

October 21, 2025

ZF Rane Automotive India Private 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 fund based – Term loans	146.93	125.97	[ICRA]AA-(Stable); reaffirmed
Long-term fund based – Cash credit	300.50	363.50	[ICRA]AA-(Stable); reaffirmed/assigned for enhanced limits
Short-term – Interchangeable	(300.50)	(140.50)	[ICRA]A1+; reaffirmed
Long-term/Short term – Unallocated facilities	-	74.03	[ICRA]AA- (Stable)/ [ICRA]A1+; reaffirmed/assigned for enhanced limits
Total	447.43	563.50	

*Instrument details are provided in Annexure-I

Rationale

ICRA has taken a consolidated view of ZF Rane Automotive India Private Limited (ZFRAIPL) and ZF Rane Occupant Safety Systems Private Limited (ZFROSSPL), along with its other subsidiaries (given in Annexure II), given strong operational and financial linkages shared with each other.

Following the carve-out of the ZF Passive Safety Systems division globally by ZF under the ZF LifeTec brand, the board of ZFRAIPL has approved a draft scheme of arrangement to demerge the occupant safety division (OSD). For the purposes of the demerger, the company has incorporated a new subsidiary, ZF Lifetec Rane Automotive India Private Limited (ZF Lifetec). As per the scheme of demerger, the OSD business would be transferred to ZF Lifetec. Currently, the application is pending with the NCLT, and it is likely to be concluded within the next three to four months. This restructuring is being undertaken on a going concern basis, aimed at enhancing strategic clarity and operational focus for the Occupant Safety business. ICRA shall continue to monitor developments on this front and the effect of the same on the financial and business risk profiles of the resultant entities and take appropriate rating actions.

The ratings outstanding on ZFRAIPL consider its healthy operational profile and stable financial performance of the Group, as well as ICRA's expectation that the same will continue going forward. ZFRAIPL has a healthy domestic-export mix and a diversified product portfolio of steering gears and pumps, airbags, cushions, seat belts, and steering wheels, mitigating geography and product-specific risks to a large extent. The businesses are housed under two divisions, OSD, which encompasses airbags, cushions, seat belts, and steering wheels, as well as steering gear division (SGD), comprising steering gears and pumps. ZFRAIPL has an established position in its product segments 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 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.

ZFRAIPL's consolidated revenues grew by 12.7% YoY in FY2025 and 14.0% YoY in Q1 FY2026, primarily aided by healthy growth in existing business, incremental revenues from recently added business with its existing customers, and ramp-up in cushion exports. The anticipated growth for safety-critical auto components, stemming from higher content per vehicle due to progressive regulatory tightening and voluntary measures for improvement in vehicle safety, will continue to support growth going forward. The consolidated operating margins stood at 10.8% in FY2025 and 10.6% in Q1 FY2026 (as against 10.2% in FY2024), which are expected to improve going forward, with benefits from scale economies and higher localisation levels. However, ICRA notes that while operating profits improved over previous years in FY2025 and Q1 FY2026, the coverage

indicators moderated due to debt-funded capex/acquisition and higher working capital requirements. The consolidated net debt/OPBDITA moderated to 2.6 times in FY2025, which was higher than the negative trigger of 2.2x; however, ICRA expects this to reverse going forward as earnings improve. ICRA expects capex requirements to continue, with consolidated capex estimated at Rs. 150-200 crore p.a. for FY2026-FY2028 towards capacity enhancement, localisation, and maintenance requirements. Nevertheless, the debt indicators are likely to improve over the medium term, aided by healthy improvement in profits, scheduled repayment of existing term loans, and improved working capital management.

ZFRAIPL faces customer concentration risk, with its top five customers generating 78% of consolidated revenues in FY2025. This exposes revenues to volatility arising from any slowdown in orders from major customers. Nevertheless, its established presence, long validation/testing cycles in safety-critical products, and ability to add new customers largely mitigate the risk. Also, while any issues and consequent recalls in products manufactured by ZFRAIPL could result in loss of business opportunities, ICRA understands that ZFRAIPL has not had any instances of product recalls historically. Further, migration from hydraulic power steering (HPS) to electronic power steering (EPS) in the commercial vehicle (CV) space could result in loss of business opportunities. ICRA notes that the company is working on EPS for the CV segment to equip itself as an early mover in the technology and has taken steps to diversify into alternate segments, 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 expected improvement in 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, well known in the domestic as well as international auto ancillary space, with cumulative 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). The strategic acquisition of a 1% stake by ZF in the JV in December 2021 has improved access to ZF Friedrichshafen AG's technological and production capabilities, translating into incremental business opportunities for the Group.

