

CMP: INR 222

Rating: Accumulate

Target Price: 254

Stock Info

BSE	513262
NSE	SSWL
Bloomberg	SSW IN
Sector	Auto Ancillaries- wheels
Face Value (INR)	1
Equity Capital (INR Mn)	157
Mkt Cap (INR Mn)	34,856
52w H/L (INR)	248/167.4
Avg Yearly Vol (in 000')	260

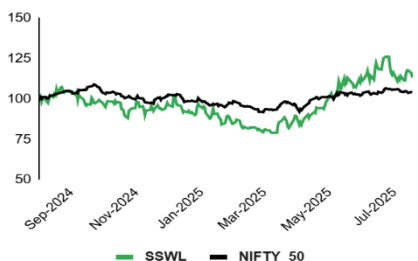
Shareholding Pattern %

(As on June, 2025)

Promoters	61.14
Public & Others	38.86

Stock Performance (%)	1m	3m	12m
SSWL	-12.3	3.8	-4.3
Nifty	-3.0	1.3	-0.17

SSWL Vs Nifty



Steel Strips Wheels Ltd, reported weak numbers; SSWL Ltd reported its Q1FY26 numbers, with revenue at INR 11,868 Mn (up by 15.8% YoY and down 3.8% QoQ), below our estimate of INR 11,950 Mn. EBITDA stood at INR 1,215 Mn (up by 7.5% YoY and down by 9.4% QoQ), below our estimate from INR 1,280 Mn. EBITDA margin remains down 63bps QoQ/down 78bps at 10.24%, in line our estimate of 10.7%.PAT stood at INR 472.4 Mn (down by 19.7% YoY and up by 3.5% QoQ), in-line our estimate of INR 470 Mn. PAT margin contracted by 94 bps QoQ. Depreciation increased by 17.5% QoQ/UP 13.7% YoY. SSWL has achieved Net turnover of of INR 3788.7 Mn in July 2025 against INR 3626.4 Mn in July 2024 recording growth of 4.48 % YOY and achieved Gross turnover of INR. 4610.8 Mn in July 2025 against INR 4410.8 Mn in July FY24, there by growth of 4.53 % YOY.

Investment Rationale

Demand remained strong in Tractor & EV segments: The company posted 15% YoY revenue growth in Q1FY26, supported by strong export momentum and robust traction in alloy wheels. While US tariffs may bring short-term uncertainty, Europe and South America are emerging as strong growth regions. Domestic demand was slightly muted in June-July due to OEM inventory adjustments and regulatory changes in CVs. However, normalcy and demand rebound are expected from Q2 onwards. The company maintains ~15% YoY top-line growth target for FY26.

Scalling up Knuckles Business: The aluminum knuckle business, commercialized in Q3FY25, achieved sales of 50,000 units and revenue of INR 132 Mn in Q1FY26. Current capacity of 0.5 mn units is expected to reach 85–90% utilization by Q4FY26. A second plant with 1 million capacity is being set up for FY27. This segment aligns with EV and safety trends. FY26 revenue of INR 500–600 Mn from knuckles; 30–35% annual growth expected over 5 years.

AMW assets are being leveraged to expand domestic CV production by 0.5 mn units, targeting full utilization by Sep–Oct 2025. This will support de-risking from export markets and improve margin by 0.5–0.75% in CVs. Capex of INR 2800–3000 Mn is planned in FY26, mostly for alloy and knuckle expansion. Net debt to remain within INR 8500–9000 Mn by FY26-end with 50% of capex funded via debt.

Steel wheels showed resilience despite subdued demand in CVs and regulatory disruptions. Growth in LCVs (last-mile delivery) and opportunities in Europe due to high local production costs are expected to offset PV-side cannibalization by alloy wheels. European OEMs have awarded INR 3000 Mn in steel wheel contracts. Steel wheels to grow at 1–2% in PVs and stronger growth expected in LCV and export OEMs over the medium term.

Robust Export Growth with Strategic Market Diversification: Exports grew 30% YoY in Q1FY26, driven by strong demand for both steel and alloy wheels. The company reduced its US export dependence from 70% to 52%, focusing more on Europe and South America. While US tariffs pose a near-term risk, European and South American markets continue to show strong traction. Export revenues are expected to remain stable going forward.

