

February 24, 2026

## ZF Rane Automotive India Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund based – Term loans	125.97	125.97	[ICRA]AA-(Stable); reaffirmed
Long-term fund based – Cash credit	363.50	363.50	[ICRA]AA-(Stable); reaffirmed
Short-term – Interchangeable	(140.50)	(140.50)	[ICRA]A1+; reaffirmed
Long-term/Short term – Unallocated facilities	74.03	74.03	[ICRA]AA- (Stable)/ [ICRA]A1+; reaffirmed
<b>Total</b>	<b>563.50</b>	<b>563.50</b>	

\*Instrument details are provided in Annexure-I

### Rationale

Following the carve-out of the ZF Passive Safety Systems division globally by ZF Group under the ZF LifeTec brand, the board of ZF Rane Automotive India Private Limited (ZFRAIPL) approved a scheme of arrangement to demerge its occupant safety division (OSD) into a new entity, viz. ZF Lifetec Rane Automotive India Private Limited (ZF Lifetec). Given the conclusion of the demerger scheme w.e.f. February 2026, ICRA has changed the rating approach for ZFRAIPL to a standalone approach, as against a consolidated view taken earlier for ZFRAIPL and its wholly owned subsidiaries. The approach has been revised to better reflect the company's current credit profile.

The reaffirmed ratings reaffirmation for the bank lines of ZFRAIPL consider its healthy operational profile and stable financial performance, as well as ICRA's expectation that the same will continue going forward. ZFRAIPL has an established position in its product segments in the steering gear division (SGD), which comprises steering gears and pumps, and benefits from technological support from its JV partner, ZF Automotive J.V. US LLC (part of ZF Friedrichshafen AG, a reputed global auto component supplier), which holds a 51% stake in the company. Also, the strategic acquisition of an additional 1% stake by ZF Automotive J.V. US LLC in the JV has improved access to ZF's technological and production capabilities, translating into incremental business opportunities for the company. The remaining 49% stake is held by Rane Holdings Limited (rated [ICRA]AA-(Stable)/[ICRA]A1+), which also provides operational support and financial flexibility in the domestic market. The financial profile of the company remains healthy, with total debt to OPBITDA of 0.7 times (annualised) in 10M FY2026. The coverage indicators are likely to remain strong over the medium term, aided by healthy cash accruals, scheduled repayment of existing term loans, and moderate capex plans, which can be self-funded.

Notwithstanding the above, ZFRAIPL faces segmental and geographic concentration risks, as the major part of its revenues (95%) is derived from the highly cyclical domestic commercial vehicle (CV) segment, exposing its earnings to volatility arising therefrom. Further, it also faces customer concentration risk, with its top five customers contributing 70% of revenues in FY2025, and the top two contributing 43% of revenues. This exposes revenues to volatility arising from a slowdown in orders from any major customer. Nevertheless, its established presence, long validation/testing cycles for critical products, and proven ability to add new customers largely mitigate this risk. Further, migration from hydraulic power steering (HPS) to electronic power steering (EPS) in the commercial vehicle space could result in the loss of business opportunities. ICRA notes

that the company is working on EPS for the CV segment to position itself as an early mover in the technology and has taken steps to diversify into alternate segments, including securing some large orders in the passenger vehicle (PV) space in North America, although these are yet to contribute meaningfully to revenues.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile, supported by a healthy operating profile, adequate liquidity position, and healthy debt indicators.

## Key rating drivers and their description

### Credit strengths

**Financial and operational flexibility as part of the Rane Group; technology support from ZF** – ZFRAIPL is a 49:51 JV between Rane Holdings Limited and ZF Automotive J.V. US LLC. The company is one of the key entities of the Chennai-based Rane Group, which is well known in the domestic and international auto ancillary space, with aggregate revenues of over Rs. 7,400 crore in FY2025. It also derives technological support from ZF (part of ZF Friedrichshafen AG, a reputed global auto component supplier). The strategic acquisition of a 1% stake by ZF in the JV in December 2021 improved access to ZF Friedrichshafen AG's technological and production capabilities, translating into incremental business opportunities for the Group.

