5 November 2026
2QFY27 Results Update | Sector: Automobile

Tenneco Clean Air

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	TENNIND IN
Equity Shares (m)	404
M.Cap.(INRb)/(USDb)	188.7 / 2
52-Week Range (INR)	657 / 419
1, 6, 12 Rel. Per (%)	-13/-29/-
12M Avg Val (INR M)	1171

Financials & valuations (INR m)

Y/E March	FY26	FY27E	FY28E
Sales	64,277	73,013	85,344
EBITDA	10,397	12,041	14,644
Adj. PAT	6,823	7,872	9,758
EPS (INR)	16.9	19.5	24.2
EPS Growth (%)	8.2	15.4	24.0
BV/Share (INR)	34.7	40.2	48.4
Ratios			
RoE (%)	52.5	52.1	54.6
RoCE (%)	54.6	54.5	56.6
Payout (%)	71.0	71.8	66.2
Valuations			
P/E (x)	27.7	24.0	19.4
P/BV (x)	13.5	11.6	9.7
EV / EBITDA (x)	17.7	15.3	12.4
Div. Yield (%)	2.6	3.0	3.4

Shareholding pattern (%)

As On	Sep-26	Jun-26
Promoter	59.8	74.8
DII	22.7	11.4
FII	11.9	9.7
Others	5.6	4.1

FII includes depository receipts

CMP: INR468 **TP: INR655 (+40%)** **BUY**

Domestic visibility intact; export order halves

- Tenneco Clean Air (TENNIND) reported a value-added revenue of INR15.2b, up 32% YoY (11% above our est.). Revenue growth was led by strong order execution across both segments, with Clean Air & Powertrain growing 27% YoY and Suspension growing 38% YoY.
- EBITDA stood at INR2.6b (up 21% YoY), 6% above our estimates. EBITDA margin stood at 15.2% vs. 16.9% in 2QFY26 due to elevated commodity costs and the incremental cost of operating as a listed entity.
- PAT stood at INR1.7b (up 15% YoY), beating our estimates by 10% due to better-than-expected operational profits.
- The total order book stood at ~INR165b (up 33% vs. the FY26 order book), representing ~35% of Clean Air & Powertrain orders and 65% of Suspension orders. Overall booked business included INR8.7b from export programs, strengthening multi-year revenue visibility. Overall booked business now covers more than 100% of the company's FY30 revenue plan.
- CFO for 1HFY27 stood at INR4.6b, and net cash stood at INR8.7b.
- Although the current order book provides more than 100% coverage of the FY2030 revenue target, the export outlook has weakened. The export order book has fallen ~50% YoY, hit by Western market contraction, Chinese competition and US tariff uncertainty. In addition, the implementation of BS VII has been delayed, pushing out the expected content-per-vehicle uplift in the domestic business. Factoring in the slower export recovery and the later BS VII timeline, we have cut our FY29E revenue estimate by 5%. The domestic order book, however, remains strong and has limited the impact of the export shortfall on earnings. As exports carried higher margins than the domestic business, we cut our margin estimates by 20-60 bp for FY27-FY29. At CMP, the stock is trading at 24.0x FY28E and 19.4x FY29E. **We reiterate our BUY rating with a revised TP of INR655 (based on 30x Sep'28 EPS of INR22).**

Valuation and view

- TENNIND enters its next phase of growth from a position of strength, commanding ~59% share in CV Clean Air, ~68% in off-highway Clean Air (ex-tractors), ~18% in PV Clean Air, and ~55% in PV shock absorbers and struts. These leadership positions, backed by deep OEM relationships and Tenneco's global technology and R&D, create strong entry barriers. We see multiple growth levers ahead as premiumization raises suspension content, while BS-VII, CAFE III, and TREM-V drive higher Clean Air content across PVs, CVs, and off-highway applications. Localization of advanced technologies, new customer programs, and India's emergence as an export hub should further support market- and wallet-share gains. We estimate a 17% earnings CAGR for the consolidated business (FY26-FY29E).

