Tenneco Clean Air India | BUY

Riding smoothly on premiumisation and strong order book

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In 3QFY26, Tenneco Clean Air India's (Tenneco) EBITDA margin (on Value Added Revenue) expanded to 18.6% (+150bps YoY), driven by operating leverage, premiumisation, calibrated commercial actions, and effective cost management. During the quarter, Advanced Ride Technology (ART) segment VAR increased 24.5% YoY to INR 6.3bn (+8.3% QoQ), led by premiumisation trends. Further, the company launched DaVinci DCx suspension with a leading Indian PV OEM (~INR 2.2bn annual revenue potential). In the Clean Air and Powertrain segment, it secured a strategic aftertreatment program win with a leading EU CV OEM (~INR 1.15bn annual revenue potential). The order book remains robust and well diversified (providing visibility to generate double-digit CAGR over FY25-28E, with exports accounting for more than 20% of the lifetime order book), while the ongoing CV upcycle, sustained PV demand post-GST rationalisation, and tightening emission norms (CAFÉ-3) are expected to sustain growth momentum. Additionally, the announced Clean Air greenfield capacity expansion (plant in Kharkhoda, Haryana with SOP in 3QFY27) enhances medium-term scalability. Sustained premiumisation trends, improved realisations from the ongoing CV cycle, and higher exports post the India-US (tariff down to 18% from 50%) and India-EU (duties down to zero from the 3-8% range) deals are expected to provide incremental growth and margin support. We maintain BUY with a TP of INR 640 (28x FY28E EPS).

- **3QFY26 performance:** Tenneco reported consolidated Value Added Revenue (VAR) of INR 11.9bn (+14.7% YoY, +3.7% QoQ). Clean air and powertrain segment VAR grew 5.4% YoY to INR 5.6bn (-1.0% QoQ), while Advanced Ride Technology segment VAR increased 24.5% YoY to INR 6.3bn (+8.3% QoQ). EBITDA for the quarter was INR 2.2bn (+24.8% YoY, +2.6% QoQ). EBITDA margin (on VAR) came in at 18.6% (+150bps YoY, -20bps QoQ). Adj. PAT (excluding INR 272mn related to new labour codes) stood at INR 1.5bn (+16.5% YoY, -3.1% QoQ).
- **Clean air and powertrain segment:** Clean air segment VAR grew 5.4% YoY to INR 5.6bn (-1.0% QoQ). During the quarter, the company secured a strategic program win with a leading EU commercial truck OEM for an aftertreatment solution (~INR 1,150mn annual revenue potential), enabling the customer to retain its internal powertrain architecture rather than shift to a third-party supplier. We believe the ongoing CV upcycle, sustained PV demand following GST 2.0 rationalisation, and upcoming stringent emission norms will continue to underpin growth.
- **Advanced ride technology segment:** ART segment VAR increased 24.5% YoY to INR 6.3bn (+8.3% QoQ). The company launched its DaVinci DCx suspension with a leading Indian PV OEM (~INR 2.2bn annual revenue potential), reinforcing its leadership position in shock absorbers. DaVinci DCx is a mechanical system that offers enhanced ride comfort at an affordable price and is expected to capture a large share of the Indian market. We expect sustained premiumisation in PVs and demand momentum post GST 2.0 to support continued growth.
- **Margin outlook:** EBITDA margins (on VAR) expanded 150bps YoY to 18.6%, driven by operating leverage, calibrated commercial actions, and disciplined cost management. Going forward, premiumisation trends, improved realisations from the ongoing CV cycle and higher exports are expected to provide incremental growth and margin support.
- **Other highlights:** The company announced a Clean Air capacity expansion via a greenfield plant in Kharkhoda, Haryana, to enhance proximity to key customers across LV, OH, and tractor segments. The project involves planned capex of ~INR 710mn, with production expected to commence in 3QFY27, strengthening medium-term growth visibility.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	640
Upside/(Downside)	16.4%
Previous Price Target	610
Change	4.9%

Key Data – TENNIND IN EQUITY	
Current Market Price	INR550
Market cap (bn)	INR221.9/US$2.4
Free Float (%)	26.6
Shares in issue (mn)	403.6
Diluted share (mn)	403.6
3-mon avg daily val (mn)	INR0.0/US$0.0
52-week range	INR590/438
Sensex/Nifty	83,451/25,725
INR/US$	90.7

Price Performance

%	1M	6M	12M
Absolute	6.0	0.0	0.0
Relative*	6.1	0.0	0.0

*To the NSE Nifty 50

Financial Summary (INR mn)

Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	54,676	48,904	53,908	61,398	73,013
Sales Growth (%)	13.3	-10.6	10.2	13.9	18.9
EBITDA	6,121	8,152	9,079	10,658	13,355
EBITDA Margin (%)	11.2	16.7	16.8	17.4	18.3
Adjusted Net Profit	4,167	5,521	6,337	7,304	9,189
Diluted EPS (INR)	8.9	13.7	15.7	18.1	22.8
Diluted EPS Growth (%)	17.5	53.6	14.8	15.3	25.8
ROIC (%)	46.8	49.8	61.2	83.3	72.0
ROE (%)	38.1	42.6	45.0	53.3	51.3
P/E (x)	61.5	40.1	36.5	30.3	24.1
P/B (x)	26.2	13.7	18.3	14.4	10.8
EV/EBITDA (x)	35.9	26.8	23.8	20.3	16.1
Dividend Yield (x)	1.6	2.0	4.7	1.8	1.8

Source: Company data, JM Financial. Note: Valuations as of February 17, 2026

Exhibit 1: Quarterly financial performance – consolidated

Financial Matrices (INR mn)	3QFY26	3QFY25	% YoY	2QFY26	% QoQ
Sales	**12,853**	**11,251**	**14.2**	**12,806**	**0.4**
Value Added Revenue (VAR)	**11,941**	**10,412**	**14.7**	**11,515**	**3.7**
RM (including substrates)	8,297	7,437	11.6	8,456	(1.9)
as a % of sales	64.6	66.1	-150bps	66.0	-150bps
Employee Exp	754	717	5.2	752	0.4
as a % of sales	5.9	6.4	-50bps	5.9	0bps
Other Costs	1,576	1,315	19.8	1,431	10.1
as a % of sales	12.3	11.7	60bps	11.2	110bps
Expenditure	10,628	9,468	12.2	10,639	(0.1)
EBITDA	**2,225**	**1,783**	**24.8**	**2,168**	**2.6**
EBITDA Margin (%) on sales	**17.3**	**15.8**	**150bps**	**16.9**	**40bps**
EBITDA Margin (%) on VAR	**18.6**	**17.1**	**150bps**	**18.8**	**-20bps**
Depreciation	283	270	4.9	258	10
Other Income	47	186	(74.9)	121	(61)
Interest	71	47	51.6	106	(33)
PBT	1,918	1,652	16.1	1,924	(0)
Tax	458	398	15.0	417	10
Tax rate (%)	*23.9*	*24.10*		*21.7*	
Exceptional item	272	-		-	
Minority Interest	1	2		2	
Adjusted PAT (attributable to owners)	**1,459**	**1,252**	**16.5**	**1,505**	**(3.1)**
PAT Margin (%) on sales	**11.3**	**11.1**	**22bps**	**11.8**	**-40bps**
PAT Margin (%) on VAR	**12.2**	**12.0**	**19bps**	**13.1**	**-86bps**

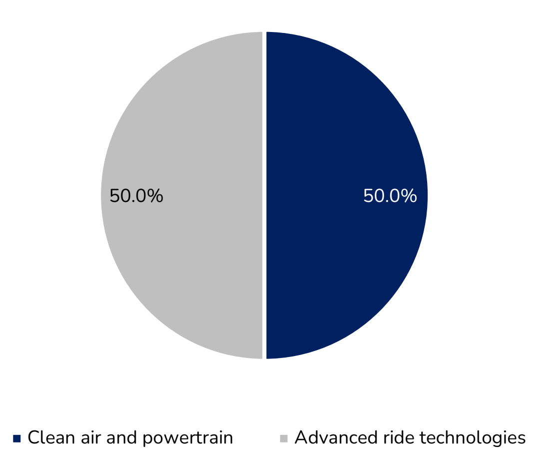
Source: Company, JM Financial

Exhibit 2: Segment wise performance

Key Items	3QFY26	3QFY25	% YoY	2QFY26	% QoQ
VAR	**11,941**	**10,412**	**14.7**	**11,515**	**3.7**
Clean Air and Powertrain (CPT)	5,644	5,354	5.4	5,702	(1.0)
Advanced Ride Technology (ART)	6,297	5,058	24.5	5,813	8.3
Mix:					
CPT	47.3%	51.4%		49.5%	
ART	52.7%	48.6%		50.5%	
EBITDA	**2,225**	**1,783**	**24.8**	**2,168**	**2.6**
EBITDA Margin on VAR	**18.6**	**17.1**	**150bps**	**18.8**	**-20bps**
Adj. PAT (to owners)	**1,459**	**1,252**	**16.5**	**1,505**	**-3.1**
Adj. PAT Margin on VAR	**12.2**	**12.0**	**19bps**	**13.1**	**-86bps**

