



IPO Note

Interarch Building Products Limited

Recommendation: **APPLY!**

Company Background -

- Interarch Building Products Limited was originally incorporated as "Luxalon Building Products Private Limited" on Nov 30, 1983. The registered office is located at Mehrauli, New Delhi.
- The Company offers integrated facilities for design, engineering, manufacturing, and on-site project management for the installation and erection of pre-engineered steel buildings (PEB).
- The company had 2,114 permanent employees as of March 31, 2024.

Objects of the Issue -

- Financing the capital expenditure towards setting up the Project
- Financing the capital expenditure towards upgradation of the Kichha Manufacturing Facility, Tamil Nadu Manufacturing Facility I, Tamil Nadu Manufacturing Facility II and Pantnagar Manufacturing Facility
- Funding investment in information technology assets for upgradation of existing information technology infrastructure of the Company
- Funding Working Capital Requirements
- General Corporate Expenses.

Promoters Name -

Arvind Nanda, Gautam Suri, Ishaan Suri and Viraj Nanda

Rationale for recommendation -

- ✓ The top line and bottom line have increased in over the years and looks sustainable in the long run.
- ✓ The company has a total order book of Rs. 1,153.29 Cr.
- ✓ The company has performed better compared to its peers and has better cash conversion cycle.
- ✓ The company is planning to expand its geographic presence by installing manufacturing facilities in Andhra Pradesh and Gujarat.
- ✓ The company has vast experience in the industry.
- ✓ The management overview is decent.
- ✓ The PEB industry expected to grow at a CAGR of 11-12% during the forecast period 2024-2029.

IPO Details

Opening Date	Aug 19, 2024
Closing Date	Aug 21, 2024
Allotment Date	Aug 22, 2024
Listing Date	Aug 26, 2024
Stock Exchange	BSE, NSE
Lot Size	16 Shares
Issue Price Per Share	₹850 to ₹900
Issue Size	600.29 Cr.
Fresh Issue	200.00 Cr.
Offer for Sale	400.29 Cr
Application Amt	₹ 14,400 – ₹ 1,87,200 (16 to 208 shares)

KPI's	KPIs (In Cr)		
	FY 22	FY 23	FY 24
Revenue	834.94	1,123.93	1,293.30
EBITDA	32.89	106.38	113.02
Net Profit	17.13	81.46	86.26
RoCE	6.11%	23.53%	23.09%
ROE	5.38%	20.40%	19.40%
P/E	78.81	16.57	15.34

Promoter Share Holding Pattern

Pre-Issue	Post Issue
87.53%	49.11%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	58.68	51.85
BVPS	308.43	378.77
P/E	15.34	17.36
P/BV	2.92	2.38
Mkt Cap (In Cr)	1,297.43	1,497.43

Lead Managers -

Ambit Private Limited

Axis Capital Limited

Registrar -

Link Intime India Private Limited

Business Overview -

Interarch Building Products Limited offer PEBs by way of:

(a) Pre-engineered steel building contracts (“PEB Contracts”), wherein they provide complete PEBs on a turn-key basis to customers, and as a part of which, they also provide on-site project management expertise for the installation and erection of PEBs supplied at the customers’ sites.

(b) Sale of pre-engineered steel building materials (“PEB Sales”), which includes:

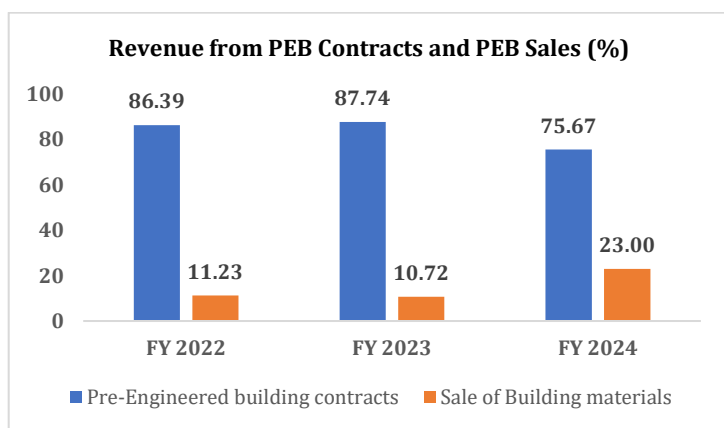
(i) sale of metal ceilings and corrugated roofing, comprising metal suspended ceiling systems (under the brand, “TRAC”), metal roofing and cladding systems (under the brand, “TRACDEK”) and permanent/metal decking (lost shuttering) over steel framing (under the brand, “TRACDEK Bold-Rib”)

(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.

