

**CMP: INR 233**

**Rating: Buy**

**Target Price: 292**

**Stock Info**

BSE	513262
NSE	SSWL
Bloomberg	SSW IN
Sector	Auto Ancillaries-wheels
Face Value (INR)	1
Equity Capital (INR Mn)	157
Mkt Cap (INR Mn)	36,462
52w H/L (INR)	299/190
Avg Yearly Vol (in 000')	450

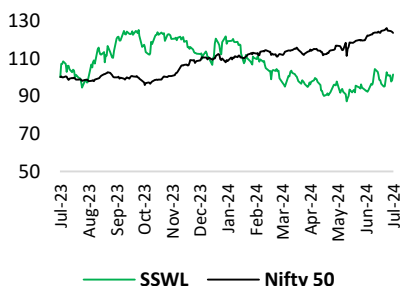
**Shareholding Pattern %**

(As on March, 2024)

Promoters	60.9
Public & Others	39.1

Stock Performance (%)	1m	3m	12m
SSWL	9.59	5.65	1.22
Nifty	2.5	7.76	23.6

**SSWL Vs Nifty**



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Steel Strips Wheels Ltd, reported revenue & PAT below expectations; Margin beat our estimate due to lower other expenses. Revenues came in at INR 10,253 Mn (Down 4.1% QoQ) (-1.6% YoY) (INR 10,966 Mn below our estimates). EBITDA came in at INR 1130 Mn (2.8% QoQ) ( flat YoY) ( INR 1,197 Mn below our estimates). EBITDA Margins came in at 11.02% (Expansion of 74bps QoQ) (Vs +20bps YoY) (10.92% above our estimates). PAT came in at INR 408 Mn (Not comparable due exceptional item in Q4FY24) (+477.9 Mn YoY) (INR 481 Mn below estimates).

**Investment Rationale**

**Export recovery on cards:** The company projects a 4-7% volume growth with alloy wheel capacity utilization expected at 85-90%. Export volumes are anticipated to rise to 7 million units by FY25 from 4.2-4.3 million units in FY24. The recent decline in exports is linked to supply chain disruptions and global inflation, while the US market typically experiences a low Q1 but recovers in Q2FY25. Export growth is projected at 12-15% in FY25.

**AMW plant expect to be operational Q3FY25 led to boost margin:** The plant requires six months of repairs to become functional. Two strategies are proposed: 1) Operate the plant at 10% capacity, leading to operational losses, or 2) Relocate machines to plants with higher capacity needs, requiring INR 12-15 cr in minimal capital expenditure. This strategy aims to run the Jamshedpur plant at 90% utilization, enhancing asset efficiency and potentially boosting margins.

**Aluminium Knuckles:** The company has introduced a new business line for aluminum knuckles, expected to generate additional revenue starting from Q3. Targeted at the SUV segment, this product caters to OEMs seeking enhanced vehicle features and better maneuverability. The automotive sector is set for growth, driven by recovering domestic demand, favorable export conditions, positive monsoon forecasts, and the festive season. Company remains focused on optimizing resources, driving innovation, and strengthening customer relationships to maintain its market leadership.

**Outlook and valuation**

The company aims to reach a capacity of 5 mn Alloy wheels in the medium term (up from 3 mn in FY23 and 3.6 mn in FY24 and expected 3.7-3.8 Mn in FY25). For FY25 expect domestic steel wheel growth 6-7%, 2w sector (EV focus) 15-17% growth, PV segment 7-10% growth, and Tractor business 10%+ growth. Export growth is projected at 12-15%, with aluminum knuckle revenue starting in Q3FY25. The automotive sector benefits from monsoon and festive seasons, optimizing resources, and committing to the PV steel segment. The company aims to maintain an MS of 37% to 38%. However, some margin profile corrections may occur in FY25 but confident to maintain MS. Aluminum wheels are expected to grow 12-15%, driven mainly by exports. New products and customers are expected to contribute significantly, with export recovery anticipated from Q2FY25. The company's competitive positioning in terms of cost is strong compared to peers in Southeast Asia, Mexico, and Turkey.

With alloy wheels and export share increasing along with the introduction of a new product line Aluminium Steering Knuckles, we estimate the company's Revenue/EBITDA to grow at 7.3%/8.6% CAGR over FY24-27E.

