

Steel Strips Wheels Ltd. (SSWL)

Nifty: 25,950

CMP: Rs. 206

Target Price: Rs. 266

Rating: BUY

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Components & Equipments

Steel Strips Wheels Limited (SSWL) reported Q2FY26 Revenue of INR1,201 crores, marking a 9.6%YoY increase. Despite healthy top-line growth, profitability was severely constrained, with EBITDA declining 6.5% YoY to INR111 crores. Consequently, the EBITDA margin compressed significantly from 10.9% in Q2FY25 to 9.3% in Q2FY26. PAT witnessed a steeper decline of 22.7% YoY, settling at INR36 crores, resulting in a PAT margin of 3.0% (down from 4.2% in Q2FY25). The severe margin contractions were primarily driven by slowdown in exports, a typically high-margin segment, which recorded a 26% decline in revenue during the quarter. This volume drop resulted in an estimated margin loss of INR 8 crores to INR 9 crores due to lost U.S. sales volume, causing the EBITDA per wheel to drop to INR 242 in Q2 (from INR 262 in Q1). Furthermore, the margin percentages were impacted by rising input costs, specifically the increase in aluminium prices from approximately INR 225/kg to INR 265-270/kg.

Segment wise Performance Overview:

- Alloy Wheel Segment:** Contributed 36% to revenue with 18 lakh units sold in H1FY26, driving margin growth and expected to continue rising.
- Aluminium Knuckles Segment:** Sold 1.24 lakh units, generating INR 33 crores in H1, with capacity expansion plans to 0.5 million units by year-end and FY '26 revenue target of INR 75-80 crores.
- Exports:** Revenue declined 26% YoY to INR 111 crores due to U.S. tariff challenges, with a margin loss of INR 8-9 crores in Q2.

Domestic Market Outlook

The domestic market outlook is positive, supported by recent GST reforms and the ongoing festive momentum, which is boosting demand across several segments. Two-wheelers are experiencing strong demand, while PVs are expected to see an 8% to 10% increase over the next 3 to 5 months, with a target of 3% to 4% annual growth. The tractor segment is also growing well, with full-year volume growth projected at 8% to 10%. However, the CV segment remains subdued, with only a slight 2% growth expected for the year, likely due to competition from railways.

Export Performance and Rising Focus to Europe

SSWL's export performance faced pressure, primarily due to stringent U.S. tariffs, which resulted in a significant margin loss

up to INR 20 per wheel. To mitigate this, the company has increased its focus on Europe, where export share grew to 52% in H1FY26, up from 32% in FY25. The European market has shown stable demand, with multiple new programs launched, and efforts to offset the export loss are ongoing, despite the challenge of compensating for a projected INR 200 crores loss. Additionally, management is exploring European acquisitions, focusing on collaborative efforts and targeting discounted assets to build capabilities where necessary, as Indian manufacturing remains competitive.

Capacity Expansion and CapEx Update

SSWL is advancing capacity expansion focusing on alloy wheels and knuckles, targeting a total capacity of 1 million knuckle units by 2026. Alloy wheel utilization is expected to reach 80%-85% in the next 7-8 months, prompting further capacity assessments. The company has also expanded its steel wheel production by 40% in the tractor segment and is adding 0.5 million units in Jamshedpur for CVs. For FY '26, SSWL plans a total CapEx of INR 250 crores, with a significant portion directed towards knuckles (40%-50%) and alloy wheels (30%-40%). Key investments include INR 88-90 crores for 1 million flow-formed wheels and INR 30 crores for upgrading the paint shop, positioning SSWL for growth and global competitiveness.

Shareholding (%)	Mar-25	Jun-25	Sep-25
Promoters	61.2%	61.2%	61.15%
FII's	6.7%	7.9%	8.73%
DII's	5.1%	5.3%	4.62%
Others	27.0%	25.7%	25.5%

Relative Price Performance



Key Data	
BSE Code	513262
NSE Symbol	SSWL
Bloomberg Code	SSW IN
Reuters Code	STWS NS
Shares Outstanding (mn)	157
Face Value	1
Mcap (INR bn)	32
52 Week H/L	280/167
2W Avg. Qty.NSE	7,829
CMP	208
Beta	0.4

(RS. Cr.)	FY24	FY25	FY26E	FY27E
Net Sales	4,357	4,429	5,033	5,295
Growth (%)	8.0%	1.7%	13.6%	5.2%
EBITDA	478	487	556	613
EBITDA Margin	11.0%	11.0%	11.1%	11.6%
Reported PAT	675	195	199	245
PAT Growth (%)	13.1%	-71.1%	2.1%	23.1%
Net Profit Margin	15.5%	4.4%	4.0%	4.6%
Debt/Equity	0.8	0.6	0.4	0.3

Components & Equipments

EBITDA Performance and Margin Outlook

EBITDA performance is sensitive to raw material price fluctuations, particularly in aluminium, which has risen from INR 225/kg to INR 265-270/kg. In Q1, EBITDA per wheel peaked at INR 262, up from INR 185, but dipped to INR 242 in Q2, driven by the loss of U.S. export volumes and higher operational costs. SSWL's near-term EBITDA per wheel target is INR 260-265, with a longer-term goal of INR 300 per wheel over the next 2-3 years. Segment margins are expected to range from 8%-9% for domestic steel, 13%-15% for exports, and 11%-13% for aluminium wheels, supported by recent price hikes.

