Steel Strips Wheel (STESW)

CMP: ₹ 216 | Target: ₹ 280 (30%) | Target Period: 12 months | BUY

June 3, 2026

Accelerating the growth pedal, trades inexpensive

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%

Q4FY26 Results: On standalone basis, Net sales came in at ₹1,475 crore (up 20% YoY). EBITDA for the quarter stood at ₹149 crore with corresponding margins at 10.1% (up 40 bps QoQ). PAT for Q4FY26 came in at ~₹64.5 crore (up 4.5% 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. 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. Management is guiding for EBITDA per wheel expansion from ₹262 to approximately ₹300 in FY27, while also targeting EBITDA of ~₹650 crore. Since much of the future growth comes from better utilization of existing assets, incremental margins should be accretive in nature. 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: 10%). 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 **₹ 280 i.e. 16x P/E (<1x PEG) on FY28E EPS** & maintain our **BUY** rating on the stock.

Steel Strips Wheels Limited

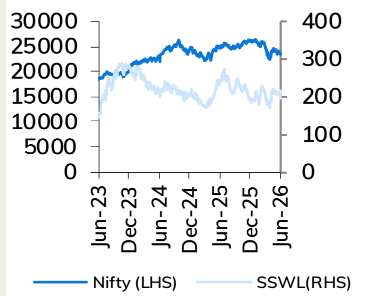
Particulars

Particulars	₹ crore
Market capitalisation	3,395
Total Debt (FY26P)	826
Cash & Invt. (FY26P)	22
EV (₹ crore)	4,199
52 week H/L (₹)	280 / 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 Q4FY26. We built in Sales/PAT CAGR of 12.6%/20.5% respectively over FY26P-28E
- Key Risk: (i) incremental pressure on exports amidst tariff uncertainties (ii) Slower than anticipated ramp up of new capacities

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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	6,567.9	12.6%
EBITDA	452.8	442.8	464.0	484.3	510.2	20.2%	577.0	643.6	12.3%
EBITDA Margins (%)	12.7	11.0	10.6	10.9	9.8		9.5	9.8	
Net Profit	205.5	193.8	674.7	195.3	190.2	31.0%	217.3	276.4	20.5%
Normalised Profit	205.5	193.8	219.9	195.3	190.2	31.0%	217.3	276.4	20.5%
EPS (₹)	13.2	12.4	43.0	12.4	12.1		13.8	17.6	
P/E	16.4	17.4	5.0	17.4	17.9		15.6	12.3	
RoNW (%)	21.6	17.1	17.0	12.0	10.5		10.9	12.3	
RoCE (%)	19.0	18.0	13.8	14.5	13.6		13.8	14.9	

Source: Company, ICICI Direct Research

Key Takeaways of Recent Quarter

Q4FY26 Earnings Conference Call Highlights:

- **Strong Q4 performance led by domestic demand:** SSWL delivered its highest-ever annual revenue and EBITDA in FY26. Revenue grew 17% YoY to ₹5,183 crore, while Q4 revenue increased 20% YoY to ₹1,475 crore. EBITDA for FY26 reached a record ₹523 crore and Q4 EBITDA touched an all-time high of ₹152.5 crore. Management highlighted that FY26 would have been even stronger had Q2 not been impacted by a sharp slowdown in exports and a temporary collapse in commercial vehicle demand.

- **Alloy Wheels Continue to Drive Structural Growth:** The alloy wheel segment remains the company's strongest growth engine. Revenue from alloy wheels grew around 30% in FY26 and now contributes approximately 36% of total company revenue. Management attributed this growth to vehicle premiumization, rising alloy wheel penetration, and SSWL's strong market position. Since alloy wheels carry higher realizations and margins than conventional steel wheels, the increasing contribution of this segment is improving the overall profitability profile of the business.

- **Aluminium Knuckles Emerging as a New Growth Vertical:** Beyond alloy wheels, the company is building a meaningful aluminium knuckle business. Existing capacity has been expanded to roughly 0.5 million units, and utilization is expected to improve significantly in FY27. Management believes knuckles could become a major value-added business as demand is linked to electric vehicles, where lightweighting is increasingly important.

