

Company Overview

Tata Capital Ltd., the flagship financial services company of the Tata group is a subsidiary of Tata Sons Private Limited, the holding company of the Tata group and the promoter of the company. According to the CRISIL Report, Tata Capital is the third-largest diversified NBFC in India, with total gross loans of Rs. 2,334 billion as of June 30, 2025 and is among the fastest-growing large diversified NBFCs, having recorded a CAGR of 37.3% in gross loans between March 31, 2023, and March 31, 2025. Since commencing its lending operations in 2007, the company has served 7.3 million customers up to June 30, 2025 and through its portfolio of over 25 lending products, caters to a diverse customer base comprising salaried and self-employed individuals, entrepreneurs, small businesses, small and medium enterprises, and corporates. Tata Capital operates an omni-channel distribution model that integrates its wide branch network, a robust partner ecosystem, and a strong digital presence to deliver a superior customer experience. Its extensive pan-India distribution network comprises 1,516 branches across 27 States and Union Territories. Its branches are typically staffed with an in-house team handling customer engagement, acquisition, loan processing, documentation, and servicing. The company's lending business is structured across Retail Finance, SME Finance and Corporate Finance, each focused on distinct customer needs. In addition to its lending business, it has a non-lending business which includes distribution of third-party products such as insurance and credit cards, wealth management services catering to high-net-worth individuals and retail clients, and private equity business, focused on growth themes such as urbanisation, manufacturing, and strategic services, as well as healthcare themes including pharmaceuticals, hospitals, contract research and manufacturing, diagnostic chains, and other healthcare services. Tata Capital has a well-diversified liability base supported by a credit rating of AAA from CRISIL, ICRA, CARE and India Ratings, which is the highest possible credit rating that can be assigned to any NBFC in India.

Objects of the issue

The net proceeds are proposed to be utilised towards augmentation of the company's Tier-I capital base to meet its future capital requirements, including onward lending, which are expected to arise out of the growth in the company's business, and to ensure compliance with regulatory requirements on capital adequacy prescribed by the RBI from time to time.

Investment Rationale

Prudent risk culture with robust credit underwriting and collections capabilities, ensuring stable asset quality

Tata Capital's agile and responsive risk function, which fosters a prudent risk culture across the company, has helped it maintain one of the lowest Gross Stage 3 and Net Stage 3 loan ratios, as well as the third-highest PCR among large diversified NBFCs in India as of June 30, 2025. The company's robust risk management framework covers a wide range of risks, including credit, operational, market, information security, fraud, and reputational risks. Risk accountability and oversight form an integral part of its governance structure, reinforcing responsible business practices. The framework is further strengthened by its credit underwriting and collections processes. The company's underwriting team operates independently of the sales function and follows clearly defined credit policies in extending loans. Tata Capital employs a tailored, product-based underwriting approach, using either rule-based models, high-touch methods, or a combination of both. Its rule-based engines leverage advanced models integrated with credit bureau and alternate data sources such as the RBI's Account Aggregator system, and customer information to generate internal risk profiles. As of June 30, 2025, new-to-credit (NTC) customers (excluding TMFL) represented 3.5% of total gross loans, with more than 90% allocated to secured loans. The company's collections infrastructure uses a mix of in-house teams and external agencies, which are deployed across pre-delinquency management, early delinquency, and recovery stages. It relies on advanced analytical tools, including over 80 predictive analytical models and Machine Learning (ML)-based models and dashboards, to continuously monitor portfolio performance, manage early warnings, and optimise loan recovery efforts, thereby ensuring timely recovery and minimizing credit losses. A proactive approach to risk management, supported by multiple layers of defence and advanced data analytics capabilities, has enabled Tata Capital to maintain strong asset quality.

Digital and analytics at the core, driving superior experiences and outcomes

With over two decades of operational experience in multimodal logistics services across different verticals, Glottis has developed strong internal intelligence on trade flows and volumes across routes, seasonality impact on volumes and freight across global routes, diverse customer base to enable two-way business with minimum wastage of empty runs for business partners. Glottis offers customised logistics solutions to a wide range of customers and industries across more than 125 countries,

Issue Details

Offer Period	06 th Oct. 2025 - 08 th Oct. 2025
Price Band	Rs. 310 to Rs. 326
Bid Lot	46
Listing	BSE & NSE
Issue Size (no. of shares in mn)	475.8
Issue Size (Rs. in bn)	155.1
Face Value (Rs.)	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%

