Interarch Building Solutions Ltd.

29 December 2025

Strategic levers in place for steady growth

CONFERENCE TAKEAWAYS	
Sector: Civil Construction	Rating: NR
CMP: Rs 2,324	Target Price: NA

Stock Info

Sensex/Nifty	84,695/25,944
Bloomberg	INTERARC IN
Equity shares (mn)	17
52-wk High/Low	2,763/1,264
Face value	Rs 10
M-Cap	Rs 39bn/ USD 0.5bn

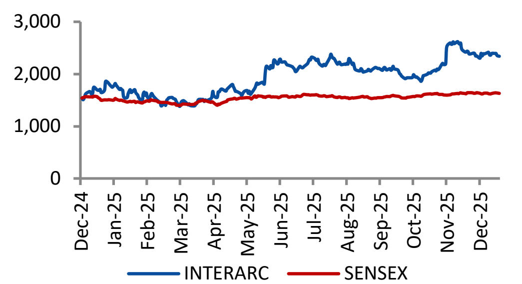
Financial Snapshot (Rs mn)

Y/E Mar	FY23	FY24	FY25
Revenue	11,239	12,933	14,538
EBITDA	1,064	1,130	1,362
PAT	815	863	1078
EPS (Rs/share)	54	59	69
P/E (x)	43	40	34
EV/EBITDA (x)	35	33	27
RoE (%)	20	19	14
RoCE (%)	26	26	19

Shareholding Pattern (%)

	Sep'25	Jun'25	Mar'25
Promoter	59.4	59.9	59.9
- Pledged			
FII	5.8	5.7	4.7
DII	7.0	7.0	6.5
Others	27.8	27.5	28.9

Stock Performance (1-year)



We hosted a virtual conference call with the management of Interarch Building Products Ltd (INTERARC; NOT RATED), a leading provider of turnkey pre-engineered steel construction solutions. The company operates four integrated manufacturing facilities across Andhra Pradesh, Tamil Nadu, and Uttarakhand, offering a comprehensive range of services, including design, engineering, manufacturing, and on-site project management for pre-engineered buildings (PEB). INTERARC's in-house designed, engineered, and fabricated PEB solutions cater to a wide range of industries, including industrial, infrastructure, and commercial applications. The company holds notable experience in executing projects across e-commerce warehouses, FMCG and paint manufacturing units, large-span indoor stadiums, and cement plants, maintaining an industry and geography agnostic approach. The company has successfully completed the expansion of its Andhra Pradesh plant and has commenced work on new facilities in Gujarat and Andhra Pradesh.

Key takeaways from the management call:

- **Strong FY26 Operating Momentum:** INTERARC's FY26 performance has exceeded internal expectations, driven by sharper execution, faster project deliveries, and improved efficiency across engineering, manufacturing, and site execution. The company recorded 40% topline growth in 1HFY26, well ahead of management's prior expectations. It now expects FY26 growth to meaningfully exceed the previous guidance of 17.5–20%. Stable capacity addition and order inflows are likely to support this growth in FY27.

- **Robust Order Pipeline Visibility:** The company currently has Rs 40bn of firm quotations with a high probability of conversion, providing strong revenue visibility over the next 6–24 months. Pipeline-1 (Rs 15bn - 16bn) represents near-term executable orders, while Pipeline-2 (around Rs 25bn) covers medium-term opportunities. Pipeline-3 consists of early-stage discussions, largely from emerging sectors.

- **Capacity Expansion Progress:** INTERARC has completed key capacity expansions during FY26, these include Phase-2 expansion at the Andhra Pradesh plant and the third production line at the Kiccha facility. The commissioned expansions enhance near term delivery capability while the ongoing expansions would support growth in FY27/FY28. The greenfield manufacturing unit in Gujarat is progressing as planned, with Phase-1 expected to commence by June–July next year followed by Phase-2 in November–December. Management reiterated its intent to commission one new PEB plant every year to sustain a 15-20% CAGR in the medium term.

- **Entry into Heavy Structures:** INTERARC is venturing into heavy structures segment through a dedicated facility adjacent to its Andhra Pradesh plant. The unit will manufacture large, custom-fabricated steel components weighing 15–20 tonnes per piece, used across high-rise buildings, power plants, oil & gas facilities, railways, and industrial projects. The company is investing Rs 0.7-0.8bn to set up this facility with an initial capacity of 25,000 MT per annum, positioning heavy structures as a scalable, per-tonne pricing business leveraging existing capabilities.

