

December 02, 2025

## DRAS Engineering Private Limited: Long-term rating upgraded to [ICRA]A(Stable); short-term rating upgraded to [ICRA]A2+

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund based – Term loan	220.00	0.00	-
Long-term Fund based – Cash credit	30.00	30.00	[ICRA]A(Stable); upgraded from [ICRA]BBB+(Stable)
Long-term/short-term – Interchangeable limits	(8.00)	(8.00)	[ICRA]A(Stable)/ [ICRA]A2+; upgraded from [ICRA]BBB+(Stable)/ [ICRA]A2
Long-term/short-term - Unallocated limits	0.00	220.0	[ICRA]A(Stable)/ [ICRA]A2+; upgraded from [ICRA]BBB+(Stable)/ [ICRA]A2
<b>Total</b>	<b>250.00</b>	<b>250.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings upgrade for DRAS Engineering Private Limited (DRAS) factors in the improvement in the financial risk profile of the company, supported by fund infusion of Rs. 320 crore in the form of compulsory convertible debentures (CCDs) from International Tractors Limited (ITL; rated [ICRA]AAA (Stable)/[ICRA]A1+) in Q2 FY2026. The CCDs carry a nominal coupon rate of 0.001% and are scheduled for conversion into equity within 3–4 years. The proceeds have been utilised mainly towards full repayment of bank long-term debt, and partial repayment of promoters' loans. The upgrade also factors in favourably the successful stabilisation of operations (foundry unit) without any major time or cost overrun, with the company's scale of operations ramping-up gradually over the past few months. In absence of any material debt obligations, an improved scale of operations going forward, is likely to help the company report stronger debt coverage indicators.

The ratings continue to factor in the established track record of the promoter group (Sonalika Group), with over 30 years of experience in the foundry business and the strategic importance of DRAS to ITL, the flagship entity of the Sonalika Group and the third-largest tractor manufacturer in the country. The association with ITL and strong market presence of the OEM provide adequate revenue visibility for DRAS and is expected to support further ramp-up in scale of operations.

The foundry unit of DRAS has been set up as a backward integration to supply castings to ITL, at an estimated cost of about Rs. 330 crore, with a capacity of 72,000 million tonnes per annum (MTPA). The production has been commercialised on both the lines- Rhino (March 2024) and Kunkel Wegner (KW, June 2025), thus mitigating the project execution risk. In 7M FY2026, the project achieved revenues of Rs 88.6 crore with an operating loss of Rs 5.2 crore and is expected to clock full-fiscal revenues of Rs 175-200 crore. In October 2025, the DRAS catered to 40-45% of ITL's casting requirements. The same is expected to gradually increase to 75-80% over the next few quarters. The company has already reached EBITDA breakeven in October 2025, and its ability to ramp-up production and achieve targeted operating parameters remain monitorable. Further, with the project largely complete, the company is now planning to set up a machine shop with an investment of Rs 40–50 crore in FY2027. By introducing machined components, which offer higher value addition, the company expects to command higher prices compared to raw castings.

ICRA notes that although the company is targeting businesses from entities outside the Group as well, the customer concentration for the entity remains high, with supplies to ITL expected to constitute the bulk of the revenues in the medium

term. ICRA also notes the company's exposure to volatility in the prices of raw materials and exposure to inherent cyclicality in the tractor industry.

The Stable outlook on DRAS' long-term rating reflects ICRA's opinion that the company will achieve a ramp-up in the scale of operations, aided by an increase in supplies to the associate company, ITL. The same is likely to help the company report improved cash accruals and maintain its credit profile.

## Key rating drivers and their description

### Credit strengths

**Long experience and established track record of the promoters in automotive industry** – DRAS is promoted by Mr. L.D. Mittal, Mr. Deepak Mittal, and Mr. A.S. Mittal, who are also the board members of ITL, the flagship company of the Sonalika Group. They have more than three decades of experience in the automotive industry. The established track record of the promoters in the automotive industry is expected to aid DRAS in ramp-up of operations. The strong credit profile of the Sonalika Group is likely to aid the financial flexibility of DRAS.