Diversified product profile; healthy domestic-export mix – ZFRAIPL manufactures airbags, seat belts, and cushions under the OSD and HPS gears, pumps, and reservoirs under the SGD. It has added steering wheels to the OSD division following the acquisition of TRW Sun Steering Wheels Private Limited in March 2024. The OSD products (including steering wheels) constituted 64% of its FY2025 revenues, while SGD contributed the rest. The company also derives a healthy share of its revenues from exports (more than 25% in FY2025, primarily under OSD). The diverse product portfolio and healthy domestic-export mix mitigate the vulnerability of ZFRAIPL's revenues to product- or geography-specific risks to a large extent. Also, ZFRAIPL 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 for improvement in vehicle safety.

Leading player in HPS gears and established player in airbags and seat belts in India; healthy addition of new businesses – 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. HPS is primarily used in CVs and UVs, and ZFRAIPL is one of the two major players in this space. ZFRAIPL is also a reputed player in airbags and seat belts and has achieved healthy new business wins and customer additions in recent years. While ZFRAIPL's SGD is likely to benefit from growth in domestic CV volumes, ICRA expects ZFRAIPL's OSD 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 metrics – The consolidated debt indicators moderated in FY2025 and Q1 FY2026 due to debt-funded capex/acquisition and higher working capital requirements. The consolidated net debt/OPBDITA ratio moderated to 2.6 times as on March 31, 2025, compared to 2.5 times as on March 31, 2024, and 1.6 times as on March 31, 2023, while interest coverage stood at 4.8 times in FY2025 and 4.7 times in Q1 FY2026. Despite improvement in operating profits, the increase in debt levels constrained the coverage indicators. The consolidated capex is estimated at Rs. 150-200 crore p.a. in FY2026-FY2028 for capacity enhancement, localisation, and maintenance. Nevertheless, ICRA expects the debt indicators to improve over the medium term, aided by healthy improvement in profits, scheduled repayment of existing term loans, and working capital management.

Customer concentration risk – ZFRAIPL faces client concentration risk, with its top five customers generating 78% of its revenues in FY2025. This exposes the company's revenues to volatility arising from any slowdown in orders from major customers. However, ZFRAIPL's established presence, long validation/testing cycles in safety-critical products, and its demonstrated ability to secure new orders and add customers mitigate the risk to a large extent.

Earnings exposed to industry cyclicality and forex fluctuations – ZFRAIPL is a tier-I supplier deriving the majority of its revenues from the PV segment (66% of revenues in FY2025), while a large part of the balance revenues is generated by the CV segment (29% in FY2025). Akin to other auto component players, the company is exposed to the cyclicality inherent in the automobile industry. Nevertheless, healthy demand for ZFRAIPL's products and its strong order book position mitigate this risk to a large extent. Further, the company is a net importer, and its earnings are vulnerable to unfavourable forex fluctuations, although its effective hedging mechanism mitigates forex risk to an extent.

Liquidity position: Adequate

ZFRAIPL's liquidity remains adequate, supported by healthy anticipated cash accruals and a working capital buffer. The company's average fund-based working capital utilisation for the 12 months ended June 2025 stood at 83% of sanctioned limits and 86% of drawing power, resulting in undrawn working capital lines of Rs. 66.1 crore. As on June 30, 2025, ZFRAIPL had consolidated unencumbered cash and bank balances of Rs. 22.2 crore and undrawn term loans of Rs. 30.0 crore. Against these sources of cash, the company has long-term debt repayment obligations of Rs. 56.6 crore in FY2026 and Rs. 80.7 crore in FY2027 on existing loans. Further, consolidated capex is estimated at Rs. 150-200 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 adequate cash surplus and buffer in working capital.

Rating sensitivities

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

Negative factors – Pressure on ratings could arise from significant weakening in ZFRAIPL's revenues or margins or a sizeable increase in debt levels due to working capital stretch or substantial capex. Specific metrics that could trigger a downgrade include net debt/OPBDITA of greater than 2.2x on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of ZF Rane Automotive India Private Limited. Details are provided in Annexure-II.

About the company

ZF 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 and has two divisions – occupant safety division (OSD) and steering gear division (SGD). ZFRAIPL manufactures seat belts, airbags, cushions and steering wheels under the OSD division (64% revenues in FY2025) and hydraulic power steering and pumps in the latter (36% revenues in FY2025). It derived 72% of its revenues from the domestic market and 28% from overseas markets in FY2025. In terms of segments, PVs constitute 66% and CVs formed 29% of consolidated revenues, while farm tractors and spares bring up the remaining.

