

# IPO Analysis

Monday, 06 October 2025



**TATA CAPITAL**

Sector	Financial Services
Price Band	₹310-326 Per Share
Issue Opening Date	6th Oct 2025
Issue Closing Date	8th Oct 2025
Bid Lot	46 Equity Shares and in multiples thereafter
Recommendation	Subscribe

Industry: NBFC

Price Band: ₹310- 326 Per Share

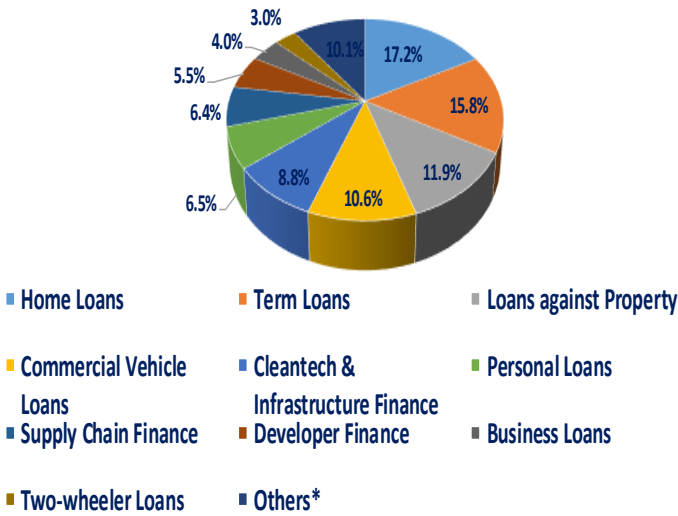
Rating: Subscribe

IPO Details	
Issuer	Tata Capital Limited
Issue Opening Date	6th Oct 2025
Issue Closing Date	8th Oct 2025
Issue Price	₹310.00-326.00 Per Share
IPO Listing At	BSE, NSE
Retail Quota	Not less than 35% of the Net Offer
Issue Type:	Book Build Issue
Issue Size:	₹15511.87 Cr
Offer for Sale	₹8665.87 Cr
Fresh Issue:	₹6846.00 Cr
Face Value	₹10 Per Equity Share
Promoter Holding Pre IPO	95.60%
Promoter Holding Post IPO	85.50%

Company Overview

Tata Capital Limited (TCL), a subsidiary of Tata Sons Pvt. Ltd. and the flagship financial services entity of the Tata Group, ranks as India’s third-largest diversified NBFC, with total gross loans of approximately Rs 2.3 trillion as of June 2025. Offering over 25 lending products, TCL caters to a wide customer base, with retail and SME clients accounting for 87.5% of its total loan book. The company follows an omni-channel “phygital” model, combining physical branches with digital reach, operating 1,516 branches across 27 states and UTs. Its distribution network is supported by around 30,000 DSAs, 400 OEM partnerships, and more than 60 digital sourcing partners, enabling deeper customer engagement and customized offerings suited to local requirements.

Products Breakdown



Objective of the Issue

To strengthen our company’s Tier-I capital base to support future growth and capital requirements, including onward lending across business verticals such as Enterprise Lending, Asset Finance, and Consumer Finance.

Key Highlights and Investment Rationale

- **Strong Tata Group Backing:** TCL is the flagship financial services arm of the Tata Group, leveraging over 150 years of legacy, brand trust, and strategic synergies with 70 group companies and 950+ dealers/vendors.
- **Diversified Lending Portfolio:** Offers 25+ products across Retail, SME, and Corporate segments, with ticket sizes from ₹10,000 to ₹100 crore, reducing concentration risk and ensuring a balanced loan book.
- **Omni-Channel ‘Phygital’ Distribution:** Operates 1,516 branches across 27 states/UTs, supported by ~30,000 DSAs, ~400 OEM partnerships, and 60+ digital partners, enabling tailored distribution strategies and strong customer engagement.