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- With a capital-efficient model and strong balance sheet, TENNIND is well placed to pursue growth while sustaining healthy returns. Its net cash position, negative working capital cycle, 90%+ core RoCE, and strong cash conversion (70%+ CFO/EBITDA; 80%+ FCF/PAT) provide resilience and support expansion into new segments. At the CMP of INR468, the stock trades at 24.0x/19.4x FY28E/29E EPS. We have a BUY rating on the stock with a revised Target Price of INR655 (based on 30x Sep'28E earnings).
- **Key risks:** 1) Faster EV adoption, 2) termination of the technology license or PE exit overhang, 3) intensifying competition, 4) commodity fluctuations, and 5) loss of key customers.

Consolidated - Quarterly Earnings

	FY26				FY27E				FY26	FY27E	FY27	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net operating income	**12,856**	**12,806**	**12,853**	**15,524**	**15,448**	**17,183**	**15,210**	**16,437**	**54,040**	**64,277**	**14,967**	**15**
Change (%)	3.5	2.9	5.4	9.9	9.6	26.6	13.0	6.8	10.5	18.9	10.0	
Value added Revenue	**11,665**	**11,515**	**11,941**	**14,058**	**13,816**	**15,229**	**13,934**	**15,778**	**49,180**	**58,756**	**13,713**	**11**
Total Revenue (%)	90.7%	89.9%	92.9%	90.6%	89.4%	88.6%	91.6%	96.0%	91.0%	91.4%	91.6%	
RM/Sales (%)	66.97	65.34	66.10	65.21	64.20	66.03	64.56	65.01	65.70	65.82	66.03	0 bps
Staff Cost (%)	7.1	6.5	6.3	7.3	7.0	6.1	6.4	6.5	6.8	6.5	7.0	(90) bps
Other Exp. (%)	12.7	12.4	13.2	13.0	13.5	13.3	13.1	12.9	12.8	13.2	13.4	(10) bps
EBITDA	**2,289**	**2,168**	**2,225**	**2,573**	**2,469**	**2,616**	**2,438**	**2,875**	**9,255**	**10,397**	**2,468**	**6**
EBITDA Margins (%)	17.8	16.9	17.3	16.6	16.0	15.2	16.0	17.5	17.1	16.2	16.5	(130) bps
Change (%)	7.5	5.7	24.8	17.6	7.9	20.7	9.6	11.8	18.8	17.7	13.9	
Non-Operating Income	308	121	47	114	87	92	80	96	590	354	80	14
Interest	71	106	71	88	84	99	95	82	336	360	100	-1
Depreciation	254	258	283	287	278	280	382	370	1082	1310	349	-20
Exceptional Items	0	0	-272	0	0	0	0	0	-272	0	0	
PBT after EI items	**2,272**	**1,924**	**1,646**	**2,313**	**2,194**	**2,328**	**2,041**	**2,519**	**8,155**	**9,081**	**2,100**	**11**
Tax	591	417	458	645	542	594	514	629	2112	2279	529	
Eff. Tax Rate (%)	26.0	21.7	23.9	27.9	24.7	25.5	25.2	25.0	25.1	25.1	25.2	
Rep. PAT	**1,681**	**1,507**	**1,188**	**1,668**	**1,652**	**1,734**	**1,527**	**1,890**	**6,043**	**6,801**	**1,569**	**10**
Change (%)	12.0	10.0	-5.2	18.9	-1.7	15.0	28.5	13.3	9.3	12.5	4.2	
Adj. PAT	**1,678**	**1,505**	**1,459**	**1,666**	**1,650**	**1,731**	**1,526**	**1,887**	**6,307**	**6,793**	**1,569**	**10**
Change (%)	12.0	10.0	16.5	18.9	-1.7	15.0	4.6	13.3	14.2	7.7	4.2	



