears peak utilisation, while the new Gujarat and Andhra Heavy Structures facilities take time to ramp-up after commissioning this year. We expect utilization-driven growth to resume over FY28E and hence pencil in ~16% CAGR in PEB volume over FY26-28E. Though we do not explicitly model it just yet, we believe the company will need to announce further capacity enhancements over the course of FY27E (which can come online over FY28E and beyond) to drive a ~15-20% volume CAGR over the medium-term.

Exhibit 24: ~16% volume CAGR over FY26-28E...



Source: Company, DAM Capital Research

Exhibit 25: ...driven by capacity ramp-up over FY27E / 28E



Source: Company, DAM Capital Research

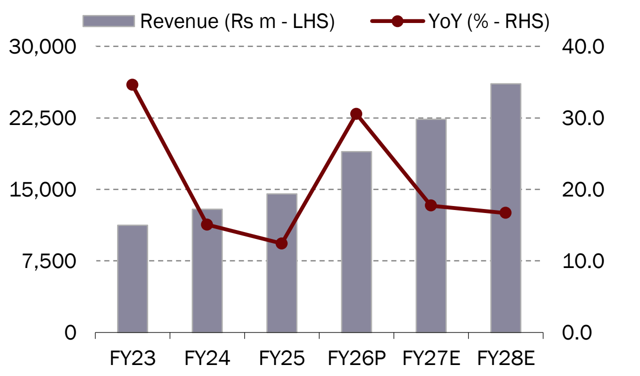
❑ ~17% earnings CAGR over FY26-28E

Steel price volatility + new plants to drag FY27E margins, but this should be fully recovered by FY28E as utilization improves

Over FY26-28E, we expect revenue CAGR to be slightly ahead of volume CAGR at ~17% – higher steel prices (which inflate realisations) in FY27E should reverse in FY28E, such that price movements largely cancel out over the two-year period. While its order book remains healthy (~Rs17bn as of April 2026; ~11 months of revenue), high (but potentially volatile) steel prices in the near-term may have some bearing on EBITDA margins (possible steel price inventory loss / gain and / or price renegotiations with end clients). In addition, new plants coming online (both AP Heavy Structures and Gujarat PEB units) will also have some dampening effect on margins before they ramp-up. Overall, we have assumed a ~30 bps margin impact over FY27E (vs FY26), but we expect this to be recovered over FY28E (capacity utilization improvement driven) taking EBITDA margins back to ~9.3% (flat vs FY26).

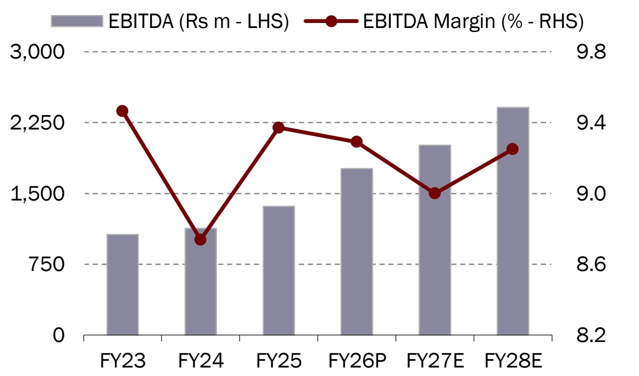
As such, we expect EBITDA CAGR of ~17% over FY26-28E, broadly in-line with revenue growth, as margins stabilise around the 9% mark. At the per-unit level, EBITDA/kg is expected to stabilize at the ~Rs11 level over FY26-28E. Earnings CAGR should trend at a similar rate as EBITDA (~17% over FY26-28E) as depreciation expense from new plants will step up over this period but will partly be negated through higher other income.

Exhibit 26: ~17% revenue CAGR over FY26-28E (expect high steel prices in FY27E to reverse course in FY28E)...



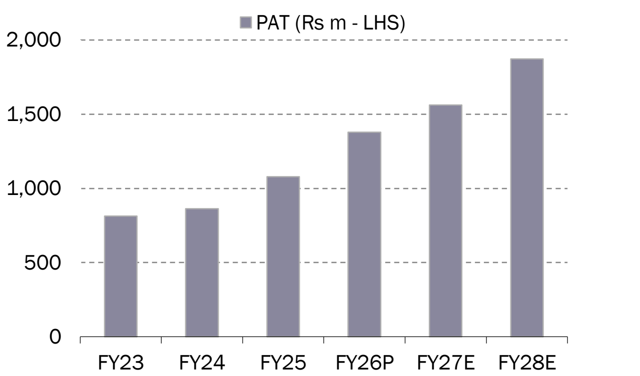
Source: Company, DAM Capital Research

Exhibit 27: ...although steel price volatility + new plants should mean EBITDA margins remain at ~9-9.3% band over FY26-28E



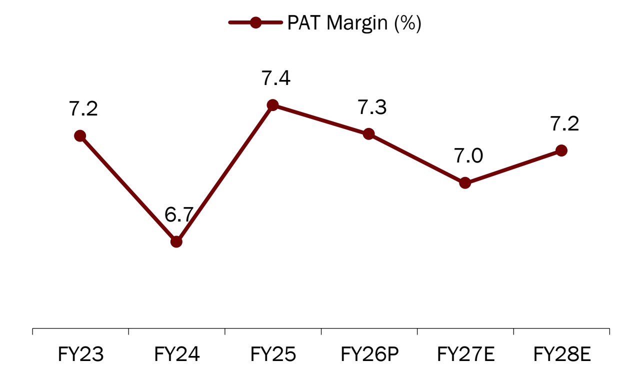
Source: Company, DAM Capital Research

Exhibit 28: ~17% earnings CAGR over FY26-28E



Source: Company, DAM Capital Research

Exhibit 29: PAT margin trajectory to mirror that of EBITDA



Source: Company, DAM Capital Research

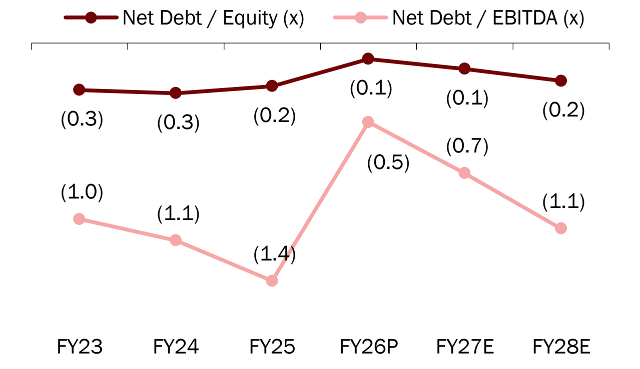
❑ Balance sheet to strengthen further

Though we anticipate some announcements on capacity expansions over the coming fiscal (to be available post FY28E), ongoing expansions should conclude by FY27E. With ~17% earnings growth expected over FY26-28E, we expect INTERARC's net cash position to strengthen further (est. Net Debt/EBITDA to touch -1x by FY28E vs -0.5x in FY26). Net working capital has risen to ~51 days in FY26 (vs 38 days in FY25) – mainly due to slower growth in contract liabilities vis-à-vis receivables / inventory. We expect this to come off slightly to ~48 days by FY28E – receivables may remain high as INTERARC pursues higher ticket-size orders where large corporates and milestones are involved (driving a timing issue in receivables at times).

Return ratios will compress in the near-term – given capital expenditures coming onstream and new plants operating at below optimal utilisation (dragging margins lower) – but as utilization improves, RoCE / RoE should inch higher to ~19% / ~17% respectively by FY28E (back to FY26 levels).

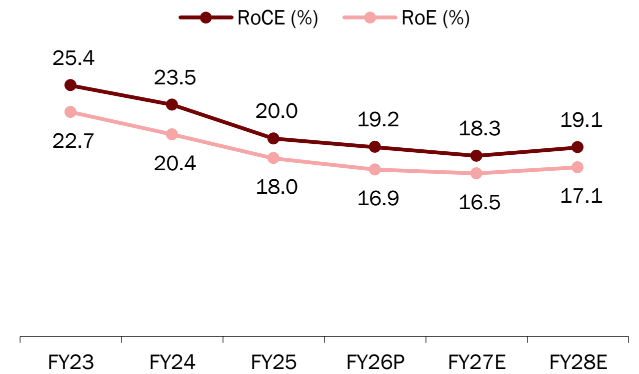
INTERARC has been generating free cash since FY18, but capex intensity over FY25/26 has meant two consecutive years of negative free cash. With most capex concluding by H1FY27E, we expect FCF to resume over FY27E / 28E – though the company could ramp-up capex again given opportunities on hand, we do not see this straining the balance sheet.

Exhibit 30: Net cash position to strengthen further



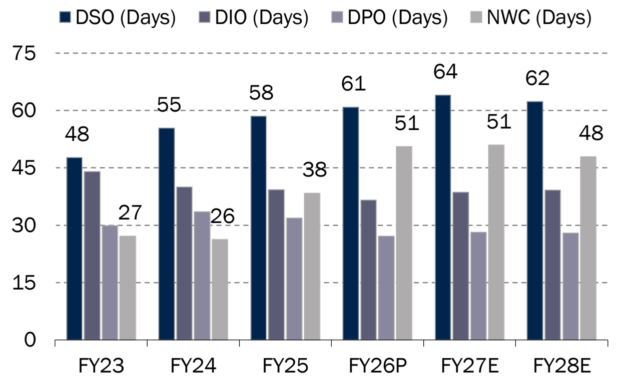
Source: Company, DAM Capital Research

Exhibit 31: Return ratios to trend higher after FY27E lows



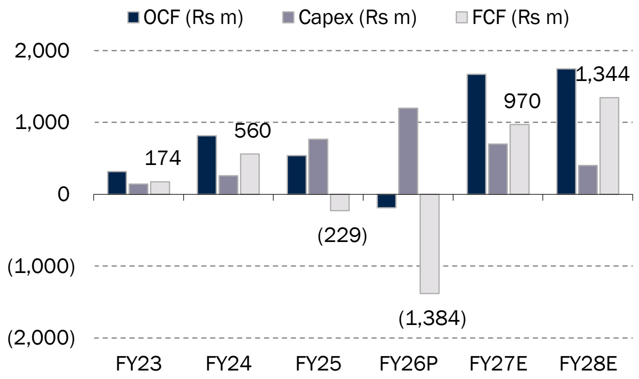
Source: Company, DAM Capital Research

Exhibit 32: Working capital to settle at the ~50 day mark



Source: Company, DAM Capital Research

Exhibit 33: FCF generation to resume from FY27E



Source: Company, DAM Capital Research

Exhibit 34: INTERARC – RoE / RoCE Decomposition

RoE / RoCE Decomposition	FY23	FY24	FY25	FY26P	FY27E	FY28E
RoE (%):	**22.7**	**20.4**	**18.0**	**16.9**	**16.5**	**17.1**
- Net Profit Margin (%)	7.2	6.7	7.4	7.3	7.0	7.2
- Total Asset Turnover (x)	1.8	1.8	1.6	1.6	1.6	1.6
- Leverage (x)	1.7	1.7	1.6	1.5	1.5	1.5
RoCE (%):	**25.4**	**23.5**	**20.0**	**19.2**	**18.3**	**19.1**
- EBIT Margin (%)	8.8	8.1	8.6	8.5	8.0	8.2
- Capital Employed Turnover (x)	2.9	2.9	2.3	2.2	2.3	2.3

Source: Company, DAM Capital Research

Exhibit 35: INTERARC – Key Assumptions

Key Assumptions	FY23	FY24	FY25	FY26P	FY27E	FY28E
Operating Parameters:						
- Volume ('000 MT)	80.9	92.6	124.0	160.0	184.0	217.1
- Capacity Utilisation (%)	57.4	65.7	77.0	79.6	63.4	74.9
- Realisation (Rs/kg)	139.0	139.6	117.2	118.6	121.5	120.1
- EBITDA (Rs/kg)	13.2	12.2	11.0	11.0	10.9	11.1
P&L:						
- Revenue (Rs m)	11,239	12,933	14,538	18,980	22,344	26,075
- EBITDA (Rs m)	1,064	1,130	1,362	1,763	2,011	2,412
Growth (%):						
- Volume	23.0	14.5	33.9	29.0	15.0	18.0
- Realisation	9.4	0.5	(16.0)	1.2	2.4	(1.1)
- Revenue	34.6	15.1	12.4	30.6	17.7	16.7
- EBITDA	223.4	6.2	20.6	29.4	14.0	19.9
- EBITDA (Rs/kg)	162.9	(7.2)	(9.9)	0.3	(0.8)	1.6
EBITDA Margin (%)	**9.5**	**8.7**	**9.4**	**9.3**	**9.0**	**9.3**

Source: DAM Capital Research

Outlook & Valuation

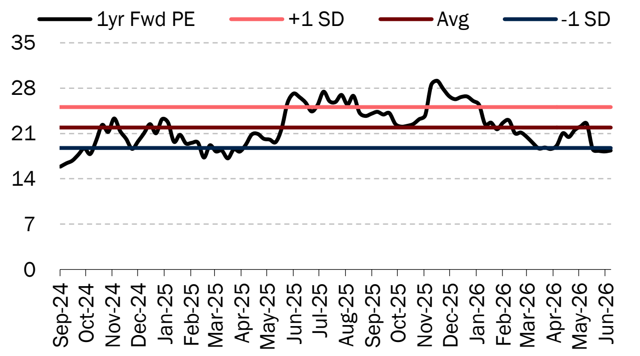
INTERARC has demonstrated its leadership capabilities in the PEB space and is now ready to move up into the higher echelons of the industry where end clients increasingly demand complex requirements. An enviable track record and increasing confidence (as demonstrated by its recent capacity additions) will not only deepen engagement with existing clients but also win new clients, especially in markets that were earlier uneconomical.

Given its scale and track record, we believe INTERARC has the wherewithal to excel even in new segments (heavy structures / exports) where it has been relatively absent as it builds credentials here just as it has done in the PEB space. Our earnings estimate of ~17% CAGR over FY26-28E does not assume any meaningful expansion in the company's heavy structures / exports segments.

With a track record of free cash generation (which resumes from FY27E as the capex cycle concludes) sufficient to pay for all of its capex requirements in our view, net cash balance sheet (and a disciplined one at that) and return ratios inching back to the ~19% mark by FY28E, INTERARC's current premium multiples (relative to its listed peers) are justified in our opinion – and a reverse DCF indicates that current multiples (~16x FY28E EPS) factor in a ~13% EBITDA CAGR over FY27E-37E (vs ~18% CAGR over FY23-26). Given that we model ~17% EBITDA CAGR over FY26-28E (despite front-loaded capex) and that Heavy Structures and export optionality (whose case has strengthened with its recent ER Steel tie-up) can extend the growth runway further, we believe the market is ascribing too little credit to INTERARC's abilities and its medium-term earnings power.

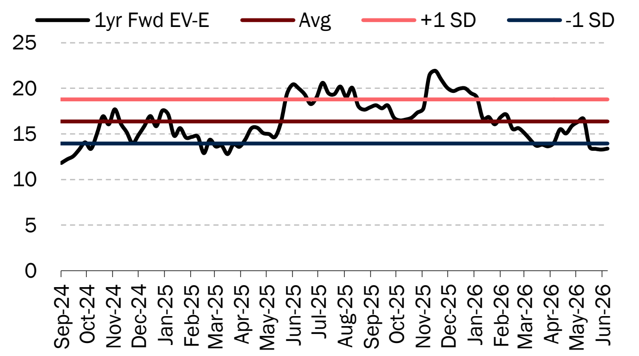
We initiate coverage on INTERARC with a BUY rating and a target price of Rs2,220 (25% upside) valuing the company at 20x FY28E EPS. Key company specific risks – (1) execution risks (multiple capacities coming online; any delay will hit growth); (2) weak traction in Heavy Structures (where INTERARC has now invested for capacity) especially given relatively entrenched competition in this space; and (3) site erection delays (given dependence on third-party contractors for this).

