

## Proxima Steel Forge Private Limited

July 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	15.50	CARE BB-; Stable	Assigned
Long-term / Short-term bank facilities	38.00	CARE BB-; Stable / CARE A4	Assigned
Short-term bank facilities	1.50	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Proxima Steel Forge Private Limited (PSFPL) are constrained by the company's weak financial risk profile due to high reliance on external borrowings, thereby leading to moderate profitability margins and debt coverage metrics, exposed to the risks associated with geographical concentration, foreign exchange fluctuation, and high customer concentration. The ratings are also constrained by the risk associated with highly competitive industry and raw material price fluctuations.

However, ratings derive comfort from experienced management with long track record of operations, moderate scale of operations and established relationships with globally renowned clients.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale of operations as marked by total operating income (TOI) of above ₹250.00 crore along with profit before interest, lease rental, depreciation and taxation (PBILDT) margin above 7.50% on a sustained basis.
- Improvement in overall gearing below 1.50x and total debt/ PBILDT below 4.0x.

#### Negative factors

- Decline in profitability i.e. PBILDT below 6.50%, leading to deterioration in liquidity position on a sustained basis.
- The ratings could be impacted if the company undertakes unanticipated fresh debt-funded capex/investments/acquisitions or experiences any significant stretch in its working capital cycle, adversely impacting its liquidity.

### Analytical approach: Standalone

#### Outlook: Stable

The Stable outlook on ratings reflects CARE Rating Limited's (CareEdge Ratings') opinion that the company is likely to sustain its operating metrics and debt protection metrics on the back of promoters' extensive experience and long track record of operations.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Leveraged capital structure coupled with moderate debt coverage indicators

PSFPL's capital structure is leveraged as marked by low net worth base of ₹30.68 crore as on March 31, 2025, in comparison to higher dependence on external debt, resulting in overall gearing of 2.41x as on March 31, 2025.

PSFPL's debt coverage metrics are moderate as marked by interest coverage ratio and total debt to gross cash accruals (TD/GCA) remain within the range of 2.57x – 4.25x and 6.57x – 7.54x, respectively, in last five fiscals ending FY25 (refers to the period April 01, to March 31), driven by higher interest cost primarily on account of high utilisations of the working capital limits and unsecured business loans.

Further, the company is undertaking capital expenditure plan to construct a separate facility on ~8-acre land, which is adjacent to the existing unit. This facility will be used for packaging, warehousing, and dispatching of the goods. The total estimated cost of this project is ~₹50.0-60.0 crore, which is being financed through a combination of unsecured loans from directors and relatives (~₹50.0 crore) and internal accruals for the balance of ~10%. As of now, ~₹4-5 crore has already been incurred towards infrastructure development, including the construction of sheds, pillars, among others. Any increase in debt portion, would further adversely impact the capital structure of the company.

#### Exposed to high geographical concentration and regulatory risk

In FY25, the company exported ~94% of its products (PY: ~89%). Over 85% of these exports were concentrated among customers based out in USA, Germany, and Sweden. This high geographic concentration exposes the company to potential adverse changes in the regulatory environments and company's fortunes linked to overall market demand in these countries.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

### High customer concentration and foreign currency fluctuation risk

PSFPL exports its products to various international markets, including USA, Germany, Sweden, Italy, Spain, Russia, Canada, and Poland, etc. However, its majority sales are driven by a few customers, with top five customers contributing ~80%-90% of total sales in FY25, exposing the company towards customer concentration. Any shift in the procurement policies of these clients could adversely affect PSFPL's revenue growth and profitability.

Additionally, the company's profitability is exposed to the volatility in foreign currency exchange rates as majority of its revenue is dominated by exports. The company does not use forward cover for hedging against foreign currency fluctuations. During FY25, the company reported foreign exchange gain of ₹1.44 crore (PY: foreign exchange loss of ₹0.83 crore).

### Highly competitive and fragmented nature of industry

PSFPL operates in a highly competitive market with numerous unorganised players. The presence of many small and regional competitors has limited the company's bargaining power and put pressure on its profit margins.

### Exposed to volatility in profits, given the cyclicity inherent in the steel industry

PSFPL's major raw material is steel. The steel industry is characterised by its inherent cyclicity. The company's profitability remains susceptible to raw material price volatility.

## Key strengths

### Extensive experience of promoters coupled with long track record of operations

PSFPL was incorporated by Late Sh. Harbans Lal Sharma as a part of H. R. Group of industries. It is a closely held, family-managed company, which is currently promoted by Sudarshan Kumar Sharma, who brings over five decades of extensive industry experience. He is actively supported by his son, Rishi Raj Sharma, who oversees the company's financials and production and Nancy Sharma, is looking after the marketing of the company.