**At a CMP of INR 233, SSWL is trading at a EV/EBITDA of 4.6x to its FY27E EBITDA of INR 5,936 Mn. We value the stock on a P/E (x) multiple of 17x to its FY27E EPS INR 17.2 which yields a target price of INR 292 per share. We maintain our Buy rating on the stock.**

**Exhibit 1: Financial Estimates**

Year End-March INR Mn	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenues	35,600	40,405	43,571	46,152	51,691	53,848
EBITDA	4,528	4,428	4,640	5,001	5,628	5,936
EBITDA Margin (%)	12.72%	10.96%	10.65%	10.84%	10.89%	11.02%
PAT	2,055	1,938	6,747	2,100	2,431	2,685
ROE	21.59%	17.08%	46.78%	10.56%	10.97%	10.88%
EPS	13.2	12.4	43.1	13.4	15.5	17.2
P/E	17.7	18.8	5.4	16.6	15.0	13.6

Source: Company, Arihant Research

## Exhibit 2: Quarterly Performance

Consolidated (INR Mn)	Q1FY25	Q4FY24	Q1FY24	QoQ	YoY
Revenue from operations	10253	10687	10444	-4.1%	-1.8%
Cost of materials consumed	6490	6763	6884	-4.0%	-5.7%
Change in inventory	151	217	-135	-30.3%	-211.6%
Cost of Goods Sold (COGS)	6641	6980	6748	-4.9%	-1.6%
Gross Profit	3612	3707	3696	-2.6%	-2.3%
Employee benefits expense	902	903	883	-0.1%	2.2%
Other expenses	1580	1705	1683	-7.3%	-6.1%
Total operating Expenses	9123	9588	9314	-4.8%	-2.1%
EBITDA	1130	1099	1130	2.8%	0.0%
EBITDA Margin (%)	11.02%	10.28%	10.82%	74bps	20bps
Depreciation and amortisation expenses	285	368	224	-22.5%	27.1%
EBIT	845	731	905.65	15.6%	-6.7%
EBIT Margin (%)	8.24%	6.84%	8.67%	20.5%	-5.0%
Finance costs	311	280	236	11.2%	32.1%
Other income	13	48	42	-72.9%	-69.2%
PBT	547	499	712	9.6%	-23.2%
Share of profit/loss from associates	0.36	(0.27)	(1.88)		
Exceptional items	-	4,731.04			
PBT	547	5,230	714	-89.5%	-23.4%
Tax Expense	139	74	236	87.5%	-41.2%
Tax Rate	25.4%	1.4%	33.1%	-	-
PAT	408.065	5,155.599	477.9	-92.1%	-14.6%
EPS	2.60	32.85	3.03	-92.1%	-14.2%

Source: Company, Aриhant Research

**Steel Strips Wheels Ltd- Q1FY25 Concall KTAs**

**Outlook:** Domestic revenue aligns with industry standards except in 2-3w and tractors company has outperformed. Export volumes fell due to supply chain issues and global inflation, but company maintain export guidance of INR 675-700 Cr. For FY25 expect domestic steel wheel growth 6-7%, 2w sector (EV focus) 15-17% growth, PV segment 7-10% growth and Tractor business 10%+ growth.

Export growth is projected at 12-15%, with aluminum knuckle revenue starting in Q3FY25. The automotive sector is benefiting from monsoon and festive seasons, optimizing resources, and committing to the PV steel segment. The company aims to maintain a MS 37% to 38%, although some margin profile corrections may occur in FY25 but confident to maintain MS. Aluminum wheels is expected to grow 12-15%, driven mainly by exports.

New products and customers are expected to contribute significantly, with export recovery anticipated from Q2FY25. The company's competitive positioning in terms of cost is strong compared to peers in Southeast Asia, Mexico, and Turkey.

**Debt**

Total debt was reduced to INR 965 cr from INR 1047 cr in the in Q4FY24. and a financial cost of INR 31 Cr. For FY25, the Finance cost is expected to be around INR 105-110 Cr.

**Revenue Mix**

Revenue mix was 29% from alloy wheels and 71% from steel wheels. Alloy wheel sales volume increased 1% YoY while steel wheel volumes remained flat.

**EBITDA** per wheel guidance for FY25 is INR 255-260, with Q1 FY25 at INR 257 per wheel.

**Export**

The company anticipates a 4-7% volume growth and capacity utilized 85-90% alloy wheel expansion. In number, exports expected to reach 20 Mn units (Company 4.2-4.3 mn units in FY24 and expected 7 mn units in FY25)

Decline attributed to supply chain disruptions and global inflation. The US market is typically low in Q1 and recovers from Q2. However, concerns remain regarding the decline in exports, margin pressure in the passenger vehicle segment, and capacity utilization of the aluminum wheel segment

**Knuckle**

New aluminum knuckles business will start generating revenue from Q3FY25, focusing on the SUV segment. The automotive sector's upward trajectory is supported by domestic demand recovery. Current penetration of knuckle is very low. It is sunrise industry going forward.

