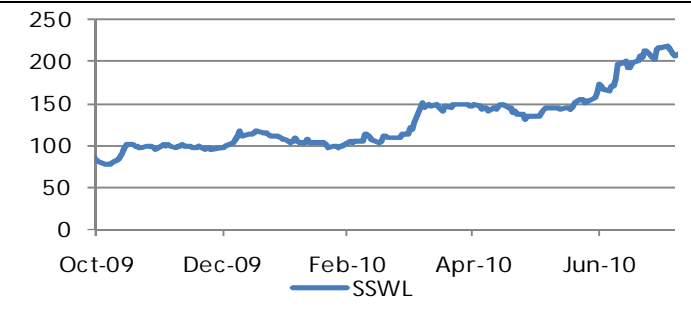


Q1 FY11 Results Update
Steel Strip Wheels Limited

Recommendation	HOLD
CMP (10/08/2010)	Rs. 210
Sector	Auto Ancillary

Stock Details	
BSE Code	513262
NSE Code	SSWL
Bloomberg Code	SSW IN
Market Cap (Rs. cr)	288
Free Float (%)	45%
52- wk HI/Lo	225/58.6
Avg. volume BSE (Monthly)	90,979
Face Value	Rs.10
Dividend payout (FY 2010/09)	10%/-
Shares o/s (Crs)	1.36

Relative Performance	1Mth	3Mth	1Yr
SSWL	7.8%	45.8%	235.5%
Sensex	2.5%	5.5%	21.8%


Shareholding Pattern as of 30/06/2010

Promoters Holding	53.98%
Institutional (Incl. FII)	4.82%
Corporate Bodies	27.32%
Public & others	11.18%

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Key highlights

- Strong sales in Q1 FY11 driven by improvement in demand and increased capacity
- SSWL received an order export order from German manufacturer Audi in the 1ST week of July. The business awarded has a potential of exports worth US\$38MN over 5 year & expects to start delivering wheel rims from Q4 FY11.
- Timely start of the Jameshpur facility from 19th July is further expected to boost revenue from Q2 FY11.
- SSWL expects a sales growth of 65.37% in the quarter ended September 2010 as compared to corresponding quarter of last year. With this growth the Management expect to achieve a sale of 24 lakhs wheel rims in Q2 FY11.
- For FY 2011 the Management expects to achieve a sale of around 1.05 crores wheel rims. The company is currently operating at 100% utilization at its Chennai and Dappar plants.
- Management has increased the export target for the quarter ending September 2010.

Valuation & Recommendation

We expect the company's sales and profitability to witness a robust growth over next couple of years. At the CMP of Rs. 210 per share, SSWL is currently trading at a PE of 9.16x FY11E and looks fairly attractive. Based on the EPS estimate of Rs. 22.93 and target multiple of 12.0x we arrive at a target of Rs. 275 for the stock. We initiated coverage on SSWL on 31 May 2010 at Rs. 133 with a BUY rating and a target price of Rs. 250, indicating a potential upside of 88%. Since then the stock has appreciated 58.3%. We continue to remain positive on the stock and recommend to HOLD the stock for a target of Rs.275 and suggest buying on dips.

Year	Net Sales	Growth %	EBITDA	Margin %	PAT	Margin	EPS	P/E	P/BV
FY 2009	317.3	18.4%	45.1	14.2%	7.8	2.5%	5.71	36.61	1.60
FY 2010	418.5	31.9%	60.8	14.5%	14.3	3.4%	7.61	27.45	1.44
FY 2011E	717.3	71.4%	103.1	14.4%	32.3	4.5%	17.16	12.17	1.35
FY 2012E	882.7	23.0%	131.8	14.9%	45.6	5.2%	24.21	8.63	1.14

Performance Analysis

- The company reported net sales of Rs. 148.4 Crs in Q1 FY11 as against Rs. 82.4 Crs in Q1 FY10 representing a growth of 80.2% YoY driven by increase in capacity and uptrend in the auto sector. Sales witnessed a growth of 198% QoQ in Q1 FY11. SSWL volumes grew 68.2% QoQ to 21.3 lakhs wheel rims in Q1 FY11.
- EBITDA for Q1 FY11 increased to Rs. 20.3 Crs from Rs. 13.8 Crs in Q1 FY10 reflecting the growth in the top-line partially offset by 90.5% increase in raw materials cost. Consequently, company's margin declined 314 bps YoY in Q1 FY11. While on a QoQ basis EBITDA increased 13.4%.
- PAT grew to Rs. 7.2 Crs in Q1 FY11 from Rs. 2.1 Crs in Q1 FY10 on the back of strong operating performance. PAT increased 31.3% QoQ.
- SSWL reported an EPS of Rs. 5.30 in Q1 FY11 as compared to Rs.1.64 in Q1 FY10.

