Interarch Building

Operator: Ladies and gentlemen, good day and welcome to Interarch Building Solutions Ltd. Q2 FY27 earnings conference call, hosted by Ambit Capital Private Limited. As a reminder, all participant lines will be in listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during this conference, please signal the operator by pressing '*' followed by '0' on your touchtone telephone. I now hand the conference over to Mr. Sudeep Bohra from Ambit Capital Private Limited. Thank you, and over to you, sir.

Sudeep Bohra – Ambit Capital: Good afternoon, everyone. On behalf of Ambit Capital, I thank the management of Interarch Building Solutions Ltd. for the opportunity to host its Q2 and H1 FY27 earnings conference call. To discuss the results, I am pleased to welcome Mr. Arvind Nanda, Executive Chairman and Whole-time Director; Mr. Manish Garg, MD and CEO; Mr. Viraj Nanda, Executive Director; and Mr. Pushpendra Kumar Bansal, Chief Financial Officer. I now invite Mr. Arvind Nanda to take us through the key highlights of the quarter, after which we will open the floor for Q&A. Thank you, and over to you, Mr. Nanda.

Arvind Nanda – Executive Chairman & Whole-time Director: Thank you, Sudeep. Thank you very much. I am Arvind Nanda here, newly appointed Executive Chairman and also promoter of Interarch. Good afternoon, everyone. Thank you for joining us on the Interarch Building Solutions earnings conference call to discuss our operational and financial performance for the second quarter and half year ended September 30, 2026. We would first like to thank Ambit for the continued support they have been giving us over the last many years, especially after we became a listed company, and for continuing to host our earnings calls. We trust that everyone has had the opportunity to go through our financial results and investor presentation. Both are available on the stock exchanges and on our website as well.

Before we begin the discussion on the quarter, let me give you a brief overview of our business. At the core of Interarch's business is the design, manufacture, and execution of pre-engineered buildings, or PEBs as we call them, and increasingly also pre-engineered, or PE, structures, which can cater to a much larger market than just pure buildings, as we will see as we grow and discuss the other parts of our business. You will see that there are many other types of steel structures required in the fast-growing Indian economy. These are all custom-engineered steel structures manufactured in a controlled factory environment, normally designed and engineered by us as well, manufactured, and then taken to the site in more or less complete condition, except for the final assembly, which is done through a nut-and-bolt assembly at the site. Everything else has already been done in our state-of-the-art plants located at different locations, and this enables very fast construction timelines and optimized material utilization, because all the work is done in our plant under very controlled conditions, on highly automated lines, and by highly skilled people.

This gives us consistent quality and improved cost efficiency, making PEBs an increasingly preferred solution across industries such as manufacturing, logistics, warehousing, retail, aviation, infrastructure, data centers, and, in the coming years, high-rise commercial buildings, followed by any kind of high-rise or institutional building such as schools, colleges, malls, stadiums, and airports. Everything will gradually get converted into steel. It is already being done, but increasingly it has become common usage.

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Interarch differentiates itself through its integrated turnkey business model, which offers end-to-end solutions through the entire project lifecycle. From in-house design and engineering to the manufacture of structural components using HR plates, coils, and coated material and coated coils for roof and wall cladding, this is followed by on-site erection through nut-and-bolt assembly. Every stage of the project is executed under a single-responsibility framework by Interarch. This integrated approach gives customers greater certainty regarding project quality, timelines, overall execution, and cost as well. The customer is dealing with one company as an overall one-stop shop for a complete building as a product, unlike the traditional method of building, where a customer has to deal with 3 or 4 different parties and bear the brunt of any defect, loss, or problem created by any of these contractors.

Each project is engineered to meet specific technical and operational requirements, whether for manufacturing, logistics, high-rise industrial buildings, commercial structures, or specialized applications such as data centers. Our ability to deliver highly customized solutions reflects the strength of our engineering capabilities, which remain a key pillar of our business, as they should in any pre-engineered business. Robust engineering not only enhances structural performance and safety but also improves manufacturing efficiency, execution reliability, and long-term quality and safety value for our customers, along with highly efficient and time-bound execution.

Our customer base includes several leading Indian and multinational companies that rely on Interarch for their mission-critical industrial and commercial infrastructure requirements. I would say that there is hardly any multinational or Indian company which [trails off]

Arvind Nanda - Executive Chairman & Whole-time Director: ...does not work with Interarch in the last 25 to 40 years that we have been doing building products as such. Our execution capabilities are industry-agnostic, building-agnostic, and geography-agnostic, and we are supported by a strong pan-India manufacturing and project delivery network.

Over the years, we have successfully executed projects across diverse geographies and sectors and established ourselves as a trusted partner for large and complex developments. Our consistent track record of execution excellence, engineering expertise, and customer-centric approach has helped us build long-standing relationships with leading corporates and strengthen our competitive position in the rapidly growing PEB industry.

To achieve this, we have had to build our company internally over the last 25 years, especially to have the best available skills, software, and technologies across our areas of work. This includes sales, marketing, brand building, business development, engineering and detailing, production capacities and capabilities, which have completely changed in the last 25 years as our buildings have changed and as our customers have changed, as well as transporting them to the site and managing projects across the country.

Whether it is Assam, Coimbatore, Bihar, or Odisha, we have mastered the art of executing projects in all these areas. That is the basic strength of Interarch today, and why people keep coming back. It is also the reason for the success we have had with our customers, who maintain long-term relationships with us as partners. They approach their capital-goods company, Interarch, for their buildings, which we feel are primarily the number-one capital expenditure and number-one capital good for their business, since buildings have become very complex and the building itself is a very

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integral part of the complete production process, especially in these larger industrial, logistics, and data center projects.

