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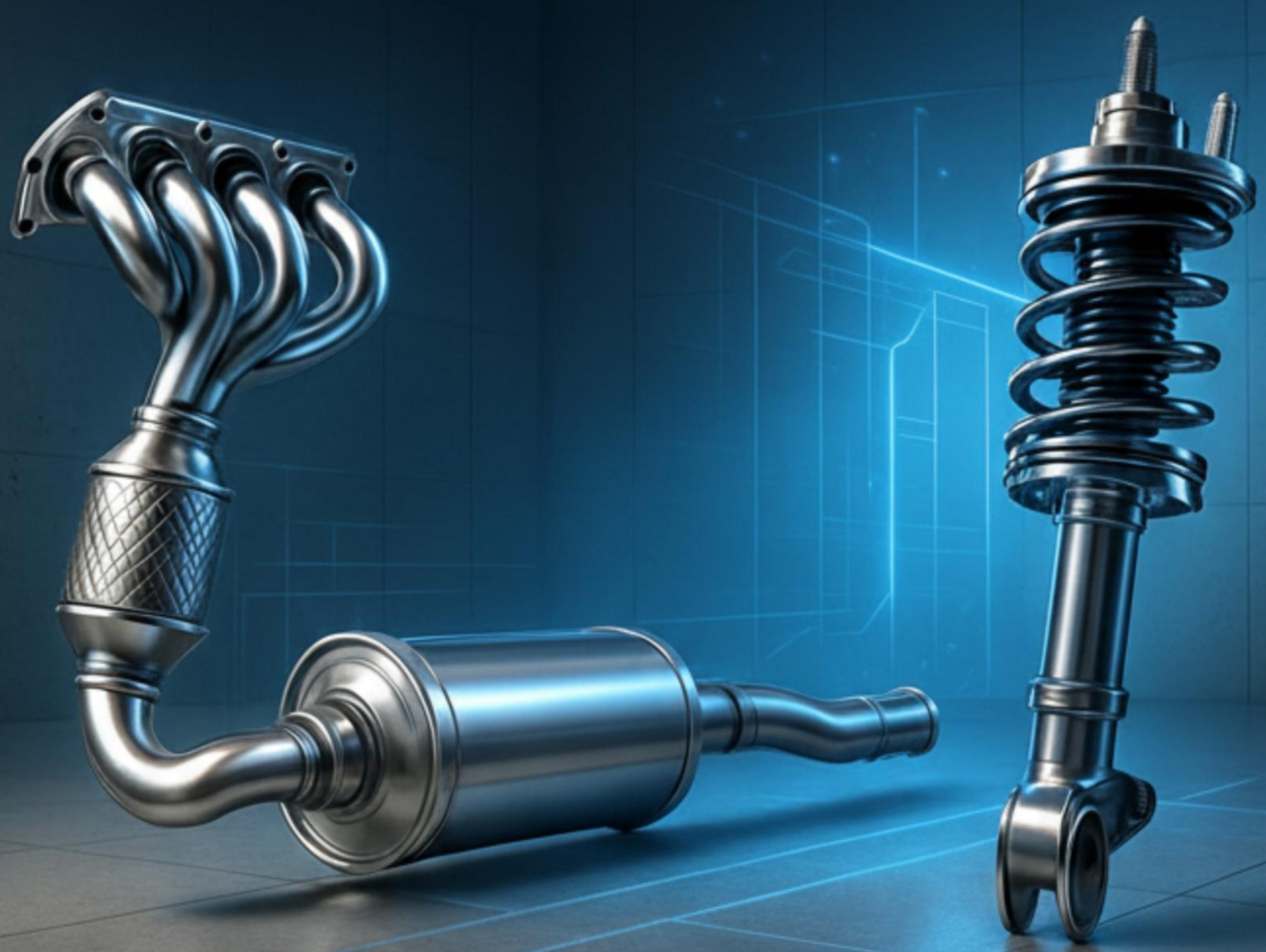
INDIA | AUTO ANCILLARIES | INITIATING COVERAGE

JM Financial

Tenneco Clean Air India

Premiumisation, changing emission norms and exports to drive growth



Well-placed beneficiary of stringent emission norms

Premiumisation-led CPV expansion across segments

Initiate with BUY – TP of INR 610

Tenneco Clean Air India

Premiumisation, changing emission norms and exports to drive growth

Tenneco Clean Air India Ltd (TCAIL), a subsidiary of US-based Tenneco Group, is a leading Tier-1 automotive component manufacturer in India, specialising in clean air solutions, powertrain systems, and advanced ride technologies (ART).

TCAIL serves major OEMs in passenger, commercial, and off-highway segments, holding dominant market shares. It holds ~40% share in PVs (#2) and 62% in CVs (#1) in Clean Air & Powertrain, and 68% in OH OEMs. In ART, it leads with ~52% share in PVs, reflecting strong technology and customer trust.

TCAIL has significantly outperformed the industry over the past 4 years. The company's VAR (reported revenue includes the cost of substrates (porous ceramic filters coaled with precious metals such as rhodium, palladium and platinum), which are trading products used in catalytic converters and passed through to customers without any value-add and margin. Therefore, Value Added Revenue (VAR), which excludes substrate costs, provides a more accurate measure of performance) grew at a robust CAGR of approximately 22% during FY21-25, versus 10% industry growth over the same period. This outperformance was driven by industry growth (10%), increase in CPV (4%) and wallet share gains (8%).

Furthermore, TCAIL has consistently outperformed its domestic peers in terms of operating profitability. In FY25, it delivered an EBITDA margin of ~19% - significantly higher than comparable players. This outperformance is driven by efficient plant operations, strategic raw material sourcing, cost-optimisation initiatives and a growing share of high-value, high-margin products.

TCAIL faces risks from the EV shift, as clean air systems aren't needed in fully electric vehicles, exposing ~20% of VAR. While hybrids, commercial vehicles, and the dominant ICE market provide near-term support, delays in emission norm updates add vulnerability. Heavy reliance on its parent for technology and potential royalty changes could impact competitiveness.

Expanding TAM across segments: For PVs, the clean air solutions market is projected to grow at 6-8% CAGR over FY25–30E to INR 46.5bn-51.0bn. For the CVOH/SCV category (CVs & off-highway), the market is set to expand at 13–15%/5-7% CAGR to INR 25.4bn–27.8bn / 7.1bn-7.8bn. The domestic PV OE/AM suspension market is projected to grow at a CAGR of 8-10%/5-7% over FY25-30E.

Stricter emission norms to increase CPV: Stringent emission norms are driving higher CPV in the clean air segment. The introduction of CAFÉ norms and BS VII emission standards is expected to elevate CPV. We believe that the CAFÉ norms will increase the CPV for the PV segment by INR 1,000-1,500. In CVs, we estimate the CPV to increase by ~INR 2,000 to comply with BS VII emission norms. TCAIL secured a major win in clean air systems with a leading Japanese PV OEM in India in 2QFY26, marking its entry into a previously untapped clean air segment for this OEM.

Premiumisation to boost CPV: The Indian PV market has witnessed a clear trend of premiumisation over the past decade. UV mix has surged from 34.6% in FY20 to 65.4% in FY25. This ongoing premiumisation trend is expected to benefit TCAIL's PV clean air segment as the CPV is 1.5x higher in large SUVs compared with small cars. In ART for PVs, premiumisation is driving CPV growth as advanced suspension adoption accelerates. CPV for Passive Plus and Semi-Active systems is ~2x and ~4x higher than conventional passive, highlighting strong value potential.

Exports contribution to grow significantly: Tenneco Global is positioning its India operations as a strategic export hub to serve global demand. Led by India's cost competitiveness and China+1 trend, it plans to significantly scale exports to ~20% of VAR by FY30 (up from 6% currently).

Initiate with BUY rating and a TP of INR 610: We expect TCAIL to deliver a CAGR of ~14%/16%/17% in VAR/EBITDA/PAT over FY25–28E, driven by higher CPV due to upcoming emission norms, premiumisation, deeper customer penetration and rising export contribution. Accordingly, we initiate coverage on TCAIL with a BUY rating and a TP of INR 610, based on 28x FY28E P/E. TCAIL is trading at ~24.8x on our FY28E EPS, compared to the mean of 27.3x for its competitors.

Recommendation and Price Target	
Current Reco.	BUY
Current Price Target (12M)	610
Upside/(Downside)	17.2%

Key Data – TENNIND IN	
Current Market Price *	INR521
Market cap (bn) *	INR210.1/US$2.3
Free Float	7%
Shares in issue (mn)	403.6
Diluted share (mn)	403.6
3-mon avg daily val (mn)	INR0.0/US$0.0
52-week range	557/438
Sensex/Nifty	84,961/26,141
INR/US$	89.9

Price Performance			
%	1M	6M	12M
Absolute	6.2	0.0	0.0
Relative*	7.2	0.0	0.0

*To the BSE Sensex

Financial Summary (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	54,676	48,904	54,495	60,150	70,345
Sales Growth (%)	13.3	-10.6	11.4	10.4	17.0
EBITDA	6,121	8,152	9,077	10,416	12,882
EBITDA Margin (%)	11.2	16.7	16.7	17.3	18.3
Adjusted Net Profit	4,167	5,521	6,079	7,122	8,839
Diluted EPS (INR)	8.9	13.7	15.1	17.6	21.9
Diluted EPS Growth (%)	17.5	53.6	10.1	17.2	24.1
ROCE (%)	38.4	42.6	43.0	52.4	50.5
ROE (%)	38.1	42.6	43.6	53.3	51.1
P/E (x)	58.1	37.8	34.3	29.3	23.6
P/B (x)	24.7	13.0	17.7	14.0	10.6
EV/EBITDA (x)	33.9	25.3	22.4	19.6	15.8
Dividend Yield (%)	1.7	2.2	5.0	1.9	1.9

Source: Company data, JM Financial. Note: Valuations as of 07/Jan/2026

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We initiate coverage on TCAIL with a BUY rating and a TP of INR 610, valuing it at 28x FY28E P/E. The company is a leading Tier-1 supplier of clean air and advanced ride technology systems to leading OEMs across PVs, CVs, and off-highway vehicles. Upcoming stricter emission norms coupled with premiumisation is expected to increase the CPV for the company. Further, the opportunity from exports offers a long growth runway. We estimate revenue, EBITDA, and PAT to grow at 14%, 16%, and 17% CAGR respectively over FY25–28E, driven by higher content per vehicle, industry growth and growth in exports.

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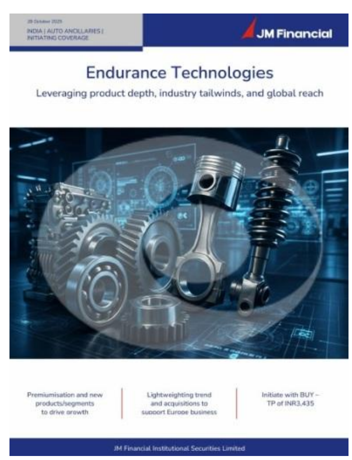
Belrise Industries



Endurance Technologies

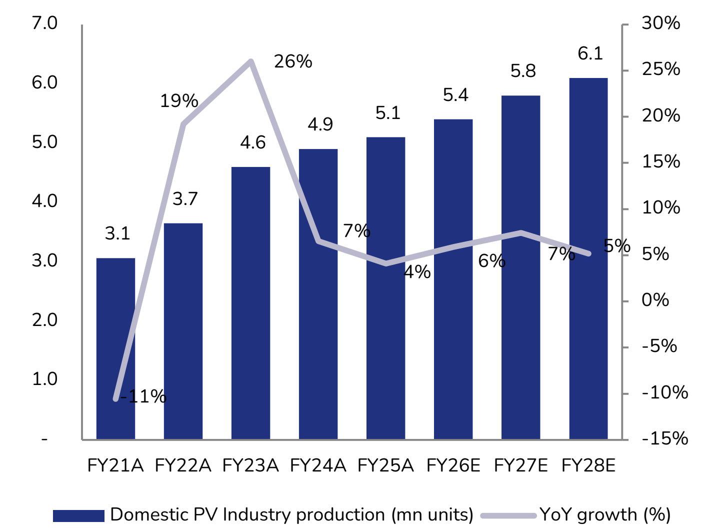
Focus Charts

Exhibit 1. A snapshot of TCAIL's business: Revenue segments, operating margin, competitors and key customers

Sector/Product Line	Share in VAR (FY25)	EBITDA margin as % of VAR (FY25)	Competitors	TCAIL's market share	Key customers
Clean Air and Powertrain	52.6%	23.8%	**Clean Air:** Sharda Motors, SM Auto, and Cummins Emission Solutions **Ignition:** Bosch, Niterra India PVT LTD. (formerly known as NGK) and Denso India PVT LTD **Bearings and sealings:** Daido, Bimetal Bearings Ltd, Taiho Kogyo Co. Ltd., Talbros and Elring Klinger	PV (40%), CT (62%) and OH (37%)	**PV:** M&M, Tata Motors, Toyota, VW **CV:** Tata Motors, Ashok Leyland, Eicher Motors, Bharat Benz, M&M, SML
Advanced Ride Technologies	47.4%	12.8%	Gabriel India Limited, Endurance Technologies	PV (52%)	**PV:** Maruti Suzuki India, M&M, Tata Motors, Toyota
Total	**100.0%**	**18.6%**			

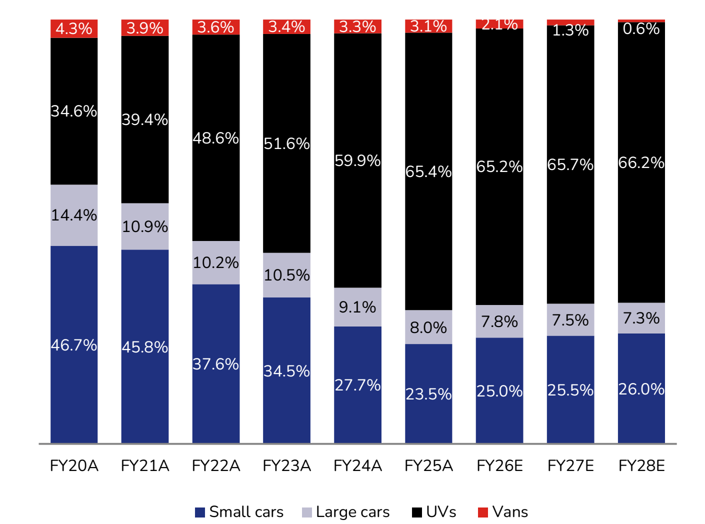
Source: Company, JM Financial

Exhibit 2. PV production to grow at a CAGR of 6.6%...



