TENNECO CLEAN AIR INDIA LIMITED
(formerly known as Tenneco Clean Air India Private Limited)
CIN: L29308TN2018FLC126510
Telephone: +2135 612501/506
Email: Tennecoindiainfo@tenneco.com
Website: www.tennecoindia.com

Date: August 12, 2026

To
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex,
Bandra (E), Mumbai – 400051
Scrip Symbol: TENNIND

To
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai – 400001
Scrip Code: 544612

Sub: Transcript of the Earnings Conference Call for Analysts and Investors held on Thursday, August 06, 2026

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in continuation to our intimation letter dated July 30, 2026, we hereby submit the transcript of the Earnings Conference Call for Analysts and Investors held on Thursday, August 6, 2026 at 04:00 PM (IST) post declaration of results for Q1 FY2026-27.

Further, the transcript is also being made available on the Company's website at: https://tennecoindia.com/investor-relations/.

You are requested to kindly take the same on record.

Sincerely,
For **Tenneco Clean Air India Limited**
(Formerly known as Tenneco Clean Air India Private Limited)

ROOPALI SINGH
Digitally signed by ROOPALI SINGH
Date: 2026.08.12 15:42:27 +05'30'

Roopali Singh
Company Secretary and Compliance Officer
Membership No: A15006

Place: Gurugram

Encl: As above

“Tenneco Clean Air India Limited

Q1 FY27 Earnings Conference Call”

August 06, 2026

MANAGEMENT: MR. ARVIND CHANDRA – WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER – TENNECO CLEAN AIR INDIA LIMITED
MR. MAHENDER CHHABRA – CHIEF FINANCIAL OFFICER – TENNECO CLEAN AIR INDIA LIMITED
MR. HIMANSHU SHARMA – HEAD INVESTOR RELATIONS – TENNECO CLEAN AIR INDIA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Q1 FY27 Earnings Conference Call of Tenneco Clean Air India Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after -- the business updates conclude. Should you need assistance during the conference call, please signal an operator by pressing star followed by zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Himanshu Sharma, Head Investor Relations of Tenneco Clean Air India Limited. Thank you and over to you, Mr. Himanshu.

Himanshu Sharma: Thank you, Sanya. Good evening, ladies and gentlemen, and a warm welcome. Today we have with us Mr. Arvind Chandra, Whole-time Director and CEO, and Mr. Mahender Chhabra, Chief Financial Officer. A detailed presentation on the business and financial performance is available on company's website and on the websites of the Stock Exchanges.

We will begin with Mr. Chandra providing a business update, followed by Mr. Chhabra covering the financial results. We expect the updates to take around 15 minutes, after which we will open the floor for a Q&A session of about 45 minutes. Before we proceed, I would like to draw your attention to the disclaimers included in our presentation.

With that, I now hand over to Arvind.

Arvind Chandra: Thank you, Himanshu, and good evening, everyone, and thank you for joining us for Tenneco Clean Air India's Q1 FY2027 Earnings Call. We started FY2027 on a strong footing, driven by disciplined execution, continued market share gains, and increasing adoption of our technology-led solutions across both our Advanced Ride Technologies and Clean Air Powertrain businesses.

Despite a quarter marked by significant commodity inflation, geopolitical disruptions, and the additional costs associated with operating as a newly listed public company, we delivered healthy growth while sustaining strong profitability. For the quarter, value added revenue grew 18.4% year-on-year to INR13,816 million, outperforming the growth of our served addressable market.

Revenue from operations increased 20.2% year-over-year to INR15,448 million. EBITDA grew 7.9% year-on-year to INR2,469 million, and we delivered an EBITDA margin of 17.9% on value added revenue. Profit after tax stood at INR1,652 million. Now, PAT grew similar to EBITDA growth if you exclude a one-time benefit recorded in the corresponding quarter last year where we sold our Motocare business and other one-off income.

But if you exclude Motocare, our PAT growth is similar to EBITDA growth. I want to be very clear on that. Beyond financial performance, I am particularly pleased with the continuous progress we're making in gaining market share across our core businesses. Our commercial vehicle Clean Air Solutions business increased value market share from 57% to 58% in FY2026, while our passenger vehicle shock absorbers and struts business expanded market share from 52% to 55% in the Indian market.

In off-highway Clean Air Solutions, we maintained our strong leadership position with a market share of 68%. These gains reflect our technology leadership, customer relationships, and relentless focus on execution. In Advanced Ride Technologies, the momentum behind our proprietary DCx DaVinci platform continues to strengthen like never before.

During the quarter, we secured multiple new application wins across existing customers while also adding four new customers to the conventional and DCx platforms. Since its introduction, DCx has continued to redefine ride performance expectations in the Indian market while maintaining the affordability and robustness required for local operating conditions.

Building on this momentum, we introduced DCx32, the latest addition to the DCx family, specifically targeting smaller A and B segment vehicles and significantly expanding our addressable market opportunity. We also successfully completed fitment and performance benchmarking of our mechanical adaptive ride damping or MARD technology with a leading domestic OEM.

Importantly, this innovation was developed and validated entirely in India, further reinforcing our local engineering capabilities and commitment to technology leadership. And this type of local engineering and innovation will continue in the future. Within our Clean Air and Powertrain business, we continue to strengthen customer partnerships through multiple strategic program nominations spanning ignition systems, hot end and cold end aftertreatment solutions, and other powertrain applications.

One of the notable achievements during the quarter was securing a spark plug order from one of India's largest passenger vehicle OEMs. This win represents a strong entry into a new white space opportunity and demonstrates our ability to leverage long-standing customer relationships to expand our footprint.

Additional wins included a new passenger vehicle exhaust program with a leading domestic OEM, a cold end assembly program for global OEM CNG platform, and an upcoming emissions aftertreatment program for a leading domestic commercial vehicle manufacturer. These program awards continue to broaden our growth pipeline and reinforce our position as a trusted technology partner for our customers. We're also making encouraging progress in export markets.

