Interarch Building Solutions Limited

Q2FY27 Result Update | Pre-Engineered Buildings (PEB)

Near-Term Margin Pause; FY28 Ramp-Up Story Intact

DALAL & BROACHA STOCK BROKING PVT. LTD.

Institutional Equity Research Desk

6th November 2026

Interarch Building Solutions reported a subdued Q2FY27. Revenue grew 2.9% YoY to ₹505 crore, with volumes up just 1% YoY to 41,600 tons, as monsoon-led seasonality slowed site execution. EBITDA was flat YoY at ₹41.7 crore and margin eased 23 bps to 8.3%, mainly on higher erection and installation costs and elevated steel prices. Reported PAT fell 4.9% YoY to ₹30.7 crore, For H1FY27, revenue and EBITDA both grew 10.7% YoY, to ₹965 crore and ₹81.1 crore respectively.

During the quarter, the company commissioned both phases of its Gujarat PEB plant and Phase 1 of its Heavy Structure plant in Andhra Pradesh. Management said the Heavy Structure plant is fully loaded for the next year. The order book rose to an all-time high of ₹2,011 crore as of October-end. About 40% of it is now variable-price, as management has stopped taking fixed-price orders amid steel volatility. Formalities for the ₹250 crore QIP are complete, positioning the company for the next phase of expansion.

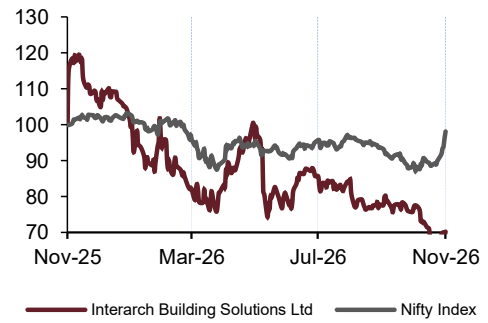
Management reiterated FY27 revenue guidance of about ₹2,150 crore, implying a back-ended H2 of about ₹1,200 crore. It indicated that margins are unlikely to improve meaningfully in FY27 as costs for the export and Heavy Structure verticals run ahead of revenue. With new capacities ramping up, a strong order book and rising contributions from heavy structures and exports, we expect profitability to improve from FY28. We believe the company remains well positioned for healthy earnings growth over the medium term.

Rating	TP (Rs)	Up/Dn (%)
BUY	**2,144**	**39**

Market data		
Current price	**Rs**	**1,541**
Market Cap (Rs.Bn)	(Rs Bn)	26
Market Cap (US$ Mn)	(US$ Mn)	274
Face Value	Rs	10
52 Weeks High/Low	Rs	2,763/1,450
Average Daily Volume	('000)	93
BSE Code		544232
Bloomberg		INTERARC.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-26	Jun-26
Promoters	59.27	59.44
Public	30.50	29.61
FII/DII	10.23	10.95
Total	**100.00**	**100.00**

Source: BSE

Financial Summary

Year End (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28E
Net sales	8,349	11,239	12,933	14,538	18,980	21,720	26,832
Growth		*35%*	*15%*	*12%*	*31%*	*14%*	*24%*
EBITDA	329	1,064	1,130	1,362	1,763	2,104	2,589
Growth		*223%*	*6%*	*21%*	*29%*	*19%*	*23%*
PAT (adj)	171	815	863	1,078	1,345	1,506	1,982
Growth		*375%*	*6%*	*25%*	*25%*	*12%*	*32%*
EPS	11	54	60	65	81	91	119
P/E (x)	135	28	26	24	19	17	13
EV/EBITDA (x)	68	20	22	17	14	11	8
ROE (%)	5%	20%	19%	14%	15%	15%	16%
ROCE (%)	7%	25%	24%	17%	18%	19%	19%

Source: Company, Dalal & Broacha Research

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Key Financial Highlights

- **Revenue:** Revenue from operations for Q2FY27 was ₹5,054 million, up 2.9% YoY and 9.9% QoQ. Growth was volume-led only marginally: volume was 41,600 tons, up 1% YoY. Management said H1 was seasonally soft because of the monsoon and expects execution to pick up in H2. H1FY27 revenue was ₹9,650 million, up 10.7% YoY.
- **Profit After Tax (PAT):** PAT was ₹307 million, down 4.9% YoY but up 8.7% QoQ. Two items drove the YoY fall other income fell to ₹44 million from ₹60 million as treasury cash was deployed into capex.

