IPO REVIEW

Tenneco Clean Air India IPO

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- The company is an Indian counter part of Tenneco group, and carries its legacy.
- The company enjoys leadership for its clean air and advance automotive components.
- It posted growth in its top and bottom lines for the reported periods.
- Based on its recent financial data, the issue appears fully priced.
- Investors may grab it for medium to long term as it is poised for bright prospects ahead.

About the Company

Tenneco Clean Air India Ltd. (TCAIL) is a part of the Tenneco Group, a U.S. headquartered key global Tier I automotive component supplier (Source: CRISIL Report). Tenneco Group generated US$16,777 million in revenue in the year ended December 31, 2024. Its first manufacturing plant in India was established in 1979 at Parwanoo. The company manufactures and supplies critical, highly engineered and technology intensive clean air, powertrain and suspension solutions tailored for Indian OEMs and export markets. Its customer base spans across OEMs who use TCAIL's products in: (i) passenger vehicles ("PVs"), (ii) commercial vehicles ("CVs"), which comprises commercial trucks ("CTs") and off-highway vehicles ("OHs"), and (iii) industrial and other applications, which comprises generator sets, small commercial vehicles with gross vehicle weight of less than 3.5 tons, two wheelers and three wheelers ("Industrial/Others").

It also sells to the aftermarket primarily through Motocare India Private Limited ("Motocare"), a subsidiary of Tenneco LLC and the Group Company. It is well-positioned in each of its product offerings. TCAIL is the largest supplier of Clean Air Solutions to Indian CT OEMs, with a market share of 57%; it is the largest supplier of Clean Air Solutions to Indian OH OEMs (excluding tractors), with a market share of 68%; it is also among the top four suppliers of Clean Air Solutions to Indian PV OEMs, with a market share of 19%; and the company is the largest supplier of shock absorbers and struts to Indian PV OEMs, with a market share of 52% (each in terms of value (revenue) in Fiscal 2025) (Source: CRISIL Report).

The company benefits from: (i) its long-standing partnerships with the top Indian OEMs as identified in the CRISIL Report across end markets, (ii) ability to leverage Tenneco Group's global R&D for proprietary, modular and bespoke solutions, (iii) ability to engineer end-to-end solutions in India, (iv) ability to leverage an efficient, flexible and quality focused manufacturing model in India, and (v) manufacturing capacity with shared and reusable assets across facilities and regions. As of June 30, 2025, it had 12 manufacturing facilities, comprising seven Clean Air & Powertrain Solutions facilities and five Advanced Ride Technology facilities, across seven states and one union territory in India. In

the three months ended June 30, 2025 and Fiscal 2025, TCAIL served 101 and 119 customers, respectively, including all top seven PV OEMs in India and all top five CT OEMs in India (ranking of OEMs determined based on sales volume in Fiscal 2025) (Source: CRISIL Report). It operates two R&D technical centers in India equipped to address both global and local customer needs.

Its customers include global and well-known names such as Ashok Leyland Limited, Bajaj Auto Limited, Cummins India Limited, Daimler India Commercial Vehicle, Honda Motorcycle and Scooter India Private Limited, Hyundai Motor India Limited, John Deere India Private Limited, Kirloskar Oil Engines Limited, Mahindra & Mahindra Limited, Maruti Suzuki India Limited, Renault Nissan Automotive India Private Limited, Royal Enfield, Skoda Auto Volkswagen India Private Limited, Tata Motors Limited, Toyota Kirloskar Motor Private Limited, Vinfast Trading and Production Joint Stock Company, and VE Commercial Vehicles Limited. The company enjoys customer stickiness with long-standing relationships, as demonstrated by its top 10 customers having been with it for an average of 19.2 years, as of June 30, 2025. Top 10 customers contribute around 80% in its total revenues.