**Capacity Expansion**

Alloy wheel capacity to be expanded by 33 to 48 lakh wheels at the Mehsana plant. Steel wheel capacity at Jamshedpur being augmented to 2 lakh - 2.1 lakh per month.

**Focus** on robotic automation for cost rationalization.

**Alloy wheel**

The company is supplying Tata Nexon and Mahindra EV. Alloy wheel penetration will continue to move up towards 45% to 50%. Maruti's alloy wheel penetration has risen to 33-34% with a target of 50%, while steel wheel usage is expected to stabilize at around 15% in the medium term.

**RM**

Steel prices have gone down by almost 10-12 rupees, which is on a base of INR 70- INR65 is close to 15%. The company aims for a 20 mn unit volume in FY25, with a possible top-line change due to raw material costs, particularly steel prices.

**OTR**

The OTR segment is gradually progressing, with a focus on producing products from existing lines. The company has entered the compact tractor and trailer market with encouraging feedback.

**AMW**

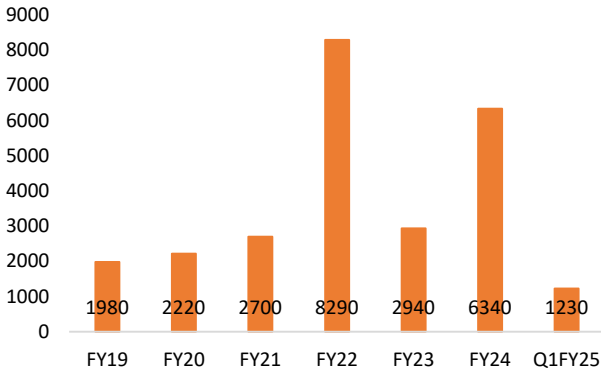
It will take six months of repairs in the plant to make it functional. Two strategy 1) The plant at 10% capacity and run operational loss. 2) The second strategy involves relocating machines to plants with greater capacity needs, requiring a minimal capital expenditure. This move is expected to boost asset efficiency significantly, potentially improving margins by running the Jamshedpur plant at 90% utilization. Instead of operating at a loss with excess capacity, this strategy aims to enhance shareholder value by investing INR 12-15 cr. This investment could raise the CV business's top line by 200-250 cr. Despite a predicted industry decline of 5%, continued infrastructure spending may help the company outperform industry growth.

Story in charts (INR in Mn)

Exhibit 3: Export recovery on cards

Exhibit 4: Volume recover expected in FY25

Increased Revenues from Exports (INR. Mn)



Increased Volumes from Exports (INR. Mn)



Exhibit 5: Revenue decline due to seasonal weak quarter

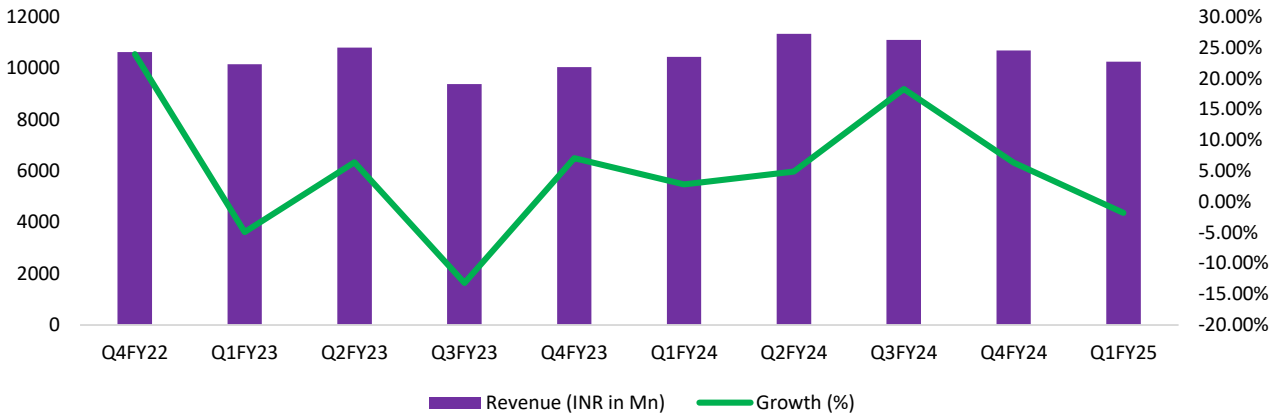
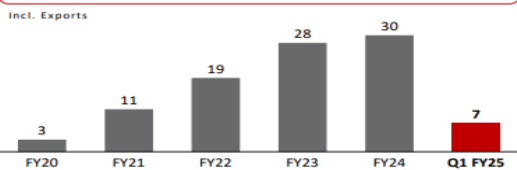
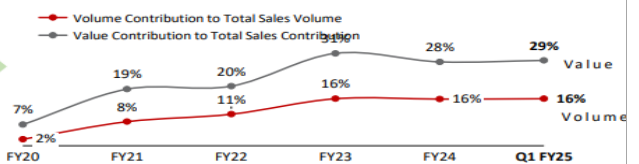