As India continues to witness increasing investments in manufacturing, logistics infrastructure, and industrial growth, we believe Interarch is well positioned to capitalize on these long-term structural growth opportunities. Our continued focus on engineering-led innovation, operational excellence, capacity expansion, and turnkey project execution will remain central to driving our sustainable growth.

For your information, Interarch has invested very heavily over the last 2 to 3 years in getting better people, better computer systems, and better software such as SAP HANA, as well as in all engineering and project management activities. We have spent over 250 crores in the last 2 years, plus perhaps 2 years and a quarter, on building our capex. This goes back to the IPO, when we raised 180 crores, of which 50% was for capex and 50% was for working capital and other items such as general expenses.

However, we have already spent 250 crores to date on our capex program by completing our entire Andhra plant, updating all our other plants, adding a line in Kichha, and establishing the heavy structure plant in Andhra Pradesh Phase 1. The Gujarat plant, both phases, has also been completed. We have therefore been spending very heavily on capex because what we have seen in the last 2 years is a huge upsurge in demand, not only from our existing and traditional customers in industries and logistics, but also from a completely new set of customers who want steel buildings for faster growth, better value, better safety, better quality, better execution, and the ability to deal with one company.

The capex spend has been very high and very rapid, and our internal resources and working capital limits have been used for working capital as well as for the other areas of growth that we are pursuing and the other expenses that we are trying to develop.

The 2 additional areas that we have developed in the last 1 to 2 years are the export market, which Manish will tell you more about when he speaks, and another area that we are developing. Exports are going to be a big vertical for us in the coming years. We are receiving very positive feedback from customers who have already bought from us and are dealing with buildings such as data centers, commercial buildings, and similar buildings that we were not doing earlier.

For both of these new verticals, we have spent a lot of capex and a lot of expense on building the sales team, detailing teams, execution teams, and production facilities. We have already spent a lot of money on this over the last 2 years, as we believe that future growth will come equally from all 3 verticals: our present PEB business; growth from high-rise buildings, data centers, and similar buildings; and exports.

A lot of institutional buildings, such as colleges, schools, airports, and railway stations, will come into this segment. Of course, exports are also a very good opportunity for a company like ours, which has worked with all the multinationals in the world. We already have that credibility. We have worked on all kinds of buildings where most PEB companies have not worked. Our focus, however, was not on exports 2 years ago.

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I think this will be a long-term and very good growth opportunity for Interarch. In the beginning, it may be somewhat difficult, with expenses having to be incurred before the revenue is earned. However, we do not see any choice for Interarch going forward if we really want to become a steel solutions company for the world and become an internationally accepted brand and company.

We are very happy that we have had good success in all these areas, including data centers, high-rise buildings, and hangars. These are all buildings that we have started receiving now. Manish will take you through that in his speech, and we will of course be very happy to answer any questions during the question-and-answer session.

I would now like to hand it over to Manish Garg, our newly appointed MD and CEO, to take you through how Interarch is actually implementing all this. Thank you, and Manish, please go ahead.

Manish Garg – MD & CEO: Thank you, sir. Good afternoon, everyone, and thank you for joining us today. I will continue from where Mr. Nanda left off.

Our second-quarter performance was broadly in line with the same quarter last year, which was Q2 FY26, and this was anticipated for the first half of the year. This reflects the resilience of our business model and our continued focus on operational excellence, customer engagement, customer stickiness, efficient capacity utilization, and disciplined project execution.

As we have highlighted previously, the first half of our financial year, as for any construction-product-related or project-related company, remains seasonally softer because of the impact of the monsoon. Consequently, project execution and order conversion reflect this seasonal pattern in all our results for the first half of the year.

Despite these seasonal factors, customer inquiries across our key markets remain healthy, giving us confidence in the medium- to long-term demand outlook, which is reflected in our residual order book that we will share with you shortly.

The broader investment environment also looks very stable and favorable, with the government continuing to prioritize capital expenditure as a key driver. The government also came out with the draft of the 20-2047 steel policy, which is a major boon to downstream companies such as us, as the government anticipates steel usage increasing by many notches.

This provides a favorable backdrop for pre-engineered buildings and steel construction solutions in general across sectors such as manufacturing, logistics, warehousing, multi-story buildings, data centers, semiconductors, and all other infrastructure, including electric-vehicle infrastructure. We remain very positive about the long-term growth prospects of the industry, supported by these ongoing investments and new policies centered around the use of steel for faster construction in India.

Regarding capacity expansion, Mr. Nanda has already given you an update that our AP Phase 1 and both Gujarat phases are now operational, and they will ramp up quickly as we move forward in the following quarters.

In terms of the business model for heavy structures, heavy structures are large cust... [cut off]

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Management: ...customized multi-story buildings. They could be for process facilities, data centers, commercial usage, or a host of other uses such as institutions, hotels, and hospitals. We are very pleased to inform you that we are undertaking projects in all these areas.

We are building a hospital, a hotel, many data centers, a commercial building, and an office building right in the heart of Delhi. We have had great success in all these sectors.

Collectively, the investments that we have made in capex and manufacturing capabilities have improved our execution efficiency and given us the capacity to address the total market requirements.

In terms of exports and our joint venture for the new product, which is open-web steel joist systems, building on the MOU announced in Q4 with ER Steel Canada, we continue to progress on our strategic collaboration and take our steel construction solutions to the entire North American market.

The initial funding, as planned, was 80 crores for the OWSJ venture. The partnership brings together Interarch's engineering and manufacturing capabilities in India and ER Steel's deep penetration in the North American markets, particularly Canada.

