



A.K. Stockmart Pvt. Ltd.



Public Issue of Secured Redeemable Non-Convertible
Debentures and Unsecured, Subordinated,
Redeemable, Non-Convertible Debentures
(Tranche II Issue) Of
TATA CAPITAL FINANCIAL SERVICES LIMITED

Aug 13,2019 – Aug 23,2019





TATA CAPITAL FINANCIAL SERVICES LIMITED

INVESTMENT RATIONALE

- **Public issue by Tata Capital Financial Services Limited of Secured Redeemable Non-Convertible Debentures of face value of Rs. 1,000 each ("Secured NCDs") up to Rs 2,997.90 crore and Unsecured Subordinated Redeemable Non-Convertible Debentures of face value of Rs 1,000 each ("Unsecured NCDs") up to Rs 1,128.10 crore aggregating up to Rs 4,126 crore ("Tranche II Issue"). The Base issue size of the Tranche II issue is Rs 500 crore with an option to retain oversubscription up to Rs 3,626 crore, aggregating up to Rs 4,126 crore ("Residual Shelf Limit"). The Unsecured, Subordinated, Redeemable, Non-Convertible Debentures will be in the nature of Subordinated debt and will be eligible for inclusion as Tier II Capital.**
- **The issue offers yields ranging from 8.34% to 8.84% depending up on the Category of Investor and the option applied for.**
- **Credit Rating of "CRISIL AAA / Stable" for an amount of Rs 7,500 Crore, by CRISIL Limited and "CARE AAA; Stable" for an amount of Rs 7,500 Crore, by CARE Ratings Limited.**
- **The NCDs are proposed to be listed on BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). BSE is the Designated Stock Exchange.**

COMPANY PROFILE

- **Tata Capital Financial Services Limited (TCFSL)** is a Systemically Important Non-Deposit Accepting Non-Banking Financial Company ("ND-SI-NBFC") focused on providing a broad suite of financing products customized to cater the needs of various segments.
- TCFSL was incorporated in 2010 and was registered with the RBI to commence the business of an NBFC without accepting the public deposit with effect from November 04, 2011.
- TCFSL's financing products have been categorized into "Commercial and SME Finance Division" and "Consumer finance and Advisory Business". The Commercial and SME Finance Division offers commercial financing to corporates which includes vanilla term loans, working capital term loans, channel finance, bill discounting, construction equipment finance, leasing solutions, lease rental discounting, promoter finance and structured products. The Consumer finance and Advisory Business division offers a wide range of consumer loans such as auto loans (used car and two wheeler loans), business loans, loans against property, personal loans, consumer durable loans and loans against securities as well as wealth management.
- TCFSL is promoted by and is wholly owned subsidiary of Tata Capital Limited (TCL). TCL is a diversified financial services company providing services through its subsidiaries to retail, corporate and institutional clients. TCL is the financial services arm of the Tata group, which is a diversified global business group serving a wide range of customers across varied sectors such as steel, motors, power, chemicals, telecommunications and hospitality.
- TCFSL has a robust marketing and distribution network which provides customers a diversified financial services platform with presence in 23 states through 125 offices as on June 30, 2019.
- TCFSL's total income (Consolidated) and profit after tax from continuing operations of the Company (Consolidated) for the year ended March 31, 2019 stood at Rs 5,585.66 crore and Rs 432.81 crore respectively.
- The loan outstanding of the Company stood at Rs 44,623.97 crore as on March 31, 2019.
- The CRAR, as of March 31, 2019 computed on the basis of applicable RBI requirements was 16.84% compared to the RBI stipulated minimum requirement of 15% as per the Prudential Norms of RBI. The gross NPAs and net NPAs as a percentage of total loan and advances outstanding was 2.45% and 0.39% respectively as of March 31, 2019.

