Steel Strips Wheels Ltd (STESW)

CMP: ₹515 | Target ₹ 535 (4%) | Target Period: 12 months | HOLD

October 26, 2026

Recent sharp run-up captures much of the optimism...

About the stock: Steel Strips Wheels Ltd. (SSWL), is involved in designing and manufacturing of automotive wheels - both steel and alloy wheels. It currently has total production capacity of ~2.6 crore wheels p.a. (incl. ~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%

Q2FY27 Results: SSWL reported stellar results. Net sales (standalone) came in at ₹1,930 crore (up 61% YoY). EBITDA for Q2'27 stood at ₹235 crore with margins at 12.2% (up 150 bps QoQ). PAT for Q2'27 stood at ~₹119 crore (up ~208% 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. The company aims to increase aluminium wheel capacity to approximately 62 lakh units and add 11 lakh units of aluminium knuckle capacity at Bhuj, while the proposed ₹1,400 crore Sambhaji Nagar project will further expand its manufacturing capabilities by adding 25 lakh units of Alloy wheels, 16 lakh units for steel wheels and 183,000 stampings. With existing alloy wheel capacities operating at high utilisation levels and management expecting over 80% utilisation of new capacities during FY28, the expansion should support volume growth. Meanwhile, the company's Q2 EBITDA per wheel of ₹404 vs ₹242 in Q2FY26 reflects the benefits of a richer product mix, higher capacity utilisation, & improved recovery of input-cost from customers.
- **Optional Export Upside and Premiumization at Attractive Economics:** SSWL's improving export momentum, stronger OEM relationships and better cost recovery provide additional levers for earnings growth. Export revenue increased 69% YoY in Q2FY27, and management remains confident of achieving or exceeding its FY27 export target of ₹600 crore, with a longer-term ambition of at least ₹1,500 crore within three years. The expected ramp-up of European OEM orders across steel wheels, aluminium wheels and commercial vehicle wheels could provide more sustainable export volumes and improve revenue visibility. On the financials front, healthy cash flow generation is the key USP at SSWL with CFO generation in FY26 pegged at ~₹ 350 crore (avg. CFO yield it at ~6% over FY26-29E).

Rating and Target Price

- We remain constructive on SSWL's long-term growth prospects, supported by strong demand across its key segments, and expansion into higher-value automotive components. **However, considering the sharp recent rally in the stock price and having captured much up of the up move, we believe a meaningful portion of the near-term optimism is already reflected in the valuations. Accordingly, short-term investors can consider booking partial or full profits, while long-term investors (horizon >6-12 months) can continue to hold the stock.** We now downgrade SSWL to **HOLD** and value it at **₹ 535 i.e. 18x P/E on FY28E**

Steel Strips Wheels Limited

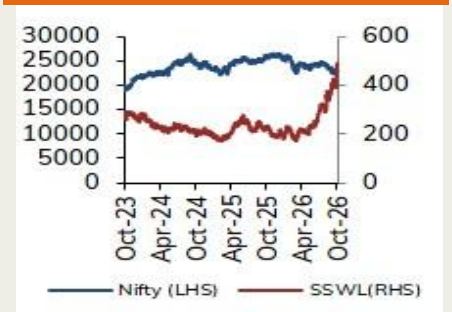
Particulars

Particulars	₹ crore
Market capitalisation	8,095
Total Debt (FY26)	826
Cash & Invt. (FY26)	22
EV (₹ crore)	8,899
52-week H/L (₹)	538 / 169
Equity capital (₹ crore)	15.7
Face value (₹)	1.0

Shareholding pattern

	Dec-25	Mar-26	Jun-25	Sep-26
Promoter	61.2	61.2	61.2	61.2
FII	8.3	8.2	8.6	8.4
DII	4.7	5.1	3.2	1.4
Other	25.8	25.6	27.1	29.1

