

**CMP: INR 214**

**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)	34,367
52w H/L (INR)	299/152
Avg Yearly Vol (in 000')	588

Steel Strips Wheels Ltd, reported revenue and EBITDA below expectations, PAT beat due to exceptional item. Revenues came in at INR 10,687 Mn (-3.7% QoQ) (+6.3% YoY) (INR 11,392 Mn below our estimates). EBITDA came in at INR 1,099 Mn (-5.8% QoQ) (-1.1% YoY) ( INR 1,220 Mn below our estimates). EBITDA Margins came in at 10.28% (contraction of 23bps QoQ) (Vs 51bps YoY) ( 10.71% slightly below our estimates). PAT came in at INR 5,155.6 Mn (+768% QoQ) (+990 Mn YoY) (INR 565 Mn above estimates) due to an exceptional item of INR 4731 Mn. Recommend a dividend of INR 1 per share.

**Investment Rationale**

**EBITDA Margins expansion Ahead:** EBITDA margins decreased by 40bps YoY to 10.6% in FY24, primarily due to a higher mix of PV and 2W compared to CV vehicles, which caused the ASP to drop to INR 1,700/wheel in Q4FY24 from INR 1,900 in Q4FY23. Looking ahead, we anticipate: (1) A higher mix of value-added products (i.e., a higher proportion of alloy wheels), (2) Renegotiations with steel wheel PV OEMs for better pricing terms, and (3) Growth in aluminum knuckles and (4) Higher exports should support healthy EBITDA margins delivery.

**Alloy Wheel Capacity Expansion:** The company plans to increase its alloy wheel capacity to 5 million wheels in the medium term (up from 3 million in FY23 and 3.6 million in FY24). SSWL has been registered as a vendor with MSIL (previously only for steel rims), and alloy wheel supplies are expected to start by H2FY25. Both domestic and export revenues are projected to grow by 10% in FY25. The management has indicated strong order book visibility through FY27E.

**Steel Wheels Business:** In FY24, steel wheels accounted for ~72% of the total revenue. Volume growth in FY25/26E is expected to be driven by (1) Long-term agreements signed with various tractor OEMs, (2) An increase in export demand, and (3) Significant anticipated volume growth in the 2W business. SSWL is in the final stages of contract price and wheel negotiations with existing PV OEMs, with management expecting a positive outcome. However, caution is advised for the CV industry, as volumes are expected to remain flat or weak in FY25E.

**Outlook and valuation**

The company aims to reach a capacity of 5 mn Alloy wheels in the medium term (up from 3 million in FY23 and 3.6 million in FY24). Both domestic and export revenues are projected to grow by 10% in FY25. The management has indicated strong order book visibility through FY27E. We reduced our total wheel volumes estimates marginally to 1.9 Cr and 2.1 Cr units in FY25/26E respectively on account of tepid volumes in the CV segment. 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 9%/10% CAGR over FY24-27E.

**At a CMP of INR 214, SSWL is trading at a EV/EBITDA of 4.4x 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
Change (%)	103.49%	13.50%	7.83%	5.92%	12.00%	4.17%
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%
ROCE	22.90%	20.97%	19.73%	16.59%	16.85%	16.54%
EPS	13.2	12.4	43.1	13.4	15.5	17.2
P/E	17.0	18.0	5.2	16.6	14.4	13.0

Source: Company, Arihant Research

**Shareholding Pattern %**

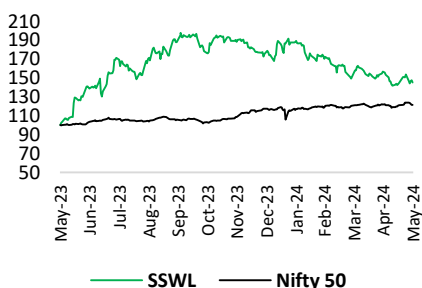
(As an March, 2024)

Promoters	60.9
Public & Others	39.1

**Stock Performance (%)**

	1m	3m	12m
SSWL	3.92	-3.8	81.4
Nifty	2.3	10.8	20.1

**SSWL Vs Nifty**



Abhishek Jain  
[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)  
022 6711485

