Sharp Chucks and Machines Limited

September 07, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	72.00 (Enhanced from 62.00)	CARE BB+; Positive / CARE A4+	Reaffirmed; Outlook revised from Stable
Long-term bank facilities	RBI	11.92 (Enhanced from 11.52)	CARE BB+; Positive	Reaffirmed; Outlook revised from Stable
Short-term bank facilities	RBI	3.00	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings of bank facilities of Sharp Chucks and Machines Limited (SCML) factors in moderate financial risk profile marked by overall gearing above unity with modest debt coverage indicators. Ratings also remain constrained by the company's working capital intensive operations leading to near-full utilisation of its working capital limits, profitability susceptible margins to raw material price volatility and the cyclical nature of the automotive industry.

However, ratings derive strength from consistent growth in scale of operations in the last four years with stable trend observed in profitability margins, experienced management and long track of operations and established business relationships with reputed original equipment manufacturers (OEMs). The company's proposed entry into a new business segment is expected to augment its revenue and profitability profile. However, timely conversion of the letter of intent (LOI) received from a reputed group into definitive orders will remain a key rating monitorable.

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 (profit before interest, lease rentals, depreciation and taxation [PBILDT] margin) above 13% and improvement in overall gearing on a sustained basis.
- 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 ₹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: Positive

The "Positive" outlook reflects CARE Ratings Limited's (CareEdge Ratings) expectation of improved scale, profitability, and cash flow generation, driven by the company's diversification into a new business segment and healthy order book visibility, while maintaining a prudent financial risk profile. The outlook may be revised to "Stable" if the company faces delays in execution, slower-than-expected ramp-up in the new segment, or deterioration in leverage and liquidity metrics.

Detailed description of key rating drivers

[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 ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Key weaknesses

Moderate financial risk profile

The company's capital structure remains moderate, characterised by overall gearing of above unity, which stood at 1.13x as on March 31, 2026 (PY: 1.40x). However, it improved considering accretion of profits and repayment of term debt. The debt profile primarily comprises term loans amounting to ₹28.94 crore for purchase of new plant & machinery and upgrade of existing ones and working capital borrowings. There has been higher utilisation of working capital borrowings and utilisation of bill discounting facility for discounting receivables from one of the customers. Debt coverage indicators stood modest, marked by PBILDT interest coverage of 2.56x in FY26 (PY: 2.37x) and higher total debt to gross cash accruals (GCA) (TD/GCA) of 6.68x in FY26 (PY: 7.62x).

Working capital intensive operations

Being an auto ancillary player, the company's operations are highly working capital intensive, marked by an operating cycle of ~157 days in FY26 (PY: 145 days). The company primarily supplies auto component parts to major original equipment manufacturers (OEMs). Therefore, being a Tier-1 supplier, the company has lower bargaining power compared to its customers, resulting in receivables days of ~50 in FY26 (PY: 42 days). 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 55 days (PY: 52 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 for 12 months ended July 2026.

Margins susceptibility to raw material price volatility

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. Sharp volatility in 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. The auto-ancillary industry is competitive with presence of a large number of players in the organised and unorganised sector. While the organised segment majorly caters to the OEM segment, the unorganised segment mainly caters to the replacement market and to tier II and III suppliers. The company's product portfolio caters solely to automobile industry. The company's growth is directly linked to the domestic automotive industry, which is cyclical and depends on growth of the economy.

Key strengths

Consistent growth in scale of operations with stable profitability margins

SCML demonstrated a healthy growth in scale of operations, with TOI increasing to ₹274.19 crore in FY26 from ₹152.42 crore in FY22, reflecting a compounded annual growth rate (CAGR) of ~15.8% for four-year period. Growth was primarily driven by the addition of new components within its existing forging portfolio for key customers. The company reported revenue of ₹60.73 crore in Q1FY27, indicating continued business momentum. SCML's operating profitability exhibited a stable trend with PBILDT margin remaining within the range of 11-12% for five years ended FY26. By FY27-end, margins are expected to increase due to gradual shift of job work activities from outsourced vendors to in-house processing. The company is also planning to venture into newer business segment which is expected to drive significant growth in revenue and profitability. Though, LOI has been received from one of the renowned groups, however, the conversion into definitive purchase orders would remain a key rating monitorable.

