



ArisInfra Solutions Ltd

ArisInfra Solutions Ltd.

Rating	Issue Opens On	Issue Closes On	Listing Date	Price Band (INR)	Issue Size (INR Mn.)
AVOID	June 18, 2025	June 20, 2025	Jun 25, 2025	210- 222	4,996

Company Overview:

- ArisInfra Solutions Limited is a technology-enabled B2B construction material procurement platform, operating across 18 states in India. It offers an integrated solution for sourcing and delivering a wide range of construction materials including ready-mix concrete (RMC), aggregates, cement, steel, walling systems, and construction chemicals.
- ArisInfra addresses inefficiencies in the conventional procurement process by leveraging digital tools, to deploy a scalable and asset-light model, supported by an expansive vendor network and region-specific subsidiaries, to serve diverse client requirements across project sizes and geographies.
- Positioned within a growing infrastructure economy, ArisInfra plays a critical role in bridging the gap between suppliers and buyers, offering a reliable, tech-driven alternative to the traditional, fragmented procurement channels.

Outlook and Valuation:

ArisInfra, is one of the few digital first building material supplier, which operates a well integrated operations by **deploying an asset-light model**. Despite having integrated operations and serving only B2B customers, **its operating margins appear very thin**. During FY22-25, the Company has ventured into selling third-party manufactured products along with vendor sourced building materials to improve and scaleup its gross margins from 9.9% in FY22 to 14.2% during 9MFY25.

It **relies on short-term borrowings to fund its working capital requirements**, which has a severe impact on the profitability, led by high interest burden. During 9MFY25, even though the **EBITDA grew ~2x of the FY24 levels**, it was **only sufficient to offset the depreciation and service its interest expenses**. The Company plans to **raise ~INR 5bn through fresh equity issue** in the initial offering, which will be partly utilized to **pare of the current short-term borrowings and fund its future working capital requirements**.

Globally, there are limited listed peers, which operate on a similar business model. Most of its listed peers domestically and globally operate in B2C format in large format stores to cater the retail consumers, which supports their higher margin profile. On comparing financial performance of the Company, with similar players catering to different consumer segment, ArisInfra's initial offering at 48.3x annualized FY25 EV/EBITDA appears expensive to us. Accordingly, we recommend a **"AVOID"** rating to the issue.

Particulars (INR Mn.)	FY22	FY23	FY24	9MFY25
Revenue	4,523	7,461	6,968	5,465
EBITDA	-11	-6	127	329
EBITDA Margin (%)	0%	0%	2%	6%
Profit After Tax	-65	-153	-175	64
PAT Margin (%)	-1%	-2%	-3%	1%
Net Worth	1,402	1,037	1,421	1,558
RONW (%)	-5%	-15%	-12%	4%

Source: IPO Prospectus

OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO (Mn)	22.5
Fresh issue (# shares) (Mn)	22.5
Offer for sale (# shares) (Mn)	0
Price band (INR)	210-222
Post issue MCAP (INR Mn)	17,290-17,993

Source: IPO Prospectus

Issue	# Shares	INR Mn	%
QIB	1,68,78,243	3,747	75%
NIB	33,75,649	749	15%
Retail	22,50,432	500	10%
Net Offer	2,25,04,324	4,996	100%

Source: IPO Prospectus

Shareholding Pattern	Pre Issue (%)	Post Issue (%)
Promoters & Promoters Group	52.5%	37.9%
Others	47.5%	62.1%
Total	100.0%	100.0%

Source: IPO Prospectus

Objects of the Offer	INR Mn.
1. Repayment or prepayment of certain outstanding borrowings	2,046
2. Funding the working capital requirements of the Company	1,770
3. Investment in its Subsidiary, Buildmex-Infra Pvt. Ltd., for funding its working capital requirements	480
4. General corporate purposes and unidentified inorganic acquisitions	700

Source: IPO Prospectus

BRLM

- IIFL Capital Services Limited
- JM Financial Limited
- Nuvama Wealth Management Limited

Source: IPO Prospectus

Indicative Timetable	
Offer Closing Date	Friday, 20 th June'25
Basis of Allotment	Monday, 23 rd June'25
Initiation of Refunds	Tuesday, 24 th June'25
Credit of Shares to Demat	Tuesday, 24 th June'25
Listing Date	Wednesday, 25 th Jun'25

