

Interarch Building Products Limited

Infrastructure | India

IPO | 17 August 2024

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About the Company

Interarch Building Products Limited (IBPL) is one of the leading turnkey pre-engineered steel construction solution providers in India with integrated facilities for design and engineering, manufacturing, on-site project management capabilities for the installation and erection of pre-engineered steel buildings ("PEB"). IBPL has the second largest aggregate installed capacity of 141,000 metric tons per annum ("MTPA") and a market share of 6.5% in FY24. The company's PEB offerings are designed, engineered and fabricated by us in accordance with customer requirements, and find use in construction for industrial, infrastructure and building (residential, commercial and non-commercial) end-use applications.

Strong growth in industrial trends

The Indian PEB industry is expected to grow at a CAGR of 11-12 % CAGR over FY24-29 (Source: CRISIL Report), and IBPL extensive track record, domain experience, established brand presence and market position, paired with our in-house design and engineering, manufacturing, supply, and onsite project management capabilities for the installation and erection of PEBs supplied by us will benefit from such growth as its ranks 3rd among the PEB players. Increasing investments in public infrastructure, growing urbanization and increasing awareness of benefits of pre-engineered construction vis-à-vis the traditional onsite model and rising demand for green buildings globally are the key growth drivers.

Shift from unorganized to organized and increase in geographical footprint

IBPL has grown faster than the industry growth rates, and its presence in various PEB segments with a growing shift to organized sector players will benefit as they have a reliable track record, maximized supply chain capabilities and quality engineering service and products through their vertically integrated manufacturing operations with presence across the product life cycle of PEBs. IBPL is expanding its geographical footprint to cater to strategic markets in India and overseas, evaluating expanding sales & marketing network to Central & West Asia, Southeast Asia & Africa.

Expansion of facilities will drive further growth

IBPL has consistently added new manufacturing facilities over the last few years and raising fresh money for expansion of its Andhra Pradesh and Gujarat facilities as the demand for PEB continues to grow in the coming years as low share of PEBs in India combined with the increasing of awareness of benefits of pre-engineered buildings over RCC, provides a substantial growth potential from various industries. IBPL has achieved economies of scale with improved manufacturing, faster construction timelines and cost optimization for its clients which helps them for repeat orders and higher growth in multiple industries.

Financials in Brief

IBPL's financials have seen an increase in revenue from 835 Cr in FY22 to 1293 Cr in FY24 which grew by a CAGR of 24.5% with strong order book, repeat orders from large customer groups as it enjoys relationships with the company for more than 5 years. EBITDA and PAT margins have also moved higher as the revenues expanded, improvement in manufacturing processes, aid in technology infrastructure, investment design and engineering capabilities improved the overall operational efficiencies.

Our View

IBPL has its presence of over 30 years in the PEB industry and has worked with industry leaders in project development & construction, providing support to critical industrial, commercial and infrastructure projects and building a critical brand presence and market position as 81% of the orders for FY24 are from repeat customers. Rapid industrialization, urbanization and the high adoption rate of advanced construction practices, growing Investments in renewable energy, smart city mission and favorable government initiatives leading to increase in overall capex investments for tourism, warehousing and better public infrastructure connectivity will enable sustainable growth for IBPL in the next few years. IBPL domain expertise, early mover advantage in the segment, diverse customer base and demonstrated financial performance are the added strengths. **Hence, we recommend a SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	850-900
Face Value (Rs)	10
Issue Open/Closing Date	19-Aug-24/21-Aug-24
Fresh Issues (Cr)	200.00
OFS (Cr)	400.29
Total Issue (Cr)	600.29
Minimum Bid Qty. (Nos)	16
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Crs)*	1497

*At higher band

Object of the Issue

- ▶ Financing the capital expenditure of new units and upgradation of existing facilities.
- ▶ Funding investment in IT assets, working capital and general corporate purposes.

Strengths

- ▶ Leading turnkey pre-engineered steel construction solutions providers in India.
- ▶ Diverse customer base and long-standing relationships with key customers.
- ▶ Demonstrated track record of execution backed by on-site project management capabilities.
- ▶ Demonstrated financial performance and a robust order book.

