

November 12, 2025

Tenneco Clean Air India Limited*IPO Note***IPO Snapshot**

Parameter	Value
Issue Opens On	Wednesday, November 12, 2025
Issue Closes On	Friday, November 14, 2025
Price Band (INR)	378–397
Issue Size (INR Cr.)	3,600
Recommendation	Subscribe

Company Overview

Tenneco Clean Air India Limited ("Tenneco India") is a highly engineered automotive component supplier and a key part of the global Tenneco Group. The company's core business involves designing and manufacturing critical clean air, powertrain, and suspension solutions for leading OEMs and the aftermarket, with a value proposition rooted in delivering technology-intensive products that meet stringent regulatory standards. Its operations are structured into two primary divisions: 'Clean Air & Powertrain Solutions,' offering exhaust systems, catalytic converters, and engine components; and 'Advanced Ride Technologies,' which provides shock absorbers, struts, and other advanced suspension systems. With 12 manufacturing facilities across India, the company not only serves the domestic market but also functions as an export hub for Tenneco Group's global network. This operational footprint and technological integration are central to its forward-looking strategic outlook.

Outlook

Tenneco India is strongly positioned to capitalize on favorable industry tailwinds, underpinned by its market leadership, technological prowess, and robust financial health. The company commands a dominant market share, ranking as the largest supplier of Clean Air Solutions to Indian Commercial Truck OEMs (57% share) and the largest supplier of shock absorbers and struts to Indian Passenger Vehicle OEMs (52% share). This leadership is supported by key differentiators, including deep integration with the global Tenneco Group for R&D and sticky relationships with top-tier OEMs creating high switching costs. Financially, its net debt-free status and superior return metrics provide significant operational flexibility.

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Particulars	IPO Details
No. of shares under IPO	9,06,80,101
Fresh issue (# shares)	NA
Offer for sale (# shares)	9,06,80,101
Price band (INR)	378–397
Post issue MCAP (INR Cr.)	16023.09

Issue Category	% Allocation
QIB	29%
NIB	21%
Retail	50%

Profit & Loss (INR Cr.)

Particulars (INR Cr.)	FY 2023	FY 2024	FY 2025
Revenue	4,827.37	5,467.61	4,890.43
EBITDA	570.63	612.09	815.24
EBITDA Margin	11.82%	11.19%	16.67%
Profit After Tax (PAT)	381.04	416.79	553.14
PAT Margin	7.89%	7.62%	11.31%

Balance Sheet (INR Cr.)

Particulars (INR Cr.)	FY 2023	FY 2024	FY 2025
Equity	1,259.55	1,033.30	1,679.48
Total Debt	13.11	0.00	0.00
Total Assets	2,429.65	2,136.26	2,831.58
Debt-Equity Ratio (X)	0.01	0.00	0.00
ROE (%)	32.88%	38.05%	42.65%
ROCE (%)	33.51%	45.40%	56.78%

Industry & Market Overview

Market Size and Growth

The Indian automotive components sector is poised for steady growth. The key end markets for Tenneco India are projected to expand as follows:

- **Clean Air Solutions:** The domestic market for Clean Air Solutions was estimated at INR 54,234 million (INR 5,423.4 crore) in FY25 and is projected to grow at a CAGR of 8-10% through FY30.
- **Passenger Vehicles (PV):** This segment is expected to grow at a CAGR of 4-6% through FY30.
- **Commercial Trucks (CT):** This market is projected to expand at a CAGR of 3-6% through FY30.

Regulatory Push

The implementation of stricter emission norms (BS6 Stage 2, and the anticipated BS7 and TREM V standards) mandates more advanced after-treatment systems, directly increasing demand for the company's products. The vehicle scrappage policy is also expected to support new vehicle sales.

Economic Tailwinds

The government's sustained focus on infrastructure development, domestic manufacturing (PLI scheme), and rising disposable incomes are fueling demand in both the commercial and passenger vehicle segments.

Consumer & Technology Trends:

A clear shift towards premiumization and a rising share of SUVs are increasing content-per-vehicle. Furthermore, the penetration of Electric Vehicles (EVs) is projected to constitute 15-20% of all PV sales by FY30, creating new opportunities for suppliers of suspension and other EV-agnostic components.

Within this industry context, Tenneco India holds a formidable position with a 57% market share in commercial truck clean air solutions and a 52% market share in the passenger vehicle suspension market. However, the industry is subject to inherent cyclicality and volatility in raw material prices.