Exhibit 36: 1-Year Forward P/E Chart



Source: Bloomberg, DAM Capital Research

Exhibit 37: 1-Year Forward EV/EBITDA Chart



Source: Bloomberg, DAM Capital Research

Income statement

Year to 31 Mar (Rs m)	FY24	FY25	FY26	FY27E	FY28E
Net sales	**12,933**	**14,538**	**18,980**	**22,344**	**26,075**
% growth	15.1	12.4	30.6	17.7	16.7
Operating expenses	11,803	13,176	17,217	20,333	23,663
EBITDA	**1,130**	**1,362**	**1,763**	**2,011**	**2,412**
% change	6.2	20.6	29.4	14.0	19.9
Other income	130	207	286	335	391
Net interest cost	22	24	23	34	39
Depreciation	80	118	144	225	263
Pre-tax profit	1,159	1,427	1,882	2,088	2,501
Deferred tax	0	0	0	0	0
Current tax	296	349	505	525	629
Profit after tax	**863**	**1,078**	**1,378**	**1,562**	**1,871**
Preference dividend	0	0	0	0	0
Minorities	0	0	0	0	0
Adjusted net profit	**863**	**1,078**	**1,378**	**1,562**	**1,871**
Non-recurring items	0	0	0	0	0
Reported net profit	**863**	**1,078**	**1,378**	**1,562**	**1,871**
% change	5.9	25.0	27.8	13.4	19.8

Balance sheet

As on 31 Mar (Rs m)	FY24	FY25	FY26	FY27E	FY28E
Paid-up capital	**144**	**166**	**168**	**168**	**168**
Preference capital	0	0	0	0	0
Reserves & surplus	4,302	7,348	8,643	9,973	11,565
Shareholders' equity	**4,446**	**7,514**	**8,811**	**10,141**	**11,733**
Total current liabilities	2,906	3,353	3,901	4,609	5,374
Total debt	**102**	**172**	**150**	**150**	**150**
Deferred tax liabilities	57	77	127	127	127
Other non-current liabilities	38	23	21	21	21
Total liabilities	3,104	3,626	4,199	4,906	5,671
Total equity & liabilities	**7,550**	**11,140**	**13,010**	**15,047**	**17,405**
Net fixed assets	1,758	2,286	3,422	3,898	4,034
Investments	81	386	352	352	352
Cash	1,387	2,038	953	1,658	2,684
Other current assets	3,759	5,554	6,954	7,798	8,993
Deferred tax assets	0	0	0	0	0
Other non-current assets	565	876	1,328	1,341	1,342
Net working capital	2,240	4,239	4,006	4,847	6,302
Total assets	**7,550**	**11,140**	**13,010**	**15,047**	**17,405**

Cash flow

Year to 31 Mar (Rs m)	FY24	FY25	FY26	FY27E	FY28E
Pre-tax profit	1,159	1,427	1,882	2,088	2,501
Depreciation	80	118	144	225	263
Chg in Working capital	51	(1,659)	(1,314)	(140)	(430)
Total tax paid	(296)	(349)	(505)	(525)	(629)
Net Interest	22	24	23	34	39
Others	(111)	(15)	(35)	0	0
Operating cash flow	**904**	**(454)**	**206**	**1,670**	**1,744**
Capital expenditure	(262)	(646)	(1,281)	(700)	(400)
Free cash flow (a+b)	**642**	**(1,100)**	**(1,075)**	**970**	**1,344**
Chg in investments	(3)	(304)	34	0	0
Debt raised/(repaid)	(12)	70	(22)	0	0
Net interest	(22)	(24)	(23)	(34)	(39)
Capital raised/(repaid)	17	49	1	0	0
Dividend (incl. tax)	0	0	(208)	(233)	(279)
Other items	(428)	1,961	208	0	0
Net chg in cash	**195**	**651**	**(1,085)**	**704**	**1,026**

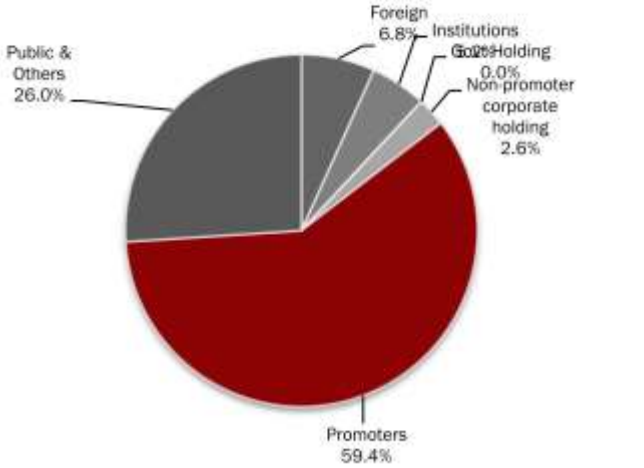
Key ratios

Year to 31 Mar	FY24	FY25	FY26	FY27E	FY28E
EBITDA margin (%)	8.7	9.4	9.3	9.0	9.3
EBIT margin (%)	8.1	8.6	8.5	8.0	8.2
PAT margin (%)	6.7	7.4	7.3	7.0	7.2
RoE (%)	20.4	18.0	16.9	16.5	17.1
RoCE (%)	23.5	20.0	19.2	18.3	19.1
Gearing (x)	(0.3)	(0.2)	(0.1)	(0.1)	(0.2)
Net debt/ EBITDA (x)	(1.1)	(1.4)	(0.5)	(0.7)	(1.1)
FCF yield (%)	2.5	(3.9)	(3.6)	3.2	4.5
Dividend yield (%)	0.0	0.0	0.7	0.8	0.9

Valuations

Year to 31 Mar	FY24	FY25	FY26	FY27E	FY28E
Reported EPS (Rs)	**58.7**	**68.0**	**81.8**	**92.7**	**111.1**
Adj. EPS (Rs)	58.7	68.0	81.8	92.7	111.1
PE (x)	30.3	26.1	21.7	19.2	16.0
Price/ Book (x)	5.9	3.8	3.4	3.0	2.6
EV/ Net sales (x)	1.9	1.8	1.5	1.3	1.1
EV/ EBITDA (x)	22.0	19.3	16.5	14.1	11.4
EV/ CE (x)	5.4	3.4	3.2	2.7	2.3

Shareholding pattern



As of Mar-26

INITIATING COVERAGE

Epack Prefab Technologies

From challenger to contender

BUY

4 June 2026

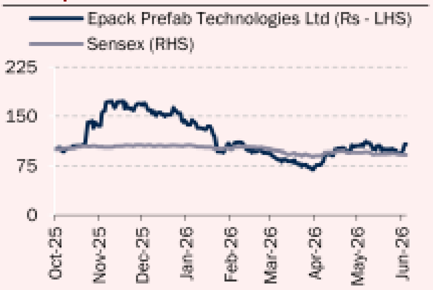
BSE Sensex: 74360

Sector: Engineered Steel

Stock data

CMP (Rs)	205
Mkt Cap (Rs bn/USD m)	20.6 /215
Target Price (Rs)	230
Change in TP (%)	NA
Potential from CMP (%)	12.3
Earnings change (%)	
FY27E	⇔
FY28E	⇔
Bloomberg code	EPACKPEB IN
1-yr high/low (Rs)	344/132
6-mth avg. daily volumes (m)	0.9
6-mth avg. daily traded value (Rsm/USDm)	204.0/2.1
Shares outstanding (m)	100.6
Free float (%)	35.0
Promoter holding (%)	65

Price performance – relative & absolute



(%)	3-mth	6-mth	1-yr
EPACKPEB IN	22.0	(35.2)	-
BSE Sensex	(6.0)	(12.8)	(8.2)

Epack Prefab Technologies (EPACKPEB) is India's (soon to be) third largest PEB player by capacity and is emerging into a credible contender in the industry. Over FY22-26, EPACKPEB compounded revenue at ~36% CAGR. With multiple new capacities coming online over FY26-28E and an integrated product suite across the steel-building value chain – driving wallet-share expansion with existing clients and opening in-roads with new ones (which should eventually feed into the PEB segment) – we believe the market may be underappreciating EPACKPEB's transition from a regional challenger to a pan-India contender. We initiate coverage with a BUY and a target price of Rs230 (17.5x FY28E EPS; 12% upside).

❑ Investment Rationale

- **Execution track record fuels confidence:** Slowly building its base and credentials, EPACKPEB hit an inflection point once dedicated capacities for PEB came on board over FY22-26 (~96k MTPA incremental additions; total capacity ~147k MTPA as of May 2026). This drove ~46% volume CAGR over FY22-26. This momentum has firmly established EPACKPEB's credentials as a proven challenger and executor, which should open more doors ahead.
- **Pan-India player post capacity expansion:** The company's hunger for growth is visible in its capex plans. By early FY28E, EPACKPEB will add ~74k MTPA capacity in PEB + ~800k sq. m. in sandwich panels. While we estimate ~20% volume CAGR over FY26-28E (~22% rev. CAGR), incoming capacity additions not only provide a strong growth platform but also give the company a pan-India footprint, improving client stickiness and aiding new client acquisitions.
- **Integrated product suite = opportunity to make / expand in-roads:** EPACKPEB's offerings span PEB, sandwich panels, LGSF, and modular structures – which provide it an opportunity to demonstrate its execution skills to new clients and / or make in-roads into existing clients' projects (sheds, clean rooms, etc.) widening its wallet-share with clients. Having all products under one roof helps a challenger like EPACKPEB in the broader PEB space.

❑ Valuation & Risks

We value EPACKPEB at 17.5x FY28E EPS (TP Rs230; 12% upside) – the multiple justifies the company's rapid growth and its hunger for more ahead, while also keeping in mind its size relative to the market leaders. Key risks – (1) slower-than-expected capacity ramp-up; (2) capacity expansion / commissioning delays; and (3) site erection delays (given dependence on third-party contractors for this).

Key valuation metrics

Year to 31 Mar	FY24	FY25	FY26	FY27E	FY28E
Net sales (Rs m)	**9,049**	**11,339**	**15,253**	**18,442**	**22,064**
EBITDA (Rs m)	870	1,178	1,597	1,844	2,372
Adj. net profit (Rs m)	430	593	926	1,047	1,334
Adj. EPS (Rs)	5.5	7.4	10.0	10.4	13.3
% change	79.2	33.4	34.5	4.7	27.4
PE (x)	36.9	27.7	20.6	19.6	15.4
Price/ Book (x)	9.4	4.7	2.6	2.5	2.2
EV/ EBITDA (x)	19.7	14.4	10.7	10.4	8.3
RoE (%)	29.1	22.8	17.0	13.4	15.2
RoCE (%)	25.0	21.2	18.4	17.0	20.2

Source: Company, DAM Capital Research

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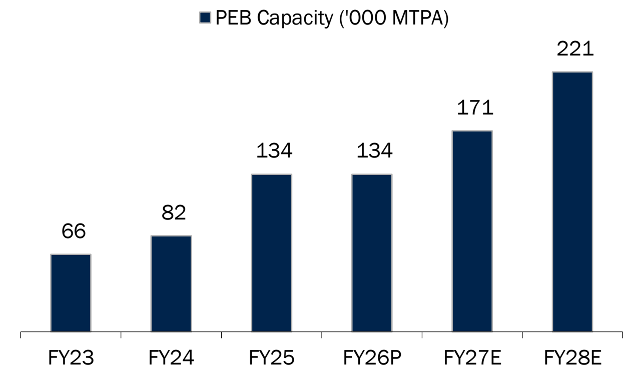
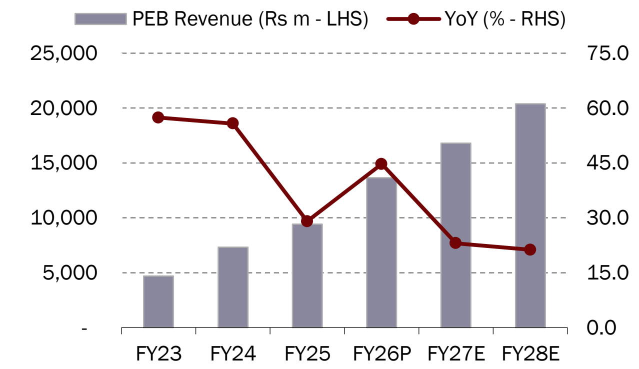
Story in Charts

Exhibit 1: Aggressive capacity adds (~27% CAGR in FY23-28E)...



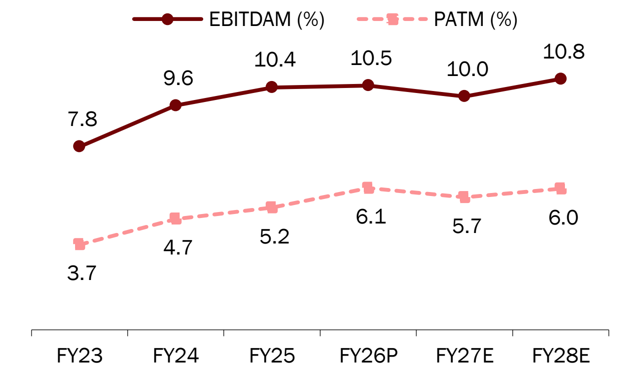
Source: Company, DAM Capital Research

Exhibit 2: ...to drive ~22% PEB revenue CAGR (volume led)



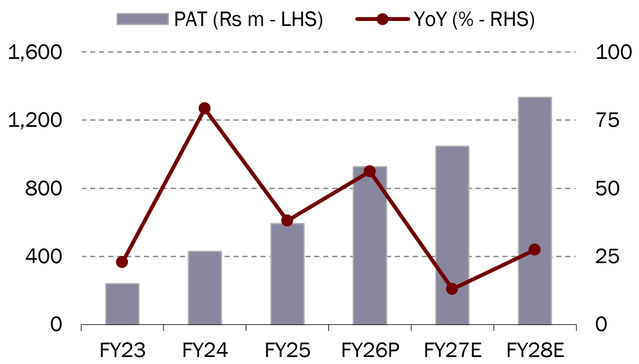
Source: Company, DAM Capital Research

Exhibit 3: Margins to recover in FY28E after a dip in FY27E...



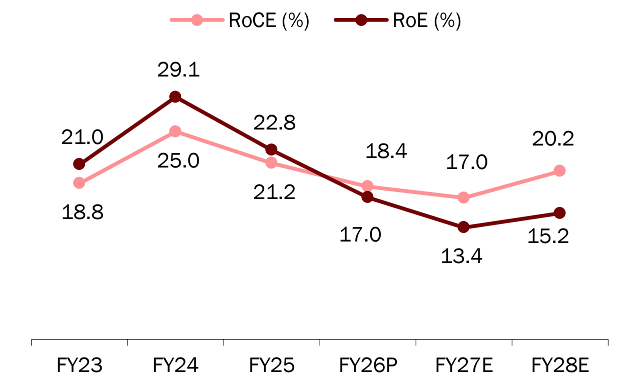
Source: Company, DAM Capital Research

Exhibit 4: ...driving a ~20% earnings CAGR over FY26-28E



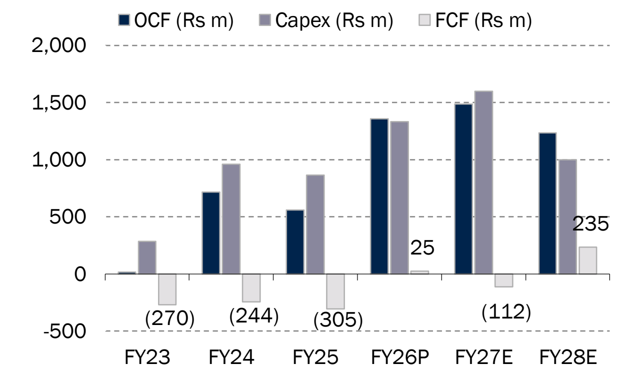
Source: Company, DAM Capital Research

Exhibit 5: Return ratio trajectory to trace that of margins...



Source: Company, DAM Capital Research

Exhibit 6: ...while FCF generation to commence from FY28E



Source: Company, DAM Capital Research

Company Overview

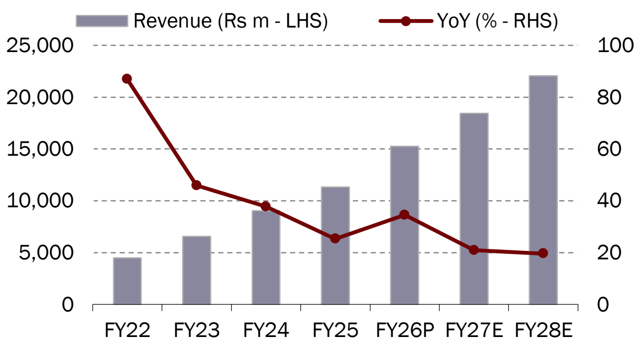
❑ Brief Summary

Founded in 1999 as an expanded polystyrene (EPS) producer, EPACKPEB entered insulated sandwich panels in 2008 before venturing into structures in 2012. With ~147k MTPA of installed PEB capacity, it is present across the steel buildings value chain and is India's (soon to be) third-largest PEB player by capacity. The company is promoted and led by Mr. Sanjay Singhania and has delivered ~36% revenue CAGR over FY22-26. Its business is reported across two segments:

PEB capacity to rise from ~147k MTPA to ~221k MTPA by FY28E – 50% addition from current base

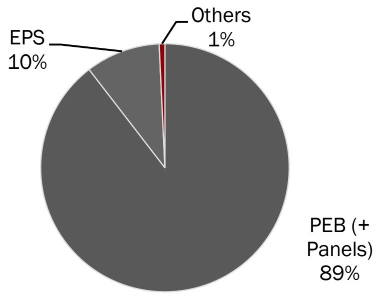
- **Prefabricated Structures (90% of revenue):** Turnkey design, manufacture and erection of PEB structures, insulated sandwich panels, light-gauge steel frames and modular solutions (site cabins, portable offices, K-houses). The company has ~147k MTPA capacity in PEB and ~1.3 mn. sq. m. in sandwich panels currently, but post expansion, these capacities will stand at ~221k MTPA and ~2.1 mn. sq. m. respectively.
- **Expanded Polystyrene (EPS) (10%):** Manufacture of EPS shape-moulded and block-moulded products used in construction, consumer goods packaging and appliance manufacturing.

Exhibit 7: Revenue Trajectory + Expectations



Source: Company, DAM Capital Research

Exhibit 8: Revenue Mix (FY26)



Source: Company, DAM Capital Research

Exhibit 9: EPACKPEB – Manufacturing Footprint

Category	Existing	Incoming	Total
PEB (MTPA)	147,122	73,600	220,722
Sandwich Panels (mn sq. m.)	1.3	0.8	2.1
EPS (MTPA)	8,400	-	8,400

Source: Company, DAM Capital Research

❑ Key Financials

Exhibit 10: Key Financial Data

Parameters	FY23	FY24	FY25	FY26P	FY27E	FY28E
Revenue (Rs m)	6,568	9,049	11,339	15,253	18,442	22,064
YoY (%)	*45.9*	*37.8*	*25.3*	*34.5*	*20.9*	*19.6*
EBITDA (Rs m)	515	870	1,178	1,597	1,844	2,372
EBITDAM (%)	7.8	9.6	10.4	10.5	10.0	10.8
Net Income (Rs m)	240	430	593	926	1,047	1,334
PATM (%)	3.7	4.7	5.2	6.1	5.7	6.0
RoCE (%)	18.8	25.0	21.2	18.4	17.0	20.2
RoE (%)	21.0	29.1	22.8	17.0	13.4	15.2
NWC (Days)	29	32	36	32	29	34
OCF / EBITDA (%)	3.0	82.4	47.4	85.0	80.7	52.1

Source: Company, DAM Capital Research

❑ Management Team & Board of Directors

Exhibit 11: Key Management Team

Name	Designation	Approx. Tenure (Years)	Key Highlights
Sanjay Singhania	Managing Director & Chief Executive Officer	27	• MBA from Swinburne University of Technology • Key driving persona behind EPACKPEB's scale up
Nikhil Bothra	Whole-Time Director	13	• Post-Grad Program (Family Managed Business) from SP Jain Institute of Management & Research • Key roles around strategy, operations and capacity expansion
Rahul Agarwal	Chief Financial Officer	2	• Chartered Accountant by training • Previous roles include Asian Footwears, Jindal Poly Films, Burger King and Ambuja Cement
Ms. Nikita Singh	Company Secretary & Compliance Officer	1	• Company Secretary by qualification • Previous roles at Geniemode and Yatra Online
Keshav Kumar	Chief Operating Officer	7	• Bachelor of Technology (Mechanical Engineering) • Experience across PEB manufacturing • Previous roles at INTERARC and Supertech

Source: Company

Exhibit 12: Board of Directors

Name	Classification	Tenure (Years)	Key Highlights
Bajrang Bothra	Chairman & Non-Executive Director	6	• Associated since March 2020 • Other Board memberships – Epack Durable & East India Technologies
Sanjay Singhania	MD & CEO	27	• Associated since Feb 1999
Nikhil Bothra	Whole-Time Director	2	• Part of EPACKPEB since Dec 2012
Ajay DD Singhania	Non-Executive Director	26	• Associated since Dec 1999 • Bachelor of Technology from Himachal Pradesh University • 25+ years of experience in PEB industry
Ms. Manorama Nagarajan	Independent Director	1	• MBA from University of Madras / Cost Accountant • 35 years of Finance Experience (CFO roles with Continental Engines, Rockman Industries and Krishna Maruti)
Bipin Garg	Independent Director	1	• Bachelor of Commerce (University of Delhi) / Chartered Accountant • 36 years of experience (Adisan Real Estate Mgmt, Trozen Finance and Carpel Estates Pvt. Ltd.)
Dharam Chand Jain	Independent Director	1	• Bachelor in engineering from University of Rajasthan • Various roles in Rajasthan Police and Central Bureau of Investigation
Manuj Agarwal	Independent Director	1	• Bachelor in Electrical Engineering from IIT Roorkee • Board memberships include Atleta Sportswear, Unisol India and Avileen Academic Services
Ram Grovher	Independent Director	1	• Bachelor in Commerce from Meerut University • Partner in M/s Blaze High Advisors and also worked with Talbros Automotive Components
Krishnan Ganesan	Nominee Director	1	• MD at South Asia Advisors LLP / GEF Linked (holds ~10% stake)

Source: Company

❑ Milestones

Exhibit 13: EPACKPEB – Major Milestones

Year	Achievement
1999	• Incorporated as E-Pack Polymers Pvt. Ltd. by the Singhania and Bothra Families for EPS packaging
2000	• First EPS packaging unit set up in Greater Noida (Uttar Pradesh)
2008	• Commenced manufacturing of sandwich panels (PUF) for telecom structures
2011	• Ventured into modular building products (Porta Cabins, etc.)
2012	• Dedicated facility set up for Prefab Doors, Windows and Structures in Greater Noida
2014	• Expanded into EPS sandwich insulated panels
2022	• 3rd unit set up for built-up sections in Ghiloth (Rajasthan)
2023	• GEF Capital Partners stake purchase (Rs1.3bn primary + Rs0.4bn bought from Promoters) • 3rd design center opened in Visakhapatnam (Andhra Pradesh)
2024	• 4th Unit set up in Mambattu (Andhra Pradesh) – in record time (150 hours for a ~151k sq. ft. factory)
2025	• IPO completed; Listed on BSE / NSE on Oct 1, 2025
2026	• Phase I Gujarat Plant (50k MTPA) construction commenced in January 2026

Source: Company, DAM Capital Research

Investment Rationale

❑ Execution prowess fuels confidence for growth ahead

While a relatively new entrant in the PEB space (versus its listed peers) when it set up a small facility in 2012 (alongside doors and windows), EPACKPEB's real inflection came about in 2022 when it set up a dedicated PEB facility in Ghiloth (Rajasthan). Building on its client credentials established earlier, EPACKPEB was quick to ramp-up its ~27k MTPA Ghiloth facility and subsequently also its ~68k MTPA facility in Mambattu (Andhra Pradesh) driving a ~46% volume CAGR over FY22-26.