Highlights from the management commentary

- The current order book provides more than 100% coverage of its FY2030 revenue target, a significant extension of visibility from the prior 80–90% coverage of FY28. The export order book fell ~50% YoY due to Western market contraction, Chinese competition and US tariff uncertainty; management expects a recovery as political conditions eases. The company expects the conditions will loosen after recent US midterm election results, expecting the war to potentially end, tariffs to come down to reasonable levels, and GDP contraction to stop. Even after the decline, the remaining export order book provides half the coverage needed for the FY2030 export revenue ambition.
- Exports were at 7% of revenue in 1HFY27.
- Subsidiary margin compressed from 14% to 11.6% due to commodity price increases from the Middle East situation, including steel and non-steel items like lube oil, plastic and rubber. Steel has OEM recovery arrangements with a quarter lag, but non-indexed items like oil (approximately 1.2 liters of oil across four suspension systems per vehicle) are under ongoing negotiation with OEMs

and cannot be booked in the P&L until confirmation is received. The standalone business has most components indexed, mainly steel, so it did not face similar margin pressure; the subsidiary proportion of non-indexed cost is structurally higher.

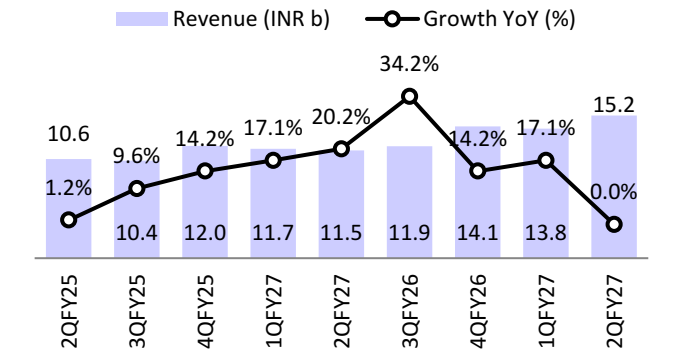
- **Clean Air and powertrain:**
  - Commercial truck clean air market share rose to 59% in H1 FY27 from 58% in FY26 and 57% in FY25; ART market share reached ~55%, up from 48% eighteen months ago.
  - Excluding EV and Maruti, industry production volume grew ~13.3% while Tenneco Clean Air sales volume grew over 18%, indicating share gains through Tata, Volvo I-Share and Ashok Leyland.
  - Successfully completed Euro 7 proof of concept at a leading Western truck OEM in Europe, positioning the company ahead of BS7 regulation in India.
  - Introduced a new commercial vehicle exhaust program (hot end) with a leading Indian CV OEM
  - Made a strategic entry into the CNG market with a cold-end assembly program for a European PV
  - Expanded customer wallet share with a new spark plug award from a European PV manufacturer, adding to a growing spark plug order book
- **Advanced Ride Technologies:**
  - Da Vinci and semi-active suspension carry higher margins than conventional products, and management expects margins to improve as their mix increases; Da Vinci can now go on A-segment vehicles with INR0.5–0.6 mn MSRP, expanding the addressable base.
  - India's first locally produced semi-active CVSAE was supplied during the quarter, marking a localization milestone and moving the product portfolio up the value chain.
  - Mahindra has decided to eliminate conventional suspension entirely
  - Localization and automation of the Da Vinci piston line is underway, with some gestation period expected, which is expected to improve cost structure and supply control over time.
  - Major conquest win with leading Indo-Chinese JV, gaining content on three new vehicle platforms.
  - Entered fast-growing three-wheeler (3W) segment, winning suspension business for an Indo-Korean JV (it will be conventional and then slowly moving into Davinchi over time)
  -
  - Grew DCx DaVinci production volumes with 3-Door Thar suspension program
  - Secured two next-generation models with an existing leading Japanese PV OEM and scaling up with a Vietnamese OEM across three new platforms
- **Capex:**
  - FY27 capex guidance: INR3,500–4,500m; INR1,200m invested as of September-end
  - Demand is more than can be supplied today; the company is scrambling to create space in the Hosur plant for Da Vinci growth by moving legacy commodity shock absorber lines to the new West India plant.
  - **Three new plants on track:** North India Clean Air plant (hot-end and cold-end) SOP around March 2027; West India ART suspension plant (1mn units additional

capacity) SOP around July 2027; West India Clean Air plant (hot-end focused, ~300K systems capacity- INR450mn investment- adding 12-14% hot end capacity) SOP around September 2027. All three expected to go commercial in calendar 2027.

