

Tenneco Clean Air India Ltd. - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
12 November 2025	14 November 2025	₹378 to ₹397	Subscribe

Investment Summary

Tenneco Clean Air India Limited (TCAIL), part of the U.S.-based Tenneco Group owned by Apollo Global Management, is a Tier I auto component leader specializing in clean air, powertrain, and suspension systems. The company holds market-leading positions across key segments, including 57% share in Clean Air Solutions for Commercial Trucks and 52% in shock absorbers for Passenger Vehicles. Its diversified and technology-driven product portfolio, supported by global brands Monroe and Champion, caters to both OEM and aftermarket demand. Leveraging its parent's 5,000 patents, 7,500 trademarks, and global R&D network, TCAIL develops innovative, emission-compliant, and localized solutions for Indian automakers. With 12 advanced manufacturing facilities near major auto hubs, it enjoys cost efficiency and operational flexibility. Financially robust, the company posts high margins (EBITDA 16.7%), exceptional returns (ROCE 56.8%, ROE 42.6%), and a negative cash conversion cycle, underscoring strong execution. Positioned at the center of India's tightening emission norms, premiumization trend, and clean mobility drive, TCAIL combines global expertise with local execution strength.

Company Overview

TCAIL is a critical Tier I automotive component supplier that maintains a substantial industrial footprint and deep integration with its global parent, Tenneco Group. The Company operates 12 manufacturing facilities across seven states and one union territory in India as of June 30, 2025, which includes seven Clean Air & Powertrain facilities and five Advanced Ride Technology facilities. These sites are strategically positioned near OEM hubs, such as those in Maharashtra, Tamil Nadu, and Gujarat, which optimizes freight and logistics costs. As part of its global strategy, TCAIL is actively establishing India as a production and export hub serving markets across North America, Europe, APAC, and Africa. The Company leverages its position within the broader Tenneco Group - a U.S. headquartered global Tier I supplier whose ultimate parent is the asset manager, Apollo Global Management, Inc. The Company successfully utilized the Tenneco Group's global Euro 6-compliant products to introduce 45 new BS6-compliant products in India across 26 vehicle platforms between May 2019 and June 2020. TCAIL substantiates this position through R&D, maintaining two technical centers in India as of June 30, 2025, which tap into the Tenneco Group's network of 39 engineering centers worldwide. As a result of its innovation focus, it holds nine registered designs and one granted patent in India. The Company's robust reputation is evidenced by its strong client base, serving all top seven PV OEMs and all top five CT OEMs in India.

Business Model

TCAIL's business model is split into two complementary, technology-intensive divisions: Clean Air & Powertrain Solutions and Advanced Ride Technologies (ART), generating 57.51% and 42.49% of Fiscal 2025 revenue, respectively. The Clean Air & Powertrain Solutions division comprises products critical to engine efficiency and compliance: Clean Air Solutions focuses on highly engineered exhaust aftertreatment systems, including catalytic converters (DOC, SCR-coated DPFs), mufflers, and exhaust pipes. These components are essential for OEMs (Passenger Vehicles/PVs, Commercial Trucks/CTs, and Off-Highway/OH) to meet mandatory pollutant reduction targets under emission regulations. This segment makes TCAIL the largest supplier of Clean Air Solutions to Indian CT OEMs (57% market share) and OH OEMs (68% market share excluding tractors).

The Powertrain Solutions subsegment includes specialized engine components such as engine bearings, sealing systems (MLS gaskets), and ignition products (spark plugs and ignition coils) sold under the established Champion brand. TCAIL holds a strong position here too, ranked as a Top 2 supplier of engine bearings for both PVs (44% market share) and CTs (34% market share). The Advanced Ride Technologies (ART) division centers on suspension solutions, manufacturing shock absorbers, struts, and advanced suspension systems under the premium Monroe brand. These products cater to demand for enhanced ride comfort in vehicles, serving both traditional ICE vehicles and Electric Vehicles (EVs). ART is highly dominant in the PV space, acting as the largest supplier of shock absorbers and struts to Indian PV OEMs (52%

market share). Critically, TCAIL's operational success and ability to serve these diverse end markets (PV, CV, OH, and Aftermarket) rely heavily on its Promoters: through the License Agreement with Tenneco Holdings LLC and a related master agreement, the Company secures the non-exclusive right to use the Tenneco Group's brands (Monroe, Champion), patented designs, technical know-how, and the proprietary P3 Operating System. These agreements necessitate the payment of Royalty Expenses to the Tenneco Group, which totaled ₹110.3 crores in Fiscal 2025. Furthermore, TCAIL leverages the Group's vast global purchasing scale, technical training, and R&D network, enabling localization of advanced products while mitigating global supply chain risks.