Income Statement (in crores RS.)

Particulars	Q1 FY11	Q1 FY10	Y-o-Y	Q4 FY10	Q-o-Q
Net Sales	148.4	82.4	80.2%	123.8	19.8%
Expenditure					
Increase/Decrease in stock	(1.0)	(0.2)	n/a	0.7	-239.4%
Raw Materials	95.5	50.1	90.5%	76.6	24.7%
Employee Cost	7.2	4.1	73.4%	6.0	20.1%
Other expenditure	26.4	14.5	82.6%	22.7	16.7%
Total Expenditure	128.1	68.5	87.0%	105.9	20.9%
EBITDA	20.3	13.8	46.4%	17.9	13.4%
Margin	13.6%	16.8%	(314) bps	14.4%	(78) bps
Interest	4.6	5.1	-10.5%	3.9	17.7%
Depreciation	7.5	5.8	28.8%	6.8	9.1%
Other income	0.1	0.2	-31.6%	0.5	-75.0%
Prior period adjustment	0.0	0.0	n/a	0.3	-100.0%
Profit Before Tax	8.3	3.1	168.7%	7.4	13.3%
Provision for Tax (Includin deffered tax)	1.1	1.0	15.6%	1.9	-40.0%
Net Profit	7.2	2.1	237.4%	5.5	31.3%
Margin	4.9%	2.6%	227 bps	4.4%	42 bps
Earnings per share (Rs)	5.30	1.64	223.8%	4.21	26.0%

Sales toching new highs

SSWL reported strong monthly sales for the month of July 2010. SSWL achieved highest ever sales of wheels rims amounting to 765861 in July 10 compared to 660085 in July 09.

All the segments witnessed robsut growth in the month of July 2010.

Particulars	YoY growth
Car/MUV Segment	23%
Exports	11.8%
Tractor Segment	15.5%
Truck Segment	402%

Going forward we expect the sales to continue to increase from the Truck segment with the inauguration of Jameshpudpur plant which is set up to manufacture truck wheels for Tata Motors and other customers.

Exports continue to remain firm

The Management has raised its Exports projection to 120000 wheels to Renault Brazil against an earlier projection of 105000 wheel rims for the Q2 FY 2010-11. This is due to increased demand from the OE for the Logan Car. We expect the company's export sale to continue to expand as the company continues to get newer order from large global car manufacturers.

Change in Estimates

Particulars	FY 2011 Estimates			FY 2012 Estimates		
	Previous	Revised	Variation	Previous	Revised	Variation
Net Sales	660.5	717.3	8.6%	837.1	882.7	5.4%
PAT	29.6	32.3	9.2%	44.8	47.4	5.7%

- Considering the new order and the fact that SSWL is operating at 100% utilization rate, we have revised our sales estimates upwards for the company for FY 2011 and FY 2012.
- We have also revised our PAT estimates upwards as the growth of higher margin products and increasing expoerts will have a positive impact on the company's overall profitability.

Valuation & Recommendation

We expect the company's sales and profitability to witness a robust growth over next couple of years. At the CMP of Rs. 210 per share, SSWL is currently trading at a PE of 9.16x FY11E and looks fairly attractive. Based on the EPS estimate of Rs. 22.93 and target multiple of 12.0x we arrive at a target of Rs. 275 for the stock. We initiated coverage on SSWL on 31 May 2010 at Rs. 133 with a BUY rating and a target price of Rs. 250, indicating a potential upside of 88%. Since then the stock has appreciated 58.3%. We continue to remain positive on the stock and recommend to HOLD the stock for a target of Rs.275 and suggest buying on dips.

