“Tata Capital Limited
Q1 FY27 Results 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 Q1 FY27 Results Media 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 call, please signal an operator by pressing star 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 and welcome to everyone who is joining the call. Good evening and thank you for joining us. Let me start with the macro environment. FY26 was a strong year for the Indian economy with a real GDP growth at 7.7% supported by strong domestic consumption and investment activity.

Credit demand continued to remain healthy in the first quarter of FY27 across both banking and non-banking channels, reflecting sustained underlying economic momentum. While inflation has remained broadly manageable, we continue to monitor movements in food prices, rural demand trends, and the evolving geopolitical environment.

On the monetary policy front, RBI maintains its policy rate and continued to support liquidity conditions, helping sustain credit flows across the financial system. Looking ahead, while global uncertainties and elevated energy prices could moderate growth for FY26 from a high base, India's underlying macroeconomic fundamentals continue to remain strong, supported by healthy domestic demand and investment activity.

We remain watchful of geopolitical developments, inflationary trends, and monsoon-related risks, but continue to see a broadly supportive environment for credit growth. Before I dive into the operating performance for the quarter, let me share two key developments.

First, our entry into gold loans business marks an important step in further diversifying Tata Capital's retail lending portfolio. We believe the combination of Yogloans' domestic expertise and branch network with Tata Capital's brand technology and risk management capabilities will help create a compelling platform for future growth in secured lending.

Secondly, we also successfully raised USD400 million through an international bond issuance that was oversubscribed four times. The strong response from global investors reflects confidence in Tata Capital's franchise and further strengthens our diversified funding platform and access to international capital markets.

Now let me turn to the key highlights for the quarter.

Consolidated performance – Our assets under management stood at INR2.91 lakh crores, up 22% year-on-year and up 5% sequentially. If I exclude motor finance business which we acquired from Tata Motors, our AUM grew by 28% year-on-year. Credit costs for Quarter 1 FY27 were 1% versus 1.6% for quarter one of FY26. So that's a significant drop. Profit after tax for the quarter stood at INR1,547 crores, up 56% year-on-year and 3% sequentially. Our Net NPA declined by 10 basis points sequentially to 0.8%. Our ROA stood at 2.3% consolidated including the motor finance business. If I exclude the motor finance business which we acquired from Tata Motors, our ROA stands at 2.5%.

Tata Capital Housing Finance continued to perform extremely well for us. The AUM increased 24% year-on-year to INR89,416 crores. Our credit costs continued to be very low in this business at 0.05%. Profit after tax for the quarter was up 29% year-on-year to INR532 crores.

Our focus on affordable housing and loan against property continues to support margin expansion and portfolio diversification. Overall business momentum remained strong during the quarter supported by healthy growth across all businesses. Our core focus remains as retail and SME lending which together constitutes 85.4% of our portfolio, providing a structurally granular and resilient growth profile.

We expanded our distribution network to 1,491 branches across 1,091 locations, serving approximately 8.8 million customers through our phygital model and deepening our presence across India. Our AAA credit rating continues to support a diversified and stable funding profile. Total borrowings stood at approximately INR2.45 lakh crores, while we maintained a strong liquidity buffer of around INR29,000 crores.

In Quarter 1, our cost of funds stood at 7.28%. Despite a marginal increase in funding cost during the quarter, we remain well-positioned to support growth while navigating market volatility. For Quarter 1 of FY27, our cost to income stood at 36.4%, showing an improvement of 190 basis points over Quarter 4 of FY26.

Artificial intelligence is increasingly driving scale and efficiency across Tata Capital. From 98% digital onboarding and AI-led underwriting to 40% productivity gains in operations and stronger collections outcomes, our AI initiatives are enhancing customer experience, operational excellence, and risk management across the franchise. You know, we have seen not only deployment of AI, but also the benefits of AI accruing to us.

The transformation of our motor finance business remains on track. We continue to focus on portfolio diversification, disciplined growth, and operational efficiency while maintaining profitability and stable asset quality. Our focus on motor finance remains on creating a portfolio which we do believe can stand the test of time. So, our focus continues to be on building a portfolio which on risk parameters would remain good at all times.

