

Tenneco Clean Air India Ltd

Initiation Coverage

06 Oct 2026

Spark Initiating Coverage Reports – Rebooted!

Outlining the framework from our desk

In our new, rejuvenated approach to publishing fundamental research ideas, we aim to balance a traditional, time-tested framework with a contemporary and hopefully refreshing segue into stock picking. Accordingly, our Initiating Coverage reports will be presented in five sections: **(1) Annual Report Deep-dive, (2) Business Assessment Scores, (3) Valuation Framework, (4) Stock Buzz & Influencing Factors, and (5) Technical Analysis.**

This report is underpinned by three key beliefs: (1) Technical analysis, when combined with fundamentals, leads to better stock calls; (2) business assessment should be separated from valuation frameworks, allowing equity research to calibrate the mix objectively when making stock calls; and (3) reactions to “buzz” and other factors that influence price action must be identified and given due regard when timing stock calls, particularly in the current environment where information flow is incessant.

Annual Report Deep-dive

Drawing on the time-tested but sadly, rarely-applied practice of drilling into historical annual reports, we dedicate the opening section to the **Analytical Perspective gleaned** from this exercise. A helpful forensic overlay provides a clearer view of the company’s **historical operating performance, balance sheet behaviour, cash flow quality & governance structure.** By anchoring the analysis in reported numbers and disclosures, this section helps assess earnings quality and risk before progressing to any forward-looking calls with conviction.

Business Assessment Scores

To address the question of whether a company’s business can emerge as a long-term winner, we draw on Porter’s Five Forces framework to examine key aspects such as revenue models, pricing risks, market positioning, and competitive moats. Our financial analysis and estimates are anchored in our assessment of both the company’s current performance and its long-term potential. To ensure that this assessment remains objective and not influenced by subjective judgment, we employ a scoring model that captures the key drivers of business quality across five composite vectors. The resulting scores form the basis of our call on the business.

Valuation Framework

We have often observed how markets can make target multiples appear like the proverbial rabbits out of a hat. To avoid the temptation of retrospectively justifying valuations alongside the broader market, we returned to first principles while designing our Valuation Framework. Anchored in market, peer, and historical absolute benchmarks, our valuation scores incorporate Economic Value Added, return profiles, growth prospects, and leadership positions, mapped against relevant valuation multiples. Ultimately, the central question remains: given everything we know about the business, markets, and peers, does the current pricing appear attractive? This question forms the bedrock of stock-picking in equity research.

Stock Buzz & Influencing Factors

The **Buzz Chart** & Liquidity Chart track stock-specific news flow, events, and market activity to help identify **periods of elevated attention or sentiment shifts**, complementing fundamental and valuation analysis.

Technical Analysis

The report also includes a **Technical Analysis** section to capture prevailing price trends, momentum, and key support–resistance levels, offering additional insight into **market timing and near-term market behavior.**

Source: Company, Midas Research

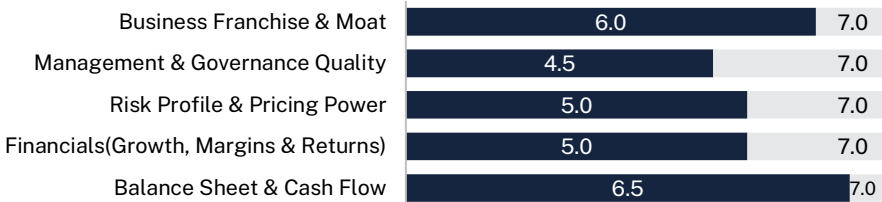
About the company

- Tenneco Clean Air India Ltd., part of the US-based Tenneco Group (~US\$16.8bn CY24 revenue), is a leading Tier-1 supplier of engineered clean air, powertrain, and suspension solutions to Indian and global OEMs. Its two divisions — Clean Air & Powertrain Solutions and Advanced Ride Technologies — span exhaust, engine, ignition, and suspension products, with Value-Added Revenue (VAR) as the key performance metric.
- The company holds top-two positions across key segments, including 58%/68% value share in CV/off-highway Clean Air and 55% in PV shock absorbers & struts (FY26). It served 100+ customers in FY26, including all top-seven PV and top-five CT OEMs, with Clean Air & Powertrain and Advanced Ride Technologies contributing ~49%/51% of VAR (FY26), respectively.
- Deep integration into OEM product-development cycles and performance-critical offerings drives strong customer stickiness. Local engineering capabilities and access to Tenneco's global technology and IP position the company to benefit from tighter emission norms, vehicle premiumization and evolving powertrains.
- Supported by Tenneco's global R&D network of 39 centres and 2 R&D centres in India, the company operates 12 plants across seven states and one UT, with India serving as a manufacturing and export hub to 17 countries.

Annual Report
Deep-dive

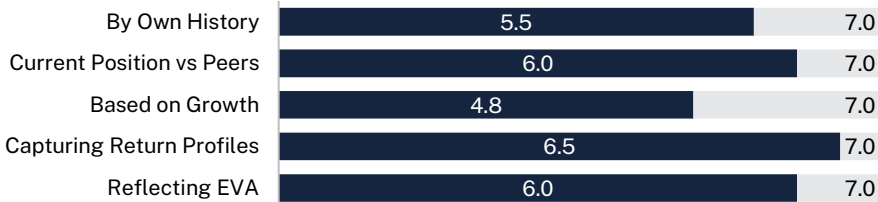
FY26 cash flow was flattered by the Motocare sale, with Rs. 829 cr (Rs. 862 cr incl. interest) reclassified from operating to investing cash flow, normalising CFO growth from 154% to 7% Y-o-Y, while the Rs. 573 cr gain bypassed P&L via Capital Reserve. The aftermarket margin pool was carved out pre-listing, with Motocare retained by Tenneco Group, leaving TCAIL as an OEM-focused supplier with transfer pricing, a 2.5% brand royalty, and aftermarket at ~5% of revenue. Governance remains a monitorable given recent KMP/independent director churn, ~Rs. 8,257 cr promoter monetisation and Rs. 300 cr+ annual related-party flows, despite clean FY26 Deloitte/CARO opinions.

Business Assessment Scores



■ Average factor score

Valuation Framework



■ Average factor score

Financials and Estimates Summary

Particulars (Rs.cr)	Revenue	VAR	EBITDA	EBITDA %	PAT	EPS	RoE %	RoCE%	P/E	EV/EBITDA
FY24	5,468	4,269	612	11.2%	417	10.3	38%	46%		
FY25	4,890	4,380	815	16.7%	552	13.7	43%	55%		
FY26	5,404	4,918	925	17.1%	604	15.0	43%	58%	33	21
FY27E	6,031	5,489	960	15.9%	673	16.7	45%	57%	29	19
FY28E	6,843	6,227	1162	17.0%	828	20.5	39%	49%	24	16

06 Oct 2026

Industry Auto Components

Key Stock Data

Bloomberg	TENNIND IN
Shares o/s (cr)	40.4
Market Cap (Rs. cr)	19,656
52-wk High/Low	657/438
20D ADV ('000)	627.3
Index	Nifty 500
F&O	N

Latest Shareholding (%)

	Jun-26	Mar-26	Dec-25
Promoters	74.8	74.8	74.8
Institutions	21.1	21.5	20.4
Public	4.1	3.7	4.8
Pledge	0.0	0.0	0.0

Stock Performance (%)

	1M	6M	12M
TENNIND IN	(5.9)	(7.8)	-
Nifty 500	(5.5)	3.7	(5.2)

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Source: Company, Bloomberg, Midas Research

Report In Gist (2/3)

Stock Buzz & Influencing Factors



- BS-VII/Euro-VII and CAFE-3 could drive 1.3–1.5x higher content per vehicle, while hybrid/range-extender adoption offers additional upside; EV transition, US tariffs, overseas macroeconomic factors & commodity/forex volatility are key risks.
- Marquee wins — Euro-VII PoC, DaVinci DCx suspension on a flagship SUV (~Rs. 220 cr/yr), the first Clean Air programme with a Japanese PV OEM, and maiden entry into bearings — will be key revenue drivers going ahead.
- During Q2FY27, promoters reduced their share holding with holding declining from ~74.8% post the IPO to ~60% after the Aug-2026 block deal. SBI MF, HDFC MF were the major buyers among others.
- Near-term performance is likely to be driven by execution of the ~Rs. 12,400 cr order book (~2x of FY28 revenue target), the ramp-up of higher-margin exports, new-programme SOP, and BS-VII/CAFE-3 content gains; tariff drag, overseas macroeconomic issues or delayed SOP could cause volatility.
- With a net-cash balance sheet, negative CCC and self-funded ~Rs. 300 Cr* FY27 capex, equity dilution risk remains limited.

Technical Analysis



- Tenneco Clean Air India is forming a **downward sloping channel** on the daily timeframe, with the stock approaching a well-established multi-month support zone of Rs. 470–490, where repeated buying interest has emerged.
- The setup **favours an accumulation-on-dips** strategy near Rs. 470–490, while a sustained breakout above Rs. 540–545 could open the way towards the Rs. 600–620 resistance zone.



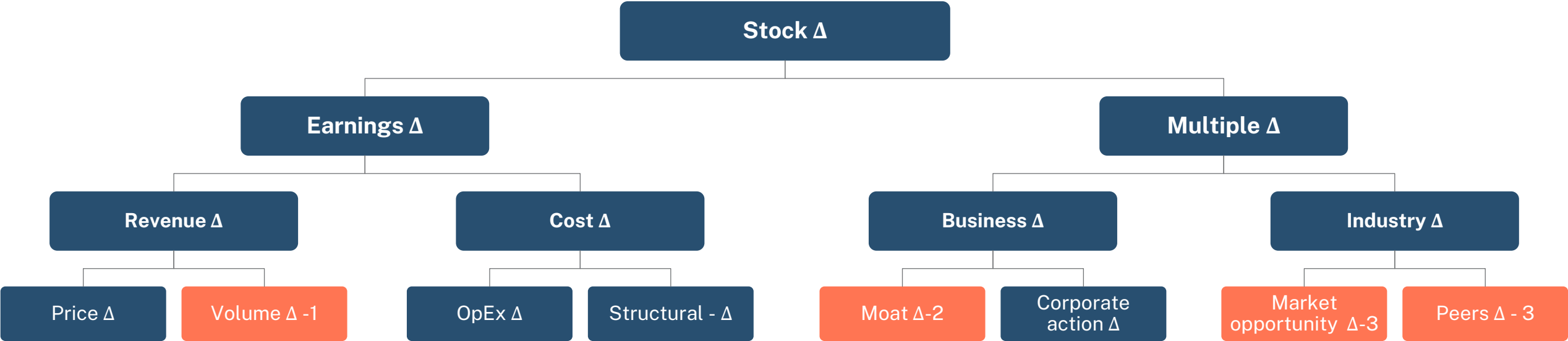
Investment Rationale

- **Tenneco Clean Air India (TENNIND) — BUY, TP ~Rs. 621 (~28% upside).** The Indian arm of the global Tenneco Group, Tenneco Clean Air India is a Tier-1 auto-component maker, roughly evenly split between Clean Air & Powertrain and Monroe suspension. The investment case is based on quality and returns at a fair price — not on being the fastest grower in the pack.
- **Hard to displace, and cheap to run.** Tenneco is the largest supplier of exhaust/emission systems to trucks (~58%) & off-highway vehicles (68%), and of shock absorbers to passenger cars (~55%). Once a carmaker designs Tenneco's part into a model — a process that typically involves 6–18 months of testing — it rarely switches suppliers, with many relationships already spanning 19+ years on average. Its global parent's technology, accessed for a 2.5% fee, enables it to win advanced programmes that smaller rivals may struggle to bid for, while its flexible factories — where one line can manufacture multiple products — help keep costs low and margins healthy.
- **Best-in-class economics.** FY26 EBITDA margin of 18.8% (VAR) vs ~10–14% peer band, negative working capital that self-funds growth & a net-cash balance sheet — driving ~43% RoE. Normalised RoCE is ~58%, in FY26 and expected to stabilize around 49% by FY28E.
- **Contracted, regulation-backed growth.** A ~Rs. 12,400 cr order book covers ~2x of the FY28 revenue target, further tightening of emission norms(CAFÉ-3/BS7 adds Rs. 1,300–1,400 cr of addressable market), launch of new product, tapping into A/B car segment will support the growth of the orderbook and result in steady double-digit growth, though expected FY26–28E CAGRs of ~13%/12%/17% (revenue/EBITDA/PAT).
- **How we look at EV risk:** Only ~20% of revenue, primarily PV Clean Air & Powertrain, is directly exposed to EV penetration, while ART is EV-agnostic and growing faster. Hybrids provide a transitional tailwind, and CV/off-highway Clean Air has limited near-term EV risk. Moreover, heavier EV battery packs support demand for higher-spec suspension systems, creating an offset through ART. We therefore view EV risk as largely a FY30+ concern rather than a near- to medium-term threat.
- **Valuation:** 30x multiple is justified because of Tenneco's higher margins on VAR (~19% vs 12% peer average), best-in-class capital efficiency(ROCE 58% vs 24% peer average), negative working capital and a net-cash balance sheet. Promoter holding, capex and export conversion are key monitorable.

Source: Company, Midas Research

* We have assumed lower capex in FY27 against management guidance of Rs. 350–400 Cr

Report in Gist-Decision Tree (3/3)



1 Reasoning 1

- Order book of ~Rs. 12,400 cr covers ~2x of the FY28 revenue target and is balanced across Clean Air, Powertrain, and ART, underpinning a ~13% VAR CAGR over FY26–FY28E.
- Advanced Ride Technologies is the growth engine — VAR grew 19.7% in FY26, with market share rising from 52% to 55%, led by the proprietary DCx DaVinci platform (higher CPV) and the new DCx32 variant expanding into A/B-segment cars; this ~half of the business is EV-agnostic.
- Realisation is driven by mix and content per vehicle (shock-absorber ASP +10.4%, Clean Air ASP +4.7% in FY26), as emission tightening (BS-VII, Euro-VII, TREM V, CAFE-III) lifts content; exports (~14% of the lifetime order book vs ~6% of revenue) provide additional upside optionality.

2 Reasoning 2

- Deep switching costs: 19+ year average relationships with the top-10 OEMs, multi-year platform co-development and validation lock-in, and access to the parent's global technology/patent library for a 2.5% royalty.
- Category leadership with high after-treatment technology barriers - ~58% in CV-truck exhaust, ~68% in off-highway Clean Air, and ~55% in PV shock absorbers.
- A structurally superior financial model — FY26 EBITDA margin (VAR) of 18.8% (highest ever), RoCE of 58%, a net-cash balance sheet, and negative working capital (~30 days) — materially ahead of Gabriel and Endurance; royalty leakage and PV-EV exposure are the key offsets to monitor.

3 Reasoning 3

- The Indian auto-component sector is projected to reach ~US\$200 bn by FY30, with Tenneco's segments compounding at 5–10%, supported by rising CPV, premiumisation/hybrids and India's emergence as a China+1 export hub.
- Best economics at below average multiple: Tenneco compounds PAT at ~17%(FY26-FY28E), with an 18.6% EBITDA margin (FY28E VAR) and ~49% RoCE(FY28E, but trades at ~24x FY28E/~33x trailing P/E — below the listed-peer average of ~42x TTM PE and 27x FY28E.
- We value Tenneco at 30x FY28E EPS — a deliberate ~10% premium to the peer FY28E average of ~27x — justified by best-in-class returns, net cash and the Tenneco Group/PE parentage.

Source: Company, Midas Research

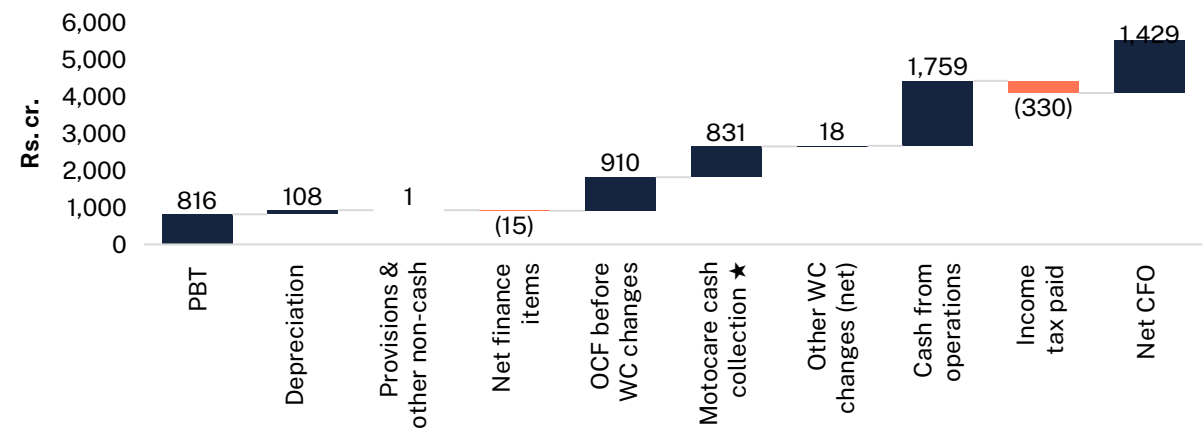
INDEX

Initiating Coverage Reports – Rebooted Report In Gist

→	Section 1 - Annual Report Deep-dive	07
→	Section 2 – Business Assessment Scores	12
	2.1 Business Franchise and Moat	19
	2.2 Management and Governance Quality	23
	2.3 Risk Profile and Pricing Power	26
	2.4 Financials	27
	2.5 Balance Sheet and Cash Flow	30
→	Section 3 – Valuation Framework	31
	3.1 By Own History	33
	3.2 Current Position vs Peers	34
	3.3 Based on Growth	35
	3.4 Capturing Return Profiles	36
	3.5 Reflecting EVA	37
→	Section 4 – Stock Buzz and Influencing Factors	39
→	Section 5 – Technical Analysis	40
→	Annexures	45

1 – Annual Report Deep-dive (1/5)

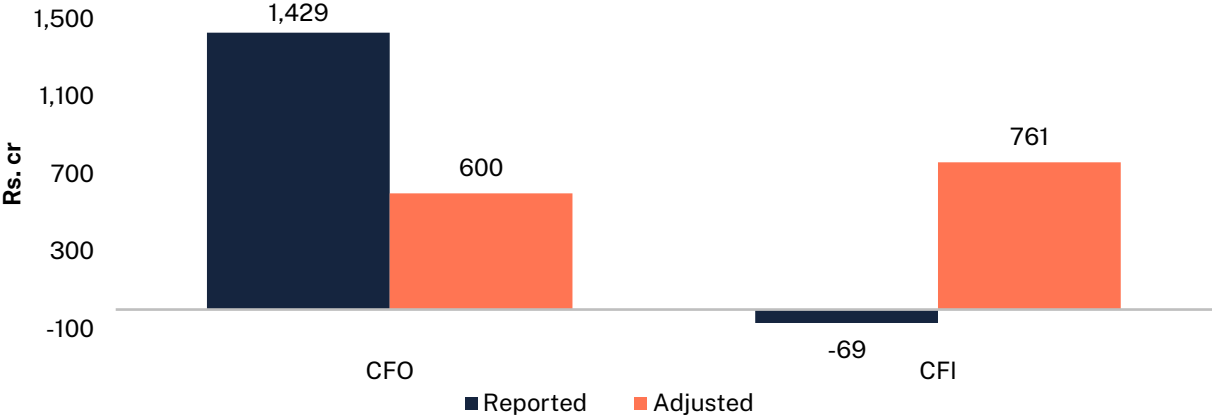
Motocare sale consideration flattered CFO growth to 154%...



What actually happened

What was sold	100% of Motocare India Pvt Ltd (MIPL) - the group's aftermarket distribution arm
Seller	Tenneco Automotive India Pvt Ltd (TAIPL) - subsidiary of Tenneco Clean Air India
Buyer	Federal-Mogul Motorparts India Ltd - a Tenneco Group Subsidiary
Date	24 March 2025 (last week of FY25); cash collected during FY26
Consideration	Rs.829 cr Carrying value: Rs.256 cr Gain: Rs.573 cr
P&L impact	Zero in consolidated P&L - gain routed to Capital Reserve (Ind AS 103, common-control rule)

.....when adjusted, the growth normalizes to 7% Y-o-Y*



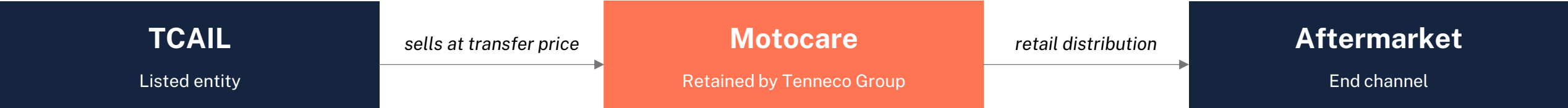
Motocare transaction: one-off cash collection, not operating cash generation

- On 24 March 2025, Tenneco Automotive India Private Limited (TAIPL) transferred its entire holding in Motocare India Private Limited to fellow Tenneco Group subsidiary Federal-Mogul Motorparts India Limited for **Rs. 829.35 cr.**
- The **Rs. 829 cr Motocare** sale proceeds are included in operating activities (within the working-capital line). Reclassifying them to investing activities — where a one-time asset sale belongs — reshaped FY26 cash generation.
- The consideration remained outstanding as a receivable as of 31 March 2025 and was collected by TAIPL on 17 July 2025 and 12 August 2025. **Total cash received, including applicable interest, was Rs. 861.75 cr.**
- In the cash flow statement, this does not appear as a standalone line item. It sits within the Rs. 705 cr net inflow under “Financial and other assets”, alongside other asset movements.

