



Date: 20/09/2024

To, National Stock Exchange of India Ltd., Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400051 NSE Scrip Symbol: INTERARCH	To, BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400001 BSE Scrip Code 544232
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Sub: Transcript of the earnings call on the Un-audited Financial Results for the Q1FY25 Earnings Conference Call” September 16, 2024

Dear Sir/Ma’am,

Pursuant to Regulations 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that the transcript of Earning Call held on 16th September 2024, to discuss the un-audited financial results for the quarter ended 30th June, 2024 is available on the Company’s website.

We are enclosing herewith the transcript of the Earnings Call held on 16th September, 2024 in respect of the un-audited financial results of the Company for the first quarter (Q1) ended June 30, 2024.

The above information is being made available on the website of the Company at

<https://www.interarchbuildings.com/investor-analyst-meet.asp>

The Management was represented by MR. ARVIND NANDA – MANAGING DIRECTOR, and MR. MANISH GARG- CHIEF EXECUTIVE OFFICER.

Discussions were based on publicly available information. No unpublished price sensitive information (UPSI) was discussed during the interactions.

We request you to take the above on record and the same be treated as compliance under the applicable Regulations of SEBI LODR.

**Yours faithfully,
For Interarch Building Products Limited**

ARVIND NANDA
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**ARVIND NANDA
MANAGING DIRECTOR
DIN: 00149426**

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“Interarch Building Products Limited Q1FY25 Earnings Conference Call”

September 16, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 16th September 2024 will prevail.



**MANAGEMENT: MR. ARVIND NANDA – MANAGING DIRECTOR –
INTERARCH BUILDING PRODUCTS LIMITED
MR. MANISH GARG – CHIEF EXECUTIVE OFFICER –
INTERARCH BUILDING PRODUCTS LIMITED**

MODERATOR: MR. DHRUV JAIN – AMBIT CAPITAL



Moderator: Ladies and gentlemen, good morning and welcome to the Interarch Building Products Limited Q1FY25 Earnings Conference Call hosted by Ambit Capital. A reminder, this conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

All participant lines will be in a listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dhruv Jain from Ambit Capital. Please go ahead, sir.

Dhruv Jain: Thank you. Hello, everyone. Welcome to Interarch Building Products Q1FY25 Earnings Call. We have with us Arvind Nanda, Managing Director, Mr. Manish Garg, Chief Executive Officer and Mr. Pushpendra Bansal. Thank you. Over to you, team.

Arvind Nanda: Thank you, Dhruv. I'm Arvind Nanda. I'm one of the Promoters of Interarch Building Products which we started 40 years ago with my partner, Gautam Suri.

I'm a Chartered Accountant from England and Gautam is an IT engineer from Delhi. First, I would like to thank all of you for trusting our company and having faith in that to invest into our company. We just went public and we would like to thank you for that. This is our first earnings call. So, I just thought I'll take a minute or two to explain the pre-engineered buildings industry. The pre-engineered buildings industry doesn't fall into many of the categorizations that we have in the stock market.

We are not really contractors or EPC or fabricators or builders. But pre-engineered buildings is a concept where the customer or any industry comes to us and says, look, this is my requirement. And then we convert that requirement into a building or into a plant or into a process unit or whatever he is looking for.

And then we bid for the whole project as a lump sum bid. That design, engineering, production, making the items, delivering it to site and erecting it at site as per his requirement will be all done by us in one lump sum price. And that is how we get our order.

And of course, the orders are not decided on L1 or something, but basically on your past relationships, past performance, your ability and capability to design, engineer, and execute that job. So, we are like a capital goods industry. We in Interarch call ourselves the capital good industry. We partner all these major companies in India and foreign companies coming to India. They consider us as a very vital capital goods partner. In the first stage, they come to us even before they have sometimes even finalized their land or sometimes even machinery.

Everything has to be done by us for them to be able to fit in their machinery, do their production, do their processes. So, we primarily say that we are capital goods. We are one building we give a offer for. It's at one price and then one committed date. So, we become a very vital part of their process. And that puts us in a totally different position in this whole categorization.



It's a very new categorization in India. While we have a couple of listed peers, but they are not really totally into pre-engineered building alone. They are doing a lot of other work. Our major competitors are both foreign companies, which are not listed in India or abroad, but they are very large foreign companies. They've come to India 20-25 years ago. That is primarily the pre-engineered building industry that we would like to focus on.

This is the future. We are industry agnostic. We can work with any industry. We have worked with the client for the last 40 years on all our different products. Any new industry. Recently, we've been doing a lot of renewables, solar.

We've even done a data center. We are doing lithium battery plants. Of course, our older and traditional customers are automobile industry, all the A-grade warehousing companies like Welspun, IndoSpace, and ESR. All the large funds, we work with them along with some other developers as well. Then we also have FMCG like Hindustan Levers, Marico. A lot of the companies that make FMCG products, we work with them on a continuous basis. Then we also have a lot of paint and other consumable industry, Asian Paints, Berger.

Recently, we did five plants for Grasim, which launched the Birla Opus recently. So, among the newer names that we have done work for is ReNew Power, First Solar, Reliance Solar we are working for, as you saw in the presentation. AMPIN Solar is another company.

Exide Battery, we did a lithium battery plant for them. Amara Raja, we recently got an order to do their huge plant coming up, the first phase that we have right now won. Data Center, we did for Ironworks a couple of years ago in Bombay. We have done residential building. We have done office building for Reliance. Navi Mumbai Corporate Park was substantially done by us many years ago.

We have done a lot of office building, ground plus four especially. But we've also done high-rise buildings like Fortis Hospital and other process plants, which are 50-70 meters high. We have worked with the Birla Group, Grasim, of course, HUL, you name it, and we have worked with all these companies.