To conclude, we remain focused on building a larger, stronger, and more resilient financial services franchise, supported by healthy business momentum, improving asset quality, and a robust balance sheet along with diversified funding profile. We continue to invest in technology and AI. We do believe we are well-positioned to deliver sustainable growth and create long-term value for all our stakeholders.

With that, we are happy to open the floor for questions.

Moderator: Sure. Thank you very much. We will now begin the question-and-answer session. The first question is from Srishti Sharma from ETBFSI. Please go ahead.

Srishti Sharma: Thank you. Good evening everyone. Mr. Sabharwal, I'll start off the question with the acquisition of Yogloans. If you could elaborate more on this strategy and what kind of AUM are you looking forward on 2 to 3 year basis? Two more questions to add on since you've spoken about artificial intelligence. Your peers are also very bullish about AI, I mean all through the investor presentation in fact?

What kind of operational cost difference do you see on the AI usage? And thirdly, on the co-lending market, how has the market been since the new norms have been made effective from January 1? How active are you in co-lending? Are you seeing more partnerships coming up for you? Thank you.

Rajiv Sabharwal: Thank you, Srishti. So, gold loans is a very large market and we've been looking at this market very carefully. We are happy that we could make an entry through this acquisition. It's a small company but built very well and it comes with not only a portfolio but also expertise which is there. We also have organically started building our strategy for growing the gold loan business.

So, while we have applied to RBI and for seeking their approval for acquisition of this entity, we expect the approvals to come towards the end of this calendar year. From the time we acquire, over the next 2-1/2 years to 3 years, we expect to add close to about 500 plus branches and build a portfolio of approximately INR4,000 crores to INR5,000 crores over the next 3 years.

Srishti Sharma: Okay. Sure. And the other two on AI and co-lending please.

Rajiv Sabharwal: Yes. Sorry. The other question on AI, we are extremely bullish on the use of technology. We've always been amongst the first users or early adopters of anything new which is coming in. In AI also we have done the same, we've been working on this and if you would notice, we are already seeing the benefits of the same accruing. If you've seen our investor presentation, the number of people which we have added is very small compared to our AUM growth which we have seen in our business.

The benefit will accrue to us on many parameters, whether it is in terms of cost of doing business, in terms of faster acquisition, ability to cross-sell better. So, all of these would be benefits which will be coming to us. If you notice our cost to average assets stands out as amongst the best in the industry and we expect further improvement over the next 2 years of close to 10 basis points to 15 basis points on ROA because of the use of these technologies.

As far as co-lending is concerned, we are not significant players in this market. While we are talking to a few partners with whom, you know, who would source for us and, you know, we would have the larger portion of the book on us, but these still are early times and we still are small in this space. Most of our business, if you would see our investor presentation, has been built organically, 99% of our book has been built organically.

Srishti Sharma: Okay. Since you've said you've not hired as much because of artificial intelligence, how much of a difference has AI made to your hiring if you have certain more color to give in it? And what kind of roles is it where you're not hiring?

Rajiv Sabharwal: So, if you would look at our manpower numbers, the addition to manpower last year is just about slightly less than 5% of to our total workforce. Where largely we are adding people is only on front-end sales and collections. These are the two areas which we are adding. On all other places, we are able to see a more significant advantage of AI coming in. It's making the processes faster and more error-free, I would say.

Srishti Sharma: Okay. Sure. Thank you. I'll come back.

Moderator: Thank you. We take the next question from Shubhana Sheik from Mint. Please go ahead.

Shubhana Sheik: Hi, sir. Good evening. Sir, I wanted to ask, you've acquired the gold loan business. Last year itself RBI revised its guidelines on gold loans which came into effect this year. I wanted to ask any concerns you see on income generating versus consumption generating loans and the overlap on personal loans given that you've entered gold loan business?

Rajiv Sabharwal: Actually, these are two distinct markets. We do believe that both of these markets are pretty large markets, personal loan as well as gold loan, and they serve two different segments. And we do believe that the opportunity for us to grow exists in both of them. We've always been a compliant organization on all RBI regulations and we will continue to do so. I think what RBI has done is created two distinct, you know, segments and it's tried to approach them in the correct way in terms of what LTVs you can give and on what repayment structures you can have. And we have planned our products keeping that in mind. Our effort would be to look at growth in each of these segments. We feel -- we believe that this actually makes the market more organized and helps us on better risk management.