During the quarter, our Advanced Ride Technologies business secured its maiden order from a leading European all-terrain vehicle manufacturer, opening a new customer segment and geography for us. Additionally, our Powertrain business won a heat shield order from Tenneco America, demonstrating the global competitiveness of our Indian operations. These export wins support our long-term ambition of expanding exports and deepening our participation in global supply chains.

Another highlight of the quarter was the recognition we received from our customers and industry peers. We were honored with the Innovation and Performance Award from Mahindra, the Technology and Innovation Award from Daimler India Commercial Vehicles, and the Ride Performance of 2026 Award from The Economic Times. These recognitions validate the strength of our engineering capabilities, operational excellence, and customer-centric culture. As we look ahead, the underlying drivers of our growth remain intact.

We continue to benefit from increasing content per vehicle, strong program execution, technology differentiation, market share expansion, and a growing customer base. Our investments in advanced ride technologies, alternative fuel enabling solutions, and next-generation mobility applications position us well for future opportunities while maintaining relevance across evolving powertrain technologies.

While external market conditions remain dynamic, including commodity volatility and geopolitical uncertainty, we remain confident in our ability to navigate these challenges through the disciplined application of our P3 operating model, commercial excellence, and operational rigor. Most importantly, we remain focused on creating sustainable long-term value for all our stakeholders through profitable growth, technology leadership, and strong governance.

With that said, I will now hand you over to our Chief Financial Officer, Mahender Chhabra, who will take through -- take you through the financial performance in greater detail. Thank you very much.

Mahender Chhabra: Thank you, Arvind, and good evening, everyone, once again. Let me take you through our financial performance for the first quarter of FY2027. As always, we use value added revenue or VAR as our primary performance metric, as it excludes pass-through substrate costs and provides a most meaningful view of the underlying operating performance and profitability of the business. We started the year with a strong growth performance despite a challenging external environment.

Revenue from operations increased 20.2% year-on-year to INR15,448 million, while VAR grew 18.4% to INR13,816 million. This growth was driven by higher production volumes, new program launches, increasing content per vehicle, and continued market share gains across our core businesses. Importantly, our value growth continued to outpace the growth of our served addressable market, demonstrating both the strength of our customer relationships and the benefits of our diversified portfolio.

Looking at our business segments, Clean Air and Powertrain Solutions delivered VAR of INR6,626 million, representing growth of 9.6% year-on-year. Advanced Ride Technologies continued its strong momentum and delivered VAR of INR7,190 million, growing 27.9% year-on-year. The ART business remains a key growth driver, supported by increasing adoption of advanced suspension technologies, new customer additions, and expanding application of the DCx platform.

From a profitability perspective, EBITDA increased 7.9% year-on-year to INR2,469 million, EBITDA margins stood at 17.9% of VAR. While margins were impacted by significant commodity inflation, rupee depreciation, geopolitical supply chain disruptions, and incremental costs associated with operating as a listed public company, we were able to sustain strong profitability through disciplined execution, productivity initiatives, rigorous cost management, and commercial actions.

Our customer recoveries and factory productivity amounted to 60 bps, reflecting – reflected -- already reflected in the EBITDA margin. Our operating performance continues to be supported by Tenneco's global P3 framework, which remains deeply embedded across our operations. Through this operating system, we continue to drive continuous improvement across safety, quality, delivery, inventory management, and cost competitiveness.

The ability of our teams to execute with consistency and discipline has enabled us to navigate a period of elevated external headwinds while maintaining healthy margins and operational stability. Profit after tax for the year stood at INR1,652 million with a PAT margin of 12% on VAR. It is important to note that PAT grew similar to EBITDA growth, excluding a one-time benefit recorded in the corresponding quarter last year, which was from selling our Motocare business and other one-off income.

From a returns perspective, our annualized ROCE continues to remain very strong, demonstrating our continued focus on capital efficiency and disciplined allocation of resources. At the same time, we remain committed to investing in future growth opportunities, including previously announced capacity expansion projects that will support our growing order book and customer requirements over the coming years.

Another important area of focus has been strengthening the governance and compliance framework expected of a publicly listed company. We continue to enhance processes, internal controls, risk management practices, statutory compliance systems, and internal control mechanisms. These initiatives are intended to build a robust governance platform that supports sustainable long-term growth while meeting the expectations of all our stakeholders.

To summarize, we have delivered a strong start to FY2027 with double-digit revenue growth, continued market outperformance, resilient profitability, and disciplined financial execution, despite significant external cost pressures. Our diversified business model, strong balance sheet, high capital efficiency, and focus on operational excellence position us well as we move through the remaining part of the year.

With that, we will now open the floor for questions. Thank you.

Himanshu Sharma: Thank you, Mahender. We request participants to kindly limit questions to two at a time. If you have additional questions, please rejoin the queue. I now request Sanya to commence the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Gupta from InCred Capital. Please go ahead.

Ravi Gupta: Yes. Thanks for the opportunity, and congrats on strong YoY top-line growth. So, my first question is on the value-added EBITDA margin decline, which is around 170 bps YoY and 43 bps QoQ. So, which segment of your Clean Air or suspension witnessed the highest -- higher decline, right? I believe in Clean Air, the input cost is more of a pass-through. And so, this was because of only suspension business or how the delta is between both of these segments? Thanks.

Mahender Chhabra: Yes. Hi, Ravi. Thanks for that question. Well, as a practice that we've agreed, we generally do not disclose the margins at the BU level. We look at the overall margins. And as far as the costs are concerned, for components, the indexed components like steel and all, we have back-to-back arrangement with the customers. There could be a time lag by a quarter or so. And for non-indexed, we have been kind of following up with the customers. We have been able to recover certain amounts, and for the remaining part, the discussions are in progress.

Arvind Chandra: I can just add to that. I think, see, so year-over-year, you know, we were not a public company last year. So, now, we're a public company. And, obviously, the costs of running as a public company, entire setting up a full leadership team and all the things that are needed for good governance, right? That adds cost.

