



ZF Commercial Vehicle Control Systems India Ltd.


Accumulate

Sector: Auto Ancillaries

09th September 2025

Key Changes	Target 	Rating 	Earnings 	Target	Rs. 15,746		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 13,717
Small Cap	ZCVCS:IN	81,101	ZFCVINDIA	533023	12 Months	Return	+15%

Data as of: 09-09-2025, 16:00 hrs

Company Data			
Market Cap (Rs.cr)	26,018		
52 Week High - Low (Rs.)	17,750-9,567		
Enterprise Value (Rs.cr)	24,609		
Outstanding Shares (cr)	1.9		
Free Float (%)	40		
Dividend Yield	0.1%		
6m average volume (lacs)	0.0		
Beta	0.4		
Face value Rs.	5		
Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	63.2	63.2	60.0
FII's	5.1	5.6	5.7
MFs/Insti	23.9	23.3	26.4
Public	7.9	8.0	7.9
Total	100.0	100.0	100.0
Promoter pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	1.8%	15.5%	-16.0%
Absolute Sensex	-1.7%	9.9%	-0.5%
Relative Return*	3.5%	5.6%	-15.5%
*over or under performance to benchmark index			
			
Standalone (cr)	FY25A	FY26E	FY27E
Sales	3,804	4,108	4,879
Growth (%)	0.5	8.0	18.8
EBITDA	625	649	805
EBITDA Margin (%)	16.4	15.8	16.5
Adj. PAT	459	499	597
Growth (%)	13.3	8.8	19.7
Adj. EPS	241.8	263.1	314.9
Growth (%)	13.3	8.8	19.7
P/E	64.9	59.7	49.9
P/B	10.3	8.9	7.6
EV/EBITDA	47.6	45.9	37.0
ROE (%)	17.0	16.0	16.4
D/E	0.0	0.0	0.0

Sustained Growth Trajectory Expected...

ZF Commercial Vehicle Control Systems India Ltd. (ZFCV) (formerly named Wabco Ltd.) is a leading supplier of technologies and services that improve the safety, efficiency and connectivity of commercial vehicles (CV) in India.

- In Q1FY26, revenue grew by 3.2% YoY largely on account of volume growth, while global tariff headwinds impacted the export sales, affecting price realisation.
- Q1 OEM sales were Rs.463 cr, up 7.7% YoY, aligning with the overall performance of the commercial vehicle industry in Q1. Aftermarket revenue grew 7.1% YoY to Rs.135 cr. Export sales declined 11.6% to Rs.245 cr.
- EBITDA margin declined by 121 bps YoY due to one-off other expenses and employee costs (freight & warranty and annual increments). However, favourable forex gains (INR depreciation against the euro) have led the PAT to grow by 23.1% YoY.
- Exports declined due to weak US OEM demand, partially offset by EMEA growth. While ZF's export revenue is expected to outperform industry trends, supported by increased order sourcing from its global group affiliates.
- We expect macro tailwinds and GST rationalisation, coupled with higher content per vehicle, will drive and outpace growth on a medium- to long-term basis.

Outlook & Valuation

Given the strong fundamentals and product diversification, we believe ZFCV will be a direct beneficiary in the long run owing to economic growth, a wider portfolio and government thrusts on infrastructure development. The firm is driven by higher AMT and ECAS penetration and strategic e-mobility initiatives, despite flat trailer volumes and adverse mix. Regulatory tailwinds (ESC, AIS 113, ADAS) and a robust product pipeline support future growth. EV segment momentum continues, with targeted solutions for independent bus OEMs. Hence, factoring in 14% earnings CAGR over FY25-27E. Having said that, we believe overseas commercial vehicle demand may remain subdued in the near term amid ongoing trade tensions, impacting realisation. Hence, **we downgrade our rating to Accumulate, valuing ZFCV at 50x FY27E EPS with a target price of Rs.15,746 at CMP.**

Quarterly Financials (Standalone)

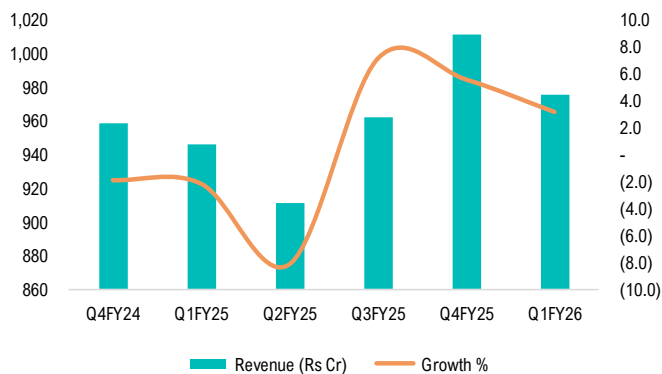
Rs.cr	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Sales	976	946	3.2	1,012	-3.6
EBITDA	132	139	-5.3	175	-24.9
Margin (%)	13.5	14.7	-121bps	17.3	-382bps
EBIT	99	110	-10.1	143	-30.9
PBT	164	134	22.9	169	-2.8
Rep. PAT	122	99	23.1	127	-3.4
Adj PAT	122	99	23.1	127	-3.4
EPS (Rs)	64.5	52.4	23.1	66.8	-3.4



