

# 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 3<sup>rd</sup> 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 ~2.7/19x FY28 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

(INR mn)

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.

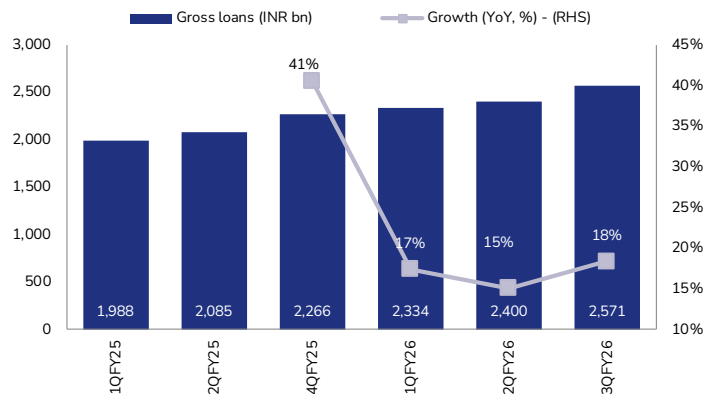
## Tata Capital – 3QFY26 Performance

### Exhibit 1. Tata Capital 3QFY26 Results snapshot

Earnings Table (INR mn)	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	3Q26E	A/E (%)
<b>Net Interest Income</b>	<b>27,498</b>	<b>30,040</b>	<b>33,148</b>	<b>20.5%</b>	<b>10.3%</b>	<b>32,158</b>	<b>3.1%</b>
Total Non-Interest income	5,259	7,701	7,365	40.0%	-4.4%	8,283	-11.1%
<b>Total Income</b>	<b>32,757</b>	<b>37,741</b>	<b>40,513</b>	<b>23.7%</b>	<b>7.3%</b>	<b>40,441</b>	<b>0.2%</b>
Employee Cost	6,505	7,220	7,343	<b>12.9%</b>	<b>1.7%</b>		
Other expenses & Depreciation	6,997	7,754	8,202	17.2%	5.8%		
<b>Total Operating Expenses</b>	<b>13,502</b>	<b>14,974</b>	<b>15,546</b>	<b>15.1%</b>	<b>3.8%</b>	<b>15,193</b>	<b>2.3%</b>
<b>Operating Profit (PPP)</b>	<b>19,255</b>	<b>22,767</b>	<b>24,967</b>	<b>29.7%</b>	<b>9.7%</b>	<b>25,248</b>	<b>-1.1%</b>
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%
<b>Reported Profit</b>	<b>10,504</b>	<b>11,190</b>	<b>12,647</b>	<b>20.4%</b>	<b>13.0%</b>	<b>12,853</b>	<b>-1.6%</b>
<b>Balance Sheet Data (INR bn)</b>							
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%
<b>Ratios Analysis (%)</b>							
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
<b>Capital Adequacy (%)</b>							
Tier I (%)	NA	13.8%	16.9%	NA	310 bps		
CAR (%)	NA	17.3%	20.3%	NA	300 bps		
<b>Return ratios (%)</b>							
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