Strong growth + 40-50% business from repeat clients – a testimony of EPACKPEB's execution

This strong momentum has firmly established EPACKPEB's name as a key challenger in the PEB space as it leverages its manufacturing capacities, in-house design (including AI-led initiatives to enhance productivity) and tight logistics control. Demonstrating execution capabilities has also meant that EPACKPEB has enjoyed ~40-50% business from repeat customers in the past – which fuels a virtuous cycle and attracts new clients into the fold. This execution momentum is also what gives us confidence that incoming capacity, which will expand its footprint by ~50% by early FY28E, will be absorbed without difficulty. Its recent ~Rs1.6bn order win from a cell and module manufacturer is testimony to this fact.

❑ Incoming capacity expansions to give EPACKPEB a pan India footprint

In its October 2025 IPO, EPACKPEB raised ~Rs2bn (of its total ~Rs3bn fund raise) to expand its PEB and Sandwich Panel capacities. Despite Ghiloth's expansion being pushed to Q3FY27E (pollution-norm-led construction restrictions across North India in late 2025), the combined brownfield / greenfield programme across Gujarat, Rajasthan and Andhra Pradesh should add ~74k MTPA PEB capacity, taking total PEB capacity to ~220k MTPA by early FY28E. In addition, the company is also working to add ~800k sq. m. production capacity of Insulated Sandwich Panels (to be commissioned in FY27E).

Exhibit 14: EPACKPEB – Incoming Capacity Expansions

Business Segment	
PEB	MTPA
Existing Capacity	**147,122**
+ Mambattu (AP)	12,300
+ Ghiloth (RJ)	11,300
+ Kheda (GJ)	50,000
Incremental Additions	**73,600**
Total PEB Capacity (Post Additions)	**220,722**
Sandwich Panels (SP)	mn. sq. m.
Existing Capacity	**1.3**
+ Ghiloth (RJ)	0.8
Incremental Additions	**0.8**
Total SP Capacity (Post Additions)	**2.1**

Source: Company, DAM Capital Research

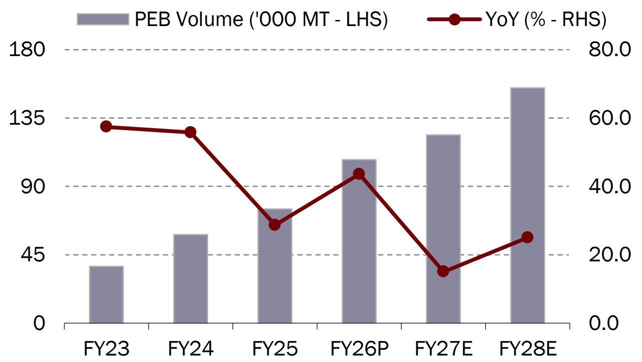
Exhibit 15: EPACKPEB – Capacity additions make it a true pan-India player

Capacity Plans (MTPA)	Existing	Incoming	Total
PEB	**147,122**	**73,600**	**220,722**
- North India	65,810	11,300	77,110
- South India	81,312	12,300	93,612
- West India	-	50,000	50,000

Source: Company, DAM Capital Research

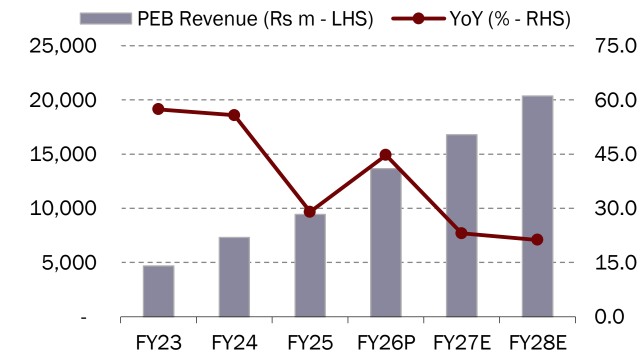
All capacities put together should provide enough legroom for EPACKPEB to continue its healthy growth profile in the years ahead. Once its Gujarat plant comes online, EPACKPEB will have facilities in North, West and South India making it competitive in these geographies and more desirable to existing clients planning new facilities in these regions in the future. We estimate ~20% volume CAGR over FY26-28E translating to ~22% revenue CAGR for its PEB business (and ~20% for the consolidated company) – we expect blended PEB realisation to grow ~2% CAGR over FY26-28E – a near-term steel cost-led rise in FY27E which should be offset by a correction in FY28E as cost pressures normalise.

Exhibit 16: ~20% PEB volume CAGR over FY26-28E...



Source: Company, DAM Capital Research

Exhibit 17: ...to drive ~22% PEB revenue CAGR

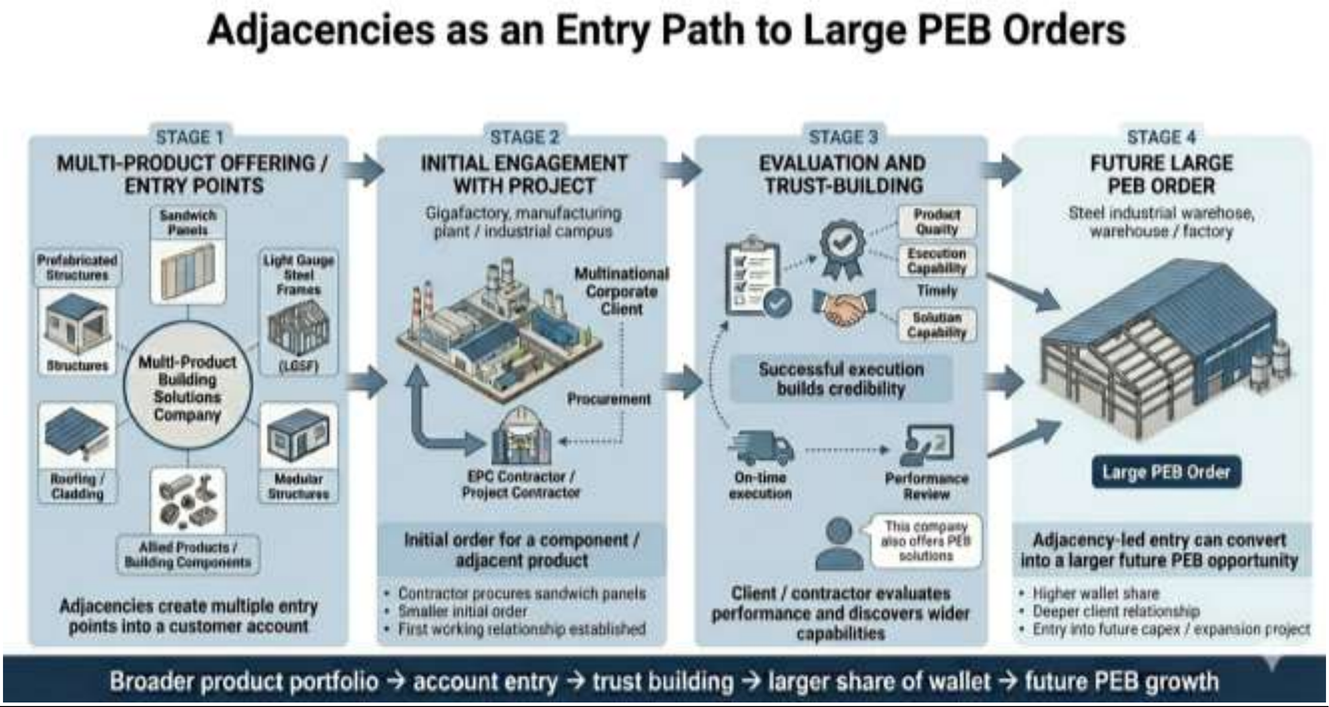


Source: Company, DAM Capital Research

❑ Multi-product portfolio provides wallet-share expansion opportunity

EPACKPEB is present across the value chain of steel structures – PEBs, prefabricated structures, light-gauge steel frames (LGSF) and modular structures. It also produces insulated sandwich panels – an adjacency that doubles up as internal partitioning for clean rooms, cold rooms and similar use-cases within these structures, and which uses its in-house EPS production as a key input.

Exhibit 18: EPACKPEB – Adjacencies a way to make in-roads into new clients / expand wallet-share with existing clients



Source: Industry, DAM Capital Research

This holistic portfolio helps EPACKPEB attract new business relationships by giving it in-roads in projects where it may not have a big say but it does give it a chance to demonstrate its execution abilities positioning the firm to capture subsequent core structural capex mandates. A case in point – EPACKPEB's sandwich panel supply for a large Gujarat-based Gigafactory established the relationship ahead of an eventual larger PEB order opportunity; the panel business functioned as a foot-in-the-door, opening clean-room and subsequent PEB order opportunities.

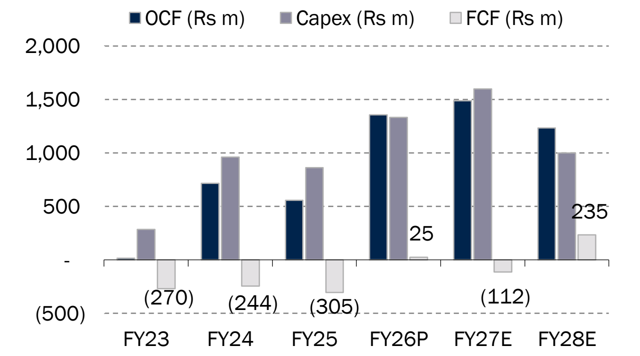
Given the company's emerging challenger nature in the overall industry, we believe this portfolio provides the company with multiple opportunities to make in-roads and eventually cross-sell its PEB execution capabilities.

❑ Strengthening balance sheet supports growth plans ahead

The strengthening core PEB business – existing (and eventually new) capacity ramp-up plus its ability to build on its orderbook given its execution track record – should drive growth as well as cash flows (we estimate cumulative OCF of ~Rs3bn over FY27E-28E / average ~70% OCF/EBITDA conversion). This, along with its recent IPO fund raise of ~Rs3bn, should be sufficient to fund its capex plans (~Rs2.5bn outlay over FY27E / 28E) and steadily pare down debt.

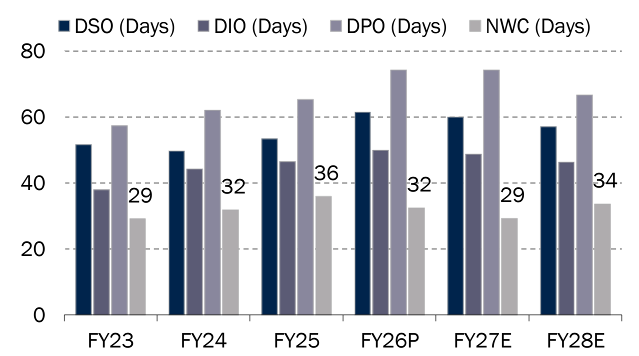
Post the IPO, EPACKPEB has turned net cash (~Rs2bn as of FY26) and we estimate this figure to stand at ~Rs1bn by FY28E – sufficient balance to fund capex and growth (and its associated working capital). With net working capital cycle (including contract liabilities) expected to remain steady in the 29-34 days range, we expect EPACKPEB to turn FCF positive starting FY28E onwards.

Exhibit 19: OCF + cash on books to support capex outlay



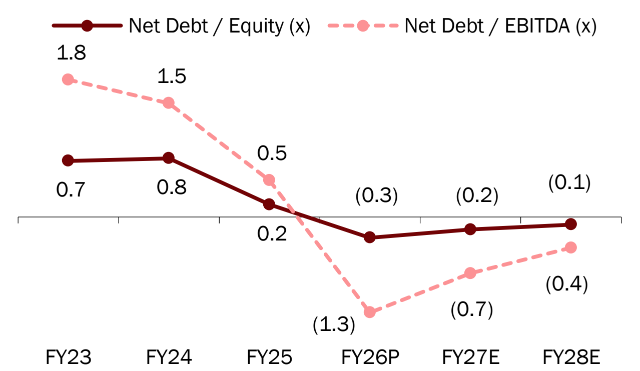
Source: Company, DAM Capital Research

Exhibit 20: Net working capital to remain in the 29-34 day range



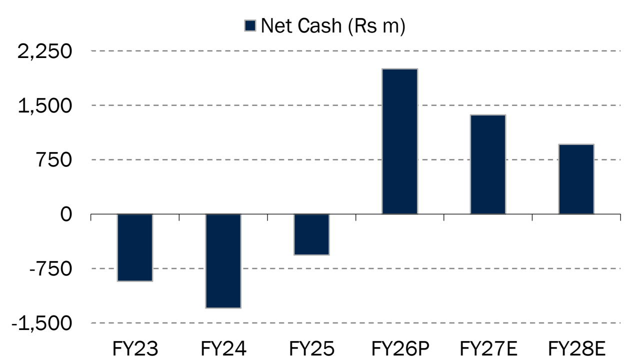
Source: Company, DAM Capital Research

Exhibit 21: Net debt ratios to improve for EPACKPEB...



Source: Company, DAM Capital Research

Exhibit 22: ...while it stays a net cash company despite capex



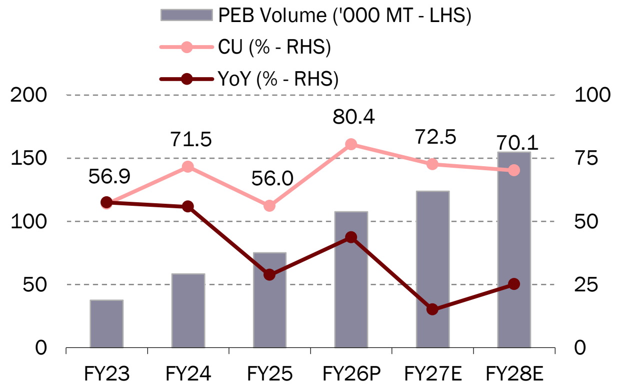
Source: Company, DAM Capital Research

Financial Analysis & Expectations

❑ PEB segment to do the heavy lifting ahead

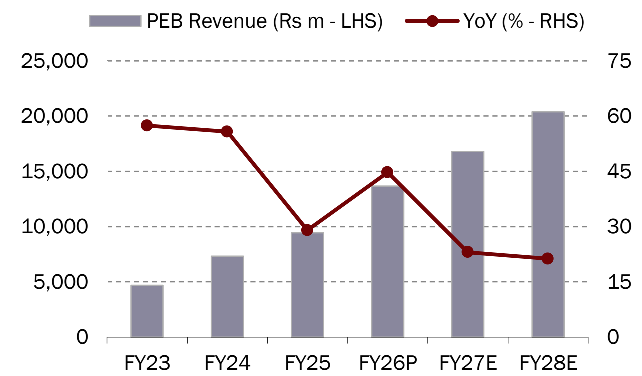
While we do not expect the strong volume growth seen in EPACKPEB's PEB business over FY22-26 (~46% CAGR), given the company's orderbook on hand (~Rs11bn as of FY26) and its improving desirability as a key PEB vendor, we believe that the company can build on its growth platform in the years ahead. We estimate a 20% volume CAGR over FY26-28E – although steel prices will remain a monitorable in the near-term, for now we model PEB revenue growth of ~22% CAGR over this period (net ~2% CAGR realisation improvement)

Exhibit 23: PEB volume to grow 20% CAGR over FY26-28E...