Accounting treatment is correct and mandatory under Ind AS 103 (Appendix C — pooling of interests). The gain is routed to Capital Reserve, bypassing P&L, so reported earnings are not inflated. The adjustments above are for comparability of cash generation, not to correct accounting errors.

1 – Annual Report Deep-dive (2/5)

How the transaction currently happens between TCAIL and Motocare



Recognises manufacturing margin only

Captures the aftermarket margin pool

What has happened

1 Deliberate carve-out

Motocare shareholding was transferred to Federal-Mogul Motorparts India (a fellow subsidiary) on 24 Mar 2025 — **before** the reorganisation. As per the RHP, the DRiV segment was “not meant to be part of the reorganisation” for the Offer.

2 How is it structured

Margin it forgoes: sells parts cheaply to sister firm Motocare, which resells them at retail and keeps the spread.
Royalty it pays: a 2.5% brand fee on all revenue is paid to the parent every year.

3 Pre-IPO cash round-trip

Rs. 862 cr of sale proceeds (incl. interest) received in Jul–Aug 2025 were upstreamed to the Company and paid out as an **Rs. 865 cr interim dividend** to shareholders.

Aftermarket as % of revenue from operations before Motocare was carved out

5.54%

FY23

4.72%

FY24

4.88%

FY25

4.99%

Q1 FY26

INVESTMENT IMPLICATION

An OEM supply story — not an aftermarket play

Retained margin-pool quantum is not separately disclosed — Motocare’s P&L sits outside the listco.

Source: Company, Midas Research

1 – Annual Report Deep-dive (3/5)

Key Managerial Personnel — Full Turnover

5 exits within 10 days (5–15 May 2025) · 2 company secretaries in 88 days · CFO joined on 5 Jun 2025, ~5 months before listing

Departed	Appointed
Priya Dekate · CS — 5 May	Arvind Chandrasekharan · CEO/WTD — 5 May
G.N. Hemade · Director — 15 May	Garima Sharma · CS — 5 May → out 31 Jul
Rishi Verma · MD — 15 May	Mahender Chhabra · CFO — 5 Jun
N. Phani Kishor Rao · Dir — 15 May	Roopali Singh · CS — 1 Aug
D.J. Parkhi · Director — 15 May	

Board Of Directors

All 3 independent directors were appointed on 5 May 2025 for 3-year terms · no independent director had completed a full year in office by listing

Independent (5 May 2025): Niranjan Kumar Gupta, Jaidit Singh Brar, Gopika Pant

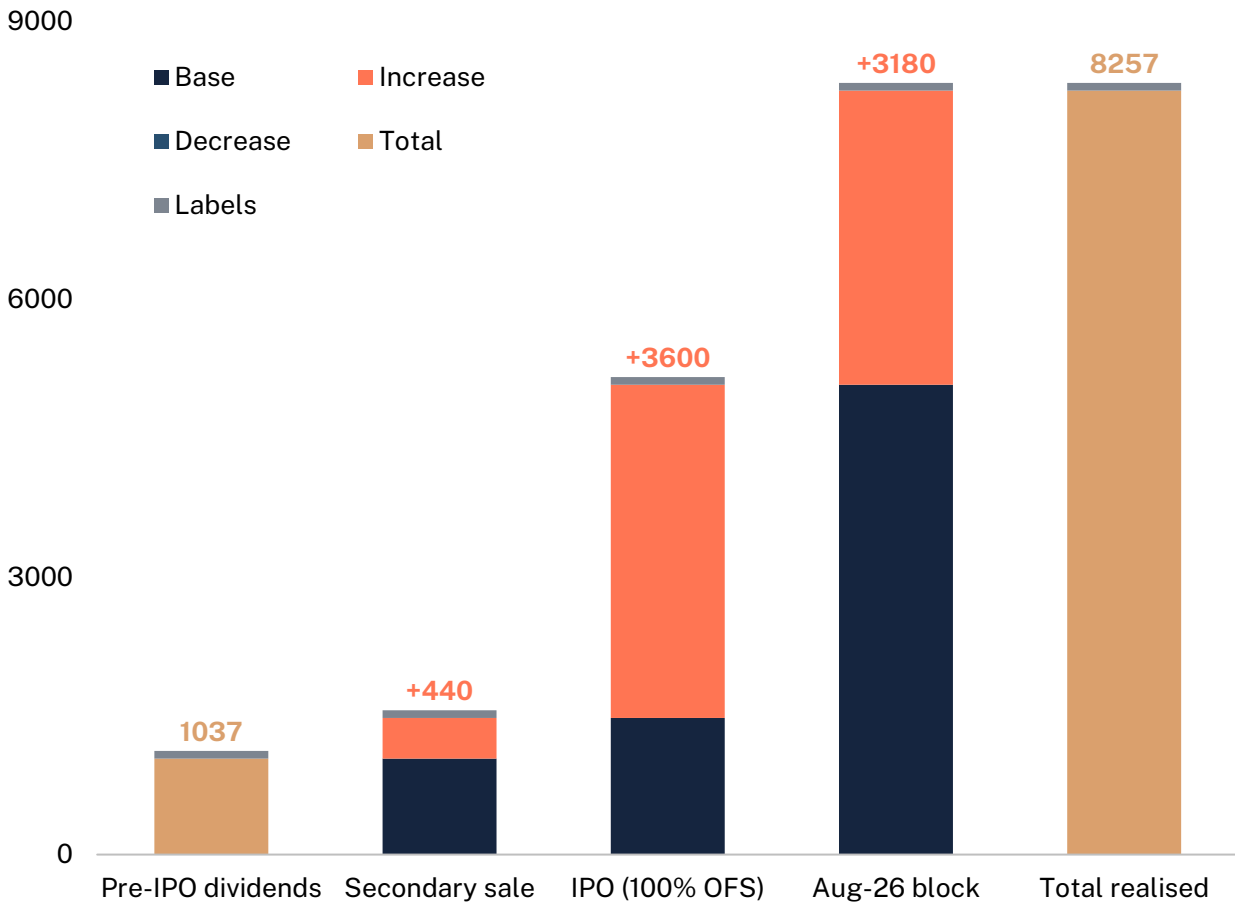
Non-executive / promoter nominee (15 May 2025): Manavendra Singh Sial (Chairman of the Board) , Nathan Patrick Bowen

Executive: Arvind Chandrasekharan (Whole-time Director & CEO, 5 May 2025)

The independent directors approved the pre-IPO dividend schedule, royalty benchmarking and related-party framework within months of their appointment.

PROMOTER MONETISATION ≈ Rs. 8,257 cr realised in under 12 months

Cash realised by promoter group, Rs cr, Apr 2025 – Aug 2026



*Pre-IPO secondary value as reported.

1 – Annual Report Deep-dive (4/5)

Auditor and disclosure quality

Key Audit Observations (CARO findings)

- **FY26 – clean consolidated status:** No qualifications or adverse remarks in the CARO reports of the parent or any Indian subsidiary in the FY26 consolidated financial statements.
- **Employee fraud (FY23–24):** A vendor-payment fraud by a TAIPL employee caused ~Rs. 19.44 cr loss across the current and preceding years; the company conducted a forensic probe, took disciplinary action and strengthened monitoring controls.
- **Inventory discrepancy (FY24):** A ~Rs. 4.03 cr gap between FMIPL's physical count (Dec 2023) and perpetual records, with suspected theft/kickbacks, was reported to the Central Government under Section 143(12) as a suspected fraud; remedial SOPs, leadership changes and system upgrades followed.
- **Statutory dues:** Undisputed dues (GST, PF, ESI, income tax, customs, etc.) were generally deposited on time, with minor delays in a few cases across FY23–FY25; none were outstanding for more than six months (FY25).
- **Disputed dues:** Customs-duty disputes are pending before Customs/Excise authorities — e.g. Rs. 1.387 cr (FY21–22) and Rs. 0.008 cr (FY24–25); older items include Rs. 2.00 cr (2008), Rs. 1.41 cr (2007–08) and Rs. 0.01 cr (1987–88).
- **Inventory verification (FY25):** Physical verification performed at reasonable intervals, except for goods in transit and stock held with third parties.
- **Whistleblower complaints (FY25):** Complaints received were disclosed and considered in determining the nature, timing and extent of audit procedures.
- **CSR compliance (FY23):** Unspent CSR funds for ongoing projects were transferred to a dedicated bank account within the 30-day statutory timeline (Section 135(5)).

Statutory Auditor's Report

- **Unmodified opinion:** Deloitte Haskins & Sells LLP issued an unmodified opinion on the FY26 standalone and consolidated financial statements (true and fair view under Ind AS) and internal financial controls; no key audit matters were reported.
- **Books & data backup:** Auditors noted proper books were maintained except for daily backup of electronically maintained books on a server located in India (parent and subsidiaries), and flagged audit-trail (edit-log) compliance matters.

Deloitte Haskins & Sells LLP (Chartered Accountants) has been the statutory auditor of Tenneco Clean Air India Ltd. for the last three fiscal years (FY24–FY26), with the firm's audit tenure commencing in FY23.

Remediation & FY26 control outcome

- **Fixing the flagged gaps:** TAIPL terminated the offending employee, conducted an external forensic review, tightened vendor-payment controls, and reinstated automated statutory-compliance tracking & audit-trail logging. FMIPL upgraded its ERP/inventory systems, strengthened warehouse SOPs, changed local leadership, filed FIRs & routed whistleblower reports directly to the board.
- **Group-level controls:** Parent and Indian subsidiaries moved to SAP ERP with continuous audit-trail (edit-log) functionality; Audit and Nomination & Remuneration committees reconstituted under Independent Director chairs, with quarterly review of internal-audit findings and risk registers.
- **FY26 result:** After operating-effectiveness testing, Deloitte issued clean, unmodified opinions on both standalone and consolidated internal financial controls, with no material weaknesses remaining.

1 – Annual Report Deep-dive (5/5)

Related-Party Transactions Are Concentrated in Operating Sales, Reimbursements and Technology Payments

Category	Transaction	FY26 Amount (Rs. cr)	Key details / Major counterparties	Takeaway
Operating RPTs	Sale of Products	303	Largest contributor was Motocare India Pvt Ltd (Rs. 217 cr) , followed by Tenneco Sistemas Automotivos Brazil (Rs. 25 cr) and Tenneco Automotive Operating Co. (Rs. 19 cr).	Material operating RPT , with ~72% of product sales concentrated with Motocare India; warrants monitoring of customer concentration and pricing terms.
	Sale of Services	29	Mainly Federal-Mogul Powertrain LLC (Rs. 15 cr), Federal-Mogul Motorparts LLC (Rs. 6 cr) and Tenneco Automotive Operating Co. (Rs. 6 cr).	Primarily intra-group service revenue; relatively small compared with product sales.
	Purchase of Goods	53	Tenneco Automotive Europe BV (Rs. 34 cr) and Tenneco Automotive Brasil (Rs. 11 cr) account for the majority.	Represents sourcing from group entities; pricing and arm's-length nature should be monitored , particularly for imported inputs.
	Purchase of Services	7	Mainly Federal-Mogul Sejong (Rs. 3 cr), Federal-Mogul Operations France (Rs. 2 cr) and Tenneco Automotive Operating Co. (Rs. 1 cr).	Limited in absolute value; low materiality relative to revenue.
Technical / Corporate support	Royalty Expenses	119	Federal-Mogul Powertrain LLC (Rs. 60 cr), Tenneco Automotive Operating Co. (Rs. 49 cr) and Tenneco GmbH (Rs. 11 cr).	Key cost item. Royalty payments are substantial and directly affect margins; important to assess linkage to technology/IP and sales.
	R&D Expenses	23	Primarily Tenneco Automotive Operating Co. (Rs. 20 cr).	Represents group-level R&D charges; assess benefit received and allocation methodology.
	Management Support Charges	9	Federal-Mogul Powertrain LLC (Rs. 4 cr), Federal-Mogul Goetze India (Rs. 3 cr) and Tenneco Automotive Operating Co. (Rs. 1 cr).	Relatively modest; monitor recurring nature and basis of allocation.
	Management Services Income	33	Federal-Mogul Powertrain LLC (Rs. 21 cr) and Federal-Mogul Operations France (Rs. 8 cr) are the key contributors.	Offsets part of group support costs; indicates the company also provides services to group entities.
	Business Support Services Income	8	Mainly Tenneco Automotive Europe BV (Rs. 5 cr) and Tenneco Automotive Operating Co. (Rs. 3 cr).	Non-core but recurring intra-group income.
Capital / Financial	Reimbursement of Expenses Paid	199	Major payments to Tenneco Automotive Polska (Rs. 70 cr), Tenneco Global Service India (Rs. 55 cr), and Federal Mogul Ignition GmbH (Rs. 37 cr).	Material cash outflow; should be distinguished between genuine pass-through expenses and group cost allocations.
	Reimbursement of Expenses Received	34	Entirely from Tenneco Mauritius Holdings.	Relatively small offset to expenses paid.
	Purchase of Capital Goods	6	Mainly Tenneco LLC (Rs. 4 cr) and Tenneco Walker UK (Rs. 2 cr).	Low materiality.
	KMP Remuneration	14	CEO & WTD Rs. 9 cr; CFO Rs. 2 cr; CS Rs. 2 cr; others Rs. 1 cr.	Remuneration is meaningful but not material relative to overall RPTs.
Outstanding balances	Trade Payables	145	Significant balances with Tenneco Holdings LLC (Rs. 29 cr), Federal-Mogul Sejong (Rs. 19 cr), Shanghai Compound Material (Rs. 12 cr), and Federal-Mogul Bimet (Rs. 11 cr).	Material group-related payable balance ; monitor settlement terms and working-capital impact.
	Trade Receivables	56	Motocare India accounts for Rs. 35 cr , followed by Federal-Mogul Ignition LLC (Rs. 8 cr) and Federal-Mogul Bimet (Rs. 5 cr).	Receivables are concentrated with group entities, particularly Motocare; monitor ageing and collection.
	Advances Received	19	Entirely from Tenneco Mauritius Holdings.	Limited balance; primarily group funding/advance related.
	Receivables / Advances Paid	10	Rs. 10 cr from Tenneco Mauritius Holdings & Rs. 0.2 cr from Federal-Mogul Investment BV.	Low materiality.
	Inter-Corporate Loan Given	29	Entirely to Federal-Mogul Sealings India Ltd , a subsidiary.	Represents intra-group funding; monitor repayment terms and interest, if applicable.
	Capital Creditors	0	Tenneco Walker UK (Rs. 0.35 cr).	Immaterial.

Source: Company, Midas Research

2 - Business Assessment Scores



Business Assessment Scores – Summary

Business Franchise and Moat:

2.1

- Tenneco's moat is anchored in regulatory-led CPV growth, leading market shares and deep integration with OEM development cycles.
- Long customer relationships, lengthy qualification periods and access to the parent's 5,000+ patents support incumbency and faster localisation, while exports—14–20% of the order book—provide an emerging growth vector. **We assign a rating of 6.0/7.0.**

Management and Governance Quality:

2.2

- Tenneco combines experienced professional leadership and long-tenured operating heads with a structured governance framework, including independent leadership across all five statutory committees.
- However, the significant pre-IPO management reshuffle and material transactions with promoter-group entities warrant continued monitoring. **We assign a rating of 4.5/7.0.**

Risk Profile and Pricing Power:

2.3

- Tenneco's leading market share, lengthy OEM qualification processes, and 19+ year average customer relationships create strong entry barriers and customer stickiness.
- However, high customer concentration, annual OEM cost-reduction expectations, negotiated recovery of non-indexed input costs, and the long-term substitution risk from BEVs constrain absolute pricing power. **Hence, we assign a rating of 5.0/7.0.**

Financials (Growth, Margins & Returns):

2.4

- Tenneco ended FY26 with accelerating momentum: VAR grew by 12.3% in FY26 and expected to continue this growth over the FY26-FY28E growing by 12.5% CAGR.
- The Rs. 12,400 cr lifetime order book — ~2x FY28 revenue — provides strong medium-term visibility, while ART is emerging as the key growth engine, supported by premiumisation, market-share gains & new programme launches.
- We estimate EBITDA to increase from Rs. 925 cr in FY26 to Rs. 1,162 cr by FY28E, while margins to recover to 18.6% in FY28E post the dip in FY27E. **We assign a rating of 5.0/7.0.**

Balance Sheet and Cash Flow:

2.5

- Tenneco has a conservatively positioned balance sheet, with no conventional borrowings, net debt/equity of -0.48x, and interest coverage of 24.3x.
- Adjusted FY26 FCF of ~Rs. 483 cr — excluding the Motocare receipt — alongside negative NWC of Rs. 61 cr provides meaningful capacity to fund the indicative Rs. 300 cr* FY27 capex internally.
- Efficient asset utilisation, supplier-funded working capital and a net-cash balance support strong cash generation, providing headroom to fund the planned capacity-expansion capex internally. **We assign a rating of 6.5/7.0.**

Source: Company, Midas Research

* We have assumed lower capex in FY27 against management guidance of Rs. 350-400 Cr

Tenneco Clean Air India Ltd- Company Factsheet

Corporate snapshot		
Company background	- Tenneco Clean Air India, part of the US-headquartered Tenneco Group, has operated in India since 1995. The company manufactures emission-control, powertrain, and suspension systems under brands such as Monroe and Champion for passenger vehicles, commercial vehicles, off-highway equipment, and the aftermarket. - It operates 12 manufacturing plants and two R&D centres, serves more than 100 customers and exports to 17 countries. Its long-standing OEM relationships are reflected in an average association of over 19 years with its top 10 automotive customers.	
Revenue mix (Q1FY27)	Clean air & PT (48%)	Advanced Ride Technologies (52%)
Demand drivers	- Tightening emission norms — CAFE-III, BS-VII & TREM-V — should boost the value of emission-control systems installed in vehicles. - Rising SUV penetration and vehicle premiumisation are driving demand for advanced passive and semi-active suspension systems. - India's competitive manufacturing costs and global supply-chain diversification are creating export opportunities within the Tenneco Group and with third-party OEMs. - Cross-selling Clean Air, ignition & engine-bearing products to existing OEM customers can increase content per vehicle for Tenneco.	
Business model	- Tenneco Clean Air India follows an OEM programme-based business model, working with customers across product design, testing, validation and manufacturing. It earns revenue by supplying emission-control, powertrain and suspension components based on actual vehicle production and purchase-order releases. - Growth depends on vehicle volumes, new programme wins, market-share gains and higher component content per vehicle. The company also serves the aftermarket and exports to Tenneco Group entities and external OEMs.	
Key Customers		
Plants	12 manufacturing facilities and 2 R&D centers of global standards	
	Clean Air and Powertrain Solutions - Chakan I / Chakan II - Chennai - Pithampur - Parwanoo - Bearings - Chakan - Sealings - Bhiwadi - Ignition - New upcoming plant in Haryana	Advanced Ride Technologies - Pondicherry - Sanand - Pune - Bawal - Hosur - New upcoming plant in Maharashtra
Auditors	Deloitte Haskins & Sells LLP	
Credit rating	No credit rating, as the company has no outstanding debt.	
Employee count	~2,530	

Category (Jun '26)	% Share
Promoter Group	74.8
FII	9.7
DII	11.4
Others (Public)	4.1
Total	100.0

Key Metrics (Rs. cr)	FY23	FY24	FY25	FY26
Reported Revenue	4,827	5,468	4,890	5,404
Revenue (VAR)	3,902	4,269	4,380	4,918
EBITDA	571	612	815	925
EBITDA Margin (%) Reported basis	11.8	11.2	16.7	17.1
PBT	508	553	733	816
PBT Margin (%)	10.5	10.1	15.0	15.1
PAT (less NCI)	381	417	552	604
Net Worth	1,208	980	1,610	1,197
Net Debt	(398)	(183)	(286)	(571)
NWC - Ex Cash	(106)	(102)	(108)	(61)
Total Assets	2,430	2,136	2,832	2,537
RoE (%)	31.5	38.1	42.6	43.0
ROCE (%)	38.4	46.2	55.0	58.2

Source: Company, Midas Research

Business Model

Design-in wins at the platform stage lock in revenue for the model's life: 100% of FY28 revenue is already covered by 427 programmes

Where Tenneco sits in the value chain (FY26 data)



Four characteristics that make the model work — with FY26 evidence

Programme visibility 100% revenue coverage through FY28 427 programmes across 50+ OEMs (Jun-25), with 27–29-year relationships with the top three — Maruti, Tata and M&M; the order book covers ~2x of FY28 revenue.	Negative working capital -30 days cash conversion cycle (FY26) Debtor 43 · Inventory 35 · Payable 108. NWC = -Rs. 61 cr. Suppliers effectively finance the business — a permanent source of cash.
Capital-light 10.6x fixed asset turnover (FY26) Standardised modular capex + tech transfer from parent Tenneco = lower incremental capex per rupee of revenue. Rev/capex 3.5-4x at start, 7-8x at maturity (mgmt. guidance).	Self-funded growth Zero debt · Rs. 571 cr net cash (FY26) FY26 reported CFO Rs. 1,429 cr = 12x capex coverage (~5x on adjusted CFO of ~Rs. 600 cr ex-MIPL). Even Rs. 300 cr FY27 capex fully self-funded.

