



“Tata Capital Limited
Q4 FY '26 Media Conference Call”

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**MANAGEMENT: MR. RAJIV SABHARWAL – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – TATA CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Tata Capital Q4 FY '26 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone.

I now hand the conference over to Mr. Rajiv Sabharwal, Managing Director and CEO of Tata Capital. Thank you and over to you, sir.

Rajiv Sabharwal: Thank you very much. Good evening to everyone and thank you for joining us. Let me start with the macro environment. India's economy delivered a steady growth in FY '26 underpinned by resilient domestic consumption. Inflation moderated for most of the year. RBI continued its easing cycle with a cumulative 125 basis points cut supported by active liquidity management. March being the end of the year also saw peaking of credit demand with system credit expanding at 16% Y-o-Y. This was led by steady demand in retail and select wholesale segments.

Looking ahead, growth momentum could moderate amid a more uncertain external environment. Geopolitical developments happening across the world, particularly in the continuing conflict in West Asia, could carry implications for inflation, energy prices, and global financial conditions. We continue to monitor these developments closely. In parallel, evolving El Niño conditions remain an important watchpoint given their potential to impact food inflation and rural demand. However, on an overall basis, we remain optimistic about the growth for the next year.

Let me now turn to the highlights for the quarter. We are giving our performance both excluding Motor Finance business and then including Motor Finance business. For the performance excluding Motor Finance business, which was the acquisition which we did of Tata Motor Finance, our AUM stood at INR2.52 lakh crores growing 28% on a year-on-year basis and 8% sequentially, driven by momentum across all our business segments.

Profit after tax for the quarter was INR1,459 crores excluding non-recurring items, up 51% year-on-year and 14% up sequentially. This was also supported by lower credit costs with improving asset quality. Our net NPA declined by 10 basis points to 0.5%. Our return on assets improved by ~20 basis points in the quarter to 2.5%. For FY '26, profit after tax excluding non-recurring items grew by 36% with further expansion in return metrics.

Now for the performance including Motor Finance business. Our asset under management stood at INR2.77 lakh crores, up 20.0% year-on-year and up 6.0% sequentially. Credit costs improved to 0.9%, down 30 basis points from quarter 3 of FY '26. Sequentially also, profit after tax, excluding non-recurring items, grew 16.0% to INR1,502 crores. Our net NPA declined 10 basis points and ROA improved by 20 basis points to 2.3%.

Growth over the year remained well-balanced across products. Retail and SME segments today constitute 86% of our total assets under management, reflecting the strength and scale of our core franchise. As of March, our distribution footprint comprised of 1,477 branches across 27 states and union territories, supporting a customer base of over 8.4 million. The extensive

network continues to provide strong on-ground reach and support sustained business momentum.

Our AAA rating continues to support a diversified and stable funding profile. Overall cost of funds declined sequentially by 5 basis points. While we saw some increase in incremental borrowing costs in March, we remain well-positioned to manage funding costs. Liquidity buffers remain strong at approximately INR29,500 crores providing flexibility to pursue growth while managing volatility.

Margins remain stable during the quarter with Net total income at 6.5% in quarter 4, supported by disciplined pricing, a calibrated shift towards high-yielding segments, and a steady growth in fee income. The investments made over the past few years across technology, data, and distribution are now translating into tangible operating leverage.

Productivity, turnaround times, and overall efficiency have improved while headcount growth has remained calibrated and aligned with business requirements. For the year ending FY '26, the cost-to-income stood at 38.3%, an improvement of approximately 335 basis points year-on-year.

On technology front, we continue to scale Artificial Intelligence across the lending value chain. Platforms such as Underwriting Assist, our AI-enabled Voice Hub, and the Document Intelligence Engine are driving meaningful improvements in productivity, operating efficiency, and customer experience.

For instance, Underwriting Assist has reduced credit memo preparation time in our SME business from nearly two days to just 20 minutes, thereby improving productivity of the underwriting team by 30%. We are beginning to see similar tangible benefits across other AI-led initiatives.