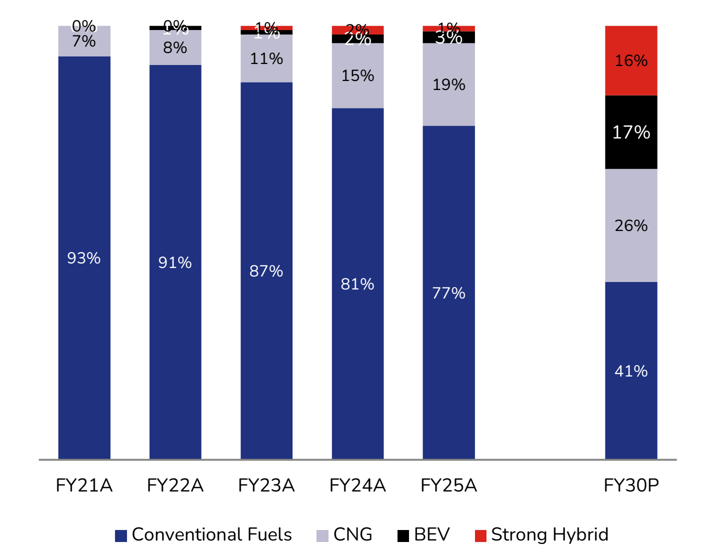
Source: SIAM, JM Financial

Exhibit 3. Premiumisation to continue towards UVs



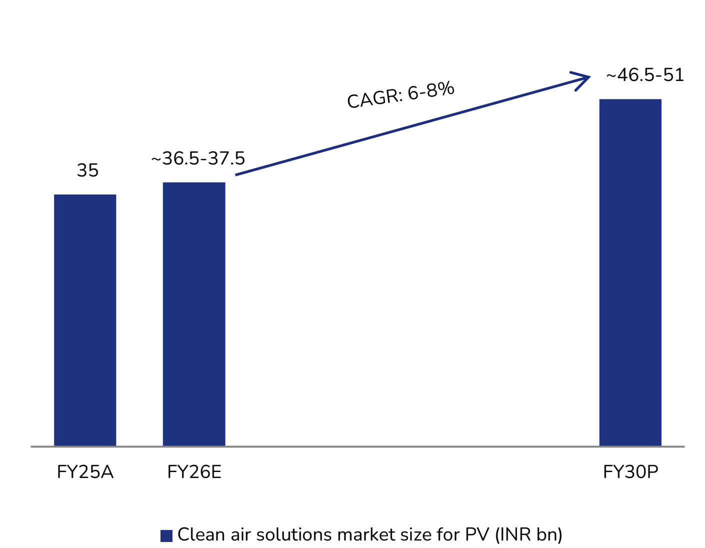
Source: Crisil Intelligence, JM Financial

Exhibit 4. Hybrids to contribute 16% in overall PV mix by FY30



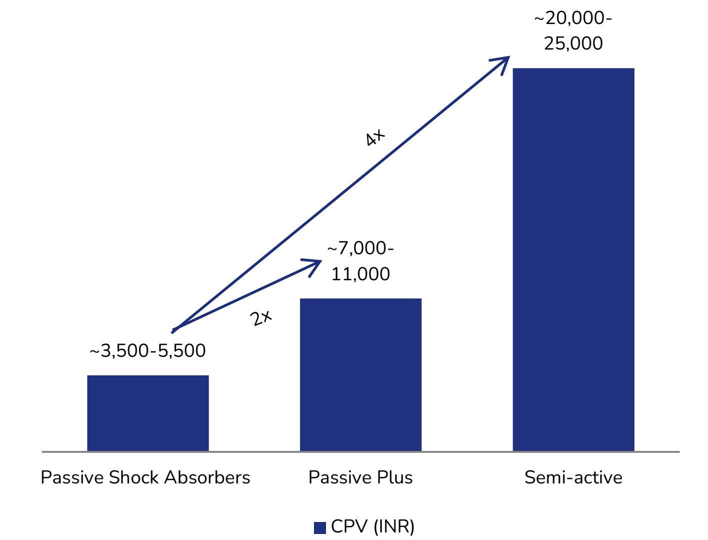
Source: Crisil Intelligence, JM Financial

Exhibit 5. Clean air TAM for PVs to grow at 6-8% CAGR



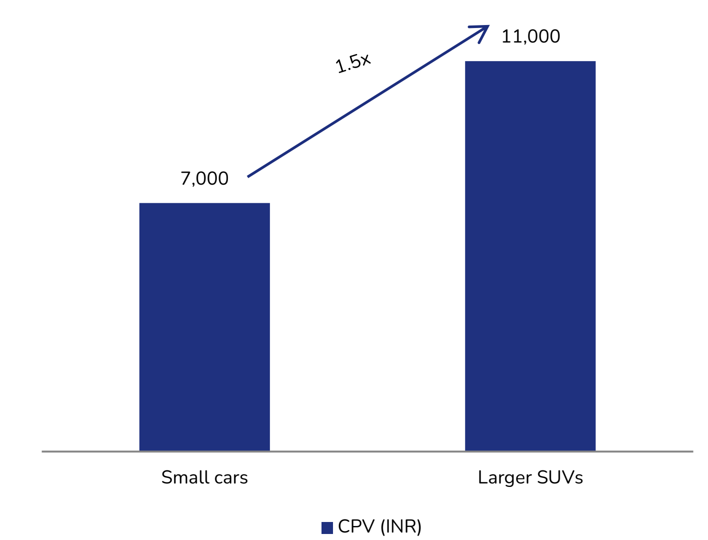
Source: Crisil Intelligence, JM Financial

Exhibit 6. CPV is ~2x/4x higher for premium suspension



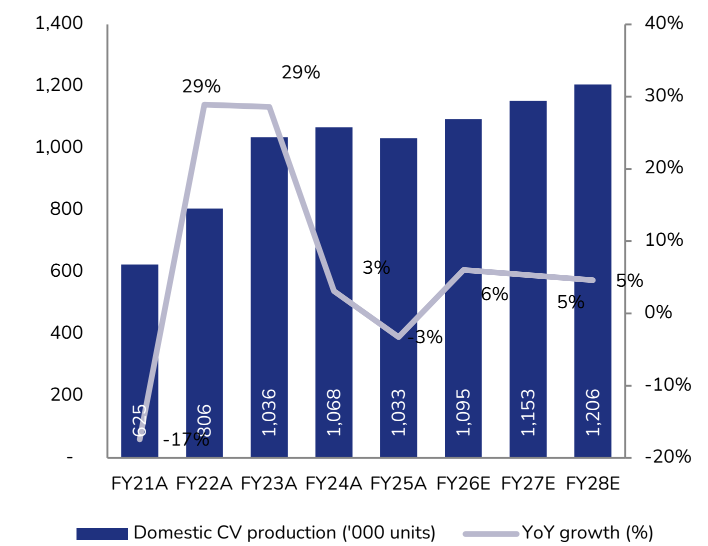
Source: Company, JM Financial

Exhibit 7. Clean air CPV is ~1.5x higher in larger SUVs



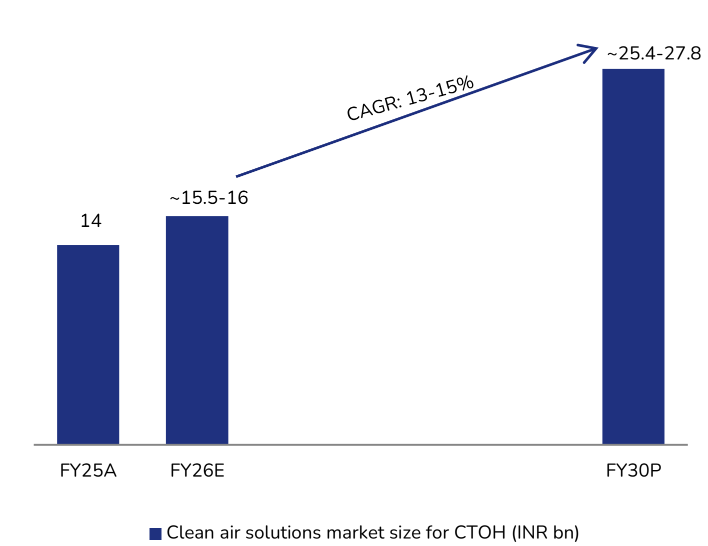
Source: Company, JM Financial

Exhibit 8. CV production to grow at 5.3% CAGR over FY25-28E



Source: SIAM, JM Financial

Exhibit 9. Clean air TAM for CTOH segment to grow at 13-15% CAGR



Source: Crisil Intelligence, JM Financial

Exhibit 10. CPV progression in PV with changing emission norms

Clean Air	BS IV	BS VI	BS VI.2	CAFÉ	BS VII
			PV Segment		
Products required	Only DOC	DOC + DPF + SCR	DOC + DPF + Passive pre-SCR + SCR	DOC + DPF + Passive pre-SCR + SCR + GPF	
CPV (INR)	1,500-2,500	5,000-8,500	7,500-11,000	8,500-12,000	
Comments			Mostly in SUVs and not in small cars	Increase in CPV: 1,000-1,500	Not a big change in CPV expected for PVs

Source: Company, JM Financial

Exhibit 11. CPV progression in CV with changing emission norms

Clean Air	BS IV	BS VI	BS VII
		CV Segment	
Products required	Only DOC	DOC+DPF+SCR	Close-coupled DOC+DPF+SCR
CPV (INR)	4,000-9,000	12,000-36,000	13,700-37,700
Other Comments	Hot-end was non-existent, only muffler used to be there		

Source: Company, JM Financial

Investment thesis

Tenneco Clean Air India Ltd (TCAIL), a subsidiary of US-based Tenneco Group, is a leading Tier-1 automotive component manufacturer in India, specialising in clean air solutions, powertrain systems, and advanced ride technologies. With 12 manufacturing facilities across seven states and one union territory, TCAIL serves major OEMs in passenger, commercial, and off-highway segments, holding dominant market shares. Backed by strong R&D capabilities and global technology support, TCAIL is well-positioned to benefit from India's tightening emission norms (BS-VII, CAFÉ) and premiumisation trends. Overall, TCAIL combines market leadership, operational efficiency, and regulatory tailwinds, making it a strategic play in India's evolving auto component sector.

We estimate TCAIL's businesses to deliver ~14% revenue CAGR over FY25–28E, driving EBITDA growth of ~16% CAGR. EBITDA margin is expected to expand ~120bps during this period. PAT is estimated to register a CAGR of 17%. We initiate coverage on TCAIL with a BUY rating and a TP of INR 610, based on 28x FY28E P/E. TCAIL is trading at ~24.8x on our FY28E EPS, compared to the mean of 27.3x for its competitors.

A leading clean air and ART system provider

- TCAIL enjoys a strong and defensible position across its core business segments, supported by deep relationships with leading original equipment manufacturers (OEMs). This entrenched presence provides a significant competitive advantage and ensures consistent revenue visibility.

- In the Clean Air and Powertrain division, the company commands a market share of approximately 40% in the passenger vehicle (PV) segment, ranking #2, and an impressive 62% in the commercial vehicle (CV) segment, where it holds the #1 position. It also holds the top position among suppliers of clean air solutions to Indian off-highway (OH) OEMs (excluding tractors) with a 68% share. Similarly, in the ART division, TCIL maintains leadership with an estimated 52% share in the passenger vehicle segment, underscoring its technological strength and customer trust.

- TCAIL's longstanding relationships with leading OEMs underscore its reputation for product quality, technological excellence, and operational reliability. The company has maintained partnerships of over 15 years with 8 out of its top 10 customers, and nearly 3 decades with its top three customers based on value-added revenue. These enduring collaborations reflect the deep trust and confidence OEMs place in Tenneco's engineering capabilities and consistent delivery performance.

- ### Outperforming industry by a big margin

  - Building on its strong market position, TCAIL has significantly outperformed the industry over the past 4 years. The company's VAR grew at a robust CAGR of ~22% during FY21-25, compared to the relevant industry growth of ~10% over the same period. This outperformance was driven by three key factors: 1) industry growth contribution (10%): benefiting from overall market expansion, 2) CPV Increase (4%): supported by stricter emission norms such as BS VI, RDE, CPCB+, and CEV IV, this necessitated more advanced and higher-value components, and 3) wallet share gains (8%): achieved through a sharp rise in SUV penetration from 34% to 53%, onboarding new OH customers, and increasing share with existing OEMs.

- ### Strong positioning vis-à-vis its competitors

  - Furthermore, TCAIL has consistently outperformed its domestic peers in terms of operating profitability. In FY25, it delivered an EBITDA margin of ~19% - significantly higher than comparable players such as Sharda Motors, Bosch India, ZFCV, Gabriel India, and Munjal Showa.

  - This outperformance is driven by TCAIL's efficient plant operations, strategic raw material sourcing, cost-optimisation initiatives and a growing share of high-value, high-margin products.

Improvement in financial performance post acquisition by Apollo Group

- On 17th Nov'22, under the terms of an agreement and plan of merger, Pegasus Holdings III, LLC - an entity owned by affiliates of private equity funds managed by Apollo Global Management, Inc (Apollo) - acquired 100% of the outstanding common stock of Tenneco LLC (formerly Tenneco Inc).

- Post the acquisition by Apollo, the performance of the company has improved significantly, as is evident from the numbers over the last 3 years. Its EBITDA margin expanded 400bps over FY23-25 driven by operational efficiencies that the group brought in.

Emission norms to increase CPV for clean air segment

TCAIL is strategically well-positioned to capitalise on the tightening regulatory environment in the automotive sector. Increasingly stringent emission standards are driving higher content per vehicle (CPV), creating a strong structural tailwind for revenue growth.

Regulatory transitions driving CPV expansion

Historically, every transition to a new emission standard has necessitated the addition of advanced emission control components, particularly on the hot-end of the clean air system. For example:

- Under BS IV norms, passenger vehicles required only a Diesel Oxidation Catalyst (DOC).
- With the implementation of BS VI norms, compliance demanded additional components such as Diesel Particulate Filters (DPF) and Selective Catalytic Reduction (SCR) systems. This resulted in a sharp increase in CPV - from approximately INR 2,500 to INR 8,500 at the higher end.
- A similar trend was observed in the commercial vehicle segment, where CPV nearly quadrupled to INR 36,000 during the BS IV to BS VI transition, driven by more sophisticated after-treatment systems.

Looking ahead, the introduction of Corporate Average Fuel Economy (CAFÉ) norms and BS VII emission standards is expected to further elevate CPV. These regulations will likely mandate additional emission control technologies, reinforcing the trend of content growth per vehicle.

We believe that the CAFÉ norms will increase the CPV for the PV segment by INR 1,000-1,500 due to the addition of a new filter – GPF (Gasoline Particulate Filter). However, the CPV is expected to remain same with BS VII emission norms implementation post CAFÉ norms. In case of CVs, we estimate the CPV to increase by ~INR 2,000 to comply with BS VII emission norms.

Further, TCAIL benefits from Tenneco's global expertise in clean air technologies, enabling it to deliver advanced solutions that meet evolving regulatory requirements. This positions the company to capture a disproportionate share of the market as OEMs seek reliable partners for compliance.

It is important to highlight that TCAIL secured a major win in clean air systems with a leading Japanese passenger vehicle OEM in India in 2QFY26, marking its entry into a previously untapped clean-air segment for this OEM.

Industry tailwinds

- ### Premiumisation in PV segment to increase CPV (both clean air and ART)
  - The Indian PV market has witnessed a clear trend of premiumisation over the past decade. This shift is evident in the changing segment mix, Utility vehicles (UVs), which include SUVs and crossovers, have emerged as the biggest beneficiaries of this trend. The share of UVs has surged from 34.6% in FY20 to 65.4% in FY25, making it the largest segment in the market. UVs are perceived as premium due to their commanding road presence, advanced safety features, and technology-driven interiors.
  - This premiumisation trend is expected to benefit TCAIL's PV clean air segment (40% of Clean Air VAR) as the CPV is 1.5x higher in large SUVs compared to small cars (CPV of ~INR 11,000 in an SUV versus ~INR 7,000 in a small car).
  - The overall clean air solutions market for PVs is projected to be valued at ~INR 54.2bn in FY25. Looking ahead, it is expected to expand at a CAGR of 8–10% between FY25 and FY30, reaching an estimated size of INR 79.5bn–87.5bn. This growth trajectory is primarily driven by increasingly stringent emission regulations, which are accelerating the adoption of advanced after-treatment technologies across vehicle segments.
  - Similarly, in the ART segment for PVs (88% of ART VAR), the CPV is witnessing a significant uplift with the trend toward premiumisation. As consumers increasingly opt for advanced suspension systems, the adoption of premium solutions is accelerating. For instance, CPV for Passive Plus and Semi-Active suspension systems is approximately 2x and 4x higher, respectively, compared to conventional passive suspension. This sharp differential underscores the value potential of premium offerings.

  - The overall suspension products market is projected to grow at a healthy CAGR of 8–10% over the next 5 years, reaching an estimated size of INR 165.5bn–181.5bn by FY30. Within the domestic OEM segment, 2Ws dominate the market, accounting for an estimated INR 53.5bn in FY25. PV follows with a market size of ~INR 27.4bn, while 3Ws and small commercial vehicles (SCVs) contribute INR 1.2bn and INR 1.1bn, respectively.

- ### Government's focus on economic activities to drive demand for CTs

  - The government's strong emphasis on infrastructure development, coupled with rising activity in construction and mining, is expected to provide a significant boost to the commercial truck (CT) industry. Additionally, replacement demand and the rollout of the vehicle scrappage policy are likely to serve as incremental growth drivers. According to CRISIL Intelligence, the CT sector is projected to maintain a stable growth trajectory, with sales expected to register a CAGR of ~4% between FY24 and FY30.

Exports contribution to grow manifold

- Tenneco Global is positioning its India operations as a strategic export hub to serve both internal and external global demand. Currently, exports contribute about 6% of TCAIL's VAR, and it exports to countries that include Argentina, Brazil, China, the Czech Republic, Poland, Germany, France, Singapore, Sri Lanka, and Sweden, representing a diverse mix of economies across South America, Asia, and Europe. Recognising India's cost competitiveness and China+1 trend, the company plans to significantly scale this share over the next 5 years. The management has set a target to increase export contribution to ~20% of VAR by FY30.

- The initial focus will be on supplying to its parent entity, leveraging established global relationships and integrated supply chains. Over time, TCAIL aims to build direct supply partnerships with global OEMs, enhancing customer diversification and capturing incremental growth opportunities in international markets. This export-driven strategy is expected to be a key driver of scale and operational leverage in the coming years.

- TCAIL already has been awarded many programmes (of which some are in the advanced stages) from multiple customers across geographies. We estimate the VAR from exports to register a CAGR of 58% over FY25-28E, led by new business from new customers and deeper penetration in existing clients.