- **EV Wheels Business Becoming a Hidden Growth Driver:** Management revealed that SSWL has a dominant position in wheels for electric scooters and electric 3Ws, claiming close to 80% share in the EV scooter wheel segment. The company possesses specialized manufacturing capabilities that competitors currently lack. Management expects EV wheel volumes to grow strongly and potentially exceed 25–40% growth in FY27.

- **Export Business Set for Recovery:** Exports declined 19% in FY26 due to U.S. tariff-related disruptions and adverse trade conditions. However, management believes the environment has normalized considerably. They highlighted that tariffs have become more balanced across countries and that investigations into Southeast Asian competitors could benefit Indian suppliers. 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.

- **Bhuj Expansion to Create the Next Leg of Growth:** The company is investing roughly ₹500 crore at its Bhuj facility to add new capacities in alloy wheels and aluminium knuckles. The expansion includes approximately 1.2 million alloy wheels and around 1.1–1.2 million knuckle capacity. Trial production is expected to begin between October and January, with customer approvals following thereafter. Management estimates that once fully utilized, these projects can generate an additional ₹700–800 crore of annual revenue. Utilization could reach around 70–80% by FY28 and potentially move higher if export opportunities materialize as expected.

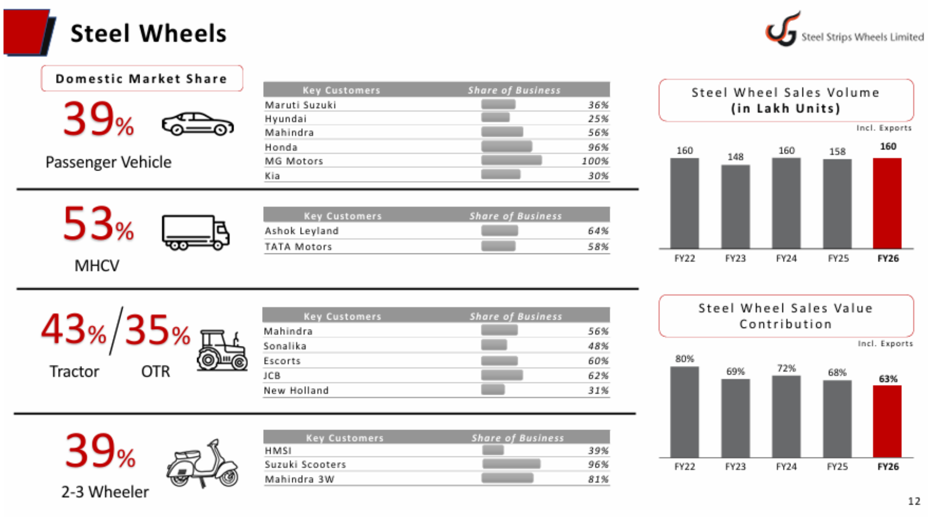
- **FY27 Guidance Signals Strong Earnings Acceleration:** Management guided for 15–20% PAT growth in FY27 and expects EBITDA per wheel to rise from approximately ₹262 in FY26 to around ₹300. They indicated FY27 EBITDA could approach ₹650 crore, implying a meaningful operating leverage benefit. The confidence stems from significantly higher plant utilization, stronger export demand, improved product mix, and better pricing in legacy steel-wheel businesses. Q4 EBITDA per wheel already reached ₹282, providing management comfort that ₹300 is achievable. We however have built in conservative estimates over FY27E-28E

Labor Issues Hurt Q1 but Are Now Resolved: One of the biggest operational challenges in recent months has been labour availability. Management disclosed that manpower shortages caused approximately ₹80 crore of lost sales in the early part of FY27. However, they stated that the issue has now been resolved after May 20 and that current labour availability is back to normal. They expect June to deliver one of the strongest monthly sales performances in company history.