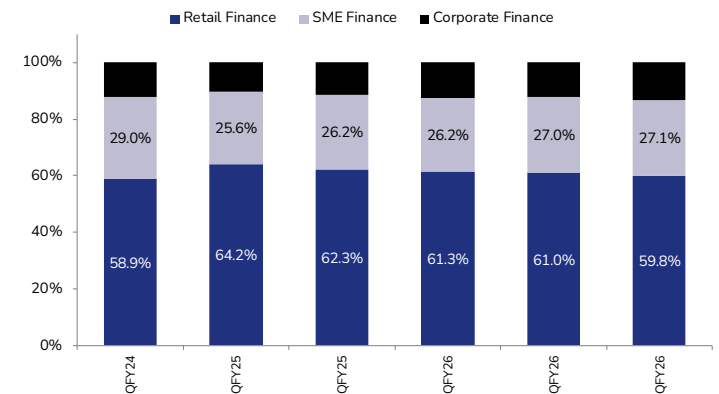
Source: Company, JM Financial

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

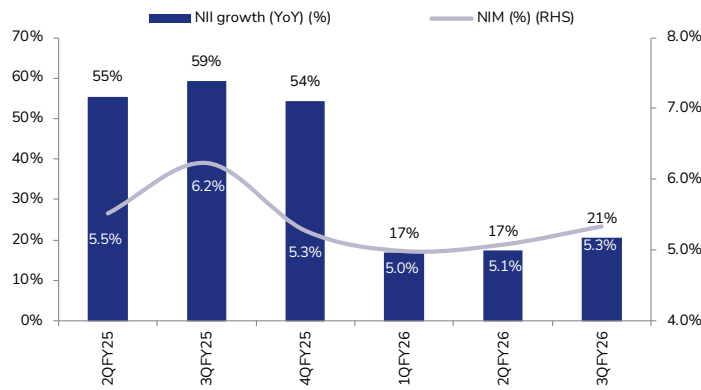


Source: Company, JM Financial

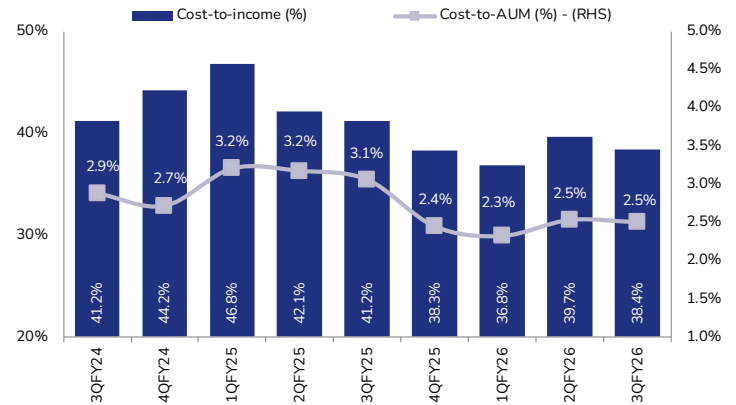
### Exhibit 3. SME mix is gradually inching up