Increasing hybridisation to drive growth amid EV transition

- One of the key strategic risks for TCAIL stems from the accelerating adoption of electric vehicles (EVs), which do not require traditional clean air systems such as exhaust after-treatment components. As EV penetration rises, demand for these systems in internal combustion engine (ICE) vehicles is expected to decline over the long term. This structural shift could impact revenue streams tied to emission control technologies.

- However, the transition in case of PVs (21.7% of total TCAIL's VAR) is expected to be gradual, and hybrid vehicles are likely to serve as an interim growth driver, partially mitigating the impact. In fact, hybridisation creates incremental opportunities for TCAIL to enhance CPV, as clean air systems must be engineered to fit within constrained spaces alongside electric batteries, motors, and internal combustion engines. This complexity increases design value and component integration requirements.

- We believe the risk from EV adoption in the CT segment (22.8% of total TCAIL's VAR) will remain minimal over the medium term, as the transition to full electrification in this category is expected to progress slowly. Factors such as high upfront costs, infrastructure limitations, and operational requirements for long-haul applications continue to favour internal combustion engines and hybrid solutions. This provides TCAIL with a relatively stable demand outlook for clean air systems in the CT segment.

Valuation and view

We initiate coverage on TCAIL with a BUY rating and a TP of INR 610/share based on 28x FY28E P/E as we expect TCAIL to deliver a CAGR of ~14%/16%/17% in revenue/EBITDA/PAT over FY25-28 driven by:

a) Higher content per vehicle in the ART segment, being driven by premiumisation and deeper customer penetration

b) Increasing content per vehicle in the clean air segment driven by upcoming emission norms (CAFÉ III and BS VII)

c) Rising exports led by new business from new customers and deeper penetration in existing clients.

At CMP, TCAIL is trading at ~24.8x on our FY28E EPS, compared to the mean of 27.3x for its competitors.

Exhibit 12. Valuation

Particulars	
P/E multiple (x)	**28.0**
FY28 EPS (INR/share)	21.9
TP (INR/share)	**610**

Source: Company, JM Financial

Exhibit 13. TCAIL is trading at a lower multiple vs. its peers, by our estimates

Domestic	Reco.	M.Cap	P/E			EV/EBITDA			ROE			EPS CAGR
Company		(USD mn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY25-28E
TCAIL	**BUY**	**2,481**	**36.1x**	**30.8x**	**24.8x**	**23.6x**	**20.7x**	**16.6x**	**43.6%**	**53.3%**	**51.1%**	**17.0%**
BIL	BUY	1,686	33.4x	25.5x	21.4x	14.5x	14.5x	14.5x	12.3%	11.6%	12.3%	16.6%
ASK Auto	BUY	1,118	30.0x	24.3x	20.2x	17.4x	17.4x	17.4x	27.0%	26.7%	25.8%	23.9%
Endurance Tech	BUY	4,636	38.3x	30.5x	23.7x	19.2x	19.2x	19.2x	15.3%	16.7%	18.4%	22.4%
Sona Comstar	BUY	3,206	40.4x	29.9x	25.0x	21.4x	21.4x	21.4x	13.0%	15.7%	16.4%	25.0%
Gabriel	NR	1,555	54.0x	35.4x	29.0x	32.0x	24.0x	19.8x	21.0%	26.8%	26.0%	27.7%
Sharda Motors	NR	594	16.6x	13.7x	12.2x	10.6x	8.8x	8.0x	30.6%	30.6%	24.5%	13.4%
ZFCV	NR	3,156	56.1x	46.9x	37.2x	39.5x	33.4x	24.8x	14.8%	15.6%	19.0%	16.8%
Uno Minda	NR	7,864	61.3x	48.9x	39.9x	34.4x	28.5x	24.0x	18.6%	19.5%	20.0%	25.1%
Bosch*	NR	11,632	43.2x	40.2x	37.0x	39.9x	35.5x	32.7x	16.9%	19.3%	19.8%	13.3%
Median			**40.4x**	**30.5x**	**25.0x**	**21.4x**	**21.4x**	**19.8x**	**16.9%**	**19.3%**	**19.8%**	**22.4%**
Mean			**41.5x**	**32.8x**	**27.3x**	**25.4x**	**22.5x**	**20.2x**	**18.8%**	**20.3%**	**20.3%**	**20.5%**

Source: Bloomberg, JM Financial, *Standalone

Key Risks

Risk from electrification

TCAIL faces structural headwinds from the EV transition, as its core product portfolio, clean air systems, is not required in fully electric vehicles. With nearly 20% of total revenue exposed to this segment, the shift poses a material challenge. However, demand from hybrids, commercial vehicles, and the still-dominant ICE market in India provides a meaningful buffer in the near to medium term.

Clean air segment vulnerable to emission norm uncertainty

The clean air business is closely tied to regulatory changes in emission norms. Extended gaps between updates or delays in implementation could negatively impact demand, thereby constraining growth and operational performance.

Dependence on parent entity for technology

The company relies heavily on its parent for technology sourcing, product testing, and validation. Any limitations imposed on technology transfer or support could delay new product introductions, affecting competitiveness and growth prospects.

Change in royalty structure may adversely impact

TCAIL pays royalty to its parent company in exchange for technology support. In FY25, royalty expenses accounted for 2.5% of VAR, compared to 6% in FY24 and 2.9% in FY23. While the management has indicated that royalty rates are expected to remain at current levels, any upward revision could negatively impact the company's financial performance.

Slower-than-expected export growth

Exports currently contribute ~6% of TCAIL India's VAR, and the management is targeting ~20% by FY30, signalling significant growth potential. Any slowdown in key export markets or restrictions by the parent entity on geographic expansion or customer acquisition could materially impact this trajectory and overall performance.

A leading clean air and ART system provider

TCAIL enjoys a strong and defensible position across its core business segments, supported by deep relationships with leading OEMs. This entrenched presence provides a significant competitive advantage and ensures consistent revenue visibility.

In the Clean Air and Powertrain division, the company commands a market share of approximately 40% in the PV segment, ranking #2, and an impressive 62% in the CV segment, where it holds the #1 position. The company also holds the top position among suppliers of clean air solutions to Indian OH OEMs (excluding tractors) with a 68% share. Similarly, in the ART division, TCIL maintains leadership with an estimated 52% share in the PV segment, underscoring its technological strength and customer trust.

Exhibit 14. #1 and #2 players across segments

Business segment	Vehicle type	Market share (%)	Ranking (#)
Clear Air	PV	40%	2
Clear Air	CT	62%	1
Clear Air	Off Highway	37%	2
ART	PV	52%	1

Source: Company, JM Financial

Enduring customer relationships: A testament to reliability and trust

TCAIL's longstanding relationships with leading OEMs underscore its reputation for product quality, technological excellence, and operational reliability. The company has maintained partnerships of over 15 years with 8 out of its top 10 customers, and nearly 3 decades with its top three customers based on value-added revenue. These enduring collaborations reflect the deep trust and confidence OEMs place in Tenneco's engineering capabilities and consistent delivery performance.

Such long-term associations are not merely transactional; they represent strategic alliances built on mutual commitment to innovation and compliance with evolving regulatory standards. TCAIL's ability to sustain these relationships through multiple industry cycles highlights its resilience and adaptability in a dynamic automotive landscape.

These deep-rooted customer ties provide significant competitive advantages. They reinforce TCAIL's position as a preferred supplier, ensure strong revenue visibility, and contribute to business stability. In an industry where OEMs prioritise reliability and proven expertise, TCAIL's track record of decades-long partnerships serves as a powerful differentiator, positioning the company for continued growth and market leadership.

Exhibit 15. Strong long-term relationship with customers

Customer	Commencement of Relationship	No. of Years
Maruti Suzuki India Limited	1996	29 years
Tata Motors Limited	1997	28 years
Mahindra & Mahindra Limited	1998	27 years
Hyundai Motor India Limited	2007	18 years
Ashok Leyland Limited	2008	17 years
Skoda Auto Volkswagen India Pvt Ltd	2008	17 years
Renault Nissan Automotive India Pvt	2008	17 years
Bharat Benz (Daimler India Commercial Vehicle)	2009	16 years
VE Commercial Vehicles Limited	2012	13 years
Motocare India Pvt Limited	2015	10 years

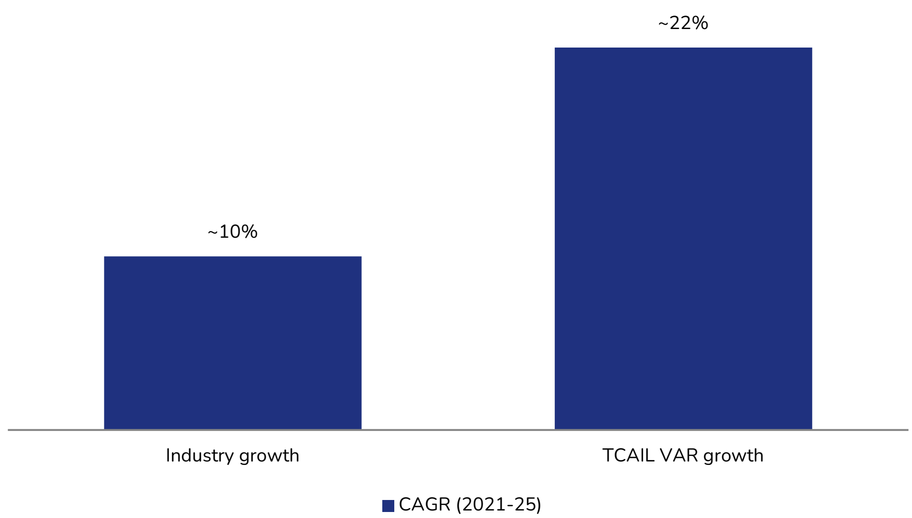
Source: Company, JM Financial

Outperforming industry by a big margin

Building on its strong market position, TCAIL has significantly outperformed the industry over the past 4 years. The company's VAR grew at a robust CAGR of approximately 22% during FY21–25, compared to the relevant industry growth of around 10% over the same period. This outperformance was driven by three key factors:

- **Industry growth contribution (10%):** Benefiting from overall market expansion.
- **CPV increase (4%):** Supported by stricter emission norms such as BS VI, RDE, CPCB+, and CEV IV, this necessitated more advanced and higher-value components.
- **Wallet share gains (8%):** Achieved through a sharp rise in SUV penetration from 34% to 53%, onboarding new OH customers, and increasing share with existing OEMs.

Exhibit 16. Significant outperformance by TCAIL

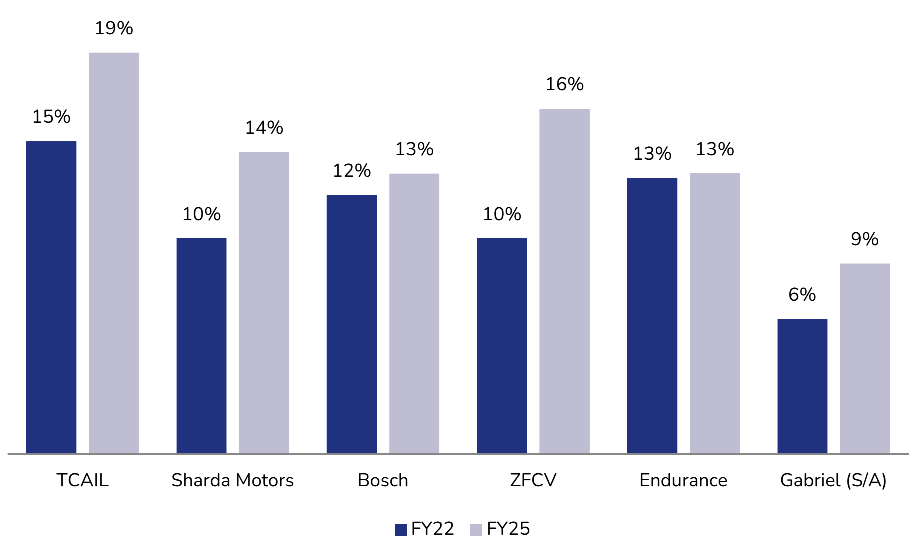


Source: Company, JM Financial

Strong positioning vis-à-vis its competitors

Furthermore, TCAIL has consistently outperformed its domestic peers in terms of operating profitability. In FY25, it delivered an EBITDA margin of ~19% - significantly higher than comparable players such as Sharda Motors, Bosch India, ZFCV, Gabriel India, and Munjal Showa. This outperformance is driven by TCAIL's efficient plant operations, strategic raw material sourcing, cost-optimisation initiatives and a growing share of high-value, high-margin products.

Exhibit 17. Significantly outperforms peers



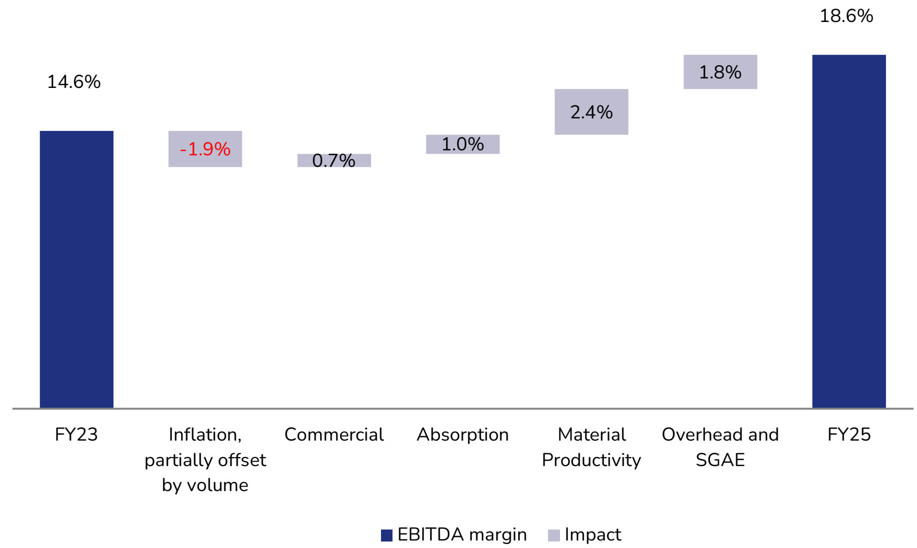
Source: Bloomberg, JM Financial

Financial performance post acquisition by Apollo Group

On 17th Nov'22, under the terms of an agreement and plan of merger, Pegasus Holdings III, LLC, an entity owned by affiliates of private equity funds managed by Apollo Global Management, Inc (Apollo) - acquired 100% of the outstanding common stock of Tenneco LLC (formerly Tenneco Inc.).

Post the acquisition by Apollo, the performance of the company has improved significantly, as is evident from the numbers over the last 3 years. Its EBITDA margin expanded 400bps over FY23-25 driven by various measures taken by it to improve operational efficiencies.

Exhibit 18. TCAIL's EBITDA margin expanded 400bps over FY23-25



Source: Company, JM Financial

Exhibit 19. Initiatives that led to expansion in EBITDA margin

Operational Excellence	**Direct Materials** - Negotiating with strategic suppliers & Resourcing to consolidate the supplier base - Generating VAVE Ideas; Yield Improvement
	Manufacturing - Establishing quality / lean systems to improve Overall Equipment Effectiveness ("OEE") - Improving labour productivity by standardizing processes
	Commercial - Driving disciplined claims management process to restore program profitability and inflation recovery
Indirect Materials	- Consolidating spend across businesses - Deploying strategic sourcing process including RFPs across ALL regions that leverage Tenneco spend Volume
SG&A	- Streamlining redundancies across finance, HR, and IT; De-layering across the organization to focus on supporting the plants

Source: Company, JM Financial

Emission norms to increase CPV for clean air segment

TCAIL is strategically well-positioned to capitalise on the tightening regulatory environment in the automotive sector. Increasingly stringent emission standards are driving higher content per vehicle (CPV), creating a strong structural tailwind for revenue growth.

Regulatory transitions driving CPV expansion

Historically, every transition to a new emission standard has necessitated the addition of advanced emission control components, particularly on the hot-end of the clean air system. For example:

- Under BS IV norms, passenger vehicles required only a Diesel Oxidation Catalyst (DOC).
- With the implementation of BS VI norms, compliance demanded additional components such as Diesel Particulate Filters (DPF) and Selective Catalytic Reduction (SCR) systems. This resulted in a sharp increase in CPV - from approximately INR 2,500 to INR 8,500 at the higher end.
- A similar trend was observed in the commercial vehicle segment, where CPV nearly quadrupled to INR 36,000 during the BS IV to BS VI transition, driven by more sophisticated after-treatment systems.

Looking ahead, the introduction of Corporate Average Fuel Economy (CAFÉ) norms and BS VII emission standards is expected to further elevate CPV. These regulations will likely mandate additional emission control technologies, reinforcing the trend of content growth per vehicle.