Source: Company, DAM Capital Research

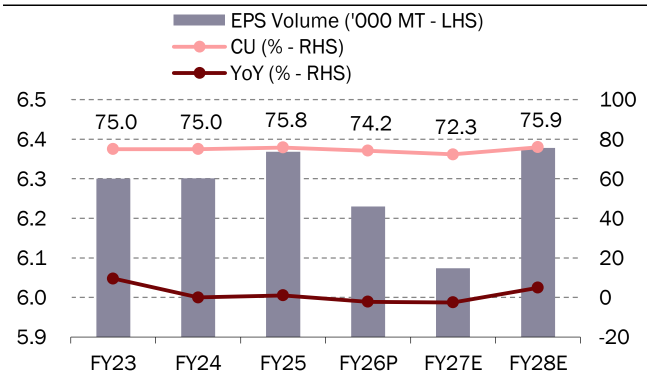
Exhibit 24: ...driving ~22% PEB revenue growth



Source: Company, DAM Capital Research

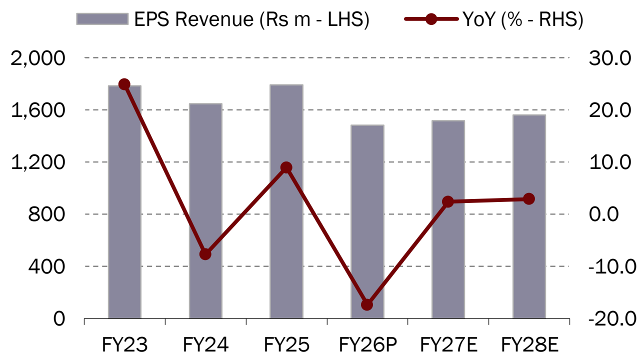
Expanded Polystyrene (EPS), on the other hand, will be relatively sluggish over our forecast period – after 2% / 17% yoy drop in volume / value in FY26, we expect a modest recovery of 1% / 3% CAGR in volume / value respectively over FY26-28E. Relatively lower focus (versus PEB) and the high dependency on the consumer durables industry's fortunes is driving our low expectations from this segment.

Exhibit 25: EPS volume growth to be flat over FY26-28E



Source: Company, DAM Capital Research

Exhibit 26: ...given relatively less focus by EPACKPEB vs PEB



Source: Company, DAM Capital Research

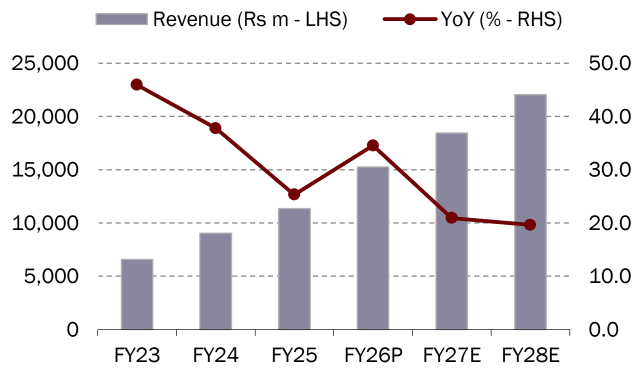
❑ Volume drives revenue; earnings lag due to higher depreciation costs

PEB share in revenue to rise from 90% in FY26 to 93% in FY28E

PEB will be the clear driver of consolidated revenue growth, with the segment growing at ~22% CAGR and consolidated revenue at ~20% CAGR over FY26-28E. The PEB segment's share of total revenue should rise to ~93% by FY28E (vs ~90% in FY26), with EPS correspondingly declining to ~7% (vs ~10% in FY26).

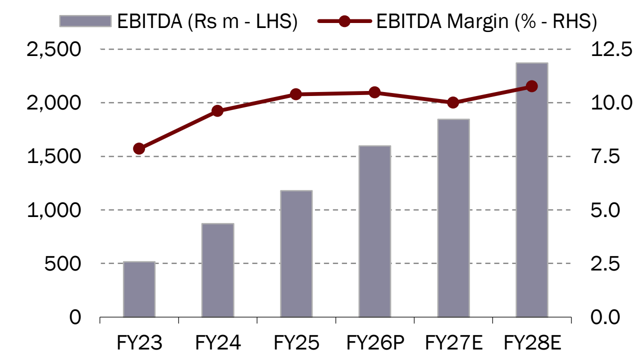
On margins, consistent capacity additions through FY27E / 28E will weigh on consolidated EBITDA margin in the near term, alongside the input cost pressures expected in H1FY27E. We see consolidated EBITDA margin compressing 50 bps to 10.0% in FY27E before recovering to 10.8% in FY28E as volume scale and steel-cost normalisation kick in. Overall, this translates to ~22% EBITDA CAGR over FY26-28E, with PAT CAGR slightly slower at ~20% on higher depreciation from the new capacity coming online.

Exhibit 27: PEB key driver for ~20% revenue CAGR over FY26-28E…



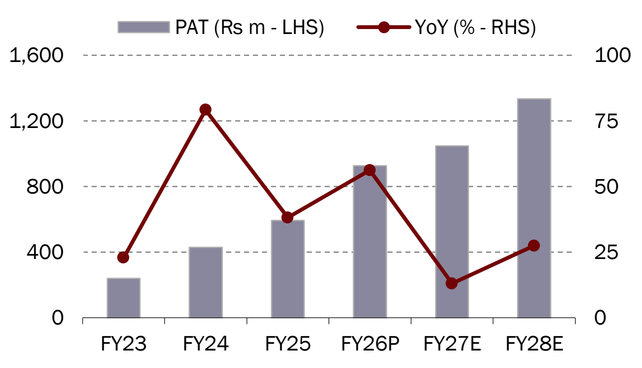
Source: Company, DAM Capital Research

Exhibit 28: …while capacity ramp-up driven margin expansion (~30 bps over FY26-28E) = ~22% EBITDA CAGR



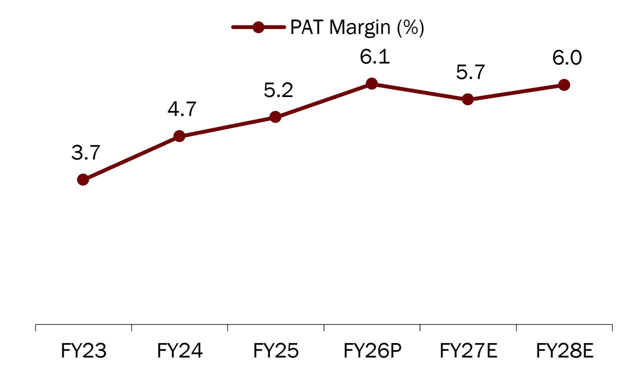
Source: Company, DAM Capital Research

Exhibit 29: Estimate ~20% PAT CAGR over FY26-28E…



Source: Company, DAM Capital Research

Exhibit 30: …as PAT margins mirror EBITDA margins



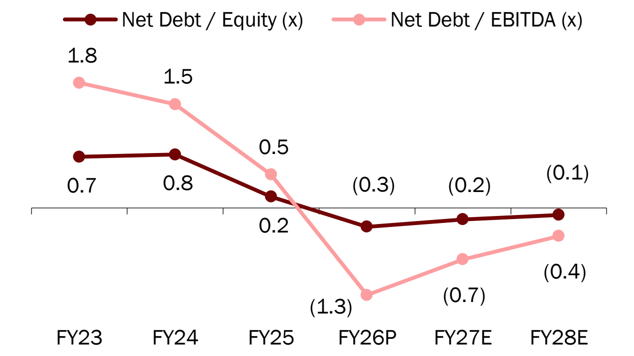
Source: Company, DAM Capital Research

❑ Net cash position to strengthen further; FCF generation from FY28E

Though capex will continue over FY27E and to an extent FY28E as well, steady cash generation (20% earnings CAGR + NWC levels remaining steady in the 29-34 days range) should mean EPACKPEB's net cash stabilizes at ~Rs1bn by FY28E. Capex commercialization (+ its impact on depreciation) + recent IPO fund raise will temporarily depress return ratios, but we expect RoCE to go back to ~20% by FY28E.

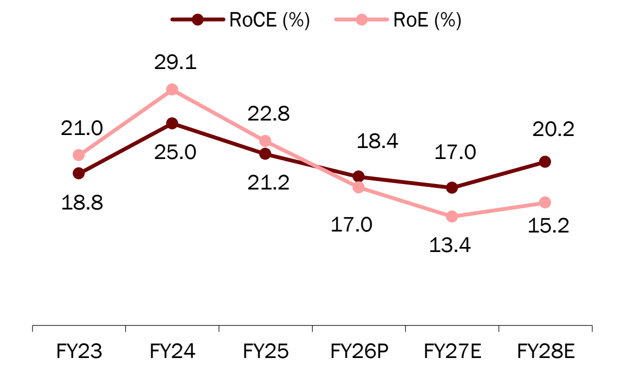
As majority of EPACKPEB's capex cycle ends by FY27E, we expect the company to turn FCF positive from FY28E onwards (est. Rs235m in FY28E).

Exhibit 31: Net cash position to hold over FY26-28E



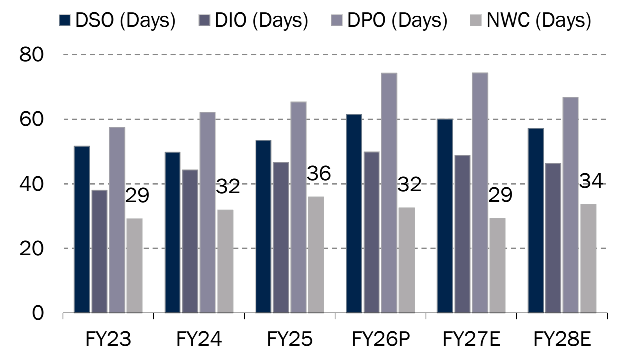
Source: Company, DAM Capital Research

Exhibit 32: RoCE / RoE to improve from FY27E bottom



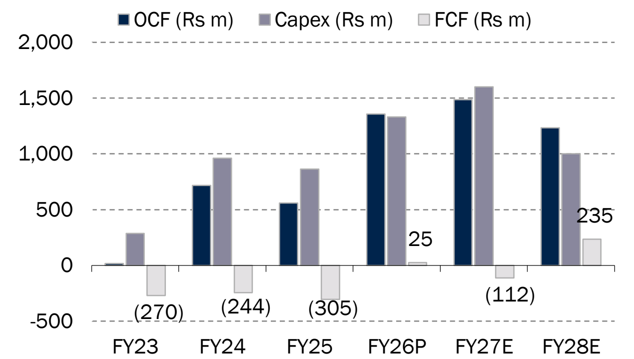
Source: Company, DAM Capital Research

Exhibit 33: NWC to stabilize in the 29-34 day range



Source: Company, DAM Capital Research

Exhibit 34: FCF generation to start from FY28E



Source: Company, DAM Capital Research

Exhibit 35: Asset turns to drive near-term return ratios expansion

DuPont Analysis	FY23	FY24	FY25	FY26P	FY27E	FY28E
RoE (%):	**21.0**	**29.1**	**22.8**	**17.0**	**13.4**	**15.2**
- Net Profit Margin (%)	3.7	4.7	5.2	6.1	5.7	6.0
- Total Asset Turnover (x)	1.8	1.7	1.5	1.3	1.3	1.4
- Leverage (x)	3.2	3.5	2.9	2.2	1.9	1.8
RoCE (%):	**18.8**	**25.0**	**21.2**	**18.4**	**17.0**	**20.2**
- EBIT Margin (%)	6.3	8.2	8.9	9.0	8.5	9.2
- Capital Employed Turnover (x)	3.0	3.0	2.4	2.0	2.0	2.2

Source: Company, DAM Capital Research

Exhibit 36: EPACKPEB – Key Assumptions

Key Assumptions	FY23	FY24	FY25	FY26P	FY27E	FY28E
PEB (incl. Panels)						
- Volume ('000 MT)	37.4	58.3	75.0	107.7	123.8	154.8
- Capacity Utilisation (%)	56.9	71.5	56.0	80.4	72.5	70.1
- Realisation (Rs/kg)	125.5	125.5	125.9	126.9	135.7	131.7
- Revenue (Rs m)	4,697	7,316	9,439	13,659	16,808	20,379
Growth (%):						
- Volume	57.4	55.7	28.7	43.6	15.0	25.0
- Realisation	-	-	0.3	0.8	7.0	(3.0)
EPS						
- Volume ('000 MT)	6.3	6.3	6.4	6.2	6.1	6.4
- Capacity Utilisation (%)	75.0	75.0	75.8	74.2	72.3	75.9
- Realisation (Rs/kg)	283.1	261.2	281.5	237.7	249.6	244.6
- Revenue (Rs m)	1,783	1,646	1,793	1,481	1,516	1,560
Growth (%):						
- Volume	9.6	0.0	1.1	(2.2)	(2.5)	5.0
- Realisation	14.0	(7.7)	7.8	(15.6)	5.0	(2.0)
P&L:						
- Revenue (Rs m)	6,568	9,049	11,339	15,253	18,442	22,064
- EBITDA (Rs m)	515	870	1,178	1,597	1,844	2,372
- EBITDA Margin (%)	7.8	9.6	10.4	10.5	10.0	10.8
- EBITDA (Rs/kg)*	13.8	14.9	15.7	14.8	14.9	15.3

*Source: Company, DAM Capital Research; *Company Level EBITDA*

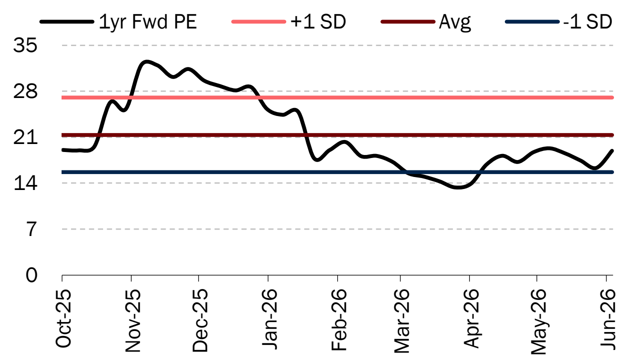
Outlook & Valuation

EPACKPEB is an emerging challenger in the PEB industry and has demonstrated its execution capabilities and hunger for growth in recent years. Looking ahead, we expect the company to build on this foundation as it ramps-up capacity (~50% expansion incoming). With credentials now established in emerging industries like Data Centers, Electric Vehicles, Renewables, etc. where we expect capex focus to remain even during near-term upheavals, EPACKPEB is in a sweet spot to deliver volume growth in our view (est. 20% CAGR over FY26-28E).

While near-term inflationary pressures and consistent capacity additions over FY27E / 28E can have a dampening effect on margins, topline growth should offset most margin pressures. We expect EPACKPEB to deliver ~20% PAT CAGR over FY26-28E with RoCE inching back to ~20% by FY28E (vs ~18% in FY26). Though its trading history is short, we believe current valuations (~15x FY28E EPS – implied ~13% EBITDA CAGR over FY27E-37E per a reverse DCF; low for a fast growing company which grew ~46% EBITDA CAGR over FY22-26) are attractive for investors taking a longer holding horizon as one gets a credible PEB challenger aiming to move to the next tier of the industry with a healthy net cash balance sheet.

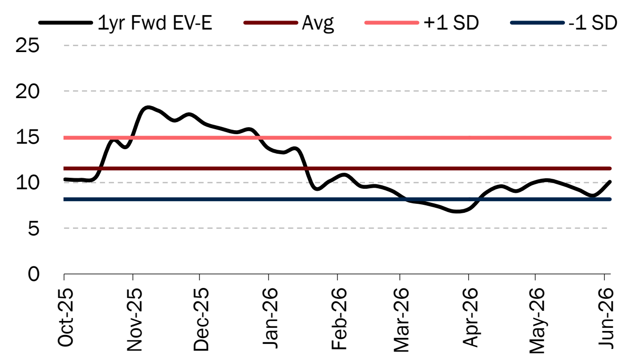
We initiate coverage on EPACKPEB with a BUY rating and a target price of Rs 230 (12% upside), valuing the company at 17.5x FY28E EPS. This multiple is a discount to INTERARC's 20x due to lower relative scale but represents a premium over MBEL's 15.0x. This premium reflects the superior visibility of EPACKPEB's purely domestic business pipeline, whereas MBEL relies on a lumpy, though structurally higher-margin, export revenue mix. Key company specific risks – (1) slow ramp-up of new capacity (driving margin compression); (2) execution risks (multiple capacities coming online; any delay will hit growth); and (3) site erection delays (given dependence on third-party contractors for this).

Exhibit 37: 1-Year Forward P/E Chart



Source: Bloomberg, DAM Capital Research

Exhibit 38: 1-Year Forward EV/EBITDA Chart



Source: Bloomberg, DAM Capital Research

Income statement

Year to 31 Mar (Rs m)	FY24	FY25	FY26	FY27E	FY28E
Net sales	**9,049**	**11,339**	**15,253**	**18,442**	**22,064**
% growth	37.8	25.3	34.5	20.9	19.6
Operating expenses	8,179	10,161	13,656	16,598	19,692
EBITDA	**870**	**1,178**	**1,597**	**1,844**	**2,372**
% change	68.8	35.4	35.6	15.5	28.6
Other income	15	66	172	203	199
Net interest cost	173	242	315	369	441
Depreciation	127	173	230	279	347
Pre-tax profit	585	828	1,225	1,399	1,782
Deferred tax	0	0	0	0	0
Current tax	155	216	298	352	449
Profit after tax	**430**	**612**	**926**	**1,047**	**1,334**
Preference dividend	0	0	0	0	0
Minorities	(1)	(19)	0	0	0
Adjusted net profit	**430**	**593**	**926**	**1,047**	**1,334**
Non-recurring items	0	0	0	0	0
Reported net profit	**430**	**593**	**926**	**1,047**	**1,334**
% change	79.2	38.1	56.2	13.0	27.4

Balance sheet

As on 31 Mar (Rs m)	FY24	FY25	FY26	FY27E	FY28E
Paid-up capital	**39**	**155**	**201**	**201**	**201**
Preference capital	0	14	0	0	0
Reserves & surplus	1,651	3,370	7,144	8,034	9,168
Shareholders' equity	**1,690**	**3,525**	**7,345**	**8,235**	**9,368**
Total current liabilities	2,682	3,095	5,410	5,194	6,439
Total debt	**1,453**	**2,116**	**1,081**	**881**	**681**
Deferred tax liabilities	74	88	113	113	113
Other non-current liabilities	239	310	319	319	336
Total liabilities	4,448	5,609	6,924	6,507	7,569
Total equity & liabilities	**6,137**	**9,134**	**14,269**	**14,742**	**16,937**
Net fixed assets	2,381	3,072	4,174	5,495	6,148
Investments	19	74	84	84	84
Cash	157	1,553	3,088	2,250	1,643
Other current assets	3,573	4,436	6,785	6,776	8,924
Deferred tax assets	0	0	0	0	0
Other non-current assets	6	0	138	138	138
Net working capital	1,049	2,893	4,462	3,831	4,128
Total assets	**6,137**	**9,134**	**14,269**	**14,742**	**16,937**

