



IPO note:

INTERARCH BUILDING PRODUCTS LTD- SUBSCRIBE

Interarch Building Products Ltd is one of the leading turnkey Pre-engineered steel construction solution providers in India. The company provides facilities such as Design & engineering, Manufacturing, On-site project management capabilities for the installation and Erection of Pre-Engineered Steel Buildings (PEB) which are used in construction of Industrial, Infrastructure and Building (Residential, Commercial and Non-Commercial). In FY23, the company, ranked third to have highest operating revenue from PEB among integrated PEB players in India with 6.1% market share. As of March 31, 2023, the company's installed capacity was 1,41,000 Metric Tonnes Per Annum (MTPA), making it the second highest aggregate capacity in India. Interarch, provides services as per customer needs. They have provided PEBs for projects ranging from multi-level warehouses for e-commerce clients to paint production lines for paint manufacturers and the fast-moving consumer goods (FMCG) industry for customers putting up manufacturing facilities to produce their items. Large-span PEBs have also been provided by company to clients in the cement sector and indoor stadiums. Between the fiscal year 2015 and the fiscal year 2023, as well as the six months that concluded on September 30, 2023, the company accomplished the execution of 623 PEB Contracts, proving long history in the PEB sector.

The company supply PEBs through two methods: (A) Pre-engineered steel building contracts (PEB Contracts), in which they provide clients with complete PEBs on a turn-key basis, along with on-site project management expertise for the installation and erection of PEBs they supply at their sites and (B) Pre-engineered steel building materials sales (PEB Sales), comprising (i) Sale of metal ceilings and corrugated 225 roofing (comprising metal suspended ceiling systems (under the brand, TRAC), Metal roofing and cladding systems (under the brand, TRACDEK) and Permanent/metal decking (lost shuttering) over steel framing (under the brand, TRACDEK Bold-Rib) (ii) supply of PEB steel structures (comprising, amongst other things, primary and secondary framing systems as well as complete PEBs, such as non-industrial PEB buildings for non-industrial use, such as farmhouses and residential buildings (under the brand, Interarch Life) for erection and installation by third party builders/erectors, and (iii) light gauge framing systems (LGFS).

The company manufactures their products in house at their manufacturing unit including Two manufacturing facilities in Sripurumbudur, Tamil Nadu, India and Pantnagar, Uttarakhand, India (Pantnagar Manufacturing Facility), and Kichha, Uttarakhand, India (Kichha Manufacturing Facility).

The company was originally incorporated as Luxalon Building Products Private Limited. Later on this name changed to Interarch Building Products Private Limited by Board resolution on January 24, 1985 because they had started marketing of other brands of international architectural building products. After being deemed public ltd company, they changed their name again to "Interarch Building Products Limited" in 1997. After approval of shareholders and BOD in 2001, Company's status was converted from a deemed public ltd to a private ltd company and consequently, the name was changed to "Interarch Building Products Private Limited" and In 2023, Company was converted into a public limited company and consequently, the name of the company was changed to "Interarch Building Products Limited".

Investment Recommendation and Rationale: -

At the upper price band of Rs. 900, the issue is priced at a P/E multiple of 17.36 its FY24 post IPO EPS of Rs. 51.84 We give a 'SUBSCRIBE' rating to the issue for the following reasons: -

- Established brand presence and market position in the booming pre-engineered building industry, with over 30 years of brand experience. Among integrated PEB businesses in India, the second largest aggregate installed capacity is 141,000 MTPA as of March 31, 2024, with a market share of 6.5% in terms of operating revenue in the fiscal year 2024.**
- Manufacturing activities are highly integrated, with in-house design and engineering, onsite project management and sales.**
- Developed track record of execution of pre-engineered steel building projects, varied customer base, and long-standing partnerships with important customers.**
- The company's financial performance has improved in recent years, with plans to diversify its customer base and offers. It also has experienced and competent promoters and management team.**

Type of Issue	Fresh Issue of 2,22,222 shares (aggregating up to Rs. 200 Cr) Offer for Sale of 4,44,630 shares (aggregating up to Rs. 400.29 Cr)
Issue size	Rs. 600.29 crores
Price Band	Rs. 850 to Rs. 900 (FV-Rs. 10)
Bid lot/ Bid Size	16 shares/ Rs. 14400
Issue structure	QIB-50% HNI-15% Retail-35%
Post issue equity shares	1,66,38,114 shares
Promoters and Promoter Group Public	Pre Issue-87.53% Post Issue- 59.91% Pre issue-12.47% Post Issue- 40.09%
Post issue implied market cap	Rs. 1,497.43 crores
BRLMs	Ambit pvt Ltd, Axis Capital Ltd,
Registrar to the issue	LinkIntime India Private Limited

Financial Summary (Restated Consolidated) (₹Crore)

Particulars	FY24	FY23	FY22
Installed Capacity (in MTPA)	141,000	141,000	132,000
Revenue from operations	1293.30	1123.93	834.94
EBITDA	113.02	106.38	32.89
EBITDA margin	8.74%	9.47%	3.94%
Profit	86.26	81.46	17.13
EBITDA Growth	-	40.18%	98.18%
Profit Margin	6.67%	7.25%	2.05%
ROCE	25.79%	26.75%	8.30%
ROE	19.40%	20.40%	5.38%
Net cash generated from operating activities	81.52	31.29	26.18
Asset Turnover Ratio (times)	1.81	1.84	1.65
RoCE	8.63%	16.63%	12.90%
Cash Conversion Cycle (days)	65.27	64.58	64.89
Net Debt	(48.91)	(40.94)	(32.86)
Net Debt to EBITDA (times)	(0.43)	(0.38)	(0.98)
	(0.11)	(0.10)	(0.10)