  Depreciation rose 43% YoY to ₹49 million after the Gujarat PEB and Andhra Heavy Structure plants were capitalized.
- **EBITDA Margin:** EBITDA excluding other income was ₹417 million, flat YoY. Margin was 8.3%, down 23 bps YoY and 33 bps QoQ. The main drag was erection and installation charges, which rose to 10.7% of revenue from 9.1% in Q2FY26 and 9.7% in Q1FY27. Management said these costs are pass-through and vary with project size and location. Material cost was stable at about 60.7% of revenue, and lower job-work charges (3.1% vs 4.0%) partly offset the erection cost. H1FY27 EBITDA margin was steady at 8.4%.
- **Order Book:** The order book reached an all-time high of ₹2,011 crore as of 31 October 2026, against ₹1,864 crore at July-end. Inflows were ₹629 crore over the period. About 40% of the order book is now variable-price, protecting margins against steel volatility.
- **Cash Flow:** H1FY27 operating cash flow was ₹853 million, against ₹420 million in H1FY26, helped by a working-capital release of ₹243 million. Capex was ₹768 million and the FY26 final dividend paid (₹12.5 per share) was ₹210 million. The balance sheet has no long-term debt**.**
- **Management Changes:** The Board approved Mr. Arvind Nanda's change in designation from Managing Director to Whole-Time Director, designated Executive Chairperson. It also elevated Mr. Manish Kumar Garg from Executive Director & CEO to Managing Director & CEO, with revised remuneration. Both are five-year terms effective 5 November 2026, subject to shareholder approval. Ms. Sonali Bhagwati Dalal stepped down as Chairperson and continued as an Independent Director.
- **Corporate Action:** The record date for the 1:5 stock split (face value ₹10 to ₹2) is 30 November 2026. EPS has not yet been adjusted for the split.
- **Capital Allocation:** Shareholders approved the ₹250 crore QIP at the AGM on 10 September 2026. Management said all formalities are complete and the issue can be launched at 72 hours' notice.

Valuation & Outlook

Interarch Building Solutions is well placed to benefit from India's structural manufacturing and industrial capex cycle, with investment rising across data centers, electronics, renewables, warehousing, engineering and infrastructure. Q2FY27 was soft: revenue grew 2.9% YoY, and steel prices at a four-year high squeezed margin. But growth drivers stay intact:

- an all-time-high order book of ₹2,011 Cr, executable over 9–11 months;
- capacity commissioned at Gujarat (both phases) and at the Andhra Heavy Structure plant, which management says is fully loaded for the next year;
- a deliberate shift to variable-price orders, now about 40% of the book.

Management has reiterated FY27 revenue of about ₹2,150 Cr, which implies a back-ended H2 of about ₹1,200 Cr.

We expect FY27 margins to stay range bound as costs for the new verticals run ahead of revenue. From FY28, profitability should improve as the new capacities ramp up, operating leverage kicks in, and Heavy Structure and export contributions grow, both of which carry steel pass-through and lower selling costs. The North American OWSJ JV with ER Steel and the move into higher-value data center and high-rise projects should also diversify revenue over the medium term.

We estimate Revenue/EBITDA/PAT CAGR of 23%/24%/22% over FY26–28E, driven by execution of the current order book, healthy order inflows and the ramp-up of new capacity. **At the current market price of ₹1,541, the stock trades at 17x/13x FY27E/FY28E EPS.**

We maintain **our BUY rating with a Target Price of ₹2,144, based on 18x FY28E EPS of ₹119.08**. We lowered the multiple from 21x to reflect near-term margin pressure from steel volatility and new-vertical costs. Our target price **implies upside of ~39% from the current market price**.

Concall KTA's

➢ Capacity Expansion on Track

- **Heavy Structure plant (Andhra):** operational from September. Management said both lines are "completely loaded" for the next year. Phase 2 is targeted by March–April 2027 and Phase 3 by Q3FY27, taking capacity to 75,000–80,000 tons.
- **Gujarat PEB plant:** both phases are now operational. From FY28 it is expected to add about 40,000 tons.
- Management targets about 1 lakh tons of additional usable capacity by Q4FY28. A further 1 lakh tons is planned by June–July 2029, taking capacity to about 4 lakh tons.

➢ Order Book at All-Time High

- Order book stood at **₹2,011 Cr as of 31st October**, against ₹1,864 Cr at July-end. Inflows were ₹629 Cr and execution ₹482 Cr. New orders came from HUL, GE Vernova, Blue Star and KEC International.
- Most of the orders are executable within about 9 months. A few large orders run 12–16 months, so the blended cycle is 10–11 months.
- About ₹300–400 Cr (15–20%) of the order book is Heavy Structure work: data centers, a hospital, a hotel and a government office building in Delhi.
- Management **targets order intake of ₹200–220 Cr a month**. It says the enquiry pipeline is about 5x quarterly order throughput of ₹600–700 Cr.