Cash flow

Year to 31 Mar (Rs m)	FY24	FY25	FY26	FY27E	FY28E
Pre-tax profit	585	828	1,225	1,399	1,782
Depreciation	127	173	230	279	347
Chg in Working capital	(159)	(322)	(152)	(325)	(850)
Total tax paid	(155)	(216)	(298)	(352)	(449)
Net Interest	173	242	315	369	441
Others	122	54	(7)	0	0
Operating cash flow	**750**	**656**	**1,308**	**1,488**	**1,235**
Capital expenditure	(960)	(864)	(1,332)	(1,600)	(1,000)
Free cash flow (a+b)	**(209)**	**(208)**	**(24)**	**(112)**	**235**
Chg in investments	1	(55)	(10)	0	0
Debt raised/(repaid)	394	649	(1,022)	(200)	(200)
Net interest	(173)	(242)	(315)	(369)	(441)
Capital raised/(repaid)	0	1,359	2,840	0	0
Dividend (incl. tax)	0	0	0	(157)	(200)
Other items	12	(103)	79	0	0
Net chg in cash	**24**	**1,396**	**1,535**	**(838)**	**(607)**

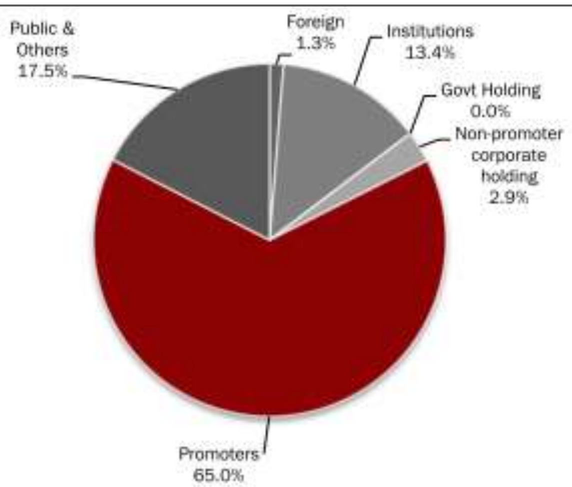
Key ratios

Year to 31 Mar	FY24	FY25	FY26	FY27E	FY28E
EBITDA margin (%)	9.6	10.4	10.5	10.0	10.8
EBIT margin (%)	8.2	8.9	9.0	8.5	9.2
PAT margin (%)	4.7	5.2	6.1	5.7	6.0
RoE (%)	29.1	22.8	17.0	13.4	15.2
RoCE (%)	25.0	21.2	18.4	17.0	20.2
Gearing (x)	0.8	0.2	(0.3)	(0.2)	(0.1)
Net debt/ EBITDA (x)	1.5	0.5	(1.3)	(0.7)	(0.4)
FCF yield (%)	(1.3)	(1.3)	(0.1)	(0.5)	1.1
Dividend yield (%)	0.0	0.0	0.0	0.8	1.0

Valuations

Year to 31 Mar	FY24	FY25	FY26	FY27E	FY28E
Reported EPS (Rs)	**5.5**	**7.4**	**10.0**	**10.4**	**13.3**
Adj. EPS (Rs)	5.5	7.4	10.0	10.4	13.3
PE (x)	36.9	27.7	20.6	19.6	15.4
Price/ Book (x)	9.4	4.7	2.6	2.5	2.2
EV/ Net sales (x)	1.9	1.5	1.1	1.0	0.9
EV/ EBITDA (x)	19.7	14.4	10.7	10.4	8.3
EV/ CE (x)	5.0	2.8	1.9	2.0	1.9

Shareholding pattern



As of Mar-26

INITIATING COVERAGE

DAM CAPITAL

M&B Engineering

Phenix Rising: Margins made abroad

BUY

4 June 2026

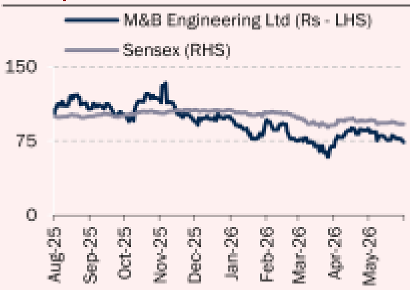
BSE Sensex: 74360

Sector: Engineered Steel

Stock data

CMP (Rs)	284
Mkt Cap (Rs bn/USD m)	16.2 /169
Target Price (Rs)	370
Change in TP (%)	NA
Potential from CMP (%)	30.4
Earnings change (%)	
FY27E	⬄
FY28E	⬄
Bloomberg code	MBEL IN
1-yr high/low (Rs)	536/223
6-mth avg. daily volumes (m)	0.2
6-mth avg. daily traded value (Rsm/USDm)	76.8/0.8
Shares outstanding (m)	57.1
Free float (%)	29.5
Promoter holding (%)	70.5

Price performance – relative & absolute



(%)	3-mth	6-mth	1-yr
MBEL IN	(1.7)	(23.6)	-
BSE Sensex	(6.0)	(12.8)	(8.2)

M&B Engineering Ltd. (MBEL) – a Gujarat-based regional PEB player – has built a hard-won, first-mover foothold as India's premier PEB exporter to the highly profitable North American market, a position that takes years to establish. Brownfield additions (+40k MTPA) will take its PEB capacity to ~144k MTPA by FY28E, providing headroom to deepen its North American presence while addressing domestic whitespaces, particularly in South India. Its near-monopoly self-supported roofing franchise adds a steady cross-sell lever. Together, these should drive a ~23% earnings CAGR over FY26–28E with RoCE recovering to ~22% (+170 bps). We initiate coverage with BUY rating and a target price of Rs370 (15x FY28E EPS / 30% upside).

❑ Investment Rationale

- **Deepening North America presence to drive margins:** After a decade-long gestation building certifications and GC relationships, MBEL's North American export engine is now in full swing. Though tariffs have compressed the margin premium, US / Canada percentage margins still run at ~2x versus India. We expect export volumes to grow at ~46% CAGR over FY26-28E, lifting exports' share of total PEB volume from ~10% in FY26 to ~15% in FY28E, and driving consolidated EBITDA margins to ~12% in FY28E (+50 bps over FY26).
- **~40% PEB capacity expansion by FY28E to fuel growth on both fronts:** Brownfield additions at Sanand (+20k MTPA, Q2FY27E) and Cheyyar (+20k MTPA, Q2FY28E) take total PEB capacity from ~104k to ~144k MTPA – a phased expansion aligned with demand. This headroom supports both the export push and deeper domestic penetration, particularly in South India where Cheyyar, commissioned only in 2024, is still building its local order book. We estimate ~18% blended PEB volume CAGR over FY26–28E (~15% domestic / ~46% exports), with utilisation reaching ~70% by FY28E.
- **Roofing – a strategic cross-sell lever:** Near-monopoly dominance (~75% share) in India's self-supported roofing (SSR) segment gives MBEL both a client acquisition tool and a wallet-share enhancer. SSR applications span warehousing, and infrastructure too, diversifying demand beyond pure manufacturing capex. We estimate ~12% volume CAGR over FY26-28E (slower vs PEB's 18%), but its real value lies in cross-sell optionality it creates.

❑ Valuation & Risks

We value MBEL at 15x FY28E EPS (TP Rs370; 30% upside) – a discount to peers given its regional status and the inherent lumpiness of export revenue. Key risks – (1) export momentum derailing (including shipping delays), (2) certification non-renewal, and (3) concentrated family management structure.

Key valuation metrics

Year to 31 Mar	FY24	FY25	FY26	FY27E	FY28E
Net sales (Rs m)	**7,951**	**9,886**	**12,597**	**15,842**	**17,943**
EBITDA (Rs m)	796	1,264	1,415	1,657	2,107
Adj. net profit (Rs m)	456	770	938	1,091	1,410
Adj. EPS (Rs)	9.1	15.4	17.2	19.1	24.7
% change	38.7	68.8	11.3	11.3	29.2
PE (x)	31.1	18.4	16.5	14.9	11.5
Price/ Book (x)	6.1	4.6	2.4	2.1	1.8
EV/ EBITDA (x)	19.1	12.0	9.6	8.7	6.6
RoE (%)	22.1	28.6	19.5	15.4	17.2
RoCE (%)	18.2	24.0	20.2	19.2	22.3

Source: Company, DAM Capital Research

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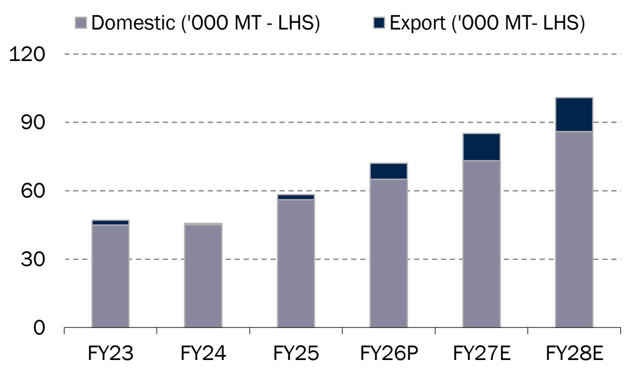
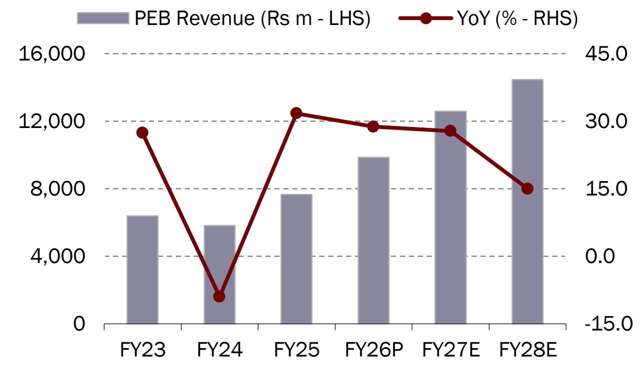
Story in Charts

Exhibit 1: Increasing US / Canada PEB exports...



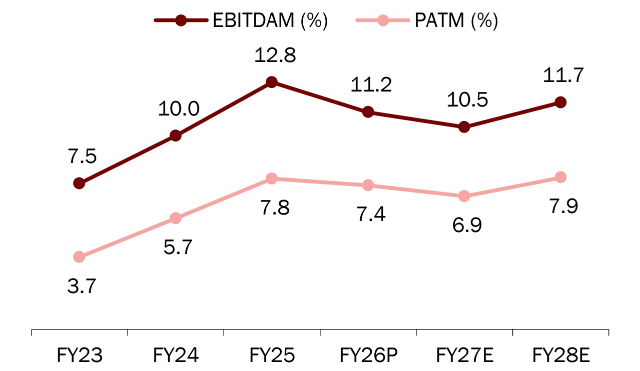
Source: Company, DAM Capital Research

Exhibit 2: ...to support ~21% PEB revenue CAGR over FY26-28E



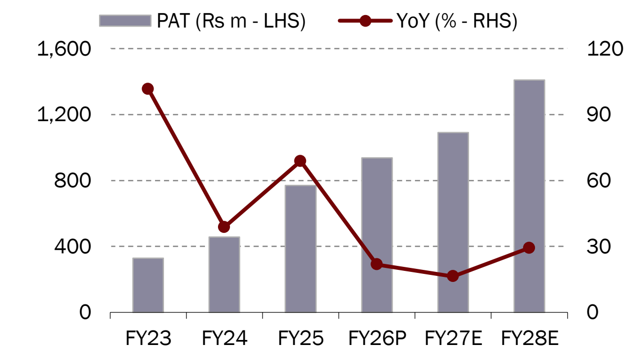
Source: Company, DAM Capital Research

Exhibit 3: Higher PEB revenue + Higher exports to aid margins...



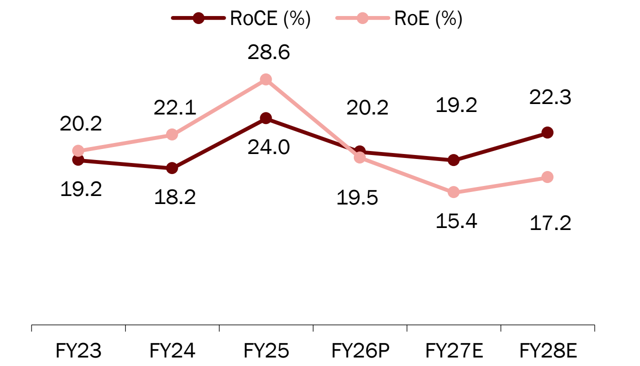
Source: Company, DAM Capital Research

Exhibit 4: ...and drive ~23% earnings CAGR over FY26-28E



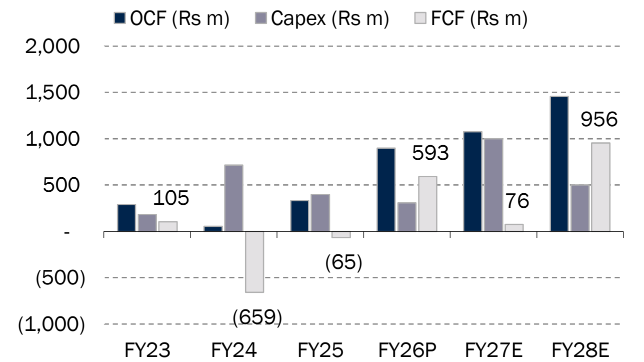
Source: Company, DAM Capital Research

Exhibit 5: Better margins to support return ratio expansion...



Source: Company, DAM Capital Research

Exhibit 6: ...and eventual FCF generation from FY28E onwards



Source: Company, DAM Capital Research

Company Overview

❑ Brief Summary

M&B Engineering Ltd. (MBEL) (part of the 70+ year old Manibhai & Brothers Group which is involved in the construction industry) started off in the self-supported roofing (SSR) business in 2001 and eventually branched out into the PEB space starting 2008. The company is led by second generation promoters viz. Mr. Chirag Patel and Mr. Malav Patel both of whom have clearly delineated responsibilities (specified in Exhibit #11). Albeit a regional player in the PEB space (with aspirations of becoming a pan-India player), MBEL is the only Indian company which has developed a foothold in the lucrative and margin accretive North American PEB market while also commanding a towering ~75% market-share in the niche but growing SSR space.

MBEL's business is reported across two segments:

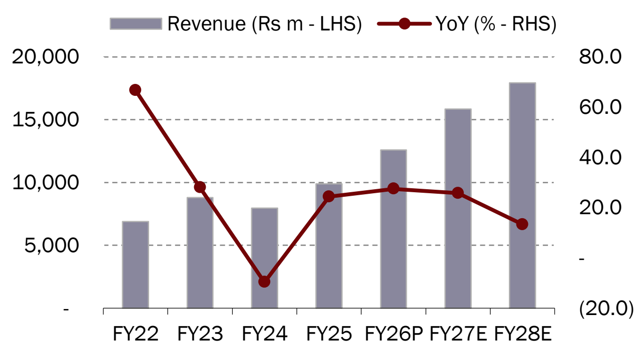
Only Indian PEB company with AISC certification (single most important credential for US market access

- **Pre-Engineered Buildings (PEB / Phenix) (78% of revenue):** Under the brand 'Phenix', MBEL is an upcoming PEB player. Through its Sanand (Gujarat) plant, the company traditionally serviced mostly the West India market but has since set up a second facility in Cheyyar (Tamil Nadu) to cater to the large industrial belt in the South. Currently, across both plants, MBEL has ~104k MTPA capacity with its Sanand facility being the only one in India which is AISC-certified (which strengthens its foothold in the US market).

75% market share in the niche SSR segment

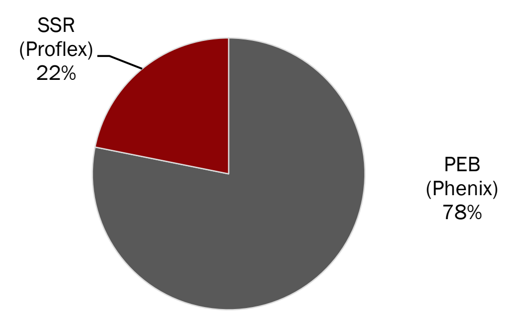
- **Self-Supported Roofing (SSR / Proflex) (22%):** Under the brand 'Proflex', MBEL is the largest player (est. 75% market-share) in the manufacturing and installation of self-supported steel roofing solutions market in India. It has 15 mobile manufacturing units (with a combined capacity of ~1.9mn sq. m. per annum) which allows it flexibility to address customers across the length and breadth of India as well as international markets.

Exhibit 7: Revenue Trajectory + Expectations



Source: Company, DAM Capital Research

Exhibit 8: Revenue Mix (FY26)



Source: Company, DAM Capital Research

Exhibit 9: MBEL – Manufacturing Footprint

Category	Existing	Incoming	Total
PEB (MTPA)	103,800	40,000	143,800
Roofing (mn sq. m.)	1.9	0.2	2.1

Source: Company, DAM Capital Research

Key Financials

Exhibit 10: Key Financial Data

Parameters	FY23	FY24	FY25	FY26P	FY27E	FY28E
Revenue (Rs m)	8,805	7,951	9,886	12,597	15,842	17,943
YoY (%)	*27.9*	*(9.7)*	*24.3*	*27.4*	*25.8*	*13.3*
EBITDA (Rs m)	664	796	1,264	1,415	1,657	2,107
EBITDAM (%)	7.5	10.0	12.8	11.2	10.5	11.7
Net Income (Rs m)	329	456	770	938	1,091	1,410
PATM (%)	3.7	5.7	7.8	7.4	6.9	7.9
RoCE (%)	19.2	18.2	24.0	20.2	19.2	22.3
RoE (%)	20.2	22.1	28.6	19.5	15.4	17.2
NWC (Days)	42	72	79	74	67	68
OCF / EBITDA (%)	43.6	7.1	26.3	63.5	64.9	69.1

Source: Company, DAM Capital Research

Management Team & Board of Directors

Exhibit 11: Key Management Team

Name	Designation	Approx. Tenure (Years)	Key Highlights
Chirag Hasmukhbhai Patel	Joint Managing Director	33	• Bachelor's degree in civil engineering (Gujarat University) • Oversees overall operations (techno / commercial / strategy) • Experience in PEB, Roofing, Construction industries.
Malav Girishbhai Patel	Joint Managing Director	25	• BS in Economics & Business Administration (Saint Mary's College of California) • Pioneered SSR systems in India. • Involved in sales, marketing, human capital & administration.
Girishbhai Manibhai Patel	Whole-Time Director	41	• Diploma in Diesel Mechanisms (John C. Calhoun State Technical School, Alabama). • Experience across PEB, roofing, construction sectors.
Ms. Birva Chirag Patel	Whole-Time Director	18	• Bachelor's degree in commerce (Gujarat University) & Assoc. Member of Institute of Company Secretaries (India). • Manages Commercial and Compliance functions. • Previously at Adani Enterprises (Deputy Manager).
Aditya Vipinbhai Patel	Whole-Time Director	15	• BE (Electronics) from Dharmsinh Desi University and MBA from Pace University. • Heading domestic and international business activities. • Key driver behind Phenix in international markets.
Pankaj Naresh	CEO – Phenix Division	7	• ME (Industrial Engineering) from Devi Ahilya Vishwavidyalaya (Indore) and MBA from IIT Delhi. • Previously associated with Reliance Industries, Lanco Infratech, Alstom Projects, Reliance Energy and MRPL.
Mayur Satishbhai Patel	CEO – Proflex Division	23	• Diploma in Plastic Engineering (Govt. Polytechnic, Ahmedabad). • Previously associated with Upperex Netsolutions, Gridcomp Software and Mayur Plastic
Keyur Bachubhai Shah	Chief Financial Officer	19	• Bachelor's degree in commerce (Gujarat University) and Fellow of Institute of Chartered Accountants of India • Previously associated with Shree Ambica Decoprints.
Ms. Palak Dilipbhai Parekh	Company Secretary & Compliance Officer	2	• Bachelor's degree in commerce & law (Gujarat University) and Fellow of Institute of Company Secretaries of India. • Prior associations include Prism Finance and Meghmani Industries.

