ANANDRATHI

Tata Capital Limited

03-October-25

Subscribe- Long Term

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Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	1,55,119
Fresh Issue (No. of Shares in Lakhs)	2,100
Offer for Sale (No. of Shares in Lakhs)	2,658
Bid/Issue opens on	06-Oct-25
Bid/Issue closes on	08-Oct-25
Face Value	₹ 10
Price Band	310-326
Minimum Lot	46

Objects of the Issue

- **Fresh Issue: 68,460 million**
  - Augmentation of their Company's Tier –I capital base to meet company's future capital requirements including onward lending.
- **Offer for sale: 86,658 million**

Book Running Lead Managers
Kotak Mahindra Capital Company Limited
Axis Capital Limited
BNP Paribas
Citigroup Global Markets India Private Limited
HDFC Bank Limited
HSBC Securities and Capital Markets (India) Private Limited
ICICI Securities Limited
IIFL Capital Services Limited
J.P. Morgan India Private Limited
SBI Capital Markets Limited
Registrar to the Offer
MUFG Intime India Private Limited

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	77,500
Subscribed paid up capital (Pre-Offer)	40,349
Paid up capital (Post - Offer)	42,449

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	94	83
Public	6	17
Total	**100**	**100**

Financials

Particulars (₹ In million)	3M FY26	3M FY25	FY25	FY24	FY23
Interest earned	69,318	59,952	2,57,198	1,63,665	1,19,109
Interest expended	40,656	35,412	1,50,296	95,682	66,006
Net Interest Income	**28,662**	**24,540**	**1,06,901**	**67,982**	**53,103**
Other Income	7,598	5,622	26,501	18,319	17,266
Credit Cost	9,086	9,600	28,268	5,923	5,743
Operating Expenses	13,347	14,116	55,923	36,343	26,727
PBT and Share of profit from associates/JV	**13,827**	**6,447**	**49,211**	**44,036**	**37,899**
Share of profit from associates/JV	(6)	(30)	(26)	(116)	1,467
PBT	**13,822**	**6,416**	**49,186**	**43,920**	**39,366**
Tax	3,413	1,694	12,635	10,651	9,908
PAT	**10,409**	**4,722**	**36,550**	**33,270**	**29,458**
EPS	**2.5**	**1.1**	**8.6**	**7.8**	**6.9**
Ratios	**3M FY26**	**3M FY25**	**FY25**	**FY24**	**FY23**
NIM	5.1%	5.2%	5.2%	5.0%	5.1%
PAT Growth	120.4%	-	9.9%	12.9%	-
Interest Earned Growth	15.6%	-	57.2%	37.4%	-

Sector- NBFC **Company Description**

Tata Capital Ltd is a flagship financial services company of the Tata group and a subsidiary of Tata Sons Private Limited, the holding company of the Tata group and the Promoter of their Company. With a legacy spanning over 150 years, the Tata group is one of India's most distinguished business groups, comprising companies across 10 verticals such as automotive, technology, steel, financial services, aerospace and defence, and consumer and retail. The "Tata Group" brand was recognised as the most valuable brand in India as per the Brand Finance India 100 2025 report. Company is the third largest diversified NBFC in India with Total Gross Loans of ₹2,334.0 billion as at June 30, 2025; are among the fastest growing large diversified NBFCs in India based on growth in Total Gross Loans, with Total Gross Loans growing at a CAGR of 37.3% from March 31, 2023 to March 31, 2025; and have a track record of sustained growth while maintaining their asset quality, as evidenced by their metrics such as, Gross Stage 3 Loans Ratio of 2.1%, Net Stage 3 Loans Ratio of 1.0% and Provision Coverage Ratio ("PCR") of 53.9%, which are among the best across large diversified NBFCs in India as at June 30, 2025.

Total Gross Loans (excluding TMFL) grew at a CAGR of 28.4% from March 31, 2023 to March 31, 2025. Their asset quality (excluding TMFL) stood at Gross Stage 3 Loans Ratio of 1.5%, Net Stage 3 Loans Ratio of 0.5% and PCR of 65.8% as at March 31, 2025. Since commencing their lending operations in 2007, they have served 7.3 million customers up to June 30, 2025. Through their comprehensive suite of 25+ lending products (the "Lending Business"), they cater to a diverse customer base comprising salaried and self-employed individuals, entrepreneurs, small businesses, small and medium enterprises and corporates. Company is focused on Retail and SME Customers, with loans to such customers forming 87.5% of their Total Gross Loans as at June 30, 2025. Their loan portfolio is highly granular, with ticket sizes ranging from ₹10,000 to over ₹1 billion, and over 98% of their Loan accounts have a ticket size of less than ₹10 million, as at June 30, 2025. In addition, 80.0% of their Total Gross Loans were secured and their Organic Book accounted for over 99% of their Total Gross Loans, as at June 30, 2025. Company operate an omni-channel distribution model that combines their wide branch network, a robust partner ecosystem, and a strong digital presence, all of which work together to deliver a superior customer experience. They have an extensive pan-India distribution network comprising 1,516 branches across 27 States and Union Territories, as at June 30, 2025.

Valuation

Tata Capital Limited, the flagship financial services arm of the Tata Group with a legacy spanning over 150 years, is the third-largest diversified NBFC in India. It offers one of the widest lending product portfolios and operates through an omni-channel distribution network that includes a pan-India branch presence, strategic partnerships, and robust digital platforms. At the same time, its deep integration of digital capabilities and analytics lies at the heart of its operations, ensuring superior customer experience and driving sustainable business performance. Tata Capital seeks to reduce its credit cost ratio below 1% by strengthening risk management and credit underwriting, supported by digital tools and analytics. By maintaining a diversified loan portfolio across products, customers, and geographies, and increasing the share of secured lending, the company minimizes concentration risks.

At the upper price band company is valuing at P/E of 32.3x, P/B of 3.5x to its FY25 earnings and market cap of ₹ 13,83,827 million post issue of equity shares.

We believe that the IPO is fully priced and recommend a **"Subscribe-Long Term"** rating to the IPO.

Description of Business

BUSINESSES

Company operate Lending and Non-lending businesses. In their Lending Business, they provide loans to Retail, SME and Corporate Customers. Their Non-lending Businesses include distribution of third-party products such as insurance and credit cards, providing wealth management services, and acting as a sponsor and investment manager to PE funds.

The following table provides a breakdown of income from their Lending Business and Non-lending Business for the Fiscals/ periods indicated:

Particulars	For the three months period ended June 30,				Fiscal					
	2025		2024		2025		2024		2023	
	(₹ in million)	(% of total income)	(₹ in million)	(% of total income)	(₹ in million)	(% of total income)	(₹ in million)	(% of total income)	(₹ in million)	(% of total income)
Lending Business	74,998	97.5%	64,068	97.7%	2,76,466	97.5%	1,76,350	96.9%	1,25,904	92.3%
Non-lending Business	1,919	2.5%	1,506	2.3%	7,233	2.5%	5,634	3.1%	10,471	7.7%
Total income	**76,917**	**100.0%**	**65,574**	**100.0%**	**2,83,699**	**100.0%**	**1,81,984**	**100.0%**	**1,36,375**	**100.0%**

Lending Business comprises the following verticals, each focused on distinct customer needs:

- **Retail Finance:** Company typically offer to salaried and self-employed individuals and owners of small businesses ("Retail Customers") a wide range of loans, such as home loans, loans against property, personal loans, business loans, two-wheeler loans, car loans, commercial vehicle loans, construction equipment loans, loans against securities, microfinance loans, and education loans. As at June 30, 2025, Retail Finance comprised 61.3% of their Total Gross Loans.

