

## India Ratings Affirms Steel Strips Wheels's Bank Loan Facilities at 'IND AA-/Stable; Rates Additional Limits

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India Ratings and Research (Ind-Ra) has affirmed Steel Strips Wheels Limited's (SSWL) bank loan facilities as follows:

### Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Bank loan facilities	-	-	-	INR2,750	IND AA-/Stable	Assigned
Bank loan facilities	-	-	-	INR13,415 (reduced from INR13,429)	IND AA-/Stable/IND A1+	Affirmed

### Analytical Approach

Ind-Ra continues to take a fully consolidate view of SSWL and its wholly owned subsidiary, AMW Auto Component Limited (AMW), to arrive at the ratings. This is because of the strong operational and financial linkages among them as both the companies operate in the automotive segment.

### Detailed Rationale of the Rating Action

The affirmation reflects SSWL's strong market position as an alloy and steel wheel rim manufacturer, sustained improvement in SSWL's revenue, and resilient operating profitability with rangebound EBITDA margins. Additionally, there is an increased share of higher-margin business (alloy wheels) in the revenue. The company's credit metrics remained elevated with the net adjusted leverage (net debt adjusted for letter of credit (LC) acceptances/EBITDA) exceeding 2.5x over FY24-FY25, amid the ongoing capex, and it is likely to remain above the same over FY26-FY27.

### List of Key Rating Drivers

#### Strengths

- Strong business profile
- Sustained growth in revenue
- Stable credit metrics during FY25-9MFY26
- Rangebound EBITDA margins
- Locational advantage; strong customer relationships
- Diversified revenue base

#### Weaknesses

- Capex-heavy business

### Detailed Description of Key Rating Drivers

**Strong Business Profile:** SSWL is one of the leading manufacturers of alloy wheel rims in the country with a total installed capacity of 5 million units as of 1HFY26 (FYE25: 4.2 million units). The company operated at about 80% capacity in FY25. The alloy capacity is likely to grow further by 1.2 million units at its Bhuj plant in Gujarat, which is planned to be

executed in two phases over FY27-FY28. Additionally, SSWL has a healthy market position in the steel wheel rim segment, with a 34% share in passenger vehicles (PVs), 52% in medium and heavy commercial vehicles, 42% in tractors, 35% in off-the-road segment and 39% in two- and three-wheelers. The company also benefits from a high share of business with domestic original equipment manufacturers (OEMs). Furthermore, in FY25, the company forayed into a new product segment, aluminium knuckles, leading to a combined capacity of 0.3 million as of 1HFY26, although its contribution to the overall revenue remains minuscule.

**Sustained Growth in Revenue:** SSWL's revenue grew 16.1% yoy to INR37,082 in 9MFY26 (FY25: INR44,290 million, FY24: INR43,571 million), due to increase in alloy wheel sales, recovery in demand across all domestic auto segments after the implementation of Goods and Services Tax 2.0 in September 2025, and the company's ability to add new customers and increase the share of business with its existing customers. The favourable impact of these factors was partly offset by a decline in exports, especially to the US markets in 3QFY26 on account of the US reciprocal tariffs imposed in August 2025.

Ind-Ra expects the revenue to increase 5%-7% yoy in FY26 due to the ramping up of alloy wheel segment capacity to 5 million in FY26 (FY25: 4.2 million) and knuckle capacity to 0.5 million (0.25), and an addition of incremental capacities post the AMW acquisition in commercial vehicle and tractor segments. Further, the company is likely to benefit from the recent reduction in US tariff. Ind-Ra expects FY27 revenue to be upwards of INR50,000 million.

**Stable Credit Metrics during FY25-9MFY26:** Despite the largely stable EBITDA levels (9MFY26: INR3,604 million, FY25: INR4,843 million, FY24: INR4,640 million), SSWL's adjusted net leverage (net debt adjusted for LC acceptances/EBITDA) deteriorated to 3.2x as of 9MFY26 (FY25: 2.8x, FY24: 3.1x) due to an increase in debt availed for capacity expansion in the alloy wheel as well as aluminium knuckles. The company's reported gross debt remained high at INR9,507 million at 9MFY26 (FY25: INR8,274 million; FY24: INR10,479 million). Adjusting for LC acceptances, the gross debt was around INR15,264 million at 9MFY26 (FY25: INR13,793 million; FY24: INR14,608 million).