- **Suspension capacity adding ~2m units:** ~1m additional shock absorbers by July FY27 and another 1m in FY28, on top of a 19m base.
- Management stated dividend is one consideration in capital allocation alongside growth investment and other opportunities, but declined to specify timing or amount

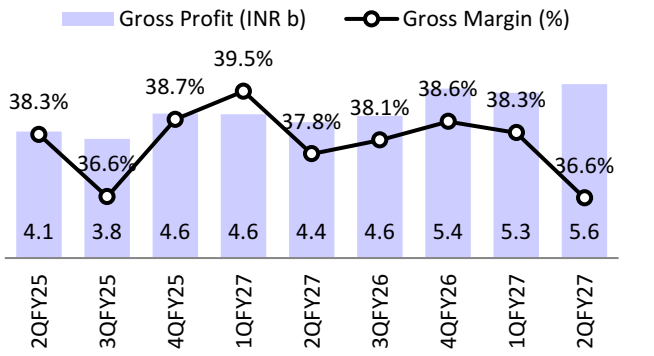
Key exhibits

Exhibit 1: Trend in revenue



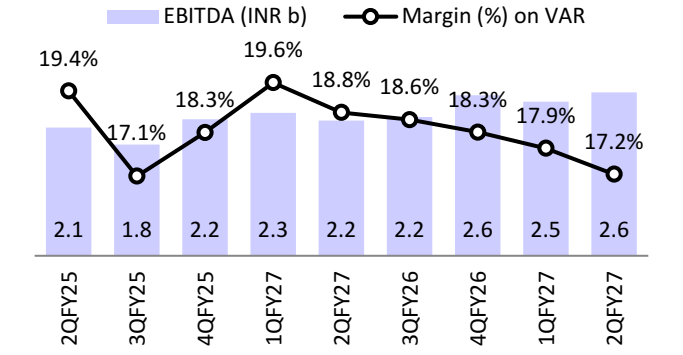
Source: MOFSL, Company

Exhibit 2: Trend in gross margin



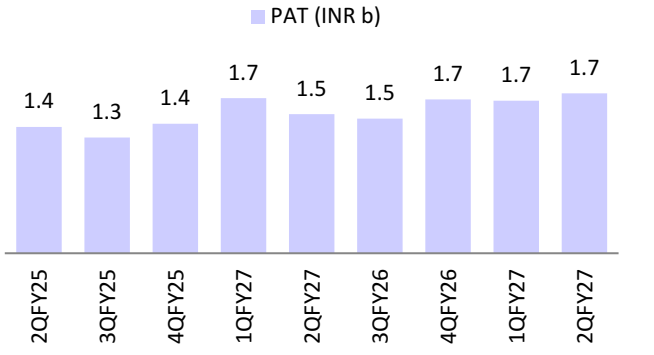
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends



Source: MOFSL, Company

Exhibit 4: Absolute PAT trend



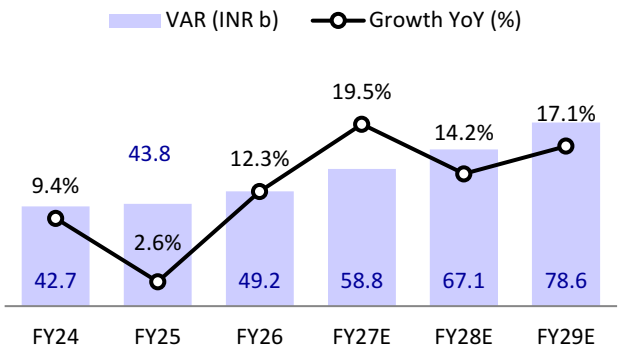
Source: MOFSL, Company

Exhibit 5: Changes to our estimates

(INR m)	FY27E			FY28E			FY29E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	64,277	62,467	2.9	73,013	71,623	1.9	85,344	89,851	-5.0
EBITDA	10,397	10,327	0.7	12,041	12,247	-1.7	14,644	15,608	-6.2
EBITDA (%)	16.2	16.5	-36	16.5	17.1	-61	17.2	17.4	-21
Adj. PAT	6,823	6,532	4.5	7,872	7,836	0.5	9,758	10,260	-4.9
EPS (INR)	16.9	16.2	4.5	19.5	19.4	0.5	24.2	25.4	-4.9