Source: Company

Exhibit 12: Board of Directors

Name	Classification	Tenure (Years)	Key Highlights
Hemant Ishwarlal Modi	Non-Executive Chairman & Independent Director	2	• Associated since April 2024 / 35+ years' experience in engineering • MS (Civil Engineering) from Rutgers University • Previously associated with JMC Projects (Kalpataru) and Sai Consulting Engineers.
Chirag Hasmukhbhai Patel	Joint Managing Director	33	• Associated with MBEL since May 1993.
Malav Girishbhai Patel	Joint Managing Director	25	• Associated with MBEL since February 2001.
Girishbhai Manibhai Patel	Whole-Time Director	41	• Associated with MBEL since December 1984.
Ms. Birva Chirag Patel	Whole-Time Director	18	• Associated with MBEL since November 2008.
Aditya Vipinbhai Patel	Whole-Time Director	15	• Associated with MBEL since April 2011.
Vipinbhai Kantilal Patel	Non-Executive Director (Promoter)	41	• Associated with MBEL since December 1984. • Bachelor's degree in commerce (Gujarat University) • Steered MB Group's Finance and Administration functions.
Sanjay Shaileshbhai Majmudar	Non-Executive / Non-Independent Director	15	• Associated with MBEL since April 2011 • Bachelor's degree in commerce & law (Gujarat University). • 40+ years' experience in Finance.
Birju Maheshbhai Patel	Independent Director	7	• Associated since June 2019. • Bachelor's degree in electrical engineering (Sardar Patel University) • 20 years' experience in Engineering / Member of Indian Society of Heating, Refrigeration & Air Conditioning Engineer.
Udayan Dileep Choksi	Independent Director	2	• Associated since April 2024. • Bachelor's degree in science in Economics (honors) from University of Warwick / Chartered Accountant • 15 years in Legal Sector / practicing advocate registered with the bar council of Maharashtra and Goa
Subir Kumar Das	Independent Director	2	• Associated since April 2024. • Master's degree in science (Lucknow University) / Master's degree in Management Studies (Kashi Hindu Vishwavidyalaya). • 36 years experience in Finance sector (previously associated with Bank of Baroda)
Ms. Sonal Vimal Ambani	Independent Director	2	• Associated since April 2024. • PhD (Commerce) from Gujarat University. • Previously associated with Morgan Stanley Dean Witter / Chairperson of FICCI FLO (Ahmedabad)

Source: Company

❑ Milestones

Exhibit 13: MBEL – Major Milestones

Year	Achievement
1981	M&B Engineering incorporated as Manibhai & Brothers (Construction) Pvt. Ltd.
2001	Proflex division founded
2002	Proflex trademark registered
2008	Entry into PEB / structural steel under the Phenix brand at Sanand plant
2017	Phenix Construction Technologies, Inc. (US subsidiary) established to explore business in USA
2024	Cheyyar facility commissioned (~32k MTPA) expanding manufacturing footprint into South India
2025	Listed on NSE and BSE

Source: Company, DAM Capital Research

Investment Rationale

❑ Deepening US / Canada export business to aid margin expansion

Unlike its listed peers (INTERARC / EPACKPEB) which focused on deepening their reach within the India market, MBEL focused on expanding its addressable universe by slowly and steadily building a foothold in the margin-accretive North American market. While proximity to ports has helped facilitate this to an extent, MBEL has worked towards achieving relevant certifications – AISC for the US market (obtained), CWB for Canada (obtained), and EU certification (pursuit ongoing) – each requiring 6-12 months to obtain and annual renewal thereafter, alongside building a General Contractor (GC) network (which is a much longer journey).

US / Canada PEB margins are 3-4x vs India (Rs/kg) as LTL realisations are 1.3-1.5x vs that in India

MBEL ventured into the US market in 2017, secured its first credible order in 2021 and is now all set to expand its exports pie in a meaningful way as demonstrated by its growing order book. MBEL's export revenue has been choppy over the years, but since FY25, it has been focusing mainly on the North American market given its first mover advantage in building a GC network and its reputation as a credible supplier. The North American market also tends to be margin accretive since per our estimates and discussions, like-for-like blended realisations tend to be ~1.3-1.5x versus India (along with freight / duties / insurance / bought-out items, realisation per MT is more than 2x versus India) while India's cost structures help MBEL stay competitive in these markets (despite the current tariff scenario).

Section 232 tariffs on US steel – in place since 2018, reaffirmed in early 2025 and doubled to 50% from June 2025 before an April 2026 restructuring introduced tiered rates by product – have added volatility to export margins. However, since the duties have pushed up US domestic steel and PEB prices in tandem, India-based exporters like MBEL retain a meaningful (if somewhat narrowed) cost advantage over local US players.

Exhibit 14: US / Canada PEB margins can be ~3-4x vs India's on EBITDA/kg basis (Pre and Post Tariffs)

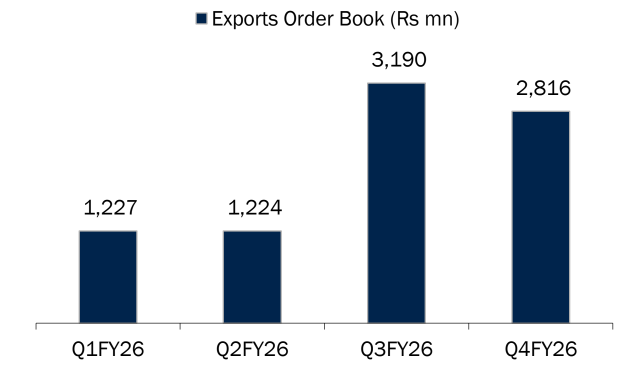
(Rs/kg)	India	US (before tariffs)	US (with tariff sharing)	Remarks
Realisation	110	140	140	Like-To-Like realisation (excluding Freight / Insurance / Duties)
COGS	72	72	72	Production cost similar since produced in India
SG&A	28	28	43*	*assumes 50:50 tariff sharing (25% tariff on 80% of realisation)
EBITDA	**11**	**41**	**26**	
EBITDA Margin (%)	**10.0**	**29.3**	**18.6**	

Source: Industry, DAM Capital Research

We believe MBEL should be able to build on its export foundations in the years ahead. Its Sanand (Gujarat) facility targets the US / Canada East Coast markets (and can eventually target Europe too), while its Cheyyar (Tamil Nadu) facility can theoretically target the West Coast markets (once the relevant certifications are achieved for that plant). MBEL has already ramped up its export revenue to ~Rs2bn in FY26 (+150% yoy; highest level so far) and has an order book of ~Rs3bn on hand currently, paving the way for a potential doubling of revenue in FY27E too. Even with North America margins dropping to the 16-18% rate today (vs the 25-30% earlier), faster ramp-up of exports should aid MBEL's PEB margins.

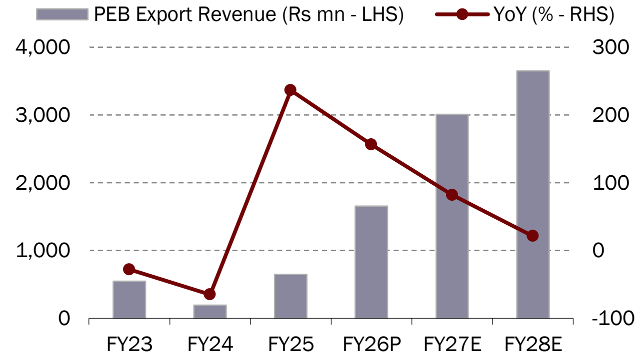
We pencil in ~50% CAGR in export revenue versus ~20% for overall PEB revenue growth over FY26-28E – highlighting that exports will be a major driver for MBEL's PEB (and overall) growth in the near-term.

Exhibit 15: Robust export order book on hand...



Source: Company, DAM Capital Research

Exhibit 16: ...should drive a ~50% revenue CAGR over FY26-28E



Source: Company, DAM Capital Research

While the North American market will inevitably attract competition (including INTERARC who is actively building its presence here – the latest being its tie-up with ER Steel, Inc. (Canada)), we believe there is plenty of market opportunity for cost-effective exporters to take advantage of and hence the real competition is with high cost domestic US / Canada incumbents rather than between Indian exporters.

❑ Capacity additions to drive volume growth ahead

With MBEL tracing its origins to Gujarat, the company's PEB business has been traditionally anchored to the West India market catering mainly to the industrially dense states of Gujarat and Maharashtra. Ahead of its IPO, the company ventured out of this domain by setting up a ~32,000 MTPA greenfield facility in Cheyyar (Tamil Nadu) in 2024 which targeted the industrial belts of South India (Tamil Nadu and Andhra Pradesh in particular). Post its IPO, MBEL is enhancing the capacity of both its Sanand and Cheyyar plants by 20,000 MTPA each, which should take its PEB production across its two units to ~144,000 MTPA.

Exhibit 17: MBEL's PEB capacity to grow ~40% by FY28E versus FY26 levels

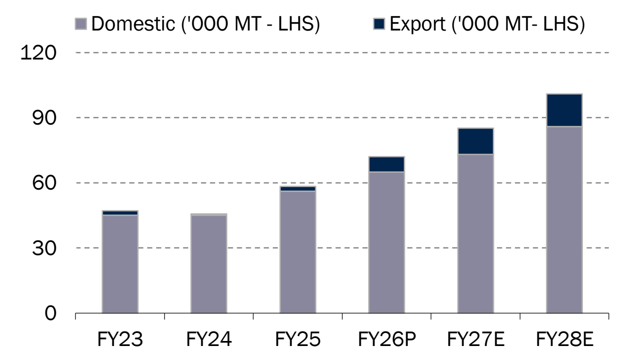
PEB	MTPA
Existing Capacity	**103,800**
- Sanand (GJ)	72,000
- Cheyyar (TN)	31,800
Brownfield Additions	**40,000**
- Sanand (GJ) (est. Q2FY27)	20,000
- Cheyyar (TN) (est. Q2FY28)	20,000
Total Capacity (Post Additions)	**143,800**
- Sanand (GJ)	92,000
- Cheyyar (TN)	51,800

Source: Company, DAM Capital Research

This ~40% capacity growth should set the stage for MBEL's PEB volume growth over FY26-28E. The Sanand plant expansion should conclude by Q2FY27E while the Cheyyar expansion will gather pace once Sanand addition concludes and should be ready by Q2FY28E. Though no concrete plans so far, we expect MBEL to continue to explore new plant additions especially in North India to fill up its geographical white spaces after it begins ramping up utilization at its West / South expanded facilities.

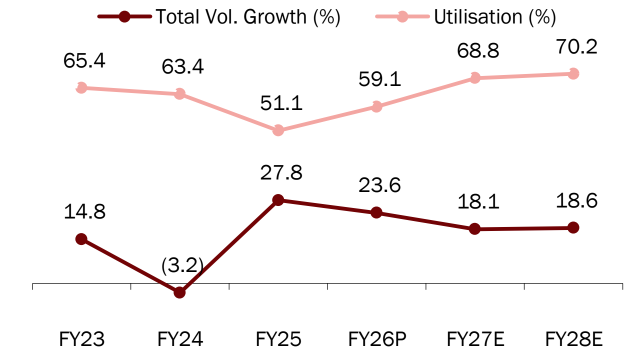
While we expect exports to grow faster for MBEL's PEB business (~46% volume CAGR over FY26-28E), given its relatively small base and its better margins (export orders would most likely get higher priority in the near to medium-term), domestic PEB volume too should grow at a ~15% CAGR over FY26-28E, especially as its South India market focus increases. Overall, we expect PEB volume growth to average ~18% CAGR over FY26-28E, taking the company's blended utilization rate to ~70% by FY28E (vs ~50% / 60% in FY25 / 26 respectively).

Exhibit 18: Exports to drive near-term PEB volume growth…



Source: Company, DAM Capital Research

Exhibit 19: …pulling overall volume growth / utilization rate



Source: Company, DAM Capital Research

❑ Well entrenched roofing business – a wallet-share lever for PEB

MBEL's self-supported roofing product (under the brand Proflex) is a system of interlocking steel sheets (made of pre-painted galvalume (PPGL) – a steel sheet coated with an alloy of aluminium, zinc and silicon) which can create clear spans of 9 – 34 meters (without the need for trusses, purlins and intermediate supports). This product is primarily used for roofs (on a steel / RCC structure) but can also be extended to form entire sheds (albeit not as large as a PEB one) if the interlocking systems are extended all the way to the ground. SSR's applications extend into the world of infrastructure as well – railways (train depots / station roofs / potential ceiling liners for tunnels), airports (aircraft hangars) as well as for warehousing (at a small-scale level) where a PEB can work but are not always a natural fit.

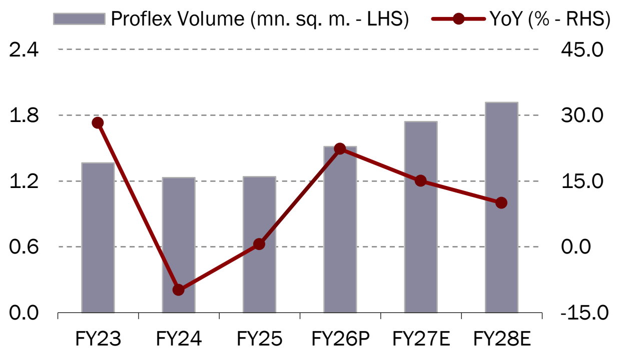
Exhibit 20: Self-Supported Roofing – Use cases go beyond just industry

Source: Industry, DAM Capital Research

Though the SSR industry is growing at a relatively slower pace (5-7% CAGR per CRISIL; est. industry size ~Rs4bn by FY30E) – possibly due to slow adoption and competing conventional products – MBEL is a clear market leader with ~75% share. While this segment will, in our opinion, be a steady contributor for the company as a whole, SSR does provide a chance to either increase wallet share in an existing PEB order that MBEL is executing (a large project may need roofs / canopies outside the PEB scope of work) or provide an entry into a large PEB type project by being a supplier of roofing products – and hence make in-roads into a new client's probable vendor list for the future.

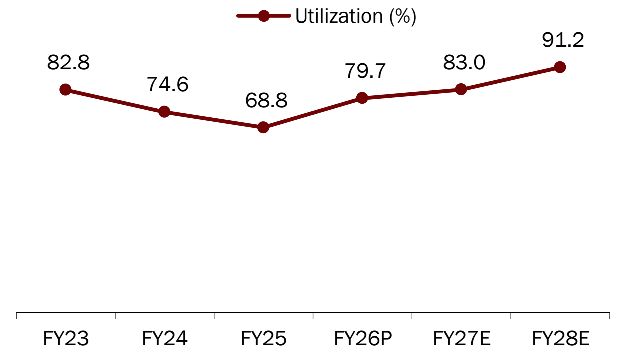
MBEL currently has 15 mobile units which can deploy ~1.9 mn sq. m. of roofs per year and will add 2 more units of 100k sq. m. each, taking its capacity to ~2.1 mn. sq. m. in FY27E. We estimate a ~12% volume / revenue CAGR over FY26-28E – slower than the ~18% CAGR for the PEB segment. We consider this a good-to-have (but not necessary) lever to build client relationships that can then be cross-sold into PEB.

Exhibit 21: Estimate ~12% volume CAGR over FY26-28E...



Source: Company, DAM Capital Research

Exhibit 22: ...taking Proflex utilization to ~90% by FY28E



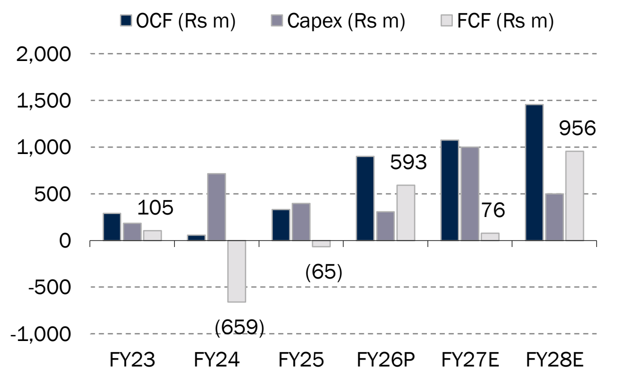
Source: Company, DAM Capital Research

❑ Debt-free / cash-rich balance sheet provides ammunition for growth

Net cash levels to be maintained over FY26-28E despite ~Rs1.5bn capex

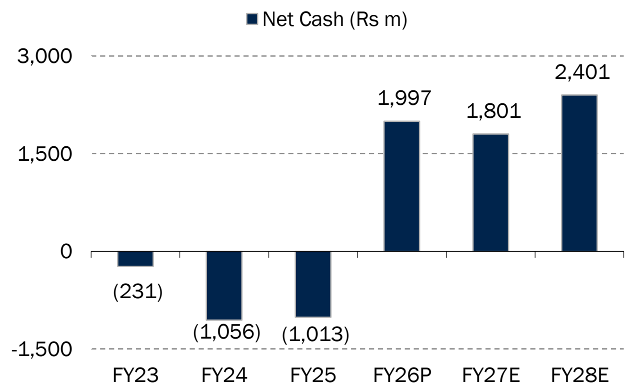
Post its IPO, the company has paid off ~Rs1bn of its gross debt (~Rs790m remaining – all of it is working capital debt) and turned net cash in FY26 (~Rs2bn). While part of this will be consumed for its ongoing capacity enhancement drives, internal accruals (estimate cumulative OCF ~Rs2.5bn over FY27E / 28E) should help the company build on this base and take it to ~Rs2.5bn by FY28E. This should be sufficient for the company to pursue growth – either via regular capacity expansion or focus more on exports which have higher inventory and hence higher working capital requirements given longer lead times.

Exhibit 23: Steady cash generation to finance growth / capex...