	Kotak Mahindra Capital Company Ltd, Axis Capital Ltd., BNP Paribas, Citigroup Global Markets India Pvt. Ltd., HDFC Bank Ltd., HSBC Securities and Capital Markets (India) Pvt. Ltd., ICICI Securities Ltd., IIFL Capital Services Ltd., J.P. Morgan India Pvt. Ltd., SBI Capital Markets Ltd.
BRLM	

Registrar	MUFG Intime India Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	95.6	84.6
Public	4.4	15.4
Total	100.0	100.0

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

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supported by a network of eight branch offices as of March 31, 2025. Its focus on quality, providing customised solutions, and timely execution of orders has helped establish and sustain long-term client relationships. Through customer referrals, the company has been able to expand its offerings to new clients in similar industries, further growing its customer base and geographic reach. Owing to its extensive experience, Glottis has executed projects involving the supply chain of critical and sensitive components, including solar panels, solar cells, glass panels, and advanced equipment for manufacturing solar cells, etc. The company has built a track record of executing complex and customised orders, particularly for customers in the renewable energy sector. Additionally, its expertise allows it to gather and study route data for optimisation, enabling cost efficiency for clients while maintaining a scalable and flexible service portfolio.

Valuation

Tata Capital Ltd., the flagship financial services company of the Tata Group and a subsidiary of Tata Sons Pvt. Ltd., is classified as an Upper Layer NBFC by the RBI. Since commencing operations in 2007, it has served over 7.3 million customers. With a comprehensive suite of over 25 lending products, the company caters to a broad customer base, including salaried and self-employed individuals, entrepreneurs, small businesses, SMEs, and corporates. Additionally, Tata Capital distributes third-party products such as insurance and credit cards, provides wealth management services, and acts as a sponsor and investment manager for private equity funds. NBFCs have shown strong resilience and have gained importance in India's financial ecosystem, growing from under Rs. 2 trillion AUM at the turn of the century to Rs. 48 trillion by the end of FY25. Going ahead, NBFC credit growth is projected at 15-17% between FY25 and FY28, supported by demand across retail, MSME, and corporate segments. Backed by the strength of its Tata Group parentage, diversified loan portfolio, robust risk management practices, and pan-India omni-channel presence, Tata Capital is well-positioned to benefit from this growth opportunity. The company's proactive approach to risk management, with multiple layers of defence and advanced data analytics, has ensured strong asset quality. Tata Capital's loan book is granular, with ticket sizes ranging from Rs. 10,000 to over Rs. 100 crores, and more than 98% of accounts have a ticket size below Rs. 1 crore. Its AUM grew at a CAGR of ~37.3% during FY23–FY25, reaching Rs. 2,33,363 crores in FY25, highlighting scalability supported by resilient underwriting standards. With ~80% of the book secured and a robust branch network, the company remains well-placed to tap further growth opportunities. The net proceeds from the fresh equity issue will be used to augment Tier-I capital, thereby strengthening the capital adequacy ratio and ensuring a stable leverage position. **At the current P/BV multiple of 4.1x based on book value as of FY25, we believe the company is reasonably valued and recommend investors to "SUBSCRIBE" to the issue from a medium- to long-term perspective.**

Key Risks

- ⇒ Volatility in interest rates affects Tata Capital's lending and treasury operations, which could cause its earnings and associated key financial metrics to vary. This variation may adversely affect the company's business, financial condition, results of operations, and cash flows.
- ⇒ A downgrade in Tata Capital's credit ratings could increase its existing and future borrowing costs and adversely affect its access to capital and debt markets. This, in turn, may negatively impact its interest margins, business, results of operations, cash flows, and financial condition.
- ⇒ Failure to successfully integrate the operations of, or leverage potential operating and cost efficiencies from, the amalgamation of TMFL with TCL, or other acquisitions and investments undertaken by Tata Capital, may prevent the Company from achieving the expected benefits from such transactions.