**Healthy financial profile** – Being the mature division, the SGD division has been the cash cow of the consolidated entity, delivering stable cash accruals in the past. The financial profile is further strengthened by the conservative capital structure, with gearing of 0.3 times and total debt to OPBITDA of 0.7 times in 10M FY2026. Owing to minimal debt levels, the coverage metrics, such as interest coverage, have also remained healthy at 30.9 times and 25.4 times in FY2025 and 10M FY2026, respectively. ICRA expects the debt indicators to remain strong over the medium term, aided by healthy improvement in profits, scheduled repayment of existing term loans, and moderate capex plans, which can be self-funded. Any large payout towards dividends shall be a key monitorable.

**Leading player in HPS gears in India** – ZFRAIPL is a tier-I supplier of automobile components, catering to reputed original equipment manufacturers (OEMs) in the passenger vehicle (PV)/utility vehicle (UV) and CV industries. It supplies steering gears and pumps and is one of the two major players in this space. In addition to its well-established presence in the domestic CV space, it is also looking to expand into the overseas PV markets and has secured some orders for the same.

### Credit challenges

**Customer, geographic and segment concentration risk** – ZFRAIPL faces client concentration risk, with its top five customers generating approximately 70% of its revenues in FY2025. This exposes the company's revenues to volatility arising from a slowdown in orders from any major customer. Further, more than 95% of the company's revenues are generated in India and more than 90% from the highly cyclical CV segment. However, ZFRAIPL's established presence, long validation/testing cycles for critical products, and its demonstrated ability to secure new orders and add customers mitigate this risk to a large extent.

**Earnings exposed to CV industry cyclicality** – ZFRAIPL is a tier-I supplier deriving the majority of its revenues from the CV segment (>90% in FY2025). Akin to other auto component players, the company is exposed to the cyclicality inherent in the industry. Nevertheless, healthy demand for ZFRAIPL's products and its strong order book position mitigate this risk to a large

extent. ICRA also notes that the company has taken steps to diversify into alternate segments, including securing some large orders in the passenger vehicle (PV) space in North America, although these are yet to contribute meaningfully to revenues.

### Liquidity position: Adequate

ZFRAIPL's liquidity remains adequate, supported by healthy anticipated cash flows from operations of Rs. 60.0-70.0 crore annually and a buffer from its unutilised working capital limits. As on January 31, 2026, ZFRAIPL had unencumbered cash and bank balances of Rs. 20.7 crore. Against these sources of cash, the company has long-term debt repayment obligations of Rs. 10.1 crore each in FY2026 and FY2027 on existing loans. Further, capex is estimated to be modest at Rs. 50-100 crore p.a. in FY2026-FY2028 for capacity enhancement, localisation, and maintenance. The capex is expected to be funded through internal accruals. Overall, ICRA expects the company to meet its medium-term commitments through internal sources of funds and maintain adequate cash surplus and buffer in working capital.

### Rating sensitivities

**Positive factors** – The long-term rating could be upgraded with a sustained strengthening of the business profile through a scale-up in operations and diversification into alternate segments and/or geographies, while maintaining healthy credit metrics.

**Negative factors** – Sustained pressure on revenues and earnings, resulting in deterioration in credit metrics, could lead to a downgrade in the ratings. Specific credit metrics for a ratings downgrade include total debt/OPBITDA above 1.5 times on a sustained basis. Any large dividend payment leading to deterioration in the company's liquidity position will be a key monitorable.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Auto Components</a> <a href="#">Corporate Credit Rating Methodology</a>
Parent/group Support	Not Applicable
Consolidation/standalone	For arriving at the ratings, ICRA has considered the standalone financials of ZF Rane Automotive India Private Limited.

### About the company

ZF Rane Automotive India Private Limited is a 49:51 joint venture between Rane Holdings Limited (the holding company of the Rane Group, an established auto ancillary group in India; rated [ICRA]AA-(Stable)/[ICRA]A1+) and ZF Automotive J.V. US LLC (part of ZF Friedrichshafen AG, a reputed global auto component supplier). The company is a tier-I auto component supplier and had two divisions - the occupant safety division (OSD) and the steering gear division (SGD). Under the OSD division (including its two subsidiaries), it used to manufacture seat belts, airbags, cushions, and steering wheels, while under the SGD division, it manufactures hydraulic power steering systems and pumps. With effect from February 2026, the OSD division has been demerged and transferred to another group company, ZF Lifetec Rane Automotive India Private Limited, to take over the OSD division. At present, the operations of ZFRAIPL constitutes the supply of steering gears and pumps, primarily to UVs and CVs in the domestic market. Apart from ZFRAIPL, the Rane Group is represented by key companies such as Rane Holdings Limited, Rane (Madras) Limited, and Rane Steering Systems Private Limited.

