Steel Strips Wheels Ltd. (SSWL) – Investment BUY Call

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 16 July 2026

CMP -> 261
Buying Range -> 261 to 266
Upside Potential-> 12%
Investment Horizon -> 6 Months
Target price -> 293

1. Investment Rationale – Strong Positioning Supported by Premiumisation and Operating Leverage

We maintain a BUY recommendation on Steel Strips Wheels Ltd (SSWL) with a medium-term investment horizon of 6 months, supported by improving product mix, sustained domestic automotive demand, capacity expansion in high-margin aluminium products, and multiple operating leverage triggers expected to play out over the next few quarters. SSWL continues to strengthen its leadership position as India's largest manufacturer of automotive steel and aluminium wheels, supplying nearly every major passenger vehicle, commercial vehicle, tractor and off-highway equipment OEM in the country. Management continues to focus on long-term customer relationships, technology leadership and capacity creation only after obtaining customer commitments, thereby ensuring disciplined capital allocation and superior asset utilisation. With increasing contribution from premium alloy wheels, aluminium knuckles and export recovery, the company's earnings profile is expected to improve meaningfully over the coming quarters.

2. Q1 FY27 Performance and Financial Strength – Margin Expansion Driven by Better Product Mix

SSWL reported a healthy operational performance during Q1 FY27, with revenue increasing 27.2% YoY to INR 1,509.8 crore, EBITDA rising 33.0% YoY to INR 162.3 crore, while EBITDA margin improved to 10.7% from 10.3% in the corresponding period last year. Profit after tax increased 43.3% YoY to INR 71.5 crore, reflecting benefits of favourable product mix, premium product sales, operating leverage and cost optimisation initiatives. During FY26, the company maintained a healthy balance sheet with RoCE of 18% and RoE of 12%, while long-term debt remained manageable despite ongoing expansion projects. Net capital expenditure during FY26 stood at INR 196 crore, primarily directed towards aluminium wheels and aluminium knuckles, which are expected to generate superior returns over the coming years. Although working capital remains relatively elevated owing to higher inventory and receivable levels, management remains focused on improving cash conversion through higher capacity utilisation and better operating efficiencies.

3. High-Margin Business Segments to Drive Future Earnings Growth

The company's long-term growth strategy is increasingly centred around its high-margin aluminium product portfolio. Steel wheels, which continue to contribute approximately 63% of revenue, remain the stable cash-generating backbone supported by dominant domestic market shares across passenger vehicles, commercial vehicles and tractors. However, the primary earnings growth driver is the alloy wheel business, contributing nearly 35–36% of revenue, where EBITDA per wheel is approximately double that of domestic steel wheels. Rising consumer preference for premium vehicle variants, SUVs and electric vehicles continues to accelerate alloy wheel adoption across India. In addition, aluminium knuckles, commercialised during FY26, represent an attractive import substitution opportunity. These lightweight suspension components improve vehicle fuel efficiency, handling and emissions performance, making them increasingly preferred by OEMs. Although knuckles currently contribute only around 2% of revenue, management expects this business to emerge as an important value-accretive growth engine with significantly higher profitability over the medium term.

4. Capacity Expansion, Acquisitions and Operating Leverage to Improve Margins

SSWL is entering a favourable operating leverage cycle supported by significant capacity additions and better asset utilisation. The company has fully commissioned its 5 million alloy wheel capacity at Mehsana, while the acquired AMW Auto Components (Bhuj) facility is currently being expanded with an additional 1.2 million alloy wheel capacity and 0.6 million aluminium knuckle capacity, with commercial production expected from December 2026. Importantly, the AMW acquisition enabled the company to utilise existing land and infrastructure, resulting in approximately INR 200 crore of capex savings while significantly reducing project execution timelines. Management indicated that the new aluminium order book is already sold out for the next two years, providing strong revenue visibility. Furthermore, steel wheel plant utilisation is expected to increase from approximately 76% towards 95%, allowing fixed costs to be absorbed over a larger production base and supporting meaningful expansion in operating margins. Additional automation through robotic manufacturing, cost rationalisation initiatives and higher premium product contribution are expected to further enhance profitability over the next two to four quarters.

