



TM

## Interarch Building Products Ltd.

03 March 2025

## Scaling execution capabilities

## CONFERENCE TAKEAWAYS

Sector: Civil Construction Rating: NR

CMP: Rs 1,370 Target Price: NA

## Stock Info

Sensex/Nifty	73,086/22,119
Bloomberg	INTERARC IN
Equity shares (mn)	17
52-wk High/Low	1,925/1,111
Face value	Rs 10
M-Cap	Rs 23bn/ USD 0.3bn

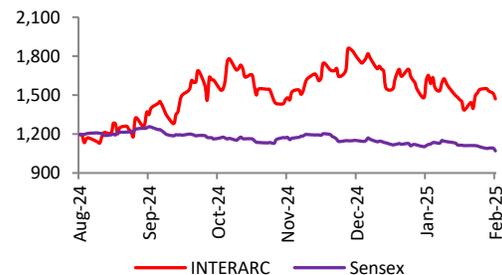
## Financial Snapshot (Rs mn)

Y/E Mar	FY22	FY23	FY24
Revenue	8,349	11,239	12,933
EBITDA	329	1,064	1,130
PAT	171	815	863
EPS (Rs/share)	11	54	59
P/E (x)	125	25	23
EV/EBITDA (x)	65	20	19
RoE (%)	5	20	19
RoCE (%)	8	26	26

## Shareholding Pattern (%)

	Dec'24	Sep'24	Aug'24
Promoter	59.9	59.9	59.9
- Pledged			
FII	5.9	5.5	4.5
DII	6.9	9.3	15.5
Others	27.4	25.3	20.1

## Stock Performance (1-year)



We had a constructive meeting with the management of Interarch Building Products Ltd (INTERARCH; 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). INTERARCH'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. With an installed capacity of 161kt, INTERARCH is in the process of expanding this to 200kt. Additionally, the company has acquired land in Gujarat for its fifth fully integrated manufacturing facility, which will help address the increasing demand for PEB structures. With a strong order pipeline of Rs 13bn, a net cash position, and robust cash flow generation, the company remains confident in sustaining its growth trajectory and aims to double its revenue over the next 3-4 years.

## Key takeaways from the management call:

- **Strong Order Book with a Well-Diversified Mix:** The company currently holds an order book worth Rs 13bn, which is expected to be executed over the next 7-8 months. The industrial segment contributes the largest share at 57%, followed by renewables at 26%, logistics at 11%, and infrastructure at 6%. Repeat orders account for over 70% of the company's business, reflecting strong client relationships and consistent execution quality.
- **Confirmed and Tentative Pipeline:** Apart from the confirmed orderbook of Rs 13bn, INTERARCH's tentative pipeline stands at around Rs 25-30bn, where quotations have been provided amidst ongoing discussions with clients; these discussions roughly take six months to reach a conclusion and then become a part of the confirmed orderbook once customer requirements are finalised.
- **Expansion Plans to Strengthen Capacity:** Interarch is currently expanding its existing facilities in Andhra Pradesh (Athivaram) and Uttarakhand (Kichha) by adding 40kt of additional capacity. This expansion will increase the company's total installed capacity from 161kt to 200kt by 1QFY26. The 40kt incremental capacity roughly translates to Rs 5bn in revenue. Additionally, the company has also acquired 51,926 sq. meters of land in Gujarat for its fifth manufacturing facility expected to commence operations in the next fiscal year.
- **Competitive Positioning in the PEB Industry:** INTERARCH holds an estimated 15% market share, making it the second-largest player in the organized PEB market after Kirby, which leads with a ~25% market share. The industry is broadly segmented based on quality standards and execution capabilities where INTERARCH is categorized as a Grade A player, capable of executing large-scale projects valued at over Rs 1bn. In contrast, Grade B players typically handle smaller projects ranging from Rs 250-300mn. Additionally, the unorganized