Financial Highlights

Profit and Loss Highlights (Last 3 Years)

Particulars (INR Cr)	For the three-month period ended June 30, 2025	For the year ended March 31, 2025	For the year ended March 31, 2024	For the year ended March 31, 2023
Income				
Revenue from operations	1285.62	4,890.43	5,467.61	4,827.37
Other income	30.8	41.02	69.78	59.59
Total income	1316.43	4,931.45	5,537.39	4,886.96
Expenses				
Cost of Materials Consumed	828.2	3,181.18	3,835.43	3,396.90
Changes in inventories (net)				
Employee benefits expenses	83	297.9	252.6	248.5
Finance costs	7.09	20.27	25.16	21.53
Depreciation and amortisation expense	25.37	103.17	103.59	100.92
Other expenses	148.3	556.10	710.38	569.77
Total expenses	1089.2	4,198.63	4,984.28	4,379.21
Profit before tax for the period / year	227.2	732.82	553.11	507.75
Total tax expense	59.13	179.67	136.32	126.70
Profit after tax for the period / year (PAT)	168.08	553.14	416.79	381.04

Performance Analysis

- **Revenue Trend:** Revenue from operations declined by 10.6% in FY25 after peaking in FY24. This top-line decrease is misleading, as it was primarily driven by a significant reduction in the cost of pass-through raw materials (substrates). A more accurate measure, Value Added Revenue (VAR), which excludes these costs, shows a consistent growth trajectory, reflecting healthy underlying demand.
- **Profitability Trend:** The company demonstrated a remarkable improvement in profitability in FY25. The EBITDA margin surged from 11.19% in FY24 to 16.67%, while the Profit After Tax (PAT) margin increased from 7.62% to 11.31%. The DRHP attributes this expansion to operational efficiencies, cost-control measures, and a more favorable product mix.
- **Segment Performance:** The 'Clean Air & Powertrain Solutions' division remains the larger contributor to revenue, while the 'Advanced Ride Technologies' division provides critical diversification and access to high-growth segments like SUVs and EVs.

Cash Flow Analysis

Particulars (INR Cr.)	FY 2023	FY 2024	FY 2025
Cash Flow from Operations	537.50	487.67	562.3
Cash Flow from Investing	(13.10)	(30.14)	(26.78)
Cash Flow from Financing	(394.39)	(685.94)	(432.78)

Analytical Interpretation

The cash flow statement reveals a highly cash-generative and disciplined business model:

- **Operating Cash Flow:** The company has generated strong and consistently positive cash flow from its core operations, a hallmark of a healthy business with robust profitability and efficient working capital management.

- **Investing Cash Flow:** The consistent, modest cash outflow from investing activities reflects ongoing capital expenditures for capacity and technology. These investments are well within the cash generated from operations, indicating a sustainable investment cycle.
- **Financing Cash Flow:** The most notable trend is the significant and continuous cash outflow from financing activities, almost entirely attributable to large dividend payments and capital reductions made to shareholders.

Key Insight: Tenneco India has successfully funded both its capital expenditures and substantial shareholder returns entirely through internal cash generation. The company has demonstrated it does not rely on external debt, a clear indicator of exceptional financial strength.

SWOT Analysis

Category	Analysis
Strengths (S)	Market leader in core segments (Clean Air, Suspension) with dominant market share.
	Deeply integrated with top OEMs, creating high switching costs.
	Access to global R&D and technology via the Tenneco Group.
	Strong, debt-free financial position with industry-leading RoE and RoCE.
	Experienced management team with long tenure in the Tenneco Group.
Weaknesses (W)	High customer concentration: Top 10 customers account for 82% of revenue.
	Dependence on the parent group for brand licenses, technology, and aftermarket sales.
	History of auditor's "Emphasis of Matter" notes related to fraud at a subsidiary and other non-compliances.
	Single-supplier dependence for certain critical components.
Opportunities (O)	Stricter upcoming emission norms (BS7, TREM V) driving demand for advanced products.
	Industry trend of premiumization and rising SUV/EV sales increasing content-per-vehicle.
	"China +1" global supply chain diversification strategy positioning India as a key export hub.
	Opportunity to localize manufacturing of high-value components (e.g., IROX bearings).
Threats (T)	Inherent cyclicalality of the automotive industry tied to economic performance.
	Volatility in raw material prices (especially steel) impacting margins.
	Long-term risk from EV transition reducing the market for certain ICE-specific components.
	Intense competition from organized domestic and global players.

Objects of the Issue

Analysis of Proceeds

The IPO is a 100% Offer for Sale (OFS) by the Promoter Selling Shareholder, Tenneco Mauritius Holdings Limited.

The critical implication for prospective investors is that the company itself will receive no proceeds from the issue. All funds raised, aggregating up to INR 3,600.00 million, will go directly to the selling shareholder. This means the IPO is not being conducted to raise capital for growth, new projects, acquisitions, debt repayment, or any other corporate purpose.

The two stated objects of the offer, as listed in the DRHP, are:

1. To allow the Promoter Selling Shareholder to sell shares aggregating up to INR 3600 Crores.
2. To achieve the benefits of listing the company's shares on the stock exchanges.