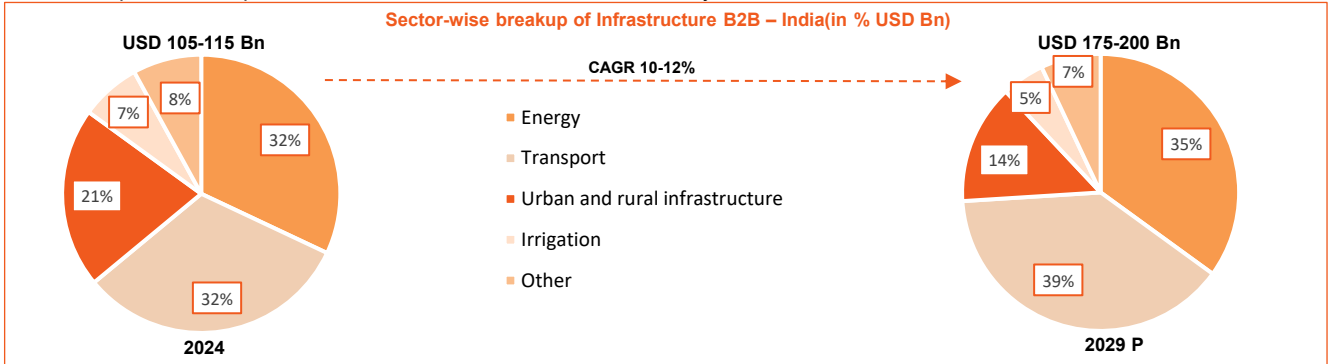
Source: IPO Prospectus

ArisInfra Solutions Ltd.

Industry Overview

Deep dive into the total addressable market (TAM):

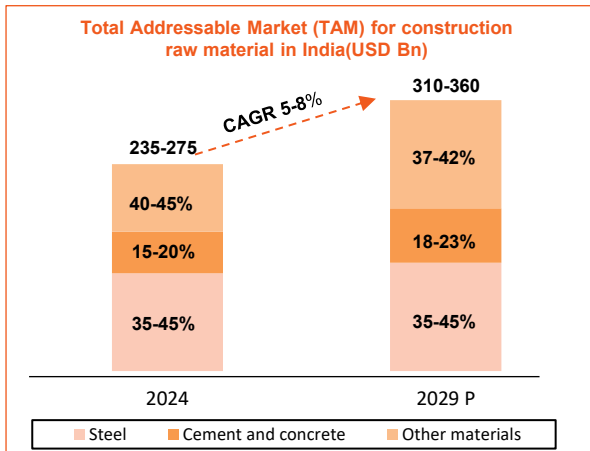
In 2024, Infrastructure and real estate construction accounted for ~50-55% (~USD 275-295bn) of total expenditure of the industrial B2B market. Specifically, the infrastructure B2B market was valued at approximately USD 105-115 Bn, and is projected to grow at 10.0-12.0% CAGR to USD 175-200bn by 2029. The real estate B2B construction market, estimated at approximately USD 170-180bn, is expected to expand at 6.0-8.0% CAGR to USD 235-255bn by 2029.



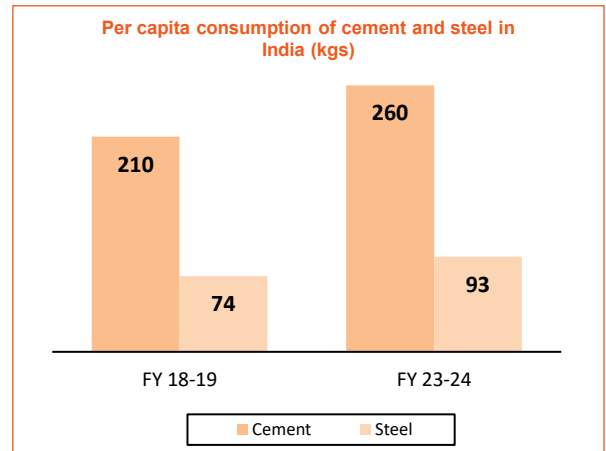
Source: IPO Prospectus, Deven Choksey Research

The construction market is segmented into Raw Materials (RM) and Finished Goods (FG):

The RM segment includes materials such as Steel, Aggregates, Cement, Concrete, Construction chemicals, and Bricks/AAC blocks. The FG segment encompasses products like Paints, Electricals, Flooring, Plumbing and sanitaryware, Wood panels, Roofing, Electronic security, Doors, Windows, Glass, and Hardware. In 2024, the construction raw materials market was estimated at USD 235-275 bn and is projected to grow at a 5-8% CAGR to reach USD 310-360 bn by 2029. The construction industry is estimated to contribute 9% to India's GDP as per FY25 budget estimates, with Cement, Steel, and other metals accounting for 55-65% of total raw material costs. India's per capita consumption of core raw materials, Cement and Steel used in construction has grown at a CAGR of 4% and 5% respectively from FY19 to FY24.

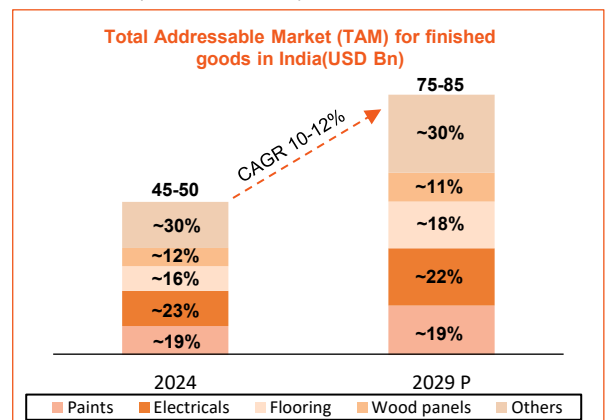


Source: IPO Prospectus, DevenChoksey Research



Source: IPO Prospectus, DevenChoksey Research

The Finished Goods (FG) market is estimated at USD 45-50 bn in 2024 and is projected to grow significantly at a 10-12% CAGR to reach USD 75-85 bn by 2029. This growth is fueled by various factors, including shortened repainting cycles and increased consumer focus on aesthetics driving demand for paints and coatings, while rural electrification, environmentally conscious consumerism, and safety concerns are boosting the market for wiring cables and Fast-Moving Electrical Goods (FMEG). Additionally, the rising demand for easy-to-assemble and lightweight furniture is propelling plywood consumption in real estate