We believe that the CAFÉ norms will increase the CPV for the PV segment by INR 1,000-1,500 due to the addition of a new filter – GPF (Gasoline Particulate Filter). However, the CPV is expected to remain the same with BS VII emission norms implementation post CAFÉ norms. In case of CVs, we estimate the CPV to increase by ~INR 2,000 to comply with BS VII emission norms.

Further, TCAIL benefits from Tenneco's global expertise in clean air technologies, enabling it to deliver advanced solutions that meet evolving regulatory requirements. This positions the company to capture a disproportionate share of the market as OEMs seek reliable partners for compliance.

It is important to highlight that TCAIL secured a major win in clean air systems with a leading Japanese passenger vehicle OEM in India in 2QFY26, marking its entry into a previously untapped clean air segment for this OEM.

Exhibit 20. CPV progression in PV with changing emission norms

Clean Air	BS IV	BS VI	BS VI.2	CAFÉ	BS VII
PV Segment					
Products required	Only DOC	DOC + DPF + SCR	DOC + DPF + Passive pre-SCR + SCR	DOC + DPF + Passive pre-SCR + SCR + GPF	
CPV (INR)	1,500-2,500	5,000-8,500	7,500-11,000	8,500-12,000	
Comments			Mostly in SUVs and not in small cars	Increase in CPV: 1,000-1,500	Not a big change in CPV expected for PVs

Source: Company, JM Financial

Exhibit 21. CPV progression in CV with changing emission norms

Clean Air	BS IV	BS VI	BS VII
CV Segment			
Products required	Only DOC	DOC+DPF+SCR	Close-coupled DOC+DPF+SCR
CPV (INR)	4,000-9,000	12,000-36,000	13,700-37,700
Other Comments	Hot-end was non-existent, only muffler used to be there		

Source: Company, JM Financial

Exhibit 22. Key terminologies

DOC	Diesel Oxidation Catalyst	Reduces harmful emissions by oxidizing carbon monoxide/hydrocarbon/soluble organic fraction of particulate matter into less harmful substances like CO_2 and H_2O
DPF	Diesel Particulate Filter	Reduces harmful particulate matter (soot) emissions
SCR	Selective Catalytic Reduction	Reduces NOx in exhaust gasses by injecting a reducing agent (usually a urea-water solution called Diesel Exhaust Fluid) into exhaust stream, where it reacts with NOx over a catalyst, converting them into harmless nitrogen and water
GPF	Gasoline Particulate Filter	Reduces particulate matter (PM), or soot, emitted from gasoline direct injection (GDI) engines
CDOC	Close-coupled Diesel Oxidation Catalyst	In CVs, it is positioned near the engine to quickly reach and maintain optimal operating temperatures. This placement enhances the catalyst's effectiveness in oxidizing harmful pollutants like carbon monoxide and hydrocarbons, while also promoting the conversion of NO to NO_2, which aids in downstream filter regeneration and NOx reduction
LNT	Lean NOx Trap	Reduces nitrogen oxide (NOx) emissions, particularly in diesel engines
Muffler		Reduces the noise generated by the engine and exhaust gases
Mixer		In a Selective Catalytic Reduction (SCR) system, an SCR mixer is a component that ensures the uniform distribution of a reducing agent (like urea solution) within the exhaust gas stream before it reaches the catalyst.
Substrates		Filter with palladium coating used in SCR. On the internet, it is also referred as Ammonia Slip Catalyst (ASC), and is often integrated with SCR.

Source: Company, JM Financial

Industry tailwinds

- **Premiumisation in PV segment to increase CPV (both clean air and ART)**

The Indian PV market has witnessed a clear trend of premiumisation over the past decade. This shift is evident in the changing segment mix, where the share of small cars, traditionally the dominant category, has declined sharply from 46.7% in FY20 to 23.5% in FY25. Consumers are moving away from entry-level vehicles toward more spacious and feature-rich options, reflecting rising aspirations and purchasing power.

Utility vehicles (UVs), which include SUVs and crossovers, have emerged as the biggest beneficiaries of this trend. Their share has surged from 34.6% in FY20 to 65.4% in FY25, making them the largest segment in the market. UVs are perceived as premium due to their commanding road presence, advanced safety features, and technology-driven interiors. This preference aligns with lifestyle changes and the growing desire for vehicles that combine comfort, versatility, and status appeal.

The share of large cars has remained relatively small, hovering between 7% and 14%, indicating that premiumisation is not occurring through sedans but rather through UVs. Meanwhile, vans have almost disappeared from the mix, dropping from 4.3% in FY25 to just 3.1% in FY25, further underscoring the shift toward aspirational segments.

Several factors drive this premiumisation trend. Rising disposable incomes, urbanisation, and easy financing options have made higher-priced vehicles more accessible. Automakers have capitalised on this by launching a wide range of UV models with premium trims and advanced features, pushing up average selling prices. As a result, OEMs are experiencing margin expansion, while suppliers are seeing increased demand for sophisticated components such as electronics and safety systems.

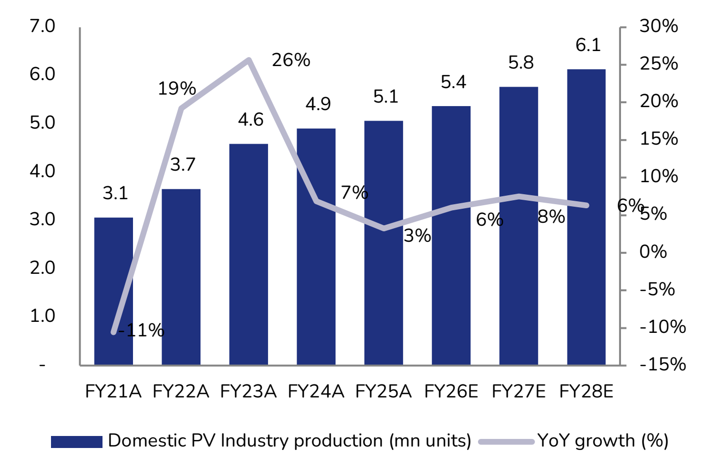
The premiumisation trend in India's PV market is expected to strengthen further over the next 5 years (FY26–FY30E). UVs are likely to maintain their dominant position, potentially reaching ~66% share by FY28, driven by continued consumer preference for SUVs and crossovers. The share of small cars may remain stable at ~25-26%, while that of large cars in the mix is estimated to come down to 7.3% in FY28 from 8% in FY25.

This premiumisation trend is expected to benefit TCAIL's PV clean air segment (40% of clean air VAR) as the CPV is 1.5x higher in large SUVs compared with small cars (CPV of ~INR 11,000 in an SUV versus ~INR 7,000 in a small car).

The overall clean air solutions market for PVs is projected to be valued at approximately ~INR 54.2bn in FY25. Looking ahead, it is expected to expand at a CAGR of 8–10% between FY25 and FY30, reaching an estimated size of INR 79.5bn–87.5bn. This growth trajectory is primarily driven by increasingly stringent emission regulations, which are accelerating the adoption of advanced after-treatment technologies across vehicle segments.

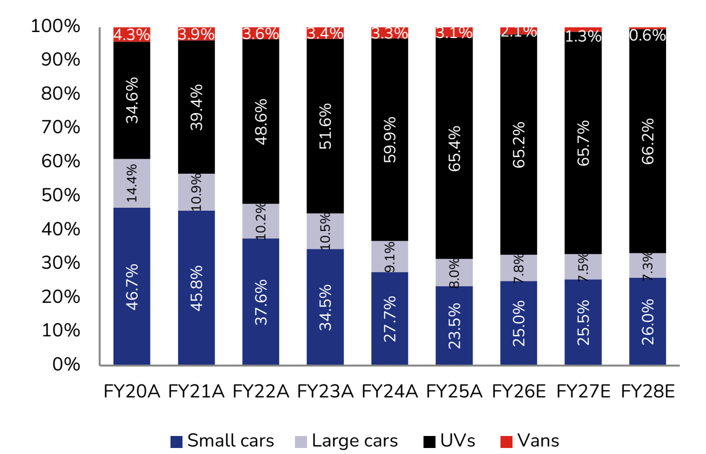
We estimate VAR from the segment for PVs to register a CAGR of ~11% over FY25-28E, driven by underlying industry growth, premiumisation and changing emission norms.

Exhibit 23. PV production volume to register 6.6% CAGR



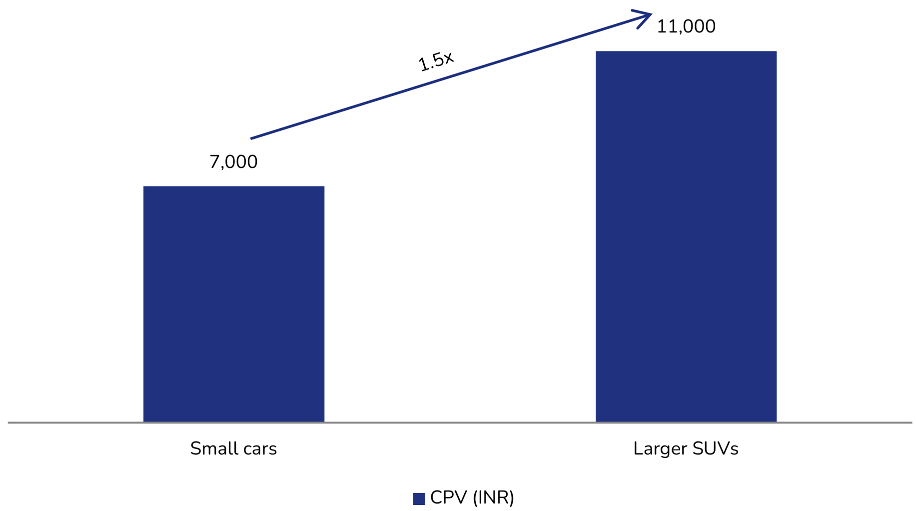
Source: Crisil Intelligence, JM Financial

Exhibit 24. UVs' share continues to rise



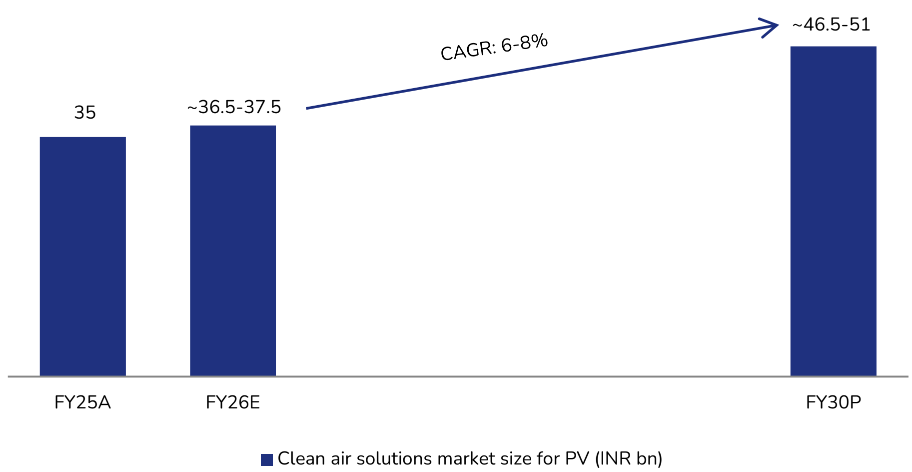
Source: Crisil Intelligence, JM Financial

Exhibit 25. Clean air CPV is ~1.5x higher in larger SUVs vs. small cars



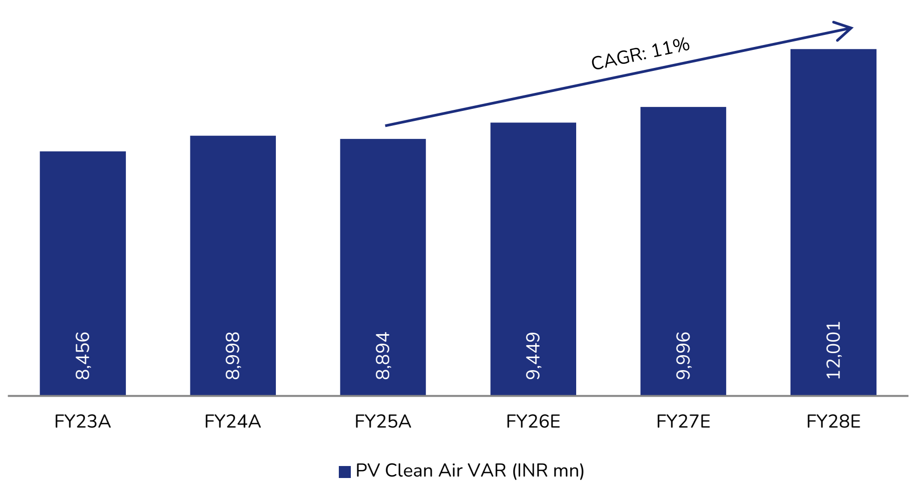
Source: Company, JM Financial

Exhibit 26. Clean air TAM for PVs is estimated to grow at a CAGR of 6-8% over FY25-30P



Source: Crisil Intelligence, JM Financial

Exhibit 27. Clean air VAR for PVs is estimated to grow at a CAGR of ~11% over FY25-28E



Source: Company, JM Financial

Similarly, in the ART segment for PVs (88% of ART VAR), the CPV is witnessing a significant uplift with the trend toward premiumisation. As consumers increasingly opt for advanced suspension systems, the adoption of premium solutions is accelerating. For instance, CPV for Passive Plus and Semi-Active suspension systems is approximately 2x and 4x higher, respectively, compared to conventional passive suspension. This sharp differential underscores the value potential of premium offerings.

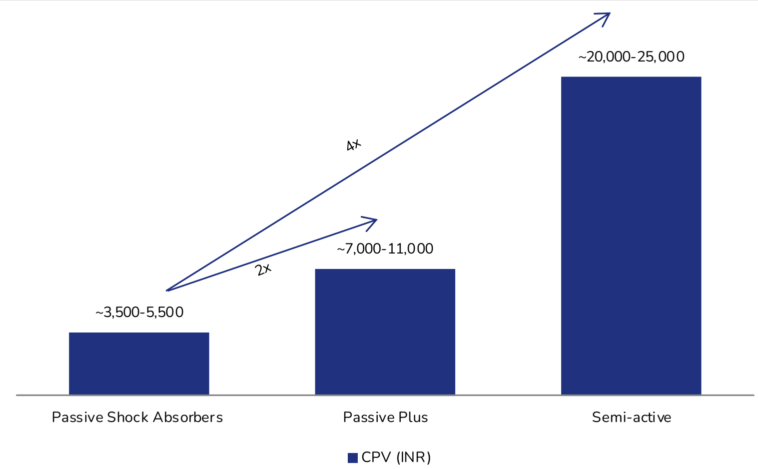
EVs in India are already being launched with premium suspension systems, signalling a broader industry move toward higher-value components. Historically, when one OEM adopts advanced technology, competitors quickly follow to maintain parity in customer experience and product positioning. This trend, coupled with accelerating SUVisation and growing consumer willingness to pay a premium for superior ride quality, is expected to drive a steady shift toward advanced suspension technologies in India.

Although adoption is currently at a nascent stage, broader implementation of FDD and semi-active suspension systems will significantly increase TCAIL's content per vehicle, strengthening its suspension division's revenue profile over the medium to long term. We estimate this adoption curve to steepen in the coming years, positioning premium suspension as a key growth driver for the ART of TCAIL.

The overall suspension products market is projected to grow at a healthy CAGR of 8–10% over the next 5 years, reaching an estimated size of INR 165.5bn–181.5bn by FY30. Within the domestic OEM segment, 2Ws dominate the market, accounting for an estimated INR 53.5bn in FY25. PV follows with a market size of approximately INR 27.4bn, while 3Ws and small commercial vehicles (SCVs) contribute INR 1.2bn and INR 1.1bn, respectively. This growth outlook reflects strong demand fundamentals across categories, supported by rising vehicle production and evolving consumer preferences.

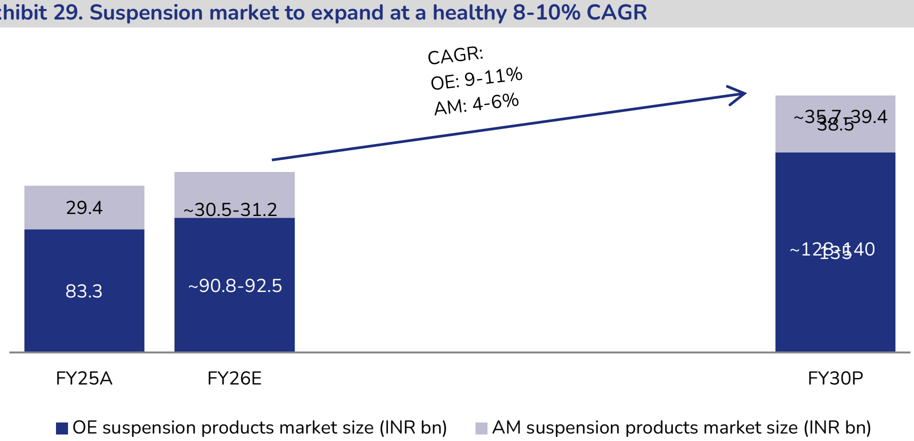
We estimate revenue from the segment for PVs to register a CAGR of 11% over FY25-28E, driven by underlying industry growth, and wider adoption of premium products.

