

February 24, 2026

ZF Rane Occupant Safety Systems Private Limited: Ratings placed on watch with negative implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund based – Term Loans	256.28	256.28	[ICRA]AA- placed on rating watch with negative implications
Long-term fund based – Cash Credit	90.00	90.00	[ICRA]AA- placed on rating watch with negative implications
Short-term – Interchangeable	(55.00)	(55.00)	[ICRA]A1+ placed on rating watch with negative implications
Long-term/Short term – Unallocated facilities	38.29	38.29	[ICRA]AA- placed on rating watch with negative implications/[ICRA]A1+ placed on rating watch with negative implications
Total	384.57	384.57	

*Instrument details are provided in Annexure-I

Rationale

Following the carve-out of the ZF Passive Safety Systems division globally by the ZF Group under the ZF LifeTec brand, the board of ZF Rane Automotive India Private Limited (ZFRAIPL, rated [ICRA]AA-(Stable)/[ICRA]A1+) 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). As part of this scheme, ZF Rane Occupant Safety Systems Private Limited (ZFROSSPL), which was earlier a wholly owned subsidiary of ZFRAIPL, is now a wholly owned subsidiary of ZF LifeTec with effect from February 2026. Given the conclusion of the scheme, ICRA has changed the rating approach for ZFROSSPL to a consolidated view of ZF Lifetec and its wholly owned subsidiaries (OSD division). The approach has been revised to better reflect the company's current credit profile.

The ratings have been placed on watch with negative implications following a recent instance of a product recall in the OSD division, for which a provision of Rs. 230.0 crore has been created, as per the initial estimate of the cost to be borne by ZF Lifetec as a fallout of this event. Given that the possibility of further provisions in the coming quarters cannot be ruled out, and that the funding mix for these payouts is yet to be firmed up, there is a lack of clarity at present regarding the full impact on the company's credit profile. ICRA will monitor developments in this regard and their impact on the operational and financial profile of the entity. The watch also factors in the company's current high leverage and ICRA will continue to monitor its plans to reduce the same.

The ratings continue to factor in the company's established position in its respective product segments, including airbags, seat belts, steering wheels and cushions, and the benefits derived 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 a 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% 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 anticipated growth in safety-critical auto components, stemming from higher content per vehicle due to progressive regulatory tightening and voluntary measures aimed at improving vehicle safety, will continue to support growth going forward. Additionally, a diverse product portfolio and a healthy domestic-export mix (with more than 40% of revenues derived from exports) mitigate the vulnerability of revenues to product- or geography-specific risks to a large extent. Notwithstanding these strengths, the coverage indicators have remained moderate due to debt-funded capex/acquisitions and high working capital requirements. However, ICRA expects this to improve gradually going forward as earnings scale up. ICRA expects capex requirements to continue, with consolidated capex estimated at Rs. 100-150 crore p.a. over FY2026-FY2028 towards capacity enhancement, localisation and maintenance requirements. Nevertheless, the debt indicators are likely to improve gradually over the medium term, aided by the expected improvement in profits, scheduled repayment of existing term loans and improved working capital management.

The ratings are also constrained by customer concentration risk, with the top three customers generating 78-80% of consolidated revenues in H1 FY2026. This exposes revenues to volatility arising from a slowdown in orders from any of the major customers. The company's earnings are also exposed to fluctuations in demand in the underlying passenger vehicle (PV) industry, which accounts for more than 80% of revenues, in addition to forex fluctuations, as more than 40% of revenues are derived from overseas markets. Nevertheless, its established presence, long validation/testing cycles in safety-critical products and proven track record of adding new customers largely mitigate these risks. Also, any issues and consequent recalls in products manufactured by ZF Lifetec could result in a loss of business opportunities.

Key rating drivers and their description

Credit strengths

Financial and operational flexibility as part of the Rane Group; technology support from ZF – ZF LifeTec 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, well known in the domestic as well as international auto ancillary space, with aggregate revenues of over Rs. 7,400 crore in FY2025. It also derives technology support from ZF (part of ZF Friedrichshafen AG, a reputed global auto component supplier), translating into incremental business opportunities for the Group.