**Strategic importance to ITL provides healthy revenue visibility** – DRAS has been established as a captive unit to meet ITL's casting requirements for both existing and upcoming plants. ITL is expected to procure a healthy volume of finished products from DRAS and will also supply scrap and other raw materials. This arrangement provides assurance on revenue growth prospects and raw material availability for DRAS. Further, the company's plant location, being close to ITL's facility, enables logistics cost savings and support operational scale-up. Additionally, ITL recently infused Rs 320 crore through CCDs which are scheduled for conversion into equity over the next 3–4 years. ITL's stake is expected to reach around 34% post-conversion according to the company. This strengthens the company's financial flexibility and its debt metrics are expected to improve materially going forward, with bank term loan fully repaid.

### Credit challenges

**Exposed to high customer concentration risk; partially mitigated because of healthy market share of ITL** – The company's plant has been set up primarily as a captive unit to cater to the requirements of ITL, and thus the project remains exposed to the customer concentration risk. While the company is targeting businesses from entities outside the Group, dependence on ITL is likely to remain high in the medium term. Thus, the company's growth will be linked to ITL's performance and expansion, and the ability of DRAS to gain a significant share of ITL's casting requirement. Over the medium term, DRAS is estimated to meet 75–80% of ITL's requirements by supplying 4,000–4,500 MT of castings per month (compared to 40–45% in October 2025). Notwithstanding the same, ITL's position as the third-largest player in domestic sales and a market leader in exports provide adequate revenue visibility for DRAS.

**Exposure to slowdown in tractor industry, susceptibility to volatility in raw material cost** – The company primarily caters to ITL in the tractor segment, which is inherently cyclical in nature and strongly linked to monsoon trends. Availability of finance and other factors affecting rural income, such as crop prices, can also impact tractor demand. In this regard, an increase in contribution from other auto segments and industries remains crucial for diversification. Additionally, the company's operating margin would vary with the volatility in raw material prices. The key raw materials such as iron, steel scrap, borings, and sand are generally procured from the domestic market. However, the risk is expected to be partly mitigated by expectation of periodic price revisions and limited inventory levels.

### Liquidity position: Adequate

The company's liquidity remains adequate, supported by cash and cash equivalents of Rs. 61 crore and buffer in fund-based working capital lines of Rs. 10 crore (basis drawing power) as on September 30, 2025. There is no long-term debt on books as of the same date. Additionally, the backing of a strong promoter group and the entity's strategic importance to the Sonalika Group provide assurance of timely fund infusion by promoters, if required.

## Rating sensitivities

**Positive factors** – The ratings may be revised upward if the company demonstrates sustained growth in revenue and profitability, leading to stronger debt coverage metrics. A material improvement in the business profile, driven by diversification of the customer and end-user industry profile, would also be favourably considered for an improvement in ratings.

**Negative factors** – The ratings could witness a downward revision in case of lower-than-expected pick-up in revenue and operating margin, resulting in lower net cash accrual. A higher-than-expected debt-funded capex or a stretch in the working capital cycle which weakens the liquidity profile could also affect the ratings.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Auto Components</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

## About the company

DRAS Engineering Private Limited (DRAS) was incorporated on September 15, 2022, and is an associate company of International Tractors Limited (ITL) (flagship company of the Sonalika Group). ITL is currently the third-largest tractor manufacturer in India and is the leading exporter of tractors from India. DRAS was incorporated for setting up a foundry plant with an installed capacity of 72,000 MTPA (revised from initial capacity of 28,800 MTPA) in Hoshiarpur, Punjab. It has been set up as a backward integration initiative for supplying castings to ITL. The company is promoted and equally held by Mr. L.D. Mittal, Mr. A.S. Mittal, and Mr. Deepak Mittal, who are also the board members of ITL.

## Key financial indicators (audited)

DRAS Standalone	FY2024	FY2025	7M FY26*
Operating income	0.1	26.4	88.6
PAT	-1.4	-34.7	-16.1
OPBDIT/OI	-517.2%	-55.1%	-5.8%
PAT/OI	-1,147.4%	-131.3%	-18.1%
Total outside liabilities/Tangible net worth (times)	7.4	-32.7	-
Total debt/OPBDIT (times)	-268.4	-19.1	-
Interest coverage (times)	-1.2	-1.1	-

