

The Issue	
<b>Type of Issue</b>	<b>Issue size Rs. Mn</b>
Fresh Issue	2,000
Offer for sale	4,003
<b>Total</b>	<b>6,003</b>
<b>Post issue mkt cap*</b>	<b>14,974</b>
Lot size	16 shares

\*At Upper Price Band

Issue Break-Up	
<b>Reservation for</b>	<b>% of Issue</b>
QIB	50%
NII	15%
Retail	35%
<b>Total</b>	<b>100%</b>
Indicative Offer Timeline	
	<b>Indicative Date</b>
Bid/Offer Opening Date	19 Aug, 2024
Bid/Offer Closing Date	21 Aug, 2024
Finalization of the Basis of Allotment	22 Aug, 2024
Credit of shares	23 Aug, 2024
Listing Date	26 Aug, 2024
Use of Proceeds	
	<b>Rs. Mn</b>
CapEx towards setting up Projects	585
CapEx for upgrading existing facilities	192
Funding for upgrading IT infrastructure	114
Working Capital Requirement	550
General Corporate Purpose	-
<b>Manager</b>	Ambit, Axis Capital
<b>Registrar</b>	Link Intime India

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## Established track record in Pre-Engineered building solutions; Attractive valuation

### Company Overview:

- Interarch Building Products Ltd offers turnkey pre-engineered steel construction solution with integrated facilities for design and engineering, manufacturing, on-site project management capabilities for the installation and erection of pre-engineered steel buildings.
- They have an experience of over 3 decades in the among pre-engineered building (PEB) industry under “TRAC®” and “TRACDEK®” brand.
- They offer PEB by (i) pre-engineered steel building contracts on a turn-key basis with onsite project management expertise, (ii) sale of pre-engineered steel building materials which includes metal ceiling, corrugated roofing and many more.
- Company’s product finds application in industrial construction, infrastructure and buildings.
- There customers under the industrial/manufacturing construction category include Grasim Industries, Berger Paints, an air conditioner manufacturer, Timken India, and Addverb Technologies, while infrastructure construction category includes a warehousing and logistics service provider.
- As on March 31, 2024, the company aggregate installed capacity of 141,000 MTPA and value market share of 6.5% in FY24 among PEB players in India.
- They carry out in-house manufacturing of products through four manufacturing facilities located in Sriperumbudur, Tamil Nadu and Pantnagar and Kichha in Uttarakhand. These facilities are supplemented by three dedicated design and engineering centers situated in Noida, Uttar Pradesh, India; Chennai, Tamil Nadu, India; and Hyderabad, Telangana India. They are also setting up new unit which is under phase 1 of planned construction in Andhra Pradesh.
- As on March 31, 2024, the company’s order backlog stood at Rs 11,533mn vs Rs 8,410mn in 2022, registering a growth of 17% on CAGR basis.

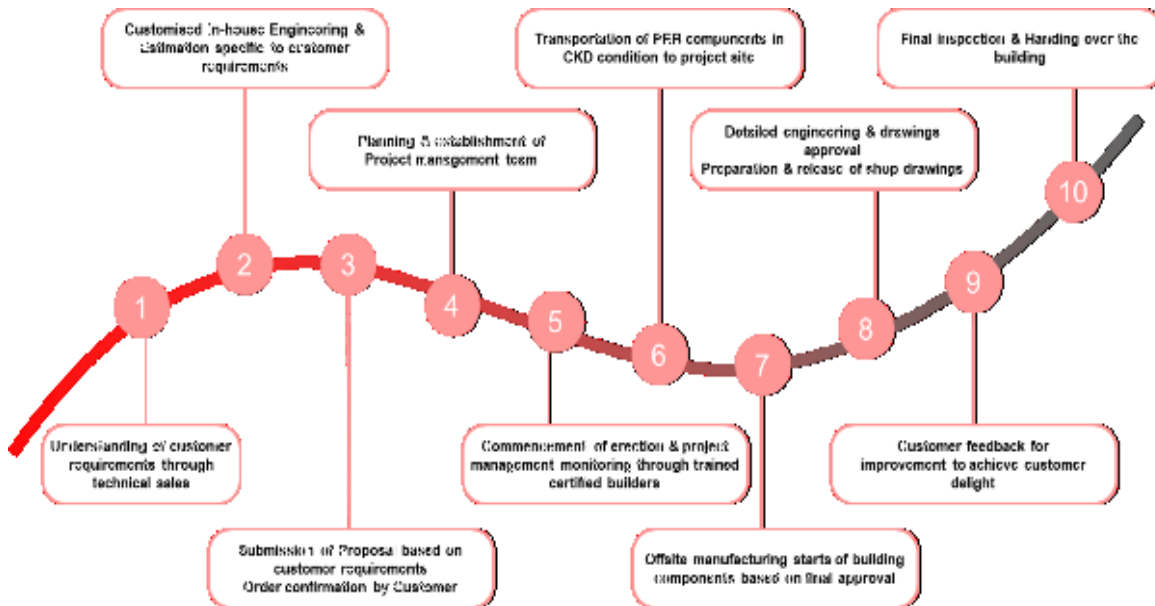
**Valuation and Outlook:** At an upper price band of Rs 900/sh, the IPO is attractively priced at a PE of 17x on FY24 EPS basis vs 19.4x of Pennar industries. Interarch Building can be termed as a capital goods company as they provide their customers with customized pre-engineered steel buildings solutions. Further, the management also boast their capability to deliver any complex structure as per client’s requirement. Over FY22-24, their revenue/ebitda/Apat has grown at a CAGR of 24.5%/85.4%/124.4% highlighting the strong execution of contracts. This can also be confirmed with improvement in capacity utilization from 46% in FY22 to 60.6% over the same period with installed capacity at 141,000 MTPA. Order book position of Rs 11,533mn as on 31<sup>st</sup> March 2024 also comes with a book to bill ratio of ~1 year. We impart confidence on the issue considering the operating and financial performance over the reported period, future growth visibility in terms of order backlog and strong balance sheet. Addressable market for the company is expected to double to Rs 340bn over FY24-29E. We assign a **Subscribe rating** to the IPO.