In terms of taking our products global, we have made very good inroads into various other geographies, particularly on the African continent. We are already doing a few projects there, and we are making very robust marketing inroads into those geographies.

Regarding our order book update, as mentioned, we said we would come back to you on the robust order book. As of October 31, our order book was in excess of 2,000 crores. The residual order book actually stands at a little over 2,000 crores. This shows that our order booking across sectors has been very strong, and as the execution cycle picks up in H2, we will see better execution and throughput during the quarters.

Looking ahead, we remain focused on disciplined execution, strengthening our customer relationships, and expanding our manufacturing and engineering capabilities to support sustainable long-term growth.

We expect our next phase of growth to be driven by 3 key pillars: our core pre-engineered building business, where we have built very strong customer stickiness, with over 72% of our customers coming back to us; heavy steel structures; and exports.

These are the 3 core areas that will drive our future growth, and together they will strengthen our market position as a holistic steel construction solutions provider for larger, more complex, and very broad steel construction solutions in India and globally.

In the second half of the year, we expect execution to pick up progressively. With a robust balance sheet, an expanding manufacturing footprint, disciplined capital allocation, and continued investment in our future-ready capabilities, we remain well positioned to capitalize on India's evolving industrial and infrastructure investment cycle.

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Management: In terms of our financial highlights and some numbers, coming to the financial performance for Q2 FY27, revenue for the quarter stood at 505 crores compared to 491 crores in the same quarter last year. EBITDA for the quarter remained at 41.7 crores compared to a similar number in Q2 FY26.

The EBITDA margin for Q2 was about 8.3%, marginally different from last year's 8.5%. PAT remained at 30.7 crores as against 32.3 crores, which is clearly a function of higher depreciation because we capitalized 2 brand-new facilities at Gujarat and AP. Apart from that, there was also lower interest income because of our expenditure on capital projects, as Mr. Nanda explained.

Overall, our H1 performance has been very pleasing. Revenue for the half year stood at 965 crores, registering year-on-year growth of 10.7% compared to 872 crores in H1 FY26. EBITDA for the half year stood at 81.1 crores as compared to 73.3 crores in H1 FY26, reflecting growth of 10.7%.

The EBITDA margin for H1 FY27 remained stable at 8.4%, and PAT for the half year stood at 58.9 crores as against 60.7 crores in H1, representing similar year-on-year performance but taking the impact of depreciation and interest.

We had healthy operating cash flow during the entire H1, as you will see in our balance sheet and the numbers. With this, I will conclude my presentation and open the floor for questions and answers. Thank you very much.

Operator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may enter star followed by one on the touchtone telephone. If you wish to remove yourself from the question queue, you may enter star followed by two. Participants are requested to use only their handsets while asking a question. We will wait for a moment while the question queue assembles. To ask questions, you may enter star and one.

The first question is from the line of Chintan Patel from PhillipCapital. Please go ahead.

Chintan Patel – PhillipCapital: Hello, sir. Thanks for the opportunity. My first question is regarding the heavy steel structure capacity utilization and how we ramp up this facility. What is the EBITDA per ton in heavy steel structures, or could you guide us on our margin for heavy steel structures?

Management: Thank you. One thing we have to understand is that heavy steel structure is not a completely separate item. Heavy steel structure basically means that each piece we can manufacture in that plant can weigh over 5 tons, whereas in our existing pre-engineered building facility, most of the pieces weigh less than 5 tons.

By having a heavy structure plant, we have the ability to undertake different kinds of buildings. Today, we can do data centers, high-rise buildings, and many large industrial plants such as lithium battery plants and microchip plants, which also require a substantial amount of heavy structure pieces.

Heavy structure is a piece similar to a pre-engineered building piece that is used in a building, but each piece will weigh over 5 tons, going up to 20-25 tons. Therefore, for the buildings we are undertaking, there is no separate vertical for HSS. HSS allows us to enter different building verticals.

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That is one important point. We can now bid for data centers and similar projects. Data centers and other such projects currently have better margins than standard pre-engineered buildings and somewhat lower risk because a large part of the design element is undertaken by the client. The weight of these pieces is also higher.

In these types of heavy structure buildings, such as data centers, high-rise buildings, hospitals, and hotels, there is a clear system where 2 things are very important. First, steel prices are always passed through. This is unlike pre-engineered buildings, where this may not always be the case. Therefore, our margin is more protected when we undertake these types of buildings.

Second, payment terms are much stricter, meaning that there will not be any payment outstanding after the material leaves the factory for these types of buildings. Therefore, the 2 things that are very important for us regarding heavy steel are as follows.

First, the heavy steel structure plant, which will ultimately reach approximately 75,000-80,000 tons by the end of next year, compared to the current capacity of 25,000 tons, will give us the ability to bid for all these buildings.

As Manish mentioned, we have already received projects for data centers, hospitals, hotels, a commercial office building for the Government of India in the heart of Delhi, and we are constantly bidding for data centers. We have recently also received an airport hangar. Our ability to bid has therefore increased.

Management: Therefore, because we have a new building vertical that we can undertake, we feel that as the projects become larger and enter these verticals, the margins will be better protected.

The margins are similar, but I think the net margin we will earn will be higher, also because our general overheads will not increase by the same amount. If our existing general overheads can partly cover the new overheads, we will earn a higher net margin.

Therefore, our expectation is that we will earn higher margins as we enter these types of buildings, larger buildings, and larger orders with higher values. What was the second part of your question?

Chintan Patel - PhillipCapital: Basically, sir, I want to understand the overall margin improvement trajectory as we add heavy structural steel and build a number of high-margin projects such as data centers, hospitals, and other projects. How do you see the margin improvement trajectory going forward as we are now undertaking export orders?

