

Tata Capital Ltd - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
6 October 2025	8 October 2025	₹310-326	Subscribe

Investment Summary

Tata Capital Limited (TCL), the flagship financial services arm of the Tata Group, is India's third-largest diversified NBFC with Total Gross Loans of ₹2.26 trillion as of March 31, 2025. Backed by the 150-year Tata legacy, TCL has delivered a robust 37% CAGR in loan growth over FY23–FY25 while maintaining one of the strongest asset quality metrics in the sector. The company enjoys the highest domestic credit ratings (AAA/Stable) and a BBB– global rating from S&P and Fitch, enabling access to low-cost, diversified funding from 24 banks and institutional sources. With 88.5% of its portfolio in retail and SME segments and 79% of loans secured, TCL's granular, well-managed book ensures stability across cycles. Its prudent risk management, digital-first execution (97.8% digital onboarding), and strong parentage position it as a structurally resilient franchise poised for sustained compounding growth.

Company Overview

Tata Capital Limited (TCL) is the flagship financial services arm of the Tata Group and a subsidiary of Tata Sons Private Limited, the group's holding company. Backed by the 150-year legacy of the Tata Group, TCL is India's third largest diversified NBFC with Total Gross Loans of ₹2,265.5 billion as of March 31, 2025. The company has demonstrated strong growth, with loans expanding at a CAGR of 37.3% between FY23 and FY25, supported by robust asset quality metrics including Gross Stage 3 Loans Ratio of 1.9%, Net Stage 3 Loans Ratio of 0.8%, and PCR of 58.5%, among the best in the industry.

Since commencing lending operations in 2007, TCL has served 7.0 million customers through a diversified suite of 25+ lending products spanning Retail, SME, and Corporate Finance, with Retail and SME segments contributing 88.5% of Total Gross Loans as of March 31, 2025. The loan book remains highly granular, with over 99% of loan accounts below ₹10 million, and 79% of loans secured.

TCL's business is underpinned by advanced digital capabilities, with 97.8% of customers onboarded digitally and a Digital Service Adoption Rate exceeding 80%, enhancing efficiency and customer experience. Leveraging data-driven underwriting, ML-powered collections, and omni-channel engagement, TCL has maintained low credit costs of 0.9% (excluding TMFL) in FY25, demonstrating prudent risk management and operational excellence.

Business Model

Tata Capital operates an omni-channel distribution model integrating a wide physical presence, robust partner ecosystem, and strong digital capabilities to deliver a seamless and differentiated customer experience. As of March 31, 2025, the company has a pan-India network of 1,496 branches across 27 States and Union Territories, each managed by in-house teams overseeing customer acquisition, loan processing, documentation, and servicing. The branch network (excluding TMFL) expanded at a CAGR of 45.6% between FY23 and FY25, reflecting Tata Capital's focus on deepening its retail and SME reach. Complementing its physical footprint, the company leverages proprietary digital platforms, including its website and mobile applications, enabling a fully integrated 'phygital' customer journey. Tata Capital's distribution strength is further enhanced through strategic partnerships with direct selling agents (DSAs), original equipment manufacturers (OEMs), dealers, and digital partners, expanding access to a wider customer base and driving cost-efficient growth.

Financial Snapshot

Metric	In (Cr)		
	FY23	FY24	FY25
Revenue (₹ Cr)	13,631	18,178	28,324
EBITDA (₹ Cr)	10,613	14,227	20,292
Net Profit (₹ Cr)	2,946	3,327	3,655
EBITDA Margin (%)	78%	78%	72%
PAT Margin (%)	22%	18%	13%
EPS (Basic) (₹)	7.3	8.2	8.6

Investment Rationale

1. Flagship financial services arm of the Tata Group with a 150-year legacy

Tata Capital is the flagship financial services company of the Tata Group, one of India's most respected and diversified business conglomerates with a legacy spanning over 150 years. The Group operates across 10 key verticals, including automotive, technology, steel, financial services, aerospace & defence, and consumer & retail, and has a global presence in over 100 countries employing more than 1 million people. As of March 31, 2025, the Group had 26 listed companies with a combined market capitalisation of ₹27.8 trillion, and was recognised as India's most valuable brand by Brand Finance India 100 (2025). Tata Sons Private Limited, the Group's holding company and promoter of Tata Capital, holds 88.6% stake and has infused ₹89.7 billion in equity since the company's inception in 2007. Tata Capital benefits from the Tata ecosystem, leveraging relationships with over 70 group companies and 950+ dealer and vendor partners, as well as the Group's strong presence across financial services, including insurance and asset management.