Source: Company, DAM Capital Research

Exhibit 24: ...and keep cash balance strong for MBEL ahead



Source: Company, DAM Capital Research

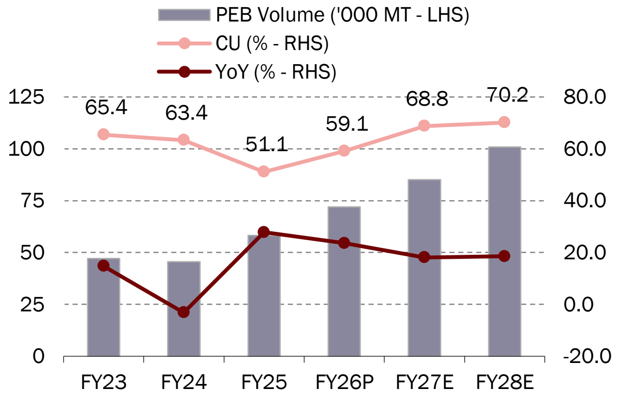
Financial Analysis & Expectations

❑ Volume-led growth – PEB at the core, SSR running steady

We expect MBEL's Phenix division (PEB) to be the principal growth engine for the company in the near-term. The company has ~104,000 MTPA capacity on hand (~59% utilized as of FY26) and with its forthcoming brownfield expansions, this will increase to ~144,000 MTPA providing the company with enough headroom to draw ~18% volume CAGR over FY26-28E. Within this, we estimate the company's exports division to be the key growth propeller with volumes expanding ~46% CAGR (taking export volume share to ~15% by FY28E vs ~10% in FY26; ~4% in FY25). Domestic volumes will also grow (we estimate ~15% CAGR over FY26-28E), but its share in total PEB volume will drop to 85% by FY28E (vs 90% in FY26).

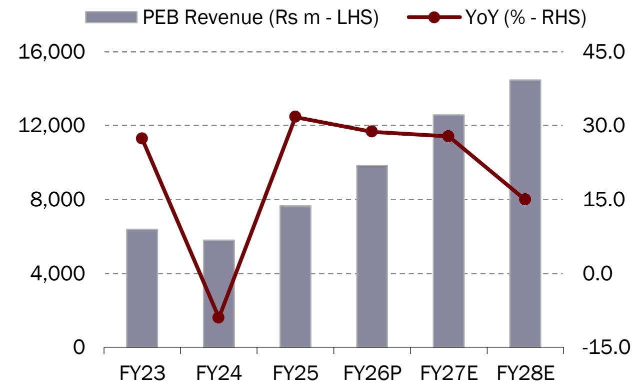
Notwithstanding near-term steel price headwinds, the increasing export mix should drive a ~21% revenue CAGR for the PEB segment over FY26-28E (versus an overall volume CAGR of ~18% over the same period).

Exhibit 25: ~18% PEB volume CAGR over FY26-28E...



Source: Company, DAM Capital Research

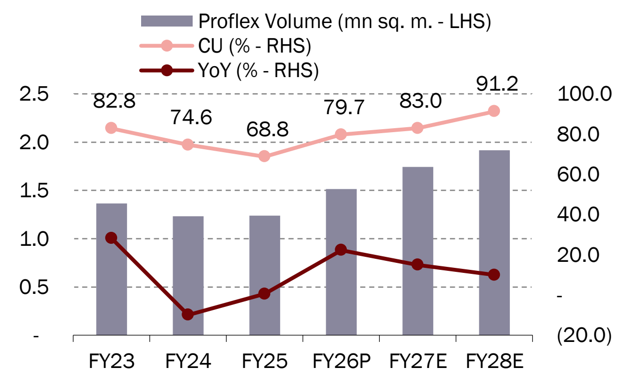
Exhibit 26: ...but higher exports to drive ~21% value CAGR



Source: Company, DAM Capital Research

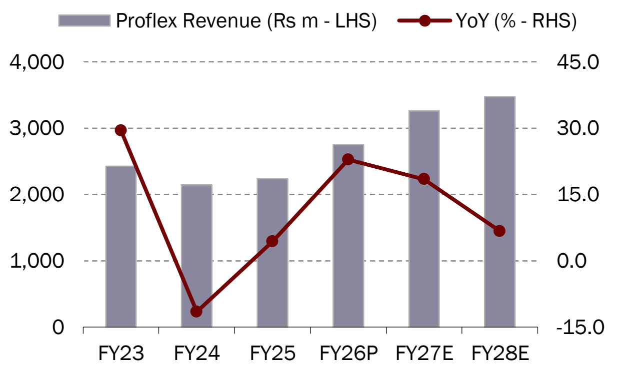
Proflex (SSR) on the other hand should see a capacity addition driven growth in FY27E (building on its strong growth in FY26 after a sluggish FY24 / 25) before slowing down in FY28E. Overall, we estimate a 12% volume / revenue CAGR for SSR over the FY26-28E period – given its overall secondary (albeit complementing) nature to the company's PEB business.

Exhibit 27: SSR volume to grow ~12% CAGR (capacity led)...



Source: Company, DAM Capital Research

Exhibit 28: ...and expect similar revenue CAGR over FY26-28E



Source: Company, DAM Capital Research

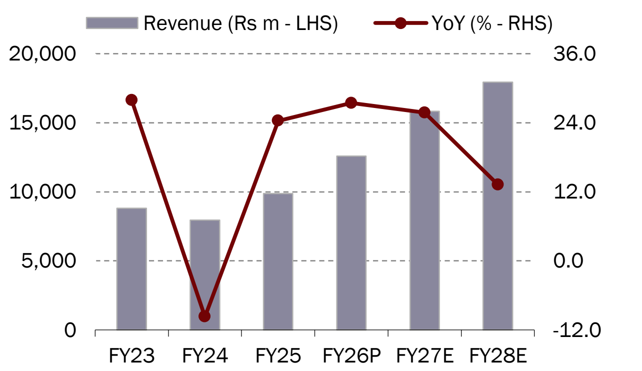
❑ Mix improvement to drive EBITDA / PAT profitability margins

Faster PEB growth versus SSR, combined with higher-realisation exports outpacing domestic within PEB should translate to a consolidated revenue CAGR of ~19% over FY26-28E.

Consolidated EBITDA margins to rise +50 bps over FY26-28E to ~12% mainly driven by exports

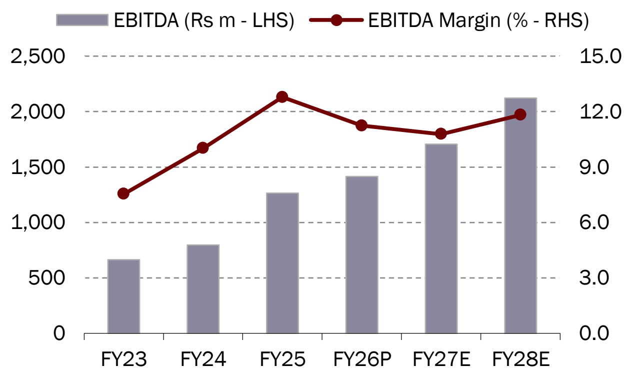
Though high steel prices (and possible delay of pass-through in existing contracts) can be a near-term dampener on margins, we expect PEB segment margin (domestic + exports) to be ~11% in FY27E and ~12% in FY28E (slightly higher vs estimated FY26 level), and accordingly, the mix turning favourable, should mean MBEL's consolidated margins (after dipping in FY27E) should touch ~12% by FY28E (+50 bps over FY26 levels). Consequently, EBITDA should rise ~22% CAGR over FY26-28E.

Exhibit 29: ~19% revenue CAGR over FY26-28E...



Source: Company, DAM Capital Research

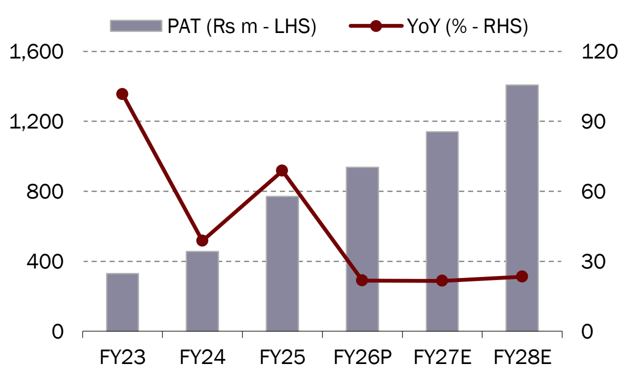
Exhibit 30: ...translates to ~22% EBITDA CAGR (mix driven)



Source: Company, DAM Capital Research

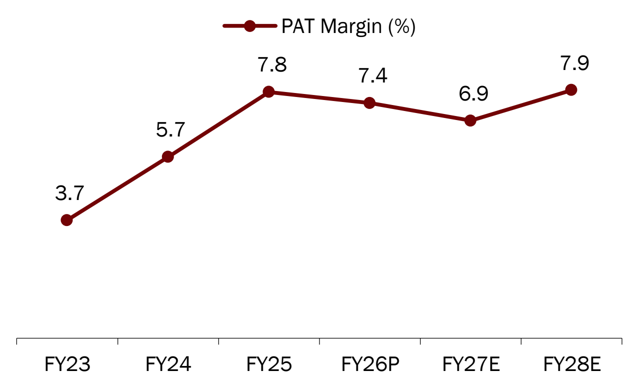
We expect net profits to mirror the EBITDA CAGR trend (~23% over FY26-28E) – lower finance costs (as debt goes off its books) are negated to an extent by higher depreciation (given capacity additions coming online).

Exhibit 31: ~23% PAT CAGR (FY26-28E) similar to EBITDA's



Source: Company, DAM Capital Research

Exhibit 32: PAT margin to steadily improve to ~8% by FY28E



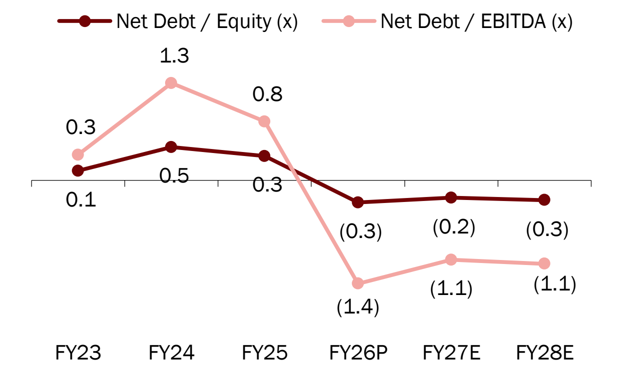
Source: Company, DAM Capital Research

❑ Balance sheet to strengthen further; OCF generation to resume in FY27E

Post the IPO in August 2025, MBEL's balance sheet took a step-change – net debt of ~Rs1bn in FY25 flipped to a net cash position of ~Rs2bn and we expect the company to remain net cash through FY28E (estimate ~Rs2.5bn) despite capital expansion commitments and potential higher working capital which is a necessity in pursuing the North America export business. As operating profit growth absorbs the enlarged, cash-heavy capital base built up post-IPO, RoCE should recover to ~22% by FY28E (vs ~20% in FY26).

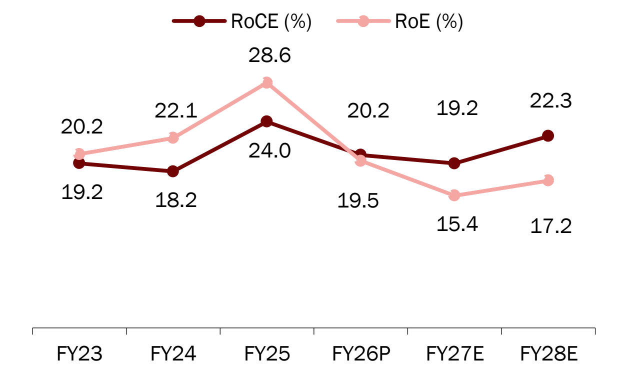
RoE drop from FY25 levels is a function of debt being retired out of the books rather than any margin / turnover deterioration. We expect RoE to inch back to ~17% by FY28E versus ~16% in FY27E.

Exhibit 33: MBEL will maintain its net cash levels over FY26-28E



Source: Company, DAM Capital Research

Exhibit 34: Return ratios to trend higher from FY27E lows



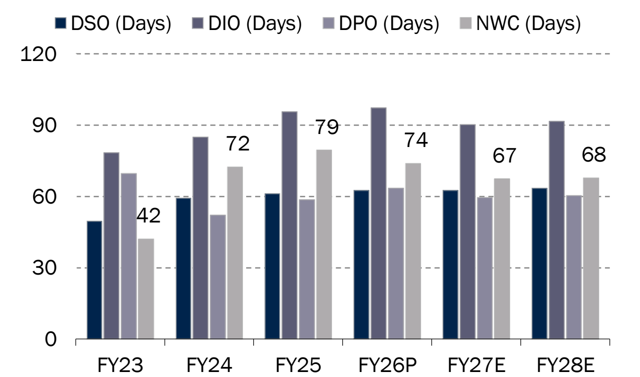
Source: Company, DAM Capital Research

High NWC (~70 days) vs peers' 35-50 mainly explained by exports (high transit times)

On working capital, NWC days will be elevated versus our coverage universe (~70 days vs 35-50 days for INTERARC / EPACKPEB). This is mainly a factor of (1) exports mix within PEB (inventory in transit stays on the books until delivered to the client, and lead times can be 45 days during normal circumstances) and (2) import-led Proflex sourcing (~90% of PPGL is imported which would need a 3-4 month inventory buffer). Though the Proflex sourcing 'drag' can come off as MBEL looks for more domestic sourcing, the export PEB angle would keep WC structurally higher versus peers. This can (and should) be compensated by better margins in the exports business, which is what we expect given our RoCE assumption of ~20-22% over FY26-28E.

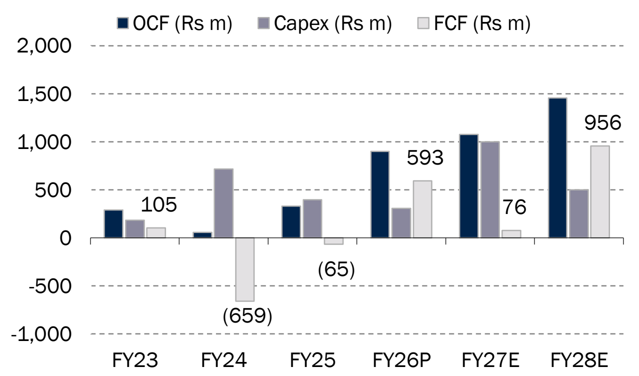
We expect margins to drive OCF for MBEL over FY26-28E (fast exports growth should mean a rise in working capital, but the rise in margins should cover for this), and with capex intensity coming off after FY27E, we expect MBEL to resume free cash generation from FY28E onwards (~Rs1bn in FY28E).

Exhibit 35: NWC to stay structurally higher versus peers



Source: Company, DAM Capital Research

Exhibit 36: FCF generation to commence from FY28E (~Rs1bn)



Source: Company, DAM Capital Research

Exhibit 37: MBEL – RoE / RoCE Decomposition

RoE / RoCE Decomposition	FY23	FY24	FY25	FY26P	FY27E	FY28E
RoE (%):	**20.2**	**22.1**	**28.6**	**19.5**	**15.4**	**17.2**
- Net Profit Margin (%)	3.7	5.7	7.8	7.4	6.9	7.9
- Total Asset Turnover (x)	1.6	1.3	1.3	1.3	1.3	1.3
- Leverage (x)	3.4	2.9	2.7	2.1	1.7	1.7
RoCE (%):	**19.2**	**18.2**	**24.0**	**20.2**	**19.2**	**22.3**
- EBIT Margin (%)	6.4	8.9	11.5	10.0	9.2	10.4
- Capital Employed Turnover (x)	3.0	2.0	2.1	2.0	2.1	2.1

Source: Company, DAM Capital Research

Exhibit 38: MBEL – Key Assumptions

Key Assumptions	FY23	FY24	FY25	FY26P	FY27E	FY28E
PEB (Phenix)						
- Volume ('000 MT)	47.1	45.6	58.3	72.1	85.1	100.9
- Capacity Utilisation (%)**	65.4	63.4	51.1	59.1	68.8	70.2
- Realisation (Rs/kg)*	135.4	127.3	131.2	136.6	147.8	143.3
- Revenue (Rs m)	6,380	5,806	7,647	9,846	12,583	14,465
- EBITDA (Rs/kg)	11.2	13.4	17.5	16.4	16.4	17.8
Growth (%):						
- Volume	14.8	(3.2)	27.8	23.6	18.1	18.6
- Realisation	11.0	(6.0)	3.1	4.2	8.2	(3.0)
- EBITDA (Rs/kg)	26.5	20.4	30.3	(6.3)	0.1	8.3
SSR (Proflex)						
- Volume (mn. sq. m.)	1.4	1.2	1.2	1.5	1.7	1.9
- Capacity Utilisation (%)**	82.8	74.6	68.8	79.7	83.0	91.2
- Realisation (Rs/sq. m.)	1,774	1,742	1,807	1,816	1,871	1,815
- Revenue (Rs m)	2,424	2,145	2,239	2,751	3,259	3,477
- EBITDA (Rs/sq. m.)	108.4	150.9	195.5	154.3	149.7	163.3
Growth (%):						
- Volume	28.2	(9.9)	0.6	22.3	15.0	10.0
- Realisation	1.0	(1.8)	3.8	0.5	3.0	(3.0)
- EBITDA (Rs/sq. m.)	(4.0)	39.2	29.5	(21.0)	(3.0)	9.1
P&L:						
- Revenue (Rs m)	8,805	7,951	9,886	12,597	15,842	17,943
- EBITDA (Rs m)	664	796	1,264	1,415	1,657	2,107
- EBITDA Margin (%)	7.5	10.0	12.8	11.2	10.5	11.7

*Source: Company, DAM Capital Research; *Blended Realisation (Domestic + Exports + Erection); **Historical utilisations computed basis production quantity*

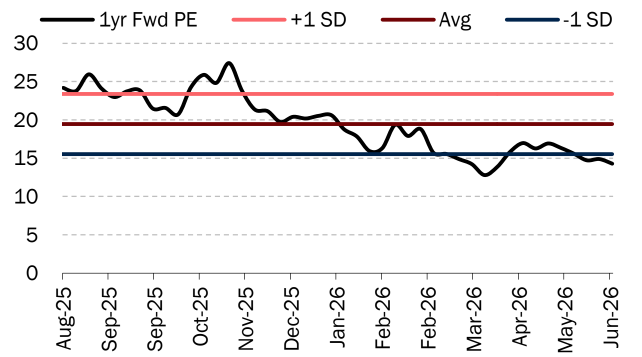
Outlook & Valuation

MBEL is best understood as a differentiated export play within the Indian PEB sector. Its margin profile is structurally superior to listed peers, anchored by a first-mover position in the supply-constrained North American market that a decade of investment in certifications, GC relationships and logistics has made difficult to replicate quickly. With Sanand already supplying the US and Canada and Cheyyar's AISC certification in progress, exports have a credible runway well beyond the ~15% share of PEB volume we build in by FY28E.