Where the Rs. 4,918 cr(FY26) of VAR comes from

Clean Air & Powertrain Rs. 2,430 cr 49% of VAR +5.5% YoY	Advanced Ride Technologies Rs. 2,489 cr 51% of VAR +19.7% Y-o-Y
Contract structure: OEMs choose suppliers at the platform-design stage. Contracts run for the model's life (typically 5–7 years, with some extending up to 10). Once designed in, re-tendering is rare — switching requires re-validation, retooling and homologation. The order book provides ~2x revenue coverage through FY28.	
Two-tier cost recovery: Indexed raw materials (steel, aluminium): back-to-back pass-through with ~1-quarter lag. PRECIOUS METALS and SUBSTRATES: bought at OEM direction and invoiced through with zero P&L impact — hence excluded from VAR to reflect the true operating picture.	
Aftermarket engine: Champion® (ignition) and Monroe® (suspension) branded sales through distributors; ~5.5% of VAR. Higher-margin than OEM business and counter-cyclical, with breakdown and replacement demand relatively independent of new-vehicle sales.	

Source: Company, Midas Research
* We have assumed lower capex in FY27 against management guidance of Rs. 350-400 Cr

Optimizing Capacity Through Focused Capex

12 manufacturing facilities and 2 R&D centers of global standards

FY26	Cold ends	Hot ends	Struts & shock absorbers
Installed capacity (mn)	3	2	21
Capacity utilization (%)	51%	78%	90%

Clean Air and Powertrain Solutions

Chakan I

Chakan II

Chennai

Pithampur

Parwanoo - Bearings

Chakan - Sealings

Bhiwadi - Ignition

New Plant Haryana

Advanced Ride Technologies

Pondicherry

Sanand

Pune

Bawal

Hosur

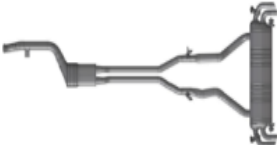
New Plant Maharashtra



Source: Company, Midas Research

Product Portfolio

Diversified product offering for key end markets

Clean Air and Powertrain Solutions (49.4% of VAR)	Advanced Ride Technologies (50.6% of VAR)	Market leadership	
 Hot End / DOC & SDPF system  Cold End / Mufflers and resonators  Hot gasket  Heat Shield  Main bearing  Spark plug and Ignition coil	 Shock absorbers & strut assembly  Shock absorbers & strut assembly-semi active  Shock absorbers & strut assembly - passive  Shock absorbers & strut assembly - CV	Passenger vehicles  Advanced Ride Technologies products  Engine bearings Commercial trucks  Clean air solutions  Engine bearings Off highway  Clean air solutions	Leader/Top 2 with 55%/44% market share in ART/engine bearings, respectively. Leader/Top 2 with 58%/34% market share in Clean Air/engine bearings, respectively. Leader with 68% market share

Source: Company, Midas Research

Reported Revenue vs Value Added Revenue

VAR provides a clearer view of Tenneco's underlying operating performance

Particulars (Rs. cr)	Reported		VAR (Value Added Revenue)	
	FY25	FY26	FY25	FY26
Revenue	4,890	5,404	4,380	4,918
Growth (%)	-11%	11%	3%	12%
EBITDA	815	925	815	925
EBITDA Margin (%)	17%	17%	19%	19%
PAT	552	604	552	604
PAT Margin (%)	11%	11%	13%	12%

Pass-through substrate sales distort reported growth and margins

Tenneco's reported revenue includes substrate and other pass-through sales billed to OEM customers. These amounts inflate both revenue and material costs but do not represent value generated through Tenneco's manufacturing and engineering operations. Therefore, **Value Added Revenue (VAR)** provides a clearer measure of the company's underlying business performance.

- **Removes pass-through revenue:** VAR is calculated as revenue from operations less substrate and other pass-through sales.
- **Reflects underlying operations:** It captures revenue linked more closely to Tenneco's engineering, manufacturing, product content, and execution.
- **Reduces commodity price distortion:** Changes in substrate values can move reported revenue without producing a corresponding change in operating profit.
- **Improves margin analysis:** EBITDA as a percentage of VAR better reflects the profitability of the revenue on which Tenneco adds operating value.
- **Enables cleaner comparisons:** VAR provides a more consistent basis for analysing growth, product mix and margins across periods.
- **FY26 illustration:** Reported revenue of Rs.5,404 cr included ~Rs.486 cr of pass-through revenue, resulting in VAR of Rs.4,918 cr. Consequently, the EBITDA margin was **18.8% on VAR**, compared with **17.1% on reported revenue**.

Source: Company, Midas Research

2.1 - Business Franchise and Moat (1/4)

Every emission-norm step-up mandates more advanced after-treatment hardware – the exact content Tenneco supplies

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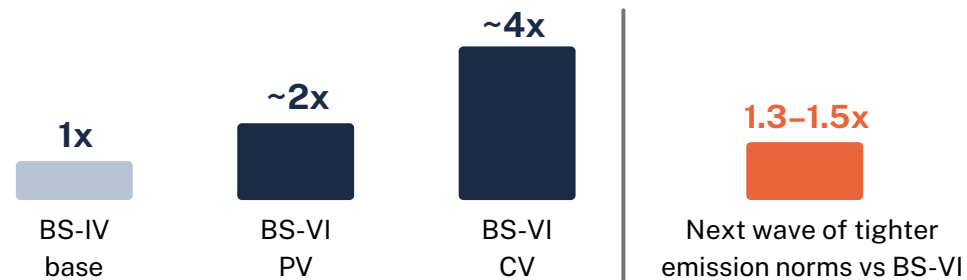
Tenneco's moat is anchored in regulatory-led CPV growth, leading market shares and deep integration with OEM development cycles. Long customer relationships, lengthy qualification periods and access to the parent's 5,000+ patents support incumbency and faster localisation, while exports—14–20% of the order book—provide an emerging growth vector.

Tighter emission rules make exhaust after-treatment systems more complex. This raises the content required per vehicle (CPV) and creates an advantage for Tenneco that can localise, validate, and industrialise the solution before an OEM launch.

The advantage

- Emission norms mandate **catalytic converters, DPFs, SCR, and mixer systems** as compulsory fitment.
- India already leapt from BS-IV to **BS-VI in April 2020**, skipping a full generation of standards and aligning India with Euro-VI. This drove a material step-up in CPV.
- The next wave — **TREM-V, CAFE-III, BS-VII, CEV-V and CPCB IV+** — should repeat this dynamic. More advanced after-treatment adds cost and complexity, driving higher realisation per system with each tightening.

India's transition from BS IV to BS VI reduced the number of players in the segment, strengthening Tenneco's technological advantage.



From tighter emission norms to higher content per vehicle

- 1.5–2x: Hybrid exhaust content vs. ICE.** Hybrids require additional components, such as adaptive or acoustic valves, to manage emissions and sound when switching between electric and engine modes. Thus, hybridisation increases content per vehicle rather than reducing it.
- Euro VII: proof-of-concept with a European truck OEM.** Completed a proof-of-concept for a Euro VII-compliant clean-air system for a leading European truck OEM.

The same mechanism is reloading — management estimates the total additional addressable market opportunity from CAFE-III and BS-VII at Rs. 1,300–1,400 cr over the next 3–5 years.*

Apr 2020 BS-VI	Jan 2023 TREM-IV	~Oct 2026 TREM-V	~2027– 2032 CAFÉ III	Next wave BS-VII
DPF, SCR, mixers mandated	Tractors >50 HP: DPF/SCR/EGR mandated.	Phased adoption for tractors with 25-75 HP segment to adopt full norms by 2032	PVs: 91.7 g CO ₂ /km target. GPF add-on.	All segments - Euro-VII equivalent expected next.

Market Leader in segment where CPV rises the most due to the changes in the norms (FY26 value share)



PV 18-19% market share and with **GPF panel entry at India's largest PV OEM from 2028**, the potential to capture higher market share increases going ahead

Source: Company, rhp, Midas Research
*We have not taken change in emission norms into our estimates as. Implementation of these regulations sometimes get delayed

2.1 - Business Franchise and Moat (2/4)

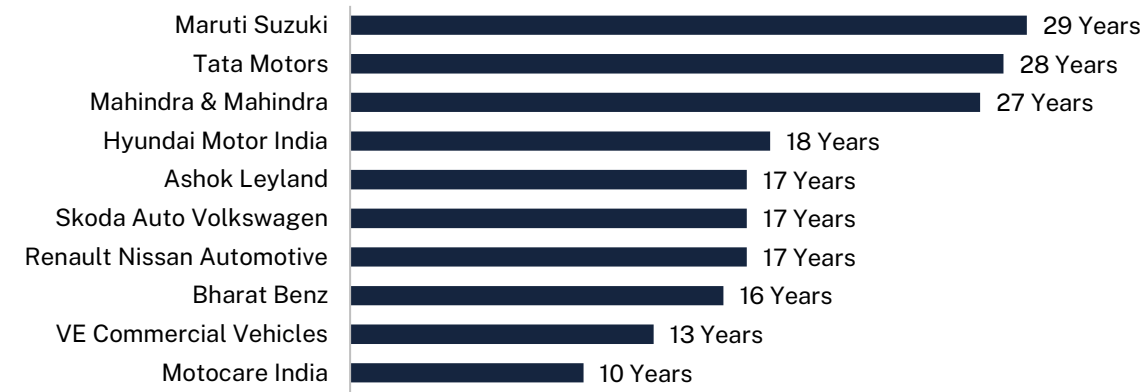
R&D-led product differentiation and early OEM integration reinforce market leadership with share rising to 55% in FY26

DaVinci DCx Suspension System- The game changer

- DaVinci DCx has been selected for a flagship SUV platform of a leading Indian OEM, offering ~Rs. 220 Cr annual revenue potential.
- Its plug-and-play architecture allows replacement of conventional dampers with minimal suspension redesign, lowering OEM adoption barriers.
- Management cited DaVinci in 8–9 of 10 RFQs, with adoption accelerating ahead of expectations as OEMs increasingly evaluate the technology as a replacement for conventional dampers.
- DCx32, with a smaller 32mm piston bore vs. 35mm in standard mid-to-premium SUV applications, extends DaVinci to A/B-segment vehicles, materially broadening its addressable market.

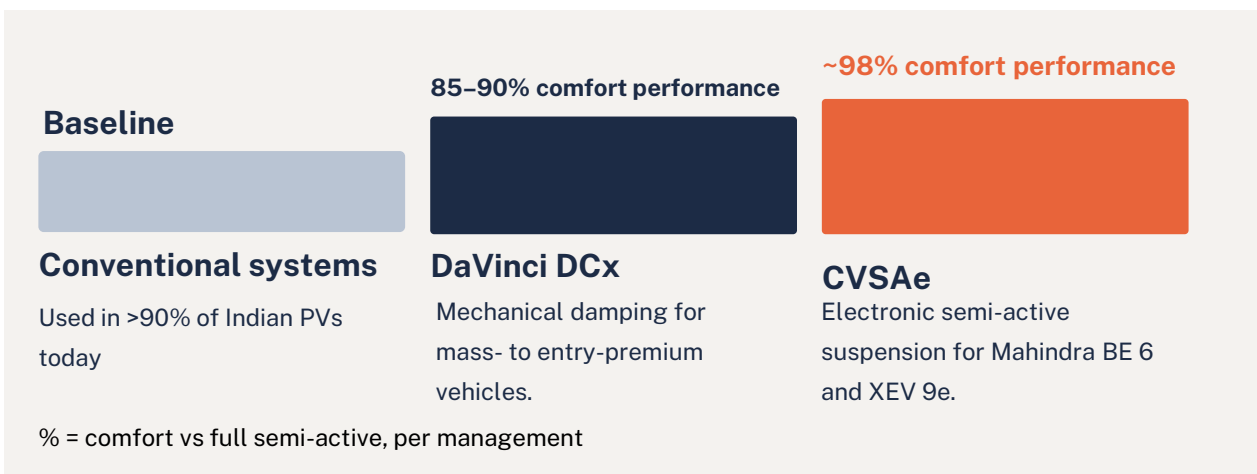


Tenneco’s design-stage integration, lengthy qualification process and 19-year average relationship with marquee customers

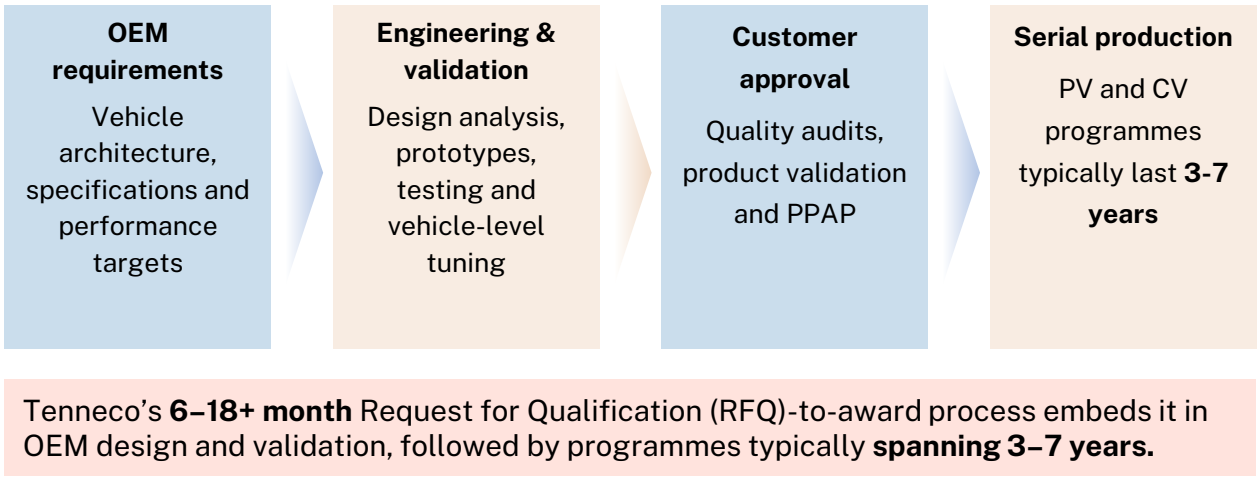


Source: Company, RHP, fortune India, Midas Research

Superior ride quality and comfort with DaVinci DCx at only a marginal incremental cost.



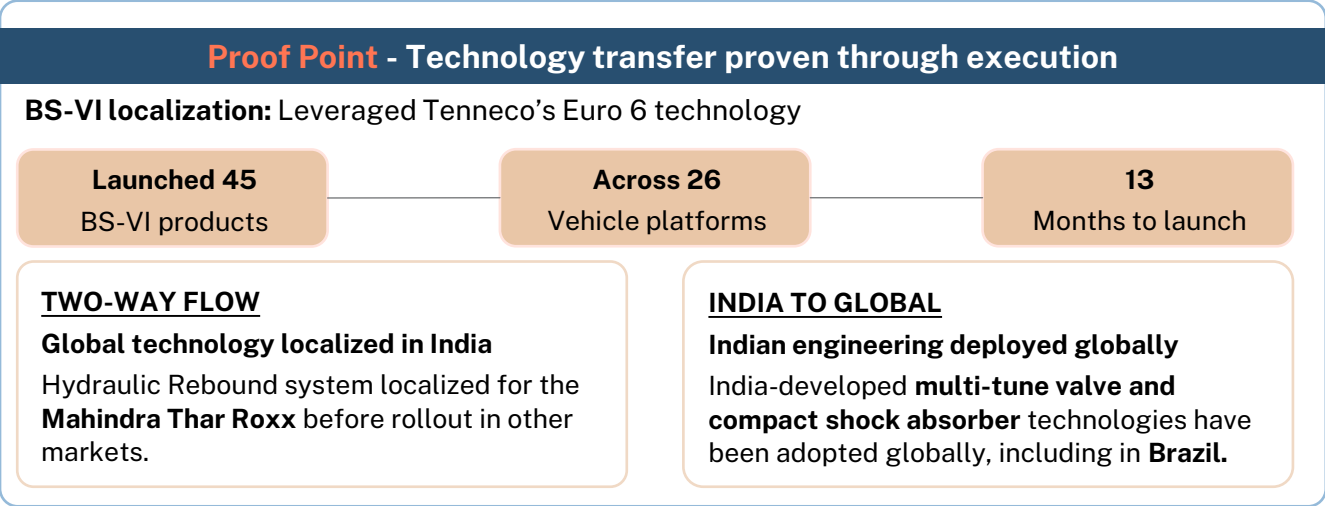
Tenneco works with OEMs from initial design and simulation through prototyping, testing, validation, PPAP and commercial production



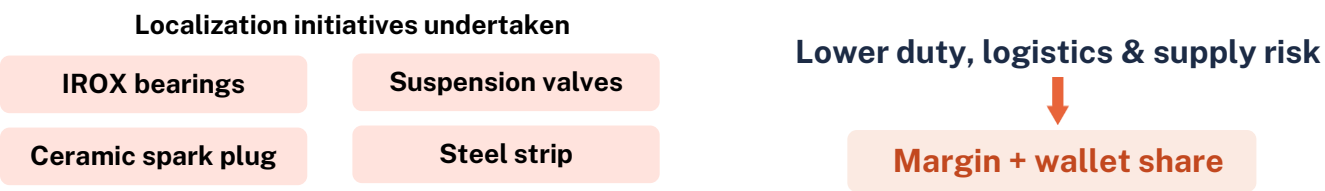
2.1 - Business Franchise and Moat (3/4)

Global technology access and local engineering drive faster commercialisation and new programme wins

Tenneco India combines its parent’s global IP and engineering network with Indian application development, validation and cost localisation, converting technology into multi-year OEM programmes



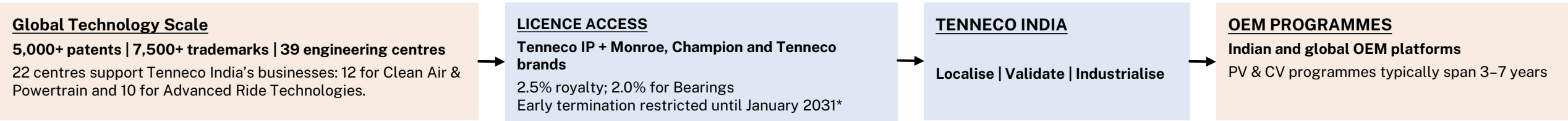
~90% of parts are already manufactured in India — the level management aims to maintain



Tenneco's global portfolio vs. TCAIL's India footprint and localisation runway

Global division	What Tenneco makes globally	What TCAIL makes in India today	Potential Upside for TCAIL
Clean Air	After-treatment, thermal-management and acoustic systems	DOC, DPF, SCR, SDPF; catalytic converters, mixers, mufflers, exhaust pipes	Localise thermal & acoustic systems; rising content/vehicle; exports starting
Powertrain	Pistons, rings, liners, bearings, sealing, valvetrain, ignition	Engine bearings, gaskets, heat shields, spark plugs, ignition coils	Largest runway — pistons, rings, liners, valvetrain not yet local; ignition cross-sell proven
Performance Solutions (ART in India)	Ride-control, NVH, braking, systems-protection	Monroe shocks, struts, passive/semi-active suspension	Add braking & systems-protection; premiumisation drives DCx adoption; share 52%→55%
DRiV	Global aftermarket platform — 40+ brands	Not a TCAIL division — carved out pre-IPO; supplies to Motocare (~4.4% of FY26 VAR)	Channel supply only, not platform ownership

Global IP access strengthens localisation and long-term OEM integration



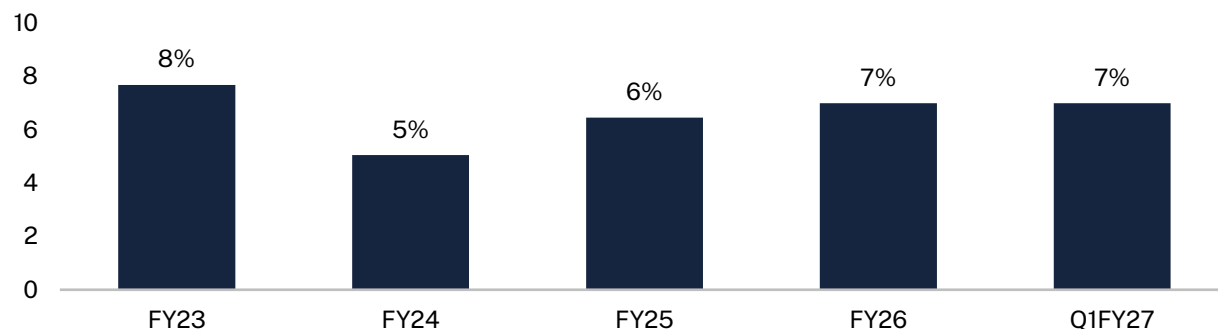
Source: Company, rhp, Midas Research

2.1 - Business Franchise and Moat (4/4)

Technology parity, cost competitiveness and global-group access are positioning India as Tenneco's strategic export hub

- Exports are scaling up, with revenue contribution rising from ~5% pre-IPO to >7%, while exports account for ~14–20% of the order book, indicating strong forward growth visibility.
- ~70% of export orders are from group entities, supporting incremental growth through intra-group sourcing rather than competing for the same business.
- The remaining ~30% comprises third-party OEM orders, with management expecting this export mix to remain broadly stable going forward.

Traction- Export share of revenue



Structural opportunity

- Geopolitical tensions, tariffs and supply-chain realignment are driving global OEMs toward regionalised and diversified sourcing, creating an opportunity for India.
- India offers cost-competitive engineering, established auto clusters and scalable manufacturing capabilities, strengthening its position in global sourcing.
- China-plus-one strategies could further benefit India as OEMs seek to reduce supply-chain concentration, supporting greater export opportunities and wallet share.