Source: IPO Prospectus, DevenChoksey Research

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Industry Overview

Value-added services, such as project management, credit financing, and invoice management, constitute a small but strategic part of the construction B2B market, aiming to address inefficiencies across the value chain. These offerings help companies differentiate themselves, enhance customer experience, and drive revenue growth. The significant year-on-year growth observed in the real estate and infrastructure B2B markets, as well as the construction raw material and finished goods markets, in 2022 and 2023, is largely attributed to a rebound from the economic downturn led by the COVID-19 pandemic, which had severely disrupted raw material procurement and labor availability. This resurgence was propelled by increased economic activities, public spending on infrastructure, housing, and smart city projects, and continued urbanization.

Summary of Real Estate B2B market, Infrastructure B2B market, and TAM for Construction materials and Finished Goods market:

Particulars	2024	2023	2022	Growth (2023–2024)	Growth (2022–2023)
	(in USD Bn)				
Real Estate B2B Market	170–180	155–165	140–150	8–10%	10–12%
Infrastructure B2B Market	105–115	95–105	85–95	9–11%	12–14%
Construction Material Market	235–275	215–265	200–235	7–9%	9–11%
Finished Goods Market	45–50	40–45	35–40	10–12%	15–17%

Source: IPO Prospectus, Deven Choksey Research

The Indian construction materials market is characterized as a B2B technology-enabled sector that is currently highly unorganized and fragmented. This market structure leads to significant inefficiencies for both participants, creating a clear opportunity for disruption.

Industry Structure and Challenges:

The construction materials supply chain in India faces substantial challenges due to its fragmented and unorganized nature.

On the demand side, customers frequently encounter:

- Inconsistent material quality and supply disruptions.
- A notable lack of transparency in pricing.
- Delays in delivery.
- Difficulties in managing multiple vendors.
- Unpredictable costs for their projects.

On the supply side, vendors struggle with:

- Inability to receive ample demand, which impacts their capacity utilization and results in higher operational costs.
- Lack of visibility into future material demand, complicating inventory management.
- Limited logistics capability, stemming from the nature of materials, inventory complexities, longer transport distances, and insufficient capital support.
- The absence of standard pricing and regulations in a highly competitive market, which negatively affects their profit margins.
- Difficulties in branding their products due to unproven track records, limiting their ability to command premium prices.
- Manual and time-consuming procurement processes, often relying on paper-based methods that lead to delays and errors.
- Heavy reliance on credit-based transactions, tying up working capital and hindering their ability to scale and fulfill orders.
- These widespread inefficiencies collectively contribute to significant time delays and cost implications for construction projects across the country.

Overall, these platforms facilitate lower cycle times, quicker decision-making, improved visibility on order deliveries, and a reduction in disputes between parties.

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Industry Overview

Opportunities and Technology-Led Disruption:

The inherent fragmentation and lack of transparency in the construction material supply market present a substantial opportunity for innovative solutions. There is a pronounced need for one-stop platforms that can aggregate buyers and sellers to streamline and optimize the entire procurement process. Tech-enabled companies are uniquely positioned to enhance margins by eliminating intermediaries and inefficiencies, thereby offering a more cost-effective alternative to traditional B2B procurement.

The market is increasingly moving towards verticalization, where specialized marketplaces cater specifically to the distinct challenges of industries like construction materials. These managed marketplace models, driven by transactions and supported by digitization, are poised to add significant value to the sector.

Benefits of Aggregator Platforms:

For buyers, these platforms provide:

- Direct access to a wide array of suppliers, reducing the need to engage with numerous intermediaries.
- Competitive pricing alternatives and enhanced transparency, supported by access to historical data for more informed decision-making.
- More streamlined procurement processes, which saves considerable time and effort.
- Efficient inventory management through real-time information flow.

For suppliers, the advantages include:

- Access to a larger customer base, leading to increased demand for their products.
- Efficient sales processes due to digitized procurement workflows.
- Improved cash flow through faster payments and the availability of additional financing options.
- Higher margin potential by reducing losses previously incurred through multiple intermediaries.

Overall, these platforms facilitate lower cycle times, quicker decision-making, improved visibility on order deliveries, and a reduction in disputes between parties.

Role of Technology and Automation:

Despite low digital penetration in the broader Indian B2B market (less than 1% compared to 7% in B2C, and 3-4% in the industrial B2B segment), the adoption of technology in construction materials is growing. The strategic application of artificial intelligence (AI) and machine learning (ML) is transforming critical operational areas within this market.

