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CM RATING 47 / 100

Tenneco Clean Air India

Automotive component supplier

To benefit from stricter emission standards and premiumization

Tenneco Clean Air India is a part of the Tenneco Group, a U.S. headquartered key global Tier I automotive component supplier. The company manufacture and supply critical, highly engineered and technology intensive clean air, powertrain and suspension solutions tailored for Indian OEMs and export markets.

The company operates two main business divisions namely, Clean Air & Powertrain Solutions and Advanced Ride Technologies. The Clean Air & Powertrain Solutions division includes two segments: (1) Clean Air Solutions, which designs, manufactures, and sells exhaust aftertreatment systems such as catalytic converters, mufflers, and exhaust pipes to OEMs, and (2) Powertrain Solutions, which 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. These products cater to both internal combustion engine (ICE) and electric vehicles (EVs).

In Q1 FY26, Clean Air & Powertrain Solutions contributed 56.28% to revenue, and Advanced Ride Technologies 43.72%.

Its customers include OEMs from three segments: (i) passenger vehicles (PVs), (ii) commercial vehicles (CVs), which include commercial trucks (CTs) and off-highway vehicles (OHVs), and (iii) industrial and other applications, covering generator sets, small commercial vehicles (under 3.5 tons), two-wheelers, and three-wheelers. The company also sells to the aftermarket mainly through Motocare India, a subsidiary of Tenneco LLC and its group company.

In Q1 FY26, the company derived 62.81% of its revenue from PVs, 24.33% from CVs, 5.76% from Industrial/Others, 4.99% from the aftermarket, and 2.11% from other sources.

The company is the leading supplier of clean air solutions to Indian commercial truck OEMs with a 57% market share, and to Indian off-highway OEMs (excluding tractors) with a 68% share. It is also among the top four suppliers of clean air solutions to Indian passenger vehicle (PV) OEMs with a 19% share, and the largest supplier of shock absorbers and struts to Indian PV OEMs with a 52% share.

In Q1 FY26 and Fiscal 2025, the company served 101 and 119 customers, respectively, including all top seven PV OEMs in India and all top five CT OEMs in India (ranking of OEMs determined based on sales volume in Fiscal 2025).

Its customers include global and well-known names such as Ashok Leyland, Bajaj Auto, Cummins India, Daimler India Commercial Vehicle, Honda Motorcycle and Scooter India, Hyundai Motor India, John Deere India, Kirloskar Oil Engine, Mahindra & Mahindra, Maruti Suzuki India, Renault Nissan Automotive India, Royal Enfield, Skoda Auto Volkswagen India, Tata Motors, Toyota Kirloskar Motor, Vinfast Trading and Production Joint Stock Company, and VE Commercial Vehicles.

The company is focused on localization, which involves adapting Tenneco Group's global technologies to meet local needs and preferences, and onshoring manufacturing to India, where development and production costs are lower. For example, in Fiscal 2020, when India implemented BS6, the company leveraged Tenneco Group's Euro 6 compliant Clean Air Solutions products to develop BS6-compliant products and introduced 45 new products across 26 vehicle platforms over a 13-month period between May 2019 and June 2020.

The company is positioning itself as a production and export hub for major Tenneco Group markets, including North America, Europe, APAC and Africa. In Q1 FY26, and FY25, the company exported products to 18, and 20 countries, respectively, including Argentina, Brazil, China, Czech Republic, Poland, Germany, Belgium, Indonesia, Thailand, Japan, Turkey, South Korea, Mexico, South Africa, the U.K., the U.S. and Vietnam.

In Q1 FY26, exports contributed 7.42% to revenue, domestic market 92.13%, and Other Operating revenue 0.45%.

As of June 30, 2025, the company had 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 operate two R&D technical centers in India equipped to address both global and local customer needs.

In Q1 FY26, Clean Air Solutions had an installed production capacity of 694.75K units for 'cold end' products (mufflers and exhaust pipes) at 46.37% utilization, and 494.25K units for 'hot end' products (catalytic converters) at 79.77% utilization. Advanced Ride Technologies had a capacity of 5,169.27K units with 86.16% utilization for the quarter ended June 30, 2025.

Offer and its objects

The IPO is a complete offer for sale of Rs 3,600 crore by the existing shareholder, Tenneco Mauritius Holdings.

Price band for the IPO is Rs 378 to Rs 397 per equity share of face value Rs 10 each.

The Company will not directly receive any proceeds from the Offer, and all Offer Proceeds will be received by the Selling Shareholders in proportion to the Offered Shares sold by them.

The promoters are Tenneco Mauritius Holdings, Tenneco (Mauritius), Federal-Mogul Investments, Federal-Mogul Pty, and Tenneco LLC. The promoters and promoter group hold an aggregate of 39,25,21,185 equity shares, aggregating to 97.25% of the pre-offer issued and paid-up equity share capital. Their post IPO shareholding is expected to be around 74.79%.

The issue, through the book-building process, will open on 12 Nov 2025 and will close on 14 Nov 2025.

Strengths

Strong parentage as part of the Tenneco Group, a leading U.S.-headquartered Tier I supplier, providing access to global R&D, advanced manufacturing know-how, and proven product platforms. This enables development of proprietary, modular, and bespoke solutions tailored for Indian market needs.

Market leading supplier of critical, highly engineered and technology intensive clean air, powertrain and suspension solutions.

Consistent improvement in profitability, EBITDA margin increased from 11.82% in FY23 to 16.67% in FY25, and further to 17.8% in Q1 FY26.

Well positioned to benefit from stricter emission standards. Moreover, as the market shifts towards premium vehicles, SUVs, EVs and hybrids, the demand for higher technological requirements is expected to translate to increased content per vehicle and demand for its products.

