Steel Strips Wheel (STESW)

CMP: ₹ 265 | Target: ₹ 330 (25%) | Target Period: 12 months | BUY

July 16, 2026

Growth momentum to continue, poised for rerating

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)

- FY26 revenue mix: Alloy wheels: 36%; Steel wheels: 63%, Knuckles: 1%
- FY26 market share in steel wheels: PV: 39%; M&HCV: 53%; Tractor: 43%

Q1FY27 Results: On standalone basis, Net sales came in at ₹1,510 crore (up 27% YoY). EBITDA for the quarter stood at ₹162 crore with corresponding margins at 10.7% (up 60 bps QoQ). PAT for Q1FY27 came in at ~₹71.5 crore (up ~43% YoY).

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 FY26 and further aims to reach 62 lakh units in FY27E. Alloy wheels already contribute over one-third of revenue and continue to grow faster than the overall industry. The knuckles business, launched in FY25, is set for multi-fold growth with capacities expanding from 5 to 11 lakh units by FY27E with orders for optimal capacity utilisation already secured for FY27E. The upcoming expansion adds substantial alloy wheel and aluminium knuckle capacity, creating a potential ₹700–800 crore revenue opportunity at maturity.
- **Optional Export Upside and Premiumization at Attractive Economics:** Exports declined 19% in FY26 due to U.S. tariff-related disruptions and adverse trade conditions. However, management believes the environment has normalized considerably with exports increasing roughly 37% QoQ and June itself recording approximately 7% YoY growth. In addition, SSWL has diversified away from excessive dependence on the U.S. market by winning business in Europe, Latin America, and Asia. Export revenue is expected to recover to around ₹600 crore in FY27 compared with ₹454 crore in FY26. EBITDA per wheel improved from ₹262 in Q1FY26 to ₹314 in Q1FY27 wherein management is guiding for an EBITDA/ wheel of ₹310+ for FY27E, while also targeting EBITDA of ~₹650 crore. On the financials front, healthy cash flow generation is the key USP at SSWL with CFO generation in FY26 pegged at ~₹ 350 crore (CFO yield: 8%). 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 rations. We now value SSWL at **₹ 330 i.e. 16x P/E (~0.5x PEG) on FY28E EPS** & maintain our **BUY** rating on the stock.

Steel Strips Wheels Limited

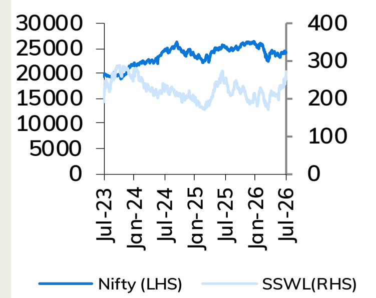
Particulars

Particulars	₹ crore
Market capitalisation	4,165
Total Debt (FY26P)	826
Cash & Invt. (FY26P)	22
EV (₹ crore)	4,969
52 week H/L (₹)	283 / 169
Equity capital (₹ crore)	15.7
Face value (₹)	1.0

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	61.2	61.2	61.2	61.2
FII	7.9	8.7	8.3	8.2
DII	5.3	4.6	4.7	5.1
Other	25.7	25.5	25.8	25.6

Price Chart



Recent event & key risks

- Posted healthy Q1FY27. We built in Sales/PAT CAGR of 13.7%/31% over FY26P-28E
- Key Risk: (i) Slower than anticipated ramp up of new capacities (ii) incremental pressure on exports amidst tariff uncertainties