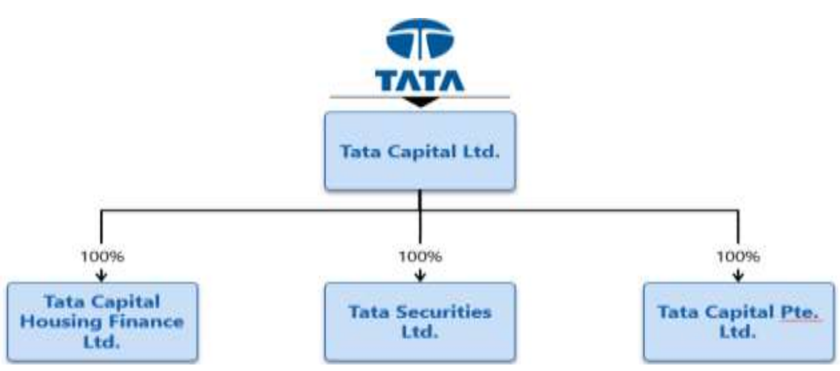
- **SME Finance:** Company offer supply chain finance, equipment finance, and leasing solutions to their customers. Further, they offer term loans, cleantech and infrastructure finance, and developer finance to businesses with latest available turnover of less than or equal to ₹2.5 billion ("SME Customers"). As at June 30, 2025, SME Finance comprised 26.2% of their Total Gross Loans.

- **Corporate Finance:** Company offer term loans, cleantech and infrastructure finance, and developer finance to businesses with latest available turnover of more than ₹2.5 billion ("Corporate Customers"). As at June 30, 2025, Corporate Finance comprised 12.5% of their Total Gross Loans.

Merger with TMFL

Pursuant to a scheme of arrangement amongst TMFL, their Company and their respective shareholders, sanctioned by the National Company Law Tribunal, Mumbai vide its order dated May 1, 2025, their Board at its meeting dated May 13, 2025 approved the issue and allotment of 183,867,495 Equity Shares to TMF Holdings Limited. The TMFL Scheme of Arrangement has become effective from May 8, 2025 with the appointed date being April 1, 2024. Pursuant to the TMFL Scheme of Arrangement, the entire business of TMFL, including all of its assets, liabilities and undertakings has been transferred to their Company. TMFL was one of the leading commercial and passenger vehicle loan providers in India, with a pan-India presence of 353 branches spanning 27 States and Union Territories. Prior to the merger with their Company, TMFL operated under the "Tata Group" brand as a wholly-owned subsidiary of TMF Holdings Limited ("TMFHL"), which in turn, is a wholly-owned subsidiary of Tata Motors Limited ("TML"). TMFL employed a dedicated workforce of 6,351 on-roll employees and maintained a presence at the sales outlets of TML dealers, which spanned over 450 touchpoints, as at March 31, 2025. With a deep understanding of the vehicle ecosystem, TMFL catered to the financial needs of suppliers, dealers, transporters, fleet operators and other customers. TMFL's wide network extended across retail customers, including first-time users, sub-retail customers, retail operators, and fleet operators. Through the merger of TMFL with their Company, they have strengthened their presence in the commercial vehicle and passenger car financing markets. The merger consolidated the lending businesses of their Company and TMFL, creating a larger unified financial services entity with wider geographical reach, and stronger capital and asset base. This has helped them in achieving greater scale and diversification with the potential to unlock business synergies. It has complemented and expanded their portfolio of vehicle finance products, across both commercial and passenger vehicles. As at March 31, 2025, following the merger, TMFL contributed 92.5% of the Gross Loans in Commercial Vehicle Loans, 16.8% in Car Loans, and 12.8% in Supply Chain Finance. The combined product offering has better equipped them to target the entire auto financing market. The entire auto financing market was valued at ₹18.4 trillion, as at March 31, 2025. The merger has also enhanced their positioning as a leading full stack vehicle finance provider, enabling them to serve a broader customer base through an expanded distribution network.

The chart below sets out their corporate structure:



Strengths:

➢ **Flagship financial services company of the Tata group, with a legacy of over 150 years.**

Company is a flagship financial services company of the Tata group, which is one of India's most distinguished business groups, with a legacy of over 150 years. Their Promoter, Tata Sons Private Limited, is the holding company of the Tata group. The Tata group (a) comprised companies across 10 verticals such as automotive, technology, steel, financial services, aerospace and defence, and consumer and retail; (b) is a global enterprise headquartered in India, with operations in more than 100 countries across six continents and collectively employed over 1 million employees, as at March 31, 2025; and (c) has the most diversified presence across industries in India as at March 31, 2025, and is the largest group in India with 26 equity listed companies with a combined market capitalisation of ₹27.8 trillion, as at March 31, 2025. The "Tata Group" brand was recognised as the most valuable brand in India by Brand Finance in its 2025 report. The Tata group has a strong presence in financial services, including offering lending products through their Company, insurance services mainly through Tata AIA Life Insurance Company Limited and Tata AIG General Insurance Company Limited, and asset management services through Tata Asset Management Private Limited. Further, they benefit from their relationship with over 70 Group companies and over 950 dealer and vendor partners within the Group ecosystem.

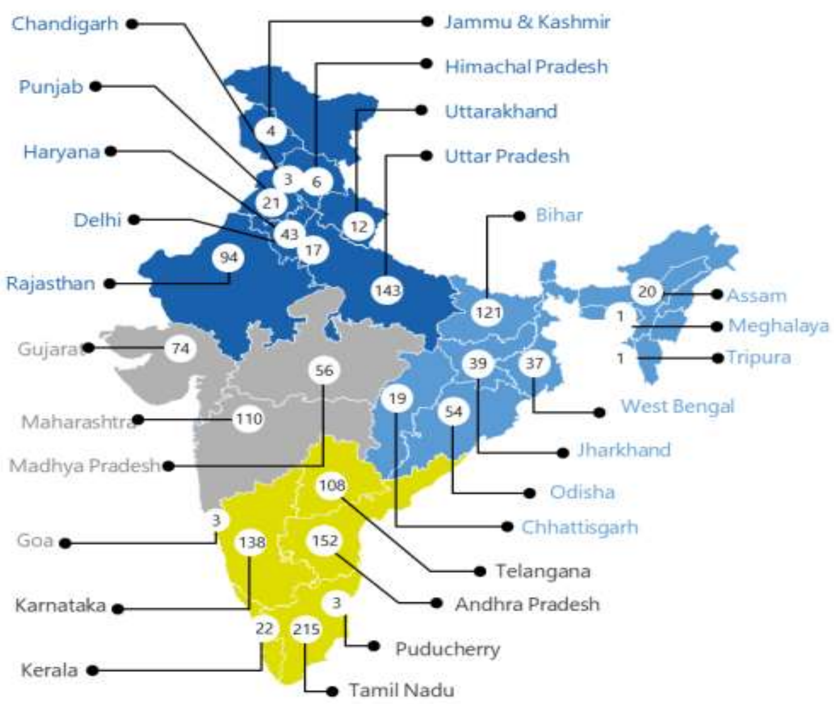
➢ **Third largest diversified NBFC in India, with the most comprehensive lending product suite.**

