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15th January 2025



Interarch Building Products Ltd

BOM: 544232 | NSE: INTERARCH

Pre Engineerd Building

Industry Tailwings

Thematic Stories

Upside Potential

44%

Small Cap

₹2,695

₹1619.95

Entry Price

%

2 year

Duration

₹2332.7

Target

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Company Overview

What does this company do?

Interarch Building Products Limited (IBPL) provides turnkey pre-engineered steel construction solutions in India. Ranked 3rd in operating revenue from the Pre Engineered Buildings (PEB) business among integrated Indian players in FY2024, the company has a 30+ year legacy with its brands TRACDEK® and TRAC®. It offers PEB Contracts: Turnkey solutions with on-site project management and PEB Sales: Metal ceilings, corrugated roofing, and steel structures for industrial and non-industrial applications. IBPL has integrated facilities for design and engineering, manufacturing, on-site project management capabilities for the installation and erection of pre-engineered steel buildings. Interarch works in close association with its partners in project development and construction, providing support to critical industrial, commercial, and infrastructure projects.



Incorporated in
1983



EBIT Margin

Margins will fluctuate due to steel prices, but ranges between 8-10% OPM



Subsidiaries
No Subsidiaries



Plant location

5 manufacturing facilities: 2 in Sriperumbudur (Tamil Nadu) and 1 each in Pantnagar, Kichha (Uttarakhand), and Andhra Pradesh.