Price Chart



Recent event & key risks

- Posted stellar Q2FY27 results. Stock nearly 3x from 52-week lows and captures much of the optimism. We believe EBITDA/wheel of ~₹ 400 to be not sustainable in nature.
- Key Risk: (i) incremental pressure on exports amidst tariff uncertainties (ii) faster than anticipated ramp up of new capacities

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Company Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY24	FY25	FY26	5-year CAGR (FY21-26)	FY27E	FY28E	FY29E	3-year CAGR (FY26-29E)
Net Sales	4,357.1	4,429.0	5,182.8	24.3%	7,124.9	7,835.0	8,471.6	17.8%
EBITDA	464.0	484.3	510.2	20.2%	847.9	940.2	1,016.6	25.8%
EBITDA Margins (%)	10.6	10.9	9.8		11.9	12.0	12.0	
Net Profit	674.7	195.3	190.2	31.0%	406.9	464.9	525.2	40.3%
Normalised Profit	219.9	195.3	190.2	31.0%	406.9	464.9	525.2	40.3%
EPS (₹)	43.0	12.4	12.1		25.9	29.6	33.4	
P/E	12.0	41.4	42.6		19.9	17.4	15.4	
RoNW (%)	17.0	12.0	10.5		18.7	17.8	17.0	
RoCE (%)	13.8	14.5	13.6		20.2	20.0	19.8	

Source: Company, ICICI Direct Research

Key Tables & Charts

Q2FY27 Con-call highlights

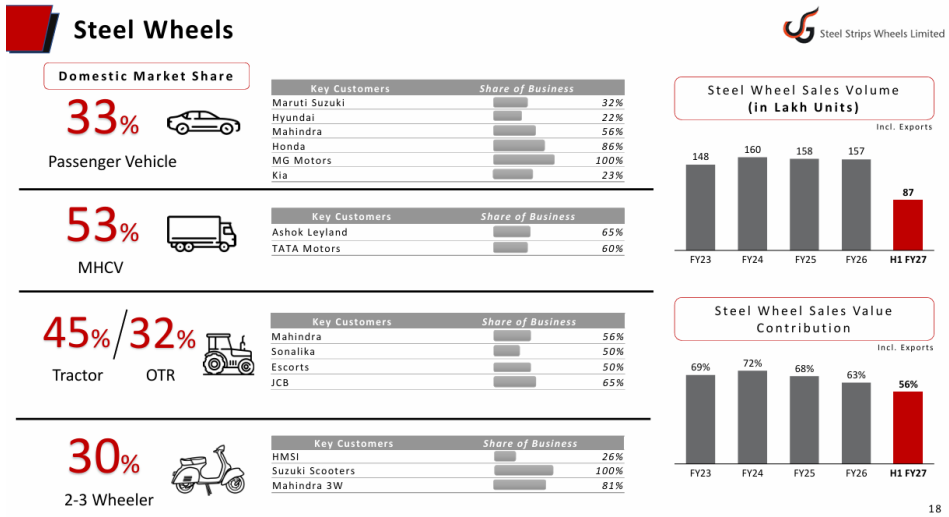
- **Record Breaking Q2 Performance Driven by Strong Volumes and Margin Expansion:** SSWL reported its strongest-ever quarterly performance in Q2FY27, with standalone revenue increasing 61% YoY to ₹1,930 crore, while EBITDA margin expanded to 12.3% from 9.6% in Q2 FY26. EBITDA per wheel improved significantly to ₹404 from ₹242 in the corresponding quarter last year, reflecting a favourable product mix, higher alloy wheel contribution, operating efficiencies, export growth and improved recovery of input-cost increases from OEM customers. The board also approved an interim dividend of ₹1.50 per equity share.
- **Alloy Wheels Continue to Lead Growth and Improve Profitability:** The alloy wheel segment remained the key growth driver, contributing approximately 45% of quarterly revenue and 42% of H1 revenue. Volumes reached approximately 1.2 million units in Q2 and 2.3 million units during H1 FY27, supported by premiumisation in passenger vehicles, increasing alloy wheel penetration and rising EV adoption. Management highlighted that SSWL's market share exceeds 64% in the passenger vehicle alloy wheel market, excluding Maruti Suzuki, and indicated that demand has exceeded existing capacity.