Outlook & Valuation

SSWL is positioned for a better H2 driven by improving PV and Tractor demand, partly offset by weaker CVs, implying flattish FY26 PAT. Expansion to 5 million alloy-wheel capacity at 80-84% utilization and a 66% increase in Aluminium Knuckles (already breakeven) should strengthen growth and margins from FY27. Export shift toward Europe is progressing well, with potential US recovery and removal of the 25% duty offering further upside. We forecast a FY25-27E Revenue/EBITDA/PAT growth of 20%/26%/26%, valuing the stock at 15.3x EPS and 17.4x P/E with Target Price of INR266, with a BUY Rating.

Quarterly Financials (Consolidated)

Rs. in Cr.	Q2FY26	Q2FY25	Q1FY26	% Chg (YoY)	% Chg (QoQ)	H1FY26	H1FY25	% Chg (YoY)
Revenue	1,201	1,095	1,187	9.6	1.2	2,387	2,120	12.6
RM Cost	774	692	771	11.8	0.4	1,545	1,356	13.9
Employee Cost	104	95	102	9.8	1.7	207	185	11.6
Other Expenses	211	189	192	11.7	10.1	403	347	16.1
Total Expenditure	1,089	976	1,065	11.6	2.2	2,154	1,888	14.1
EBITDA	111	119	122	-6.5	-8.3	233	232	0.3
Depreciation	32	28	32	17.3	-0.4	65	56	15.4
Other Income	1	0	1	87.9	14.6	2	2	-3.6
EBIT	80	92	90	-13.1	-10.9	170	178	-4.5
Interest	32	30	29	5.1	10.9	61	62	-1.2
Exceptional Items	-	-	-	-	-	-	-	NA
PBT	48	62	61	-22.1	-21.2	109	116	-6.2
Tax	13	16	14	-20.6	-9.6	26	30	-11.5
Profit After Tax	36	46	47	-22.7	-24.6	83	87	-4.4
Equity	15.7	15.7	15.7	NA	0.0	157.2	156.9	0.2
Face Value	1.0	1.0	1.0	NA	0.0	1.0	1.0	0.0
EPS	2.3	2.9	3.0	-23.1	-24.9	5.3	5.5	-4.9
% of Sales				bps	bps			bps
RM Cost	64.5	63.2	65.0	126.3	-51.3	64.7	64.0	75.8
Employee Expenses	8.7	8.7	8.6	1.4	4.4	8.7	8.7	-7.6
Other Expenses	17.6	17.3	16.2	32.9	142.4	16.9	16.4	51.3
EBITDAM (%)	9.3	10.9	10.2	-160.7	-95.5	9.8	11.0	-119.5
PATM (%)	3.0	4.2	4.0	-123.8	-101.5	3.5	4.1	-61.7

Components & Equipments

Financials

Income Statement

Y/E Mar (RS. Cr)	FY24	FY25	FY26E	FY27E
Revenue	4,357	4,429	5,033	5,295
Cost of goods sold	3,683	3,733	4,224	4,433
Selling & Distribution Expenses	210	212	255	263
Operating Profit	464	484	554	599
Other income	14	3	2	14
EBITDA	478	487	556	613
Depreciation	104	111	187	199
EBIT	374	376	369	414
Interest & Fin Chg.	103	117	100	83
Extraordinary Income/(Expense)	*473	0	0	0
PBT	744	259	269	331
Tax	69	64	70	86
PAT	675	195	199	245

Balance Sheet

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
Total assets	2,645	2,783	2,832	2,925
Net Block	1,628	1,979	1,992	1,993
CWIP	363	100	100	100
Investments	3.7	3.7	3.7	3.7
Working Capital excluding cash	608	676	623	652
Cash / Bank balance	26	27	113	177
Misc. Assets	0	0	0	0
Capital employed	2,645	2,783	2,832	2,925
Equity capital	16	16	16	16
Reserves	1,427	1,606	1,791	2,021
Pref. Share Capital	0	0	0	0
Minority Interests	0	0	0	0
Borrowings	1,102	927	777	626
Def Tax Liabilities	101	234	248	262

Key Ratios

Y/E	FY24	FY25	FY26E	FY27E
Profitability(%)				
Gross Profit Margin	15.5	15.7	16.1	16.3
Operating Profit Margin	10.7	10.9	11.0	11.3
EBITDA Margin	11.0	11.0	11.1	11.6
Net Profit Margin	15.5	4.4	4.0	4.6
Return on Assets	25.5	7.0	7.0	8.4
Return on Equity	46.8	12.0	11.0	12.0
Solvency(x)				
Debt-to-Equity	0.8	0.6	0.4	0.3
Debt-to-Assets	0.4	0.3	0.3	0.2
Interest Coverage Ratio	3.6	3.2	3.7	5.0
Efficiency Ratio				
Asset Turnover Ratio	1.7	1.6	1.8	1.8
Fixed Asset Turnover Ratio	2.7	2.2	2.5	2.7
Working Capital Turnover Ratio	7.2	6.6	8.1	8.1
Valuation Ratios (Rs)				
Earnings Per Share	42.2	12.2	12.4	15.3
Book Value Per Share	89.5	101.6	112.9	127.3

Cash Flow

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
Sources	1,047	249	236	291
Cash profit	882	424	488	527
(-) Dividends	16	16	16	16
Retained Earnings	866	408	472	512
Change in Reserves	-353	0	0	0
Borrowings	361	-175	-150	-151
Others	173	16	-86	-69
Applications	1,047	249	236	291
CapEx	945	200	200	200
Investments	0	0	0	0
Net current assets	104	68	-52	28
Change in cash	-2	-18	89	63

Components & Equipments

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