

February 24, 2026

## Content expansion led commercial vehicle play...

**About the stock:** ZF Commercial Vehicle Control Systems India (ZFCV) (erstwhile Wabco India), now part of the ZF Group, is the market leader in CV braking space and a technology-focused complete solutions provider.

- FY25 sales channel mix – OEM ~44%, Aftermarket ~13%, exports ~43%
- FY25 Product mix: Sale of products ~87%, Services ~13%

**Q3FY26 Results:** On consolidated basis revenue for the quarter came in at ₹1,075 crore, up ~12.5% YoY. EBITDA in Q3FY26 stood at ₹199 crore with corresponding margins at 18.5% (up 380 bps QoQ). PAT came in at ₹140 crore (up ~17% YoY).

### Investment Rationale

- Regulatory tailwinds to accelerate ADAS adoption, boost for ZFCV:** ZFCV has demonstrated strong leadership in supplying braking solutions to the domestic M&HCV space with regulatory safety led persistent content per vehicle increase. The company has also in the past showcased its capability in providing ADAS solutions to domestic OEMs with partial adoption of the same by some players. Now, as we understand govt. wants to further upgrade commercial vehicles and hence mandated installation of ADAS (Advanced driver assistance system) for heavy commercial vehicles with active safety features like Advanced emergency braking system (AEBS) & Electronic stability control (ESC). We see this as a big positive for ZF CV as it can potentially increase its existing content per vehicle from the current US\$ 600, as the value for upgraded system is pegged at ~₹50k (~₹25k for ESC & ~₹25k for ADAS). The company's current ADAS offerings, directly address these mandates, providing a competitive edge. Along with this electrification of buses significantly increases ZF's content per vehicle, especially through e-compressors and braking technologies, while rising AMT and advanced safety adoption in trucks further enhances revenue potential.
- Strong Profitability, Aftermarket Stability and Export Optionality:** ZF combines high margin technology products with a stable and growing aftermarket business, providing resilience across cycles. Aftermarket growth driven by BS-VI replacement demand, retrofits, and mining activity adds recurring revenue visibility and margin stability. While exports faced short-term pressure due to U.S. tariffs, improving Europe demand, India-EU FTA, and expanding engineering exports provide medium-term upside. With strong balance sheet, technology pipeline, and exposure to both domestic CV cycle and global sourcing opportunity, ZF offers a high-quality play on CV upcycle & premiumization of CV's in India.

### Rating and Target Price

- With maintained leadership position in domestic M&HCV space, supported by its wide product portfolio, deep OEM relationships, and increasing aftermarket penetration along with long run way of content increase and healthy cash positive B/S, we have a positive view on the company and assign a BUY rating valuing ZFCV at ₹ 19,000 i.e. 51x PE on FY28E.

### Key Financial Summary

Key Financials	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Sales	1,863	2,543	3,445	3,784	3,831	14.7%	4,037	4,609	5,193	10.7%
EBITDA	206	253	470	563	631	20.2%	647	772	896	12.4%
EBITDA Margins (%)	11.0	9.9	13.7	14.9	16.5		16.0	16.8	17.3	
Net Profit	104	142	318	406	461	23.7%	509	605	707	15.3%
EPS (₹)	54.7	74.9	167.5	214.3	242.9		268.6	319.1	372.7	
P/E	288.7	211.0	94.3	73.7	65.0		58.8	49.5	42.4	
RoCE (%)	5.8	7.6	14.8	15.9	15.5		13.8	14.7	15.0	
RoIC (%)	13.6	15.6	32.5	31.3	29.7		32.3	35.9	38.6	

Source: Company, ICICI Direct Research



Commercial Vehicle Solutions

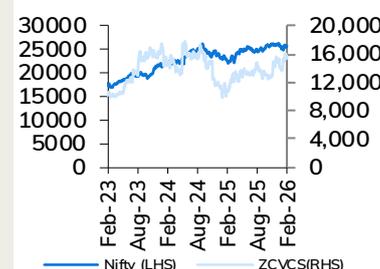
### Particulars

Particular	Amount
Market Capitalization	₹ 29969
Total Debt (FY25)	₹ 0
Cash & Inv. (FY25)	₹ 1496
EV	₹ 28473
52 week H/L (₹)	16,593 / 10,477
Equity capital	₹ 9.5
Face value	₹ 5

### Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	63.2	60.0	60.0	60.0
FII	5.6	5.7	5.8	5.4
DII	23.3	26.4	26.3	26.7
Other	8.0	7.9	8.0	7.9