So, from a Q1 of last year to Q1 of this year, obviously you'll see additional cost. The other one is just the geopolitics and the Middle East war. That has to some extent impacted everybody in the supplier community from, you know, because of crude oil, LPG, CNG, plastics, rubber, and so on.

And some of these are not indexed, right? Like, steel is indexed back-to-back with our OEMs. But some of these are not indexed. So -- and again, we've been able to partially recover some of these. I must say that's team's done a fantastic job. So, the -- our EBITDA percentages have been maintained.

But that year-over-year delta that you see, mainly comes to these two. It's moving from a private to a public company. And secondly, the commodity escalation that happened in the last quarter because of the Middle East war.

Ravi Gupta: Got it. Secondly on the order book, so since we have added four customers in suspension business and multiple wins in Clean Air, so what is the growth on -- in terms of your order book? Like last time it was around 12,400 crores, so what is the growth? Just wanted to understand. I know you don't share it on quarterly basis, but just to look at it directionally. So, last time you had said for 2 years it will be like mid-teen kind of growth to achieve the order book. So, is that improved like late teen or something? How's -- how to look at it? Thanks.

Arvind Chandra: Yes. Thanks, Ravi. So, obviously, we cannot share because we have not -- that would be a forward-looking statement. But I think -- let's put it simply, right? What we said the last time from to where we are today, there's no change, right? Obviously, we're very excited about the fact that, this DaVinci technology is completely disrupting the market, right? And we are -- in fact, for us, it's more about, you know, how do you execute when you win so many programs?

One, the pilot program at our lead Indian OEM customer, but winning more programs, winning more applications within the same customer, as well as picking up four new completely different customers and all of them very prestigious and growing. So, we're very excited about this the rate at which we're acquiring new business with new technology, right? And obviously with new technology, hope -- hopefully our margin situation will also go in the right direction, right?

So, I cannot give you a number. You know, order book we decided that because, you know, the thing with order book is that there's no steady order book, right? Some quarters it goes really high, other quarters a little bit low. So, to kind of even out the peaks and the troughs, we decided that we would report order book every half-year, right?

So, H1 at the end of the second quarter, we'll report order book, and then again at the end of the full year we'll report second order book. So, if you can just be patient for a few more months, you'll have the H1 numbers as well. But it's, you know, it's good. That's the best way I can say it without sounding too positive or too negative.

Ravi Gupta: Perfect. Thank you.

Arvind Chandra: Thank you, Ravi.

Moderator: Thank you. The next question is from the line of Himanshu Singh from Baroda BNP Paribas Mutual Funds. Please go ahead.

Himanshu Singh: Yes. Hi, sir. Thank you for the opportunity. So, I just wanted to understand why is the growth in the Clean Air business at, let's say, 10% when the industry has grown at like mid to high teens for the quarter? That's my first question.

Arvind Chandra: Yes. Sure. I think a very good question. Obviously, we knew that this question would come up. So, first of all, remember that our Clean Air and Powertrain Solutions, they address the whole market, right? So, we are in passenger vehicles, we're in commercial vehicles, off-highway, and so on. But we're not in EV, right? So, an electric vehicle does not get an exhaust system, obviously, right? So, from the served addressable market, you have to subtract the EV part of it, right?

So, from 16% market served addressable market, you have to remove the EV part. And then also don't forget that we've -- we are not present in the passenger vehicle, one of the leading Japanese OEMs, we're not present at all. So, that kind of removes us from participating in the growth that they were having.

And in the recent quarter, quarter-over-quarter, because of GST, this particular customer, leading Japanese OEM player, we because we didn't participate and they grew by a very, very strong double digit, we couldn't get the benefit of that, right?

So, minus – so, total served market minus EV, minus this particular customer is where we end up. So, if you subtract that and compare us, our growth to this, let's call it apples-to-apples served market, then we're actually growing, because we've had some gains with one of our German truck customers, as well as a leading passenger vehicle OEM. So, that's the best way I can describe it.

Now, having said that, the good news is, and I've said that in prior quarters as well, we have won entry into this passenger vehicle OEM that we did not have business for the longest of time. And we're entering through CAFE 3, and we're waiting for them to announce when their engine will be launched. We're expecting that to be maybe 2028-'29-ish. And based on that, you will start seeing our entry into that white space. And then once that happens, then our market share in the passenger vehicle side will also grow.

You know that on the truck, commercial vehicle side, we have very high market share, like 58%. And also, on off-highway, we have like 60% plus, right? So, we're very strong players in commercial vehicles and off-highway. And with this entry in the FY '28-'29 period, we will start also making an entry in the passenger vehicle side. Hope that answered your question.

Himanshu Singh: Yes. So, could you just give us the growth for the industry after doing all the deductions which you suggested?

Arvind Chandra: I think we have -- I think our served addressable market is at about a 16% level roughly. And from there, I think the EV part is about -- again, I'm just high-level numbers, don't quote me on that, but I'm just doing a basic math of 16% minus about 3, 3.5 leading up to about 13%. And then when you take out the growth of the passenger vehicle OEM, the large OEM where we don't have business, we end up with somewhere between like 8% to 10%.

And so, relative to that, our 9.6% growth for Clean Air, Powertrain is better, right? So, market minus EV minus this particular leading OEM equals apples-to-apples with our growth, and our growth is slightly better, like I said, because we've had some gains with a few of our customers locally on the commercial vehicle side.

Himanshu Singh: Right. Okay. And sir, on the spark plug order, what is the size of that order? Can you give that?

Arvind Chandra: Which one is it, Himanshu? Which question?

Himanshu Singh: The spark plug order.

Arvind Chandra: Yes. So, that I -- we haven't released the value for that yet. We will do that at the right time. But I think the more significant thing is that, getting entry into such a large vehicle volume base is very strategic for us, right? It's very hard to get in with what might be perceived as a commodity product, but we actually secured this through technology and also from a time-to-market perspective.

So, we were able to leverage our relationship in other products to be able to get in. So, leveraging relationships with new technology, something that's -- a product that's more durable, that's how we were able to get in. So, that's exciting because now we can grow within this OEM in a very big way over time. But to answer your question, we will come up with that number at a future date when we're -- when we have solidified the revenue value.

