

November 29, 2022

ZF Steering Gear (India) Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based	30.00	30.00	[ICRA]A+(Stable)
Long-term/Short-term Non-fund Based	20.00	20.00	[ICRA]A+(Stable)/[ICRA]A1+
Total	50.00	50.00	

*Instrument details are provided in Annexure-1

Rationale

Material Event

ZF Steering Gear (India) Limited (ZFI) intimated the stock exchanges on November 19, 2022, regarding a communication it received from ZF Friedrichshafen AG, in relation to the alleged infringement of the trademark “ZF” and/or “ZF India”. ZF Friedrichshafen AG has also demanded a sum of Rs. 100 crore from the company in damages.

Impact of the Material Event

As mentioned by the company in its stock exchange release, it is of the opinion that it has not committed any act of infringement. ZF Friedrichshafen AG has also provided the company with an option to meet and discuss the matter, and accordingly, the developments on this front would be monitored. While ZF Friedrichshafen AG has made a demand as damages from the company, comfort is drawn by ICRA from the sizeable liquidity buffer maintained by ZFI in the form of liquid investments and/or cash and bank balances (Rs. 130 crore as on September 30, 2022). ICRA would continue to monitor developments in this regard, and their impact on ZFI’s credit profile, and take appropriate rating action.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, the Liquidity position and Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Manufacturers
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of ZF Steering Gear (India) Limited.

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 an installed manufacturing capacity of 2.0 lakh mechanical steering gear units and 4.55 lakh hydraulic power steering gear units per annum. ZFI’s manufacturing plants are 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 heavy vehicles like dumpers and haulage trucks. As on September 30, 2022, the promoter group held 67.41% stake in the company, with the Munot family holding 41.62% stake and RBAS holding 25.79% stake.

Key financial indicators (audited)

ZFI Standalone	FY2021	FY2022
Operating income (Rs. crore)	201.5	312.8
PAT (Rs. crore)	8.8	18.3
OPBDIT/OI (%)	9.1%	13.0%
PAT/OI (%)	4.4%	5.8%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	1.7	0.7
Interest coverage (times)	63.0	135.3

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Note: Amount in Rs. crore; All calculations are as per ICRA research

Source: ZFI, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2023)		Chronology of Rating History for the past 3 years					
		Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020	
				Nov 28, 2022	Mar 28, 2022	Feb 19, 2021	Aug 03, 2020	Oct 25, 2019	Jun 10, 2019
1 Long-term Fund-based	Long-term	30.0	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)
2 Long-term/Short-term Non-fund based	Long-term/short term	20.0	-	[ICRA]A+ (Stable)/ [ICRA]A1+	[ICRA]A+ (Stable)/ [ICRA]A1+	[ICRA]A+ (Stable)/ [ICRA]A1+	[ICRA]A+ (Negative)/ [ICRA]A1+	-	-
3 Term Loan	Long-term	-	-	-	-	-	-	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)
4 Non-fund based	Short-term	-	-	-	-	-	-	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term Fund-based	Simple
Long-term/ Short-term – Non-fund-based	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 analyzing 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, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Long-term fund based limits	NA	NA	NA	30.0	[ICRA]A+(Stable)
NA	Long-term/Short-term non-fund based limits	NA	NA	NA	20.0	[ICRA]A+(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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