Source: Red Herring Prospectus (RHP)



Objects of the issue

Offer for Sale of 4,447,630 shares (aggregating up to Rs. 400.29 Cr)

Shareholding pattern

Name of the Selling Shareholders	Type	Number of Equity Shares Offered	Weighted Average Cost of Acquisition per Equity Share (in ₹)^
Arvind Nanda	PSS	720,000 Equity Shares of face value of ₹ 10 each	4.99
Gautam Suri	PSS	790,000 Equity Shares of face value of ₹ 10 each	5.56
Ishaan Suri	PSS	539,930 Equity Shares of face value of ₹ 10 each	0.25
Shobhna Suri	PGSS	600,100 Equity Shares of face value of ₹ 10 each	0.00
OIH Mauritius Limited	ISS	1,797,600 Equity Shares of face value of ₹ 10 each	500.00

Source: Red Herring Prospectus (RHP)

Fresh Issue of 2,222,222 shares (aggregating up to Rs. 200 Cr)

Company plans to use the Net Proceeds to fund the following objects:

1. Financing capital expenditure for setting up a new PEB manufacturing unit, Upgradation of Kichha Manufacturing Facility, Tamil Nadu Manufacturing Facility I, Tamil Nadu Manufacturing Facility II and Pantnagar Manufacturing Facility.
2. Funding for working capital requirement and invest into existing Information Technology for upgradation.
3. General Corporate purpose.

Source: Red Herring Prospectus (RHP)

The below table states the details of revenue generated from PEB contracts with customers and Sale of building material:

End use sector	FY22		FY23		FY24	
	Amount of Revenue (Rs. In crores)	% of Total revenue	Amount of Revenue (Rs. In crores)	% of Total revenue	Amount of Revenue (Rs. In crores)	% of Total revenue
Infrastructure Construction	234.77	28.80	212.77	19.17	389.54	30.53
Industrial/Manufacturing Construction	558.43	68.51	885.34	80.01	874.97	68.57
Building Construction	9.25	1.13	1.43	0.13	4.56	0.36
Others	12.63	1.55	7.72	0.70	7.00	0.55
Total	815.10	100.00	1106.57	100.00	1276.08	100.00

Source: Red Herring Prospectus (RHP)

The Table set forth below shows breakdown of revenue from repeat orders:

Particular	FY22		FY23		FY24	
	Revenue (Rs. in crores)	% of revenue from operations	Revenue (Rs. in crores)	% of revenue from operations	Revenue (Rs. in crores)	% of revenue from operations
Revenue from repeat orders	489.42	58.62	903.87	80.42	1052.67	81.39

Source: Red Herring Prospectus (RHP)

The table below shows orderbook of the company:

Particular	FY22	FY23	FY24
Total orderbook (Rs. in crores)	841.02	1030.30	1153.296

*Order book as of a particular date is calculated based on the aggregate contract value of company's ongoing projects as of such date reduced by the value of work invoiced by the company until such date.

Source: Red Herring Prospectus (RHP)



Peer Comparison

Name of the company	Face Value per equity share (in Rs)	Revenue from Operations for FY 24 (Rs. In crores)	EPS (Basic) (Rs per share)	EPS (Diluted) (Rs per share)	P/E	RoWN (%)	Net Asset Value ("NAV") (Rs. In crores)
Interarch Building Product Ltd	10	1293.30	58.68	58.68	17.36	22.26	268.80
Listed Peers							
Everest Industries Ltd	10	1575.45	11.42	11.33	105.95	3.01	378.37
Pennar Industries Ltd	5	3130.57	7.29	7.29	25.16	11.21	65.02

Source: Red Herring Prospectus (RHP)

Key Achievement

- In 2022, the company received Award for outstanding contribution in PEB Projects for Varanasi International Cooperation and Convention Centre- Rudraksha by EPC World awards
- Awarded for the "Pre-Engineered Building Project of the year" by Construction Week India Awards in 2022.
- Awarded for the "Best Innovation PEB Project Award of the Year" by BAM Awards in 2022.
- Awarded for "Pre-Engineered Building Company of the Year" by EPC World Awards in 2022.
- In 2024, received ISO 9001:2015 accreditation for quality management system for the Tamil Nadu Manufacturing Facilities, Kichha Manufacturing Facility and Pantnagar Manufacturing Facility.

Source: Red Herring Prospectus (RHP)

Competitive Strengths

- Market position and established brand presence in India's developing pre-engineered steel building market.
- Manufacturing operations are highly integrated, with in-house design and engineering, project management, and sales and marketing skills.
- Demonstrated track record of execution backed by on-site project management capabilities.
- Diverse customer base and long-standing relationships with significant customers.

Source: Red Herring Prospectus (RHP)

Growth Strategies

- Take advantage of industry growth opportunities by expanding and upgrading manufacturing facilities.
- Expanding geographical footprint to cater to strategic markets in India and overseas.
- Expand customer base and increase sales to existing customers.
- Invest in digital infrastructure to strengthen in-house design, engineering, and manufacturing capabilities, leading to greater operational efficiencies.

Source: Red Herring Prospectus (RHP)

Key Risks

- The availability and cost of raw materials, including steel, are crucial for business and profitability. Any disruption or volatility in raw material prices can have a negative impact on operations, financial condition, and cash flow.
- Failure of suppliers to deliver raw materials on schedule might negatively impact company's business, financial situation, and cash flows.
- Inadequate utilization of production capacity can negatively impact business, financial performance, and cash flows.
- Customers do not sign long-term contracts and can cancel, amend, postpone, or default on payments. Cancellation, alteration, payment postponement, or default on orders can significantly impact cash flow, revenues, and earnings.

Source: Red Herring Prospectus (RHP)



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