

April 7, 2026

## DriveSys Systems Pvt. Ltd.: [ICRA]BBB+(Stable)/[ICRA]A2; assigned

### Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term - Fund-based - Term loan	80.00	[ICRA]BBB+(Stable); Assigned
Long-term/Short-term - Fund-based/Non-fund based Limits	58.00	[ICRA]BBB+(Stable) /[ICRA]A2; Assigned
<b>Total</b>	<b>138.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

Incorporated in April 2022, DriveSys Systems Pvt. Ltd. is a wholly owned subsidiary of ZFI Steering Gear (India) Limited, a manufacturer of automotive components, mainly steering gears. DriveSys primarily supplies machining jobs required for manufacturing steering gears and allied products to ZFI. Operation of the company was started from March, 2024. The ratings assigned to DriveSys consider the established track record of its promoters in the automotive components industry, spanning over four decades. Moreover, by virtue of being a part of the ZFI Group, DriveSys enjoys operational, financial and managerial support from ZFI, the flagship entity of the Group. DriveSys was formed as part of ZFI's backward integration initiative, and therefore, exhibits sufficient revenue visibility. Furthermore, a majority of DriveSys' raw material requirements are fulfilled by Metacast Auto Pvt Ltd (Metacast), a group entity, which results in higher supply chain stability and reliability through assured raw material supply arrangements. With its major supplier as well as major customer being group companies, DriveSys has demonstrated a swift ramp up in its scale of operations through FY2025 and 9M FY2026, with the revenues growing from Rs. 24.8 crore (FY2025) to Rs. 58.9 crore (9M FY2026), with the revenue growth momentum likely to continue in the near term.

The company is also in the process of setting up a new facility for its upcoming aluminium extrusion division, for which the trial run has started, with the plant expected to be commissioned in FY2027. With this, the company intends to attain segmental diversification through supplies to non-automotive customers (mainly customers from renewable energy and construction segments). While the rollout of aluminium extrusion division is expected to support DriveSys' revenue base to a large extent over the medium term, full-fledged rollout and generation of commensurate returns from this facility and impact of the same on the company's overall credit profile remain key monitorables, going forward. ICRA notes that with the capex incurred in the recent past and lined up over the near term, the company is eligible for subsidies under category of Mega Project of Maharashtra Package Scheme of Incentives (PSI). The subsidy income, subject to timely receipt, is expected to support DriveSys' cash flows to an extent, going forward.

The rating strengths are partially offset by the suppressed margins of DriveSys, given its nascent stage of operations. While the operating profit margin (OPM) improved from -12.6% (FY2025) to 7.1% (9M FY2026), aided by the expanding revenue base, the company presently continues to incur PBT losses. With the revenue expansion momentum expected to sustain over the near to medium term, the margins are expected to improve gradually, backed by operating leverage benefits. However, this would depend on the full-fledged commencement and healthy ramp up of operations of the company's aluminium extrusions division. DriveSys' capital structure presently remains leveraged with total debt of Rs. 102.3 crore as on September 30, 2025 (resulting in gearing of -8.2 times as of September 2025), given the sizeable debt-funded capex and modest net worth position of the company. However, some comfort is drawn from the unsecured loans from promoters (ZFI) dominating DriveSys' debt profile, thus limiting its dependence over external borrowings to meet its funding requirements. ICRA also notes the high customer concentration risk exhibited by DriveSys, with ZFI, its key customer, accounting for around 85% of DriveSys' revenues in 10M FY2026. Nevertheless, having the parent entity as the key customer also provides comfort in the form of revenue

visibility for DriveSys. Moreover, rollout of the aluminium extrusion division is expected to result in some moderation in the customer concentration over the medium term, with DriveSys already having secured an order worth Rs. 155 crore from a reputed business house for supplying machined components through its aluminium extrusion division. The company is also in discussion with a few other clients about finalising orders for aluminium extrusions. That said, any project execution delay and/or teething issues with the new facility may have a bearing on the overall business performance of DriveSys, and thus remain key rating monitorables. The capex outlay remains sizeable, at around Rs. 100 crore over FY2026-FY2027, and the same is expected to be funded through a mix of term loans and unsecured loans from ZFI.

ICRA also notes the registration of DriveSys as Mega Project under Maharashtra Industrial Policy. The subsidy projected to be received under the said policy is expected to support the company's bottom line, although timely receipt of the same remains critical for the financial performance of DriveSys.