# Interarch Building Products Ltd

## Valuation vs Peers

Particulars	FY24		FY22-24			FY24				
	Market Cap (Rs in Mn.)	Revenue (Rs in Mn.)	Revenue CAGR	EBITDA CAGR	PAT CAGR	ROE	ROCE	ROA	EV/EBITDA	PE(x)
Interarch Building Products	14,974	12,933	24.5%	85.4%	124.4%	19.4%	23.1%	11.4%	11.0	17.4
<b>Listed Peers</b>										
Pennar Industries	24,020	31,310	17.5%	26.4%	52.8%	11.9%	15.8%	4.0%	7.9	19.4
Everest Industries	17,670	15,750	7.4%	-24.1%	-36.3%	2.3%	3.9%	1.1%	22.9	83.1
<b>Average</b>									<b>15.4</b>	<b>51.3</b>

## Pictorial representation of Vertically integrated manufacturing operations



## Key Financial Summary

Financial Summary (Rs. Mn)	FY22	FY23	FY24
Revenue	8,349	11,239	12,933
EBITDA	329	1,064	1,130
<i>EBITDA margin (%)</i>	3.9	9.5	8.7
Adj. PAT	171	815	863
<i>Adj. PAT margin (%)</i>	2.1	7.2	6.7
EPS (Adj for issue)	10.3	49.0	51.8

## Interarch Building Products Ltd

### Holding Structure

Shareholding Pattern	Pre-issue	Post-issue*
	Holding (%)	Holding (%)
Promoters & Promoter Group	87.53	59.91
Others/Public	12.47	40.09
Total	100.0	100.0

\* At upper price band

Selling Shareholders	Type	No of Shares	% of OFS	% of Pre-issue Size
Arvind Nanda	Promoter	7,20,000	16.2%	5.0%
Gautam Suri	Promoter	7,90,000	17.8%	5.5%
Ishaan Suri	Promoter	5,39,930	12.1%	3.7%
Shobhna Suri	Promoter Group	6,00,100	13.5%	4.2%
OIH Mauritius Limited	Investor	17,97,600	40.4%	12.5%
Total		44,47,630	100.0%	-

### Key Risks:

- **Steel a major Raw Material:** Steel being its major raw material component (87% of RM cost) in the manufacturing of PEB. Fluctuation in the prices of steel will have major financial impact on the business.
- **Top 5 revenue contribution:** Revenue from top 5 customer groups account for more than 25% of revenue from operations.
- **Largest Supplier:** Company's largest raw materials supplier accounts for 15.61% of total raw material consumed in FY24. Failure to retain or delay in supplies will adversely affect business operations.
- **Dependence on repeat Orders:** The company relies heavily on repeat orders accounting to 81.39% in FY24. Failure or reduction in repeat orders could affect the financials and operations of the business.
- **In-house manufacturing:** The company is majorly dependent on its in-house production of PEB's. Any slowdown or shutdowns in the production units will impact the business operations.
- **Laborers:** The company is dependent on contractual laborers. Any disruption in supply of such laborers or change in demands of labor unions will affect the overall business operations.
- **Cyclicality of industry:** PEB industry is cyclical in nature. Any downturn in demand from customers will severely impact the business.
- **Geographical risk:** The company's facilities are in Tamil Nadu and Uttarakhand. Any political, seasonal, natural, or economic disruption in these states will affect the business operations.
- **PEB designing:** Inability of the company to formulate cost effective, unique, and industry specific designs for the customers will hamper the profit margins as well as the reputation of the company.
- **Logistics:** The company engages with third party logistics partners for transportation as and when required. Any delay or failure by such third part partners could adversely impact the business.

## Interarch Building Products Ltd

### Competitive Strengths:

**Established player with better market position in PEB Industry:** In the PEB industry in India, organized player holds 40-45% of the overall market share. Interarch is one of the top six player in the organized industry with a market share of 6.5% in FY24. The reliable track record of execution, supply chain integration, quality engineering services and products shifts clients preference towards organized players vs unorganized. Interarch proven execution record, strong order book and healthy balance sheet, adds to its strength to further grow its business with new order and timely execution of already secured orders.

**Demonstrated track record of execution:** The company relies on in-house project supervision, on-site project management capabilities for the erection and installation of PEBs supplied by the company at their customers' sites to gain a competitive advantage in terms of quality, cost and delivery parameters. From FY15-24, Interarch has completed execution of 677 PEB Contracts. This is depicted in the revenue CAGR of 24.5% over FY22-24.

### Below are some of key projects being executed by the company

- big box fulfilment centre at Manesar, Haryana for a warehousing and logistics service provider;
- automotive component manufacturing unit for Timken India Limited;
- air conditioning manufacturing unit at Sri City, Andhra Pradesh for an air conditioner manufacturer; and
- PEBs at Panipat, Haryana, Ludhiana, Punjab, Chamaraj Nagar, Karnataka, Cheyyar, Tamil Nadu and
- Kharagpur, West Bengal for Grasim Industries Limited (Birla Paints Division), a manufacturer of paints.

**Diverse customer base and long-standing relationships with significant customers:** Their customer includes reputed names like Grasim Industries, Berger Paints India, an air conditioner manufacturer, Timken India, and Addverb Technologies under the industrial/manufacturing construction category and infrastructure construction category includes a warehousing and logistics service provider. This is the result of timely execution of projects which further enabled the company to maintain long-standing relation with these clients.

**Strong Balance Sheet and healthy Order book:** Being a capital-intensive business, the company is at net cash position as per financials in RHP. This coupled with the healthy growing order backlog (+17% CAGR) and strong execution has resulted in the revenue CAGR of 24.5% over FY22-24.

### Business Strategies:

**Capitalizing on PEB Industry growth:** The PEB industry is broadly divided into three categories (i) industrial / manufacturing construction (53-55%, FY24), (ii) infrastructure (36-38%, FY24) and (iii) building (residential, commercial and non-commercial) (7.5-8.5%, FY24). Over 2023-28, Industrial / manufacturing, infrastructure and building construction sector is expected to grow at a CAGR of 9-10%, 12-14% and 9-13%, respectively. Being, the second largest company in terms of capacity and with proven track record of project execution, Interarch intends to capitalize on this growth.

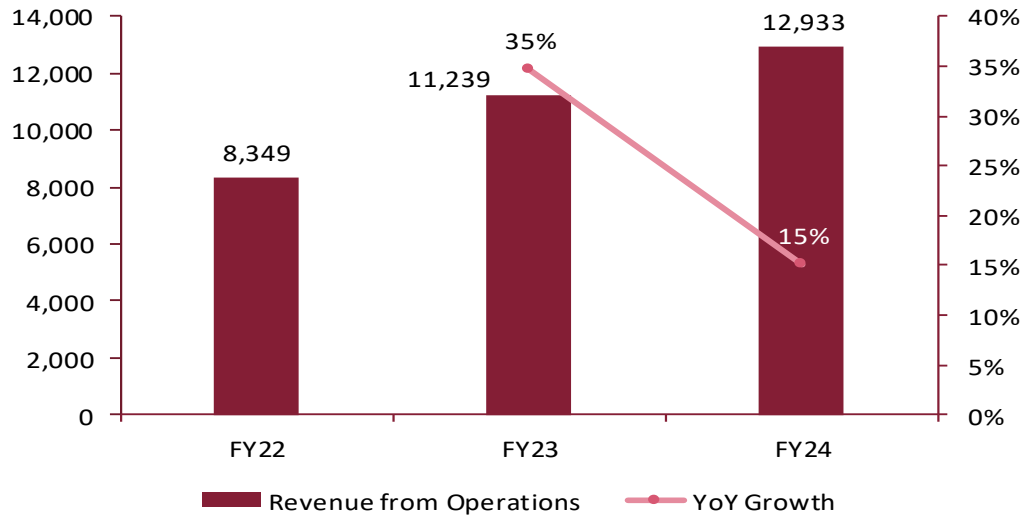
**Expanding geographical footprint to cater to strategic markets in India:** Over the years, the company has been identifying target markets based on their internal assessment of existing demand for PEBs in such market, public announcements of significant construction projects in the region and government initiatives favourable to their operations. Now, the company is aiming to enhance its manufacturing presence in Southeastern India and Western India with its planned manufacturing facilities at Attivaram, Andhra Pradesh, India and Kheda, Gujarat. They have also established sales and marketing offices in West Bengal and Telangana to grab growth opportunities.