Shweta Dikshit

shwetadikshit@systematixgroup.in  
+91 22 6704 8042

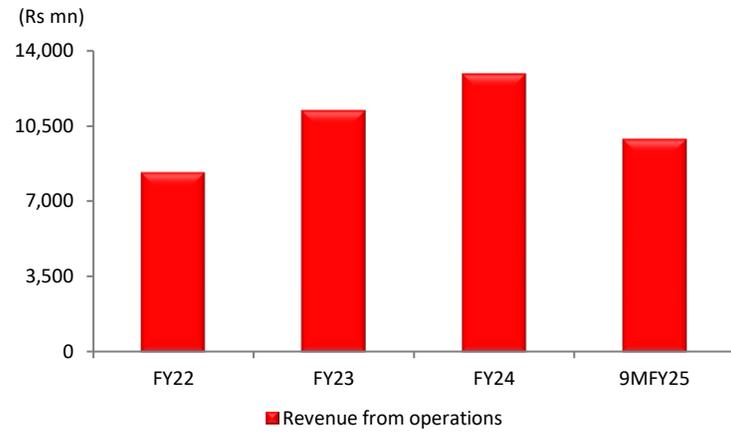
Hinal Kothari

hinalkothari@systematixgroup.in  
+91 22 6704 8076

segment consists of approximately 400-500 players, collectively catering to a market size of Rs 100bn.

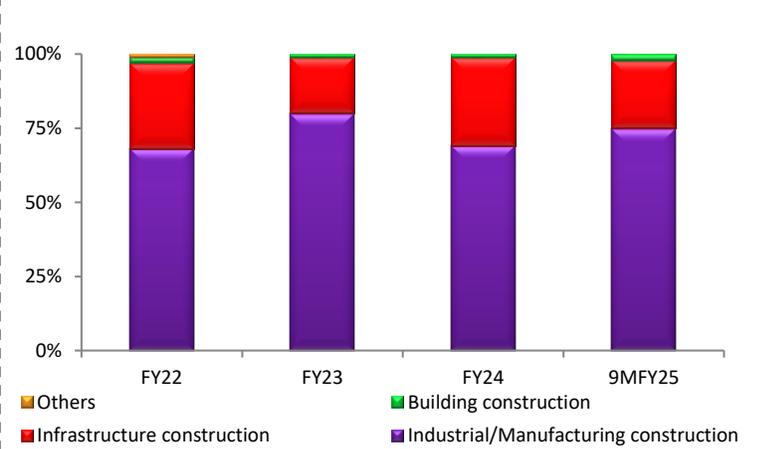
- **Regional Demand Trends:** The North, South, and West regions together account for approximately 80-85% of the company's total volumes. The Eastern region contributes the remaining 15%.
- **Strategic Focus on Large, High-Value Projects:** Over the years, INTERARCH has positioned itself as an industry and geography-agnostic player, working with a diverse customer base that includes the top 200-300 companies in India. Going forward, the company is shifting its strategic focus towards executing more complex, high-value projects to improve profitability and enhance margins. The company aims to increase project size, leveraging operational efficiencies to drive higher profitability and sustain revenue growth.
- **Raw Material Procurement and Cost Structure:** The company's key raw materials-HR plates, cold-rolled coils, and exterior building materials-constitute 90-95% of total costs.
- **Industry-Agnostic Edge:** Interarch's core strength lies in its industry and building agnostic approach, enabling execution across automotive, oil & gas, data centers, semiconductors, lithium batteries, and infrastructure segments. Its expertise is underscored by marquee projects, including Tata Motors' car plant, Exide's 12 GWh lithium battery facility, five of six Birla Opus plants, Asian Paints' plant, and a Rs 2.21bn contract for Tata Semiconductor in Assam. Its engineering prowess supports structurally complex solutions, including wide-span (100-120m) and high-rise (70-80m) buildings with heavy load requirements, reinforcing its competitive moat.
- **Order structure:** Interarch's order and contract structure is segmented by project size: small (Rs 20-120mn), medium (Rs 100-250mn), and large (>Rs 250mn). The company secures an advance in all cases, with smaller contracts requiring full payment of the steel building cost before dispatch, ensuring strong working capital management and reduced credit risk.
- **Opportunity size in the key fastest growing sectors:** The renewable energy, battery manufacturing, semiconductor, and data center sectors are emerging as key demand drivers for PEB solutions. Each solar cell manufacturing plant presents a revenue opportunity of Rs 800-1,000mn with ~40 companies planning to set up facilities in India. Semiconductor plants offer a larger opportunity of Rs 3-4bn, while data centers contribute Rs 500-700mn per project.

