



**IPO Report**

18<sup>th</sup> Aug '24

**Snapshot**

Company 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”). Company was ranked third in terms of operating revenue from PEB business in the Financial Year 2023 among integrated PEB players in India. Company further had the second largest aggregate installed capacity of 141,000 metric tonnes per annum (“MTPA”) as at March 31, 2024 and a market share of 6.5% in terms of operating income in Financial Year 2024 among integrated PEB players in India.

**VALUATION**

Company is bringing the issue at price band of Rs 850-900 per share at p/e multiple of 17x on post issue FY24 PAT basis. Company has established brand presence and market position in the growing pre-engineered building industry in India, significantly integrated manufacturing operations, backed by in-house design and engineering, onsite project management, and sales and marketing capabilities with demonstrated track record of execution of pre-engineered steel building projects. Also, company has demonstrated financial performance and status of order book. Hence, we recommend “Subscribe” on issue.

<b>Price Band (Rs./Share)</b>	<b>850-900</b>
<b>Opening date of the issue</b>	<b>19<sup>th</sup> Aug '2024</b>
<b>Closing Date of the issue</b>	<b>21<sup>st</sup> Aug '2024</b>
<b>No of shares pre issue</b>	1,4415,892 Eq Shares
<b>Issue Size</b>	Rs 578-600 Cr
<b>Fresh issue</b>	Rs 200 Cr
<b>Offer for Sale</b>	4,447,630 Equity Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Employee Discount</b>	Rs 85/share
<b>Bid Lot</b>	16

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 33,23,814 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 9,97,145 Eq Shares)
<b>Retail</b>	35% of the offer ( Approx 23,26,671 Eq Shares)
<b>Employee Reservation</b>	Rs 2 Cr
<b>Lead managers</b>	Axis Capital, Ambit Pvt. Ltd
<b>Registrar to the issue</b>	Link Intime India Pvt. Ltd

**WHAT WE LIKE**

**Market position and established brand presence in the growing pre-engineered steel building industry in India**

Company was ranked third in terms of operating revenue from PEB business in the Financial Year 2024 among integrated PEB players in India. Company further had the second largest aggregate installed capacity of 141,000 MTPA as at March 31, 2024 and a market share of 6.5% in terms of operating income in Financial Year 2024 among integrated PEB players in India. As on the date of this Red Herring Prospectus, company have eight sales and marketing offices in eight cities to cater to its customers across India. In addition to this, company have stationed sales and marketing employees in Chandigarh in Punjab and Haryana, Lucknow in Uttar Pradesh, Coimbatore in Tamil Nadu, Bhubaneshwar in Odisha, and Raipur in Chhattisgarh. During the period from Financial Year 2015 to Financial Year 2024 company completed execution of 677 PEB Contracts, thereby demonstrating company’s extensive track record in the PEB industry. In 2022, Company was awarded the ‘Pre-Engineered Building Project of the Year’ award by Construction Week India, the ‘Best Innovation PEB Project Award of the Year’ by BAM awards, and the ‘Pre-Engineered Building Company of the Year’ award by EPC World Awards.

**Diverse customer base and long-standing relationships with significant customers**

The PEB market in India can be divided into three broad end-use sectors: (i) industrial/ manufacturing construction, (ii) infrastructure, and (iii) building (residential, commercial and non-commercial). Industrial/manufacturing construction includes manufacturing plants, factories, power plants, and other highly specialized facilities. Infrastructure construction includes warehouses, bridges, dams, roads, airports, canals, etc., and building construction includes constructing buildings for residential uses such as houses, residential towers, etc., as well as non-commercial buildings like hospitals, educational institutions, as well as buildings for commercial use such as offices, retail malls, etc. Company’s customers under the industrial/manufacturing construction category include Grasim Industries Limited, Berger Paints India Limited, an air conditioner manufacturer, Timken India Limited and Addverb Technologies Limited and infrastructure construction category includes a warehousing and logistics service provider.



## COMPANY BACKGROUND

Company's PEB offerings are designed, engineered and fabricated by it in accordance with customer requirements, and find use in construction for industrial, infrastructure and building (residential, commercial and non-commercial) end-use applications. Company have delivered PEBs for projects ranging from multi-level warehouses for customers engaged in e-commerce to paint production lines for customers engaged in manufacturing of paints and, fast-moving consumer goods ("FMCG") sector for setting up manufacturing units for manufacturing their products.