Latest export wins

Q3FY26 · Clean Air

European CV OEM, in-line BS6 system, ~Rs. 115 cr/yr

Q4FY26 · Clean Air

Euro VII PoC, European truck OEM

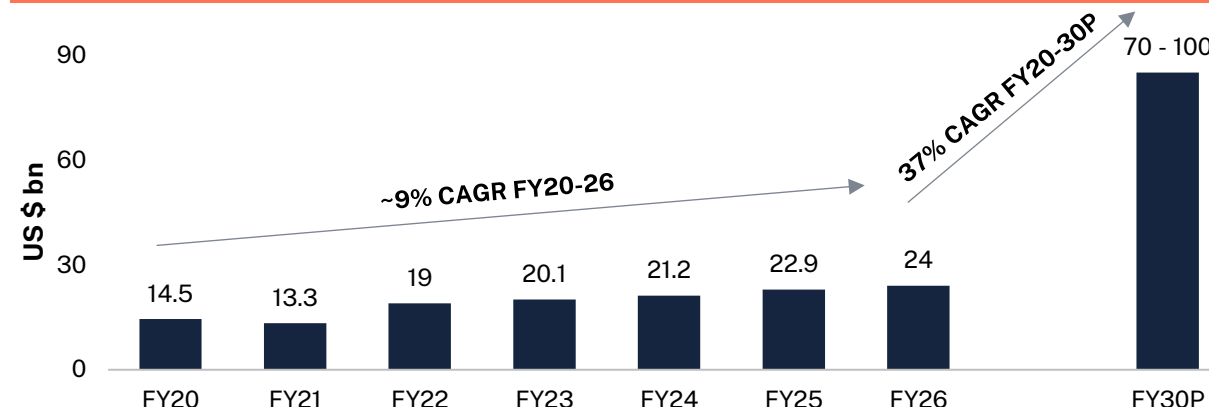
Q1FY27 · ART

Maiden order, European ATV maker

Q1FY27 · Powertrain

Heat-shield order, Tenneco America

Tailwind – India's auto-component export opportunity could expand 3–4x to US\$70–100bn by FY30



Structural enablers supporting Tenneco India's export expansion

- Global technology parity:** India's BS6.2/RDE architecture is aligned with Euro 6/RDE requirements, allowing Clean Air and semi-active suspension technologies manufactured in India to address overseas programmes.
- Access to Tenneco's global network:** Tenneco India can supply components, subassemblies and finished products to group entities across Europe and the Americas, providing an established route to international demand.
- Capacity positioned for export growth:** Planned FY27 capex of Rs.300 cr* includes export-related investments, while the Chakan Sealings capacity expansion is specifically driven by export opportunities.

Source: Company, Midas Research, RHP, ACMA,

* We have assumed lower capex in FY27 against management guidance of Rs. 350-400 Cr

2.2 - Management and Governance Quality (1/3)

4.5

7

Tenneco combines experienced professional leadership and long-tenured operating heads with a structured governance framework, including independent leadership across all five statutory committees. However, the significant pre-IPO management reshuffle and material transactions with promoter-group entities warrant continued monitoring.

Senior management comprises highly skilled professionals with decades of industry experience



Arvind Chandrasekharan
Whole Time Director & CEO

- He is the Whole-time Director and Chief Executive Officer of Tenneco Clean Air India, responsible for overseeing the India business and driving its strategic growth.
- He has over 25 years of experience across manufacturing, engineering, sales, marketing, and global business planning.
- Before joining Tenneco in April 2025, he served as India CEO of Aliaxis Group and held leadership positions at Delphi, Faurecia, WABCO and Minda Corporation.



Mahender Chhabra
CFO

- He is the Chief Financial Officer of Tenneco Clean Air India and is responsible for financial strategy, operations, regulatory compliance and overall financial performance.
- A chartered accountant with over 27 years of experience, he previously served as CFO of Motherson Sumi Wiring India and HMD Mobile India and held finance positions at Microsoft India, Bharti Airtel, Pepsi Foods and Nokia India.



Rishi Verma
President

- He is the President-India and leads the company's operations across Clean Air & Powertrain Solutions and Advanced Ride Technologies.
- Associated with the Tenneco Group since 2007, he has experience spanning R&D, operations, sales, programme management, and general management.
- He previously served as Managing Director of Tenneco Clean Air and has worked with National Engineering Industries, Dana India Technical Centre, and Walker Exhaust India.



Sankar Babu Sampangiappa
Director – ART Engineering

- He is the Director-Advanced Ride Technologies Engineering at Tenneco Automotive India.
- He leads the application-engineering function for the Advanced Ride Technologies division and has been associated with the subsidiary since October 2007.
- He previously worked with Bharat Technologies Auto Components, Minda HUF, AISIN NTTF, and Renowned Auto Products.



Source: Company, Midas Research

2.2 - Management and Governance Quality (2/3)

Senior management comprises highly skilled professionals with decades of industry experience



R. C. Subramaniam
ED and General Manager -
ART

- He is the Executive Director and General Manager–Advanced Ride Technologies at Tenneco Automotive India Private Limited, a material subsidiary of Tenneco Clean Air India.
- He leads the Advanced Ride Technologies business and has been associated with the subsidiary since January 2009.
- His earlier experience includes General Motors India, Saint-Gobain Glass India, Balmer Lawrie and Frito-Lay India.



Bapu Shivaji Kumbhar
Director – CA Engineering

- He is the Director–Clean Air Engineering and leads the application-engineering function for Tenneco India’s Clean Air Solutions business.
- He has been associated with the Tenneco Group since December 2009 and previously worked with Grupo Antolin Pune, LML, and Tractors and Farm Equipment.
- He holds a bachelor’s degree in mechanical engineering from Shivaji University.



Aditya Kohli
CHRO

- He is the Chief Human Resources Officer of Tenneco Clean Air India and heads the company’s human-resources function.
- He has more than 20 years of experience and was previously associated with Orient Electric, Clix Capital, Bharti Airtel, Standard Chartered Bank and Hewitt Associates.



Source: Company, Midas Research

2.2 - Management and Governance Quality (3/3)

✓ : Positive
 ✓ : Neutral
 ✗ : Negative

Governance overview

Rating	Corporate factsheet
✓ Board of Directors – Independence & Diversity	- The Board comprises eight directors: one Executive Director, four Non-Executive Non-Independent Directors and three Independent Directors. - Independent Directors constitute 37.5% of the Board, while Non-Executive Directors constitute 87.5%. - Niranjan Kumar Gupta, a Non-Executive Independent Director, serves as Chairman of the Board. - Gopika Pant is the Board's only woman director and serves as a Non-Executive Independent Director. - None of the directors is related to another director, and none held equity shares in the company as of March 31, 2026.
✗ Board of Directors – Changes in directors	- Arvind Chandrasekharan was appointed Whole-time Director and CEO with effect from May 5, 2025, for a term ending January 31, 2028. - Niranjan Kumar Gupta, Gopika Pant and Jaidit Singh Brar were appointed Independent Directors for three-year terms with effect from May 5, 2025. - Niranjan Kumar Gupta was appointed Chairman of the Board on May 5, 2025. - Manavendra Singh Sial, Nathan Patrick Bowen, Prakash Mahesh and Utsav Baijal were appointed Non-Executive Directors with effect from May 15, 2025. - Nadella Phani Kishor Rao, Digambar Jagannath Parkhi, Gangasagar Neminath Hemade and Rishi Verma resigned from the Board with effect from May 15, 2025. Rishi Verma, however, continues as President-India and remains part of senior management. - Subsequent to FY26, Utsav Baijal resigned as Non-Executive Director and Noah Jesse Falk was appointed Additional Non-Executive Director, both effective May 30, 2026. The overall Board composition remained unchanged at eight directors.
✓ Board of Directors – Independence in board committees	- All five statutory Board committees are chaired by Independent Directors. - The Audit Committee comprises three directors, including two Independent Directors. - The Nomination and Remuneration Committee comprises three directors, including two Independent Directors. - The Stakeholders' Relationship Committee comprises three directors, including two Independent Directors. - The CSR Committee comprises three directors, including two Independent Directors.
✓ Changes in Key Managerial Personnel	- Priya Dekate resigned as Company Secretary with effect from May 5, 2025. - Garima Sharma served as Company Secretary from May 5, 2025, until her resignation on July 31, 2025. - Roopali Singh was appointed Company Secretary and Compliance Officer with effect from August 1, 2025; she also serves as General Counsel. - Subsequent to FY26, Aditya Kohli joined as Chief Human Resources Officer with effect from April 1, 2026.
✓ Management Continuity	- Rishi Verma, President-India, has been associated with the Tenneco Group since August 2007. - Sankar Babu Sampangiappa, Director-ART Engineering, has been associated with the Tenneco Group since October 2007. R. C. Subramaniam, Managing Director-ART, has been associated with the Tenneco Group since January 2009. - Bapu Shivaji Kumbhar, Director-Clean Air Engineering, has been associated with the Tenneco Group since December 2009.
✓ Management Remuneration	- Mr. Arvind Chandrasekharan(CEO) Rs. 8.54 cr(incorporating full accounting/joining perquisite recognitions) - Mr. Mahender Chhabra (CFO): Rs. 2.34 cr - Ms. Roopali Singh (CS & Compliance Officer): Rs. 1.69 cr
✓ Promoter Holding	- Promoter holding declined from 100% in March 2025 to 74.79% in June 2026: Tenneco Mauritius Holdings held 60.22%, Tenneco Mauritius 6.62%, Federal-Mogul Pty 3.59%, Federal-Mogul Investment B.V. 2.63%, and Tenneco LLC 1.73%. - Following its IPO on November 19, 2025, Tenneco Mauritius Holdings sold 90.68 mn shares via OFS. - Ultimate ownership rests with funds managed or advised by Apollo Global Management affiliates through AP IX Pegasus Holdings L.P.
✓ Related-party transactions	FY26- Sale of Products Rs. 303 cr, Sale of Services Rs. 29.18 cr, Royalty Expenses Rs. 119.24 cr, Reimbursement of Expenses Paid Rs. 198.82 cr

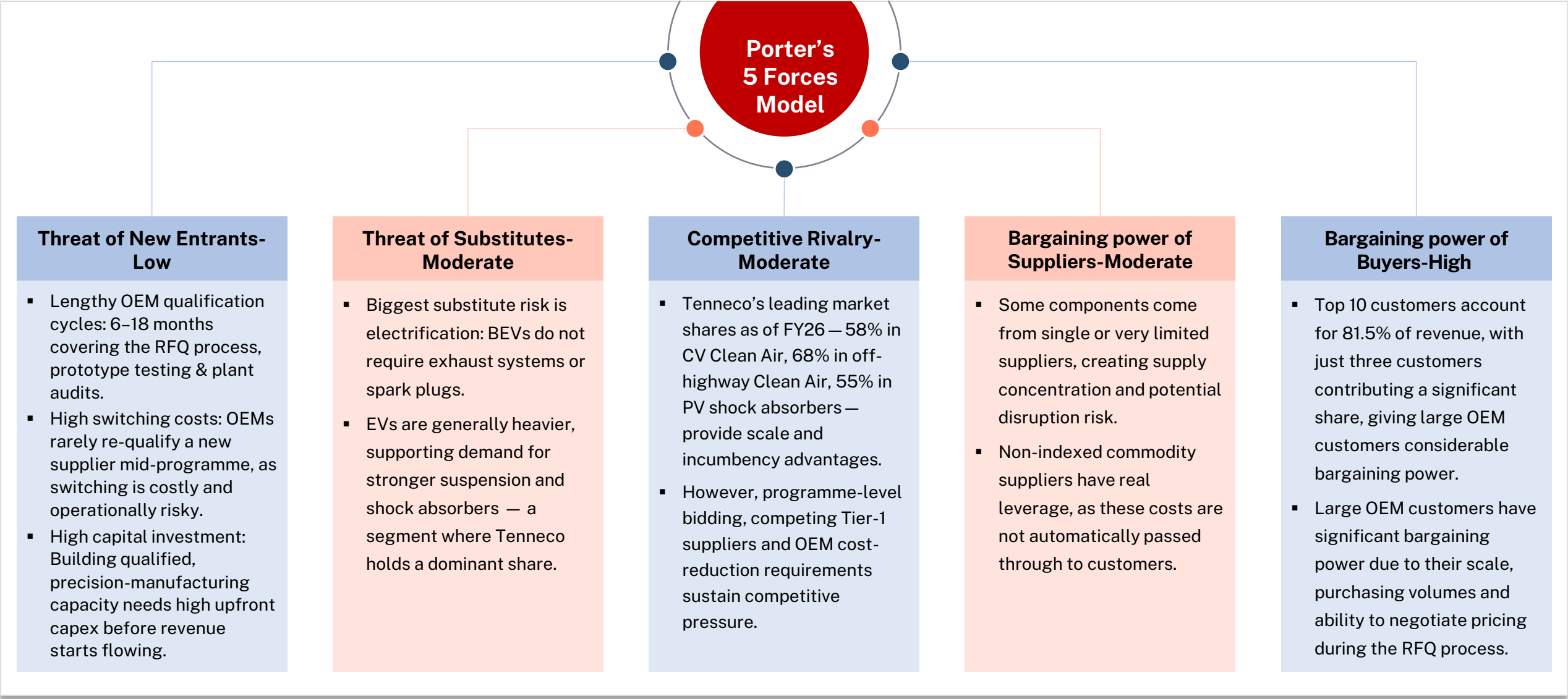
Source: Company, Midas Research

2.3 - Risk Profile and Pricing Power

Market leader in a price sensitive industries

57

Tenneco's leading market share, lengthy OEM qualification processes, and 19+ years of average customer relationships create strong entry barriers & customer stickiness. However, high customer concentration, annual OEM cost-reduction expectations, negotiated recovery of non-indexed input costs & long-term substitution risk from BEVs limit absolute pricing power.



Source: Company, Industry, Midas Research

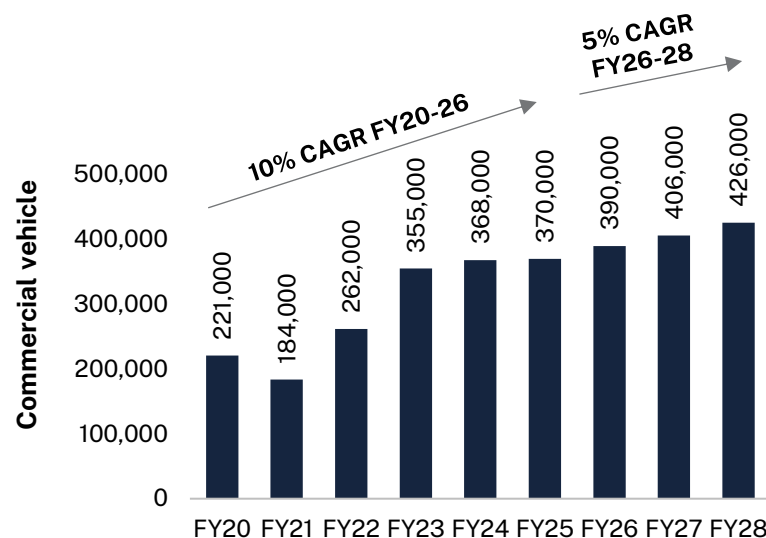
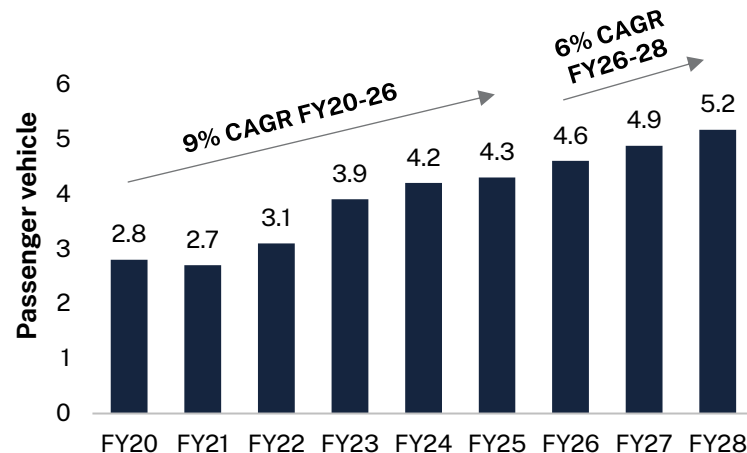
2.4 - Financials (1/3)

~58% market share in Clean Air and a Rs. 12,400 cr order book underpin VAR growth from Rs. 4,918 cr in FY26 to Rs. 6,227 cr by FY28E.

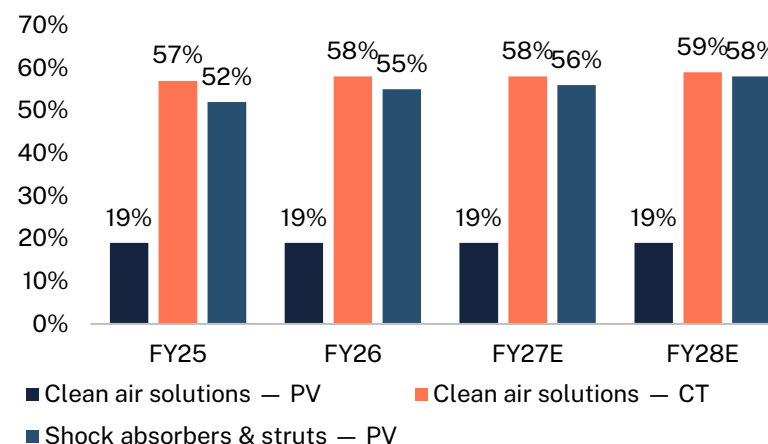
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Tenneco enters FY28 with accelerating momentum: VAR projected to grow by 12.5% CAGR (FY26-28) to Rs. 6,227 cr. The Rs. 12,400 cr lifetime order book — ~2x FY28 revenue — provides strong medium-term visibility, while ART is emerging as the key growth engine, aided by premiumisation, market-share gains & new programme launches. We estimate EBITDA to increase from Rs. 925 cr in FY26 to Rs. 1,162 cr by FY28E, while margins to recover to 18.6% in FY28E post the dip in FY27E.

Industry growth coupled with....



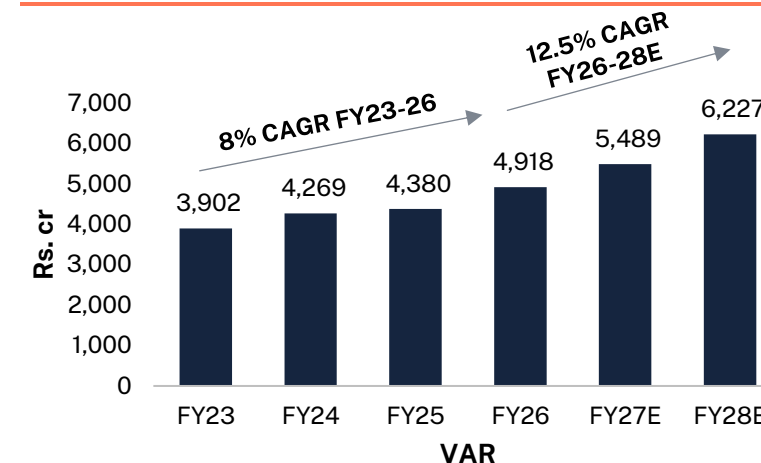
....market share gain



CPV is likely to improve marginally going forward

- SUV premiumization and advanced suspension adoption should support ART CPV growth, while the new DaVinci DCx32 expands Tenneco's addressable market into A- and B-segment vehicles.
- As the EV penetration increases, there may be some cannibalization visible as ART segment demand will increase due to higher requirement in EV as these cars are more heavier due to weight of battery packages. The shift to hybrid instead of pure EV will support the clean air solution- PV business going ahead.
- We have not assumed the change in emission norms in our estimates.**

will aid in 12.5% VAR growth over FY26-28E

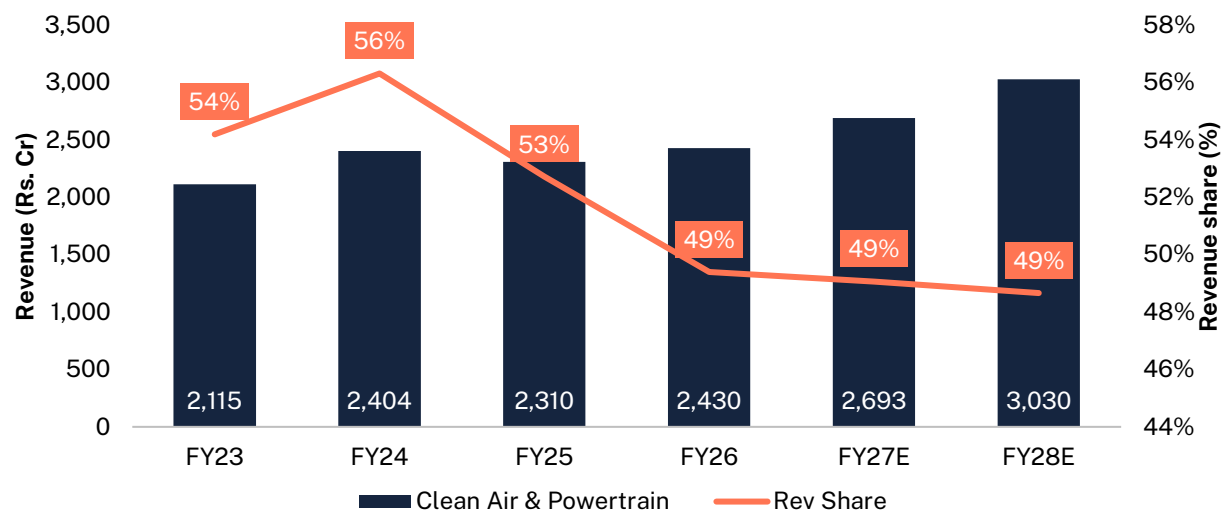


- VAR is projected to grow ~12.5% CAGR over FY26-28E, from Rs. 4,918 Cr to Rs. 6,227 Cr, driven by new customer wins, market-share gains, product launches and OEM programme ramp-ups.
- Growth visibility remains strong, with Q1FY27 VAR growth of 18.4% and a Rs. 12,400 Cr order book, covering ~2x of revenue through FY28E. Exports provide additional growth lever.
- Capacity, rather than demand, is the key near-term constraint, with utilisation already at 80-90%+ across plants.
- The company plans ~Rs. 300 Cr of capex, including two greenfield plants in Haryana and Western India (~Rs. 140 Cr combined), with the balance towards adding new lines at existing facilities and maintenance capex.