- **Robust Asset Quality:** Maintains one of the lowest Gross Stage 3 (2.1%) and Net Stage 3 (1.0%) ratios among large NBFCs, with a PCR of 53.9% and strong capital adequacy (CRAR 16.6%, Tier-1 12.8%) as of June 2025.
- **High Credit Ratings and Competitive Funding:** Rated 'AAA' by Crisil, ICRA, CARE, and India Ratings, allowing access to a diverse pool of lenders at competitive costs; average borrowing cost stood at 7.8% in FY25.
- **Rapid Growth with Granular Loan Book:** Total Gross Loans of ₹2,334 billion as of June 30, 2025, growing at a CAGR of 37.3% (FY23–FY25), with ~98% of accounts under ₹10 million and 80% secured loans.
- **Advanced Technology & Collections:** Employs rule-based and ML-powered underwriting and collection models, alongside digital platforms (web, mobile apps, WhatsApp, IVR) to optimize recovery, maintain low credit costs, and enhance customer experience.

## Key Risks

- **Asset quality risk:** The company's Gross Stage 3 Loans Ratio was 1.7%/1.5%/1.9%/2.1% in FY23/FY24/FY25/1QFY26. Defaults or delayed payments by customers could negatively affect performance.
- **Exposure to unsecured loans:** Unsecured loans represented 23.1%/24.5%/21.0%/20.0% of total loans over FY23/FY24/FY25/1QFY26. Delays or failures in recovering these loans may impact results.
- **Liquidity risk:** Any disruption in funding sources or inability to meet short-term obligations could negatively impact operations.
- **Loan concentration risk:** The Retail Finance segment accounted for 56.7%/58.9%/62.3%/61.3% of total loans in FY23/FY24/FY25/1QFY26. Reduced demand or higher defaults in this segment could adversely affect performance.

Key Ratios				
Particulars	FY23	FY24	FY25	1QFY26*
Yield on Assets (%)	8.9	10.7	12.4	11.4
Cost of fund (%)	5.8	7.3	8.4	7.7
Spread (%)	3.1	3.4	3.9	3.6
NIM (%)	4.5	5.0	5.6	4.7
Cost to Income Ratio (%)	35.8	42.1	42.1	36.8
Credit Cost (%)	0.5	0.4	1.5	1.6
GNPA (%)	1.7	1.5	1.9	2.1
NNPA (%)	0.4	0.4	0.8	1.0
PCR (%)	77.1	74.1	58.5	53.9
BVPS (Rs)	48.5	63.2	88.2	94.3
P/E(x)**	44.7	39.5	35.8	31.6
P/BV (x) **	7.6	5.6	4.0	3.9
ROA (%)	2.9	2.3	1.8	1.8
RoE (%)	20.6	15.5	12.6	12.5
Debt/Equity (x)	6.5	6.3	6.3	6.3
CRAR (%)	-	16.7	16.9	16.6
CRAR - Tier I (%)	-	11.9	12.8	12.8
**PE and P/BV has been calculated on the upper price band				

## Industry Overview

- **Robust Growth Potential:** India is expected to remain one of the fastest-growing major economies, with GDP projected at 6.5% in FY26. Slower global growth and potential US tariffs pose downside risks, but strong domestic demand, easing inflation, and supportive policy measures provide tailwinds.
- **Supportive Monetary & Fiscal Environment:** RBI's rate cuts, neutral stance, and CRR reductions, combined with income tax relief and GST rationalisation, are expected to boost domestic consumption, especially in urban areas. Adequate liquidity supports credit expansion.
- **Urbanization & Rising Middle Class:** Rapid urbanization (urban population to reach ~40% by 2030) and a growing "Middle India" population will drive investments, consumption, and savings, creating opportunities for NBFC lending in retail, housing, and consumer finance.
- **Under-penetrated Banking Sector:** India's bank credit-to-GDP ratio (~56.5%) and limited retail penetration leave significant gaps, offering NBFCs opportunities to expand into under-served urban, semi-urban, and rural markets.
- **NBFC Credit Growth & Financial Inclusion:** NBFC assets have grown from <₹2 trillion in 2000 to ₹48 trillion in FY25 (CAGR 13.2% FY19–FY25). With a higher focus on retail lending (47% of portfolio), NBFCs complement banks, drive financial inclusion, and cater to underbanked customers and informal sectors.
- **Long-term Market Opportunity:** Rural and semi-urban India, underbanked households, and riskier customer segments represent a large untapped market, positioning NBFCs as critical players in India's financial ecosystem.