Source: Shelf Prospectus dated 29th Aug 2018 and Tranche II Prospectus dated 2nd Aug 2019

Disclaimer: Invest only after referring to the Shelf Prospectus and Tranche II Prospectus

STRENGTHS

- ***Integrated financial services platform***

TCFSL's customers benefit from the company's integrated financial services platform, offering a cross section of financial services and products, including retail, small and medium enterprises, finance, construction equipment finance, leasing finance, rural finance and marketing of Tata cards. TCFSL's focus on coverage and ability to provide innovative solutions enables it to establish long-term relationships with corporate and retail clients. The company's business model is based on providing services where they employ dedicated relationship and product managers for each key business line. This enables them to create capabilities and expertise for each product.

- ***Diversified and balanced mix of businesses***

TCFSL's present mix of business includes corporate finance and consumer finance. It provides integrated financial services while maintaining a diversified and balanced mix of businesses. The company continues to explore further opportunities to set up new business and widen their product portfolio to include products and services that would complement their current offerings and would help them to leverage their existing expertise. TCFSL's presence in diverse lines of businesses across asset classes enables it to mitigate risks arising from product and client concentration.

- ***Robust internal processes and risk management framework***

TCFSL has a strong internal control and risk management systems to assess and monitor risks across their various business lines. TCFSL's key business processes are regularly monitored by the respective heads of business. TCFSL has necessary internal controls and risk management systems to assess and monitor risks across various business lines. TCFSL's internal control system is designed to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliances with laws and regulations.

- ***Synergy and parentage of Tata group***

Tata group is a global enterprise, headquartered in India, and has its presence in varied sectors. The group's long standing operations in various sectors such as steel, motors, chemicals, hospitality, financial services etc. have resulted in establishing 'Tata' as a recognized brand. Relationship that Tata group has developed provides instant brand recognition. Furthermore, TCFSL derives certain business synergies from their promoter which helps them in sourcing customers, expanding the operational network and increasing market penetration.

- ***Widespread operational network***

TCFSL's scale of operational network provides competitive advantage. TCFSL operates an extensive network of 125 offices spanning across 23 states, as of June 30, 2019. TCFSL's widespread office network reduces their reliance on any one region in India and allows them to apply best practices developed in one region to other regions. TCFSL's geographic diversification also mitigates some of the regional, climatic and cyclical risks. The company has developed an effective office network in rural and semi-urban areas provide them with a significant first mover advantage over their competitors.

- ***Strong and experienced management team***

TCFSL's expertise and industry knowledge of board of directors and senior management team has enabled them to accelerate the growth in the company's business. In addition, their product and operational leaders also have experience in the finance industry. TCFSL's management team and professionals, who are supported by a qualified pool of employees, provides them with a distinct competitive advantage and also benefits the company in respect to the development of products which enables them to focus on geographical expansion, reduction in cost and execution of business plan.

Source: Shelf Prospectus dated 29th Aug 2018 and Tranche II Prospectus dated 2nd Aug 2019

