

Tata Capital | ADD

Strong and In-line quarter

Tata Capital reported a strong PAT growth of ~20%/13% YoY/QoQ, ~2% lower than JMFe driving RoA/RoE (calc.) to ~1.9%/12.2%. AUM growth inched up to ~18%/7% YoY/QoQ driven by strong disbursement growth of ~30%/13% YoY/QoQ. However, interest income growth continues to lag AUM growth for 3rd consecutive quarter, implying pressure on yield (down ~12bps QoQ and ~72bps since 4QFY25). Yield compression is mostly due to higher growth in corporate/SME portfolio (corporate/SME AUM up ~20%/10% QoQ vs. 7% for overall book). Despite this, NIM expanded by ~25bps QoQ due to further decline in CoF (by 23bps QoQ), also aided by incoming primary capital. Non-interest income was down ~4% QoQ due to lower assignment income. C/I ratio moderated ~130bps QoQ (ex-impact of new labour code). Asset quality improved with decline in slippages/write-offs and moderation in credit cost by 10bps to ~1.2%. The management reiterated all its guidance given in the inaugural earnings call. We broadly maintain our estimates, and build in EPS CAGR of ~33% during FY26-28E with average RoA/RoE of ~2.1%/15% in FY27/28E (BAF/CIFC- EPS CAGR: ~27%/25%, RoA: ~4.2%/2.7%; RoE: ~22%/20% during same period). We maintain ADD with revised TP of INR385 (INR380 earlier), valuing it at ~2.7/19xFY28 BVPS/EPS (vs. ~4.2/20x for BAF and ~3.2/18x for CIFC).

- AUM growth picks up:** The company recorded its highest-ever quarterly AUM addition of ~INR 168bn in Q3FY26 (vs. INR 64bn in 2Q), driven largely by festive-led demand and GST rate cuts. Disbursements increased +30%/13% YoY/QoQ, reflecting healthy traction across corporate, SME and retail segments. Motor finance disbursements grew +17% QoQ, even as AUM declined ~6% QoQ, in line with management's conscious strategy of portfolio clean-up. Management expects motor finance growth to normalise from H1FY27. **We build in average AUM growth of ~21-22% over FY27E/28E.**
- NIM expansion despite pressure on yields; efficiency gains are incremental:** Profitability improved modestly during the quarter. NIMs expanded ~25bps sequentially, supported by decline in cost of funds by 23bps, aided by incoming primary capital. However, interest income growth continues to lag AUM growth, implying pressure on yield (down ~12bps QoQ and ~72bps since 4QFY25) mostly due to higher growth in corporate/SME portfolio. Motor finance achieved breakeven in Q3FY26, which is a positive operational milestone, though meaningful profitability from the segment is still some distance away. Housing finance continued to deliver superior returns with RoA of ~2.4%, supported by strong asset quality and cost discipline.
- Comfortable asset quality trends with moderation in credit costs:** Asset quality continued to remain stable, with credit cost declining sequentially by ~10bps to ~1.2%. Slippages moderated across most portfolios, including unsecured retail, where stress levels appear to have peaked earlier. Marginal uptick in Stage 3 within motor finance was attributable to book rundown rather than fresh stress formation. Housing finance asset quality remained best-in-class with minimal slippages and very low credit costs. **We model average credit cost of 1.0% over FY27E/28E.**
- Valuation:** We believe the quarter reflects steady execution and improving business quality, supported by: a) Stable AUM growth visibility of ~21-22% over FY27-FY28; b) Gradual improvement in RoA as operating leverage, cost efficiency and motor finance normalisation play out; c) Strong capital position and comfortable liquidity buffer. **We broadly maintain our estimates for FY26E/27E, and build in average RoA/RoE of 1.9%/14% respectively. We value the stock at ~2.7x/19x FY28 BVPS/EPS and revise our TP to INR 385. Maintain ADD.**



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Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	385
Upside/(Downside)	6.9%
Previous Price Target	380
Change	1.3%

Key Data – TATACAP IN

Current Market Price	INR360
Market cap (bn)	INR1,529.2/US\$16.8
Free Float	12%
Shares in issue (mn)	4,231.9
Diluted share (mn)	
3-mon avg daily val (mn)	INR1,510.3/US\$16.6
52-week range	365/315
Sensex/Nifty	83,246/25,586
INR/US\$	90.9