Exhibit 28. CPV is ~2x/4x higher for premium suspension



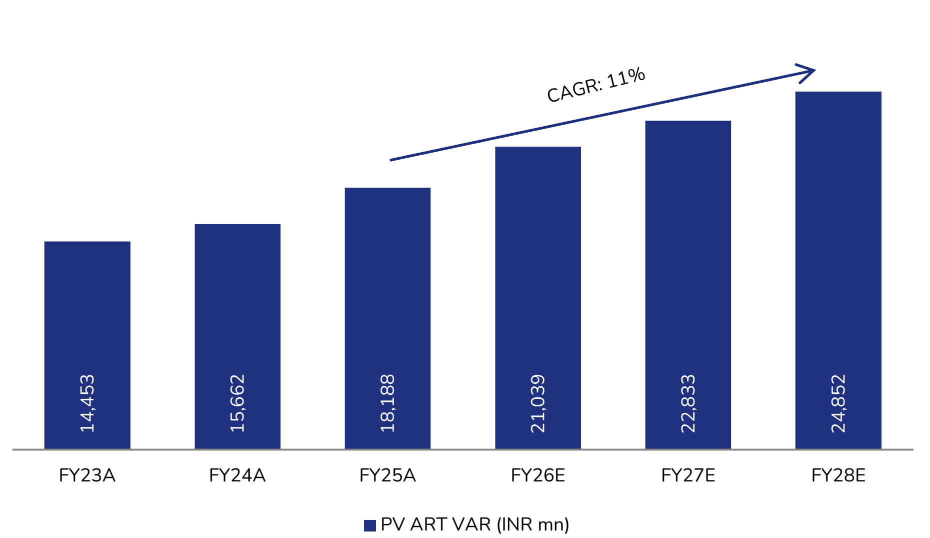
Source: Company, JM Financial

Exhibit 29. Suspension market to expand at a healthy 8-10% CAGR



Source: Crisil Intelligence, JM Financial

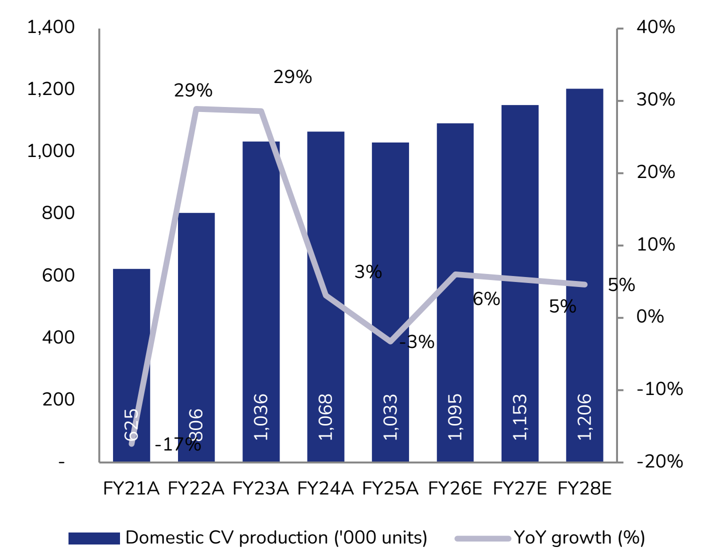
Exhibit 30. ART VAR for PVs is estimated to grow at a CAGR of ~11% over FY25-28E



Source: Company, JM Financial

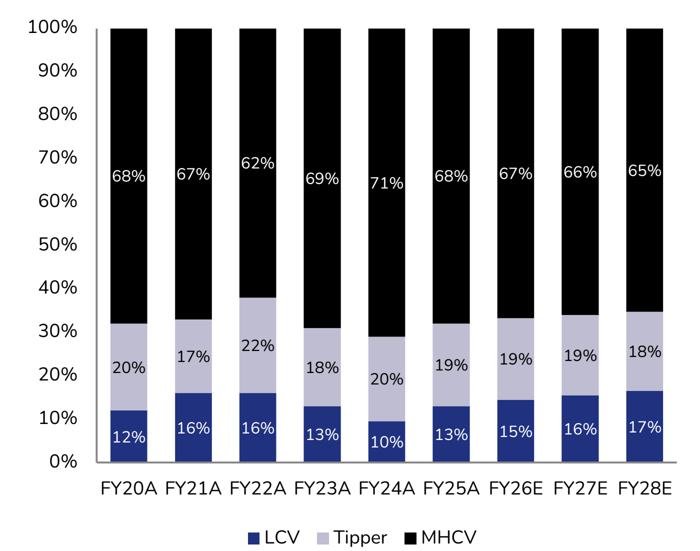
- **Government's focus on economic activities to drive demand for CVs** The government's strong emphasis on infrastructure development, coupled with rising activity in construction and mining, is expected to provide a significant boost to the CV industry. Additionally, replacement demand and the rollout of the vehicle scrappage policy are likely to serve as incremental growth drivers. According to CRISIL Intelligence, the CV sector is projected to maintain a stable growth trajectory, with production expected to register a CAGR of ~5.3% between FY25 and FY28.

Exhibit 31. CV production to register ~5.3% CAGR over FY25-28E



Source: Crisil Intelligence, JM Financial

Exhibit 32. Segment-wise mix

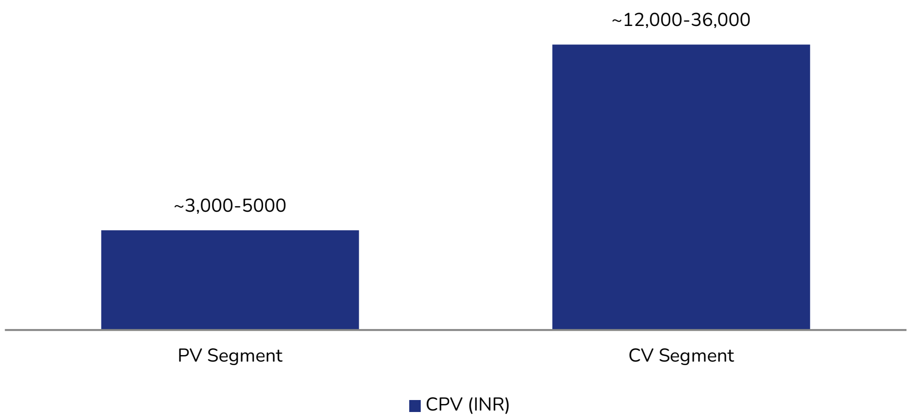


Source: Crisil Intelligence, JM Financial

The clean air segment demonstrates a significantly higher CPV for CVs compared to PVs. This disparity is driven by the complexity and scale of exhaust after-treatment systems required in CVs to meet stringent emission standards. Unlike PVs, CVs demand larger components such as advanced catalytic converters, particulate filters, and selective catalytic reduction systems, resulting in higher material costs and engineering sophistication. This translates into a more robust revenue opportunity within the CV segment, as regulatory pressures and the shift toward cleaner technologies continue to amplify demand for these high-value systems.

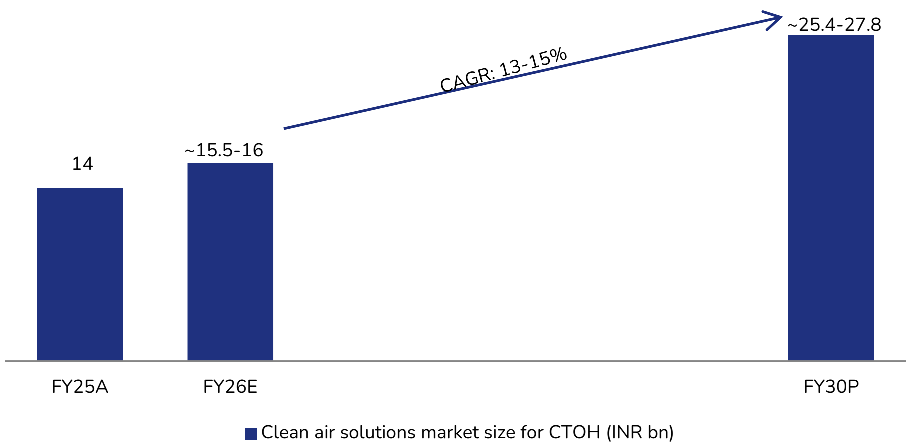
The CVOH category, which includes CVs and off-highway vehicles, stood at an estimated INR 13.8bn in FY25, and it is expected to grow at a CAGR of 13-15% over FY25-30 to INR 25.4bn-27.8bn. The OH category (mining, tractors and construction equipment) is estimated to be INR 976mn and is expected to grow at 10-12% CAGR to INR 1,500mn-1,800mn by FY30. We estimate revenue from the clean air segment for the CV industry to register a CAGR of 7% over FY25-28E, driven by underlying industry growth.

Exhibit 33. CPV for clean air segment is higher in case of CVs



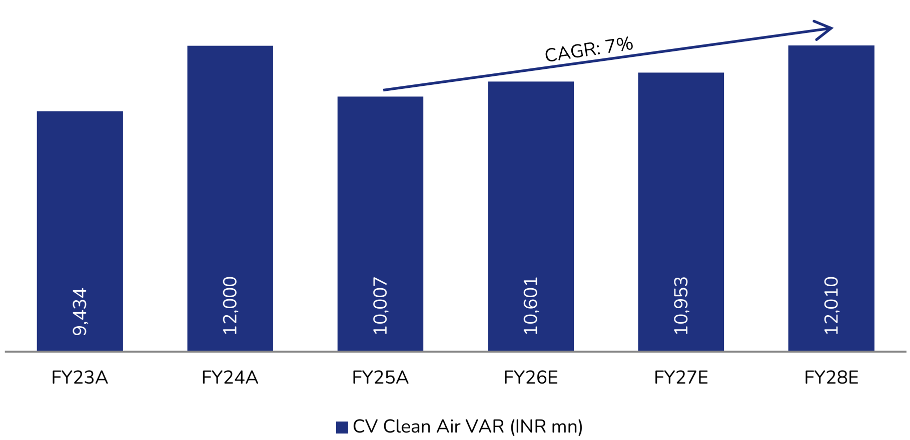
Source: Company, JM Financial

Exhibit 34. Clean air TAM for CVOH to grow at a CAGR of 13-15%



Source: Crisil Intelligence, JM Financial

Exhibit 35. Clean air VAR for CVs is estimated to grow at a CAGR of ~7%



Source: Company, JM Financial

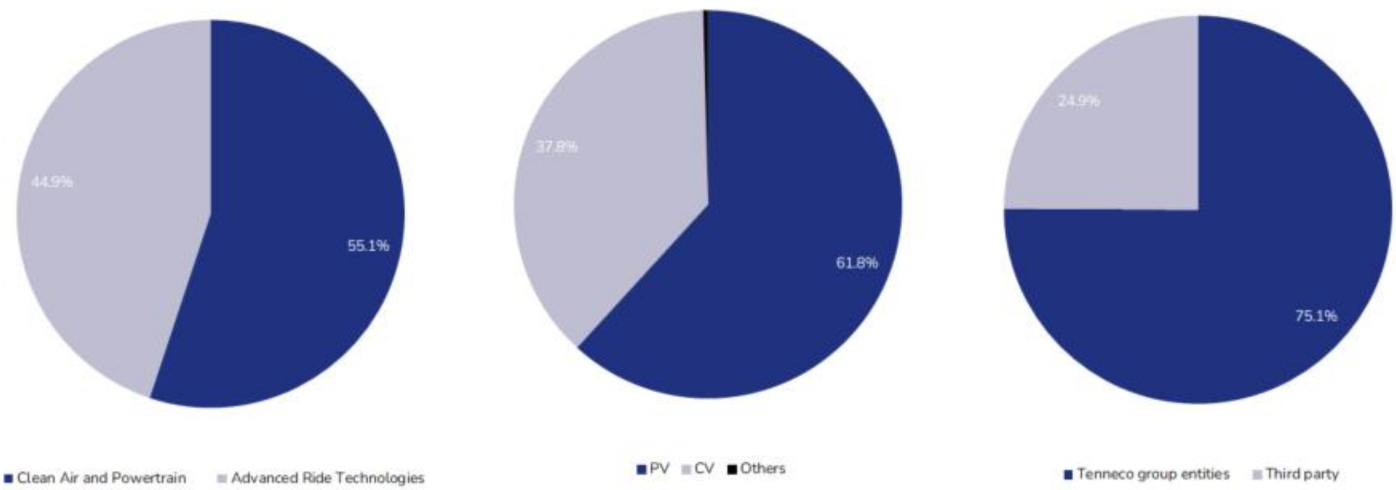
Exports contribution to grow manifold

Tenneco Global is positioning its India operations as a strategic export hub to serve both internal and external global demand. Currently, exports contribute about 6% of TCAIL's VAR, and the company exports to countries that include Argentina, Brazil, China, the Czech Republic, Poland, Germany, France, Singapore, Sri Lanka, and Sweden, representing a diverse mix of economies across South America, Asia, and Europe. Recognising India's cost competitiveness and China+1 trend, the company plans to significantly scale this share over the next 5 years. The management has set a target to increase export contribution to approximately 20% of VAR by FY30.

The initial focus will be on supplying to its parent entity, leveraging established global relationships and integrated supply chains. Over time, TCAIL aims to build direct supply partnerships with global OEMs, enhancing customer diversification and capturing incremental growth opportunities in international markets. This export-driven strategy is expected to be a key driver of scale and operational leverage in the coming years.

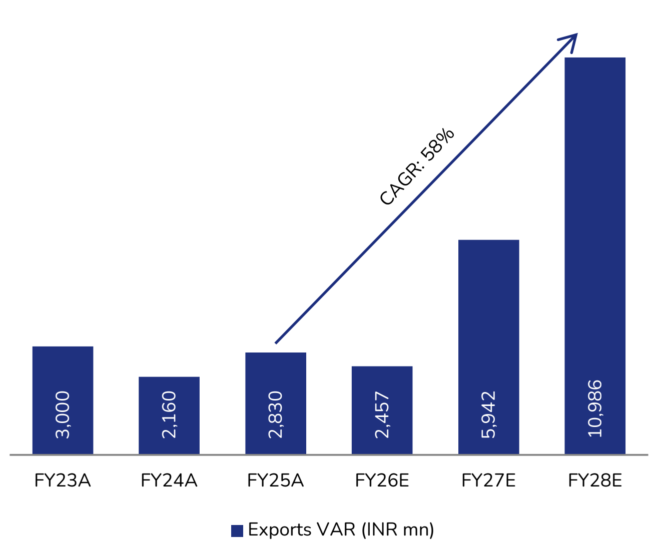
TCAIL already has been awarded many programmes (of which some are in the advanced stages) from multiple customers across geographies. We estimate the VAR from exports to register a CAGR of 58% over FY25-28E, led by new business from new customers and deeper penetration in existing clients.

Exhibit 36. Export business mix – currently 75% of exports is to Tenneco group entities



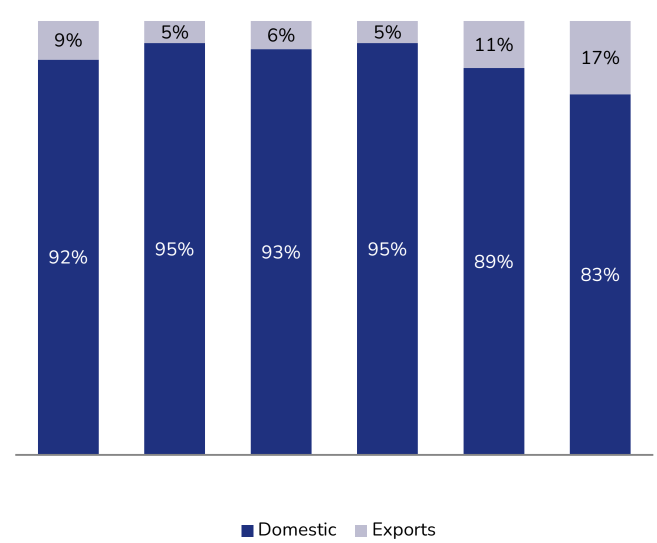
Source: Company, JM Financial

Exhibit 37. Exports VAR to register ~58% CAGR over FY25-28E



Source: Company, JM Financial

Exhibit 38. Exports mix to increase to 17% in FY28



Source: Company, JM Financial

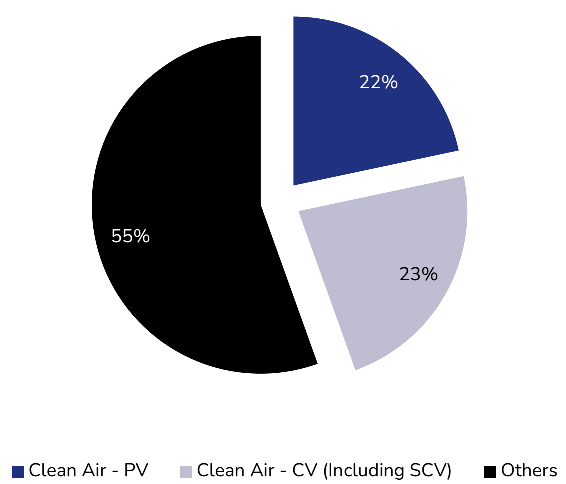
Increasing hybridisation to drive growth amid EV transition

One of the key strategic risks for TCAIL stems from the accelerating adoption of EVs, which do not require traditional clean air systems such as exhaust after-treatment components. As EV penetration rises, demand for these systems in internal combustion engine (ICE) vehicles is expected to decline over the long term. This structural shift could impact revenue streams tied to emission control technologies.

