

January 27, 2026

Transitioning to a higher value growth story...

About the stock: Steel Strips Wheels Ltd. (SSWL), is a Chandigarh based company involved in designing and manufacturing of automotive wheels - both steel and alloy wheels. It currently has five plants in India with total production capacity of ~2.6 crore wheels per annum (including ~0.5 crore of alloy wheels)

- FY25 revenue mix: Alloy wheels: 32%; Steel wheels: 68%
- FY25 market share in steel wheels: PV: 37%; M&HCV: 54%; Tractor: 42%

Investment Rationale:

- Strategic capacity expansion drives Volume & Segment diversification:** SSWL is a leading wheel manufacturer domestically and is a prominent player in domestic oligopolistic wheels industry. It is well-positioned for a strong growth trajectory, supported by significant capacity expansion and diversification across high-margin segments. SSWL has increased its alloy wheel capacity from 30 lakh to 50 lakh units in FY26E, aiming mid double digit volume growth. The knuckles business, launched in FY25, is set for multi-fold growth with capacities expanding from 2.5 to 11 lakh units by FY27E with orders for optimal capacity utilisation already secured for FY27E. Steel wheels, while facing structural moderation due to alloy wheel substitution, is expected to contribute positively with larger export opportunity at play with addition of 5 lakh units reaching 2.1 crores by FY26E. Simultaneously, increasing penetration of aluminium alloy wheels and aluminium knuckles—both significantly higher value-added than traditional steel wheels—is driving a sustained improvement in EBITDA per wheel, which rose to ~₹260 in Q3FY26 and is expected to trend higher.
- Optional Export Upside and Scalable Capacity Expansion at Attractive Economics:** While near-term US export headwinds have impacted high-margin steel wheel volumes resulting in an estimated revenue loss of ₹300–400 crore, SSWL has successfully diversified exports toward Europe, which now contributes the majority of export revenues and supports higher realizations. The upcoming Bhuj expansion (aluminium wheel capacity is expected to reach ~6.2 million units, while aluminium knuckle capacity will rise to ~1.1 million units) adds scalable capacity with global addressability and benefits from meaningful capex efficiency by leveraging existing infrastructure. On the financials front, healthy cash flow generation is the key USP at SSWL with CFO generation in FY25 pegged at ~₹ 500 crore. Consequent debt reduction for FY25 was pegged at ~₹200 crore with FY26E end Debt expected at ~₹ 850 crore. We expect these attributes to remain amidst its penchant for higher growth, improving product mix & greater export play, meriting re-rating of SSWL.

Rating and Target Price

- We have a positive view on SSWL amid powertrain agnostic product profile (no EV risk), healthy volume growth visibility, increasing share of exports & alloy wheel in overall sales mix, consequent rise in margins & return ratios. We now value SSWL at ₹ 245 i.e. 15x P/E (~1x PEG) on FY27E-28E average EPS & maintain BUY rating on the stock.

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Sales	1,749.4	3,560.0	4,040.5	4,357.1	4,429.0	23.2%	5,052.4	5,570.9	6,125.1	11.4%
EBITDA	203.8	452.8	442.8	464.0	484.3	23.1%	500.2	565.4	630.9	9.2%
EBITDA Margins (%)	11.6	12.7	11.0	10.6	10.9		9.9	10.2	10.3	
Net Profit	49.3	205.5	193.8	674.7	195.3	52.8%	196.7	227.7	283.6	13.2%
Normalised Profit	49.3	205.5	193.8	219.9	195.3	52.8%	196.7	227.7	283.6	13.2%
EPS (₹)	3.2	13.2	12.4	43.0	12.4		12.5	14.5	18.1	
P/E	57.0	13.7	14.5	4.2	14.5		14.4	12.4	10.0	
RoNW (%)	6.6	21.6	17.1	17.0	12.0		10.9	11.4	12.6	
RoCE (%)	6.8	19.0	18.0	13.8	14.5		13.6	13.7	14.8	

Source: Company, ICICI Direct Research



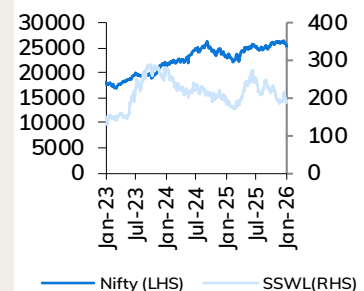
Steel Strips Wheels Limited

Particulars

Particulars	₹ crore
Market capitalisation	2,806
Total Debt (FY25)	827
Cash & Invnt. (FY25)	21
EV (₹ crore)	3,613
52 week H/L (₹)	280 / 167
Equity capital (₹ crore)	15.7
Face value (₹)	1.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	61.2	61.2	61.2	61.2
FII	6.7	7.9	8.7	8.3
DII	5.1	5.3	4.6	4.7
Other	27.0	25.7	25.5	25.8

