

# Steel Strip wheels Ltd. (SSWL)

Nifty: 24,574 CMP: Rs. 218 Target Price: Rs. 272 Rating: BUY

WHERE ADVISORY MEETS EXCELLENCE

## Components & Equipments

SSWL's Q1FY26 revenue rose 16% YoY to INR 1,187 crore, but declined 4% QoQ, reflecting CV segment challenges, seasonal PV shutdowns, and cautious US demand. EBITDA advanced 8% YoY to INR 122 crore, with a 10.2% margin, down 78 bps YoY, pressured by higher aluminium and steel costs and front-loaded maintenance, spares, and consumables expenses. PAT grew 16% YoY to INR 47 crore, driven by a lower tax rate, but margins stayed flat as depreciation increased due to capex for alloy wheel expansion and the high-growth aluminium knuckle business. Exports soared 30% YoY to INR 160 crore, comprising 13.4% of total revenue.

### Segment wise Performance Overview:

- Alloy Wheel (PV):** Despite domestic slowdown, this segment grew with strong export demand leading to higher realizations, increasing its revenue share from 29% in Q1FY25 to 35%.
- Tractor Segment:** Showed decent growth supported by favourable monsoons, strong export orders, and rising domestic demand.
- CV Segment:** Underperformed this quarter potentially due to front-loading purchase effect prior to AC cabin mandate in October 2025.
- Aluminium Knuckle:** Delivered a strong first full quarter after Q3 FY25 commercialization, selling 50,000 units and generating INR 13.2 crores in Q1 FY26, surpassing FY25's INR 11 crores revenue.
- Export:** Growth was witnessed in both the steel and alloy wheel segments. The diversification strategy helped reduce dependence on the US market from 70% in FY24 to 52% in Q1 FY26. Incremental growth was primarily driven by the European region and South America.

### European Expansion Boosts Order Book:

SSWL has secured INR 300 crores worth of new steel wheel orders from European OEMs, following the establishment of its wholly-owned EU subsidiary. Notably, this order is equivalent to approx. 30% of the company's typical quarterly revenue, marking a significant milestone in its international growth strategy. With Indian operations offering cost advantages of 20-25% in energy and manpower, the company is gaining traction as OEMs shift production outside Europe.

### Operational Efficiency Remains Strong:

SSWL has maintained healthy utilization levels across key steel wheel plants 80-85% at Chennai, Jamshedpur, and Mehsana, and 70% at Dappar. Additionally, the company has reallocated 0.5 million units of AMW capacity to Jamshedpur and plans to add another 0.5 million units by September-October 2025 to support growth in the CV segment.

### Product Mix Shift Toward Premium & Lightweight Components:

Alloy wheels continue to dominate growth in the PV segment, cannibalizing steel wheels. The LCV segment is witnessing rapid expansion, supporting demand for steel wheels. The aluminium knuckle business is scaling up well, and new component development (lower/upper control arms) is underway, with RFQs currently under discussion.

### Capacity Expansion Supporting Strong Operational Performance:

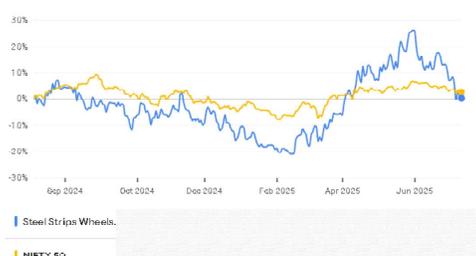
SSWL is focused on expanding capacities for alloy wheels and aluminium knuckles to capture growth opportunities. This expansion complements the company's strong operational efficiency, with key steel wheel plants running at 70-85% utilization. Additionally, 0.5 million units of AMW capacity have already been transferred to the Jamshedpur plant, with plans to add another 0.5 million units by September-October 2025 to bolster growth in the commercial vehicle segment.

### Outlook and Valuation:

SSWL is poised for impressive revenue growth in FY26, supported by strong export traction amid turbulent domestic sales and an improving product mix led by alloy wheels and aluminium knuckles, which are contributing significantly to revenue expansion. Additionally, an expected recovery in the commercial vehicle and tractor segments domestically will further support growth. Key capacity expansions are backed by confirmed orders, while margin recovery is anticipated as input costs normalize. Diversified global expansion also helps the company mitigate overdependence on the US, as validated by the significant European order. With controlled leverage and improving profitability, current valuations appear attractive relative to growth visibility. Accordingly, we estimate the company's Revenue/EBITDA/PAT to grow at a 9%/12%/12% CAGR over FY25-FY27E and assign a **BUY** rating with a target price of **INR 272**, valuing the stock at 15.3x FY27E EPS and 17.8x FY27E P/E.