2.4 - Financials (2/3)

Advanced Ride Technologies leads growth, while emission upgrades and exports sustain Clean Air and Powertrain

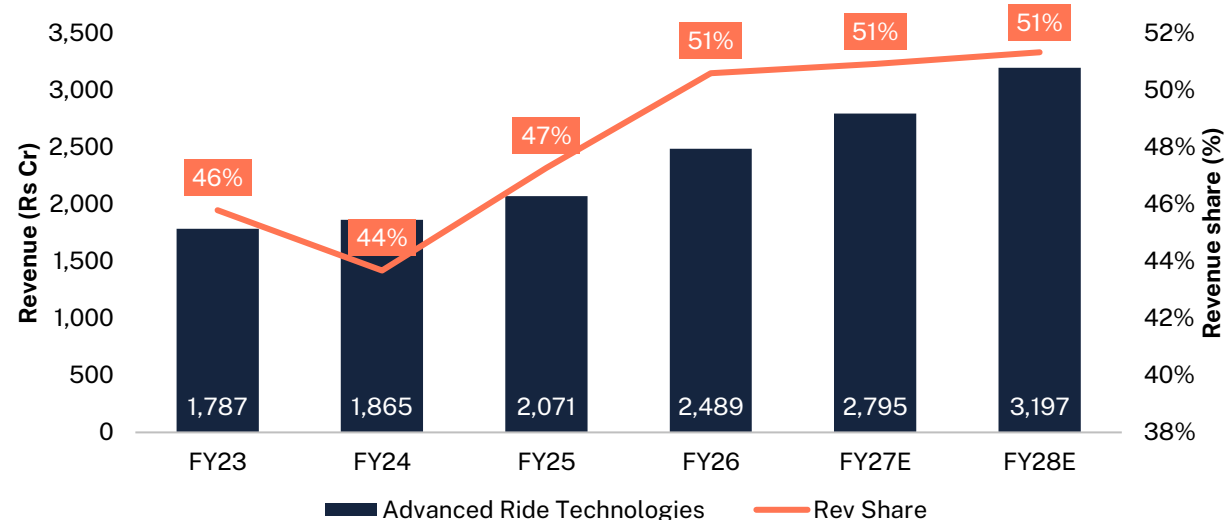
Clean Air & Powertrain to grow at ~12% CAGR over FY26–FY28E while maintaining a 49% revenue share



Clean Air & Powertrain — Growth drivers

- **Strategic wins:** Japanese PV Clean-Air entry, spark-plug, GPF panel order from India's largest PV OEM, and entry into bearings.
- **Exports scaling:** More than 14% of the order book; US/EU tariff cuts, China+1 sourcing, and labour-cost arbitrage.
- **Capacity & visibility:** North India greenfield plant (SOP Q3FY27); order book covers ~2x of FY28 revenue.

ART to grow at ~13% CAGR over FY26–FY28E while sustaining its 51% revenue share



Advanced Ride Technologies — Growth drivers

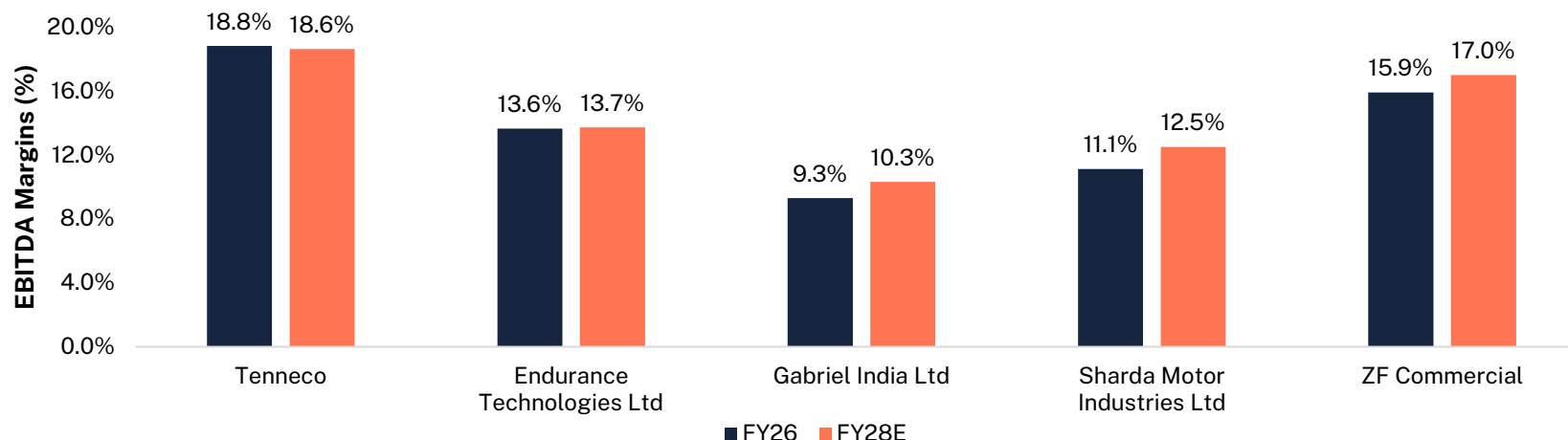
- **Technology ladder:** DCx DaVinci (mechanical), new DCx32 for A/B cars, CVSA semi-active and MARD anti-roll.
- **Premiumisation & SUVs:** rising content per vehicle; PV shock-absorber market share up from 52% to 55%.
- **New customers & exports:** 4 new customers in Q1FY27; maiden European ATV order opens a new geography.
- **Capacity & EV-agnostic:** West India greenfield plant; products fit ICE, hybrid, and EV platforms.

Source: Company, Midas Research

2.4 – Financials (3/3)

Technology-led product mix and cost discipline sustain Tenneco's top-tier margin profile

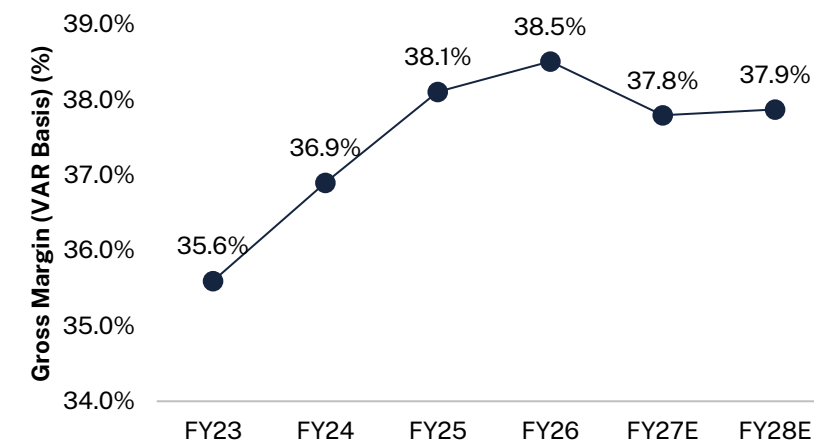
Technology-led mix, high utilisation and operating discipline support peer-leading margins



Why the EBITDA (VAR basis) premium is durable

- **Sticky, hard-to-displace customers** — Top-10 OEM relationships average ~19+ years, with parts designed in from concept and locked in through multi-year programmes and ARAI/OEM validation. Switching is therefore slow and costly, supporting volume visibility and pricing power.
- **A cost engine that offsets annual price-downs** — The P3 continuous-improvement model along with reduction in royalty expenses has driven ~400 bps of EBITDA margin expansion over four years from 14.6% in FY23 to 18.8% in FY26 (VAR based EBITDA margins). This offsets annual OEM price reductions and helps sustain margins.
- **Global parentage funding higher-value content** — Access to the parent's patents and R&D supports wins in next-gen, differentiated programmes (Euro VII, bearings), while global procurement and export cost arbitrage support margins — replenishing the pipeline with higher-margin content rather than commoditised parts.
- **Margin expansion** — Operating expenses declined from 21.0% to 19.7% of VAR (FY23-26). The FY25 improvement also benefited from royalty expense falling from Rs. 257 cr in FY24 to Rs. 110 cr.
- **EBITDA outlook** — Reported EBITDA is projected to reach Rs. 1,162 cr by FY28E, representing a 12.1% CAGR over FY26–FY28E. Margin is likely to moderate to 17.5%(VAR) in FY27E mainly due to the increase in the raw material costs and supply chain disruptions due to the geopolitical factors. Going ahead into FY28E, we expect margins to recover to 18.6%(VAR) as these headwind normalizes. We believe the evolving geopolitical environment warrants a cautious outlook on industry-wide margin sustainability, particularly amid potential cost pressures and supply-chain disruptions.

Tenneco margins lead as peers plateau or compress



- **Pass-through costs:** Steel, stainless steel and substrates, including precious metals, are covered under indexed, back-to-back OEM arrangements, with quarterly price resets and typically a ~one-quarter lag. Hence, commodity price movements have limited impact on margins.
- **Non-pass-through costs:** Rubber, plastics, crude oil, LPG, CNG, argon, and freight are largely non-indexed and therefore need to be factored into pricing negotiations with customers. Recovery is typically partial and lagged, making these inputs the key source of margin pressure.
- **Gross margin outlook:** Given the broader geopolitical environment, we expect VAR-based gross margin to moderate to ~38% over the next two years, as prices of raw material like lubricating oil, plastics, rubber - majority being imported - which are required to be renegotiated with OEMs, with the extent and timing of pass-through remaining uncertain.

Source: Company, Midas Research

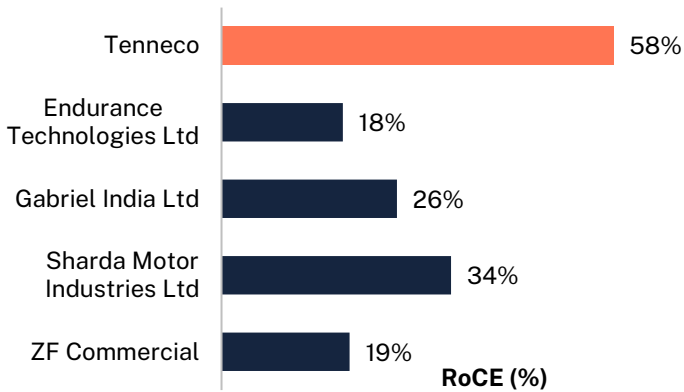
2.5 – Balance Sheet and Cash Flow

Revenue is vanity, profit is sanity, but cash is reality

6.57

Tenneco has a conservatively positioned balance sheet, with no conventional borrowings, net debt/equity of $-0.48x$, and interest coverage of $24.3x$. Adjusted FY26 FCF of ~Rs. 483 cr — excluding the Motocare receipt — alongside negative NWC of Rs. 61 cr provides meaningful capacity to fund the indicative Rs. 300 cr* FY27 capex internally. Efficient asset utilisation, supplier-funded working capital and a net-cash balance support strong cash generation, providing headroom to fund the planned capacity-expansion capex internally.

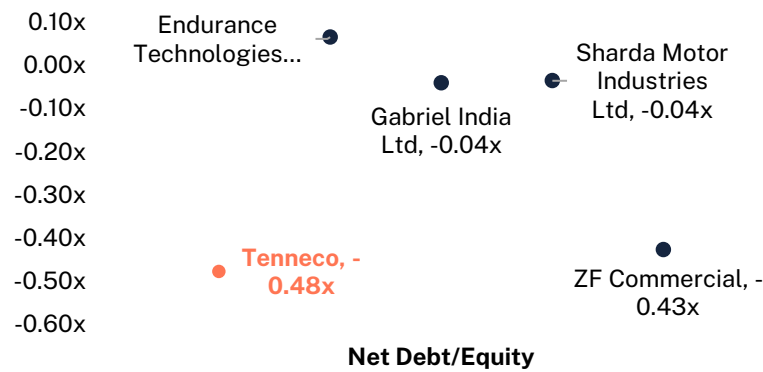
Capital-light operations and negative working capital underpin superior returns (FY26)



Superior asset turns and negative working capital amplify capital returns

- Tenneco's FY26 RoCE of 58% was more than twice the peer average of 24%.
- The return premium is supported by an 18.8% VAR-based EBITDA margin, ~10x fixed-asset turnover, and a negative 30-day cash-conversion cycle, limiting capital tied up in fixed assets & working capital.
- The FY26 capital base was also reduced by the Rs. 1,037 cr dividend payout; hence, the elevated RoCE reflects both strong operating efficiency and a leaner equity base.

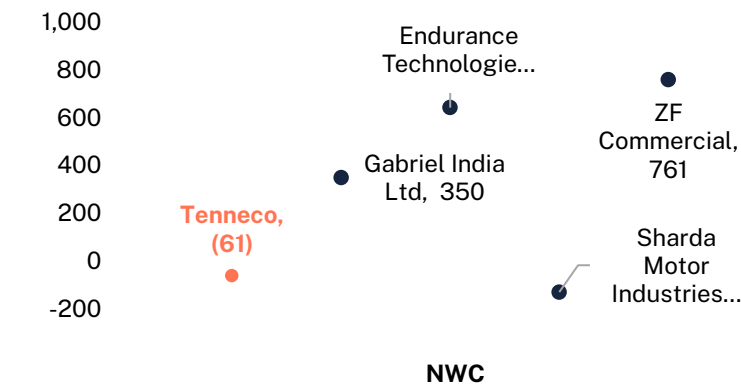
Net cash and recurring FCF provide substantial self-funding capacity



Surplus liquidity can fund planned capex without leverage

- Tenneco's net debt/equity of $-0.48x$ is the strongest among selected peers, reflecting a significant surplus of cash and liquid resources over financing obligations.
- The company had no conventional borrowings at FY26-end, while adjusted FCF of Rs. 483 cr and interest coverage of $24.3x$ provide sufficient headroom to internally fund its indicative FY27 capex of Rs. 300 cr across both business segments.
- The strong liquidity position provides flexibility to fund growth capex, technology investments, and shareholder distributions.

Supplier-funded working capital supports cash generation and capital efficiency



Inventory and supplier management support Tenneco's negative working-capital cycle

- Tenneco recorded negative NWC of Rs. 61 cr in FY26, as trade payables exceeded inventory and receivables, allowing supplier credit to fund part of the operating cycle.
- Three-to-six-month customer forecasts, frequent supplier schedules and localised sourcing help align procurement with production and shorten lead times.
- Vendor-managed JIT inventory, standardised modular processes and P3-led changeovers reduce work-in-progress, while Group purchasing scale supports favourable supplier-payment terms.
- Tenneco's negative NWC reflects efficient inventory management and supplier credit rather than high cash requirements, allowing growth with less capital tied up in operations and supporting cash generation and return ratios.

Source: Company, Midas Research
* We have assumed lower capex in FY27 against management guidance of Rs. 350-400 Cr

3 - Valuation Framework



Valuation Framework – Summary

By Own History:

3.1

- Tenneco's P/E, EV/EBITDA, and price-to-sales multiples have declined below their respective post-listing averages, while price-to-book remains near its median, supported by the company's high return ratios.
- Valuation appears reasonable given the 18.8% FY26 EBITDA margin (VAR), 43% RoE, net-cash position & Rs. 12,400 cr order book. However, the limited listed history reduces the reliability of mean-reversion bands. **We assign a rating of 5.5/7.0.**

Current Position vs. Peers:

3.2

- Tenneco offers an attractive risk-reward, trading at ~24x FY28E P/E and 15.6x EV/EBITDA — below peer averages despite superior return ratios, and a net-cash balance sheet.
- Applying a 30x multiple to FY28E EPS yields a target price of Rs. 621, implying ~28% upside.
- Rating should be supported by order-book execution and sustained profitability, although the 1.4x PEG (vs ~1.0x peers) shows the stock is fairly-to-fully valued on growth, with the premium earned by returns and balance-sheet quality. **We assign a rating of 6.0/7.0.**

Based on Growth:

3.3

- Tenneco's growth-adjusted valuation appears reasonable rather than inexpensive. The company trades at 15.6x FY28E EV/EBITDA against an estimated 12% EBITDA CAGR.
- Its 1.4x PEG, based on 17% PAT CAGR, also places it near the upper end of the peer set.
- High margins, strong returns, and a net-cash balance sheet support the premium, while upside hinges on order-book conversion and earnings delivery.
- **We assign a rating of 4.8/7.0.**

Capturing Return Profiles:

3.4

- Tenneco combines the peer group's strongest return profile with a reasonable valuation. Its FY28E RoE of ~39% and FY26 RoCE of 58% are supported by an 18.8% EBITDA margin on VAR, negative working capital, and a net-cash balance sheet.
- Despite this superior capital efficiency, Tenneco trades at ~24x FY28E P/E and ~21x TTM EV/EBITDA, below Gabriel and ZF on enterprise valuation. FY26 RoCE also benefited from a leaner capital base following the dividend payout, but underlying operating returns remain materially ahead of peers. **We assign a rating of 6.5/7.0.**

Reflecting EVA:

3.5

- Tenneco's 49.4% FY26 EVA spread materially exceeds the peer average of 2.2% reflecting superior returns relative to its cost of capital. Its 21.0x TTM EV/EBITDA remains below Gabriel and ZF despite stronger value creation.
- The spread is projected to approach 80% by FY28E, supported by earnings growth and a lean capital base, although the latter amplifies the reported return. Sustaining this advantage will depend on deploying planned capex without materially diluting capital efficiency. **We assign a rating of 6.0/7.0.**

Source: Bloomberg, Midas Research

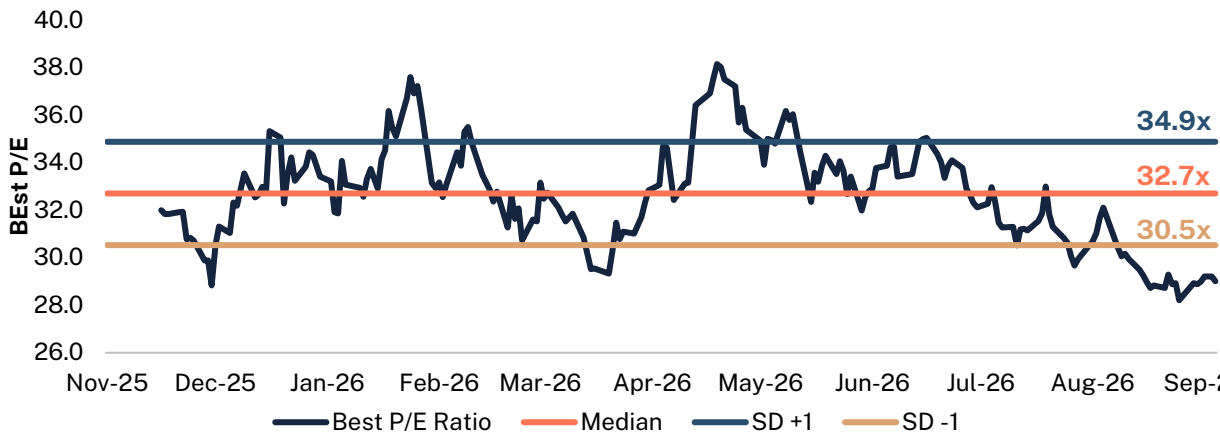
3.1 - By Own History (in charts)

Valuation near post-listing lows despite strong operating fundamentals

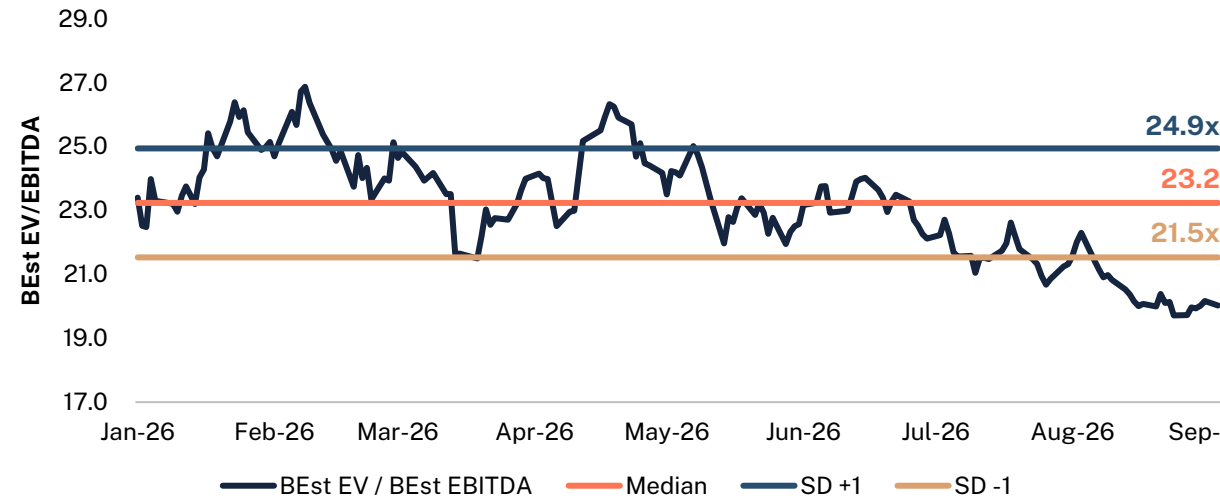
5.5 7

Tenneco's P/E, EV/EBITDA, and price-to-sales multiples have declined below their respective post-listing averages, while price-to-book remains near its median, aided by the company's high return ratios. Valuation appears reasonable given the 18.8% FY26 EBITDA margin (VAR), 43% RoE, net-cash position & Rs. 12,400 cr order book. However, the limited listed history reduces the reliability of mean-reversion bands.

