

BONANZA WEALTH MANAGEMENT RESEARCH



26th March 2025

Interarch Building Products – Buy

CMP : Rs. 1,492.0
Target Price : Rs. 1,804.0
Upside : 20%+
Stop Loss : Rs. 1,380.0 (Closing basis)

Investment Thesis

- Interarch Building Products ranked 3rd in operating revenue from the PEB business in FY2024 among integrated Indian players. With a 30+ year track record for its brands TRACDEK® and TRAC.
- Interarch operates in an industry-agnostic manner, serving various sectors including manufacturing, logistics, and infrastructure.
- Installed capacity is 161,000 metric tons per annum, with plans to expand by an additional 40,000 metric tons through ongoing projects in Andhra Pradesh and Uttarakhand. Future capacity expansion is planned in Gujarat, focusing on diversification into EV infrastructure, renewables, and data centers.
- Interarch has formed a cooperation arrangement with JSPL, enhancing capabilities in high-rise buildings and data centers
- The company is focusing on automating manual tasks in its engineering department to enhance productivity and efficiency. Management is investing in technology and automation to optimize workforce efficiency and mitigate labor challenges.
- Management aims to double the turnover in the next 3-4 years, targeting a growth rate of 20-25% as new capacities come online and operational efficiencies improve.
- The total order book currently stands at ₹1,305 crores, indicating strong demand. Confirmed bids total ₹2,500 crores, with an additional ₹1,500 crores under active discussion.

Financials

- Interarch's revenue surged from ₹83.5 million in FY22 to ₹129.3 million in FY24, representing a 54.85% compound growth over two years. This translates to an annualized growth rate of 24.4%, significantly outpacing the pre-pandemic construction materials sector average of 12-15%.

Consol. (Rs.Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	8,350	11,240	12,930	14,220	15,650
EBITDA	370	1,110	1,200	1,500	1,730
EBITDA Margin (%)	4.4%	9.9%	9.3%	10.5%	11.0%
PAT	170	810	860	1,330	1,930
EPS (Rs.)	10.24	48.8	51.81	80.30	116.44
P/E (x)	143.2	30.0	28.3	18.3	15.5
RoE (%)	5.3%	20.3%	19.4%	19.5%	25.8%

Stock Data

Market Cap (Rs. Mn)	24,850
Market Cap (\$ Mn)	291.07
Shares O/S (in Mn)	16.6
Avg. Volume (3 month)	3,12,987
52-Week Range (Rs.)	1,925 / 1,110

Shareholding Pattern

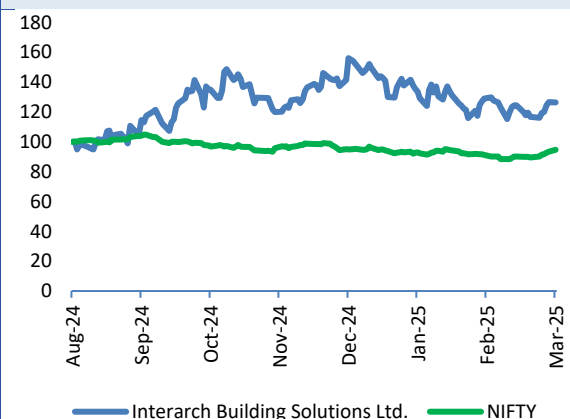
Promoters	59.90%
FII's	5.86%
Institutions	6.87%
Others (incl. body corporate)	27.37%

Key Ratios

Div Yield	0.00%
TTM PE	25.1x
ROE	20.4%
TTM EPS (Rs.)	64.0/-

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	(2.6%)	19.1%	N/A
NIFTY 500	4.9%	(8.8%)	N/A



- EBITDA skyrocketed 224.32% from ₹3.7 million (FY22) to ₹12.0 million (FY24), dwarfing revenue growth and highlighting operational leverage. The EBITDA margin improved 490 basis points, despite a temporary dip from FY23's 9.9% margin. This margin contraction in FY24 likely reflects increase in steel prices.
- Profit After Tax (PAT) surged 405.88% from ₹1.7 million (FY22) to ₹8.6 million (FY24), outpacing even EBITDA growth due to tax efficiency and interest cost optimization. The PAT margin expanded from 1.7% to 19.3%, indicating interest costs likely decreased and potential benefits from government schemes.
- EPS grew 405.96% from ₹1.02 (FY22) to ₹5.18 (FY24), benefiting from both profit growth and stable outstanding shares. The FY23 EPS leap to ₹4.88 (+376%) suggests one-time operational improvements were successfully institutionalized.