Exhibit 6: Shift of sales Mix

Increased Volumes from Alloy Wheel Sales (in Lakh Units)



Leading to Increased Contribution to Sales



KEY CUSTOMERS

**HYUNDAI** 100% Share - Creta, Alcazar, Grand i10 Nios, Aura, Tucson, Exter  
50% Share - Venue, Verna

**KIA** 50% Share - Seltos, Sonnet

**RENAULT** 100% Share - Kiger

**TATA MOTORS**

80% Share - Tigor  
60% Share - Altroz  
50% Share - Nexon  
25% Share - Punch

**NISSAN** 100% Share - Magnite

**Mahindra** 100% Share - XUV 700,3XO, Scorpio Classic

100% Share - Slavia

60% Share - Hector  
43% Share - Astor

Source: Company, Arianth Research

## Income Statement (INR Mn) (Consolidated)

Year End-March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenues</b>	<b>35,600</b>	<b>40,405</b>	<b>43,571</b>	<b>46,152</b>	<b>51,691</b>	<b>53,848</b>
<i>Change (%)</i>	103.5%	13.5%	7.8%	5.9%	12.0%	4.2%
Employee costs	2,187	2,837	3,580	4,246	4,704	4,577
<b>Operation and other expenses</b>	<b>7,014</b>	<b>6,504</b>	<b>6,990</b>	<b>7,560</b>	<b>8,658</b>	<b>9,047</b>
Total Operating Expenses	9,200	9,341	10,570	11,806	13,362	13,624
Depreciation	769	804	1,042	1,135	1,387	1,387
<b>EBITDA</b>	<b>4528</b>	<b>4428</b>	<b>4640</b>	<b>5001</b>	<b>5628</b>	<b>5936</b>
<b>EBITDA Margin (%)</b>	<b>12.7%</b>	<b>10.96%</b>	<b>10.65%</b>	<b>10.8%</b>	<b>10.9%</b>	<b>11.0%</b>
EBIT	3759	3624	3598	3865	4241	4549
EBIT Margin (%)	10.6%	9.0%	8.3%	8.4%	8.2%	8.4%
Interest	854	835	1,027	1,210	1,162	1,138
Other Income	130	124	137	145	162	169
<b>PBT</b>	<b>3,035</b>	<b>2,912</b>	<b>7,439</b>	<b>2,801</b>	<b>3,242</b>	<b>3,580</b>
Exceptional Items	-	-	4,731	-	-	-
<b>PBT after exceptional Items</b>	<b>3,035</b>	<b>2,912</b>	<b>7,439</b>	<b>2,801</b>	<b>3,242</b>	<b>3,580</b>
Tax	981	974	687	700	810	895
<i>Rate (%)</i>	32.3%	33.5%	9.2%	25.0%	25.0%	25.0%
<b>PAT</b>	<b>2,055</b>	<b>1,938</b>	<b>6,747</b>	<b>2,100</b>	<b>2,431</b>	<b>2,685</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Consolidated PAT</b>	<b>2,055</b>	<b>1,938</b>	<b>6,747</b>	<b>2,100</b>	<b>2,431</b>	<b>2,685</b>
<i>PAT Margin (%)</i>	<i>5.8%</i>	<i>4.8%</i>	<i>15.5%</i>	<i>4.6%</i>	<i>4.7%</i>	<i>5.0%</i>

