

January 27, 2026

CHW Forge Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term-Term Loans	87.00	141.00	[ICRA]A (Stable); Reaffirmed
Short Term – Non-Fund Based Limits	15.00	15.00	[ICRA]A1; Reaffirmed
Long term/ short term- Fund based/ Non fund based	264.95	210.95	[ICRA]A (Stable)/[ICRA]A1; Reaffirmed
Total	366.95	366.95	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings factors in the expectation of continued and steady operational performance of CHW Forge Private Limited (CHW Forge), as a manufacturer of carbon steel, alloy steel, and aluminium forgings for application across various industries such as oil and gas, petrochemicals, fertilisers, aerospace, and defence. CHW Forge operates in a niche segment of industrial (non-automotive) forgings and benefits from its strong technical and manufacturing capabilities in both closed- and open-die forging, with the ability to manufacture parts weighing up to 30 tonnes. The company enjoys a diversified and reputable clientele in both domestic and export markets. ICRA notes that the company's revenues marginally moderated in FY2025 to Rs. 566 crore, primarily due to fewer orders from key customers following softening demand in certain end-user industries. Notwithstanding the decline in revenues, the company's operating profit margin improved to 14.9% in FY2025 (an improvement of 50 bps compared to FY2024), aided by its focus on high-margin businesses. The company recorded revenues of Rs. 263.5 crore in H1 FY2026 (provisional financials) and is expected to report revenues largely in line with FY2025. CHW Forge's strong relationships with various customers, its efforts to add new customers, along with its ability to manufacture products across a wide tonnage range, are expected to help it record healthy cash flows going forward.

The ratings continue to factor in favourably the company's healthy financial risk profile, characterised by a conservative capital structure (with gearing of 0.5 times as of March 31, 2024) and strong interest coverage indicators (7.2 times in FY2024). ICRA notes that the company is setting up a new plant with a total capex outlay of around Rs. 250 crore for manufacturing bombs and artillery shells. The capex is being funded through a mix of debt and internal accruals, and the plant is expected to commence operations by March 2026. The leverage metrics for the company are likely to moderate over the near term (total debt/OPBDITA expected to reach levels of 3.0-3.3 times in FY2026). Even as the capex plans being undertaken are expected to lead to an increase in leverage, the long repayment tenure (~8 years along with a two-year moratorium) and the steady performance of the entity are expected to help keep the debt coverage indicators strong and in line with category benchmarks (DSCR expected to be 2-2.2 times over FY2028-FY2029). ICRA will continue to monitor the timelines associated with the commercialisation of the project and the company's ability to scale up supplies following the commencement of operations at the new plant. Given the nature of the business, the company would also have to undergo a lengthy product approval process, which could constrain revenue scale-up in the near term.

The company continues to derive 60-70% of its revenues from the oil and gas industry. Therefore, it remains exposed to any significant downturn in demand from the oil and gas sector, despite management's focus on diversifying its revenue profile by catering to other industries such as aerospace and defence.

The ratings remain constrained due to the company's relatively lower return indicators, amid the highly working-capital-intensive nature of its business. Besides a longer receivables cycle, working capital intensity remains high because of its

elevated inventory holdings, as CHW Forge needs to maintain stocks of different grades of alloy steel. The working capital requirements may further increase for the new business, which would entail supplies to Government entities. The company's profitability also remains exposed to adverse movements in raw material prices, with most of its contracts being fixed-price in nature.

The Stable outlook on the long-term rating reflects ICRA's expectation that, despite moderation in leverage metrics in the near term on account of the entity's material capex plans, the debt coverage metrics are likely to remain commensurate with the rating level. The leverage metrics of the company are also expected to gradually moderate as operations from the new unit scale up.

Key rating drivers and their description

Credit strengths

Ability to manufacture complex components, strong technical capabilities and reputed clientele – CHW Forge operates in a niche segment of industrial (non-automotive) forgings, manufacturing carbon steel, alloy steel, aluminium, and titanium forgings (components such as rolled rings, flanges, blinds, bearings, nozzles, etc.) for various end-user industries, including oil and gas, petrochemicals, fertilisers, aerospace, and defence. The company manufactures a wide range of forged and machined products, such as flanges, rolled rings, nozzles, blinds, and tube sheets, which are also customised as per customers' requirements. The company's manufacturing capabilities span open-die forging, ring rolling, as well as hammer-based technology. The company generates 60-70% of its revenue from the oil and gas sector, followed by heavy earth-moving equipment, defence and aerospace, and the nuclear segment, which contributes 30-40% of its turnover.

Aided by its strong technical capabilities, the company enjoys a diversified and reputed clientele in both domestic and international markets. As opposed to the automotive business, where supplies to a customer are recurring in nature and continue through the life cycle of a particular model, most of CHW Forge's orders are tender- or order-based and one-time in nature. Nevertheless, the company generates repeat business from its customers and has been able to develop healthy relationships over the years, which mitigates this risk to an extent.