The Stable outlook on the long-term rating reflects ICRA's expectation that DriveSys is likely to sustain its scaling up of operations, supported by operational and financial support from parent ZFI. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, to further expand the capacity and inculcate backward integration across the Group's supply chain will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

## Key rating drivers and their description

### Credit strengths

**Operational, financial and managerial support from ZFI; supplies to ZFI provide sufficient revenue visibility** – Being a wholly-owned subsidiary of ZFI, DriveSys enjoys strong operational, financial and managerial linkages with its parent entity, which has supported a swift ramp up in the latter's scale of operations through the recent past. The financial assistance provided by ZFI in the form of equity infusion and unsecured loans has funded a major part of DriveSys' capex outlay so far.

**Well-established track record of the promoters in the automotive components industry** – The promoters of DriveSys have a well-established track record in the automotive components industry, spanning over four decades. Such proven track record of the promoters and the parent entity (ZFI) are expected to support DriveSys' business profile, going forward. Moreover, as DriveSys was incorporated as part of ZFI's backward integration drive, supplies to ZFI provide DriveSys with sufficient revenue visibility.

**Raw material procurement through a group company provides higher supply chain stability and reliability** – With a majority of its raw material procurement (i.e. castings) taking place through a group company, i.e. Metacast provides higher supply chain stability and reliability for DriveSys. With both its key supplier and key customer being group entities, DriveSys' core machining division has exhibited a swift ramp up in its scale of operations through FY2025 and 9M FY2026, with the revenue growth momentum likely to sustain over the near to medium term.

### Credit challenges

**Margins remain suppressed due to nascent stage of operations; gradual improvement expected over the medium term** – In line with its nascent stage of operations, DriveSys' margins presently remain suppressed. While its OPM has demonstrated some improvement from -12.6% (FY2025) to 7.1% (9M FY2026), aided by the expanding revenue base, the company continues to incur PBT losses. While the revenue expansion momentum is expected to sustain over the near to medium term (with incremental revenue generation envisaged from the upcoming aluminium extrusion division), the nascent stage of operations of the aluminium extrusion division is likely to have some bearing on the profitability over the near to medium term.

**Capital structure remains leveraged due to sizeable debt-funded capex; financial support from ZFI in the form of unsecured loans provides some comfort** – As DriveSys incurred sizeable debt-funded capex for setting up its core machining division, and is presently undertaking substantial debt-funded capex towards setting up the aluminium extrusion plant, its capital structure remains leveraged at present. The gearing level stood at -10.3 times and -8.2 times as of March 2025 and September 2025,

respectively, caused by high leverage and modest (negative) net worth position. However, DriveSys' debt profile is currently dominated by unsecured loans from parent entity (ZFI). That said, ICRA notes DriveSys has secured term loan sanctions from banks for partly funding the greenfield facility set up, underlining its ability to raise fresh funding on its own. A gradual replacement of unsecured loans by external borrowings is expected to reduce DriveSys' dependence on ZFI going forward; however, ZFI is expected to lend financial support to DriveSys in case of any exigencies, going forward.

**Project execution risks associated with the commissioning of aluminium extrusions division; any project execution delay or teething issues may have a bearing on overall business performance** – While DriveSys' business profile is expected to benefit from the upcoming aluminium extrusion plant through incremental revenue generation and segmental diversification, the project execution risks associated with the commissioning of extrusion plant could impact the company's business operations to a large extent. In this context, any project execution delay or teething issues faced by this ongoing project may have a bearing on overall business performance. ICRA notes the trial runs undertaken by DriveSys for the aluminium extrusion plant, with the commencement of operations expected in early FY2027.

**High customer concentration risk, given the sizeable revenue share from ZFI; rollout of aluminium extrusion division likely to result in some moderation in customer concentration over the medium term** – With ZFI being its key customer (96% and 85% of revenue contribution in FY2025 and 10M FY2026, respectively) in line with the backward integration arrangement, DriveSys exhibits a high customer concentration risk. However, with its parent entity being the largest customer, the arrangement also provides sufficient revenue visibility, and in turn, mitigates the said risk to an extent. Moreover, the rollout of aluminium extrusion division is likely to result in some moderation in customer concentration over the medium term, as this division will primarily cater to the outside customers (unlike core machining division which primarily caters to ZFI).