However, the transition in case of PVs (21.7% of total TCAIL's VAR) is expected to be gradual, and hybrid vehicles are likely to serve as an interim growth driver, partially mitigating the impact. In fact, hybridisation creates incremental opportunities for TCAIL to enhance CPV, as clean air systems must be engineered to fit within constrained spaces alongside electric batteries, motors, and internal combustion engines. This complexity increases design value and component integration requirements.

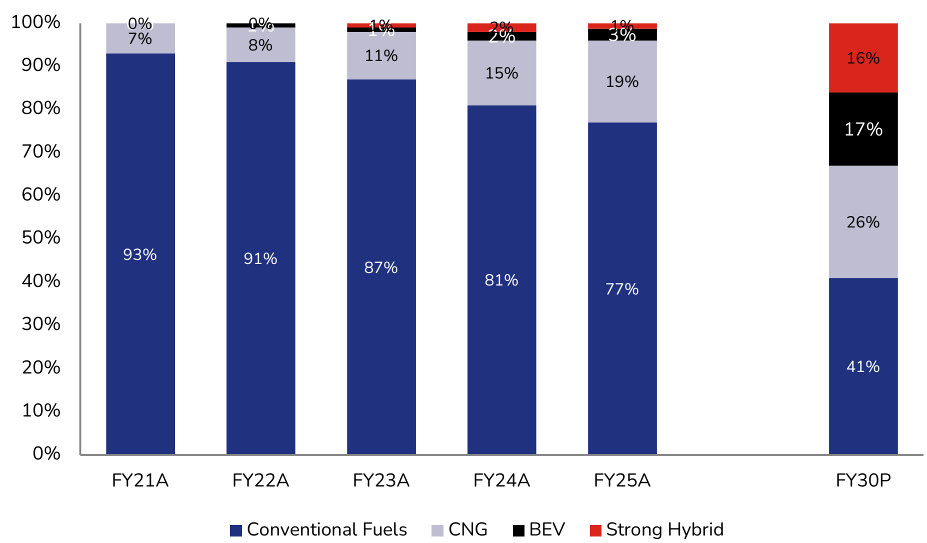
We believe the risk from EV adoption in the CT segment (22.8% of total TCAIL's VAR) will remain minimal over the medium term, as the transition to full electrification in this category is expected to progress slowly. Factors such as high upfront costs, infrastructure limitations, and operational requirements for long-haul applications continue to favour internal combustion engines and hybrid solutions. This provides TCAIL with a relatively stable demand outlook for clean air systems in the CT segment.

Exhibit 39. EV transition in PVs impacts ~22% of total VAR



Source: Company, JM Financial

Exhibit 40. Strong hybrids to contribute 16% of the total PVs in FY30



Source: Crisil Intelligence, JM Financial

Financial analysis

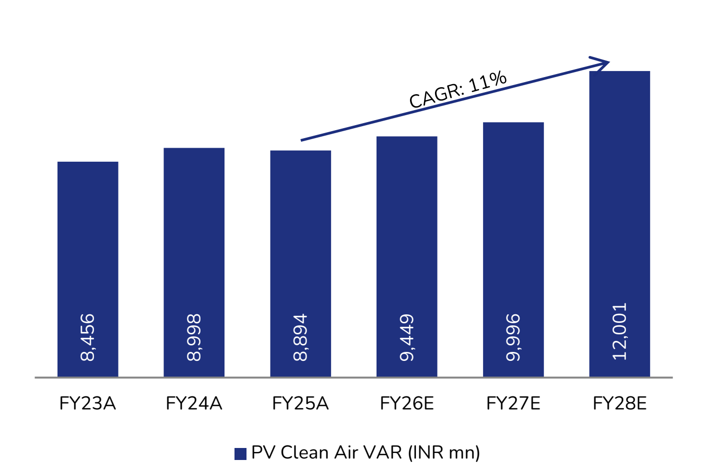
It is important to note that reported revenue includes the cost of substrates (porous ceramic filters coaled with precious metals such as rhodium, palladium and platinum), which are trading products used in catalytic converters and passed through to customers without any value-add and margin. Therefore, **Value Added Revenue (VAR), which excludes substrate costs, provides a more accurate measure of performance.**

We estimate TCAIL's VAR to deliver 14% CAGR over FY25–28E, driven by the upcoming CAFÉ norms and higher contribution from technologically advanced suspension systems. We estimate the clean air segment to grow at a CAGR of 13% over the same period with a major part of the growth coming in FY28 post the implementation of CAFÉ norms. ART system is estimated to outperform and register a CAGR of 15% over FY25-28E driven by wider adoption of advanced suspension systems.

We estimate EBITDA to clock 15% CAGR over FY25-28E, with marginal 55bps margin expansion over the same period. PAT is estimated to register a CAGR of 14% over the same period.

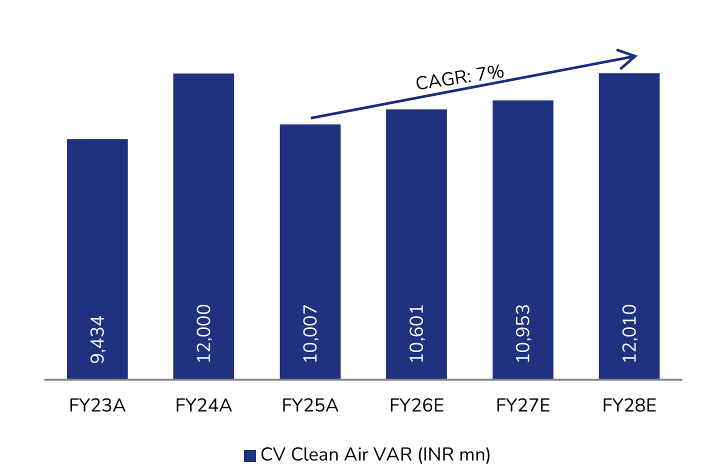
In terms of capex, TCAIL has planned to invest INR 9.75bn over FY26-28. Of the total capex, 44% has been allocated for the purpose of technological advancement and the remaining for capacity expansion.

Exhibit 41. PV clean air VAR is estimated to grow at 11% CAGR



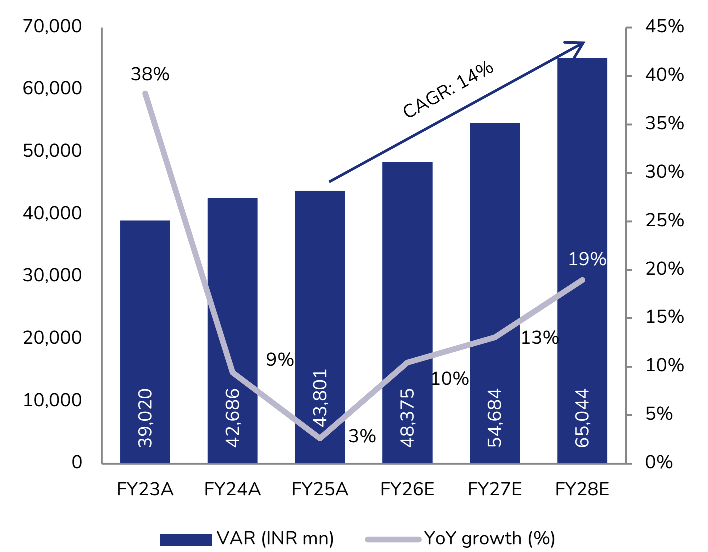
Source: Company, JM Financial

Exhibit 42. CV clean air VAR is estimated to grow at 7% CAGR



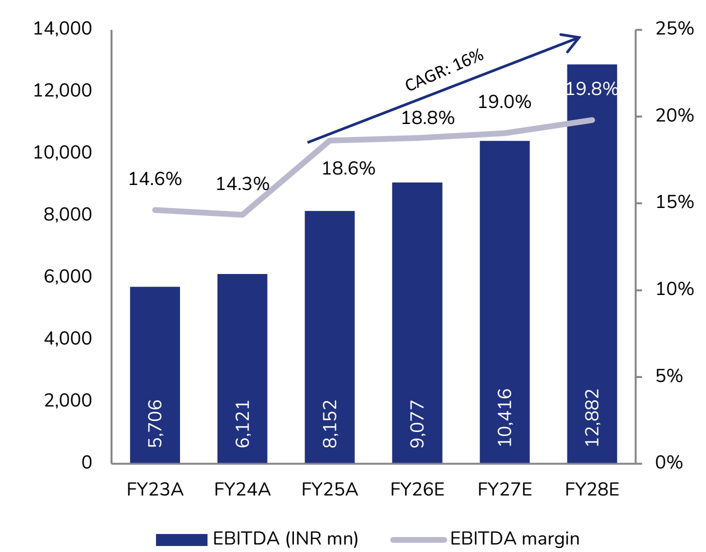
Source: Company, JM Financial

Exhibit 43. VAR is estimated to grow at 14% CAGR



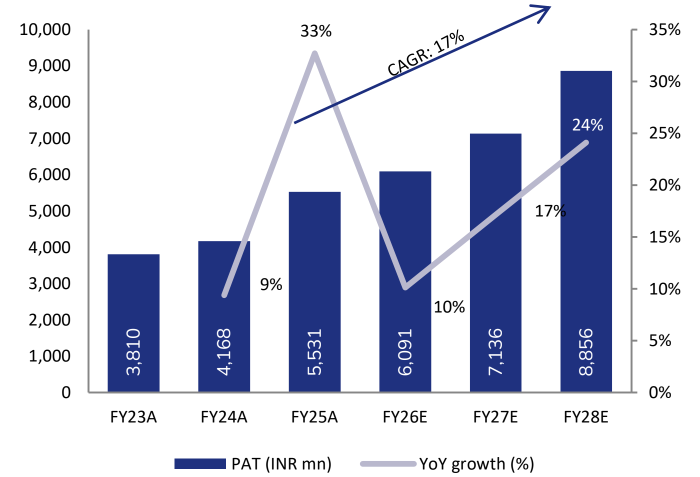
Source: Company, JM Financial

Exhibit 44. EBITDA margin estimated to expand to 19.8% in FY28E



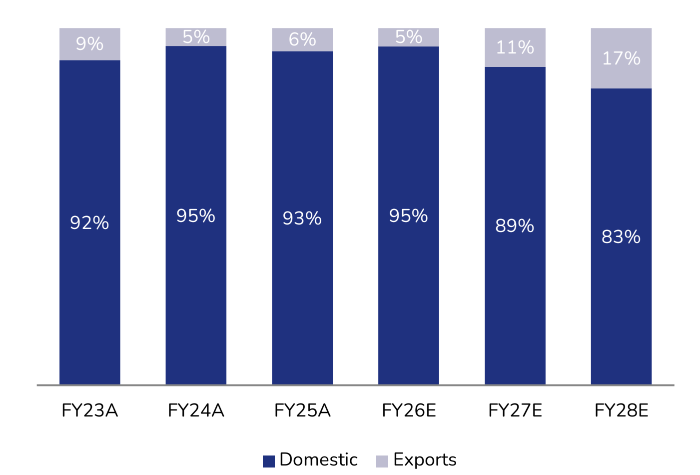
Source: Company, JM Financial

Exhibit 45. PAT to grow at a CAGR of 17%



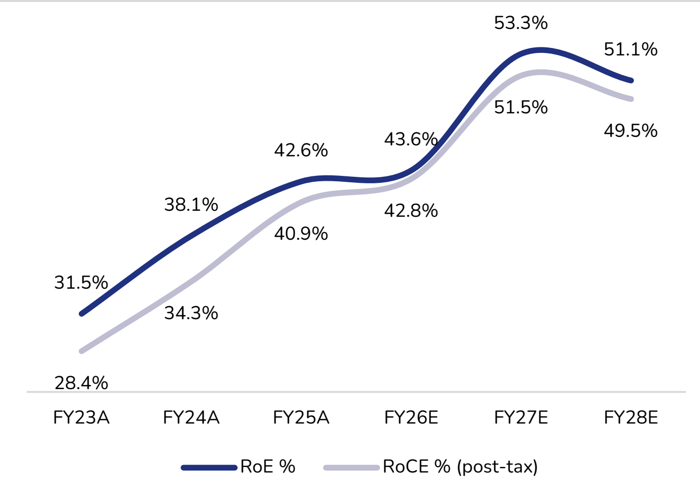
Source: Company, JM Financial

Exhibit 46. ART mix in overall VAR to expand led by premiumisation



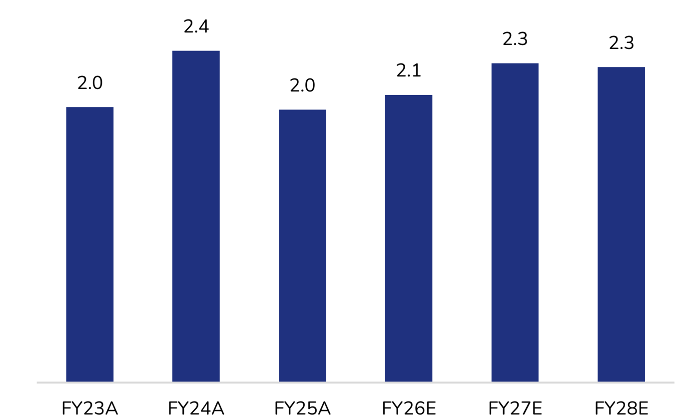
Source: Company, JM Financial

Exhibit 47. Consistently high return ratios



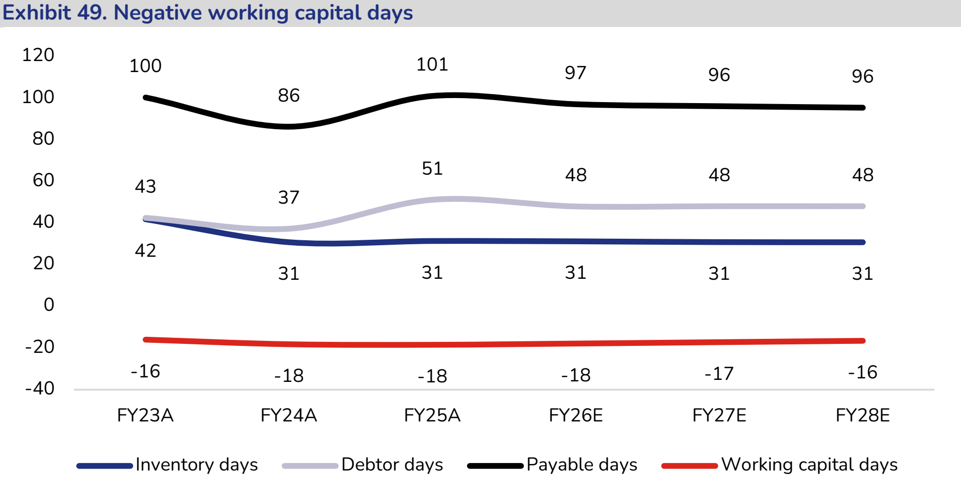
Source: Company, JM Financial

Exhibit 48. Total asset turnover ratio to remain ~2.1x-2.3x



Source: Company, JM Financial

Exhibit 49. Negative working capital days



Source: Company, JM Financial

Trade payable days are higher as the company facilitates vendor financing, which allows for extended payment terms

Company overview

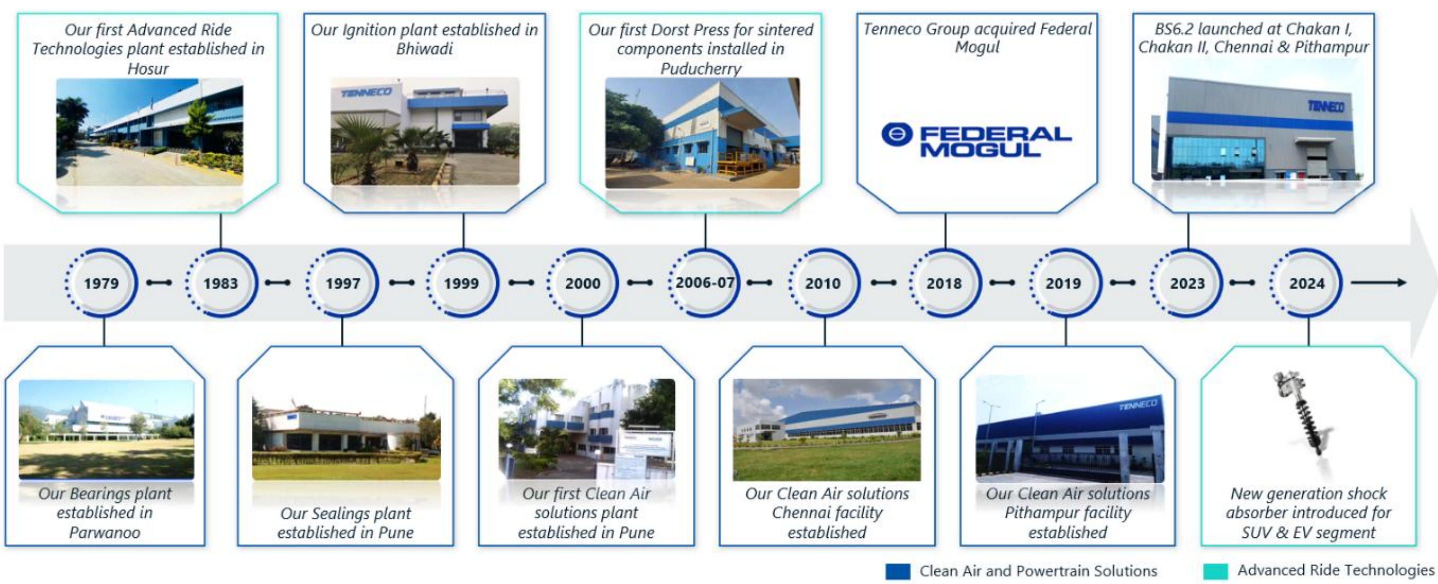
- **Company background:** Tenneco Clean Air India Limited (TCAIL) is a leading supplier of automotive components in India and a subsidiary of the US-based Tenneco Group. The company focuses on manufacturing advanced clean air, powertrain, and suspension systems for both Indian and global OEMs.

