



## SMC Ranking

★ ★ ★ ☆ ☆ (2.5/5)

### Issue Highlights

Industry	Auto Ancilliary
Offer for sale (Shares)	90,680,101
<b>Net Offer to the Public</b>	<b>90,680,101</b>
Issue Size (Rs. Cr.)	3427-3600
Price Band (Rs.)	378-397
Offer Date	12-Nov-25
Close Date	14-Nov-25
Face Value	10
Lot Size	37

### About the company

Incorporated in 2018, Tenneco Clean Air India Limited is a subsidiary of Tenneco Inc., a global leader in clean air and powertrain technologies for the automotive industry. The company operates under Tenneco's Clean Air division, specializing in advanced emission control solutions for passenger and commercial vehicles. In India, it offers a comprehensive range of exhaust and after-treatment systems—including catalytic converters, diesel particulate filters (DPFs), mufflers, and exhaust pipes—enabling OEMs to meet Bharat Stage VI and other stringent emission standards. With a strong focus on sustainability, innovation, and regulatory compliance, the company leverages advanced R&D and engineering expertise. As of March 31, 2025, it operates 12 manufacturing facilities—seven dedicated to Clean Air & Powertrain Solutions and five to Advanced Ride Technologies—spread across seven states and one union territory to serve leading OEMs and Tier 1 customers nationwide.

### Issue Composition

	In shares
Total Issue for Sale	90,680,101
QIB	45,340,051
NIB	13,602,015
Retail	31,738,035

### Strength

**Market Leadership in Technology-Intensive Automotive Solutions:** The company is a leading supplier of highly engineered and technology-intensive clean air, powertrain, and suspension solutions to major Indian and global OEMs. It holds dominant positions across several sub-segments—being the largest supplier of Clean Air Solutions to Indian Commercial Truck (57% share) and Off-Highway OEMs excluding tractors (68% share), and the largest supplier of shock absorbers and struts to Indian Passenger Vehicle OEMs (52% share) in Fiscal 2025. Its leadership is reinforced by strong relationships with 119 customers, including all top seven PV OEMs and top five CT OEMs. The customized nature of its products, coupled with time-intensive approval processes and homologation requirements, ensures strong customer stickiness. As of June 30, 2025, the company had secured 427 production programs across its Clean Air, Powertrain, and Advanced Ride Technologies portfolios.

**Diversified and Counter-Cyclic Product Portfolio:** The company's diversified portfolio spans exhaust aftertreatment systems, engine bearings, sealing systems, spark plugs, shock absorbers, struts, and advanced suspension systems, serving multiple industry sub-segments. Beyond OEMs, it derives revenue from aftermarket and export businesses, providing natural hedges against cyclicity in the automotive sector. Its collaboration with other Tenneco Group entities enables access to global markets operating in different economic cycles, ensuring revenue stability and long-term financial resilience.

**Innovation-Led Growth Supported by Global R&D Integration:** A strong innovation focus, supported by Tenneco Group's global R&D network of over 5,000 patents, enables the company to localize advanced technologies for India. It operates two R&D technical centers—at Chakan (Clean Air Solutions) and Hosur (Advanced Ride Technologies)—equipped for simulation, testing, and on-site vehicle tuning. These centers have enabled rapid technology localization and innovation, including 45 BS6-compliant products, India's first continuously variable semi-active electronic suspension system for Mahindra's EVs, and a lightweight "C-type" exhaust system co-developed with an Indian OEM, underscoring its strength in proprietary, modular, and cost-efficient solutions.

**Strategic, Automated, and Localized Manufacturing Network:** With 12 advanced manufacturing facilities across seven states and one union territory, the company maintains proximity to key automotive hubs such as Maharashtra, Tamil Nadu, and Gujarat. Facilities are equipped with robotic automation, digital assembly lines, and traceability systems, achieving defect rates below two parts per million. Backed by a localized and

### Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	97.25%	74.79%
QIB	2.75%	13.98%
NIB	0.00%	3.37%
Retail	0.00%	7.86%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

### Objects of the Issue

The Company IPO proposes to utilise the Net Proceeds from the Issue towards the following objects:

1. To achieve the benefits of listing the equity shares on the stock exchanges
2. General corporate purposes

### Book Running Lead Manager

- JM Financial Limited
- Citigroup Global Markets India Private Limited
- Axis Capital Limited
- HSBC Securities and Capital Markets (India) Private Limited

### Name of the registrar

- MUFG Intime India Private Limited

resilient Tier II supplier base, the company leverages Tenneco Group's global purchasing power for supply security and cost optimization. Operations are driven by lean manufacturing principles and continuous improvement models like "TenPlus" and "P3," ensuring efficiency, safety, and product quality.