Price Chart**Recent event & key risks**

- Posted steady Q3FY26. We built in Sales/PAT CAGR of 11%/13% respectively over FY25-28E
- Key Risk: (i) Slower than anticipated ramp up of new capacities (ii) Increasing pressure on exports amidst tariff uncertainties

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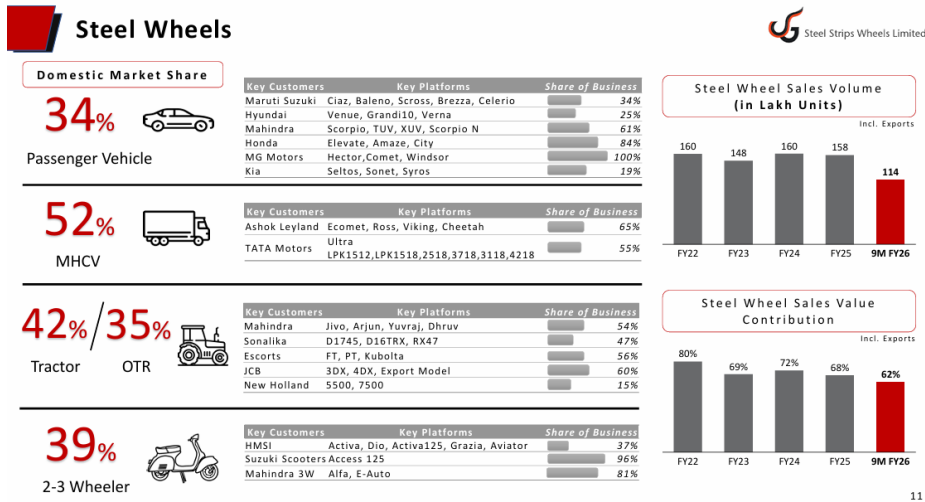
Key Takeaways of Recent Quarter

Q3FY26 Earnings Conference Call Highlights:

- **Strong Q3 performance led by domestic demand:** SSWL delivered a robust Q3 FY26 performance, with revenue rising 23% YoY to ₹1,321 crore, supported by record monthly sales in December. Management highlighted that this growth came despite muted export demand, underscoring the strength and resilience of the company's diversified domestic-focused business model. EBITDA for the quarter increased 8% YoY to ₹128 crore, driven by higher volumes, premiumization, and strong OEM relationship.
- **Aluminium segment emerges as key growth engine:** The aluminium business continued to outperform, supported by rising penetration of alloy wheels and strong passenger vehicle demand following GST reforms and easing financing conditions. Alloy wheels now contribute roughly one-third of revenue and about one-fifth of volumes, and management expects this share to increase further. The aluminium knuckle segment also gained momentum, with adoption expanding beyond EVs into ICE vehicles. The business is currently operating at near full capacity and has already generated ~₹54 crore in revenue, with capacity targeted at 5 lakh units by end-FY26 and a planned scale-up to 11 lakh units in FY27E.
- **Two-Wheeler, Tractor, and CV Segments Show Broad-Based Recovery:** The two- and three-wheeler segment delivered strong growth during the quarter, aided by GST-2 reforms, improved affordability, and one of the strongest festive seasons in recent years. Tractor wheels also recorded healthy double-digit growth, while commercial vehicle (CV) demand rebounded meaningfully. Management noted that the company is now sold out in CV wheels, tractor OEM supplies, and aluminium wheels, with utilization levels approaching 100% across most domestic segments.
- **Export Market: US Weakness Offset by Europe Diversification:** Export demand from the US remained subdued due to ongoing tariff-related uncertainties, resulting in an estimated revenue loss of ₹300–400 crore in high-margin steel wheel exports. However, Europe has emerged as a strong counterbalance and now accounts for over 58% of export revenues. The company has secured meaningful OEM business in Europe, particularly in higher-value products, leading to improved export realizations. Management expects European export revenues to potentially double over the next financial year.
- **Aggressive Capex Plan to Support Long-Term Growth:** The company has completed capex required to reach 5 million wheels capacity for alloy wheels and is now undertaking a major expansion at the Bhuj facility, focused on aluminium wheels and aluminium knuckles. Total expansion capex is estimated at ~₹420 crore, with an additional ~₹40 crore annual maintenance capex. This project benefits from significant cost savings by leveraging acquired land and buildings, making it a strategically efficient investment. Funding will be a mix of internal accruals and incremental debt, with net debt expected to rise modestly.
- **Capacity Expansion and Revenue Potential:** Post-expansion, aluminium wheel capacity is expected to reach ~6.2 million units, while aluminium knuckle capacity will rise to ~1.1 million units. The company is targeting a payback period of 7 years on this new investment.