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Company Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY22	FY23	FY24	FY25	FY26P	5 year CAGR (FY21-26P)	FY27E	FY28E	2 year CAGR (FY26P-28E)
Net Sales	3,560.0	4,040.5	4,357.1	4,429.0	5,182.8	24.3%	6,073.2	6,699.4	13.7%
EBITDA	452.8	442.8	464.0	484.3	510.2	20.2%	637.7	720.2	18.8%
EBITDA Margins (%)	12.7	11.0	10.6	10.9	9.8		10.5	10.8	
Net Profit	205.5	193.8	674.7	195.3	190.2	31.0%	255.2	326.4	31.0%
Normalised Profit	205.5	193.8	219.9	195.3	190.2	31.0%	255.2	326.4	31.0%
EPS (₹)	13.2	12.4	43.0	12.4	12.1		16.2	20.8	
P/E	20.1	21.4	6.2	21.3	21.9		16.3	12.8	
RoNW (%)	21.6	17.1	17.0	12.0	10.5		12.6	14.1	
RoCE (%)	19.0	18.0	13.8	14.5	13.6		14.7	16.3	

Source: Company, ICICI Direct Research

Key Takeaways of Recent Quarter

Q1FY27 Earnings Conference Call Highlights:

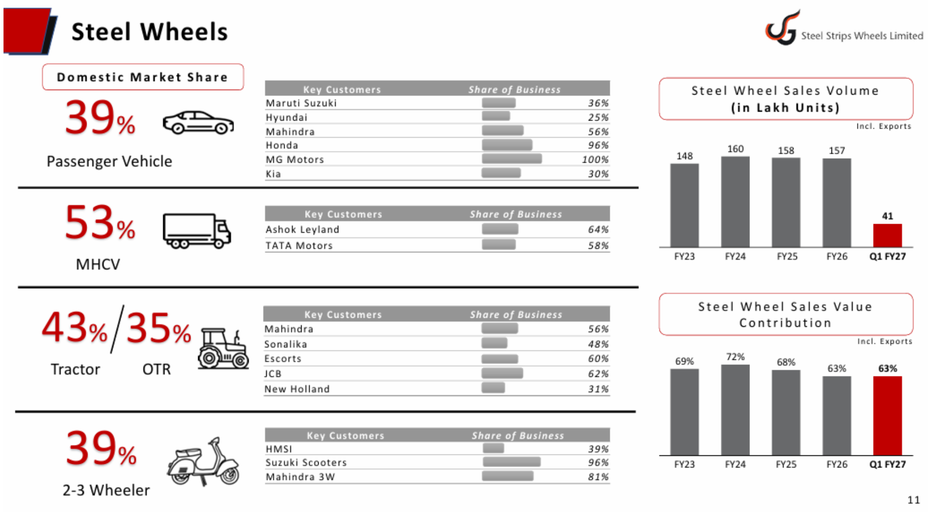
- **Strong Q1 performance:** Steel Strips Wheels delivered a strong quarter with revenue growing 27% YoY, driven by robust demand across alloy wheels, tractor wheels and commercial vehicle wheels. Standalone EBITDA (including other income) increased 32% YoY, while EBITDA per wheel improved significantly to ₹314 from ₹262 last year. Management attributed the improvement to higher operating leverage, richer product mix, successful recovery of input cost increases from OEMs, better capacity utilization rather than just commodity tailwinds.
- **Alloy Wheels Continue to Drive Structural Growth:** Alloy wheels now contribute around 35% of revenue and remain the company's largest growth driver. Rising penetration of alloy wheels in passenger vehicles, leadership in the domestic market and increasing exports continue to support growth. Higher alloy wheel contribution is also enhancing profitability because alloy wheels generate superior EBITDA per wheel compared to standard steel wheels.
- **Aluminium Knuckles Emerging as a New Growth Vertical:** The aluminium knuckle business is emerging as a major future growth engine. While current revenues remain modest, the business is operating at 100% utilization, making capacity expansion essential. The upcoming Bhuj plant's entire planned production has effectively been sold out through existing orders. Initial dependence on EV programs created some volatility, but the company has since diversified customers & secured new business.