**Robust Financial Performance and Capital Efficiency:** The company has consistently delivered strong financial results, with profit growing at a CAGR of 20.48% from ₹381.04 crore in Fiscal 2023 to ₹553.14 crore in Fiscal 2025. EBITDA margins improved from 11.82% to 16.67%, while PAT margins rose from 7.89% to 11.31% over the same period. Its disciplined capital management is reflected in an improving cash conversion cycle—from negative 10 days in Fiscal 2023 to negative 24 days in Fiscal 2025—highlighting strong operational efficiency and cash flow generation.

**Experienced Leadership and Skilled Workforce:** The company is led by a seasoned management team and a governance-focused Board, including three independent directors chairing all six committees. Key leaders such as CEO Arvind Chandrasekharan and CFO Mahender Chhabra bring over two decades of industry experience each, complemented by long-serving executives like Rishi Verma and R. C. Subramaniam. The workforce is highly skilled, with continuous in-house training under the P3 operating model emphasizing safety, problem-solving, and kaizen. The company also benefits from being part of the Tenneco Group, ultimately owned by Apollo Global Management, Inc., a global asset manager with USD 751 billion in AUM as of December 31, 2024.

## Strategy

**Capturing Opportunities from Stricter Emission Standards:** The company's Clean Air Solutions business is strategically positioned to benefit from tightening emission regulations in India and globally, such as BS7, CAFE norms, TREM V, CPCB, and CEV-V. These evolving standards demand advanced emission control technologies, increasing content per vehicle (CPV) for suppliers. The company aims to proactively collaborate with Indian and global OEMs to develop modular, standardized solutions that ensure faster time-to-market. By leveraging global technologies and adapting them to Indian requirements, it seeks to maintain leadership across Passenger Vehicle (PV) and Commercial Vehicle (CV) segments.

**Capitalizing on Premiumization, SUV, EV, and Hybrid Growth:** With rising demand for premium vehicles, SUVs, and electrified models, the company is well-positioned to capture higher CPV opportunities. Its Clean Air & Powertrain division focuses on exhaust systems for large-engine SUVs and hybrid vehicles, ensuring compliance with CAFE norms and addressing tight packaging constraints. Meanwhile, the Advanced Ride Technologies division targets the premium and EV segments through high-performance products such as continuously variable semi-active suspension systems, hollow rods for weight reduction, and Adaptive Ride Height Suspension System 2.0. These offerings align with consumer preferences for comfort, safety, and technology-driven performance.

**Driving Competitiveness through Strategic Localization – "Make in India":** Localization remains central to the company's cost and efficiency strategy. By manufacturing critical components in India—such as valving technologies for suspension systems and IROX bearings suited to Indian road conditions—the company aims to reduce import dependence, lower costs, and expand its share with OEMs. It is also working with suppliers to produce ceramic components for spark plugs domestically, supported by Tenneco Group's engineering expertise. These efforts enhance margins, strengthen customer responsiveness, and align with the national "Make in India" initiative.

**Positioning India as a Global Export Hub:** India's emergence as a global automotive export base presents significant opportunities. The company exports to over 20 countries and serves as a key supplier to both Tenneco Group and third-party OEMs, including exports of bearings to Europe and exhaust systems for global CT OEMs. It plans to deepen intra-group exports by leveraging cost advantages, vertical integration, and potential transfer of manufacturing lines from other geographies to India. By using local engineering capabilities to deliver global-quality products, the company aims to establish India as a key manufacturing and export hub within the Tenneco ecosystem.

**Sustained Focus on R&D and Innovation:** R&D remains at the core of the company's growth strategy, focusing on next-generation mobility, low-carbon technologies, and localized innovation. Key initiatives include developing hydrogen engine exhaust systems, friction-reducing IROX

bearings, lightweight aluminum dampers, and modular SCR solutions for NOx reduction. Advanced features like frequency-dependent damping, semi-active control valves, and acoustic tuning enhance ride quality and comfort in premium vehicles. The company continues to invest in software development, simulation tools, and global training to drive technology leadership.