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ISSUE STRUCTURE

Issuer	Tata Capital Financial Services Limited					
Lead Managers	A.K. Capital Services Limited, Edelweiss Financial Services Limited and Axis Bank Limited					
Type and nature of instrument	Secured Redeemable Non-Convertible Debentures and Unsecured Subordinated Redeemable Non-Convertible Debentures eligible for inclusion as Tier II capital.					
Tranche II Base Issue Size	Rs. 500 crore					
Option to retain Oversubscription Amount	Upto Rs. 3,626 crore					
Face Value (in Rs./ NCD)	Rs. 1,000					
Issue Price (in Rs./ NCD)	Rs. 1,000					
Minimum application	Rs. 10,000 (10 NCDs) collectively across all the Options and in multiples of Rs. 1,000 (1 NCD) after the minimum application amount across all the Options in the Tranche II Issue					
In multiples of	Rs. 1,000 (1 NCD)					
Seniority	Senior (to clarify, the claims of the Secured NCD Holders shall be superior to the claims of any unsecured creditors, subject to applicable statutory and/or regulatory requirements). The Secured NCDs would constitute secured obligations of theirs and shall rank <i>pari passu inter se</i> , present and future and subject to any obligations under applicable statutory and/or regulatory requirements, shall also, with regard to the amount invested, be secured by way of first ranking <i>pari passu</i> charge on the identified immovable property and on identified book debts, loans and advances, and receivables, both present and future, of TCFSL. No security will be created for Unsecured NCDs in the nature of Subordinated Debt. The rated, listed, redeemable Unsecured NCDs are in the nature of subordinated debt and will be eligible for Tier II Capital.					
Mode of Issue	Public Issue					
Issue	Public issue by TCFSL of Secured NCDs and Unsecured NCDs of face value of Rs. 1,000, for an amount aggregating up to Rs. 7,500 crore ("Shelf Limit"), hereinafter referred to as the "Issue". The Unsecured NCDs will be in the nature of Subordinated Debt and will be eligible for Tier II Capital.					
Tranche II Issue	Public issue by the Issuer of Secured NCDs up to Rs. 2,997.90 crore and Unsecured NCDs up to Rs. 1,128.10 crore, aggregating up to Rs. 4,126 crore					
Listing	BSE and NSE. BSE shall be the Designated Stock Exchange for the Issue. The NCDs shall be listed within 6 Working Days from the respective Issue Closing Date.					
Mode of Allotment and Trading	NCDs will be issued and traded compulsorily in dematerialised form.					
Market / Trading Lot	1 (one) NCD					
Depositories	NSDL and CDSL					
Security	The principal amount of the Secured NCDs to be issued in terms of the Tranche II Issue together with all interest due on the Secured NCDs, as well as all costs, charges, all fees, remuneration of Debenture Trustee and expenses payable in respect thereof shall be secured by way of first ranking <i>pari passu</i> charge on the identified immovable property and on identified book debts, loans and advances, and receivables, both present and future, of TCFSL. TCFSL has created the security for the Secured NCDs in favour of the Debenture Trustee for the NCD Holders on the assets to ensure 100% security cover of the amount outstanding in respect of the Secured NCDs, including interest thereon, at any time.					
Credit Ratings	Rating agency	Instrument	Rating symbol	Date of credit rating letter	Amount rated	Rating definition
	CRISIL Limited	Secured NCDs and Unsecured Subordinated NCDs	CRISIL AAA / Stable	August 15, 2018, revalidated by letter dated August 27, 2018 and further revalidated by letter dated July 25, 2019	Rs. 7,500 crore	Stable
	CARE Ratings Limited	Secured NCDs and Unsecured Subordinated NCDs	CARE AAA; Stable	August 14, 2018, revalidated by letter dated August 27, 2018 and further revalidated by letter dated July 26, 2019	Rs. 7,500 crore	Stable
Tranche II Issue Size	The Base Issue size of Tranche II Issue is Rs. 500 crore with an option to retain oversubscription up to the Residual Shelf Limit.					
Pay-in date	Application Date. The entire Application Amount is payable on Application.					
Application Amount	The entire Application Amount is payable on submitting the Application.					
Record Date	15 days prior to the date of payment of interest, and/or the date of redemption for NCDs issued under the relevant Tranche Prospectus, or as may be otherwise prescribed by the Stock Exchanges. In case the Record Date falls on a Sunday or holiday of Depositories, the succeeding working day or a date notified by TCFSL to the Stock Exchanges shall be considered as Record Date.					
Day count convention	Actual/Actual basis					
Issue Opening Date	August 13, 2019					
Issue Closing Date	August 23, 2019					
Put / Call Option	Not applicable					
Deemed Date of Allotment	The date on which the Board or the Working Committee approves the Allotment of the NCDs for the Tranche II Issue. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment. All benefits relating to the NCDs including interest on NCDs shall be available to the Debenture holders from the Deemed Date of Allotment.					

*The Tranche II Issue shall remain open for subscription on Working Days from 10 a.m. (IST) to 5 p.m. (IST) during the period indicated above, except that the Tranche II Issue may close on such earlier date or extended date as may be decided by the Board or the Working Committee, as the case may be. In the event of an early closure or extension of the Tranche II Issue, TCFSL shall ensure that notice of the same is provided to the prospective investors through an advertisement in a daily national newspaper with wide circulation on or before such earlier or initial date of Tranche II Issue closure. On the Issue Closing Date, the Application Forms for Tranche II Issue will be accepted only between 10 a.m. (IST) and 3 p.m. (IST) and uploaded until 5 p.m. (IST) or such extended time as may be permitted by the Stock Exchanges.