Company is the third largest diversified NBFC in India based on their Total Gross Loans of ₹2,334.0 billion as at June 30, 2025, and the most comprehensive amongst large diversified NBFCs in India based on the number of loan product offerings, as at March 31, 2025. TCHFL, their Material Subsidiary which operates in the housing finance sector, had Total Gross Loans of ₹711.5 billion, as at June 30, 2025 compared to ₹377.3 billion as at March 31, 2023 and grew at a CAGR of 32.6% from March 31, 2023 to March 31, 2025. Company offer a comprehensive suite of 25+ lending products catering to the financial requirements of a wide range of customers comprising salaried and self-employed individuals, entrepreneurs, small and medium enterprises and corporates. Their loan offerings to customers comprised a wide range of ticket sizes ranging from ₹10,000 to over ₹1 billion, as at June 30, 2025. Their suite of lending products, which they tailor to address their customers' financial requirements based on their understanding of their customers, coupled with their ability to efficiently distribute their products, has enabled them to build a diversified loan portfolio in which no single lending product contributed more than 20% of their Total Gross Loans, as at June 30, 2025.

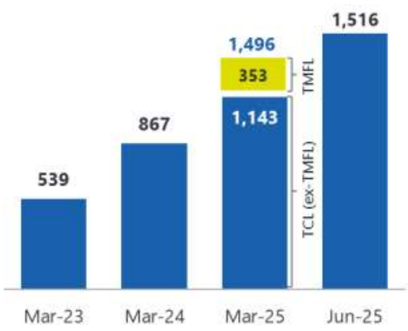
➢ **Omni-channel distribution model, comprising their pan-India branch network, partnerships and digital platforms.**

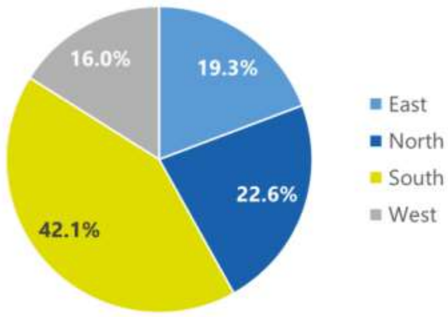
Company have built an omni-channel distribution network which combines their pan-India branch network with an extensive network of external partners and their digital platforms. This 'phygital' model enables them to customize their distribution strategy based on the customer profile, type of product, and location, thereby optimizing their distribution efforts and facilitating a seamless customer experience. Their branch network: As at June 30, 2025, they had a pan-India presence through 1,516 branches spanning 1,109 locations across 27 States and Union Territories. Their branch network is an integral part of their strategy to expand their presence in relevant markets across location tiers, regions and customer segments. Through their wide branch network, which offers on-the-ground presence to attract, service and engage with customers, they are able to develop deeper customer relationships that enable them to develop and tailor their products and distribution strategy to customers in each location.

The following map provides an overview of the number of branches in each State and Union Territory in India, as at June 30, 2025:



The following diagrams provide additional details of their branch network.





Their external partnerships: Their branches are supported by an extensive network of external channels comprising over 30,000 DSAs, over 400 OEMs, over 8,000 dealers and over 60 digital sourcing partners with whom they had partnered, as at June 30, 2025. Company offer their partners API integration with their IT systems, enabling them to directly source customer information from their partners' IT interfaces and enabling their partners to seamlessly onboard customers. This functionality allows their partners to act as a force multiplier and function as an extension of their branch network to reach underpenetrated markets in an asset-light manner.

Their digital platforms: Their digital platforms comprise their website, mobile apps and other communication channels, in addition to external interfaces through their partnerships with external agents and other partners. Their Tata Capital mobile apps were downloaded over 21.9 million times, as at June 30, 2025. Traffic on their website also grew by over 16.6% in Fiscal 2025, reaching 75.8 million visits as compared to the prior Fiscal. Traffic on their website also grew by over 4.8% in the three months period ended June 30, 2025, reaching 17.5 million visits as compared to the prior period in the previous year. Their in-house sales staff, and external partners such as DSAs, OEMs and dealers, are equipped with digital tools and technologies that help them source new loans, service customer requests and perform collections. Offering both assisted and self-service options, their platform enables customers to choose a journey that best suits their preferences.

- **Prudent risk culture and robust credit underwriting and collections capabilities, resulting in stable asset quality.**

Company had one of the lowest Gross Stage 3 and Net Stage 3 Loans Ratio, and the third highest PCR among large diversified NBFCs in India as at June 30, 2025. This is attributable to their agile and responsive risk function which fosters a prudent risk culture across their Company. Their strong risk management framework covers a wide range of risks including credit, operational, market, information security, fraud and reputational risk among others. Risk management accountability and oversight form an integral part of their Company's governance, reinforcing their responsible business practices. Their proactive risk management approach with multiple layers of defence, backed by advanced data analytics capabilities has enabled them to maintain their asset quality.

The following table provides an overview of their Gross Stage 3 Loans Ratio, Net Stage 3 Loans Ratio, and Provision Coverage Ratio as at the dates indicated:

Particulars	TCL		TCL (excluding TMFL)	TCL		
	As at June 30,		As at June 30,	As at March 31,		
	2025	2024	2025	2025	2024	2023
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%

Their risk management framework is well-complemented by their credit underwriting and collections processes.

Underwriting: Company's underwriting team operates independently of their sales function, and company adhere to defined credit policies in extending loans. They have adopted a product-based approach, whereby they tailor their underwriting processes for each lending product to enable them to better assess customer credit risk and offer their customers customized products, while managing their risks. For each lending product, company have adopted a rule-based underwriting or high touch methods or a combination of both. Their rule-based underwriting engines comprise advanced models which draw on credit bureau data, alternate databases (including Account Aggregator, the RBI's financial data-sharing system), and customer information, to generate internal credit risk profiles and lend suitably. As at June 30, 2025, new-to-credit (NTC) customers (excluding TMFL) accounted for 3.5% of their Total Gross Loans, of which more than 90% was towards Home Loans, Loans Against Property and Two-Wheeler Loans.

Collections: Their collections infrastructure is integral to maintaining their asset quality. Company rely on a mix of in-house collections team, and external agencies, which are deployed across pre-delinquency management, early delinquency, and recovery stages. Their advanced analytical tools enable their collections workforce to monitor repayment behaviour and portfolio performance. These tools include ML-based models and dashboards which enable continuous monitoring of their portfolio, covering early warning, rating movement, vintage analysis, bounce analysis, missed payment, and delinquency among others. A combination of these tools, over 80 predictive analytical models deployed across collections as at June 30, 2025, and their skilled workforce ensure timely recovery of loans while maintaining a customer-centric approach.