## Balance Sheet (INR Mn) (Consolidated)

Year End-March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Sources of Funds</b>						
Share Capital	156	157	157	157	157	157
Reserves & Surplus	9,362	11,191	14,265	19,724	21,999	24,528
Total Equity	9,518	11,347	14,422	19,881	22,156	24,684
<b>Total assets</b>	<b>27,016</b>	<b>27,814</b>	<b>33,036</b>	<b>38,304</b>	<b>40,988</b>	<b>43,632</b>
<b>Application of Funds</b>						
Gross Block	20,931	21,625	25,454	27,704	27,704	27,704
Less: Depreciation	769	804	1,042	1,135	1,387	1,387
Net Block	13,583	13,472	16,259	17,375	15,989	14,604
CWIP	969	1,634	3,626	3,626	3,626	3,626
Financial Assets	79	105	122	122	122	122
Investments	2	41	37	37	37	37
<b>Inventories</b>	<b>6,470</b>	<b>7,339</b>	<b>6,970</b>	<b>7,192</b>	<b>8,017</b>	<b>8,338</b>
<b>Sundry debtors</b>	<b>3,923</b>	<b>3,487</b>	<b>4,397</b>	<b>4,359</b>	<b>4,882</b>	<b>5,086</b>
Cash and bank	579	440	429	4,349	7,008	10,447
Other Current Assets	1,032	429	177	185	207	215
Total Current assets	12,046	11,783	12,020	16,131	20,160	24,133
Total Current liabilities	2,793	1,610	3,814	3,414	3,014	2,814
Net Current assets	<b>14,970</b>	<b>16,031</b>	<b>21,017</b>	<b>22,173</b>	<b>20,828</b>	<b>19,499</b>
<b>Capital Employed</b>	<b>27,016</b>	<b>27,814</b>	<b>33,036</b>	<b>38,304</b>	<b>40,988</b>	<b>43,632</b>

Source: Arihant Research

## Cash Flow Statement (INR Mn) (Consolidated)

Year End-March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Add:- Depreciation	3,009	2,886	7,434	2,801	3,242	3,580
Depreciation	769	804	1,042	1,135	1,387	1,387
Finance Costs	854	835	1,027	1,210	1,162	1,138
<b>Operating Profit before WC Changes</b>	<b>4,632</b>	<b>4,526</b>	<b>9,503</b>	<b>5,145</b>	<b>5,790</b>	<b>6,105</b>
Operating Profit after WC Changes	(23)	(476)	(2,158)	(16)	(612)	(270)
Direct Taxes Paid & Exceptional Items	462	476	620	700	810	895
<b>Cash Flow from Operating Activities</b>	<b>5,071</b>	<b>4,525</b>	<b>7,966</b>	<b>5,829</b>	<b>5,988</b>	<b>6,730</b>
<b>Cash Flow from Investing Activities</b>	<b>(1,535)</b>	<b>(1,279)</b>	<b>(3,650)</b>	<b>(2,071)</b>	<b>179</b>	<b>179</b>
<b>Cash Flow from Financing Activities</b>	<b>(2,479)</b>	<b>(2,341)</b>	<b>1,710</b>	<b>1,563</b>	<b>(1,887)</b>	<b>(1,680)</b>
Net Change in Cash & Cash Equivalents	47	(139)	(11)	3,920	2,659	3,439
Opening Cash & Cash Equivalents	532	579	440	429	4,349	7,008
Closing Cash & Cash Equivalents	579	440	429	4349	7008	10447

## Key Ratios

Year End-March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Per share (INR)</b>						
EPS	13.2	12.4	43.1	13.4	15.5	17.2
BVPS	61	72	92	127	142	158
<b>Valuation (x)</b>						
P/E	17.7	18.8	5.4	16.6	15.0	13.6
P/BV	3.8	3.2	2.5	1.8	1.6	1.4
EV/EBITDA	8.6	8.5	8.6	6.8	5.5	4.6
<b>Return ratio (%)</b>						
EBITDA Margin	12.7%	11.0%	10.6%	10.8%	10.9%	11.0%
EBIT Margin	10.6%	9.0%	8.3%	8.4%	8.2%	8.4%
PAT Margin	5.8%	4.8%	15.5%	4.6%	4.7%	5.0%
ROE	21.6%	17.1%	46.8%	10.6%	11.0%	10.9%
ROCE	22.9%	21.0%	19.7%	16.6%	16.9%	16.5%
Depreciation/Gross Block	3.7%	3.7%	4.1%	4.1%	5.0%	5.0%
Net sales / Gr block (x)	1.70	1.87	1.71	1.67	1.87	1.94
<b>Leverage Ratio (%)</b>						
Total D/E	0.32	0.16	0.28	0.18	0.15	0.12
<b>Turnover Ratios</b>						
Asset Turnover (x)	1.5	3.0	3.4	2.7	2.3	2.1
Inventory Days	95.4	94.6	92.1	90.0	90.0	90.0
Receivable Days	54.9	61.2	54.2	49.0	49.0	49.0

Source: Arihant Research

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**Stock Rating Scale**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

**Absolute Return****Research Analyst  
Registration No.**

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