Outlook and valuation

The company expects EBITDA margins to stabilize as RM prices and maintenance expenses normalize, with confidence in margin improvement driven by a rising alloy and export mix. It is targeting 15% revenue growth and 9–10% volume growth in FY26, supported by capacity expansion 1.1 mn units for alloy wheels in Mehsana and 6.5 mn additional steel wheel capacity through acquisition by FY26. Aluminum knuckles are expected to reach 85–90% utilization by Q3/Q4 FY26, with a new 1 mn unit facility planned in Gujarat by early FY27. The alloy wheels and aluminium knuckles businesses are set for volume and margin expansion, while exports and premium product mix remain key growth levers. Management continues to focus on deleveraging and enhancing returns. **At a CMP of INR 222, SSWL is trading at an EV/EBITDA of 5.9x to its FY28E EBITDA of INR 6,616 Mn. We value the stock on a P/E (x) multiple of 16x to its FY28E EPS INR 15.9 which yields a target price of INR 254 per share. We downgrade our rating to an Accumulate from Buy rating earlier on the stock.**

Exhibit 1: Quarterly Performance

Year End-March INR Mn	FY25	FY26E	FY27E	FY28E
Revenues	44,290	46,763	50,234	55,250
EBITDA	4,843	4,959	5,460	6,160
EBITDA Margin (%)	10.94%	10.60%	10.87%	11.15%
PAT	1,953	1,747	1,979	2,489
ROE	12.01%	8.19%	8.55%	9.77%
EPS	12.4	11.2	12.6	15.9
P/E	17.8	19.9	17.6	14.0

Source: Company, Arihant Research

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Exhibit 2: Quarterly Performance

Consolidated (INR Mn)	Q1FY26	Q4FY25	Q1FY25	QoQ	YoY
Revenue from operations	11868	12339	10253	-3.8%	15.8%
Cost of materials consumed	8187	8070	6490	1.4%	26.2%
Change in inventory	-476	111	151	-	-
Cost of Goods Sold (COGS)	7711	8181	6641	-5.7%	16.1%
Gross Profit	4157	4159	3612	0.0%	15.1%
Employee benefits expense	1024	979	902	4.7%	13.5%
Other expenses	1918	1838	1580	4.3%	21.4%
Total operating Expenses	10653	10997	9123	-3.1%	16.8%
EBITDA	1215	1342	1130	-9.4%	7.5%
EBITDA Margin (%)	10.24%	10.88%	11.02%	-63bps	-78bps
Depreciation and amortisation expenses	324	276	285	17.5%	13.7%
EBIT	891	1066	845	-16.4%	5.5%
EBIT Margin (%)	7.51%	8.64%	8.24%	-113bps	-73bps
Finance costs	288	295	311	-2.3%	-7.5%
Other income	8	10	13	-20.4%	-38.1%
PBT	611	781	547	-21.8%	11.8%
Share of profit/loss from associates	0.23	(0.91)	0.36		
Exceptional items	-	-	-		
PBT	611	780	547	-21.7%	11.8%
Tax Expense	139	174	139	-20.1%	0.0%
Tax Rate	22.7%	22.3%	25.4%	-	-
PAT	472.4	606.6	408.1	3.5%	-19.7%
PAT Margin	3.98%	4.92%	3.98%	-94bps	0bps
EPS	3.01	3.79	2.60	-20.6%	15.8%

Source: Company, Arianth Research

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Steel Strips Wheels Ltd-Q1FY26 Concall KTAs

Outlook: The company expects EBITDA margins to stabilize as RM prices and maintenance expenses normalize, with confidence in margin improvement driven by a rising alloy and export mix. It is targeting 15% revenue growth and 9–10% volume growth in FY26, supported by capacity expansion 1.1 mn units for alloy wheels in Mehsana and 6.5 million additional steel wheel capacity through acquisition by FY26. Aluminum knuckles are expected to reach 85–90% utilization by Q3/Q4 FY26, with a new 1 mn unit facility planned in Gujarat by early FY27. The alloy wheels and aluminium knuckles businesses are set for volume and margin expansion, while exports and premium product mix remain key growth levers. Management continues to focus on deleveraging and enhancing returns.

