

# Tenneco Clean Air India | BUY

## Strong order book gives earnings visibility

Tenneco Clean Air India (Tenneco) reported Q4FY26 EBITDA margin of 18.3% (flat YoY/-30bps QoQ) on value-added revenue, 20bps below JMFe. Tenneco continued to strengthen its pipeline through multiple order wins across Clean Air (first CA programme with a Japanese PV OEM, an after-treatment programme from a European CV OEM and entry into bearing systems) and ART segments (expanding multiple new DCx applications – DCx suspension was launched in Q3FY26). With a robust and diversified order book of INR 124bn in FY26 (exports contributing around 14–20%), visibility for healthy double-digit growth remains strong supported by resilient demand, tightening emission norms (CAFÉ-3) and rising exports. Furthermore, capacity expansion in Western India for the ART segment with capex of INR 690mn and Kharkhoda (announced in Q3FY26 with capex of INR 710mn) enhances medium-term scalability. We are factoring in 16%/22% VAR growth for FY27E/28E. The company expects to maintain the margin despite inflationary pressure driven by commercial actions, cost efficiencies and operating leverage. We, however, build in near-term margin pressure and estimate 18.5% EBITDA margin for FY27E (18.8% in FY26). All in all, we marginally revise EPS (+1.5% for FY28E), yielding a revised TP of INR 680 (earlier INR 670) based on an unchanged 29x FY28E EPS; maintain BUY.

- Q4FY26 performance:** Tenneco reported consolidated value-added revenue (VAR) of INR 14bn (+17.5% YoY/+17.7% QoQ). Clean Air and Powertrain segment VAR grew 10% YoY to INR 6.9bn (+22% QoQ) while Advanced Ride Technology segment VAR increased 26% YoY to INR 7.1bn (+13.6% QoQ). EBITDA was INR 2.6bn (+17.6% YoY/+15.6% QoQ). EBITDA margin (on VAR) came in at 18.3% (flat YoY/-30bps QoQ). Adjusted PAT stood at INR 1.67bn (+19% YoY/+14% QoQ).
- Clean Air and Powertrain segment:** Tenneco continued to strengthen its technology and customer positioning through multiple strategic wins during FY26. It secured its first-ever CA programme with a leading Japanese passenger vehicle OEM in India, won an after-treatment programme from a leading European commercial vehicle OEM and entered the bearing systems segment through a maiden order from a Japanese PV OEM. Additionally, the successful completion of a Euro VII proof-of-concept (PoC) with a European truck OEM enhances its readiness for future emission regulations and creates opportunities for participation in next-generation vehicle platforms. We believe the ongoing CV upcycle (although it may get impacted if oil prices continue to rise amid the West Asia war), 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 26% YoY to INR 7.1bn (+13.6% QoQ). The company had launched its DaVinci DCx suspension – a mechanical system that offers enhanced ride comfort at an affordable price and is expected to capture a large share of the Indian market – with a leading Indian PV OEM in Q3FY26, reinforcing its leadership position in shock absorbers. Furthermore, it expanded with multiple new DCx applications. We expect sustained premiumisation in PVs and demand momentum post-GST 2.0 to support continued growth.
- Margin outlook:** EBITDA margin (on VAR) came to 18.3% (flat YoY/-30bps QoQ). Premiumisation trends, improved realisations from the ongoing CV cycle and higher exports shall provide incremental growth and margin support. However, RM pressures are expected to impact margins in the near term.



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*This note marks transfer of coverage of  
Tenneco Clean Air India to Nitin Agrawal*

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	680
Upside/(Downside)	19.3%
Previous Price Target	680
Change	0.0%

### Key Data – TENNIND IN EQUITY

Current Market Price	INR570
Market cap (bn)	INR230.2/US\$2.4
Free Float (%)	26.6
Shares in issue (mn)	403.6
Diluted share (mn)	403.6
3-mon avg daily val (mn)	INR629.2/US\$6.6
52-week range	INR657/438
Sensex/Nifty	74,346/23,406
INR/US\$	95.7