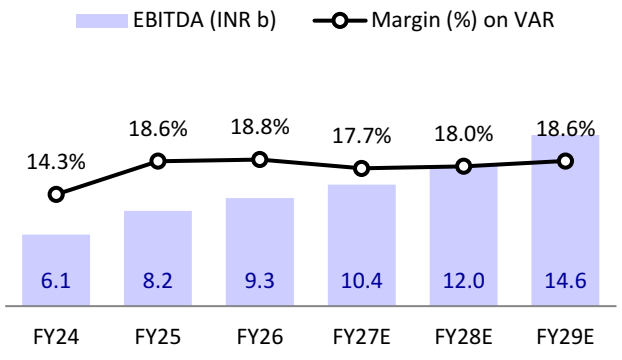
Story in charts

Exhibit 6: VAR and growth trends



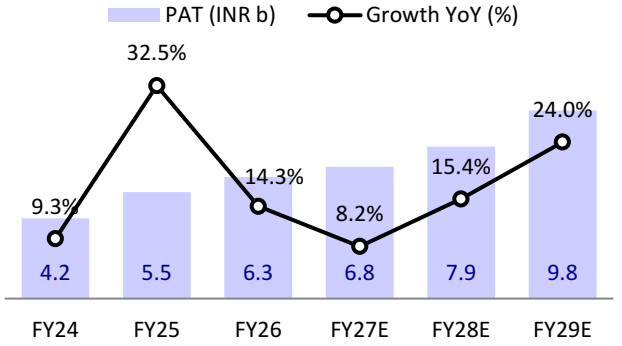
Source: MOFSL, Company

Exhibit 7: EBITDA and EBITDA margin trends



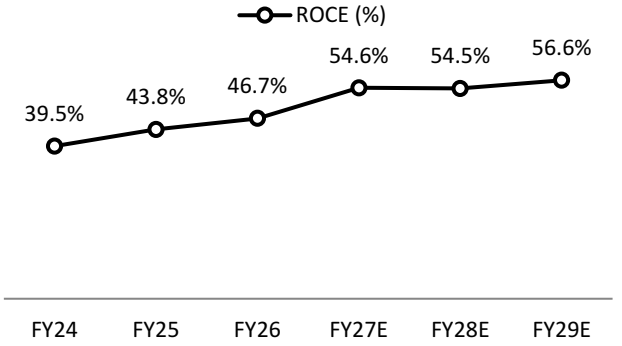
Source: MOFSL, Company

Exhibit 8: PAT and PAT growth trends



Source: MOFSL, Company

Exhibit 9: Trend in return profile



Source: MOFSL, Company

Financials and valuations

Consol. Income Statement							(INR m)
Y/E March	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Net Sales	**48,274**	**54,676**	**48,904**	**54,040**	**64,277**	**73,013**	**85,344**
Value added Revenue	39,020	42,686	43,801	49,180	**58,756**	**67,075**	**78,555**
Change (%)	NA	9.4	2.6	12.3	19.5	14.2	17.1
Gross profit	13,890	15,751	16,693	18,940	21,972	25,389	29,962
Materials Consumed (% of Sales)	71.2	71.2	65.9	65.0	65.8	65.2	64.9
Personnel Expenses (% of Sales)	5.1	4.6	6.1	6.2	5.9	6.2	6.0
Other Expenses (% of Sales)	11.8	13.0	11.4	11.7	12.1	12.1	12.0
Total Expenditure (% of Sales)	88.2	88.8	83.3	82.9	83.8	83.5	82.8
EBITDA	**5,706**	**6,121**	**8,152**	**9,255**	**10,397**	**12,041**	**14,644**
Margin (%)	11.8	11.2	16.7	17.1	16.2	16.5	17.2
Depreciation	1,009	1,036	1,032	1,082	1,270	1,550	1,830
EBIT	**4,697**	**5,085**	**7,121**	**8,173**	**9,127**	**10,491**	**12,814**
Int. and Finance Charges	216	252	203	336	360	463	463
Other Income	596	698	410	590	354	495	693
PBT bef. EO Exp.	**5,077**	**5,531**	**7,328**	**8,427**	**9,121**	**10,523**	**13,044**
EO Expense/(Income)	0	0	0	272	0	0	0
PBT after EO Exp.	**5,077**	**5,531**	**7,328**	**8,155**	**9,121**	**10,523**	**13,044**
Total Tax	1,267	1,363	1,797	2,112	2,289	2,641	3,274
Tax Rate (%)	25.0	24.6	24.5	25.1	25.1	25.1	25.1
Reported PAT	**3,810**	**4,168**	**5,531**	**6,043**	**6,831**	**7,882**	**9,770**
PAT Adjusted for EO items	**3,810**	**4,168**	**5,531**	**6,315**	**6,831**	**7,882**	**9,770**
Margin (%)	7.9	7.6	11.3	11.7	10.6	10.8	11.4
