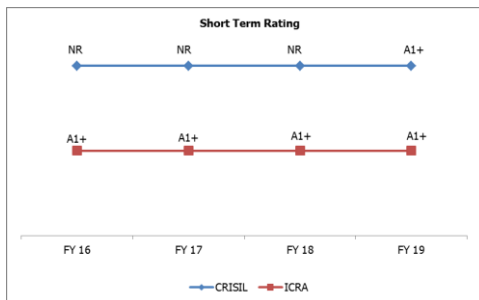
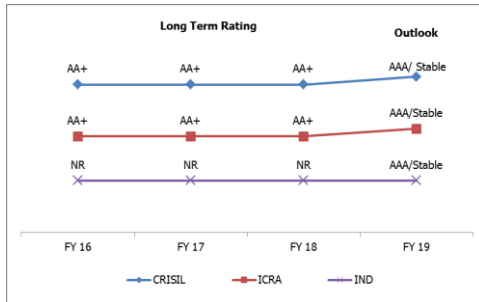


Shareholding pattern as on Dec 31, 2018

Tata Capital Limited	100%
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Credit Rating History



Credit Drivers:

- **Strong support from ultimate parent, Tata Sons Pvt Limited:** Tata Capital Limited (TCL) group, including Tata Capital Housing Finance Limited (TCHFL), is expected to continue to receive strong support from the ultimate parent, Tata Sons. This is on account of Tata Sons' majority ownership in the TCL group as well as the increasing strategic focus of the Tata group on the financial services business.
- **Well-diversified portfolio mix:** TCL group has sizeable assets under management (AUM) and a well-diversified product portfolio across retail and wholesale segments. TCHFL's AUM stood at Rs 236.8 billion as on Sep 30, 2018, of which 70% was towards home loans, 21% home equity/loans against property and the rest 9% towards builder loans.
- **Average asset quality:** TCHFL's gross NPA, while remaining moderate, has inched up to 1.5% per Ind-AS as on Sep 30, 2018 as against 1.2% Mar 31, 2018 and 0.9% as on Mar 31, 2017.
- **Comfortable resource profile:** TCHFL's resource profile is fairly balanced, with a mix of bank borrowings and capital market instruments like NCDs and short-term debt.
- **Healthy capitalization, supported by regular infusion from parent:** TCHFL remains adequately capitalized with an overall capital adequacy ratio (CAR) of 15.7% as on Sep 30, 2018.
- **Average earnings profile:** TCHFL's RoA remained relatively steady at 1.1% in FY18 as compared to 1.2% (reported) the previous year. However, for half year ending Sep 30, 2018, TCHFL's RoA (annualised) reduced to 0.16% mainly due to adoption of Ind-AS.

About the Company:

Tata Capital Housing Finance Limited (TCHFL), a wholly owned subsidiary of TCL, was incorporated in FY09 to expand Tata Capital's existing product line in the mortgage finance (home loans and loans against property) and construction finance segments. The company commenced lending operations in Jul 2009. With a change in the holding structure of TCL's financial services businesses, TCHFL has become a wholly owned subsidiary of TCL.

About the Tata Capital Group:

TCL is a subsidiary of Tata Sons Pvt Limited and is the holding company for several financial services business of the group and also holds strategic and private equity investments. TCL's key subsidiaries are Tata Capital Financial Services Limited (wholesale and retail lending), TCHFL (mortgage finance), Tata Cleantech Capital Limited (infrastructure finance) and Tata Securities Limited (fee-based services such as stock broking and investment banking). Over the medium term, the group intends to grow its lending business over medium term, with focus on SME lending, channel finance business and retail finance segments such as personal loans, auto loans and home equity.