So, we are in a very unique position. And going forward, because we are industry agnostic, we can really work with any futuristic industry also, which comes into India. And because of our past and our history, we are at a very good preference of mind of the customers and the consultants.

They always call us. If there's any new car company which comes in, whether it is MG Motors, whether it was Kia, of course, the older ones like Toyota, Honda, Yamaha, we have done all of them. Tata Motors, we have done four plants for them in the past 20 years. Asian Paints, we have done four. So, we've established this relationship in a very strong position. And I think in the market, we are at a very strong position today.

And we feel that the industry is just beginning to start because India is just taking off. Anywhere in the world where fast development has taken place, steel is the only way you can build fast. And in steel, pre-engineered way is the only way you can build fast, whether pre-engineered



building, pre-engineered structures, or any sort of high-rise building, residential, commercial future is all in steel if you want to build fast.

Now, I'll hand it over to Mr. Manish Garg, our CEO, to give you a little bit more overview on the industry and how the things are shaping up going forward. Thank you very much. Thank you very much for being a part of our company.

Manish Garg:

Thank you, sir. Yes, thanks. So, just a little update, everyone. Good morning again. Mr. Pushpendra Bansal, our CFO, is actually on a personal leave in New Zealand. He was supposed to join, but he didn't get a stable phone connection. So, he is not on the call. Between me and Mr. Nanda, we will answer all the questions regarding the finance and the balance sheets and everything that the investors may have. So, just a little update on who is on the call.

The pre-engineered building -- so, my name is Manish. I am the CEO of the company. As an industry overview, the pre-engineered building industry has been experiencing steady growth globally, driven by the demands for faster, cost-effective, and sustainable construction solutions.

Pre-engineered buildings are steel structures designed and fabricated in the factories under a controlled environment using standardized steel inventory, like the steel plates and everything. Each of the buildings is customized, which are then fabricated and transported to the site for quick assembly. This method essentially reduces construction time, minimizes waste, and ensures consistent quality, making it an attractive option for industries such as manufacturing logistics, retail, aviation and warehousing.

With the surge in private capex and the infra spending, the share of the organized pre-engineered building market players is on the rise. The pre-engineered building market in India is currently valued at approximately INR195 billion in FY'24. That's INR19,500 crores and is projected to grow to INR340 billion, INR34,000 crores by FY'29.

In India, organized players account for about 40% to 45% of the total PEB market, with the remaining share held by small, unorganized local players. The top six organized players together contribute 80% to 85% of the organized sector's market. The organized sector benefits from a reliable track record, optimized supply chain capabilities and high-quality engineering services and products.

And our extensive track record and established brand presence, integrated facilities for design, engineering, manufacturing, along with expertise of project management on-site and installation through our set network of builders, position us to capitalize on the growth of the PEB industry.

The key drivers of the PEB industry include rapid industrialization across India, increased infrastructure investments, urbanization and the need for modern large-scale facilities. Additionally, PEBs are increasingly popular in sectors like e-commerce and cold storages, where the demand for efficient and scalable warehouses is very high.

The industry benefits from technological advancements in design and engineering software, which allows for customized and complex structures that can meet specific client requirements while still maintaining the cost and time efficiency.



Environment sustainability is another factor propelling the industry forward, as pre-engineered buildings offer energy-efficient designs, recyclable materials and a lower carbon footprint compared to conventional construction methods.

In emerging economies, the PEB industry is particularly poised for growth due to ongoing industrial development and government initiatives, promoting infrastructure and housing projects. Overall, the pre-engineered building sector is evolving into a key player in modern construction with a focus on innovation, sustainability and scalability.

About Interarch once again, you heard Mr. Nanda, we started 40 years ago and we are -- in terms of installed capacity, we are the second largest in the country already. And from financial year 2015 to financial year 2024, we executed and completed 677 pre-engineered building contracts and demonstrating an extensive track record in the PEB industry. We are ranked third among the integrated PEB players in India in terms of the PEB turnover, and have more than 30-plus years of experience in the PEB industry.

Our company acts as a proxy to the private capital expenditure. That is the demand for our products is directly influenced by how much private enterprises are investing in new construction and infrastructure projects. We are the fastest-growing company in the organized space and number two overall.

We expect to continue to grow 1.5x to 2x the industry growth as organized players garner more share of incremental orders in the industry. And considering the inquiries, our performance and the pipeline, we expect that our revenues will grow at 10% to 15% for the current financial year, that is FY'25. And we also expect to improve our growth rate to 15% to 20% for the next year with sustainable EBITDA margins in the range of 9% to 10%, that is in FY'26.

We are looking to double our revenue over the next three to four years, and there is additional capacity coming in as highlighted. We manufacture world-class engineering roofing and cladding systems designed to meet customer requirements. Our extensive portfolio includes our brand TRACDEK Hi Rib roofing and cladding systems, TRACDEK Klippon roofing and cladding systems and TRACDEK Standing Seam SS-2000 roofing systems. Each of these solutions is engineered to provide exceptional performance and durability, ensuring that we meet a wide range of needs and precision and reliability.

TRAC is our range of metal ceilings, which we started 40 years ago. They are manufactured from fully recyclable materials and are pre-painted and pre-fabricated in the factory. The ceiling systems are friendly to handle and will not promote the growth of bacteria or fungus. TRAC ceilings exhibit excellent corrosion resistance. They can withstand very high humidity, even up to 100% that are sustainable for use in outdoor applications also.

We offer a state-of-the-art solution for non-industrial buildings through our innovative load-bearing wall framing system, which we call Interarch Light, embracing a hassle-free drywall construction approach. This system guarantees swift and efficient assembly, simplifying the construction process for our esteemed clients.



