

Rating: **Subscribe**

Issue Offer

An Offer for Sale of 4,447,630 equity shares, and a Fresh Issue amounting to INR 2,000 Mn.

Issue Summary

Price Band (INR)	850-900
Face Value (INR)	10
Implied Market Cap (INR bn.)	14.97
Market Lot	16
Issue Opens on	Aug 19, 2024
Issue Close on	Aug 21, 2024
No. of share pre-issue	14,415,892
No. of share post issue	16,638,114
Listing	NSE, BSE

Issue Break-up (%)

QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar

Link Intime India Private Ltd.

Book Running Lead Managers

Ambit Pvt Ltd., Axis Capital

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	87.5%	59.90%
Public & Others	12.5%	40.10%

Objects of the issue

- Financing the Capex (INR 585.33 Mn) towards setting up the project.
- Financing the Capex (INR 192.46 Mn) towards the upgradation of certain facilities.
- Funding investment in IT assets for upgradation of existing IT infrastructure. (INR 113.92 Mn)
- Funding incremental working capital requirements (INR 500 Mn).
- General Corporate Purposes

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Rohan Baranwal

Incorporated in 1983, Interarch Building Products Ltd. is a key player in India's pre-engineered building (PEB) sector, operating under the brands "TRAC" and "TRACDEK". With over 30 years of industry experience, Interarch offers various turn-key PEB solutions provider, integrating design, engineering, manufacturing, and on-site project management to deliver customized steel structures. The company ranked second in the Indian PEB market with an installed capacity of 141,000 metric tonnes per annum and held a 6.1% market share in operating revenue among integrated PEB players. Interarch specializes in pre-engineered buildings (PEB) for industrial, infrastructure, and commercial projects, serving sectors like e-commerce, manufacturing, and sports infrastructure. They offer PEB contracts and the sale of PEB materials such as metal ceilings and steel structures. Company clients include industrial and infrastructure companies like Grasim Industries, Berger Paints, and InstaKart. The company has a long-standing relationship with many customers, with 81.39% of its FY24 operating revenue coming from repeat orders across various customer groups. This success is attributed to their focus on quality, cost efficiency, and timely execution.

Investment Rationale

Driving Growth in the Expanding PEB Sector with Nationwide Reach: Interarch Building Products Limited has secured its position in the pre-engineered building (PEB) sector with revenue growth of 15% reaching INR 12,933.02 Mn in FY24, up from INR 11,239.26 Mn in FY23. This growth is attributed to enhanced sales and marketing efforts in West Bengal and Telangana, and expansion into new sectors. The company has a total order book of Rs. 1,153.29 Cr as of March 2024. The average capacity utilized remained at 45.61%, 49.23% and 60.64% for FY 22, 23 & 24 respectively. The company operates with eight sales offices across India and has completed 677 PEB contracts, evolving into a comprehensive PEB solution provider. The Indian PEB market, particularly in industrial and infrastructure sectors, is expected to grow at a CAGR of 9-10% and reach a market size of INR through FY2028, driven by cost advantages and increased adoption of pre-engineered steel structures. With its extensive track record, strong brand presence, and integrated facilities, Interarch is well-positioned to benefit from the industrial and infrastructure sector's projected growth at a CAGR of 9-10% through FY28.

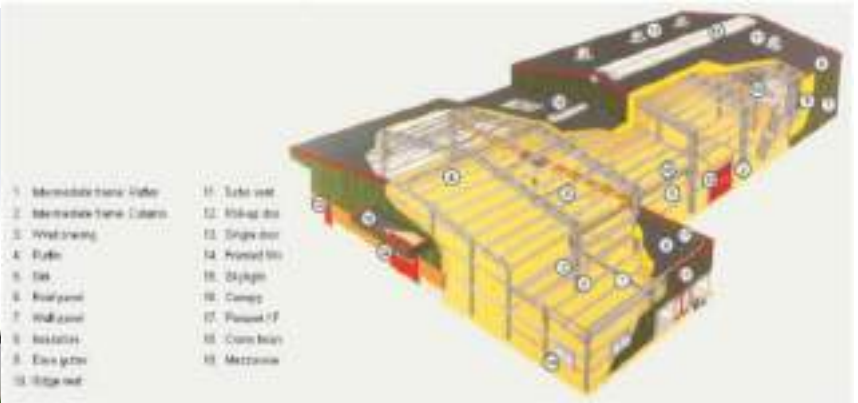
Integrated Manufacturing with Design Expertise and Indigenized Production: The company's manufacturing operations are vertically integrated, expanding its presence across the PEB product lifecycle, including estimation, design, engineering, and fabrication. The company primarily manufactures PEBs at four facilities, with a presence in the northern region, with two facilities in Uttarakhand accounting for 56% capacity, and in the southern region, with two facilities in Tamil Nadu accounting for 44% capacity, with combined installed capacity of 141,000 MTPA. The company has an in-house design and engineering team of 119 qualified structural design engineers and detailers, as well as investment in computer-aided design technology tailored to specific customer requirements. The company established dedicated safety and quality control teams that focused on the erection process at each stage. A dedicated centralized corporate marketing team of six personnel to oversee overall marketing operations.

Long-Standing Partnerships Built on Quality, Cost Efficiency, and Timely Execution: India's PEB market has three main end-use sectors: industrial or manufacturing construction, infrastructure construction, and building construction. Interarch's customer base in the industrial or manufacturing and infrastructure sectors includes major companies like Grasim Industries Limited, Berger Paints India Limited, Timken India Limited, Adverb Technologies Limited, and a warehousing and logistics service provider. The company's keen eye on quality saving costs, and getting things done on time has built lasting ties with its customers. Company reports 81.39% of the income, which is INR 10,526.70 Mn comes from people repeat orders. Three of top five customer groups is with the company for more than five years. Companies top five groups account for INR 3,213.36 Mn making up 25% of the revenue from operation. The company's focus on quality, costs efficiency, and timely execution played a big role in relationship building for so long.

Valuation and View : The company is well positioned for future growth due to its strong revenue growth, strategic expansions and operational efficiencies. Interarch also has a significant market share in the organized PEB market which accounts for 40-45% of total PEB industry and integrate complete end to end manufacturing as well as design capability, makes it suitable to benefit from forecasted sectoral growth and rising demand towards pre-engineered steel structures in India. At the upper price band of INR 900 the issue is priced at a P/E of 17.36x based on post issue implied FY24 EPS of INR 51.8. We have a "Subscribe" rating for the issue.

Name of the company	Standalone/ Consolidated	Income (INR Mn)	Diluted EPS (INR)	BVPS (INR)	ROE (%)
IBPL	C	12,933	58.68	268.8	19.4
Everest Industries Ltd	C	15,755	11.33	378	3.01
Pennar Industries Ltd	C	31,306	7.29	65	11.21

Particulars (INR Mn)	FY22	FY23	FY24
Revenue	8,349	11,239	12,933
EBITDA Margin	3.94%	9.47%	8.74%
Gross Margin	34.02%	34.66%	39.13%
Profit	171.33	814.63	862.62
ROE	5.38%	20.40%	19.40%
ROCE	8.30%	26.75%	25.79%
D/E (x)	0.10	0.10	0.11



Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

6 Lad Colony
Y.N Road
Indore - 452003, (M.P.)
Tel: 0731-4217100
Fax: (91-731) 3016199

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Website

www.arihantcapital.com

Email Id

instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880