Industry Outlook:

After reporting strong credit growth of 17% in the first half of the FY 2019, the HFC credit growth has crimped in second half on account of tight liquidity situation and asset quality pressures. The HFCs growth is expected to moderate to 13-15% in FY20 given the continued liquidity crisis and competitive pressure, especially from private banks and potentially from large PSU banks. Aggravating the difficulties will be a likely pressure on the asset quality front due to the weak operating environment (slowdown in the real estate sector), with overall NPAs expected to shoot up to 1.8% in the medium term as against present 1.4%. From a funding mix perspective HFCs have relied heavily on securitisation as their preferred source of financing following the liquidity squeeze, along with raising long-term funds from banks and capital markets at higher cost to maintain ALM. Relatively lower reliance on short-term borrowings while maintaining on-balance sheet liquidity is expected to impact the profitability of the sector. Increase in cost of funds and asset quality pressure will result in margins declining and moderation of profit levels to 14 per cent levels in FY19 and FY 20, from 18 per cent in the year-ago period. However, the proposed National Housing Bank amendments in capital adequacy, deposit mobilisation and leverage norms are positives for HFCs.

Financial Performance

Rs. Bn

TCHFL (Standalone)

Particulars	H1 FY19	H1 FY18	% Chg.
NII + Fee-income	2.7	2.6	5.0
Total Income	11.3	9.3	21.2
Networth	4.78	N.A.	-
Total Assets	236.4	N.A.	-
Operating Exp. (excl. Int)	1.6	1.3	25.6
PAT	0.2	0.4	(54.0)
Debt/Equity (x)*	12.14	N.A.	-
Cost to income (%)	51.82	45.69	-

*Debt includes interest accrued but not due

Financial Performance

Rs. Bn

Tata Capital (Consolidated)

Particulars	FY18	FY17	% Chg.
AUM	614.5	518.4	18.54
Net Worth	66.5	62.0	7.26
Total debt	533.1	446.2	19.48
Total Assets	640.8	536.2	19.51
Total Income	70.2	63.2	11.08
Operating Exp. (excl. Int)	18.8	19.8	(4.90)
PAT	7.8	4.6	68.88
Cost to Income ratio (%)	56.1	69.4	-
Debt/ Equity (Times)	8.02	7.20	-
RONW (%)	12.2	7.9	-
ROA (%)	1.3	0.9	-
GNPA (%)	2.4	3.4	-
NNPA (%)	0.7	0.9	-

Source: Company Reports, As per Ind-AS wherever applicable

Key Credit Drivers:

Expectation of strong support from ultimate parent, Tata Sons Pvt Limited: TCL group, including TCHFL, is expected to continue to receive strong support from the ultimate parent, Tata Sons. This is on account of Tata Sons' majority ownership in the TCL group as well as the increasing strategic focus of the Tata group on the financial services business. Tata Sons directly holds 93.22% in TCL with the rest of the stake being held by the other Tata group companies and trusts. TCL's Board also has representation from Tata Sons. Tata Sons has infused equity capital of around Rs.40.5 billion in TCL since TCL's inception- of this, Rs. 12.5 billion has come in FY19 given the increasing focus on the lending business.

