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YOUR FRIENDLY FINANCIAL ADVISORS



IPO Note:

TATA CAPITAL LIMITED- SUBSCRIBE

Tata Capital Ltd. (TCL) is the Tata group's flagship financial services company and a subsidiary of **Tata Sons Private Limited**, the group's parent company and promoter. According to the CRISIL Report, the Tata Group is one of India's most prestigious corporate organizations, **with a 150-year record** that includes enterprises in ten verticals including automotive, technology, steel, financial services, aerospace and defense, consumer and retail. The "**Tata Group**" brand was named the most valuable brand in India by the Brand Finance India 100 2025 survey.

With total gross loans of ₹2,334.0 billion as of June 30, 2025, it is **the third largest diversified NBFC in India**, according to the CRISIL Report. It is also one of the **fastest growing large diversified NBFCs** in India in terms of total gross loan growth, with total gross loans growing at a CAGR of 37.3% from March 31, 2023 to March 31, 2025. Its metrics, including the Gross Stage 3 Loans Ratio of 2.1%, the Net Stage 3 Loans Ratio of 1.0%, and the Provision Coverage Ratio ("PCR") of 53.9%, are among the best among large diversified NBFCs in India as of June 30, 2025.

Its **Total Gross Loans (excluding TMFL)** increased at a CAGR of 28.4% between March 31, 2023 and March 31, 2025. As of March 31, 2025, TCL's asset quality (excluding TMFL) was 1.5% gross, 0.5% net, and 65.8% PCR. Since its inception in 2007, it has served 7.3 million consumers through June 30, 2025.

It **focuses on retail and SME customers**, with loans to these customers accounting for 87.5% of total gross loans as of June 30, 2025. As of June 30, 2025, its loan portfolio is highly granular, with **ticket sizes ranging from ₹10,000 to over ₹1 billion**, with over 98% of loan accounts having a ticket size of less than Rs. 10 million. In addition, 80.0% of its Total Gross Loans were secured, with Organic Book accounting for more than 99% of Total Gross Loans as of June 30, 2025.

The company utilizes an **omni-channel distribution approach**, which combines a large branch network, a powerful partner ecosystem, and a strong digital presence to provide a superior consumer experience. As of June 30, 2025, it had a **vast Pan-India distribution network** that included 1516 branches in 27 states and union territories.

TCL's **underwriting and collections operations** allow it to preserve the quality of its asset portfolio. It has developed underwriting processes for a **wide range of product offerings**, using a tailored product-based strategy that incorporates rule-based underwriting, high-touch techniques, or a combination of the two. Its digital underwriting platform is linked to credit bureaus and other data sources, allowing rule-based underwriting engines to guide an intelligent, data-driven underwriting process.

As of June 30, 2025, the company provides consumers with over **200 online services** via various channels such as the website, mobile apps, WhatsApp, email, chatbot ('TIA'), and interactive voice response ("IVR") system, allowing it to provide omni-channel customer assistance. As of June 30, 2025, the firm had a **total contingent liability** of ₹ 788.92 crore for various reasons.

Investment Recommendation and Rationale: -

Tata Capital Ltd. (TCL), the Tata Group's flagship financial services unit, is India's **third-largest diversified NBFC**, with a loan book of ₹2.33 trillion as of June 2025. **Backed by the Tata brand**, it has served 7.3 million consumers and achieved a **high loan book CAGR of 37.3% (FY23-FY25)** while maintaining healthy asset quality. **Retail and SME loans make up 87.5% of the portfolio**, assuring granularity and stability. **With 1,516 locations in 27 states**, strong digital platforms, and ML-powered underwriting and collections, **TCL blends scale, trust, and technology to deliver long-term success**. **At the upper price band of ₹326**, the issue is valued at a **P/E multiple of ~37.78x on its FY25 EPS of ₹8.63 post IPO**. **We give a 'SUBSCRIBE' rating to the issue for the following reasons: -**

- Strong market position** as India's third-largest diversified NBFC, backed by the Tata Group brand, ensuring credibility and client trust.
- Robust Distribution and Digital Edge**, with 1,516 branches across India and robust digital + ML-driven underwriting and collections, ensures efficient and scalable growth.
- A balanced portfolio** that includes retail, SME, commercial lending, and home finance decreases concentration risk while also providing multiple growth opportunities.