Industry Outlook

The Indian automotive components sector is navigating a dynamic period characterized by stringent regulatory shifts and accelerating technological adoption, positioning it for robust growth. Indian auto component production (which includes sales to OEMs, exports and the replacement market) has increased at a 13.4% CAGR to ₹8,622 billion in Fiscal 2025 from ₹4,592 billion in Fiscal 2020. The auto component market size is expected to grow between Fiscals 2025 and 2030 to reach ₹13,500 to ₹14,500 billion. Clean air solutions market at an overall level is estimated at INR 54,234 million in fiscal 2025. It is expected to grow at a CAGR of 8-10% between fiscal 2025 and fiscal 2030 to reach INR 79,500-87,500 million. The key drivers necessitating this growth are increasingly rigorous automotive emission control systems. India's regulatory trajectory, moving beyond BS-VI (including BS6 Stage 2, implemented in April 2023), now anticipates future mandates such as BS7, CAFE norms, TREM V, CEV-V, and CPCB IV+. These tightening standards require the adoption of advanced exhaust aftertreatment technology (e.g., catalytic converters, SCR, DPFs), leading directly to a structural increase in Content Per Vehicle (CPV) across all segments. Complementary demand drivers include robust government initiatives, notably the Production-Linked Incentive (PLI) scheme, designed to foster industrial investments, localization, and global competitiveness, alongside sustained government expenditure on infrastructure development, which underpins demand for Commercial Vehicles (CVs) and Off-Highway (OH) equipment.

Investment Rationale

Dominant Market Leadership Across Critical Segments:

The Company maintains market-leading positions in several highly engineered product categories. In terms of value (revenue) in Fiscal 2025, TCAIL is the largest supplier of Clean Air Solutions to Indian Commercial Truck (CT) OEMs (57% market share) and Off-Highway (OH) OEMs (excluding tractors) (68% market share). Furthermore, it is the largest supplier of shock absorbers and struts to Indian Passenger Vehicle (PV) OEMs (52% market share). This market strength is built on long-standing partnerships with a diverse base, including all top seven PV OEMs and all top five CT OEMs in India (based on Fiscal 2025 sales volume).

Exceptional Profitability and Financial Efficiency:

TCAIL has demonstrated strong financial returns and high operational efficiency. In Fiscal 2025, the Company achieved a Return on Capital Employed (ROCE) of 56.78%, which was the highest among its peers. The efficiency is further highlighted by consistently maintaining a Net Debt free status and a tight, negative Cash Conversion Cycle (-24 days in Fiscal 2025), demonstrating superior working capital management.

Structural Advantage from Stringent Emission Standards:

TCAIL's Clean Air Solutions business is structurally aligned to benefit from continuously tightening regulations, including the adoption of BS6 and preparedness for future norms like BS7 and TREM V. This regulatory pressure drives a higher sophistication (and cost) in vehicle components, leading to an increased Content Per Vehicle (CPV), ensuring sustained demand for the Company's advanced exhaust aftertreatment systems regardless of the broader electrification trajectory.

Innovation and Technology Cross-Deployment via Global Parent:

The Company leverages the global intellectual property, technical know-how, and extensive R&D network (39 centers worldwide) of the Tenneco Group, which owns over 5,000 active patents globally. This integration facilitates rapid, localized product development, such as the expedited launch of 45 new BS6-compliant products in Fiscal 2020 and the introduction of advanced suspension systems (e.g., Advanced Hydraulic Rebound System) to the Indian market, sometimes ahead of other global regions.

**Efficient, Diversified Product Portfolio and Strategic Market Positioning:**

TCAIL’s portfolio is diversified across three highly engineered component divisions—Clean Air, Powertrain (e.g., engine bearings, Champion spark plugs), and Advanced Ride Technologies (Monroe suspension systems). This breadth provides balanced exposure across Passenger Vehicles, Commercial Vehicles, and Off-Highway sectors, positioning the Company to capture trends in premiumization, the growth of the SUV segment, and increasing demand for advanced ride dynamics in both ICE and EV platforms

Key Risks**High Dependence on Tenneco Group for Intellectual Property and Operation:**

The Company relies heavily on the Tenneco Group for fundamental aspects of its business, including the license to use proprietary brands (such as Monroe and Champion) and patented designs, technical know-how, and R&D support. Any adverse change in this relationship, including the termination of the License Agreement (which can occur if the Company breaches the agreement and fails to cure the breach within 30 days, or goes into liquidation), could severely impact TCAIL’s business, reputation, and results of operations.

Significant Customer Concentration Risk:

TCAIL is heavily dependent on a limited number of customers. Revenue derived from the top ten customers (based on Fiscal 2025) consistently accounted for a significant portion of total revenue from operations, ranging from 77.79% to 83.92% across Fiscal 2023 through the three months ended June 30, 2025. The loss of, or a material reduction in business from, one or more of these major customers could have a materially adverse effect on the Company’s financial condition and cash flow.