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- **Heavy Structures Ramp-Up and Revenue Outlook:** The company expects a stabilization period of three to four months for the heavy structures' facility due to higher technical complexity and new operating workflows. Revenue recognition would begin only after successful execution of few projects, reflecting a conservative, execution-first approach. At steady-state utilization, the heavy structures segment is expected to generate Rs 2.5-3bn of annual revenue, with margins broadly in line with the PEB business over time.

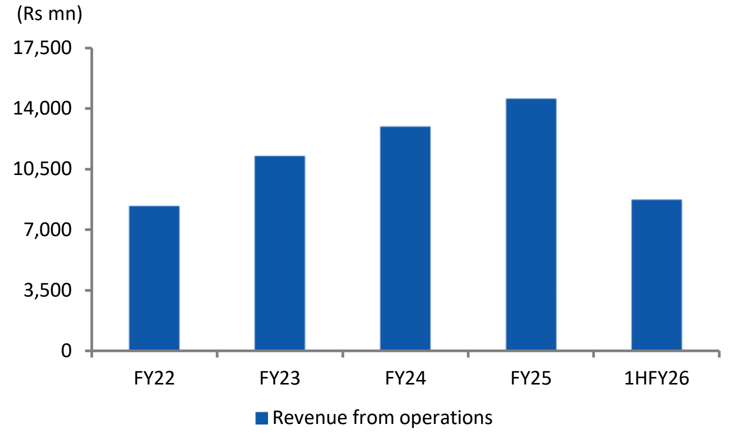
- **PEB Adoption Driven by Supply Constraints:** The management reiterated that low PEB penetration in India is largely a supply-side constraint rather than a demand issue. While steel and pre-engineered buildings offer clear advantages in speed, quality, and lifecycle cost, limited awareness and execution capability have restricted adoption. As supply ecosystems deepen, PEB penetration is expected to improve structurally. INTERARC continues to focus on complex, high-value projects within the PEB segment.

- **Partnership-Led Export Model:** The company is pursuing exports through partnerships rather than setting up overseas manufacturing facilities. Its partnership with Moldec Technologies provides access to US clients, detailing expertise, and market credibility, while INTERARC handles engineering and manufacturing from India. The company has recently received certifications to supply to the US and Canada, while Africa remains an opportunistic market, albeit at lower margins.

- **Margin Philosophy and Mix Shift:** The company highlighted that Indian PEB margins remain structurally compressed compared to overseas markets primarily due to intense competition, including the presence of large global players from the US and Europe alongside aggressive domestic pricing. The strategic focus is shifting from protecting margin percentages to growing absolute EBITDA and cash generation. New revenue streams such as heavy structures and exports are expected to improve profitability by leveraging existing overheads and lowering execution risk. Export margins, particularly in North America, are superior to domestic projects, as per the management.

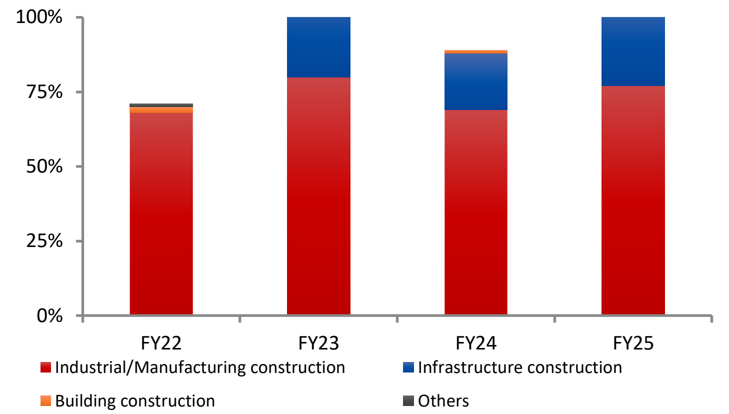
- **Long-Term Demand Tailwinds:** A strong greenfield capex cycle across sectors such as paints, automobiles, warehousing, renewables, semiconductors, EVs, batteries, and data centers continues to support long-term demand for PEB solutions. Government initiatives including PLI, Make in India, China+1, and proactive state policies provide additional structural support. Rapid expansion in data centers and renewable infrastructure is driving demand for large-span, complex steel buildings where INTERARC has a competitive advantage.