Shareholding (%)	Dec-24	Mar-25	Jun-25
Promoters	61.0%	61.2%	61.2%
FII's	6.8%	6.7%	7.9%
DII's	4.9%	5.1%	5.3%
Others	27.3%	27.0%	25.7%

### 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)	34
52 Week H/L	280/167
2W Avg. Qty.NSE	2,19,655
CMP	218
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
EBIDTA 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

Quarterly Financials (Consolidated)

Rs. in Cr.	Q1FY26	Q1FY25	Q4 FY25	% Chg (YoY)	% Chg (QoQ)	FY25	FY24	% Chg (YoY)
<b>Revenue</b>	<b>1,187</b>	<b>1,025</b>	<b>1,234</b>	<b>15.8</b>	<b>-3.8</b>	<b>4,429</b>	<b>4,357</b>	<b>1.7</b>
RM Cost	771	664	818	16.1	-5.7	2,858	2,836	0.8
Employee Cost	102	90	98	13.5	4.7	380	358	6.1
Other Expenses	192	158	184	21.4	4.3	707	699	1.0
<b>Total Expenditure</b>	<b>1,065</b>	<b>912</b>	<b>1,100</b>	<b>16.8</b>	<b>-3.1</b>	<b>3,945</b>	<b>3,894</b>	<b>1.3</b>
<b>EBITDA</b>	<b>122</b>	<b>113</b>	<b>134</b>	<b>7.5</b>	<b>-9.4</b>	<b>484</b>	<b>464</b>	<b>4.5</b>
Depreciation	32	29	28	13.7	17.5	111	104	6.6
Other Income	1	1	1	-38.1	-20.4	3	14	-76.8
<b>EBIT</b>	<b>90</b>	<b>86</b>	<b>108</b>	<b>4.8</b>	<b>-16.4</b>	<b>376</b>	<b>373</b>	<b>0.9</b>
Interest	29	31	29	-7.5	-2.3	117	103	14.2
Exceptional Items	-	-	-	-	-	-	473	-100.0
<b>PBT</b>	<b>61</b>	<b>55</b>	<b>78</b>	<b>11.8</b>	<b>-21.7</b>	<b>259</b>	<b>743</b>	<b>-65.2</b>
Tax	14	14	17	-	-20.1	64	69	-7.3
<b>Profit After Tax</b>	<b>47</b>	<b>41</b>	<b>61</b>	<b>15.8</b>	<b>-22.2</b>	<b>195</b>	<b>675</b>	<b>-71.1</b>
Equity	15.7	15.7	15.7	0.0	0.0	156.9	156.9	0.0
Face Value	1.0	1.0	1.0	0.0	0.0	1.0	1.0	0.0
EPS	3.0	2.6	3.9	15.8	-21.8	12.4	43.1	-71.1
<b>% of Sales</b>				<b>bps</b>	<b>bps</b>			<b>bps</b>
RM Cost	65.0	64.8	66.3	20.3	-132.6	64.5	65.1	-55.7
Employee Expenses	8.6	8.8	7.9	-17.1	69.9	8.6	8.2	36.0
Other Expenses	16.2	15.4	14.9	75.0	125.5	16.0	16.1	-9.6
EBITDAM (%)	10.2	11.0	10.9	-78.2	-62.8	10.9	10.6	29.3
PATM (%)	4.0	4.0	4.9	0.2	-93.8	4.4	15.5	-1107.6

## Components & Equipments

## Financials

### Income Statement

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

### Balance Sheet

Y/E Mar (RS. Cr.)	FY24	FY25	FY26E	FY27E
<b>Total assets</b>	<b>2,645</b>	<b>2,783</b>	<b>2,832</b>	<b>2,925</b>
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
<b>Capital employed</b>	<b>2,645</b>	<b>2,783</b>	<b>2,832</b>	<b>2,925</b>
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
<b>Profitability(%)</b>				
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
<b>Solvency(x)</b>				
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
<b>Efficiency Ratio</b>				
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
<b>Valuation Ratios (Rs)</b>				
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
<b>Sources</b>	<b>1,047</b>	<b>249</b>	<b>236</b>	<b>291</b>
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
<b>Applications</b>	<b>1,047</b>	<b>249</b>	<b>236</b>	<b>291</b>
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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