Diversified product profile; healthy domestic-export mix – Under the OSD division, the Group manufactures airbags, seat belts, cushions and steering wheels across three companies – ZF LifeTec Rane Automotive India Private Limited and its subsidiaries, ZF Rane Occupant Safety Systems Private Limited and TRW Sun Steering Wheels Private Limited. The company also derives a healthy share of its revenues from exports (more than 40% in FY2025). The diverse product portfolio and healthy domestic-export mix mitigate the vulnerability of revenues to product- or geography-specific risks to a large extent. Also, the Group is likely to benefit from the anticipated growth in safety-critical auto components, stemming from higher content per vehicle due to progressive regulatory tightening and voluntary measures aimed at improving vehicle safety.

Established player in airbags and seat belts in India; healthy addition of new businesses – The Group 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 is also a reputed player in airbags and seat belts and has achieved healthy new business wins and customer additions in recent years. ICRA expects the Group to exhibit healthy revenue growth going forward, driven by

stable industry demand, new business wins and higher safety content per vehicle in the near to medium term.

Credit challenges

Moderate debt coverage metrics – In recent years, the OSD division of the Group has incurred sizeable debt-funded capex, the full benefits of which are expected to accrue in the upcoming years. The consolidated net debt/OPBDITA ratio stood at 3.8 times as on March 31, 2025, while interest coverage stood at 3.0 times in FY2025. Despite improvement in operating profits, the continued high debt levels have limited meaningful improvement in coverage indicators. Going forward as well, consolidated capex is estimated at Rs. 150-200 crore p.a. over FY2026-FY2028 for capacity enhancement, localisation and maintenance. Nevertheless, ICRA expects the debt indicators to improve gradually over the medium term, aided by improvement in profits, scheduled repayment of existing term loans and better working capital management.

Customer concentration risk – The Group faces client concentration risk, with its top three customers contributing to 80% of revenues in FY2025. This exposes the company's revenues to volatility arising from a slowdown in orders from any major customer. However, the Group's established presence, long validation/testing cycles in safety-critical products and its demonstrated ability to secure new orders and add customers mitigate this risk to a large extent.

Earnings exposed to industry cyclicity and forex fluctuations – The OSD division derives the majority of its revenues from the PV segment (over 80% of revenues in FY2025). Akin to other auto component players, the company is exposed to the cyclicity inherent in the automobile industry. Nevertheless, healthy demand for its products and its strong order book position mitigate this risk to a large extent. Further, its earnings are vulnerable to unfavourable forex fluctuations, given that more than 40% of revenues are derived from exports, although its effective hedging mechanisms mitigate forex risk to an extent.

Liquidity position: Adequate

Liquidity is expected to remain adequate, supported by healthy anticipated cash flows from operations of Rs. 120.0-Rs. 130.0 crore and a working capital buffer. As on December 31, 2025, the unencumbered cash and bank balances stood at Rs. 20.0 crore. Further, consolidated capex is estimated at Rs. 100-150 crore p.a. in FY2026-FY2028 for capacity enhancement, localisation and maintenance. The capex is expected to be funded through a combination of internal accruals and debt. Overall, ICRA expects the company to meet its medium-term commitments through internal sources of funds/debt and maintain an adequate cash surplus and buffer in working capital. Any funding mismatch is expected to be bridged by the promoters through debt/equity.

Rating sensitivities

Positive factors – Improvement in profitability leading to improvement in leverage and coverage metrics could lead to a rating upgrade. Specific metrics that could trigger an upgrade include RoCE above 20% and total debt/OPBDITA of less than 1.0x on a sustained basis.

Negative factors – Pressure on the ratings could arise from significant weakening in the company's revenues or margins, or a sizeable increase in debt levels due to working capital stretch, substantial capex or a further increase in provisions/payouts related to product recalls. A prolonged period of continued high leverage could also be a trigger for a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Auto Components Corporate Credit Rating Methodology
Parent/group Support	Not Applicable
Consolidation/standalone	For arriving at the ratings, ICRA has considered the consolidated financials of ZF LifeTec Rane Automotive India Private Limited and its subsidiaries. Details are provided in Annexure-II.