Management: In both these verticals, the primary reason we are entering them is that the net margins are better. The second reason is that the risk is lower. These businesses will come to us because of our existing overhead infrastructure, which I think will become more leveraged. Our operational leverage will improve because the expense of selling an export building will not be substantially high for us. [pause]

We can obtain export business that has no sales cost, no collection cost, and no project-management cost for us. We only have to design, engineer, manufacture, and supply on an LC basis.

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Similarly, in heavy structures, as I explained, the margins will be better protected and will be higher because the net margins will be higher. In some cases, the design is not part of our scope. Even if it is, the steel price is completely passed through. Therefore, that risk element also goes away.

On the project side, in many cases, project execution may be undertaken by the client, who is normally a contractor in these cases. It could even be undertaken directly by the client or by a contractor with our erector.

We are trying to enter these verticals to earn higher margins and enter different businesses to help us grow. That is the idea. I think both objectives will be achieved.

It might take a year or 2 to see the effects because, in the beginning, expenses will increase. The turnover will not immediately reflect that, but we believe that our existing overheads will be able to take care of many of the orders we receive rather than our overheads increasing proportionately.

Chintan Patel – PhillipCapital: Okay, understood, sir. What kind of order pipeline are we envisaging for the coming quarters? We already have an order book of approximately 2,000 crores. What new upcoming orders are we going to bid for, and what is the order outlook that you are targeting?

Management: Our order book should normally reflect what we are able to deliver to the customer. We cannot book orders that are beyond the customer's schedule.

Normally, in pre-engineered buildings, including buildings such as data centers, we have seen that very large orders, such as data centers, could take up to 10 to 11 months. Most pre-engineered buildings take between 4 and 8 to 9 months. You do not really get many orders that go beyond that.

Therefore, our capacity and order book must match. As our capacity increases, we can increase our order book. You can see that our order book is increasing a little every quarter because capacity is increasing.

I would say that today we have 9 to 10 months of capacity reflected in the order book. Even if we can take more orders, we cannot accept them because we would not be able to deliver them.

I would say that in the next 12 months, we should be doing business of more than 200 crores per month. That is our capacity. With both phases of the Gujarat plant operational and one phase of heavy structures operational, I would say that over the next 12 months we are aiming for an order book equivalent to approximately 200 crores to 220 crores per month.

The present order book already reflects approximately 9-10 months of production. As capacity increases, the order book can increase. Business is available in the market.

Of course, we are trying to choose business from our traditional and regular customers, as well as new kinds of buildings that we want to enter, such as data centers and high-rise buildings. However, we want to deal with very safe customers. We have a choice today because there is a lot of business available in the market.

We are choosing business from more reliable customers, with better pricing and 100% variable pricing for steel. Steel prices have been moving unusually in one direction for the last 8-9 months.

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Therefore, we want to protect ourselves from any increase or decrease in steel prices, while obtaining a better margin from a high-quality customer and gaining the ability to undertake new kinds of buildings.

Otherwise, there are many orders in the market. There is no problem in picking up orders, but the order book must reflect our ability to deliver.

I would say that we will probably have to deliver the 2,000 crores within the next 9 months at the latest. Of course, the order book will increase as we increase capacity, which we are urgently trying to do everywhere, because the market is moving very quickly.

Chintan Patel - PhillipCapital: Okay, understood, sir. Specifically, what kind of margin do you desire on a particular order? Is there a range for a particular order that you want to bid for? Could you provide some color on that?

Management: We feel that 10% to 12% is what we should be aiming for over the next 12 months. Ultimately, in the long term, I believe a company like ours should be earning upwards of 14%-15%.

Do not forget that we undertake the design and engineering, full manufacturing of the building, and project management. Therefore, we are effectively working like 3 different companies and are not earning even the margin of one good company.

However, competition, increases and decreases in steel prices, and all these factors have taken a toll. Going forward, I think we will increase margins not only by obtaining better margins from customers but also by earning better internal margins.

By achieving better internal economies and certainly through operational leverage, as we undertake larger and larger orders, our operational leverage will increase. If our aim today is to reach 10%, I think the increase in the size of the business and turnover, along with undertaking these larger orders, will help us earn a better margin.

I do not think our overheads will grow at the same rate. Therefore, earnings should increase. I would say that within 2 years we should reach 11% to 12%.

The other 2 verticals, as I mentioned, such as data centers, will also begin contributing. Exports will reach a substantial amount, even if it is 100 or 200 crores in 2 to 3 years. This will still give us a better margin.

Our aim is to increase margins. We are not happy at all with the current EBITDA, which is approximately 9%, or 8.5%. I do not think that is the kind of EBITDA margin we deserve as a company.

However, we are currently in a period when substantial expenses have to be incurred in the new verticals we are starting, while the revenue from those verticals is not commensurate with the expenses. I think this will clear up by FY27-FY28 at the latest.

Chintan Patel - PhillipCapital: Okay, understood, sir. Thanks for answering all my questions. That is all from my side.

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Management: Thank you.

Operator: Thank you. Participants are requested to limit their questions to only 2 questions per participant. You may then go ahead and rejoin the queue. Our next question is from the line of Rahul Kumar from Vakarya Fund. Please go ahead.

Rahul Kumar – Vakarya Fund: Hi, sir. I have one question regarding working capital. The first half has seen an increase in working-capital days from 66 to 86. I think you mentioned last time that the share of larger orders had increased, which resulted in this. Is this now a more normal level of working capital going forward?

Management: Manish, would you like to answer that?

Manish Garg – MD & CEO: Yes, sir. Working capital is actually a function of how long the order takes to get executed, as you rightly said. We have a bill-certification process for many orders, but we choose all our customers very carefully. Therefore, while the order-to-cash cycle may have increased somewhat, the payment remains safe. That is one reason, and we are executing larger and larger orders of those kinds.