Shubhana Sheik: But would you be cautious in giving out loans to consumption generating that consumption generating category, you know, because of concerns around over-leveraging?

Rajiv Sabharwal: So, that is, you know, if you’ve tracked us and you would have seen us that we are a conservative organization. We try to understand each segment before we start growing it aggressively and our strategy here will also remain the same. In the two segments, we would look at what leverage the customer is at, but it will also depend on the collateral being offered to us.

We will also watch out for the trends on gold price movement and keep all of that in mind while we grow our portfolio. We should remember that this is a secured asset class with extremely low credit costs and our focus would be to, you know, use more of technology in both distribution as well as in terms of how we manage operational risks here.

Shubhana Sheik: Okay. Thank you, sir.

Moderator: Thank you. The next question is from Ram Kumar from Business Line. Please go ahead.

Ram Kumar: Hello?

Rajiv Sabharwal: Yes.

Ram Kumar: Yes. So, just wanted to understand the breakup of your loan book in terms of Retail, SME, and others. Yes. And once you this gold loan company on board, how will the complexion of the loans change actually within Retail? Yes?

Rajiv Sabharwal: So, thanks, Ram. See, we've stated before also that our Retail plus SME will constitute between 85% to 88% of our book. That is the range it will move in. There could be certain quarters in which it will be more towards the 87%, 88%; in some quarters it may go down to 86%. So, it will remain within that range of 85% to 88%.

With the addition of gold loan business, we expect within the Retail and SME proportion, the Retail proportion to start increasing. But on an overall Retail plus SME range, it will remain between 85% to 88%.

Ram Kumar: Yes. And see, already Tata Home Finance is a large company in terms of AUM actually. So though, when will the time be right for you to actually unlock value in the company in terms of monetizing it?

Rajiv Sabharwal: So, at the board we do discuss this, but we've not made any decision on this. We will wait for, you know, RBI directions when they do place us in the upper layer. And from that time they, you know, they do give us about three years to make that decision of when to list and when not to list. So we will, you know, comply with those guidelines once we are placed in the upper layer. So we have time. So, we will watch this, but no decision yet made on when to do it.

Ram Kumar: Thank you.

Moderator: Thank you. The next question is from Manojit Saha from Business Standard. Please go ahead.

Sushma: Hello? This is Sushma from Business Standard.

Rajiv Sabharwal: Yes, Sushma.

Sushma: Am I audible?

Rajiv Sabharwal: Yes, we can hear you.

Sushma: Yes. So just wanted--you spoke about portfolio diversification in while presenting the notes. So just wanted to understand like what diversification we are seeking here? And secondly, any fundraising plans going ahead? Also, with subnormal monsoon, are you seeing any concern especially around vehicle finance loans, tractor finance loans, and SME loans, especially in terms of recovery and collection? Any concerns you are seeing?

Rajiv Sabharwal: So, your first question on diversification, our strategy remains that we want to be a well-diversified entity, present across all segments of the business, widely present across different geographies. And we've stay— we've stayed true to that strategy. The addition of the gold loan portfolio is also a step in that direction. It will help us to add a new product which is secured in nature and which has huge potential to grow at high ROAs.

As far as diversification of our liabilities, again, our strategy there also remains the same that we want to be very well-diversified entity. If you would have been seeing our numbers, we've also, post getting our international rating which is a BBB, which is equal to the sovereign rating, we have done bond issuances, the one, one which was done very recently. And now our international borrowings constitute close to about 11% of our total borrowings.

So, we will look at, continuously tapping all opportunities, trying to optimize or reduce our cost of funds. As far as the impact of the monsoon and El Nino is concerned, we've not seen any impact of the same on our portfolio. In fact, we are not seeing any early signs of the same also in that. We are actually now hoping that the monsoons, you know, the quantum of monsoons has improved in India and hopefully, the weather predictors may be hopefully they will be turned wrong and hopefully we will get our full monsoon and the rural markets will also flourish. But we've not seen any impact as of now.

Moderator: Thank you. The next question is from Shrishti Sharma from ETBFSI. Please go ahead.

Shrishti Sharma: Hi, since I have the opportunity to ask, what segments are you most cautious of, Mr. Sabharwal, in the current times? The West Asia crisis impact, El Nino you just addressed, but what is that segment you're most cautious of that you think stress might build up?