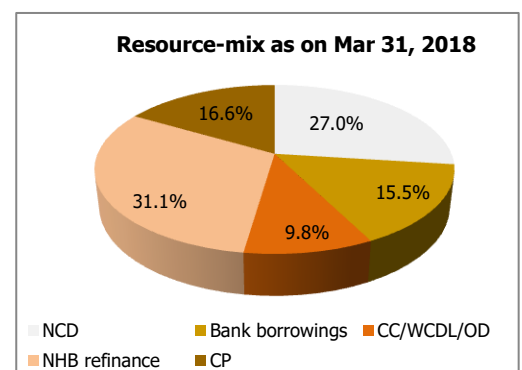
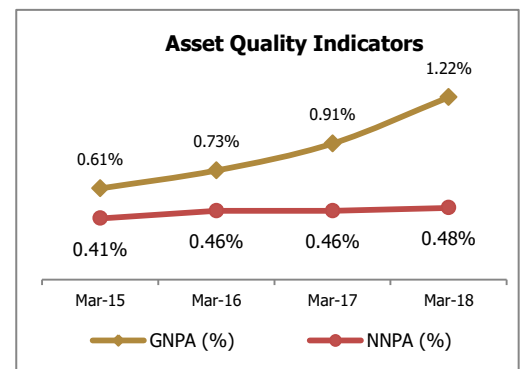
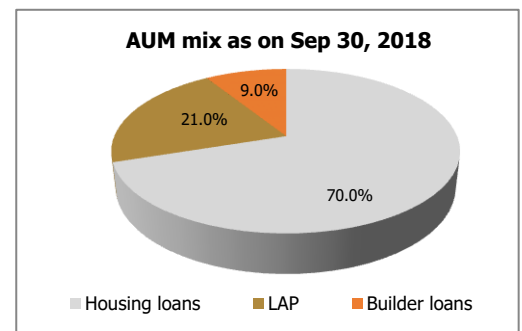
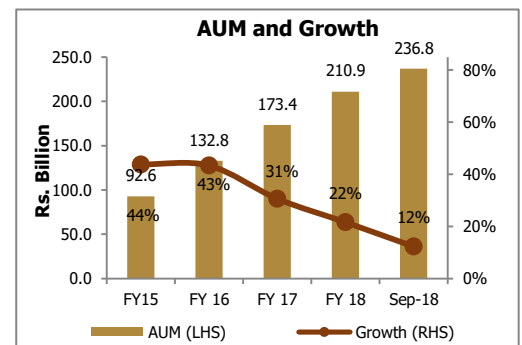
TCL group has the main non-captive lending entities in the group and, given the long-term growth opportunities in this space, will remain critical to the Tata Group. The strategic importance of these entities is further enhanced given the role played in catering to the funding requirements of the group's suppliers, vendors, and dealers. There are also strong business, brand and infrastructural synergies within the group. Given the expectation of the continued majority ownership and management control, TCL group is expected to continue to receive strong support from Tata Sons.

Well-diversified portfolio mix: TCL group has sizeable assets under management (AUM) and a well-diversified product portfolio across retail and wholesale segments. On a consolidated basis, AUM stood at Rs 705.2 billion as on Sep 30, 2018. TCHFL has shown robust growth in advances with a CAGR of ~32% from FY15-FY18 with AUM reaching Rs. 210.9 billion as on March 31, 2018. As on Sep 30, 2018, TCHFL's AUM stood at Rs 236.8 billion, of which 70% was towards home loans (average ticket size ~Rs 2.6 million), 21% home equity/loans against property (average ticket size ~Rs 4.5 million) and the rest 9% towards builder loans (average ticket size ~Rs 100-120 million). The company has increased its focus on Tier 2/Tier 3 cities with increased thrust on affordable housing segment. Within these locations, the company is targeting customers in the affordable home segment (ticket sizes less than Rs. 1.5 million). Given the increase in the supply in the housing market and demand holding up and increased thrust by the Government on the affordable housing segment, the company's growth prospects should remain good.

Average asset quality: TCL group's asset quality is average, but is expected to improve going ahead with the group exiting segments such as infrastructure lending in which they have faced asset quality challenges in the past, as well as the strengthening of the risk management infrastructure. On a consolidated basis, TCL group's gross NPAs and net NPAs stood at 2.4% and 0.7% respectively as on Mar 31, 2018, lower than the 3.4% and 0.9% respectively as on Mar 31, 2017. TCHFL's gross NPA, while remaining moderate, has inched up to 1.5% per Ind-AS as on Sep 30, 2018 as against 1.2% Mar 31, 2018 and 0.9% as on Mar 31, 2017. Given TCHFL's strong growth, the impact of seasoning will be visible only over the medium term.