With a focus on durability and safety, our load-bearing wall framing systems are engineered to be earthquake and termite -proof providing robust protection for the structure and its occupants. Moreover, these lightweight systems offer the flexibility of dismantling if required, providing adaptability for future changes or modifications. These structures can be customized according to the specific plans, accommodating varying shapes, sizes and designs to meet the exact needs of the customer.

We are also strategically expanding our focus towards business to government engagement, aiming to tap into highly specialized sectors such as the railways. The railway sector in particular is witnessing massive investment in modernization, capacity expansion and the development of supporting infrastructure.

By positioning ourselves to work in this specialized field, we can leverage our expertise in pre-engineered buildings and infrastructure solutions to meet the unique requirements of large-scale government projects. Our offerings can contribute to building railway stations, freight terminals, railway factories, depots and other critical infrastructure, which require cost-effective, durable and scalable solutions, areas where pre-engineered building technology excels.

In terms of manufacturing facilities, we are significantly vertically integrated in our manufacturing operations with presence across the product life cycles of PEB. That is the estimation, engineering, design, fabrication and on-site installation, and erection of pre-engineered buildings.

Post-commissioning of Phase 1 in Athivaram, Andhra Pradesh, that's our new plant, now the company has five state-of-the-art manufacturing plants and four fully integrated PEB plants, including two facilities in Sriperumbudur, Tamil Nadu and one each in Pantnagar, Uttarakhand, Athivaram, Andhra Pradesh, and Kichha, Uttarakhand. The newly commissioned Phase 1 in Athivaram plant gives us visibility of about INR150 crores of revenue per annum.

We are the second-largest player now with an aggregate installed capacity of 161,000 metric tons per annum among integrated PEB players, with a market share of 6.5% overall. Every fully integrated plant gives us a revenue visibility of our INR550 crores equipped with advanced machinery and technology. These all plants are strategically located and optimize the logistics and reduce delivery times.

These manufacturing facilities combined have an installed capacity of 161,000 metric tons per annum now. What we call the utilizable capacity is generally approximately about 80%-85% of the installed capacity, which translates into 135,500 at the moment. We have added new orders worth INR634 crores in this year till date.

That is from 1st of April till Saturday, that is 14th of September, rather, taking our total order book to INR1,350 crores as of September 14th. During the quarter, we have received orders from Reliance New Energy, Ampin Solar, Beumer India, Ashok Leyland, Amarraja Infra Structure, etc. We boast a diverse customer base and having established long-standing relationships with our clients, with repeat orders constituting 81% of our revenue.



Our repeat order definition is that any customer who has bought anything from us ever since we started is categorized into repeat terminology and therefore our repeat customers every year would be and could be very different. Additionally, three out of five customer groups have been associated with our company for over five years. Our key customers include Grasim Industries, Berger Paints, Addverb Technologies, Blue Star Technologies, etc.

Considering the critical nature of the use cases of pre-engineered buildings, customer standards, requirements and required service levels and the stringent requirement, considering the quality, durability, and reliability of PEB. Pre-engineered buildings does require a company to have long-term customer relationships which we enjoy over the last 40 years. Our future plans include expanding our operations into west of India, and we are looking to set up a new manufacturing facility in Gujarat for which the land has already been signed in Kheda, Gujarat. As a part of Phase 2, we broke ground in Athivaram for our Phase 2. We are looking to increase further capacity by 40,000 tons at that location. That will raise our overall installed capacity to 200,000 tons by the first quarter of next financial year. Our other plans include upgradation of existing manufacturing facilities in Kicha, Pantnagar, and Tamil Nadu, which is part of the objects to be offered that went into IPO.

We are focusing on providing building solutions to upcoming sectors like EV infrastructure, renewable energy projects, data center facilities, with a move into multi-story commercial residential and institutional buildings. Our strategic focus will remain on building pre-engineered structures rather than engaging in civil construction work. We have nothing to do with that.

By concentrating on this specialized area, which Mr. Nanda highlighted, which is the most critical capital good for a customer, we can leverage our core expertise in design, manufacturing and assembly of steel structures, which are at the heart of pre-engineered buildings. We don't intend to enter civil infrastructure space, as that requires a very different mindset and skill set. Likewise, the civil infrastructure players don't wish to enter our space due to its complex engineering and the project size.

These are two different verticals altogether. Hence, we coexist with civil infrastructure or so-called EPC companies rather than competing with any of them. We are currently operating in the light steel building segment also and plan to expand our focus to the heavy steel building sector, which serves industries such as sports, steel plants, fertilizers, cement, infrastructure over the next 1 to 1.5 years.

We would like to give an update on the financial and operating performance. We have raised INR200 crores through fresh issue and net proceeds will be utilized towards the financial and capital expenditure towards setting up of the project in Athivaram Phase 2, which is INR58.5 crores. Financing the capital expenditure towards upgradation of our existing facilities in north of India and south of India, we will use about INR19.2 crores out of that. And funding investment in IT infrastructure, taking it to the next level with S4 HANA, will be about INR11.4 crores.

And the residual is for funding the incremental working capital for our growth, that is INR55 crores. And the balance GCP, the General Corporate Purpose will be about INR55.9 crores, net



of the offer expenses. Coming to the financial and operating performance for this quarter, just concluded Q1 FY'25, June ending. Despite the harsh weather and the elections during the first two months of the Q1 FY '25, we are pleased to report growth across all metrics. Revenue for the quarter stood at INR303 crores, that was a growth of 3.3% on a year-to-year basis for the same quarter.