### Price Chart



### Recent event & key risks

- Reported healthy EBITDA margins at 18.5% in Q3FY26.
- Key Risk: (i) volatile commodity prices impacting margins (ii) Slower than anticipated content per vehicle increase (regulatory, technology led)

### Research Analyst

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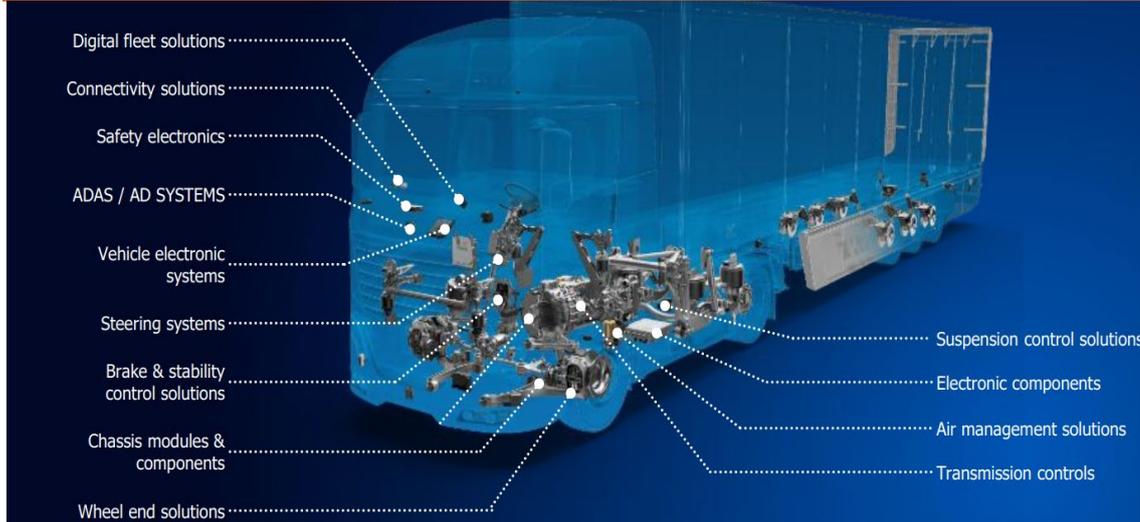
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## Q3FY26 Earnings Conference Call Highlights

- **Industry Overview:** The >6-ton CV segment remains buoyant, registering ~20.6% YoY growth in Q3 driven by GST reforms, repo rate cuts, improving freight movement, and government capex toward infrastructure and mining. Truck demand remains strong due to infrastructure expansion and mining revival, while the bus segment is witnessing strong demand from state transport undertakings and electrification.
- **Financial Performance:** Product sales grew 13% YoY to ₹936 crore, driven by strong OEM and aftermarket sales. For Q3FY26 the revenue mix was OEM – 48%, after-market – 15% & export -37%.
- **OEM Sales:** OEM sales grew 27% YoY to ₹520 crore while the CV industry grew ~20.6%, company sales grew ~28.1%, leading to ~7.5% outperformance. Growth was driven by higher EV bus production, increased penetration of ESC following regulatory changes, strong demand for e-compressors and EBS systems, and SOP of new exhaust brake valve variants. Management expects OEM momentum to remain strong due to infrastructure spending, increasing ESC penetration, potential mandates for low-floor buses (boosting ECAS), higher AMT adoption, and rising safety regulations.
- **Aftermarket Business:** Aftermarket revenue rose by 18.6% YoY to ₹157 crore, driven by: higher retrofit demand (especially trailer ABS and EVS from PSU oil & gas customers), rising replacement demand from the expanding BS-VI vehicle base, and strong mining equipment utilization supporting compressor and actuator demand. Traditional products such as air compressors, AMT modulators, and brake control systems saw healthy traction.
- **Exports:** Exports declined ~10.9% YoY primarily due to volume reduction in the U.S. market caused by tariff-related demand pressure, partially offset by improvement in Europe. Overall market decline was ~12.2%, though the company outperformed through portfolio expansion. Europe vehicle production grew while the U.S. declined sharply. Management expects recovery supported by the India-EU Free Trade Agreement and possible easing of U.S. tariffs. Additionally, export of services grew ~6.5%.
- **Strategic Initiatives & Future Outlook:** Diversified portfolio expansion with new products in safety, digital, and electrification, including electric compressors. It also has a strong export momentum wherein high-end compressors and brake actuators are gaining traction with Daimler, Volvo, and DAF. Also, Government's infrastructure push and EV bus tenders expected to drive OEM recovery in coming quarters.
- **ADAS:** ADAS remains a key medium-term growth lever with regulation expected to come into effect around FY27. While ZF expects to retain its leadership position in ESC, ADAS is seeing emerging competition, particularly from players offering lower-priced solutions (largely derived from passenger vehicle platforms). Management indicated that earlier expected pricing of ₹40,000–₹45,000 per system may face pressure, with OEM expectations now materially lower (almost half of this).