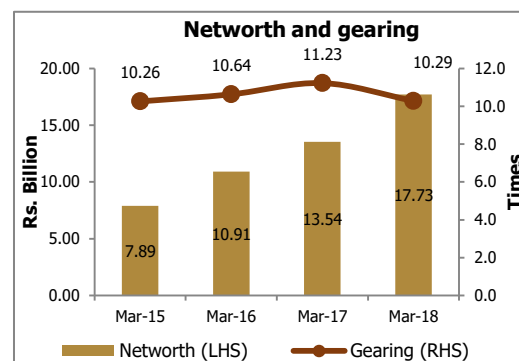
Comfortable resource profile: TCL group has a diversified resource profile with a mix of non-convertible debentures (NCDs), bank borrowings and short term debt. Its diverse investor base comprises a number of banks, mutual funds, insurance companies and high networth individuals. Additionally, Tata Capital has the ability to mobilise debt at competitive costs, given its association with the Tata group. TCHFL's resource profile is fairly balanced, with a mix of bank borrowings and capital market instruments like NCDs and short-term debt. As on Dec 31, 2018, total borrowings stood at Rs 22.12 billion, of which 30% were via term loans, followed by 27% from NHB funding, 21% NCDs, 14% from commercial paper and 8% via working capital facilities.

Healthy capitalization, supported by regular infusion from parent: TCL group has healthy capitalization, with consolidated networth (IGAAP) of Rs 66.5 billion as Mar 31, 2018. TCL group's consolidated gearing stood at 8.0 times as on March 31, 2018. The capital infusion in FY19 has further strengthened the group's capital position. As on Sep 30, 2018, TCHFL remains adequately capitalized with an overall CAR of 15.7%. The gearing of TCHFL (after adjusting for compulsorily convertible cumulative preference shares that is being treated as debt with the introduction of IND-AS) stood at 12 times as on the same date. TCL group is adequately capitalized to absorb asset-side risks as well.



While the group is expected to grow at a healthy pace, its capitalization is expected to remain comfortable, given Tata Sons' commitment to support growth in the financial services business.

Average earnings profile: TCL group's profitability has been impacted in the past by higher credit costs, but is on an improving trend. Net interest margins (based on total income) have been steady at over 5% for the past 3 years. Reduction in credit costs in FY18 led to an increase in the consolidated return on assets (RoA) to 1.3% from 0.9% (reported; excluding impact of one-time write-offs through reserves) in FY17. TCHFL's RoA remained relatively steady at 1.1% in FY18 as compared to 1.2% (reported) last year. For half year ending Sep 30, 2018, TCHFL's RoA (annualised) reduced to 0.16% mainly due to adoption of Ind-AS wherein CCCPS is recognized as debt and the dividend on CCCPS and dividend tax thereon has been classified as finance costs. The half yearly results have also been affected by impact of Effective Interest Rate (EIR) method on financial instruments and calculation of impairment allowances on financial instruments at amortized costs over the life of such instruments. With expected improvement in asset quality, earnings metrics are also expected to move up. The healthy provision coverage ratio is also expected to support profitability.



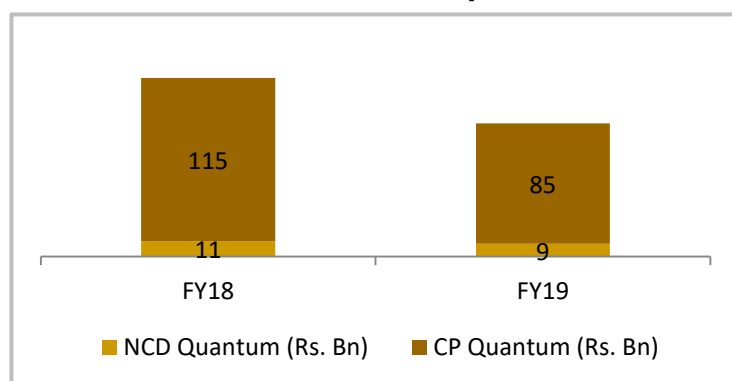
Adequate liquidity profile: The liquidity position of TCHFL remains adequate. Asset Liability Maturity (ALM) statement as of Sep 30, 2018 shows marginal mismatches across the short term maturity buckets and positive cumulative mismatches across all the other buckets (inflows including committed bank lines). As on Dec 31, 2018, the company had Rs 29.5 billion coming for debt repayment till Mar 31, 2019. Against that, it had cash/mutual fund investments of Rs 3.4 billion and available sanctioned but unutilised lines of credit of Rs 26.6 billion. TCHFL has maintained the same run rate of disbursements throughout FY19 till now, and disbursed about Rs 78.8 billion till end Dec 2018.

