Investment Idea

BONANZA WEALTH MANAGEMENT RESEARCH

15 September 2025

Steel Strips Wheels Limited- BUY

CMP : **Rs. 247.4**
Target Price : **Rs. 310.0**
Upside : **25%**
Stop Loss : **Rs.208.0 (Closing basis)**

Investment Thesis

- Steel Strips Wheels Limited (SSWL) is focused on high-margin products like alloy wheels and aluminum knuckles, expanding its offerings in the aluminum sector. In Q1FY26, alloy wheel sales rose to 0.9 million units, contributing 35% to total sales value, up from 29% in Q1FY25. The alloy wheel segment has become a key driver for sustaining margins, with management projecting an increase in alloy wheel penetration in passenger vehicles from ~38% to 48-50% over the next 2-3 years. SSWL is sole supplier for several models, including Creta and XUV700.
- In Q3FY25, SSWL began production of aluminium knuckles at its Gujarat facility, with an annual capacity of 0.25 million units. In Q1FY26, these knuckles generated Rs. 132 million in revenue from 50,000 units sold. Aluminium knuckles are crucial for steering systems, known for their lightweight and corrosion-resistant properties. The company plans to expand capacity to 0.5 million units per annum by the end of FY26, targeting the growing electric and premium vehicle markets focused on fuel efficiency. Management sees this niche as a potential driver for margin growth and increased earnings.
- In Q1FY26, SSWL's export business grew by ~30% YoY, making up 13% of total revenue. As part of its derisking strategy, the company is reducing US market reliance from 64% in FY25 to 52% in Q1FY26 while increasing European exposure from 32% FY25 to 45% in Q1FY26. With European steel wheel production facing high costs, OEMs are outsourcing production, positioning SSWL to capture new orders from Europe. SSWL is also seeing strong demand from South America.
- SSWL is expanding its operational capacity significantly, with steel wheel production increasing from 20.5Mn to 27Mn units and alloy wheel production from 4.2Mn to 5.3Mn units by FY26. This is the first major steel wheel capacity addition in five years, reflecting strong demand. Additionally, aluminium knuckles capacity will double to 0.5 million units by FY26, aimed at enhancing high-margin alloy and aluminium products.

Financials

- SSWL Q1FY26 consolidated revenue grew to Rs. 11,875.9Mn grew by 15.7% YoY with total sales volumes growing by 4% YoY to ~4.8Mn units.

Consol. (Rs. Mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	40,405	43,571	44,290	50,158	56,177
EBITDA	4,429	4,652	4,868	5,517	6,236
EBITDA Margin (%)	11.0	10.7	11.0	11.0	11.1
PAT	1,938	2,199	2,100	2,470	3,048
EPS (Rs.)	12.4	14.0	13.4	15.7	19.4
P/E (x)	20.0	17.7	18.5	15.7	12.8
RoE (%)	17.1	16.3	13.6	13.9	14.8

Stock Data

Market Cap (Rs. Mn)	38,886.4
Market Cap ($ Mn)	441.01
Shares O/S (in Mn)	157.18
Avg. Volume (3 month)	39,560
52-Week Range (Rs.)	280 / 167

Shareholding Pattern

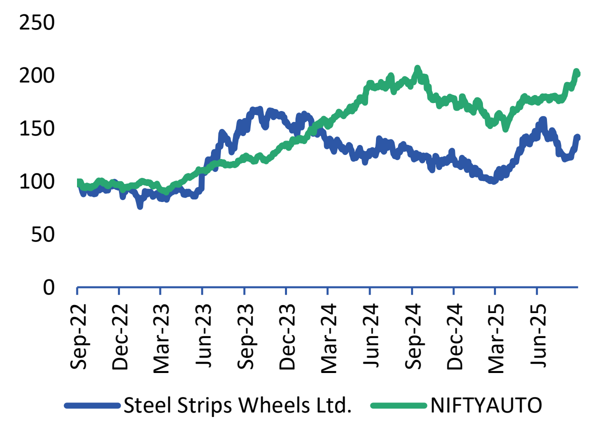
Promoters	61.14%
FIIs	7.91%
Institutions	5.27%
Others (incl. body corporate)	25.68%

Key Ratios

Div Yield	0.51%
TTM PE	17.9x
ROE	13.6%
TTM EPS (Rs.)	13.61/-

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	13.4%	41.6%	9.3%
NIFTY 500	12.6%	29.3%	4.2%



- EBITDA in Q1FY26 came in at Rs. 1,215.3Mn up by 7.5% YoY with EBITDA margin at 10.2% down by 77bps YoY due to higher RM costs, elevated other expenses, and repairs & maintenance.
- In Q1FY26, PAT increased 15.8% YoY to Rs. 472.4Mn, but sequential growth was impacted by higher depreciation and finance costs from recent capex.
- In Aug-25, SSWL aluminium product monthly sales increased by 30% YoY whereas its tractor segment has achieved highest ever monthly segment sales grew by 10% YoY. SSWL has achived net turnover of 3859.8Mn up by 6.3% YoY