Utilization Expected to Jump to Near Full Capacity: A major driver of future profitability is utilization. SSWL operated steel-wheel plants at roughly 76–78% utilization in FY26 but is targeting about 95% utilization in FY27, with management repeatedly emphasizing that nearly all commissioned assets are expected to run close to full capacity. Since the wheel business has high fixed-cost absorption benefits, even moderate volume increases can significantly improve margins.

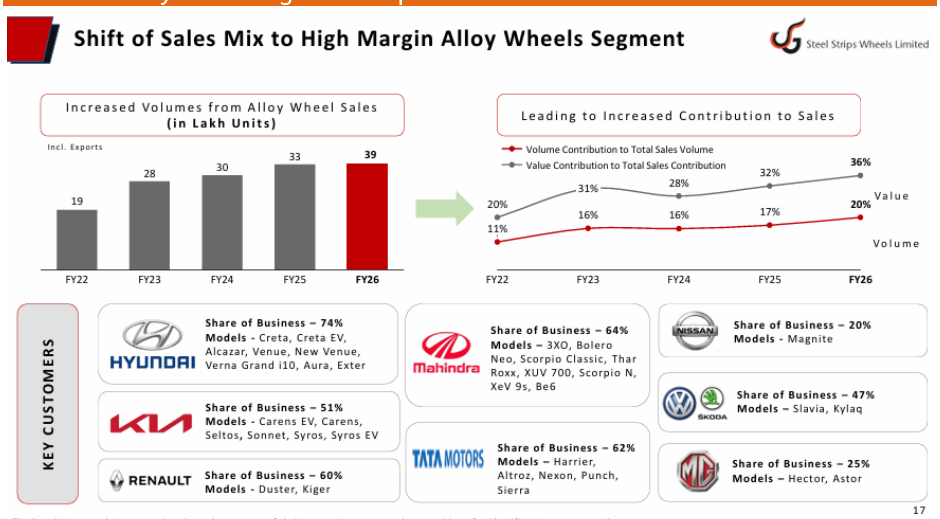
Key Tables and Charts

Exhibit 1: Steel Wheel Business Snapshot



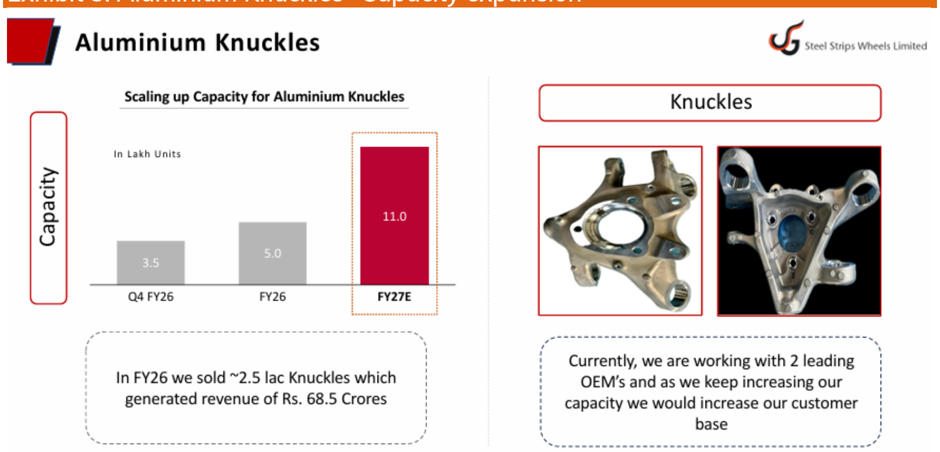
Source: Company, ICICI Direct Research

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, selling approximately 250,000 knuckles to multiple OEMs in FY26 generating revenue of ₹68.5 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	6,567.9
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	4,429.0	5,182.8	6,073.2	6,567.9
Growth (%)	1.7	17.0	17.2	8.1
Raw Material Expenses	2,858.2	3,398.5	4,069.1	4,367.6
Employee Expenses	379.9	429.8	485.9	558.3
Other Operating Expense	706.6	844.2	941.4	998.3
Total Operating Expenditure	3,944.7	4,672.6	5,496.3	5,924.2
EBITDA	484.3	510.2	577.0	643.6
Growth (%)	4.4	5.4	13.1	11.6
Depreciation	111.1	136.0	142.4	156.5
Interest	117.2	123.2	147.1	123.0
Other Income	3.2	3.2	3.9	4.9
PBT	259.1	254.1	291.3	369.0
Exceptional Item	0.1	0.0	0.0	0.0
Total Tax	63.7	63.9	74.0	92.6
PAT	195.3	190.2	217.3	276.4
Growth (%)	-71.1	-2.6	14.2	27.2
EPS (₹)	12.4	12.1	13.8	17.6