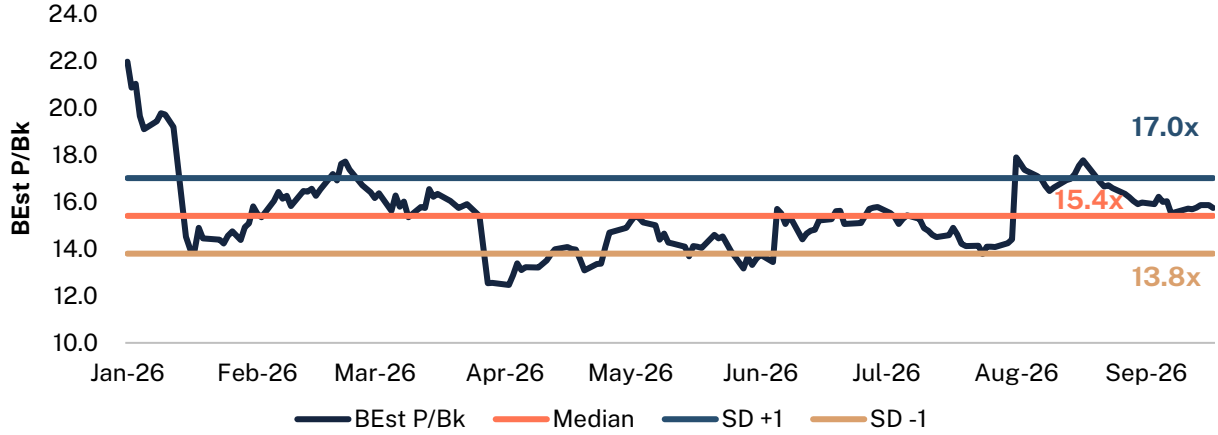
Earnings multiple falls below its post-listing valuation band



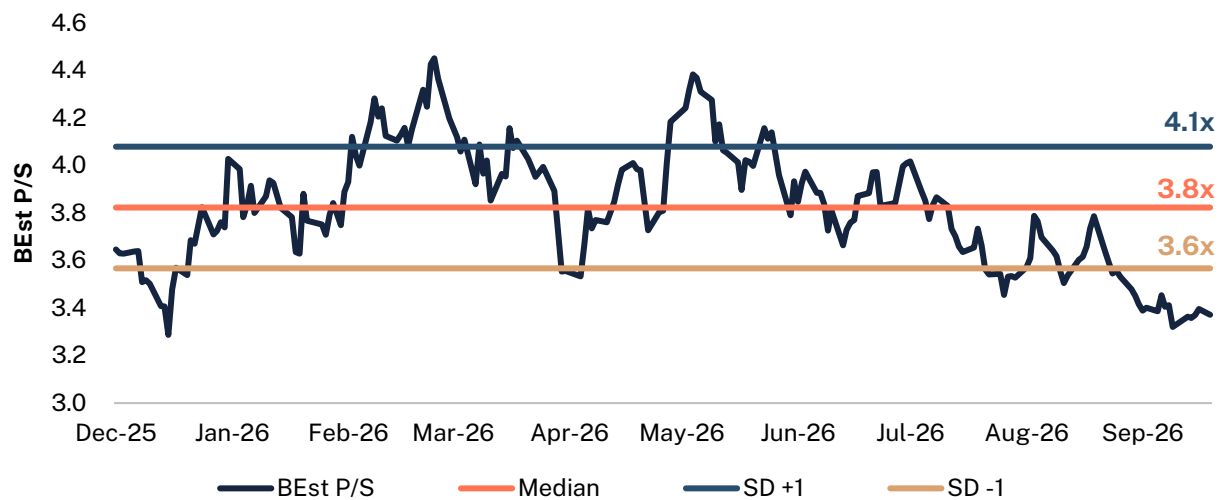
Below average EV/EBITDA improves risk-reward despite resilient profitability



High return ratios sustain a premium book-value multiple



Sales multiple declines ahead of order book conversion



Source: Bloomberg, Midas Research

3.2 – Current Position vs Peers

Attractively valued compared to peers

6

7

Tenneco offers an attractive risk-reward, trading at ~24x FY28E P/E and 15.6x EV/EBITDA — below peer averages despite superior return ratios, and a net-cash balance sheet. Applying a 30x multiple to FY28E EPS yields a target price of Rs. 621, implying ~28% upside. Rating should be supported by order-book execution and sustained profitability, although the 1.4x PEG (vs ~1.0x peers) shows the stock is fairly-to-fully valued on growth, with the premium earned by returns and balance-sheet quality.

- Tenneco trades at ~33.1x TTM P/E & ~21x TTM EV/EBITDA — already below peer averages of ~41.8x & ~23.8x, respectively. The listed peer set — Endurance, Gabriel, ZF Commercial Vehicle & Sharda Motor — spans suspension, powertrain, and CV-control businesses and generate roughly half of Tenneco's RoE, while Gabriel's depressed FY26 base inflates the peer PAT CAGR average. On the metrics that drive value — margins, returns & balance-sheet quality — Tenneco is the strongest name in the group, yet its ~24x FY28E P/E remains below the peer average.
- **Business quality is best-in-class in the peer set.** Tenneco delivered ~43.0% RoE and ~58% RoCE in FY26 (94% RoCE as reported, aided by its net-cash position), comfortably ahead of the ~19.7% peer-average RoE, with an ~18.6% EBITDA margin (VAR basis) versus the ~13.4% peer average. This reflects its position as a leading Tier-1 supplier of highly engineered emission-control systems, 19+ year average relationships with its top-10 OEMs, and structurally negative working capital — a moat few auto-component peers can replicate.
- **The market is not paying for that quality.** Despite roughly double the peer RoE, Tenneco trades below the peer average across every forward valuation metric — ~24x FY28E P/E (peers ~27x) and ~15.6x FY28E EV/EBITDA (peers ~21.7x) — while maintaining a net-cash balance sheet and a negative 30-day cash-conversion cycle (FY26). The bull case is less about being cheap on growth (PEG ~1.4x vs. ~1x for peers) and more about the valuation discount on the sector's highest-return, strongest-balance-sheet business.
- **Growth is durable and highly visible, and the peer-growth gap is largely optical.** Tenneco's ~12.5% revenue and ~17% PAT CAGR through FY28E screens below the peer average, but the comparison is skewed by Gabriel's ~58% PAT CAGR off a low, recently restructured base. Crucially, growth is underwritten by a ~Rs. 12,400 cr lifetime order book covering ~2x of FY28 revenue, a fast-scaling Advanced Ride Technologies franchise (DaVinci, growing ~20%+) and a higher-margin export book benefiting from US/EU duty cuts.
- **Balanced view on mix.** Nearly half the book (Clean Air) carries long-term EV substitution risk, but this is cushioned by the continued relevance of ICE/hybrid platforms and an EV-agnostic ART/suspension franchise (~50% of the business). Relative to peers, Tenneco offers superior margins, returns, and balance-sheet strength at a lower FY28E multiple — providing a more defensive way to play the broader emission and ride-technology upcycle.
- **Valuation:** We value Tenneco at 30x FY28E EPS of ~Rs. 20.5 for a target price of Rs. 621, implying ~28% upside (incl div).

Companies	CMP	Market Cap. (Rs. Cr.)	Revenue (FY26)			EBITDA			EBITDA Margin (%)		PAT			PE		RoE (%)		RoCE (%)	PEG
			FY26	FY28E	CAGR	FY26	FY28E	CAGR	FY26	FY28E	FY26	FY28E	CAGR	TTM	FY28E	FY26	FY28E	FY26	
Tenneco Clean Air Solutions	487	19,656	4,918	6,227	13%	925	1,162	12%	18.8%	18.7%	604	827	17%	33	24	43.0	39.0	58.1	1.4
Endurance Technologies Ltd	2,528	35,475	14,596	19,743	16%	1,991	2,709	17%	13.6%	13.7%	967	1,387	20%	36	26	15.2	16.6	18.0	1.3
Gabriel India Ltd	1,306	23,191	4,667	6,661	19%	434	688	26%	9.3%	10.3%	259	644	58%	64	35	19.8	23.5	26.0	0.6
Sharda Motor Industries Ltd	919	5,276	3,397	4,497	15%	378	562	22%	11.1%	12.5%	276	442	27%	16	12	29.1	24.4	34.0	0.5
ZF Commercial Vehicle Control	2,202	24,981	4,119	5,386	14%	655	916	18%	15.9%	17.0%	499	720	20%	51	35	15.0	15.3	19.0	1.7
Average					16%			21%	12%	13%			31%	42	27	19.7	19.9	24.3	1.0

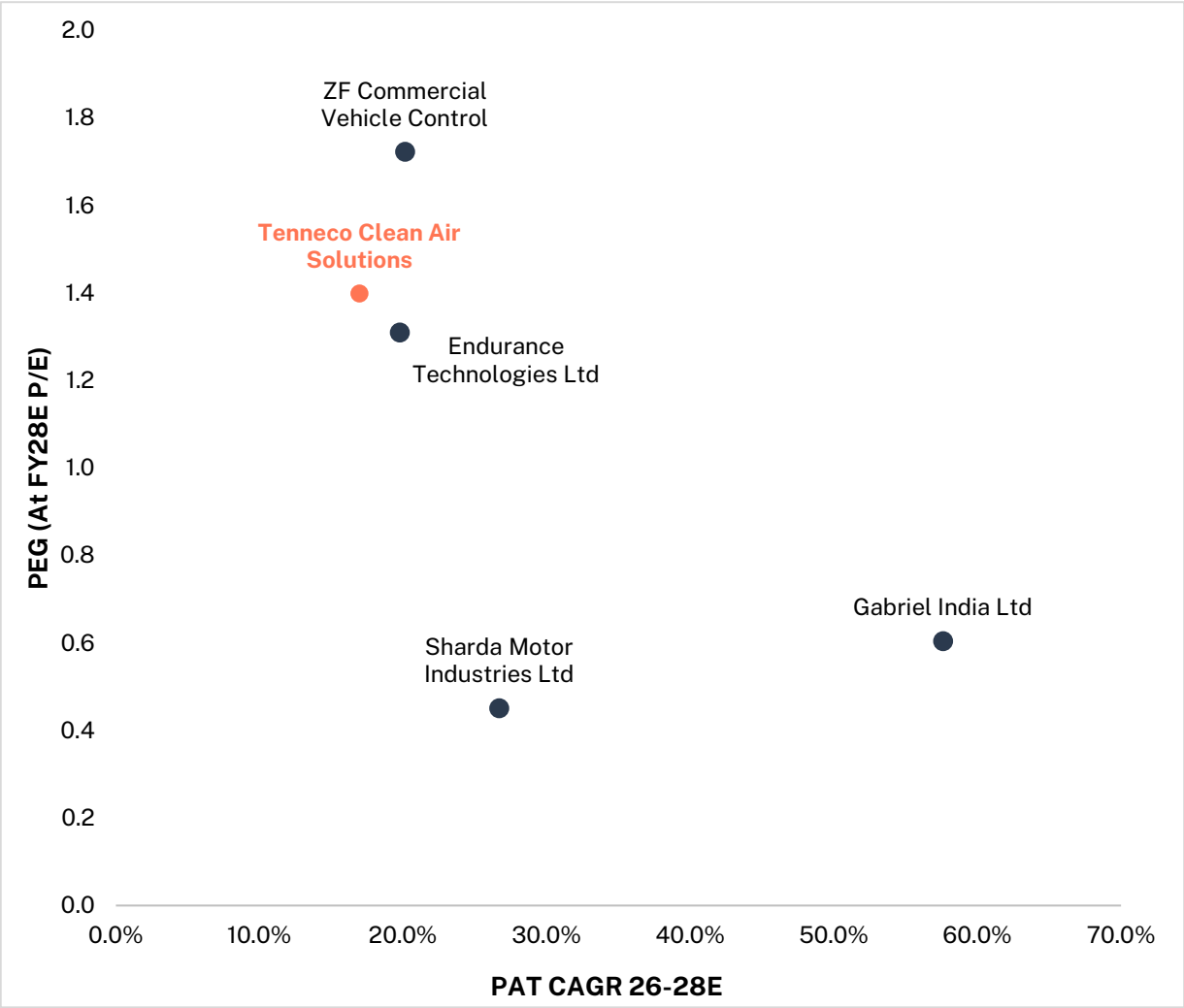
*Tenneco numbers are on VAR basis.
Source: Bloomberg, Midas Research

3.3 – Based on Growth

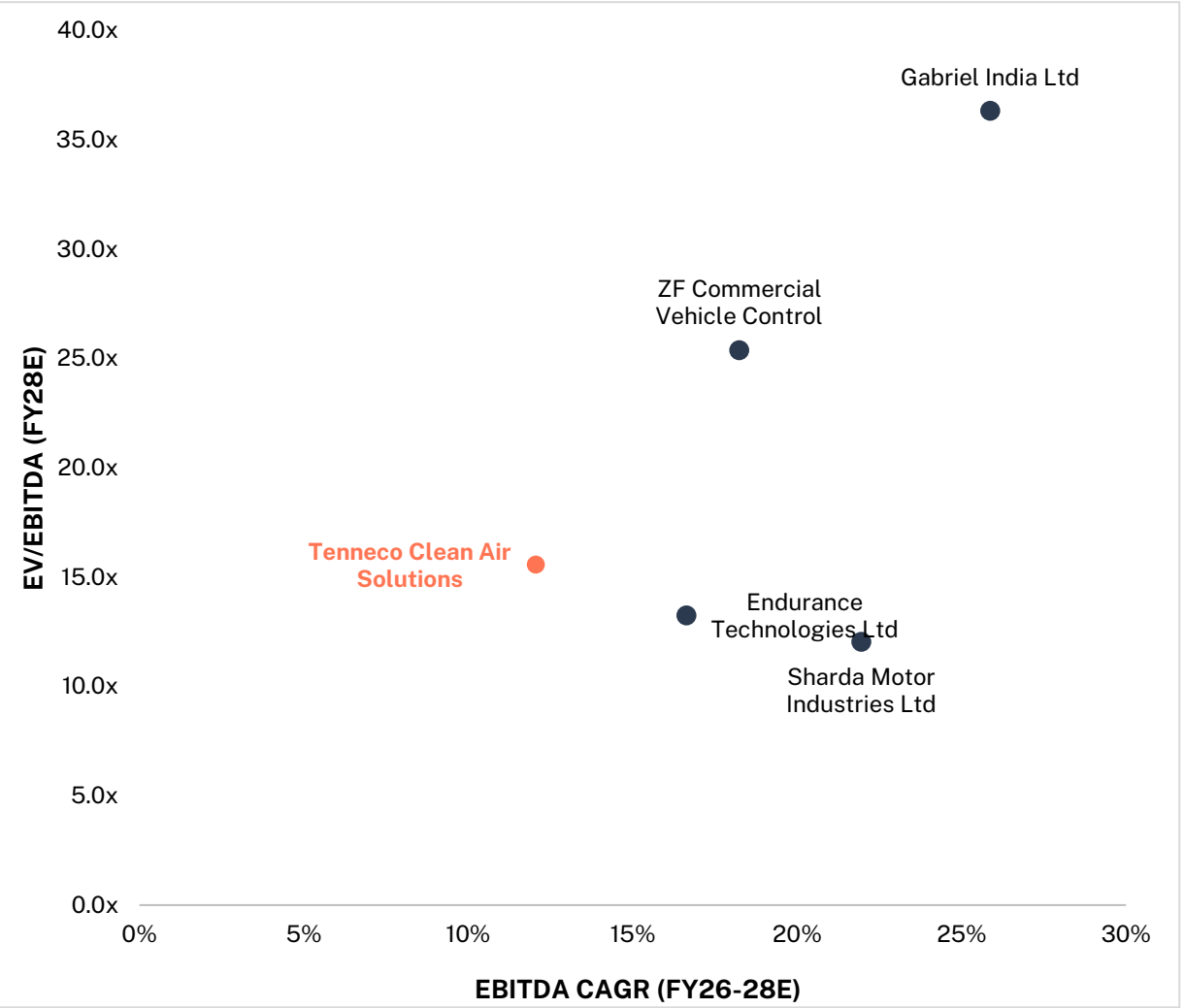
Tenneco sits mid-pack on growth-adjusted value: 1.4x PEG and 15.6x FY28E EV/EBITDA

At a 12% EBITDA CAGR, valuation is above Endurance & Sharda but below ZF & Gabriel

PEG vs PAT CAGR



EV/EBITDA vs EBITDA CAGR



4.8

7

Tenneco's growth-adjusted valuation appears reasonable rather than inexpensive. The company trades at 15.6x FY28E EV/EBITDA against an estimated 12% EBITDA CAGR. Its 1.4x PEG, based on 17% PAT CAGR, also places it near the upper end of the peer set. High margins, strong returns, and a net-cash balance sheet support the premium, while upside hinges on order-book conversion and earnings delivery.

Source: Bloomberg, Midas Research

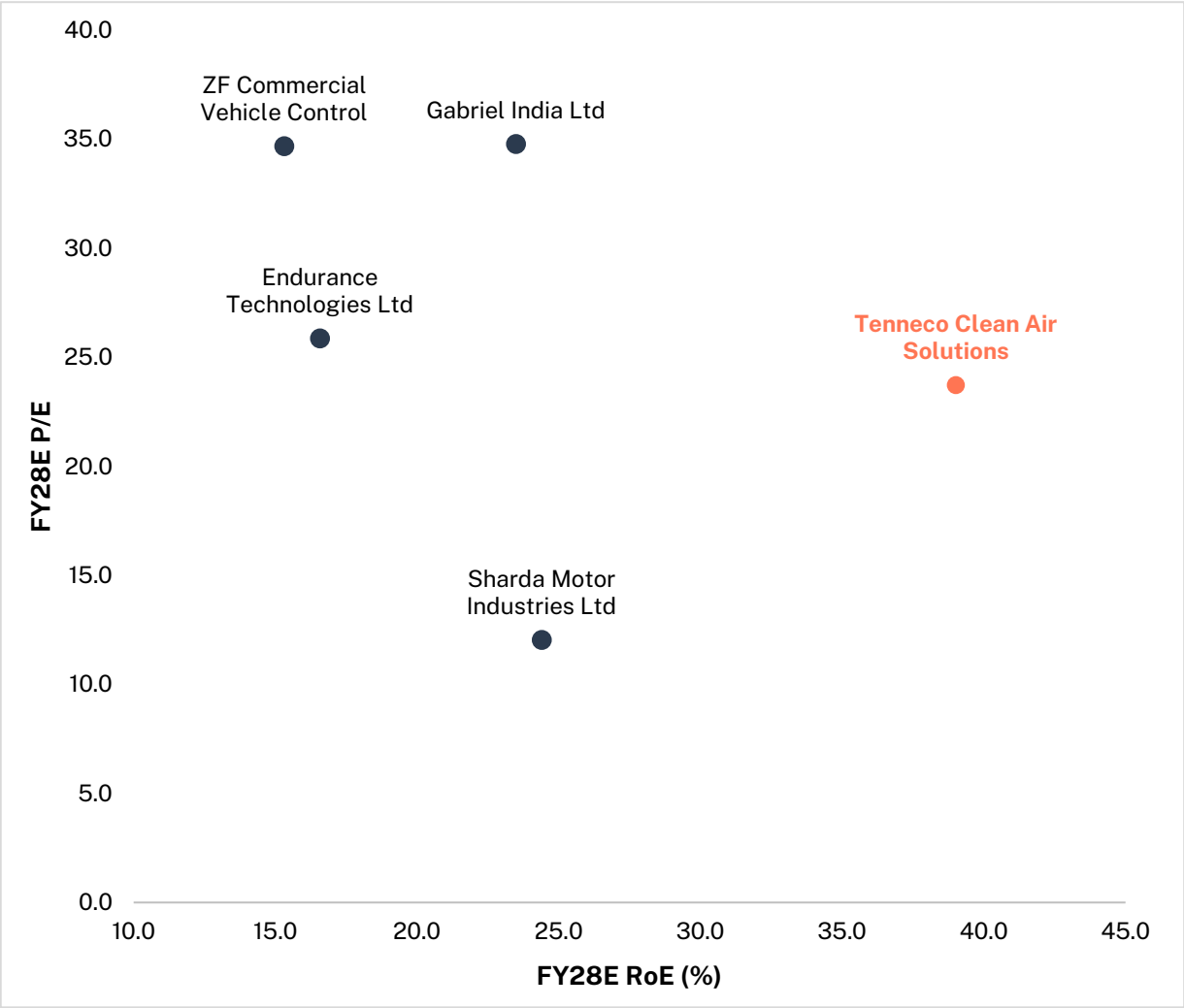
3.4 - Capturing Return Profiles

Tenneco's returns highest among peers — 39% FY28E RoE and 58% FY26 RoCE — at ~24x FY28E P/E, below Gabriel and ZF on both valuation multiples

