

18 August 2025

India | Equity Research | Results Update

ZF Commercial Vehicle Control Systems

Auto Ancillaries

Exports impact overall growth; strong potential for content increase in the medium term

ZF Commercial Vehicle Control Systems India (ZFCV) reported Q1FY26 EBITDA margin of 13.5% (vs. I-Sec estimate 17%), was down ~120bps YoY/380bps QoQ. Margin contraction was led by higher employee cost and other expenses. Revenue was up 3% YoY, at INR 9.8bn, with OEM/export/aftermarket segments' revenue at INR 4.6bn/INR 2.5bn/INR 1.4bn and growth of ~8%/(12)%/9% YoY. We are building in ~9% revenue CAGR for FY25–27E, led by a strong outlook for exports (including through ZF parent company), continued robust growth in services and ~6% CAGR in the OEM segment. Maintain **HOLD**, with a revised TP of INR 13,600 (vs. INR 13,050), based on 45x FY27E EPS (earlier DCF based).

Conference call takeaways, and our views

- Domestic OE sales witnessed ~8% YoY growth led by increased penetration of AMT, ECAS and higher adoption of E-compressor and EBS, partially offset by an unfavourable model mix (ICV segment's share growing, for which the content per vehicle was lower). ZFCV expects better growth ahead through targeted product launches. Aftermarket was up 9% YoY driven by focused execution across multiple projects in diverse segments. Exports were ~12% lower YoY led by decline in demand for air compressors and braking components from OEMs in US, partially offset by higher demand from EMEA/Europe.
- EBITDAM stood at 13.5%, down 380bps YoY in Q1, lower than I-Sec estimate of 17%. YoY margin contraction was due to higher employee cost (annual increment) and other expenses. ZFCV's content/unit has been increasing steadily, led by: 1) e-compressors being used in EV bus braking systems – this requires 10x more content than what ZFCV currently produces for mechanical system; 2) EBS (higher content/unit vs. mechanical system) being fitted in EVs; and 3) ESC for buses. The company expects higher adoption of ESC in buses from Sep'25 with regulatory mandate kicking in, and expects volumes to double from ~2k units to ~4k units monthly. The company expects implementation of ADAS regulation in the medium term, and significant content/unit increase with the regulation covering ESC, AEBS, lane departure warning system etc. ZFCV sees potential for content/unit to more than double over next 2 years from current level of ~INR 40k–44k/unit, with adoption of these technologies, including ESC, AEBS and ADAS.

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Market Data

Market Cap (INR)	261bn
Market Cap (USD)	2,976mn
Bloomberg Code	ZCVCS IN
Reuters Code	ZFCV BO
52-week Range (INR)	17,750 /9,561
Free Float (%)	37.0
ADTV-3M (mn) (USD)	2.1

Price Performance (%)	3m	6m	12m
Absolute	3.7	28.0	(11.6)
Relative to Sensex	4.6	21.9	(13.5)

ESG Score	2023	2024	Change
ESG score	69.4	70.7	1.3
Environment	52.3	57.3	5.0
Social	71.7	80.2	8.5
Governance	78.3	76.3	(2.0)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(0.2)	0.9
EBITDA	(7.2)	(4.8)
EPS	(7.4)	(4.9)

Previous Reports

18-05-2025: [Q4FY25 results review](#)

08-02-2025: [Q3FY25 results review](#)

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	38,156	38,310	41,486	45,626
EBITDA	5,664	6,311	6,638	7,528
EBITDA %	14.8	16.5	16.0	16.5
Net Profit	4,064	4,607	4,976	5,739
EPS (INR)	214.3	242.9	262.4	302.6
EPS % Chg YoY	27.9	13.4	8.0	15.3
P/E (x)	64.1	56.6	52.4	45.4
EV/EBITDA (x)	43.7	39.0	35.9	31.2
RoCE (%)	16.4	15.8	14.5	14.8
RoE (%)	14.6	14.3	13.6	13.7

