



Steel Strips Wheels Ltd (SSWL)

Q1FY26 Results Update:

Tariff Impact Manageable, Fundamentals Remain Strong

CMP: 218 (Market Cap: 3,412 Crs)

Target: 335 (54% Upside)

Target Price Revised To Reflect Tariff Impact

We initiated coverage on SSWL on 28th June 2025 with a target price of ₹396.

Following Q1FY26 results & the impact of US tariffs, **we reduce our target price by 18% to ₹335.**

Q1FY26 Highlights

- **Revenue Growth:** +15% YOY, driven by strong performance in April and May 25, reflecting solid demand momentum and sharp execution.
- **Exports:** +30% YOY, led by a +45% surge in alloy wheel volumes, still reinforcing strong traction in global markets.
- **EBITDA:** +8% YOY. Margins declined from 11.20% to 10.44% YOY due to a temporary rise in repair and maintenance costs. These are expected to normalize in the coming quarters.



- **Steel Wheels:** Volume declined by 2.6% YOY, offset by a +3% increase in realization, Segment performance remains stable.
- **Alloy Wheels:** +42% YOY growth in value and +23% in volume, **in line with our expectation of SSWL's push toward premium products** and market share expansion over steel wheels.
- **Aluminium Knuckles:** ~50,000 units sold, generating ₹13.2 Cr in revenue. While still in early ramp-up, the segment is well-positioned for scale as OEM demand builds.

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The Tariff Impact Will Be Manageable

From August 27, Indian imports to the U.S. will face an added 25% tariff, bringing the total to 50% and making them significantly more expensive. SSWL's key U.S. clients include Ford and John Deere.

To preserve these long-standing relationships, we believe that SSWL will absorb around **half of the tariff impact (~25%)** through its own margins in the near term, **helping maintain volume continuity and a stable presence in the U.S. market.**

Evaluating Tariff Scenarios

(*SSWL does not provide separate disclosures for the US market. The figures presented are **estimates** derived from total exports, the US share of those exports, and historical export margins. SSWL's products were already subject to a 2.5% tariff in the U.S. before the broader wave of tariffs introduced by Trump began in April 2025. We evaluate the impact of additional tariffs below)



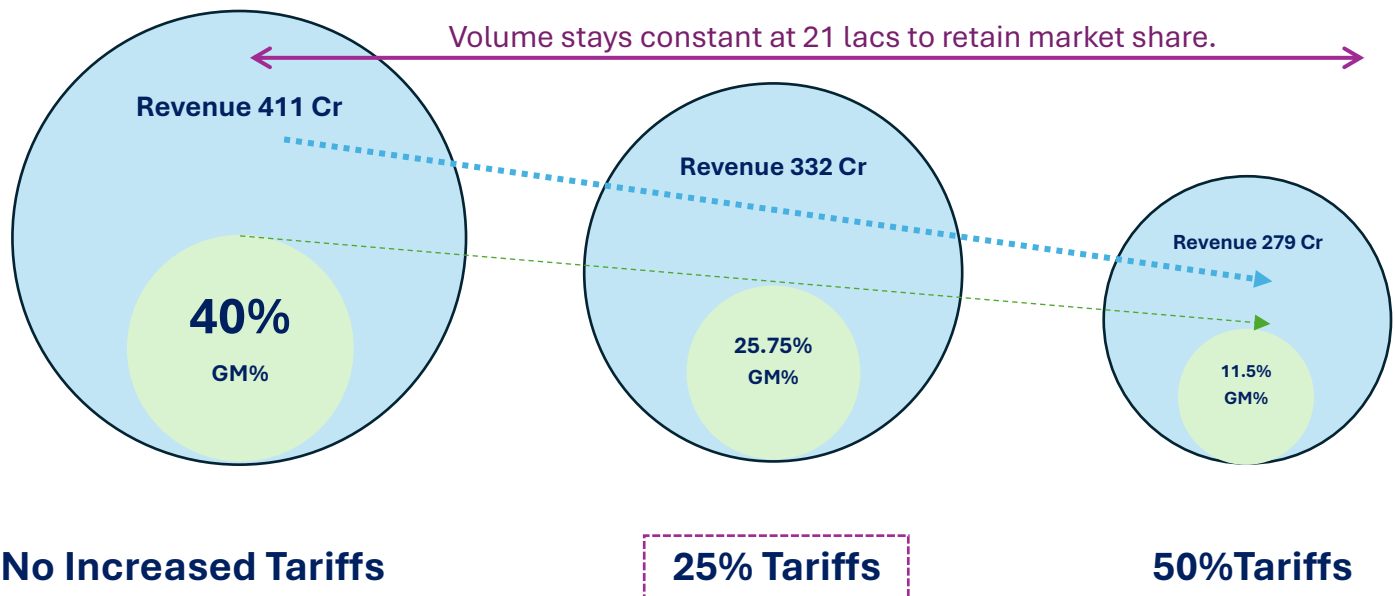
Scenario 1: SSWL To Absorb Half Of Tariff Hikes

