TATA CAPITAL LTD. – IPO NOTE

3rd October 2025

DIVERSIFIED GROWTH, STRONG RISK CULTURE, TRUSTED BRAND

Tata Capital Ltd. (TCL), the flagship financial services arm of the Tata Group and a subsidiary of Tata Sons, is India's third-largest diversified NBFC with a strong legacy of trust and scale. Classified as an 'Upper Layer NBFC' by the RBI, the company manages a robust loan book of ₹2,334bn (as of June 2025) and offers a comprehensive suite of over 25 lending products across retail, SME and corporate segments, complemented by wealth management, insurance distribution and private equity services. With a pan-India presence of over 1,500 branches and a strong digital ecosystem, Tata Capital combines the Tata brand's credibility with innovation-driven growth, positioning itself as a leading player in India's financial services landscape.

Structural Tailwinds Driving Systemic Credit Expansion

India's credit landscape is poised for strong growth, supported by macroeconomic stability and structural reforms. GDP is expected to grow at around 6.5%, with domestic demand offsetting external headwinds such as global trade uncertainties. RBI's anticipated rate cuts and potential GST rationalization are likely to boost consumption, particularly in urban markets. Systemic credit in India grew at a 6-year CAGR of 9% between FY19-25 and is projected to accelerate to 13–15% CAGR through FY28, driven by retail and MSME segments. Retail credit, which stood at ₹82trn in FY25, has grown at 15.1% CAGR since FY19 and is expected to maintain a 14–16% CAGR over the next three years, led by housing, auto, personal loans and credit cards. NBFCs, with their agility and last-mile reach, have consistently outpaced banks in credit growth, expanding at ~13.9% CAGR during FY20–25 versus banks' 11.4% and are projected to grow at 15–17% CAGR through FY28. Their share in systemic credit is expected to rise from 21% in FY25 to 22% by FY28, underpinned by their ability to serve underpenetrated segments and leverage technology for faster, customized lending solutions.

A Diversified Lending Powerhouse

Against this backdrop, TCL has built a strong, diversified platform, operating with a comprehensive suite of over 25 lending products across retail, SME and corporate segments, supported by a robust omni-channel distribution model of 1,500+ branches and advanced digital platforms. Its liability franchise is anchored by AAA domestic ratings and international investment-grade ratings, enabling access to low-cost, diversified funding through bank loans, NCDs, ECBs and perpetual debt. A disciplined asset-liability management framework and an average cost of borrowings of 7.8% underscore its financial prudence. Technology-driven processes—where over 97% of customers are digitally onboarded and 80% of service requests are resolved through self-service channels—enhance scalability and customer experience. Coupled with a strong risk culture and one of the lowest Gross Stage 3 ratios among peers, TCL is positioned to deliver sustainable growth while maintaining asset quality and governance standards.

Risks- 1) Gross Stage 3 Loans stood at 2.1% as of June 30, 2025; any rise in delinquencies or defaults could impact profitability and capital adequacy. 2) Unsecured loans form ~20% of the loan book, posing higher credit risk due to lack of collateral. 3) Retail Finance accounts for ~61% of total loans; adverse trends in this segment could affect growth and asset quality. 4) Any asset-liability mismatch or funding constraints could lead to liquidity stress and impact operations.

Opinion - The IPO is a mix of OFS (₹8,666cr) & fresh issue (₹6,846cr). Trust is a key factor in financial services and TCL benefits from the strong Tata brand. TCI is one of the most diversified NBFCs with a strong geographical presence. It enjoys strong domestic rating (AAA) and the best possible international rating (BBB, capped by sovereign rating), ensuring the lowest cost of funds in the industry. Liabilities are well diversified across banks, NCDs, CPs, financial institutions (NHB, SIDBI), and overseas sources (ECBs, bonds). **At the upper price-band, the issue is valued at 4.5x P/B (pre issue) and post issue it is at 4.1x on FY25 BVPS**. We recommend **"SUBSCRIBE for Long Term"** to the issue.

Rating	Subscribe for Long Term
Issue Details	
Issue Opens	6-Oct-25
Issue Closes	8-Oct-25
Face Value (₹)	10
Price Band (₹)	310-326
Bid Lot	46
Issue Size at higher price band (₹ Cr)	15,512
Market cap. @ upper price band (₹ cr)	138,383
Listing	NSE/BSE
BRLMs	Kotak Mahindra Capital, BNP Paribas, Citigroup Global Markets India, HDFC Bank, HSBC Securities, ICICI Securities, IIFL Capital Services, J.P. Morgan India, SBI Capital Markets
Registrar	MUFG Intime India Pvt. Ltd.

Shareholding Pattern (%)

	Pre-Issue	Post Issue
Promoter	95.6	85.4
Others	4.4	14.6

Issue Structure (In cr. no. of shares)

Issue size	**47.58**
Break-up of net issue to public (%):	
QIB's portion	50%
Non-Institutional portion	15%
Retail Portion	35%

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Financials-

Particulars	FY23	FY24	FY25
Net revenue	**7,037**	**8,630**	**13,340**
PPoP	**4,372**	**5,006**	**7,727**
PAT	**2,946**	**3,327**	**3,655**
NIM	***5%***	***5%***	***5%***
RoA	***3%***	***2%***	***2%***
RoE	***21%***	***16%***	***13%***
BVPS	**49**	**63**	**72**
P/B (pre issue)			***4.51***

Disclaimer:

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