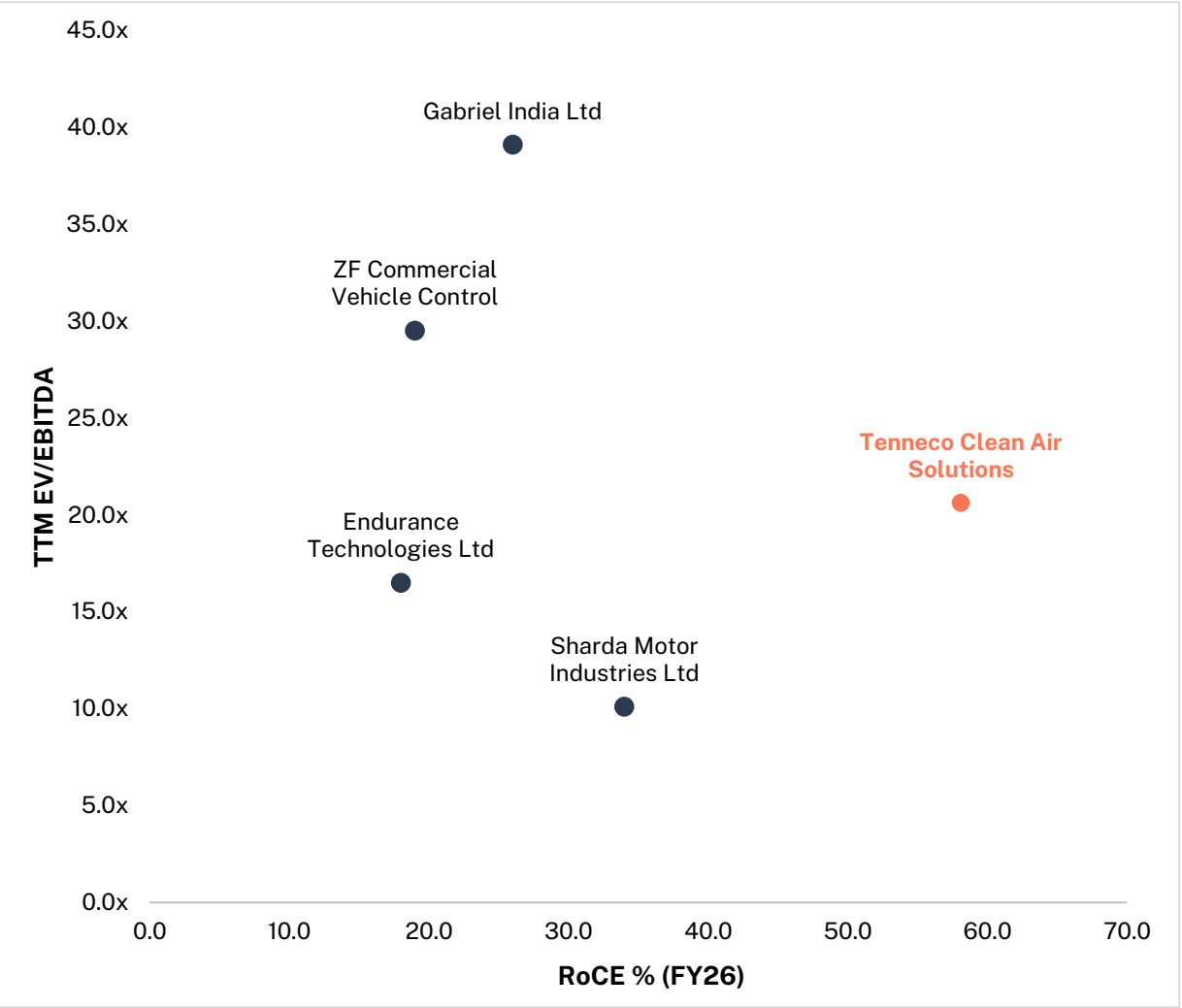
6.57

Tenneco combines the peer group's strongest return profile with a reasonable valuation. Its FY28E RoE of ~39% & FY26 RoCE of 58% are supported by an 18.8% EBITDA margin on VAR, negative working capital & a net-cash balance sheet. Despite this superior capital efficiency, Tenneco trades at ~24x FY28E P/E and ~21x TTM EV/EBITDA, below Gabriel & ZF on enterprise valuation. FY26 RoCE also benefited from a leaner capital base following the dividend payout, but underlying operating returns remain materially ahead of peers.

FY28E RoE vs FY28E P/E



RoCE vs TTM EV/EBITDA



Source: Bloomberg, Midas Research

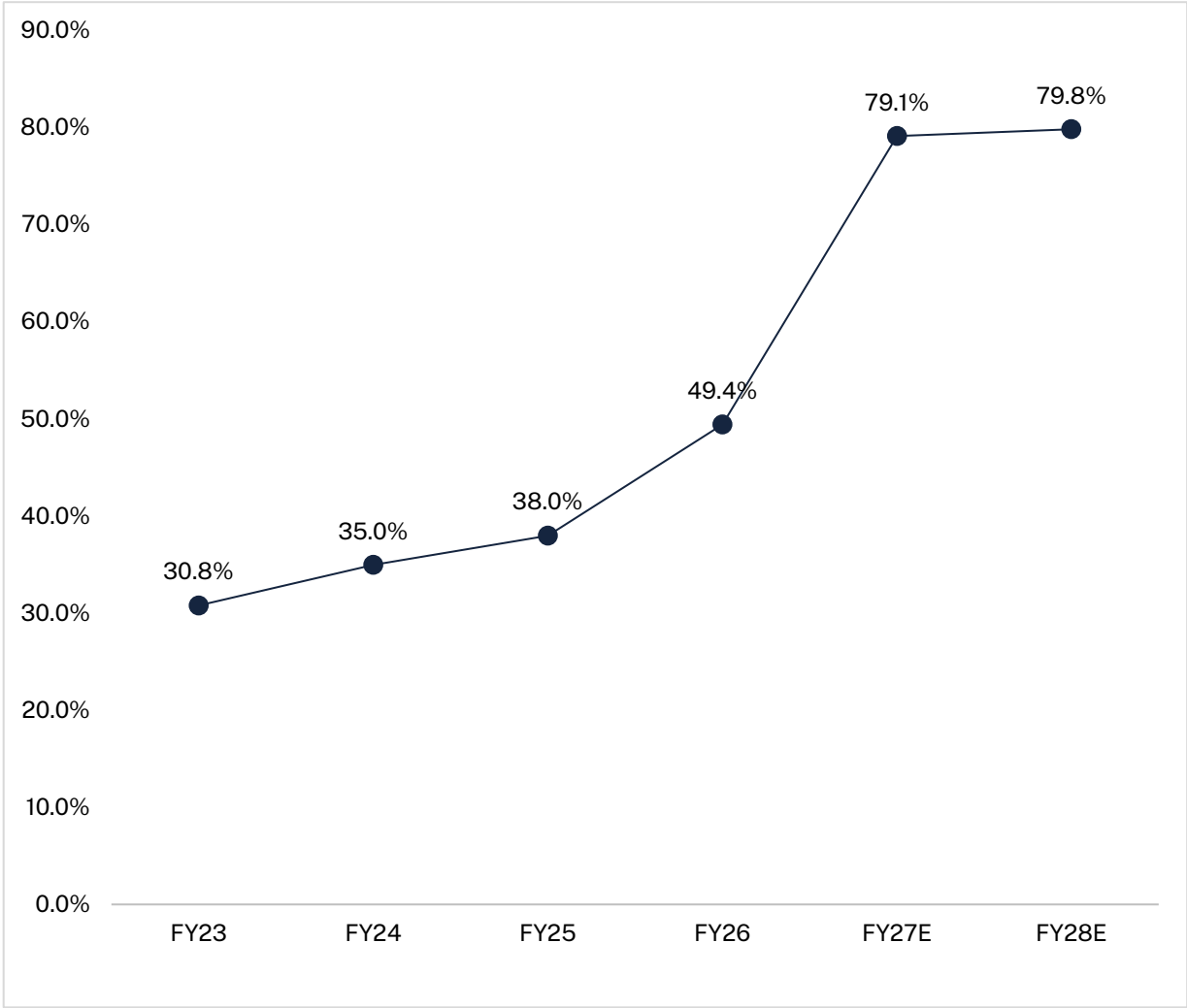
3.5 - Reflecting EVA

Economic value addition

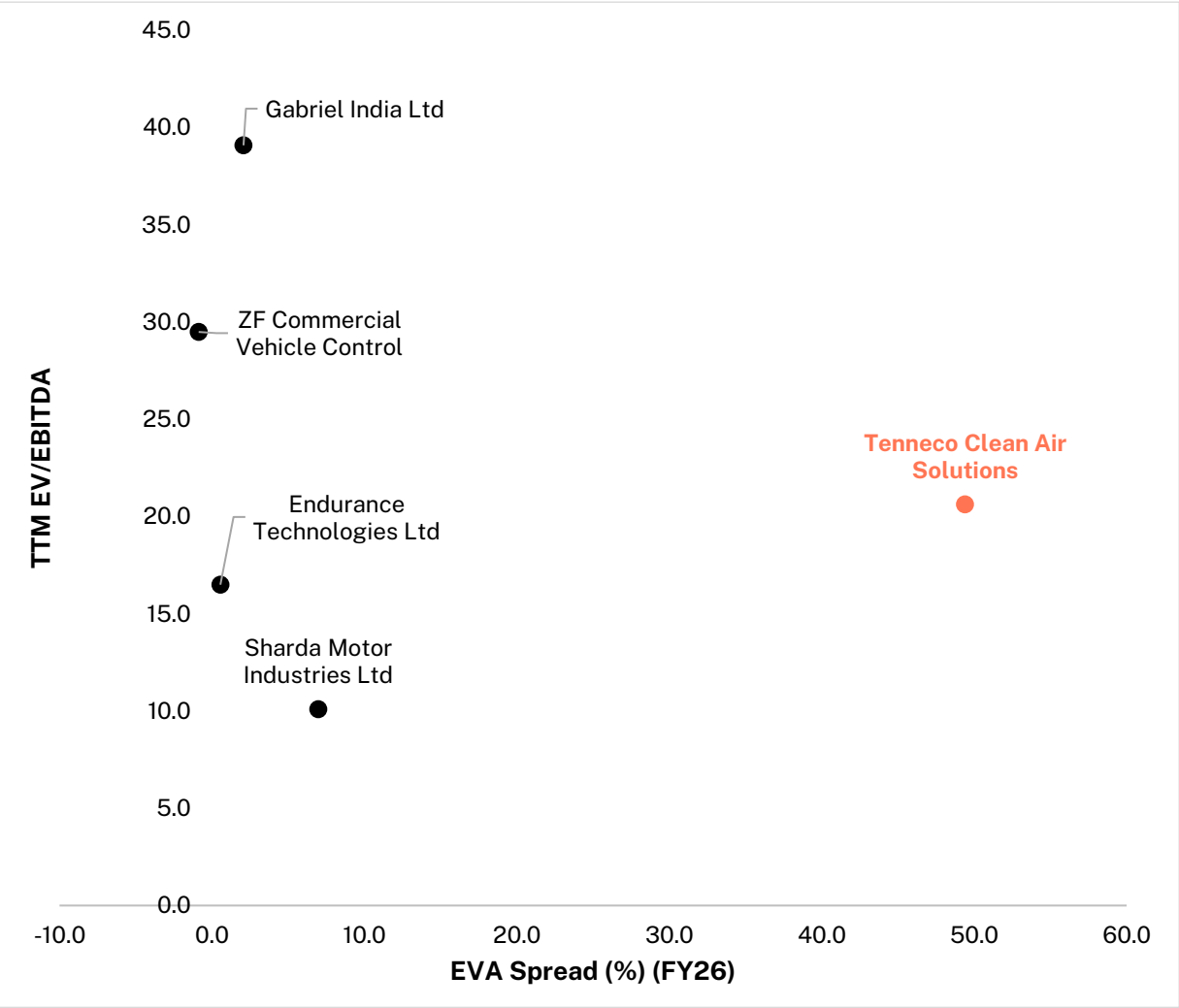
67

Tenneco's 49.4% FY26 EVA spread materially exceeds the peer average of 2.2% reflecting superior returns relative to its cost of capital. Its ~21.0x TTM EV/EBITDA remains below Gabriel & ZF despite stronger value creation. The spread is projected to approach 80% by FY28E, supported by earnings growth and a lean capital base, although the latter amplifies the reported return. Sustaining this advantage will depend on deploying planned capex without materially diluting capital efficiency.

EVA Spread (%)



EVA vs EV/EBITDA



Source: Bloomberg, Midas Research

Valuation Rationale

Conclusion

Best-in-class Economics STRONGEST VALUATION ARGUMENT

- **Premium margins, not scale:** ~19% VAR/~17% reported EBITDA margin(FY26) — well ahead of peers — led by precision powertrain, justifying a structural quality premium.
- **Capital efficiency is the real moat:** ~43% RoE and ~58% RoCE (FY26), a negative cash-conversion cycle (~-30 days), and a net-cash balance sheet mean growth is largely self-funded — reflecting genuinely superior unit economics vs peers, even after normalising headline RoCE for the dividend-reduced equity base.
- **Earnings compounding beats topline:** Revenue/EBITDA/PAT CAGR of ~12.5%/~12%/ ~17% over FY26–FY28E, with PAT growing fastest on low finance costs, higher other income due to significant cash balance and disciplined capex — supporting P/E of ~30x FY28E EPS.

Qualitative Evidence SUPPORTING ARGUMENT

- **Incumbency + integration moat:** 19+ year average relationships with the top-10 OEMs, platform co-development lock-in and multi-year, per-platform contracts create high switching costs — a defensible franchise despite the Monroe/Champion brands being licensed from the parent.
- **Growth is quality-led and EV-resilient:** Nearly 50% of VAR is EV-agnostic Advanced Ride Technologies (~55% market share, double-digit growth, premiumisation via DCx DaVinci); hybrids lift content by 1.5–2x; CV/off-highway Clean Air has no near-term EV path and benefits from tightening emission norms — with export optionality (~14% of order book vs ~6% of revenue).
- **Tight capacity = attractive incremental margins:** Utilisation is already high (CAPT >80%, ART >90%), so upcoming capacity ramp-up can convert into margin-accretive volume without heavy leverage — though execution under the newly reconstituted management remains the key monitorable.

Valuation Verdict:

- Tenneco is a high-quality operating asset, with premium margins, best-in-class capital efficiency, negative working capital and a net-cash balance sheet, warranting a valuation premium to peers. At ~24x FY28E EPS the stock is near its lowest P/E in its listed history (since Nov-25).
- We value Tenneco at 30x FY28E EPS, implying a target price of Rs. 621 (~28% upside, including dividends) from the CMP of Rs. 487. While the multiple appears premium to Indian auto-component peers, it remains below Tenneco's ~33x historical median and is justified by its market leadership, strong business franchise, Tenneco Global parentage and access to the parent's technology and scale.
- With the promoter overhang largely behind us and limited downside from current levels, we initiate a BUY. Key monitorables include export-order conversion, ART momentum, technology transfers from the parent and the ability to leverage Tenneco's engineering capabilities across adjacent industries.

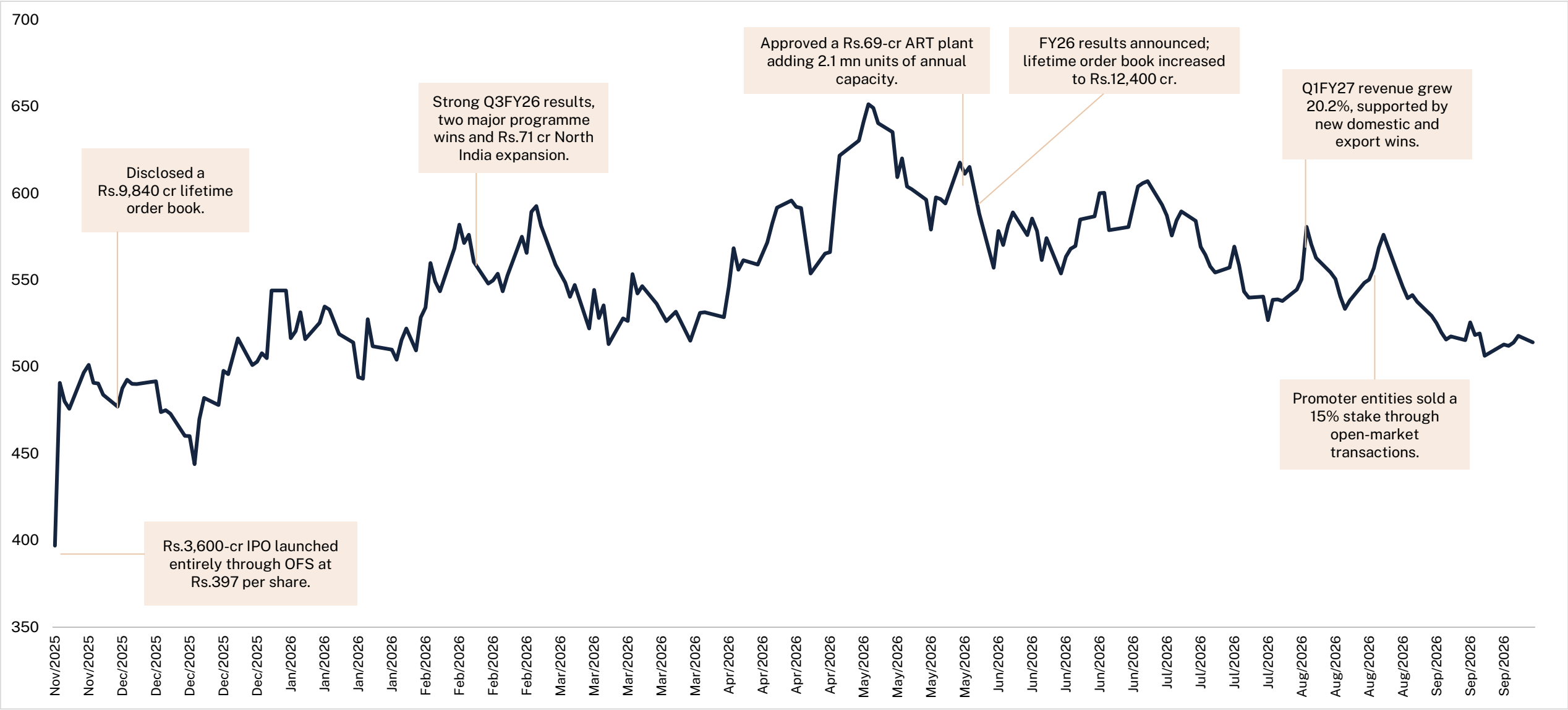
Sensitivity Table- Why we believe the current valuation offers the best risk reward*

EPS/P/E Multiple	24	26	28	30	32	34	36
18	420	455	490	526	561	596	631
19	444	481	518	556	593	630	667
20	468	507	546	586	625	664	703
21	492	533	574	616	657	698	739
22	516	559	602	646	689	732	775
23	540	585	630	676	721	766	811
24	564	611	658	706	753	800	847

Source: Bloomberg, Midas Research
* Excluding Dividends

4 - Stock Buzz and Influencing Factors (1/2)

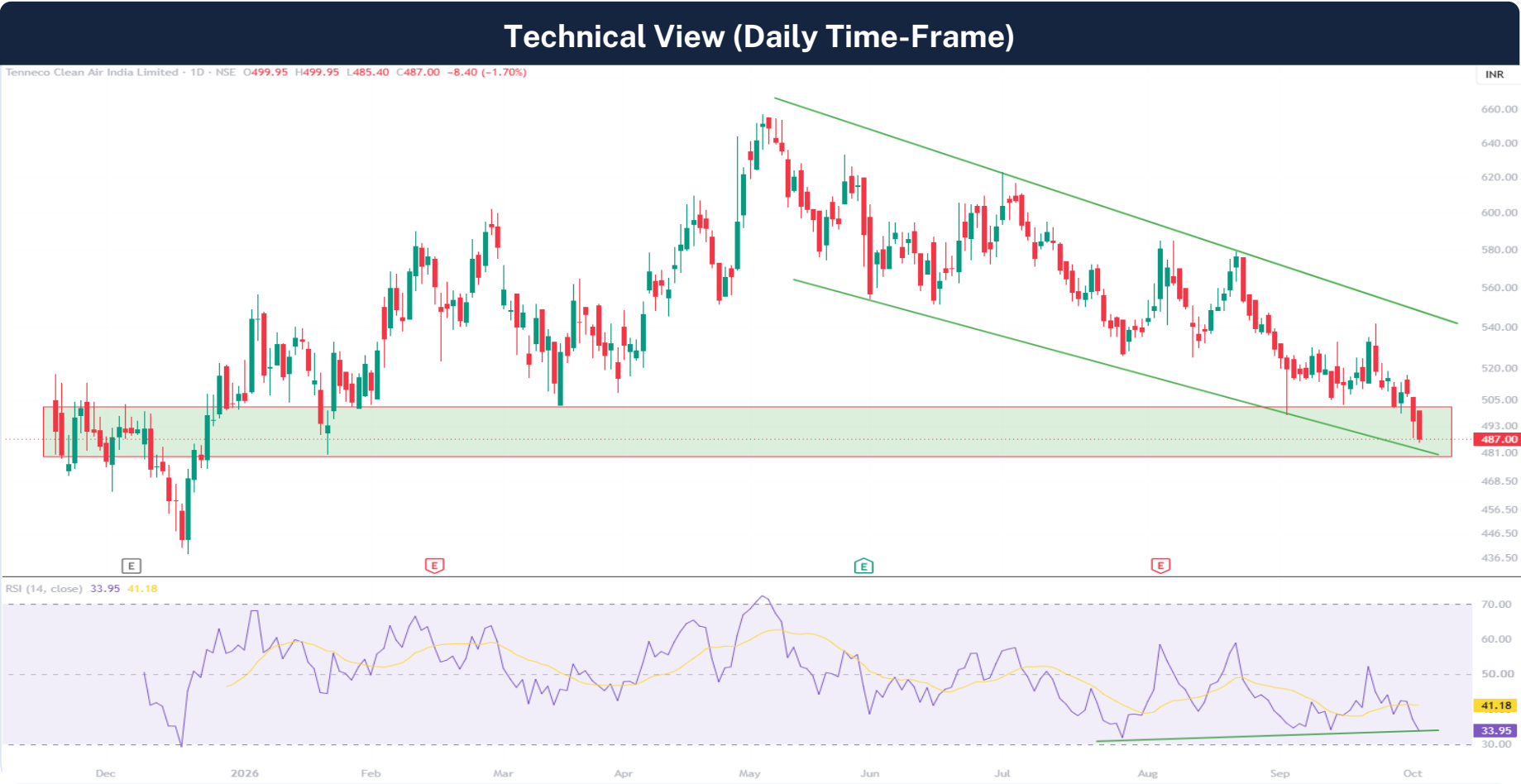
Noise vs. signal: what really drove the stock?



