

June 26, 2025

ZF Steering Gear (India) Limited: Ratings reaffirmed, rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term fund-based/Non-fund based – Working capital facilities	0.0	105.0	[ICRA]A+(Stable)/ [ICRA]A1+; reaffirmed/ assigned for enhanced amount
Long-term, Fund-based – Cash Credit	30.0	0.0	-
Long-term / Short-term Non-fund Based Facilities	20.0	0.0	-
Total	50.0	105.0	

*Instrument details are provided in Annexure-1

Rationale

The ratings reaffirmation for ZF Steering Gear (India) Limited (ZFI) continues to factor in its dominant position in the domestic power steering segment and established relationships with key original equipment manufacturers (OEMs) in the domestic commercial vehicle (CV) and tractor sectors. Besides, it has a strong credit profile, backed by healthy accruals generation, strong liquidity position and minimal utilisation of working capital lines. ICRA also notes the formation of three subsidiaries by ZFI – DriveSys Systems Private Limited (DriveSys), Matacast Auto Private Limited (Metacast) and Nexsteer Systems Private Limited (Nexsteer) – as a part of its backward integration drive. This move is expected to support profitability through in-house manufacturing of machined castings over the medium term. DriveSys was commissioned in March 2024 and FY2025 was its first full year of operations, generating revenues of ~Rs. 25.0 crore, while Metacast was commissioned in November 2024 and generated revenues of ~Rs. 9.0 crore in the 4-5 months of operation in FY2025. While the nascent stage of operations of these subsidiaries is likely to have some bearing on the consolidated profitability in the near term, a gradual improvement in profitability is envisaged over the medium term, as and when these subsidiaries scale up and attain operational stability. In this context, timely and commensurate returns from the investments made in these entities remain key rating monitorables.

While ZFI's financial risk profile remains healthy, characterised by comfortable capitalisation and strong liquidity metrics, ICRA notes that it has consolidated capex plans of Rs. 140-150 crore over the near-to-medium term (FY2026-FY2027), primarily for backward integration and capacity addition. ICRA expects the capitalisation and coverage indicators to remain comfortable over the medium term, aided by its steady earnings profile and scheduled repayment of term loans. The company's liquidity position is also expected to remain strong over the medium term, supported by its healthy operational profile and cash accruals. Nevertheless, developments on the patent infringement allegation by ZF Germany, and payouts for penalties/settlements, if any, for the same, remain a monitorable.

The ratings continue to remain constrained by the company's modest scale of operations compared to industry peers, susceptibility to the inherent cyclicity in the domestic CV and tractor industries, and the constant need to upgrade and develop new technology-driven products.

The Stable outlook on the long-term rating reflects ICRA's expectation that ZFI is likely to sustain its operating metrics even as its profitability may be influenced by the nascent stage of operations of its subsidiaries in the near term. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, to further expand the capacity and to inculcate backward integration 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

Strong position in domestic steering systems industry for M&HCVs and tractors; established relationships with leading OEMs

– The Indian steering gear market is primarily dominated by three major players, viz., JTEKT India Limited (erstwhile Sona Koyo Steering Systems Limited; rated [ICRA]AA/Stable/A1+), ZF Rane Automotive India Private Limited (Rane Group; rated [ICRA]AA-/Stable/A1+) and ZFI. While JTEKT is primarily present in the passenger vehicle (PV) segment, ZFI and the Rane Group are mainly present in the CV and tractor segments. Overall, the domestic medium and heavy commercial vehicles (M&HCV) and tractor steering systems market is primarily duopolistic, with ZFI and the Rane Group jointly commanding virtually the total market share. Established relationships with leading OEMs in the domestic CV industry provide ZFI with sufficient revenue visibility.

Comfortable capitalisation and strong liquidity position – ZFI continues to demonstrate a fairly comfortable capital structure, with a gearing of 0.2 times as of March 31, 2025 (previous year [PY]: 0.2 times), in turn supported by healthy accruals generation and containment of the overall debt level, as the standalone entity continues to remain long-term debt free. With this, ICRA expects the coverage indicators to remain comfortable in the medium term. Its liquidity position remains strong, supported by free cash and liquid (unpledged) investments worth ~Rs. 80 crore as on March 31, 2025, and unutilised working capital limits of ~Rs. 42 crore as of March 31, 2025. Although the company has some debt-funded capex plans lined up over the near term pertaining to backward integration initiatives, ICRA believes that the same is not expected to materially impact the credit metrics adversely. Besides, these backward integration initiatives are expected to support ZFI's profitability, going forward, through in-house sourcing of machined castings.

Credit challenges

Susceptible to inherent cyclicity in domestic CV and tractor segments; negligible presence in PVs – ZFI is a tier-I supplier, with most of its revenues coming from the CV segment with minimal presence in the PV segment. Akin to other players, the company is exposed to the cyclical nature of the industry in which it operates. Nevertheless, its established market position and strong relationships with its clientele enable the company to mitigate such challenges to an extent. Further, steering systems, as critical automobile components, are subject to changes in design and need technology investments to make transition between emission norms or change in fuel to prevent obsolescence.