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	217.3	276.4
Add: Depreciation	111.1	136.0	142.4	156.5
(Inc)/dec in Current Assets	-94.8	-358.9	-196.9	-148.3
Inc/(dec) in CL and Provisions	145.9	260.6	93.3	96.2
Others	117.2	123.2	147.1	123.0
CF from operating activities	474.7	351.1	403.3	503.8
(Inc)/dec in Investments	-6.5	-2.2	0.0	-5.0
(Inc)/dec in Fixed Assets	-191.1	-189.2	-450.0	-200.0
Others	39.7	-22.6	-1.0	-1.0
CF from investing activities	-157.9	-214.0	-451.0	-206.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-220.5	-1.5	225.0	-140.0
Dividend & interest outgo	-136.8	-146.8	-174.6	-154.4
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	50.4	-294.4
Net Cash flow	-32.7	1.3	2.6	3.4
Opening Cash	42.8	10.1	11.4	14.0
Closing Cash	10.1	11.4	14.0	17.4

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	1,978.9	2,223.8
Total Shareholders funds	1,625.7	1,804.8	1,994.6	2,239.5
Total Debt	827.4	825.9	1,050.9	910.9
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	3,158.6	3,264.6
Assets				
Gross Block	2,811.3	3,133.8	3,638.3	3,838.3
Less: Acc Depreciation	1,030.6	1,166.7	1,309.1	1,465.7
Net Block	1,780.7	1,967.1	2,329.2	2,372.6
Capital WIP	287.8	154.5	100.0	100.0
Total Fixed Assets	2,068.5	2,121.6	2,429.2	2,472.6
Investments	12.2	14.4	14.4	19.4
Inventory	742.8	952.2	1,081.5	1,169.6
Debtors	486.4	609.0	665.6	719.8
Loans and Advances	3.8	5.4	6.4	6.9
Other Current Assets	32.6	57.8	67.8	73.3
Cash	10.1	11.4	14.0	17.4
Total Current Assets	1,275.6	1,635.8	1,835.3	1,987.0
Current Liabilities	753.0	1,001.9	1,081.5	1,169.6
Provisions	12.4	13.5	14.5	15.7
Current Liabilities & Prov	828.0	1,088.5	1,181.8	1,278.0
Net Current Assets	447.6	547.2	653.5	708.9
Others Assets	42.7	59.7	61.7	63.7
Application of Funds	2,570.9	2,742.9	3,158.6	3,264.6

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26P	FY27E	FY28E
Per share data (₹)				
EPS	12.4	12.1	13.8	17.6
Cash EPS	19.5	20.8	22.9	27.5
BV	103.6	114.8	126.9	142.5
DPS	1.3	1.5	1.8	2.0
Cash Per Share	0.6	0.7	0.9	1.1
Operating Ratios (%)				
EBITDA Margin	10.9	9.8	9.5	9.8
PAT Margin	4.4	3.7	3.6	4.2
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	10.9	12.3
RoCE	14.5	13.6	13.8	14.9
RoIC	16.5	14.6	14.3	15.6
Valuation Ratios (x)				
P/E	17.4	17.9	15.6	12.3
EV / EBITDA	8.7	8.2	7.7	6.6
EV / Net Sales	0.9	0.8	0.7	0.7
Market Cap / Sales	0.8	0.7	0.6	0.5
Price to Book Value	2.1	1.9	1.7	1.5
Solvency Ratios				
Debt/EBITDA	1.7	1.6	1.8	1.4
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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