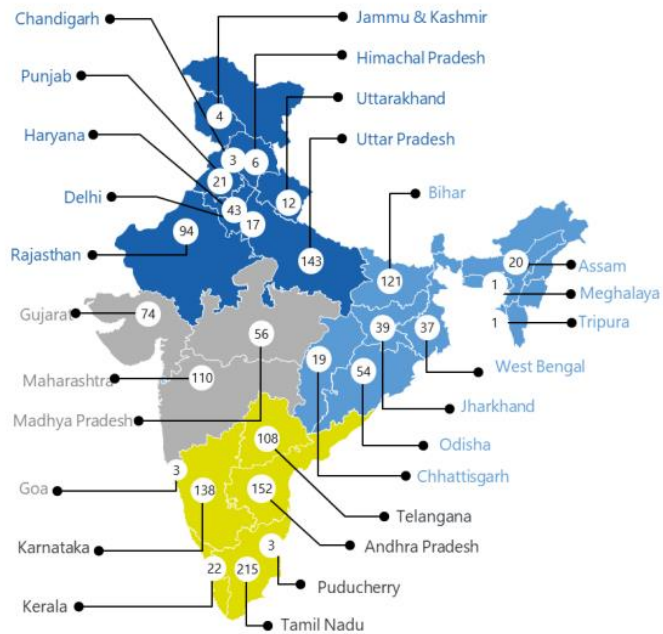
Issue Opens	06th October 2025
Issue Closes	08th October 2025
Type of Issue	Fresh Issue of 4,58,25,242 shares (aggregating up to ₹6,846.00 Crores) Offer for sale of 26,58,24,280 shares of ₹10 (aggregating up to ₹8,665.87 Crores)
Issue size	₹15,511.87 Crores
Price Band	₹310 to ₹326 per share
Bid lot/ Bid Size	46 shares/ Rs. 14,996
Issue structure	QIB-49.87%, HNI- 14.96%, Retail- 34.91%, Employee- 0.25%
Post issue equity shares	4,24,48,69,037 shares
Promoters and Promoter Group Public	Pre Issue – 95.60% Post Issue –85.5% Pre issue –4.40% Post Issue- 14.5%
Post issue implied market cap	₹1,38,382.73 Crores
BRLMs	Kotak Mahindra Capital Company Ltd, Axis Capital Limited, BNP Paribas, Citigroup Global Markets India Private Limited, HDFC Bank Limited.
Registrar to the issue	MUFG Intime India Private Ltd.

Financial Summary (in ₹ million, unless otherwise indicated)

Particulars	Three months ended June 30,	Fiscal		
		2025	2024	2023
Total Gross Loans	2,333,985.5	2,265,529.6	1,612,310.8	1,201,968.6
Total Gross Loans YoY Growth (%)	17.4%	40.5%	34.1%	28.8%
Interest Income	69,318.3	257,197.7	163,664.7	119,109.0
Finance Cost	40,656.2	150,296.4	95,682.3	66,006.4
Net Interest Income	28,662.1	106,901.3	67,982.4	53,102.6
Fee Income	5,758.8	23,456.0	12,728.5	8,474.8
Total Income	76,916.5	283,698.7	181,983.8	136,374.9
Operating Expenses	13,347.1	56,134.2	36,242.0	26,650.5
Credit Cost	9,085.8	28,268.3	5,922.6	5,742.9
PAT	9,898.9	36,646.6	31,502.1	30,292.0
PAT YoY Growth (%)	114.4%	16.3%	4.0%	79.5%
Average Yield	12.3%	12.6%	11.9%	11.5%
Average Cost of Borrowings Ratio (%)	7.8%	7.8%	7.3%	6.6%
NIM Ratio (%)	5.1%	5.2%	5.0%	5.1%
Cost to Income Ratio (%)	36.8%	42.1%	42.0%	37.9%
ROE (%)	12.5%	12.6%	15.5%	20.6%
ROA (%)	1.8%	1.8%	2.3%	2.9%
PCR (%)	53.9%	58.5%	74.1%	77.1%
CRAR (%)	16.6%	16.9%	16.7%	NA

