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CM RATING 48 /100

Tata Capital

Third largest NBFC

Pan India presence with a diversified granular product portfolio, strong customer base and group synergy

Tata Capital is the third largest and fastest growing diversified NBFC in India with loan book of Rs 2.33 lakh crore at end June 2025. It is the flagship financial services company of the Tata group, with a legacy spanning over 150 years. The company began lending operations in 2007 and served 7.3 million customers up to June 2025.

Tata Capital offers a comprehensive suite of 25+ lending products, serving a diverse customer base comprising salaried and self-employed individuals, entrepreneurs, small businesses, small and medium enterprises and corporates.

The loan portfolio is highly granular, with 98% of loan accounts have a ticket size of less than Rs 1 crore and retail and SME customer forming 87.5% of loan book. In addition, 80.0% of loans were secured and organic book accounted for over 99% of loans.

Lending business comprises:

Retail Finance, accounting for 61.3% of the loan book, is offered to salaried and self-employed individuals and owners of small businesses with 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.

SME Finance, comprising 26.2% of the loan book, is offered for supply chain finance, equipment finance, and leasing solutions. Term loans, cleantech and infrastructure finance, and developer finance is also provided to businesses with turnover below Rs 250 crore.

Corporate Finance, comprising 12.5% of the loan book, is offered to businesses with turnover above Rs 250 crore.

The loan book recorded a CAGR of 37.3% from March 2023 to March 2025 (28.4% excluding TMFL merger). The Gross Stage 3 loans ratio was 2.1% and Net Stage 3 ratio was 1.0% with the Provision Coverage Ratio (PCR) of 53.9%, among the best across large diversified NBFCs in India. CRAR stood at 16.6% with Tier I ratio at 12.8%.

Tata Capital operates an omni-channel distribution model comprising of a branch network, a robust partner ecosystem, and a strong digital presence to deliver a superior customer experience. The company has an extensive pan-India distribution network of 1,516 branches across 27 states at end June 2025. The branch network is complemented by proprietary digital platforms, including website and mobile apps. The partnerships are established with direct selling agents (DSAs), original equipment manufacturers (OEMs), dealers, and digital partners to broaden reach. The employee base stood at 28,813 at end June 2025.

The operations are underpinned by advanced digital and technological tools integrated into platform, which span the entire customer lifecycle for all products. Over 200 online services are offered to customers across multiple

channels, including website, mobile apps, WhatsApp, email, chatbot (TIA), and interactive voice response (IVR) system.

Tata Capital has a diversified liability base supported by a highest credit rating of AAA from CRISIL, ICRA, CARE and India Ratings. In addition, S&P Global Ratings upgraded the long-term rating from BBB-/Positive to BBB/Stable and the short-term rating from A-3 to A-2 in August 2025. Average cost of borrowings ratio was 7.8% and total borrowings to total equity ratio was 6.6 times as at March 2025. The company has maintained a stable NIM ratio of 5.2%. The consolidated total borrowings amounted to Rs 207631 crore at end July 2025

Non-lending businesses comprise (i) distribution of third-party products such as insurance and credit cards, (ii) wealth management services catering to high-net-worth individuals and retail clients, and (iii) private equity (PE) business focused on two themes: (a) Growth and (b) Healthcare.

TMFL merger

Tata Motor Finance (TMFL), with a loan book of Rs 30227 crore at end March 2025, was merged with the company. The merger was effective from 01 April 2024. TMFL catered to the financial needs of suppliers, dealers, transporters, fleet operators and other customers. TMFL had a pan-India presence of 353 branches spanning 27 states. TMFL employed a dedicated workforce of 6,351 on-roll employees. Through the merger of TMFL, the company has strengthened presence in the commercial vehicle and passenger car financing markets.

The Offer and the Objects

The initial public offer (IPO) consists of fresh issue to raise 21 crore equity shares to raise Rs 6510 crore at the lower band of Rs 310 per share (face value Rs 10 per share) and Rs 6846 crore at the upper band of Rs 326 per share.

The issue also consists of Offer for Sale (OFS) of 26.58 crore equity shares to raise Rs 8241-8666 crore. The promoter, Tata Sons, has offered 23 crore equity share for sale through OFS. An investor, International Finance Corporation, has also offered 3.58 crore equity shares for sale. The promoter shareholding in the company would decline to 85.4% post- IPO from 95.6% pre-IPO.

