Sharp Chucks and Machines Limited

January 09, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	11.52	CARE BB+; Stable	Upgraded from CARE BB; Stable
Long Term / Short Term Bank Facilities	62.00	CARE BB+; Stable / CARE A4+	LT rating upgraded from CARE BB; Stable and ST rating reaffirmed
Short Term Bank Facilities	3.00	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in ratings assigned to bank facilities of Sharp Chucks and Machines Limited (SCML) factors in consistent improvement in operational performance, marked by an increase in scale and steady profitability. The improvement has been supported by an increase in demand from the tractor segment, addition of new products, and cost-efficient measures such as automation and commencement of in-house machining is expected to further enhance profitability margins going forward. The ratings also favourably factor in experienced promoters, the company's long track record of operations and established business relationships with reputed Original Equipment Manufacturers (OEMs). However, ratings remain constrained by average capital structure, marked by overall gearing above unity and weak debt coverage indicators. The liquidity continues to remain stretched, as reflected by near-full utilisation of working capital limits over the past 12 months ended October 2025. This was partly driven by negative cash flow from operations in FY25 (FY refers to April 01 to March 31), primarily on account of a significant build-up in inventory for new product development for existing OEMs and increased casting requirements. However, inventory levels are anticipated to moderate in the near term, supported by reduced reliance on job work, which will remain a key monitorable. The ratings remain constrained by the company's exposure to customer concentration risk, its working capital-intensive nature of operations, susceptibility of profitability margins to volatility in raw material prices and the cyclical nature of the automotive industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainable growth in revenue above ₹350 crore and Profit before interest, lease, depreciation and tax (PBILDT margin) above 13% along with improvement in capital structure with an overall gearing below 1.00x.
- Efficient management of inventory resulting in lower reliance on working capital limit utilisation and consequent improvement in liquidity position.

Negative factors

- Decline in scale below Rs. 200 crore and PBILDT margin below 9%.
- Significant debt-funded capex in mid-term resulting in deterioration of capital structure of the company with an overall gearing beyond 1.30x.

Analytical approach: Standalone

Outlook: Stable

The "Stable" outlook reflects CARE Ratings' expectation of steady scale of operations across varied customers, along with improvement in financial risk profile and liquidity position.

Detailed description of key rating drivers:

Key weaknesses

Average capital structure and weak debt coverage indicators

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

The capital structure of the company remains average, characterized by overall gearing of 1.40x as on March 31, 2025 (PY: 1.37x). The debt profile primarily comprises various term loans amounting to ₹30.39 crore for purchase of plant & machinery and upgradation of existing ones and working capital borrowings. There has been higher utilization of working capital borrowings and utilization of bill discounting facility for discounting the receivables from Mahindra and Mahindra. Debt coverage indicators stood strained, marked by PBILDT interest coverage of 2.37x in FY25 (PY: 2.55x) and high total debt to GCA (TD/GCA) of 7.62x in FY25 (PY: 6.20x).

Working capital intensive nature of operations
Being an auto ancillary player, the operations of the company are highly working capital intensive, marked by an average operating cycle of ~145 days in FY25 (PY: 138 days). The company primarily supplies auto component parts to major OEMs. Therefore, being a Tier-1 supplier, the company has lower bargaining power compared to its customers, resulting in receivables days of ~42 in FY25 (PY: 47 days). Further, the company is required to maintain adequate inventory of raw material for smooth running of its production processes. Therefore, the company maintains inventory of ~4-5 months. The creditor period stood at 52 days (PY: 56 days). The high working capital requirements were met largely through bank borrowings, resulting in high utilisation of ~98% of its sanctioned working capital limits in the last twelve months ended October 2025.

Susceptibility of margins to volatility in raw material prices
Raw material expense is the major cost driver for SCML, constituting ~55–65% of its total operating income (TOI). The company primarily depends on iron and steel scrap, cast iron (CI) boring, mild steel (MS) rounds, flat iron, and pig iron sourced from domestic suppliers. Any sharp volatility in the prices of these key raw materials can adversely impact profitability. Although the company has a mechanism to pass on changes in raw material prices to its OEM customers, the adjustment happens with a lag of one quarter, which exposes the company to short-term margin fluctuations.

Cyclicality nature of the automotive industry
The automobile industry is cyclical in nature and automotive component suppliers' sales are directly linked to sales of auto OEMs. Furthermore, the auto-ancillary industry is competitive with the presence of a large number of players in the organized as well as unorganized sector. While the organized segment majorly caters to the OEM segment, the unorganized segment mainly caters to the replacement market and to tier II and III suppliers. The product portfolio of the company caters solely to automobile industry. The growth of the company is directly linked to the domestic automotive industry which, in turn, is cyclical and dependent on the growth of the economy.

Key strengths

Consistent growth in scale of operations with stable profitability margins
SCML has demonstrated consistent improvement in its scale of operations, reporting a year-on-year growth of 22% in total operating income (TOI) to ₹245.86 crore in FY25 (PY: ₹201.82 crore). The growth was primarily driven by an increase in demand for tractors and higher content per vehicle for existing OEM customers, supported by addition of new products such as crankcase and cylinder head to its portfolio. SCML's operating profitability exhibited a stable trend with PBILDT margin remaining within the range of 11-12% over the past five years ended FY25. By the end of FY26, margins are expected to remain at similar levels with an anticipated 10% improvement in TOI. Going forward, with capacity optimization and cost efficiency measures undertaken by the company including automation of machineries, reducing outsourcing of machining work, and lower rejection rates, the company expects improvement in its profitability.