Price Performance

%	1M	6M	12M
Absolute	11.2	0.0	0.0
Relative*	13.4	0.0	0.0

* To the BSE Sensex

Financial Summary					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	33,270	36,550	49,596	68,706	87,193
Net Profit (YoY) (%)	12.9%	9.9%	35.7%	38.5%	26.9%
Assets (YoY) (%)	30.3%	40.6%	20.3%	20.9%	21.4%
ROA (%)	2.1%	1.7%	1.8%	2.1%	2.2%
ROE (%)	16.3%	13.3%	13.0%	14.3%	15.6%
EPS	9.0	9.3	11.7	16.2	20.6
EPS (YoY) (%)	7.0%	3.1%	26.5%	38.5%	26.9%
P/E (x)	40.1	38.9	30.7	22.2	17.5
BV	63	80	106	122	142
BV (YoY) (%)	27.9%	25.8%	32.8%	15.4%	16.9%
P/BV (x)	5.69	4.53	3.41	2.95	2.53

Source: Company data, JM Financial. Note: Valuations as of 19/Jan/2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Tata Capital – 3QFY26 Performance

Exhibit 1. Tata Capital 3QFY26 Results snapshot

Earnings Table (INR mn)	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	3Q26E	A/E (%)
Net Interest Income	27,498	30,040	33,148	20.5%	10.3%	32,158	3.1%
Total Non-Interest income	5,259	7,701	7,365	40.0%	-4.4%	8,283	-11.1%
Total Income	32,757	37,741	40,513	23.7%	7.3%	40,441	0.2%
Employee Cost	6,505	7,220	7,343	12.9%	1.7%		
Other expenses & Depreciation	6,997	7,754	8,202	17.2%	5.8%		
Total Operating Expenses	13,502	14,974	15,546	15.1%	3.8%	15,193	2.3%
Operating Profit (PPP)	19,255	22,767	24,967	29.7%	9.7%	25,248	-1.1%
Total Provisions	5,112	7,732	7,589	48.5%	-1.8%	8,042	-5.6%
PBT	14,147	15,070	16,947	19.8%	12.5%	17,206	-1.5%
Tax	3,643	3,881	4,300	18.0%	10.8%	4,353	-1.2%
Reported Profit	10,504	11,190	12,647	20.4%	13.0%	12,853	-1.6%
Balance Sheet Data (INR bn)							
Gross loans	NA	2,399.6	2,571.4	NA	7.2%	2,514.0	2.3%
Disbursements	NA	399.2	451.1	NA	13.0%	455.1	-0.9%
Ratios Analysis (%)							
Cost to Income (%)	41.2%	39.7%	38.4%	(285) bps	(130) bps	37.6%	80 bps
Yield on Loans (Calc.)	14.9%	12.0%	11.9%	(302) bps	(14) bps	12%	(20) bps
Cost of Funds (Calc)	8.9%	7.5%	7.3%	(160) bps	(23) bps	7.4%	(14) bps
NIMs on loans	6.2%	5.1%	5.3%	(90) bps	26 bps	5%	10 bps
Gross S3 (%)	NA	2.20%	2.20%	NA	0 bps	2%	3 bps
Net S3 (%)	NA	1.06%	1.04%	NA	(2) bps	1.05%	(1) bps
Coverage	NA	52.8%	53.6%	NA	80 bps	53%	80 bps
Capital Adequacy (%)							
Tier I (%)	NA	13.8%	16.9%	NA	310 bps		
CAR (%)	NA	17.3%	20.3%	NA	300 bps		
Return ratios (%)							
ROA (%)	2.2%	1.8%	1.9%	(27) bps	16 bps	1.9%	(2) bps
ROE (%)	16.0%	12.4%	12.2%	(384) bps	(20) bps	12.3%	(19) bps