**Expand customer base and increase sales to existing customers:** The company intends to rely on their existing customer relationships to generate repeat orders, and to emphasize quality consciousness, cost efficiency, and timely execution. They are also implementing 24\*7 sales and marketing initiatives to acquire new customers and expand their customer base. Set up a new business development team who would be responsible for identification of new industries, avenues or channels to increase their PEB sales.

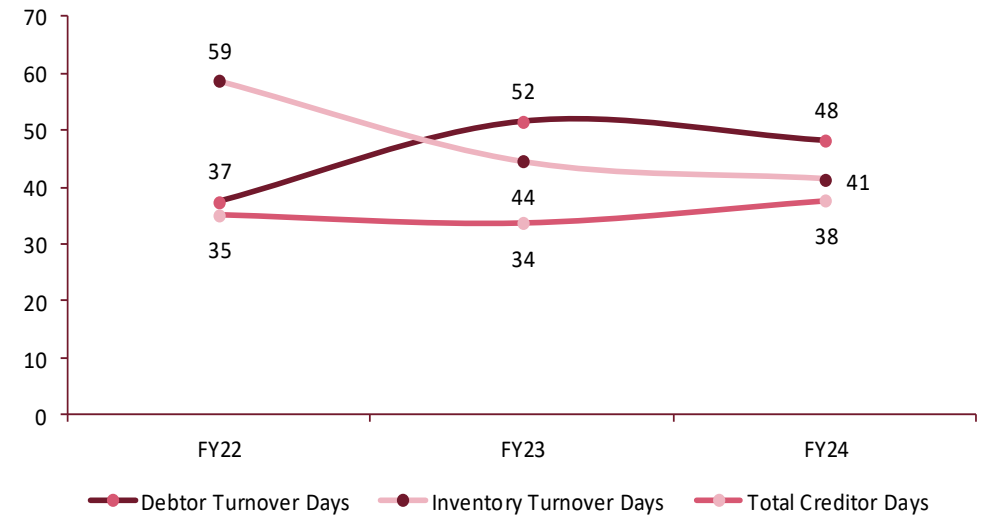
**Continue to invest in its technology:** Investment in advance technology is important to keep up with the upgradation of existing infrastructure which will enhance in-house design and engineering, and manufacturing capabilities. For this purpose, the company has been adopting latest computer aided design technology (CAD) for its design and engineering team to meet design and detailing parameters of customers. They have also implemented ERP system to streamline and integrate functions of sales & marketing, Supply chain management team among others, which will ensure reduced operational cost and time efficiency. The company aims to utilize a portion of the Net Proceeds towards funding investment in information and technology assets for expansion of existing technology infrastructure.

# Interarch Building Products Ltd

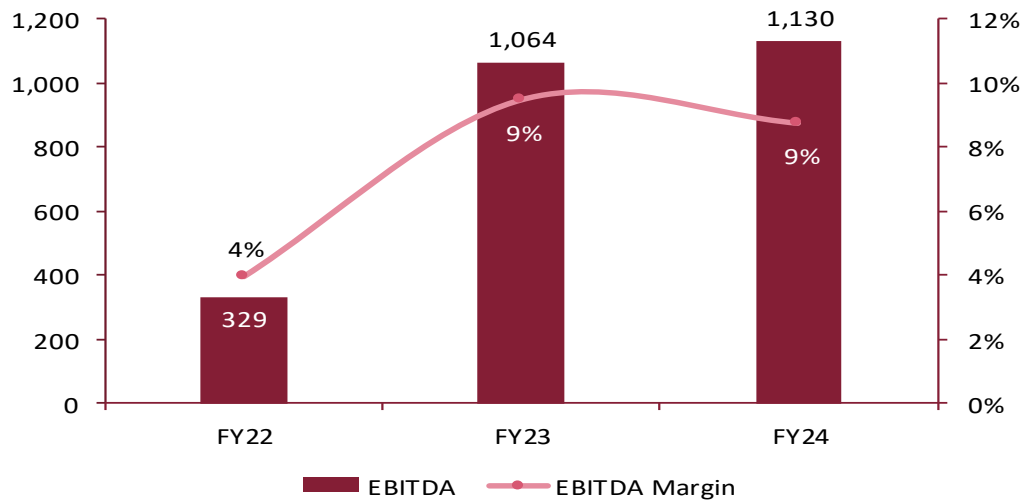
### Revenue from operations (Rs. Mn)