Key Risks

- ▶ Sharp increase in input costs could dent margins.
- ▶ Slowdown in repeat and fresh orders could put fresh capacities unutilized.

Key Financials

(Rs Crs)	FY22(12)	FY23(12)	FY24(12)
Revenue	834.9	1123.9	1293.3
EBITDA	32.9	106.4	113.0
EBITDA Margin (%)	3.9	9.5	8.7
PAT	17.1	81.5	86.3
PAT Margin (%)	2.1	7.2	6.7
Diluted EPS (Rs)	10.3	48.9	51.8
RoE (%)	5.4	20.4	19.4
RoCE (%)	8.3	26.8	25.8
Net Worth	262.6	343.8	387.5
Total Borrowings	3.4	11.4	10.2

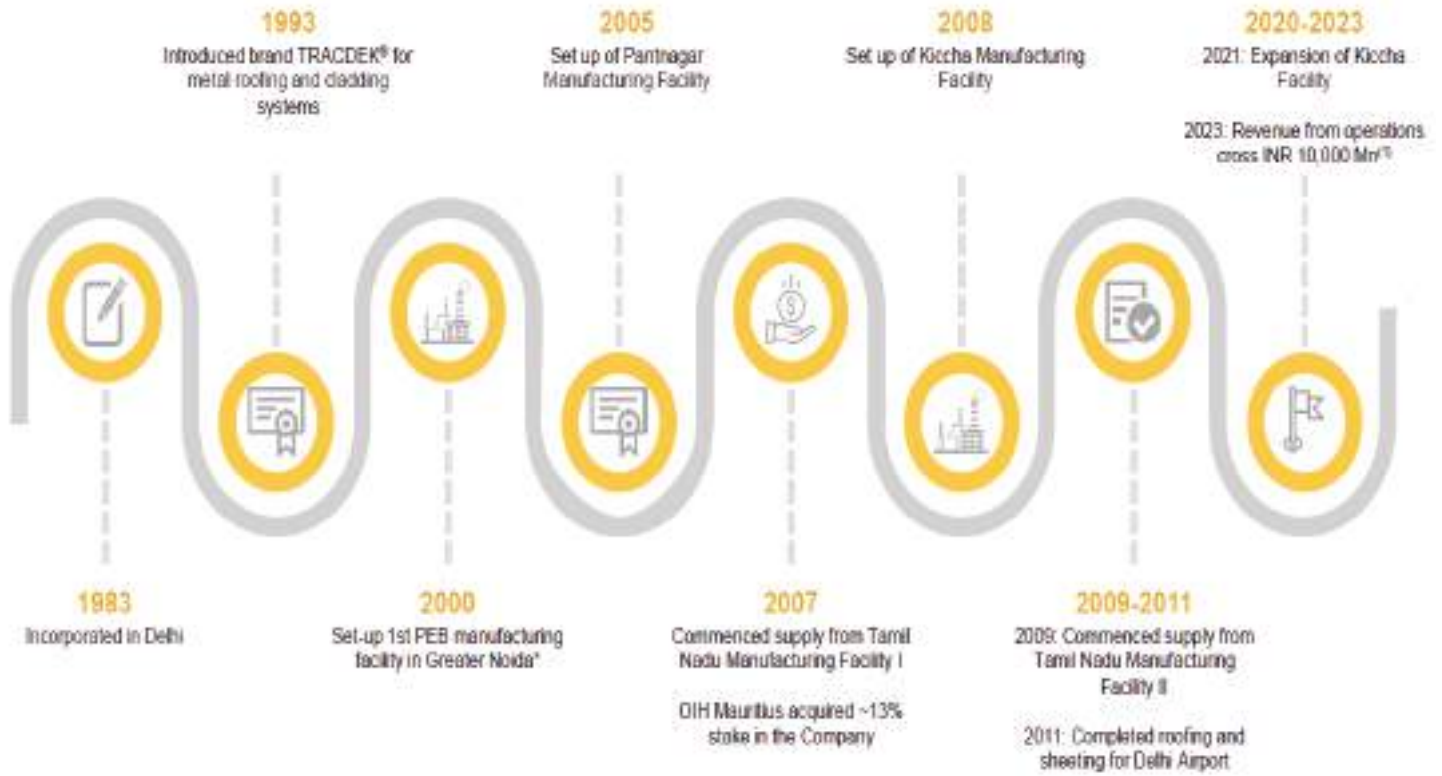
Source: RHP

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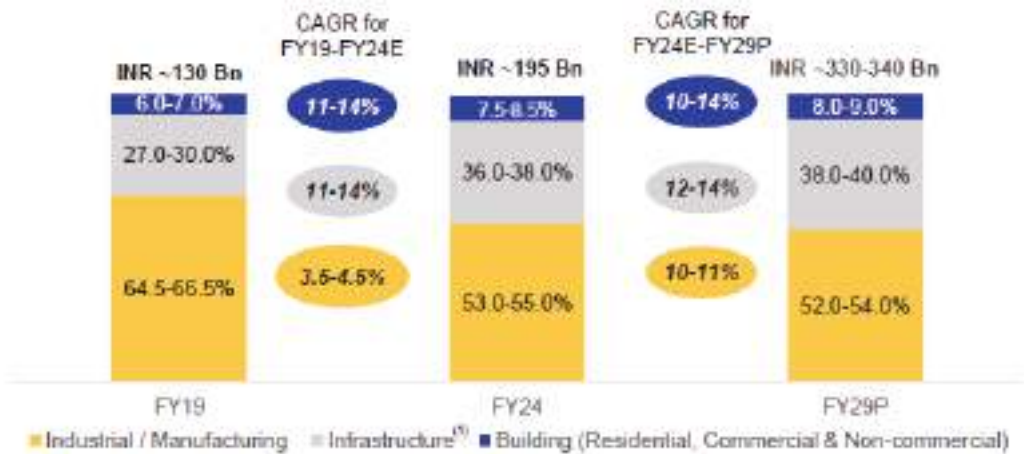
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Exhibit 1: Company Evolution



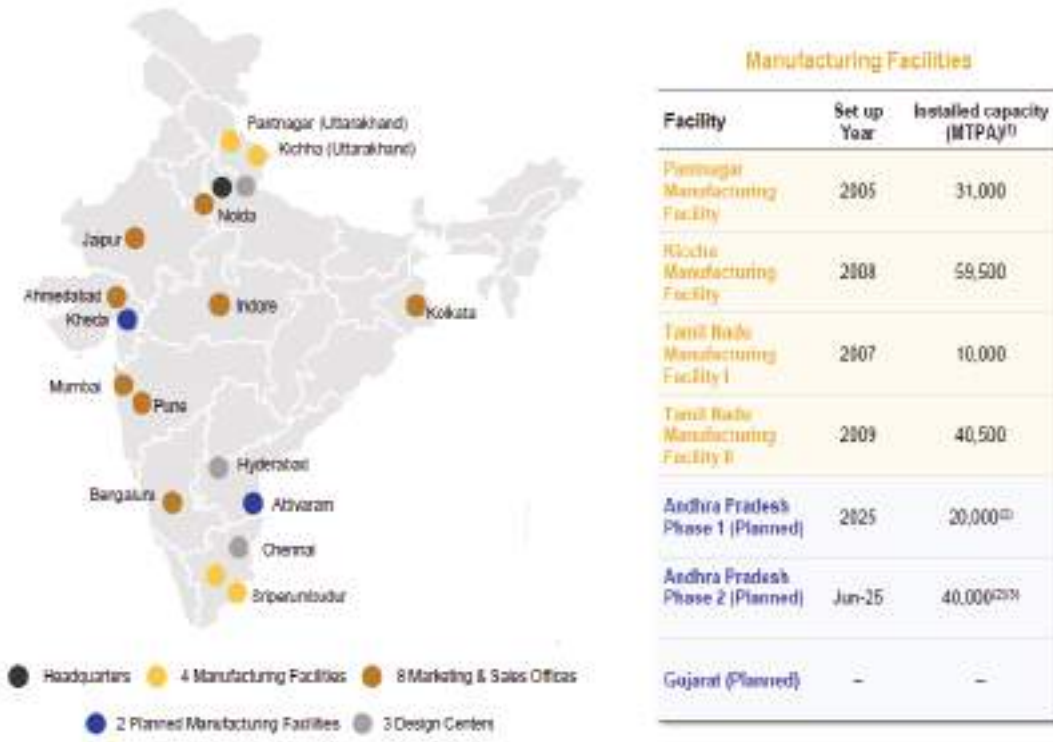
Source: RHP, Note: * Subsequently closed; (1) in FY23