Exhibit 1: Revenue has grown at a 32% CAGR over FY22-FY25



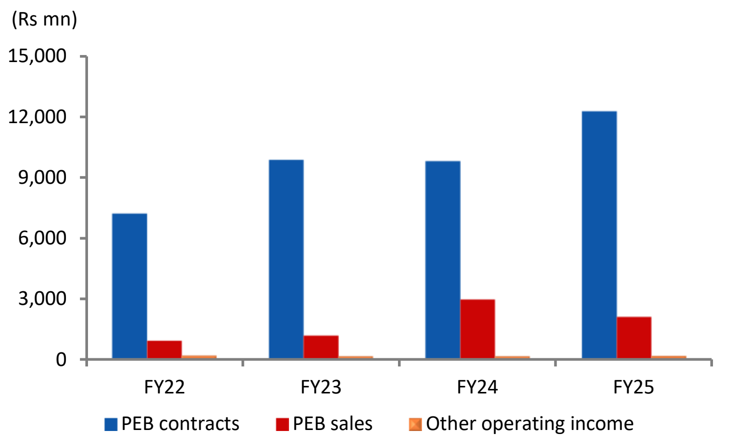
Source: Company, Systematix Research

Exhibit 2: Revenue split by end user industries



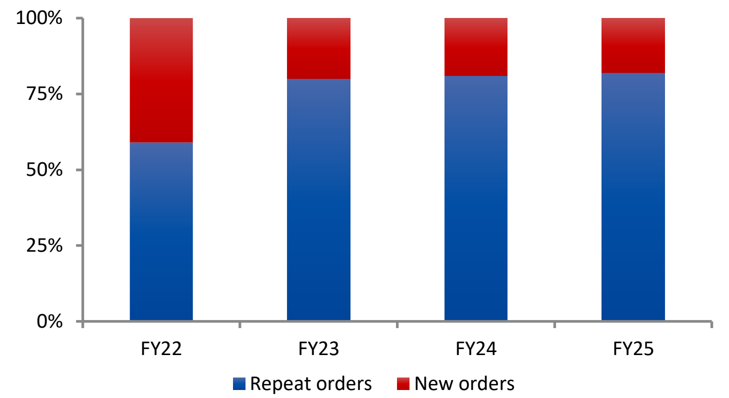
Source: Company, Systematix Research

Exhibit 3: Revenue from operations split; PEB contracts accounted for 84% share of revenue in FY25



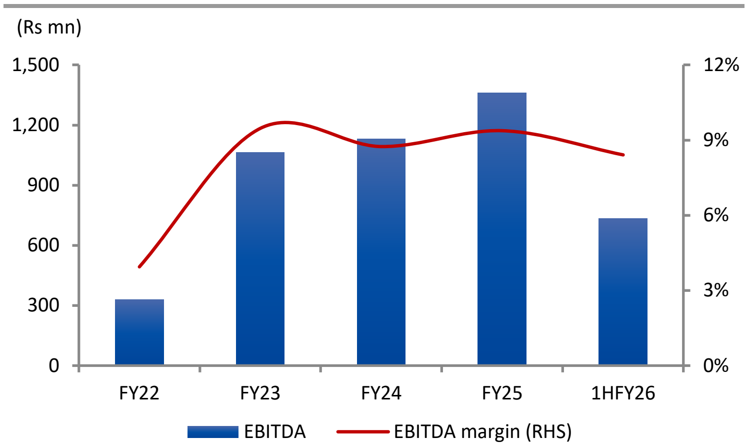
Source: Company, Systematix Research

Exhibit 4: Repeat orders as a % of revenue



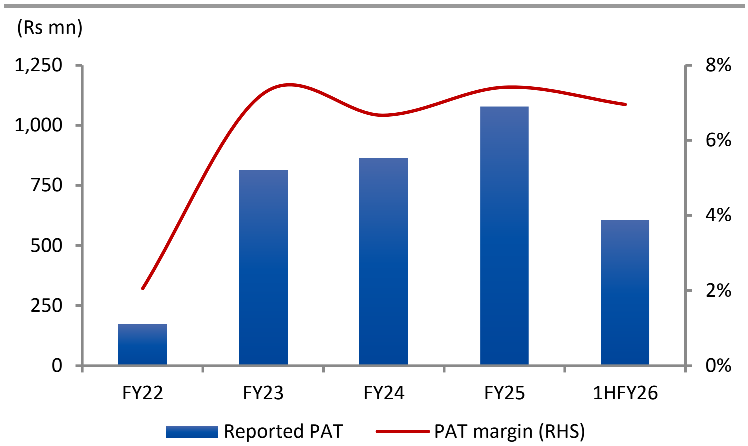
Source: Company, Systematix Research

Exhibit 5: EBITDA has grown at 104% CAGR over FY22-FY25; margins increased from 4% in FY22 to 9% in FY25