2. India's Third-Largest Diversified NBFC with Strengthened Vehicle Finance Franchise

Tata Capital is the third largest diversified NBFC in India with Total Gross Loans of ₹2,265.5 billion as of March 31, 2025. It offers one of the widest product portfolios among large NBFCs, comprising 25+ lending products that cater to salaried and self-employed individuals, entrepreneurs, SMEs, and corporates, with loan ticket sizes ranging from ₹10,000 to over ₹1 billion. The merger of Tata Capital with Tata Motors Finance Ltd. (TMFL) has created a unified, full-stack vehicle finance powerhouse with deeper penetration across commercial and passenger vehicle segments, unlocking scale, diversification, and synergy benefits. The integration of TMFL's ₹660+ billion loan book and 350+ branch network significantly enhances Tata Capital's reach in the ₹18.4 trillion auto financing market, strengthening its leadership in vehicle lending and overall growth visibility.

The company's housing finance subsidiary, Tata Capital Housing Finance Ltd. (TCHFL), reported strong growth with Gross Loans of ₹669.5 billion as of March 31, 2025, growing at a CAGR of 33.2% between FY23 and FY25. Tata Capital's loan book is well-diversified across products, customer segments, sectors, and geographies, with no single product contributing more than 20% of total loans. This balanced and granular portfolio helps the company minimise concentration risk, maintain consistent asset quality, and optimise profitability across business cycles.

3. Omni-channel distribution model with pan-India reach and strong digital integration

Tata Capital operates an omni-channel "phygital" distribution model that integrates a wide branch network, extensive partner ecosystem, and robust digital platforms to deliver a seamless customer experience. As of March 31, 2025, the company had 1,496 branches across 1,102 locations in 27 States and UTs, supported by over 30,000 DSAs, 400+ OEMs, 8,000+ dealers, and 60+ digital partners. API integration with partner systems enables real-time data exchange and efficient customer onboarding, expanding reach in an asset-light manner. Complementing its physical and partner network, Tata Capital's digital platforms including its website and mobile apps, (with 21 million+ downloads and 75.8 million website visits in FY25) offer both assisted and self-service options, enhancing accessibility, convenience, and scalability.

4. Prudent risk culture and strong credit underwriting driving stable asset quality

Tata Capital follows a prudent and data-driven risk management approach, which has helped it maintain one of the best asset quality levels among large NBFCs in India. As of March 31, 2025, the company reported a Gross Stage 3 Loans Ratio of 1.9%, Net Stage 3 Loans Ratio of 0.8%, and a Provision Coverage Ratio of 58.5%. Its underwriting team works independently from sales and uses product-specific credit policies supported by data analytics and alternate data sources to assess customer risk more accurately. The company's collections process combines trained in-house teams and external agencies, supported by machine learning-based tools that track repayment behaviour and predict early stress. This disciplined approach helps Tata Capital minimise credit losses and maintain a strong, stable loan portfolio.

5. Highest credit ratings with a diversified funding profile

Tata Capital holds the highest domestic NBFC ratings — "AAA/Stable" from CRISIL, ICRA, CARE, and India Ratings, with A1+ commercial paper ratings, and a BBB- international rating from S&P and Fitch. These ratings allow the company to borrow from a wide range of domestic and international lenders at competitive rates. As of March 31, 2025, Tata Capital had borrowings from 24 commercial banks and multiple other institutions, across instruments such as loans, non-convertible debentures, perpetual debt, external commercial borrowings, and commercial papers, with no single lender contributing more than 10% of total borrowings. A diverse borrowing mix, including TCHFL's NHB access and a \$400 million dollar bond issuance, supports a sustainable maturity profile, and the Average Cost of Borrowings was 7.8% in FY25, managed under the oversight of the Asset Liability Committee.