- **Digital and analytics at the core of their business, driving high quality experience and business outcomes.**

Digital and analytics at the core of their business, driving high quality experience and business outcomes. Digital and analytics form the foundation of their approach to business. Company have integrated technology across the entire customer lifecycle for all lending products in their three business verticals, including onboarding, underwriting, collections, customer servicing and cross-selling, to enable them to meet the evolving needs of their customers, enhance the customer experience and drive sustainable business growth and operational efficiency. Their digital and analytics capabilities enable them to enhance revenue streams, cross-sell capabilities and drive productivity to optimize their operating costs and credit costs, strengthening their efforts to become a digital leader in the financial services industry.

Key digital and analytics capabilities integrated into their platform include:

Loan origination and onboarding: Company have integrated advanced, data-driven capabilities with their front-end, branch-led distribution model for improved customer engagement and onboarding across both assisted and self-service journeys. Their technology platform is integrated with APIs, enabling their systems to pre-fill data in loan applications, conduct KYC verification and undertake other credit checks in real-time, thereby simplifying the onboarding process. 97.8% and 97.1% of their customers were onboarded through their digital platforms in Fiscal 2025 and the three months period ended June 30, 2025, respectively.

Underwriting and Collections: Company adhere to a conservative approach to lending, prioritizing financial stability and risk mitigation in all their lending practices. Their comprehensive underwriting platforms integrate data inputs from demographics, credit bureaus, financial statements, bank statements, collateral valuations and data sources such as Account Aggregator, enabling them to efficiently assess their customers' credit-worthiness. Additionally, they deploy data analytics, scorecards and business rule engines ("BREs"), enabling an efficient credit decision-making process. In the three months period ended June 30, 2025, over 96% of their disbursements in Retail Finance were through scorecards or BREs. In addition, they have implemented Generative AI ("GenAI") engines for select products, to automate credit memo generation, leveraging capabilities such as summarisation, risk assessment, comparative analysis and contextualisation. Their collections efforts are supported by a fully digital collection system that facilitates online payments through platforms such as UPI and e-NACH, as a result of which, 98.6% and 98.5% of their collections were through digital channels in Fiscal 2025 and the three months period ended June 30, 2025, respectively. Company employ multiple ML-based models, across both pre and post delinquency stages, with focus on early bucket resolution. These models utilize predictive analytics to analyse their customers' ability and willingness to repay and deploy the appropriate collection channel, thereby optimising their loan recovery efforts. Geo-fencing and location intelligence technologies further optimise their field collection efforts. With their disciplined data-driven approach, they aim to minimise the risk of defaults and ensure they lend to borrowers with the financial stability to meet their obligations.

Customer service: Company have made significant investments in their digital servicing capabilities across their digital platforms, comprising their website, mobile apps, WhatsApp, GenAI-enabled email and chatbot, and IVR system. Together, these have helped them enhance customer experience and drive customer engagement, enabling them to address over 95% of customer requests and queries digitally and achieve Digital Service Adoption Rate (excluding erstwhile TMFL) of over 80% both in Fiscal 2025 and during the three months period ended June 30, 2025. Their mobile apps had over 21.9 million downloads as at June 30, 2025. Across these digital channels, they offered their customers over 200 online services, as at June 30, 2025, providing them with comprehensive self-service options.

Smart Automation: Company have taken significant steps towards automating their internal processes across various business and functions. As at June 30, 2025, they had over 400 unique live APIs powering their ecosystem and over 350 RPA processes which have helped automate their mid and back-office operations, thereby reducing manual effort and improving employee productivity.

Cross-sales: Leveraging data-driven insights and advanced analytics, they provide their existing customers with relevant product recommendations, including pre-approved or pre-qualified loans, based on their lifecycle stage, financial behaviour and transaction history. On average, they were able to roll out over 2.5 million pre-approved or pre-qualified loan offers monthly in the three months period ended June 30, 2025. They also offer loan-linked insurance and wealth management services, enhancing customer value.

Digital Marketing: Company's digital marketing efforts include leveraging social media channels, search engine optimization, search engine management, and other leading digital spaces to target prospective customers. Company use an omni-channel marketing automation tool for personalized customer communications. Company use AI enabled content optimization across multiple channels, such as email, SMS, push notifications, rich text and IVR, resulting in higher efficiency and faster turnaround time.

Partnerships: Company offer a comprehensive API stack enabling an end-to-end digital journey for their channel partners, including lead generation and loan origination. They also provide their partners with access to a dashboard which offers real-time analytics, enabling them to monitor sales performance and customer engagement. As at June 30, 2025, they had over 170 digital ecosystem partnerships.

Key Strategies:

- **Continue their growth trajectory by enhancing product offerings and strengthening their distribution network.**

Company's growth has been driven by a diverse portfolio of 25+ lending products and their extensive pan-India presence with 1,516 branches, catering to the needs of various customer segments. They are committed to sustain this growth by identifying promising business opportunities that offer long-term potential for profitability and sustainability. For instance, they launched microfinance loans in Fiscal 2022, factoring in Fiscal 2023, secured business loans and education loans in Fiscal 2024, and new car loans in Fiscal 2025. Moving forward, they will continue to expand their product range and launch innovative solutions to meet evolving market demands and customer expectations. Over the past few years, company have made substantial investments in expanding their distribution network resulting in a 2.1x increase in their branch count (excluding TMFL branches) since Fiscal 2023. Their digital platforms have also experienced substantial growth, with mobile app downloads surpassing 21.9 million as at June 30, 2025 and website traffic reaching 75.8 million visits and 17.5 million visits in Fiscal 2025 and the three months period ended June 30, 2025, respectively. Company remain committed to their 'Phygital' strategy, which focuses on expanding both their branch network and digital outreach. As company expand their branch network, they will also continue to enhance the productivity of their existing branches as well as extend their existing product offerings across all their branches. Further, company will endeavour to scale their recently launched products such as Affordable Housing Loans, Affordable Loan Against Property, and Secured Business Loans, and increase their contribution to their Total Gross Loans. They shall continue to strengthen their existing relationships and onboard new partners, including DSAs, OEMs, and dealers. At the same time, company will continue to enhance their digital distribution channels—such as mobile apps, their website, and digital partnerships—to broaden their reach and deliver a more seamless and cost-effective customer experience.

- **Continue to strengthen their risk management framework, credit underwriting and collections infrastructure to maintain high asset quality.**

  Company's robust risk management framework equips them to address changing market dynamics, customer needs, and regulatory requirements. As they continue to expand their loan portfolio, broaden their product offerings, and penetrate new markets, they remain committed to maintaining high asset quality by continuously strengthening their risk management practices, credit underwriting processes, and collections infrastructure. They plan to further refine their underwriting approach, leveraging advanced analytics and data-driven insights to make more informed credit decisions. Additionally, they will continue to focus on enhancing and optimizing their analytical models to improve their ability to assess risk accurately. They shall further strengthen their collections infrastructure by enhancing their analytical models and digital tools, helping them enhance their collection efficiency and maintain the quality of their loan portfolio.

- **Continue to leverage technology and data analytics across the lending value chain to enhance efficiency, reduce costs, improve customer experience and manage risks.**

  Company remain committed to building a digital-first organization, through continued investments in technology across the lending value chain from origination to repayment. Data analytics is at the core of their digital strategy as it enables them to provide enhanced and personalised customer experiences that address their customers' needs and improve cross-sell opportunities more effectively. They have adopted new and emerging technologies such as AI, ML and GenAI across their platforms, and continue to invest in them and expand the application of these technologies across businesses and functions. Their digital advancements are central to their objectives of enhancing operational efficiency, increasing employee productivity and improving the customer experience. In addition, they will continue to deploy advanced technology infrastructure and cyber security controls to safeguard them from potential technological lapses and other threats and ensure that their systems remain protected against information and cybersecurity threats.