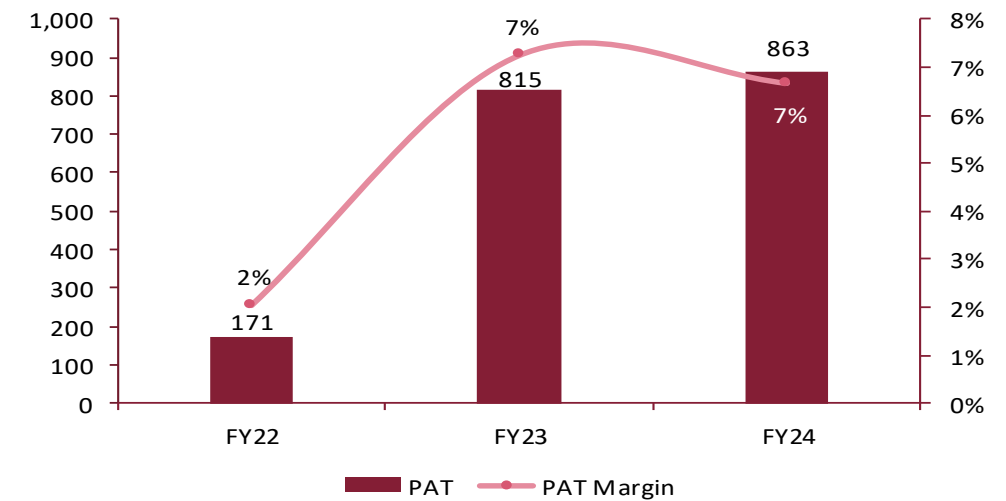
### Working Capital Days



### EBITDA (Rs. Mn) and OPM (%)

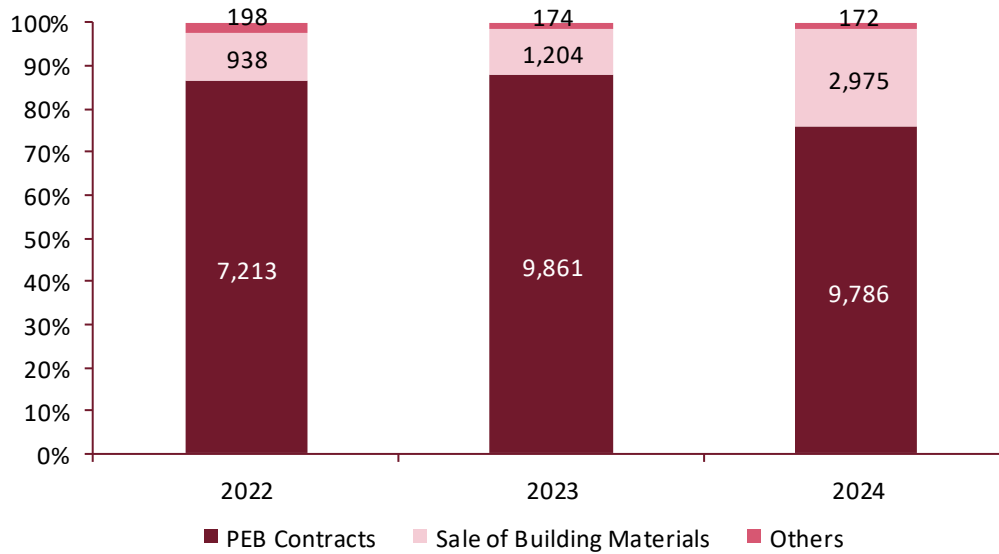


### PAT (Rs. Mn) and PAT Margin (%)

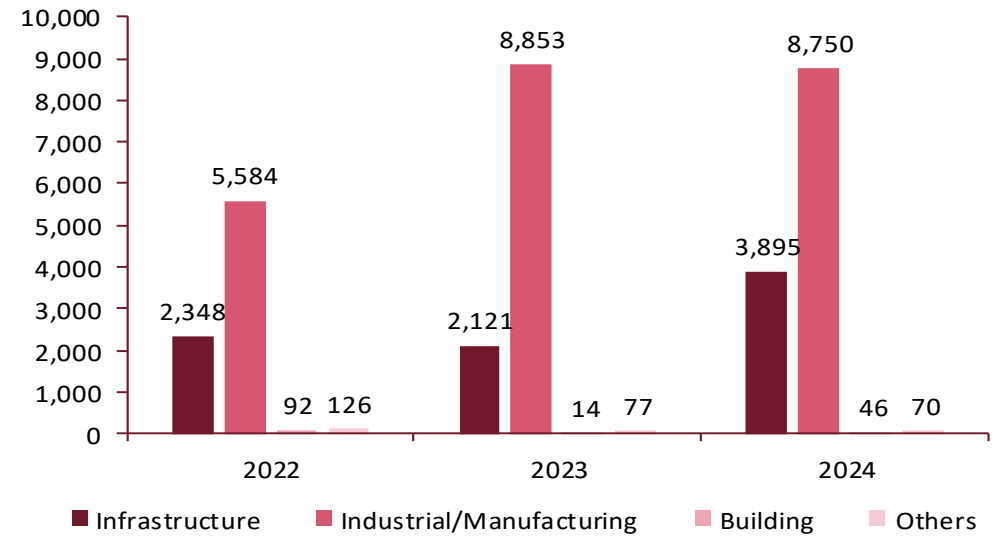


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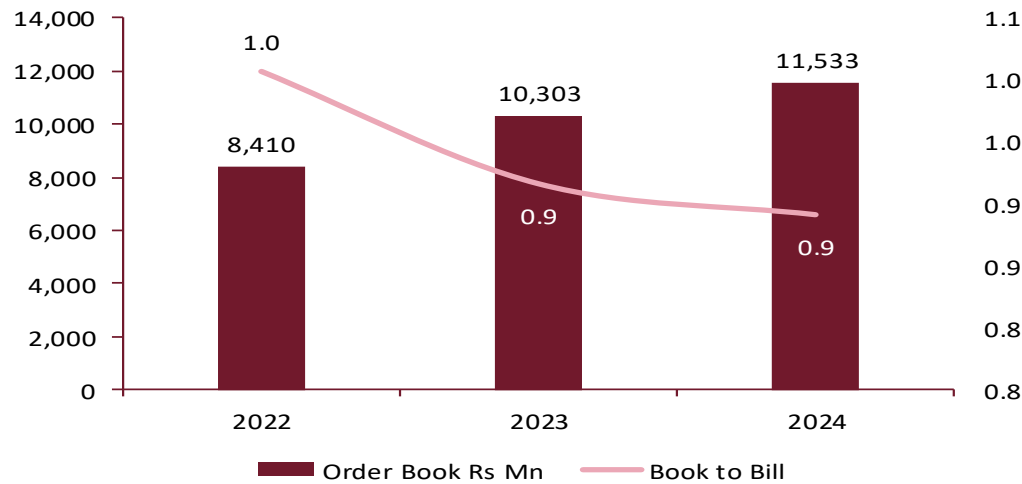
### Segmental Revenue (Rs. Mn)



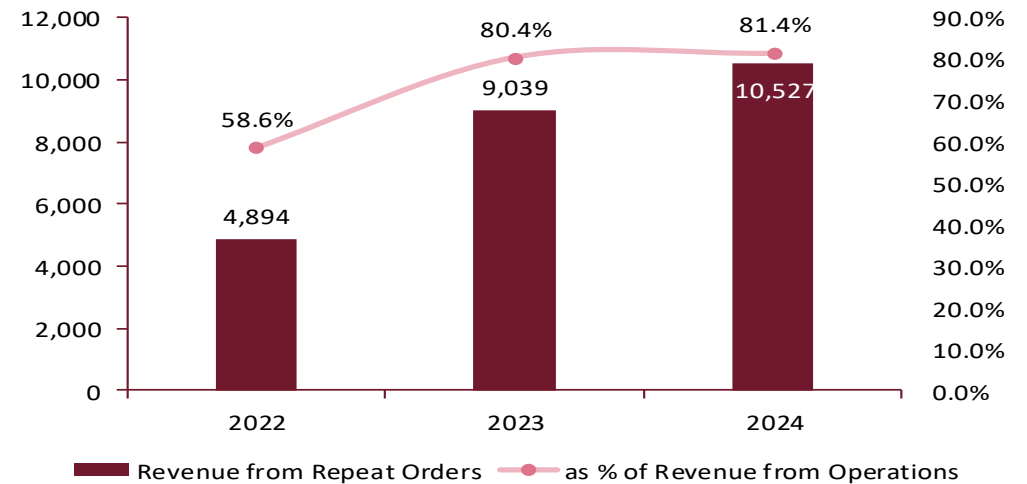
### Revenue by Sector (Rs. Mn)



