Proxima Steel Forge Private Limited

August 07, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	38.00	CARE BB-; Stable / CARE A4	Reaffirmed
Long-term bank facilities	RBI	15.50	CARE BB-; Stable	Reaffirmed
Short-term bank facilities	RBI	1.50	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Proxima Steel Forge Private Limited (PSFPL) continue to be constrained by the exposure to project execution and funding risks arising from the ongoing expansion, where the company is developing a packaging, warehousing, and dispatch facility adjoining its existing unit where the sizeable pending expenditure exposes PSFPL to execution, cost-overrun, and funding risks. Ratings are also constrained by the company's stagnant scale and modest profitability with major reliance on exports particularly to the United States (the US), leveraged capital structure and moderate debt coverage indicators, and stretched liquidity where the working capital cycle lengthened in FY26. Ratings also factor in the company's customer and geographical concentration, sensitivity to changes in overseas trade policies and foreign-exchange rates, intense competition, and volatility in steel prices.

However, ratings derive strength from promoters' extensive industry experience, PSFPL's operating track record of over three decades, established relationships with reputed international customers, diversified product portfolio, and demonstrated manufacturing capabilities across hand tools, garden tools, and wooden handles segments.

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 and 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 (TD)/PBILDT below 4.00x, on a sustained basis.

Negative factors

- Decline in PBILDT margin below 6.50%, resulting in sustained deterioration in liquidity.
- Higher-than-envisaged debt-funded capital expenditure, acquisitions or investments, or a material elongation of the working-capital cycle, adversely affecting liquidity, and debt-protection metrics.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectation that PSFPL will sustain its operating performance and debt-protection metrics, supported by promoters' extensive experience and the company's established customer relationships. Outlook also factors in the expectation of timely promoter support for the ongoing capital expenditure. The project completion without material cost overruns or incremental external debt, together with improvement in the working-capital cycle, will remain key monitorable.

Detailed description of key rating drivers

Key weaknesses

Project execution and funding risk

PSFPL is developing a packaging, warehousing, and dispatch facility adjoining its existing unit. Of the estimated project cost of ~₹50 crore, ~₹20 crore had been incurred up to June 30, 2026. The expenditure incurred was funded through promoter unsecured

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

loans of ~₹9.80 crore and internal accruals of ~₹10.20 crore. The sizeable pending expenditure exposes PSFPL to execution, cost-overrun, and funding risks. Delays in promoter infusion or project completion may shift reliance towards external borrowings and further weaken liquidity and debt-protection metrics.

Stagnant scale and modest profitability
The company's TOI remained broadly stable at ₹196.92 crore in FY26 compared to ₹197.37 crore in FY25, as higher US tariffs slowed delivery of export orders. PBILDT margin moderated to 7.18% in FY26 (PY: 8.69%), mainly due to higher employee costs, manpower expenses associated with the new unit, and increased marketing and business-development expenditure. Improvement in order execution and absorption of incremental operating costs will remain key monitorable.

Moderate financial risk profile
The company's capital structure continues to remain leveraged owing to the lower net worth base, leading to overall gearing ratio of 2.56x as on March 31, 2026 (PY: 2.53x as on March 31, 2025). TD also increased to ₹88.99 crore as on March 31, 2026, from ₹73.89 crore as on March 31, 2025, primarily because of additional GECL (Guaranteed Emergency Credit Line) borrowing, higher term loan from bank and marginally higher utilisation of working-capital borrowings. Therefore, debt coverage indicators, such as TD/gross cash accruals (GCA)and interest coverage (PBILDT/Interest) ratio also moderated and stood at 7.70x and 2.76x (PY: 7.03x and 2.92x).

