

Interarch Building Solutions Ltd. – Investment BUY Call – 6 to 9 Months Horizon

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 25 June 2026

CMP -> 1926

Buying Range -> 1926 to 1965

Upside Potential-> 15%

Investment Horizon -> 6 to 9 Months

Target price -> 2215

1. Investment Thesis: Structural Growth Opportunity in India's PEB and Industrial Capex Cycle

We initiate a positive investment view on Interarch Building Solutions Limited with a medium-term horizon of 6–9 months, supported by strong order visibility, capacity expansion, structural growth in the pre-engineered building (PEB) industry and increasing private sector capital expenditure in India. Interarch operates as an integrated turnkey steel construction solutions provider, offering design, engineering, manufacturing, supply and erection capabilities for PEB systems. Unlike conventional construction models involving multiple contractors and suppliers, PEB provides customers with single-point responsibility, faster project execution, optimized steel consumption and better-quality control. The company has established itself as one of India's leading integrated PEB players with more than four decades of operating experience, five existing manufacturing facilities and two new facilities under development. The management highlighted that FY26 was a milestone year, supported by improving private sector capex trends, with industrial investments becoming the key growth driver.

2. FY26 Financial Performance: Strong Revenue Growth with Stable Margins and Profitability

Interarch delivered a strong FY26 financial performance, reflecting healthy execution capabilities and demand momentum. Revenue from operations increased 31% YoY to INR 1,898 Cr in FY26 compared with INR 1,453.8 Cr in FY25. EBITDA increased 29% YoY to INR 176.3 Cr, while EBITDA margin remained stable at 9.3%, demonstrating resilience despite higher employee costs, erection expenses, compliance-related expenses and capability-building investments. Profit after tax increased 25% YoY to INR 134.5 Cr compared with INR 107.8 Cr in FY25. In Q4FY26, revenue stood at INR 503.6 Cr, EBITDA was INR 52.8 Cr with a margin of 10.5% and PAT stood at INR 36.6 Cr. Management highlighted that one-time expenses related to certifications, labour code provisioning and engineering capability investments impacted margins by approximately 25 bps, implying underlying profitability improvement potential.

3. Business Model Strength and Segment Opportunity: PEB Remains the Core Growth Engine

The company's core PEB business remains the primary growth driver, benefiting from increasing demand across industrial manufacturing, logistics, renewable energy, infrastructure, data centres, semiconductor, EV and battery-related industries. Interarch provides complete turnkey PEB solutions including primary framing systems, secondary framing systems, roofing and cladding systems under TRACDEK®, metal ceiling systems under TRAC® and other customized steel building solutions. The company's integrated manufacturing model allows optimized steel usage through engineered structures, faster construction timelines and lower execution risks for customers. FY26 business mix further strengthened toward industrial and manufacturing customers, with industrial contribution increasing to 87% of revenue compared with 77% in FY25, highlighting strong exposure to India's manufacturing capex cycle.

4. Order Book Visibility and Near-Term Growth Drivers: Strong Demand Across Industrial Sectors

The company reported a strong order book of INR 1,703 Cr as of 30 April 2026, providing revenue visibility for approximately the next 9 months. Order wins during February–April 2026 stood at INR 476 Cr, with key customers including CESC Green Power, Lodha Industrial Logistics Park, L&T Construction, PMI Engineering, Suraj Buildcon, Luxor Writing Instruments, Bhuvaneshwari Foods, Indo Autotech, Havells India, Craftsman Automation and Indo Asia Copper. The order book mix remains diversified, with industrial contributing 44%, infrastructure 32%, logistics 19% and renewable energy 5%. Furthermore, on 23 June 2026, Interarch announced additional orders worth approximately INR 375 Cr, including a INR 165 Cr order from the energy sector in Vadodara and projects across hydrocarbon, farm equipment, electrical products, renewable energy and data centre sectors. These projects involve complete design, engineering, manufacturing, supply and erection of PEB systems, with execution timelines ranging from 8–10 months.