Himanshu Singh: Sure. Thank you. And just one last question on the -- can you give breakup of domestic and export? That's all from my side.

Arvind Chandra: This is for order book, Himanshu?

Himanshu Singh: No. The revenues.

Mahender Chhabra: Yes. So, in terms of the current quarter, our exports are slightly over 7% of the overall revenue.

Himanshu Singh: Okay. Thank you so much.

Arvind Chandra: Thank you, Himanshu.

Moderator: Thank you. The next question is from the line of Nishit Jalan from Axis Capital. Please go ahead.

Nishit Jalan: Yes. Hi. Thank you for the opportunity and congrats on good set of numbers. Two questions from my side. One on the suspension business, PV suspension business. Just wanted to understand where are we in the process of shift towards more advanced suspension technology? What is the penetration of passive plus and similar premium technology in PVs? And where are we in the localization process of the same?

Because if I remember correctly, we -- our localization content was on the lower side in this in this business compared to other suspension segments. And secondly, a one more question on export side. We had obviously plans to ramp up exports meaningfully as a percentage of revenues. Where are we in that journey? Will it be more back-ended, or will it be -- we will see good growth in exports in this year also? And if yes, what are the capex plans for FY '27? Thank you.

Arvind Chandra: Thanks, Nishit. You were breaking up a little bit, but I think I caught the gist of what you were asking. So, going back to your question one, the -- there were a couple of, like, sub-questions as part of that question. So, I think one is, yes, we are shaping the market for suspension. We introduced electronic suspension for the first time for an Indian OEM, and that we saw in the some of the electric vehicles that got launched by this OEM, very successfully.

We were still in the process of fine-tuning the technology, and they want to actually keep improving it till it offers a very, very high level of comfort, right? And so, and localization is a chicken and egg situation, right? So, once we have the required amount of volume, we're able to kind of localize here with the critical mass, and then rather than importing from overseas, right?

In the case of DaVinci as well, now DaVinci, the difference is one is the semi-active suspension is more with electronics and software, and it adjusts the road every 10, 11 milliseconds. DaVinci on the other hand is more like frequency dependent damping, right? So, it's more like a FDD Plus, which is more about non-linear damping purely through mechanical means.

See, that technology itself is so good that it has the ability to disrupt, you know, over half the entire market. And you're seeing evidence of that. The rate at which we're booking business on the DaVinci is very spectacular, right? So, again, same thing on the localization side. There, I think the localization will happen much faster, because the volume uptake of DaVinci is going to be much faster.

It's going to be applicable across definitely the entry-level, you know, the mid the B, C segments of SUVs, and but also with this new DCx32 piston launch, we are also able to go down all the way up to the A segment.

So, to answer your question, localization is just a matter of time. It will happen. We're waiting for the right critical mass and volumes to come in, and then we will localize. So, but we are the ones that are disrupting the market. That's very clear. To answer your second question on exports, like I said, the there's no change in our story from last time. We're still booking exports.

As you saw in this press release, we talked about, you know, winning an ATV order, we're also winning business within our own Tenneco Group competitively, obviously. That shows that our cost structure and the fact that we are technology equalized allows us to have exports growth that is a little bit faster than the overall market, right? With exports, again, it is not a linear thing, you know, depending on the quarter it can go up or it can go down.

So, we will as a part of our order book at the end of Q2, we will report both the domestic and the export order book. So, if you can just wait a few months, we will report that as well. But the good news is, you know, we're -- you know, we've got exports coming in across our major product lines, across Clean Air, Powertrain, and suspension.

Yes, tariffs is a problem. The Trump administration levied additional tariffs on Section 232, which is the some of the exhaust parts that get exported from here. That affects other suppliers as well. So, it is a little bit of a downer, which makes the environment a bit tough for exports. But let's see, that's the situation we're dealing with.

Also, there are some macroeconomic conditions in Europe and Americas. Again, not nothing to do with us. It's more to do with what's happening in those regions that could pose a challenge for exports. But having said that, our basic export story and our focus has not changed. Yes. Thanks, Nishit. Hope I -- hopefully I answered your question.

Nishit Jalan: Just one left, capex plans for FY '27?

Arvind Chandra: Capex for?

Nishit Jalan: For the current fiscal year, capex -- what are you planning for FY '27?

Mahender Chhabra: Okay. So, Nishit, we are targeting to spend approx INR350 crores to INR450 crores for FY '27, which will support our double-digit top-line growth. Having said that, please be mindful that we are closely monitoring the economic environment across our key markets, and may pull in or pull-out capex based on the actual demand requirement. Please those please note these numbers are kind of indicative and are not really a precise guidance for the current fiscal year.

Nishit Jalan: Okay. Thank you so much.

Arvind Chandra: Thanks, Nishit.

Moderator: Thank you. The next question is from the line of Arvind Sharma from Citi Group. Please go ahead.

Arvind Sharma: Thank you, sir, for taking my question. My first question would be that, again if we segregate exports a little more, and you've kind of alluded to it, how would you say the difference would be between what you're selling to direct OEMs outside and to Tenneco's global entities like you highlighted the Tenneco America heat shield order win? So, broadly, what would be the contours of these two segments?

Arvind Chandra: Yes. Sure. Yes. So, look, again, you have to remember that the our strategy to really focus on exports only happened like recently, right? Like, 3, 4 quarters ago. So, we're only like about a year into this post -- just a bit before the IPO and post-IPO. So, right now, our export order book is coming in like 70-30. 70% is more like, Tenneco to Tenneco, right? Tenneco India exporting to other Tenneco entities, and 30% is coming through third-party OEMs.

So, now, will this ratio of 70-30 continue over time? I can't tell simply because there's a lot of opportunities also with third-party OEMs that that our sister divisions in Europe and Americas don't want to participate in for whatever reason. Either it's not profitable enough for them, etcetera. But some of those that are not profitable for them are profitable for us, right? So, we can go after those businesses. So, those are things that we're still exploring across major regions.