  In the Clean Air Solutions segment, TCAIL designs, manufactures, and supplies complete exhaust aftertreatment systems. These systems include components such as catalytic converters, mufflers, and exhaust pipes, covering the full range from the hot end to the cold end of the vehicle. In the Powertrain Solutions segment, TCAIL develops, manufactures, and supplies engine bearings, sealing systems, and ignition components such as spark plugs and ignition coils. These products are delivered to both OEMs and the aftermarket.

  The ART division focuses on the design, manufacturing, and distribution of shock absorbers, struts, and sophisticated suspension systems. These products are supplied to both OEMs and the aftermarket and are compatible with internal combustion engine vehicles as well as electric vehicles.

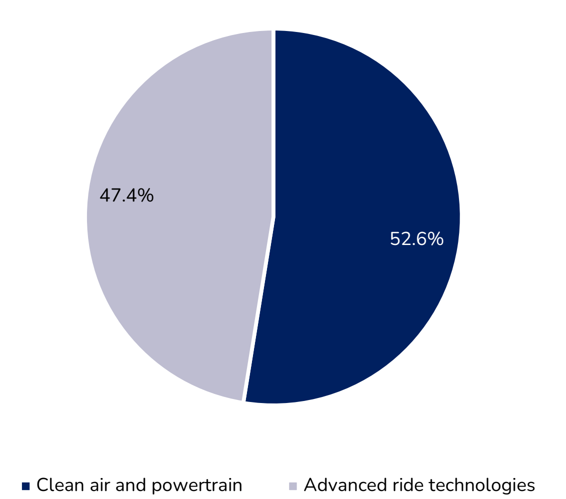
  In the Clean Air and Powertrain division, the company commands a market share of approximately 40% in the passenger vehicle segment, ranking #2, and an impressive 62% in the commercial vehicle segment, where it holds the #1 position. The company also holds the top position among suppliers of clean air solutions to Indian off-highway OEMs (excluding tractors) with a 68% share. Similarly, in the ART division, TCIL maintains leadership with an estimated 52% share in the passenger vehicle segment, underscoring its technological strength and customer trust.

Exhibit 50. Company's history



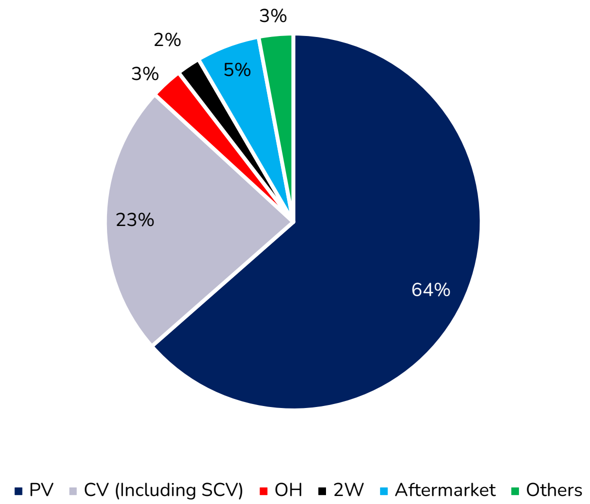
Source: Company, JM Financial

Exhibit 51. Overall VAR mix by segment (FY25)



Source: Company, JM Financial

Exhibit 52. Overall VAR mix by end-market (FY25)



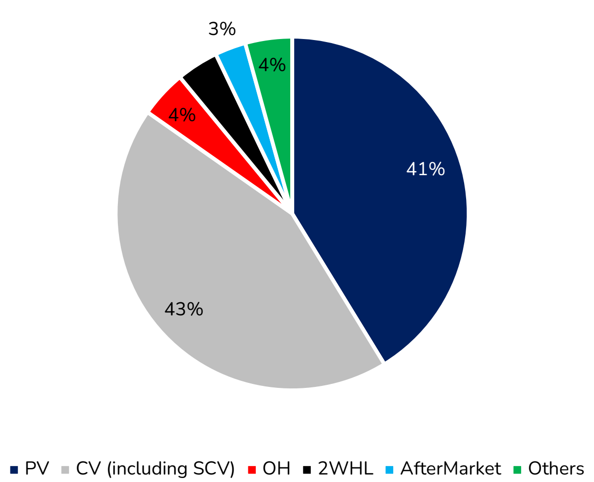
Source: Company, JM Financial, Others include industrial, tools, service, and other op. revenue

Exhibit 53. #1 and #2 players across segments

Business segment	Vehicle type	Market share (%)	Ranking (#)
Clear Air	PV	40%	2
Clear Air	CT	62%	1
Clear Air	Off Highway	37%	2
ART	PV	52%	1

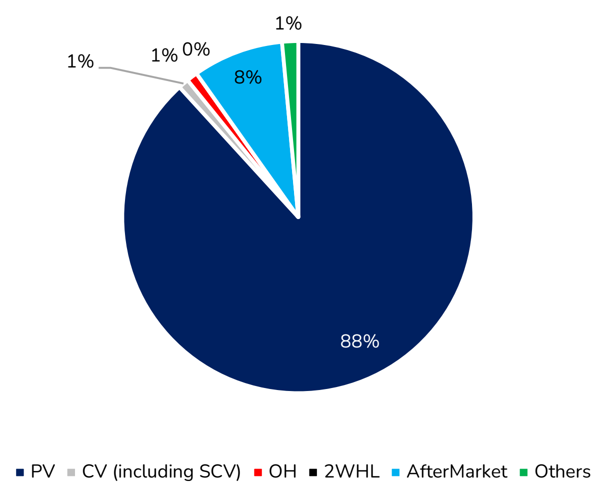
Source: Company, JM Financial

Exhibit 54. Clean air VAR mix by end-market (FY25)



Source: Company, JM Financial, Others include industrial, tools, service, and other op. revenue

Exhibit 55. ART VAR mix by end-market (FY25)



Source: Company, JM Financial, Others include industrial, tools, service, and other op. revenue

Exhibit 56. Product portfolio (1/5) – Clean air hot and cold end

Clean Air Systems : Hot End

Catalytic converter with 3-way catalyst	DOC & SDPF system	LNT	Exhaust aftertreatment system with DOC + DPF + SCR

Catalytic converter	A combination of below catalytic converters forms the Hot End of exhaust aftertreatment system
Diesel oxidation catalysts ("**DOC**")	Devices consisting of a substrate coated with precious metals enclosed in a steel casing used to reduce harmful gaseous emissions such as carbon monoxide emitted from diesel engines.
Diesel particulate filters ("**DPF**")	Devices to capture and regenerate particulate matter emitted from diesel engines.
Lean NOx traps ("**LNT**")	Devices which reduce nitrogen oxide ("**NOx**") emissions from diesel powertrains using capture and store technology.
Selective catalytic reduction ("**SCR**") converter	converters which reduce NOx emissions from diesel powertrains using urea mixers and injected reductants such as AdBlue® or Diesel Exhaust Fluid ("**DEF**").
SCR-coated diesel particulate filters ("**SDPF**")	Lightweight and compact devices combining the SCR catalyst and the particulate filter onto the same substrate for reducing NOx and particulate matter emissions.
Three-way catalysts ("**TWC**")	Systems comprising of a catalyst encased in a steel shell to reduce the carbon monoxide, hydrocarbons and NOx from gasoline and compressed natural gas ("**CNG**") engine emissions.

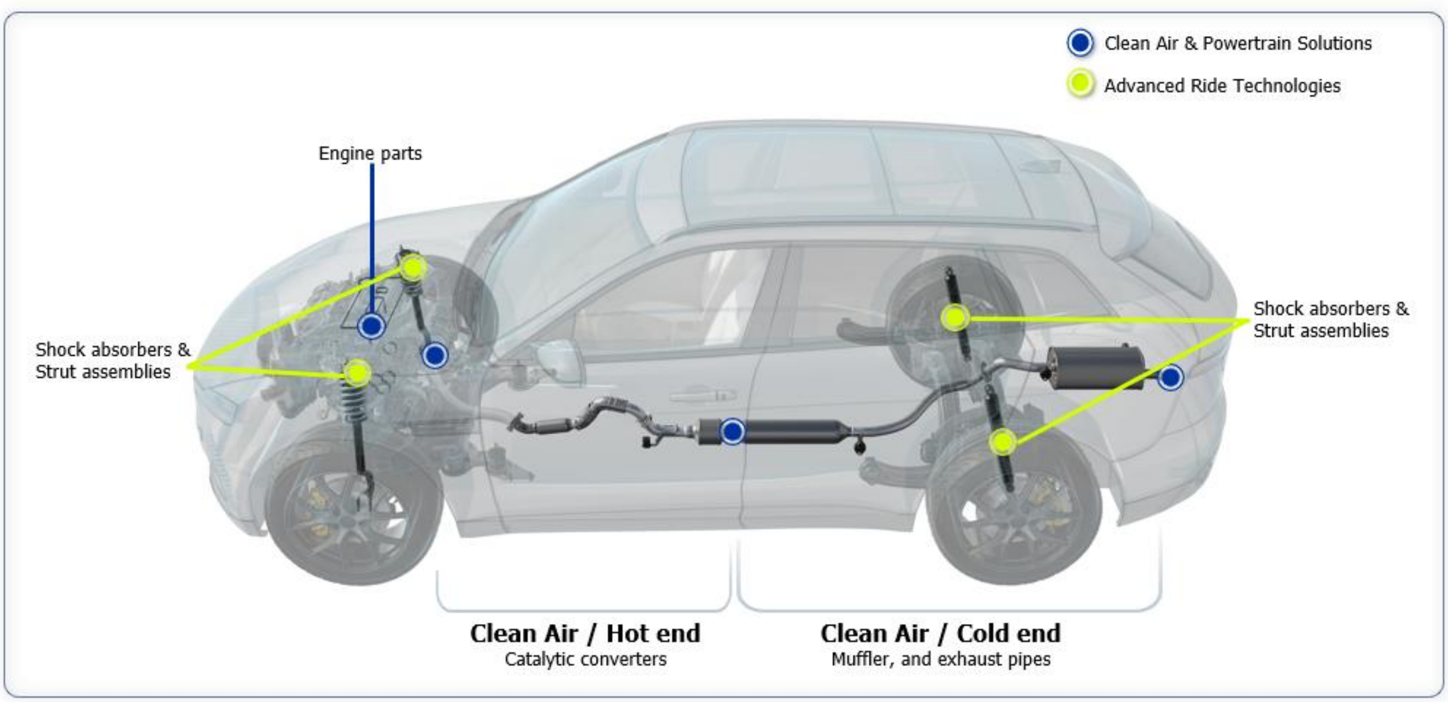
Clean Air Systems : Cold End

Exhaust Pipes	Mufflers and resonators

Mufflers and resonators	Devices to provide noise elimination and acoustic tuning.
Pipes	Utilized to connect various parts of both the hot and cold ends of an exhaust system.

Source: Company, JM Financial

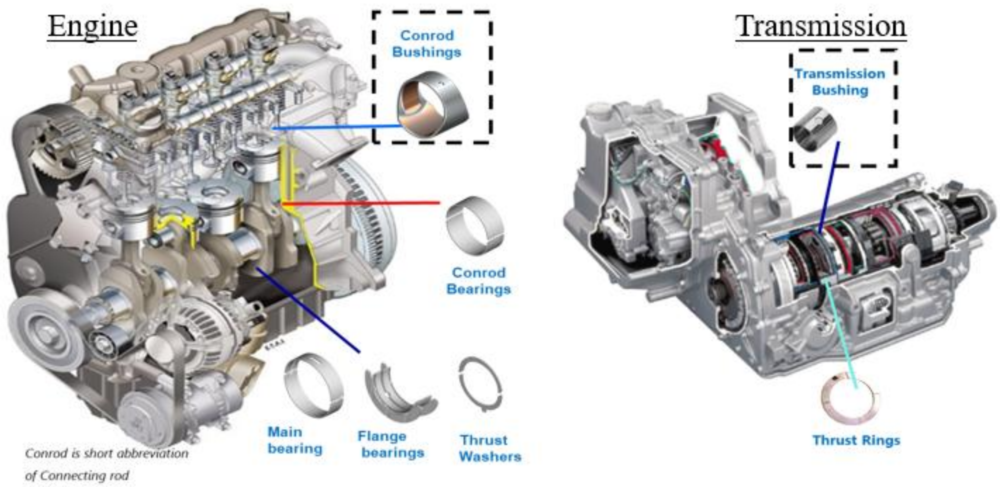
Exhibit 57. Integration of products in PV



Source: Company, JM Financial

Exhibit 58. Product portfolio (2/5) – Bearings

Bearings : Engine bearings provide a low-friction environment for rotating components like crankshafts and camshafts; modern bearings can deal with very low viscosity oil even in highly repetitive motions like in stop/start-conditions.

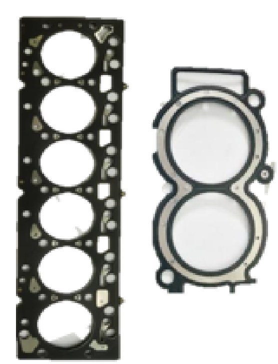


Main bearings	Connecting rod bearings	Bush bearings	Thrust washers and flanges
Components used to support the crankshaft on both the upper and lower sides in an ICE block.	Components used at the big end of the connecting rod, where it connects to the crankshaft of an ICE block.	Components used to support the piston pin, connecting the piston to the connecting rod.	Components used in the engine block to carry thrust loads on the crankshaft.

Source: Company, JM Financial

Exhibit 59. Product portfolio (3/5) – Sealings

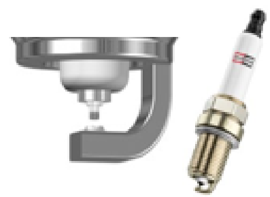
Sealings : Cylinder-head gasket and other hot and cold gaskets are used for sealing engines and engine components; dynamic and static seals protecting rotating engine and transmission components against oil and gas leakages. Such seals and gaskets are made from high-alloyed steel as well as from sophisticated rubber and polymers.
Heat shields are required for Heat insulation and protect surrounding parts from engine heat.

Cold gaskets	Hot gaskets	MLS (Multi-layer Steel) Cylinder Head gaskets	Heat shields
			
Used in engines for circulating oil pumps and water pumps.	Used for exhaust gases where engine temperatures are high, such as in the exhaust manifold.	Used for sealing between the cylinder block and cylinder head, where high temperatures, combustion pressures, and thermal loads are present.	Used to protect various parts of a vehicle from heat generated by the engine and system, and to retain heat in exhaust after-treatment system for better functioning of catalytic convertor.