Jyoti Singh  
[jyoti.singh@arihantcapital.com](mailto:jyoti.singh@arihantcapital.com)  
022 67114837

## Exhibit 2: Quarterly Performance

Consolidated (INR Mn)	Q4FY24	Q3FY24	Q4FY24	QoQ	YoY
<b>Revenue from operations</b>	10687	11103	10049	-3.7%	6.3%
Cost of materials consumed	6763	7415	6140	-8.8%	10.2%
Change in inventory	217	-255	447	-185.0%	-51.6%
<b>Cost of Goods Sold (COGS)</b>	6980	7160	6587	-2.5%	6.0%
<b>Gross Profit</b>	3707	3943	3462	-6.0%	7.1%
Employee benefits expense	903	899	785	0.4%	15.0%
Other expenses	1705	1877	1592	-9.2%	7.1%
Total operating Expenses	9588	9936	8965	-3.5%	7.0%
<b>EBITDA</b>	1099	1167	1085	-5.8%	1.3%
<b>EBITDA Margin (%)</b>	10.28%	10.51%	10.79%	-23bps	-51bps
Depreciation and amortisation expenses	368	225	200	63.5%	84.4%
<b>EBIT</b>	731	942	885	-22.4%	-17.4%
<b>EBIT Margin (%)</b>	6.84%	8.48%	8.81%	-19.4%	-22.3%
Finance costs	280	251	227	11.6%	23.4%
Other income	48	17	67	184.4%	-28.4%
PBT	499	708	725	-29.5%	-31.2%
Share of profit/loss from associates	(0.27)	(1.22)	-		
Exceptional items	4,731.04				
PBT	5,230	707	725	640.0%	621.2%
Tax Expense	74	113	252	-34.2%	-70.6%
Tax Rate	1.4%	15.9%	34.8%	-	-
<b>PAT</b>	5,155.599	594	473	767.8%	990.0%
<b>EPS</b>	32.85	3.79	3.02	766.8%	987.7%

Source: Company, Aриhant Research

**Steel Strips Wheels Ltd- Q4FY24 Concall KTAs****Operational highlights**

The company transitioned to a new tax regime, reducing the effective tax rate to 25.17% from 34.94%.

Successfully completed the acquisition of BMW auto components, taking full custody and upkeep of the plant.

The company received the nomination order for 8 mn unit, competing primarily with European companies, not Chinese.

EBITDA margin per wheel was INR 255 in Q4 and INR 253 for FY24.

Employee costs have increased from 6% to 8.2% of turnover, attributed to investments in future growth and maintaining industry standards.

**Aluminum knuckles**

The introduction of aluminum knuckles is set to generate revenue starting in September. Anticipates INR 350 Mn in revenue this year, expecting to double it soon and then increase it fourfold.

This new product has already secured contracts with two OEMs, primarily for SUV segment cars.

**Guidance**

The aluminum wheel business is expected to grow by 10%, driven by past performance and new projects.

The 2W segment, particularly targeting the EV market, is anticipated to grow by 16%.

In the passenger car steel wheel segment, the company projects a 10.6% growth after overcoming challenges from the previous year.

The tractor business is expected to see a 12% increase in revenue, supported by long-term supply agreements with prominent customers.

The company aims to produce 20 mn wheels in FY25, compared to 19 mn in FY24.

Exports are projected to grow by 10%, with new product lines like off-road vehicle wheels gaining traction in Europe and America.

**Red sea crisis impact**

The Red Sea crisis has not been resolved but customers have adjusted, so it is not expected to impact this year significantly.

Freight costs from competitors in Asia (Thailand, Vietnam) have increased more than those from India, giving SSWL a competitive advantage.

**Expansion plans**

SSWL is ramping up facilities, including AMW and new aluminum alloy capacities. The alloy wheel capacity has been increased to 5 mn wheels.

They plan to increase their production capacity, projecting around 3.3 mn wheels in FY25 and 4 mn wheels in FY26.

There is a possibility of building a new factory near Maruti in Haryana, subject to business growth and relationships with Maruti.