Cyclical

40:60 split in project execution between H1 and H2

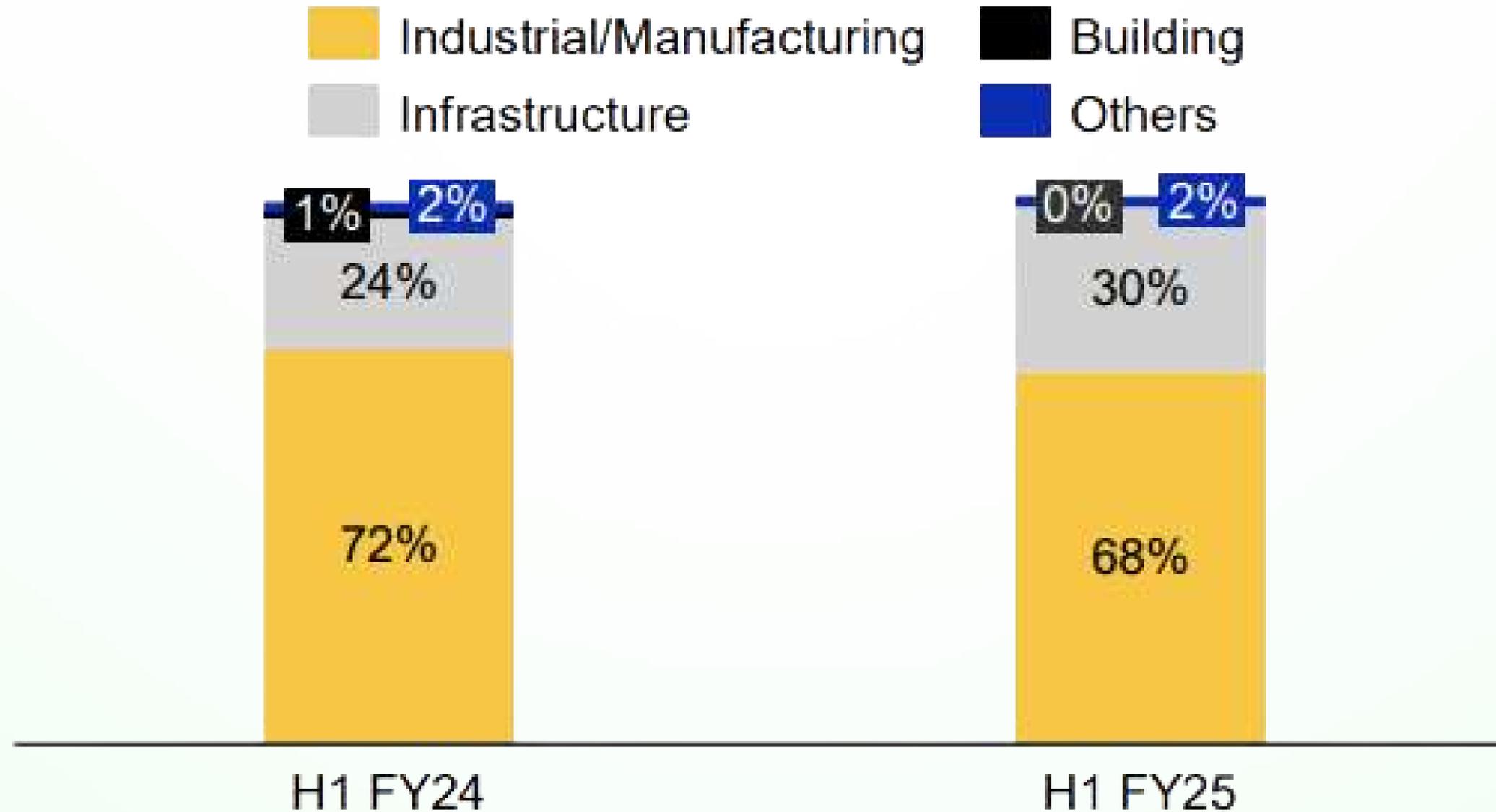


Clients

Foxconn Technology, Daikin Airconditioning, Amazon, Flipkart, MG Motors, KIA Motors, Godrej & Boyce, L&T Construction, Hindustan Unilever, Cargill, Delhi International Airport Ltd, JSW, Asian Paints.



Revenue Breakup – End User Industry (%) - H1FY25 vs H1FY24



CAPEX TO DRIVE GROWTH; REVENUE & MARGIN GUIDANCE

IBPL has completed Phase 1 of its capex, resulting in a 14% increase in its existing capacity of 1,41,000 MTPA by the end of Q2FY25. This expansion is expected to begin contributing to revenue from Q3FY25 onward. Additionally, a further 25% capacity increase is scheduled to go live by Q1FY26.

Post-capex, the company's maximum revenue potential is projected to reach ₹2,200 Cr. vs FY24 sales of ₹1293 Cr.

Furthermore, the planned Gujarat capex (land acquired) will add an incremental 25-30% capacity over and above the Q1FY26 expansion, potentially driving additional sales of ₹550 Cr. at current steel prices.



Triggers



At peak utilization levels of 80-85%, the company will likely require further capex to sustain growth. IBPL has guided for 10% and 10-15% growth in FY25 and FY26 respectively. IBPL has an orderbook of ₹1300Cr. which will be executed in 9-10 Months.

Further management has given mid-term guidance of doubling the revenue every 3-4 years.

SEASONALLY H2 BETTER THAN H1; ROBUST BID PIPELINE

Historically, the company has observed a 40:60 split in project execution between H1 and H2, a trend it expects to maintain going forward.

The company's current order pipeline stands at around ₹4,000 Cr. Historically, Interarch has maintained a hit rate of 20% to 27%, reflecting its strong market position and execution capabilities.

Interarch's average order size is approximately ₹12 Cr., with the largest orders ranging from ₹120 to ₹150 Cr. and the smallest at ₹1.5 Cr.





ENTERING IN HIGH MARGIN COMPLEX PEB ; VERTICALLY INTEGRATED OPERATIONS

As part of its growth strategy, Interarch plans to expand its focus to the heavy steel building sector over the next 1 to 1.5 years. This sector serves industries such as sports, steel plants, fertilizers, cement, and infrastructure. Larger projects in this space tend to be more profitable than smaller ones, primarily due to economies of scale.

Interarch specializes in advanced infrastructure projects, including semiconductor and renewable energy sectors. They are currently working on India's first Micron semiconductor plant in Gujarat and CINDA for Apple phone assembly, highlighting their capability in technologically advanced sectors. In January 2025, IBPL secured orders worth ₹221 Cr. in the Semiconductor and lithium-ion Battery Sector from Tata Projects Ltd.