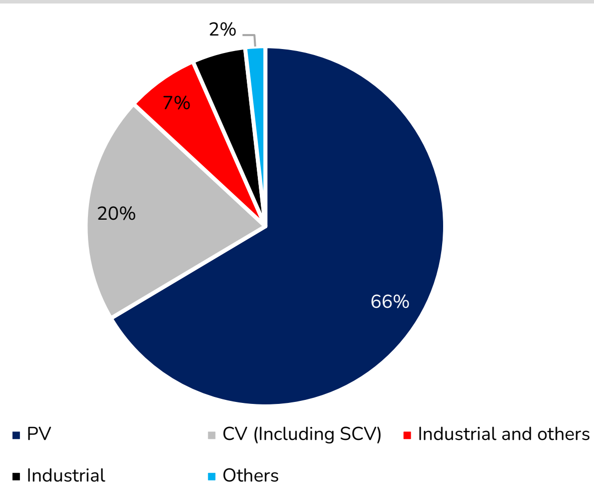
Source: Company, JM Financial

Exhibit 3: VAR by segments (9MFY26)



Source: Company, JM Financial

Exhibit 4: End market-wise split (9MFY26)



Source: Company, JM Financial

Exhibit 5: Change in estimates – Tenneco (consolidated)

	New assumptions				Old assumptions				Change			
(INR mn)	FY25A	FY26E	FY27E	FY28E	FY25A	FY26E	FY27E	FY28E	FY25A	FY26E	FY27E	FY28E
Revenue from operations	48,904	53,908	61,398	73,013	48,904	54,495	60,150	70,345	0.0%	-1.1%	2.1%	3.8%
VAR	43,801	48,017	55,962	67,539	43,801	48,375	54,684	65,044	0.0%	-0.7%	2.3%	3.8%
EBITDA	8,152	9,079	10,658	13,355	8,152	9,077	10,416	12,882	0.0%	0.0%	2.3%	3.7%
EBITDA Margin (%) on VAR	18.6%	18.9%	19.0%	19.8%	18.6%	18.8%	19.0%	19.8%	0bps	14bps	0bps	-3bps
Adjusted Net Profit	5,521	6,337	7,304	9,189	5,521	6,079	7,122	8,839	0.0%	4.3%	2.6%	4.0%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E Mar	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Net Sales	54,676	48,904	53,908	61,398	73,013
Sales Growth (%)	13.3	-10.6	10.2	13.9	18.9
Other Operating Income	-	-	-	-	-
Total Revenue	**54,676**	**48,904**	**53,908**	**61,398**	**73,013**
Cost of Goods Sold/Op. Exp	38,925	32,212	35,573	40,072	47,053
Personnel Cost	2,526	2,979	3,190	3,687	4,257
Other Expenses	7,104	5,561	6,066	6,981	8,349
EBITDA	**6,121**	**8,152**	**9,079**	**10,658**	**13,355**
EBITDA Margin (%)	11.2	16.7	16.8	17.4	18.3
EBITDA Growth (%)	7.3	33.2	11.4	17.4	25.3
Depn. & Amort.	1,036	1,032	1,034	1,057	1,263
EBIT	5,085	7,121	8,045	9,601	12,091
Other Income	698	410	582	316	369
Finance Cost	252	203	327	159	184
PBT before Excep. & Forex	5,531	7,328	8,300	9,758	12,277
Excep. & Forex Inc./Loss(-)	-	-	-	-	-
PBT	5,531	7,328	8,300	9,758	12,277
Taxes	1,363	1,797	1,950	2,439	3,069
Extraordinary Inc./Loss(-)	-	-	-272	-	-
Assoc. Profit/Min. Int.(-)	1	11	12	14	18
Reported Net Profit	4,167	5,521	6,066	7,304	9,189
Adjusted Net Profit	**4,167**	**5,521**	**6,337**	**7,304**	**9,189**
Net Margin (%)	7.6	11.3	11.8	11.9	12.6
Diluted Share Cap. (mn)	468	404	404	404	404
Diluted EPS (INR)	**8.9**	**13.7**	**15.7**	**18.1**	**22.8**
Diluted EPS Growth (%)	17.5	53.6	14.8	15.3	25.8
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