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

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

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

## Any other information: None

### Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount Rated (Rs Crore)	Dec 02, 2025	Date	Rating	Date	Rating	Date	Rating
Long-term Fund-based – Term loan	Long-term	0.00	-	Oct 01, 2024	[ICRA]BBB+ (Stable)	-	-	-	-
				Jun 06, 2024	[ICRA]BBB+ (Stable)	-	-	-	-
Long-term Fund-based – Cash credit	Long-term	30.00	[ICRA]A (Stable)	Oct 01, 2024	[ICRA]BBB+ (Stable)	-	-	-	-
				Jun 06, 2024	[ICRA]BBB+ (Stable)	-	-	-	-
Long term / Short term – Interchangeable limits	Long-term/short term	(8.00)	[ICRA]A (Stable)/ [ICRA]A2+	Oct 01, 2024	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-
				Jun 06, 2024	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-
Long Term / Short Term- Unallocated limits	Long-term/short term	220.0	[ICRA]A (Stable)/ [ICRA]A2+	-	-	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term-Fund-based-Cash credit	Simple
Long-term/Short-term-Interchangeable Limits-Others	Very Simple
Long-term/Short-term-Unallocated limits	NA

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	Cash Credit	NA	NA	NA	30.00	[ICRA]A (Stable)
NA	Interchangeable	NA	NA	NA	(8.00)	[ICRA]A (Stable)/[ICRA]A2+
NA	Unallocated	NA	NA	NA	220.0	[ICRA]A (Stable)/[ICRA]A2+

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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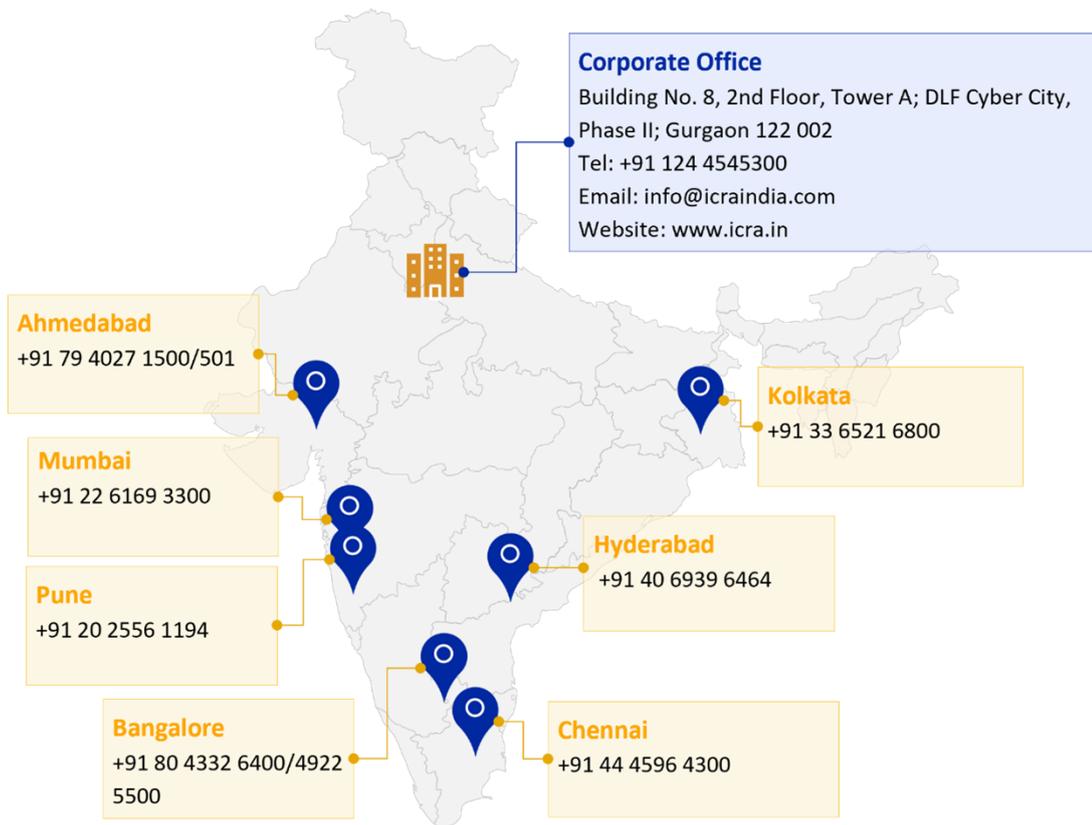
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