And also internally, right? Tenneco to Tenneco, we're also looking at where this technology equalisation where there's opportunity for cost arbitrage where we can provide the partnership in terms of, you know, either child parts or sub-assemblies or even finished goods for that matter. So, a lot of these are opportunistic. Some of them could be strategic depending on new products that have been set up or new technologies that are being pursued by our other divisions. So, it's a little bit of a mixed bag.

I think as we go through another year, strategy will become a little bit more solid in terms of where the export -- exports are going to come from. So, for now -- at least, for now, I'd say assume that it's a 70-30 split between internal versus third-party OEMs, but that ratio can easily change. And if it changes with more third-party sales, that's also good. We welcome that.

For us, it doesn't matter, right? We are happy to export to anybody who'll give us a decent margin, which is obviously accretive to what we have. And plus, from a labour cost arbitrage, we are competitive, and we have the technology. So, having the ability to be able to ship the latest technology from India, anywhere else at the right cost structure gives us an advantage. Hope I answered your question, Arvind.

Arvind Sharma: Yes. Thank you so much. Just two more data points. What was the royalty payment in the first quarter? And if you could share the capacity utilization in both the ART and the CAPT segment?

Mahender Chhabra: Yes. So, as far as royalty is concerned, royalty is 2.5% of the overall revenue, reduced by intercompany sales. So, that stays consistent, in line with the previous year. That's royalty.

Arvind Sharma: Okay.

Mahender Chhabra: Capacity utilization. Yes. So, as far as capacity utilization is concerned, for CAPT, it is upward of 80%. However, Advanced Ride Technologies, we are really working more than 90% of the capacity currently. And that's one of the reasons we've already announced one new plant for Advanced Ride Technologies, that should be in the western part of the country, with an investment of INR70 crores approximately.

Arvind Chandra: A lot of the run-up to the increased capacity utilization is, you know, directly as a result of GST as well, right? GST has really benefited some of the smaller vehicles, A B segment vehicles. And not just for us, I think many auto suppliers are also, hand-to-mouth on trying to deliver parts. But this is good a good problem to have, right? It's good news that our volumes are going up, because of that. So, it has really spurred demand and all the suppliers are trying to all maximized from a capacity utilization perspective. And that's the reason why we're adding capacity in a frenzy to be able to catch up.

Arvind Sharma: Got it, sir. That's all from my side. Thank you so much for taking my question.

Arvind Chandra: Thank you. Thank you, Arvind.

Moderator: Thank you. The next question is from the line of Vipul Agarwal from HSBC. Please go ahead.

Vipul Agarwal: Thank you, sir. Thank you for taking my question, and congratulations on a good set of numbers. So my first question is on the margin, like, margin since the RM cost increases are pass-through for you, and what we are seeing that OEMs are now kind of taking the actual price hike to, to pass through the RM cost inflation to the customers.

And we would assume that there must have been some pressure for auto OEMs also. So, does your margin in first quarter reflect all the cost margin pressure or pass-through, or there's still something pending at your end, which we which is yet to be received from the OEMs?

Arvind Chandra: Yes, first of all, Vipul, hopefully you're doing well. It's a good question because, you know, this is, we have, um, commodities that are escalatable, like steel, right? They're back-to-back covered, so we don't have an issue there. But it's the non-indexed commodities, right, like rubber, plastics, and crude oil, LPG, and CNG, and so on. We use that for various processes, for our furnaces, for example, for welding, we use argon gas, and so on.

So, these things, you have to bundle and then, uh, try to recover these from the customers. So, what we're showing, this quarter's, performance, margin performance, indicates a partial recovery of that. I must congratulate our purchasing team to have tried very hard to recover this, but having said that, it is a very difficult challenge to recover some of these from our customers.

We're constantly hoping that, uh, we can recover all of it. But you know, with the mathematical formula, if, if your, your commodity costs go up by INR10, and if you are able to recover INR10 from the customer, your, your margin percentage drops purely because of the numerator, denominator effect, right?

So, but, but having said that, yes, look, we're, we're trying, our, our commercial and, uh, sales teams are trying. Um, it is a tough market out there, but, uh, we're, and, and we're not, you know, one is the recovery, the other one is focusing on productivity, right? Because of our P3 operating model, we're constantly focusing on factory-level productivity, making sure that we are doing everything we can to manage costs, including SG&A and so on, and again Mahendra can talk in more detail about it.

But this is a, it's an ongoing battle, we don't know how long this Middle East war is going to continue. We're hoping that, uh, for whatever the cost increases are, we are able to offset that. It will be tough, but we are trying our best.

Mahendra Chhabra: Yes.

Arvind Chandra: Yes.

Mahendra Chhabra: I mean, just to add, like, we be really in focus on the current cost environment, and we are very closely monitoring the current situation, and to mitigate the impact, we've already strengthened oversight through various reviews and internal interventions that we have done within the organization.

So, I mean, some of the examples are, for example, energy optimization through peak-off usage, production consolidation, then we are having regular kind of sync over the SG&A discipline, we have very high kind of increased focus on the customer recoveries and all. So, at an overall level, I mean, we have been taking all the actions to ensure that our costs, whatever there is an increment, we can kind of we can set it off to the extent possible.

Vipul Agarwal: Understood, sir. So maybe, maybe if you can explain us the seasonality of your margins in the standalone business, which is mostly your Clean Air business only, standalone. So, I would assume that like in what happens in from fourth quarter to first quarter, every year we'll see lower sales share of heavy commercial vehicles as compared to medium commercial vehicles.

While it will kind of decline in first quarter, so the, sorry, the sales share of heavy commercial vehicle will decline in first quarter. And, so is there a seasonality which we will see every year in Tenneco margins in standalone business or was it like kind of one-off this year? How, how we should read through the standalone business margins?

Arvind Chandra: Yes, so seasonality is typical, right, for the auto sector. So, this covers passenger vehicles, commercial, commercial trucks, off-highway also. So, you do see a little bit of a decline, and then certain quarters, like leading up to the festive season, we do see an increase. So, we're not any different from any other auto supplier that is in the Indian economy, right?