**Exhibit 1: Revenue has grown at a 24% CAGR over FY22-FY24**



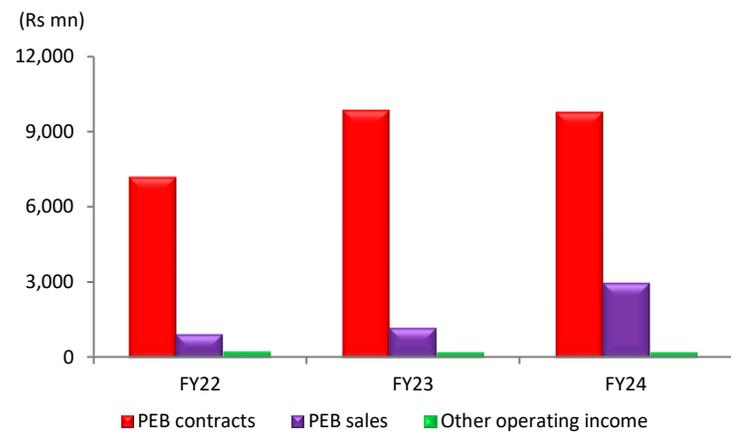
Source: Company, Systematix Institutional Research

**Exhibit 2: Revenue split by end user industries being catered to**



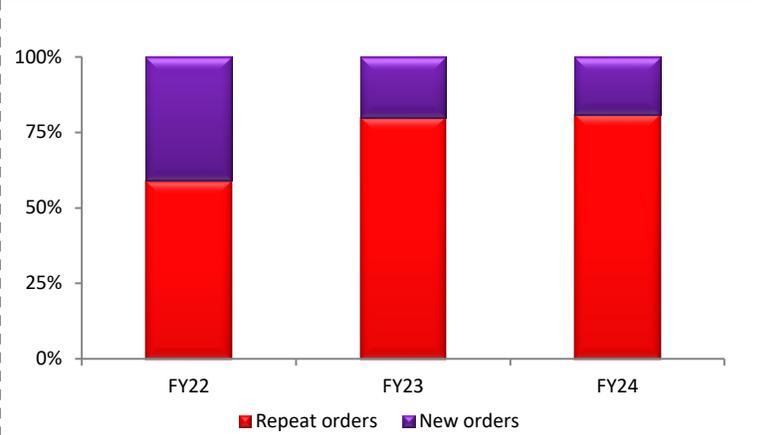
Source: Company, Systematix Institutional Research

**Exhibit 3: Revenue from operations split; PEB contracts accounted for 76% share of revenue in FY24**



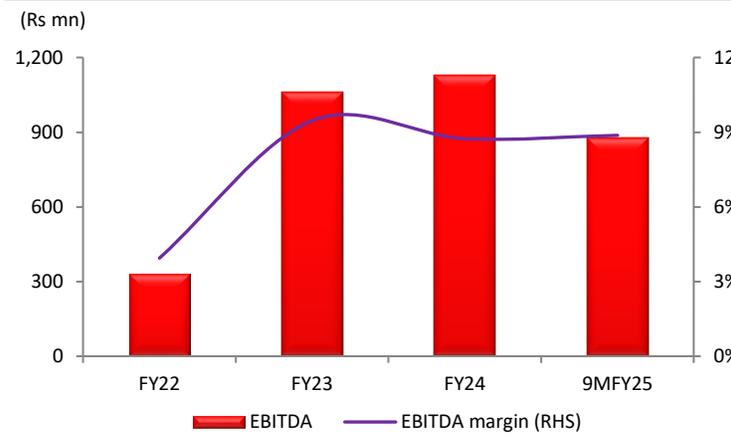
Source: Company, Systematix Institutional Research