Business mix of end user industry is as follows. Industry contributed 62%, Infra 36%, followed by others at 2%. EBITDA for the quarter stood at INR27 crores, with a growth of 7.4% on a quarter-on-quarter basis compared to the last year. EBITDA margins stood at 8.9%. Profit after tax for the quarter came in at INR20 crores, with a growth of 4.6% on a quarter-on-quarter basis last year.

During the quarter, we added new orders worth INR341 crores, and we expect to execute the same in next six to nine months. Our balance sheet continues to remain strong as we remain a net cash company.

And with this, I would like to conclude the presentation and open the floor for questions-and-answers. Thank you very much.

Moderator:

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Prakash Kapadia with Spark PMS. Please go ahead.

Prakash Kapadia:

Yes. A couple of questions from my end. You know, assuming current steel prices what will be the maximum turnover possible with, 2 lakh capacity coming on stream. And, given the lump sum pricing, how do we ensure our spreads or margins, remain in a range or are intact? Because, basic steel would remain pretty volatile.

So how do we ensure, predictability in our margins and spreads? That's the first question. Secondly, if you could highlight, is there a value chain or complexity in product mix in terms of industrial buildings and warehouses?

And what typically would be the margin profile in each of these segments at operating level? And lastly, from a mid to long term perspective, when you're opening remarks, you did mention about the driver. So, is it, customization? Is it cost optimization or, you know, lead time, which is lesser than normal structures, which is typically going to drive this business for us and any benefits or traction from PLI or government incentives, which can have order book accretion to our business? So those were my questions.

Arvind Nanda:

Okay, I will answer the third question. I am Arvind Nanda here and Manish can answer the first two. So, our industry is very well connected to the industrial growth, growth of any new sectors, growth in any area of business, as far as we are concerned.

So things like PLI, Make in India, China +1, all the emphasis that the government is placing on getting the foreign [Inaudible-27:01] doing Micron Semiconductor plant in Gujarat, which is the first one in India to come up. So these sectors initiate, making a huge difference to private sector investment, foreign investment. And we are considered like the first company, anything like that.



We work very well with consultants. So if the foreign company is coming for the first time, they go to the consultants and they come to us, okay, if you want a building to be done in time, you want your building to be done perfectly and designed, engineered, produced, everything done perfectly, include Interarch in your preference. So, we are really at the top of this preference and these sectors that you mentioned, these initiatives that you mentioned, taking place are very, very critical to a huge potential growth for the whole industry.

How much we participate in that, a lot depends also on us, ramping up everything because pre-engineered building is like a four legged animal, we have to do design engineering, sales is very critical because they are all very highly qualified engineers, they work together with the client to engineer their building, design it, value add, close the sort of building, then only we can even give an offer.

So there are these two legs, which are very critical to pre-order and why we are finalizing, then of course, the whole building is made into pieces by our engineering department in a BOQ form and it goes to a factory and there we produce the whole building from raw material is a plate or a coil. We do not buy any ready-made section from the market to make our building.

Everything is manufactured inhouse from a plate. Then that building is transported to site and erected by our trained certified builders under our supervision of Interarch people who are managing the site, communicating, planning everything with the client. So this kind of a thing is made into a pre-engineered building into a product, just like we order ready-made furniture or we order even ready-made clothes or houses or flats, we are ordering our industrial building.

I will get one price, I will get one date and I will get one building as I want to get. So these sectors are going to play a huge role and more companies which have foreign investment or foreign funding or foreign involvement of any type, besides 100% foreign companies, they feel that this is the only way that they want to build. So that is my answer to your third question and I think clarifies a lot of other people's questions also in the future.

Manish Garg:

So this 200,000 tons at the current steel prices should be able to give us a turnover of about INR2,200 Crores when fully utilized. That is the answer.

Prakash Kapadia:

That would assume 80%-85% which you typically said.

Manish Garg:

That is correct. So, 550 times 4, each of the integrated plant gives us about 550. So once this new plant is fully operational and ready and utilization reaches 85, this will give us a revenue visibility of about INR2,200. That is number one.

Number two is how do we protect our margins in the steel fluctuation is for our fixed price contracts which are fast-paced, which have to be delivered in three to five months through the inventory that we carry and the pipeline. However, about 50% of our orders are on variable price contracts and where the steel prices are linked. The variation in steel prices are linked with the price with the customer. So the up and down is completely passed on to the customer.

In terms of the margin profile, product-to-product, there is no other product but pre-engineered buildings that we sell. But yes, the larger projects tend to be a little more profitable compared to



the smaller projects. That is because of the economies of scale. So just to give an example, a INR100-crore project will not take 10 times more engineering time than doing INR10 crore projects. So yes, there is a bit of margin profile but not significant to that extent. So that maintains the margin profile. I think these were pretty much your questions. Thank you.

Arvind Nanda:

Also, I would like to add that steel prices while can be volatile but month to month they are not that volatile except twice in the last 25 years where they have gone crazy. Most of the time they move up very slowly. And we can get a prediction from the steel vendors that we deal with whether it is moving up or down. So, we sort of built it in our prices for the orders where there is no pass-through. Plus, we have stocks, at least two months of stocks and two months on order with steel companies. So, these are also at fixed prices.

So all our non-pass-through orders, they have also taken care of that. But yes, overall there will be an advantage when the steel prices move down after you have taken an order and move up after you have taken an order. But it is very slight. It can be reasonably well because most of our long orders which take 9 to 10 months to execute, they are all pass-through.

Prakash Kapadia:

And typically, we would try and maintain a mix of 50-50 between short and long to ensure we do not suffer in a cycle which is adverse for our business in terms of steel price movements?

Arvind Nanda:

No, we do not really have much more control over that in that sense.