So, I don't I don't think we can give you any flavor on how our margins will behave over time. All we'll say is that it'll be consistent with how prior years have gone. If you've if you've looked at the prior quarters, looking at sort of the pattern of how the margins have been in terms of down, one and again, it's again tied to the revenues, right?

So, so far, the demand has been good. If you start with the demand, the last six months, so even this quarter, even next quarter, at least the good news is where other regions in the world are struggling, India is still Indian OEMs are still predicting very good demand. Now, if the Middle East war continues on and on, there will be some impact, I think. I don't think it'll—the demand will keep continuing, but right now, it looks like through Q2 at least, the demand seems to be good.

So you will go into the next quarter, hopefully, with an uptick, assuming that the Middle East war doesn't deteriorate any further, and that will have an effect on our margins. But I think the pattern of margins will continue like prior quarters.

Vipul Agarwal: So sir, my next question is on the smaller, the new DaVinci for the smaller cars you have introduced. So, what is, so for example, if what is the incremental cost for an OEM to shift from traditional or passive suspension to the new suspension? Maybe, for example, if you can quote some examples from, say, Baleno-like vehicle or Baleno or Fronx-like vehicle, what can be the incremental cost for an OEM to shift from a traditional to the new DaVinci, smaller DaVinci?

Arvind Chandra: So we haven't, cause we cannot specify price in in a public forum simply because it's one is it's forward information because it hasn't started yet. At the same time, it would be proprietary information. But let's talk in general, right? As the customers convert from conventional to DaVinci, or let's say semi-active, they will, we do hope to see an uptick in margins, right?

And the margins will uptick at the max level when we have the volume, we are able to localize, and we're of course, hopefully able to charge a premium for the for the superior technology, because these technologies, especially DaVinci, comes with a much better comfort level.

And those of you who have driven the Mahindra XUV700 can see that. It's highly publicized. It's all over YouTube and Instagram. So, I all I'm saying is, these technologies over time will come at a at a better margin. I can't give you a price delta because it's proprietary.

Vipul Agarwal: No, no, I was think, actually, I was thinking from other perspective, like, for example, if OEM wants to introduce, not from your margin perspective, like how fast the absorb— acceptance of this model can happen from OEM levels? For example, if OEMs have to take a price hike of just, let's say, INR3,000, so the adaptation can be much faster. And if the price hike may be, say, INR10,000, then adaptation can be much slower. So, I'm trying to understand that delta from OEM perspective, like what can be the...

Arvind Chandra: Yes, it's a good question. Good question. So, Yes, so good question. So I look, the all I'll say is the price delta is makes it very affordable for the OEMs, at least on DaVinci, for them to be able to scale up quickly. Now, it's a little bit different for the semi-active suspension, because there's electronics and software and, you know, routing cables and wiring harnesses, and so on.

But for the DaVinci, it's very simple. It's a you remove and you plug the new one in, right? It's a plug-and-play. And the cost delta is makes it very affordable. In fact, that was the purpose. The DaVinci was designed as a way to kind of get you 90%, 85%, 90% of the way there on comfort, but with a cost delta of, you know, a few percent percentage points, right? So, I think that that's what makes it so compelling. And this is why you're seeing us win a lot of programs on DaVinci, as I mentioned earlier.

Vipul Agarwal: Understood. Just one last question on the capex, you highlighted that it can be INR350 crores to INR450 crores. So, can you give in some direction like where it will be? Will it be towards ART or Clean Air, any new capacity you are bringing in? So if you can give some direction around it, that's my last question.

Mahendra Chhabra: Yes. So this capex will be towards both the business segments, Clean Air and Powertrain as well as ART. And just to clarify, this includes the investment towards the two plants that we've already announced, which is amounting to about INR140 crores. So, yes, this will be towards both our business units, both the business segments.

Vipul Agarwal: Thank you so much. That's all from my side.

Arvind Chandra: Thank you, Vipul.

Moderator: Thank you. The next question is from the line of Radha from Motilal Oswal. Please go ahead.

Radha: Yes. Hi, team. Thank you for the opportunity. Sir, when BS-VI norms happened, so that time the content per vehicle for both PV and CV almost doubled for our Clean Air business. However, when BS-VII is more about diagnostics and monitoring, so if we combine the upcoming norms like CAFE 3 and BS-VII, does this mean that the content per vehicle increase will be limited to maybe 20% only? Is that the right way to think about it?

Arvind Chandra: It's hard to say because BS-VII is not out yet, whether it is a BS-VI Plus or a watered-down version of BS-VII, we don't know where that's going to be. But certainly, what we're doing is we're looking at the market as the whole world, right? We in the last quarter, if you remember, I mentioned that we'd done a very successful proof of concept for Euro 7 with a leading European truck manufacturer.

And that success means that we're not just technology ready in India for BS-VII in India, we're also technology ready for Euro 7 and, you know, US, the US version of that for 2030, right? So, we look at the world as our oyster, so to speak. Yes, BS-IV to BS-VI was a much bigger jump, went from, x going to 2x or in some cases of commercial vehicles x going to like 4x.

That won't be the case, I agree with you. BS-VII, CAFE 3, it'll be more like X going to 1.3x to 1.5x, something like that, I think, if you take the combination. But don't hold me on that, because it's still not sure how the BS-VII legislation will land.

As you know, because of higher NOx and particulate filter particulate requirements, they will need to have some sort of dual dosing for the SCR and larger particulate filter, it's very likely. They can use some injection technologies to do some optimization. So, each OEM will figure out some way of how to achieve the legislation on NOx and PM through injection, through better fluid flow, fluid mixing, dual dosing, and maybe more plati -- more precious metals loading to achieve that legislation.

Now, the CAFE 3, it's the CAFE 3 norms are more about the penetration of gasoline direct injection, because it really offers a huge CO2 benefit, right? It improves CO2 significantly, but the byproduct of that is it produces more particulate, so that will need a gasoline particulate filter, right? So that also will take you from x to like 1.2X to 1.5x, depending on what application that is. But, Yes, you're right. It will not be like a BS-IV to BS-VI jump, it'll be BS-VI incremental, and that's how we see it.