- **Aluminium Knuckles Emerging as a New Growth Engine:** The aluminium knuckle business is progressing as planned and is expected to become a meaningful medium-term growth driver as automakers increasingly adopt lightweight components across internal combustion engine and electric vehicles. SSWL is setting up an aluminium knuckle facility at Bhuj with an annual capacity of approximately 1.1 million units, with commercial production expected to commence in Q4 FY27.
- **Commercial Vehicle and Tractor Segments Witness Strong Demand:** The CV segment recorded the strongest growth among the company's operating segments across domestic and export markets, supported by healthy OEM demand, replacement demand and infrastructure-led activity. The tractor wheel business also performed steadily, with SSWL's market share increasing from 43% to 45%. Tractor demand was supported by farm mechanisation, rural economic activity and the growing preference for higher-horsepower tractors.
- **Export Recovery Gathers Momentum, with Stronger OEM Business Ahead:** SSWL's export business recovered sharply in Q2 FY27, with export revenue increasing 69% YoY to ₹187 crore, taking H1 exports to ₹314 crore, up 16% YoY. The company has diversified its export markets across Europe, Latin America and Asia while maintaining its established presence in the US. Management remains confident of achieving its FY27 export target of ₹600 crore and indicated that revenue could potentially reach ₹700–750 crore, depending on developments around the US–India trade agreement.
- **Sambhaji Nagar Greenfield Project to Drive the Next Phase of Growth:** The board has approved a proposed greenfield manufacturing facility at Sambhaji Nagar, Aurangabad, subject to regulatory clearances, with an estimated investment of approximately ₹1,400 crore over the next 60 months. The project will manufacture alloy wheels and steel wheels for passenger vehicles and off-the-road (OTR) applications, alongside a hot-stamping line for automotive structural components. The investment is expected to be funded through a combination of debt, internal accruals and potential strategic investments from long-standing partners.
- **FY27 Outlook Remains Positive, Supported by Demand and Capacity Utilisation:** Management remains confident about the second half of FY27 after the company exceeded its initial guidance of more than 20% revenue growth and EBITDA per wheel above ₹310 during H1. Management indicated that the company could exceed its Q2 performance in subsequent quarters if current demand conditions persist.