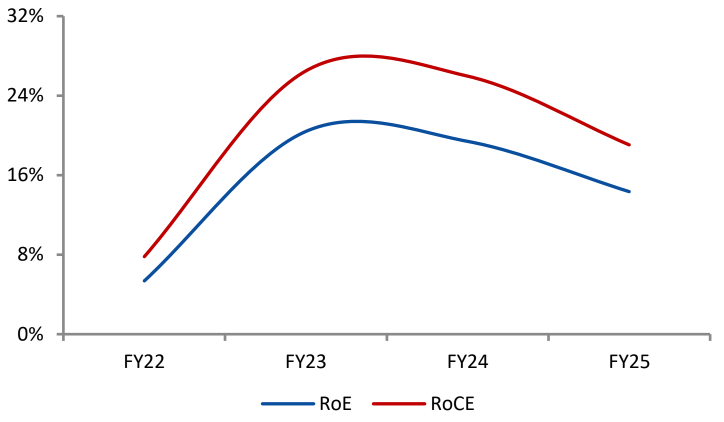
Source: Company, Systematix Research

Exhibit 6: PAT & PAT margin



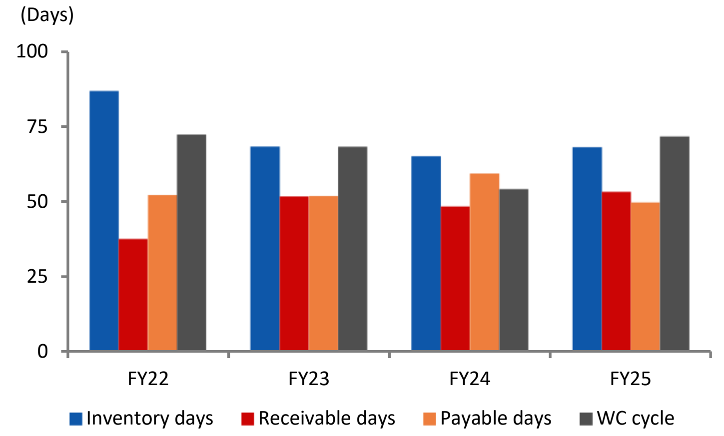
Source: Company, Systematix Research

Exhibit 7: Return ratios



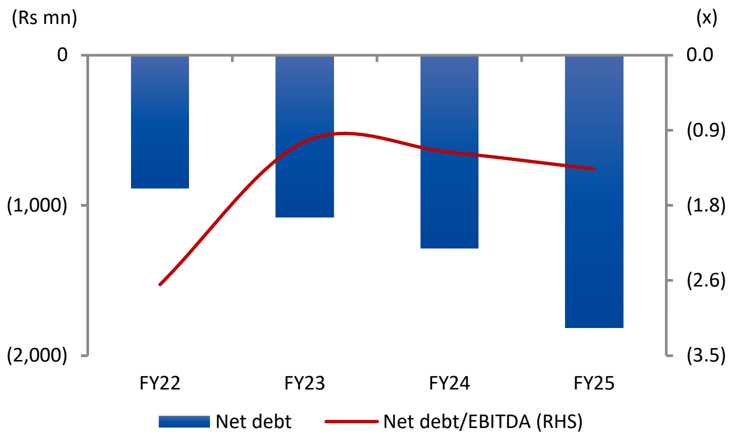
Source: Company, Systematix Research

Exhibit 8: WC cycle



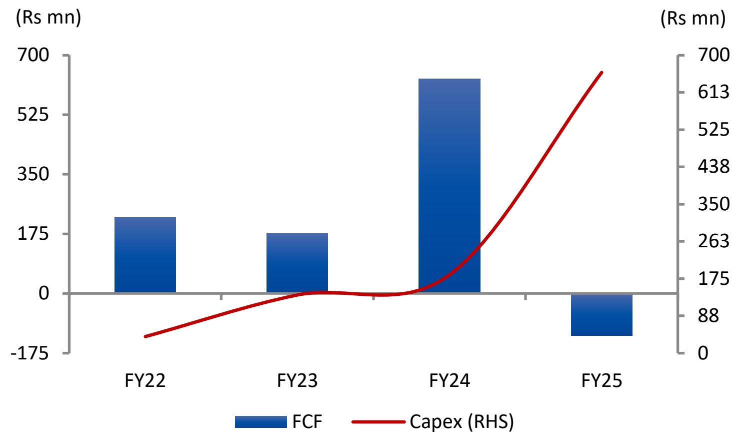
Source: Company, Systematix Research

Exhibit 9: Debt free with high cash reserves



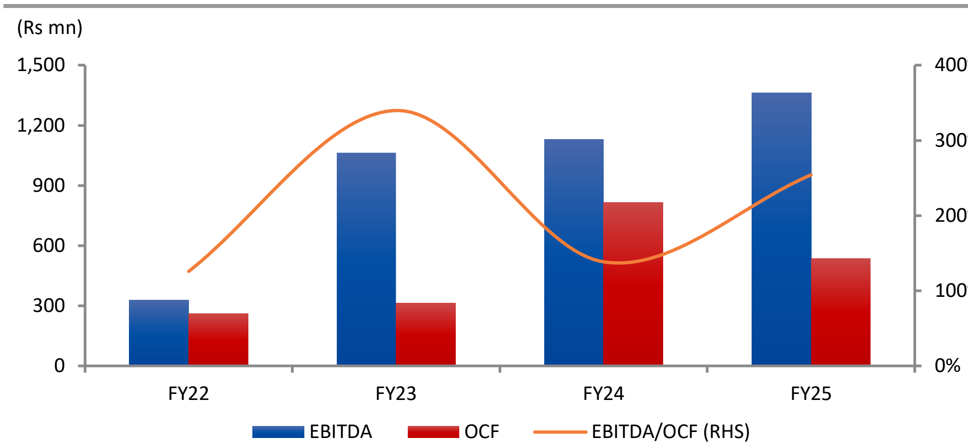
Source: Company, Systematix Research

Exhibit 10: Strong free cash flow generation



Source: Company, Systematix Research

Exhibit 11: EBITDA to OCF conversion



Source: Company, Systematix Research

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25
Net Sales	8,349	11,239	12,933	14,538
Expenditure	8,021	10,175	11,803	13,176
EBITDA	329	1,064	1,130	1,362
Depreciation	118	73	80	118
EBIT	270	1,115	1,181	1,451
Interest	45	26	22	24
Exceptionals				
PBT	226	1,090	1,159	1,427
Taxes	55	275	296	349
Adj. PAT	171	815	863	1,078
Adj. EPS	11	54	59	69 9

Source: Company, Systematix Research

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25
Equity capital	150	150	144	166
Other equity	3,033	3,843	4,302	7,348
Net worth	3,183	3,993	4,446	7,514
Debt	34	114	102	172
Non-current liabilities	275	219	102	103
Current liabilities	1,980	2,539	3,002	3,523
Deferred tax liability	25	59	57	77
Total liabilities and equity	5,438	6,750	7,550	11,140
Net block	990	1,039	1,064	1,494
CWIP	0	0	127	135
Inventories	1,341	1,370	1,468	1,657