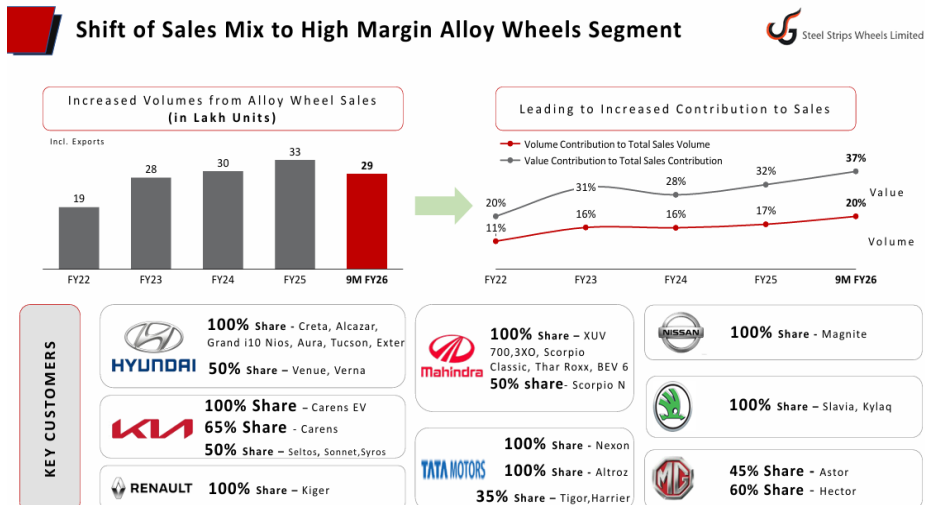
Key Tables and Charts

Exhibit 1: Steel Wheel Business Snapshot



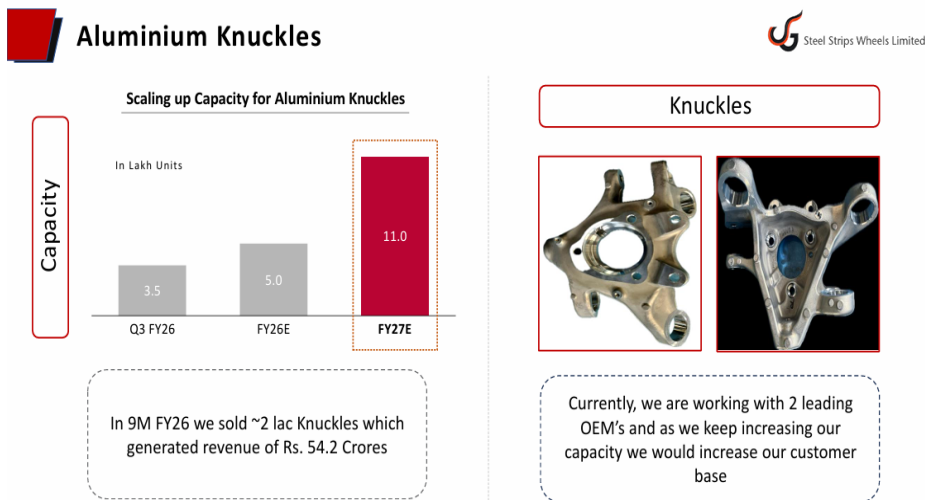
Source: Company, ICICI Direct Research

Exhibit 2: Alloy wheel segment snapshot



Source: Company, ICICI Direct Research

Exhibit 3: Aluminium Knuckles- Capacity expansion



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Net Sales	4,429.0	5,052.4	5,570.9	6,125.1
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	4,429.0	5,052.4	5,570.9	6,125.1
Growth (%)	1.7	14.1	10.3	9.9
Raw Material Expenses	2,858.2	3,309.3	3,648.9	4,011.9
Employee Expenses	379.9	429.5	473.5	520.6
Other Operating Expense	706.6	813.4	883.0	961.6
Total Operating Expenditure	3,944.7	4,552.2	5,005.4	5,494.2
EBITDA	484.3	500.2	565.4	630.9
Growth (%)	4.4	3.3	13.0	11.6
Depreciation	111.1	124.2	135.5	148.2
Interest	117.2	122.9	137.4	116.0
Other Income	3.2	11.0	13.0	14.0
PBT	259.1	264.1	305.6	380.7
Exceptional Item	0.1	0.0	0.0	0.0
Total Tax	63.7	67.3	77.9	97.1
PAT	195.3	196.7	227.7	283.6
Growth (%)	-71.1	0.7	15.7	24.6
EPS (₹)	12.4	12.5	14.5	18.1

