

CMP: INR 231

Rating: Buy

Target Price: 301

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)	36,462
52w H/L (INR)	248/167.4
Avg Yearly Vol (in 000')	279

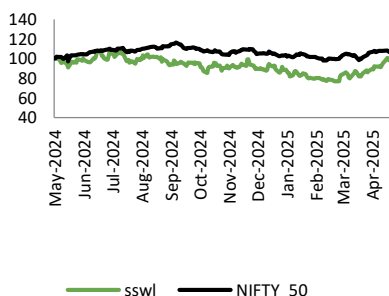
Shareholding Pattern %

(As on March, 2025)

Promoters	61.2
Public & Others	38.8

Stock Performance (%)	1m	3m	12m
SSWL	20.2	28.3	8.9
Nifty	6.7	9.1	11.6

SSWL Vs Nifty



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Steel Strips Wheels Ltd, reported beat on all fronts; Margin remain flat SSWL Ltd reported its Q4FY25 numbers, with revenue at INR 12,339 Mn (up by 15.5% YoY and 14.8% QoQ), above our estimate of INR 11,078 Mn. EBITDA stood at INR 1,342 Mn (up by 22.1% YoY and up by 13.9% QoQ), above our estimate from INR 1,185 Mn. EBITDA margin remains flat at 10.88%, in line our estimate of 10.7%. PAT stood at INR 606.59 Mn (down by 88.2% YoY and up by 27.1% QoQ), above our estimate of INR 495 Mn. PAT margin expanded by +48 bps QoQ to 4.91% in Q4FY25, compared to 4.44% in Q3FY25.

Investment Rationale

Potential Expansion for Export Business: The company is quite optimistic about scaling its export business, with company's setting a goal of INR 10,000 Mn for export revenues by FY26. The company managed to achieve a commendable export turnover of INR 5610 Mn in FY25 despite geopolitical challenges. The leadership still exudes confidence owing to better clarity on tariffs and increasing customer preference for Indian vendors as compared to Vietnam and Thailand where duties will sharply rise. In addition, company is gaining robust traction in Europe as local competitors undergo financial distress and subsequently greater OEM engagement.

Demand remained strong in Tractor & EV segments: The company continues to expect strong demand across all the segments which will drive revenue growth to the 15–25% range over the upcoming three years. The overall volumes also grew in FY25 from 30 lakh to 33 lakh units and furthered the margin growth. CV segment experienced lackluster revenues early on, but recovered strongly in H2. Demand remained strong in the tractor and EV segments as well. Diversification continues to aid the company with market and program capture as they expand beyond existing customers into new segments with notable increases in 2w and tractor wheels.

Scalling up Knuckles Business: Aluminium knuckles which was started recently has picked up well registering a revenue of INR 110 Mn in the first year. The company is currently operating at 70% capacity utilization and aims to reach full capacity of 2.5 lakh units by FY26. The company perceives this as a long term opportunity particularly as India moves away from traditional materials to aluminum-based components with time, just like the rest of the world. The knuckles segment forms part of the broader INR 6000 Mn capex plan and is regarded as a major revenue contributor in the coming years.

Steel Wheels Margin Recovery: There has been an increase in the volume of steel wheels, but only slightly throughout the past years. In Q3FY25 EBITDA per wheel stood at 270 rupees and the company's expectation is set to reach >300 per wheel by FY27. This shift is being aided by an emphasis on shedding low profit business and winning higher margin contracts. Additionally, the strategically timed and low-cost acquisition of 65 lakh wheel capacity is expected to enhance the company's operational leverage as well as profitability in the domestic market.