(iii) light gauge framing systems (“LGFS”).

Order Book –

The company has a total order book of Rs. 1,153.29 Cr as of March 31, 2024.



Revenue Bifurcation -

(Amt in Crores)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Infrastructure construction	234.79	28.80	212.08	19.17	389.54	30.53
Industrial/ Manufacturing construction	558.43	68.51	885.34	80.00	874.97	68.57
Building construction	9.25	1.14	1.43	0.13	4.56	0.35
Others	12.63	1.55	7.72	0.70	7.01	0.55
Total	815.10	100.00	1,106.57	100.00	1,276.08	100.00

Manufacturing Facilities –

They primarily manufacture products in-house at their four manufacturing facilities, comprising two Manufacturing Facilities in Sriperumbudur, Tamil Nadu, India (“Tamil Nadu Manufacturing Facility I” and “Tamil Nadu Manufacturing Facility II”), and one each in Pantnagar, Uttarakhand, India (“Pantnagar Manufacturing Facility”), and Kichha, Uttarakhand, India (“Kichha Manufacturing Facility”).

Capacity Utilization –

As of March 31, 2024, the Manufacturing Facilities had an aggregate installed capacity of 141,000 MTPA. The average capacity utilized remained at 45.61%, 49.23% and 60.64% for FY 2022, 2023 and 2024 respectively.



Tamil Nadu Manufacturing Facility I



Kichha Manufacturing Facility

The company is planning to install two new PEB manufacturing units in Tirupati, Andhra Pradesh and Kheda, Gujarat.

Recommendation: **APPLY**

Competition -

- **Market Competition:** The PEB industry in India is very competitive. The competition depends on various factors, such as the type of project, total contract value, potential margins, complexity, location of the project and risks. But mostly price is the deciding factor.
- **Domestic Competition:** The company faces competition from organized as well as unorganized players in domestic market.
- **Barriers to entry:** Low barriers to entry as does not require significant upfront capital investment. The company has high threat of substitutes.
- **Bargaining Power of Suppliers:** The bargaining power is slightly high with the suppliers.
- **Bargaining Power of Buyers:** The bargaining power is slightly high with the customers.

Business Strategies -

Capitalize on industry tailwinds, expansion and manufacturing facilities: The company aims to utilise a portion of the Net Proceeds towards setting-up the project and upgrading their existing manufacturing facilities thereby enhancing their ability to capitalize on growing demand in the Indian PEB industry.

Expand customer base and increase sales to existing customers: The company intends to rely on existing customer relationships to generate Repeat Orders, and to emphasize quality consciousness, cost efficiency, and timely execution, and customer outreach and other sales and marketing initiatives to acquire new customers and expand customer base.

Invest in technology infrastructure: The company intends to continue to invest in technology infrastructure to enable further innovation, improve operational efficiencies, increase customer satisfaction and improve sales and profitability and intends to enhance design and engineering capabilities.

Risk Factors – 4

The company's top 10 suppliers accounted for 88.87%, 81.04% and 81.92% for FY 2022, 2023 and 2024 respectively for total purchases of raw materials.

The company majorly derived revenue from existing customers through repeated orders accounting to 58.62%, 80.42% and 81.39% for FY 2022, 2023 and 2024 respectively.

The company majorly derived significant portion of revenue from PEB contracts accounting to 86.39%, 87.74% and 75.67% for FY 2022, 2023 and 2024 respectively.

There are 80 outstanding cases filed against the company for tax matters (42), criminal matters (1) and regulatory matters (37) amounting to Rs. 29.91 Cr.

There are 9 outstanding cases filed by the company for criminal matter and 2 cases for civil matters amounting to Rs. 8.37 Cr.

The company has contingent liabilities amounting to Rs. 113.02 Cr for FY 2023-24.