Less: Minority Interest	0	1	11	8	8.4	9.7	12.1
Adj PAT	**3,811**	**4,167**	**5,521**	**6,307**	**6,823**	**7,872**	**9,758**
Change (%)	NA	9.3	32.5	14.3	8.2	15.4	24.0
No of fully diluted shares	502.9	467.9	403.6	403.6	404	404	404
Adj EPS	**7.6**	**8.9**	**13.7**	**15.6**	**16.9**	**19.5**	**24.2**

Consol. Balance Sheet							(INR m)
Y/E March	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Equity Share Capital	3,134	2,141	4,036	4,036	4,036	4,036	4,036
Total Reserves	8,946	7,659	12,064	7,938	9,917	12,139	15,439
Minority Interest	14	13	24	31	40	49	62
Net Worth	**12,095**	**9,813**	**16,124**	**12,005**	**13,993**	**16,225**	**19,537**
Deferred Liabilities	-78	-113	-217	-286	-286	-286	-286
Total Loans	140	0	0	0	-	-	-
Capital Employed	**12,156**	**9,701**	**15,906**	**11,719**	**13,707**	**15,938**	**19,251**
Gross Block	10,199	10,833	11,526	12,375	15,875	19,375	22,875
Less: Accum. Deprn.	3,890	4,758	5,707	6,553	7,823	9,373	11,203
Net Fixed Assets	**6,309**	**6,075**	**5,819**	**5,821**	**8,051**	**10,001**	**11,671**
Capital WIP	185	366	311	581	581	581	581
Total Investments	**7**	**9**	**3**	**3**	**3**	**3**	**3**
Curr. Assets, Loans&Adv.	**17,713**	**14,789**	**21,956**	**18,679**	**20,488**	**22,570**	**26,697**
Inventory	3,949	3,293	2,777	3,383	4,024	4,594	5,381
Account Receivables	5,632	5,598	6,872	6,348	8,049	9,188	10,761
Cash Balance	4,115	1,831	2,859	5,712	5,180	5,552	7,320
Bank Balance	12	6	3	2	2	2	2
Other Assets	4,005	4,062	9,444	3,233	3,233	3,233	3,233
Curr. Liability & Prov.	**12,058**	**11,539**	**12,182**	**13,366**	**15,416**	**17,217**	**19,701**
Creditors	9,461	9,213	8,928	10,667	12,717	14,518	17,002
Other Liabilities	2,044	1,776	2,611	1,666	1,666	1,666	1,666
Provisions	554	550	644	1,033	1,033	1,033	1,033
Net Current Assets	**5,655**	**3,250**	**9,774**	**5,314**	**5,072**	**5,353**	**6,995**
Appl. of Funds	**12,156**	**9,701**	**15,906**	**11,719**	**13,707**	**15,938**	**19,251**