The second factor is that the last quarter was very erratic in terms of the steel supply chain. To continue delivering on time, we had to stock up somewhat on steel inventories, and prices also increased. It could therefore be a function of that.

In addition, we opened 2 new plants and made them operational, which was Gujarat [trails off]

Management: ...up, as well as the heavy structures. As you know, each plant will require some critical mass to execute. Therefore, while there is definitely room to improve working capital from a receivables and inventory standpoint, as the steel supply-chain situation improves and becomes more predictable, we can try to bring it closer to what it used to be.

However, in the current situation, these are the factors that have led to a slight increase in the working-capital base.

Management: I would just like to add that net working capital is still around 40 or 42 days because we also have customer advances, which are part of our business. Therefore, net current working capital is still around 40-42 days, if I am not mistaken.

Management: Yes, it is 44 days.

Rahul Kumar – Vakarya Fund: Okay. The second question is regarding heavy structures. Out of the 2,000-crore order book, would you have a share of the order book from the heavy-structure part of the business? Manish?

Management: Yes.

Manish Garg – MD & CEO: Heavy structures currently account for approximately 350 to 400 crores of the residual order book of 2,000 crores, which is yet to be executed. This includes, as we mentioned, a commercial building in the heart of Delhi, 2 data centers, and projects that, as Mr. Nanda also explained, could form part of our standard pre-engineered building core competence,

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but where the pieces are heavier and therefore qualify as HSS.

In the overall scheme of things, approximately 15% to 20% of our order book currently qualifies as the HSS segment. This consists of a hospital, many data centers, a multi-story hotel, a commercial building, and some very heavy process buildings that we are constructing for global companies in India.

Therefore, it is approximately in the vicinity of 300 to 350 crores out of our 2,000-crore net order book currently.

Rahul Kumar – Vakarya Fund: Okay. So basically, this means that we can probably utilize the 2 capacities being commissioned currently for these heavy-structure products over the next few quarters?

Management: Absolutely. We are completely loaded for both the lines that we started. Absolutely right.

Rahul Kumar – Vakarya Fund: Okay. That is basically it. Thank you.

Operator: Thank you. The next question is from the line of Akshay Kothari from Dalal & Broacha. Please go ahead.

Akshay Kothari – Dalal & Broacha: Thank you for taking my question. Am I audible? My first question is on revenue. We see that Q2 revenue growth was only 2.9% year-on-year. If I consider H1 revenue, the growth is around 10% to 11%. Earlier, you guided that FY27 revenue would be around 2,150 crores to 2,200 crores. That indicates an average quarterly run rate of approximately 600 crores for each of Q3 and Q4.

Given the current H1 performance, do you remain confident of achieving the FY27 revenue guidance? What gives you the confidence that the business can deliver the required acceleration in H2? Is a quarterly run rate of 600 crores achievable from the existing order book?

Management: [pause] H1 is also something that we normally use as a company as a guide rather than Q1 or Q2 individually, because, as we explained earlier, the quarters can vary. Last year, Q1 was lower than Q2, whereas this year Q1 is higher than Q2.

If you look at H1, it is up 10%. H1 is generally lower than H2 because most of the clearances required for delivery are received in the H2 period.

Therefore, we are very confident. The capacity exists, and we have the order book and the clearances. Our ability to execute the 2,150-crore figure that we gave up to the end of the financial year is still very much in play. There is no change in that. We will execute it.

Akshay Kothari – Dalal & Broacha: Okay. My next question is on the EBITDA margin. In the long term, you have guided for an EBITDA margin of around 9.5% to 10% by FY28. However, the current margin is around 8% to 8.5%. Could you help us understand how you will achieve this target EBITDA margin?

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Specifically, how much improvement do you expect from operating leverage, heavy structures, or exports? Why is the margin lower this quarter? Is it because of fluctuations in steel prices, freight costs, or site-execution expenses affecting the margin?

Management: [pause] As we enter newer types of buildings and exports, expenses increase disproportionately to sales. As we increasingly try to obtain data center orders, it is a much more expensive process to obtain them.

The turnover will be much lower in that quarter, and the turnover will come in a later quarter. For example, we have some export orders, but the turnover from those export orders will come in a later quarter.

As you try to build capacity, unfortunately, capacity, revenue, and EBITDA do not move together on a quarter-to-quarter basis. These are longer-term steps that you take to build the company. Therefore, there can be an immediate effect.

However, this is not worrying us because the EBITDA also reflects the very unusual situation over the last 6-8 months involving the global situation, oil prices, and steel prices. The way steel prices have behaved this year is something we have not seen for the last 4 or 5 years.

We have taken care of that as well. In many cases, we have taken substantial price increases from our customers. We have changed our prices and tried to earn better margins.

Despite all that, if the EBITDA margin is only 0.2% lower than last year, I think the situation has been managed very well in that sense. Therefore, we are not worried.

However, if you look at what has happened in the world over the last 12, 11, or 10-11 months, it has been a very unusual and tumultuous situation, which we have had to handle on a day-to-day basis.

Sometimes steel prices have moved up unusually, at times on a weekly basis. Truck prices vary because oil prices have been increasing. There are many things happening in this country and in the world.

I think that if the ultimate result of all this is that we are still on track to deliver what we promised 6 to 8 months ago, and we are confident that we can improve profitability as steel prices stabilize or soften in the next few months, then we have done very well considering all these factors.

Steel prices themselves are at a record high. We have not seen steel prices at today's level since 2022. Steel prices invariably start coming down during the monsoon, but this time they increased during the monsoon period.