Outlook and valuation

The company plans a capex of INR 6000 Mn over FY26–27, fully funded through internal accruals, targeting production of over 2.1 cr wheels in FY26. Alloy wheel capacity is expanding to 5.3 mn units, with export revenue targeted at INR 10,000 Mn and MS growing to ~38%. Steel wheels saw 3.5% growth in FY25 and aim for EBITDA per wheel to rise from INR 270 to over INR 300 by FY27. The knuckle segment generated INR 110 Mn in its first year at 70% utilization, expected to reach 100% in FY26. Overall, strong traction across segments positions SSWL for sustained volume and margin expansion. With alloy wheels and export share increasing along with the introduction of a new product line Aluminium Steering Knuckles, we estimate the company's Revenue/EBITDA to grow at 12%/15.3% CAGR over FY25–28E.

At a CMP of INR 231, SSWL is trading at a EV/EBITDA of 4.9x to its FY28E EBITDA of INR 7,420 Mn. We value the stock on a P/E (x) multiple of 14x to its FY28E EPS INR 21.5 which yields a target price of INR 301 per share. We maintain our Buy rating on the stock.

Exhibit 1: Financial Estimates

Year End-March INR Mn	FY24	FY25E	FY26E	FY27E	FY28E
Revenues	43,571	44,290	49,500	55,655	62,537
EBITDA	4,640	4,843	5,481	6,440	7,420
EBITDA Margin (%)	10.65%	10.94%	11.07%	11.57%	11.86%
PAT	6,747	1,953	2,085	2,655	3,362
ROE	46.78%	12.01%	9.63%	10.99%	12.28%
EPS	43.1	12.4	13.3	17.0	21.5
P/E	5.4	18.6	17.3	13.6	10.8

Source: Company, Arihant Research

Exhibit 2: Quarterly Performance

Consolidated (INR Mn)	Q4FY25	Q3FY25	Q4FY24	QoQ	YoY
Revenue from operations	12339	10747	10687	14.8%	15.5%
Cost of materials consumed	8070	7172	6763	12.5%	19.3%
Change in inventory	111	-332	217	-	-
Cost of Goods Sold (COGS)	8181	6840	6980	19.6%	17.2%
Gross Profit	4159	3907	3707	6.4%	12.2%
Employee benefits expense	979	969	903	1.0%	8.4%
Other expenses	1838	1759	1705	4.5%	7.8%
Total operating Expenses	10997	9568	9588	14.9%	14.7%
EBITDA	1342	1179	1099	13.9%	22.1%
EBITDA Margin (%)	10.88%	10.97%	10.28%	-9bps	59bps
Depreciation and amortisation expenses	276	275	368	-0.3%	22.0%
EBIT	1066	904	731	17.9%	45.8%
EBIT Margin (%)	8.64%	8.41%	6.84%	23bps	180bps
Finance costs	295	262	280	-13.6%	4.6%
Other income	10	4	48	-24.9%	-78.2%
PBT	781	645	499	4.3%	-8.9%
Share of profit/loss from associates	(0.91)	(1.73)	(0.27)		
Exceptional items	-	-	4,731		
PBT	780	643	5,230	3.9%	-8.9%
Tax Expense	174	166	74	5.2%	47.8%
Tax Rate	22.3%	25.9%	1.4%	-	-
PAT	606.6	477.1	5,155.599	3.5%	-19.7%
PAT Margin	4.92%	4.44%	48.24%	48bps	-433bps
EPS	3.79	2.79	32.85	-5.1%	-26.4%

Source: Company, Arianth Research

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Steel Strips Wheels Ltd- Q4FY25 Concall KTAs

The company is currently witnessing a significant revival in exports, with export revenue growing by 22%.

Depreciation increased due to higher capital expenditure in Jamshedpur and Mehsana.

Finance cost is expected to decline as debt reduces.

CV business saw a slowdown, leading to revenue decline.

Margin improvement driven by higher realization from alloy and knuckle products. Plans underway to expand knuckle capacity due to strong demand.

Finance costs are expected to decline in the near future, driven by ongoing debt reduction efforts and the downward trend in the repo rate.

Export revenues are projected to reach INR 1000 Cr by FY27, supported by strong international demand and improved trade terms.