Key areas impacted by these technologies include:

- Self-generating RFQ mechanisms: AI analyzes requirements and historical data to automate Request for Quotation (RFQ) creation, minimizing manual errors.
- Effective supplier evaluation: AI assists buyers in objectively and efficiently evaluating potential suppliers, reducing bias and enhancing procurement value.
- Effective supplier negotiations: Advanced AI and ML tools aid in contract analysis to identify advantageous terms and conditions.
- Improved cost control and accurate budgeting: Master data management (MDM) tools provide greater visibility into past purchasing behavior, helping to identify and control "Maverick spends" (unauthorized expenditures)
- Real-time business intelligence and strategic report building: AI generates key metrics to measure supplier/vendor performance and consumption trends, informing stock management and project re-assessment.
- Real-time communication: Technology facilitates instant communication among all stakeholders, compressing process timelines.

Companies offering full-stack technology solutions that integrate product marketplaces, marketplace infrastructure (such as logistics and financing), and services marketplaces are vital for disrupting this fragmented market. They have a capability to capture and read handwritten documents such as delivery challans, which are then digitized and stored in cloud storage for effortless retrieval and accelerated invoice generation. Their technology uses data points like customer and vendor locations, delivery distances, pricing history, credit performance, and historical acceptance rates to provide suitable quotes and manage margins.

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Government Investment and MSME Empowerment Driving India's Construction Sector:

The Government of India's substantial infrastructure spending, projected to be nearly INR 143 lakh crores through FY30, and key schemes like the National Infrastructure Pipeline, National Logistics Policy, and PM Gati Shakti National Master Plan aimed at accelerating infrastructure and logistics development. Additionally, government efforts to boost the Micro, Small, and Medium Enterprises (MSME) sector through credit assistance and digital platforms like OCEN and TREDIS also indirectly foster a conducive market for construction materials procurement by enhancing industry competitiveness and streamlining financial access.

Competitive Landscape and Industry Outlook:

The Indian construction raw material industry is predominantly served by traditional offline vendors. However, with increasing digital adoption, several tech-enabled B2B procurement companies have emerged. These players employ various business models:

- **Digital raw material procurement solutions:** Companies like ArisInfra and Infra.Market specifically focus on the construction sector, offering streamlined procurement, supply chain transparency, and end-to-end tracking. ArisInfra differentiates itself by offering features such as a Live RFQ facility and real-time digital document delivery across over 18 states.
- **Diversified marketplace models:** Players such as OfBusiness, Moglix, and Industry buying provide material procurement solutions across a broader spectrum of industries, often targeting SME clients.
- **Manufacturing solutions integration:** Some companies, including Infra.Market and Zetwerk, integrate manufacturing capabilities with their procurement and marketplace offerings.

Despite the evident growth opportunities, the industry faces several threats and challenges:

- **Economic factors:** Downturns and inflationary pressures can lead to a decrease in demand for construction.
- **Supply chain disruptions:** Geopolitical tensions and over-reliance on a limited number of suppliers pose risks to operational continuity and cost stability.
- **Regulatory changes:** Shifts in inter-state material movement policies and evolving government focus on sustainable practices can introduce new operational complexities and challenges.
- **Cybersecurity:** The increasing reliance on digital platforms necessitates robust cybersecurity measures to protect sensitive information.
- **Increased competition:** The emergence of new market entrants, often operating on lower price margins, can lead to heightened pricing pressures across the industry.

In conclusion, the Indian construction materials market is poised for significant tech-led disruption, driven by the country's ongoing infrastructure development and rapid urbanization. Digital platforms are actively streamlining procurement, enhancing transparency, and reducing costs within this previously unorganized sector. Companies that offer comprehensive, end-to-end solutions and cater to specialized industry needs, such as ArisInfra, are well-positioned to capitalize on this growing opportunity by expanding their supplier networks and fostering strong relationships with buyers.

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Company Overview

Core Business Model:

- ArisInfra operates as a digital procurement intermediary, bridging the gap between material suppliers and end-users in the infrastructure and real estate industries.
- It sources construction materials through an extensive network of vendors and supplies them to contractors, developers, and other stakeholders involved in infrastructure creation.
- Its model is primarily centered around trading, procuring, supplying, and distributing construction materials like aggregates, ready-mix concrete (RMC), cement, steel, walling solutions, and other critical components.
- ArisInfra's approach combines technology and human expertise to manage the complexity of bulk procurement, ensure cost-efficiency, and offer real-time tracking and digital documentation through features like a Live RFQ platform.

Product and Service Portfolio:

- ArisInfra deals with a broad array of construction materials, with the bulk of its revenue coming from the trading of essential inputs like aggregates, ready-mix concrete, cement, steel, construction chemicals, and walling solutions.
- Beyond trading, ArisInfra provides value-added services including logistics coordination, vendor discovery, quality checks, and digital paperwork.
- The company also extends services such as preconstruction planning, budgeting support, resource tracking, and compliance documentation through strategic partnerships and platforms developed by its subsidiaries.
- Revenue recognition follows a mixed model of "at a point in time" for physical products and "over time" for service contracts.