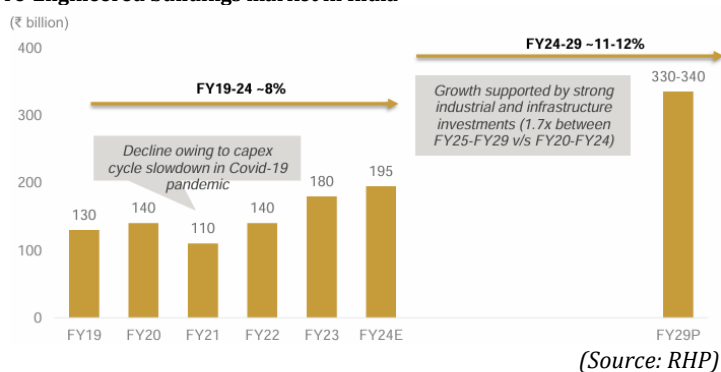
PEER ANALYSIS

Particulars	Interarch Building Products Limited			Everest Industries Limited			Pennar Industries Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	2%	7%	7%	3%	3%	1%	2%	3%	3%
EBITDA Margin	4%	9%	9%	7%	6%	4%	8%	9%	10%
RoCE	10%	23%	23%	11%	11%	5%	15%	20%	23%
ROE	5%	20%	19%	8%	7%	3%	6%	10%	11%
EPS (INR)	11.42	54.31	58.68	28.15	26.97	11.42	2.94	5.44	7.29
P/E	78.81	16.57	15.34	26.25	28.03	91.20	12.35	13.01	18.20

Indian PEB Industry -

The industry expanded at a CAGR of ~8.0% over Financial Years 2019-2024, growing from ₹ 130 billion in Financial Years 2019 to ₹195 billion in Financial Years 2024. The medium-term outlook is optimistic, with the industry growing at a strong 11.0-12.0% CAGR between Financial Years 2024 and 2029 to ₹ 330-340 billion, supported by investments in the industrial and infrastructure sectors, such as warehouses and logistics as well as expressways (wayside amenities and toll plazas).

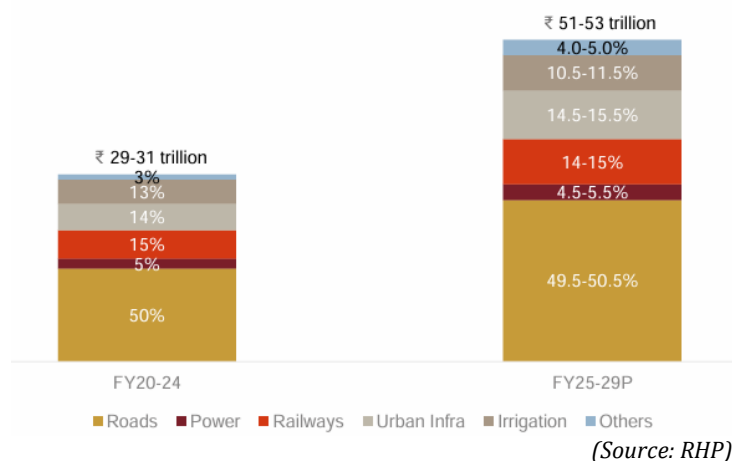
Pre-Engineered buildings market in India



Indian Infrastructure Industry -

The Indian infrastructure to play major role with around 3% contribution to GDP as on FY23. It is estimated that India’s infrastructure industry investments will be Rs. 52,962 billion between FY24-FY28. In the Union Budget 2024-25, the government continued its focus on infrastructure development with budget estimates of capital expenditure toward the infrastructure sector of Rs. 11,111 billion.