Radha: Understood. And secondly, sir, exports are 7% of your revenue as of now, like you mentioned to the previous participant. As the--can we expect this business to grow at double of the domestic business going forward, considering the global partnerships that we have and how localization and considering India as the export hub, considering these factors, sir?

Mahendra Chhabra: So, Radha, can you repeat your question? The voice is not very clear.

Arvind Chandra: Yes, are you on a headset? Can you remove your headset? Because we cannot, it's very muffled, what you're saying.

Radha: Is it better?

Arvind Chandra: Yes, Yes.

Radha: So, I was saying that exports are currently 7% of your revenue, and giving the multiple factors of localization, considering India as the export hub, and your global partnerships with Tenneco, do you expect this business to grow at double of what India business can grow?

Arvind Chandra: Okay. Good question. Yes, look, we're starting from a low base, right? So, pre-IPO exports was only like 5% of total sales, now it's about 7%. And I said that in in my in prior quarters that exports are coming in at a higher percentage of order book, right? So if you look at the total order book of let's say 100, then exports were coming in somewhere between 14% to 20% of that 100, right?

So we do think that exports will be a higher percentage of the total. However, there's one important thing that has changed. Our domestic business has really taken off. We are booking business left, right, and center, and you've seen with ART, with DaVinci, and also with local Clean Air and Powertrain customers, the rate at which we're booking local business is great, and this is music to our ears, right?

So, exports will continue as a strategy for both third-party and also intercompany, but don't forget that our the denominator is also growing, right? This is for ART, Advanced Ride Technologies, as well as for Clean Air and Powertrain.

Radha: Understood, sir. So generally, what is the delta of margins in exports versus domestic across your business verticals?

Mahendra Chhabra: I mean, we generally do not disclose the margins for export and domestic separately. Having said that, our export margins are either in line or better than the domestic margins.

Radha: Okay. And as there has been multiple order wins across both business divisions, especially catering to new customers, I wanted to understand whether the margins of these orders are better than the current margins of the company?

Mahendra Chhabra: So, Radha, we cannot disclose that customer level or program level margins, but like I said, our -- for our exports business, the margins are better than the domestic business.

Radha: Understood, sir. Thanks, and all the best to the team.

Arvind Chandra: Thank you.

Moderator: Thank you. The next question is from the line of Viraj Sanghvi from Ambit Capital. Please go ahead.

Viraj Sanghvi: Thank you for the opportunity, sir. I just wanted to understand the DaVinci DCx suspension business a bit better. So there, what I want to understand is that when you win a model for DaVinci DCx suspension, does it mean that all the trims of that particular model would have DaVinci DCx, or would it be the case that it could be possible that lower trims still have passive suspension and it's the top trims which have DaVinci?

And secondly, over here, the four customers that you have mentioned winning, are those four new customers for DaVinci DCx suspension specifically?

Arvind Chandra: Okay. So, I'll answer your first question. Thank you, Viraj. On your first question, look, our objective is very clear. Our aspiration is to ensure that all of India improves its suspension, you know? Over the last 70 odd years, India is still, you know, 90% of vehicles on Indian roads, passenger vehicles, sedans, SUVs, they're still operating with conventional suspension, right?

We've had all sorts of improvements in our engine, on interiors, better seats, now glass mat screens, Bluetooth, ADAS, sunroof. But somehow suspension was always orphaned, right? But that has changed. That has changed forever. Why? Because of DaVinci and because of semi-active suspension.

We have proven that it doesn't take a massive, you know, it's not a big thing on your wallet to be able to aspire for higher suspension. So that's what DaVinci has proven, that you can make it affordable and you can give better comfort. So, our aim is to, with this new announcement, the DCx32, that we are also going to be targeting the very, very low end of the A-segment market.

We think that DaVinci has the potential to disrupt all the way from the lowest, what is the cheapest car, about INR3 lakh, maybe? All the way up to INR35 lakhs, INR3 lakhs to INR35 lakhs will be DaVinci, maybe above INR35 lakhs will start getting into semi-active suspension. So it's our aspiration to do that.

And look, we are doing it, we are proving to you that we can book business very rapidly, and not just one customer, multiple programs within the same customer, but also multiple new customers. And these are new customers that are new not just for DaVinci, but also for conventional, right?

So very often it happens that the customer says, okay, you can have these, these programs will have conventional, but these higher premium ones might have DaVinci, right, within the same customer. But these are--the good news is these are customers where we've never had any business, even with conventionals. And with a 55% market share, that's today, right? The fact that I'm telling you that we've won four new customers beyond that, that should give you an idea of how strong we are in the in the market.

Viraj Sanghvi: Got it, sir. And just to get some sense for an OEM, how much cheaper would a DaVinci DCx suspension be compared to a semi-active for a similar model that they would be trying?

Arvind Chandra: So, we cannot, again, discuss price deltas, etc. All we're saying is DaVinci is affordable enough where it can become standard, just like a window regulator, right? It's become standard in every car, auto automatic window regulator. We think that DaVinci has the ability to satisfy the needs of a large portion of the Indian vehicle market.

Now, when you start getting into electric vehicles and, let's say, premium vehicles, electric vehicles, it's better to put some kind of an electronic software-based suspension simply because it integrates better with braking, steering, engine performance, right? Because you can you can have a common ECU, you can have a master ECU to have a common functionalities split by, you know, various ASIL functional safety aspects.

So, it's easier to integrate electronic suspension in EVs. But having said that, we still have interest from EV OEMs saying that, hey, we want to put DaVinci on our vehicle so because it's a lot cheaper, right? So, I think DaVinci has a has the ability to kind of satisfy a long range of A, B, C, even D-segment vehicles if a value and affordability become an issue.

Viraj Sanghvi: Got it, sir. My second question is on capex. So out of this INR350 crores to INR400 crores of capex which is planned for FY27, how much would have we incurred in Q1 FY27? And secondly, there were some exports-oriented capex also which was going to be planned, so would this INR350 crores to INR400 crores capex include some export-oriented specific capex as well? Thank you.