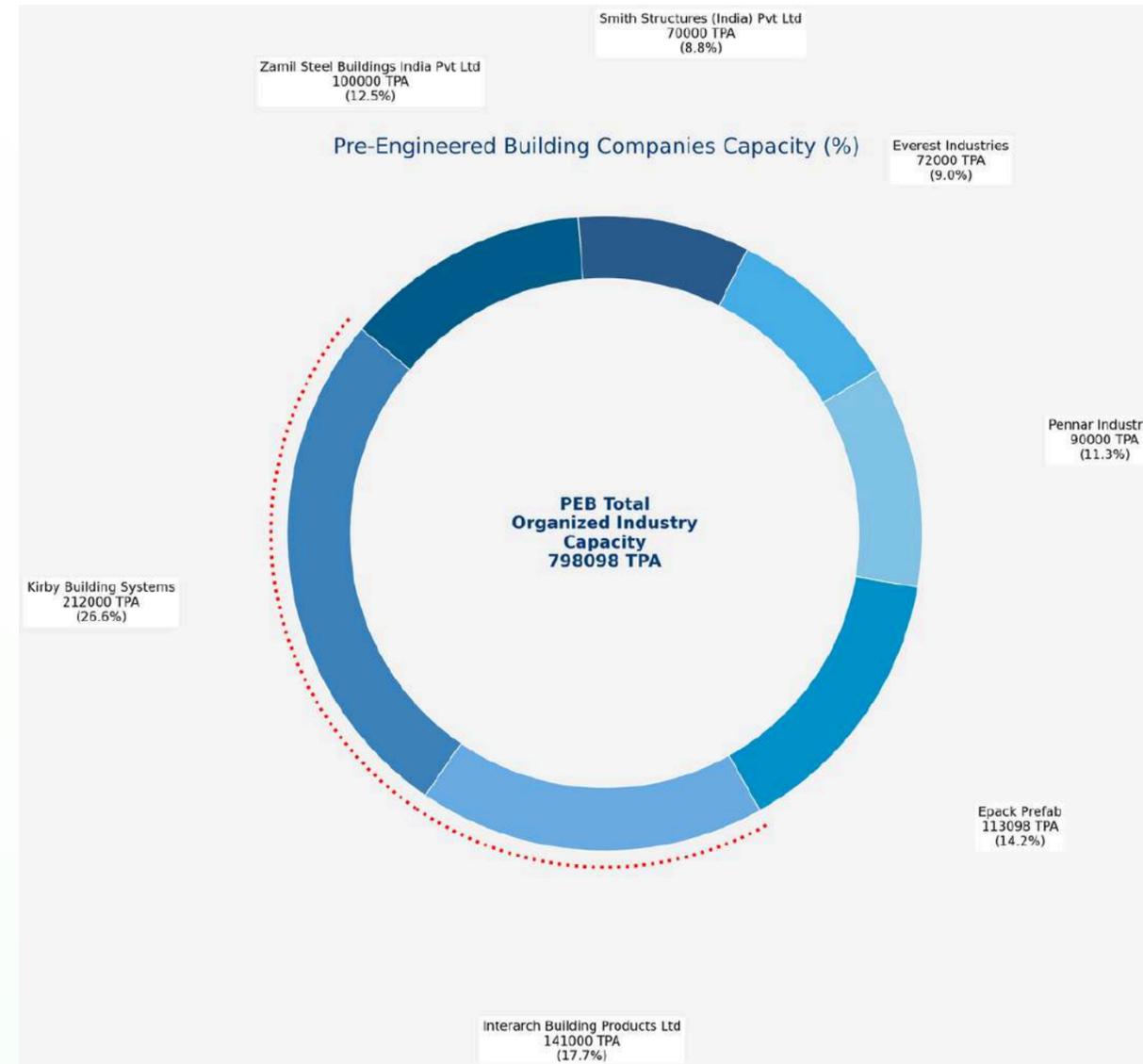
They are also experienced in constructing solar panel manufacturing factories and lithium battery plants, having worked with clients like ReNew Power, First Solar, Tata Solar, Avaada, Exide, Amara Raja, Reliance Solar, and AMPIN Solar.

They collaborate with clients from project conception, addressing building types, processes, utilities, and automation requirements. These projects often demand high precision and expertise.

Interarch operates with a vertically integrated model, covering the entire product lifecycle of PEBs – from estimation, designing, and engineering to fabrication, on-site project management, installation, and erection.



FY24 CAPACITY OF MAJOR ORGANIZED PLAYERS IN THE PEB INDUSTRY



Source- IBPL RHP, Company's websites, KamayaKya Research

Note- IBPL capacity has increased to 1,61,000 TPA in Q2FY25 and is expected to reach 2,00,000 TPA by Q1FY26, Further capex plans on cards

Risks



- **Cyclical in End-User Industry**

IBPL's business is influenced by economic cycles and clients' capital expenditure plans, making revenue streams volatile.