Revenue Segmentation:

Particulars	FY22		FY23		FY24		9MFY25	
	INR Mn	% of revenue	INR Mn	% of revenue	INR Mn	% of revenue	INR Mn	% of revenue
Revenue from the sale of construction materials sourced from vendors (A)	4,450	98%	6,895	92%	5,447	78%	3,242	59%
Revenue from the sale of third-party manufactured construction materials (B)	-	-	184	2%	1,224	18%	1,903	35%
Revenue from sale of traded products (A+B)	4,450	98%	7,079	95%	6,672	96%	5,145	94%
Revenue from sale of manufactured goods (C)	-	-	169	2%	-	-	-	-
Sale of services (D)	74	2%	213	3%	297	4%	320	6%
Total revenue from operations (A+B+C+D)	4,523	100%	7,461	100%	6,968	100%	5,465	100%

Source: IPO Prospectus, DevenChoksey Research

By Product	FY22		FY23		FY24		9MFY25	
	INR Mn	% of revenue	INR Mn	% of revenue	INR Mn	% of revenue	INR Mn	% of revenue
Aggregates	1,040	23%	1,819	24%	2,173	31%	2,028	37%
RMC	795	18%	1,500	20%	1,472	21%	1,382	25%
Steel	2,235	49%	2,444	33%	1,166	17%	366	7%
Cement	141	3%	481	6%	529	8%	240	4%
Walling Solutions	40	1%	187	3%	310	4%	213	4%
Construction Chemicals	-	-	-	-	51	1%	117	2%
Others	200	4%	647	9%	972	14%	799	15%
Total Revenue sale of traded products	4,450	98%	7,079	95%	6,672	96%	5,145	94%

Source: IPO Prospectus, DevenChoksey Research

RESEARCH ANALYST

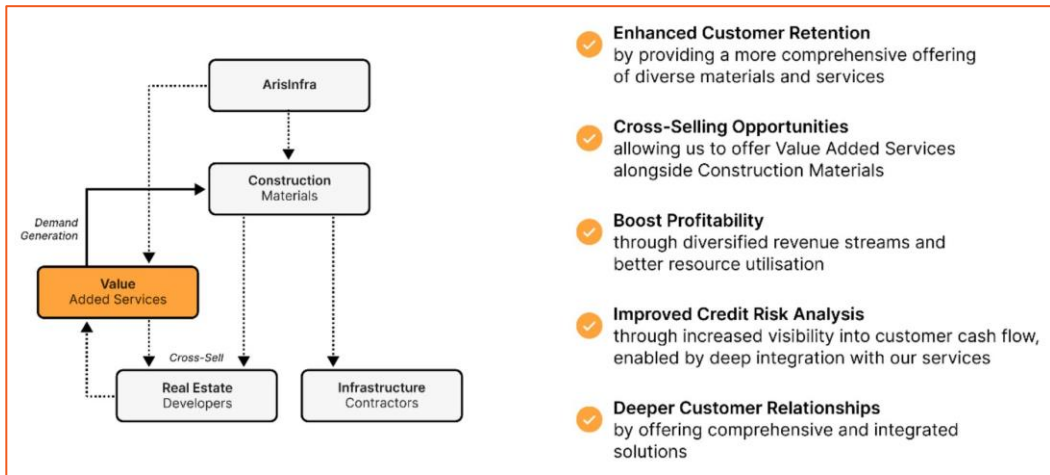
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Company Overview

Value-added Services - Key Benefits



Source: IPO Prospectus, Deven Choksey Research

Deal Journey:

- Pre-Delivery:** ArisInfra initiates its procurement process by generating a customer-specific RFQ, inviting bids from its vendor network via an integrated messaging platform. Bids are evaluated on price and credit terms, aggregated, and finalized with margins for internal approval. The approved quote is then shared with the customer, and upon confirmation, purchase and sales orders are issued to complete the transaction.
- Delivery:** ArisInfra operates on a lean, warehouse-free model, dispatching materials directly from vendors to customer sites. Deliveries are managed through its tech-enabled system, 'ArisDelivery', which streamlines dispatch with minimal input and ensures accurate data capture. Post-delivery, drivers upload challans and weighbridge slips via an integrated messaging app, enabling efficient and error-free documentation.
- Post Delivery:** Once delivery documents are uploaded, ArisInfra's system uses AI-powered technology, "Cara AI," to identify document types, read handwritten details, and match them to corresponding deliveries within purchase orders. Leveraging computer vision and anomaly detection, the system verifies accuracy, ensures format compliance, and validates key elements like stamps. This automated process creates a standardized data log, streamlining and accelerating invoice generation—even for multiple deliveries—while ensuring precision and minimizing delays in invoicing customers.

Geographical Footprint:

- ArisInfra Solutions Limited has built a strong geographical footprint across India, serving clients in more than 18 states and delivering construction materials to over 963 PIN codes, including major metro regions such as Mumbai, Bengaluru, and Chennai.
- Between April 1, 2021, and December 31, 2024, the company dispatched 14.10 million metric tones of aggregates, ready-mix concrete, steel, cement, construction chemicals, and walling solutions via a network of 1,729 vendors to 2,659 customers .
- Such extensive reach demonstrates ArisInfra's capability to manage large-scale, pan-India operations, ensuring consistent and efficient supply across diverse urban and regional markets.