Company have also supplied large-span PEBs for indoor stadiums and customers engaged in the cement industry. During the from Financial Year 2015 to Financial Year 2024 company completed execution of 677 PEB Contracts, thereby demonstrating its extensive track record in the PEB industry. The Indian PEB industry is expected to grow at a CAGR of 11-12 % CAGR over Financial Year 2024 Financial Year 2029 and company's extensive track record, domain experience, established brand presence and market position, paired with company's in-house design and engineering, manufacturing, supply, and onsite project management capabilities for the installation and erection of PEBs supplied by company, position company to benefit from such growth.

Company offer its PEBs by way of: (a) pre-engineered steel building contracts ("PEB Contracts"), wherein it provide complete PEBs on a turn-key basis to its customers, and as a part of which, company also provide on-site project management expertise for the installation and erection of PEBs supplied by company at its customers' sites; and (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, and (iii) light gauge framing systems ("LGFS").

Company was incorporated in 1983 and have presence of over 30 years in the PEB industry under its brands, "TRAC®" and "TRACDEK®". As on the date of this Red Herring Prospectus, company have evolved into a turn-key PEB solutions provider, with integrated facilities for design and engineering, manufacture, and on-site project management capabilities for the installation and erection of PEBs supplied by company which enable company to deliver end-to-end solutions to its customers.

Company has worked with industry leaders in project development and construction, providing support to critical industrial, commercial and infrastructure projects. The PEB market in India can be divided into three broad end-use sectors: (i) industrial/ manufacturing, (ii) infrastructure, and (iii) building (residential, commercial and non-commercial). Industrial/manufacturing construction includes manufacturing plants, factories, power plants, and other highly specialized facilities. Infrastructure construction includes warehouses, bridges, dams, roads, airports, canals, etc., and building construction includes constructing buildings for residential uses such as houses, residential towers, etc., as well as non-commercial buildings like hospitals, educational institutions, as well as buildings for commercial use such as offices, retail malls, etc. Company's customers under the industrial/manufacturing construction category include Grasim Industries Limited, Berger Paints India Limited, an air conditioner manufacturer, Timken India Limited and Addverb Technologies Limited and infrastructure construction category includes a warehousing and logistics service provider.

Company primarily manufacture its products in-house at its four manufacturing facilities ("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"), As at March 31, 2024 company's Manufacturing Facilities had an aggregate installed capacity of 141,000 MTPA. As of the date of this Red Herring Prospectus, company's Manufacturing Facilities are supplemented by three dedicated design and engineering centres situated in Noida, Uttar Pradesh, India; Chennai, Tamil Nadu, India; and Hyderabad, Telangana India, which enable company to firstly, offer customized PEBs in accordance with its customers' requirements and, secondly, to continually undertake incremental enhancements and improvements of company's processes and design, thereby simultaneously contributing towards enhancement of its design compliance and engineering standards which create efficient PEB designs. Company is supported by its dedicated in-house on-site project management team. Company have established eight sales and marketing offices in eight cities to cater to its customers across India. Company is also in the process of setting-up a manufacturing unit as part of the phase 1 of the Planned Andhra Pradesh Manufacturing Facility and also propose to undertake the Project and also upgrade its Kichha Manufacturing Facility, Tamil Nadu Manufacturing Facility I, Tamil Nadu Manufacturing Facility II and Pantnagar Manufacturing Facility by utilizing a portion of the Net Proceeds, in order to bolster company's manufacturing capacity and capabilities.