**Leveraging Synergies and Cross-Selling Across Divisions:** Following the integration of its Clean Air & Powertrain and Advanced Ride Technologies divisions, the company aims to unlock cross-selling opportunities across OEM programs. It leverages existing customer relationships in one division to introduce complementary products from the other, supported by shared sourcing, standardized operating models (P3, OSE), and streamlined certification processes. This approach enhances revenue potential, shortens development cycles, and improves pricing competitiveness across its combined product portfolio.

**Enhancing Operational Efficiency for Sustained Profitability:** The company's operational strategy focuses on cost optimization, efficiency, and disciplined working capital management. Between Fiscal 2023 and 2025, raw material costs as a percentage of revenue improved from 70.37% to 65.05%, reflecting better procurement and productivity gains. Going forward, the company plans to further leverage global sourcing, optimize SG&A and R&D expenses through "clean sheet" cost modeling, and strengthen vendor financing to maintain Payable Days above 100 and Receivable Days below 50. Through P3-driven lean manufacturing and vendor-managed inventory systems, it aims to enhance cash flow, reduce inventory days, and achieve sustainable margin growth.

## Risk Factor

- The company relies on the Tenneco Group for brand licenses, patented designs, technical know-how, parts, and R&D. Any change or termination of this relationship may harm its business and reputation.
- About 81–84% of revenue comes from India's passenger and commercial vehicle sectors. Any slowdown in these sectors could impact performance.
- The top ten customers contribute 78–84% of total revenue. Losing any key customer may hurt business and financial results.
- Sales depend on awarded programs without firm volume commitments. This may affect revenue predictability and financial stability.
- Business growth depends on government emission policies. Delays or changes in these regulations can affect operations.
- Raw material costs, mainly steel and components, form 64–70% of revenue. Price fluctuations can affect profitability.
- Auditors have noted certain issues in internal controls and CARO 2020 in their reports for FY2023–FY2025 and the June 2025 quarter.

## Peer Comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Bosch	18559.20	2665.00	752.44	49.52	7.96	4683.48	10	37258.80	109889.76
Uno Minda	18015.43	1093.46	18.96	69.58	12.22	107.99	2	1319.30	76093.34
Sona BLW Precis.	3724.86	612.79	10.08	48.16	5.49	88.38	10	485.45	30181.44
ZF Commercial	3863.09	482.84	254.66	49.77	7.04	1799.27	5	12674.35	24030.57
Timken India	3193.03	454.83	60.47	50.00	8.22	367.97	10	3023.75	22744.26
Gabriel India	4215.19	249.36	17.36	73.02	15.39	82.38	1	1267.65	18209.02
SKF India	4996.85	525.18	106.23	19.52	3.95	525.50	10	2073.40	10250.47
Sharda Motor	2907.38	338.03	55.88	20.03	6.05	184.97	2	1119.05	6424.21
TENNECO CLEAN AIR INDIA LTD	4905.28	553.14	14.15	28.06	7.97	49.82	10	397.00	16023.09

\*Peer companies financials are TTM based

\*\*\*Tenneco Clean Air India Limited are based on TTM

## Valuation

Considering the P/E valuation on the upper price band of Rs.397, TTM EPS and P/E are Rs.14.15 and 28.06 multiple respectively and at a lower price band of Rs. 378, P/E multiple is 26.72. Looking at the P/B ratio on the upper price band of Rs.397, book value and P/B are Rs. 49.82 and 7.97 multiple respectively and at a lower price band of Rs. 378 P/B multiple is 7.59. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

## Industry Outlook

The outlook for the Indian automotive sector is strongly positive, driven by favourable macroeconomic factors and key market shifts. CRISIL Intelligence projects India's GDP to grow at a healthy pace of 6-8% between Fiscals 2025 and 2030, supported by subdued inflation and positive rural demand, which will boost consumer disposable income. Domestic Passenger Vehicle (PV) sales are expected to grow at a 4-6% CAGR to reach 5.3–5.7 million vehicles by Fiscal 2030. This growth is fuelled by strong demographics, continued government support and investments, easier financing, and changing consumer preferences toward premiumization and advanced features, along with a significant rise in electrification, with EV penetration in PV sales expected to hit 15-20% by Fiscal 2030. Furthermore, the Commercial Vehicle (CV) market will see demand from the government's continued focus on infrastructure development and a significant replacement cycle for older vehicles due to the national scrappage policy. This combined vehicle production momentum is projected to drive the OEM demand for auto components at a high 9-11% CAGR between fiscals 2025 and 2030.