The expansionary capex is likely to continue over FY26-FY27, though the peak revenue and EBITDA are likely to be generated only from FY28, hence, the net adjusted leverage is likely to remain above 2.5x over FY26-FY27. The total outside liabilities ((gross debt + creditors)/EBITDA) was 3.3x in 1HFY26 (FY25: 3.3x, FY24: 3.6x). SSWL's interest coverage (EBITDA/interest expense) deteriorated to 3.9x in 9MFY26 (FY25: 4.1x, FY24: 4.5x) and is likely to remain around 4.0x over FY26-FY27.

**Rangebound EBITDA Margins:** SSWL's EBITDA margins ranged between 10% and 11% over FY24-9MFY26 (9MFY26: 9.7%, FY25: 10.9%, FY24: 10.6%). In 9MFY26, EBITDA margins declined due to an increase in raw material prices, with aluminium (key raw material) price at a record high of INR265-270 per kg. However, the company has been able to pass on the price increases to OEMs with a lag of around three months, thereby protecting its margins to an extent. Ind-Ra notes that though the company has been expanding in margin-accretive alloy wheel and exports business, the margins remain susceptible to volatility in raw material prices and global uncertainties. Ind-Ra expects the EBITDA margins to range between 10% and 10.5% during FY26-FY27. SSWL's return on capital employed improved to 15.8% in FY25 led by an increase in earnings (FY24: 14.4%).

**Locational Advantage; Strong Customer Relationships:** SSWL's Chennai plant is located close to the port as well as to the manufacturing plant of Renault Nissan Automotive India Private Limited and Hyundai Motors Limited, which enables the company to keep its freight costs low and helps it cater to the export markets. Its Jamshedpur plant primarily caters to the requirements of Tata Motors, and its proximity to the latter and Tata Steel Ltd (['IND AAA'/Stable](#)), gives it an advantage over its competitors in terms of lower logistic and raw material costs.

SSWL's alloy wheel plant in Mehsana is situated close to Tata Motors. SSWL maintains strong relationships with its suppliers Tata Steel and Sumitomo Metal Industries Ltd, which are also strategic investors in the company, with a stake of 6.93% and 5.42%, respectively, at end-March 2025. The company has a strong business share in the alloy wheel segment in the models for Hyundai Motor India Ltd, Mahindra & Mahindra Ltd (['IND AAA'/Stable](#)), Tata Motors Ltd, and KIA Motors India Pvt Ltd, among others. Further, the company's planned capacity expansion for alloy wheels and knuckles at the Bhuj (Gujarat) plant, would cater entirely to exports owing to its proximity to the port compared to the Mehsana plant.

**Diversified Revenue Base:** The company has a diversified revenue profile with PV contributing 51% to the total revenue in 1HFY26 (FY25: 51%, FY24: 48%), CVs 24% (28%, 31%), tractors 12% (11%, 10%), and two/three-wheelers 2% (2%, 2%). Revenue contribution from exports dipped to 13% in 1HFY26 (FY25: 11%, FY24: 15%) on account global

uncertainties; however, the company has been diversifying its geographical base in exports to offset the uncertainties in any particular geography. The revenue contribution from alloy wheel rims increased to 32% in FY25 (FY24: 28%), and further to 36% in 1HFY26.

**Capex-Heavy Business:** The steel/alloy wheel business is a capex-intensive business. SSWL undertook continuous capex totalling INR11,212 million over FY19-FY25, primarily to expand its manufacturing facilities, including the expansion of its alloy wheel plant at Mehsana (Gujarat). Any large incremental capex could expose the company to risks related to the delayed completion of the planned facilities. Furthermore, the auto industry is inherently cyclical in nature. As witnessed during FY20-FY21, the increase in facilities, coupled with the auto sector slowdown also led by the COVID-19 pandemic, especially in the commercial vehicle segment, caused a significant decline in the capacity utilisation at SSWL's plants (excluding Mehsana), thus affecting its return ratios.