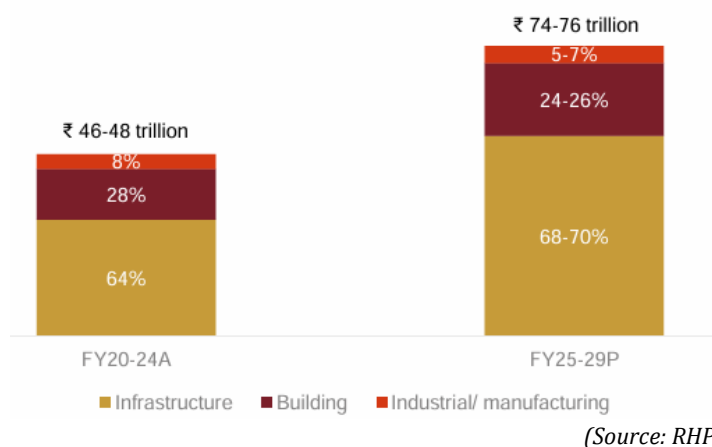
Share of infrastructure investments by sector



Indian Construction Industry -

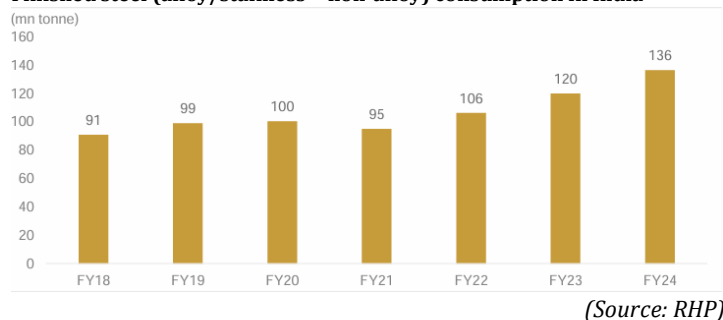
The construction sector in India can be broadly classified into Building Construction, Industrial/ Manufacturing construction, and Infrastructure construction. The total construction investments of ₹ 46-48 trillion between Financial Years 2020- 2024 and the same is expected to increase to ₹ ~74-76 trillion between Financial Years 2025- 2029P.

Break-up of the domestic construction sector



In India, the finished steel consumption grew from 91 million tonne (MT) in Financial Year 2018 to 136 MT in Financial Year 2024 owing to strong demand from allied sectors and the government's capital spending drive.

Finished steel (alloy/stainless + non-alloy) consumption in India



Key Management -



Key Management Persons Name -	Sonali Bhagwati Dalal
Age	62
Designation and No. of years of experience	Chairman and Independent Director, Experience in the architecture and design sector
Qualification	Diploma in Architecture
Roles and Responsibility	-
Other Directorships	Designplus Associates Services Private Limited, Fade to Black Design and Media Private Limited, Greenply Industries Limited etc.

Key Management Persons Name -	Arvind Nanda
Age	69
Designation and No. of years of experience	Promoter and Managing Director, 30 years of experience in the pre-engineered steel buildings industry
Qualification	B. Com degree
Roles and Responsibility	Responsible for overall business decision-making and financial oversight of operational management in the Company
Other Directorships	Taipan Associates Private Limited

Key Management Persons Name -	Gautam Suri
Age	71
Designation and No. of years of experience	Promoter and Whole-Time Director, 30 years of experience in the pre-engineered steel buildings industry
Qualification	B. Tech. (Mechanical Engineering)
Roles and Responsibility	Responsible for critical technical business decisions in the Company
Other Directorships	IGS Holdings Private Limited and Signu Homes Private Limited

Key Management Persons Name -	Viraj Nanda
Age	28
Designation and No. of years of experience	Promoter and Non-Executive Director, Experience in pre-engineered steel building industry
Qualification	Bachelors' degree in Tourism and Hospitality Management
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Ishaan Suri
Age	43
Designation and No. of years of experience	Promoter and Non-Executive Director, Experience in pre-engineered steel building industry
Qualification	Bachelor's degree in science
Roles and Responsibility	-
Other Directorships	IGS Holdings Private Limited and Signu Homes Private Limited

Key Management Persons Name -	Dhanpal Arvind Jhaveri
Age	55
Designation and No. of years of experience	Nominee Director, Experience in financial services sector
Qualification	B. Com degree, MBA
Roles and Responsibility	-
Other Directorships	Amulya Corporation Private Limited, Avasara Leadership Institute, Everock Real Estate Private Limited, Everock Realty Private Limited etc.