Experienced management: The company has a competent and experienced management team, with a mix of senior management team from Tata Group and experienced professionals. The management operates across the risk spectrum in terms of its business segments- ranging from the relatively higher risk wholesale book to the low risk home loan business. TCHFL also has eminent board members with diverse experience.

Board of Directors

Name	Designation
Mr. Anil Kaul	Managing Director
Mr. Ankur Verma	Non-Executive Director
Mr. Rajiv Sabharwal	Non-Executive Director
Mr. Mehernosh B. Kapadia	Independent Non-Executive Director
Ms. Anuradha Thakur	Independent Non-Executive Director

NCD & CP Issuances over the last 5 years



Source: NSDL, Prime Database

Latest Issuance:

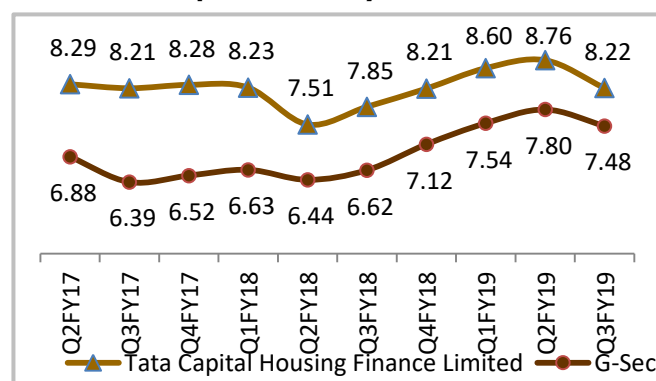
Name	Type	Date	Tenor	Coupon (%)	Quantum (Rs. Bn)
TCHFL (Primary)	Secured	May 27, 2019	2 years 1 month	Zero Coupon	0.5
TCHFL (Primary)	Secured	May 21, 2019	1 year 1 month	Zero Coupon	1.25
TCHFL (Primary)	Secured	March 19, 2019	1 year 3 months	8.1650 p.a.	5.8

Source: NSDL

Other Information:

Auditor	BSR & Co. LLP
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Credit spread over 3 year G-sec



Source: NSDL, Prime Database

Financials: (Standalone as per IGAAP)

Profit & Loss Statement

Particulars (in Bn.)	FY16	FY17	FY18
Operating Income	12.55	17.08	19.49
Other Income	0.10	0.18	0.79
Total Income	12.65	17.26	20.28
Employee Cost	0.74	1.04	1.14
Operating & Establishment Expenses	0.56	0.61	0.74
Administrations & Other Expenses	0.35	0.45	0.55
Provisions and Contingencies	0.45	0.79	1.80
Miscellaneous Expenses	0.47	0.82	1.83
Total Expenditure	2.11	2.93	4.27
Operating Profit	10.54	14.33	16.00
Interest	8.79	11.57	12.67
Depreciation	0.02	0.03	0.04
Profit Before Taxation & Exceptional Items	1.73	2.73	3.29
Profit Before Tax	1.73	2.73	3.29
Provision for Tax	0.60	0.95	1.15
Profit After Tax	1.13	1.78	2.14

Key Ratios

Particulars	FY16	FY17	FY18
Spread Analysis			
Interest Earned/ Avg. Assets (%)	11.22	11.25	10.28
Interest Expended/ Avg. Assets (%)	7.73	7.50	6.58
Net Interest Margin (NIM (%))	3.50	3.75	3.70
Operational & Financial Ratios			
Earnings Per Share (Rs)	2.63	0.00	5.28
DPS(Rs)	0.00	0.00	0.00
Book Value (Rs)	17.06	19.24	23.92
Performance Ratios			
ROA (%)	1.00	1.16	1.12
ROE (%)	27.91	38.75	39.18
Financial Stability Ratios			
Total Debt/Equity(x)	10.64	11.23	10.29