Key Business Highlights

- SSWL is one of the leading manufacturers of steel and alloy wheels in India, serving major OEMs across domestic and global markets. Company has 5 manufacturing facilities in India with a total annual capacity of ~25Mn units (~20Mn steel + 4.2Mn alloy + 0.25Mn knuckles).
- SSWL operates across three primary segments, with Steel Wheels (~64% of sales), Alloy Wheels (~35% of sales), and Aluminium Knuckles (~1% of sales).
- SSWL maintains a strong leadership in domestic steel wheels industry across all segments with dominant market share, 54% in M&HCVs, 37% in PVs, 42% in tractors, 35% in OTRs and 37% in 2Ws/3Ws.
- SSWL has long-standing strategic alliances with leading global steel producers. Its partnership with Tata Steel (holds 6.9%) for supply chain efficiency and priority access. Additionally, the alliance with Nippon Steel Corporation (holds 5.4%) for advanced steel quality and technology.
- Company is seeing strong order inquiries and growth outlook from the European markets with one of the leading European OEMs have recently awarded a steel wheel order of Rs. ~3,000Mn and this will be executed over a span of 5 years.
- Management expects alloy wheels segment grow by almost 11-12% on the domestic side while exports are expected to clock 18-20% growth. Alloy wheel capacity expansion to reach 70-80% in FY27, increasing utilisation reflects strong demand traction form leading OEMs.
- SSWL is planning to do capex of around Rs. 2,800-3,000Mn in FY26 for expansion of alloy wheels and aluminium knuckles with 50% funded through debt.
- SSWL has been actively reducing its overall debt. Company has reduced its debt by Rs. ~2,000Mn in FY25. Current net debt stands at Rs. 8,240Mn as of FY25. Management expects debt to be in range of Rs. 8,500-9,000Mn for FY26.
- The tractor segment recorded steady growth supported by favorable monsoon conditions and strong exports, while the CV segment was seen lagging because of the introduction of AC cabins mandated by MORTH. Management expects a recovery supported by infrastructure spending and better financing.

Valuation

- SSWL's expanding share of high-margin alloy wheels and aluminium knuckles, along with growing exports, supports a stronger growth trajectory. Its improving mix, lower debt, and new European OEM orders position the company for sustained margin expansion. We are assigning **BUY** rating to **Steel Strips Wheels Limited (SSWL)** and value at **16.0x FY27E EPS of Rs. 19.39** to arrive at **target price of Rs. 310.00**, an **upside of ~25.0%.**

Risk & Concern

- The CV Segment is lagging due to introduction of AC cabins in all newly manufactured M&HCV, according to MHRTH ministry.
- Management expects alloy wheel segment may see hiccups in near term in domestic markets.

Graphs & Charts

Figure 1: Net Sales Trend

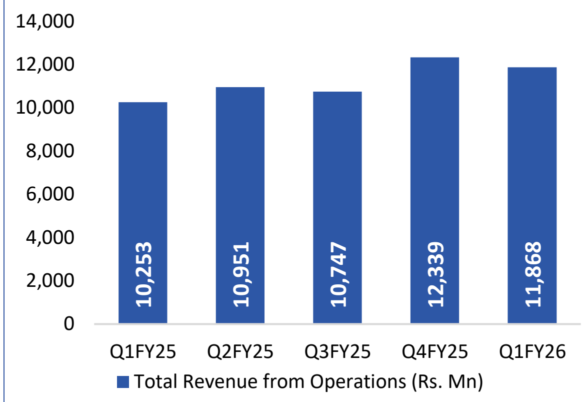


Figure 2: EBITDA & EBITDA Margin Trend

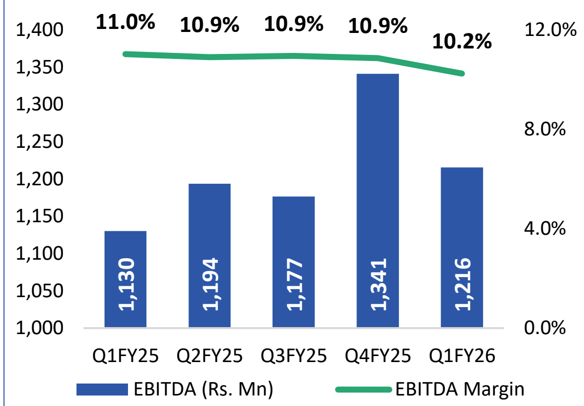


Figure 3: Domestic Steel Wheel Share

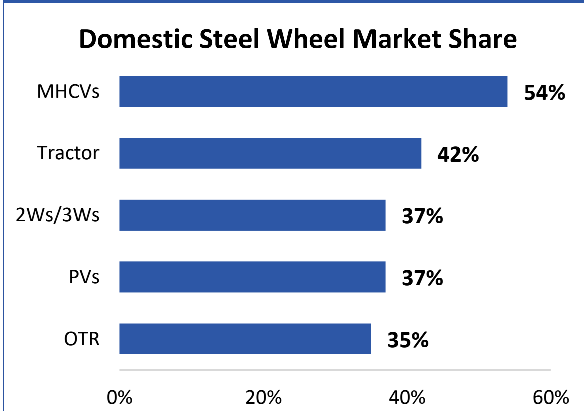
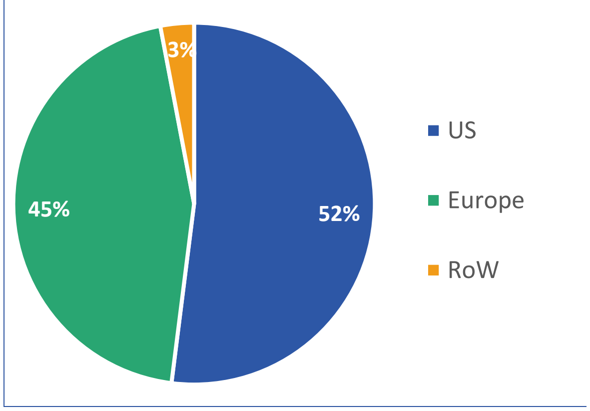


Figure 4: Export Mix (Q1FY26)



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