- **Export Business Set for Recovery:** Exports remain one of the largest strategic priorities. Although YoY exports remained lower because of tariff disruptions during the previous year, sequential recovery has been strong, with exports increasing roughly 37% QoQ and June itself recording approximately 7% YoY growth. Earlier tariff uncertainty had temporarily disadvantaged India versus Vietnam and Thailand, but current tariff structures have created a level playing field again. Management expects exports to reach around ₹600 crore in FY27, driven by recovery in OEM programs, broader geographic diversification across Europe and Latin America, and increasing confidence in India as a sourcing destination.
- **Bhuj Expansion to Create the Next Leg of Growth:** SSWL is undertaking one of its largest expansion programs. At Bhuj, it is building an aluminium wheel plant with 1.2-million-wheel capacity and an aluminium knuckle facility with 1.1 million unit capacity, taking alloy wheel capacity to 6.2 million wheels. Trial production is expected during Q4FY27, while management expects utilization to reach at least 80% by Q1FY28 because most of the production has already been committed to customers. Simultaneously, SSWL is undertaking a brownfield agricultural wheel expansion which will also be capable of producing passenger car steel wheels, increasing steel wheel capacity from ~24 million to 26 million wheels.
- **FY27 Guidance Signals Strong Earnings Acceleration:** Management reiterated confidence in achieving 20%+ revenue growth during FY27 and continues targeting EBITDA per wheel above ₹310. Based on current quarterly performance, they remain comfortable with approximately ₹650 crore EBITDA, although they acknowledged these estimates may prove conservative if current momentum continues. July business trends are already showing stronger numbers than Q1.
- **Future growth opportunities:** Beyond wheels and knuckles, management continues evaluating adjacent automotive products. The most advanced opportunity currently under discussion is hot stamping, leveraging existing OEM relationships. However, aluminium wheels and aluminium knuckles remain the primary long-term growth priorities.