About the company

ZF LifeTec Rane Automotive India Private Limited is a 49:51 joint venture between Rane Holdings Limited (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, manufacturing seat belts, airbags, cushions and steering wheels, primarily for the passenger vehicle segment. Its subsidiary, ZF Rane Occupant Safety Systems Private Limited manufactures seat belts, airbags and cushions while its other subsidiary, TRW Sun Steering Wheels Private Limited, manufactures steering wheels. Besides ZF LifeTec, 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	September 28, 2023	March 06, 2023
1	Term Loans	256.28	[ICRA]AA-; Rating watch with negative implications	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-
2	Cash Credit	90.00	[ICRA]AA-; Rating watch with negative implications	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-
3	Non-fund based – Sublimit	(55.00)	[ICRA]A1+; Rating watch with negative implications	[ICRA]A1+				-
4	Unallocated	38.29	[ICRA]AA-; Rating watch with negative implications/ [ICRA]A1+; Rating watch with negative implications	[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	256.28	[ICRA]AA-; Rating Watch with Negative Implications
NA	Cash Credit	NA	NA	NA	90.00	[ICRA]AA-; Rating Watch with Negative Implications
NA	LC/BG	NA	NA	NA	(55.00)	[ICRA]A1+; Rating Watch with Negative Implications
NA	Unallocated	NA	NA	NA	38.29	[ICRA]AA-; Rating Watch with Negative Implications/ [ICRA]A1+; Rating Watch with Negative Implications

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
ZF Rane Occupant Safety Systems Private Limited	100.00%	Full consolidation
TRW Sun Steering Wheels Private Limited	100.00%	Full consolidation
ZF Lifetec Rane Automotive India Private Limited	100.00%	Full consolidation

Source: Company

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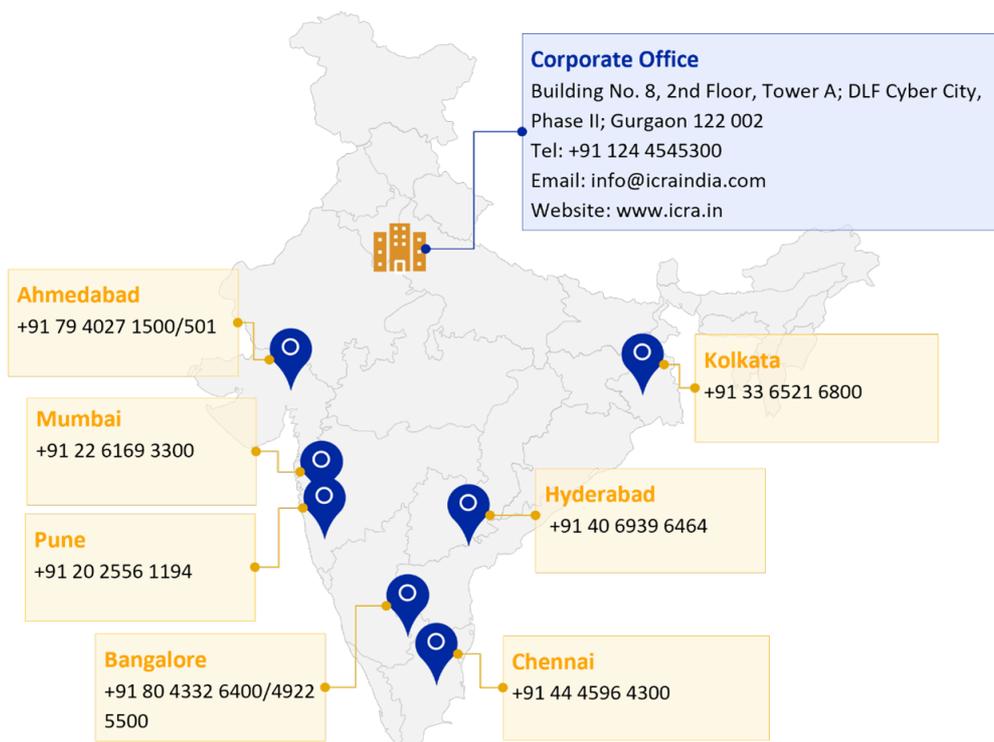


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