**INVESTMENT RATIONALE**

<p><i>Significantly integrated manufacturing operations, backed by in-house design and engineering, on-site project management, and sales and marketing capabilities</i></p>	<p>Company’s manufacturing operations are vertically integrated to a significant extent, enabling company’s presence across the product lifecycle of PEBs, from estimation, designing, engineering, and fabrication of PEBs in completely knockdown condition at its Manufacturing Facilities, to supply and on-site project management of the installation and erection of PEBs at the site of the customer. Company primarily manufacture its PEBs at four Manufacturing Facilities – two in Uttarakhand, India and two in Sriperumbudur, Tamil Nadu, India, providing company with manufacturing presence in Northern India and Southern India, respectively. As on March 31, 2024, the aggregate installed capacity of its four Manufacturing Facilities was 141,000 MTPA.. Company’s Manufacturing Facilities are equipped with tooling, testing and quality control equipment, and conform to and apply international standards of quality management systems. Company’s Manufacturing Facilities are each accredited as ISO 9001:2015 certified in Quality Management System (for the scope of design, marketing, project management and manufacture of PEBs, infrastructure steel solutions, metal roofing, wall cladding and suspended metal ceilings). With continued investments in company’s Manufacturing Facilities and design capabilities, company sought to develop a cost-efficient manufacturing process for its products in accordance with the requirements and specifications of company’s customers. Since its manufacturing capabilities span the spectrum of PEBs from metal ceilings and corrugated roofing to PEB steel structures (each of which are interdependent), company is able to emphasize design compatibility, which enhances the overall structural integrity and stability of the entire PEB, contributing to its ability to execute its PEB Contracts.</p>
<p><i>Experienced and qualified Promoters and management team</i></p>	<p>Company’s business and operations are led by an experienced management team and Board of Directors, who come from diverse backgrounds with experience in various fields such as sales and marketing, order management, design and engineering, purchase, operations, human resources and finance. Company benefit from the industry experience, vision and guidance of its Promoters, Arvind Nanda who is company’s Managing director, Gautam Suri who is a Whole-time Director of Company and Viraj Nanda and Ishaan Suri who are Non-Executive Directors of Company, and have been critical in building its brand and growing its operations. Additionally, they are supported by a robust management team under the guidance of company’s Board of Directors, which consists of individuals from various professional backgrounds. Company’s management framework allows it to maintain the flexibility to address the markets and the geographies company operate in. Company’s management team is led by Manish Kumar Garg, who is the Chief Executive Officer of Company. He holds a diploma in civil engineering from Board of Technical Education, Delhi, India and has also completed the senior executive leadership program from Harvard Business School. He has also been elected as a senior technician by the Institute of Engineers (India), Kolkata, West Bengal, India.</p>
<p><i>Demonstrated financial performance and status of company’s order book</i></p>	<p>Company have experienced growth in certain financial indicators during the Financial Years ended March 31, 2022, March 31, 2023, and March 31, 2024, which company attribute in part to its continuing focus on operational efficiency, customer outreach and other sales and market initiatives, improvement in capacity utilization, growth of its order book and increase presence across India, and resultant economies of scale. Such demonstrated growth in company’s financial performance in recent years, positions it for future growth and further diversification of its customer base and offerings. Company’s balance sheet and positive operating cash flows coupled with low levels of debt enable it to fund its strategic initiatives, pursue opportunities for growth and better manage unanticipated cash flow variations</p>



## OBJECTS OF OFFER

### Offer for Sale

Each of the Selling Shareholders will be entitled to its respective portion of the proceeds of the Offer for Sale after deducting its proportion of the Offer expenses and relevant taxes thereon.

### Object of the Fresh Issue

Company proposes to utilize the Net Proceeds towards funding the following objects (collectively, the “Objects”):

1. financing the capital expenditure towards setting up a new PEB manufacturing unit (classified as Phase 2 of company’s capacity development plan at the Planned Andhra Pradesh Manufacturing Facility) (“Project”);
2. 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;
3. funding investment in information technology (“IT”) assets for upgradation of existing information technology infrastructure of Company;
4. funding incremental working capital requirements; and
5. general corporate purposes.

## RISKS

Company’s business and profitability are substantially dependent on the availability and the cost of its raw materials and components consumed, including steel, and any disruption to the timely and adequate supply of raw materials, or volatility in the prices of raw materials may adversely impact company’s business, results of operations, financial condition and cash flows.

Source:RHP

## INDUSTRY OVERVIEW

### Overview of pre-engineered products and their applications

Pre-engineered steel construction has emerged as an innovative building method due to rapid growth of automation in the construction industry. Furthermore, a shortage of skilled labour, combined with the inherent advantages of these structures in terms of speed, cost-effectiveness, and environmental impact, is significantly propelling their popularity in the construction sector.