For FY26, the company anticipates a minimum growth of 15% and is hopeful for consistent double-digit growth across segments.

India currently imposes a 10% reciprocal duty, along with 3% existing duties, giving it a relative advantage in trade competitiveness.

In contrast, Vietnam and Thailand are expected to impose 35–36% duties post 90 days, as indicated by key customers, which would enhance India's cost advantage.

Thailand's high cost structure makes it uncompetitive compared to India, while Vietnam, despite having similar costs, lacks the necessary manufacturing capacity to meet demand.

European markets are showing positive momentum, with increased traction due to the financial instability and bankruptcy of a major competitor in the region.

On the domestic front, the steel wheel business has recorded a modest 3% growth.

The cost of manufacturing alloy wheels remains high about 4 times that of steel wheels making margin management crucial.

The domestic steel wheel market share has declined due to the end of older programs and changes in wheel rim specifications.

Capex of INR 6000 Mn is planned over the next two years, with funding to be sourced through internal accruals.

Debt: As of March 2025, the company's net debt stands at INR 828 Cr, with INR 370 Cr in term loans and the remainder in working capital borrowings.

The cost of funds remains in the range of 8% to 9%.

Asset turnover is estimated at 1.25x to 1.5x for steel wheels and 2x to 3.5x for alloy wheels, reflecting better capital efficiency in the alloy segment.

Margin profiles remain strong, with alloy wheels delivering 13–14% EBITDA margins and steel wheels contributing 8–9%.

Margins in steel wheels are expected to improve as legacy contracts with OEMs are renegotiated to more favorable terms.

EBITDA per wheel was INR 253 in FY25, increasing to INR 261 in FY26, with Q4 FY25 reaching INR 271.

The management expects INR 270 per wheel to become the new base EBITDA, with further upside possible.

A legacy OEM contract has already been renegotiated, contributing to improved profitability going forward.

The knuckle business generated INR 11 Cr in revenue with 70% capacity utilization, translating to around 2.5 lakh units.

The segment is expected to contribute INR 110 Cr in topline in FY26, with substantial growth potential ahead due to strong demand.

Margins in the alloy wheel business are projected to increase slightly in FY26, supported by operating leverage and efficiency gains.

The alloy wheel segment has seen significant market share expansion, currently at 37–38%, up from 24% just three years ago.

Tractor sales reached 17 lakh units with 16% growth last year; expecting ~10% growth this year.

Volume increased to 33 lakh units vs 30 lakh in the previous year management remains optimistic.

Income Statement (INR Mn) (Consolidated)

Year End-March	FY24	FY25	FY26E	FY27E	FY28E
Revenues	43,571	44,290	49,500	55,655	62,537
<i>Change (%)</i>	7.8%	1.7%	11.8%	12.4%	12.4%
Employee costs	3,580	3,799	4,505	4,731	5,316
Operation and other expenses	6,990	7,066	8,168	9,183	10,319
Total Operating Expenses	10,570	10,865	12,672	13,914	15,634
Depreciation	1,042	1,111	1,687	1,837	2,038
EBITDA	4640	4843	5481	6440	7420
EBITDA Margin (%)	10.65%	10.9%	11.1%	11.6%	11.9%
EBIT	3598	3732	3794	4603	5382
EBIT Margin (%)	8.3%	8.4%	7.7%	8.3%	8.6%
Interest	1,027	1,172	1,050	1,102	945
Other Income	137	32	35	40	45
PBT	7,439	2,591	2,780	3,540	4,482
Exceptional Items	4,731	-	-	-	-
PBT after exceptional Items	7,439	2,591	2,780	3,540	4,482
Tax	687	637	695	885	1,121
<i>Rate (%)</i>	9.2%	24.6%	25.0%	25.0%	25.0%
PAT	6,747	1,953	2,085	2,655	3,362
Non-controlling interest	-	-	-	-	-
Consolidated PAT	6,747	1,953	2,085	2,655	3,362
<i>PAT Margin (%)</i>	15.5%	4.4%	4.2%	4.8%	5.4%