➢ Shift to Variable Pricing to Protect Margins

- About 40% of the order book is now variable price, with steel costs fully passed on. Management said no fixed-price orders were taken in the last 2–3 months.
- Steel prices are at a four-year high, with disrupted supply. This forced higher inventory and some purchases from traders.
- Management will continue to take only variable-price orders until steel prices stabilise.

Guidance

- FY27 revenue guidance of about ₹2,150 Cr was reiterated, with H2 revenue of about ₹1,200 Cr expected.
- Management does not expect major margin improvement in FY27. H2 margins should improve on operating leverage but are unlikely to exceed 9–9.5%.
- Margin aspirations: 11–12% within 2 years, and 14–15% long term. Meaningful improvement is expected from FY28.

Margin Pressure: Management's Explanation

- Erection and installation costs rose to about 11% of revenue from 9%. Management said these are pass-through costs that vary with project size and location.
- Costs for the new verticals (design, engineering, travel and selling for exports and Heavy Structures) are running ahead of revenue.
- Management expects Heavy Structure projects to carry better net margins. Its reasons: steel is fully pass-through, payment terms are stricter, and design is often done by the client.

Exports and ER Steel JV

- Initial funding for the OWSJ JV with ER Steel (Canada) is ₹80 Cr. Interarch holds 76% and ER Steel 24%, and ER Steel will buy 100% of the output.
- Export orders are in hand, with revenue expected in coming quarters. Projects are also under way in Africa.
- Management sees exports as higher-margin business: supply is on an LC basis, with minimal selling, collection and project management costs.

Quarterly Snapshot

(Rs Mn)	Q2FY27	Q2FY26	YoY Growth (%)	Q1FY27	QoQ Growth (%)
Revenue from operations	5,054	4,911	2.9%	4,596	10.0%
Other income	44	60	-26.2%	30	47.7%
Total Income	**5,098**	**4,971**		**4,626**	
Cost of material Consumed	3,115	3,258	-4.4%	2,759	12.9%
Changes in inventories of Finished goods and WIP	(49)	(260)	-81.1%	27	-281.9%
Employee benefits expense	471	441	6.9%	432	9.0%
Erection and installation charges	542	448	20.9%	445	21.8%
Job work charges	156	196	-20.3%	160	-2.8%
Other Expenses	402	411	-2.2%	379	6.1%
EBITDA (excl other income)	**417**	**417**	0.1%	**394**	5.8%
Less : Depreciation	49	35	43.2%	41	22.0%
EBIT	**368**	**382**	-3.7%	**354**	4.0%
Less: Interest cost	3	7	-55.5%	8	-61.8%
PBT	**409**	**435**	-6.0%	**376**	8.9%
Less: Exceptional Item	-	-		-	
PBT after Exceptional item	**409**	**435**	-6.0%	**376**	8.9%
Less: Tax Expenses	**102**	**112**	-9.1%	**93**	9.5%
PAT	**306.9**	**322.8**	-4.9%	**282.5**	8.7%
No of Shares	17	17	0.3%	17	0.3%
EPS	**18.3**	**19.2**	-5.2%	**16.8**	8.4%
Margins (%)			**(in bps)**		**(in bps)**
EBITDA Margin	8.3%	8.5%	(23)	8.6%	(32)
PAT Margins	6.1%	6.6%	(50)	6.1%	(7)
Cost % Revenue					
Material Cost	60.7%	61.1%	(39)	60.6%	5
Employee Cost	9.3%	9.0%	35	9.4%	(8)
All other Cost	21.8%	21.5%	28	21.4%	35

Source: Dalal & Broacha Research

Financials

P&L (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	11,239	12,933	14,538	18,980	21,720	26,832
Total Operating Expenses	7,325	8,238	8,891	11,434	13,358	16,856
Employee Cost	934	1,190	1,470	1,698	1,803	2,589
Other Expenses	1,917	2,376	2,815	4,085	4,455	4,798
Operating Profit	**1,064**	**1,130**	**1,362**	**1,763**	**2,104**	**2,589**
Depreciation	73	80	118	144	195	225
PBIT	991	1,050	1,245	1,619	1,909	2,364
Other income	125	130	207	286	150	340
Interest	26	22	24	23	24	26
PBT (Before exceptional)	**1,090**	**1,159**	**1,427**	**1,882**	**2,035**	**2,678**
PBT (post exceptional)	1,090	1,159	1,427	1,850	2,035	2,678
Provision for tax	275	296	349	505	529	696
Reported PAT	**815**	**863**	**1,078**	**1,345**	**1,506**	**1,982**