Risk Factors

1. **High Customer Concentration** The company exhibits a significant dependency on a small number of large clients, with its top ten customers accounting for approximately 82% of its revenue in FY25. This concentration poses a material risk, as the loss of, or a significant reduction in business from, any of these key OEMs could severely impact Tenneco India's revenue and profitability.
2. **Automotive Industry Cyclicity & EV Transition** The company faces the dual threat of the auto industry's inherent cyclical nature and the long-term technological disruption from the shift to electric vehicles (EVs). A significant portion of its 'Clean Air & Powertrain Solutions' revenue is linked to the internal combustion engine (ICE). A faster-than-expected transition to EVs could reduce the long-term demand for these core products.
3. **Dependence on Tenneco Group** Tenneco India's operations are critically dependent on its parent, the Tenneco Group. This reliance extends to brand licensing, access to global R&D and technology, and key related-party transactions, including sales to the aftermarket. The termination of these agreements would have a material adverse effect on the company's ability to operate and innovate.
4. **Raw Material Price Volatility** The company's profitability is exposed to fluctuations in the cost of raw materials, particularly steel. While the company has pass-through mechanisms with some clients, an inability to fully or promptly pass on significant price increases to all OEMs could lead to a compression of its gross margins.
5. **Governance and Internal Control Weaknesses** The DRHP discloses a history of significant governance issues. These include a fraud of INR 194.45 million (INR 19.45 crore) by ex-employees at a subsidiary (TAIPL), multiple whistleblower complaints, and several auditor "Emphasis of Matter" notes regarding non-compliances. These events raise material concerns about the robustness of the company's internal controls.

Promoter & Management Analysis

Promoter Details The promoters of Tenneco India are part of the global Tenneco Group. The ultimate ownership rests with funds managed by affiliates of Apollo Global Management, Inc., a leading global alternative asset manager, providing the company with strong institutional backing.

Key Management Profiles

- **Niranjana Kumar Gupta (Chairman and Independent Director):** His extensive senior leadership background at major multinationals brings critical independent oversight to the board, ensuring robust governance and strategic guidance.
- **Arvind Chandrasekharan (Whole-Time Director and CEO):** His deep experience across the automotive and industrial sectors is central to executing the company's operational strategy and navigating complex OEM relationships.
- **Manavendra Singh Sial (Non-Executive Director):** His position as CFO of the global parent, Tenneco LLC, and presence on the Indian board signals tight financial oversight and strategic alignment with the ultimate promoter, Apollo Global Management, ensuring global best practices—and priorities—are implemented locally.

Promoter Shareholding: The promoter group holds a majority stake in the company pre-IPO i.e. 97.25% and will continue to hold a controlling stake post-listing, which will 74.79% of the company

Peer Comparison & Valuation

Comparative Analysis Table (Fiscal Year 2025)

Company	Revenue from Operations (INR Crores)	EBITDA (INR Crores)	EBITDA Margin	PAT (INR Crores)	PAT Margin	ROCE (%)	ROE (%)
Tenneco Clean Air India Limited	4,890.43	815.24	16.67%	553.14	11.31%	56.78%	42.65%
Bosch Ltd	18,087.40	2,309.70	12.77%	2,013.00	11.13%	19.92%	15.56%
Timken India Ltd	3,147.81	641.80	20.39%	447.39	14.21%	19.44%	17.00%
SKF India Ltd	4,919.90	846.88	17.21%	565.81	11.50%	29.30%	21.43%
ZF Commercial Vehicle Control System India Ltd	3,830.96	739.00	19.29%	460.73	12.03%	19.12%	15.35%
Sharda Motor Industries Ltd	2,836.57	396.40	13.97%	314.92	11.10%	38.00%	30.00%
Gabriel India Ltd	4,063.38	391.70	9.64%	244.98	6.03%	27.62%	22.42%
UNO Minda Ltd	16,774.61	1,874.00	11.17%	1,020.57	6.08%	18.90%	17.70%
Sona BLW Precision Forgings Ltd	3,546.02	975.30	27.50%	599.69	16.91%	18.40%	17.70%

Valuation Analysis

The IPO is considered competitively priced as it is valued at a Price-to-Earnings (P/E) multiple of approximately 29x based on FY25 earnings. This represents a significant discount compared to its auto ancillary peers, such as Bosch Ltd. and Uno Minda, which are trading at an average P/E of around 48-50x. The company's primary moat is its dominant market leadership, holding over 50% share in key segments like clean air solutions for commercial trucks and shock absorbers for passenger vehicles. This position is secured by high switching costs from deep OEM integration (like Maruti Suzuki and Tata Motors) and access to its global parent's advanced, proprietary technology required to meet strict emission norms.

Red Flags

- **100% Offer for Sale (OFS):** The company will receive zero proceeds from the IPO. No new capital is being raised for growth or corporate purposes. The entire benefit goes to the selling promoter, indicating the primary motive is to provide an exit.
- **Significant Governance Concerns:** A documented history of material issues including a INR 194.45 million (INR 19.45 crore) fraud by ex-employees at a subsidiary, multiple whistleblower complaints, and repeated "Emphasis of Matter" notes from auditors concerning non-compliances.
- **Extreme Customer Concentration:** High dependency on a small number of customers (82% of revenue from the top 10), making the company vulnerable to shifts in purchasing decisions from any single client.
- **Material Ongoing Litigation:** Notable legal proceedings are active, including a SEBI appeal at the Supreme Court level related to a group company's open offer, which represents a significant regulatory overhang.

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