

Event Update

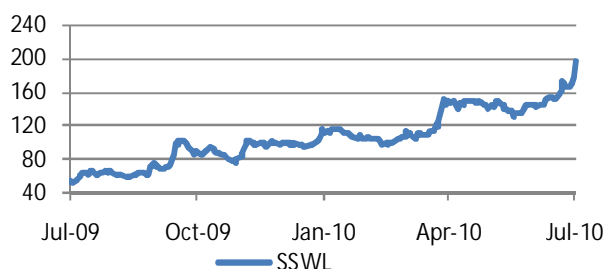
Steel Strips Wheels Ltd. (SSWL)

Recommendation	HOLD
CMP (09/07/2010)	Rs. 196
Sector	Auto Ancillary

Stock Details

BSE Code	513262
NSE Code	SSWL
Bloomberg Code	SSW IN
Market Cap (Rs. cr)	266.7
Free Float (%)	45%
52- wk HI/Lo	206.3/51.0
Avg. volume BSE (Monthly)	17,319
Face Value	Rs.10
Dividend payout (FY 2010/09)	10%/-
Shares o/s (Cr)	1.36

Relative Performance	1Mth	3Mth	1Yr
SSWL	35.8%	32.9%	265.9%
Sensex	5.0%	5.1%	18.1%



Shareholding Pattern as of 31/03/2010

Promoters Holding	52.03%
Institutional (Incl. FI)	5.01%
Corporate Bodies	27.90%
Public & others	15.06%

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- Riding high on export orders**
 Today SSWL has received a big order from German car manufacturer AUDI. The business awarded has a potential of exports worth US\$38 mn (approximately Rs. 179 Crs) over 5 years period. SSWL will deliver 3 lakh wheel rims p.a. under this order. This order marks the company's second order from German OEM. The company expects to start delivering wheel rims from Q4 FY11. We believe that product approvals and order pipeline will continue to drive the export growth at a rapid pace.
- Timely start of Jamshedpur plant to boost top-line**
 The company has announced that its Jamshedpur plant having an annual capacity of 1 mn wheel rims per annum will be inaugurated on 19 July 2010 as it was expected. Timely start of this facility will enable the company to deliver on its strong order book as the company has already received the orders for this facility from its prestigious customers. The company intends to primarily serve Tata Motors Ltd, Ashok Leyland and export markets in Japan and Europe from this plant. The capacity of this plant will be upgraded to 2 mn wheel rims by mid 2011 which will make the company number one wheel manufacturer in India.
- Subdued sales number for June 2010**
 SSWL reported sales of 6.40 lakhs wheel rims for the month of June 2010 representing a growth of 31.68% on a YoY basis. However, on a MoM basis the sales number declined 12.2% which is primarily due to the scheduled semi-annual weekly shutdown by Maruti Suzuki Ltd who is the company's largest customer in terms of volumes. Going forward, we expect the monthly sales numbers to increase substantially particularly with the start of its Jamshedpur plant.

Year	Net Sales (RS. Crs)	Growth %	EBITDA (Rs. Crs)	Margin %	PAT (Rs. Crs)	Margin %	EPS (Rs.)	P/E (x)	P/BV (x)
FY 2009	317.3	18.4%	45.1	14.2%	7.8	2.5%	5.71	34.36	1.50
FY 2010	418.5	31.9%	60.8	14.5%	14.3	3.4%	10.50	18.68	1.41
FY 2011E	660.5	57.8%	101.1	15.3%	29.6	4.5%	20.92	9.37	1.27
FY 2012E	837.1	26.7%	130.0	15.5%	44.8	5.4%	31.71	6.18	1.06

Valuation & Recommendation

We expect the company's sales and profitability to witness a robust growth over next couple of years. We will revisit our FY 2012 estimates to include the impact of order from AUDI once the company announces its Q1 FY11 results. We expect the company to earn an EPS of Rs. 20.91 in FY 2011. At the CMP of Rs. 196 per share, SSWL is currently trading at a PE of 9.37x FY11E and looks fairly attractive. 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 47.3%. We continue to remain positive on the stock and recommend to HOLD the stock for a target of Rs.250 and suggest buying on dips.

Initiating Coverage

Steel Strips Wheels Ltd.

Note

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