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Income Statement (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1FY26
Revenue from operations:				
Interest income	119,109	163,665	257,198	69,318
Dividend income	8	362	240	88
rental income	2,693	2,034	2,723	868
Fees and commission income	5,696	10,459	17,798	3,476
Net gain on fair value changes	637	4,900	2,805	1,752
Net gain on derecognition of associates	8,146	328	0	0
Net gain on derecognition of of financial instruments	0	0	2,365	1,146
Total revenue from operations	136,289	181,748	283,127	76,648
Expenses				
Impairment/(Reversal of impairment) of investment in associates	77	101	-233	0
Net (gain) / loss on derecognition of associates	0	0	22	0
Impairment on financial instruments	5,743	5,923	28,268	9,086
Employee benefits	12,942	18,501	28,123	6,346
Other expenses	11,449	14,866	24,112	5,821
Total operating expenses	30,210	39,391	80,291	21,252
EBITDA	106,079	142,358	202,837	55,396
Depreciation & amortization	2,260	2,875	3,900	1,181
EBIT	103,819	139,483	198,937	54,215
Finance costs	66,006	95,682	150,296	40,656
Other Income	86	236	571	268
Share in profit/(loss) of associates	1,467	-116	-26	-6
Exceptional items	0	0	0	0
PBT	39,366	43,920	49,186	13,822
Current tax	10,704	10,718	11,412	4,106
Deferred tax	-796	-67	1,223	-693
Total tax	9,908	10,651	12,635	3,413
Net Profit	29,458	33,270	36,550	10,409
Diluted EPS	8.4	8.6	9.3	2.5

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1FY26
Cash Flow from operating activities	-231,896	-379,985	-298,725	-48,800
Cash flow from investing activities	-22,696	57,572	-395	-2,921
Cash flow from financing activities	264,296	359,524	294,124	17,417
Net increase/(decrease) in cash and cash equivalents	9,704	37,111	-4,996	-34,304
Cash and cash equivalents at the beginning of the period	20,885	30,589	67,712	94,782
Cash and cash equivalents at the end of the period	30,589	67,712	94,782	60,484

Source: RHP, BP Equities Research

TATA Capital Limited

Balance Sheet (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1FY26
Assets				
Financial Assets				
(a) Cash and cash equivalents	30,589	67,712	94,782	60,484
(b) Bank balances other than (a) above	2,578	2,244	9,649	4,073
(c) Derivative financial instruments	2,296	2,426	5,397	5,783
(d) Trade receivables	906	1,426	976	1,177
(e) Loans	1,167,887	1,577,606	2,219,504	2,285,788
(f) Investments	126,590	79,020	87,178	92,129
(g) Investments accounted using equity method	5,951	8,308	11,486	11,806
(h) Other financial assets	3488	5,198	11,014	11,587
Total Financial Assets	1,340,284	1,743,940	2,439,985	2,472,829
Non-Financial Assets				
(a) Current tax assets (Net)	1720.8	1,673	2,340	1,543
(b) Deferred tax assets (Net)	3,811	4,665	13,882	14,598
(c) Investment property	199	30	31	31
(d) Property, plant and equipment	4,863	8,329	15,133	17,188
(e) Capital work-in-progress	113	42	18	18
(f) Intangible assets under development	87	41	139	225
(g) Other intangible assets	326	428	770	725
(h) Right of use Assets	1,939	3,116	4,100	3,927
(i) Other non-financial assets	2,919	4,676	8,252	11,459
Total Non-Financial Assets	15,977	23,000	44,665	49,714
Total Assets	1,356,261	1,766,940	2,484,650	2,522,543
Equity and Liabilities				
Equity Share Capital	35,071	37,031	37,624	39,514
Shares pending for issuance	717	0	41,628	0
Instruments entirely equity in nature	0	0	18,080	12,030
Other Equity	137,611	197,141	234,586	284,345
Equity attributable to owners of the Company	173,399	234,171	331,918	335,888
Non-controlling interest	8,088	11,650	11,788	12,387
Total Equity	181,487	245,821	343,706	348,276
Liabilities				
Financial Liabilities				
(a) Derivative financial instruments	623	463	2,409	2,533
(b) Trade payables	12,307	13,899	18,213	18,864
(c) Debt securities	513,756	605,037	801,416	897,454
(d) Borrowings (other than debt securities)	549,341	791,429	1,186,204	1,124,893
(e) Subordinated liabilities	70,262	85,387	96,530	96,169
(f) Lease Liabilities	2,054	3,265	4,362	4,234
(g) Other financial liabilities	19,909	13,885	22,126	19,843
Total Financial Liabilities	1,168,252	1,513,365	2,131,260	2,163,990
Non-Financial Liabilities				
(a) Current tax liabilities (net)	3,380	3,967	3,645	4,241
(b) Provisions	1,039	1,137	2,802	2,592
(c) Other non-financial liabilities	2,104	2,649	3,237	3,445
Total Non-Financial Liabilities	6,523	7,754	9,684	10,277
Total Liabilities	1,174,774	1,521,119	2,140,944	2,174,267
Total Equity and Liabilities	1,356,261	1,766,940	2,484,650	2,522,543

Source: RHP, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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