Our housing finance business continued its strong performance in quarter four of FY '26 with AUM growth at 29% year-on-year to INR86,653 crores and profit after tax growth of 34% year-on-year. The focus on affordable housing and loans against property continues to support margin expansion and portfolio diversification.

In Motor Finance, we achieved break-even in quarter 3 of FY '26 and profit after tax for quarter 4 was INR43 crores. While we saw AUM declining sequentially in Motor Finance business, it was a conscious strategy to focus more on fitness first and ensure that we get to right profitability metrics before we push the momentum on growth. Portfolio mix diversification, tight risk discipline, and operating model alignment are increasingly reflected in our performance metrics.

To conclude, FY '26 reflects disciplined execution and strong fundamentals across growth, asset quality, and profitability. With sustained momentum across retail and housing, improving performance in the Motor Finance business, and adequate capital buffers, we are well-positioned to deliver on our guidance for FY '28.

With that, we are happy to take questions from all of you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Our first question comes from the line of Saloni Shukla from The Economic Times. Please go ahead.

Saloni Shukla: Hi, sir. Good evening. Sir, just wanted to understand more on the comments that you made pertaining to West Asia. So we've seen more than one month of the impact play out of the war and its impact on the supply chain. So on your clients particularly and the segments that you operate in, could you give some more color on the impact that you're seeing and because it still continues going forward, what impact are you seeing? And then I'll come to my second question.

Rajiv Sabharwal: Thanks, Saloni. So we've been looking at our portfolio in all segments. When we looked at it, we did not find any significant impact. Even marginal we did not see at this point of time. When we talk to clients who are there in the SME or the large corporate side, they have stocks of raw materials and which is helping them tide over this situation.

Similarly, they are saying that raw material is available and they are able to produce. There's been some impact on their cost structures, but as most of them are saying that they are able to pass this on. But otherwise, nobody has spoken about any significant disruption in any way.

Saloni Shukla: Okay. And sir, my last question is that, because since you operate in multiple lines of business, home loans and Motor Finance as well now, MSME, for FY '27 could you elaborate what would be some of the biggest levers of growth for Tata Capital? Thank you so much.

Rajiv Sabharwal: So if you, Saloni, look at our portfolio, about 86% of our business comes from the retail and the SME business. If you look at our growth rate and I will talk about some of the larger segments, if you look at our housing finance company, that's grown at about 29% to 30%. So that growth has been robust and we believe that we will be able to continue the same going forward too.

Similarly, if you look at secured retail for us, that's grown at a growth rate of close to about 28% or so and we expect to have a strong growth in the coming year too. In the SME side, we saw growth picking up in quarter 3 and quarter 4 post the GST reduction which happened. As you also know that there is an increasing demand for working capital cycle. We believe that will also help us to translate that into growth for the coming year. So the SME segment should also provide us with good growth.

Motor Finance was a business which we consciously recalibrated in the last year, but we should start seeing growth happening in that business also from the first half of FY '27. So, I would say if you looked at all our businesses, we should see growth happening everywhere, but some segments will grow more than the others like housing, and within housing, affordable housing will grow at even better pace than overall housing.

Retail secured will see good growth, retail unsecured is also performing well and should see good growth, and the SME segment. All of these segments we expect to accelerate further on growth in the coming years.

Saloni Shukla: Thank you, sir.