Alloy wheels contributed 35% to revenue, up from 29% YoY reflecting a continued shift toward higher-margin products. Aluminium knuckles contributed 1% to revenue with ~50K units sold in Q1, adding INR 13.2 crore in revenue. Steel wheels still formed 64% of revenue, down from 71% YoY indicating portfolio diversification.

Segment

Alloy wheel sales grew both in volume and value terms and volume share improved to 19% (from 17%), and value contribution rose to 35% (from 32%).

Aluminium knuckles segment gained momentum capacity scaled to 2.5L units in Q1 and expected to reach 10L by FY26-end.

Knuckle revenue for Q1 stood at INR 132 Mn, with 2 OEMs onboard and plans to expand the customer base.

Capacity & Expansion Plans

Steel wheel capacity utilization stood at 77% in Q1 and target to reach 2.7 Cr units by FY26.

Alloy wheel capacity utilization at 87% and expected to expand to 53 lakh units by FY26.

Bhuj facility (via AMW Auto acquisition) adds 70 lakh steel wheels capacity focused on PV, Tractor, and CV segments.

Commissioning of new Aluminium product line (Knuckles) aids product diversification.

Exports

Export revenue for Q1 grew ~30% YoY to INR 1600 Mn, contributing significantly to overall growth. Reduced dependence on US exports from 70% in FY24 to 52% by Q1 FY26; expanding in Europe and South America. Setting up EU subsidiary to align with OEM requirements, supporting diversification.

Export markets include US, EU, Brazil, Canada, South Korea, Japan, and others.

Exports now form a meaningful share of alloy wheel and knuckle volumes.

Strategic focus remains on growing exports of alloy wheels and knuckles to improve margins and reduce domestic dependency.

Client Wins

Strong client relationships across PV, CV, Tractor, and 2W segments.

Notable share with major OEMs and 100% with MG, Nissan, Skoda, Renault of 50–60% with Hyundai, Mahindra, Kia, Tata Motors.

Among knuckle customers and working with 2 leading OEMs customer base to expand as capacity scales.

PV platforms like Nexon, XUV700, Grand i10, and Seltos remain key volume drivers.

Employee and other expenses increased, leading to slight margin compression and expected to normalize.

Debt

Cash accruals continue to support both growth capex and ongoing debt reduction, with long-term debt declining from INR 4870 Mn in FY24 to INR 3710 Mn in FY25. The company's leverage profile has improved, with net debt/EBITDA at 1.65 and debt-to-equity at 0.55. Return ratios remain healthy, with RoCE at 14.1% and RoE at 20% in FY25. For FY26, a capital expenditure of INR 2800–3000 Mn is planned for alloy wheels and aluminum knuckles, with half expected to be funded through debt.

Strategic Initiatives

Sales mix shift toward higher-margin Alloy wheels and exports.

Focus on robotic automation and operational efficiency to control costs.

New product development (e.g., alloy knuckles) to de-risk portfolio and support long-term growth.

Management expects 12% CAGR in alloy wheel industry over next 5 years, compared to 4% in steel wheels.

Sustainability initiatives include solar/hybrid power adoption and ESG-linked community investments.

Near term challenges: US tariff hike uncertainties causing order delays. Commercial vehicle segment facing slowdown due to upcoming AC cabin mandate from October 2025. Slight Q1 FY26 EBITDA margin contraction due to raw material costs and unexpected maintenance.

Capex

Capital expenditure focused on capacity expansion in Alloy and Aluminium segments.

FY26 capex to support scaling of Bhuj and Mehsana plants.

Investment in backward integration through Saraikeela plant strengthens supply chain.

Capacity Utilization: High utilization at key plants: Mehsana alloy wheel (87%), Chennai PV & CV steel (78%), Dappar plant (77%), and Jamshedpur HCV/LCV steel (64%).

The company is focusing on new product development, including upper and lower control arms, in response to ongoing RFQs. It has decided against entering the 2-wheeler alloy wheel segment due to its low-margin profile and high capital intensity. Meanwhile, it has secured contracts worth INR 3,000 mn from two European OEMs, leveraging its cost advantage amid rising manufacturing costs in Europe.