- **Continue to maintain credit ratings and a diversified liability mix to optimise their borrowing costs.**

  As company grow their business, they will continue to diversify their funding sources in order to optimize their borrowing costs, and in turn, the price competitiveness of their lending products. This will enable them to drive business growth, profitability and higher Net Interest Margin Ratio. Company will continue to leverage long-term debt instruments, such as NCDs and external commercial borrowings ("ECBs"), to enhance their avenues of funding and obtain funds at competitive prices. In addition, they will continue to broaden their liability base to extend the tenor of their borrowings and continue to maintain a prudent approach towards asset and liability management across all time buckets in order to mitigate liquidity risks. This will enable them to maintain their credit ratings and maintain or lower their borrowing costs.

- **Harness merger with TMFL to become a full-stack provider of vehicle finance, while leveraging their capabilities towards superior business outcomes.**

  Company's merger with TMFL will strategically position their combined business as a leading, full-spectrum provider of vehicle finance, focused on a broader customer base with an expanded suite of product offerings and a more diversified, combined loan portfolio. The merger has complemented and expanded their portfolio of vehicle finance products, across both commercial and passenger vehicles. They have expanded from a single OEM to a multi-OEM model spanning pan-India in order to diversify the acquired vehicle finance business. Their strategy for this business includes optimizing the portfolio mix by increasing share of used, and small and light commercial vehicles, thereby improving overall yield of the portfolio. Furthermore, they intend to leverage TMFL's customer base for more cross-sell opportunities. Company aim to gradually reduce the borrowing cost of TMFL debt, leveraging their superior credit rating and broad suite of liability instruments. Additionally, they shall seek to improve overall asset quality by strengthening their risk management practices and collection infrastructure. Company will also consolidate branches and further leverage digitization, technology and analytics with an aim to reduce cost to income ratio. They believe such initiatives shall help them in improving the Return on Assets of the acquired vehicle finance business.

<u>Industry Snapshot</u>*:*

Key Drivers for Growth of Digital Lending in India

Efficiency in Catering to Credit Pan-India in Remote / Tier-2+ Regions via Digital Lending

Digital lending has transformed the way credit is accessed in remote and tier-2+ regions of India, bringing remarkable efficiency in meeting the credit requirements of underserved populations. Through digital channels, lenders can now reach borrowers in even the most remote areas, without requiring physical branches leading to reduced operational expenses. Digital lending platforms make use of sophisticated data analytics, artificial intelligence, and machine learning algorithms to evaluate creditworthiness, streamline loan processing, and swiftly disburse funds. This empowers lenders to provide customized loan products to borrowers in remote regions who were previously excluded from the formal credit sector. Additionally, digital lending platforms offer a smooth and user-friendly experience, enabling borrowers to apply for loans and monitor their applications remotely, thereby advancing financial inclusion and narrowing the credit disparity in India's remote and tier-2+ regions.

Higher ability to cross sell as 360-degree view in customer lifecycle

Digital lending, with its sophisticated data analytics and technology-driven approach, has a higher ability to cross-sell other financial products to its existing customer. This is made possible by the platform's capacity to maintain a comprehensive 360-degree view of the customer throughout their lifecycle This comprehensive view allows lenders to understand customer behavior, preferences, and financial needs more accurately, enabling them to identify cross selling opportunities tailored to individual customers. With insights gained from this holistic view, lenders can offer relevant financial products or services at the right time, enhancing customer satisfaction and increasing the likelihood of successful cross-selling.

Phygital Network Key for Distribution + Underwriting

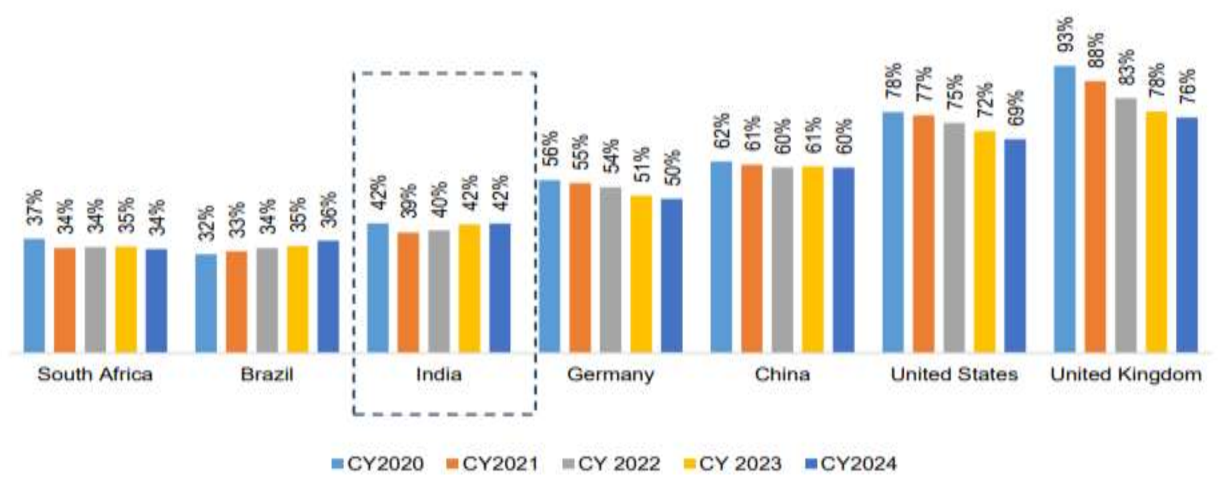
By combining the benefits of physical and digital channels, phygital networks enable lenders to reach a wider audience, increase operational efficiency, and reduce costs. Physical touchpoints, such as branches, provide a human interface for customers who require guidance and support, while digital channels facilitate seamless onboarding, loan processing, and disbursal. This hybrid approach allows lenders to leverage the strengths of each, ensuring a more efficient and effective distribution of loan products. Moreover, phygital networks enable lenders to gather richer data and insights, which can be used to refine underwriting models, improve risk assessment, and make more informed lending decisions.