Experienced management and long track record of operations
SCML is led by directors Mr. Ajay Sikka (Chairman & Managing Director), Mr. Gopika Sikka, Mr. Avinash Shripad Joshi and Mr. Lovansh Gupta, who collectively oversee overall operations of the company. Mr. Ajay Sikka holds over 3 decades of industry experience and Directors are assisted by a team of professionals with considerable experience in their respective domains.

Established relationship with reputed OEMs
The company has established relationship with reputed OEMs, viz., Mahindra & Mahindra (M&M), International Tractors Limited (ITL), Swaraj Engines Limited (SEL), Escorts Limited, etc. Though the sales appear to be concentrated as these OEMs contributes majority of the total sales of the company around ~74%, though, the risk is mitigated considering these OEMs hold majority of the share in the domestic market and has been in long term association with the company.

Liquidity: Stretched

Liquidity of the company remains stretched, characterized by near full utilisation of its working capital limits at 98% for the past 12 month's period ending October 2025. Company is expected to generate Gross Cash Accruals (GCA) of ~Rs. 18 crore against repayment obligations of ~Rs. 11 crore in FY26. The stretched liquidity position of the company has constrained the ability of the company to repay its debt obligations on a timely basis in the month of December 2023 and thereafter in the month of March 2024. However, since April 2024, company has been regular in timely servicing of its term debt obligations by cautiously managing its cash flows. Further, to support the liquidity position, company raised ~Rs. 18 crore by fresh issue of equity shares in the form of warrants, out of which Rs. 3.69 crore remains unutilized, available for use for company's daily operational needs. Additionally, term debt is steadily reducing with scheduled repayments, and the company has no plans for debt-funded capital expenditure in the medium term. Regular capex of ₹3 crore is projected for the coming years. Further, reduction in working capital limit utilisation supported by the release of inventory currently maintained as work-in-progress across four different job worker locations remains a key monitorable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Auto Components & Equipments
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Jalandhar, Punjab based Sharp Chucks and Machines Limited (SCML) (erstwhile known as Sharp Garden Implements Private Limited) was initially incorporated in June 1994 as a private limited company. Later, in December 2022, it was converted into a public limited company and in October 2023, the company got listed (NSE SME). The current directors are namely, Mr. Ajay Sikka, Mrs. Gopika Sikka, Mr. Avinash Shripad Joshi, Mr. Lovansh Gupta, Mr. Manmohan Puri and Mr. Suraj Singhal. The company is engaged in the manufacturing of casting products, forging products, lathe chucks, power chucks, drill chuck and other machine tools accessories, etc. The manufacturing process of the company is done through two units located at Jalandhar, Punjab. The company is having an installed capacity of 30,000 MTPA of casting unit, 14,400 MTPA for machining unit and 3,600 MTPA of forging unit. The products manufactured by the company finds its application in diverse industries such as tractors, automobiles, material handling & earth moving equipment's, railways, defence, machine tools, DIY power tools industry, etc. The company is having certifications like IATF 16949: 2016, ISO 9001: 2015 and BSI SA 8000: 2014.

Particular	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (A)
Total operating income	201.82	245.86	132.65
PBILDT	24.39	29.23	17.67
PAT	6.10	7.94	5.64
Overall gearing (times)	1.37	1.40	NA
Interest coverage (times)	2.55	2.37	2.67

A: Audited NA: Not available; Note: 'the above results are latest financial results available'
*PBILDT: Profit before interest, lease rentals, depreciation and tax

Status of non-cooperation with previous CRA: Brickwork continues to categorize rating assigned to the bank facilities of SCML under non-cooperation category vide PR dated September 04, 2025 on account of its inability to carry out a rating surveillance in the absence of the requisite information from the company.

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		-	-	December, 2028	11.52	CARE BB+; Stable
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	62.00	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-BG/LC		-	-	-	3.00	CARE A4+

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/ ST-CC/Packing Credit	LT/ST	62.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB; Stable / CARE A4+ (18-Feb-25) 2)CARE B; Stable / CARE A4 (23-Sep-24)	1)CARE D / CARE D (05-Mar-24) 2)CARE D / CARE D; ISSUER NOT COOPERATING* (11-Jan-24) 3)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (16-Aug-23)	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (05-Aug-22)
2	Fund-based - LT-Term Loan	LT	11.52	CARE BB+; Stable	-	1)CARE BB; Stable (18-Feb-25) 2)CARE B; Stable (23-Sep-24)	1)CARE D (05-Mar-24) 2)CARE D; ISSUER NOT COOPERATING* (11-Jan-24)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (05-Aug-22)

							3)CARE BB; Stable; ISSUER NOT COOPERATING * (16-Aug-23)	
3	Non-fund-based - ST-BG/LC	ST	3.00	CARE A4+	-	1)CARE A4+ (18-Feb-25) 2)CARE A4 (23-Sep-24)	1)CARE D (05-Mar-24) 2)CARE D; ISSUER NOT COOPERATING * (11-Jan-24) 3)CARE A4; ISSUER NOT COOPERATING * (16-Aug-23)	1)CARE A4; ISSUER NOT COOPERATING * (05-Aug-22)

*Issuer did not cooperate; based on best available information.
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-CC/Packing Credit	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view 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.

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