Stamping facility: *The proposed hot-stamping facility represents SSWL's entry into automotive structural components, complementing its existing strategy of expanding into lightweighting solutions. The facility is expected to have a capacity of approximately 183,000 stampings, with management targeting revenue of around ₹400 crore against an investment of approximately ₹170 crore for the hot-stamping business. Commercial operations are targeted around the second half of calendar 2027, subject to the commissioning and approval process.*

EBITDA per Wheel Guidance Strengthens on Structural Improvements: *Management expressed increased confidence in sustaining EBITDA per wheel at around ₹400 or potentially higher, compared with the earlier guidance of more than ₹310. It attributed the improvement to a stronger contribution from aluminium wheels, higher commercial vehicle and tractor volumes, increasing exports, productivity gains and improved pricing discipline with OEM customers.*

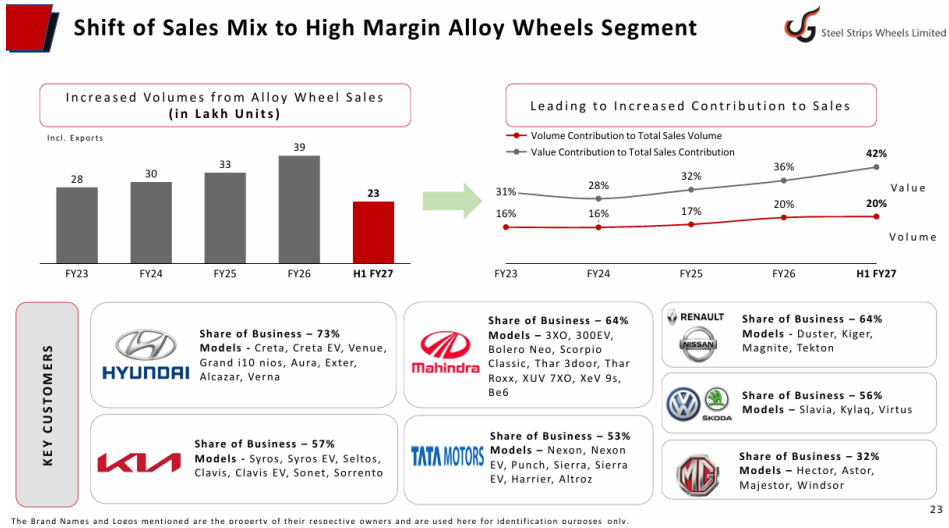
Key Charts & Tables

Exhibit 1: Steel Wheel Business Snapshot



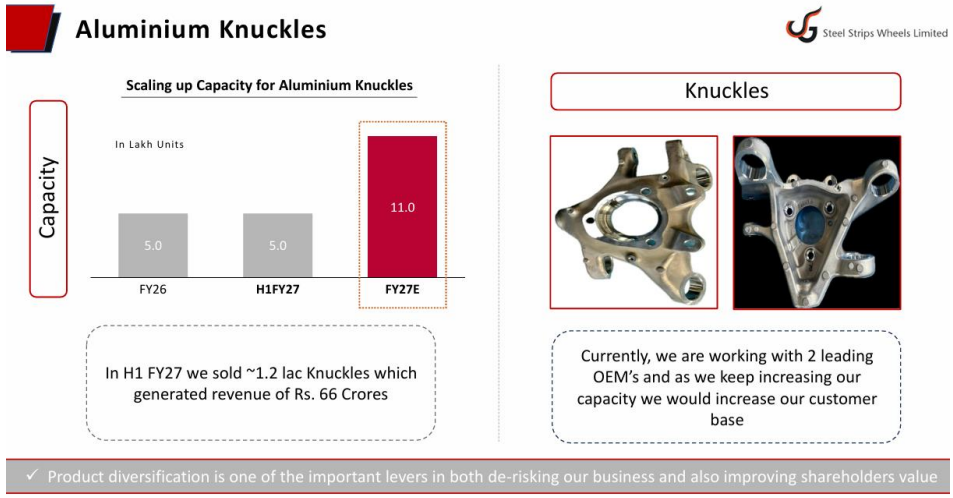
Source: Company, ICICI Direct Research

Exhibit 2: Alloy Wheel Segment Snapshot



Source: Company, ICICI Direct Research

Exhibit 3: Aluminium knuckles – Capacity expansion



Source: ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Net Sales	5,182.8	7,124.9	7,835.0	8,471.6
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	5,182.8	7,124.9	7,835.0	8,471.6
Growth (%)	17.0	37.5	10.0	8.1
Raw Material Expenses	3,398.5	4,702.4	5,171.1	5,591.2
Employee Expenses	429.8	498.7	548.4	593.0
Other Operating Expense	844.2	1,075.9	1,175.2	1,270.7
Total Operating Expenditure	4,672.6	6,277.0	6,894.8	7,455.0
EBITDA	510.2	847.9	940.2	1,016.6
Growth (%)	5.4	66.2	10.9	8.1
Depreciation	136.0	162.7	182.0	191.0
Interest	123.2	137.0	133.2	120.7
Other Income	3.2	3.9	4.9	5.9
PBT	254.1	552.0	629.9	710.8
Exceptional Item	0.0	0.0	0.0	0.0
Total Tax	63.9	145.1	164.9	185.6
PAT	190.2	406.9	464.9	525.2
Growth (%)	-2.6	113.9	14.3	13.0
EPS (₹)	12.1	25.9	29.6	33.5

