

Steel Strip wheels Ltd. (SSWL)

Nifty: 23,205

CMP: Rs. 191

Target Price: Rs. 232 (↑22%)

Rating: Hold

Components & Equipments

In Q3 FY25, SSWL's revenue fell to ₹10,747 Mn, down 3.2% YoY and 1.9% QoQ, driven by weaker demand in CV and exports, particularly in H1 FY25. Despite this, 9M FY25 revenue was ₹31,951 Mn, down 2.8% YoY, with EBITDA improving to ₹1,177 Mn at an 11% margin, up from last year's 10.5%, due to cost efficiencies. PAT, however, decreased to ₹477 Mn (-19.7% YoY), missing out on last year's tax benefits. Increased capital expenditure for alloy wheel expansion led to higher depreciation at ₹754 Mn in 9MFY25. On a brighter note, export revenue soared to ₹404 Mn with a 228% YoY increase, signalling robust growth potential for the rest of FY25.

Segmental Performance

The segmental performance in alloy wheels for passenger vehicles suggests a shift in consumer preference towards premium products. The alloy wheel segment grew by 11% in terms of contribution to the company's portfolio as of 9MFY25. The tractor segment's impressive growth, with an expected 20% increase in overall sales this year, underscores SSWL's competitive edge in niche markets. Conversely, the dip in the CV segment highlights vulnerabilities to economic cycles, necessitating a strategic pivot towards more stable or growing segments. However, recovery is expected by the management in this segment, driven by increased government spending on infrastructure and mining projects.

New Product Launch - Aluminium Knuckles

SSWL's launch of aluminium knuckles, starting with 2.5 lakh units p.a., marks a strategic shift to high-margin, lightweight components. Production starts Q3 FY25, aiming for ₹14-15 crores this year and ₹105-115 crores in FY26 at current capacity with double-digit margins, potentially reaching ₹180 crores with expansion. Capacity will double by Q4, boosting portfolio and profitability. With the EV market set to grow in India, demand is expected to rise. Key metrics include 65% capacity utilization by Q4 and a 2 million capex by mid-February. SSWL is also in talks for seven RSQs across electric and ICE platforms, benefiting from the steel-to-aluminium knuckle transition.

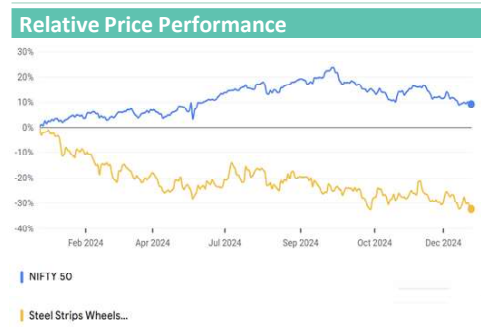
Alloy Wheels & Export Growth

SSWL is set to expand its alloy wheel production to 4.85 million units by FY26, leveraging both domestic and international markets amid potential US political stability that could increase orders due to new tariffs on China, favouring Indian suppliers. Despite a dip in H1FY25 export revenues the outlook is optimistic with expected growth in exports, as the reduction in raw material costs supports fulfilling export orders efficiently, along with a 40-50% growth in the alloy wheel segment next year. The company forecasts export revenues of INR 550-600 crores for FY25, with a long-term goal of reaching INR 1,000 crores over the next 3-4 years, propelled by established customer relations and new product lines in alloy and agricultural wheels. Europe, while growing, remains a secondary market compared to the US.

Outlook & Valuation:

The company is poised for growth with strong demand in its new aluminium knuckle business and expanding international markets. The shift towards high-margin alloy wheels, increased exports, and improved cost efficiencies will drive performance despite CV sector challenges. We expect Volume/Revenue/EBITDA to rise by 9%/13%/36% in FY26(E). We maintain **HOLD** rating with a target price of **INR 232**, valuing the stock at 22.3x FY26(E) EPS and 10.4x FY26(E) PE.