Experienced management and long track record of operations

SCML is led by directors Ajay Sikka (Chairman and Managing Director), Gopika Sikka, Avinash Shripad Joshi and Lovansh Gupta, who collectively oversee the company's overall operations. Ajay Sikka holds over three 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, including Mahindra & Mahindra (M&M), International Tractors Limited (ITL), Swaraj Engines Limited (SEL), and Escorts Limited, among others. Though sales appear to be concentrated as these OEMs contributes to the company's majority total sales ~74%, though, risk is mitigated considering these OEMs hold majority share in the domestic market and has been in long-term association with the company.

Liquidity: Adequate

SCML's liquidity profile is assessed as adequate, supported by cash and liquid investments of ₹11.42 crore as on June 30, 2026, and expected healthy cash accrual generation. The company is projected to generate GCA of ~₹29 crore in FY27, which remains

sufficient against its scheduled debt repayment obligations of ~₹9.78 crore in the same period, providing an adequate debt servicing cushion. The company's working capital limits remained highly utilised, averaging ~98% for 12-months ending July 2026, indicating a relatively stretched working capital position.
SCML is currently undertaking a capital expenditure programme of ~₹30 crore, which is expected to result in a moderation in its financial flexibility and an increase in debt levels in the near term. However, the company's liquidity is anticipated to remain manageable, supported by healthy accrual generation and access to bank lines. The gradual integration of robotics and automation in project execution is expected to improve operational efficiencies and support a reduction in working capital intensity in the medium term, aiding cash flow generation. Timely commissioning and stabilisation of the ongoing capex project shall remain a key monitorable from a liquidity and credit perspective.

Assumptions/Covenants: Not applicable

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
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 and equipment

Jalandhar, Punjab based SCML (erstwhile known as Sharp Garden Implements Private Limited) was initially incorporated in June 1994 as a private limited company. In December 2022, it was converted into a public limited company and in October 2023, the company was listed (NSE SME). The current directors are Ajay Sikka, Gopika Sikka, Avinash Shripad Joshi, Lovansh Gupta, Manmohan Puri and Suraj Singhal. The company is engaged in manufacturing casting products, forging products, lathe chucks, power chucks, drill chuck and other machine tools accessories, among others. The company's manufacturing process is done through two units 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. Products manufactured by the company finds its application in diverse industries such as tractors, automobiles, material handling & earth moving equipment, railways, defence, machine tools, and do-it-yourself (DIY) power tools industry, among others. The company is having certifications including IATF 16949: 2016, ISO 9001: 2015 and BSI SA 8000: 2014.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	245.86	274.19	60.73
PBILDT*	29.23	33.54	10.98
Profit after tax (PAT)	7.94	9.19	4.52
Overall gearing (times)	1.40	1.13	0.97
Interest coverage (times)	2.37	2.56	3.72

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: Brickwork continues to categorize rating assigned to bank facilities of SCML under non-cooperation category vide PR dated September 04, 2025, considering its inability to carry out a rating surveillance in the absence of 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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

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	-		-	July 2029	11.92	CARE BB+; Positive
Fund-based - LT/ ST-CC/Packing Credit	RBI	Simple	-		-	-	72.00	CARE BB+; Positive / CARE A4+
Non-fund-based - ST-BG/LC	RBI	Simple	-		-	-	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 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/ ST-CC/Packing Credit	LT/ST	72.00	CARE BB+; Positive / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (09-Jan-26)	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)
2	Fund-based - LT-Term Loan	LT	11.92	CARE BB+; Positive	-	1)CARE BB+; Stable (09-Jan-26)	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) 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+ (09-Jan-26)	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)

*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: Lender details

To view lender-wise details of bank facilities please click here

Annexure-5: List of entities consolidated: Not applicable

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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