Geography Wise Revenue Segmentation:

Particulars	FY22		FY23		FY24		9MFY25	
	INR Mn	% of revenue	INR Mn	% of revenue	INR Mn	% of revenue	INR Mn	% of revenue
Maharashtra	3,955	87.4%	5,163	69.2%	3,879	55.7%	2,846	52.1%
Tamil Nadu	9	0.2%	659	8.8%	1,089	15.6%	1,661	30.4%
Karnataka	205	4.5%	522	7.0%	680	9.8%	673	12.3%
Total	4,169	92.2%	6,344	85.0%	5,648	81.1%	5,180	94.8%

Source: IPO Prospectus, DevenChoksey Research

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Subsidiary and Joint Venture Synergies:

ArisInfra's growth is also driven through strategic joint ventures and subsidiaries that expand its service spectrum and geographic coverage. For example:

- **ArisUniterm Re Solutions Pvt. Ltd.** offers development management and consulting services, helping customers optimize construction timelines and costs.
- **Buildmex-Infra Pvt. Ltd.** strengthens the company's presence in South India and focuses on trading and distribution of infrastructure materials.
- **White Roots Infra Pvt. Ltd. and ArisInfra Construction Materials Pvt. Ltd.** are instrumental in expanding access to white plaster, RMC, and precast solutions in key urban regions like Mumbai.

These subsidiaries and JVs also allow ArisInfra to experiment with manufacturing, lease-based procurement, and B2B fulfillment innovations.

Customer Base:

ArisInfra Solutions Limited caters to a wide range of institutional clients, including real estate developers, EPC contractors, and infrastructure companies. Its tech-enabled platform supports bulk procurement of materials like cement, steel, and RMC, offering real-time quotes, logistics coordination, and digital documentation. Customer relationships are typically project-based and recurring, driven by milestone-linked deliveries across multiple locations.

Customer Base:

Particulars	FY22		FY23		FY24		9MFY25	
	INR Mn	% of revenue	INR Mn	% of revenue	INR Mn	% of revenue	INR Mn	% of revenue
Top one	680	15%	988	13%	864	12%	987	18%
Top three	1,386	31%	1,946	26%	1,920	28%	1,955	36%
Top five	1,650	36%	2,325	31%	2,388	34%	2,305	42%
Top 10	2,135	47%	2,915	39%	3,153	45%	2,649	48%

Source: IPO Prospectus, DevenChoksey Research

Operational KPI:

KPIs	FY22	FY23	FY24	9MFY25
No. of customers	431	1,321	2,133	2,659
No. of vendors	441	1,048	1,458	1,729
No. of daily dispatches	282	495	484	613
Quantity delivered (Mn MT)	2.2	4.0	4.0	3.8
Active customer count	431	1,117	1,278	1,080
Deal documents digitised	-	757	35,583	1,21,549
Repeat customers	366	920	934	848
Repeat customer percentage (%)	85%	82%	73%	79%

Source: IPO Prospectus, DevenChoksey Research

ArisInfra Solutions Ltd.**Strategies:****Optimize Product Mix and Improve Margins and Increase Wallet Share with existing customers:**

- The company intends to diversify its construction material offerings to better align with market demand and customer preferences, focusing on high-margin products.
- It also aims to increase its "wallet share" with existing customers by leveraging relationships with key developers and contractors and diversifying construction material offerings to existing projects.

Strengthen Supply Chain and Expand Third-Party Manufactured Materials:

- The company plans to venture into additional strategic partnerships with third-party manufacturers. This strategy aims to ensure a steady and reliable supply, maintain quality control, improve margins, and establish it as a comprehensive provider of construction materials.
- These partnerships also offer flexibility for scaling operations and adapting to market trends.

Increase Demand-Side Growth, Enhance Market Penetration :

- The company intends to drive sales by forming strategic partnerships with key industry players in the real estate and infrastructure sectors, leveraging their networks of developers and contractors.
- The company plans to expand into new micro-markets within existing and new geographies to reach new customers.

Enhance Working Capital Efficiency:

- The company aims to optimize its working capital by bridging the gap between customer payment receipts and vendor payment due dates.
- This includes strengthening vendor relationships for better payment terms and leveraging bill discounting arrangements.

Continue Leveraging Technology and Demand and Supply Auto-Syndication:

- The company intends to further optimize operations and improve user experience by implementing:
- Automating the matching of demand with supply using comprehensive datasets and machine learning to minimize human intervention and optimize efficiency.
- Equipping its vehicle fleet with advanced hardware to capture real-time data on dispatches, locations, and delivery timelines
- Aligning pricing strategy with customer credit histories and payment patterns to mitigate risks and accelerate decision-making.

Risks:

- The company has significant working capital requirements and may need to raise more funds. If it fails to secure financing on favorable terms, it could negatively affect business performance and cash flows.
- Disruptions in the company's technology platforms or services could hurt business operations and financial results.
- Cyberattacks or data breaches could damage the company's reputation and adversely impact its business and finances.
- Inability to effectively compete in the digital construction material procurement space could negatively affect growth and profitability.
- The construction materials industry is seasonal. A drop in demand during off-peak times may impact the company's revenue and performance.
- The Promoter and Chairman has interests in a similar business, which may lead to conflicts of interest, potentially harming the company's operations and financial health.

ArisInfra Solutions Ltd.