Source: Company, JM Financial

Exhibit 2. Gross loan growth was strong on the back of disbursement

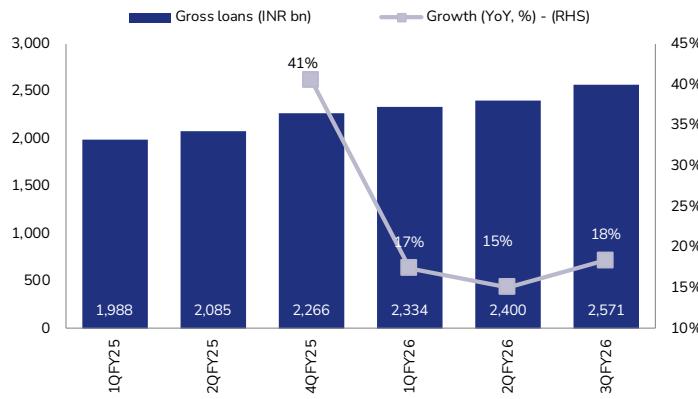
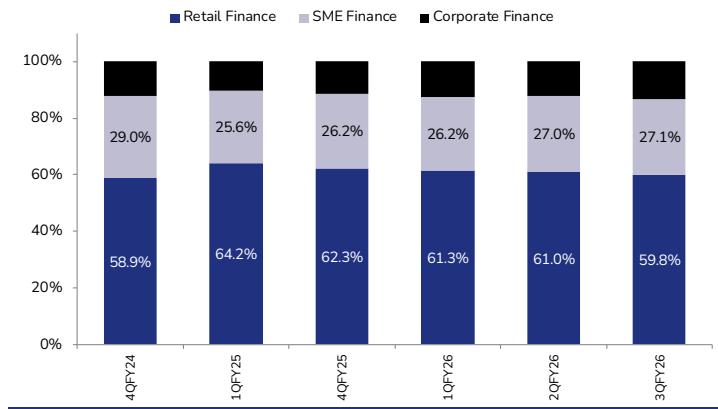
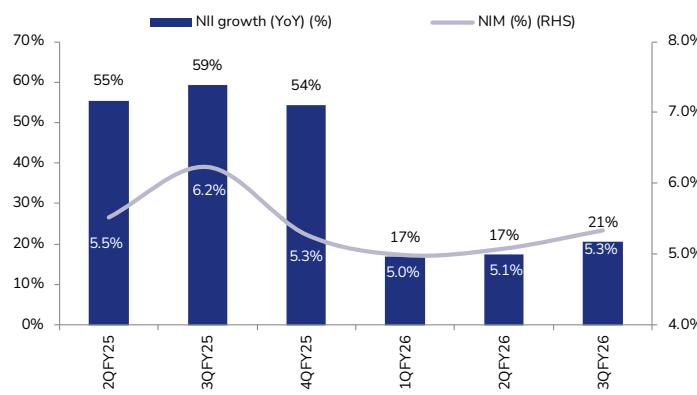