- **Raw Material Price Sensitivity**

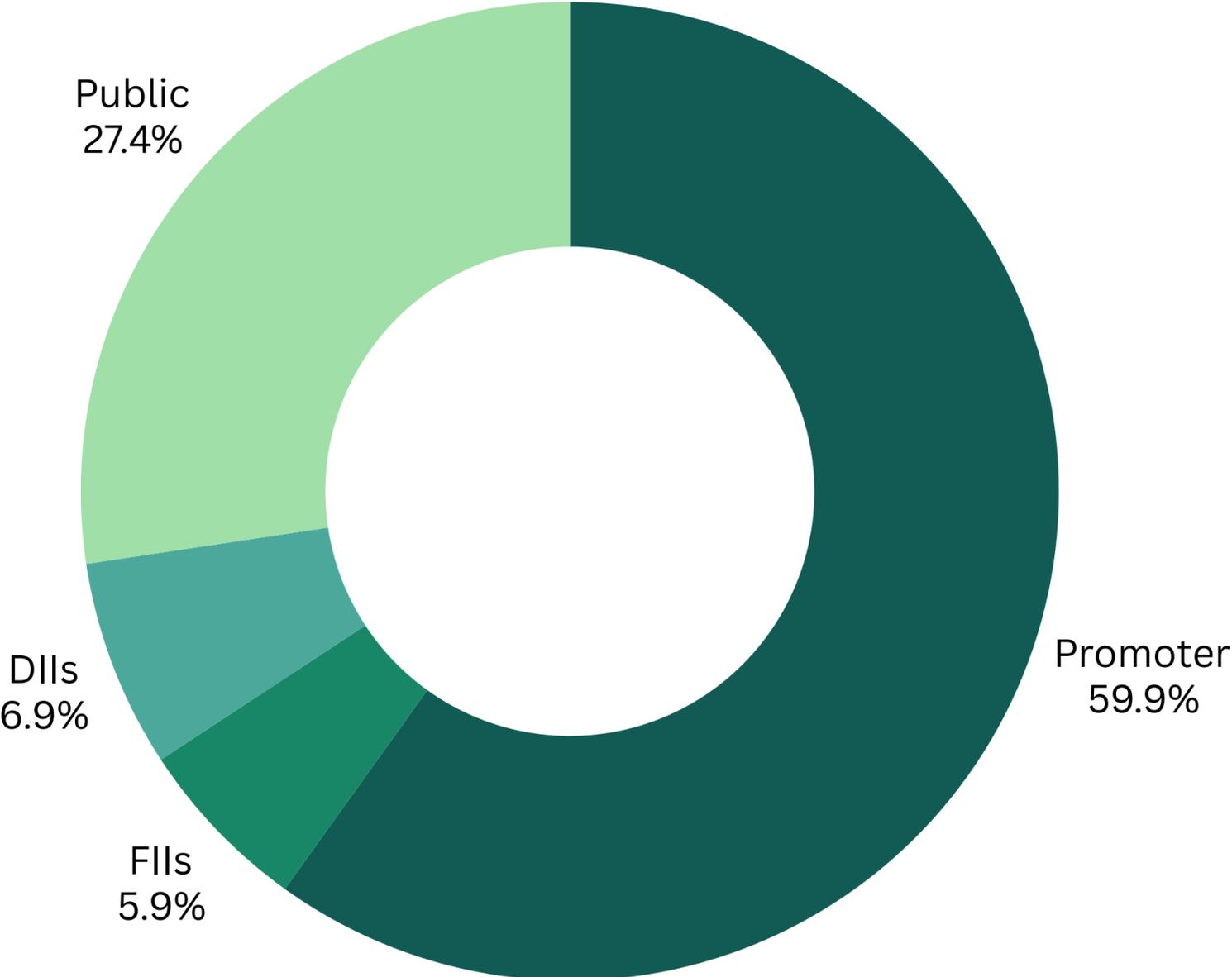
High fixed costs and limited ability to pass on raw material price increases (~25% variable price contracts) affect operating margins and profitability.

- **Competition risk**

IBPL faces strong competition from established players like Kirby Building Systems, Zamil Steel Buildings, and Epack Prefab, which may impact its market share and pricing power.