On top of that, supply has been highly disrupted because steel companies are delivering more and more material for export, where they are probably earning a better realization. Supplies have therefore also been disrupted.

This meant that we had to hold higher stocks because we had to buy more material to keep in stock due to the disruption. We also had to go into the market to buy from traders and dealers because if I cannot finish a building at a particular site, I cannot wait.

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Despite this, I am still able to deliver to customers on time and add to the order book. However, a few things need to be brought under control, such as debtors, inventory, and the overall management of production, productivity, and production costs.

There are too many things happening currently, and I think we are trying to control all of them. In fact, I feel that if EBITDA has declined from 8.5% last year to 8.3% this year, we have done very well.

Things will improve. I think things are stabilizing. Our new vertical has started working, and we have received good export orders. Our joint venture is now in place.

As Manish mentioned, buildings requiring heavy structures mean that our heavy-structure capacity is going to be fully utilized for the next year. In fact, we are trying to accelerate the second and third phases.

Therefore, I think things are on track. Sometimes these things happen on a quarter-to-quarter basis. Too much has happened in the last 2 quarters for us not to be affected. However, it is our duty and responsibility to ensure that we continue to manage the business. We are confident.

Management: ...on track. We are not worried.

Akshay Kothari - Dalal & Broacha: Okay. Just one last question. Why are erection and installation charges so high, both year-on-year and quarter-on-quarter? I see that they are 11% of topline compared to 9% of topline last year. Why are erection and installation charges so high this quarter?

Management: Let me explain. When we take an order, we take a lump-sum order and cost it accordingly. We consider the steel price, the margin we want to make, our design price, our manufacturing cost, and every other aspect. Every job is unique.

In our case, we have never undertaken 2 similar jobs. In one project, the raw material requirement may be higher; in another, the production cost may be higher; and in another, the freight cost may be higher because the job could be in Assam, whereas another job could be right next to our plant.

The same applies to erection and freight, which are normally added on as actual costs after we have completed our costing. Both are pass-through costs.

Therefore, while it might appear that the cost has increased from 9% to 11%, it has not come out of our pocket. We may have obtained jobs that cost more in erection. The larger the job, the higher the erection cost may be, but we charge it to the customer.

It is not as though, if the cost had remained at 9% as it was last year, we would have made 2% more. That is not the case. Our projects are very unique in the sense that every project is costed uniquely.

Therefore, we do not worry too much about the internal cost. In one project, freight could be very high, but it does not bother us because it is not coming out of our pocket. In another project, erection could be very high, but that is also not coming out of our pocket. It is charged to the customer.

However, because of the way we prepare our accounts and present our financial statements, these costs appear in the financial statements.

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Akshay Kothari – Dalal & Broacha: So these costs are passed on to the customer.

Management: Yes, correct. These are all fully pass-through costs.

You can imagine that if I am undertaking a {? VPI ?} vacuum plant or a simple warehouse, the erection cost will be different. If I am constructing a building in Noida or a building in Assam, the freight cost will be different.

That is not within my control. I could receive all the jobs in Assam, or I could receive all the jobs in the NCR during that quarter. It is not within my control. Therefore, it is not going to affect our profit.

Akshay Kothari – Dalal & Broacha: Sure. Thank you so much. That is all from my side.

Management: Thank you. Thank you.

Operator: Thank you. The next question is from the line of Paschim from Dam Capital. Please go ahead.

Paschim – Dam Capital: Hi, good afternoon, team. I wanted some more clarity on margins this year. In the medium term, you said that 10% to 12% is possible over the next 12 months, and 14% to 15% is the long-term aspiration.

For this fiscal year, given how H1 has performed so far, the reality of steel prices, and how much steel you have already purchased, what should margins be in H2, or rather for {? FY24 ?} as a whole?

Management: I do not think we are expecting much improvement this year because, as I mentioned, unusual events have occurred. In addition to these unusual events, we have also started 2 new verticals: exports, and the effort to sell buildings from our heavy-structure plant and undertake different kinds of buildings.

Both these verticals have added substantially to our design, engineering, travel, and selling costs. Therefore, we do not expect any major improvement.

We will achieve turnover of perhaps {? 1,200 crores ?} in the next 6-12 months, meaning the last 2 quarters. That will of course help us. However, I also expect our expenses to remain somewhat high.

If we have achieved {? 950 crores ?} in the first 2 quarters and achieve {? 1,200 ?} in the next 2 quarters, we should obtain a better margin because operating leverage should begin to take effect. Our overheads will not increase dramatically because we are achieving higher turnover.

Therefore, margins should improve in the second half, definitely. However, I do not think they will cross what we achieved previously, which was 9% to 9.5%. I do not see them going beyond that.

From next year onward, as the full capacity of our existing Gujarat plant and our heavy-structure plant comes online, and as exports begin to be delivered and improve, I think we can see better margins in {? '27, '28 ?} for sure.

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Paschim – Dam Capital: For the new verticals, particularly heavy structures, did the erection work and most of the operating expenses already begin to appear in the H1 or Q2 numbers? Is that why you are saying they will not increase much in Q3 and Q4?

Management: No. A certain amount of export expense may have been incurred in the first 2 quarters, but the export orders we currently have will primarily be delivered in the second and third quarters.

Heavy steel structures became operational only on September 24. Therefore, whatever sales come from that facility will be in the second, third, and fourth quarters.

However, it will increase our sales. Once sales increase, the margin percentage automatically increases in our case because, in many cases, overheads do not increase to the same extent as turnover.

That is why I believe the negatives of the first 2 quarters, such as steel prices and somewhat lower turnover compared to the second 2 quarters, namely the third and fourth quarters, will be offset.