**Key financial indicators (audited)**

The KFI's are not being presented here as the audited financial statements of the demerged entity are not available.

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

### Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current ratings (FY2026)		Chronology of rating history for the past 3 years					
			Date & rating in FY2026		Date & rating in FY2025		Date & rating in FY2024		Date & rating in FY2023	
			February 24, 2026	October 21, 2025	October 09, 2024	April 09, 2024	January 11, 2024	September 28, 2023	March 06, 2023	
1	Term loans	125.97	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
2	Cash credit	363.5	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
3	Fund based – Sublimit	-	-	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Non-fund based – Sublimit	(140.5)	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Unallocated	74.03	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/ [ICRA]A1+			[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/ [ICRA]A1+

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loans	Simple
Long-term Fund-based – Cash Credit	Simple
Short term – Interchangeable	Simple
Long term/Short term – Unallocated facilities	Not Applicable

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 loans	FY2022	NA	FY2029	125.97	[ICRA]AA-(Stable)
NA	Cash credit	NA	NA	NA	363.50	[ICRA]AA-(Stable)
NA	LC/BG	NA	NA	NA	(140.50)	[ICRA]A1+
NA	Unallocated	NA	NA	NA	74.03	[ICRA]AA-(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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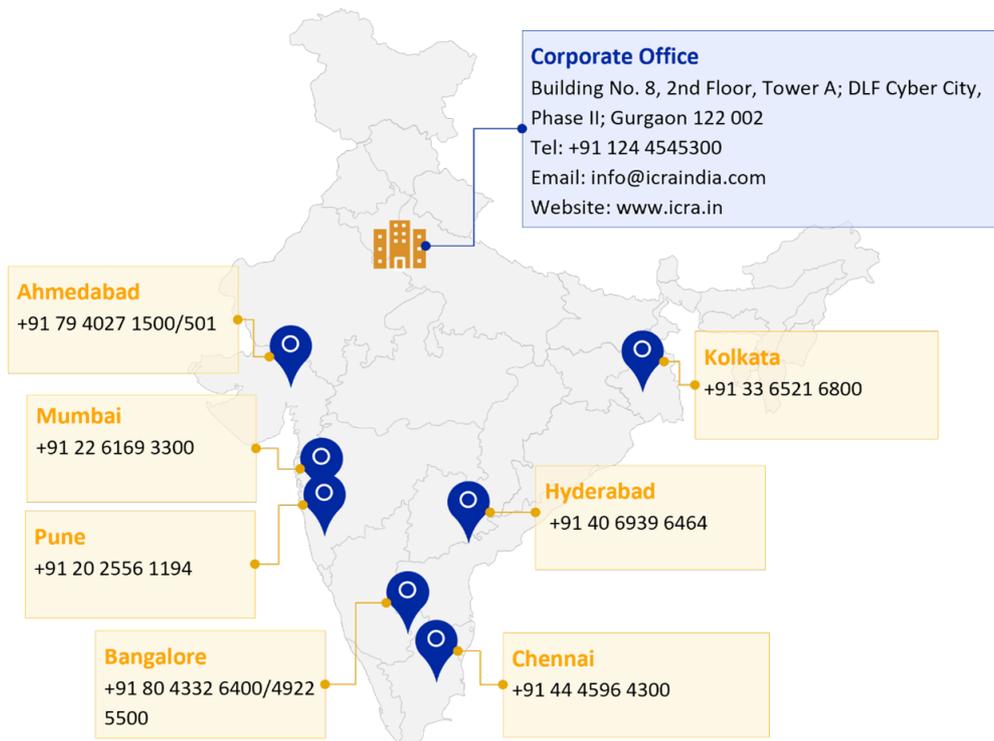


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