

Company Overview

Tenneco Clean Air India Limited (TCAIL) is a part of the Tenneco Group, a US-headquartered global Tier 1 automotive component supplier. The company manufactures and supplies critical, highly engineered, technology-intensive clean air, powertrain, and suspension solutions tailored for Indian OEMs and export markets. The company's customer base spans PV and CV OEMs, as well as industrial and other applications. The company is also present in the aftermarket segment primarily through Motocare India Private Limited (Motocare), a subsidiary of Tenneco LLC and the Group Company. As of June 30, 2025, the company has 12 manufacturing facilities, comprising seven Clean Air & Powertrain Solutions facilities and five Advanced Ride Technology facilities, across seven states and one union territory in India. The company also operates two R&D centres in India, equipped to address both global and local needs. In Q1FY26 and FY25, TCAIL served 101 and 119 customers, respectively, including all top seven PV OEMs in India and all top five CT OEMs in India (OEM rankings determined by sales volume in Fiscal 2025). TCAIL also boasts an average relationship of 19.2 years with its top 10 customers. The company has two business divisions: 1) Clean Air Solutions & Powertrain Solutions; and 2) Advance Ride Technologies. Under Clean Air Solutions, the company designs, manufactures and sells exhaust aftertreatment systems, such as catalytic converters, mufflers and exhaust pipes to OEMs; Under Powertrain Solutions, TCAIL designs, manufactures and sells engine bearings, sealing systems and ignition products (such as spark plugs and ignition coils) to OEMs and the aftermarket under the Champion brand. The advanced ride technologies division designs, manufactures and sells shock absorbers, struts and advanced suspension systems under the Monroe brand to OEMs and the aftermarket, while being engine agnostic. As of Q1FY26, the company reported capacity utilization of 46.4% for cold end products (mufflers and exhaust pipes) and 79.8% for hot end products (catalytic converters) under its Clean Air Solutions division, while utilization in the Advanced Ride Technologies division stood at 86.2%. For FY25, the annual capacity utilization was 54.8% for cold end products, 80.6% for hot end products, and 83.0% for the Advanced Ride Technologies division. The company's sales mix remains relatively balanced, with 57.5% being derived from Clean Air & Powertrain Solutions and 47.5 from Advanced Ride Technologies (as of FY25).

Objects of the issue

The company will not receive any proceeds from the issue as the entire offer comprises of OFS worth Rs. 3,600 crores.

Investment Rationale

Established market leadership and a diverse portfolio strategically positions the company to capture market and industry trends

TCAIL holds a strong position as a market-leading supplier of clean air, powertrain, and suspension solutions to major Indian and global OEMs. The company commands significant market shares across multiple automotive subsegments, including 57% in Clean Air Solutions for commercial trucks, 68% for off-highway vehicles, and 52% in shock absorbers and struts for passenger vehicles (as of FY25). Its diversified product portfolio, spanning catalytic converters, mufflers, engine bearings, sealing systems, spark plugs, and advanced suspension systems under the Champion and Monroe brands, enables TCAIL to serve both internal combustion and emerging powertrain technologies. Supported by long-standing customer relationships averaging 19.2 years with its top 10 clients, the company has established deep technical integration with OEMs, reinforced by stringent qualification processes and homologation requirements that contribute to high customer stickiness. In FY25, TCAIL derived 81.5% of its revenue from its top 10 customers, reflecting strong linkages with leading OEMs while maintaining a broad base of over 100 customers. The company benefits from healthy capacity utilization levels, providing scope for incremental growth without substantial capacity expansion. Additionally, the presence in aftermarket and export segments offers additional diversification and partial insulation from domestic automotive cyclicality, supporting revenue stability and long-term growth prospects.

Issue Details

Offer Period	12th Nov. 2025 - 14th Nov. 2025
Price Band	Rs. 378 to Rs. 397
Bid Lot	37
Listing	BSE & NSE
Issue Size (no. of shares in Cr.)	9.1
Issue Size (Rs. in Cr.)	3,600
Face Value (Rs.)	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	JM Financial .Ltd., Citigroup Global Markets India Pvt. Ltd., Axis Capital Ltd., HSBC Securities and Capital Market India Pvt. Ltd.
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Registrar	MUFG Intime India Private Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	97.3%	74.8%
Public	2.7%	25.2%
Total	100.0%	100.0%

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

Tenneco Clean Air India Ltd.