The issue is to be made through the book-building process and will open on 06 October 2025 and will close on 08 October 2025. About 12 lakh shares are reserved for employees.

The company proposes to utilize the net proceeds from the fresh issue towards augmenting the capital base to meet future capital requirements. The listing is also being conducted to comply with the RBI regulations, which require UL NBFCs to be listed on stock exchanges.

Strengths

Tata Capital is the third largest diversified NBFC in India, with a comprehensive lending product suite.

No single lending product contributed more than 20% of loan book.

The loan portfolio is diversified across customer types, sectors and geographies, thereby minimising any concentration risks as well as managing risks across economic cycles and optimizing profitability.

Tata Capital is the part of Tata group, a global enterprise with operations spread over 100 countries and a million employees. It has presence across 10 verticals such as automotive, technology, steel, financial services, aerospace and defence, and consumer and retail.

Tata Group is the largest group in India, with 26 equity listed companies having a combined market capitalization of Rs 27.8 lakh crore.

The company benefits from relationships with over 70 Group companies and over 950 dealers and vendor partners within the Group ecosystem.

The housing finance subsidiary, classified as middle layer NBFC, is one of the largest housing finance companies and among the top 3 affordable housing finance company, with the AUM rising at a strong pace to Rs 71150 crore at end June 2025.

Pan-India presence through 1,516 branches spans across 1,109 locations over 27 states. Digital and analytics is at the core of business, driving high quality experience and business outcomes.

Maintaining one of the lowest Gross Stage 3 and Net Stage 3 loans ratios.

Top AAA credit ratings enable to borrow from a diverse pool of domestic and international lenders at competitive rates.

Profitable since commencement of lending operations in 2007.

NBFC credit has been growing faster than systemic credit, while gaining market share. NBFC credit is expected to grow at strong pace of 15-17% between FY25-28, with a faster growth of the retail and SME segment, accounting for 88% of the loan book.

Weaknesses

The share of unsecured loans was elevated at 20.0% at end June 2025, though down from 22.4% at end June 2024 and 21.0% at end March 2025. Unsecured loans pose a higher credit risk because they are not supported by realisable collateral.

Fixed interest rate loans comprised 36.3% of the loan book and fixed interest rate borrowings comprised 55.0% of total borrowings at the end of June 2025. Any adverse changes in interest rates could affect the cost of borrowings and NIM. Volatility in interest rates affect both lending and treasury operations.

Under the Tata Brand Agreement, the company is required to, inter alia, pay an annual subscription fee of 0.25% of annual net revenue to Tata Sons. Tata Sons has the right to review and revise the subscription fee from time to time.

Post TMFL merger, Tata Capital has to successfully integrate the operations of TMFL and leverage potential operating and cost efficiencies from the amalgamation for achieving the expected benefits from the merger.

The SME loan book stood at 26.2% of the loan book at the end of June 2025. SMEs are generally less financially resilient than larger corporate customers. These can be adversely affected by declining economic conditions.

The lending services industry in India is competitive. The success of the business depends on ability to compete with established NBFCs, banks and other financiers.

Valuation

Tata Capital posted a 16% growth in net profit for the merged entity to Rs 3664.66 crore in FY2025, while the profit has jumped 114% to Rs 989.89 crore in Q1FY2026. The company delivered RoA of 1.8% and RoE of 12.5% in Q1FY2026.

EPS on post-issue equity for TTM ended June 2025 works out to Rs 9.9. At the price band of Rs 310 to Rs 326, the P/E works out to 31.4 to 33.0 times EPS for TTM ended June 2025.

Post-issue, the book value (BV) will be Rs 96.6, while adjusted BV (ABV) net of net stage 3 assets works out to Rs 91.4 per share at the upper price band. The scrip is being offered at price to Adj BV multiple of 3.6 times at the upper price band.

Among peer NBFCs, Cholamandalam Investment & Finance is trading at P/ Adj BV multiple of 6.3 times of adj BV at end June 2025, Bajaj Finance at 6.2 times and HDB Financial Services at 3.6 times. Further, Sundaram Finance is trading at 3.4 times, Aditya Birla Capital at 2.6 times, L&T Finance at 2.5 times and Shriram Finance at 2.2 times.