Healthy financial risk profile, characterised by conservative capital structure and strong debt coverage indicators – Healthy order inflows over the past few years have enabled CHW Forge to maintain robust profit margins, with the company reporting an operating profit margin of ~14.9% in FY2025. Its financial risk profile remains healthy, with total debt to OPBITDA at 1.5 times in FY2025, led by a reduction in both short-term and long-term debt. The company reported interest coverage of 8.2 times in FY2025 (vis-à-vis 7.2 times in FY2024). The return indicators of the company have remained subdued owing to the capital-intensive nature of the business, with RoCE at 12.7% in FY2025. The company's leverage metrics are likely to moderate over the near term due to the capex incurred for the new plant. However, these are expected to improve going forward, aided by healthy cash flow generation. Over the medium term, the company is expected to maintain healthy operating profitability, with return indicators likely to gradually improve with the scale-up of operations and stabilisation of raw material and inventory holding costs.

Credit challenges

Operates in a cyclical industry with demand susceptible to downturns – The company derives 60-70% of its revenues from the oil and gas/petrochemicals industry, exposing its prospects to the fluctuations in the sector. The commissioning of the open-die forging unit has enabled CHW Forge to diversify its revenue profile to an extent by catering to other industries such as aerospace and defence. However, it continues to remain exposed to any significant downturn in demand, particularly in its end-user industries.

High working capital intensity due to elevated inventory levels; suppressed return indicators – CHW Forge's working capital intensity remained elevated at ~33% in FY2025. Apart from a structurally longer receivables cycle, working capital requirements have increased over the past few years due to the commencement of open-die forging operations, which necessitate holding a wider assortment of steel grades and other metals. Additionally, the company maintains a sizeable

inventory of imported raw materials to meet urgent customer orders at short notice. Going forward, commissioning of the new plant is expected to result in a marginal increase in working capital intensity.

Operating profit margins vulnerable to fluctuation in raw material prices as most orders are fixed price in nature – Raw material is a major cost element for the company and accounts for 50-55% of the sales price of its components. Moreover, most of its orders are fixed-price in nature. Consequently, margins are exposed to movements in input prices during the period between price quotation and final delivery. However, the company's order book is generally short (three to four months) and, hence, the company bears raw material price risk only for a limited duration. Besides, the company usually creates some contingency related to raw material price movements into its bids.

Material capex outlay towards construction of new unit to keep leverage high in the medium term – The company is setting up a new plant with a total capex outlay of Rs. 250-270 crore for manufacturing bombshells and artillery shells, which will be produced in mass quantities and supplied globally. CHW Forge has secured term loans of ~Rs. 200 crore with a two-year moratorium and an eight-year repayment tenure. The company's leverage metrics will moderate in the near term; however, these are expected to improve going forward, aided by healthy cash generation from both existing and new businesses.

Liquidity position: Adequate

CHW Forge's liquidity position remains adequate, supported by expected steady fund flows from operations of Rs. 60-70 crore per annum and undrawn working capital limits of about Rs. 31.0 crore (against the drawing power as at the end of October 2025). Against these sources of cash, CHW Forge has capex requirements of Rs. 250-300 crore over FY2026 and FY2027 and total debt repayments of Rs. 18-20 crore per annum in FY2026 and FY2027. Overall, ICRA expects the company to be able to meet its near-term commitments through a mix of internal accruals, available lines of credit and term loans.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company is able to steadily scale up its business, aided by healthy order inflows from end-user industries as well as new segments, leading to a favourable impact on cash accruals and improvements in return and credit metrics. Additionally, material revenue diversification through a sustained scale-up in supplies to sectors such as defence and aerospace, as well as export markets, which help offset any weakness in domestic supplies, would be favourably considered for ratings upgrade.

Negative factors – Weakness in demand in the segments catered to, or an inability to ramp up production at the new unit, leading to a moderation in credit metrics, may trigger a downward revision in the ratings. Specific credit metrics that could result in a ratings downgrade include DSCR of lower than 2 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

CHW Forge Private Limited (CHW Forge), established in 1956, is a manufacturer of carbon steel-, alloy steel-, and aluminium-based forgings that find application across industries such as oil and gas, petrochemicals, fertilisers, defence, aerospace, and power generation. The company manufactures a wide range of forged and machined products such as flanges, rolled rings, nozzles, blinds, and tube sheets, as per customer requirements.

The company's manufacturing capabilities span open-die forging, ring rolling, as well as hammer-based technology. The company generates nearly 60-70% of its turnover from the oil and gas sector, followed by heavy earth-moving equipment, aerospace and defence, and the nuclear sector, which contributes 30-40% of its turnover. CHW Forge has four operating units, two each in Ghaziabad and Greater Noida. These facilities are engaged in forging, heat treatment, and machining, with an aggregate installed capacity of 40,500 tonnes per annum. The company is also in the process of setting up a new unit that will be engaged in manufacturing bombs and artillery shells.

The company commenced operations in 1956 as a partnership concern and was reconstituted as a private limited company in 1970. It was later converted into a public limited company named Chaudhry Hammer Works Ltd in 2003, and subsequently reconverted into a private limited company under its current name in FY2011. The company is held by Mr. Mukul Chaudhary and his close relatives.