Source: Shelf Prospectus dated 29th Aug 2018 and Tranche II Prospectus dated 2nd Aug 2019

Disclaimer: Invest only after referring to the Shelf Prospectus and Tranche II Prospectus

THE SPECIFIC TERMS OF EACH OPTION OF NCDs

Options/Series	I	II	III	IV
Frequency of Interest Payment	Annual	Annual	Annual	Annual
Who can apply	All category of investors can subscribe to all Options of NCDs			
Minimum Application	Rs. 10,000 (across all Options collectively)			
In multiples of thereafter	Rs. 1,000 (1 NCD)	Rs. 1,000 (1 NCD)	Rs. 1,000 (1 NCD)	Rs. 1,000 (1 NCD)
Face Value of NCDs (Rs./NCD)	Rs. 1,000	Rs. 1,000	Rs. 1,000	Rs. 1,000
Issue Price (Rs./NCD)	Rs. 1,000	Rs. 1,000	Rs. 1,000	Rs. 1,000
Tenor from Deemed Date of Allotment	3 years	5 years	8 years	10 years
Coupon Rate				
<i>Category I and Category II</i>	8.35%	8.40%	8.55%	8.75%
<i>Category III and Category IV</i>	8.45%	8.50%	8.65%	8.85%
Effective Yield (Per annum)				
<i>Category I and Category II</i>	8.34%	8.39%	8.54%	8.74%
<i>Category III and Category IV</i>	8.44%	8.49%	8.64%	8.84%
Mode of Interest Payment	Through various options available			
Redemption Amount (Rs. / NCD)	Rs. 1,000	Rs. 1,000	Rs. 1,000	Rs. 1,000
Maturity Date (From Deemed Date of Allotment)	3 years	5 years	8 years	10 years
Nature of indebtedness	Secured	Secured	Secured	Unsecured Subordinated

Note: The company would allot the Option I NCDs, as specified in the Tranche II Prospectus to all valid Applications, wherein the Applicants have not indicated their choice of the relevant Option of NCDs

Allocation Ratio

Institutional Portion	Non-Institutional Portion	High Net-Worth Individual Category Portion	Retail Individual Category Portion
15%	15%	35%	35%

Source: Shelf Prospectus dated 29th Aug 2018 and Tranche II Prospectus dated 2nd Aug 2019

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INVESTOR CATEGORIES AND ALLOTMENT

Category I	Category II	Category III	Category IV
Institutional Investors	Non Institutional Investors	High Net-worth Individual, ("HNIs"), Investors	Retail Individual Investors
<ul style="list-style-type: none"> Public financial institutions, scheduled commercial banks, and Indian multilateral and bilateral development financial institutions which are authorised to invest in the NCDs; Provident funds and pension funds with a minimum corpus of Rs. 2,500 lakh, superannuation funds and gratuity funds, which are authorised to invest in the NCDs; Mutual funds registered with SEBI; Resident Venture Capital Funds/Alternative Investment Funds registered with SEBI; Insurance companies registered with the IRDAI; State industrial development corporations; Insurance funds set up and managed by the army, navy, or air force of the Union of India; Insurance funds set up and managed by the Department of Posts, the Union of India; Systemically Important Non-Banking Financial Company registered with the RBI and having a net-worth of more than Rs. 50,000 lakh as per the last audited financial statements; and National Investment Fund set up by resolution no. F.No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India. 	<ul style="list-style-type: none"> Companies within the meaning of section 2(20) of the Companies Act, 2013; statutory bodies/ corporations and societies registered under the applicable laws in India and authorised to invest in the NCDs; Co-operative banks and regional rural banks; Trusts including Public/private charitable/religious trusts which are authorised to invest in the NCDs; Scientific and/or industrial research organisations, which are authorised to invest in the NCDs; Partnership firms in the name of the partners; and Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009). Association of Persons; and Any other incorporated and/ or unincorporated body of persons. 	<ul style="list-style-type: none"> Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs. 10,00,000 across all options of NCDs in the Tranche II Issue. 	<ul style="list-style-type: none"> Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs. 10,00,000 across all options of NCDs in the Tranche II Issue.