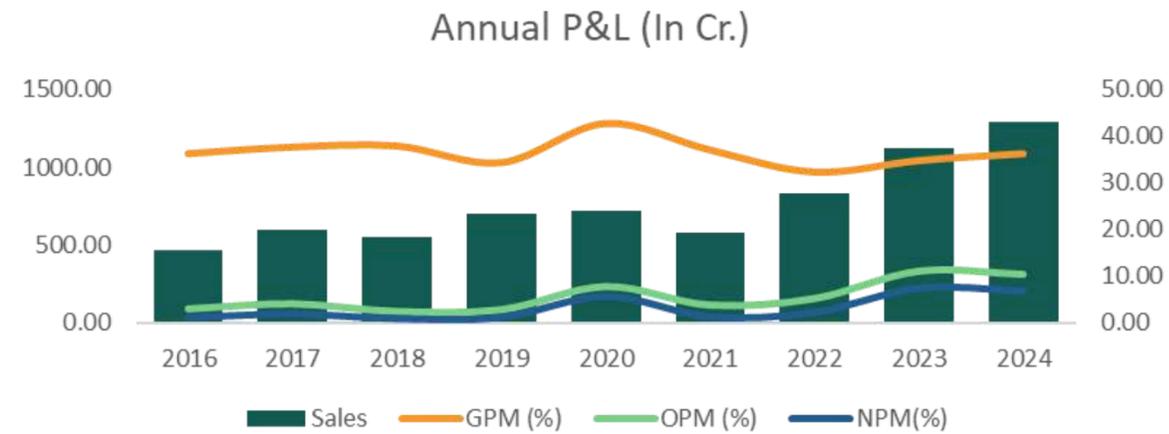
Share Holding Pattern-Q3FY25



Financials & Forensics

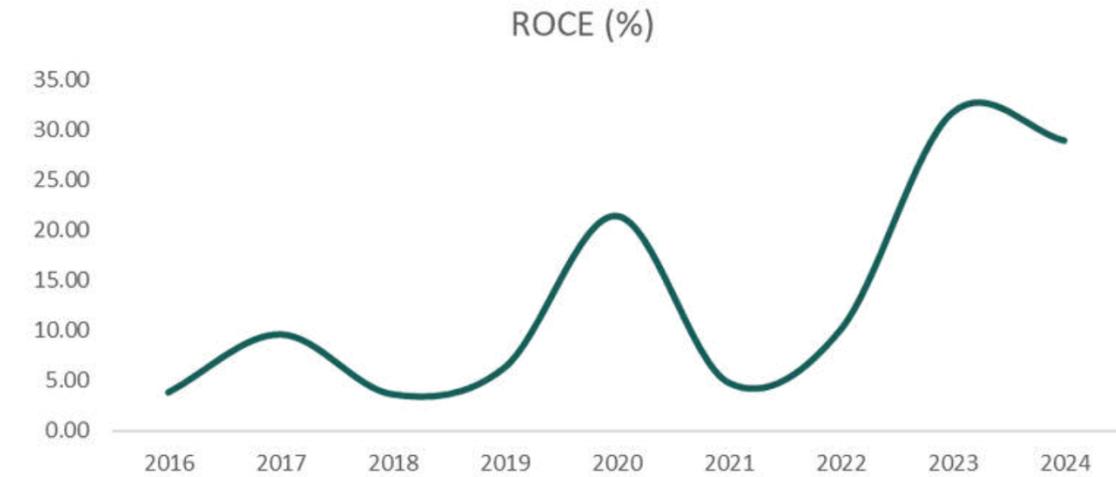
P&L

Sales, GPM, OPM & NPM higher the better



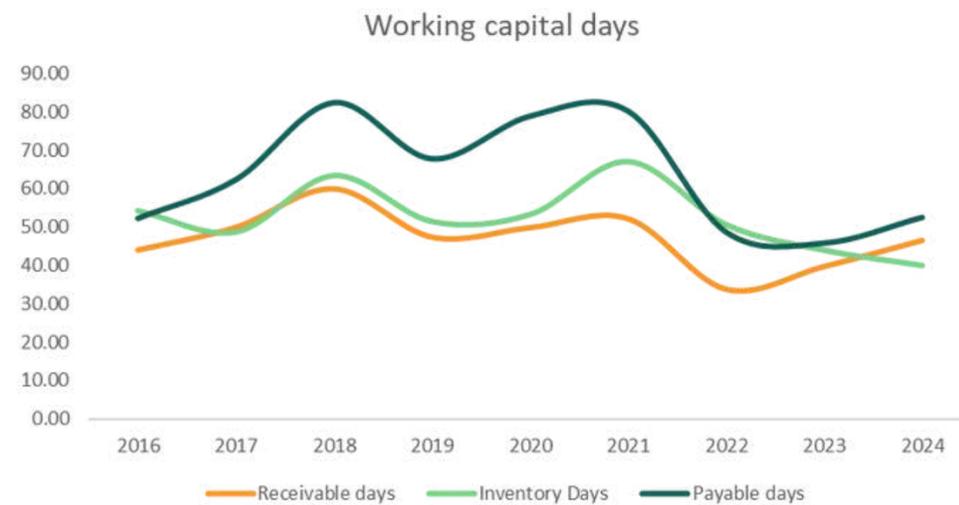
ROCE %

ROCE higher the better.