## Valuation & Outlook

Tata Capital, the flagship financial services arm of the Tata Group, is India's third-largest diversified NBFC with a total gross loan book of ~₹2.3 trillion as of June 2025. The company offers a wide suite of 25+ lending products. Backed by strong Tata Group parentage, a well-diversified loan portfolio, prudent risk management practices, and a robust omnichannel distribution network, Tata Capital is positioned among the most trusted and scalable NBFCs in India. The loan book and NII grew at a healthy CAGR of 37.3% and 41.9% respectively during FY23–25. The recent merger with TMFL has further strengthened its presence in vehicle finance, enhancing scale and product diversity. While profitability in FY25 and 1QFY26 was impacted by TMFL-related losses post-merger, RoE and RoA are expected to improve as the business stabilises. At the upper price band of ₹326, the issue is priced at 3.9x P/BV and 31.6x P/E on a post-issue basis. **We recommend Investors to SUBSCRIBE at the cut-off price with a mid-to-long-term perspective.**

### Key Lending Products as of Jun 2025

Loan Type	Gross Loans as of Jun'25 (cr)	as a % of Total Gross Loans	Average Ticket Size (lakh)	Average Tenor (years)	Average Rate of Interest
Home Loans	40,159.1	17.2%	32	30	9.8%
Term Loans	36,939.5	15.8%	2,583	8	10.9%
Loans against Property	27,810.9	11.9%	16	20	11.4%
Commercial Vehicle	24,699.7	10.6%	16	5	12.1%
Cleantech & Infrastructure Finance	20,566.4	8.8%	13,733	23	10.4%
Personal Loans	15,281.5	6.5%	4	7	16.0%
Supply Chain Finance	14,904.7	6.4%	335	1	10.9%
Developer Finance	12,918.8	5.5%	6,300	7	12.5%
Business Loans	9,372.8	4.0%	12	5	17.8%
Two-wheeler Loans	7,100.0	3.0%	1	5	20.3%
Others*	23,645.2	10.1%	-	-	-
<b>Total</b>	<b>2,33,398.6</b>	<b>100.0%</b>	-	-	-

Source: RHP

\*Others include secured business loans, car loans, education loans, equipment loans, leasing solution loans, unsecured loans etc.

### Peer Comparison

Company	Face Value	EPS	PE Ratio	P/BV	RoNW %	NAV (Cr. Rs.)	GNPA	AUM (Billions Rs.)	Net Interest Income (Cr. Rs.)
Tata Capital	10	9.3	31.6	3.4	11.2%	79.5	1.9%	2,26,553.0	10,690.0
Bajaj Finance	1	26.89	36.8	7.0	17.4%	155.6	1.2%	4,16,661.0	36,393.0
Shriram Finance	2	50.82	11.8	2.0	16.8%	300.30	4.6%	2,63,190.3	22,835.0
Cholamandalam Investment and	2	50.72	31.5	5.7	18.0%	281.5	2.8%	1,84,746.0	13,570.0
L&t Finance Limited	10	10.61	23.1	2.4	10.3%	102.5	3.3%	97,760.0	8,048.0
HDB Financial Services Ltd	10	27.4	28.5	3.4	14.6%	198.8	2.3%	1,07,261.7	7,446.0

For Tata Capital Limited P/E is calculated on post-issue equity share capital based on the upper price band.