Income Statement (INR Mn) (Consolidated)				
Year End-March	FY25	FY26E	FY27E	FY28E
Revenues	44,290	46,763	50,234	55,250
Change (%)	1.7%	5.6%	7.4%	10.0%
Employee costs	3,799	4,255	4,270	4,696
Operation and other expenses	7,066	7,716	8,289	9,116
Total Operating Expenses	10,865	11,971	12,559	13,813
Depreciation	1,111	1,687	1,837	2,038
EBITDA	4843	4959	5460	6160
EBITDA Margin (%)	10.9%	10.6%	10.9%	11.1%
EBIT	3732	3272	3623	4122
EBIT Margin (%)	8.4%	7.0%	7.2%	7.5%
Interest	1,172	1,050	1,102	945
Other Income	32	47	50	55
PBT	2,591	2,269	2,571	3,233
Exceptional Items	-	-	-	-
PBT after exceptional Items	2,591	2,269	2,571	3,233
Tax	637	522	591	744
Rate (%)	24.6%	23.0%	23.0%	23.0%
PAT	1,953	1,747	1,979	2,489
Non-controlling interest	-	-	-	-
Consolidated PAT	1,953	1,747	1,979	2,489
PAT Margin (%)	4.4%	3.7%	3.9%	4.5%

Balance Sheet (INR Mn) (Consolidated)				
Year End-March	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Share Capital	157	157	157	157
Reserves & Surplus	16,100	21,167	22,990	25,323
Total Equity	16,257	21,324	23,147	25,479
Total assets	33,989	38,776	40,999	44,199
Application of Funds				
Gross Block	27,704	33,704	36,704	40,704
Less: Depreciation	1,111	1,687	1,837	2,038
Net Block	17,401	21,716	22,880	24,845
CWIP	2,878	2,878	2,878	2,878
Financial Assets	137	137	137	137
Investments	105	105	105	105
Inventories	7,428	7,494	8,038	8,798
Sundry debtors	4,864	4,936	5,303	5,832
Cash and bank	101	862	939	824
Other Current Assets	291	187	201	221
Total Current assets	12,756	13,552	14,553	15,748
Total Current liabilities	2,786	2,586	2,386	2,386
Net Current assets	21,233	25,224	26,446	28,451
Capital Employed	33,989	38,776	40,999	44,199

Key Ratios				
Year End-March	FY25	FY26E	FY27E	FY28E
Per share (INR)				
EPS	12.4	11.2	12.6	15.9
BVPS	104	136	148	163
Valuation (x)				
P/E	17.8	19.9	17.6	14.0
P/BV	2.1	1.6	1.5	1.4
EV/EBITDA	7.7	7.4	6.6	5.9
Return ratio (%)				
EBITDA Margin	10.9%	10.6%	10.9%	11.1%
EBIT Margin	8.4%	7.0%	7.2%	7.5%
PAT Margin	4.4%	3.7%	3.9%	4.5%
ROE	12.0%	8.2%	8.6%	9.8%
ROCE	19.6%	13.7%	14.2%	14.8%
Depreciation/Gross Block	4.0%	5.0%	5.0%	5.0%
Net sales / Gr block (x)	1.60	1.39	1.37	1.36
Leverage Ratio (%)				
Total D/E	0.17	0.12	0.10	0.09
Turnover Ratios				
Asset Turnover (x)	3.4	3.3	3.2	3.2
Inventory Days	91.9	93.0	93.0	93.0
Receivable Days	55.8	58.0	58.0	58.0

Cash Flow Statement (INR Mn) (Consolidated)				
Year End-March	FY25	FY26E	FY27E	FY28E
Add:- Depreciation	2,590	2,269	2,571	3,233
Depreciation	1,111	1,687	1,837	2,038
Finance Costs	1,172	1,050	1,102	945
Operating Profit before WC Changes	4,874	5,006	5,510	6,215
Operating Profit after WC Changes	924	(145)	(368)	(487)
Direct Taxes Paid & Exceptional Items	650	522	591	744
Cash Flow from Operating Activities	6,447	5,383	5,733	6,471
Cash Flow from Investing Activities	(1,957)	(5,765)	(2,765)	(3,765)
Cash Flow from Financing Activities	(3,537)	2,186	(1,708)	(1,335)
Net Change in Cash & Cash Equivalents	(328)	761	78	(115)
Opening Cash & Cash Equivalents	429	101	862	939
Closing Cash & Cash Equivalents	101	862	939	824

Source: Arianth Research

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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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