SWOT Analysis



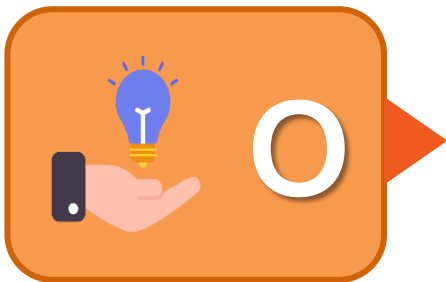
Strengths:

- **Technology-Driven Operations:** The company's competitive advantage lies in the capability, functionality, and scalability of their systems.
- **Robust Credit Risk Management:** The company uses a tech-enabled AI/ML-based credit risk framework that analyzes GST data, financials, and payment history to support informed pricing and credit decisions.
- **Strong Network Effects:** The company has established a strong network of 2,659 customers and 1,729 vendors across 1,075 pin codes, with high repeat business (78.5% in 9M FY25), reflecting strong customer loyalty.



Weaknesses:

- **Geographic Concentration:** A substantial portion of the company's revenue has historically been derived from specific states: Maharashtra, Karnataka, and Tamil Nadu.
- **Related Party Transactions and Conflicts of Interest:** The company has engaged in related party transactions and may continue to do so. These may involve conflicts of interest and could negatively impact its business, financials, and prospects.
- **Low barriers to entry:** The digital construction material procurement market has low entry barriers, leading to potential pricing pressure from new entrants, which could affect margins, business performance, and cash flows.



Opportunities:

- **Government Initiatives in Infrastructure:** Government initiatives like the Sagarmala Project and the National Infrastructure Pipeline (NIP) signal strong investment and rising demand for construction materials.
- **Digitization of Unorganized Market:** The highly unorganized and fragmented Indian construction materials market presents a vast opportunity for formal, digitized platforms.
- **Emerging Digital Public Goods:** Initiatives like OCEN (Open Credit Enablement Network) are streamlining credit access for MSMEs, which can empower B2B marketplaces.



Threats:

- **Intense Competition:** The company operates in a competitive digital construction material procurement market with several established players. These competitors may have greater resources, posing a significant challenge.
- **Regulatory Changes:** The evolving regulatory and policy environment in India could introduce new compliance requirements, potentially affecting the business and its financial condition.
- **Security breaches:** Handling large volumes of sensitive data, the business is vulnerable to security breaches or non-compliance with privacy laws.
- **Legal and Regulatory Proceedings:** The company, along with its subsidiaries, Promoters, and key personnel, is involved in legal and regulatory proceedings, including criminal and tax matters, which could adversely affect its business, finances, and reputation.

ArisInfra Solutions Ltd.

Peer Comparison

Peers	Indian Peers (INR)		Foreign Peers (USD)		
	ArisInfra Solutions*	Shankara Building	Home Depot	Lowe'S	Builders FirstSource
Model	B2B	B2B + B2C	Primarily B2C	Primarily B2C	B2B
Market Cap (Bn.)	18.0	25.2	352.9	121.8	12.3
EV (Bn.)	21.2	25.9	412.5	157.2	17.7
TTM Sales (Mn.)	7,287	56,967	1,62,952	83,239	16,167
Sales Growth (YoY)	4.6%	18.0%	4.5%	-3.1%	-4.1%
TTM EBITDA (Mn.)	439	1,722	25,613	12,461	1,973
EBITDA Margin (%)	6.0%	3.0%	15.7%	15.0%	12.2%
TTM Net Profit (Mn.)	85	774	14,639	6,826	915
Profit Margin (%)	1.2%	1.4%	9.0%	8.2%	5.7%
Total Equity (at the end last FY)	1,558	8,678	6,640	-14,231	4,296
ROE (%)	5.7%	9.3%	385.4%	NA	23.9%
ROIC (%)	7.6%	9.2%	26.1%	29.9%	12.8%
TTM P/E	210.9x	32.5x	24.1x	17.8x	13.4x
TTM P/S	2.5x	0.4x	2.2x	1.5x	0.8x
TTM EV/EBITDA	48.3x	15.0x	16.1x	12.6x	9.0x
TTM EV/Sales	2.9x	0.5x	2.5x	1.9x	1.1x

*Note: Aris Infra Solutions Ltd's 9M FY25 financial figures are annualized.
Source: Factset, IPO Prospectus, Deven Choksey Research

ArisInfra Solutions Ltd.

Outlook:

ArisInfra, is one of the few digital first building material supplier, which operates a well integrated operations by **deploying an asset-light model**. Despite having integrated operations and serving only B2B customers, **its operating margins appear very thin**. During FY22-25, the Company has ventured into selling third-party manufactured products along with vendor sourced building materials to improve and scaleup its gross margins from 9.9% in FY22 to 14.2% during 9MFY25.

It **relies on short-term borrowings to fund its working capital requirements**, which has a severe impact on the profitability, led by high interest burden. During 9MFY25, even though the **EBITDA grew ~2x of the FY24 levels**, it was **only sufficient to offset the depreciation and service its interest expenses**. The Company plans to **raise ~INR 5bn through fresh equity issue** in the initial offering, which will be partly **utilized to pare of the current short-term borrowings and fund its future working capital requirements**.