In terms of PE, Cholamandalam Investment & Finance is trading at 30.1 times its EPS for TTM end June 2025, Bajaj Finance at 35.4 times and HDB Financial Services at 28.7 times. Further, Sundaram Finance is trading at 24.8 times Aditya Birla Capital at 22.2 times, L&T Finance at 23.0 times and Shriram Finance at 13.5 times.

The RoA of Tata Capital was 1.8% (excluding TMFL merger at 2.1%) for FY2025. Among the peers, the RoA of Bajaj Finance was at 4.6%, Sundaram Finance 2.9% and Cholamandalam 2.4% for FY2025. The RoA of Shriram Finance was 3.0%, Aditya Birla Capital 2.3%, HDB Financial Services at 2.2% and L&T Finance at 2.4% for FY2025.

RoE for Tata Capital was 12.6% (excluding TMFL Merger at 14.2%) in the FY2025. Cholamandalam recorded RoE of 19.8% for FY2025, Bajaj Finance 19.2%, Sundaram Finance at 16.3%, Shriram Finance 15.8%, HDB 14.7%, Aditya Birla Capital 14.1% and L&T Finance 10.9%.

Tata Capital posted a strong growth in AUM at 17% to Rs 233399 crore end June 2025 over a year ago. The AUM of Aditya Birla Capital surged 30% to Rs 165832 crore, followed by Bajaj Finance 25% to Rs 441450 crore, and Cholamandalam 24% to Rs 192148 crore end June 2025. The loan book of Sundaram Finance gained 18% to Rs 71306 crore and Shriram Finance 17% to Rs 272249 crore, while that of L&T finance moved up 15% to Rs 102314 crore and HDB 14% to Rs 109342 crore at end June 2025.

Tata Capital has one of the lowest NNPA ratios at 1% end June 2025, while that of Bajaj Finance was at 0.5%, and L&T Finance 0.99%. Net stage 3 asset ratio for Aditya Birla Capital was at 1.34%, Cholamandalam 2.9%, Shriram Finance at 2.6% and HDB at 1.11% at end June 2025.

Tata Capital: Issue highlights	
For Fresh Issue Offer size (in Rs crore)	
- On lower price band	6510.00
- On upper price band	6846.00
Offer size (in no. shares crore)	21.00
For Offer for Sale Offer size (in Rs crore)	
- On lower price band	8240.55
- On upper price band	8665.87
Offer size (in no of shares crore)	26.58
Price band (Rs)	310-326
Minimum Bid Lot (in no. of shares)	46
Post issue capital (Rs crore)	
- On lower price band	4244.87
- On upper price band	4244.87
Post-issue promoter & Group shareholding (%)	85.4
Issue open date	06-10-2025
Issue closed date	08-10-2025
Listing	BSE, NSE
Rating	48/100

Tata Capital: Financials					
	2303 (12)	2403 (12)	2503 (12)	2406 (3)	2506 (3)
Income from Operations	13628.85	18174.82	28312.74	6546.28	7664.81
OPM (%)	83.18	81.58	81.54	79.75	84.12

OP	11336.52	14826.55	23086.76	5220.50	6447.60
Other Income	8.64	23.56	57.13	11.12	26.84
PBDIT	11345.16	14850.11	23143.89	5231.62	6474.44
Interest (Net)	6600.64	9568.23	15029.64	3541.16	4065.62
PBDT	4744.52	5281.88	8114.25	1690.46	2408.82
Provisions	581.94	602.35	2805.67	958.99	908.58
Depreciation / Amortization	226.02	287.50	390.02	89.84	118.05
PBT before EO	3936.56	4392.03	4918.56	641.63	1382.19
EO	0.00	0.00	0.00	0.00	0.00
PBT after EO	3936.56	4392.03	4918.56	641.63	1382.19
Tax Expenses	990.79	1065.07	1263.54	169.42	341.26
PAT	2945.77	3326.96	3655.02	472.21	1040.93
Non-controlling interest	-83.43	176.75	-9.64	10.55	51.04
Net Profit	3029.20	3150.21	3664.66	461.66	989.89
EPS (Rs) *	8.5	8.4	9.2	4.7	9.9
Equity	3560.1	3746.4	3983.8	3930.3	3983.8
Adj BV (Rs)	47.5	61.0	74.9	66.4	75.8

* EPS and Adj BV are calculated on diluted equity as given for each year. Face Value: Rs 10, Figures in Rs crore

Source: Tata Capital Issue Prospectus