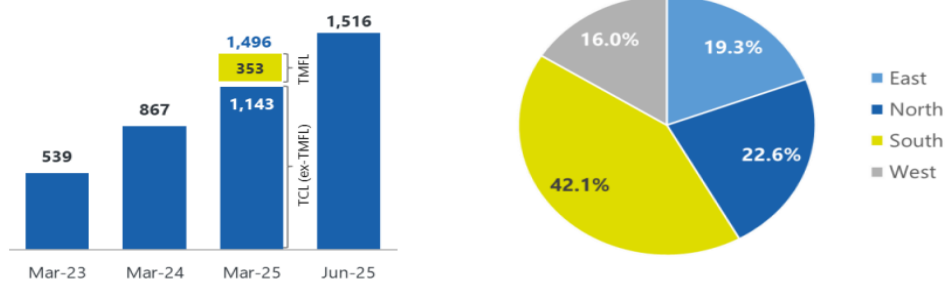
Source: RHP

The map below depicts the number of branches in each state and union territory in India as of June 30, 2025.



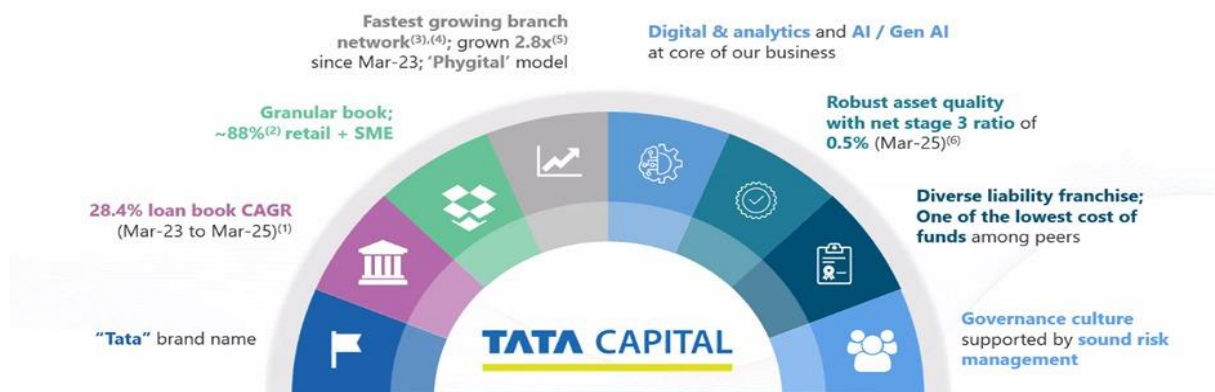
Source: Red Herring Prospectus (RHP)

The diagrams below provide additional details about the branch network.



Source: Red Herring Prospectus (RHP)

Tata Capital: What sets us apart



Source: Company PPT

The following table summarizes the Gross Stage 3 Loans Ratio, Net Stage 3 Loans Ratio, and Provision Coverage Ratio as of the given dates.

Particulars	TCL		TCL (Excluding TMFL)	TCL		
	As at June 30,			As at March 31,		
	2025	2024		2025	2025	2024
Gross Stage 3 Loans Ratio	2.1%	1.7%	1.5%	1.9%	1.5%	1.7%
Net Stage 3 Loans Ratio	1.0%	0.6%	0.5%	0.8%	0.4%	0.4%
Provision Coverage Ratio	53.9%	63.5%	65.8%	58.5%	74.1%	77.1%

Source: Red Herring Prospectus (RHP)

Objects of the issue

Fresh Issue of 4,58,25,242 shares (aggregating up to ₹6,846.00 Cr).