5. Multiple Growth Catalysts Across Automotive, EVs, Exports and Lightweight Components

The company is well positioned to benefit from several structural automotive trends. Premiumisation of passenger vehicles, rising SUV penetration, increasing localisation, import substitution, electric vehicle adoption and lightweight vehicle design continue to create strong demand for alloy wheels and aluminium components. SSWL enjoys dominant market positions with leading OEMs including Hyundai, Mahindra, Tata Motors, Honda, Kia, MG Motors, Ashok Leyland and several global export customers, providing excellent revenue visibility. Management expects FY27 revenue to approach INR 6,500 crore with EBITDA nearing INR 650 crore, implying strong growth over FY26. Export business is also expected to recover significantly, with management guiding exports towards approximately INR 600 crore, supported by stronger demand from Europe, Latin America and Asia following the normalisation of tariff-related disruptions. Europe has now become the company's largest export geography, reducing dependence on the US market. Meanwhile, the company continues to dominate the domestic EV scooter wheel market with approximately 80% market share, supported by proprietary technology and strong growth in electric two-wheelers and three-wheelers. Government initiatives promoting localisation, electric mobility, infrastructure development, manufacturing under the Make in India programme and increasing private sector investments across the automotive ecosystem are expected to remain favourable long-term industry tailwinds.

6. Business Transformation and Future Growth Opportunities

SSWL has successfully transformed from being predominantly a steel wheel manufacturer into a diversified automotive component company with increasing exposure to high-value aluminium products. Future growth is expected to come from premium alloy wheels, aluminium knuckles, export expansion, electric vehicle components, SUV platforms and new product introductions. Aluminium knuckles alone offer a significant long-term opportunity as OEMs increasingly replace conventional cast iron components with lightweight aluminium solutions to improve fuel efficiency, emissions and vehicle dynamics. Management expects customer additions beyond the existing two leading OEMs as production capacity expands. In parallel, steel wheel pricing improvements negotiated with key customers after nearly two decades are expected to gradually improve margins across the domestic steel wheel business. Strategic partnerships with Tata Steel and Nippon Steel continue to provide supply chain advantages, newer steel grade development and technological support. Investments in captive renewable energy through Clean Max Astria and Echanda Urja are also expected to lower power costs over time, supporting sustainable margin improvement.

7. Key Risks and Short-Term Headwinds

Despite the favourable growth outlook, investors should monitor certain short-term risks. Export demand remains susceptible to geopolitical developments, global trade policies and currency fluctuations, although recent tariff-related disruptions have started normalising. Automotive production volumes may remain influenced by consumer demand, interest rates and OEM production schedules. Elevated working capital requirements could temporarily constrain free cash flow while large expansion projects are under execution. Commodity price volatility, particularly steel and aluminium prices, could impact margins if cost pass-through is delayed. Additionally, timely ramp-up of the Bhuj expansion and customer qualification for aluminium knuckles will remain important execution milestones. Nevertheless, considering the company's sold-out aluminium order book, improving domestic demand, favourable product mix, increasing operating leverage, premiumisation trend, expanding exports and high-margin aluminium business, SSWL appears well positioned to deliver healthy earnings growth and margin expansion over the next 2–4 quarters, making it an attractive BUY candidate for investors with a 6 months investment horizon.

Q1FY27 Results:

	YoY	QoQ	Jun 2026	Mar 2026	Jun 2025
Revenue Cr	27.2%	2.4%	1,510	1,475	1,187
Operating Profit Cr	34.1%	8.8%	163	150	122
OPM %			10.8	10.2	10.2
PAT Cr	47.0%	14.1%	69	61	47
EPS ₹	46.8%	14.2%	4.4	3.9	3.0

Note – Amount is in INR crores.

Recommendation Timeline & Performance Summary: -

1. 1 July 2026 – Initial BUY Recommendation: The BUY call was initiated at a price of 246 with a target price of 276, implying an upside potential of 12% over a 6-months investment horizon.

2. 15 July 2026 – Target Achieved: The stock achieved our target price of 276 on 15 July 2026 and delivered a return of 15% (CMP is 283 as of 15 July 2026) in 2 weeks duration from our recommendation, significantly ahead of our envisaged 6-months investment horizon.

3. **16 July 2026 – Re-Initiation of BUY Call:** We have re-initiate the BUY call at the CMP of 261 with a target price of 293, indicating an envisaged upside potential of 12% over the next 6 months.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team