Recommendation: **APPLY**

Key Management Persons Name -	Mohit Gujral
Age	64
Designation and No. of years of experience	Independent Director, Experience in real estate and construction sector
Qualification	Diploma in Architecture
Roles and Responsibility	-
Other Directorships	Araya Management Private Limited, Delanco Buildcon Private Limited, Glensdale Enterprise Development Private Limited, Gujral Design Plus Overseas Private Limited etc.

Key Management Persons Name -	Sanjiv Bhasin
Age	69
Designation and No. of years of experience	Independent Director, Experience in banking sector
Qualification	B. Com degree
Roles and Responsibility	-
Other Directorships	Hindustan Hardy Limited and Radian Finserv Private Limited

Recommendation: **APPLY****FINANCIAL SNAPSHOT****Statement of Profit and Loss**

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	834.94	1,123.93	1,293.30
Other Income	5.91	12.47	13.01
Total Income	840.86	1,136.39	1,306.32
Expenses			
Cost of Material Consumed	569.44	742.73	829.04
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-4.59	-10.25	-5.28
Employee benefits expense	89.22	93.36	118.97
Finance Cost	4.46	2.60	2.16
Depreciation and Amortization expense	11.76	7.30	7.98
Other expenses	147.99	191.70	237.56
Total Expenses	818.27	1,027.44	1,190.43
EBITDA	32.89	106.38	113.02
EBITDA Margin	3.94%	9.47%	8.74%
Profit/(Loss) before tax	22.59	108.95	115.89
Tax Expense			
Current tax	9.28	23.23	29.89
Adjustment of income tax relating to earlier years (net)	0.16	0.53	-0.07
Deferred Tax (credit)/ charge	-3.85	4.20	-0.19
Deferred Tax (credit) for earlier year	-0.13	-0.47	0.00
Total Tax Expense	5.46	27.49	29.63
Profit/(Loss) for the year	17.13	81.46	86.26
Net Profit Margin	2.04%	7.17%	6.60%

Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	15.00	15.00	14.42
Other Equity	303.32	384.28	430.21
Total Equity	318.32	399.28	444.63
2. Non-current liabilities			
Financial Liabilities			
(i) Borrowings	1.02	1.11	0.64
(i) Lease Liabilities	4.15	5.78	2.68
Government grants	0.07	0.06	0.04
Employee defined benefit obligation	19.75	9.06	1.11
Deferred tax liabilities	2.47	5.89	5.72
Total Non-current liabilities	27.46	21.89	10.20
3. Current liabilities			
Contract Liabilities	87.59	106.03	116.39
Financial Liabilities			
(i) Borrowings	2.34	10.28	9.56
(ii) Lease Liabilities	0.34	0.57	0.51
(iii) Trade Payables			
(a) Outstanding Dues to MSME	7.34	9.07	10.81
(b) Outstanding Dues to other than MSME	73.12	94.59	122.75
(iv) Other Financial Liabilities	11.10	11.86	17.15
Provisions	1.16	1.38	1.68
Government grants	0.02	0.02	0.02

Recommendation: **APPLY**

Particulars	FY 22	FY 23	FY 24
Employee defined benefit obligation	1.54	8.00	11.95
Other current liabilities	12.30	12.07	9.38
Current Tax Liabilities (net)	1.13	0.00	0.00
Total Current liabilities	197.98	253.86	300.19
Total Liabilities	225.44	275.75	310.38
Total Equity and Liabilities	543.75	675.03	755.01
ASSETS			
1. Non-current assets			
Property, Plant and Equipment	99.04	103.92	106.37
Capital work-in-progress	0.00	0.00	12.68
Investment Properties	3.08	2.84	2.77
Intangible assets	0.13	0.04	0.19
Right-to-use	52.61	53.58	56.54
Financial Assets			
(i) Investments	0.01	5.01	5.36
(ii) Trade Receivables	27.95	38.37	48.13
(iii) Loans	0.00	0.00	0.45
(iv) Other financial assets	4.07	1.60	2.79
Non-Current Tax Assets (net)	1.39	1.88	2.40
Other non-current assets	1.94	4.08	2.71
Total Non-Current assets	190.21	211.31	240.38
2. Current assets			
Inventories	134.13	136.98	146.84
Contract Assets	21.25	27.93	35.25
Financial Assets			
(i) Trade receivables	85.70	158.71	170.75
(ii) Cash and cash equivalents	40.11	58.66	61.58
(iii) Bank balances other than (ii)	51.65	60.54	76.13
(iv) Loans	0.34	0.28	0.62
(v) Other financial assets	1.18	1.02	1.42
Current Tax Assets (net)	5.60	0.00	0.00
Other Current Assets	13.59	19.60	22.04
Total Current assets	353.55	463.72	514.63
Total Assets	543.76	675.03	755.01