- Moderator:** Thank you. Your next question comes from the line of Anirban Nag from Bloomberg. Please go ahead. Anirban, your line is unmuted. Please proceed with your question. As there is no response from the line of current participant, we'll move on to the next question. The next question comes from the line of Shayan Ghosh from Mint. Please go ahead.
- Shayan Ghosh:** Hi, sir. My first question is with regard to this disclosure on credit cost, 14 basis points that you have mentioned here. So this 14 basis points, is it a reduction primarily because of the AI platform? Could you talk about that please?
- Rajiv Sabharwal:** Yes. So two parts to this. When we talk about the reduction in credit costs and if you see our quarter four credit costs are probably amongst the best in the NBFC industry and same is true for the full year's credit costs. I would say two things are helping us here. One is obviously our whole credit engines because we've focused a lot on trying to use analytics far more in our decisioning process which is helping us ensure that our credit costs are low.
- The other is, also I would see the emergence of GenAI in helping us in building out the models for credit because today we not only can use structured but also ingest unstructured data and do it on the go to make decisions. So I would say it's a combination of both, but it's been our strategy to be more conservative in terms of our approach towards credit.
- Shayan Ghosh:** Right. And sir, the statement that our portfolio monitoring platform has helped strengthen risk management and reduce credit cost by 14 basis points in FY '26, so that is attributable to your AI engine, is that correct, that 14 basis points?
- Rajiv Sabharwal:** So I see, I always say, AI is a tool for you which is built on your intelligent processes and your ability to use data and do use data in the real-time basis. So the engine helps us, to do things faster and to use multiple sources of information, but also parallelly the brain behind is the credit policy and the approach which we have in terms of using available data to make credit decisions.
- So AI helps in making it better, but if your credit policies are not strong, if your processes are not strong, then AI may not be able to assist you. So it's a combination of both of them when they work in tandem that you see more benefits coming in.
- Shayan Ghosh:** Okay. And just to clarify that the consolidated annual credit cost reduction from 1.2% to 0.9% between Q3 and Q4...
- Rajiv Sabharwal:** Yes. Yes. Sorry, I couldn't hear your question.
- Moderator:** Shayan sir, could you please repeat your question?
- Rajiv Sabharwal:** Shayan, we are not able to hear you.
- Moderator:** Shayan sir, your line is gone blank. As there is no response from the line of the current participant, we'll move on to our next question. Our next question comes from Archishma Iyer from Moneycontrol. Please go ahead.
- Archishma Iyer:** Yes sir, good evening. I just had a couple of questions, probably one. So I'm presuming this is the first full year of operations after the merger with Tata Motors Finance. I think, that got

operationalized the first quarter after operationalization was Q1. So I just wanted to understand how well has the integration worked out and has it also realized the benefits of the merger in the fiscal year that happened?

Rajiv Sabharwal:

So, thank you so much for the question. Yes, actually we got all our approvals for merger in quarter 1 of FY '26 and we've been working on ensuring that the integration was smooth and also, we could take benefits of the strengths which Tata Motor Finance had built and wherever there was a need to make any changes, so we could make the same.

So in terms of our strategy, it was based on moving away and having more manufacturers with whom we deal with and not be dependent on one single manufacturer. We've moved very well on them. As far as incremental business is concerned, now one-fourth of our business comes from other manufacturers beyond Tata.

We also wanted to change the mix of products so that we can have the right mix between used commercial vehicle, medium and small commercial vehicle, and heavy commercial vehicle. We've moved in that direction too where the proportion of used and medium to small has increased and the proportion of heavy has reduced.

The other was to strengthen our credit processes and you can see the results that we've put our investor presentation and you can see the credit costs which have come down during the year for there. So that strategy has also worked. The other was on integrating the IT system and seeing the benefits on operating efficiency. That have also started to become visible from quarter 4 of this year.

So I would say the overall strategy which we had put in place where we wanted to make this business extremely profitable for us over the next three years, that's very well in motion. In the first year itself, we broke even in quarter 3 and have made money in quarter 4 and which will keep increasing going forward with every passing half year or so.

So from that perspective, we're pretty happy with where we are and we only see this getting better in the coming quarters.

Archishma Iyer:

Yes, sure. Thank you, sir. Just another question is what is your stance on now unsecured lending because you had said that retail unsecured will see good growth and seeing that it has occupied at least 10% of your AUM this loan book here. So what is your outlook for this particular segment in the next two-three quarters per se?

Rajiv Sabharwal:

So I would say that if you look at our presentation and we've tried to share the picture of that in our investor presentation which has been uploaded on Slide 16. What we have shared in numbers too is that after quarter 1, our credit costs in unsecured business have been coming down quarter-on-quarter. Our quarter 2 was better than quarter 1, quarter 3 was better than quarter 2, and quarter 4 was better than quarter 3.