Peer Comparison as on March 31, 2018

Particulars (in Bn.)	TCHFL	Repco Home	ICICI home
Total Income	20.28	11.08	9.76
NII	7.00	4.29	2.89
PAT	2.14	2.06	0.64
Equity*	17.73	13.28	16.13
Debt	182.45	81.37	81.81
CRAR (%)	17.22	21.30	27.00
GNPA (%)	1.22	2.60	1.60
NNPA (%)	0.48	1.40	0.70
ROE (%)	39.18	16.72	4.05
ROA (%)	1.12	2.17	0.65
Leverage (x)	10.29	6.13	5.15

Source: Company Reports, ACE Equity, Figures are on standalone basis, *Equity is adjusted for any miscellaneous expenditure written off and revaluation reserves and hence, there would be difference in reported networth and equity capital

Information Source: Ace Equity, Company Reports, IBEF, NSDL, Prime Database, Bloomberg, Thomson Reuters, Rating Agencies, CRISIL

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Balance Sheet

Particulars (in Bn.)	FY16	FY17	FY18
EQUITY AND LIABILITIES			
Share Capital	9.12	10.77	13.78
Shareholder's Funds	10.91	13.54	17.73
Long-Term Borrowings	78.67	86.57	104.11
Other Non-Current Liabilities	1.73	2.99	4.62
Total Non-Current Liabilities	80.40	89.56	108.73
Other Current Liabilities	15.65	35.36	29.40
Short Term Borrowings	25.68	35.79	54.07
Total Current Liabilities	41.33	71.15	83.47
Total Liabilities	132.64	174.26	209.94
ASSETS			
Net Block	0.12	0.14	0.19
Capital Work in Progress	0.01	0.01	0.02
Other fixed assets	0.01	0.03	0.07
Non-Current Investments	0.00	0.02	0.03
Long Term Loans & Advances	131.01	171.65	207.03
Other Non-Current Assets	0.39	0.01	0.01
Total Non-Current Assets	131.53	171.86	207.35
Cash and Bank	0.31	0.83	0.69
Other Current Assets	0.26	0.30	0.36
Short Term Loans and Advances	0.54	0.83	1.12
Total Current Assets	1.11	1.96	2.17
Miscellaneous Expenses not written off	0.00	0.43	0.42
Total Assets	132.64	174.26	209.94

Cash flow Statement

Particulars (in Bn.)	FY16	FY17	FY18
Profit Before Tax	1.73	2.73	3.29
Adjustment	8.92	-4.16	-4.64
Depreciation	0.02	0.03	0.04
Dividend Received	0.00	0.00	0.00
Interest Income	-0.17	-16.34	-18.50
Provision & Written Off	0.27	0.34	0.19
Bad debts irrecoverable written off	0.00	0.00	0.00
Provision for doubtful debts & advances	0.19	0.45	1.19
Other Adjustments	8.61	11.36	12.45
Changes in working Capital	-39.09	-38.96	-34.76
Cash Flow after changes in Working Capital	-28.44	-40.38	-36.11
Tax Paid	-0.61	-0.94	-1.27
Extra & Other Item	-7.26	-10.66	-13.48
Cash From Operating Activities	-36.31	-51.98	-50.86
Cash Flow from Investing Activities	-0.07	15.99	18.07
Purchase of Fixed Assets	-0.08	-0.08	-0.14
Sale of Fixed Assets	0.00	0.00	0.00
Purchase of Investment	-54.54	-40.39	-86.45
Sale of Investments	54.56	40.38	86.47
Investment in Subsidiaries	0.00	0.00	0.00
Dividend Income	0.00	0.00	0.00
Interest Income	0.00	16.09	18.19
Other Investment Activities	0.00	0.00	0.00
Cash from Financing Activities	36.45	36.50	32.65
Net proceeds from borrowings & pref. shares	37.40	37.30	33.62
Net proceeds Equity Share Capital	0.00	0.00	0.00
Other Financial Activities	-0.95	-0.80	-0.97
Net Cash Inflow / Outflow	0.07	0.52	-0.14
Opening Cash & Cash Equivalents	0.25	0.31	0.83
Closing Cash & Cash Equivalent	0.31	0.83	0.69