While the company only had standalone operations earlier, it incorporated a wholly owned subsidiary, ZF Rane Occupant Safety Systems Private Limited in FY2023, for manufacturing some of its occupant safety products. Further, it acquired TRW Sun Steering Wheels Private Limited in March 2024, which is into the manufacturing of steering wheels. In July 2024, it incorporated another subsidiary called ZF Lifetec Rane Automotive India Private Limited, to take over the OSD division once the scheme of demerger is approved.

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)

ZF Rane Automotive India Private Limited (Consolidated)	FY2024	FY2025
Operating income	2,133.5	2,404.3
PAT	106.8	91.5
OPBDIT/OI	10.2%	10.8%
PAT/OI	5.0%	3.8%
Total outside liabilities/Tangible net worth (times)	2.0	2.3
Total debt/OPBDIT (times)	2.9	2.8
Interest coverage (times)	7.7	4.8

Amount in Rs. crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years				
	Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025		Date & rating in FY2024		Date & rating in FY2023
			October 21, 2025	October 09, 2024	April 09, 2024	January 11, 2024	September 28, 2023	March 06, 2023
1 Term loans	Long term	125.97	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
2 Cash credit	Long term	363.50	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
3 Fund based – Sublimit	Short term	-	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4 Non-fund based – Sublimit	Short term	(140.50)	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5 Unallocated	Long term/Short term	74.03	[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	Very 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

Company name	ZFRAIPL ownership	Consolidation approach
ZF Rane Automotive India Private Limited	100.00% (rated entity)	Full consolidation
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

Note: ICRA has taken a consolidated view of the parent (ZFRAIPL) and its subsidiaries while assigning the ratings

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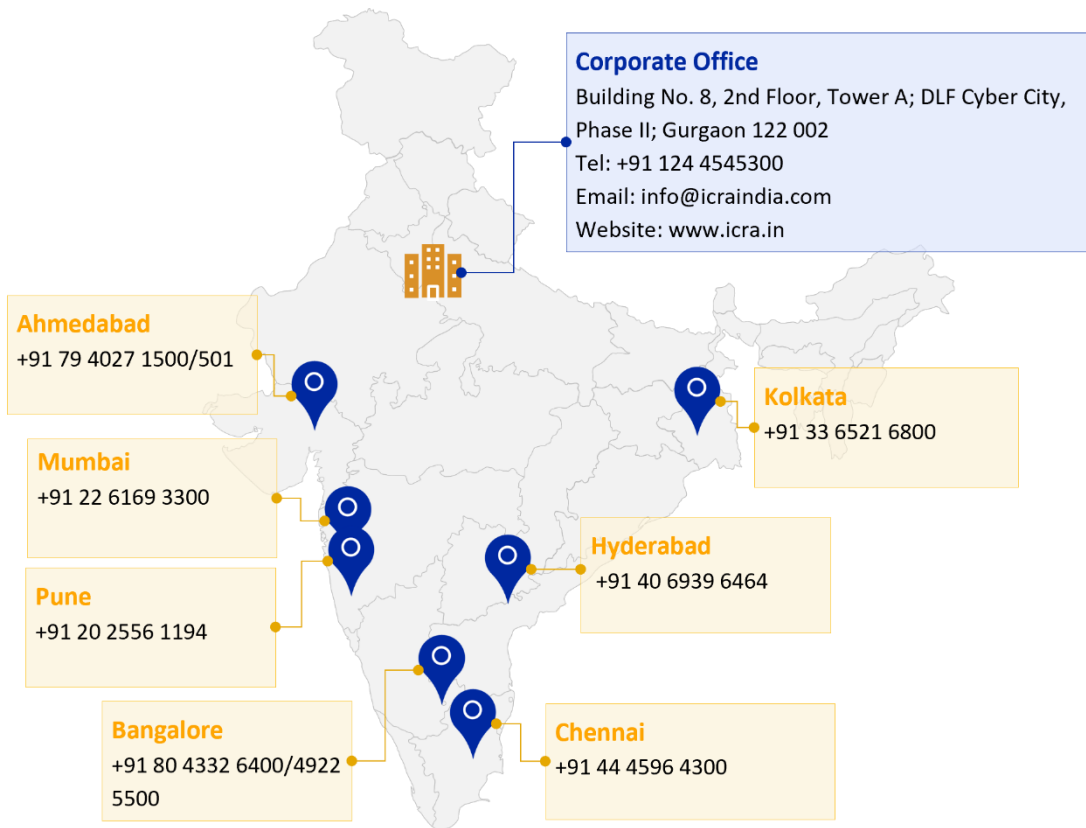
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