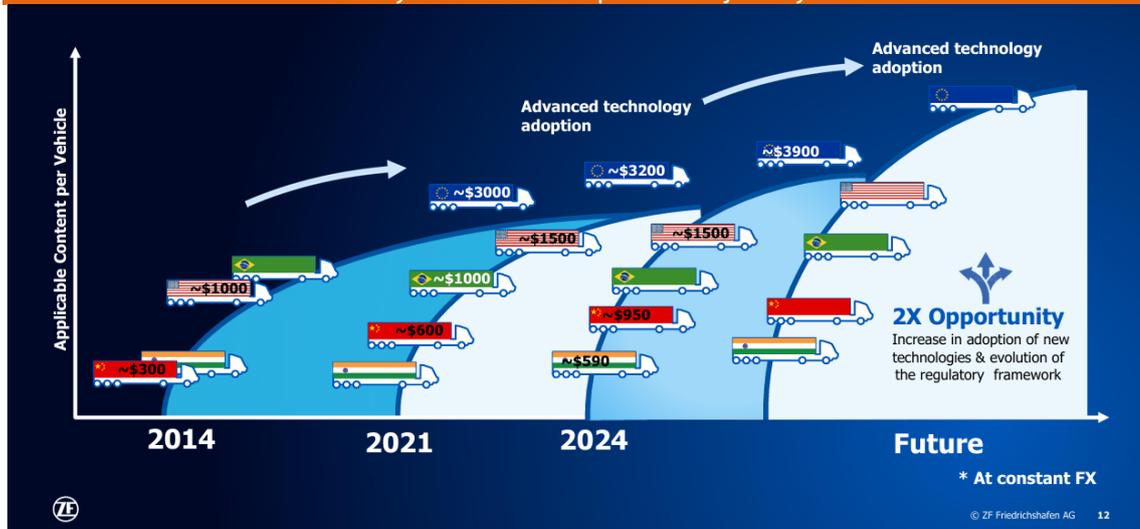
## Key Tables and Charts

Exhibit 1: ZF Commercial Vehicle Systems – Technology and system solutions



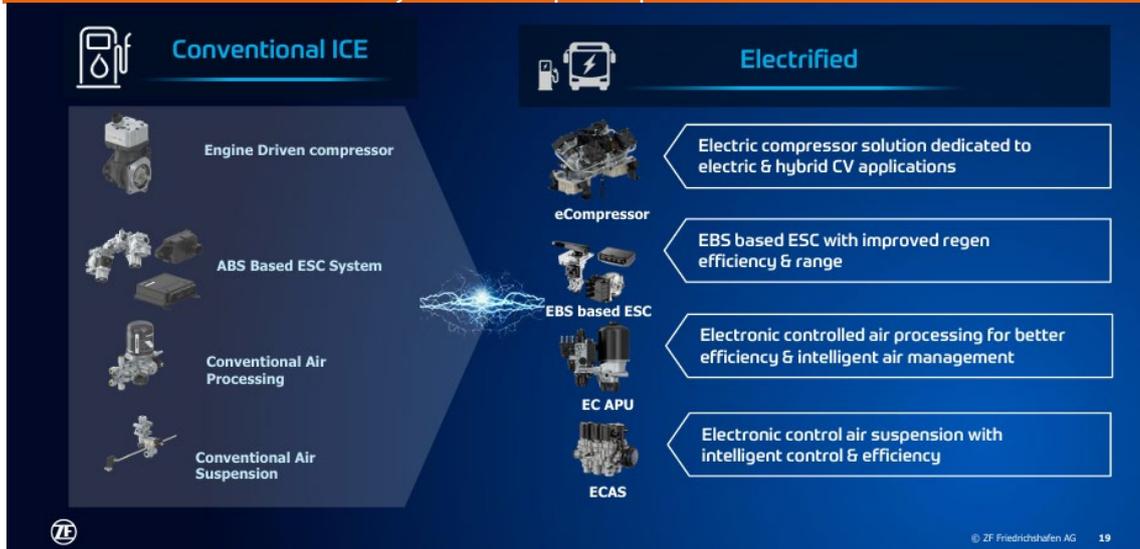
Source: Company, ICICI Direct Research

Exhibit 2: ZF Commercial Vehicle Systems – Content per vehicle journey



Source: Company, ICICI Direct Research

Exhibit 3: ZF Commercial Vehicle Systems – Component profile ICE and EV



Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E
Total operating Income	3,831	4,037	4,609	5,193
Growth (%)	1.2	5.4	14.2	12.7
Raw Material Expenses	2,223	2,298	2,627	2,960
Employee Expenses	540	591	645	714
Other Expenses	438	501	565	623
Total Operating Expenditure	3,200	3,389	3,837	4,297
EBITDA	631	647	772	896
Growth (%)	12.1	2.6	19.2	16.0
Depreciation	124	131	141	151
Interest	6	5	5	4
Other Income	108	179	182	204
PBT	609	690	809	945
Exceptional items	-	-	-	-
Total Tax	149	172	204	238
PAT	461	509	605	707
Growth (%)	13.9	10.6	18.8	16.8
EPS (₹)	243	269	319	373

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	461	509	605	707
Add: Depreciation	124	131	141	151
Sub: Other Income	108	179	182	204
(Inc)/dec in Current Assets	(191)	92	(178)	(181)
Inc/(dec) in CL and Provisions	(20)	45	76	77
CF from operating activities	271	604	466	554
(Inc)/dec in Investments	(5)	(350)	(300)	(400)
(Inc)/dec in Fixed Assets	(172)	(150)	(175)	(200)
Other Income & Misc	107	177	176	197
CF from investing activities	(59)	(326)	(310)	(414)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	-	-	-	-
Dividend paid & dividend tax	(36)	(42)	(47)	(57)
Others	(6)	(5)	(5)	(4)
CF from financing activities	(42)	(47)	(52)	(61)
Net Cash flow	170	231	104	79
Opening Cash	1,297	1,468	1,699	1,803
Closing Cash	1,468	1,699	1,803	1,882

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
	₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E
<b>Liabilities</b>				