We have assumed a 23.75 % reduction in Average Selling Price (ASP) for the U.S. market, reflecting **HALF** of the proposed additional 47.5% tariff impact. While the tariff will pressure pricing, we expect that SSWL will absorb part of the cost to protect volumes and maintain market share - *we believe that this will be the most probable outcome.*

Scenario 2: SSWL to fully absorb tariff hikes

We've factored in a full 47.5% reduction in ASP for the U.S. market, assuming SSWL absorbs the entire additional tariff impact to protect volumes and preserve market share. *We believe that this is a lower probability event.*

Exhibit 1: Effect on US Revenue and Margins due to Tariffs; Volume constant while Revenue drop



Source: Company, Front Wave Research



As evident from chart, **Margins continues to decline as SSWL absorbs a greater share of the tariff impact**, moving from no impact to 25% Tariffs and eventually the 50% Tariffs impact in FY26 and FY27.

Revised Financial Summary Based on Scenario 1 (Amount in Cr)

Particulars	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	₹ 5,092	₹ 5,652	₹ 5,147	₹ 5,737	-1.07%	-1.47%
EBITDA	₹ 528	₹ 608	₹ 617	₹ 703	-14.45%	-13.47%
EBITDA Margins	10.37%	10.76%	11.99%	12.25%	-1.62%	-1.49%

We've revised our consolidated figures based on Scenario 1, our most likely outcome. Even amid the current tariff chaos, **the impact on Consolidated EBITDA Margins is minimal, ~around 1.7%**, as shown in the table above.

Valuation & View

At the current market price, **SSWL trades at 7x FY27E EV/EBITDA, well below our target multiple of 10x.**

SSWL is expanding its global presence with a wholly owned subsidiary in Europe and ₹500 crore in regional orders, while also entering new markets like South America *to support long-term growth and reduce dependence on the U.S.*

Given the company's proactive diversification strategy, we see no reason for a downgrade in EBITDA multiples.

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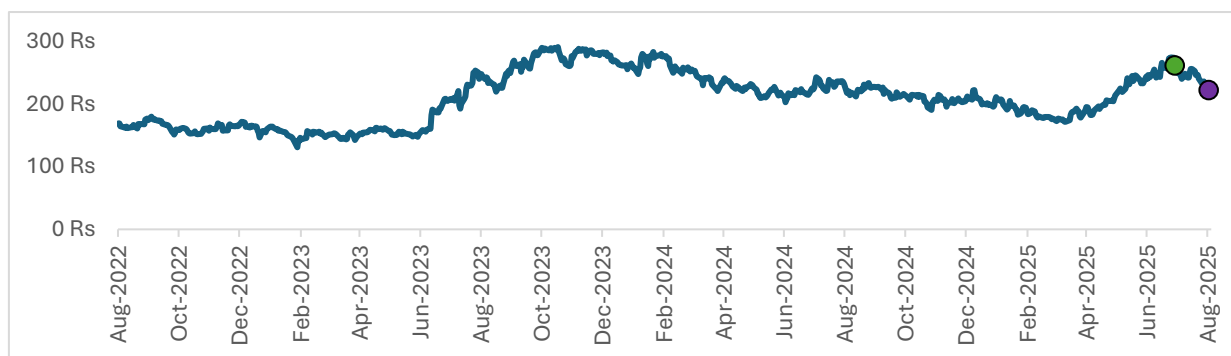
Financial Summary (Amount in Cr)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	₹ 4,041	₹ 4,357	₹ 4,429	₹ 5,092	₹ 5,652
Revenue Growth		7.82%	1.65%	14.97%	11.01%
EBITDA	₹ 443	₹ 464	₹ 484	₹ 528	₹ 608
EBITDA Margin	10.97%	10.65%	10.94%	10.37%	10.76%
EBITDA Growth		4.67%	4.38%	8.99%	15.24%
EV/EBITDA Multiple					10x
Enterprise Value					₹ 6,083
Less: Net Debt					₹ 825
Value of Equity					₹ 5,259
No. of Shares (In Crs)					15.69
Share Price					₹ 335

Recommendation Summary

Date		Price	Target	% Upside
28-June-25	●	₹ 274	₹ 396	44%
07-Aug-25	●	₹ 217	↓ ₹ 335	54%

Price Chart



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Annexures

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