Rajiv Sabharwal: So, you know, we based on what the macro situation is, in quarter one we did go a little conservative on certain segments. For example, the commercial vehicle segment and construction equipment segment because we felt that if the fuel prices will get fully passed on to the final borrower, it could have an impact on the profitability of those businesses.

So, we did go a conservative on those areas. Similarly, certain MSMEs which have a high reliance on petro-products. So those are the areas in which we went a little conservative. Luckily, the government has not passed on the impact of the prices onto the final consumers. So, you know, those segments have continued to behave well.

Shrishti Sharma: Okay. So but like you've said you were conservative of this vehicle in the first quarter, what next? Are also the portfolios behaving the best?

Rajiv Sabharwal: Yes, actually all portfolios on credit quality continue to behave very well. There are no signs or early indicators of any stress visible in any of the segments.

Shrishti Sharma: Okay. Sure. Thank you.

Moderator: Thank you. The next question is from Manish from ETI. Please go ahead.

Manish: Am I audible?

Rajiv Sabharwal: Yes, Manish.

Manish: Sir, I just wanted to know the number what how much gold loan branches you are targeting in the next few years because I missed that number. Because currently, sir, Yogloans have around 162 branches which is in the four southern states. So, what will be the which are which are the next states you will be targeting for this gold loan branches?

Rajiv Sabharwal: So basically, I'll--Manish, I'll give you an idea. So over the next two and a half to three years, once we get the RBI okay for the acquisition, we expect to have about 500 plus branches. And as far as specific states are concerned, you know, that is, we've identified certain states. More are, work is on to identify more. So that is something which we will roll out once we start our organic business also.

Manish: Okay. Which are the states you have already identified, sir?

Rajiv Sabharwal: So, there are we don't want to talk about them at this point of time, but clearly, we want to be present in certain states and go deeper in them before we keep adding more states. So, our strategy would be to build a strong ecosystem in certain states and then, you know, once we believe that we've got a critical mass there, then go to more states.

Manish: Are these in the northern part of the country? Is it?

Rajiv Sabharwal: Yes, they will also be in the northern part of the country. Also I'm saying, I'm not saying only there.

Manish: Okay, okay. Thank you, sir. Thank you.

Moderator: Thank you. The next question is from Shipra Petkar from Financial Express. Please go ahead.

Shipra Petkar: Good evening, sir. Am I audible?

Rajiv Sabharwal: Yes, Shipra.

Shipra Petkar: Sir, okay. Sir, actually in the investor presentation you said that you've scaled up disbursements for like disbursements for the unsecured products and from the last from Q1 FY26 and you've been addressing the delinquency problems in your personal loan and MFIs.

Now there is another statement there which says that the book growth will catch up with disbursement growth in the next few quarters. I just wanted to understand the strategy here and the demand and from where you're seeing higher disbursements coming.

Rajiv Sabharwal: So, you know, if you would remember, about two and a half years back when the whole market saw some increased stress in the unsecured business, we had become more conservative and we because of that conservatism, we scaled down our business volumes in unsecured business. From Quarter 1 of FY26, we saw credit costs easing out and portfolio starting to behave much better and that is when we started scaling up our unsecured business.

And what we have stated here in our investor presentation is that the disbursements are growing there and what happens is in any lending book, you will first see disbursements growing and then you see the impact on the book.

So, our book is growing today at a slower pace than disbursement, but we expect this catch-up to happen over the next few quarters, which means that if we continue on a similar trend on disbursements, you will start seeing the book growth coming more closer to the disbursement growth.

Shipra Petkar: Okay. Understood. Thank you.

Moderator: Thank you very much. That was the last question. I would now like to hand the conference over to the management team for closing comments.

Rajiv Sabharwal: Thank you so much. I think Quarter 1 was an excellent quarter for us. We were aided by the fact that the Indian economy continued to remain strong on all aspects. We were also supported by the fact that the credit quality remains strong.

Our focus on investment in technology and being early adopters of AI is showing signs of helping us on the operating leverage. We expect operating leverage to further improve in the coming quarters. We expect because of our focus on high margin products that our margins in our business to also improve in the future. We had given certain guidance for FY28 and we are on track to meet that guidance going forward. So, thank you everyone for joining us.

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

Note

This transcript has been lightly edited for clarity and accuracy.