Although, paring off the debt will significantly improve its profitability, we believe it still won't have a material impact on the operational metrics. The Company needs to improve its gross margins led by higher mix of third-party products and improve its operational efficiency further to create a material impact on operational performance, which appears bleak as it operates in B2B segment only.

Globally, there are limited listed peers, which operate on a similar business model. Most of its listed peers domestically and globally operate in B2C format in large format stores to cater the retail consumers, which supports their higher margin profile. On comparing financial performance of the Company, with similar players catering to different consumer segment, ArisInfra's initial offering at 48.3x annualized FY25 EV/EBITDA appears very expensive to us. Accordingly, we recommend a **"AVOID"** rating to the issue.

Valuation Table

Company Name	CMP (INR/USD)	Market Cap (USD Bn.)	Revenue CAGR	EBITDA CAGR	EBITDA Margin (%)	EV/EBITDA		P/E		ROE	ROIC
			Last 2 FY	Last 2 FY	Last FY	FY25	TTM	FY25	TTM	FY25	FY25
Target Company											
ArisInfra Solutions*	222.0	0.2	-1.2%	NM	5.6%	48.3x	48.3x	210.9x	210.9x	5.7%	7.6%
Domestic Peer with B2C Model											
Shankara Building	1,037.0	0.3	18.9%	17.1%	3.0%	8.4x	15.0x	21.7x	32.5x	9.3%	9.2%
Global Peers with B2C Model											
Home Depot	355.0	352.9	0.7%	-3.4%	15.8%	18.5x	16.1x	26.1x	24.1x	385.4%	26.1%
Lowe's	217.0	121.8	-7.2%	-10.8%	14.4%	14.7x	12.6x	20.1x	17.8x	NA	29.9%
Builders FirstSource	111.0	12.3	-15.1%	-28.9%	13.2%	9.8x	9.0x	15.3x	13.4x	23.9%	12.8%
Mean			-7.2%	-14.4%	14.5%	14.3x	12.6x	20.5x	18.4x	136.1%	22.9%
Median			-7.2%	-10.8%	13.2%	14.7x	12.6x	20.1x	17.8x	NA	26.1%

*Note: Aris Infra Solutions Ltd's 9M FY25 financial figures are annualized.
Source: Factset, IPO Prospectus, DevenChoksey Research

ArisInfra Solutions Ltd.

Financials:

Income Statement (INR Mn.)	FY22	FY23	FY24	9MFY25	Cash Flow (INR Mn.)	FY22	FY23	FY24	9MFY25
Revenue	4,523	7,461	6,968	5,465	Net Cash Flow from Operating Activities	-2,691	-143	35	-44
Operating Expenditure	4,534	7,467	6,841	5,136	Net Cash Flow from Investing Activities	-70	-432	-368	-96
EBITDA	-11	-6	127	329	Net Cash Flow from Financing Activities	2,913	425	308	147
EBITDA Margin %	0%	0%	2%	6%	Net Increase/(Decrease) in Cash	151	-150	-25	7
Other Income	14	84	55	112	Cash & Cash Equivalents at the Beginning	30	181	31	6
Depreciation	5	20	29	25	Cash & Cash Equivalents at the End	181	31	6	13
Interest	53	239	323	301					
PBT	-55	-181	-170	115					
Tax	10	(28)	5	51					
PAT	-65	-153	-175	64					
PAT Margin (%)	-1%	-2%	-3%	1%					

Balance sheet (INR Mn)	FY22	FY23	FY24	9MFY25
Non-Current Assets				
Property, plant and equipment	13	17	24	20
Right of use assets	14	38	14	41
Intangible assets	3	94	246	331
Other financial assets	166	78	84	57
Deferred tax asset (net)	18	54	60	78
Non current tax assets	0	17	34	8
Other non-current assets	77	38	38	0
Current Assets				
Inventories	7	20	13	6
Trade receivables	2,618	2,751	3,204	3,156
Cash and cash equivalents	181	31	6	13
Bank balance	40	0	2	2
Other financial assets	17	525	762	844
Other current assets	188	286	441	1,310
Total Assets	3,342	3,949	4,928	5,866
EQUITY AND LIABILITIES				
Equity share capital	12	12	12	93
Instruments entirely equity in nature	0	0	7	17
Equity components of financial instruments	1,451	1,451	0	0
Other equity	-60	-414	1,398	1,411
Non controlling interest	-1	-12	5	37
Total Equity	1,402	1,037	1,421	1,558
Non-Current Liabilities				
Borrowings	536	798	678	120
Lease Liabilities	12	14	4	21
Other financial liabilities	0	163	116	58
Employee benefit obligations	0	6	12	10
Current Liabilities				
Borrowings	1,007	1,405	2,062	3,108
Lease Liabilities	3	24	11	21
Trade Payables	255	309	449	615
Other Financial liabilities	90	147	76	153
Employee benefit obligations	1	5	10	8
Current Tax liabilities	6	0	0	50
Other current liabilities	30	42	90	144
Total Equity and Liabilities	3,342	3,950	4,928	5,866

Source: IPO Prospectus, Deven Choksey Research

ArisInfra Solutions Ltd.**ANALYST CERTIFICATION:**

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