Arihant Capital Generating Wealth

IPO Note
8th September 2026

Steamhouse India Ltd

Neutral

Rating: Neutral

Issue Offer

Total issue size: Fresh Issue – INR 3,530 Mn (43.6 Mn Shares) OFS – INR 610 Mn (7.53 Mn shares)

Issue Summary	
Price Band (INR)	77-81
Face Value (INR)	2
Implied Market Cap (INR mn)	22,389
Market Lot	185
Issue Opens on	9 September, 2026
Issue Close on	11 September, 2026
Pre-issue shares	23,28,26,065
Post-issue shares	27,64,06,311
Listing	NSE and BSE

Issue Break-up (%)	
QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Book Running Lead Managers

Equirus Capital Limited

Registrar

KFin Technologies Limited

Shareholding Pattern		
	Pre-Issue	Post-Issue
Promoters	95.79%	77.96%
Public & Others	4.21%	22.04%

Objects of the Offer	Exp. Amt (INR Mn.)
Repayment / pre-payment of certain borrowings	1,800.00
Funding capital expenditure requirements for infrastructure development	759.53
Funding capital expenditure for setting up a manufacturing facility	381.74
General corporate purposes	≤ 25% of gross proceeds

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Steamhouse India Limited is a Surat-based pioneer of the community boiler model in India (since 2014), generating steam centrally and distributing it through an exclusive pipeline network as an alternative to captive boilers. It runs seven community boilers in Gujarat (Vapi, Ankleshwar, Sarigam, Nandesari and Panoli) with 345 TPH of installed capacity (2.19 Mn TPA), distributes purchased steam at Dahej and Sachin, and owned 60,151 metres of pipeline as of July 31, 2026. It is the only company in India supplying nitrogen through a distributed pipeline (Ankleshwar, since February 2025). It served 202 customers in FY26 (125 in FY24), led by chemicals (26.0% of revenue), textiles (22.2%) and pharmaceuticals (18.4%), and repeat customers at 90.72% of revenue. FY26 revenue mix: steam generation 52.1%, purchased steam distribution 17.7%, coal trading 26.9%, nitrogen and others 3.2%.

Investment Rationale:

Entrenched pipeline network creates high entry barriers: Steam is delivered through exclusive rights-of-way inside established industrial clusters, where space constraints and customer landing points deter a second network (F&S). Pipeline grew from 41,539 metres in FY24 to 57,041 metres in FY26 and volumes sold rose from 0.82 Mn to 1.07 Mn tonnes (13.9% CAGR). Contracts run 12 months to 10 years, four of the top 10 customers are relationships of over five years, and repeat customers delivered 88% to 91% of revenue.

Capacity to double to 705 TPH with visible timelines: Eight facilities under construction add 360 TPH, lifting installed capacity from 345 TPH to 705 TPH: Jhagadia, Nandesari Phase 2 and Vapi Phase 3 in CY2026, Pirana and Tarapur in CY2027, and the three IPO-funded 60 TPH boilers at Ankleshwar, Panoli and Dahej by CY2028. FY26 utilisation of 41.5% leaves headroom in existing assets, and asset-light steam purchase agreements signed in April 2026 for Dahej SEZ and Haldia should start within 12 months.

Deleveraging is the primary earnings lever from the IPO: INR 1,800 Mn of Net Proceeds will repay borrowings that stood at INR 4,002.99 Mn on July 31, 2026, including NCDs at 16.08% IRR and 12.75% and term loans at 11.25% to 11.50%. FY26 finance costs of INR 217.30 Mn compare with PBT of INR 512.37 Mn and net debt/equity of 1.57x. ROE of 22.4% and ROCE of 16.1% already exceed Linde India (12.9% / 17.5%) and Ellenbarrie (10.7% / 12.5%) on ROE, so a lighter balance sheet should flow directly into PAT.

Structural shift from captive to community steam: India's process steam demand of 203,472 TPH in FY26 is projected to reach 318,853 TPH by FY31 (9.4% CAGR), and F&S estimates community boilers can capture 3% of demand within five years, roughly a 10x increase in installed community capacity (55% to 60% CAGR). Cylinder-based supply is still 41.5% of non-steam industrial gas demand by value, the addressable pool for pipeline nitrogen, with hydrogen, CO2 and instrument air on the roadmap.

Valuation & Outlook: Steamhouse's outlook remains positive, supported by rising industrial steam demand, growing acceptance of outsourced boiler services and expansion into new industrial clusters. The company plans to add 180 TPH of capacity across Ankleshwar, Panoli and Dahej, taking its total capacity beyond the current 345 TPH. New steam distribution operations in Dahej SEZ and Haldia could provide another growth opportunity. However, FY27 revenue may remain under pressure due to the discontinuation of the coal-trading business from April 1, 2026, which contributed INR 132.3 Cr, or 26.9% of FY26 revenue. Despite this near-term impact, the shift towards the core steam business should improve the overall quality of revenue. Overall, we remain positive on Steamhouse's long-term growth prospects, with capacity expansion, new customers and higher utilisation being the key growth drivers. Key factors to monitor are capacity utilisation, customer concentration and the impact of the discontinued coal-trading business on FY27 revenue. **At the upper price band of INR 81, the issue is priced at a P/E of 57.94x based on the post-IPO FY26 EPS of INR 1.40. We recommend a "Neutral" rating for the issue.**

Particulars (INR Mn)	FY24	FY25	FY26
Revenue	2,917.10	3,951.06	4,915.11
Growth (%) YoY	-	*35.44%*	*24.40%*
EBITDA	684.06	693.16	834.89
Margins (%)	*23.45%*	*17.54%*	*16.99%*
PAT/(Loss)	271.86	311.61	386.39
Margins (%)	*9.27%*	*7.82%*	*7.81%*

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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