Prakash Kapadia:

Yes, that is a customer-driven thing.

Arvind Nanda:

It is a customer-driven thing. And we do want to take larger orders where the customers are top quality. We do want to take orders which give us a visual, I mean we can see what will happen 9 to 10 months. Like today our order book for a pre-engineered building industry is exceptional. To have an order book of INR1,350 crores means 9 to 10 months of orders you have in hand. For pre-engineered building by nature, people want it done very fast.

Another part of the question was, what is the benefit? Speed and quality. Both are a huge benefit. But overall the benefit is also that you get a lump sum price and you give your whole responsibility to one company. And that company is responsible for the whole building. If there is a leakage in the building, if there is a delay, I can't blame anybody else. Whereas in a traditional form of building, there are many people to blame. So that is what the customer likes. So it is a value-add.

Like why do we buy ready-made furniture today or even ready-made apartments from known builders? Because we feel we want to get rid of that uncertainty. And we do not want to get involved in making a building. My work is to make paint or to make a microchip, not to make a building. So that is helping a lot for the industry. And what we are doing here in India is not rocket science because that has been done all over the world.

So India is just following the same path when it goes into high development mode or any level of development.

Prakash Kapadia:

That is helpful. Thank you so much. Wishing you guys all the best. Thank you.



Moderator: Thank you. The next question is from the line of Aman Soni with Nvest Analytics Advisory. Please go ahead.

Aman Soni: Thanks for giving me opportunity. My question is why growth projections are too low for financial year 2025? Do you see further risk in infrastructure in second half?

Arvind Nanda: No, because we have to prepare for the higher level of growth, which we started seeing about 18 months ago. So pre-engineered building like I mentioned earlier, is a four legged animal. So first we have to build up a lot of skill, talent inside. Because design engineering is very critical to even our coating. We cannot even quote for offer properly. Because each company quotes according to their own engineering.

So if I'm not able to engineer and design the building, well, I don't really have much chance because I could be higher in price for no other reason. So what we need to do is build up that. So we started building up that last year and then we started our plant also last year. And then that is adding to capacity. And, traditionally Interarch, I don't know whether it's a very good thing to admit when you are listed, is that we are a little cautious company. We don't jump into everything because it's there and then regret at leisure.

We deal with top quality clients; we deal with their committed dates. If a client wants a building, like we did five plants for Grasim, and we gave them each plant on time. So I mean, that kind of commitment we have. I mean, today, the situation is very good, because there are more people running after us to take orders. But still, we can't just take an order because it's available.

So I think this year, it'll help us a little bit plus steel prices are a little softer this year, when steel prices are softer while our quantity turnover might increase more than turnover involved in rupees. But I think going forward, we'll have the Andhra plant ready, we'll have the upgradation of other plants done in another 8 to I mean 12 months to 14 months. And our internal working on people and the skill level in engineering design has come to a good level that we can go with a faster speed from next year.

But already we are, I mean, we are going to be at least 10% up this year with a much better margin. We are also concentrating on margin. There's no point just taking orders and not making better money. We do a damn good product. We deal with world class clients, why not more profit? So we work on all these angles. I hope it was satisfactory answer.

Moderator: Thank you. The next question comes from Hussain Bharuchwala with Carnelian Capital. Please go ahead.

Hussain Bharuchwala: I just wanted to understand your seasonality in the business. How is the seasonality there? I understand Q2 is a little softer because of rains, but Q1 was slightly weaker. So how do you build in numbers? So Q4 is when you have maximum number of orders coming in. How is it? How is the order book normally comes in? In which quarter when the order book is built up if you can explain on that front as well. One is the revenue recognition, one is the order book?

Arvind Nanda: See, order book is building up throughout the year. Order book is not a problem that, I mean, normally in the first half of the year, there are more orders than in the second half. Monsoon is



a little quieter in terms of order booking, but order is not really controlled too much by them. See what happens in execution is that we need site clearances because it's a customized product.

Even if I have a full order book, even if I'm doing full production, I might not get clearances. My first half of the year April to September is very interchangeable in terms of months that I deliver. Like this year because of elections and weather I mean North India was very hot and there were heavy monsoons in the South and elections, there was not too much labor available at sites.

So a lot of clearances we didn't get. So for us this first quarter is lower than what the second quarter will be. Compared to last year, where the first quarter was better than the second quarter. So these things can happen, but we view our company more as a first half. Then yes, the third quarter is always better than the second and the fourth quarter is always better than the third. That has been a trend we have seen over a period of time.

But first half is very interchangeable. So while the stock market after listing the demand that we are answerable quarterly, but I would say we've been very lucky I think, and we are very happy with the results of the first quarter that we still managed to beat the last year's first quarter, in spite of all these issues. But order book, production, these things are not really affected.

Affect last quarter, yes. A lot of companies want their buildings to be delivered and executed and the billing is all finalized because last quarter is when they also want to show a lot of execution, maybe depreciation, maybe finishing their budget. The last quarter we've always seen is better than any other of the quarter. And quarter-on-quarter to say look, our March quarter was X and now we are minus in the first quarter of the next year is not comparable in our industry.

Hussain Bharuchwala:

Got it. And for single client concentration, if you can give us one thing what is the thing? I know client concentration is already given sir, but a single client concentration is more important though. The largest client what would be their contribution, if you can tell us?

Arvind Nanda:

See, the regular clients that we have are normally the warehousing funds. So they are the only ones who keep repeating and ordering like IndoSpace, Welspun, Logos. These companies are regularly ordering buildings from us for their warehousing parks. Otherwise, we don't really - our client list changes quite substantially every year from one to the next. Like we are working on Reliance Solar as you see an order today. We have got an order from Reliance maybe after 10, 12 years.