Litigation with respect to patent infringement and exit of foreign JV partner and associated business implications – On November 13, 2022, ZFI intimated the stock exchanges regarding a communication received from ZF Germany in relation to an alleged infringement of the trademark "ZF" and/or "ZF India", for which it has demanded Rs. 100 crore from ZFI in damages. While the company is of the opinion that it has not committed any act of infringement, ICRA would continue to monitor developments in this regard as the same can impact the company's liquidity profile. ICRA also notes the commercial suits filed against ZF Friedrichshafen AG (ZF AG) and others by ZFI in June 2023, including (i) Suit for permanent injunction under the Trade Marks Act for damages and other reliefs against ZF AG and others, and ZFI along with other reliefs claimed damages of Rs. 200 crore from them, and (ii) Suit for passing off, seeking permanent injunction and damages under the Trade Marks Act and other applicable laws against ZF AG and others, and ZFI along with other reliefs claimed damages of Rs. 200 crore from them.

Environmental and Social Risks

Environmental considerations – ZFI is not directly exposed to climate transition risks from the likelihood of tightening emission control requirements (as its products are used by different categories of OEMs), but its automotive manufacturing customers remain highly exposed to the same. Accordingly, ZFI's prospects are linked to the ability of its customers to meet tightening emission requirements. The company may need to invest materially to develop products to cater to electric vehicles, even though a transition towards the same in the segments catered to is likely to be only gradual. The company has been taking steps to reduce its carbon footprint by relying more on renewable sources. In this respect, the company has investments in

windmills, which meet 25-30% of the company’s total power requirement. ZFI’s exposure to litigation/ penalties from issues related to waste and water management remains relatively lower as one of its units (at Pithampur) is a zero-discharge plant.

Social considerations – ZFI, like most automotive component suppliers, has strong dependence on human capital such as retaining talents, and maintaining healthy relationship with employees and suppliers (essential for disruption-free operations for the entity). ZFI has been taking initiatives to impart training, technical knowledge upgradation and quality betterment for its employees for improving their capacities and capabilities. Another social risk that ZFI faces pertains to product safety and quality, wherein instances of product recalls and high warranty costs may not only lead to a financial implication but could also harm the reputation and create a more long-lasting adverse impact. In this regard, ZFI’s strong track record of catering to leading automotive manufacturers underscores its ability to mitigate these risks to an extent.

Liquidity position: Strong

The company has a strong liquidity profile, characterised by the expectation of healthy cash flow from operations of Rs. 30-50 crore, and free cash and liquid (unpledged) investments of ~Rs. 80 crore as of March 31, 2025. In addition, the company had a buffer of ~Rs. 42 crore in its unutilised working capital lines as on March 31, 2025. Against these sources of liquidity, the Group has moderate debt repayment obligations (Rs. 16-18 crore per annum), and the capital expenditure (capex) outlay remains sizeable over the near-to-medium term at ~Rs. 150 crore for FY2026-FY2027 and is expected to be funded through a mix of internal accruals and external borrowings.

Rating sensitivities

Positive factors – The long-term rating can be upgraded with a significant improvement in scale and return indicators (RoCE) on a sustained basis, while maintaining its current level of capitalisation and liquidity position.

Negative factors – There could be pressure on the ratings if ZFI’s operating performance deteriorates, resulting in a sustained decline in operating profitability, and / or if its liquidity profile weakens over the medium term. Specific credit metrics that can result in ratings downgrade include TD/OPBITDA of more than 2.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology - Auto Components
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of ZFI. The company has three subsidiaries, details of which are enlisted in Annexure-2.

About the company

ZF Steering Gear (India) Limited was founded by the Munot family and ZF Lenkystene GmbH. Later, Robert Bosch Automotive Steering GmbH acquired ZF Lenkystene GmbH and renamed it as Robert Bosch Automotive Steering GmbH. The company manufactures, assembles and deals in steering gears, with presence across mechanical steering gears as well as hydraulic power steering gears. ZFI’s manufacturing plants are located at Shirur district in Maharashtra and Pithampur district in Madhya Pradesh. The company's steering gears are supplied to various state transport undertakings as well as to manufacturers of heavy vehicles such as dumpers and haulage trucks. The M&HCV segment dominates the revenue pie for the company, with a limited revenue contribution from the tractors segment. As on March 31, 2025, the promoter group (Munot family) held a 67.00% stake in the company.