### Price Performance

%	1M	6M	12M
Absolute	-8.3	15.8	0.0
Relative*	-4.7	32.8	0.0

\*To the NSE Nifty 50

### Financial Summary

	(INR mn)				
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Sales	54,676	48,904	54,040	62,819	75,708
Sales Growth (%)	13.3	-10.6	10.5	16.2	20.5
EBITDA	6,121	8,152	9,255	10,576	13,673
EBITDA Margin (%)	11.2	16.7	17.1	16.8	18.1
Adjusted Net Profit	4,167	5,521	6,307	7,258	9,424
Diluted EPS (INR)	8.9	13.7	15.6	18.0	23.3
Diluted EPS Growth (%)	17.5	53.6	14.3	15.1	29.9
ROIC (%)	46.8	49.8	60.5	79.3	71.6
ROE (%)	38.1	42.6	44.9	53.4	52.7
P/E (x)	64.0	41.7	38.1	31.7	24.4
P/B (x)	27.2	14.3	19.2	15.1	11.2
EV/EBITDA (x)	37.3	27.9	24.3	21.4	16.4
Dividend Yield (x)	1.6	2.0	4.5	1.8	1.8

Source: Company data, JM Financial. Note: Valuations as of June 03, 2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Other highlights:** In addition to the earlier announced Clean Air capacity expansion via a greenfield plant in Kharkhoda with planned capex of ~INR 710mn (SoP: Q3FY27), Tenneco announced capex of INR 690mn to expand its manufacturing presence in Western India.

**Exhibit 1: Quarterly financial performance – consolidated**

Financial Matrices (INR mn)	4QFY26	4QFY25	% YoY	3QFY26	% QoQ	4QFY26E	Var (%)
<b>Sales</b>	<b>15,524</b>	<b>13,259</b>	<b>17.1</b>	<b>12,853</b>	<b>20.8</b>	<b>13,799</b>	<b>12.5</b>
<b>Value Added Revenue (VAR)</b>	<b>14,058</b>	<b>11,963</b>	<b>17.5</b>	<b>11,941</b>	<b>17.7</b>	<b>12,784</b>	<b>10.0</b>
RM (including substrates)	10,092	8,629	17.0	8,297	21.6	8,936	12.9
as a % of sales	65.0	65.1	-10bps	64.6	40bps	64.8	20bps
Employee Exp	1,031	794	29.8	754	36.8	807	27.7
as a % of sales	6.6	6.0	70bps	5.9	80bps	5.9	80bps
Other Costs	1,828	1,647	11.0	1,576	16.0	1,687	8.3
as a % of sales	11.8	12.4	-60bps	12.3	-50bps	12.2	-50bps
Expenditure	12,952	11,070	17.0	10,628	21.9	11,431	13.3
<b>EBITDA</b>	<b>2,573</b>	<b>2,189</b>	<b>17.6</b>	<b>2,225</b>	<b>15.6</b>	<b>2,368</b>	<b>8.6</b>
<b>EBITDA Margin (%) on sales</b>	<b>16.6</b>	<b>16.5</b>	<b>10bps</b>	<b>17.3</b>	<b>-70bps</b>	<b>17.2</b>	<b>-60bps</b>
<b>EBITDA Margin (%) on VAR</b>	<b>18.3</b>	<b>18.3</b>	<b>0bps</b>	<b>18.6</b>	<b>-30bps</b>	<b>18.5</b>	<b>-20bps</b>
Depreciation	287	260	10.4	283	1	300	(4.5)
Other Income	114	60	90.4	47	144	47	143.9
Interest	88	66	32.3	71	23	71	23.0
PBT	2,313	1,923	20.3	1,918	21	2,044	13.2
Tax	645	519	24.2	458	41	511	26.2
Tax rate (%)	27.9	27.01		23.9		25.0	3bps
Exceptional item	-	-		272		-	
Minority Interest	2	2		1		1	
<b>Adjusted PAT (attributable to owners)</b>	<b>1,666</b>	<b>1,401</b>	<b>18.9</b>	<b>1,459</b>	<b>14.2</b>	<b>1,532</b>	<b>8.7</b>
<b>PAT Margin (%) on sales</b>	<b>10.7</b>	<b>10.6</b>	<b>16bps</b>	<b>11.3</b>	<b>-62bps</b>	<b>11.1</b>	<b>-37bps</b>
<b>PAT Margin (%) on VAR</b>	<b>11.8</b>	<b>11.7</b>	<b>13bps</b>	<b>12.2</b>	<b>-37bps</b>	<b>12.0</b>	<b>-13bps</b>