### Order Book (Rs. Mn)

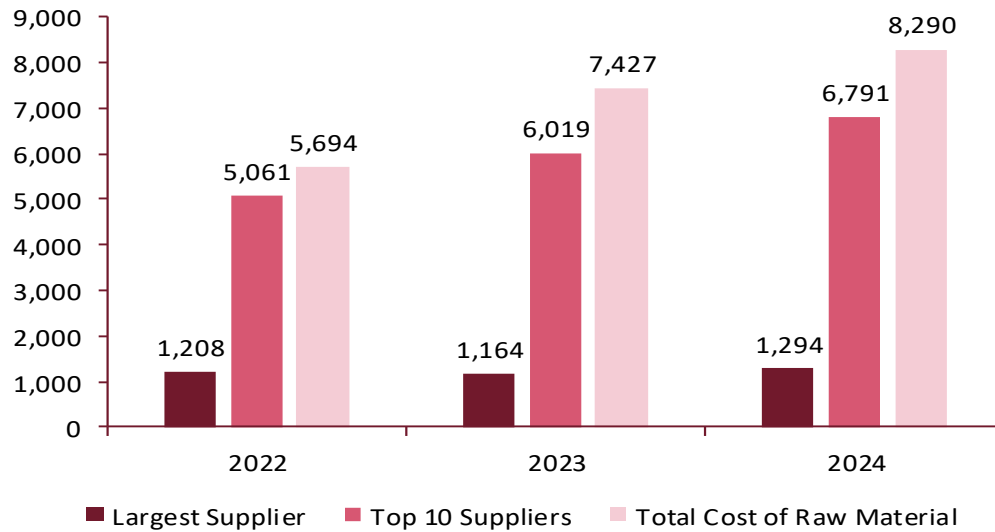


### Revenue from Repeat Orders (Rs. Mn)

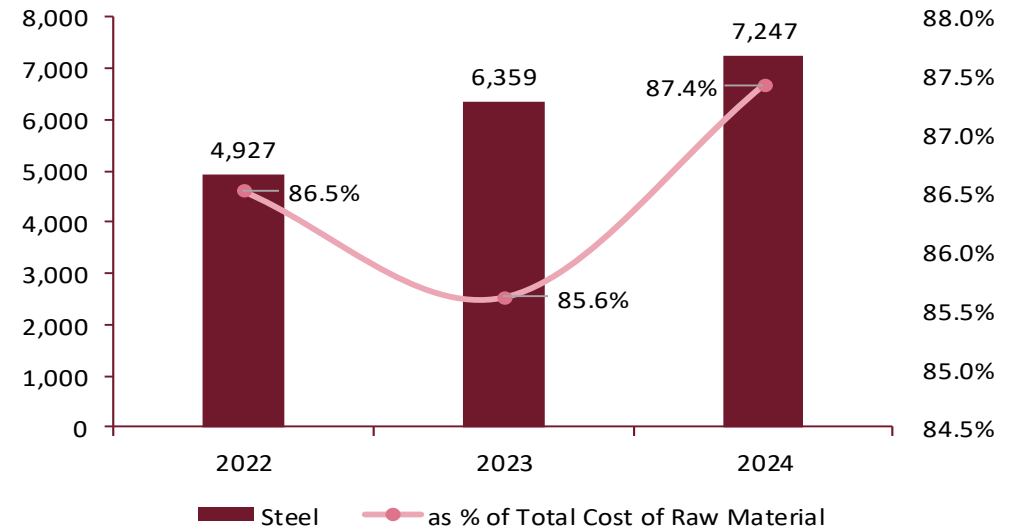


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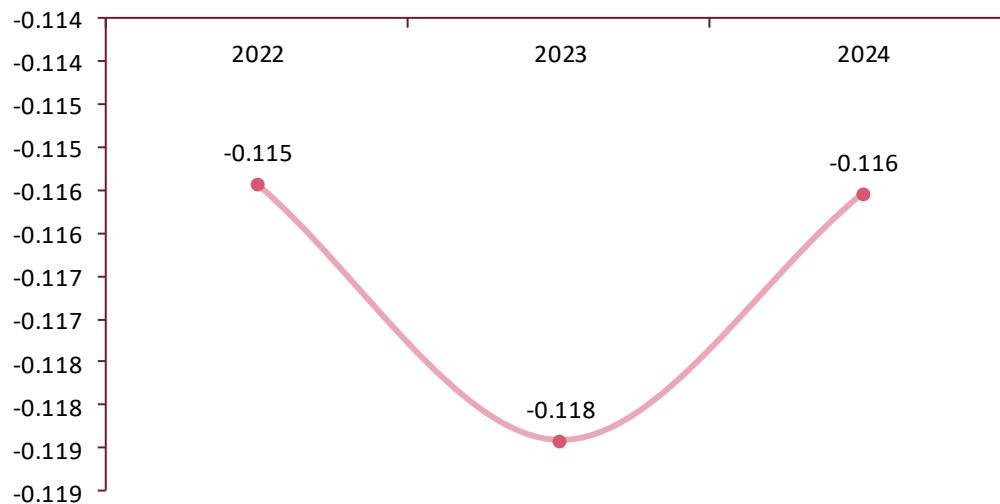
### Raw Material Suppliers (Rs. Mn)



