IPO REVIEW

Tata Capital IPO

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- It is a flagship company of Tata group continues its legacy and is in the business of providing all kind of financial services under one roof.
- The company is the third largest diversified NBFC in India.
- It is operating in a highly competitive and fragmented segment.
- Based on its recent financial data, the issue prima facie appears aggressively priced.
- Considering “TATA” legacy, investors can park funds for medium to long term.

About the Company

Tata Capital Ltd. (TCL) is the 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 the Company. According to the CRISIL Report, 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.

According to the CRISIL Report, it is the third largest diversified NBFC in India with Total Gross Loans of Rs. 2334.0 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 asset quality, as evidenced by its 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. Its Total Gross Loans (excluding TMFL) grew at a CAGR of 28.4% from March 31, 2023 to March 31, 2025. TCL’s 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 its lending operations in 2007, it has served 7.3 million customers up to June 30, 2025.

Through its comprehensive suite of 25+ lending products (the “Lending Business”), the company caters to a diverse customer base comprising salaried and self-employed individuals, entrepreneurs, small businesses, small and medium enterprises and corporates. It is focused on Retail and SME Customers, with loans to such customers forming 87.5% of Total Gross Loans as at June 30, 2025. Its loan portfolio is highly granular, with ticket sizes ranging from Rs. 10,000 to over Rs. 1 billion, and over 98% of Loan accounts have a ticket size of less than Rs. 10 million, as at June 30, 2025. In

addition, 80.0% of its Total Gross Loans were secured and Organic Book accounted for over 99% of Total Gross Loans, as at June 30, 2025.

The company operates an omni-channel distribution model that combines wide branch network, a robust partner ecosystem, and a strong digital presence, all of which work together to deliver a superior customer experience. It has an extensive Pan-India distribution network comprising 1516 branches across 27 States and Union Territories, as of June 30, 2025. Its branches are typically staffed with an in-house team responsible for customer engagement, acquisition, loan processing, documentation and servicing. It has undertaken branch additions in the preceding three fiscal years, resulting in branch network growing at a CAGR of 58.3% from March 31, 2023 to June 30, 2025. Its branch network is complemented by proprietary digital platforms, including website and mobile apps, which work together to support its 'phygital' strategy. Furthermore, it has established partnerships with direct selling agents ("DSAs"), original equipment manufacturers ("OEMs"), dealers, and digital partners to broaden its reach. Its lending business tail Finance, SME Finance, Corporate Finance.

TCL's underwriting and collections efforts enable it to maintain the quality of asset portfolio. It has designed underwriting processes for a wide variety of product offerings, adopting a customized product-based approach, that includes rule-based underwriting, high touch methods or a combination of both. Its digital underwriting platform is integrated with credit bureaus and alternate data sources, enabling rule-based underwriting engines to facilitate an informed, data-driven underwriting process. In collections, the company employs machine learning ("ML") powered collection models which help monitor repayment behaviors and utilize predictive analytics to optimize loan recovery efforts and enhance collection efficiency. As a result, its credit costs have remained low, amounting to 0.9% of Average Total Net Loans (excluding TMFL) in Fiscal 2025. Post-merger, its credit costs were 1.4% of Average Total Net Loans, in Fiscal 2025. Its credit costs were 1.6% of our Average Total Net Loans, in the three months period ended June 30, 2025.

The company offers customers over 200 online services across multiple channels, including website, mobile apps, WhatsApp, email, chatbot ('TIA'), and interactive voice response ("IVR") system, as of June 30, 2025, enabling it to deliver omni-channel customer support. As of June 30, 2025, the company had an overall contingent liability of Rs. 788.92 cr. for various matters. As of the said date, it had 1516 branches and 28813 employees on its payroll and it served 7.3 million customers.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO of 475824280 equity shares worth Rs. 15511.87 cr. at the upper cap. The issue comprises of 210000000 fresh equity shares worth Rs. 6846.00 cr. (at the upper cap), and an Offer for Sale (OFS) of 265824280 equity shares worth Rs. 8665.87 cr. (at the upper cap). The company has announced a price band of Rs. 310 – Rs. 326 per equity shares of Rs. 10 each. The issue opens for subscription on October 06, 2025, and will close on October 08, 2025. The minimum application to be made is for 46 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes

11.21% of the post-IPO paid-up equity capital. From the net proceeds of the IPO, the company will utilize 100% for augmentation of its Tier-I capital base including onward lending.