CMP for peer companies is closing price as on 29th September 2025

Income Statement				
Particulars (Rs cr)	FY23	FY24	FY25	1QFY26
Interest Income	11,911.0	16,366.0	25,720.0	6,932.0
Interest Expense	6,601.0	9,568.0	15,030.0	4,066.0
<b>Net Interest Income</b>	<b>5,310.0</b>	<b>6,798.0</b>	<b>10,690.0</b>	<b>2,866.0</b>
Other Income	1,727	1,832.0	2,650.0	760.0
<b>Total Income</b>	<b>7,037.0</b>	<b>8,630.0</b>	<b>13,340.0</b>	<b>3,626.0</b>
<b>Operating Expenditures</b>	<b>2,518.0</b>	<b>3,636.0</b>	<b>5,618.0</b>	<b>1,335.0</b>
Employee Expense	1,294.0	1,850.0	2,812.0	635.0
Other Expense	1224.0	1,786.0	2,806.0	701.0
Operation Profit before Provision	<b>4,519.0</b>	<b>4,994.0</b>	<b>7,722.0</b>	<b>2,291.0</b>
Provisions	582.0	602.0	2,803.0	909.0
<b>Operating Profit After Provision</b>	<b>3,937.0</b>	<b>4,392.0</b>	<b>4,919.0</b>	<b>1,382.0</b>
<b>Exceptional Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit Before Tax</b>	<b>3937.0</b>	<b>4392.0</b>	<b>4919.0</b>	<b>1382.0</b>
Provision for Tax	991.0	1065.0	1264.0	341.0
Current Tax	1070	1072	1141.0	411.0
<b>Deferred Tax</b>	<b>-80.0</b>	<b>-7.0</b>	<b>122.0</b>	<b>-69.0</b>
<b>Profit After Tax</b>	<b>2,946.0</b>	<b>3,327.0</b>	<b>3,655.0</b>	<b>1,041.0</b>
<b>EPS (Rs)</b>	<b>7.3</b>	<b>8.2</b>	<b>9.3</b>	<b>2.6</b>
Balance Sheet				
Particulars (Rs cr)	FY23	FY24	FY25	1QFY26
<b>Shareholders' Fund</b>	<b>17,340.0</b>	<b>23,417.0</b>	<b>33,192.0</b>	<b>33,589.0</b>
Share capital	3579.0	3703.0	3762.0	3951.0
Reserves and Surplus	13,761.0	19,714.0	29,429.0	29,637.0
<b>Minority Interest</b>	<b>809.0</b>	<b>1,165.0</b>	<b>1,179.0</b>	<b>1,239.0</b>
Non-Current Liabilities	1,17,477	1,52,112	2,14,094	2,17,427
Debt Securities	51,376.0	60,504.0	80,142.0	89,745.0
Borrowings	61,960.0	87,682.0	1,28,273	1,22,106
<b>Other Liability and Provision</b>	<b>4,142.0</b>	<b>3,927.0</b>	<b>5679</b>	<b>5575</b>
<b>Total Equity and Liabilities</b>	<b>1,35,626</b>	<b>1,76,694</b>	<b>2,48,465</b>	<b>2,52,254</b>
<b>Assets</b>				
Non-Current Assets	669.0	905.0	1,739.0	1,855.0
<b>Cash and Balances</b>	<b>3,059.0</b>	<b>6,771.0</b>	<b>9,478.0</b>	<b>6,048.0</b>
<b>Balances with Banks</b>	<b>258.0</b>	<b>224.0</b>	<b>965</b>	<b>407</b>
Investments	13254.0	8733.0	9866.0	10394.0
Advances	1,16,789	1,57,761	2,21,950	2,28,579
<b>Fixed Assets</b>	<b>733.0</b>	<b>1,196.0</b>	<b>2016</b>	<b>2208</b>
Other Assets	865.0	1,104.0	2,450.0	2,763.0
<b>Total Assets</b>	<b>1,35,626</b>	<b>1,76,694</b>	<b>2,48,465</b>	<b>2,52,254</b>



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