E: MOFSL Estimates

Financials and valuations

Consol. Financial Ratios

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Basic (INR)							
EPS	**7.6**	**8.9**	**13.7**	**15.6**	**16.9**	**19.5**	**24.2**
BV/Share	24.0	21.0	39.9	29.7	34.7	40.2	48.4
DPS	5.0	9.0	11.2	25.7	12.0	14.0	16.0
Payout (%)	65.6	100.6	82.1	164.3	71.0	71.8	66.2
Dividend Yield (%)	1.1	1.9	2.4	5.5	2.6	3.0	3.4
FCF per share	9.4	8.4	12.4	33.3	10.7	14.8	19.8
Valuation (x)							
P/E	61.8	52.6	34.2	29.9	27.7	24.0	19.4
Cash P/E	48.8	42.1	28.8	25.6	23.3	20.0	16.3
P/BV	19.5	22.3	11.7	15.7	13.5	11.6	9.7
EV/Sales	4.8	4.0	3.8	3.4	2.9	2.5	2.1
EV/EBITDA	40.6	35.5	22.8	19.8	17.7	15.3	12.4
Return Ratios (%)							
EBITDA Margins (%)	11.8	11.2	16.7	17.1	16.2	16.5	17.2
Net Profit Margins (%)	7.9	7.6	11.3	11.7	10.6	10.8	11.4
RoE	0.0	38.0	42.6	44.8	52.5	52.1	54.6
RoCE (Post-tax)	0.0	39.5	43.8	46.7	54.6	54.5	56.6
RoIC	0.0	49.9	53.1	67.5	102.3	88.6	90.8
Working Capital Ratios							
Fixed Asset Turnover (x)	4.7	5.0	4.2	4.4	4.0	3.8	3.7
Asset Turnover (x)	4.0	5.6	3.1	4.6	4.7	4.6	4.4
Inventory (Days)	-	24	23	21	21	22	21
Debtor (Days)	-	37	47	45	41	43	43
Creditor (Days)	-	62	68	66	66	68	67
Working Capital (Days)	-	10	31	22	-1	-1	-1
Leverage Ratio (x)							
Net Debt/Equity	-0.3	-0.2	-0.2	-0.4	-0.3	-0.3	-0.3

Consol. Cash Flow Statement — **INR m**

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Operating PBT	5,077	5,531	7,328	8,155	9,121	10,523	13,044
Depreciation	1,009	1,036	1,032	1,082	1,270	1,550	1,830
Interest/Div paid	216	252	203	336	360	463	463
Direct Taxes Paid	1,267	1,363	1,797	2,112	2,289	2,641	3,274
(Inc)/Dec in WC	743	-122	-653	8,491	-291	91	126
Other items	-2,937	-3,183	-4,082	-5,608	-4,932	-5,778	-7,241
CF from Operations	**5,375**	**4,877**	**5,624**	**14,567**	**7,817**	**9,491**	**11,496**
EO Expense	0	0	0	-272	0	0	0
CF from Operating incl EO	**5,375**	**4,877**	**5,624**	**14,295**	**7,817**	**9,491**	**11,496**
(inc)/dec in FA	-625	-969	-628	-844	-3,500	-3,500	-3,500
Free Cash Flow	**4,750**	**3,908**	**4,996**	**13,451**	**4,317**	**5,991**	**7,996**
(Pur)/Sale of Investments	0	0	-3	20	0	0	0
Others	494	667	363	136	354	495	693
CF from Investments	**-131**	**-301**	**-268**	**-688**	**-3,146**	**-3,005**	**-2,807**
Issue of Shares	0	-850	-4	0	0	0	0
Inc/(Dec) in Debt	-938	-177	-49	-145	0	0	0
Interest Paid	0	0	0	-243	-360	-463	-463
Dividend Paid	-2,804	-5,591	-4,092	-10,366	-4,843	-5,650	-6,458
Others	-202	-241	-182	0	0	0	0
CF from Fin. Activity	**-3,944**	**-6,859**	**-4,327**	**-10,754**	**-5,204**	**-6,114**	**-6,921**
Inc/Dec of Cash and Bank	**1,300**	**-2,284**	**1,029**	**2,853**	**-533**	**372**	**1,768**
Add: Beginning Balance	2,815	4,115	1,831	2,859	5,712	5,179	5,552
Closing Balance	**4,115**	**1,831**	**2,859**	**5,712**	**5,179**	**5,552**	**7,320**

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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