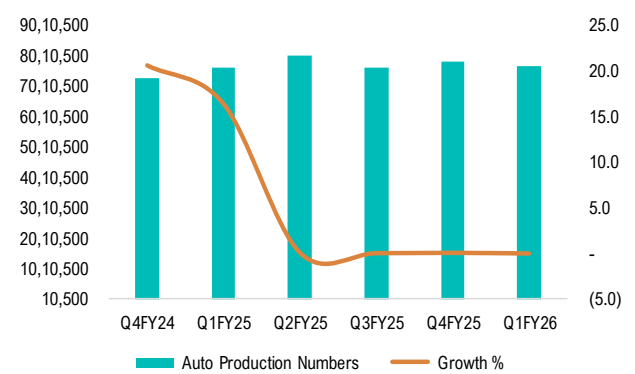
Key Concall Highlights

- Despite challenges from an unfavourable model mix and a stagnant trailer market, growth was sustained through deeper adoption of advanced technologies like AMT and ECAS and a strategic expansion into e-mobility solutions, including electronic compressors and EBS.
- Pilot production of a single tyre-lift axle has commenced for a leading OEM, alongside the inauguration of an R&D innovation lab in Chennai and commissioning of a 300 kW transformer for vehicle testing; assembly lines at Jamshedpur, Lucknow, and Pantnagar have also been upgraded to enhance manufacturing capabilities.
- The upcoming ESC regulation for buses, effective September 2025, presents a strong growth opportunity, with rising pre-mandate demand and a robust product pipeline including exhaust brake wall, automatic traction control, and expanded adoption of OptiDrive AMT and OptiRide (ECAS).
- Economic activity is expected to improve with rising business and consumer sentiment. The current kit value per vehicle stands at Rs.40,000–44,000, with the potential to scale up to Rs.1 lakh over the next two years, driven by emerging technologies and evolving regulatory requirements, as per the management.

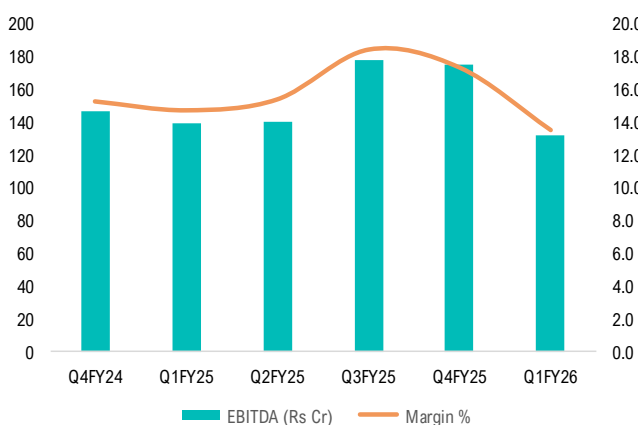
Revenue



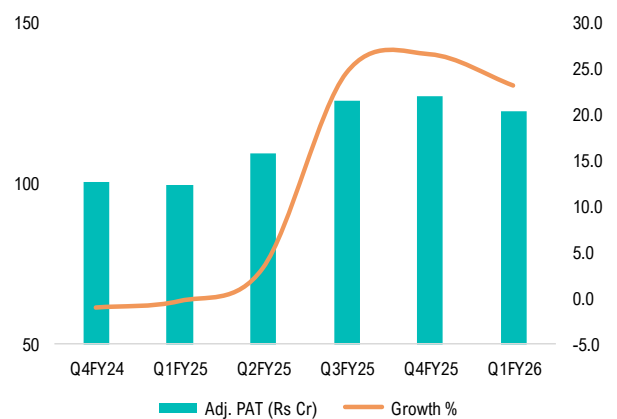
Auto Production Numbers



EBITDA



PAT



Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs cr	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	4,646	5,373	4,108	4,879	-11.6	-9.2
EBITDA	780	897	649	805	-16.8	-10.3
Margins (%)	16.8	16.7	15.8	16.5	-100bps	-20bps
Adj. PAT	573	671	499	597	-12.9	-11.0
EPS	302.2	353.6	263.1	314.9	-12.9	-10.9



Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	3,445	3,784	3,804	4,108	4,879
% change	35%	10%	1%	8%	19%
EBITDA	470	563	625	649	805
% change	86%	20%	11%	4%	24%
Depreciation	102	107	120	135	141
EBIT	366	454	503	512	661
Interest	6	5	6	6	6
Other Income	67	96	110	164	146
PBT	427	544	607	670	802
% change	118%	28%	11%	10%	20%
Tax	109	140	148	171	204
Tax Rate (%)	26%	26%	24%	26%	26%
Reported PAT	318	405	459	499	597
Adj*	0	0	0	0	0
Adj PAT	318	405	459	499	597
% change	124%	27%	13%	9%	20%
No. of shares (cr)	1.9	1.9	1.9	1.9	1.9
Adj EPS (Rs.)	167.5	213.4	241.8	263.1	314.9
% change	124%	27%	13%	9%	20%
DPS (Rs.)	23.2	23.2	23.2	23.2	23.2
CEPS (Rs.)	0.0	0.0	0.0	0.0	0.0