Raw material pass through: Aluminium price volatility remains high because of geopolitical developments in West Asia. However, pricing mechanisms have improved significantly. Instead of quarterly adjustments, aluminium prices are now passed through monthly, resulting in only about a 30-day lag, which matches supplier payment cycles. Management believes this effectively neutralizes commodity price risk.

Steel Wheels business: Contrary to earlier expectations that steel wheels would gradually decline, management believes the segment has entered a new growth cycle. Following GST-related changes, domestic demand has improved materially, and the industry is currently running near full capacity. Steel wheel demand is being supported by replacement demand, agriculture mechanization and exports. Management indicated that all major business units are operating above 95% utilization, something they have not witnessed in several decades.

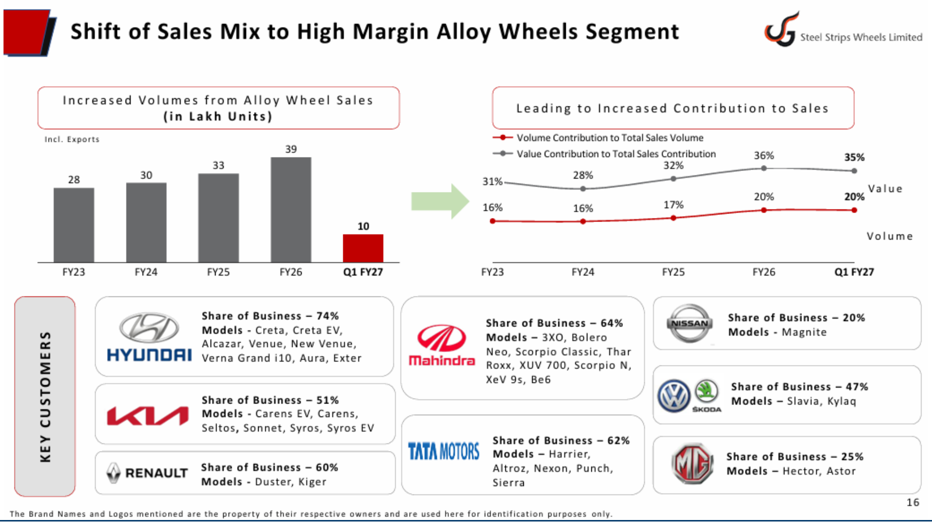
Key Tables and Charts

Exhibit 1: Steel Wheel Business Snapshot



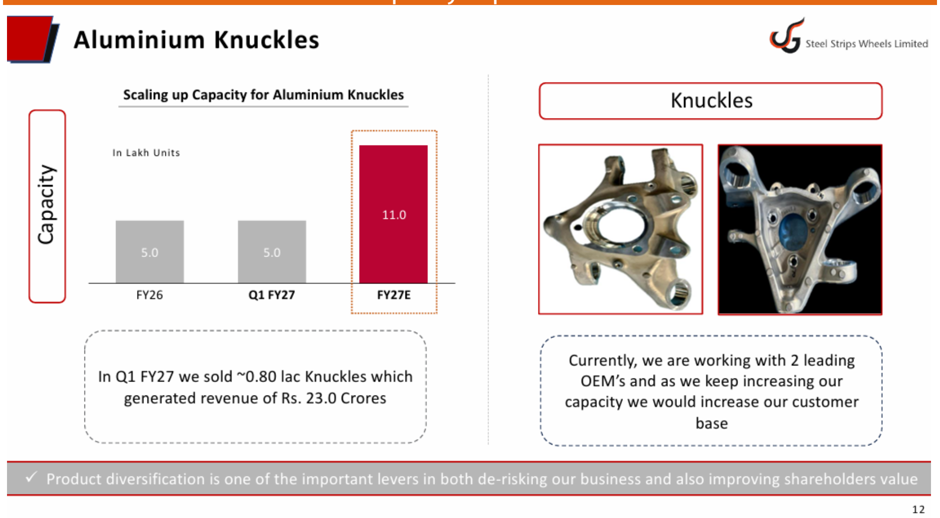
Source: Company, ICICI Direct Research

Exhibit 2: Alloy wheel segment snapshot



Source: Company, ICICI Direct Research

Exhibit 3: Aluminium Knuckles- Capacity expansion



Source: Company, ICICI Direct Research

The company has commercialized an aluminium knuckle segment with initial capacity of 5 lakh units per annum. In Q1FY27 they sold 0.8 lakh knuckles which generated revenues of ₹23 crores.

Financial Summary

Exhibit 4: Profit and loss statement (₹ crore)

(Year-end March)	FY25	FY26P	FY27E	FY28E
Net Sales	4,429.0	5,182.8	6,073.2	6,699.4
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	4,429.0	5,182.8	6,073.2	6,699.4
Growth (%)	1.7	17.0	17.2	10.3
Raw Material Expenses	2,858.2	3,398.5	3,978.0	4,371.4
Employee Expenses	379.9	429.8	485.9	536.0
Other Operating Expense	706.6	844.2	971.7	1,071.9
Total Operating Expenditure	3,944.7	4,672.6	5,435.6	5,979.2
EBITDA	484.3	510.2	637.7	720.2
Growth (%)	4.4	5.4	25.0	12.9
Depreciation	111.1	136.0	161.6	179.7
Interest	117.2	123.2	136.4	107.5
Other Income	3.2	3.2	3.9	4.9
PBT	259.1	254.1	343.6	437.8
Exceptional Item	0.1	0.0	0.0	0.0
Total Tax	63.7	63.9	88.3	111.4
PAT	195.3	190.2	255.2	326.4
Growth (%)	-71.1	-2.6	34.2	27.9
EPS (₹)	12.4	12.1	16.3	20.8

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement (₹ crore)