### Liquidity position: Adequate

DriveSys' liquidity profile remains adequate, with cash and liquid investments balance of Rs. 5.1 crore and a buffer from undrawn working capital lines which stood at Rs. 3.2 crore as on September 30, 2025. The average working capital utilisation for the fund based facilities remained limited, at 29% in CY2025. DriveSys' liquidity profile draws substantial comfort through unsecured loans from promoters (ZFI) which dominate its debt profile and thus limits its dependence over external borrowings to meet its funding requirements. The capex outlay over the near term (FY2026-FY2027) remains sizeable at around Rs. 100 crore and is likely to be funded through a mix of external borrowings and promoter loans. The debt repayment obligations are Rs. 8-10 crore per annum over FY2026-FY2027.

### Rating sensitivities

**Positive factors** – The ratings could be upgraded if the entity demonstrates a robust expansion in its revenues and earnings, supported by timely rollout of aluminium extrusion division and commensurate returns from the same. Improvement in the credit profile of the parent entity would also be considered favourably.

**Negative factors** – Any significant deterioration in the revenue base and/or profitability metrics adversely impacting the liquidity position or capital structure may warrant a rating downgrade. Any impact on the credit metrics of the entity due to lack of commensurate returns from the recently undertaken/planned capex may also warrant a rating downgrade. Deterioration in the credit profile of the parent and/or weakening in linkages with parent may also trigger a rating downgrade.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Auto Components</a>
Parent/Group support	The ratings assigned to DriveSys factor in the likelihood of its parent entity, ZF Steering Gear (India) Limited, extending business and technological support. The ratings also factor in the high likelihood of ZFI extending financial support to DriveSys out of the need to protect its reputation from the consequences of a Group entity's distress. ZFI has already provided financial support to DriveSys in the form of unsecured loans and equity infusion in the recent past, highlighting the strategic importance of DriveSys to ZFI.
Consolidation/Standalone	The ratings are based on the standalone financial statements of DriveSys

## About the company

Incorporated in April 2022, DriveSys is a wholly owned subsidiary of ZFI. DriveSys is engaged in machining of auto components such as steering gears and allied products, gearboxes, crown wheels, pinions shafts, synchronizers, drop arms, steering linkages, etc. Its plant is located at Supa (Maharashtra), with DriveSys supplying majority of ZFI's machining jobs requirements.

While DriveSys was incorporated as part of ZFI's backward integration initiatives, the company has also ventured into aluminium extrusion business and is presently setting up a manufacturing plant for the same. With this, DriveSys will be operating through two major operational divisions: 1. Core machining division, catering primarily to ZFI's machining jobs requirements, and 2. Aluminium extrusions division, catering to the aluminum component requirements of entities from renewable energy and construction segments.

## Key financial indicators

DriveSys (Standalone)	FY2024	FY2025	9M FY2026*
Operating Income (Rs. crore)	0.0	24.8	58.9
PAT (Rs. crore)	- 0.6	- 14.6	- 7.0
OPBDIT/OI (%)	- 700.0%	- 12.6%	7.1%
PAT/OI (%)	- 1933.3%	- 58.7%	- 11.9%
Total Outside Liabilities/Tangible Net Worth (times)	7.9	- 11.5	NA
Total Debt/OPBDIT (times)	- 226.7	- 24.0	NA
Interest Coverage (times)	- 1.2	- 0.5	0.8

Source: DriveSys, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; \*Provisional financials

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

**Any other information: None**

### Rating history for past three years

Instrument	Current ratings (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Apr 7, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Long-term - Fund-based - Term loan	Long term	80.00	[ICRA]BBB+(Stable)	-	-	-	-	-	-
Long-term/Short-term - Fund-based/Non-fund based Limits	Long term/Short term	58.00	[ICRA]BBB+(Stable)/[ICRA]A2	-	-	-	-	-	-

Source: Company

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term - Fund-based - Term loan	Simple
Long-term/Short-term - Fund-based/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-1: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	<b>Term Loan 1</b>	31-Dec-2022	NA	31-Jul-2027	30.0	[ICRA]BBB+(Stable)
NA	<b>Term Loan 2</b>	15-Sep-2025	NA	15-Mar-2032	50.0	[ICRA]BBB+(Stable)
NA	<b>Long-term/Short-term - Fund-based/Non-fund based Limits</b>	NA	NA	NA	58.0	[ICRA]BBB+(Stable) / [ICRA]A2

*Source: Company*

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**Annexure-2: List of entities considered for consolidated analysis – Not applicable**

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