## Outlook

The company is well-positioned to sustain leadership in clean air, powertrain, and advanced suspension systems through strong R&D integration, strategic localization, and diversified product portfolio. Rising emission norms, premiumization, and EV adoption present growth opportunities. Backed by efficient operations, robust financials, and global synergies, it is poised for steady revenue expansion and margin improvement despite sectoral risks.

## An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	12-November-25
BID/ISSUE CLOSES ON	14-November-25
Finalisation of Basis of Allotment with the Designated Stock Exchange	17-November-25
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	18-November-25
Credit of Equity Shares to Demat Accounts of Allottees	18-November-25
Commencement of trading of the Equity Shares on the Stock Exchanges	19-November-25

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-25 (3 Months)	Period ended 31-Mar-25 (12 Months)	Period ended 31-Mar-24 (12 Months)
Revenue from operations	1285.62	4890.43	5467.61
Total expenditure	1056.74	4075.19	4855.53
<b>Operating Profit</b>	<b>228.88</b>	<b>815.24</b>	<b>612.09</b>
OPM%	17.80	16.67	11.19
Other Income	30.81	41.02	69.78
<b>Total Net Income</b>	<b>259.69</b>	<b>856.25</b>	<b>681.86</b>
Interest	7.10	20.27	25.16
<b>PBDT</b>	<b>252.59</b>	<b>835.99</b>	<b>656.70</b>
Depreciation	25.37	103.17	103.59
<b>PBT</b>	<b>227.22</b>	<b>732.82</b>	<b>553.11</b>
Tax	59.13	179.67	136.32
<b>Profit &amp; Loss</b>	<b>168.09</b>	<b>553.14</b>	<b>416.79</b>

Balance sheet is on next page

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-25	As on 31-Mar-25	As on 31-Mar-24
<b>Non-current assets</b>			
Property Plant & Equipment	516.83	534.84	565.35
Right-of-use assets	48.83	45.75	40.54
Capital Work in Process (Tangible)	32.48	31.07	36.62
Intangible assets	1.19	1.28	1.64
<b>Financial assets</b>			
Investments	0.33	0.33	0.89
Loans	0.27	0.26	0.32
Other financial assets	11.79	842.17	263.11
Deferred tax assets (net)	25.80	21.83	12.30
Current tax assets (net)	17.60	18.32	22.19
Other non-current assets	14.99	7.74	9.74
<b>Total non-current assets</b>	<b>670.10</b>	<b>1503.59</b>	<b>952.70</b>
<b>Current asset</b>			
Inventories	301.83	277.73	329.34
<b>Financial Assets</b>			
Trade receivables	589.56	687.23	559.76
Cash and cash equivalents	370.77	285.90	183.07
Bank balances other than (ii) above	0.21	0.34	0.58
Loans	0.47	0.48	1.04
Other financial assets	934.24	36.72	18.38
Other current assets	51.60	38.74	91.39
Assets classified as held for sale	0.00	0.87	0.00
<b>Total current assets</b>	<b>2248.67</b>	<b>1327.99</b>	<b>1183.56</b>
<b>Total Assets</b>	<b>2918.77</b>	<b>2831.58</b>	<b>2136.26</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Lease liabilities	17.74	14.61	11.04
Provisions	34.26	30.20	22.27
Deferred tax liabilities (net)	0.38	0.11	1.01
Other non-current liabilities	21.91	24.14	17.66
<b>Total Non- Current liabilities</b>	<b>74.29</b>	<b>69.05</b>	<b>51.98</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	0.00	0.00	0.00
Lease Liabilities	5.46	5.09	4.05
Vendor Bill financing	43.70	50.34	48.13
Trade Payables			
- Total outstanding dues of MSME	136.83	120.13	121.89
- Total outstanding dues of creditors other than MSME	789.05	722.29	751.28
Other financial liabilities	6.31	8.79	9.17
Other Current Liabilities	102.80	108.84	106.87
Provisions	31.39	34.15	32.74
Current tax liabilities (net)	121.04	99.66	28.81
Liabilities relating to assets classified as held for sale	0.00	0.87	0.00
<b>Total - Current Liabilities</b>	<b>1236.58</b>	<b>1150.17</b>	<b>1102.93</b>
<b>Total Liabilities</b>	<b>1310.87</b>	<b>1219.22</b>	<b>1154.92</b>
Net worth represented by:			
Equity share capital	403.60	403.60	214.09
Other equity	1201.65	1206.37	765.93
Non-Controlling Interest	2.65	2.40	1.33
<b>Total Equity</b>	<b>1607.90</b>	<b>1612.37</b>	<b>981.35</b>

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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