**Debt**

Total debt stands at INR 10,480 Mn, comprising INR 4,870 Mn in long-term debt and INR 5,610 Mn in short-term debt.

The current debt is expected to be the peak, with scheduled annual repayments of approximately INR 1,050 Mn over the next three years.

Improved accruals, driven by increased volumes, will aid in debt reduction.

**Capex**

The company allocated INR 3,800 Mn for capex, covering alloy wheel expansion, knuckles, renewable energy projects, and flow-forming equipment. INR 1,400 Mn were spent on acquiring AMW, bringing the total capex for the year to INR 5,200 Mn, funded through a mix of accruals and debt.

The projected capex for the next year is around INR 2,250 Mn, which is expected to be fully funded from internal accruals, negating the need for external borrowing.

**Product Mix and pricing**

There was a significant shift in the product mix with an increase in car wheel sales while truck wheel sales remained flat. This shift led to a decrease in average price realization from INR 1900 to INR 1700.

Raw metal price correction and a 5-6% discount on goods affected the revenue per unit, contributing to lower average price realization despite higher volumes.

**Margin:** Margins are expected to improve due to growth in high-margin products like alloy wheels, exports, and tractor wheels. Price corrections with OEMs will improve margins per wheel.

**AMW facility utilization:** SSWL plans to use the AMW facility for producing OTR wheels and is seeding the market in Europe and America.

**Exports:** The company exported 3.7 mn units. Export revenues amounted to INR 6,300 Mn, though realization per unit was lower compared to the previous year, largely due to changes in product mix and pricing adjustments.

**New collaborations:** SSWL highlighted a new joint collaboration with Mahindra for developing knuckle casting, emphasizing strong relationships and trust with OEM partners.

**Future projections**

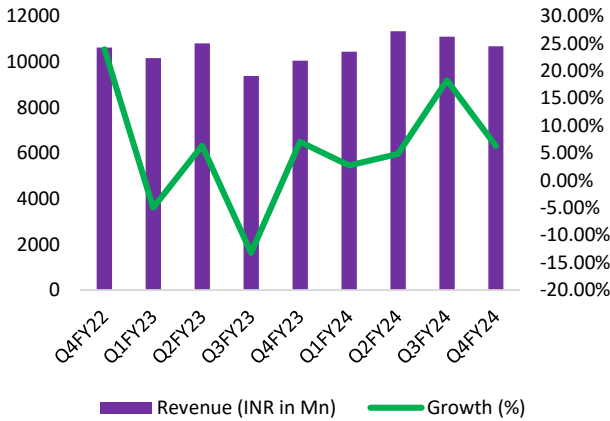
Increased capacity in Jamshedpur expected to operationalize in June, adding significant revenue potential.

Strategic focus on optimizing cost structures and expanding market share in both domestic and export markets.

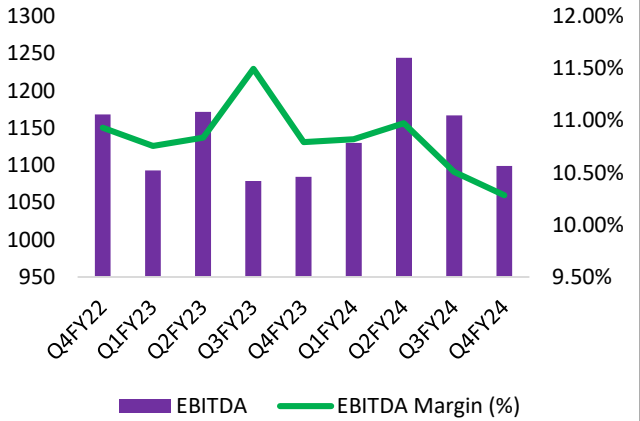
**Outlook:** SSWL is focused on expanding its market beyond India and sees a strong order book extending to 2027. The company maintains high aspirations for its alloy wheel exports, targeting significant growth in the coming years, though market dynamics remain a critical factor. SSWL expects a 10% growth in its core business of steel wheels for passenger cars, which constitutes 70-80% of its volume.