Shareholding (%)	Dec-24
Promoters	60.98
FII's	6.84
DII's	4.86
Others	27.32



Key Data	
BSE Code	513262
NSE Symbol	SSWL
Bloomberg Code	SSW IN
Reuters Code	STWS NS
Shares Outstanding (mn)	156
Face Value	1
Mcap (INR bn)	30
52 Week H/L	286/188
2W Avg. Qty.NSE	1,67,012
CMP	191
Beta	0.91

(RS. mn)	FY23	FY24	FY25E	FY26E
Net Sales (INR mn)	40,405	43,571	47,927	53,928
Growth (%)	13%	8%	10%	13%
EBIDTAM (%)	11.0%	10.7%	10.6%	12.9%
Reported PAT (INR mn)	1,938	2,199	2,077	3,477
PAT Growth (%)	-5.7%	13.5%	-5.5%	67.4%
P/E (x)	18.7	16.5	17.4	10.4
EV/EBIDTA	4.4	4.8	4.8	3.9
Net Debt/Equity	0.5	0.7	0.6	0.5

Components & Equipments

Quarterly Financials (Standalone)

INR Mn	Q3 FY25	Q3 FY24	Q2 FY25	% Chg (YoY)	% Chg (QoQ)	9M FY25	9M FY24	% Chg (YoY)
Revenue	10,747	11,103	10,951	-3.2	-1.9	31,951	32,884	-2.8
RM Cost	6,840	7,160	6,921	-4.5	-1.2	20,401	21,381	-4.6
Employee Cost	969	899	948	7.8	2.2	2,820	2,677	5.3
Other Expenses	1,761	1,878	1,889	-6.3	-6.8	5,207	5,285	-1.5
Total Expenditure	9,570	9,937	9,758	-3.7	-1.9	28,428	29,343	-3.1
EBITDA	1,177	1,166	1,193	1.0	-1.3	3,523	3,541	-0.5
Depreciation	275	225	275	22.0	-0.3	754	674	11.9
Other Income	4	17	5	-78.2	-24.9	100	89	12.3
EBIT	906	957	922	-5.4	-1.8	2,868	2,956	-3.0
Interest	262	251	304	4.6	-13.6	878	747	17.5
PBT	643	707	618	-8.9	4.1	1,990	2,209	-9.9
Tax	166	113	157	47.8	5.9	508	613	-17.2
Profit After Tax	477	594	461	-19.7	3.4	1,482	1,596	-7.1
Equity	157	157	157	-	-	157	157	-
Face Value	1.0	1.0	1.0	-	-	1.0	1.0	-
EPS	3.0	3.8	2.9	-19.8	3.4	8.6	10.2	-15.6
% of Sales				bps	bps			bps
RM Cost	63.65	64.49	63.20	-84.0	45.1	63.85	65.02	-116.6
Employee Expenses	9.02	8.10	8.66	92.2	35.8	8.83	8.14	68.4
Other Expenses	16.38	16.92	17.25	-53.4	-86.8	16.30	16.07	22.4
EBITDAM (%)	11.0	10.5	10.9	45.2	5.8	11.0	10.8	25.7
PATM (%)	4.4	5.4	4.2	-91.1	22.7	4.6	4.9	-21.3

Components & Equipments

Financials

Income Statement

Y/E Mar (RS. mn)	FY23	FY24	FY25E	FY26E
Net Sales	40,405	43,571	47,927	53,928
Net Sales Growth %	13%	8%	10%	13%
Raw Material Consumed	26,636	28,361	31,587	35,212
Employee Cost	2,837	3,580	3,992	4,451
General and Administration Exp.	6,504	6,978	7,257	7,330
Total Expenditure	35,977	38,919	42,836	46,993
EBITDA (Operating Profit (Excl OI))	4,428	4,652	5,091	6,936
EBITDA Growth(%)	-2%	5%	9%	36%
EBITDA Margin(%)	11%	11%	11%	13%
Depreciation	804	900	965	1,009
Other Income	124	161	175	191
EBIT	3,748	3,913	4,301	6,118
EBIT Margin (%)	9%	9%	9%	11%
Interest	835	1,027	1,200	1,150
PBT	2,912	2,886	3,101	4,968
Provision for Tax	974	687	1,023	1,490
PAT	1,938	2,199	2,077	3,477
PAT Growth(%)	6%	13%	-6%	67%
PAT Margin(%)	5%	5%	4%	6%