So last two years we did a lot of work for Grasim and Berger and Asian Paint. This year there is no work from that. Previously, we have worked a lot with the auto sector which is now picking up again after maybe 15 years. So concentration of one client is not there in our case, except this warehousing fund. That also is for separate buildings, separate parks. And they keep coming back to us because we work very well with them.

We established long relationships. Otherwise, there is no concentration. I mean, this year we are doing, like you said, the Micron and we are seeing AB Mauri which we have never worked before. We are doing Devyani, Campa Cola which we have not worked before. So these kinds



of things keep changing. But yes, the top 10, 12 clients would give us maybe 40%, 45% of our turnover in any year, but not the same client.

- Hussain Bharuchwala:** Got it. So that was the only question from my side. Thank you for that.
- Moderator:** Thank you. The next question is from the line of Tushar Vasuja with Yogya Capital. Please go ahead.
- Tushar Vasuja:** Good morning. Thank you for the opportunity, sir. I have a couple of questions. The first ones are on your order book. So what is the average tenure and size of the order that you get?
- Manish Garg:** Okay, I will answer that. Average order size is about INR12 crores. Average order size, I am saying. The maximum here could be INR120 crores to INR150 crores and the lowest could be INR1.5 crores. The time it takes is the lowest time is about 4 months and the highest is 12 months. That's the cycle time that takes for any order that we take.
- Tushar Vasuja:** Okay, so what is the execution period for the current order book?
- Manish Garg:** So current order book, which as of today is about INR1,350 Crores, should be looking without really thinking how much we will utilize the new plants, should be about 9 months.
- Tushar Vasuja:** Okay sir and what's your order bid pipeline right now and what is the historical hit ratio for you?
- Manish Garg:** So our current pipeline, I would like to explain that each of the buildings that we bid for has to be fully engineered before we bid, because there is no standard building, it is fully customized. Therefore, we call it a qualified pipeline in our industry. It is not a lead, it is a fully qualified, it's being quoted for. So that stands at approximately INR4,000 crores, that's the pipeline. Historically, our hit rate has been in the range of 20% to 27%.
- Tushar Vasuja:** Okay, sir. And sir, on your Gujarat capex in Kheda, when will the process start for that?
- Manish Garg:** So we have already registered the land. In fact, I think a couple of weeks ago. Once we are up and running in Athivaram which is second phase is just operating, I think somewhere towards the finishing we'll start planning the construction for the Gujarat plant.
- Tushar Vasuja:** Okay, so how much of the capacity will be expanded by?
- Manish Garg:** Gujarat should be a similar plant to Athivaram, similar capacity.
- Tushar Vasuja:** Including both phases or just Phase 2?
- Manish Garg:** Sorry?
- Tushar Vasuja:** Gujarat plant will be including both phases of the Southern plant or just Phase 2?
- Manish Garg:** One and two together should be the Gujarat plant, yes. So about 50,000 to 60,000 tons once fully constructed.
- Tushar Vasuja:** Okay, sir. And sir, how much will be the cost including the land and how will it be funded?



- Manish Garg:** So as of now we plan to fund the entire Gujarat through the internal accrual, because we have not raised any money for that object through IPO. And that should be about INR100 crores including the cost of the land.
- Tushar Vasuja:** Okay, and sir, what will be the peak revenue potential from this Gujarat facility?
- Manish Garg:** Sorry?
- Tushar Vasuja:** What will be the peak revenue potential from this facility?
- Manish Garg:** So as I think we explained, each of our fully integrated plant of which Gujarat will also be about INR550 crores at the current steel prices, INR550 crores.
- Tushar Vasuja:** Okay, sir. Thank you.
- Moderator:** Thank you. Thank you. The next question is from the line of Nakshatra Rathi with Niveshaay Investment Advisors. Please go ahead.
- Nakshatra Rathi:** Sir, I have one question regarding skilled labor. Recently, one of your peer companies in the listed space completed its capex for a new plant, but they were not able to commission the plant due to lack of availability of skilled labor. Do you see that being an issue for your company?
- Arvind Nanda:** I'll answer that. You know, we are a little bit more careful. That's why we do our planting phases. Like we noticed, we did the first phase in Andhra, first phase, and now we are going to the second phase. This is a very critical issue for all companies as they build. So we never try to build a huge capacity at one shot because money is not the only issue. Like you mentioned, for us, the skilled people, including engineering, design, sales, execution of projects for customer site. Besides the fact that we need people in the plant, but we start working on it much before.
- In fact, sometimes our hiring will happen two, three months before we go to even production, give them training, start hiring them, etc. So it is a very critical issue, but like everything else in the business, it has to be handled well. And I think we have become reasonably accustomed to how to handle it. And find people, whether we have to move people from north or east, and we give them enough incentives to come to our plant. I think we know how to handle it. That is, I think, the key.
- So not to build first, spend all the money and then start looking for people, but the other way around or parallelly.
- Nakshatra Rathi:** Right. Another thing that I noticed as one of the key problems or key risks, I would say, is third-party logistics. So do you guys bear logistics cost in the contract or do you pass it on to the client? How does that work? And since you operate with a third-party logistics company, do you see there a risk of non-fulfilling of the contract?
- Arvind Nanda:** Logistics is a very critical part of it because we have to transport all the goods and they have to be delivered on time and not even one trailer out of 50 can go missing because then you can't make the building. So it is very critical. But I think over the last 15-20 years, we have established excellent relationships. You know, we as a company believe that every vendor is very critical.



He's a more critical partner than anybody else, whether it is our steel suppliers, whether it is our component suppliers in some cases, whether it is our builders at site.