APPLICATIONS CANNOT BE MADE BY

- Minors without a guardian name* (A guardian may apply on behalf of a minor. However, the name of the guardian will also need to be mentioned on the Application Form);
- Foreign nationals;
- Persons resident outside India;
- Foreign Institutional Investors;
- Foreign Portfolio Investors;
- Non Resident Indians;
- Qualified Foreign Investors;
- Overseas Corporate Bodies;
- Foreign Venture Capital Funds;
- Persons ineligible to contract under applicable statutory/ regulatory requirements.

**Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872*

Source: Shelf Prospectus dated 29th Aug 2018 and Tranche II Prospectus dated 2nd Aug 2019

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Key Operational and Financial Parameters on a consolidated basis:

Parameters	Fiscal 2017	Fiscal 2018
(Rs. crore except number of accounts / groups)		
Net worth*	3,894.54	4,773.68
Total debt	27,284.09	31,338.65
i) Non current maturities of long term borrowings	9,456.84	12,867.61
ii) Short term borrowings	10,066.30	12,930.81
iii) Current maturities of long term borrowings	7,760.95	5,540.23
Net fixed assets	793.34	714.54
Non current assets**	981.81	1,068.30
Cash and cash equivalents***	73.40	125.34
Current investments	7.94	1.70
Current assets****	436.16	458.00
Current liabilities	2,716.94	2,714.73
AUM	32,207.47	36,913.24
Off balance sheet assets	3,064.28	3,454.30
Interest income from funding activities	3,846.60	4,207.01
Interest expense	2,211.62	2,230.74
Provisioning and write – offs	601.73	316.88
PAT	215.98	482.58
Gross NPA (%)	4.94	3.32
Net NPA (%)	1.22	0.90
Tier I Capital Adequacy Ratio (%)	11.78	12.68
Tier II Capital Adequacy Ratio (%)	4.29	4.00

*Net worth means share capital plus reserves less miscellaneous expenditure to the extent not written off.

** Non current assets includes non-current investments, deferred tax assets (net), long term loans and advances- others and other non-current assets.

*** Cash and bank equivalents comprise cash and bank equivalents.

**** Current assets includes trade receivables, other short term loans and advances and other current assets.

*****Net worth has been calculated as per Section 2(57) of the Companies Act, 2013 and includes Compulsorily Convertible Cumulative Preference Share ("CCCPS") held entirely by the Parent Company of Rs. 1889 crore. Under 333 Ind AS 32 Financial Instruments: Presentation, the CCCPS and dividend accrued thereon of Rs. 1,889.46 crore have been classified under borrowings and other financial liabilities in the financial statements.

Parameters	Fiscal 2019 (as on March 2019) (Ind AS)
(Rs. crore, except number of accounts / groups)	
Net worth*****	5,723.11
Total borrowings of which	39,805.66
i) Debt Securities	16,091.48
ii) Borrowings (other than debt securities)	20,416.58
iii) Subordinated liabilities	3,297.60
Property, plant and equipment	914.87
Capital work in progress	0.62
Intangible assets under development	1.08
Other intangible assets	21.79
Financial assets	45,058.96
Non-financial assets	1,208.64
Cash and cash equivalents	251.63
Bank balance other than above	0.36
Investments	381.59
Financial liabilities	2,046.24
Non-Financial liabilities	1,942.74
Total income	5,585.66
Revenue from operations	5,529.68
Finance cost	3,125.01
Impairment on financial instruments	451.53
Profit for the year from continuing operations	432.81
Total Comprehensive Income	428.55
Gross NPA (%)	2.45
Net NPA (%)	0.39
Tier I Capital Adequacy Ratio (%)	12.11
Tier II Capital Adequacy Ratio (%)	4.73

Gross Debt Equity Ratio of the Company

Before the issue of debt securities	6.94
After the issue of debt securities	7.67

Source: Shelf Prospectus dated 29th Aug 2018 and Tranche II Prospectus dated 2nd Aug 2019

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DISCLAIMER:**‘The investors shall invest only on the basis of information contained in the final prospectus’**

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