Geographical and customer concentration risks
Exports account for a significant proportion of PSFPL's revenue, with the US, contributing ~61% of gross sales in FY26. Consequently, the company remains exposed to demand fluctuations, trade policies, and regulatory developments in a limited number of overseas markets. In FY26, higher US tariffs increased landed costs and slowed dispatches, leading to inventory build-up and delayed cash realisations, although the additional tariff burden was passed on to customers. While dependence on the US market remains high, PSFPL has also established a presence across several other export destinations, including Germany, Sweden, Italy, and Spain, reflecting its ability to meet diverse product specifications, quality standards, and regulatory requirements. Diversification across geographies and improvement in the pace of US shipments will remain key monitorable. Customer concentration risk continues to be elevated, with top five customers accounting for ~57% of TOI in FY26 (PY: 45.56%). Any reduction in order volumes, changes in procurement strategies, supplier rationalisation or loss of a key customer could adversely impact the company's revenue profile and capacity utilisation.

Highly competitive and fragmented industry
PSFPL operates in a highly competitive market characterised by numerous organised and unorganised participants. Intense competition limits bargaining power and constrains profitability.

Key strengths

Experienced promoters and established operating track record
PSFPL has operated in the hand-tools industry for over three decades. The company is led by Sudarshan Kumar Sharma, who has over five decades of industry experience, and is supported by the next generation of the promoter family across finance, production, and marketing functions.

Established relationships with reputed international customers
PSFPL has longstanding relationships with international retailers and buying houses, including LG Sourcing, Harbor Freight Tools, The Home Depot, and Birgma Asia Trading. Repeat business across multiple cycles reflects the company's manufacturing capabilities, product quality, and execution track record.

Established manufacturing capabilities and diversified product portfolio
The company manufactures hand tools, garden tools, and wooden handles, supported by in-house processes, such as forging, induction hardening, polishing, and CNC die-making. Capacity utilisation in garden tools improved to ~90% in FY26 from 60% in FY25, while utilisation in hand tools and wooden handles remained ~80%. Sustained utilisation may support operating efficiencies and fixed-cost absorption.

Liquidity: Stretched

Liquidity remained stretched, with GCA of ₹11.56 crore in FY26, against scheduled term-debt repayments of ₹6.55 crore in FY27. Average utilisation of ₹35 crore fund-based working-capital limit remained high at ~99% for 12 months ended June 2026, leaving limited cushion. The company maintained modest cash and bank balance of ₹1.85 crore as on June 30, 2026, partly due to deployment of internal funds towards the ongoing capital expenditure.

The operating cycle lengthened to 97 days in FY26 from 61 days in FY25 due to higher inventory and receivables, resulting in increased working-capital blockage and negative cash flow from operations. Interest-free unsecured loans from promoters and related parties, without stipulated repayment terms, provide some support. Timely order execution, inventory liquidation, collection of receivables, and promoter funding remain critical for meeting operating, capital-expenditure, and debt-servicing requirements.

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
Iron & Steel

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals and mining	Ferrous metals	Iron and 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 among others. Major raw materials are stainless steel, brass, wood, and other materials, procured from domestic and overseas market contributes. Majority revenue is derived from export to countries across the US, Europe, Middle East, Australia, Canada, and South Asia, among others.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (UA)
Total operating income	197.37	196.92
PBILDT*	17.16	14.15
Profit after tax (PAT)	3.79	4.69
Overall gearing (x)	2.53	2.56
Interest coverage (x)	2.92	2.76

A: Audited; UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable

Rating history for last three years: Annexure-2

For complexity level of instruments rated refer to Annexure-1.

Lender details: Annexure-3

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-		-	10-11-2029	15.50	CARE BB-; Stable
Fund-based - LT/ ST-Working Capital Limits	RBI	Simple	-		-	-	38.00	CARE BB-; Stable / CARE A4
Non-fund-based - ST-Working Capital Limits	RBI	Simple	-		-	-	1.50	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 2026-2027	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
1	Fund-based - LT-Term Loan	LT	15.50	CARE BB-; Stable	-	1)CARE BB-; Stable (10-Jul-25)	-	-
2	Non-fund-based - ST-Working Capital Limits	ST	1.50	CARE A4	-	1)CARE A4 (10-Jul-25)	-	-
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	38.00	CARE BB-; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (10-Jul-25)	-	-

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

Annexure-3: 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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