Domestically, brownfield additions at Sanand and Cheyyar provide sufficient headroom through FY28E, while an estimated ~Rs2.5bn net cash position gives MBEL the flexibility to fund the next leg of growth – likely a North India plant – without straining returns. Near-term friction (elevated freight, firmer steel prices, tariff-related contract renegotiations) is transient rather than structural, and a healthy order book plus a debt-free balance sheet provide adequate cover. We forecast a ~23% earnings CAGR over FY26-28E with RoCE recovering to ~22% by FY28E.

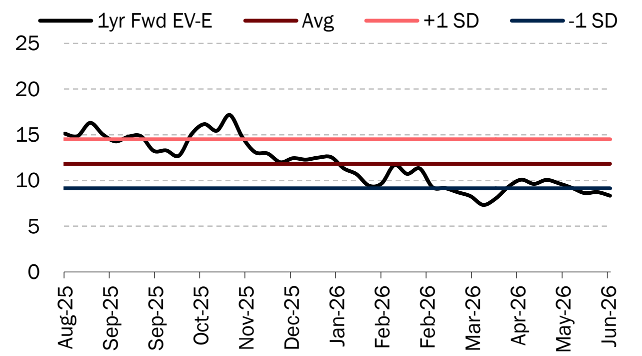
We initiate coverage on MBEL with a BUY rating and a target price of Rs370 (15x FY28E EPS / 30% upside), a discount to EPACKPEB (17.5x) and INTERARC (20x) reflecting smaller domestic PEB scale and the inherent lumpiness of export revenue. At current prices (~12x FY28E EPS), the downside appears limited – a reverse DCF implies ~13% EBITDA CAGR over FY27–37E, well below the FY26-28E trajectory we forecast. Key risks: (1) tariff and freight volatility compressing North America margins beyond our base case; (2) AISC non-renewal at Sanand, which would effectively close the US market until reinstated; (3) North America lead times (~45 days on average) can lead to revenue spill-over in future quarters / years; and (4) concentrated family management, where internal discord could affect execution and attract a governance discount.

Exhibit 39: 1-Year Forward P/E Chart



Source: Bloomberg, DAM Capital Research

Exhibit 40: 1-Year Forward EV/EBITDA Chart



Source: Bloomberg, DAM Capital Research

Income statement

Year to 31 Mar (Rs m)	FY24	FY25	FY26	FY27E	FY28E
Net sales	**7,951**	**9,886**	**12,597**	**15,842**	**17,943**
% growth	(9.7)	24.3	27.4	25.8	13.3
Operating expenses	7,154	8,622	11,182	14,184	15,836
EBITDA	**796**	**1,264**	**1,415**	**1,657**	**2,107**
% change	19.9	58.7	12.0	17.1	27.1
Other income	132	83	157	190	233
Net interest cost	231	200	174	190	215
Depreciation	89	125	151	200	241
Pre-tax profit	609	1,022	1,247	1,458	1,884
Deferred tax	0	0	0	0	0
Current tax	152	252	309	367	474
Profit after tax	**456**	**770**	**938**	**1,091**	**1,410**
Preference dividend	0	0	0	0	0
Minorities	0	0	0	0	0
Adjusted net profit	**456**	**770**	**938**	**1,091**	**1,410**
Non-recurring items	0	0	0	0	0
Reported net profit	**456**	**770**	**938**	**1,091**	**1,410**
% change	38.7	68.8	21.7	16.3	29.2

Balance sheet

As on 31 Mar (Rs m)	FY24	FY25	FY26	FY27E	FY28E
Paid-up capital	**500**	**500**	**571**	**571**	**571**
Preference capital	0	0	0	0	0
Reserves & surplus	1,830	2,565	6,000	7,009	8,277
Shareholders' equity	**2,330**	**3,065**	**6,571**	**7,580**	**8,849**
Total current liabilities	1,907	3,440	4,108	5,437	5,586
Total debt	**2,048**	**1,861**	**790**	**0**	**0**
Deferred tax liabilities	44	65	83	83	83
Other non-current liabilities	2	60	54	54	54
Total liabilities	4,001	5,427	5,035	5,574	5,723
Total equity & liabilities	**6,331**	**8,492**	**11,606**	**13,154**	**14,572**
Net fixed assets	1,434	1,777	1,945	2,746	3,005
Investments	69	51	43	43	43
Cash	992	848	2,786	1,801	2,401
Other current assets	3,835	5,816	6,831	8,564	9,123
Deferred tax assets	0	0	0	0	0
Other non-current assets	0	0	0	0	0
Net working capital	2,921	3,224	5,509	4,928	5,938
Total assets	**6,331**	**8,492**	**11,606**	**13,154**	**14,572**

Cash flow

Year to 31 Mar (Rs m)	FY24	FY25	FY26	FY27E	FY28E
Pre-tax profit	609	1,022	1,247	1,458	1,884
Depreciation	89	125	151	200	241
Chg in Working capital	(681)	(463)	(330)	(414)	(415)
Total tax paid	(152)	(252)	(309)	(367)	(474)
Net Interest	231	200	174	190	215
Others	6	58	5	0	0
Operating cash flow	**77**	**706**	**921**	**1,076**	**1,456**
Capital expenditure	(716)	(468)	(319)	(1,000)	(500)
Free cash flow (a+b)	**(639)**	**238**	**603**	**76**	**956**
Chg in investments	(18)	18	8	0	0
Debt raised/(repaid)	561	(187)	(1,072)	(790)	0
Net interest	(231)	(200)	(174)	(190)	(215)
Capital raised/(repaid)	300	0	2,750	0	0
Dividend (incl. tax)	0	0	0	(82)	(141)
Other items	(228)	(14)	(176)	0	0
Net chg in cash	**(264)**	**(144)**	**1,938**	**(986)**	**600**

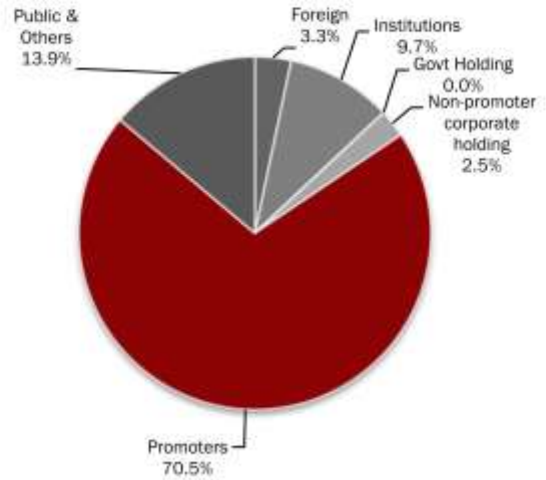
Key ratios

Year to 31 Mar	FY24	FY25	FY26	FY27E	FY28E
EBITDA margin (%)	10.0	12.8	11.2	10.5	11.7
EBIT margin (%)	8.9	11.5	10.0	9.2	10.4
PAT margin (%)	5.7	7.8	7.4	6.9	7.9
RoE (%)	22.1	28.6	19.5	15.4	17.2
RoCE (%)	18.2	24.0	20.2	19.2	22.3
Gearing (x)	0.5	0.3	(0.3)	(0.2)	(0.3)
Net debt/ EBITDA (x)	1.3	0.8	(1.4)	(1.1)	(1.1)
FCF yield (%)	(4.5)	1.7	3.9	0.5	5.9
Dividend yield (%)	0.0	0.0	0.0	0.5	0.9

Valuations

Year to 31 Mar	FY24	FY25	FY26	FY27E	FY28E
Reported EPS (Rs)	**9.1**	**15.4**	**17.2**	**19.1**	**24.7**
Adj. EPS (Rs)	9.1	15.4	17.2	19.1	24.7
PE (x)	31.1	18.4	16.5	14.9	11.5
Price/ Book (x)	6.1	4.6	2.4	2.1	1.8
EV/ Net sales (x)	1.9	1.5	1.1	0.9	0.8
EV/ EBITDA (x)	19.1	12.0	9.6	8.7	6.6
EV/ CE (x)	3.4	3.0	1.8	1.9	1.5

Shareholding pattern



As of Mar-26

Annexures

❑ Q4FY26 Results Snapshot

Exhibit 1: INTERARC – Q4'26 Results Snapshot

(Rs m)	Q4FY25	Q3FY26	Q4FY26	QoQ (%)	YoY (%)	FY25	FY26	YoY (%)
Operating Parameters								
Volume ('000 MT)	41.4	44.9	41.0	(8.8)	(0.9)	124.0	160.0	29.0
Realisation (Rs/kg)	112.0	116.3	122.8	5.6	9.7	117.2	118.6	1.2
EBITDA (Rs/kg)	11.8	11.2	12.9	15.1	9.1	11.0	11.0	0.3
Order Book (Rs bn)	16.5	16.9	17.0			16.5	17.0	
Consolidated P&L items:								
Revenue	4,635	5,225	5,036	(3.6)	8.7	14,538	18,980	30.6
EBITDA	488	503	528	5.0	8.1	1,362	1,763	29.4
Margin (%)	*10.5*	*9.6*	*10.5*			*9.4*	*9.3*	
PAT	387	405	366	(9.6)	(5.4)	1,078	1,378	27.8
Margin (%)	*8.3*	*7.8*	*7.3*			*7.4*	*7.3*	

Source: Company, DAM Capital Research

Exhibit 2: EPACKPEB – Q4'26 Results Snapshot

(Rs m)	Q4FY25	Q3FY26	Q4FY26	QoQ (%)	YoY (%)	FY25	FY26	YoY (%)
Segment Revenue	**3,306**	**3,252**	**4,708**	**44.8**	**42.4**	**11,339**	**15,253**	**34.5**
PEB (incl. Panels)	2,814	2,960	4,296	45.2	52.6	9,533	13,772	44.5
EPS	492	293	412	40.6	(16.2)	1,806	1,481	(18.0)
Segment PBT Margin (%)	**8.4**	**6.6**	**8.3**			**7.1**	**8.0**	
PEB (incl. Panels)	8.3	7.7	8.0			7.2	8.1	
EPS	8.8	4.1	8.6			7.0	7.5	
Order Book (Rs bn)	9.2	12.2	11.1			9.2	11.1	
Consolidated P&L items:								
Revenue	3,306	3,252	4,708	44.8	42.4	11,339	15,253	34.5
EBITDA	353	326	461	41.3	30.8	1,178	1,597	35.6
Margin (%)	*10.7*	*10.0*	*9.8*			*10.4*	*10.5*	
APAT	200	169	303	79.8	51.3	593	926	56.2
Margin (%)	*6.1*	*5.2*	*6.4*			*5.2*	*6.1*	

Source: Company, DAM Capital Research

Exhibit 3: MBEL – Q4'26 Results Snapshot

(Rs m)	Q4FY25	Q3FY26	Q4FY26	QoQ (%)	YoY (%)	FY25	FY26	YoY (%)
Volume								
- Phenix (PEB) (MT)	19,778	20,228	21,210	4.9	7.2	58,589	72,070	23.0
- Proflex (Roofing) (mn sq. m.)	0.4	0.4	0.4	17.2	8.5	1.2	1.5	22.3
Realisation								
- Phenix (PEB) (Rs/MT)	119,783	139,455	133,426	(4.3)	11.4	130,517	136,673	4.7
- Proflex (Roofing) (Rs / sq m)	1,865	1,822	1,815	(0.4)	(2.7)	1,807	1,815	0.5
Revenue								
- Phenix (PEB)	2,369	2,821	2,830	0.3	19.5	7,647	9,850	28.8
-- Domestic	2,303	2,189	2,373	8.4	3.0	7,001	8,194	17.0
-- Export	66	632	457	(27.7)	595.8	646	1,656	156.4
- Proflex (Roofing)	767	694	810	16.7	5.6	2,239	2,750	22.8
Consolidated P&L Items:								
Revenue	3,136	3,515	3,637	3.5	16.0	9,886	12,597	27.4
EBITDA	416	397	379	(4.6)	(8.9)	1,264	1,415	12.0
Margin (%)	*13.3*	*11.3*	*10.4*			*12.8*	*11.2*	
PAT	285	266	270	1.3	(5.3)	770	938	21.7
Margin (%)	*9.1*	*7.6*	*7.4*			*7.8*	*7.4*	

Source: Company, DAM Capital Research

Q4FY26 Analyst Call Summary

Exhibit 4: PEB Coverage Universe – Q4'26 Analyst Call Commentary

Parameters	INTERARC	EPACKPEB	MBEL
Near-Term Demand	• Strong / not seeing slowdown • Need capacity to take orders • Bid Pipeline (I & II) – Rs45bn	• Strong near-term tone • Q1 to be good for order booking • Bid Pipeline – Rs50bn (15-20% win rate)	• Demand intact (no slowdown), but H1 may be soft • US export order closure timelines now 12-16 weeks (vs 6-8 earlier) • Domestic Bid Pipeline – Rs10bn+
Current Order Book	Rs17bn (9-10 months)	Rs11bn (6-8 months)	Rs11bn (6-8 months)
FY27E Revenue Goal	Rs21.5-22bn (13-16% yoy)	Rs19.2-19.5bn (26-28% yoy)	Rs15.5-15.7bn (23-25% yoy)
Margin Expectations	Will sustain FY26 PAT margin in FY27E (7 – 7.5%)	• FY27E EBITDAM – 10.5-11.5% • FY27E PATM – 6.5%	None provided given steel, freight cost uncertainty. Will give better clarity post Q1.
Steel Prices / Hedging	• Seasonal price spikes • Expect easing during monsoons	• 80%+ active contract prices renegotiated • 32k MT inventory on hand (enough for Q1 orders)	15% of raw materials are open; balance hedged/locked at order booking
Working Capital / Cashflow	Negative OCF in FY26 due to 5-7 large milestone driven orders + extra steel inventory on hand	Growth + higher payables driven OCF generation in FY26	OCF normal / IPO proceeds used to pay down creditors
Capacity Expansion Plans / Update	• Gujarat PEB Plant (1st Phase / 20k MTPA) to start by July 2026 • Heavy Structures – 25k MTPA by August 2026 + 24k MTPA by March/April 2027. Will look to take total capacity to 60k in due course (QIP planned for HS) • Land purchased in Gujarat for future PEB / HS unit	• Gujarat PEB plant (50k MTPA) to commence by Q4FY27E • Ghiloth SP plant + PEB brownfield (11k MTPA) to be ready by Q3FY27E	• Sanand expansion (20k MTPA) to be ready by Q2FY27E • Cheyyar expansion (20k MTPA) to commence post Sanand and will be ready by Q1/Q2FY28E
Our Interpretation	*Bullish tone – PEB + Heavy Structures + Tie-Ups for Exports*	*Bullish on FY27E; Sounds the most confident one amongst peers*	*Positive on demand trends, but near-term cautious (execution / margins)*

Source: Company, DAM Capital Research

❑ Glossary – Abbreviations used across this report

Abbreviation	Full Form / Definition
3PL	Third-Party Logistics
AISC	American Institute of Steel Construction
ATMP	Assembly, Testing, Marking, and Packaging
BHAVYA	Bharat Audyogik Vikas Yojana
BPO	Business Process Outsourcing
BSE	Bombay Stock Exchange
CAGR	Compound Annual Growth Rate
CE	Conformité Européenne (European Conformity)
CMIE	Centre for Monitoring Indian Economy
CMP	Current Market Price
COGS	Cost of Goods Sold
CSB	Conventional Steel Building
CWB	Canadian Welding Bureau
D/E	Debt-to-Equity Ratio
DCF	Discounted Cash Flow
DIO	Days Inventory Outstanding
DPO	Days Payable Outstanding
DSO	Days Sales Outstanding
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EDFC	Eastern Dedicated Freight Corridor
EN	European Norm (European Standard)
EOT	Electric Overhead Travelling (Cranes)
EPC	Engineering, Procurement, and Construction
EPS	Earnings Per Share
EPS (Material)	Expanded Polystyrene
EV	Enterprise Value
FCF	Free Cash Flow
FG	Finished Goods
FINRA	Financial Industry Regulatory Authority
FY	Financial Year
GDP	Gross Domestic Product
GEF	Global Environment Fund (GEF Capital Partners)
GFCF	Gross Fixed Capital Formation
GST	Goods and Services Tax
GVA	Gross Value Added
HR Plate	Hot Rolled Plate
HRC	Hot Rolled Coil
IIP	Index of Industrial Production
ISM	India Semiconductor Mission
ISO	International Organization for Standardization
JSPL	Jindal Steel & Power Limited
LGSF	Light Gauge Steel Framing
MCA	Ministry of Corporate Affairs
MEP	Mechanical, Electrical, and Plumbing
MOU / MoU	Memorandum of Understanding
MOSPI	Ministry of Statistics and Programme Implementation
MSME	Micro, Small, and Medium Enterprises
MT	Metric Tonne
MTPA	Metric Tonnes Per Annum
MW	Megawatt

Source: Industry, DAM Capital Research

Abbreviation	Full Form / Definition
NCLT	National Company Law Tribunal
NICDIT	National Industrial Corridor Development and Implementation Trust
NICDP	National Industrial Corridor Development Programme
NLP	National Logistics Policy
NPM	Net Profit Margin
NSE	National Stock Exchange
NWC	Net Working Capital
OBICUS	Order Books, Inventories and Capacity Utilisation Survey
OCF	Operating Cash Flow
OEM	Original Equipment Manufacturer
OSAT	Outsourced Semiconductor Assembly and Test
OWSJ	Open Web Steel Joists
PAT	Profit After Tax
PBT	Profit Before Tax
P/E	Price-to-Earnings Ratio
PIB	Press Information Bureau
PIR	Polyisocyanurate
PLI	Production-Linked Incentive
PPGL	Pre-Painted Galvalume
PUF	Polyurethane Foam
QIP	Qualified Institutional Placement
RBI	Reserve Bank of India
RCC	Reinforced Cement Concrete
R&D	Research and Development
RM	Raw Material
ROCE / RoCE	Return on Capital Employed
ROE / RoE	Return on Equity
SAARC	South Asian Association for Regional Cooperation
SEBI	Securities and Exchange Board of India
SGST	State Goods and Services Tax
SSR	Self-Supported Roofing
TAM	Total Addressable Market
TP	Target Price
WDFC	Western Dedicated Freight Corridor

Source: Industry, DAM Capital Research

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