TCAIL is positioning itself as a production and export hub for major Tenneco Group markets, including North America, Europe, APAC and Africa. In the three months ended June 30, 2025 and 2024 and Fiscal 2025, 2024 and 2023, it exported products to 18, 18, 20, 22, and 21 countries, respectively, including Argentina, Brazil, China, Czech Republic, Poland, Germany, Belgium, Indonesia, Thailand, Japan, Turkey, South Korea, Mexico, South Africa, the U.K., the U.S. and Vietnam. As of June 30, 2025, it had 2017 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route secondary IPO worth Rs. 3600.00 cr. (approx. 90680101 equity shares of Rs. 10 each at the upper cap). The company has announced a price band of Rs. 378 – Rs. 397 per equity shares of Rs. 10 each. The issue opens for subscription on November 12, 2025, and will close on November 14, 2025. The minimum application to be made is for 37 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 22.47% of the post-IPO paid-up equity capital. This being a pure Offer for Sale (OFS), no funds are going to company. This issue is being made for unlocking the shareholders' value and listing benefits as well as providing a partial exit to some of its stakeholders.

The four Book Running Lead Managers (BRLMs) to this issue are JM Financial Ltd., Citigroup Global Markets India Pvt. Ltd., Axis Capital Ltd., and HSBC Securities and Capital Markets (India) Pvt. Ltd., while MUFG Intime India Pvt. Ltd., is the registrar to the issue. JM Financial Services Ltd. is a syndicate member.

Having issued initial equity shares at par, the company has issued/converted further equity shares in the price range of Rs. 12.00 – Rs. 288.85 per share (based on FV of Rs. 10), between December 2023, and March 2025. The average cost of acquisition of shares by the promoters/selling stakeholders Rs. 138.14, Rs. 138.15, and Rs. 288.85 per share.

Post-IPO, its current paid-up equity capital of Rs. 403.60 cr. will remain the same as this is a pure secondary issue. Based on the upper cap of the IPO price band, the company is looking for a market cap of Rs. 16023.09 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit, of Rs. 4886.96 cr. / Rs. 381.04 cr. (FY23), Rs. 5537.39 cr. / Rs. 416.79 cr. (FY24), and Rs. 4931.45 cr. / Rs. 553.14 cr. (FY25). For Q1 of FY26 ended on June 30, 2025, it posted a net profit of Rs. 168.09 cr. on a total income of Rs. 1316.43 cr. The company marked growth in its top and bottom lines for the reported periods. FY24 was the exceptional year, that posted higher top line.

For the last three fiscals, the company has posted an average EPS of Rs. 11.07 and an average RoNW of 39.25%. The issue is priced at a P/BV of 12.82 based on its NAV of Rs. 30.98 as of June 30, 2025, as well as on post-IPO NAV basis.

If we attribute FY26 annualized earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 23.83. Based on FY25 earnings, the P/E stands at 28.96. Thus, the issue appears fully priced.

The company has reported PAT margins (on revenue from operations basis) of 7.89% (FY23), 7.62% (FY24), 11.31% (FY25), 13.07% (Q1-FY26), and RoCE margins of 33.51%, 45.40%, 56.78%, 16.29%, respectively for referred periods.

Dividend Policy

The company has paid a dividend of 49.73% (FY23), 69.13% & 20.53%(FY24), 112.31% (FY25), 42.53% and 214.30% for FY26 till July 01, 2025. It has already adopted a dividend policy in May 2025, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Bosch Ltd., Timken India, SKF India, ZF Commercial, Sharda Motor, Gabriel India, Uno Minda, Sona BLW, as its listed peers, which are currently trading at a P/E of 49.0, 49.9, 19.6, 50.4, 20.1, 82.5, 64.9, and 48.7 (as of November 07, 2025). However, they are not truly comparable on an apple-to-apple basis. The comparison appears to be an eyewash.

Merchant Banker's Track Record

The four BRLMs associated with the offer have handled 93 pubic issues in the past three fiscals, out of which 21 issues closed below the offer price on the listing date.

Conclusion / Investment Strategy

TCAIL is an Indian counter part of Tenneco group, and carries its legacy. The company enjoys leadership for its clean air and advance automotive components. It posted growth in its top and bottom lines for the reported periods. Based on its recent financial data, the issue appears fully priced. Investors may grab it for medium to long term as it is poised for bright prospects ahead.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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