Balance Sheet (INR Mn) (Consolidated)

Year End-March	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds					
Share Capital	157	157	157	157	157
Reserves & Surplus	14,265	16,100	21,505	24,004	27,209
Total Equity	14,422	16,257	21,662	24,160	27,365
Total assets	32,926	33,989	39,587	42,949	47,344
Application of Funds					
Gross Block	25,454	27,704	33,704	36,704	40,704
Less: Depreciation	1,042	1,111	1,687	1,837	2,038
Net Block	16,259	17,401	21,716	22,880	24,845
CWIP	3,626	2,878	2,878	2,878	2,878
Financial Assets	122	137	137	137	137
Investments	37	105	105	105	105
Inventories	6,970	7,428	7,933	8,905	9,959
Sundry debtors	4,397	4,864	5,225	5,875	6,601
Cash and bank	429	101	934	1,429	2,011
Other Current Assets	293	291	198	223	250
Total Current assets	12,135	12,756	14,363	16,504	18,893
Total Current liabilities	3,814	2,786	2,586	2,386	2,386
Net Current assets	20,790	21,233	25,224	26,446	28,451
Capital Employed	32,926	33,989	39,587	42,949	47,344

Source: Arihant Research

Cash Flow Statement (INR Mn) (Consolidated)					
Year End-March	FY24	FY25	FY26E	FY27E	FY28E
Add:- Depreciation	7,434	2,590	2,780	3,540	4,482
Depreciation	1,042	1,111	1,687	1,837	2,038
Finance Costs	1,027	1,172	1,050	1,102	945
Operating Profit before WC Changes	9,503	4,874	5,516	6,480	7,465
Operating Profit after WC Changes	-2,155	924	-410	-627	-662
Direct Taxes Paid & Exceptional Items	620	650	695	885	1,121
Cash Flow from Operating Activities	7,968	6,447	5,801	6,738	7,923
Cash Flow from Investing Activities	-3,650	-1,957	-5,765	-2,765	-3,765
Cash Flow from Financing Activities	1,710	-3,537	2,186	-1,708	-1,335
Net Change in Cash & Cash Equivalents	-9	-328	833	495	582
Opening Cash & Cash Equivalents	440	429	101	934	1,429
Closing Cash & Cash Equivalents	431	101	934	1429	2011

Key Ratios					
Year End-March	FY24	FY25	FY26E	FY27E	FY28E
Per share (INR)					
EPS	43.1	12.4	13.3	17.0	21.5
BVPS	92	104	138	154	175
Valuation (x)					
P/E	5.4	18.6	17.3	13.6	10.8
P/BV	2.5	2.2	1.7	1.5	1.3
EV/EBITDA	8.5	8.0	6.9	5.8	4.9
Return ratio (%)					
EBITDA Margin	10.6%	10.9%	11.1%	11.6%	11.9%
EBIT Margin	8.3%	8.4%	7.7%	8.3%	8.6%
PAT Margin	15.5%	4.4%	4.2%	4.8%	5.4%
ROE	46.8%	12.0%	9.6%	11.0%	12.3%
ROCE	19.7%	19.6%	15.6%	17.3%	18.1%
Depreciation/Gross Block	4.1%	4.0%	5.0%	5.0%	5.0%
Net sales / Gr block (x)	1.71	1.60	1.47	1.52	1.54
Leverage Ratio (%)					
Total D/E	0.26	0.17	0.12	0.10	0.09
Turnover Ratios					
Asset Turnover (x)	3.3	3.4	3.1	3.0	2.9
Inventory Days	92.1	91.9	93.0	93.0	93.0
Receivable Days	54.2	55.8	58.0	58.0	58.0

Source: Arihant 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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