6. Experienced management supported by a skilled professional team

Tata Capital is led by a seasoned management team with extensive experience across retail, commercial, and corporate lending, supported by a Board of Directors comprising six members, including four independent directors. The management team oversees businesses through dedicated teams with strong domain expertise and operational capabilities, driving sustained growth and profitability since 2007. The company fosters a culture of innovation and talent development, and has been certified "Great Place To Work" for three consecutive years (2023–2025), reflecting its focus on employee engagement and organizational excellence.

Key Risks

1. Asset Quality Risk

Tata Capital's business is exposed to customer repayment defaults, which could arise from bankruptcy, liquidity issues, unemployment, or adverse economic conditions. Gross Stage 3 Loans were 1.7%, 1.5%, and 1.9% of Total Gross Loans as of March 31, 2023, March 31, 2024, and March 31, 2025, respectively. Higher defaults could increase NPAs, reduce interest income, raise credit costs, and negatively impact financial performance and cash flows.

2. Higher credit risk from unsecured loans

Tata Capital's unsecured loans accounted for 23.1%, 24.5%, and 21.0% of Total Gross Loans as of March 31, 2023, 2024, and 2025, respectively. These loans carry higher credit risk as they are not backed by collateral. Defaults or delayed repayments could increase NPAs, require higher provisions, impact financial performance, and potentially trigger covenant breaches or rating downgrades, which may restrict the company's ability to raise new debt.

3. Liquidity coverage ratio (LCR) compliance risk

Tata Capital and TCHFL are required to comply with the RBI's Liquidity Risk Management Framework, which mandates maintaining a minimum Liquidity Coverage Ratio (LCR). While the company has been compliant in FY23–FY25, there is no assurance that it will continue to meet future LCR requirements, which could result in regulatory penalties and negatively impact business, financial condition, and results of operations.

4. Loan concentration risk

Tata Capital's Retail Finance portfolio represented 56.7%, 58.9%, and 62.3% of Total Gross Loans as of March 31, 2023, 2024, and 2025, respectively. The company is exposed to risks from reduced demand or higher defaults among retail customers, driven by factors such as economic slowdown, layoffs, inflation, interest rate changes, regulatory

shifts, real estate market fluctuations, natural calamities, or geopolitical events. Increased defaults could raise NPAs and credit losses, while reduced loan demand could negatively affect revenue and business prospects.

5. Asset-liability mismatch risk

Tata Capital may face asset-liability mismatches as certain long-term assets, such as mortgage and structured finance loans, have longer maturities than some of its short- and medium-term borrowings. Inability to timely refinance or raise funds could strain liquidity, potentially impacting profitability, cash flows, and overall financial performance.

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Tata Capital Ltd.
IPO Structure	Fresh Capital-cum-Offer for Sale Fresh Issue - 21,00,00,000 shares (aggregating up to ₹6,846.00 Cr) Offer for Sale - 26,58,24,280 shares of ₹10 (aggregating up to ₹8,665.87 Cr)
Issue Size	47,58,24,280 shares (aggregating up to ₹15,511.87 Cr)
Price Band	₹310 to ₹326 per share
Face Value	₹10 per share
Post-Issue Market Cap	₹138382.73 Cr. (at upper price band)
IPO Opening Date	October 6, 2025
IPO Closing Date	October 8, 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	95.6% → 85.5%
Book Running Lead Manager(s)	Kotak Mahindra Capital Co.Ltd.
Use of Proceeds	Augmentation of Company's Tier –I capital base to meet future capital requirements including onward lending

Valuation and Recommendation

At the upper price band of Rs.326, Tata Capital Limited's implied **post-issue market capitalization** stands at **₹138382.73 Cr**, translating to a **P/E multiple** of **37.8x** FY25 EPS of ₹8.6 (based on PAT of ₹3,655 crore and 424.5 crore post-issue shares). At this valuation, the issue appears fair and well-justified compared to most listed peers, given Tata Capital's strong brand parentage, consistent 37% loan CAGR over FY23–FY25, industry-leading asset quality (GNPA at 1.9%), and AAA-rated balance sheet strength. Thus, we recommend a **SUBSCRIBE** rating on the IPO for investors.

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