Innovation-driven operations and an efficient, localized manufacturing network to drive competitive edge

The company benefits from a strong innovation-led operating framework supported by its ability to leverage Tenneco Group's global R&D ecosystem and deploy advanced, cost-effective technologies tailored to the Indian market's needs. The company operates two dedicated R&D centres in India, equipped for design simulation, prototyping, and extensive validation testing, allowing close collaboration with OEMs on product development. These facilities are supported by Tenneco Group's global intellectual property portfolio, comprising over 5,000 active patents and 7,500 trademarks worldwide, enabling TCAIL to integrate global technology platforms into locally relevant, modular, and customized solutions. Complementing its innovation capabilities, the company maintains a flexible and automated manufacturing footprint with 12 facilities strategically located across key automotive hubs in India, ensuring proximity to major OEM customers and logistical efficiency. A highly localized supply chain, with over 83% of material costs sourced domestically in FY25, enhances cost competitiveness and supply chain resilience. Continuous focus on operational excellence through lean manufacturing practices, automation, and global initiatives such as the TenPlus and P3 systems further supports efficiency, standardization, and quality consistency across plants. Together, these factors position TCAIL as an innovation-driven, process-efficient manufacturer capable of delivering globally benchmarked products at competitive Indian cost structures.

Valuation

Tenneco Clean Air India Limited (TCAIL), a subsidiary of the US-based Tenneco Group, is a leading Tier-1 automotive component manufacturer with a well-diversified portfolio spanning clean air, powertrain, and suspension solutions. The company's strong positioning across passenger vehicles, commercial vehicles, and off-highway applications, supported by long-standing relationships with major Indian and global OEMs, underpins its stable growth profile. TCAIL is strategically placed to capitalize on multiple structural industry tailwinds including tightening emission norms (BS7, CAFE, TREM V, and CEV-V), rising vehicle premiumization, and increasing adoption of hybrid and electric vehicles. The company's Clean Air Solutions division stands to benefit from higher content per vehicle as emission standards become more stringent, while the Advanced Ride Technologies and Powertrain divisions are expected to gain from growing demand for advanced, lightweight, and hybrid-compatible components. TCAIL's continued emphasis on localization, cost optimization, and cross-divisional synergies is expected to enhance competitiveness and margin resilience. Its focus on manufacturing critical components domestically. Moreover, the company's ability to leverage its Indian operations as an export hub for Tenneco Group entities and global OEMs provides an additional growth lever. Financially, while the company has reported a flattish topline growth between FY23-FY25, growing at a CAGR of 0.7%, the company has highlighted strong operational efficiency, with its OPM expanding from 11.8% in FY23 to 16.7% in FY25. On the returns front, both ROCE and ROE saw a steady improvement, with ROE increasing from 32.9% in FY23 to 42.7% in FY25 and ROCE improving from 33.5% in FY23 to 56.8% in FY25. **On the valuation front, with the company trading at a P/E of 29.0x based on its FY25 earnings, at considerable discount compared to other components peers. We thus recommend a "SUBSCRIBE" rating from a medium-to long-term perspective.**

Key Risks:

- ⇒ The company derives ~80% of its revenue from PV and CV spaces, exposing the company to higher automobile related cyclical impact.
- ⇒ The company is heavily influenced by government policies and regulations regarding emission standards, which can adversely impact its business operations.
- ⇒ TCAIL relies on the Tenneco Group for brand licenses, patented technologies, technical know-how, and certain key materials. Any adverse change or termination of this relationship could negatively impact its operations, financial performance, and market position.

Tenneco Clean Air India Ltd.