Source: Company, JM Financial

Exhibit 60. Product portfolio (4/5) – Ignition

Ignition : Advanced spark plugs for gasoline or natural gas engines to ignite fuel reliably, even under high combustion pressures and varying fuel compositions (E0 to E100). Their lifespan, which can exceed 100,000 miles, depends on the features and specific type of application, particularly in turbocharged engines.

Spark Plugs			Ignition coils
Non-precious metal spark plugs	Single precious metal tip spark plugs	Double precious metal tip spark plugs	Ignition coils
			
Primarily used in 2W / 3W and Naturally aspirated PV applications	Medimum durability target preferred for Naturally aspirated engines with enhanced life.	High durability and better ignability. Typically used Turbocharged & TGDI engines.	Used in conjunction with Spark plug to provide energy for develop spark

Source: Company, JM Financial

Exhibit 61. Product portfolio (5/5) – Advanced ride technologies

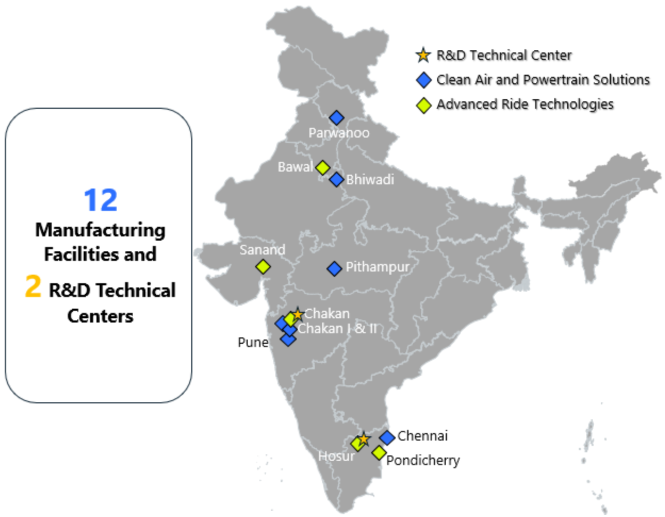
Advanced Ride Technologies : Shock absorbers and strut assemblies

Shock absorbers and strut assemblies	Shock absorbers and strut assemblies with add on valve technology	Shock absorbers and strut assemblies - semi active technology	Shock absorbers for CVs
			Axle Damper Seat Damper  
Hydraulic and gas-filled modern shock absorbers and struts providing better comfort, ride and handling	Shock absorbers with add on valve technology, enhancing comfort and better high-speed handling for driving on rough roads.	Advanced suspension systems integrated with engine electronic control unit ("**ECU**") and sensors, enhancing ride and handling by allowing real-time adjustments to the damping force. They are commonly used in luxury cars & SUVs.	Shock absorbers designed for driver seats to provide comfort and axle and cabin dampers for trucks and buses to reduce vibration.

Source: Company, JM Financial

- **Customer relationships:** TCAIL has longstanding relationships with its key customers, with over 10 years of relationship with its top 10 customers based on VAR. Its key customers include Tata Motors, M&M, Maruti Suzuki, and Volkswagen in the PV segment, and Eicher Motors, Bharat Benz, Ashok Leyland, and Tata Motors in the CV segment.
- **Manufacturing facilities:** The company operates 12 manufacturing facilities across seven states and one union territory in India, including seven plants focussed on Clean Air & Powertrain Solutions facilities and five dedicated to ART facilities. These facilities are located in major automotive clusters such as Maharashtra, Tamil Nadu and Gujarat, enabling close alignment with key OEMs. The company also has two R&D technical centres to support ongoing innovation and product development.

Exhibit 62. Company's manufacturing facilities and R&D centres



Source: Company, JM Financial

Exhibit 63. Shareholding pattern

Name of the shareholder / group	Pre-IPO	Post-IPO
Tenneco Mauritius Holdings Limited	85.4%	60.2%
Tenneco (Mauritius) Limited	6.6%	6.6%
Federal-Mogul Investments B.V.	2.6%	2.6%
Federal-Mogul Pty Ltd	3.6%	3.6%
Tenneco LLC (formerly known as Tenneco, Inc.)	1.7%	1.7%
DII	-	9.7%
FII	-	4.3%
Public	-	11.2%
Total	**100.0%**	**100.0%**

Source: Company, JM Financial

Board of Directors and Key Management Personnel

Exhibit 64. Board of directors

Name	Designation	Brief description
Niranjan Kumar Gupta	Independent Director and Chairman of the Board	- He has been associated with the company since May 5, 2025. - He has pursued a bachelor's of commerce degree from the University of Calcutta, Kolkata, West Bengal. He is a qualified chartered accountant. He has also passed the final examination conducted by the Institute of Cost and Works Accountant as well as by the Institute of Company Secretaries of India. - He has over 30 years of experience across different corporates including publicly traded companies. He is also associated with Hindustan Unilever Limited, in the capacity of chief financial officer and an executive director, finance on their board of directors. Most recently, he was the chief executive officer of Hero MotoCorp Limited and previously he was associated with Vedanta Limited covering finance and supply chain roles.
Arvind Chandrasekharan	Whole-Time Director and Chief Executive Officer	- He has been associated with the company since April 21, 2025 as the Chief Executive Officer. He oversees the business with a focus on strategic growth. - He holds a bachelor's degree of engineering (chemical plant engineering) from the University of Bombay, Mumbai, Maharashtra and a master's degree of science in the field of industrial engineering and management from Oklahoma State University, Oklahoma, USA. Further, he has completed master of business administration from the University of Michigan, Michigan, USA and also holds a diploma in quality systems and management from the Narsee Monjee Institute of Management Studies, Mumbai, Maharashtra in association with National Centre for Quality Management. - He has over 21 years of experience in the automotive sector. He was previously associated with Delphi Corporation (now part of Phinia) in the powertrain, energy and exhaust divisions, Faurecia Exhaust Systems, WABCO Europe BVBA-SPRL, Minda Corporation Limited, Ashirvad Pipes Private Limited (Aliaxis Group) and Ameya Steel Process Private Limited.
Manavendra Singh Sial	Non-executive Director	- He has been associated with the company since May 15, 2025. He is also the executive vice president and chief financial officer of Tenneco LLC. - He holds a bachelor's degree of commerce (honours course) from the Sri Ram College of Commerce, University of Delhi, New Delhi and he is qualified chartered accountant. He also has a master's degree of business administration from the Fuqua School of Business, Duke University, Durham, USA. - Since his graduation in 1996, he has been associated with several organisations in different periods of time and has experience across finance and publicly traded companies. Such organizations include, Fluence Energy, Inc., SunPower Corporation, SunEdison, Inc., Vectra Co., GE Energy Parts, GE Power Systems, GE International, Inc. and Arthur Anderson and Associates.
Prakash Mahesh	Non-executive Director	- He has been associated with the company since May 15, 2025. He is also the executive vice president and president, performance solutions of Tenneco LLC. - He holds a bachelor's degree of engineering (electrical and electronics engineering) from PSG College of Technology, Coimbatore, Tamil Nadu in 1994 and a master's degree of science from Drexel University, Philadelphia, USA in 1996. He also holds a master's degree of business administration from California Coast University, Santa Ana, USA in 2016. - Since his post-graduation in 1996, he has been associated with several organisations in different periods of time and has experience across industrial and automotive manufacturing and IT solutions. Such organizations include, ATS Automation, Ametek, Inc., Closure Systems International, Inc., Tegrant Corporation, Hospira, GE Healthcare, Vital Works, IDX Systems Corporation and Draw Computing Associates Inc.
Nathan Patrick Bowen	Non-executive Director	- He has been associated with the company since May 15, 2025. He is also the executive vice president and group president (clean air, powertrain and champion) at Tenneco LLC. - He holds a bachelor's degree of science in business administration from the Central Michigan University, Michigan, USA and a master's degree of business administration from the Grand Valley State University, Michigan, USA. - He has over 24 years of experience in the automotive industry. He was previously associated with Yanfeng Global Automotive Interior Systems Co. Ltd and Johnson Controls, Inc. in strategic roles in finance and general management.
Utsav Bajel	Non-executive Director	- He has been associated with the company since May 15, 2025. - He holds a bachelor's degree of arts (honours course) from University of Delhi, New Delhi and post graduate degree in management from the Indian Institute of Management, Ahmedabad, Gujarat. - He has over 24 years of experience in private equity and consulting. He is currently associated with Apollo Global Management, Inc. as a partner. He was previously associated with McKinsey & Company and Bain Capital, LLC.
Gopika Pant	Independent Director	- She has been associated with the company since May 5, 2025. - She is an alumna of St. Stephens College, University of Delhi, New Delhi. She holds a bachelor's degree in law from the University of Delhi, New Delhi and a master's degree of laws from Columbia University, New York, USA. She also holds a diploma in environment law from Centre for Environmental Law, World Wide Fund for Nature – India. She is a qualified lawyer for over 39 years, and was admitted to the Bar Council of Delhi in 1985, the Supreme Court Bar Association, India in 1995 and the Supreme Court of the State of New York in 1987. - She has previously been associated with various law firms and is currently a managing partner at Indian Law Partners.
Jaidit Singh Brar	Independent Director	- He has been associated with the company since May 5, 2025. He holds a post graduate diploma in management from IIM Calcutta, West Bengal. - He was previously associated with McKinsey & Company India LLP as a senior partner and has over 20 years of experience in consulting.

Source: Company, JM Financial

Exhibit 65. Key management personnel

Name	Designation	Brief description
Mahender Chhabra	CFO	- Previously associated with Motherson Sumi Wiring India, HMD Mobile India, Microsoft Corporation (India), Pepsi Foods, Nokia India. - Alma Mater: Institute of Chartered Accountants, Maharshi Dayanand University, Rohtak, Haryana. - Experience: 27+ years.
Sankarababu S	Director - MRS Engineering	- Previously associated with Bharat Technologies Auto Components, Hindu HUF, AISIN NTII, among others. - Alma Mater: Siddha Manipal University, and Institute of Advance Studies. - Experience: 20+ years.
Rishi Verma	President	- Previously associated with National Engineering Industries, Dana India, and Walker Exhaust India. - Alma Mater: IIT Roorkee. - Experience: 20+ years.
Subramaniam RC	General Manager – MRS	- Previously associated with GM India, International Auto, Saint-Gobain Glass, Balmer Lawrie, among others. - Alma Mater: Cost Accountants of India, Washington University, IIT Bombay, and Vinoba Bhave University. - Experience: 20+ years.
Bapu Kumbhar	Director - Clean Air Engineering	- Previously associated with Grupo Antolin Pune, LM Ltd. and TALE, among others. - Alma Mater: Shivaji University. - Experience: 15+ years.

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	54,676	48,904	54,495	60,150	70,345
Sales Growth	*13.3%*	*-10.6%*	*11.4%*	*10.4%*	*17.0%*
Other Operating Income	0	0	0	0	0
Total Revenue	**54,676**	**48,904**	**54,495**	**60,150**	**70,345**
Cost of Goods Sold/Op. Exp	38,925	32,212	36,074	39,289	45,320
Personnel Cost	2,526	2,979	3,219	3,609	4,100
Other Expenses	7,104	5,561	6,125	6,835	8,043
EBITDA	**6,121**	**8,152**	**9,077**	**10,416**	**12,882**
EBITDA Margin	*11.2%*	*16.7%*	*16.7%*	*17.3%*	*18.3%*
EBITDA Growth	*7.3%*	*33.2%*	*11.3%*	*14.8%*	*23.7%*
Depn. & Amort.	1,036	1,032	964	1,057	1,263
EBIT	5,085	7,121	8,112	9,359	11,619
Other Income	698	410	159	316	369
Finance Cost	252	203	150	160	180
PBT before Excep. & Forex	5,531	7,328	8,121	9,515	11,808
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	5,531	7,328	8,121	9,515	11,808
Taxes	1,363	1,797	2,030	2,379	2,952
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	1	11	12	14	17
Reported Net Profit	4,167	5,521	6,079	7,122	8,839
Adjusted Net Profit	**4,167**	**5,521**	**6,079**	**7,122**	**8,839**
Net Margin	*7.6%*	*11.3%*	*11.2%*	*11.8%*	*12.6%*
Diluted Share Cap. (mn)	467.9	403.6	403.6	403.6	403.6
Diluted EPS (INR)	**8.9**	**13.7**	**15.1**	**17.6**	**21.9**
Diluted EPS Growth	*17.5%*	*53.6%*	*10.1%*	*17.2%*	*24.1%*
Total Dividend + Tax	4,193	4,532	10,365	4,036	4,036
Dividend Per Share (INR)	9.0	11.2	25.7	10.0	10.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	5,531	7,328	8,121	9,515	11,808
Depn. & Amort.	1,036	1,032	964	1,057	1,263
Net Interest Exp. / Inc. (-)	-395	-183	-9	-156	-189
Inc (-) / Dec in WCap.	-122	-653	-1,287	-231	-334
Others	-17	48	0	0	0
Taxes Paid	-1,156	-1,948	-2,030	-2,379	-2,952
Operating Cash Flow	**4,877**	**5,624**	**5,760**	**7,807**	**9,596**
Capex	-969	-628	-1,061	-4,811	-4,811
Free Cash Flow	*3,908*	*4,996*	*4,699*	*2,996*	*4,786*
Inc (-) / Dec in Investments	0	-3	0	0	0
Others	667	363	8,303	310	363
Investing Cash Flow	**-301**	**-268**	**7,242**	**-4,500**	**-4,448**
Inc / Dec (-) in Capital	-850	0	0	0	0
Dividend + Tax thereon	-5,591	-4,092	-10,365	-4,036	-4,036
Inc / Dec (-) in Loans	-177	-53	32	2	2
Others	-241	-182	-141	-143	-163
Financing Cash Flow	**-6,859**	**-4,328**	**-10,474**	**-4,177**	**-4,197**
Inc / Dec (-) in Cash	**-2,284**	**1,028**	**2,528**	**-871**	**952**
Opening Cash Balance	4,115	1,831	2,859	5,387	4,516
Closing Cash Balance	1,831	2,859	5,387	4,516	5,467

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	9,800	16,100	11,814	14,900	19,703
Share Capital	2,141	4,036	4,036	4,036	4,036
Reserves & Surplus	7,659	12,064	7,778	10,864	15,667
Preference Share Capital	0	0	0	0	0
Minority Interest	13	24	36	50	67
Total Loans	151	197	229	230	232
Def. Tax Liab. / Assets (-)	-113	-217	-290	-290	-290
Total - Equity & Liab.	**9,852**	**16,103**	**11,789**	**14,891**	**19,713**
Net Fixed Assets	6,442	6,129	6,226	9,979	13,526
Gross Fixed Assets	10,833	11,526	12,587	17,397	22,208
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	4,758	5,707	6,672	7,729	8,993
Capital WIP	366	311	311	311	311
Investments	15	7	7	7	7
Current Assets	14,783	21,962	17,654	17,833	20,683
Inventories	3,293	2,777	3,094	3,329	3,830
Sundry Debtors	5,598	6,872	7,177	7,940	9,285
Cash & Bank Balances	1,831	2,859	5,387	4,516	5,467
Loans & Advances	10	5	5	5	5
Other Current Assets	4,051	9,448	1,991	2,043	2,096
Current Liab. & Prov.	11,388	11,994	12,098	12,928	14,503
Current Liabilities	9,390	9,169	9,813	10,574	12,079
Provisions & Others	1,998	2,825	2,285	2,353	2,424
Net Current Assets	3,395	9,967	5,557	4,905	6,179
Total – Assets	**9,852**	**16,103**	**11,789**	**14,891**	**19,713**

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.6%	11.3%	11.2%	11.8%	12.6%
Asset Turnover (x)	4.7	3.6	3.7	4.2	3.9
Leverage Factor (x)	1.1	1.1	1.1	1.1	1.1
RoE	38.1%	42.6%	43.6%	53.3%	51.1%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	20.9	39.9	29.3	36.9	48.8
ROIC	46.8%	49.8%	60.4%	80.9%	69.2%
ROE	38.1%	42.6%	43.6%	53.3%	51.1%
Net Debt/Equity (x)	-0.2	-0.2	-0.4	-0.3	-0.3
P/E (x)	58.1	37.8	34.3	29.3	23.6
P/B (x)	24.7	13.0	17.7	14.0	10.6
EV/EBITDA (x)	33.9	25.3	22.4	19.6	15.8
EV/Sales (x)	3.8	4.2	3.7	3.4	2.9
Debtor days	37	51	48	48	48
Inventory days	22	21	21	20	20
Creditor days	69	80	77	76	75

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

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Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

New Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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