**Exhibit 4: Repeat orders as a % of revenue**



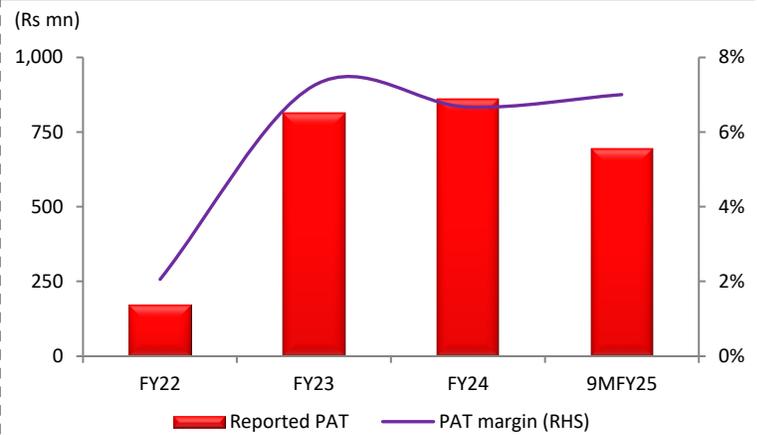
Source: Company, Systematix Institutional Research

**Exhibit 5: EBITDA has grown at 85% CAGR over FY22-FY24; margins increased from 4% in FY22 to 9% in FY24**



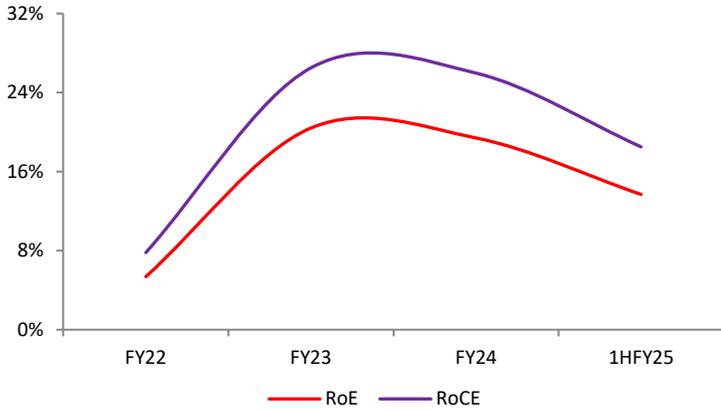
Source: Company, Systematix Institutional Research

**Exhibit 6: PAT & PAT margin**



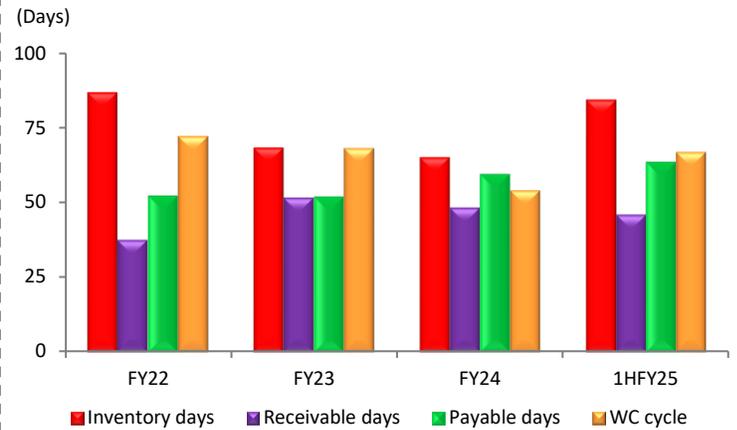
Source: Company, Systematix Institutional Research