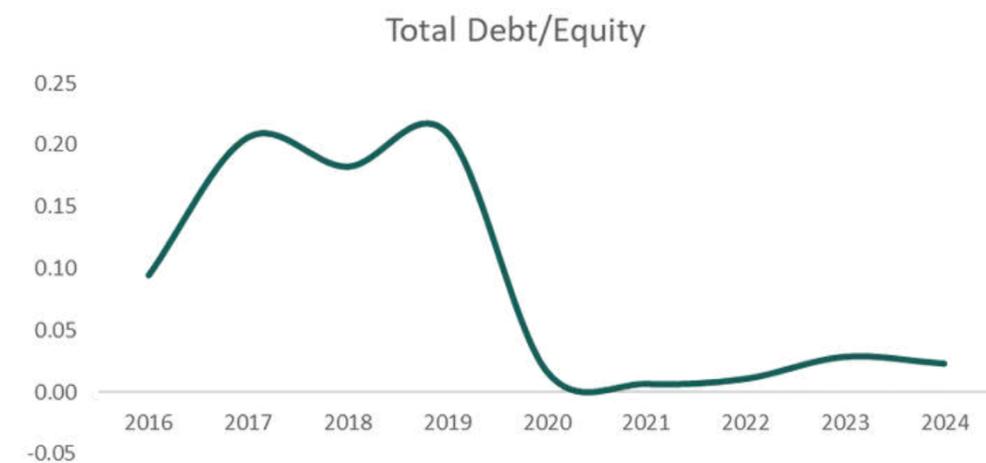
Balance Sheet

Trade receivables and Inventory days Lower the better and Payable days higher the better



Debt to Equity

Measure of total debt/(shareholder's equity + reserves). Low debt to equity is a positive.



Forensics

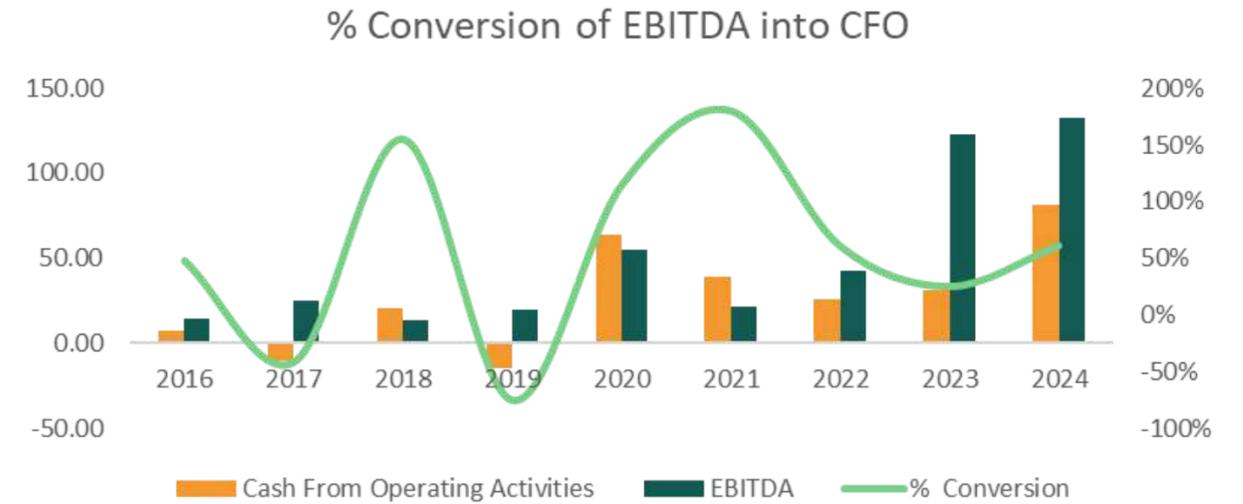
Receivables growth compared to sales

Receivables growth should be lower than sales growth. This means the company is able to collect cash from the customers in timely manner.