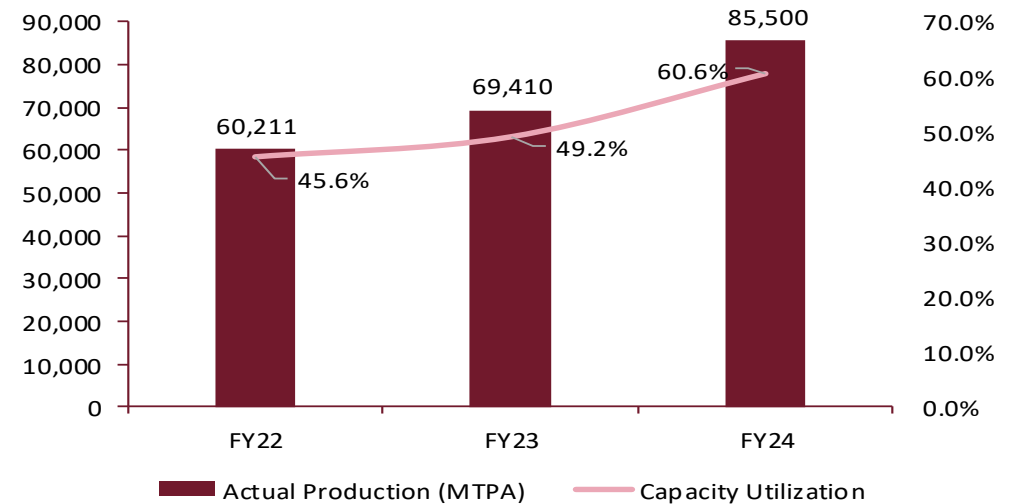
### Steel as a component of Cost of Raw Material (Rs. Mn)



### Net Debt to Equity (x)



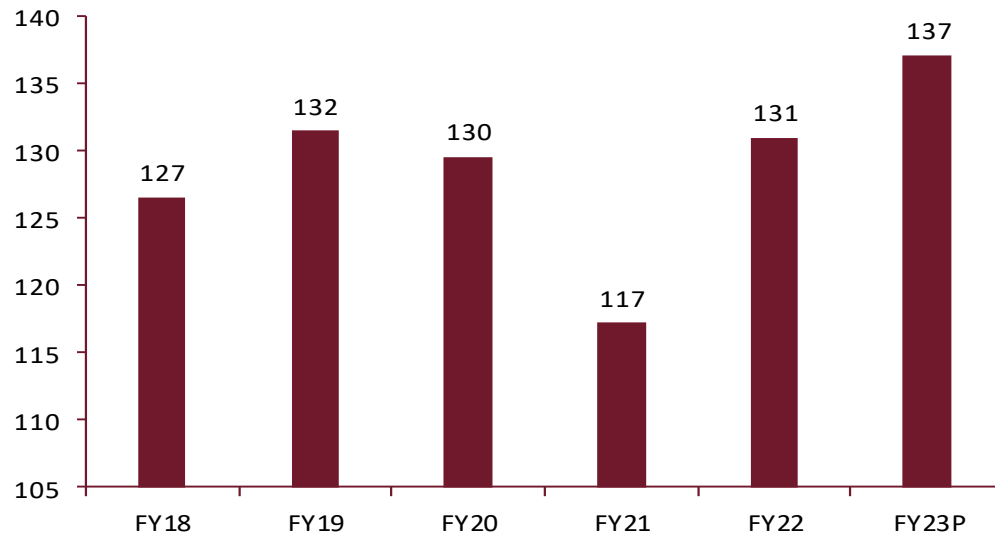
### Actual Production (MTPA)



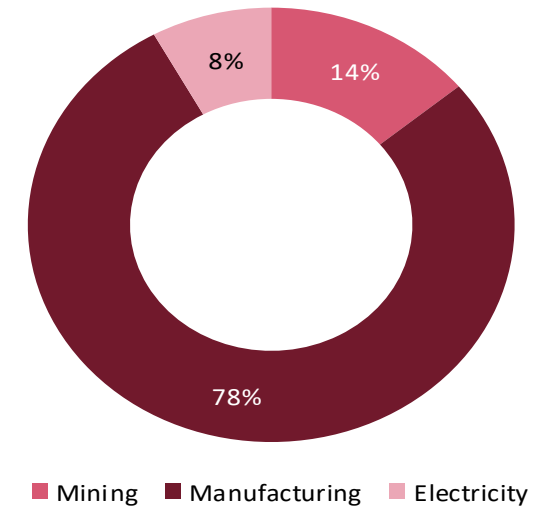


## Industry Overview

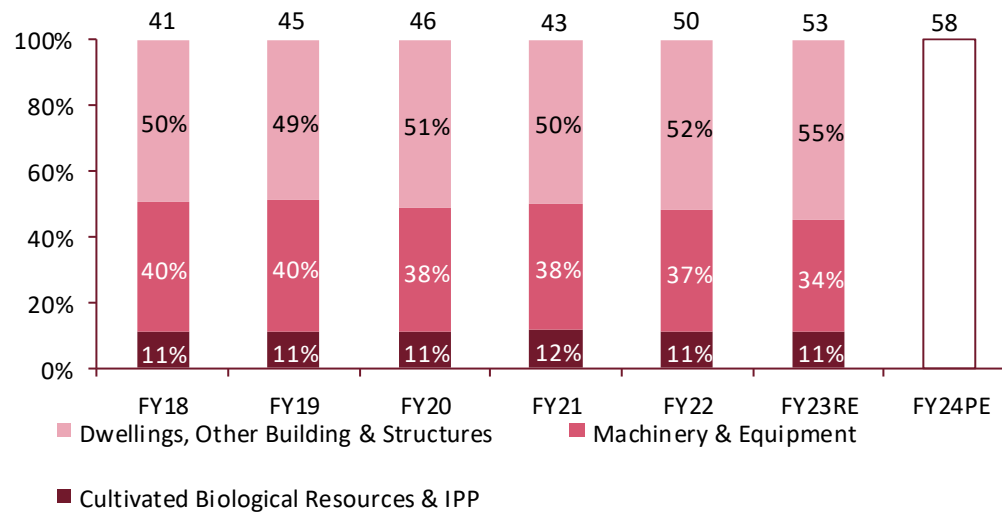
### Manufacturing Index of Industrial Production (IIP)