5. Capacity Expansion & Capex Strategy: Gujarat PEB & Andhra Heavy Steel Structures to Unlock Next Growth Phase

Interarch has been strategically investing in capacity expansion to support future growth opportunities. The company has invested over INR 127.8 Cr toward expansion across Andhra Pradesh, Kiccha and Gujarat facilities. The upcoming Gujarat PEB manufacturing facility is strategically located near major industrial clusters and is expected to support demand from emerging sectors such as EVs, semiconductors and manufacturing. The company expects commercial production from the Gujarat facility around July 2026, while the Andhra Pradesh heavy steel structures (HSS) facility is expected to commence operations in July/August 2026. Management indicated that PEB capacity could increase toward approximately INR 2,500 Cr revenue capability, while HSS capacity is planned to scale progressively from around 20,000 tonnes initially toward 60,000 tonnes over multiple phases. These expansions create operating leverage potential as capacity utilization improves, with incremental revenue growth likely to come without proportional increases in fixed costs.

6. Heavy Steel Structures and Export Opportunity: New Growth Engines Beyond Traditional PEB

The heavy steel structures segment represents a significant medium-term growth opportunity as Interarch expands beyond conventional PEB applications. The segment is expected to benefit from infrastructure, industrial, high-rise steel structures and large-scale manufacturing projects. Management expects HSS contribution to gradually increase from FY27, with potential sales of around 10,000–12,000 tonnes initially and further ramp-up as capacity expands. Additionally, exports are emerging as a strategic growth opportunity, supported by export certifications for Canada and the USA and increasing international customer engagement. During FY26, the company secured export orders worth approximately INR 40 Cr across Africa, Canada, Myanmar, Nairobi and other markets. The company has also entered into a strategic collaboration with ER Steel for Canada and North America, including opportunities in Open Web Steel Joists (OWSJ), where Interarch will leverage its manufacturing capabilities while gaining access to ER Steel's market relationships. North America could provide better margins due to stronger payment structures such as advance payments and letters of credit.

7. Balance Sheet, Cash Flow and Financial Strength: Strong Capital Position with Working Capital Focus

Interarch maintains a strong balance sheet with a net cash positive position and limited leverage. As of FY26, total equity stood at INR 881.1 Cr compared with INR 751.4 Cr in FY25, while borrowings remained minimal. The company's capital work-in-progress increased to INR 56.5 Cr due to ongoing expansion projects. Cash flow from operations turned negative at INR 18.8 Cr in FY26 compared with positive INR 53.1 Cr in FY25 due to higher working capital requirements, including increased receivables and inventory buildup. Management explained that larger project sizes, including multiple INR 100 Cr-plus contracts, resulted in milestone-based receivables, while inventory was increased to manage expected steel price volatility. Importantly, management highlighted that customers remain financially strong and the company is tightening commercial terms through higher advances and supply-linked payments. Working capital normalization remains a key monitorable over the next few quarters.

8. Future Growth Outlook, Sector Tailwinds and Management Guidance

The company is positioned to benefit from multiple structural sectoral tailwinds, including India's manufacturing expansion, government and private sector infrastructure investment, renewable energy growth, semiconductor ecosystem development, EV supply chain investments, logistics infrastructure and data centre expansion. Management has indicated internal expectations of achieving approximately INR 2,150–2,200 Cr revenue in FY27 and has reiterated a long-term aspiration toward INR 2,500 Cr revenue potential. Growth over the next 2–3 quarters is expected to be driven primarily by execution of the strong order book, commissioning of Gujarat and Andhra Pradesh facilities, increased industrial demand, HSS contribution and export expansion. Operating leverage remains a potential upside factor as capacity utilization improves, automation increases and manufacturing efficiency improves through better productivity, reduced wastage and higher value-added projects.

9. Risks and Short-Term Headwinds: Execution, Labour Availability and Working Capital Monitoring

Despite strong fundamentals, investors should monitor certain near-term risks. Labour availability remains a key operational challenge, particularly for site execution, with management highlighting increasing difficulty in sourcing skilled manpower. The company is addressing this through greater mechanization, automation and robotics, particularly in welding and manufacturing processes. Steel price volatility remains another factor; however, Interarch benefits from long-standing relationships with major suppliers such as SAIL, JSW and AMNS and generally manages price variations through project-level pricing mechanisms. Short-term margin expansion could also remain moderate due to ongoing investments in certifications, new capabilities and capacity ramp-up. Additionally, working capital requirements may remain elevated as project sizes increase. However, given strong order visibility, capacity expansion, export initiatives and sectoral tailwinds, Interarch appears well-positioned for sustainable growth over the medium term.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team