

Rating: Subscribe for long term

Issue Offer

The IPO is a book-built offering comprising an offer for sale of 26,58,24,280 equity shares and a fresh issue of 21,00,00,000 equity shares with a total issue size of up to INR 15,511.87 Crore.

Issue Summary

Price Band INR	310-326
Employee Discount INR	-
Face Value INR	10
Implied Market Cap (INR Crore.)	138,383
Market Lot.	46
Issue Opens on	Oct 6, 2025
Issue Close on	Oct 8, 2025
No. of share pre-issue	4,03,48,69,037
No. of share post issue	4,24,48,69,037
Listing	NSE, BSE

Issue Break-up %

QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar

MUFG Intime India Private Ltd

Book Running Lead Managers

BNP Paribas, Kotak Mahindra Capital Company Ltd, Axis Capital Ltd, HSBC Securities and Capital Markets IIFL Capital Services Ltd, Citi Group Global Markets India Pvt Ltd, HDFC Bank Ltd, ICICI Securities Ltd, J.P. Morgan India Private Ltd, SBI Capital Market Ltd

	Pre-Issue	Post-Issue
Promoters	95.60%	85.50%
Public & Others	4.40%	14.50%

Objects of the issue

- Augmentation of the Company's Tier – I Capital base to meet its Company's future capital requirements including onward lending.

Tata Capital Limited is a financial services company of the Tata group, also a subsidiary of Tata Sons Pvt Ltd and the 3rd largest diversified NBFC in India with Total Gross Loans of INR 2,33,400 crore as at June 30, 2025, grew at a CAGR of 37.3% from FY23 to FY25. The company has served 73 lakhs customers up to June 30, 2025. Through a comprehensive suite of 25+ lending products, the Company caters to a diverse customer base comprising salaried and self-employed individuals, entrepreneurs, small businesses, small and medium enterprises and corporates. The Lending Business comprises 3 main verticals – Retail Finance (61.3%), SME Finance (26.2%), and Corporate Finance (12.5%). The company has a distribution network comprising 1,516 branches across 27 States and Union Territories, as at June 30, 2025. The branch network has grown at a CAGR of 58.3% from FY23 to FY25. 97.8% and 97.1% of customers were onboarded through digital platforms in FY25 and Q1FY26 respectively.

Investment Rationale:

High-Growth Opportunities in Retail Lending Segments: Retail finance, which contributes 61.3% of loan book, stood at INR 1,43,095.40 Crore as of June 2025, grew at a CAGR of 39% between FY23 and FY25. Within this, Home Loans and affordable home loans grew at 30.4% and 43.9% CAGR respectively. Similarly, Microfinance loans jumped at a 100.3% CAGR to INR 2,380 crore. These segments are backed by strong industry tailwinds as India's housing loan industry is projected to grow at 14–16% CAGR by FY28. Tata Capital's diversified retail portfolio, supported by strong underwriting and digital reach, positions it well to capture India's growing credit penetration in middle-income and underserved customer segments.

Synergy Benefits from TMFL Merger: Tata capital's merger with the Tata Motors Finance Limited (TMFL) effective from may 8, 2025 has transformed the company into a full-spectrum vehicle finance provider, covering both CVs and PVs. Post-merger, Tata Capital expanded from a single OEM to a multi-OEM model. As of June 30, 2025, CV Loans stood at INR 24,699.67 crore, growing at a massive 271.6% CAGR from FY23–FY25. With synergies such as cross-selling opportunities, better risk management, and lower borrowing costs, the merger creates a strong growth engine in the high-potential auto finance market.

Strong Distribution and Digital Reach: The company operates a phygital distribution model, with its strong branch network of 1,516 branches across 27 states and 1,109 locations with 30,000+ DSAs, 400+ OEMs, 8,000+ dealers, and 60+ digital partners. On the digital side, Tata Capital's mobile apps had 2.19+ crore downloads, and website traffic grew 16.6% YoY to 7.58 crore visits in FY25. This extensive physical plus digital reach allows Tata Capital to penetrate both urban and rural markets cost-effectively.

Valuation and View:

With a strong growth outlook, driven by its diversified loan book of over INR 2.3 lakh crore as of June 2025, with no single product contributing more than 20% of total loans, the company plans to keep expanding its branch network while strengthening digital platforms, which already handle 97%+ of customer onboarding. Retail and housing finance are growing fast (30–40% CAGR), while synergies from the TMFL merger strengthen vehicle finance. Strong distribution and fee-based businesses (wealth, insurance, PE funds) add long-term value. With "AAA" domestic credit ratings, a 7.8% cost of borrowing, and a focus on maintaining low Stage 3 loan ratios (2.1% gross, 1.0% net), we expect that the company can grow sustainably while improving efficiency and profitability. **At the upper band of INR 326, the issue is valued at a P/BV ratio of 4.03x, based on a BV of INR 80.97 per share. We are recommending a "Subscribe for long -term" rating for this issue.**

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return**Research Analyst
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