So we've seen significant drop which has been happening and that's the reason we've started looking at increasing our disbursements in each of these businesses. We started activating the same post quarter 1 and if you look at those numbers, our disbursements in each of the unsecured

businesses, whether it's personal loans, business loans, or microfinance business, is increasing and that's an increasing trend in every quarter.

The other is also our slippages have been dropping every quarter and so is the credit cost in each one of them. So we do expect in the coming year that our proportion or our mix of unsecured business, which is more closer to 10% now, will inch up in the coming year and we expect it to increase more closer to at least a percentage more in the overall scheme of things.

Archishma Iyer: Okay, sir. Okay. Thank you. Thank you so much.

Moderator: Thank you. Your next question comes from Shayan Ghosh from Mint. Please go ahead.

Shayan Ghosh: Yes, hi. Sir, I had a clarification. So going back to the point about credit costs. So as per your presentation, the credit costs including Tata Motors Finance is 1.2% for the whole of FY '26 and FY '25 was 1.4%. So I'm assuming a 20 bps reduction in credit cost here and of that you're saying 14 basis points was because of the portfolio monitoring platform. Is that correct? Is that correct reading of the thing?

Rajiv Sabharwal: So when you look at our credit costs, for the whole year in FY '25, it was 1.4% and if I break it up a little more and we've given this data for quarter 1, quarter 2, quarter 3, quarter 4. In quarter 1, it was 1.6% which dropped to 1.3% in quarter 2, dropped to 1.2% in quarter 3, and dropped to 0.9% in quarter 4. So when we say this drop has happened, then it is a combination of all of this, yes, and when we say it's reduced by 14 basis points in FY '26, it has come down and the combination of AI and as I mentioned our policy has helped us in this process.

Shayan Ghosh: Got it. Sir, would you also give an outlook for FY '27, what kind of AUM, what kind of loan book growth are you looking at?

Rajiv Sabharwal: So if you look at our guidance for FY '28, we had given a guidance for FY '28 where we had stated that over the period of FY '25 to FY '28, we will grow at 23% to 25%. So we are on track and working towards the same.

Shayan Ghosh: Okay. All right. Thank you.

Moderator: Thank you. Your next question comes from the line of Ashish Agashe from PTI. Please go ahead.

Ashish Agashe: Yes, sir. Sir, you had mentioned that okay the wider geopolitical sort of events make you feel cautiously optimistic about FY '27. So where would this caution be exercised the most by the business? What are the areas where probably we will see some bit of extra diligence in your outlook and like also, a lot is being written and said about MSME that constitutes a fairly big proportion for the company as well. So what like how would you look at the MSME part specifically, sir?

Rajiv Sabharwal: So actually we've been looking at the impact of the war virtually on a weekly basis because there are so many developments which are happening and to be honest with you, things are getting discovered with every quarter where what the impact is. As I mentioned to you some time back,

I've said that we are in touch with clients and when we speak to them, as far as our clients are concerned, they seem still in control of their production cycles wherein they are able to procure raw material and then supply it to their distribution chain.

In terms of our assessment, we feel that we should be more careful in certain parts of the MSME business and this is where our messaging to our credit team is that you should look at some segments within the MSME and try to understand more, more from the working capital cycle at this point of time and availability of raw material. So our caution as far as impact of the war is there, it's more on the MSME segment.

Ashish Agashe: Okay, sir. Sir, just a small number question. You mentioned about a fourth of the incremental loans for Tata Motors, what was earlier Tata Motors Finance, coming in from the Tata business. Overall at a Tata Capital level, sir, including -- you'd also be supporting or you'll also be latching on to the supply chain opportunity which comes out of the Tata Group. So how much of the business would be linked to Tata Group per se, sir, and how much would be outside the non-captive part, sir?

Rajiv Sabharwal: So if we look at the business within the ecosystem of -- see we do not have much of lending directly to Tata companies. As we focus more on the ecosystem of the Tata companies and if I look at that business, that will be slightly lesser than 3% of our total business.

Ashish Agashe: So just to confirm, 3% of the overall business would be in the ecosystem?

Rajiv Sabharwal: Yes, it'll be about 2.8% to 2.9% in that range.