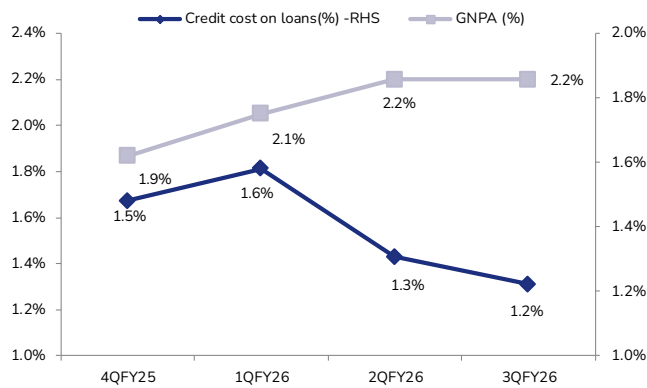
Source: Company, JM Financial

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

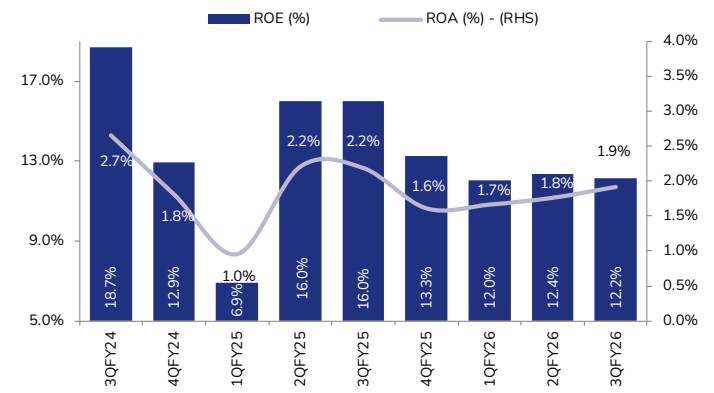
Source: Company, JM Financial

**Exhibit 5. Cost ratios improve as operating leverage kicks in**

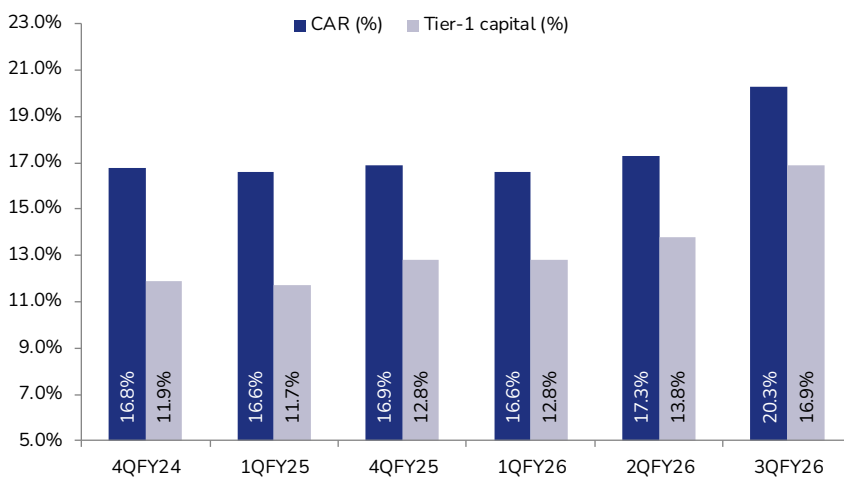
Source: Company, JM Financial

**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
<b>Recommendation</b>	<b>ADD</b>			<b>ADD</b>					
<b>Target price (INR)</b>	<b>385</b>			<b>380</b>			<b>1.4%</b>		
<b>Assumptions</b>									
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
<b>Credit cost (%)</b>	<b>1.3%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.3%</b>	<b>1.1%</b>	<b>1.0%</b>	<b>0bps</b>	<b>-7bps</b>	<b>-6bps</b>
<b>Output</b>									
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%
<b>EPS (INR)</b>	<b>11.7</b>	<b>16.2</b>	<b>20.6</b>	<b>12.0</b>	<b>16.0</b>	<b>20.6</b>	<b>-2%</b>	<b>1%</b>	<b>0%</b>
Adjusted BVPS (INR)	106	122	142	107	123	144	-2%	-1%	-1%
<b>RoA (%)</b>	<b>1.8%</b>	<b>2.1%</b>	<b>2.2%</b>	<b>1.9%</b>	<b>2.1%</b>	<b>2.2%</b>	<b>-5bps</b>	<b>0bps</b>	<b>-5bps</b>
<b>RoE (%)</b>	<b>13.0%</b>	<b>14.3%</b>	<b>15.6%</b>	<b>13.2%</b>	<b>13.9%</b>	<b>15.4%</b>	<b>-13bps</b>	<b>37bps</b>	<b>15bps</b>

Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income (NII)	67,982	106,901	127,552	157,419	190,016
Non Interest Income	18,319	26,501	30,722	36,196	47,647
<b>Total Income</b>	<b>86,302</b>	<b>133,402</b>	<b>158,274</b>	<b>193,615</b>	<b>237,663</b>
Operating Expenses	36,343	55,923	60,070	70,509	84,831
<b>Pre-provisioning Profits</b>	<b>49,959</b>	<b>77,480</b>	<b>98,204</b>	<b>123,106</b>	<b>152,832</b>
Loan-Loss Provisions	5,923	28,268	31,419	31,185	35,855
Others Provisions	0	0	0	0	0
<b>Total Provisions</b>	<b>5,923</b>	<b>28,268</b>	<b>31,419</b>	<b>31,185</b>	<b>35,855</b>
<b>PBT</b>	<b>44,036</b>	<b>49,211</b>	<b>66,785</b>	<b>91,920</b>	<b>116,977</b>
Tax	10,651	12,635	16,798	23,270	29,845
<b>PAT (Pre-Extra ordinaries)</b>	<b>33,385</b>	<b>36,576</b>	<b>49,987</b>	<b>68,651</b>	<b>87,133</b>
Extra ordinaries (Net of Tax)	-116	-26	-390	55	61
<b>Reported Profits</b>	<b>33,270</b>	<b>36,550</b>	<b>49,596</b>	<b>68,706</b>	<b>87,193</b>
Dividend	0	0	0	0	0
<b>Retained Profits</b>	<b>33,270</b>	<b>36,550</b>	<b>49,596</b>	<b>68,706</b>	<b>87,193</b>