Tenneco Clean Air India Ltd. listed in Nov'25 on exchanges.

5 - Technical Analysis

Potential trend reversal emerging at a key multi-month support zone.



Technical View

- Tenneco Clean Air India is forming a **downward sloping channel** on the daily timeframe, with the stock approaching a well-established multi-month support zone of Rs. 470-490, where repeated buying interest has emerged.
- A decisive breakout above Rs. 540-545, which marks the channel resistance, would provide confirmation of a potential trend reversal and could trigger further upside.
- Momentum indicators are also turning constructive, with the **14-day RSI forming a positive bullish divergence**, indicating improving underlying momentum despite recent price weakness.
- Overall, the combination of multi-month support, sloping channel demand zones and positive RSI divergence presents a constructive risk-reward setup. The setup **favours an accumulation-on-dips** strategy near Rs. 470-490, while a sustained breakout above Rs. 540-545 could open the way towards the Rs. 600-620 resistance zone.

Auto Components

Reco/View

Buy

Last Day Close

Rs. 487

RESEARCH ANALYST

Ameya Vikas Ranadive

ameya.ranadive@sparkcapital.in

Source: Trading View, Midas Research
1-Year TP: 1-Year Target Price

Tenneco Clean Air India Ltd

Key Risks



Top 10 customers contribute ~80% of revenue, with just three accounting for 51%. Losing even one major customer could have a material impact.



BS-VII and CAFE-3 timelines and final requirements remain uncertain. Delays in implementation or less stringent norms could postpone the expected CPV uplift, reducing near-term growth potential.



Accelerating EV adoption reduces demand for ICE-specific products such as exhaust after-treatment systems, catalytic converters, DPF/SCR systems and spark plugs, structurally shrinking a meaningful share of TCAIL's revenue base over the long term.

Source: Company, Midas Research

Financial Summary

- Reported and VAR revenue are both projected to compound at ~12.5% CAGR over FY26–FY28E to Rs. 6,843 cr and Rs. 6,227 cr respectively.
- EBITDA grows at ~12.1% CAGR to Rs. 1,162 cr, with the reported EBITDA margin stable at ~17.0% (vs 17.1% in FY26) and the VAR-based margin at ~18.6% (vs 18.8% in FY26) — a modest FY27E dip on non-indexed input costs before normalising in FY28E.
- PAT compounds faster at ~17.1% CAGR on higher other income and flat finance costs, lifting PAT margin from 11.2% to 12.1% and EPS from Rs. 15.0 to Rs. 20.5.

Particulars	FY23	FY24	FY25	FY26	FY27E	FY28E
Profit & Loss						
Revenue – Reported	4,827	5,468	4,890	5,404	6,031	6,843
Revenue - VAR (Value Added Revenue)	3,902	4,269	4,380	4,918	5,489	6,227
Gross Profit	1,389	1,575	1,669	1,894	2,072	2,361
EBITDA	571	612	815	925	960	1,162
Depreciation	101	104	103	108	112	121
EBIT	470	508	712	817	848	1,041
Other Income	60	70	41	59	80	97
Finance Cost	22	25	20	34	30	33
PBT	508	553	733	816	898	1,105
PAT (Owners)	381	417	552	604	673	828
EPS (Rs)	9.4	10.3	13.7	15.0	16.7	20.5
Balance Sheet						
Net Worth	1,208	980	1,610	1,197	1,771	2,473
Total Debt	14	-	-	-	-	-
Lease Liabilities	17	15	20	51	48	45
Gross Fixed Assets	949	1,012	1,075	1,132	1,432	1,632
Net Fixed Assets	585	565	535	508	707	797
CWIP	18	37	31	58	58	58
Cash & Bank	411	183	286	571	967	1,564
Net Working Capital	(106)	(102)	(108)	(61)	(71)	(45)
Total Assets	2,430	2,136	2,832	2,537	3,239	4,062
Capital Employed	1,222	980	1,610	1,197	1,771	2,473
Net Debt	(398)	(183)	(286)	(571)	(967)	(1,564)
Cash Flow						
CFO (pre-tax)	672	603	757	1,759	1,052	1,230
CFO (post-tax)	538	488	562	1,429	828	955
Capex	(63)	(97)	(65)	(115)	(300)	(200)
Free Cash Flow	474	390	498	1,314	528	755
CF from Investing	(13)	(30)	(27)	(69)	(301)	(201)
CF from Financing	(394)	(686)	(433)	(1,075)	(131)	(157)

All figures in Rs. cr

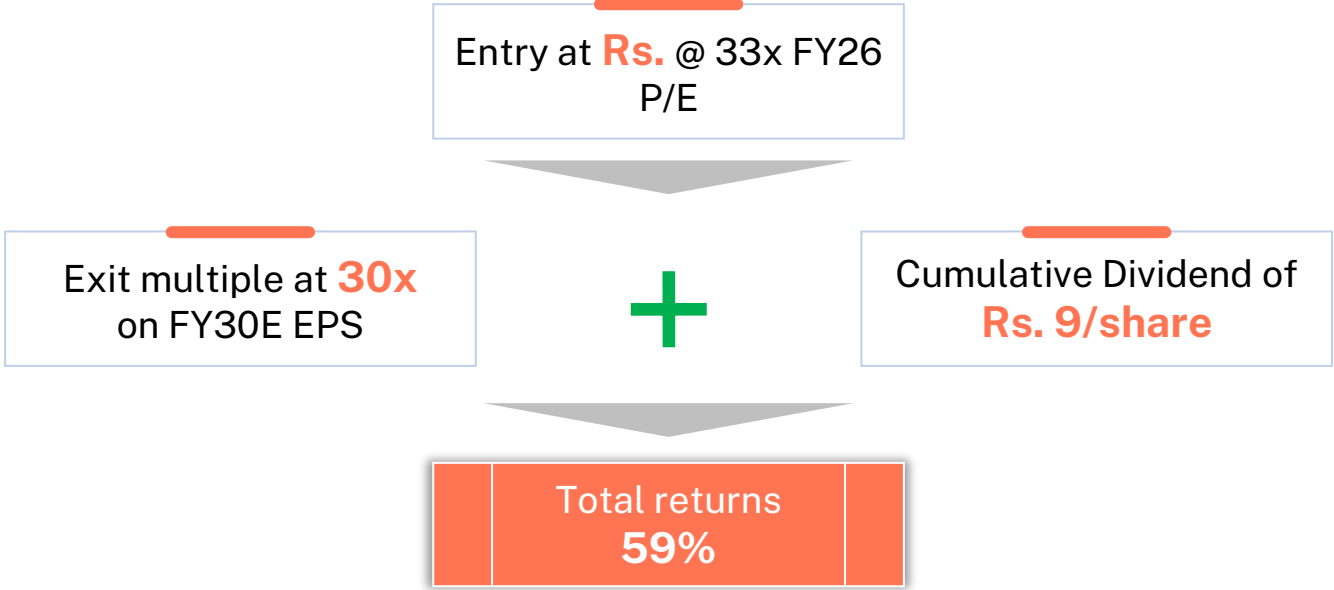
- Adjusted FY26 FCF of ~Rs. 485 cr (ex-Motocare receipt) provides a strong base for the investment cycle.
- Cumulative post-tax OCF of ~Rs. 1,783 cr over FY27E–FY28E is expected to fund Rs. 500 cr of capex and generate aggregate FCF of ~Rs. 1,283 cr, lifting net cash from Rs. 571 cr in FY26 to Rs. 1,564 cr in FY28E.
- RoCE moderates from 58.1% to 49.0% as capital employed rises from Rs. 1,197 cr to Rs. 2,473 cr, while the balance sheet remains free of conventional borrowings.

Particulars	FY23	FY24	FY25	FY26	FY27E	FY28E
Growth Ratios (%)						
Revenue		13.3%	(10.6%)	10.5%	11.6%	13.5%
Reported EBITDA		7.3%	33.2%	13.5%	3.7%	21.1%
PAT		9.3%	32.5%	9.3%	11.5%	23.0%
Margin Ratios						
Gross Margins	28.8%	28.8%	34.1%	35.0%	34.4%	34.5%
Reported EBITDA	11.8%	11.2%	16.7%	17.1%	15.9%	17.0%
PAT	7.9%	7.6%	11.3%	11.2%	11.2%	12.1%
Performance Ratios						
Pre-tax OCF/EBITDA	1.2x	1.0x	0.9x	1.9x	1.1x	1.1x
OCF/IC (%)	66.3%	61.2%	42.5%	228.3%	102.9%	105.0%
RoE (%)	31.5%	38.1%	42.6%	43.0%	45.3%	39.0%
RoCE (%)	38.4%	46.2%	55.0%	58.1%	57.0%	49.0%
Fixed Asset Turnover	8.3x	9.7x	9.1x	10.6x	8.5x	8.6x
Total Asset Turnover	2.0x	2.6x	1.7x	2.1x	1.9x	1.7x
Financial Stability Ratios						
Net Debt to Equity (x)	(0.3x)	(0.2x)	(0.2x)	(0.5x)	(0.5x)	(0.6x)
Net Debt to EBITDA (x)	(0.7x)	(0.3x)	(0.4x)	(0.6x)	(1.0x)	(1.3x)
Interest Cover (x)	21.8x	20.2x	35.1x	24.3x	28.7x	31.5x
Working Capital Days	(10)	(14)	(13)	(30)	(37)	(34)
Valuation Metrics						
Fully Dil. Shares (cr)	31.3	21.4	40.4	40.4	40.4	40.4
Market Cap (Rs. cr)				19,656	19,656	19,656
P/E (x)				32.6x	29.2x	23.7x
P/OCF (x)				13.8x	23.7x	20.6x
EV (Rs cr) (ex -CWIP)				19,026	18,631	18,034
EV / EBITDA				20.6x	19.4x	15.5x
EV / OCF				13.3x	22.5x	18.9x
FCF Yield				6.7%	2.7%	3.8%
Price to BV				16.4x	11.1x	7.9x
Dividend Pay-out (%)	73.6%	134.2%	74.1%	171.7%	15.0%	15.0%
Dividend Yield (%)				5.3%	0.5%	0.6%
Cash as a % of CE	33.7%	18.7%	17.8%	47.7%	54.6%	63.2%

Source: Company, Midas Research
FY26 reported CFO and FCF includes the Rs. 829 cr. Motocare collection.

Future Lens

- Tenneco Clean Air India's near-term case rests on tightening emission norms and a premiumising suspension mix, but the more durable story extends beyond the forecast window. The regulatory ladder does not end at BS-VI — BS-VII, CAFE-III, TREM-V and CPCB IV+ are expected to roll out largely between 2027 and 2032. The content-per-vehicle uplift will not match the ~2x-4x BS-IV-to-BS-VI jump, but management expects a further ~1.3x-1.5x increase as OEMs adopt dual-dosing SCR and larger particulate filters. With roughly half the Clean Air book exposed to low-EV-risk CV, off-highway and industrial applications, this content-led growth can compound beyond FY28, with limited exposure to PV electrification.
- Future mobility: TENNIND stands to benefit from the parent group's investments in hydrogen-compatible exhausts, hybrid/renewable fuels, NOx reduction and lightweighting technologies, supporting its relevance as powertrains evolve.
- IROX localization: Localizing its patented IROX polymer-coated bearings should reduce import dependence and costs, while improving OEM competitiveness and enabling higher wallet share.
- Exports are the most under-appreciated long-term lever: For the first time, India is positioned as “Tenneco India for the world”, winning third-party white spaces, absorbing line transfers and supplying the wider Group — with a completed Euro VII proof-of-concept extending the runway beyond today's ~7-8% of VAR. The suspension franchise offers the longest tail, as ~90% of India's cars still run conventional shock absorbers, opening a multi-year DaVinci/CVSA upgrade cycle that is EV-agnostic — electrification lifts rather than erodes content here.
- Underpinned by a net-cash balance sheet & negative cash-conversion cycle that self-funds capacity, revenue is likely to compound in the low-teens through FY30E, led by ART & exports — structural, regulation- and premiumisation-led growth — positioning Tenneco as a technology-led compounder in India's auto-component transition.



Sensitivity of 3-yr TP

Sensitivity Analysis	Market cap	Dividend	Target price	Upside
27	29,422	9	738	51%
30	32,691	9	819	68%
32	34,870	9	873	79%

Source: Company, Midas Research

Glossary

ART	Advanced Ride Technologies
CA&PT	Clean Air and Powertrain
VAR	Value-Added Revenue
CPV	Content Per Vehicle
BS-VI	Bharat Stage VI
CAFE	Corporate Average Fuel Economy
TREM	Tractor Emission
M&HCV	Medium and Heavy Commercial Vehicle
OHV	Off-Highway Vehicle
IAM	Independent Aftermarket
CVSAe	Continuously Variable Semi-Active suspension with an external electronic valve
EV	Enterprise Value
FCF	Free Cash Flow
P/E	Price to Earnings
RoE	Return on Equity

RoCE	Return on Capital Employed
RoIC	Return on Invested Capital
R&D	Research and Development
PBT	Profits Before Tax
ROA	Return on Assets
DTL	Deferred Tax Liabilities
CAPEX	Capital Expenditure
CF	Cash Flow
QoQ	Quarter on Quarter
RM	Raw Material
CoGS	Cost of Goods Sold
Cr	Crores
DCF	Discounted Cash Flow

Annexure



Industry Overview (1/2)

Structural tailwinds — SUV premiumisation, China+1 and regulatory tightening — support sustained auto-component growth

Macro backdrop

- Auto-component production grew **13.4% CAGR** (Rs. 4,59,200 cr to Rs. 8,62,200 cr, FY20–FY25), and is projected to reach **Rs. 13,50,000–14,50,000 cr by FY30** (9–11% CAGR).
- PV volumes grew at 9.4% CAGR (2.8mn to 4.3mn units, FY20–FY25); UV share of PV sales rose from 34.6% to 66.6% (Q1FY26).
- EV penetration in PVs: 2.6% in FY25 to 15–20% by FY30, a gradual, multi-year shift rather than near-term disruption.

24.2% CAGR

SUV/premiumisation

UV share of PV sales rose from 34.6% (FY20) to 66.6% (Q1FY26), lifting content per vehicle industry-wide

13.4% CAGR

China+1 export hub

Auto component exports now 22% of demand (FY25); cost edge + supply-chain diversification, North America/Europe = 60-65% of exports

13-15% CAGR

Regulatory tightening

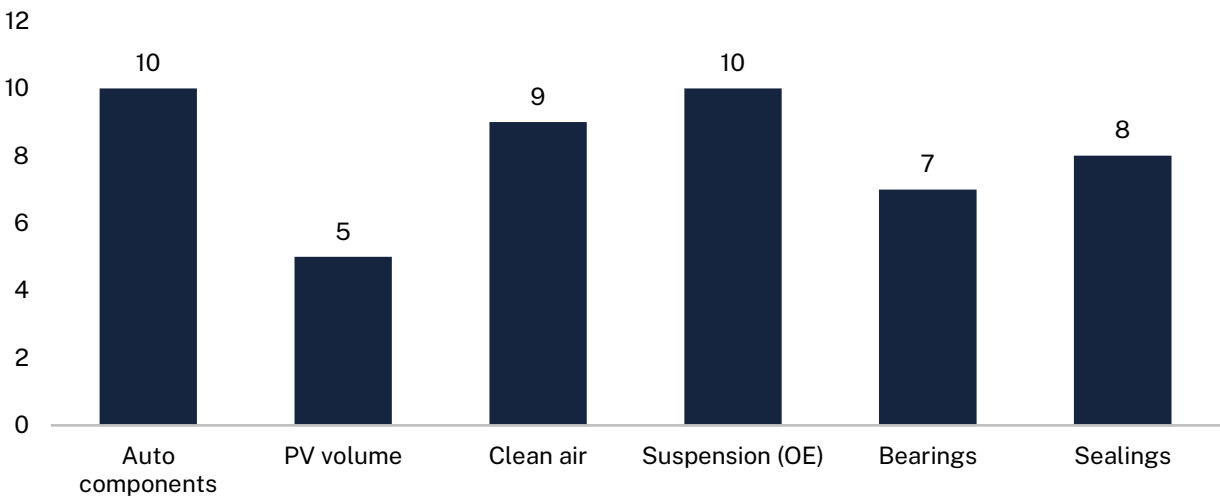
CTOH clean air (BS-VII, CAFE-3, TREM-V driven) is the fastest-growing sub-segment through FY30P.

15-20% by FY30P

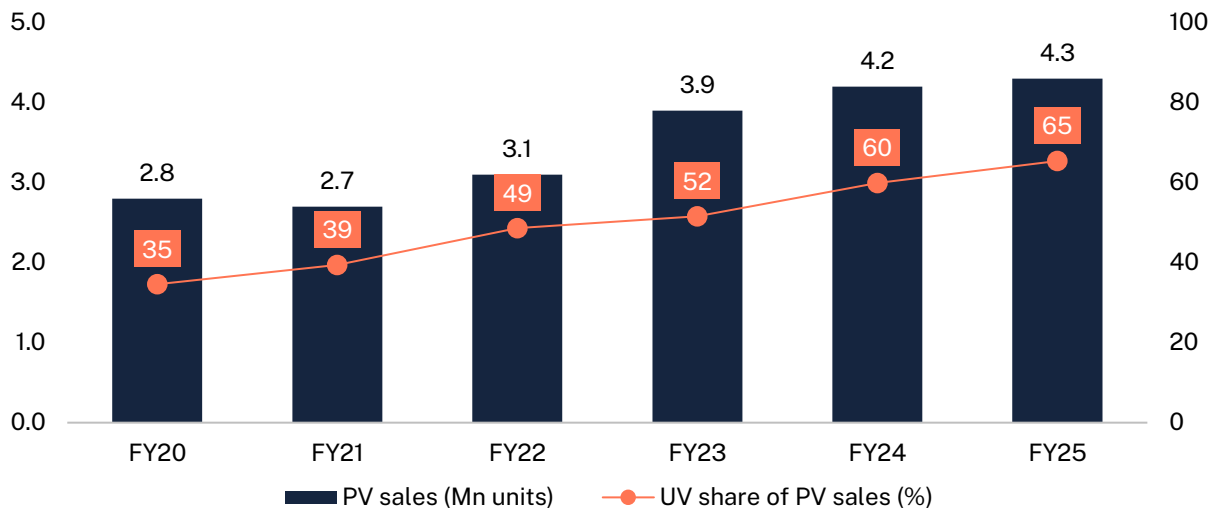
EV transition

Gradual shift from 2.6% (FY25): EV adoption lowers ICE demand while boosting heavy-vehicle suspension demand.

Industry growth rates by segment, FY25-30P (CAGR %)



PV volume growth and rising SUV/UV mix(FY20-25)



Source: Company, Industry, Midas Research

Industry Overview (2/2)

Upcoming emission and fuel efficiency regulations in India

Upcoming norm	Announced/expected implementation	Segment affected	Potential requirements/changes needed	Likely component impact	OEM / supplier implication
CAFE III	April 2027 (Announced)	Passenger vehicle OEMs	Fleet-average CO ₂ target of ~91.7 g/km, tightening from earlier levels. Compliance becomes more difficult using pure ICE.	Push towards hybrids, EVs, lightweighting and efficient transmissions.	Likely to accelerate EV/HEV penetration and benefit emission-system suppliers.
BS VII	2028–2029 (Expected)	2W, 3W, PV and CV	On-board monitoring (OBM), stricter NO _x , NH ₃ and PM limits, real-world emissions (RDE), and possible regulation of non-exhaust emissions from brakes and tyres.	More sensors, advanced catalysts, GPF/DPF upgrades, ammonia-slip catalysts, and brake/tyre particulate solutions.	Higher electronics and after-treatment content per vehicle, benefiting emission-system suppliers.
TREM V (Tractor Emission Norms)	Delayed	Tractors >25 hp	Tighter off-road emission limits, likely requiring DPF and possibly SCR systems.	DOC, DPF, SCR, NO _x sensors and DEF tanks.	Significant increase in emission content for tractor OEMs, benefiting clean-air suppliers.
CSFC (Phase II / tighter norms)	Unknown (Proposed)	Commercial vehicle OEMs	Estimated ~30% improvement in fuel efficiency required.	Engine-efficiency technologies, aerodynamics, LNG systems, electrification and lightweighting.	Higher compliance costs are likely to accelerate LNG, EV and hydrogen adoption in commercial vehicles.

Source: Company, Industry, Midas Research

Disclaimer (1/2)

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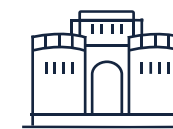
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