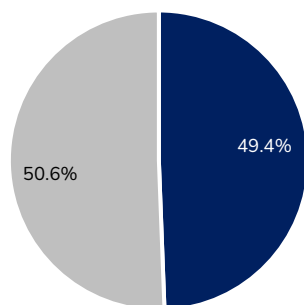
Source: Company, JM Financial

**Exhibit 2: Performance by segment**

Key Items	Q4FY26	Q4FY25	% YoY	Q3FY26	% QoQ
<b>VAR</b>	<b>14,058</b>	<b>11,963</b>	<b>17.5</b>	<b>11,941</b>	<b>17.7</b>
Clean Air and Powertrain (CPT)	6,905	6,284	9.9	5,644	22.3
Advanced Ride Technology (ART)	7,153	5,679	26.0	6,297	13.6
Mix:					
CPT	49.1%	52.5%		47.3%	
ART	50.9%	47.5%		52.7%	
<b>EBITDA</b>	<b>2,573</b>	<b>2,189</b>	<b>17.6</b>	<b>2,225</b>	<b>15.6</b>
<b>EBITDA Margin on VAR</b>	<b>18.3</b>	<b>18.3</b>	<b>0bps</b>	<b>18.6</b>	<b>-30bps</b>
<b>Adj. PAT (to owners)</b>	<b>1,666</b>	<b>1,401</b>	<b>18.9</b>	<b>1,459</b>	<b>14.2</b>
<b>Adj. PAT Margin on VAR</b>	<b>11.8</b>	<b>11.7</b>	<b>13bps</b>	<b>12.2</b>	<b>-37bps</b>

Source: Company, JM Financial

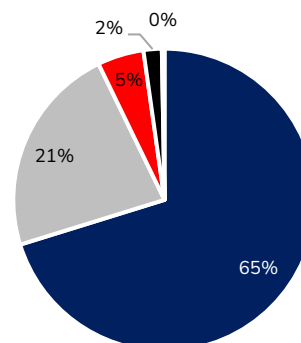
Exhibit 3: VAR by segments (FY26)



■ Clean air and powertrain ■ Advanced ride technologies

Source: Company, JM Financial

Exhibit 4: End market-wise split (FY26)



■ PV ■ CV (Including OH) ■ SCV ■ 2W ■ Industrial

Source: Company, JM Financial

Exhibit 5: Change in estimates – consolidated

Tenneco	New assumption			Old assumption			% Change		
	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E
Revenue from operations	54,040	62,819	75,708	52,316	60,770	73,637	3.3%	3.4%	2.8%
VAR	49,179	57,149	69,701	47,924	55,417	67,984	2.6%	3.1%	2.5%
EBITDA	9,255	10,576	13,673	9,043	10,536	13,473	2.3%	0.4%	1.5%
EBITDA Margin (%) on VAR	18.8%	18.5%	19.6%	18.9%	19.0%	19.8%	-10bps	-50bps	-20bps
Adjusted Net Profit	6,307	7,258	9,424	6,168	7,222	9,284	2.3%	0.5%	1.5%

Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E	
Net Sales	54,676	48,904	54,040	62,819	75,708	
Sales Growth (%)	13.3	-10.6	10.5	16.2	20.5	
Other Operating Income	-	-	-	-	-	
<b>Total Revenue</b>	<b>54,676</b>	<b>48,904</b>	<b>54,040</b>	<b>62,819</b>	<b>75,708</b>	
Cost of Goods Sold/Op. Exp	38,925	32,212	35,099	41,018	48,378	
Personnel Cost	2,526	2,979	3,368	3,883	4,734	
Other Expenses	7,104	5,561	6,318	7,341	8,922	
<b>EBITDA</b>	<b>6,121</b>	<b>8,152</b>	<b>9,255</b>	<b>10,576</b>	<b>13,673</b>	
EBITDA Margin (%)	11.2	16.7	17.1	16.8	18.1	
EBITDA Growth (%)	7.3	33.2	13.5	14.3	29.3	
Depn. & Amort.	1,036	1,032	1,082	1,096	1,338	
EBIT	5,085	7,121	8,173	9,480	12,335	
Other Income	698	410	590	352	416	
Finance Cost	252	203	336	144	170	
PBT before Excep. & Forex	5,531	7,328	8,427	9,689	12,581	
Excep. & Forex Inc./Loss(-)	-	-	-	-	-	
PBT	5,531	7,328	8,427	9,689	12,581	
Taxes	1,363	1,797	2,112	2,422	3,145	
Extraordinary Inc./Loss(-)	-	-	-272	-	-	
Assoc. Profit/Min. Int.(-)	1	11	8	9	12	
Reported Net Profit	4,167	5,521	6,036	7,258	9,424	
<b>Adjusted Net Profit</b>	<b>4,167</b>	<b>5,521</b>	<b>6,307</b>	<b>7,258</b>	<b>9,424</b>	
Net Margin (%)	7.6	11.3	11.7	11.6	12.4	
Diluted Share Cap. (mn)	468	404	404	404	404	
<b>Diluted EPS (INR)</b>	<b>8.9</b>	<b>13.7</b>	<b>15.6</b>	<b>18.0</b>	<b>23.3</b>	
Diluted EPS Growth (%)	17.5	53.6	14.3	15.1	29.9	
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 Mar	FY24A	FY25A	FY26A	FY27E	FY28E	
Profit before Tax	5,531	7,328	8,155	9,689	12,581	
Depn. & Amort.	1,036	1,032	1,082	1,096	1,338	
Net Interest Exp. / Inc. (-)	-395	-183	-151	-208	-246	
Inc (-) / Dec in WCap.	-122	-653	8,491	148	177	
Others	-17	48	13	-	-	
Taxes Paid	-1,156	-1,948	-3,295	-2,422	-3,145	
<b>Operating Cash Flow</b>	<b>4,877</b>	<b>5,624</b>	<b>14,295</b>	<b>8,302</b>	<b>10,705</b>	
Capex	-969	-628	-844	-5,600	-5,081	
Free Cash Flow	3,908	4,996	13,451	2,703	5,624	
Inc (-) / Dec in Investments	-	-3	-	0	0	
Others	667	363	156	347	410	
<b>Investing Cash Flow</b>	<b>-301</b>	<b>-268</b>	<b>-688</b>	<b>-5,253</b>	<b>-4,671</b>	
Inc / Dec (-) in Capital	-850	-	-	-	-	
Dividend + Tax thereon	-5,591	-4,092	-10,366	-4,036	-4,036	
Inc / Dec (-) in Loans	-177	-53	-145	3	3	
Others	-241	-182	-243	-121	-146	
<b>Financing Cash Flow</b>	<b>-6,859</b>	<b>-4,328</b>	<b>-10,754</b>	<b>-4,154</b>	<b>-4,179</b>	
<b>Inc / Dec (-) in Cash</b>	<b>-2,284</b>	<b>1,028</b>	<b>2,853</b>	<b>-1,105</b>	<b>1,855</b>	
Opening Cash Balance	4,115	1,831	2,859	5,712	4,607	
Closing Cash Balance	1,831	2,859	5,712	4,607	6,462	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E	
Shareholders Fund	9,813	16,124	12,005	15,236	20,635	
Share Capital	2,141	4,036	4,036	4,036	4,036	
Reserves & Surplus	7,659	12,064	7,938	11,159	16,547	
Preference Share Capital	-	-	-	-	-	
Minority Interest	13	24	31	40	52	
Total Loans	151	197	515	518	521	
Def. Tax Liab. / Assets (-)	-113	-217	-286	-286	-286	
Other non-current liabilities / Lease Liabilities	177	241	-	-	-	
<b>Total - Equity &amp; Liab.</b>	<b>10,141</b>	<b>16,562</b>	<b>12,520</b>	<b>15,754</b>	<b>21,156</b>	
Net Fixed Assets	6,442	6,129	6,402	10,906	14,648	
Gross Fixed Assets	10,833	11,526	12,610	18,210	23,291	
Intangible Assets	-	-	-	-	-	
Less: Depn. & Amort.	4,758	5,707	6,789	7,885	9,223	
Capital WIP	366	311	581	581	581	
Investments	15	7	5	6	6	
Current Assets	14,783	21,962	18,677	19,235	23,356	
Inventories	3,293	2,777	3,384	3,960	4,770	
Sundry Debtors	5,598	6,872	6,348	7,374	8,768	
Cash & Bank Balances	1,831	2,859	5,712	4,607	6,462	
Loans & Advances	10	5	18	18	19	
Other Current Assets	4,051	9,448	3,215	3,275	3,337	
Current Liab. & Prov.	11,211	11,753	12,851	14,678	17,140	
Current Liabilities	12,167	17,613	12,069	13,837	16,237	
Provisions & Others	-955	-5,860	781	841	903	
Net Current Assets	618	1,524	4,424	3,148	4,802	
Other Non Current Assets/ROU Assets	2,954	8,685	1,403	1,408	1,414	
<b>Total - Assets</b>	<b>10,141</b>	<b>16,562</b>	<b>12,520</b>	<b>15,754</b>	<b>21,156</b>	