We are certainly seeing this. Prices are also somewhat more stable.

The orders that we will execute in the third and fourth quarters were generally taken by us in the first and second quarters, when steel prices were already higher. The orders that we executed in the first and second quarters were taken by us in the third and fourth quarters of last year.

At that time, we anticipated that prices would move according to their usual cycles. That has also affected us.

It is like managing many balls at the same time. You have many balls in the air, and you have to juggle them properly. Some will fall, but otherwise, as a business, it is our responsibility.

We have been in the pre-engineered buildings business for 26 years and have experienced many different cycles, wars, economic downturns, and slowdowns. We have managed through them.

Sometimes too many things happen in the same year. Although we are now looking at the business quarter by quarter, we still try to look at it from a yearly point of view, because over a year things settle down rather than being assessed every quarter.

Over a year, we remain quite confident of achieving better results than last year. This will definitely be the case in turnover, and I think it will also be the case in margins.

Paschim – Dam Capital: I understand the steel-price impact, which keeps fluctuating from quarter to quarter. In fact, I think prices also increased in October. It is possible that there could be another margin impact in Q3, but that should ideally even out over Q4, Q1, and Q2.

If you take a longer-term view, that should not really impact profitability. The operating-expense element was what I was trying to understand. However, I understand your point.

My second question is more of a bookkeeping question. First, I wanted to know your Q2 volume in metric-ton sales. Second, regarding the order-book number you mentioned, over what period do

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you have to execute those orders?

In addition, regarding your demand-inquiry pipeline, could you provide some sense of the metric-ton volume you are currently seeing in the market and the industries from which this demand is coming?

Management: Thank you for your question. I will take all 3 questions. [pause]

The volume for Q2 was {? 41,600 metric tonnes ?}. That is the sales volume for Q2.

The second question was about our order book and its execution period. As we said, we had a net order book of approximately {? 2,000 crores ?} as of October 31.

For 75%, or 70%, of it, the execution period is a maximum of approximately 9 to 10 months. There are 2 or 3 orders that are somewhat longer, with execution periods of 12 to 16 months.

Therefore, the blended order-book period should be approximately 10 to 11 months. However, most of it is for approximately 9 months.

Regarding our pipeline, our pipeline is measured by the year-on-year number of inquiries and the number of orders we receive as throughput. It is generally 5 to 6 times our monthly order throughput.

Our order throughput is approximately {? 600-700 crores ?} per quarter. Multiply that by 5, and that is our general pipeline.

Our pipeline remains very strong and tightly placed. Therefore, it is 5 times our current monthly or quarterly order book.

Paschim - Dam Capital: Understood. Regarding the volume number, what would be the year-on-year growth percentage for the 41,600 metric tonnes?

Management: 1%.

Paschim - Dam Capital: Understood. Thank you. I wish you all the best, and Happy Diwali to the team.

Management: Thank you. Thank you. Thank you. Happy Diwali to you.

Operator: The next question is— [cut off]

Operator: Please limit your questions to only 2 questions each. The next question is from the line of Dhirendra Kumar from Spark PMS. Please go ahead.

Dhirendra Kumar - Spark PMS: Hello, sir. My first question is on steel prices. Steel has seen inflation of approximately 18% to 20% year-on-year. We would have started bidding for fresh orders based on the updated steel prices.

My first question is: what price increase have we taken in the fresh orders that we are accepting? Second, what portion of our 2,000-crore order book is based on updated steel prices?

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Management: Manish.

Manish Garg – MD & CEO: There are 2 questions. The first is how we update pricing. We always book orders at the current price. Therefore, whatever is currently under negotiation is booked at the current price. If we already know what the price will be a month or 2 months later and are very certain about it, the order is booked at the current or anticipated price.

It is therefore almost real-time pricing. All the orders we book gradually, month over month and week over week, are based on current prices. That is the first point.

The second point is what part of our order book is at current prices and what part is at old prices. It is actually blended. Our order book consists of 3 types, or broadly 2 types.

One type is variable-price orders. Approximately 30% to 35% of our order book is variable price, under which the price is completely passed through irrespective of when the order was booked.

For example, if an order was booked in April when the price of steel was X, and the order is executed at the end of September or the end of November, the price prevailing at that time will apply, and the customer will pay us the increase in the price. This accounts for approximately 30% to 35% of the order book.

The next category consists of orders at current prices. Some of our orders have supply commencing in 6 weeks, 8 weeks, or 10 weeks. Some other orders are coming up for execution that were booked in April, May, or June.

Therefore, the 2,000-crore order book is blended. Approximately 60% of our order book is at fixed prices, which may have been booked at current, previous, or older prices, while 40% is on a variable-price basis.

Along the same lines, I would also like to highlight that steel prices have increased over the last several months. This blended approach is also justified by our EBITDA. Despite everything that has happened, our EBITDA has remained almost the same at 8.4%.

This means that our blended order-book approach and variable-pricing system, including dynamic pricing, have worked very well as a model. We have been able to protect our EBITDA despite rapid increases in raw-material prices. I hope I have been clear and have answered your question.

Dhirendra Kumar – Spark PMS: Yes, sir. My next question is regarding the fund raise. Is there any update you can give us regarding the QIP we were planning?

Manish Garg – MD & CEO: We have completed all the formalities required by law to undertake the QIP. We have left the timing to Ambit to decide what the right timing is.

However, since our expansion plans are proceeding at full speed, I think we should do it sooner rather than later. I do not know the exact timing. You will have to get in touch with Ambit. Ambit may be able to provide you with the details, and you can contact them directly.

We have completed all the legal formalities, so we can launch it with 72 hours' notice once Ambit feels that the timing is right.