Exhibit 2: The PEB Market in India – Segments



Source: RHP; CRISIL Report | Note: (1) Including warehouse

Exhibit 3: Significantly Integrated Manufacturing Operations, Backed by In-house Design and Engineering, On-site Project Management and Sales & Marketing Capabilities



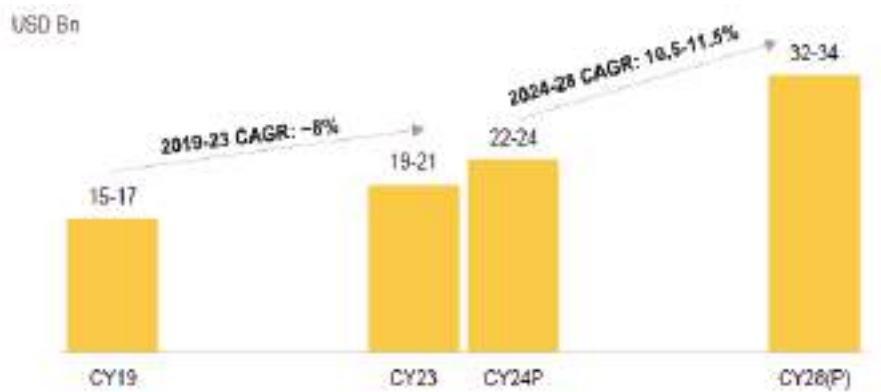
Source: RHP

Exhibit 4: Extensive Track Record of Delivering Significant / Complex Projects across India



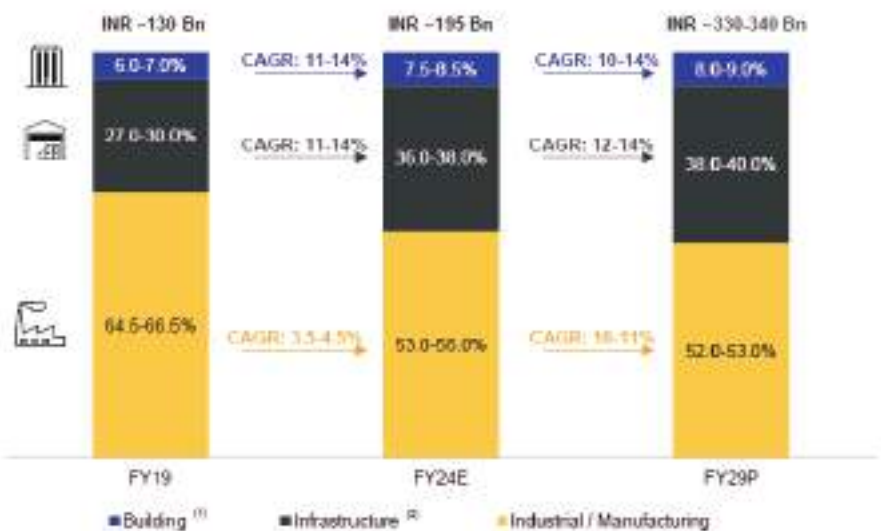
Source: RHP

Exhibit 5: Global Pre-engineered Steel Buildings Market



Source: RHP, CRISIL Report

Exhibit 6: Pre-engineered Steel Building Industry in India



Source: RHP, CRISIL Report

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