Story in charts (INR in Mn)

**Exhibit 3: Revenue growth led by healthy growth in domestic and international business**

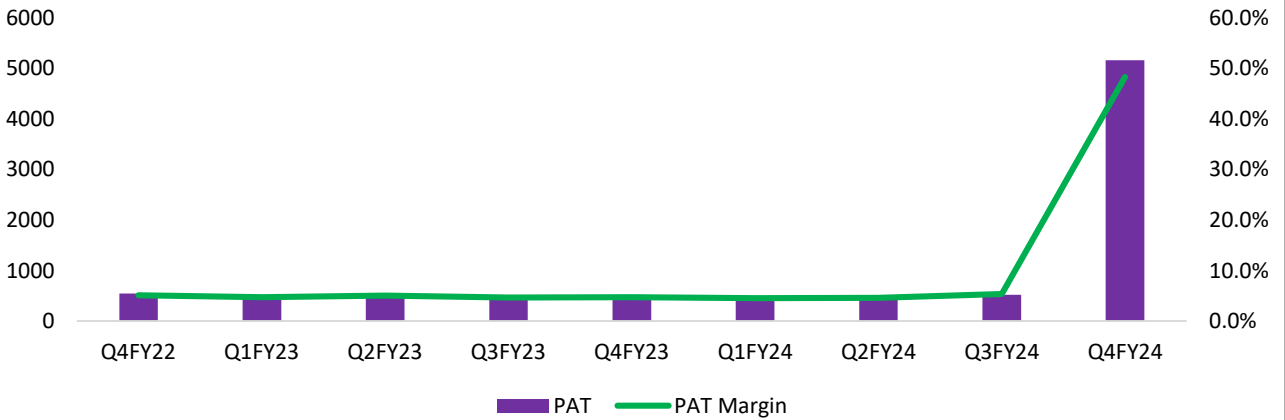


**Exhibit 5: Margins to improve in coming years led by new segments.**



**Exhibit 4: Strong profit growth to be seen on back of exceptional**

**Exhibit 6: Increased Revenues from Exports (INR. Mn)**

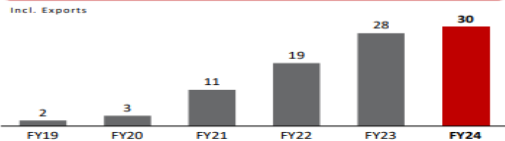


**Exhibit 7: Shift of sales Mix**

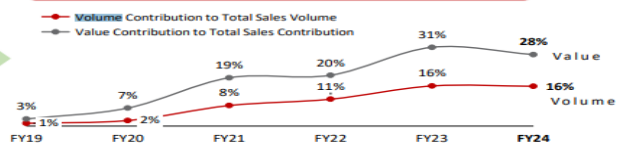
**Shift of Sales Mix to High Margin Alloy Wheels Segment**



**Increased Volumes from Alloy Wheel Sales (in Lakh Units)**



**Leading to Increased Contribution to Sales**



KEY CUSTOMERS

- HYUNDAI** 100% Share - Creta, Alcazar, Verna, Aura
- HYUNDAI** 50% Share - Venue
- KIA** 100% Share - Carnival
- KIA** 50% Share - Sonnet
- RENAULT** 100% Share - Kiger

**TATA MOTORS**

- 100% Share - Punch
- 85% Share - Tigor
- 50% Share - Altorz
- 50% Share - Nexon

**NISSAN**

- 100% Share - Magnite

**Mahindra**

- 100% Share - XUV 300/700, Bolero Neo

**Slavia**

- 100% Share - Slavia

**ASTOR**

- 43% Share - Astor

Source: Company, Arihant 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	17.0	18.0	5.2	16.6	14.4	13.0
P/BV	3.7	3.1	2.4	1.8	1.6	1.4
EV/EBITDA	8.2	8.2	8.3	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%
Depriciation/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

**Arihant Research Desk**Email: [research@arihantcapital.com](mailto:research@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:research@arihantcapital.com">research@arihantcapital.com</a>

**Disclaimer:** This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880