Ashish Agashe: Okay, sir. Okay. Got it, sir, got it. And sir, by FY '27 end, how do you see the loan book split? Sir, right now it is 86% SME retail. You mentioned about unsecured also growing. So how do you see the loan book split, sir, the AUM split?

Rajiv Sabharwal: So if I have to hazard a guess for the coming year, since our housing business and our retail business may grow at a slightly higher pace than the others, we expect a slight increase in retail and housing. So in the mix that retail plus SME business may inch up by a percent or so in the next year.

Ashish Agashe: Okay, sir. Okay. Sir, if I can put in one more question or I'll come back, whichever way, sir.

Rajiv Sabharwal: Go ahead, please go ahead.

Ashish Agashe: Yes, sir. Sir, just on the margin front, you are maintaining margins for now in FY '26. What sort of outlook are you keeping especially with conversations of a rate hike as well coming in and other aspects related to it and how will you be managing your borrowings in FY '27, sir? Any changes there?

Rajiv Sabharwal: So see our approach on borrowing is always that we should be well-diversified and we look at optimizing our costs of borrowing. As far as our overall book is concerned, we have a fairly matched book as far as long-term assets and long-term liabilities are concerned and to that extent

in case there is an increase or decrease in cost of funds, we are able to pass on the benefit or the impact.

So that way our book is fairly balanced. However, our approach as we have communicated in the past is to increase the proportion of high-yield businesses. When I say high-yield businesses, they are like affordable housing business for us, unsecured business for us, two-wheeler business for us, secured business loans. So some of the products like this. So since we are trying to increase them at a slightly faster pace than the other businesses, we expect margins to improve slightly going ahead. So that is our approach as far as FY '27 is concerned.

Ashish Agashe: Any target level, sir?

Rajiv Sabharwal: It's very difficult to say at this point of time, but the direction will be as I communicated to you.

Ashish Agashe: Okay, sir. Thank you so much.

Moderator: Thank you. Your next question comes from the line of Anshul Choudhary from Informist Media. Please go ahead.

Gunjan Hi, Gunjan this side, I'm Anshul's colleague. Sir, I want to know, retail and SME accounts form 86% of your AUM. Considering the West Asia crisis which may have a stronger amplification for MSMEs, can you share your guidance on asset quality and slippage?

Rajiv Sabharwal: So as far as, you know, our assessment as of now of what has happened and the way our book has been built up, we do not expect any significant impact because of this. Obviously, we will need to continue to watch this going forward. But if you look at our approach towards business, our retail unsecured forms just about 10% of our total book.

If you look at our book, it's fairly well-diversified across products, across geographies, and it's pretty granular in terms of our ticket size too. So our approach has been to remain diversified and to remain largely secured and to be well-spread across geographies and retain a reasonable ticket size rather than any high-ticket size. So with that approach, we do not expect any significant impact to happen. In fact, whatever guidance we had given out in terms of credit costs, we are well within that and we expect to remain.

Gunjan: But you do aim to increase high-yield businesses like unsecured loans. Like if you can give me a number.

Rajiv Sabharwal: So we want to increase the proportion of those businesses. So in the overall, when I say that our guidance towards FY '28 is that we will grow our overall book at 23% to 25% and if we are growing our high-yield businesses slightly more, so it will be more than 25% for the average to be 23% to 25%.

Gunjan: Thank you, sir.

Rajiv Sabharwal: Thank you, Gunjan.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Rajiv Sabharwal for closing comments.

Rajiv Sabharwal: So thank you so much. I think on an overall basis, we are still very optimistic on the India growth story and we are truly representing the economy in terms of being present in all segments of business and being present across the country. We do believe that the country has managed the situation, the war situation very well and we're hopeful that the same will be managed in the future too.

Our diversified product portfolio and our approach of risk first will help us in managing growth with good quality. We remain committed to the guidance which we have given to the market and we will work towards performing well on the same. I'd like to thank everyone for joining us and hearing to our story. Thank you very much.

Moderator: Thank you. On behalf of Tata Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Note

This transcript has been lightly edited for clarity and accuracy.

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