Balance Sheet					(INR mn)
Y/E Mar	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Shareholders Fund	9,813	16,124	12,108	15,391	20,562
Share Capital	2,141	4,036	4,036	4,036	4,036
Reserves & Surplus	7,659	12,064	8,037	11,305	16,458
Preference Share Capital	-	-	-	-	-
Minority Interest	13	24	36	50	68
Total Loans	151	197	229	230	232
Def. Tax Liab. / Assets (-)	-113	-217	-290	-290	-290
Other non-current liabilities / Lease Liabilities	177	241	208	214	220
Total - Equity & Liab.	**10,141**	**16,562**	**12,545**	**15,835**	**21,015**
Net Fixed Assets	6,442	6,129	6,156	9,909	13,457
Gross Fixed Assets	10,833	11,526	12,587	17,397	22,208
Intangible Assets	-	-	-	-	-
Less: Depn. & Amort.	4,758	5,707	6,741	7,799	9,062
Capital WIP	366	311	311	311	311
Investments	15	7	7	7	7
Current Assets	14,783	21,962	17,825	18,499	21,970
Inventories	3,293	2,777	3,029	3,366	3,970
Sundry Debtors	5,598	6,872	7,115	8,122	9,641
Cash & Bank Balances	1,831	2,859	5,685	4,963	6,258
Loans & Advances	10	5	5	5	5
Other Current Assets	4,051	9,448	1,991	2,043	2,096
Current Liab. & Prov.	11,211	11,753	11,733	12,870	14,709
Current Liabilities	12,167	17,613	9,913	10,987	12,761
Provisions & Others	-955	-5,860	1,820	1,883	1,948
Net Current Assets	618	1,524	5,627	5,158	6,785
Other Non Current Assets/ROU Assets	2,954	8,685	465	471	476
Total - Assets	**10,141**	**16,562**	**12,545**	**15,835**	**21,015**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E Mar	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Profit before Tax	5,531	7,328	8,300	9,758	12,277
Depn. & Amort.	1,036	1,032	1,034	1,057	1,263
Net Interest Exp. / Inc. (-)	-395	-183	-255	-157	-185
Inc (-) / Dec in WCap.	-122	-653	-1,317	-263	-342
Others	-17	48	-	-	-
Taxes Paid	-1,156	-1,948	-1,950	-2,439	-3,069
Operating Cash Flow	**4,877**	**5,624**	**5,812**	**7,955**	**9,944**
Capex	-969	-628	-1,061	-4,811	-4,811
Free Cash Flow	3,908	4,996	4,751	3,145	5,133
Inc (-) / Dec in Investments	-	-3	0	0	0
Others	667	363	8,725	310	363
Investing Cash Flow	**-301**	**-268**	**7,664**	**-4,500**	**-4,448**
Inc / Dec (-) in Capital	-850	-	-	-	-
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	-317	-142	-167
Financing Cash Flow	**-6,859**	**-4,328**	**-10,650**	**-4,176**	**-4,201**
Inc / Dec (-) in Cash	**-2,284**	**1,028**	**2,826**	**-721**	**1,295**
Opening Cash Balance	4,115	1,831	2,859	5,685	4,963
Closing Cash Balance	1,831	2,859	5,685	4,963	6,258

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Net Margin (%)	7.6	11.3	11.8	11.9	12.6
Asset Turnover (x)	4.7	3.6	3.6	4.2	3.9
Leverage Factor (x)	1.1	1.1	1.1	1.1	1.0
RoE (%)	38.1	42.6	45.0	53.3	51.3

Source: Company, JM Financial

Key Ratios					
Y/E Mar	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
BV/Share (INR)	20.9	39.9	29.9	38.0	50.8
ROIC (%)	46.8	49.8	61.2	83.3	72.0
ROE (%)	38.1	42.6	45.0	53.3	51.3
Net Debt/Equity (x)	-0.2	-0.2	-0.5	-0.3	-0.3
P/E (x)	61.5	40.1	36.5	30.3	24.1
P/B (x)	26.2	13.7	18.3	14.4	10.8
EV/EBITDA (x)	35.9	26.8	23.8	20.3	16.1
EV/Sales (x)	4.0	4.5	4.0	3.5	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

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
7-Jan-26	Buy	610	

Recommendation History Chart

Note: This chart gets populated only 1 year after listing – stock was listed in Nov'25; we initiated coverage recently

APPENDIX I

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