Key Ratios

Y/E	FY23	FY24	FY25E	FY26E
Return Ratios (%)				
ROA	7.0%	6.8%	5.6%	8.2%
ROCE	23.9%	20.3%	20.0%	24.1%
ROE	17.1%	16.3%	13.5%	18.7%
Liquidity Ratios				
Net Debt/Equity	0.5	0.6	0.6	0.5
Interest Coverage Ratio	4.5	3.8	3.6	5.3
Current Ratio	1.0	1.0	1.0	0.9
Quick Ratio	0.4	0.5	0.4	0.4
Per Share Data (INR)				
EPS	12.4	14.1	13.3	22.3
DPS	0.8	1.0	0.9	1.6
BVPS	72.7	86.0	98.8	119.5
Efficiency Ratios				
Inventory Days	94.6	92.1	87.7	89.3
Debtor Days	37.6	37.0	36.6	34.7
Asset Turnover	0.2	0.1	0.1	0.2
Creditors Turnover	92.8	83.3	81.4	88.0
Valuation Ratios				
P/E	18.7	16.5	17.4	10.4
P/BV	2.0	2.7	2.3	1.9
EV/EBITDA	4.4	4.8	4.8	3.9
EV/Sales	0.5	0.5	0.5	0.5
Dividend Yield(%)	0.3%	0.4%	0.4%	0.7%
Margin Ratios(%)				
EBITDA Margin	11.0%	10.7%	10.6%	12.9%
EBIT Margin	9.3%	9.0%	9.0%	11.3%
Non Core EBIT	9.0%	8.6%	8.6%	11.0%
PAT Margin	4.8%	5.0%	4.3%	6.4%

Balance Sheet

Y/E Mar (RS. mn)	FY23	FY24	FY25E	FY26E
EQUITY AND LIABILITIES				
Share Capital	157	157	157	157
Total Reserves	11,191	13300	15251	18485
Shareholder's Funds	11,347	13457	15408	18642
Long-Term Borrowings	1,610	3814	4000	4600
Deferred Tax Assets / Liabilities	1,716	1469	1498	1528
Other Long Term Liabilities	683	195	199	203
Long Term Provisions	305	343	377	424
Total Non-Current Liabilities	15,661	19277	21482	25397
Current Liabilities	4,314	5820	6074	6756
Trade Payables	6,948	5999	8098	8884
Other Current Liabilities	986	2201	2421	2724
Short Term Borrowings	4,167	4908	4793	5393
Short Term Provisions	51	62	68	75
Total Current Liabilities	12,152	13170	15379	17075
Total Liabilities	27,813.7	32447	36861	42472
ASSETS				
Net Block	13,454	14568	14122	14720
Capital Work in Progress	1,634	3458	6792	10105
Intangible assets under development	13	3	3	3
Non Current Investments	42	92	99	107
Long Term Loans & Advances	221	226	248	278
Other Non Current Assets	648	850	935	1052
Total Non-Current Assets	16,012	19197	22198	26265
Current Assets				
Inventories	7,340	6970	8215	9012
Sundry Debtors	3,488	4397	4202	4728
Cash and Bank	440	309	496	502
Other Current Assets	487	177	214	237
Short Term Loans and Advances	48	1397	1536	1729
Total Current Assets	11,802	13250	14644	16191
Total Assets	27,813.7	32447	36862	42472

Cash Flow

Y/E Mar (RS. mn)	FY23	FY24	FY25E	FY26E
PBT	2,912	2,886	3,101	4,968
Add				
Depreciation	804	900	965	1,009
Interest	835	1,027	1,200	1,150
Less				
Other Income	124	161	175	191
Taxes paid	974	687	1,023	1,490
CFO before CWC	3,454	3,964	4,068	5,445
Changes in WC				
Inventories	-870	370	-1,246	-797
Sundry Debtors	435	-909	195	-526
Loans & Advances	-6	-1,349	-140	-192
Payables	357	-949	2,099	786
Provisions	5	11	6	7
Others	380	2,207	87	879
Net Change in WC	301	-619	1,002	155
Cash flow from Operations	3,755	3,345	5,069	5,601
Change in Fixed Assets	-673	-2,013	-519	-1,607
Change in Capital WIP	-664	-1,825	-3,333	-3,314
Change in Investments	-79	-11	-7	-8
Other Income	124	161	175	191
Others	-1,265	-1,692	-39	-66
Cash flow from Investments	-2,557	-5,380	-3,724	-4,803
Change in Equity	0	0	-	-
Share Warrants & O/S	-	-	-	2
Change in Debt	-1,182	2,203	186	600
Dividend Paid	-125	-156	-145	-243
Interest Paid	-835	-1,027	-1,200	-1,150
Others	805	884	-	-
Cash flow from Financing	-1,337	1,905	-1,159	-791
Opening Cash	579	440	309	496
Closing Cash Bal	440	309	496	502

Components & Equipments

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