Key financial indicators

ZFI	FY2024 Audited	FY2025 Audited
Operating income (Rs. crore)	483.2	493.9
PAT (Rs. crore)	43.7	12.6
OPBDIT/OI (%)	12.0%	10.8%
PAT/OI (%)	9.0%	2.5%
Total Outside Liabilities/Tangible Net Worth (times)	0.3	0.3
Total Debt/OPBDIT (times)	1.3	1.9
Interest Coverage (times)	57.4	8.1

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

Source: ZFI, ICRA Research

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					
	Type	Amount rated (Rs. crore)	Jun 26, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based / Non-Fund Based, Working Capital Facilities	Long-term/ Short-term	105.00	[ICRA]A+(Stable)/ [ICRA]A1+	-	-	-	-	-	-
Long-term Fund-based	Long-term	-	-	May 20, 2024	[ICRA]A+ (Stable)	-	-	Mar 21, 2023	[ICRA]A+ (Stable)
		-	-	-	-	-	-	Nov 29, 2022	[ICRA]A+ (Stable)
Long-term / Short-term Non-fund Based	Long-term/ Short-term	-	-	May 20, 2024	[ICRA]A+ (Stable) / [ICRA]A1+	-	-	Mar 21, 2023	[ICRA]A+ (Stable) / [ICRA]A1+
		-	-	-	-	-	-	Nov 29, 2022	[ICRA]A+ (Stable) / [ICRA]A1+

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term / Short-term, fund based/non-fund based – Working capital facilities	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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Working Capital Facilities	NA	NA	NA	105.0	[ICRA]A+(Stable)/ [ICRA]A1+

Source: Company

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

Annexure-2: List of entities considered for consolidated analysis

Company Name	ZFI Ownership	Consolidation Approach
DriveSys Systems Private Limited	100.00%	Full Consolidation
NexSteer Systems Private Limited	100.00%	Full Consolidation
Metacast Auto Private Limited	51.00%	Full Consolidation

Source: Company

ANALYST CONTACTS

Jitin Makkar

+91 124 4545368

jitinm@icraindia.com

Kinjal Shah

+91 22 6114 3442

kinjal.shah@icraindia.com

Mythri Macherla

+91 22 6114 3435

mythri.macherla@icraindia.com

Yashowardhan Swami

+91 20 6606 9923

yashowardhan.swami@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



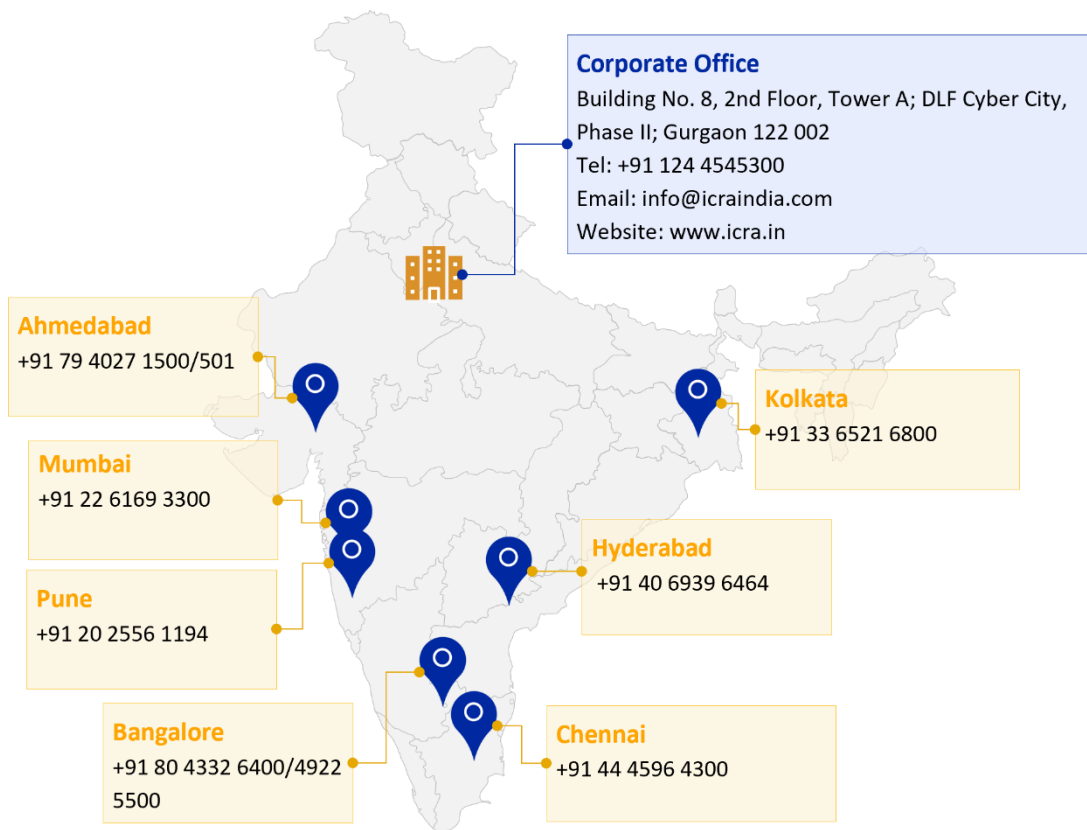
Registered Office

B-710, Statesman House 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.