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Dhirendra Kumar – Spark PMS: Those are my questions. Thank you.

Operator: Thank you. The next question is from the line of Darshan from Electrum Portfolio. Please go ahead.

Darshan – Electrum Portfolio: Hello. Am I audible?

Manish Garg – MD & CEO: Yes.

Operator: Yes, sir.

Darshan – Electrum Portfolio: Thank you for the opportunity. Earlier in the call, you said that the majority of our order book is on a fixed-price basis, and this quarter we are seeing approximately 40% of the order book, close to 800 crores, as variable price. What changed in our approach? What is the thinking behind this?

Manish Garg – MD & CEO: For a company like ours, it is always preferable to take variable pricing because steel prices are not within our control and steel forms a major part of our cost.

However, we also have to consider the market situation and the type of competition we face. When prices are normally stable or cyclical in a form that we understand and can foresee, we also accept fixed pricing.

When steel-market prices become somewhat more volatile than normal, we start shifting toward variable pricing. We insist with our customers, even at the cost of losing an order, that we will not accept fixed pricing.

Over the last 5 to 6 months, we have gradually moved very quickly toward variable pricing. I would tell you that in the last 2 to 3 months, we have probably not accepted any order at a fixed price.

The situation demands a particular response, and we try to act accordingly. However, we also have to take the customer and the market with us. When fluctuations are not very large, customers do not want to accept variable pricing.

As we move into longer-term orders, which involve more heavy-structure projects such as data centers, these orders are traditionally all pass-through. They will therefore all be variable price.

The variable element will continue to increase. I think that over the next couple of quarters, we are not going to change our policy of accepting anything at a fixed price. We will not accept fixed-price orders because we currently do not know where steel prices are going, whether up or down.

In this situation, even the customer prefers variable pricing. As I said, steel prices are at the highest level of the last 4 years, and the customer may feel that they can only go down. If prices fall by 20% tomorrow, the customer could lose out under a fixed-price arrangement.

Therefore, in this kind of situation, both sides benefit. That is why the proportion of variable pricing is increasing.

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The main difference between fixed and variable pricing is that variable pricing transfers the risk of steel pricing from us to the customer. Under fixed pricing, the customer does not carry the risk; we do.

The risk can work both ways. It is not that we always lose. We have both gained and lost, and at the end of the year it generally balances out. However, when prices are moving only in one direction, the situation becomes somewhat difficult.

That is why we are now accepting more variable pricing. We will see what happens after 6 or 8 months. For now, our policy is to accept only variable pricing.

Darshan – Electrum Portfolio: The second question is regarding capacity. We see that over the next 2 years, you will have close to 125,000 tons of capacity. Could you provide a detailed breakdown of how this capacity will come on stream, including Gujarat Phase 2, and how the ramp-up will happen in the business for each plant?

Manish Garg – MD & CEO: Each of our pre-engineered building plants adds approximately 40,000 tons to our capacity. Gujarat is now fully functional. This year, of course, the contribution will be lower, but from next year onward it will add 40,000 tons to our capacity.

Next year, I think we should also have approximately 35,000 to 40,000 tons from our heavy-structure plant in Andhra. Although the second phase will be completed by March-April and the third phase by approximately November-December, by the time they ramp up and the capacity begins to be produced, I would say that at least 80,000 tons should be in place in FY27-FY28 from these 2 plants.

We are also working on whatever productivity improvements we can achieve from our existing plants.

Our goal is that by the end of FY27-FY28, around March, we should have usable additional capacity of 100,000 tons in place. We then plan to add another 100,000 tons between March 2028 and June-July 2029, considering the current circumstances, if not faster, because things are moving very quickly in the market, especially for us.

That is the current plan. Over the next 14 to 15 months, or 15 to 17 months, we should have another 100,000 tons of saleable capacity in place, in addition to whatever capacity we had at the end of Q2 this year before the HSS and Gujarat plants came into operation.

Darshan – Electrum Portfolio: Okay.

Arvind Nanda – Executive Chairman & Whole-time Director: ...8, and then we plan to add another 100,000 tons between March-April 2028 and June-July 2029, taking it to approximately 400,000 tons by 2029.

As I said, we are always ready to accelerate this because the market is moving much faster than it has in the past or than we had anticipated. However, we are being somewhat conservative at present. Let us see how quickly it develops.

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Darshan – Electrum Portfolio: Okay. That was all from my side. Thank you.

Operator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Nanda for closing comments.

Arvind Nanda – Executive Chairman & Whole-time Director: Thank you very much, everyone, for joining us and taking the time to participate at a pre-festival time when everybody is busy. Thank you very much, and we look forward to your continued support, which we have received and are sure we will continue to receive.

I can only assure you that Interarch is a leading company in this sector. We think about the future, our brand, and how to provide better and better solutions to our customers, who currently include the world's top companies in India.

Going forward, we also want to make ourselves an international company and an international brand, serving customers outside India as well, where we are seeing a huge increase in demand with limited supply available.

North America, Africa, and other regions are areas where I think we will grow. We are also entering new areas such as infrastructure, data centers, and commercial buildings.

I can assure you that, as Interarch and as the management team, we will do our best to improve the company continuously from a turnover perspective, a quality perspective, a customer-quality perspective, and, of course, in terms of margins, which are ultimately of interest to all of us.

Thank you, Ambit, for hosting the call again, and thank you to everyone else. Thank you very much.

Operator: Thank you very much, sir. On behalf of Ambit Capital Private Limited, that concludes this conference call. Thank you all for joining us, and you may now disconnect your lines. Thank you.

Arvind Nanda – Executive Chairman & Whole-time Director: Thank you, everyone. Bye-bye.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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