(Year-end March)	FY25	FY26P	FY27E	FY28E
Profit after Tax	195.3	190.2	255.2	326.4
Add: Depreciation	111.1	136.0	161.6	179.7
(Inc)/dec in Current Assets	-94.8	-358.9	-196.9	-187.8
Inc/(dec) in CL and Provisions	145.9	260.6	93.3	121.8
Others	117.2	123.2	136.4	107.5
CF from operating activities	474.7	351.1	449.6	547.7
(Inc)/dec in Investments	-6.5	-2.2	5.0	-2.0
(Inc)/dec in Fixed Assets	-191.1	-189.2	-550.0	-200.0
Others	39.7	-22.6	-1.0	-1.0
CF from investing activities	-157.9	-214.0	-546.0	-203.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-220.5	-1.5	265.0	-195.0
Dividend & interest outgo	-136.8	-146.8	-167.8	-146.8
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0
Others	7.8	12.5	0.0	0.0
CF from financing activities	-349.5	-135.8	97.2	-341.8
Net Cash flow	-32.7	1.3	0.8	2.9
Opening Cash	42.8	10.1	11.4	12.2
Closing Cash	10.1	11.4	12.2	15.1

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet (₹ crore)

(Year-end March)	FY25	FY26P	FY27E	FY28E
Liabilities				
Equity Capital	15.7	15.7	15.7	15.7
Reserve and Surplus	1,610.0	1,789.1	2,012.9	2,300.0
Total Shareholders funds	1,625.7	1,804.8	2,028.6	2,315.7
Total Debt	827.4	825.9	1,090.9	895.9
Deferred Tax Liability	98.3	92.7	92.7	92.7
Minority Interest / Others	19.5	19.5	20.5	21.5
Total Liabilities	2,570.9	2,742.9	3,232.7	3,325.8
Assets				
Gross Block	2,811.3	3,133.8	3,738.3	3,938.3
Less: Acc Depreciation	1,030.6	1,166.7	1,328.3	1,508.0
Net Block	1,780.7	1,967.1	2,410.0	2,430.3
Capital WIP	287.8	154.5	100.0	100.0
Total Fixed Assets	2,068.5	2,121.6	2,510.0	2,530.3
Investments	12.2	14.4	9.4	11.4
Inventory	742.8	952.2	1,081.5	1,193.0
Debtors	486.4	609.0	665.6	734.2
Loans and Advances	3.8	5.4	6.4	7.0
Other Current Assets	32.6	57.8	67.8	74.8
Cash	10.1	11.4	12.2	15.1
Total Current Assets	1,275.6	1,635.8	1,833.5	2,024.1
Current Liabilities	753.0	1,001.9	1,081.5	1,193.0
Provisions	12.4	13.5	14.5	16.0
Current Liabilities & Prov	828.0	1,088.5	1,181.8	1,303.6
Net Current Assets	447.6	547.2	651.7	720.5
Others Assets	42.7	59.7	61.7	63.7
Application of Funds	2,570.9	2,742.9	3,232.7	3,325.8

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26P	FY27E	FY28E
Per share data (₹)				
EPS	12.4	12.1	16.3	20.8
Cash EPS	19.5	20.8	26.5	32.2
BV	103.6	114.8	129.1	147.3
DPS	1.3	1.5	2.0	2.5
Cash Per Share	0.6	0.7	0.8	1.0
Operating Ratios (%)				
EBITDA Margin	10.9	9.8	10.5	10.8
PAT Margin	4.4	3.7	4.2	4.9
Inventory days	61.2	67.1	65.0	65.0
Debtor days	40.1	42.9	40.0	40.0
Creditor days	62.1	70.6	65.0	65.0
Return Ratios (%)				
RoE	12.0	10.5	12.6	14.1
RoCE	14.5	13.6	14.7	16.3
RoIC	16.5	14.6	15.3	16.9
Valuation Ratios (x)				
P/E	21.3	21.9	16.3	12.8
EV / EBITDA	10.3	9.7	8.2	7.0
EV / Net Sales	1.1	1.0	0.9	0.8
Market Cap / Sales	0.9	0.8	0.7	0.6
Price to Book Value	2.6	2.3	2.1	1.8
Solvency Ratios				
Debt/EBITDA	1.7	1.6	1.7	1.2
Debt / Equity	0.5	0.5	0.5	0.4
Current Ratio	1.7	1.6	1.7	1.7
Quick Ratio	0.7	0.7	0.7	0.7

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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