Exhibit 1: Q1FY26 result summary

INR mn	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Total operating income	9,756	9,458	3.2	10,119	-4
Raw material costs	5,649	5,609	1	5,891	-4
As a % of sales	57.9%	59.3%	-141 bps	58.2%	-32 bps
Gross Profit	4,107	3,848	7	4,228	-3
Gross margin (%)	42.1%	40.7%	141 bps	41.8%	32 bps
Employee costs	1,503	1,365	10	1,295	16
As a % of sales	15.4%	14.4%	97 bps	12.8%	261 bps
Other expenditures	1,288	1,093	18	1,182	9
As a % of sales	13.2%	11.6%	164 bps	11.7%	152 bps
Total operating expenses	8,440	8,068	5	8,368	1
EBITDA	1,316	1,390	-5	1,751	-25
EBITDA margin (%)	13.5%	14.7%	-121 bps	17.3%	-382 bps
Depreciation & Amortization	327	290	13	320	2
Other income	666	253	163	271	146
Interest costs	13	18	-26	14	-7
PBT	1,641	1,335	23	1,688	-3
Taxes	418	341	23	421	-1
Reported PAT	1,224	994	23	1,267	-3

Source: I-Sec research, Company data

Exhibit 2: Q1FY26 segmental summary

(INR mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
OEM	4,636	4,300	7.8	4,660	(0.5)
Exports	2,455	2,777	(11.6)	2,970	(17.3)
Aftermarket	1,373	1,260	9.0	1,240	10.8
Total	8,464	8,337	1.5	8,870	(4.6)

Source: I-Sec research, Company data

Exhibit 3: Segmental revenue assumptions

(INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
OEM	10,311	14,951	18,430	17,000	17,850	19,100
Aftermarket	3,340	4,342	4,787	5,050	5,454	5,891
Exports	9,443	12,276	10,740	11,664	13,063	14,370
Services	2,340	3,392	3,778	4,534	5,214	5,840
Total	25,434	34,961	37,735	38,248	41,582	45,199

Source: Company data, I-Sec research

Exhibit 4: Estimates revision

	FY26E			FY27E		
	Old	Revised	% change	Old	Revised	% change
Revenue (INR mn)	41,582	41,486	-0.2%	45,199	45,626	0.9%
EBITDA (INR mn)	7,152	6,638	-7.2%	7,910	7,528	-4.8%
EBITDA margin (%)	17.2%	16.0%	(120)	17.5%	16.5%	(100)
PAT (INR mn)	5,372	4,976	-7.4%	6,033	5,739	-4.9%
EPS (INR)	283.2	262.4	-7.4%	318.1	302.6	-4.9%

Source: I-Sec research

Downside risks

- Continued slowdown in CV segment beyond FY25
- Delay in implementation of CV-related regulations

Upside risks

- Significant improvement in domestic and global CV demand
- Faster-than-expected implementation of CV related regulations
- Localisation benefits improving margins further

Exhibit 5: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	63.2	63.2	60.0
Institutional investors	29.0	29.2	32.1
MFs and other	21.9	21.8	24.8
FIs/ Banks	0.3	0.3	0.3
Insurance Cos.	1.6	1.3	1.3
FII's	5.1	5.8	5.7
Others	7.9	7.6	7.9

Source: Bloomberg, I-Sec research

Exhibit 6: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 7: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	38,156	38,310	41,486	45,626
Operating Expenses	9,022	9,772	9,542	10,266
EBITDA	5,664	6,311	6,638	7,528
EBITDA Margin (%)	14.8	16.5	16.0	16.5
Depreciation & Amortization	1,098	1,243	1,300	1,300
EBIT	4,566	5,068	5,338	6,228
Interest expenditure	50	57	57	57
Other Non-operating Income	948	1,082	1,182	1,282
Recurring PBT	5,464	6,093	6,463	7,453
Profit / Loss from Associates	-	-	-	-
Less: Taxes	1,400	1,486	1,486	1,714
PAT	4,064	4,607	4,976	5,739
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	4,064	4,607	4,976	5,739
Net Income (Adjusted)	4,064	4,607	4,976	5,739

