ZF INDIA

ZF STEERING GEAR (INDIA) LTD.

Regd. Office & Works :
Gat Nos. 1242 & 1244, Village Vadu BK., Tal. Shirur,
Dist. Pune - 412 216 (India) Tel.: 02137-305100,
Web : www.zfindia.com, Email Id: enquiry@zfindia.com
Corporate identity Number (CIN) : L29130PN1981PLC023734

August 4, 2026

BSE Limited
25th Floor, P.J. Towers,
Dalal Street, Fort,
Mumbai- 400 001

Sub: Reaffirmation of Credit Ratings (after annual review) by ICRA

Ref: BSE Scrip Code: 505163

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we have to inform you that ICRA has reaffirmed the earlier Credit Ratings of our Company and the **Outlook on rating long-term fund/ non-fund based facilities has been reaffirmed as 'Stable'**.

The Credit Rating of our Company is as under:

Credit Facility	**Amount (Rs. in crore)**	**Rating Action**
Long-term and Short-term Fund/ Non-fund Based – Working Capital Facilities	105.00	Reaffirmed Long-Term [ICRA] A+ (**ICRA A plus**) Outlook on the Long-term rating has been reaffirmed as **'Stable'**. and Reaffirmed Short-term [ICRA] A1+ (**ICRA A One Plus**)

The communication received from ICRA on the subject is enclosed herewith.

Further, you are requested to take the aforesaid disclosure on your record and disseminate the same for the information of Investors.

Thank You,
Yours faithfully,

for **ZF Steering Gear (India) Limited**

SATISH JAYANTILAL MEHTA
Digitally signed by SATISH JAYANTILAL MEHTA
Date: 2026.08.04 13:44:44 +05'30'

Satish Mehta
Company Secretary & Compliance officer
Membership No. F3219

Head Office : - Pride Parmar Galaxy, 3rd Floor, C+E Wing, CTS No. 10+10A, Connaught Road, Sadhu Vaswani Chowk, Pune 411001

August 4, 2026

ZF Steering Gear (India) Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Long-term/Short-term fund-based/ non-fund based – Working capital facilities	105.00	105.00	[ICRA]A+ (Stable)/[ICRA]A1+; reaffirmed	RBI
Total	105.00	105.00		

*Instrument details are provided in Annexure I

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments, which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The rating reaffirmation for ZF Steering Gear India Limited (ZFI/the company) 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 in addition to its strong credit profile characterised by healthy earnings, strong liquidity position and minimal utilisation of working capital lines. ICRA notes that the company has incorporated a subsidiary – DriveSys Systems Private Limited (DriveSys; rated [ICRA]BBB+(Stable)/[ICRA]A2) – and has also formed a joint venture (JV) – Metacast Auto Private Limited (Metacast) – as part of its backward integration efforts. While this is expected to support profitability through in-house manufacturing of machined castings and reduce dependence on external suppliers to an extent, timely and commensurate returns from the capital expenditure (capex) incurred towards setting up these entities remain a key rating monitorable. However, healthy ramp up in the scale of operations of these two entities in FY2026 provides some comfort in this regard. ICRA also notes that the company has set up an aluminium extrusions division as well under DriveSys, and a new manufacturing facility for the same is expected to be commissioned in Q2 FY2027.

Supported by healthy growth in the domestic CV wholesale volumes, the company registered a comfortable YoY consolidated revenue growth of 15% and 11% in FY2026 and Q1 FY2027, respectively. Operating leverage benefits supported operating profit margin (OPM) expansion to 14.6% in FY2026 from 11.6% in FY2025. While commodity inflation and operating expenditure towards setting up the aluminium extrusion plant led to some moderation in OPM in Q1 FY2027 (at 11.9%), a gradual improvement in the same is envisaged over the medium term, supported by backward integration benefits. Revenue growth estimates for FY2027 remain robust, supported by steady performance of the standalone entity and incremental revenue generation from the aluminium extrusion facility from H2 FY2027.

While ZFI has reported a healthy financial risk profile over the years, characterised by comfortable capitalisation and strong liquidity metrics, ICRA notes that it has consolidated capex plans of Rs. 140-150 crore over FY2027 and FY2028, 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. The company's liquidity position is also likely 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 towards the same remain monitorable.

The ratings continue to remain constrained by the company's modest scale of operations compared to industry peers, susceptibility to the inherent cyclicality in the domestic CV and tractor industries, and the constant need to upgrade and develop new technology-driven products. Incremental revenue potential from DriveSys through its aluminium extrusion business is likely to support the expansion of ZFI's consolidated scale of operations in the medium term.

The Stable outlook on the long-term rating factors in ICRA's expectation that ZFI would continue to benefit from its strong business position with various OEMs, helping it to generate stable cash flows and maintain a strong credit profile despite the sizeable capex lined up over the near to medium term.