Income Statement (Rs. in crores)

Particulars	FY23	FY24	FY25	Q1FY26
Revenue from operations:	4,827	5,468	4,890	1,286
Total revenue from operations	4,827	5,468	4,890	1,286
Expenses				
Cost of Material Consumed	3,397	3,836	3,181	828
(Increase)/decrease in Inventories of Finished Goods and Work-in-Progress	-10	16	5	-13
Purchase of stock in trade	51	41	35	11
Employee benefits	249	253	298	83
Other expenses	570	710	556	148
Total operating expenses	4,257	4,856	4,075	1,057
EBITDA	571	612	815	229
Depreciation & amortization	101	104	103	25
EBIT	470	508	712	204
Finance costs	22	25	20	7
Other Income	60	70	41	31
PBT	508	553	733	227
Current tax	128	135	188	63
Deferred tax	-2	-3	-9	-3
Short Provision of tax relating to earlier years / periods	1	3	1	0
Total tax	127	136	180	59
Net Profit	381	417	553	168
Diluted EPS	7.6	8.9	13.7	4.2

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in crores)

Particulars	FY23	FY24	FY25	Q1FY26
Cash Flow from operating activities	538	488	562	266
Cash flow from/(used in) investing activities	-13	-30	-27	0
Net cash flows (used in) / from financing activities	-394	-686	-433	-181
Net increase/(decrease) in cash and cash equivalents	130	-228	103	85
Cash and cash equivalents at the beginning of the period	281	411	183	286
Cash and cash equivalents at the end of the period	411	183	286	371

Source: RHP, BP Equities Research

Tenneco Clean Air India Ltd.

Balance Sheet (Rs. in crores)

Particulars	FY23	FY24	FY25	Q1FY26
Assets				
Non-Current Assets				
Property Plant & Equipment	585	565	535	517
Right of use Assets	44	41	46	49
Capital Work in Process	18	37	31	32
Intangible Assets	2	2	1	1
Financial Assets				
(i) Investments	1	1	0	0
(ii) Loans	0	0	0	0
(iii) Other Financial Assets	262	263	842	12
Deferred tax assets (net)	8	12	22	26
Current tax assets (net)	33	22	18	18
Other non-current assets	14	10	8	15
Total Non-Current Assets	968	953	1,504	670
Current Assets				
Inventories	395	329	278	302
Financial Assets				
(i) Trade Receivables	563	560	687	590
(ii) Cash & Cash Equivalents	411	183	286	371
(iii) Other Bank Balances	1	1	0	0
(iv) Loans	1	1	0	0
(v) Other Financial Assets	45	18	37	934
Other Current Assets	45	91	39	52
Current assets excluding assets classified as held for sale	1,462	1,184	1,327	2,249
Assets classified as held for sale	0	0	1	0
Current assets including assets classified as held for sale	1,462	1,184	1,328	2,249
Total Assets	2,430	2,136	2,832	2,919
Equity and Liabilities				
Equity Share Capital	313	214	404	404
Other Equity	895	766	1,206	1,202
Equity attributable to owners of Parent	1,208	980	1,610	1,605
Non-Controlling Interest	1	1	2	3
Total Equity	1,209	981	1,612	1,608
Liabilities				
Non-Current Liabilities				
Financial Liabilities				
(a) Lease Liabilities	14	11	15	18
Provisions	19	22	30	34
Deferred Tax Liability (Net)	0	1	0	0
Other non-current liabilities	17	18	24	22
Total Non-Current Liabilities	50	52	69	74
Current Liabilities				
Financial Liabilities				
(a) Current Borrowings	14	0	0	0
(b) Lease Liabilities	3	4	5	5
(c) Vendor bill financing	52	48	50	44
(d) Trade Payables	894	873	842	926
(e) Other Current Financial Liabilities	14	9	9	6
Other Current Liabilities	141	107	109	103
Current Provisions	36	33	34	31
Current Tax Liabilities (Net)	15	29	100	121
Total current liabilities excluding liabilities relating to assets held for sale	1,170	1,103	1,149	1,237
Liabilities relating to assets classified as held for sale	0	0	1	0
Total Current Liabilities	1,170	1,103	1,150	1,237
Total Liabilities	1,220	1,155	1,219	1,311
Total Equity and Liabilities	2,430	2,136	2,832	2,919

Source: RHP, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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