Exhibit 3. SME mix is gradually inching up

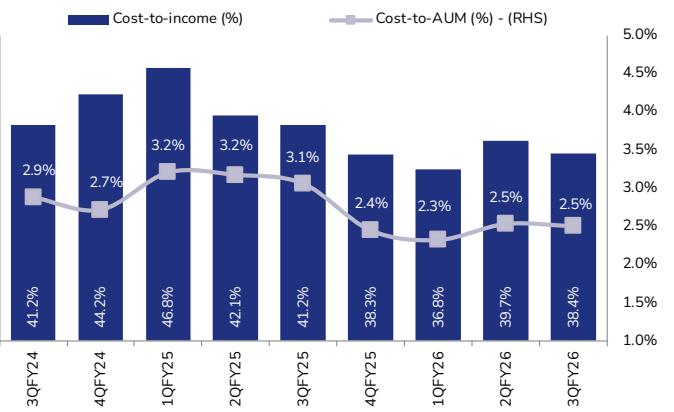


Source: Company, JM Financial

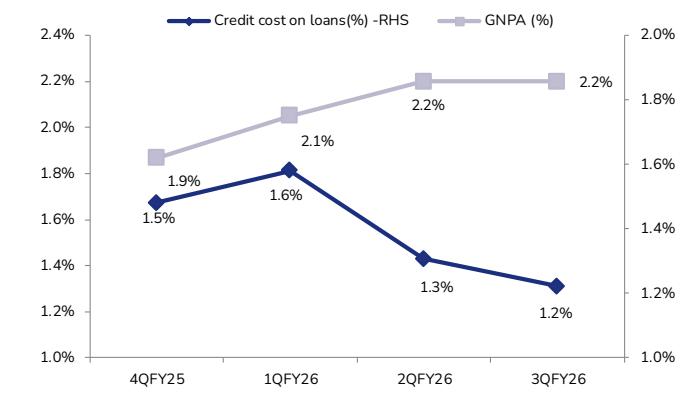
Source: Company, JM Financial

Exhibit 4. NIM improved sequentially led by moderating cost of fund

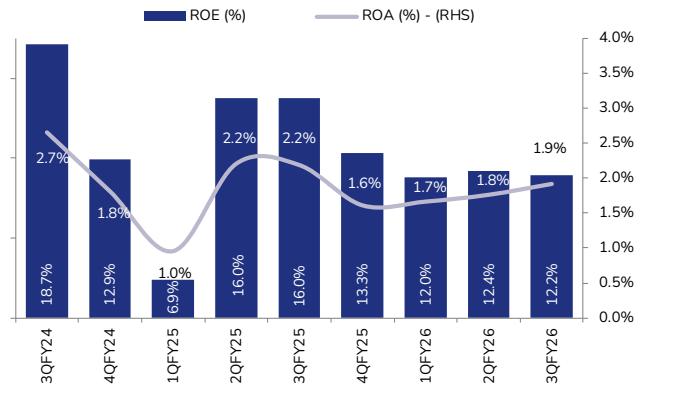
Source: Company, JM Financial

Exhibit 5. Cost ratios improve as operating leverage kicks in

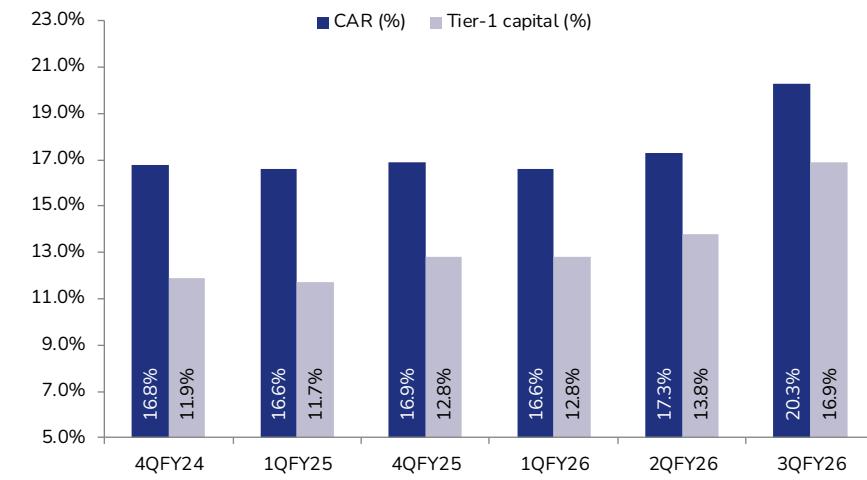
Source: Company, JM Financial

Exhibit 6. Moderation in credit cost driven by improving assets quality

Source: Company, JM Financial

Exhibit 7. RoA inched-up with improving profitability

Source: Company, JM Financial

Exhibit 8. Adequate capital levels

Source: Company, JM Financial

Exhibit 9. Change in estimates

Particulars	New estimates			Old estimates			Change in estimates		
	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Recommendation	ADD			ADD			1.4%		
Target price (INR)	385			380			1.4%		
Assumptions									
AUM (INR bn)	2,730	3,303	4,027	2,673	3,216	3,904	2%	3%	3%
YoY growth	20%	21%	22%	18%	20%	21%	249bps	70bps	55bps
Net interest margins (calculated) (%)	5.1%	5.2%	5.2%	5.1%	5.2%	5.3%	5bps	-1bps	-10bps
Opex as a % of AUM	2.4%	2.3%	2.3%	2.4%	2.4%	2.4%	2bps	-6bps	-5bps
Credit cost (%)	1.3%	1.0%	1.0%	1.3%	1.1%	1.0%	0bps	-7bps	-6bps
Output									
Net revenues (INR bn)	158.27	193.61	237.66	157.30	193.85	237.99	1%	0%	0%
Operating profit (INR bn)	98.20	123.11	152.83	98.41	123.36	153.84	0%	0%	-1%
Profit after tax (INR bn)	49.60	68.71	87.19	50.44	67.56	86.96	-2%	2%	0%
EPS INR	11.7	16.2	20.6	12.0	16.0	20.6	-2%	1%	0%
Adjusted BVPS (INR)	106	122	142	107	123	144	-2%	-1%	-1%
RoA (%)	1.8%	2.1%	2.2%	1.9%	2.1%	2.2%	-5bps	0bps	-5bps
RoE (%)	13.0%	14.3%	15.6%	13.2%	13.9%	15.4%	-13bps	37bps	15bps