Key rating drivers and their description

Credit strengths

Strong position in domestic steering systems industry for M&HCVs[1] 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 M&HCV and tractor steering systems market is essentially duopolistic, with ZFI and the Rane Group jointly commanding almost the total market share. Established relationships with leading CV OEMs such as Tata Motors Limited (rated [ICRA]AA+(Stable)/[ICRA]A1+), Ashok Leyland Limited (rated [ICRA]AA+(Stable)/[ICRA]A1+), and VE Commercial Vehicles Limited (rated [ICRA]AA+(Stable)/[ICRA]A1+) provide ZFI with sufficient revenue visibility.

Comfortable capitalisation indicators and strong liquidity position – ZFI continues to demonstrate a fairly comfortable capital structure, with a gearing of 0.2 times as of March 31, 2026 (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. ZFI's consolidated debt profile is dominated by debt at the subsidiary/ JV levels. While gross debt of DriveSys stood at Rs. 195.3 crore as on March 31, 2026, majority of the said debt was in the form of unsecured loans extended by ZFI to DriveSys, mainly to support the latter's capex funding requirements. ZFI's TD/OPBDITA (consolidated) improved to 1.3 times as on March 31, 2026, from 1.7 times as on March 31, 2025, supported by improved profitability in FY2026. ICRA expects the coverage indicators to remain healthy in the medium term, supported by comfortable profitability. Its liquidity position remains strong, supported by free cash and liquid (unpledged) investments worth around Rs. 87 crore as on March 31, 2026, and unutilised working capital limits of around Rs. 30 crore as of March 31, 2026 (i.e., entire buffer available for drawdown). Although the company has some debt-funded capex plans lined up over the near term pertaining to backward integration initiatives and capacity additions, ICRA believes that the same will not materially impact the credit metrics adversely. In addition, these backward integration initiatives are expected to support ZFI's profitability, going forward, through in-house sourcing of machined castings. Furthermore, incremental revenue generation from DriveSys through its aluminium extrusion division is estimated to support the consolidated revenue profile as well as earnings in the medium term.

Credit challenges

Susceptible to inherent cyclicality 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, followed by tractors, with minimal presence in the PV segment. Consequently, 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

[1] Medium & heavy commercial vehicles

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 it services is likely to be only gradual. ZFI's exposure to litigation/ penalties from issues related to waste and water management remains relatively low as one of its units (at Pithampur, Madhya Pradesh) 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 relationships 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 in line with FY2026 levels, and free cash and liquid investments of Rs. 87 crore as of March 31, 2026. In addition, the company had a buffer of Rs. 30 crore from unutilised working capital lines as on March 31, 2026. Fund-based working capital utilisation remained nil throughout FY2026, underlining minuscule dependence of ZFI over external borrowings to meet its working capital requirements. Against these sources of liquidity, the company has moderate debt repayment obligations (Rs. 17-22 crore per annum), as the capital expenditure (capex) outlay remains sizeable over the near to medium term, at Rs. 150-160 crore for FY2027-FY2028 planned for backward integration and capacity addition, 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 the company's 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 Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of ZFI. Please see Annexure-II for details.

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 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 manufacturers of heavy vehicles such as dumpers and haulage trucks. The M&HCV segment dominates the company's revenue pie, with a limited revenue contribution from the tractors segment. As on June 30, 2026, the promoter group (Munot family) held a 62.75% stake in the company.

Key financial indicators (audited)

ZFI (Consolidated)	FY2025	FY2026
Operating income	498.7	575.2
PAT	12.6	12.0
OPBDIT/OI	11.6%	14.6%
PAT/OI	2.5%	2.1%
Total outside liabilities/Tangible net worth (times)	0.3	0.4
Total debt/OPBDIT (times)	1.7	1.3
Interest coverage (times)	8.8	10.5

Source: ZFI, ICRA Research; Amount in Rs. crore; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	August 4, 2026	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+	Jun 26, 2025	[ICRA]A+ (Stable)/ [ICRA]A1+	-	-	-	-
Long-term Fund-based	Long term	-	-	-	-	May 20, 2024	[ICRA]A+ (Stable)	-	-
Long-term / Short-term Non-fund Based	Long term/ Short term	-	-	-	-	May 20, 2024	[ICRA]A+ (Stable)/ [ICRA]A1+	-	-

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 I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook	Financial Sector Regulator#
NA	**Working capital facilities**	NA	NA	NA	105.00	[ICRA]A+ (Stable)/ [ICRA]A1+	RBI

Source: Company

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Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: 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 4545 368
jitinm@icraindia.com

Kinjal Shah
+91 022 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