### Moderate scale of operations and profitability margins

Although the company's scale of operations has improved in FY25, it remains moderate with TOI of ₹195.94 crore in FY25 (PY: ₹143.31 crore) with a PBILDT margin of 7.71% (PY: 7.77%). In future years, the company's scale of operations is expected to increase on back of addition of new products, and adequate demand for existing products.

### Established relationships with globally renowned clients

PSFPL primarily caters to reputed clients such as Walmart Inc. and The Home Depot, etc. The company has been operating in this business for over three decades and has been able to establish healthy relationship with both its customers and suppliers.

### Liquidity: Stretched

The liquidity position of the company is stretched as marked by GCA of ₹11.25 crore generated during FY25 against the scheduled debt repayment of ~₹8 crore in FY26. The company's cash and cash equivalent were ₹2.46 crore as on March 31, 2025. However, average fund-based working capital borrowings utilisation is high at ~95% for the trailing 12 months ending May 2025. Further, the company is planning to incur capital expenditure with total estimated cost of ~ ₹50.0-60.0 crore, which is being financed through a combination of unsecured loans from directors and relatives (~₹50.0 crore) and remaining from internal accruals.

### Environment, social, and governance (ESG) risks: Not applicable

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

Jalandhar-based, PSFPL was established on November 24, 1992, by late Harbans Lal Sharma. PSFPL is engaged in manufacturing hand tools such as striking tools, including different types of hammers, axes, chisels and bolsters, frost pin, bars, nail puller, manhole cover pick hook, and wedges etc. The major raw materials are stainless steel, brass, wood and other materials, procured from domestic as well as overseas market contributes. Majority revenue is derived from export to countries across USA, Europe, Africa, Middle East, Southeast Asia, and South Asia etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	142.95	143.31	195.94
PBILDT	10.36	11.13	15.11
PAT	3.51	4.05	5.34
Overall gearing (times)	2.33	2.24	2.41
Interest coverage (times)	2.67	2.89	2.57

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	10-11-2029	15.50	CARE BB-; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	38.00	CARE BB-; Stable / CARE A4
Non-fund-based - ST-Working Capital Limits	-	-	-	-	1.50	CARE A4

LT: Long term; ST: Short term; LT/ST: Long term/Short term

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	15.50	CARE BB-; Stable	-	-	-	-
2	Non-fund-based - ST-Working Capital Limits	ST	1.50	CARE A4	-	-	-	-
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	38.00	CARE BB-; Stable / CARE A4	-	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Non-fund-based - ST-Working Capital Limits	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Puneet Kansal Director <b>CARE Ratings Limited</b> Phone: 120-4452018 E-mail: <a href="mailto:puneet.kansal@careedge.in">puneet.kansal@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 912267543444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Sandeep Aggarwal Associate Director <b>CARE Ratings Limited</b> Phone: 120-4452062 E-mail: <a href="mailto:Sandeep.aggarwal@careedge.in">Sandeep.aggarwal@careedge.in</a>
	Arpit Garg Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:arpit.garg@careedge.in">arpit.garg@careedge.in</a>

### About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: [www.careratings.com](http://www.careratings.com)

### Disclaimer:

This disclaimer pertains to the ratings issued and content published by CARE Ratings Limited ("CareEdge Ratings"). Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. Any opinions expressed herein are in good faith and are subject to change without notice. The rating reflects the opinions as on the date of the rating. A rating does not convey suitability or price for the investor. The rating agency does not conduct an audit on the rated entity or an independent verification of any information it receives and/or relies on for the rating exercise. CareEdge Ratings has based its ratings/outlook on the information obtained from reliable and credible sources. CareEdge Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. The users of the rating should rely on their own judgment and may take professional advice while using the rating in any way. CareEdge Ratings shall not be liable for any losses that user may incur or any financial liability whatsoever to the user of the rating. The use or access of the rating does not create a client relationship between CareEdge Ratings and the user.

CAREEDGE RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, TO THE EXTENT PERMITTED BY APPLICABLE LAWS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE.

Most entities whose bank facilities/instruments are rated by CareEdge Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CareEdge Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. CareEdge Ratings does not act as a fiduciary by providing the rating. The ratings are intended for use only within the jurisdiction of India. The ratings of CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades. CareEdge Ratings has established policies and procedures as required under applicable laws and regulations which are available on its website.

Privacy Policy applies. For Privacy Policy please refer to [https://www.careratings.com/privacy\\_policy](https://www.careratings.com/privacy_policy)

© 2025, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information. Any use or reference to the contents herein on an "as-is" basis is permitted with due acknowledgement to CareEdge Ratings. Reproduction or retransmission in whole or in part is prohibited except with prior written consent from CareEdge Ratings.

**For detailed Rating Report and subscription information,  
please visit [www.careratings.com](http://www.careratings.com)**