Source Company data, I-Sec research

Exhibit 8: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	24,515	28,131	34,324	39,535
of which cash & cash eqv.	12,974	14,676	22,030	26,084
Total Current Liabilities & Provisions	5,100	4,900	7,230	7,838
Net Current Assets	19,415	23,231	27,094	31,697
Investments	250	303	303	303
Net Fixed Assets	6,704	7,331	8,031	8,731
ROU Assets	-	-	-	-
Capital Work-in-Progress	864	719	719	719
Total Intangible Assets	-	-	-	-
Other assets	1,020	937	937	937
Deferred Tax assets	-	-	-	-
Total Assets	28,716	32,952	37,515	42,818
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	-	-	-	-
Provisions	200	240	240	240
Other Liabilities	613	566	566	566
Equity Share Capital	95	95	95	95
Reserves & Surplus	27,808	32,051	36,610	41,912
Total Net Worth	27,903	32,145	36,704	42,007
Minority Interest	-	-	-	-
Total Liabilities	28,716	32,952	37,515	42,818

Source Company data, I-Sec research

Exhibit 9: Quarterly trend

(INR mn, year ending March)

	Sep-24	Dec-24	Mar-25	Jun-25
Net Sales	9,109	9,624	10,119	9,756
% growth (YOY)	(8.1)	7.1	5.6	3.2
EBITDA	1,399	1,771	1,751	1,316
Margin %	15.4	18.4	17.3	13.5
Other Income	393	165	271	666
Adjusted Net Profit	1,091	1,255	1,267	1,224

Source Company data, I-Sec research

Exhibit 10: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	3,107	3,794	9,824	6,548
Working Capital Changes	(2,106)	(2,113)	3,491	(548)
Capital Commitments	(2,028)	(1,724)	(2,000)	(2,000)
Free Cashflow	1,079	2,070	7,824	4,548
Other investing cashflow	503	55	-	-
Cashflow from Investing Activities	(1,525)	(1,669)	(2,000)	(2,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(322)	(360)	(417)	(436)
Others	20	(57)	(57)	(57)
Cash flow from Financing Activities	(303)	(417)	(474)	(493)
Chg. in Cash & Bank balance	1,280	1,707	7,350	4,054
Closing cash & balance	12,974	14,681	22,026	26,084

Source Company data, I-Sec research

Exhibit 11: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	214.3	242.9	262.4	302.6
Adjusted EPS (Diluted)	214.3	242.9	262.4	302.6
Cash EPS	272.2	308.4	330.9	371.1
Dividend per share (DPS)	17.0	19.0	22.0	23.0
Book Value per share (BV)	1,471.1	1,694.8	1,935.1	2,214.7
Dividend Payout (%)	7.9	7.8	8.4	7.6
Growth (%)				
Net Sales	10.8	0.4	8.3	10.0
EBITDA	20.4	11.4	5.2	13.4
EPS (INR)	27.9	13.4	8.0	15.3
Valuation Ratios (x)				
P/E	64.1	56.6	52.4	45.4
P/CEPS	50.5	44.5	41.5	37.0
P/BV	9.3	8.1	7.1	6.2
EV / EBITDA	43.7	39.0	35.9	31.2
EV / Sales	6.5	6.4	5.8	5.1
Profitability Ratios				
Gross Profit Margins (%)	38.5	42.0	39.0	39.0
EBITDA Margins (%)	14.8	16.5	16.0	16.5
EBIT Margins (%)	12.0	13.2	12.9	13.7
Net Profit Margins (%)	10.7	12.0	12.0	12.6
RoCE (%)	16.4	15.8	14.5	14.8
RoE (%)	14.6	14.3	13.6	13.7
Dividend Yield (%)	0.1	0.1	0.2	0.2
Operating Ratios				
Fixed Asset Turnover (x)	5.0	4.8	4.7	4.8
Inventory Turnover Days	17	18	17	17
Receivables Days	90	107	85	85
Payables Days	37	33	50	50
Effective Tax Rate (%)	25.6	24.4	23.0	23.0
Net Debt / Equity (x)	(0.5)	(0.5)	(0.6)	(0.6)
Net Debt / EBITDA (x)	(2.3)	(2.3)	(3.3)	(3.5)

Source Company data, I-Sec research

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