Overview of Credit Scenario in India

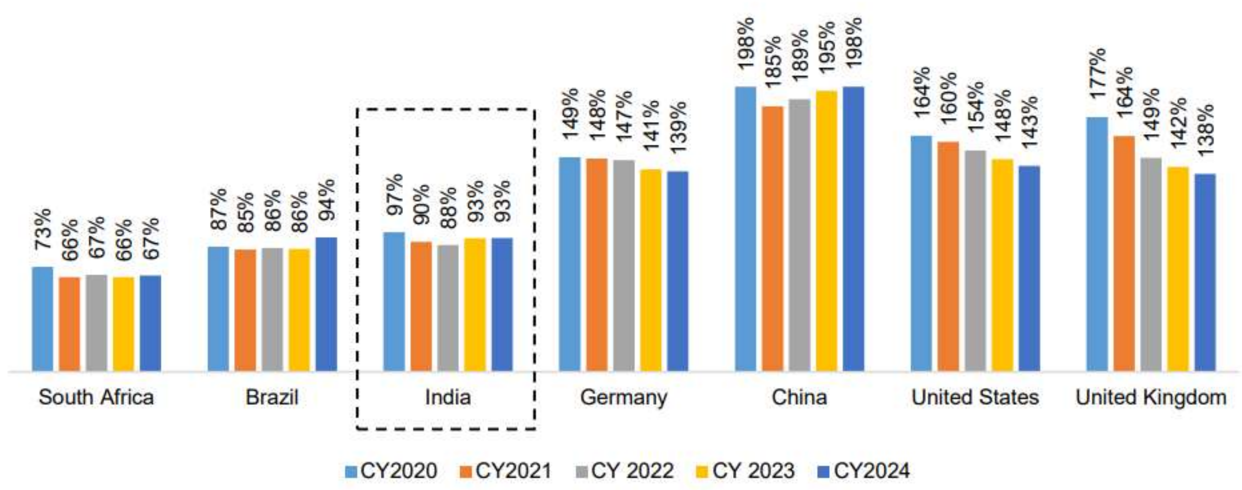
Significant retail credit gap exists in India, as compared to other nations

Significant retail credit gap exists in India, as evident by India's household credit to GDP ratio of 42% as of CY2024, as compared to 60%, 69% and 76% for China, United States and United Kingdom respectively. With rising financial awareness, government's continuous efforts for financial inclusion and rising credit accessibility to the underserved population, credit penetration in India is expected to rise. The surge in credit penetration would be led by growth in retail credit.

Household credit to GDP ratio of India and peer countries (CY2020 -CY2024)



Credit to GDP ratio from (CY2020 -CY2024)



Retail credit growth is projected to grow on a strong footing, expected to witness a CAGR of 14-16% between FY25 and FY28

The retail credit including small ticket loans for asset classes such as Housing finance, Vehicle Financing, Gold Loans, Education Loans, Consumer Durables, Personal loans, credit cards and microfinance, in India stood at Rs. 82 trillion, as of FY25 which rapidly grew at a CAGR of 15.1% between FY19 and FY25. Retail credit grew at 14% in FY25 supported by steady demand in underlying assets like housing, auto and growth in credit card and personal loans growth driven by consumption. The Indian retail credit market has grown at a strong pace over the last few years and is expected to grow further at 14-16% between FY25 and FY28. Moreover, the increasing demand and positive sentiments in the Indian retail credit market, presents an opportunity for both banks and NBFCs to broaden their investor base.

NBFC Credit Landscape in India

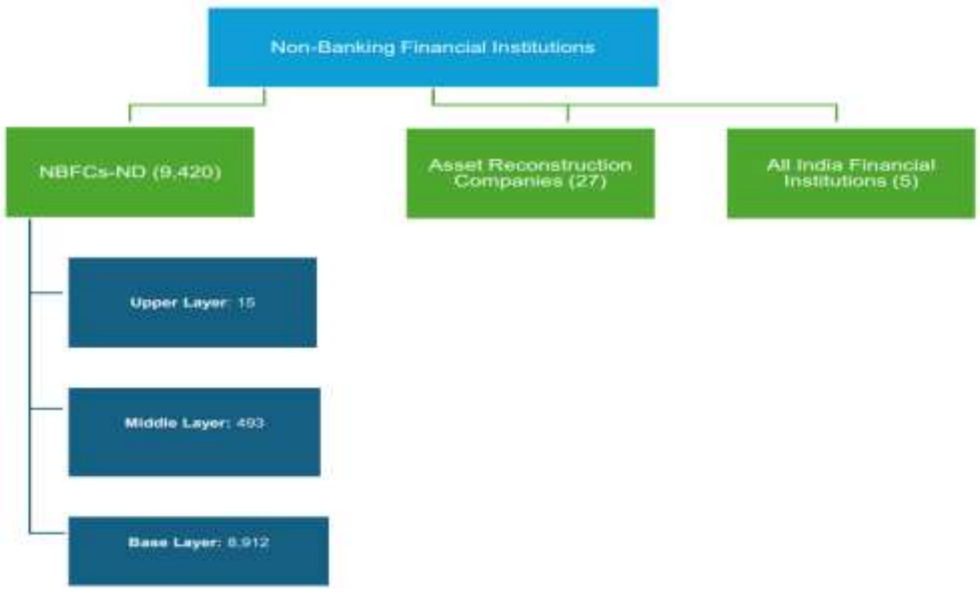
Classification of NBFCs

NBFCs are classified based on liabilities into two broad categories: a) deposit-taking; and b) non-deposit-taking. Further, in 2015, non-deposit-taking NBFCs with an asset size of Rs 5 billion and above were labelled as 'systemically important non-deposit taking NBFCs' ("NBFC–ND–SI") and separate prudential regulations were made applicable to them.

Scale based approach for NBFCs

In January 2021, the RBI had proposed a tighter regulatory framework for NBFCs by creating a four-tier structure with a progressive increase in regulation intensity in a discussion paper titled 'Revised Regulatory Framework for NBFCs - A Scale-based Approach'. Based on the inputs received, on October 22, 2021, the RBI put in place a revised regulatory framework for NBFCs, which became effective from October 1, 2022. As per the RBI's Scale-Based Regulation for NBFCs framework, the regulatory framework of NBFCs should be based on a four-layered structure depending on their size, activity, and perceived riskiness: base, middle, upper, and top layers.

Classification of NBFCs based on scale-based approach (as of 31st March 2024):



NBFC Credit to grow faster than systemic credit

The credit growth of NBFCs which has trended above India's GDP growth historically, is expected to continue to rise at a faster pace. NBFCs have shown remarkable resilience and gained importance in the financial sector ecosystem, growing from less than Rs 2 trillion AUM at the turn of the century to Rs. 48 trillion at the end of FY25. During FY19 to FY25, NBFC credit is estimated to have witnessed a growth at CAGR of 13.2%. NBFCs AUM as of FY19 was approximately Rs. 23 trillion which has grown at a 6 year CAGR of 13.2% to Rs. 48 trillion as of FY25. Rapid revival in the economy is expected to drive consumer demand in FY26, leading to healthy growth in NBFCs.

NBFC credit to grow at 15-17% between FY25 and FY28

Going forward, Crisil Intelligence expects NBFC credit to grow at 15-17% between FY25 and FY28 driven by growth across retail, MSME and corporate segments continuing to be the primary drivers. NBFC's share in systemic credit is estimated to have increased from 12% in FY08 to 13% in FY14 to 21% in FY25. Overall, consolidation in certain corporate groups and other corporate activities indicate buoyancy in the NBFC space and expectations of healthy credit growth. Crisil Intelligence believes that NBFCs will remain a force to reckon within the Indian credit landscape, given their inherent strength of providing last-mile funding and catering to customer segments that are less in focus by the Banks. Going forward, NBFCs are expected to continue to gain market share over other lenders due to their ability to provide flexible lending solutions and tailored services, focused approach to tap under-served and niche customer segments, ability to penetrate deeper into geographies, leveraging technology to reimagine the lending process, strong origination skills and shorter turnaround time.