**Exhibit 7: Return ratios**



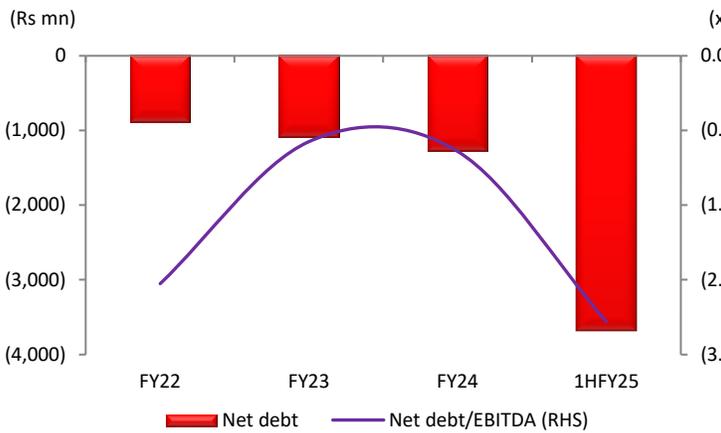
Source: Company, Systematix Institutional Research

**Exhibit 8: WC cycle**



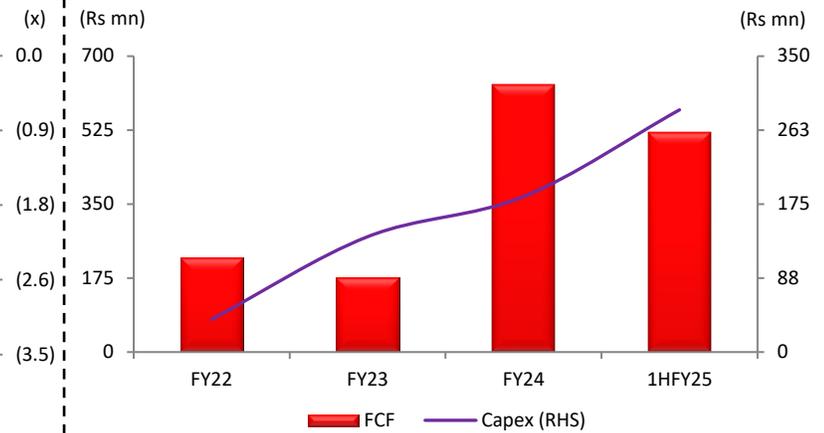
Source: Company, Systematix Institutional Research

**Exhibit 9: Debt free with high cash reserves**



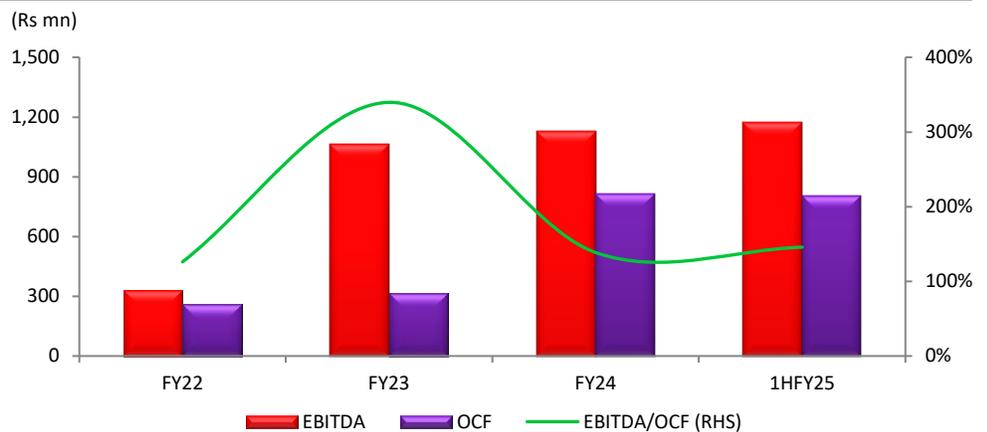
Source: Company, Systematix Institutional Research