Where the labor comes into huge numbers, their ability, so developing them, supporting them at critical stages. The same we do with logistics. Even at the top level of my level and Manish's level, we are constantly meeting the owners of transport companies. We have got sometimes small things like facilities for them at the plant when they arrive. So they can have a bath, they can stay, they can get some food, so they don't have to sit in the truck and similar at the site. So we try to do a lot of things.

We understand the criticality of this and we understand there will be a huge shortage going forward. So people who learn to partner with them, learn to respect them, I think will have a clearer path going ahead. But we are very, very aware of it. So we work very hard on that.

Nakshatra Rathi:

So my next question is in the line of the thing that you just mentioned that the pie itself is getting bigger, right? The industry is growing itself. So there are a lot of new entrants coming into the industry. How do you strategically try to place yourself in this new competitive landscape?

Arvind Nanda:

See, and this is the most important part is your history, in this business, your future depends on your history. So there is no USP like how much money do I have or how many plants do I have? Your USP is your ability to deliver and your ability to deliver is looked at by these companies on what you have done. Have you done a similar size building? Have you done a simply similar size complex building? Grasim came to us because we had done Asian Paints and we had done Berger, not because we were the cheapest.

So in going forward, these newer companies, wherever they can come from the world, they can spend thousands of crores. It doesn't matter. They have to build a certain level of history. The only competitor we think of in this line is the Kuwaiti company, which came into India more or less at the same time. And they had a little easier path in the beginning because they were an international company with a lot of backup. But today, for the last four or five years, I think we are equal to them.

Newer companies have a very tough time in this line. And that's why you don't see many new companies coming at the A grade level. Yes, small, unorganized players, which are dealing with four or five buildings in a year in Kanpur or Varanasi or Bhubaneswar, they will come up because there are hundreds of small buildings coming up everywhere in India where people find it commercially and technically more viable to go to these people.

And that will always remain. That you cannot take away. But to become an A grade company, I think will take a lot more than just coming to India with a name or with money. Many companies with big names, I don't want to name them, have come into India, have set up plants in India, being large Indian companies and have completely failed. So our history and our USP of maintaining relationships, delivering on time, delivering the every project that we have done, we have delivered to some customer.

Sometimes maybe not on time, but always delivered to the customer satisfaction, being very customer centric, being very service oriented. I think even at my level, there would not be a



single customer that I have not personally met or whose phone I don't answer if he has a problem. But these are the things which help you go forward. Your companies are not going to be, we have to be prepared to remain ahead in the race and not be complacent, but we are not complacent.

Nakshatra Rathi:

Right. So last two questions regarding previous cycle. One is regarding previous cycle and one is regarding the growth of PEB sales. I want to understand what has led to the unprecedented growth of PEB sales in last year's financials. And regarding previous cycles, in 2019, your margins nearly eroded. So I want to understand why had that happened in that cycle?

Arvind Nanda:

You see, our companies are pre-engineered building, I have a lot of dependence on operational leverage. We have to build up a lot of costs, people costs especially, before we can get into any business. So if we said in 2018-2019 that, look, we are now going to aim for INR1,200-INR1,300 crores of business two, three years down the line, we needed to build up that. In 2019, we built up a lot of expense and a lot of cost, but of course, business doesn't come immediately after that.

2020, it resulted in good business, the margins went up, the sales went up, if you have a look at 2020. Unfortunately, 2021 and 2021-2022, both were COVID hit in terms of at least one quarter. In the first year, 2021, we lost nearly four months. We couldn't operate, factories were closed, sites were closed, but we still managed to make a profit and still managed to sell in the balance eight to nine months. Similar thing happened in 2021.

Two, three months, we were hit badly by the COVID second wave, and the sites couldn't work, the workers couldn't come to sites, a lot of people couldn't come to the -- so these two were hit, but otherwise, order books were still coming in. And then after that, we are now again back on track, moving forward. So margins do fluctuate. If we build up the cost for getting some kind of business, and due to some -- these were all natural elements, which we couldn't even predict.

We couldn't predict that there could be COVID coming in with a good order book. And these were the reasons. So hopefully, if it happens again, but what we showed during even those COVID years was that we can still do a substantial turnover and still make a profit. We didn't go into any question of any loss. We paid everybody in both the COVID years, all our employees, our workers were paid full for the full year.

Whether they stayed at home or whether they came or they were unwell. But we still made a profit. And I think a lot of construction companies -- So I think that is more of a reason, not because later on suddenly something happened. But we built up in '18-'19 and then kept on building.

Nakshatra Rathi:

Right. And regarding PEB sales, so that segment saw very good growth in last year. So why was that? Is that a one-off thing? Can you explain that?

Arvind Nanda:

Our sales are just one item, pre-engineered buildings. So what happens is that for accounting purposes, our auditors demand that, if I've sold the building to the customer and I'm doing the erection separately on a separate order, or my erector has got a direct order from the customer to do it under my supervision, it goes into one heading. If I get a complete turnkey order, it goes into another heading.



But the item is the same, the margins are the same, and our sales have to be looked at combined of both the items. It's only an accounting entry. It has nothing to do with the item at all, or the margin or that. Both have to be combined into one sales item.

Nakshatra Rathi: Okay. And your capacity utilization also has been a little low than the industry. I believe industry averages around 55% to 60%. Last year you guys achieved that 55%. So can we expect this year to be better in terms of utilization?

Arvind Nanda: We have classified our capacity into two forms. One is actually installed capacity. So a lot of installed capacity is there far in excess of requirement, because that is how this product was. Let's say like roofing and cladding for every building, because I manufacture the roofing cladding at site. So I need many more machines than I would need if I were to do everything in the factory. So, we have an installed capacity, and then what we call a utilizable capacity.