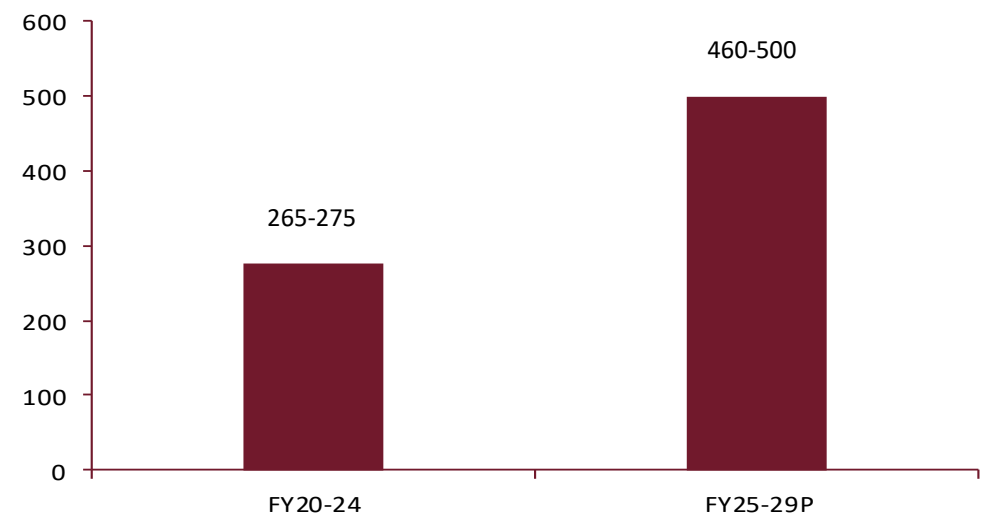
### Weight of Manufacturing IIP in FY24



### GFCF Trend in India (Rs. Trn)

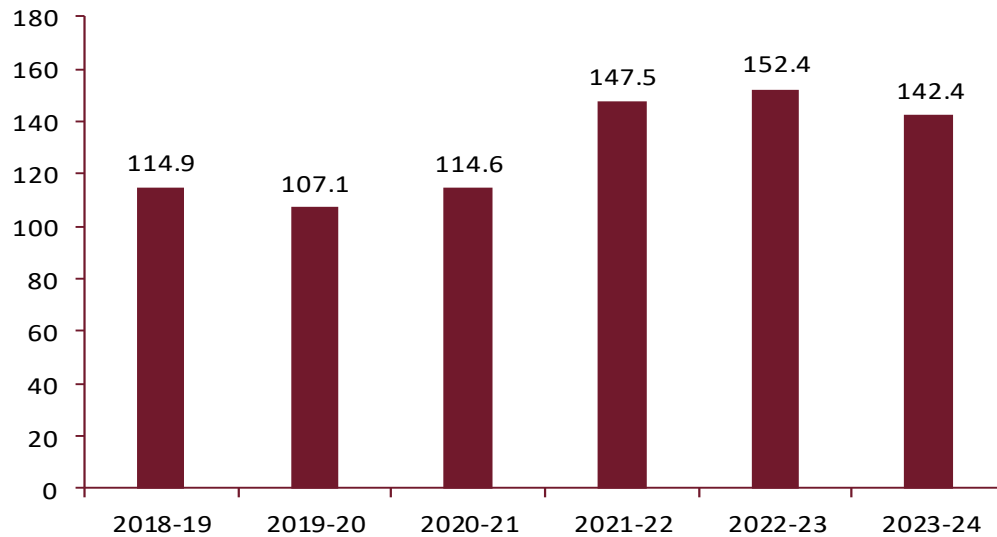


### Construction Investments Warehousing and Cold Storage (Rs. Bn)

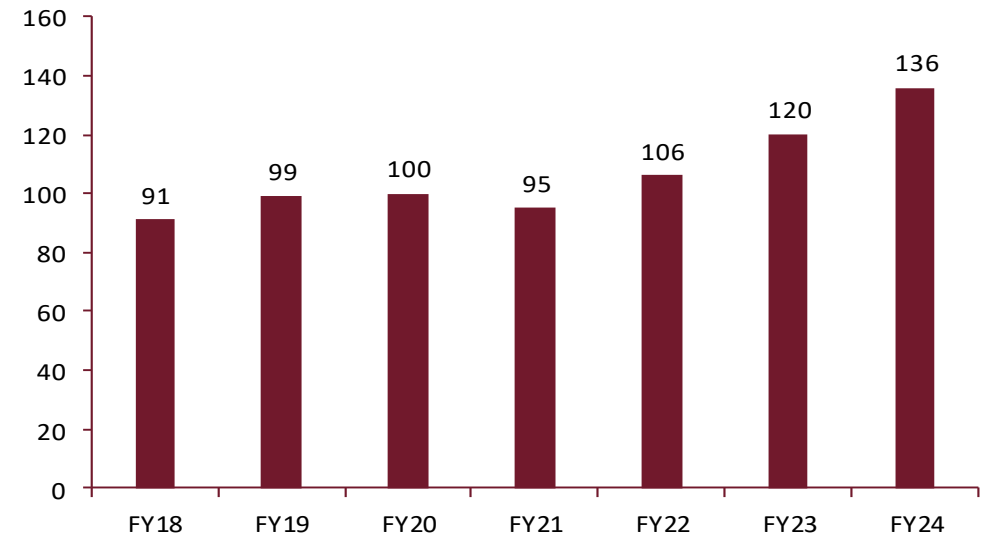


## Industry Overview

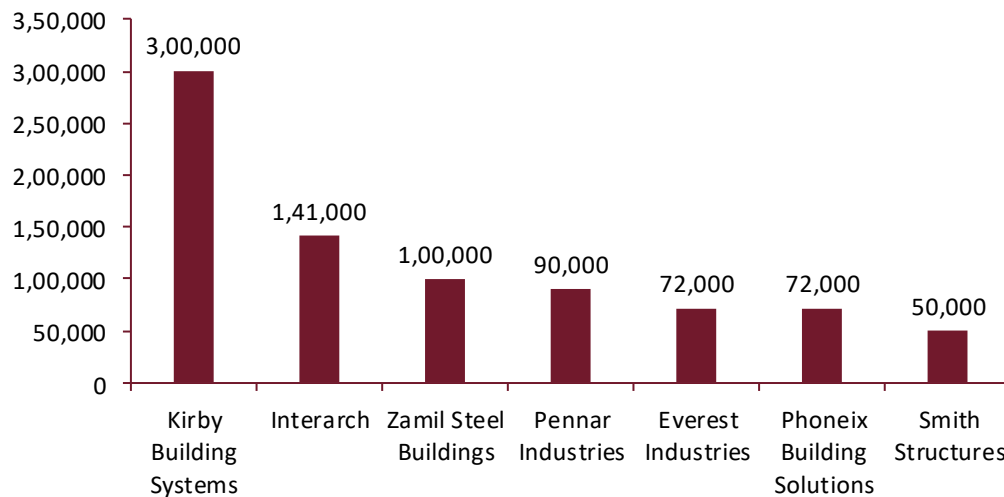
### Mild Steel Prices Trend - Long and Flat Products