Equity Capital	9.5	9.5	9.5	9.5
Reserve and Surplus	3,205	3,673	4,231	4,881
Total Shareholders funds	3,215	3,682	4,240	4,890
Total Debt	0	0	0	0
Deferred Tax Liability	24	25	26	27
Total Liabilities	3,295	3,766	4,327	4,980
<b>Assets</b>				
Gross Block	1,553	1,706	1,886	2,086
Less: Acc Depreciation	816	948	1,088	1,239
Net Block	736	759	798	848
Capital WIP	68	65	60	60
Total Fixed Assets	805	824	858	908
Investments	30	380	680	1,080
Inventory	191	221	253	285
Debtors	1,120	995	1,137	1,280
Loans and Advances	35	37	42	47
Other current assets	0	0	0	0
Cash	1,468	1,699	1,803	1,882
Total Current Assets	2,813	2,952	3,234	3,494
Creditors	351	387	442	498
Provisions	24	25	26	27
Other Current Liabilities	113	119	136	153
Total Current Liabilities	488	531	604	678
Net Current Assets	2,325	2,421	2,630	2,816
Other non-current Assets	78	82	93	105
Application of Funds	3,295	3,766	4,327	4,980

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
<b>Per share data (₹)</b>				
EPS	243	269	319	373
Cash EPS	308	338	393	452
BV	1,695	1,941	2,235	2,578
DPS	19	22	25	30
Cash Per Share	774	896	951	992
<b>Operating Ratios (%)</b>				
EBITDA Margin	16.5	16.0	16.8	17.3
EBIT / Net sales	13.2	12.8	13.7	14.4
PAT Margin	12.0	12.8	13.1	13.6
Inventory days	18.2	20.0	20.0	20.0
Debtor days	106.7	90.0	90.0	90.0
Creditor days	33.5	35.0	35.0	35.0
<b>Return Ratios (%)</b>				
RoE	14.3	14.0	14.3	14.5
RoCE	15.5	13.8	14.7	15.0
RoIC	29.7	32.3	35.9	38.6
<b>Valuation Ratios (x)</b>				
P/E	65.0	58.8	49.5	42.4
EV / EBITDA	45.1	43.1	35.6	30.2
EV / Net Sales	7.4	6.9	6.0	5.2
Market Cap / Sales	7.8	7.4	6.5	5.8
Price to Book Value	9.3	8.1	7.1	6.1
<b>Solvency Ratios</b>				
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	3.6	3.0	3.0	3.0
Quick Ratio	3.1	2.5	2.5	2.5

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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