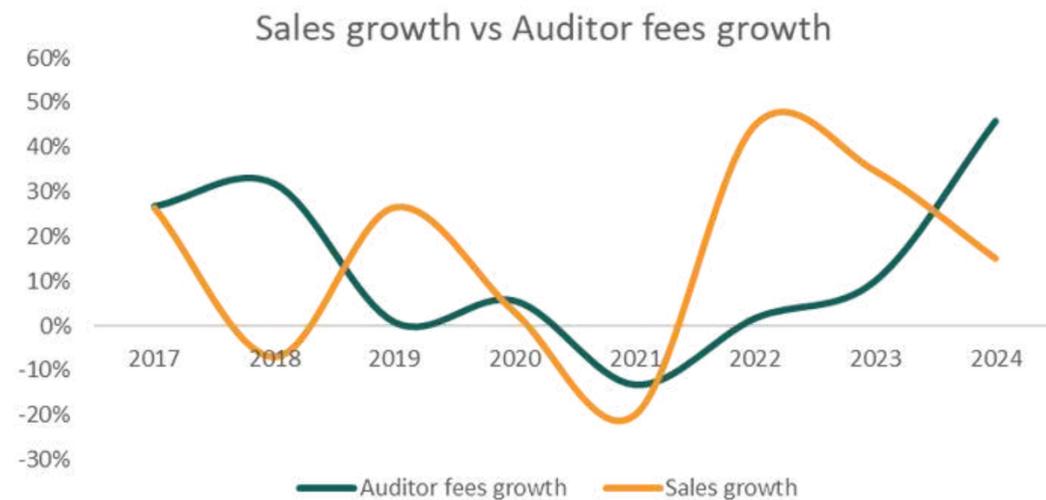
Conversion of Ebitda to Cashflow from operations