**Exhibit 10: strong free cash flow generation**



Source: Company, Systematix Institutional Research

**Exhibit 11: EBITDA to OCF conversion**



Source: Company, Systematix Institutional Research

## FINANCIALS (CONSOLIDATED)

### Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24
<b>Net Sales</b>	<b>8,349</b>	<b>11,239</b>	<b>12,933</b>
Expenditure	8,021	10,175	11,803
<b>EBITDA</b>	<b>329</b>	<b>1,064</b>	<b>1,130</b>
Depreciation	118	73	80
<b>EBIT</b>	<b>270</b>	<b>1,115</b>	<b>1,181</b>
Interest	45	26	22
Exceptionals	-	-	-
PBT	226	1,090	1,159
Taxes	55	275	296
<b>Adj. PAT</b>	<b>171</b>	<b>815</b>	<b>863</b>
Adj. EPS	11	54	59

Source: Company, Systematix Institutional Research

### Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24
PBT	226	1,090	1,159
Add: Depreciation	118	73	80
Add: Interest	32	12	8
Less: Taxes paid	80	198	303
Less: WC changes	(61)	(585)	(50)
<b>Total OCF</b>	<b>261</b>	<b>313</b>	<b>815</b>
OCF w/o WC changes	402	1,095	1,169
Capital expenditure	39	136	184
Interest/Dividend Recd	33	55	96
<b>Total ICF</b>	<b>92</b>	<b>(190)</b>	<b>(328)</b>
<b>Free Cash Flows</b>	<b>222</b>	<b>176</b>	<b>631</b>
Interest paid	(9)	(6)	(3)
Change in borrowings	7	3	(6)
<b>Total Financing CF</b>	<b>(1)</b>	<b>63</b>	<b>(459)</b>
Net change in cash	351	186	29
Opening cash & CE	50	401	587
Closing cash & CE	401	587	616

Source: Company, Systematix Institutional Research

### Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24
Equity capital	150	150	144
Other equity	3,033	3,843	4,302
<b>Net worth</b>	<b>3,183</b>	<b>3,993</b>	<b>4,446</b>
Debt	34	114	102
Non current liabilities	275	219	102
Current liabilities	1,980	2,539	3,002
Deferred tax liability	25	59	57
<b>Total liabilities and equity</b>	<b>5,438</b>	<b>6,750</b>	<b>7,550</b>
Net block	990	1,039	1,064
CWIP	0	0	127
Inventories	1,341	1,370	1,468
Debtors	857	1,587	1,708
Cash and bank	918	1,192	1,377
Loans and advances	3	3	6
Total current assets	3,535	4,637	5,146
Non current investments	0	50	54
Other assets	155	237	247
<b>Total assets</b>	<b>5,438</b>	<b>6,750</b>	<b>7,550</b>

Source: Company, Systematix Institutional Research

### Ratios

YE: Mar	FY22	FY23	FY24
YoY growth in Revenue		35%	15%
YoY growth in EBITDA		223%	6%
YoY growth in Net income		375%	6%
EBITDA margin	4%	9%	9%
PAT margin	2%	7%	7%
RoE	5%	20%	19%
RoCE	8%	26%	26%
Net debt to EBITDA (x)	(2.7)	(1.0)	(1.1)
<b>Per share numbers (Rs)</b>			
Reported earnings	11	54	59
Free cash	13	11	38
Book value	191	240	267
<b>Valuations (x)</b>			
P/E	120.0	25.2	23.3
EV/EBITDA	65.4	20.2	19.0
EV to sales	2.6	1.9	1.7
P/B	7.2	5.7	5.1

Source: Company, Systematix Institutional Research

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Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id [compliance@systematixgroup.in](mailto:compliance@systematixgroup.in)

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