The company has reserved 1200000 equity shares (worth Rs. 39.12 cr. at the upper cap) for its eligible employees, and from the rest, it has allocated not more than 50% for QIBs, not less than 15% for HNIs, and not less than 35% for Retail investors.

The ten Book Running Lead Managers (BRLMs) to this issue are Kotak Mahindra Capital Co. Ltd., HSBC Securities and Capital Markets (India) Pvt. Ltd., Axis Capital Ltd., ICICI Securities Ltd., BNP Paribas, IIFL Capital Services Ltd., Citigroup Global Markets India Pvt. Ltd., J. P. Morgan India Pvt. Ltd., HDFC Bank Ltd., and SBI Capital Markets Ltd., while MUFG Intime India Pvt. Ltd., is the registrar to the issue. HDFC Securities Ltd., Investec Capital Services (India) Pvt. Ltd., Kotak Securities Ltd., and SBICAP Securities Ltd. are the syndicate members.

After having issued/converted initial equity shares at par, the company has issued further equity shares in the price range of Rs. 12 – Rs. 343 between March 2010 - July 2025. The average cost of acquisition of shares by the promoters/selling stakeholders Rs. 25.00, and Rs. 34.00 per share.

Post-IPO, its current paid-up equity capital of Rs. 4034.87 cr. will stand enhanced to Rs. 4244.87 cr. Based on the upper cap of the IPO price band, the company is looking for a market cap of Rs. 138382.73 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (On a consolidated basis) posted a total income/net profit, of Rs. 13637.49 cr. / Rs. 2945.77 cr. (FY23), Rs. 18198.38 cr. / Rs. 3326.96 cr. (FY24), and Rs. 28369.87 cr. / Rs. 3655.02 cr. (FY25). For Q1 of FY26 ended on June 30, 2025, it earned a net profit of Rs. 1040.93 cr. on a total income of Rs. 7691.65 cr. against Rs. 472.21 cr. on Rs. 6557.40 cr. for corresponding previous period. The company has reported steady growth in its top and bottom lines for the reported periods and the Q1 of FY26 indicates likely future trends.

For the last three fiscals, the company has posted an average EPS of Rs. 8.90 and an average RoNW of 12.9%. The issue is priced at a P/BV of 3.98 based on its NAV of Rs. 82.00 as of June 30, 2025, and at a P/BV of 3.35 based on its post-IPO NAV of Rs. 97.20 per share (at the upper cap).

If we attribute FY26 annualized earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 33.23. Based on FY25 earnings, the P/E stands at 37.86. Thus, the issue appears aggressively priced.

The company has shown Net Interest margins of 5.1% (FY23), 5.0% (FY24), 5.2% (FY25), 5.1% (Q1-FY26) and RoE margins of 20.6%, 15.5%, 12.6%, and 12.5%, respectively for the referred periods.

Dividend Policy

The company has paid dividend at 1.6% for FY23, at 2.1% for FY24 / FY25, and 4.2% for ongoing fiscal till the date of RHP. It has already adopted a dividend policy in December 2023, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Bajaj Finance, Shriram Finance, Cholamandalam Investment, L & T Finance, Sundaram Finance, HDB Financial, as their listed peers. They are currently trading at a P/E of 35.3, 14.3, 30.3, 24.3, 25.4, and 29.3 (As of October 01, 2025). However, they are truly not comparable on an apple-to-apple basis.

Merchant Banker's Track Record

The ten BRLMs associated with the offer have handled 124 pubic issues in the past three fiscals, out of which 30 issues closed below the offer price on the listing date.

Conclusion / Investment Strategy

TCL a flagship company of Tata group continues its legacy and is in the business of providing all kind of financial services under one roof. The company is the third largest diversified NBFC in India. It is operating in a highly competitive and fragmented segment. Based on its recent financial data, the issue prima facie appears aggressively priced. Considering “TATA” legacy, investors can park funds for medium to long term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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