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Profit after Tax	190.2	406.9	464.9	525.2
Add: Depreciation	136.0	162.7	182.0	191.0
(Inc)/dec in Current Assets	-358.9	-512.2	-213.0	-190.9
Inc/(dec) in CL and Provisions	260.6	297.9	138.2	123.9
Others	123.2	137.0	133.2	120.7
CF from operating activities	351.1	492.3	705.4	769.9
(Inc)/dec in Investments	-2.2	10.0	0.0	0.0
(Inc)/dec in Fixed Assets	-189.2	-600.0	-500.0	-500.0
Others	-22.6	-1.0	-1.0	-1.0
CF from investing activities	-214.0	-591.0	-501.0	-501.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-1.5	270.0	-30.0	-100.0
Dividend & interest outgo	-146.8	-168.4	-172.5	-167.9
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0
Others	12.5	0.0	0.0	0.0
CF from financing activities	-135.8	101.6	-202.5	-267.9
Net Cash flow	1.3	2.9	1.8	1.0
Opening Cash	10.1	11.4	14.3	16.1
Closing Cash	11.4	14.3	16.1	17.1

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Liabilities				
Equity Capital	15.7	15.7	15.7	15.7
Reserve and Surplus	1,789.1	2,164.6	2,590.2	3,068.2
Total Shareholders funds	1,804.8	2,180.3	2,605.9	3,083.9
Total Debt	825.9	1,095.9	1,065.9	965.9
Deferred Tax Liability	92.7	92.7	92.7	92.7
Minority Interest / Others	19.5	20.5	21.5	22.5
Total Liabilities	2,742.9	3,389.3	3,785.9	4,165.0
Assets				
Gross Block	3,133.8	3,788.3	3,988.3	4,188.3
Less: Acc Depreciation	1,166.7	1,329.4	1,511.4	1,702.4
Net Block	1,967.1	2,458.9	2,476.9	2,485.9
Capital WIP	154.5	100.0	400.0	700.0
Total Fixed Assets	2,121.6	2,558.9	2,876.9	3,185.9
Investments	14.4	4.4	4.4	4.4
Inventory	952.2	1,268.8	1,395.3	1,508.6
Debtors	609.0	780.8	858.6	928.4
Loans and Advances	5.4	7.5	8.2	8.9
Other Current Assets	57.8	79.5	87.4	94.5
Cash	11.4	14.3	16.1	17.1
Total Current Assets	1,635.8	2,150.9	2,365.7	2,557.5
Current Liabilities	1,001.9	1,268.8	1,395.3	1,508.6
Provisions	13.5	17.0	18.7	20.3
Current Liabilities & Prov	1,088.5	1,386.4	1,524.6	1,648.5
Net Current Assets	547.2	764.5	841.0	909.0
Others Assets	59.7	61.7	63.7	65.7
Application of Funds	2,742.9	3,389.3	3,785.9	4,165.0

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY26	FY27E	FY28E	FY29E
Per share data (₹)				
EPS	12.1	25.9	29.6	33.5
Cash EPS	20.8	36.2	41.2	45.6
BV	114.8	138.7	165.8	196.2
DPS	1.5	2.0	2.5	3.0
Cash Per Share	0.7	0.9	1.0	1.1
Operating Ratios (%)				
EBITDA Margin	9.8	11.9	12.0	12.0
PAT Margin	3.7	5.7	5.9	6.2
Inventory days	67.1	65.0	65.0	65.0
Debtor days	42.9	40.0	40.0	40.0
Creditor days	70.6	65.0	65.0	65.0
Return Ratios (%)				
RoE	10.5	18.7	17.8	17.0
RoCE	13.6	20.2	20.0	19.8
RoIC	14.6	20.9	22.5	23.9
Valuation Ratios (x)				
P/E	42.6	19.9	17.4	15.4
EV / EBITDA	16.7	10.4	9.3	8.5
EV / Net Sales	1.6	1.2	1.1	1.0
Market Cap / Sales	1.5	1.1	1.0	0.9
Price to Book Value	4.3	3.5	3.0	2.5
Solvency Ratios				
Debt/EBITDA	1.6	1.3	1.1	1.0
Debt / Equity	0.5	0.5	0.4	0.3
Current Ratio	1.6	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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