Offer for Sale of 26,58,24,280 shares (aggregating up to ₹8,665.87 Cr)

Shareholding pattern

Name of the Selling Shareholders	Type	Number of Equity Shares Offered	Weighted Average Cost of Acquisition per Equity Share (in ₹) (on a fully diluted basis)*
Tata Sons Private Limited	PSS	Up to 230,000,000 Equity Shares of face value of ₹10 each	34.0
International Finance Corporation	ISS	Up to 35,824,280 Equity Shares of face value of ₹10 each	25.0

Source: Red Herring Prospectus (RHP)

Company plans to use the Net Proceeds to fund the following objects:

1. Augmentation of Company's Tier-I capital base to meet Company's future capital requirements including onward lending.

Source: Red Herring Prospectus (RHP)

Peer Comparison

Name of the Company	Revenue from operations FY 2025 (in ₹ million)	Face value per equity share (₹)	EPS Basic (₹ per share)	EPS Diluted (₹ per share)	RoNW (%)	NAV (₹ per share)	P/E Ratio (x)	P/B\$
Tata Capital Ltd.	283,127.4	10	9.3	9.3	11.2	79.5	NA	NA
Listed Peers								
Bajaj Finance Ltd.	696,835.1	1	26.9	26.8	17.4	155.6	37.8	6.5
Shriram Finance Ltd.	418,344.2	2	50.8	50.8	16.8	300.3	12.1	2.0
Cholamandalam Investment and Finance Company Ltd.	258,459.8	2	50.7	50.6	18.0	281.5	31.5	5.7
L&T Finance Ltd.	159,242.4	10	10.6	10.6	10.3	102.5	23.1	2.4
Sundaram Finance Ltd.	84,856.3	10	170.5	170.5	13.8	1,187.8	26.9	3.9
HDB Financial Services Limited	163,002.8	10	27.4	27.3	14.6	198.8	28.1	3.9

Source: Red Herring Prospectus (RHP)



Competitive Strengths

1. Tata Capital is the Tata Group's flagship financial services firm, a well-known and reputable conglomerate in India. The Tata brand lends legitimacy, aids in client acquisition, and increases the ability to generate financing, among other benefits.
2. It ranks among India's largest "diversified NBFCs" in terms of gross loan book. This scale provides advantages in spread, operational leverage, and access to funding.
3. It provides a diverse range of loan products (retail, SME, corporate, vehicle/public finance, etc.), spanning geographies and customer categories. This reduces the chance of concentration.
4. Tata Capital has a mix of physical locations, dealers, DSAs (Direct Sales Agents), OEM relationships, and digital partners. This omnichannel architecture enables you to reach more customers and scale more efficiently.
5. Tata Capital is estimated to have a lower level of Gross Stage 3 (NPA) loans than other prominent NBFCs. It has a strong risk culture and manages risk through data analytics.

Source: Red Herring Prospectus (RHP)

Growth Strategies

1. Maintain growth trajectory by expanding product options and increasing distribution network.
2. Continue to develop the risk management framework, credit underwriting, and collection infrastructure to maintain good asset quality.
3. Utilize technology and data analytics to increase efficiency, cost reduction, customer experience, and risk management across the loan process.
4. Continue to maintain credit ratings and a diverse liability mix to optimize borrowing costs.
5. Harness the combination with TMFL to become a full-stack supplier of automotive loans, while using capabilities to achieve improved business outcomes.

Source: Red Herring Prospectus (RHP)

Key Risks

1. In recent periods, Tata Capital's Gross Stage 3 loans accounted for approximately 1.7-2.1% of total gross loans (varies by year and quarter). Any increase in defaults could harm their cash flows, profitability, and financial position.
2. The provisioning buffer (the percentage of prospective losses covered) has decreased from ~77.1% in FY23 to ~58.5% in FY25. This diminishes the protection against declining asset quality.
3. A large chunk of Tata Capital's loan book is unsecured (i.e., without security). These include unsecured loans for retail, small and medium-sized businesses, and corporations. Such loans carry a larger credit risk if borrowers default, as recovery is more difficult.
4. Retail finance accounts for around 56-62% of the entire loan book, making the organization subject to fluctuations in consumer demand, default rates, and economic slowdowns affecting retail borrowers.
5. Borrowing costs have risen to around 7.8% in FY25, up from 6.6% previously. If Tata Capital is unable to obtain funding.

Source: Red Herring Prospectus (RHP)


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