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	195.3	196.7	227.7	283.6
Add: Depreciation	111.1	124.2	135.5	148.2
(Inc)/dec in Current Assets	-94.8	-160.2	-146.3	-156.4
Inc/(dec) in CL and Provisions	145.9	87.6	94.0	100.4
Others	117.2	122.9	137.4	116.0
CF from operating activities	474.7	371.3	448.2	491.9
(Inc)/dec in Investments	-6.5	5.0	0.0	-10.0
(Inc)/dec in Fixed Assets	-191.1	-250.0	-450.0	-200.0
Others	39.7	-1.0	-2.0	-2.0
CF from investing activities	-157.9	-246.0	-452.0	-212.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-220.5	20.0	170.0	-125.0
Dividend & interest outgo	-136.8	-146.4	-164.8	-147.4
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0
Others	7.8	0.0	0.0	0.0
CF from financing activities	-349.5	-126.4	5.2	-272.4
Net Cash flow	-32.7	-1.2	1.4	7.4
Opening Cash	42.8	10.1	8.9	10.3
Closing Cash	10.1	8.9	10.3	17.7

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	15.7	15.7	15.7	15.7
Reserve and Surplus	1,610.0	1,783.2	1,983.4	2,235.6
Total Shareholders funds	1,625.7	1,798.9	1,999.1	2,251.3
Total Debt	827.4	847.4	1,017.4	892.4
Deferred Tax Liability	98.3	98.3	98.3	98.3
Minority Interest / Others	19.5	19.5	19.5	19.5
Total Liabilities	2,570.9	2,764.1	3,134.3	3,261.6
Assets				
Gross Block	2,811.3	3,249.1	3,699.1	3,899.1
Less: Acc Depreciation	1,030.6	1,154.9	1,290.4	1,438.5
Net Block	1,780.7	2,094.2	2,408.7	2,460.6
Capital WIP	287.8	100.0	100.0	100.0
Total Fixed Assets	2,068.5	2,194.2	2,508.7	2,560.6
Investments	12.2	7.2	7.2	17.2
Inventory	742.8	830.5	915.8	1,006.9
Debtors	486.4	553.7	610.5	671.2
Loans and Advances	3.8	4.3	4.8	5.2
Other Current Assets	32.6	37.1	41.0	45.0
Cash	10.1	8.9	10.3	17.7
Total Current Assets	1,275.6	1,434.6	1,582.3	1,746.1
Current Liabilities	753.0	830.5	915.8	1,006.9
Provisions	12.4	13.6	15.0	16.5
Current Liabilities & Prov	828.0	915.6	1,009.5	1,110.0
Net Current Assets	447.6	519.0	572.7	636.1
Others Assets	42.7	43.7	45.7	47.7
Application of Funds	2,570.9	2,764.1	3,134.3	3,261.6

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
EPS	12.4	12.5	14.5	18.1
Cash EPS	19.5	20.5	23.1	27.5
BV	103.6	114.6	127.4	143.5
DPS	1.3	1.5	1.8	2.0
Cash Per Share	0.6	0.6	0.7	1.1
Operating Ratios (%)				
EBITDA Margin	10.9	9.9	10.2	10.3
PAT Margin	4.4	3.9	4.1	4.6
Inventory days	61.2	60.0	60.0	60.0
Debtor days	40.1	40.0	40.0	40.0
Creditor days	62.1	60.0	60.0	60.0
Return Ratios (%)				
RoE	12.0	10.9	11.4	12.6
RoCE	14.5	13.6	13.7	14.8
RoC	16.5	14.2	14.2	15.4
Valuation Ratios (x)				
P/E	14.5	14.4	12.4	10.0
EV / EBITDA	7.5	7.3	6.7	5.8
EV / Net Sales	0.8	0.7	0.7	0.6
Market Cap / Sales	0.6	0.6	0.5	0.5
Price to Book Value	1.7	1.6	1.4	1.3
Solvency Ratios				
Debt/EBITDA	1.7	1.7	1.8	1.4
Debt / Equity	0.5	0.5	0.5	0.4
Current Ratio	1.7	1.7	1.7	1.7
Quick Ratio	0.7	0.7	0.7	0.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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