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)					Balance Sheet		(INR mn)				
Y/E March		FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March		FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income (NII)		67,982	106,901	127,552	157,419	190,016	Equity Capital		37,031	37,624	42,319	42,319	42,319
Non Interest Income		18,319	26,501	30,722	36,196	47,647	Reserves & Surplus		197,141	276,214	404,561	473,267	560,460
Total Income		86,302	133,402	158,274	193,615	237,663	Stock option outstanding		0	0	0	0	0
Operating Expenses		36,343	55,923	60,070	70,509	84,831	Borrowed Funds		1,481,853	2,084,149	2,456,883	3,005,588	3,685,092
Pre-provisioning Profits		49,959	77,480	98,204	123,106	152,832	Deferred tax liabilities		0	0	0	0	0
Loan-Loss Provisions		5,923	28,268	31,419	31,185	35,855	Preference Shares		50,916	86,663	86,292	92,540	99,412
Others Provisions		0	0	0	0	0	Current Liabilities & Provisions		0	0	0	0	0
Total Provisions		5,923	28,268	31,419	31,185	35,855	Total Liabilities		1,766,940	2,484,650	2,990,055	3,613,713	4,387,283
PBT		44,036	49,211	66,785	91,920	116,977	Net Advances		1,577,606	2,219,504	2,674,410	3,235,744	3,945,603
Tax		10,651	12,635	16,798	23,270	29,845	Investments		87,328	98,664	121,351	146,822	179,032
PAT (Pre-Extra ordinaries)		33,385	36,576	49,987	68,651	87,133	Cash & Bank Balances		72,382	109,828	95,545	132,114	161,097
Extra ordinaries (Net of Tax)		-116	-26	-390	55	61	Loans and Advances		0	0	0	0	0
Reported Profits		33,270	36,550	49,596	68,706	87,193	Other Current Assets		0	0	0	0	0
Dividend		0	0	0	0	0	Fixed Assets		11,956	20,160	24,192	29,030	34,836
Retained Profits		33,270	36,550	49,596	68,706	87,193	Miscellaneous Expenditure		0	0	0	0	0

Source: Company, JM Financial

Key Ratios		Dupont Analysis											
Y/E March		FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March		FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)							NII / Assets		4.35%	5.03%	4.66%	4.77%	4.75%
Borrowed funds		30.7%	40.6%	17.9%	22.3%	22.6%	Other Income / Assets		1.17%	1.25%	1.12%	1.10%	1.19%
Advances		35.1%	40.7%	20.5%	21.0%	21.9%	Total Income / Assets		5.53%	6.28%	5.78%	5.86%	5.94%
Total Assets		30.3%	40.6%	20.3%	20.9%	21.4%	Cost / Assets		2.33%	2.63%	2.19%	2.14%	2.12%
NII		28.0%	57.2%	19.3%	23.4%	20.7%	PPP / Assets		3.20%	3.64%	3.59%	3.73%	3.82%
Non-interest Income		6.1%	44.7%	15.9%	17.8%	31.6%	Provisions / Assets		0.38%	1.33%	1.15%	0.94%	0.90%
Operating Expenses		36.0%	53.9%	7.4%	17.4%	20.3%	PBT / Assets		2.82%	2.31%	2.44%	2.78%	2.92%
Operating Profits		14.5%	55.1%	26.7%	25.4%	24.1%	Tax rate		24.2%	25.7%	25.2%	25.3%	25.5%
Core Operating profit		0.0%	0.0%	0.0%	0.0%	0.0%	ROA		2.14%	1.72%	1.83%	2.08%	2.18%
Provisions		3.1%	377.3%	11.1%	-0.7%	15.0%	Leverage		7.6	7.8	7.1	6.9	7.2
Reported PAT		12.9%	9.9%	35.7%	38.5%	26.9%	ROE		16.3%	13.3%	13.0%	14.3%	15.6%
Yields / Margins (%)							Source: Company, JM Financial						
Interest Spread		4.31%	4.48%	4.70%	4.79%	4.80%							
NIM		4.83%	5.09%	5.11%	5.22%	5.18%							
Profitability (%)													
ROA		2.13%	1.72%	1.81%	2.08%	2.18%							
ROE		16.3%	13.3%	13.0%	14.3%	15.6%							
Cost to Income		42.1%	41.9%	38.0%	36.4%	35.7%							
Asset quality (%)													
Gross NPA		1.47%	1.87%	2.05%	2.13%	2.14%							
LLP		0.42%	1.35%	1.26%	1.03%	0.98%							
Capital Adequacy (%)													
Tier I		11.90%	12.80%	0.00%	0.00%	0.00%							
CAR		16.80%	16.90%	0.00%	0.00%	0.00%							

Source: Company, JM Financial

History of Recommendation and Target Price				Recommendation History
Date	Recommendation	Target Price	% Chg.	
29-Oct-25	Add	370		

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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