Vulnerability to Automotive Sector Cyclicity and Non-Binding Commitments:

A substantial portion of TCAIL's revenue, ranging from 81.35% to 83.87% across Fiscal 2023 through Q1 FY26, is derived from the Indian Passenger Vehicle (PV) and Commercial Vehicle (CV) sectors, which are inherently subject to significant periodic fluctuations in demand due to macroeconomic factors, interest rates, and availability of financing.

Subsidiary Regulatory Non-Compliance and Contingent Liabilities:

TCAIL faces regulatory risks, including the disclosure of Emphasis of Matter paragraphs in its audit reports. Specifically, the subsidiary Federal-Mogul Ignition Products India Limited (FMIPL) failed to convene its Annual General Meeting (AGM) within the statutory timeline for Fiscal 2024, leading to a pending compounding application with the Registrar of Companies (RoC), where the potential impact or penalties are not fully ascertainable. Additionally, the Group carries total outstanding litigation proceedings relating to Stamp Duty, Income Tax, Customs, and GST totaling ₹116.7 crores as of June 30, 2025.

Financial Snapshot

Metric	In (Cr)		
	FY23	FY24	FY25
Revenue (₹ Cr)	4827	5468	4890
EBITDA (₹ Cr)	571	612	815
Adjusted Net Profit (₹ Cr)	381	417	552
Reported Net Profit (₹ Cr)	-	-	-
EBITDA Margin (%)	11.8	11.2	16.7
Adjusted PAT Margin (%)	7.89	7.63	11.29
Adjusted EPS (Basic) (₹)	9.4	10.3	13.7

**Division - wise Revenue Mix**

Business Division	FY23		FY24		FY25	
	Revenue From Operations	% of Revenue	Revenue From Operations	% of Revenue	Revenue From Operations	% of Revenue
Clean Air & Powertrain Solutions	3040.347	62.98%	3603.107	65.90%	2812.269	57.51%
Advanced Ride Technologies	1787.021	37.02%	1864.505	34.10%	2078.161	42.49%
Total	4827.368	100.00%	5467.612	100.00%	4890.43	100.00%

Market – wise Revenue Mix

Business Division	FY23		FY24		FY25	
	Revenue From Operations	% of Revenue	Revenue From Operations	% of Revenue	Revenue From Operations	% of Revenue
PV	3,092.62	64.06%	34,632.32	94.53%	3,123.39	63.87%
CV	1,167.41	24.18%	1,301.05	3.55%	1,113.15	22.76%
Industrial/Others	214.23	4.44%	356.80	0.97%	298.84	6.11%
Aftermarket	267.64	5.54%	258.07	0.70%	238.51	4.88%
Other Operating income	85.46	1.77%	88.47	0.24%	116.55	2.38%
Total	4,827.37	100.00%	36,636.70	100.00%	4,890.43	100.00%

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Tenneco Clean Air India Limited
IPO Structure	Offer for Sale
Issue Size	9,06,80,101 shares (aggregating up to ₹3,600.00 Cr)
Price Band	₹378 to ₹397 per share
Face Value	₹10 per share
Post-Issue Market Cap	₹ 16,023.09 Cr. (Upper Band)
IPO Opening Date	November 12, 2025
IPO Closing Date	November 14, 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	97.30% /74.80%
Book Running Lead Manager(s)	JM Financial Ltd Citigroup Global Markets India Pvt Ltd Axis Capital Ltd HSBC Securities and Capital Markets (India) Pvt Ltd.
Use of Proceeds	-

Valuation and Recommendation

At the upper price band of **₹397**, Tenneco Clean Air India Limited (TCAIL) is valued at an **FY25 P/E of 29.0** and **EV/EBITDA of 19.3x**, which appears reasonable given its strong **profitability (ROCE 56.8%, ROE 42.6%)** and debt-free balance sheet. As a market leader in emission control, powertrain, and suspension systems, TCAIL benefits from its global parent's technological edge leveraging over 5,000 patents and 7,500 trademarks to design products tailored for Indian OEMs. Its diversified product portfolio, negative cash conversion cycle (-24), and strong OEM relationships position it well to capture growth from stricter emission norms (BS7, TREM V) and the premiumization trend in vehicles. While the issue is a pure Offer for Sale (OFS), implying no fresh capital inflow, the company's robust financial metrics, global integration, and future-ready product mix make it a solid long-term bet in the clean mobility space. Hence, we recommend **Subscribing to the IPO for listing gains**, with a plan to monitor post listing for evidence of continued scale-up, durable margin improvement, operating leverage and delivery against growth targets.

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