So let's say last year we are showing 141,000 tons as installed capacity. Our utilizable was about 120,000 tons. 21 was just there because the machines are there, but we can't utilize them. We don't have that kind of projects to utilize them. So compared to 120,000 we were nearly at 80% last year. So there's a little bit of mismatch in our figures of installed capacity versus utilizable capacity.

So now we are gradually going to shift to utilizable capacity, because that is what is more understandable for most of our investors. Whereas earlier the auditors were insisting that we have to do things like that. So we did it. But now we are mentioning that installed capacity and then utilizable capacity, which could be 10% to 15% less than installed capacity. So we had reached 80% already last year.

And once you reach 80%, you will start building up new capacities. So I think going forward, we will be at 80% to 85% of our utilizable capacities constantly, and we'll keep building. Even Gujarat will start the moment we touch 80%, 85% of our existing, including Andhra. So there's a little bit of disconnect in that.

Nakshatra Rathi: Right, sir. Thank you so much.

Moderator: Thank you. The next question comes from the line of Pavas Pethia with Aditya Birla Mutual Fund. Please go ahead.

Pavas Pethia: Hi, sir. Just wanted to understand this 2x revenue target of 3 years to 4 years. And when you kind of do the math of INR550 crores into 4 plants to INR2,200 crores, this will entail another round of capex, one more facility?

Arvind Nanda: No, capex is required. No loans are required. We are a debt-free company, and we intend to remain debt-free. The Gujarat plant will be done from internal sources and whatever money we have already raised. We also have a general pool, which we didn't have to define what we are going to use it for. Unfortunately, the Gujarat plant, the land deed had not been registered by the time we were going for the IPO. So we couldn't mention that. But we have enough funds. No funding is required, no sale of shares is required, and no loan is required.



Pavas Pethia: The starting point is INR1,300 crores of roughly of sales you did in FY '24. If I just double it, INR2,600 crores, and our potential is INR2,200 crores. So are we envisaging another plant coming up in the next 2 years?

Arvind Nanda: Yes, Gujarat is our fifth integrated plant, which will take you to INR2,600 crores, INR2,700 crores at least. But we might even start up another one before that. Also, don't forget, we are trying to upgrade our existing facilities in the three plants to take up that also up by INR40 crores, INR50 crores each plant. So we are hoping that each plant should give about INR600 crores by another year, 18 months, and we will have five fully integrated plants. Gujarat will definitely start next year.

Pavas Pethia: Okay, sure. And secondly, when you target 3 years to 4 years of 2x revenue potential, but your margin guidance remains on 9% to 10%, which is the existing band. So doesn't this business have a decent operating leverage and the margin should be much higher, if this kind of growth comes?

Arvind Nanda: No, you are right on both counts, but we have been warned that promise less and deliver more. So we are hoping, we are also hoping that we get better pricing from customers because we are at a very good position. We have top quality clients and schemes like PLI and these, all these industry renewables and all which are coming in.

They demand very high level of deliveries, very high level of quality, and I think we can demand a very high level of margin also. So, we are working on that, but I think by the end of this financial year, we'll have a more clear-cut idea whether that, how far are we able to work on that. We are putting in full effort to improve our margins.

To tell you in the first decade of 2000 when we started and there were only two companies like us, the margins were 14%, 15%. We have made those kind of margins. Then competition came in and, we all want more business. So therefore, sometimes you have to compromise on margin to get more business.

But I think we are in another good position going forward for next 5 years to 8 years. So our internal policy is that we must aim for higher margins as well. Besides operating leverage, besides higher sales, we must work on higher operating leverage, because we deserve it. But we don't want to promise anything on that count till we have made it work on the ground.

Pavas Pethia: Sure, but just some color, how does this, what is the kind of component of fixed costs in our overall cost and if the sales turns, whatever you are targeting, how this should be trending?

Arvind Nanda: See, if we look at our fixed cost, we say that once we touch a turnover of about INR800 crores, INR850 crores today, after that, you see, our breakup of costing is that in the end we have 10% we plan for margin and 10% for overheads besides the steel and the conversion cost of steel into building. So till that level, nearly the full 20% goes into your overhead. After that, maybe the full 20% starts coming into your margin.

So that is why if you see, in INR1,300 crores, if you look at, the balance INR500 crores of turnover in the last year, we managed to make INR100 crores, INR110 crores profit before tax.



So that is the kind of margin we think it should be as we go to INR1,500 crores, INR1,450 crores this year and INR1,800 crores next year. The costs are not going to increase.

Indirect costs of overheads is not going to increase dramatically and hopefully, even without any increased margin from customers, that should all go into our profitability. That is what we are aiming for. So that is the kind of figures you can keep in mind.

Pavas Pethia: Okay, so this 10% of overhead kind of spreads over a much higher kind of a number. That's how one should be looking at 10% is what you kind of an underlying margin and then there's a journey for another 10% on operating utilization.

Arvind Nanda: Yes.

Pavas Pethia: Okay, thanks. That's all from my side.

Arvind Nanda: Anyway, I want to thank you for coming in a big way into our company. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the management for closing comments.

Arvind Nanda: Manish, you want to give the closing comments?

Manish Garg: Thank you everyone for joining us in the early call. We appreciate your time and showing interest in our company. Thank you Ambit team for hosting the earning call. In case of any queries, you can get in touch with us or SGA, our Investor Relation Advisor, and we look forward to meeting all of you over the next call. Thank you once again.

Arvind Nanda: Thank you everybody. Thank you very much for taking out your time.

Moderator: Thank you. On behalf of Ambit Capital, that concludes this conference. Thank you for joining us. You may now disconnect your lines.