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Equity Capital	37,031	37,624	42,319	42,319	42,319
Reserves & Surplus	197,141	276,214	404,561	473,267	560,460
Stock option outstanding	0	0	0	0	0
Borrowed Funds	1,481,853	2,084,149	2,456,883	3,005,588	3,685,092
Deferred tax liabilities	0	0	0	0	0
Preference Shares	50,916	86,663	86,292	92,540	99,412
Current Liabilities & Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>1,766,940</b>	<b>2,484,650</b>	<b>2,990,055</b>	<b>3,613,713</b>	<b>4,387,283</b>
Net Advances	1,577,606	2,219,504	2,674,410	3,235,744	3,945,603
Investments	87,328	98,664	121,351	146,822	179,032
Cash & Bank Balances	72,382	109,828	95,545	132,114	161,097
Loans and Advances	0	0	0	0	0
Other Current Assets	0	0	0	0	0
Fixed Assets	11,956	20,160	24,192	29,030	34,836
Miscellaneous Expenditure	0	0	0	0	0
Deferred Tax Assets	0	0	0	0	0
<b>Total Assets</b>	<b>1,766,940</b>	<b>2,484,650</b>	<b>2,990,055</b>	<b>3,613,713</b>	<b>4,387,283</b>

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Growth (YoY) (%)</b>					
Borrowed funds	30.7%	40.6%	17.9%	22.3%	22.6%
Advances	35.1%	40.7%	20.5%	21.0%	21.9%
Total Assets	30.3%	40.6%	20.3%	20.9%	21.4%
NII	28.0%	57.2%	19.3%	23.4%	20.7%
Non-interest Income	6.1%	44.7%	15.9%	17.8%	31.6%
Operating Expenses	36.0%	53.9%	7.4%	17.4%	20.3%
Operating Profits	14.5%	55.1%	26.7%	25.4%	24.1%
Core Operating profit	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions	3.1%	377.3%	11.1%	-0.7%	15.0%
Reported PAT	12.9%	9.9%	35.7%	38.5%	26.9%
<b>Yields / Margins (%)</b>					
Interest Spread	4.31%	4.48%	4.70%	4.79%	4.80%
NIM	4.83%	5.09%	5.11%	5.22%	5.18%
<b>Profitability (%)</b>					
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%
<b>Asset quality (%)</b>					
Gross NPA	1.47%	1.87%	2.05%	2.13%	2.14%
LLP	0.42%	1.35%	1.26%	1.03%	0.98%
<b>Capital Adequacy (%)</b>					
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

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	4.35%	5.03%	4.66%	4.77%	4.75%
Other Income / Assets	1.17%	1.25%	1.12%	1.10%	1.19%
Total Income / Assets	5.53%	6.28%	5.78%	5.86%	5.94%
Cost / Assets	2.33%	2.63%	2.19%	2.14%	2.12%
PPP / Assets	3.20%	3.64%	3.59%	3.73%	3.82%
Provisions / Assets	0.38%	1.33%	1.15%	0.94%	0.90%
PBT / Assets	2.82%	2.31%	2.44%	2.78%	2.92%
Tax rate	24.2%	25.7%	25.2%	25.3%	25.5%
ROA	2.14%	1.72%	1.83%	2.08%	2.18%
Leverage	7.6	7.8	7.1	6.9	7.2
ROE	16.3%	13.3%	13.0%	14.3%	15.6%

Source: Company, JM Financial

Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	3,703.1	3,946.3	4,231.9	4,231.9	4,231.9
EPS (INR)	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 (INR)	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
DPS (INR)	0.0	0.0	0.0	0.0	0.0
Div. yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company, JM Financial

History of Recommendation and Target Price

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

Recommendation History

## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -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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