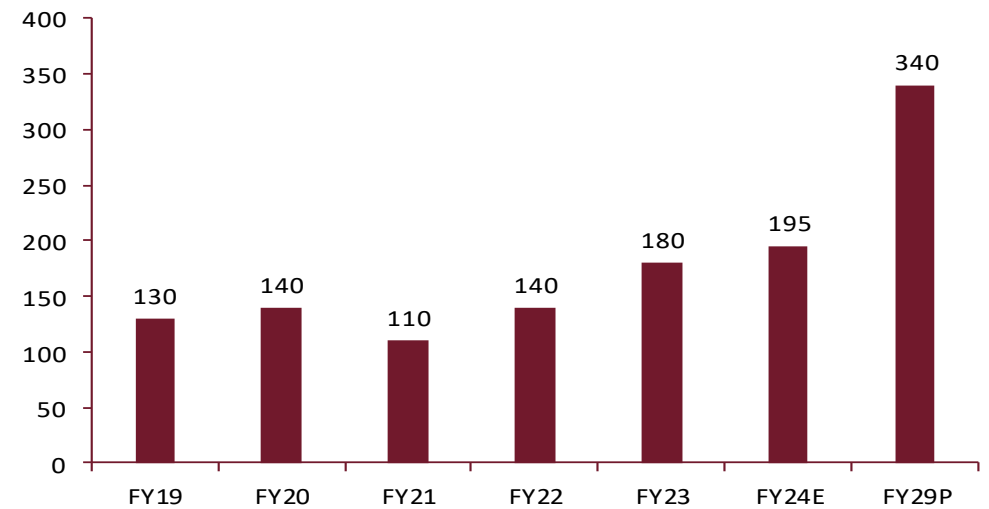
### Finished Steel Consumption in India (Mn Tonne)



### PEB Related Installed Capacity (MTPA)

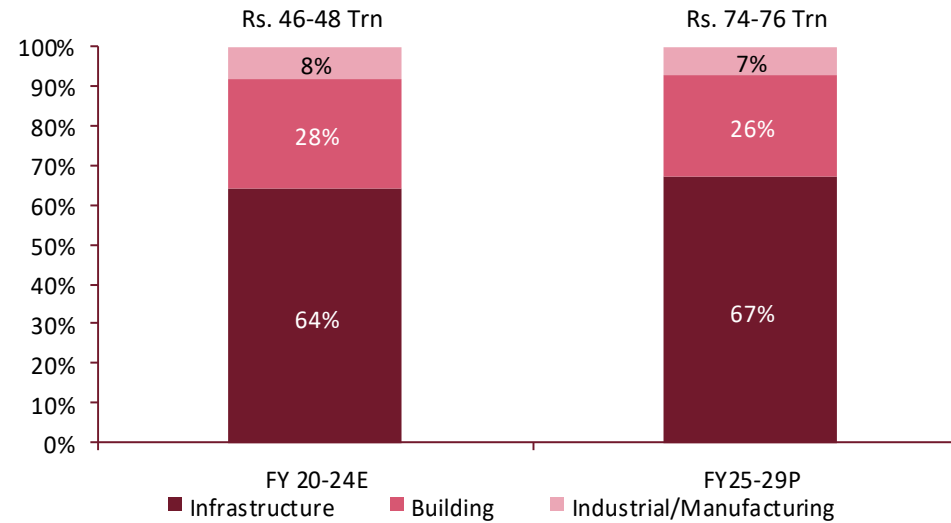


### Pre Engineered Building Market in India (Rs. Bn)

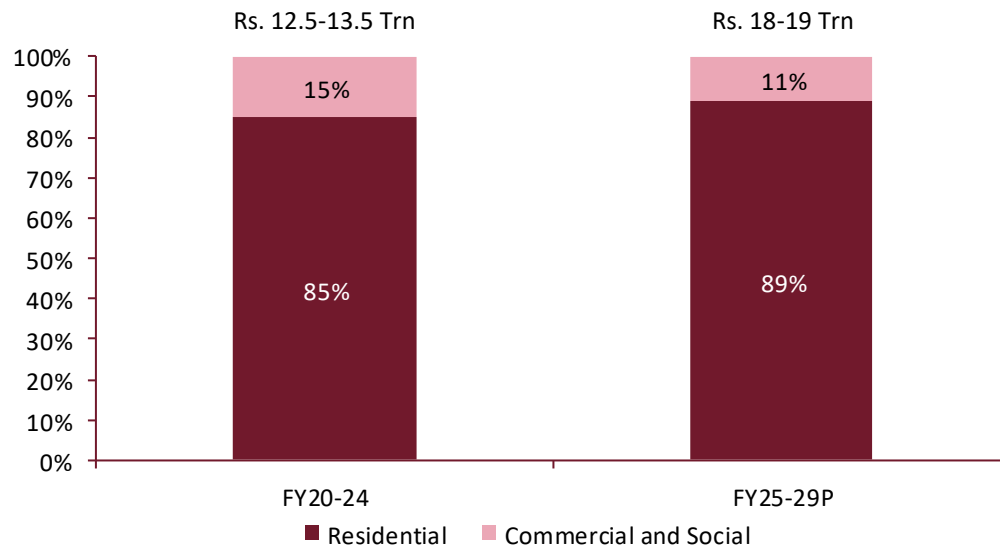


# Industry Overview

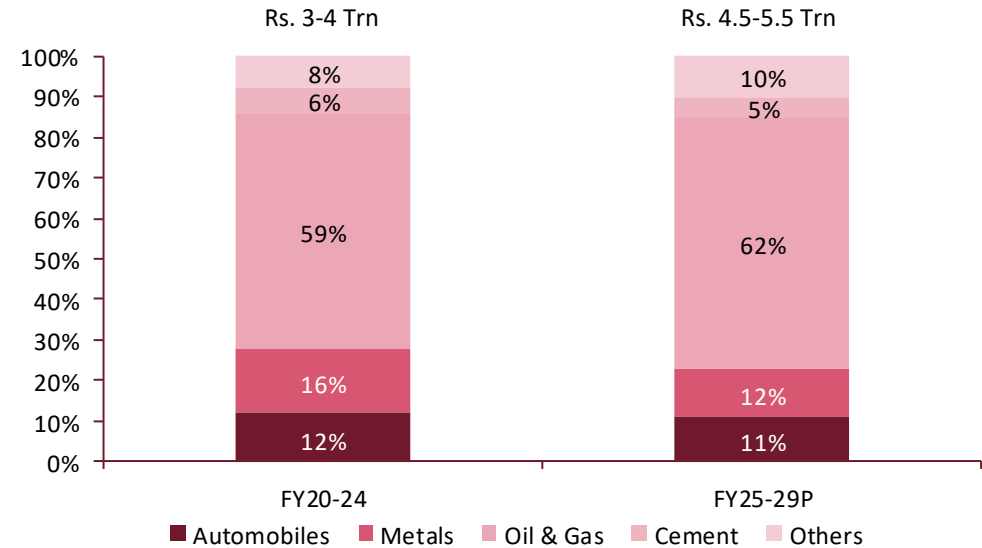
## Domestic Construction Sector



## Share of Buildings



## Industrial Construction Investment in India



## INDSEC Rating Distribution

**BUY** : Expected total return of over 15% within the next 12-18 months.

**HOLD** : Expected total return between 0% to 15% within the next 12-18 months.

**SELL** : Expected total return is negative within the next 12-18 months.

**NEUTRAL**: No investment opinion, stock under review.

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### DISCLOSURE

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