Enjoy customer stickiness due to the customized, technology-intensive nature of its products. The top 10 customers have been with the company for an average of 19.2 years.

Flexible and automated manufacturing facilities, strategically located near key automotive OEM hubs to minimize delivery times.

Maintains a robust localized supply chain aligned with Tenneco Group's global procurement standards. In Q1 FY26, domestic sources accounted for 83.05% of cost of raw materials consumed.

Efficient cash management and disciplined capital allocation, through a tight working capital cycle, and cost-effective automation have enabled the company to remain net debt-free.

Extensive experience of promoters and senior management personnel.

Weaknesses

Derives a significant portion of revenue, over 80% in recent quarters and fiscal years, from the PV and CV segments in India. This exposes the company to sectoral cyclicality.

Business is heavily influenced by government policies and regulations regarding emission standards. Delays in the implementation of emission standards may affect growth of business.

Profitability is dependent on the availability and cost of raw materials, especially steel, as well as components like pressed parts, electrodes, and bimetal strips. Fluctuations in steel prices could negatively affect margins.

The company and certain subsidiaries have, in the past, experienced instances of non-compliance with provisions of the Companies Act and FEMA regulations, exposing the business to regulatory risks.

Lack of firm volume commitments from customers. Some awarded programmes do not guarantee firm volumes, so actual revenues may fall short of expectations.

Received several whistleblower complaints in the past. If any of these allegations are substantiated, such as misstatements, fraud, or control deficiencies, they could adversely affect reputation, and business.

Statutory auditors have highlighted certain issues related to internal financial controls and compliance under CARO 2020 in their reports for recent quarters and fiscal years.

Valuation

Net sales increased 1% to Rs 1,285.62 crore in Q1 FY2026 as compared with Q1 FY2025. The OPM improved 104 bps to 17.8%, leading to 7% increase in OP to Rs 228.88 crore. OI surged 105% to Rs 30.81 crore. Interest cost rose 48% to Rs 7.1 crore. Depreciation cost went up 2% to Rs 25.37 crore. PBT surged 15% to Rs 227.22 crore. Tax expenses were Rs 59.13 crore as compared with Rs 47.9 crore. Minority interest was Rs 0.27 crore as compared with Rs 0.41 crore. Net profit increased 12% to Rs 167.82 crore.

Net sales decreased 11% to Rs 4,890.43 crore in FY2025 as compared with FY2024. The OPM improved 548 bps to 16.67%, primarily due to a reduction in royalty expense, leading to 33% increase in OP to Rs 815.24 crore. OI fell 41% to Rs 41.02 crore. Interest cost fell 19% to Rs 20.27 crore. Depreciation cost fell 0.4% to Rs 103.17 crore. PBT surged 32% to Rs 732.82 crore. Tax expenses were Rs 179.67 crore as compared with Rs 136.32 crore. Minority interest was Rs 1.08 crore as compared with Rs 0.13 crore. Net profit increased 32% to Rs 552.06 crore.

The TTM EPS on post-issue equity works out to Rs 14.1. At the upper price band of Rs 397, P/E is 28.

While no listed companies match exactly on a product-to-product basis, the closest peers, based on a similar product portfolio, are Bosch, Sharda Motor Industries, and Gabriel India. As on 11 Nov 2025, Bosch traded at TTM P/E of 49, Sharda Motor Industries at TTM P/E of 20, and Gabriel India at TTM P/E of 72. The OPM and ROE stood at 16.67% and 42.65% respectively, in FY 2025. These were 12.77% and 15.58% for Bosch, 13.97% and 30.50% for Sharda Motor Industries, and 9.59% and 22.44% for Gabriel India, respectively.

Tenneco Clean Air India: Issue highlights	
For Offer for Sale Offer size (in no of shares)	
- On lower price band	9,52,38,095
- On upper price band	9,06,80,101
Offer size (in Rs crore)	3,600
Price band (Rs)	378-397
Minimum Bid Lot (in no. of shares)	37

Post issue capital (Rs crore)	403.6
Post-issue promoter & Group shareholding (%)	74.79
Issue open date	12-11-2025
Issue closed date	14-11-2025
Listing	BSE, NSE
Rating	47/100

Tenneco Clean Air India: Consolidated Financials					
	2303 (12)	2403 (12)	2503 (12)	2406 (3)	2506 (3)
Sales	4,827.37	5,467.61	4,890.43	1,270.77	1,285.62
OPM (%)	11.82%	11.19%	16.67%	16.76%	17.80%
OP	570.63	612.08	815.24	212.92	228.88
Other inc.	59.59	69.78	41.02	15.05	30.81
PBIDT	630.22	681.86	856.26	227.97	259.69
Interest	21.56	25.16	20.27	4.78	7.10
PBDT	608.66	656.70	835.99	223.19	252.59
Dep.	100.92	103.59	103.17	24.98	25.37
PBT	507.74	553.10	732.82	198.21	227.22
Share of Profit/(Loss) from Associates/JV	-	-	-	-	-
PBT before EO	507.74	553.10	732.82	198.21	227.22
Exceptional items	-	-	-	-	-
PBT after EO	507.74	553.10	732.82	198.21	227.22
Taxation	126.70	136.32	179.67	47.90	59.13
PAT	381.04	416.78	553.14	150.31	168.09
Minority Interest	(0.04)	0.13	1.08	0.41	0.27
Net Profit	381.08	416.66	552.06	149.90	167.82
EPS (Rs)*	9.4	10.3	13.7	#	#
* EPS is annualized on post issue equity capital of Rs 403.6 crore of face value of Rs 10 each					
# EPS is not annualised due to seasonality of business					
EO: Extraordinary items. EPS is calculated after excluding EO and relevant tax					
Figures in Rs crore					
Source: Capitaline Corporate Database					