Debtors	857	1,587	1,708	2,110
Cash and bank	918	1,192	1,387	1,988
Loans and advances	3	3	6	5
Total current assets	3,535	4,637	5,146	7,592
Non-current investments	0	50	54	359
Other assets	155	237	247	503
Total assets	5,438	6,750	7,550	11,140

Source: Company, Systematix Research

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25
PBT	226	1,090	1,159	1,427
Add: Depreciation	118	73	80	118
Add: Interest	32	12	8	15
Less: Taxes paid	80	198	303	331
Less: WC changes	(61)	(585)	(50)	(616)
Total OCF	261	313	815	536
OCF w/o WC changes	402	1,095	1,169	1,483
Capital expenditure	39	136	184	659
Interest/Dividend Recd	33	55	102	161
Total ICF	92	(190)	(322)	(2,231)
Free Cash Flows	222	176	631	(124)
Interest paid	(9)	(6)	(3)	(10)
Change in borrowings	7	3	(6)	(5)
Total Financing CF	(1)	63	(459)	1,921
Net change in cash	351	186	35	226
Opening cash & CE	50	401	587	621
Closing cash & CE	401	587	621	847

Source: Company, Systematix Research

Ratios

YE: Mar	FY22	FY23	FY24	FY25
YoY growth in Revenue	45%	35%	15%	12%
YoY growth in EBITDA	153%	223%	6%	21%
YoY growth in Net income	186%	375%	6%	25%
EBITDA margin	4%	9%	9%	9%
PAT margin	2%	7%	7%	7%
RoE	5%	20%	19%	14%
RoCE	8%	26%	26%	19%
Net debt to EBITDA (x)	-2.7	-1.0	(1.1)	(1.3)
Per share numbers (Rs)				
Reported earnings	11	54	59	69
Free cash	13	11	38	-7
Book value	191	240	267	452
Valuations (x)				
EV to sales	4.5	3.3	2.9	2.6
P/B	12.1	9.7	8.7	5.1

Source: Company, Systematix Research

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