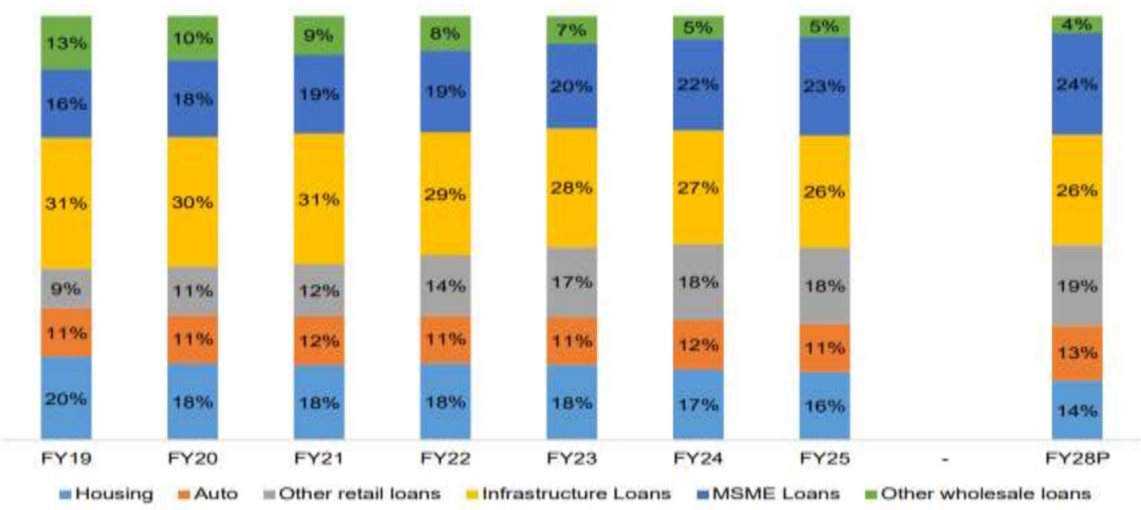
With high focus on retail loans, NBFCs are driving financial inclusion

While banks are the primary institutions for banking in India, retail loan portfolio forms only 36% of the overall banking credit as of FY25. Other focus areas for banks are wholesale lending to large corporates, credit to services sector and agriculture sector. Lower presence of banks in the retail space has created an opportunity for NBFCs to penetrate the segment which has also led to greater financial inclusion as NBFCs also cater to riskier customer profiles with lower income. Compared to that of banks, NBFC credit to retail segment forms 47% of its portfolio as of FY25 indicating larger focus on retail customers. Rural areas, presents vast market opportunity for NBFCs. NBFCs have played a major role in meeting this need, complementing banks and other financial institutions. NBFCs help fill gaps in the availability of financial services with respect to products as well as customer and geographic segments. A strong linkage at the grassroots level makes them a critical cog in the financial machine. They cater to the unbanked and underbanked masses in rural and semi-urban India and lend to the informal sector and people without credit histories, thereby enabling the government and regulators to realize the mission of financial inclusion. The NBFC sector has, over the years, evolved considerably in terms of size, operations, technological sophistication, and entry into newer areas of financial services and products. The number of NBFCs as well as the size of the sector have grown significantly, with several players with heterogeneous business models starting operations. The increasing penetration of neo-banking, digital authentication, and mobile phone usage as well as mobile internet has resulted in the modularization of financial services, particularly credit. Overall NBFC credit during FY19 to FY25, is estimated to have witnessed a CAGR of ~13.2% which was majorly led by retail segment which is estimated to have witnessed a CAGR of ~15.4%, while NBFC non-retail credit is estimated to have witnessed a growth of ~11.5% during the same time period.

MSME, Housing and Auto Financing contributed ~51% to overall NBFC credit in Fiscal 2025

In fiscal 2025, the credit growth of NBFCs is estimated to have slowed to 18%, compared to 21% recorded in previous fiscal, mainly due to slowdown in unsecured loans, including microfinance, personal loans and consumer durables. The slowdown in unsecured loans can be attributed to its rapid expansion over the past few fiscals and overleveraging concerns which can impact asset quality. RBI intervened in November 2023 to slow down unsecured retail loan growth by tightening capital norms. Though infrastructure accounts for the highest share in NBFC credit (26%) as of FY2025, its share in the overall NBFC credit outstanding has come down over the past years from 31% in FY2019. Retail and MSME segments are expected to experience higher growth in the upcoming fiscals. MSME credit accounted for 23% share as of FY2025, witnessing a rise in its market share from 16% in FY2019. Housing and auto segment constitute ~16% and ~11% share in overall NBFC credit as of FY2025.

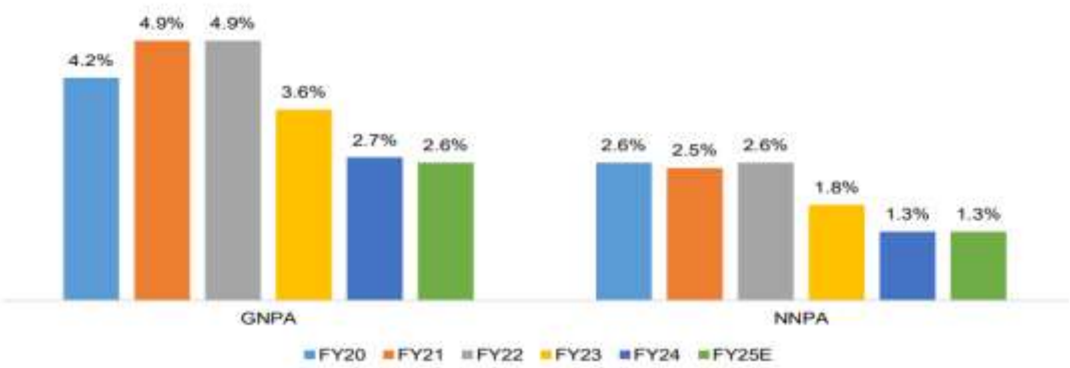
Distribution of NBFC Credit across asset classes



Asset Quality

Asset quality for NBFCs is influenced by various factors such as economic cycle, target customer segment, geographical exposure, and local events. Within the NBFC universe itself, it is observed that various asset classes tend to exhibit heterogeneous behaviour. For example, the asset quality in small business loans and personal loans tends to be highly correlated with the macroeconomic environment. This is because asset quality is more influenced by domestic factors, events that have wide ranging repercussions such as demonetization and COVID-19 and relative leverage levels amongst borrowers.

Improving asset quality of NBFCs gives more comfort for mid-term growth



Credit cost for NBFCs

Overall yield for the retail segments increased in FY2023 due to the interest rates hikes. However, the amount of pass on has been distinct across all segments on account of level of competition, nature of asset class and segmental credit demand. Accordingly, a stable or modest increase in RoA was seen across all segments in FY2024. In FY2023, decline in credit costs due to improved collections and lower slippages supported improvement in profitability aided by higher yields. The MFI segment, which typically has more pricing power, was able to improve its NIM. Similarly, the housing segment also improved its NIM owing to the floating nature of its loan book where it was able to pass on the increase in rates to its customers faster. In FY2024 and FY2025, credit cost moderately declined on account of improved collections and lower asset quality stress translating to moderate increase in RoA.