Cash Flow Statement

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	26.18	31.29	81.52
Net Cash Flow from Investing Activities	9.08	-18.99	32.76
Net Cash Flow from Financing Activities	-0.14	6.26	-45.85

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	11.42	54.31	58.68	EV/EBITDA	6.99	2.74	2.81
BV per share	220.81	276.97	308.43	Market Cap / Sales	1.79	1.33	1.16
Operating Ratios				P/E	78.81	16.57	15.34
EBITDA Margins	3.94%	9.47%	8.74%	Price to Book Value	4.08	3.25	2.92
PAT Margins	2.04%	7.17%	6.60%	Solvency Ratios			
Inventory days	58.63	44.48	41.44	Debt / Equity	0.01	0.03	0.02
Debtor days	37.46	51.54	48.19	Current Ratio	1.79	1.83	1.71
Creditor days	48.67	51.33	58.22	Quick Ratio	1.11	1.29	1.23
Return Ratios				Asset Turnover	1.54	1.67	1.71
RoCE	6.11%	23.53%	23.09%	Interest Coverage Ratio	4.74	45.49	40.72
RoE	5.38%	20.40%	19.40%				

Recommendation: **APPLY****LEAD MANAGER TRACK RECORD -**

The lead managers to the issue are Ambit Private Limited and Axis Capital Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

Ambit Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Akum Drugs and Pharmaceuticals Limited	1,856.74	679.00	Aug 06, 2024	937.35
2.	India Shelter Finance Corporation Limited	1,200.00	493.00	Dec 20, 2023	740.15
3.	Yatharth Hospital and Trauma Care Services Limited	686.55	300.00	Aug 07, 2023	440.70
4.	Senco Gold Limited	405.00	317.00	July 14, 2023	1,083.75
5.	Metro Brands Limited	1,367.51	493.55	Dec 22, 2021	1,270.25

The company has handled 4 mandates in the past three years (including the current year).

Axis Capital Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Ola Electric Mobility Limited	6,145.56	76.00	Aug 09, 2024	108.07
2.	Emcure Pharmaceuticals Limited	1,952.03	1,008.00	July 10, 2024	1,238.50
3.	Stanley Lifestyles Limited	537.02	369.00	June 28, 2024	538.00
4.	Le Travenues Technology Limited	740.10	93.00	June 18, 2024	158.00
5.	Awfis Space Solution Limited	598.93	383.00	May 30, 2024	671.95

The company has handled 38 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 14th Aug 2024.

As per the offer document, from the above-mentioned mandates 1 has opened at a discount and remaining all have opened at a premium on the listing day.

Recommendation -

Interarch Building Products Limited has been in the industry since 1983 and has a vast experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO and annualised basis is 17.36 which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 65.56 times.

The company has seen an increase in the top line and bottom line over the years which was because of increase in revenue from pre-engineered building contracts and sale of products which were higher due to growth in the order book, expanding sales and marketing presence in West Bengal and Telangana and diversification into new sectors/industries during FY 2023. This may be sustainable in the future. But the profitability margins have seen a slight dip in FY 2024, which should not be a major concern.

The company has performed well compared to its peers, Everest Industries Limited and Pennar Industries Limited. Also, Interarch Building Products Limited has better cash conversion cycle than its peers.

Additionally, the company has a total order book valuing to Rs. 1,153.29 Cr which will help in the growth of the top line in future and improve overall profitability of the company.

The PEB industry has been booming and expected to grow at a CAGR of 11-12% during the forecast period 2024-2029.

Thus, knowledgeable and informed investors **MAY APPLY** to this IPO.

Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.

OUR WEBSITE:

www.tiareconsilium.com

OUR APP AVAILABLE ON:



CONNECT WITH US ON :