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Profitability (Rs. In Cr)	FY09A	FY10A	FY11E	FY12E
Net Sales	317.3	418.5	717.3	882.7
Other op income	0.0	0.0	0.0	0.0
Total Income	317.3	418.5	717.3	882.7
EBITDA	45.1	60.8	103.1	134.5
Dep	17.1	25.0	32.1	36.4
Op Income	27.9	35.8	71.0	98.1
Interest	16.0	16.9	25.8	27.3
Other Income	1.1	0.9	1.0	1.0
Other Adjustments	0.3	0.3	0.1	0.0
PBT	12.8	19.5	46.2	71.8
Tax	5.0	5.2	13.9	24.4
PAT	7.8	14.3	32.3	47.4
Adj PAT	7.8	14.3	32.3	47.4
Shares o/s (Cr.)	1.31	1.31	1.41	1.41
EPS	6.0	11.0	22.9	33.6
Adj EPS	6.0	11.0	22.9	33.6
Cash EPS	19.1	30.1	45.7	59.4

Quarterly (Rs. In Cr)	Sep.09	Dec.09	Mar.10	Jun.10
Net Sales	96.7	115.6	123.8	148.4
EBITDA	15.0	14.2	17.9	20.3
Dep	5.5	6.8	6.8	7.5
Op Income	9.4	7.4	11.0	12.8
Interest	4.0	3.8	3.9	4.6
Other Income	0.1	0.1	0.5	0.1
Other Adjustments	0.0	0.0	0.3	0.0
PBT	5.4	3.6	7.4	8.3
Tax	1.1	1.2	1.9	1.1
PAT	4.3	2.4	5.5	7.2
EPS (Rs.)	3.3	1.8	4.2	5.3

Performance Ratio	FY09A	FY10A	FY11E	FY12E
Sales growth (%)	51.9%	31.9%	71.4%	23.0%
EBITDA margin (%)	14.2%	14.5%	14.4%	15.2%
Adj.PAT margin (%)	2.5%	3.4%	4.5%	5.4%
RoNW	4.6%	7.6%	14.9%	18.1%

Valuation Ratio	FY09A	FY10A	FY11E	FY12E
Price Earnings (x)	26.80	14.57	6.46	4.41
Price / Book Value (x)	1.60	1.44	1.35	1.13
EV / Sales	1.01	0.77	0.49	0.40
EV / EBITDA	7.13	5.31	3.43	2.63
Dividend Yield	0.8%	0.8%	0.8%	0.8%

Financial Health (Rs. In Cr)	FY09A	FY10A	FY11E	FY12E
Share Capital	13.7	18.8	18.8	18.8
Reserves & Surplus	156.7	170.2	198.8	242.4
Share Holder's Funds	170.4	189.1	217.6	261.2
Total Loans	234.8	300.4	344.9	338.0
Deferred Tax Liabilities	15.4	15.9	15.9	15.9
Total Liabilities	420.6	505.4	578.4	615.2
Net Fixed Assets	359.9	422.9	450.8	444.5
Investments	0.2	0.4	0.4	0.4
Sundry Debtors	43.7	63.1	92.4	113.7
Cash & Bank	6.9	24.8	23.3	44.8
Loans & Advances	13.4	17.8	25.1	26.5
Inventories	52.8	77.1	115.2	141.2
Other Current Assets	1.6	4.0	7.2	8.8
Total CA	118.4	186.9	263.1	334.9
Curr Liab & Prov	58.0	104.7	135.9	164.6
Net Current Assets	60.4	82.2	127.2	170.3
Total Assets	420.5	505.4	578.4	615.2

Cash Flow (Rs. In Cr)	FY09A	FY10A	FY11E	FY12E
Operating				
Net Income	12.8	19.5	46.2	71.8
Change in WC	-21.6	-3.5	-40.5	-20.6
Other Adjustment	27.7	36.4	37.9	38.2
CF from Opeartion	18.9	52.4	43.6	89.4
Investment				
Capex	-64.1	-87.9	-60.0	-30.0
Other Inv & Int	0.7	0.0	0.0	0.0
Total Inv	-63.3	-87.9	-60.0	-30.0
Financing				
Diviend Paid	-2.0	-3.8	-3.8	-3.8
Share Capital	10.0	5.2	0.0	0.0
Debt Repayment & Int	35.8	48.7	18.6	-34.2
Total Financing	43.8	50.1	14.8	-37.9
Net Chg. in Cash	-0.7	14.6	-1.5	21.4
Cash at beginning	7.6	6.9	24.8	23.3
Cash at end	7.0	21.5	23.3	44.8

Per Share Data	FY09A	FY10A	FY11E	FY12E
Reported EPS	5.97	10.98	22.93	33.59
Adjusted EPS	5.97	10.98	22.93	33.59
BV per share	130.5	144.8	154.4	185.3
Cash per share	5.3	19.0	16.5	31.7
Dividend per share	1.60	1.60	1.60	1.60

NOTE

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