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	529	651	726	805	943
Non-cash adj.	-103	-130	-150	-162	-194
Other Adjustments	3	4	4	4	4
Changes in W.C	-273	-104	-8	-92	-234
C.F. Operation	153	417	568	551	515
Capital exp.	-125	-125	-125	-125	-125
Change in inv.	-3	-3	-4	-4	-4
Other invest.CF	0	0	0	0	0
C.F – Investment	-128	-128	-129	-129	-129
Issue of equity	0	0	0	0	0
Issue/repay debt	0	0	0	0	0
Dividends paid	-44	-44	-44	-44	-44
Other finance.CF	-244	0	0	0	0
C.F – Finance	-288	-44	-44	-44	-44
Chg. in cash	-19	245	396	377	341
Closing cash	240	485	880	1,258	1,599

BALANCE SHEET

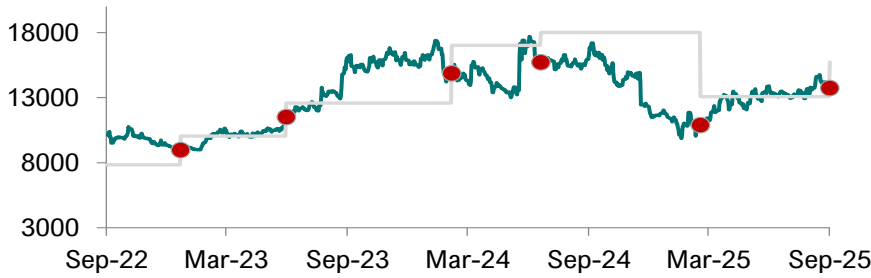
Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	240	485	880	1,258	1,599
Accounts Receivable	661	726	730	788	936
Inventories	181	191	181	194	231
Other Cur. Assets	986	1,083	1,089	1,176	1,397
Investments	350	350	350	350	350
Gross Fixed Assets	1,048	1,173	1,298	1,423	1,548
Net Fixed Assets	448	467	472	462	446
CWIP	50	50	50	50	50
Intangible Assets	3.15	3.35	3.94	6.07	8.58
Def. Tax (Net)	-8	-14	-9	-16	-24
Other Assets	0	0	0	0	0
Total Assets	2,911	3,340	3,747	4,268	4,992
Current Liabilities	519	570	573	619	735
Provisions	57	62	63	68	80
Debt Funds	0	0	0	0	0
Other Liabilities	211	223	212	227	269
Equity Capital	9	9	9	9	9
Reserves & Surplus	2,115	2,476	2,890	3,345	3,898
Shareholder's Fund	2,124	2,485	2,900	3,355	3,908
Total Liabilities	2,911	3,340	3,747	4,268	4,992
BVPS (Rs.)	1120	1311	1529	1769	2061

RATIOS

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	13.7	14.9	16.4	15.8	16.5
EBIT margin (%)	10.6	12.0	13.2	12.5	13.6
Net profit mgn.(%)	9.2	10.7	12.1	12.1	12.2
ROE (%)	16.0	17.6	17.0	16.0	16.4
ROCE (%)	18.4	19.7	18.7	16.4	18.2
W.C & Liquidity					
Receivables (days)	60.8	66.9	69.8	67.4	64.5
Inventory (days)	26.2	29.2	30.8	29.0	27.6
Payables (days)	74.9	85.6	94.6	92.1	88.1
Current ratio (x)	3.6	3.9	4.5	5.0	5.1
Quick ratio (x)	1.7	2.1	2.8	3.3	3.4
Turnover & Leverage					
Gross asset T.O (x)	3.5	3.4	3.1	3.0	3.3
Total asset T.O (x)	1.3	1.2	1.1	1.0	1.1
Int. coverage ratio (x)	365.5	453.6	502.8	511.5	661.4
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	8.6	7.9	7.8	7.2	6.1
EV/EBITDA (x)	63.3	52.9	47.6	45.9	37.0
P/E (x)	93.7	73.6	64.9	59.7	49.9
P/BV (x)	14.0	12.0	10.3	8.9	7.6



Recommendation Summary (Last 3 years)



Dates	Rating	Target
23.Feb.22	Accumulate	8,561
23.Jun.22	Accumulate	7,834
30.Dec.22	Accumulate	10,043
08.Jun.23	Hold	12,586
15.Feb.24	Accumulate	17,024
28.Jun.24	Buy	18,017
25.Feb.24	Buy	13,082
09.Sep.25	Accumulate	15,746

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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Geojit Investments Ltd. Registered Office: 7th Floor 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website : www.geojit.com/GIL . For investor queries: customer-care@geojit.com

GRIEVANCES

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