Key financial indicators (audited)

CHW Forge Private Limited	FY2024	FY2025
Operating income	592.2	565.6
PAT	29.0	29.2
OPBDIT/OI	14.4%	14.9%
PAT/OI	4.9%	5.2%
Total outside liabilities/Tangible net worth (times)	0.8	0.6
Total debt/OPBDIT (times)	1.5	1.5
Interest coverage (times)	7.2	8.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA

In its rationale published on CHW Forge Private Limited, dated March 06, 2025, Crisil Ratings has stated the following:

Crisil Ratings has been consistently following up with CHW Forge Private Limited (CFPL) for obtaining information through letter and email dated February 07, 2025, among others, apart from telephonic communication. However, the issuer has remained non cooperative.

'The investors, lenders and all other market participants should exercise due caution with reference to the rating assigned/reviewed with the suffix 'ISSUER NOT COOPERATING' as the rating is arrived at without any management interaction and is based on best available or limited or dated information on the company. Such non co-operation by a rated entity may be a result of deterioration in its credit risk profile. These ratings with 'ISSUER NOT COOPERATING' suffix lack a forward-looking component.'

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2026)		Chronology of rating history for the past 3 years		
					Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
			Jan 27, 2026	Dec 27, 2024	Sep 29, 2023	June 27, 2022	
1 Term loans	Long term	141.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2 Non Fund Based Limits	Short term	15.0	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
3 Fund based/ Non fund based Limits	Long term and short term	210.95	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1
4 Commercial Paper programme	Short term	-	-	-	-	-	[ICRA]A1; withdrawn

Complexity level of the rated instruments

Instrument	Complexity indicator
Term Loan	Simple
Non-Fund Based Limits	Simple
Fund/Non-Fund Based Limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan-I	FY2025	NA	FY2035	106.00	[ICRA]A (Stable)
NA	Term Loan-II	FY2025	NA	FY2035	32.97	[ICRA]A (Stable)
NA	Term Loan-V	FY2021	NA	FY 2027	2.03	[ICRA]A (Stable)
NA	Non Fund – Based Facilities	NA	NA	NA	15.00	[ICRA]A1
NA	Fund/Non-Fund Based Limits	NA	NA	NA	210.95	[ICRA]A (Stable)/ [ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis- Not Applicable

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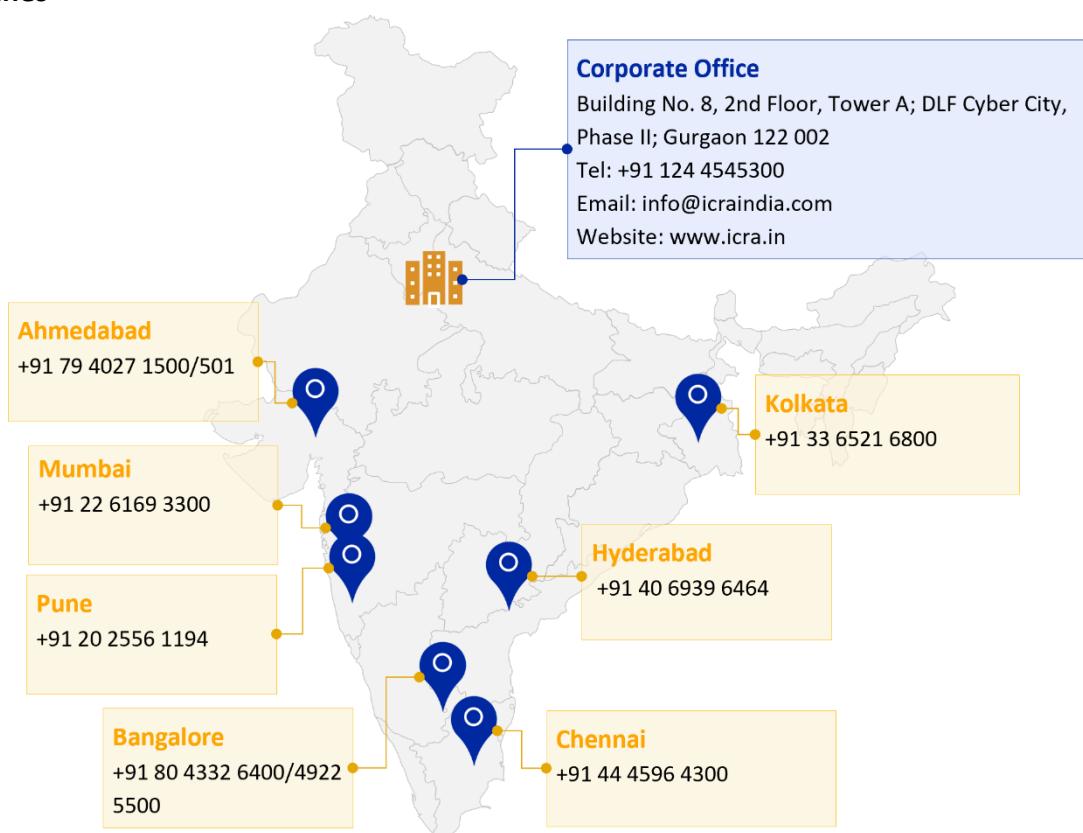
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