Key Business Highlights

- Interarch building products' market share in India's pre-engineered steel building industry grew from 6.1% in FY23 to 6.5% in FY24. It has executed 677 PEB contracts since FY15.
- The company offers Pre-Engineered Steel Buildings (PEBs) through two main services: 1. PEB Contracts: Providing complete PEB solutions on a turn-key basis, including on-site project management for installation and erection. 2. PEB Sales: Includes the sale of metal ceilings and corrugated roofing (under brands like "TRAC®" and "TRACDEK®"), as well as PEB steel structures for both industrial and non-industrial use, such as farmhouses and residential buildings.
- The company manufactures its products in-house at 4 vertically integrated facilities: 2 in Sriperumbudur, Tamil Nadu, and 1 each in Pantnagar and Kichha, Uttarakhand.
- Grasim Industries, Berger Paints India, Timken India, and Addverb Technologies, within the industrial and manufacturing construction sector.

Valuation

- Interarch Building Products is currently trading at Rs. 1,492. It currently commands a PE of 25.1x against a 5-Yr Median PE of 25.6x.
- With strong addition capacity of its installed capacity and increase in its order book and management guidance to double its revenue in next 3-4 years, we are assigning BUY rating to Interarch Building Products Ltd. and value at 15.50x FY26E EPS of Rs. 116.44 to arrive at target price of Rs. 1,804.00, an upside of ~20.0%.

Risk & Concern

- Interarch relies on a limited number of suppliers for essential raw materials, particularly steel. Disruptions or changes in these suppliers could affect production and customer relations.
- The company must comply with various regulations, including those related to environmental and safety standards. Non-compliance could lead to legal risks.
- Planned expansions may not achieve optimal capacity utilization, which is crucial for profitability. Under-utilization could negatively affect financial performance.

Graphs & Charts

Figure 1: Net Sales Trend

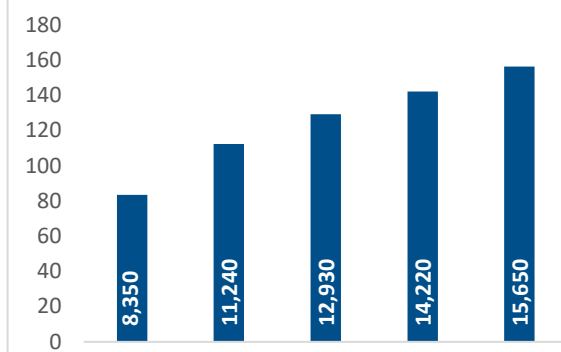


Figure 2: EBITDA & EBITDA Margin Trend

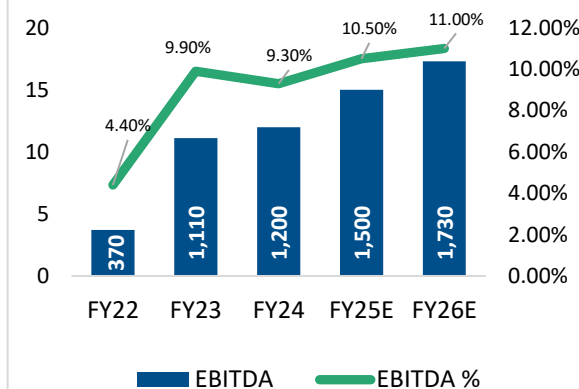
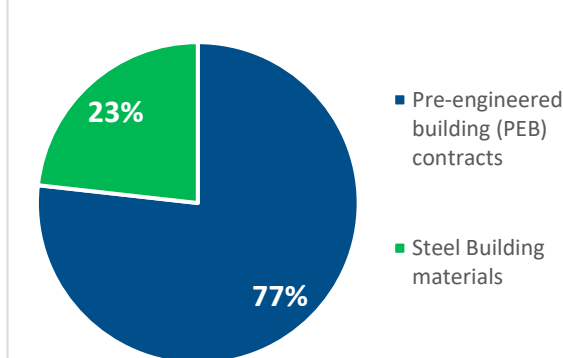


Figure 3: Product-wise Revenue



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