Balance Sheet (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity capital	150	144	166	168	168	168
Reserves	3,843	4,302	7,348	8,643	10,150	12,131
Net worth	**3,993**	**4,446**	**7,514**	**8,811**	**10,317**	**12,299**
NCI	-	-	-	-	-	-
Non Current Liabilites	219	102	103	147	150	153
Current Liabilites	2,544	3,000	3,565	4,056	4,349	5,184
TOTAL LIABILITIES	**6,755**	**7,548**	**11,182**	**13,015**	**14,816**	**17,636**
Non Current Assets	**2,113**	**2,404**	**3,548**	**5,102**	**5,168**	**5,642**
Tangible + Intangible Assets	1,604	1,785	2,313	3,436	3,803	4,191
Goodwill	-	-	-	13	-	-
Non Current Investments	50	54	359	325	293	234
Loans	-	5	6	5	5	5
Other Financial Assets	400	509	688	1,167	925	1,082
Other Non Current Assets	60	51	182	156	142	129
Current Assets	**4,642**	**5,144**	**7,634**	**7,913**	**9,649**	**11,994**
Inventories	1,374	1,472	1,699	2,150	2,382	3,006
Trade Receivables	1,587	1,708	2,110	2,882	2,620	3,162
Cash and Bank Balances	1,192	1,381	1,988	812	3,010	4,195
Short Term Loans and Advanc	3	6	5	6	6	6
Other Current Assets	486	577	1,832	2,063	1,631	1,625
TOTAL ASSETS	**6,755**	**7,548**	**11,182**	**13,015**	**14,817**	**17,636**

Cash flow statement (Rs in mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Cash flow from operating activities						
Profit before tax	1,090	1,159	1,427	1,850	2,035	2,678
Depreciation & Amortization	73	80	118	144	195	225
Interest expenses	26	22	24	23	24	26
Operating profit before working capital change	**1,188**	**1,260**	**1,569**	**2,017**	**2,254**	**2,929**
Working capital adjustment	(1,150)	(437)	(1,029)	(2,205)	407	(798)
Gross cash generated from operations	**38**	**823**	**540**	**(188)**	**2,661**	**2,131**
Direct taxes paid	275	(8)	(4)	(0)	(529)	(696)
Cash generated from operations	**313**	**815**	**536**	**(188)**	**2,132**	**1,435**
Cash flow from investing activities						
Capex	(14)	(102)	(410)	(991)	(159)	(164)
Others	(176)	(220)	(1,821)	763	-	-
Cash generated from investment activities	**(190)**	**(322)**	**(2,231)**	**(228)**	**(159)**	**(164)**
Cash flow from financing activities						
Proceeds from issue of share	-	(390)	-	-	-	-
Borrowings/ (Repayments)	99	(43)	65	(23)	(16)	(13)
Interest paid	26	22	24	23	24	26
Dividend paid	-	-	-	-	-	-
Others	(62)	(47)	1,832	(224)	-	-
Cash generated from financing activities	**63**	**(459)**	**1,921**	**(225)**	**8**	**13**
Net cash increase/ (decrease)	**186**	**35**	**226**	**(641)**	**1,981**	**1,284**

Ratios	FY23	FY24	FY25	FY26	FY27E	FY28E
Margin %						
Gross Margin	35%	36%	39%	40%	39%	37%
Operating Margin	9%	9%	9%	9%	10%	10%
Net Profit Margin	7%	7%	7%	7%	7%	7%
Growth Ratios (%)						
Net Sales	35%	15%	12%	31%	14%	24%
Operating Profit	223%	6%	21%	29%	19%	23%
PBT	382%	6%	23%	32%	8%	32%
PAT	375%	6%	25%	25%	12%	32%
Per Share (Rs.)						
Net Earnings (EPS)	54	60	65	81	91	119
Cash Earnings (CPS)	21	57	32	-11	128	86
Dividend	-	-	-	-	-	-
Book Value	266	308	452	530	620	739
Free Cash Flow	21	51	9	(70)	120	78
Valuation Ratios						
EV/EBITDA	20x	22x	17x	14x	11x	8x
Price/Earnings	28x	26x	24x	19x	17x	13x
Price/Sales	2x	2x	2x	1x	1x	1x
Price/CFO	74x	27x	48x	-136x	12x	18x
Price/Book Value	6x	6x	3x	3x	3x	2x
Return Ratios (%)						
ROE	20%	19%	14%	15%	15%	16%
ROCE	25%	24%	17%	18%	19%	19%
ROIC	27%	26%	18%	15%	20%	22%
Turnover Ratio						
Debtor Turnover Ratio	6x	6x	5x	5x	6x	6x
Creditor Turnover Ratio	7x	6x	7x	7x	8x	7x
Inventory Turnover	5x	6x	5x	5x	6x	6x
Fixed Asset Turnover	11x	11x	9x	7x	7x	8x
Equity Capital Turnover Ratio	3x	3x	2x	2x	2x	2x

Source: Dalal & Broacha Research

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