- **Accounting ratios**

Particulars	Units	As at June 30, / For the three months period ended June 30,		As at March 31/ For Fiscal		
		2025	2024	2025	2024	2023
Number of Branches	Number	1,516	1,289	1,496	867	539
Number of Employees	Number	28,813	28,079	29,397	19,250	14,490
Number of Customers (in millions)	Number	7.3	4.8	7	4.5	3.2
Disbursements	(₹ in million)	3,47,143	3,08,041	14,23,017	10,49,944	7,47,667
Disbursements YoY Growth	%	12.7%	NA	35.5%	40.4%	39.9%
Total Gross Loans	(₹ in million)	23,33,986	19,87,867	22,65,530	16,12,311	12,01,969
-Retail Finance	(₹ in million)	14,30,954	12,75,652	14,11,142	9,50,317	6,81,879
-SME Finance	(₹ in million)	6,12,275	5,09,030	5,94,630	4,67,615	3,92,028
-Corporate Finance	(₹ in million)	2,90,756	2,03,185	2,59,758	1,94,379	1,28,061
Total Gross Loans YoY Growth	%	17.4%	NA	40.5%	34.1%	28.8%
Secured Gross Loans as Percentage of Total Gross Loans	%	80.0%	77.6%	79.0%	75.5%	76.9%
Interest Income	(₹ in million)	69,318	59,952	2,57,198	1,63,665	1,19,109
Finance Cost	(₹ in million)	40,656	35,412	1,50,296	95,682	66,006
Net Interest Income	(₹ in million)	28,662	24,540	1,06,901	67,982	53,103
Fee Income	(₹ in million)	5,759	4,083	23,456	12,729	8,475
Investment Income	(₹ in million)	1,839	1,539	3,045	5,591	8,791
Total Income	(₹ in million)	76,917	65,574	2,83,699	1,81,984	1,36,375
NIM + Fee Income Margin	(₹ in million)	34,421	28,623	1,30,357	80,711	61,577
Net Total Income	(₹ in million)	36,260	30,162	1,33,402	86,302	70,369
Operating Expenses	(₹ in million)	13,347	14,126	56,134	36,242	26,651
Credit Cost	(₹ in million)	9,086	9,600	28,268	5,923	5,743
Profit After Tax	(₹ in million)	9,899	4,617	36,647	31,502	30,292
Profit After Tax YoY Growth	%	114.4%	NA	16.3%	4.0%	79.5%
Basic Earnings Per Equity Share	(in ₹)	2.5	1.2	9.3	8.6	8.4
Average Yield	%	12.3%	12.6%	12.6%	11.9%	11.5%
Average Cost of Borrowings Ratio	%	7.8%	7.8%	7.8%	7.3%	6.6%
Net Interest Margin Ratio	%	5.1%	5.2%	5.2%	5.0%	5.1%
NIM + Fee Income Ratio	%	6.1%	6.0%	6.4%	5.9%	6.0%
Cost to Income Ratio	%	36.8%	46.8%	42.1%	42.0%	37.9%
Operating Expenses Ratio	%	2.4%	3.0%	2.7%	2.6%	2.6%
Credit Cost Ratio	%	1.6%	2.0%	1.4%	0.4%	0.6%
Return On Equity	%	12.5%	6.9%	12.6%	15.5%	20.6%
Return On Assets	%	1.8%	1.0%	1.8%	2.3%	2.9%

- **Comparison with listed entity**

Name of the company	Revenue from operations (₹ million)	Face Value (₹ per share)	EPS (Basic) (₹)	EPS (Diluted) (₹)	RONW%	NAV (₹ per share)	P/E	P/B
Tata Capital Limited	2,83,127	10	8.6**	8.6**	11.2%	79.5	32.3*	3.5
Listed peers								
Bajaj Finance Limited	6,96,835	1	26.9	26.8	17.4%	155.6	37.8	6.5
Shriram Finance Limited	4,18,344	2	50.8	50.8	16.8%	300.3	12.1	2.0
Cholamandalam Investment and Finance Company Limited	2,58,460	2	50.7	50.6	18.0%	281.5	31.5	5.7
L&T Finance Limited	1,59,242	10	10.6	10.6	10.3%	102.5	23.1	2.4
Sundaram Finance Limited	84,856	10	170.5	170.5	13.8%	1,187.8	26.9	3.9
HDB Financial Services Limited	1,63,003	10	27.4	27.3	14.6%	198.8	28.1	3.9

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on September 25, 2025.
2) */** P/E and EPS of company is calculated on basis TTM and post issue no. of equity shares issued.

Key Risk:

- Gross Stage 3 Loans comprised 2.1%, 1.7%, 1.9%, 1.5% and 1.7% of their Total Gross Loans as at June 30, 2025, June 30, 2024, March 31, 2025, March 31, 2024 and March 31, 2023, respectively. Non-payment or default by their customers may adversely affect their business, results of operations, cash flows and financial condition.

- Provision coverage ratio was 53.9%, 63.5%, 58.5%, 74.1% and 77.1% as at June 30, 2025, June 30, 2024, March 31, 2025, March 31, 2024 and March 31, 2023, respectively. Company's inability to provide adequate provisioning coverage for non-performing assets may adversely affect their business, results of operations, cash flows and financial condition.

- Unsecured Gross Loans comprised 20.0%, 22.4%, 21.0%, 24.5% and 23.1% of their Total Gross Loans as at June 30, 2025, June 30, 2024, March 31, 2025, March 31, 2024 and March 31, 2023, respectively. Failure to recover such receivables in a timely manner or at all may adversely affect their business, results of operations, cash flows and financial condition.

- Changes in their loan-mix may adversely affect their financial metrics and asset quality, which could adversely affect their business, financial condition, results of operations and cash flows.

- Secured Gross Loans comprised 80.0%, 77.6%, 79.0%, 75.5% and 76.9% of their Total Gross Loans as at June 30, 2025, June 30, 2024, March 31, 2025, March 31, 2024 and March 31, 2023, respectively. Company is exposed to potential losses in connection with recovery of the value of security or enforcement of collaterals.

- Retail Finance comprised 61.3%, 64.2%, 62.3%, 58.9% and 56.7% of Total Gross Loans as at June 30, 2025, June 30, 2024, March 31, 2025, March 31, 2024 and March 31, 2023, respectively. Any adverse developments that reduce demand for loans amongst retail customers and/or increase loan default rates amongst retail customers will adversely affect their business, results of operations and prospects.

Valuation:

Tata Capital Limited, the flagship financial services arm of the Tata Group with a legacy spanning over 150 years, is the third-largest diversified NBFC in India. It offers one of the widest lending product portfolios and operates through an omni-channel distribution network that includes a pan-India branch presence, strategic partnerships, and robust digital platforms. At the same time, its deep integration of digital capabilities and analytics lies at the heart of its operations, ensuring superior customer experience and driving sustainable business performance. Tata Capital seeks to reduce its credit cost ratio below 1% by strengthening risk management and credit underwriting, supported by digital tools and analytics. By maintaining a diversified loan portfolio across products, customers, and geographies, and increasing the share of secured lending, the company minimizes concentration risks.

At the upper price band company is valuing at P/E of 32.3x, P/B of 3.5x to its FY25 earnings and market cap of ₹ 13,83,827 million post issue of equity shares.

We believe that the IPO is fully priced and recommend a **"Subscribe-Long Term"** rating to the IPO.

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Additional information on recommended securities/instruments is available on request.

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