Source: Company, JM Financial

Dupont Analysis		FY24A	FY25A	FY26A	FY27E	FY28E
Y/E Mar						
Net Margin (%)		7.6	11.3	11.7	11.6	12.4
Asset Turnover (x)		4.7	3.6	3.6	4.2	3.9
Leverage Factor (x)		1.1	1.1	1.1	1.1	1.1
RoE (%)		38.1	42.6	44.9	53.4	52.7

Source: Company, JM Financial

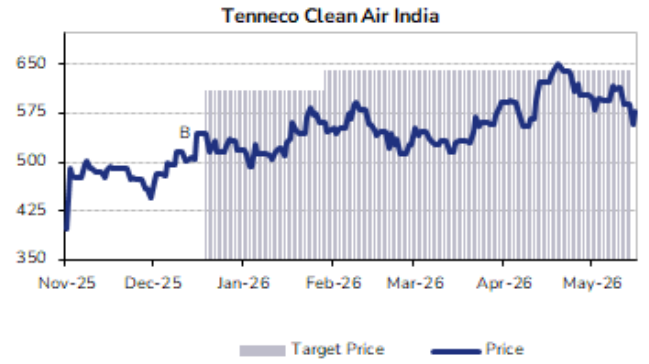
Key Ratios		FY24A	FY25A	FY26A	FY27E	FY28E
Y/E Mar						
BV/Share (INR)		20.9	39.9	29.7	37.6	51.0
ROIC (%)		46.8	49.8	60.5	79.3	71.6
ROE (%)		38.1	42.6	44.9	53.4	52.7
Net Debt/Equity (x)		-0.2	-0.2	-0.4	-0.3	-0.3
P/E (x)		64.0	41.7	38.1	31.7	24.4
P/B (x)		27.2	14.3	19.2	15.1	11.2
EV/EBITDA (x)		37.3	27.9	24.3	21.4	16.4
EV/Sales (x)		4.2	4.7	4.2	3.6	3.0
Debtor days		37	51	43	43	42
Inventory days		22	21	23	23	23
Creditor days		69	80	87	87	87

Source: Company, JM Financial

**Recommendation History Table**

Date	Recommendation	Target Price	% Chg.
3-Jun-26	Buy	680	6.3
17-Feb-26		640	4.9
7-Jan-26	Buy	610	

**Recommendation History Chart**



## APPENDIX I

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

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Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -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)

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