Mahendra Chhabra: Yes. So, yes, the overall capex, the guidance that we're giving includes the capex towards the investment for exports. And regarding the first question, since we would be publishing our balance sheet in September, so we would be that we would be disclosing the amount that we would have spent during the first half when we do the Q2 discussions.

Viraj Sanghvi: Sure, sir. Thank you. Thank you for answering my questions. Thank you, sir.

Mahendra Chhabra: Thank you so much.

Moderator: Thank you. The next question is from the line of Nagaraj, an Individual Investor. Please go ahead.

Nagaraj: Yes. Good evening. Congratulations on a very good set of numbers. My first question is, do we have any plans to enter passenger EV segment, any new products other than ART? My second question is, when are we expected to start commercial production of DaVinci suspensions for smaller passenger vehicles? And my last question is, since we are already a debt-free company with negative working capital, how are we planning to deploy cash flow from operations in future? Thank you.

Arvind Chandra: Okay. Thanks. Thanks very much, Nagaraj. I think the see, we're already a big player in EV, right? Our suspension, in fact, electric vehicles need almost necessitate that you have a much better suspension, because the EV rides on a battery with a very low center of gravity, and if you don't have a more robust shock absorber or suspension, it will feel like you're riding a go-kart, right?

So, by default, all the EV players are leaning towards more of a either a DaVinci or electronic type suspension, so that automatically gives us more content per vehicle, right? Now, if you're saying other than ART, that's a good question. That's something that we are debating internally.

We're not ready to disclose what we want to do, but that's something that we're discussing in the background in terms of how we can be more, not just EV, but more like agnostic, right? Which means pick a product, whether it's an ICE engine or a let's say, electric vehicle, the product should not—it should be agnostic, right? It should work on both type of segments or vehicles.

On your second question, on DaVinci, the smaller bore announcement we've made, the announcement we've just been we've just developed that. So now we're looking for customers. The good news is that this already came in as a result of some customers asking for it. So it's just a matter of time before we start merging the demand from the A, B segment customers with the readiness and the comprehensiveness of that of this new technology, right?

So, it's a chicken and egg. OEMs want the same thing on the low segment, but we didn't have the technology ready, but now we do. So now we can start discussing with them how we would like to apply this. But like I said, my aspiration is that I want if I had a wish, I would put the entire all of India's A and B segments on DaVinci as a minimum, right? So that's my aspiration.

Your third question was something around cash. Yes. How to use the cash, right? Um, look, yes, we do generate a lot of cash, 50% to 60% of our EBITDA converts to cash. Our traditional business lines are big cash cows for us. So, we will use that for funding our capex, that INR350 crores to INR450 crores is fully generated, the capex is fully generated through internal accruals, so we're not even after spending that kind of cash, we're still debt-free.

So the obvious question is, what else are you going to do with the free cash, right? So there are a lot of options including M&A, inorganic options that we're pursuing, so it's in line with your first question, so wait for the right time and we, you know, when we're ready to announce something, we'll we will come out and do that. Did I answer your question, Nagaraj?

Nagaraj: Yes, sir. Thank you so much. Wish you all the best. Yes.

Arvind Chandra: Thank you, Nagaraj.

Moderator: Thank you. The next follow-up question is from the line of Himanshu Singh from Baroda BNP Paribas Mutual Fund. Please go ahead.

Himanshu Singh: Hi, sir. Thank you for the opportunity again. So, just wanted to understand, like, did we face any impact from Hyundai supply disruptions which we saw in 1Q? So, did we have any impact from there on the Clean Air segment?

Arvind Chandra: No, we didn't, because our, um, we don't have a strong position in in in that passenger vehicle company, so we didn't we didn't face that. So that's a simple answer.

Himanshu Singh: Okay.

Himanshu Singh: And, just on the progress of new product launches which you had highlighted earlier, like suspension business into different segments, how is that coming? And when should we start seeing some movement in those segments?

Arvind Chandra: You're seeing that in the continued growth of our business, right? So, if the market grew by 16%, we've grown through content per vehicle and through new launches. In fact, this coming year, as we're sitting here today, going into next year, let's say through March 31st of 2027, we do plan to have a lot of new launches, especially from the DaVinci win, semi-active, there's also on the Clean Air Powertrain side, a lot of the business wins will start bearing fruit.

So somewhere between, like, early calendar year '27 through '28 and through '29, so the next couple of years are going to be very heavy for new product launches across the board. So, we're quite excited about that, and that will automatically give us a pretty nice growth to look forward to.

Himanshu Singh: Sure. Sir, and just last question. What is the, like, difference between the DCx32 and the DCx?

Arvind Chandra: Yes, so the normal DCx that we invented earlier was for the, let's call it, the mid-to-premium SUV types, right? So, the 32 refers to 32 millimeter and the 35 refers to 35 millimeter. So, the standard one was more like 35 millimeter for the luxury, mid to luxury vehicles. The 32 is basically the size of the piston, which works for the A and B segment vehicles.

So, you're just kind of think of it like, you have a product and you're just shrinking it to form-fit a vehicle that is much smaller. So, the things that are is the rod diameter, so for something like a 32, you would need like a 25 millimeter rod and it'll be encased in an outer tube of maybe 58 millimeter, I'm just giving you an example, right?

So there, these are all ratios between the rod, the piston diameter, and the inner part of the outer tube. And by shrinking it, you are now able to compete on the lower end for A and B segments.

Himanshu Singh: Sure. Thank you so much, sir. That's it from my side.

Arvind Chandra: Thank you, Himanshu. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question. I now hand the conference over to Mr. Himanshu Sharma, Head Investor Relations, for closing comments.

Himanshu Sharma: Thank you, Sanya. Ladies and gentlemen, thank you all for your continued interest in our company. We appreciate your time and participation today. If you have any further questions or require additional details, please feel free to reach out to us. Good evening and stay safe.

Moderator: On behalf of Tenneco Clean Air India Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.