Higher the better



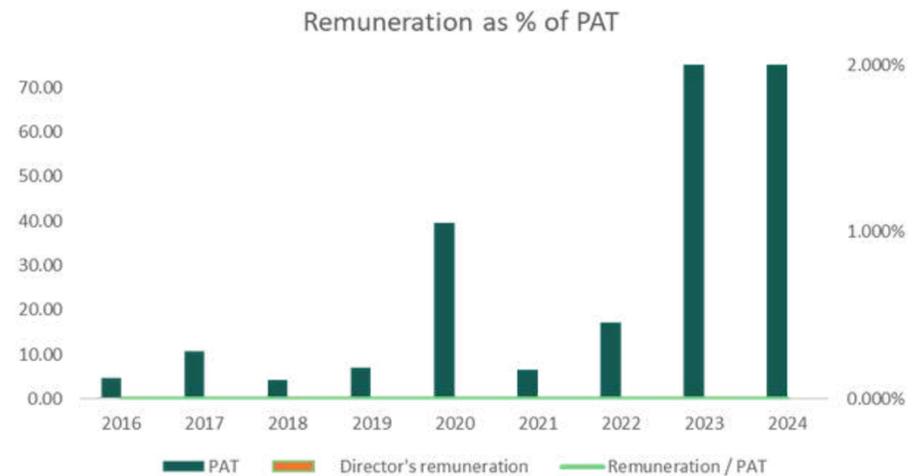
Sales growth vs Auditor fees growth

Auditor fees growth shouldn't be higher than sales growth



Remuneration as % of PAT

Lower the better, Ideally it should be less than 10%





Financial Shenanigans

Positive Negative

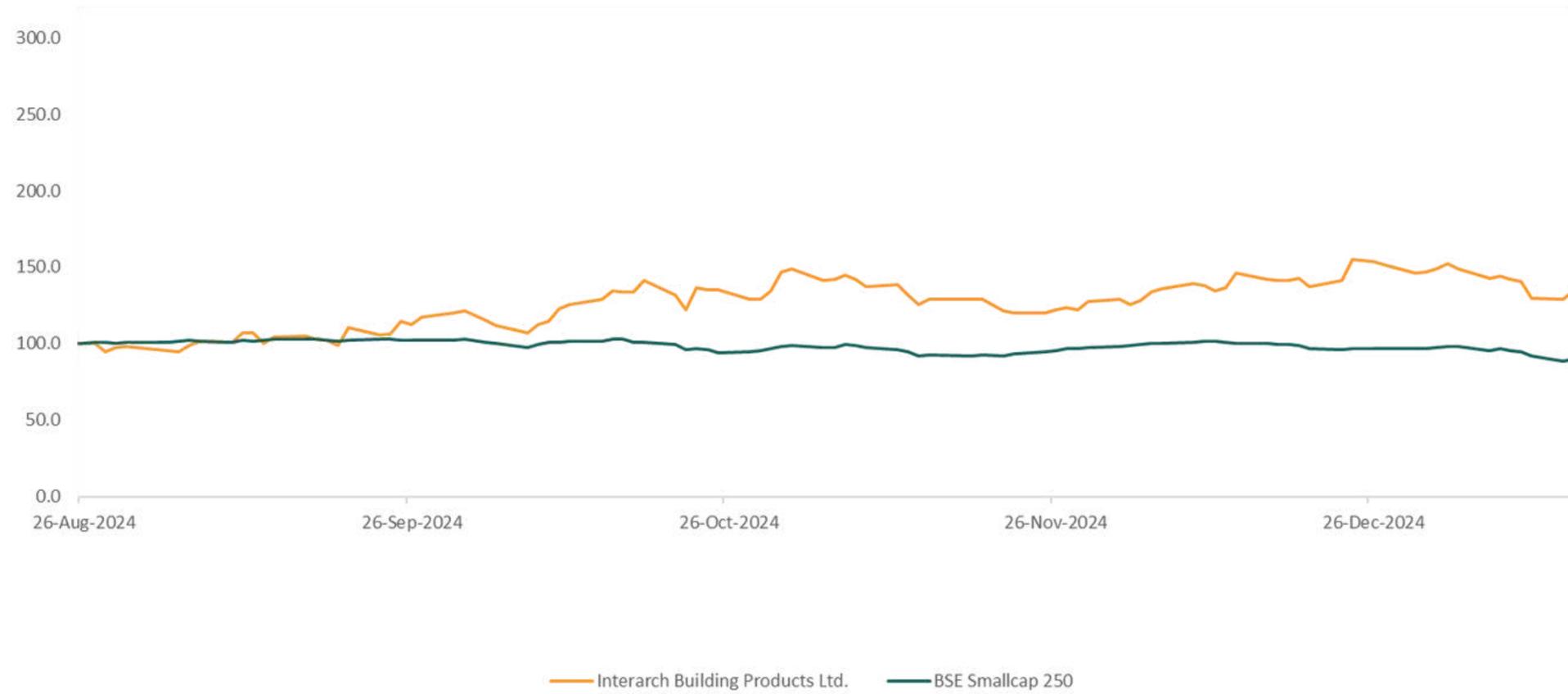
(All figures are in Cr. unless mentioned otherwise)

Year	2022	2023	2024	CAGR	Remark
Net Sales	834.94	1123.93	1293.30	24%	Trade receivables CAGR > Sales CAGR
Trade Receivables	85.70	158.71	170.75	41%	
Trade Receivables as % of sales	10%	14%	13%		On par with the industry which ranges between 10-20%
Net debt/EBITDA	-1.1	-0.6	-0.7		< 1 Shows negligible leverage
CFO/EBITDA	61%	25%	61%		Healthy conversion of EBITDA into cash
Auditor fees as % of sales	0.04%	0.04%	0.05%		Negligible

Price Vs Benchmark



Interarch Building Products Ltd. vs BSE Smallcap 250



Source- Ace Equity, KamayaKya research

Note- IBPL got listed in Aug 2024, hence prices are from listing day

Interarch Building Products Ltd

Date - 15/01/2025

DISCLOSURES:

About the Company and the Business Activity:

Kamayakya Wealth Management Private Limited (CIN: U74999PN2021PTC205529) ("the Company") is incorporated on October 23, 2021, at Pune, Maharashtra.

Address - S.No. 347/A/16, F.P. 189, Flat No. 6, Dhole Patil Road, Sangamwadi, Pune, Maharashtra, India, 411001

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Definitions of Terms Used:

TERM	DEFINITION
BUY	Expected absolute returns of more than 20% over a specified time period.
HOLD	Expected absolute returns between 20% and -15% over a specified time period.
SELL	Expected absolute returns of less than -15% over a specified time period.
ENTRY PRICE	Price at which the stock was recommended.
TARGET PRICE	Expected price of the stock at the end of a specified time period.
POTENTIAL UPSIDE	Expected absolute returns from entry price over a specific time period.
UPSIDE LEFT	Expected absolute returns from current market price to target price.

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