Pre-engineered structures/units are more eco-friendly than traditionally constructed ones and provide common benefits such as reduced material wastage, enhanced quality control, and improved on-site safety. The controlled manufacturing process minimises material wastage, promoting sustainable building practices, while rigorous quality control ensures consistent and durable structures.

### Key components/sub-structures of pre-engineered steel buildings:

1. Main frame or primary structure: This frame is the main load-carrying and support structure of a preengineered building, made of rigid steel frames. The primary structure consists of columns, rafters, and other supporting structures. The shape and size of these structures differ based on their application and requirements. The frame is constructed by bolting the end plates of connecting sections together.
2. Secondary structure: Secondary structure consists of purlins, girts, and eave struts, used to support the wall and roof panels. Purlins are employed on the roof, girts on walls, and eave struts at the intersection of the sidewall and roof.
3. Roof, wall panels, and insulation: These components are used for sheeting and are generally made of ribbed steel sheets. They are used as roof and wall sheeting, roof and wall liners, partition, and soft sheeting. Steel sheets are generally produced from steel coils.

### Advantages of pre-engineered steel buildings over traditional construction

1. Technical difficulties and shortage of labour in traditional construction Scarcity of on-site skilled labour in the conventional construction industry is expected to be a major driver for the pre-engineered construction industry. Traditional construction methods rely heavily on on-site skilled workers for on-site assembly and intricate tasks, the current shortage of such labour poses challenges to timely and efficient project completion. Hence, pre-engineered construction offers a viable solution as majority of the construction is done in controlled factory environments, reducing the need for on-site labour. Moreover, companies are achieving economies of scale with improved manufacturing processes, further boosting growth of the pre-engineered construction industry, enabling faster component production, and ensuring greater accuracy and consistency in final structures.
2. More sustainable As considerable parts of the structures are built offsite in the case of pre-engineered construction, it causes less disturbance to the construction site’s surroundings. Furthermore, factories and manufacturing plants allow standardising processes and streamlining procedures, which helps reduce wastage and reduces the carbon footprint, directly impacting the environment.
3. Faster construction timelines and cost optimisation Pre-engineered construction accelerates project timelines without compromising on deliverable quality. As preengineered construction involves components being first manufactured in factories/manufacturing plants, it allows simultaneous preparation of the foundation at the construction site. This not only helps accelerate project timelines, but also allows cost optimisation by decreasing overhead site costs, including labour costs. Furthermore, as pre-engineered structures are manufactured within factories/manufacturing plants, they allow standardising processes, which ensures good quality of structures. Additionally, as these structures are manufactured in factories/ manufacturing plants, they also prevent project delays stemming from external factors such as adverse weather.



**Consolidated Financials**

(Rs in Mn)

<b>Financials</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>
Total Revenue (A)	8349.43	11239.26	12933.02
Total Expenditure (B)	8020.54	10175.46	11802.87
EBIDTA	328.89	1063.80	1130.15
EBIDTA Margin	3.94	9.47	8.74
Other Income	59.14	124.66	130.13
Depreciation	117.57	72.97	79.76
EBIT	270.46	1115.49	1180.52
Interest	44.55	25.96	21.63
PBT	225.91	1089.53	1158.89
Share of profit in Asso	0.00	0.00	0.00
PBIT	225.91	1089.53	1158.89
Exceptional	0.00	0.00	0.00
PBT	225.91	1089.53	1158.89
Tax	54.58	274.90	296.27
PAT	171.33	814.63	862.62
NPM	2.05	7.25	6.67
ROE%	5.38	20.40	19.40
EPS	11.42	54.31	58.68
Eq Cap	150.01	150.01	144.16
Net Worth	3,183.19	3,992.79	4,446.25

(Source: RHP)

**Peer Comparison**

<b>Company Name</b>	<b>P/E</b>	<b>Revenue from operations (Rs in Mn)</b>	<b>EPS</b>	<b>NAV</b>	<b>ROE %</b>
<i>Interarch Building Products Limited</i>		<i>12933.02</i>	<i>58.68</i>	<i>268.80</i>	<i>22.26</i>
<b>Peers</b>					
Everest Industries Limited	105.95	15754.52	11.33	378.37	3.01
Pennar Industries Limited	25.16	31305.70	7.29	65.02	11.21

(Source: RHP)





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