At FYE25, the company was operating close to 80% capacity in most of its existing plants. As part of scaling up of capacities, the company plans to undertake incremental capex of about INR4,300 million for alloy wheels and about INR1,400 million for knuckles at its Bhuj (Gujarat) plant over FY26-FY27. Any greenfield acquisition could delay the company's deleveraging exercise. Ind-Ra will continue to monitor any significant increase in the capex that could impact the return ratios and deleveraging plans of the company.

## Liquidity

**Adequate:** SSWL's free cash flow turned positive to INR1,736 million in FY25 (FY24: negative INR2,398 million) because of improved profitability, and a lower year-on-year capex. The net working capital cycle (creditors excluding LC acceptances) moderated slightly to 90 days in FY25 (FY24: 85 days), primarily due to a higher inventory held for exports, along with an increase in receivables. The company had unencumbered cash and bank balances of INR82 million at 9MFYE26 (FYE25: INR74 million; FYE24: INR403 million).

Of the total capex of INR2,123 million in FY25 (FY24: INR3,829 million), 26% was towards the alloy wheel Mehsana plant expansion, 23% towards the capacity expansion at the knuckle plant, and the remainder towards general maintenance and automation. The company plans to incur capex of around INR2,500 million in FY26 and INR4,000 million-4,500 million in FY27, towards alloy wheel and knuckles expansion at Bhuj plant. Thus, Ind-Ra expects the free cash flow to turn negative in FY26-FY27.

The company's average peak utilisation of the sanctioned fund-based capital limits was 92% during the 12 months ended December 2025. The average utilisation of its non-fund-based limits was 89% during the same period. The majority of SSWL's procurement is on an LC basis, leading to a high utilisation of its non-fund-based limits. SSWL has strong banking relations, which enables the company to easily tap the debt market, as and when required. The company has availed incremental INR1,100 million drawing power (DP)-backed fund-based limits, and INR250 million unsecured limits non-DP-based limits, which provides adequate liquidity buffer.

SSWL has term debt repayments obligations of INR1,222 million in FY26 and INR 1,027 million in FY27, and the agency believes the same will be met through internal accruals. Ind-Ra considers SSWL's liquidity to be adequate and derives comfort from the company's strong cash generating and fund-raising ability.

## Rating Sensitivities

**Positive:** A significant and sustained improvement in the revenue and profitability, while maintaining increased proportion of higher margin businesses, along with a reduction in the working capital cycle, and maintaining positive free cash flows while reducing the adjusted net leverage below 1.5x, all on a sustained basis, could lead to a positive rating action.

**Negative:** A decline in the revenue or profitability, a further stretch in the working capital cycle, or a decline in the liquidity cushion, or any large debt-funded organic or inorganic capex, leading to the adjusted net leverage remaining above 2.5x, all on a sustained basis, could lead to a negative rating action.

## Any Other Information

Not applicable

## About the Company

SSWL was incorporated in 1985. It started operations in 1991 and manufactures steel wheel rims in the range of 10-30-inch diameter for PVs, utility vehicles, tractors, trucks, two-wheelers, among others.

## Key Financial Indicators

Particulars	FY25	FY24
Revenue (INR million)	44,290	43,571
EBITDA (INR million)	4,843	4,640
EBITDA margin (%)	10.9	10.6
Interest coverage (x)	4.1	4.5
Net adjusted leverage (x)	2.8	3.1

Source: SSWL; Ind-Ra

## Status of Non-Cooperation with previous rating agency

Not applicable

## Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Rating/Outlook	Historical Rating/Outlook		
				2 January 2025	13 October 2023	18 July 2022
Issuer rating	Long-term	-	-	-	WD	IND A+/Stable
Bank loan facilities	Long-term/Short-term	INR16,165	IND AA-/Stable /IND A1+	IND AA-/Stable/IND A1+	IND AA-/Stable/IND A1+	IND A+/Stable/IND A1

## Bank wise Facilities Details

### Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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## **APPLICABLE CRITERIA AND POLICIES**

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### **Evaluating Corporate Governance**

### **Corporate Rating Methodology**

### **Parent and Subsidiary Rating Linkage**

### **Short-Term Ratings Criteria for Non-Financial Corporates**

### **The Rating Process**

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