

## Tata Capital Limited

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Public Debentures-Non-Convertible Debentures	3,210.49 (Reduced from 3,649.12)	CARE AAA; Stable	Reaffirmed
Secured & Unsecured Debentures-Non-Convertible Debentures	5,279.00 (Reduced from 5,409.00)	CARE AAA; Stable	Reaffirmed
Perpetual Bonds	843.55	CARE AA+; Stable	Reaffirmed
Subordinated Debt	1,974.55 (Reduced from 2,074.55)	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings for the instruments of Tata Capital Limited (TCL) are based on consolidated business and financial risk profile of the company. TCL is the financial services arm of Tata Sons Private Limited (TSPL), which houses Tata Capital Housing Finance Ltd. (TCHFL), Tata Securities Ltd., Tata Capital Pte. Ltd., Singapore and its subsidiaries. The financial services business is an integral part of Tata Group's business, which is evident through capital and managerial support to TCL and its subsidiaries. TCL has access to regular and need-based capital support from TSPL, which is then down streamed into its housing finance subsidiary. The company also benefits from business linkages given its access to Tata Group ecosystem as well as operational linkages such as shared branding. Rating further factors in TCL's long track record in financial services business, strong liquidity position supported by healthy resource raising ability and financial flexibility, diversified loan portfolio, improved profitability and asset quality metrics.

CARE Ratings Ltd (CARE Ratings) takes note of TCL's board approval dated June 04, 2024, involving merger of Tata Motors Finance Limited (TMFL), wholly owned subsidiary of Tata Motors Finance Holding Limited (TMFHL), with TCL. As consideration for the merger, TCL will issue its equity shares to the shareholders of TMFL resulting in TMFHL effectively holding a 4.7% stake in the merged entity, TCL and Tata Sons Private Limited (TSPL) will continue to be a majority shareholder in TCL. The scheme is subject to approval of National Company Law Tribunal (NCLT). The management estimates a timeline of ~3-6 months for completing this transaction. As per the RBI's (NBFC –Scale Based Regulation) Master Directions, 2023 (Scale Based Regulations), all NBFCs identified as upper layer NBFCs are mandatorily required to be listed within three years of being identified as such, since TCL is an upper-layer NBFC, it is required to be mandatorily listed by September 2025.

CARE Ratings takes cognizance of the above developments and continues to monitor further developments surrounding the merger. The merger of TMFL with TCL is expected to scale up the lending businesses of the Tata Group, drive diversification and provide integrated solutions to the enhanced customer base.

### Rating sensitivities: Factors likely to lead to rating actions

**Positive factors:** Factors that could individually/ collectively lead to positive rating action/upgrade:

- Not Applicable

**Negative factors:** Factors that could individually/ collectively lead to negative rating action/downgrade:

- Material dilution in ownership by, expected support from, and strategic importance to the Tata Group
- Deterioration in the credit profile of TSPL
- Material deterioration in asset quality of the TCL with consolidated Gross Non-performing Assets (GNPA) remaining above 6% on sustained basis.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Analytical approach:**

Consolidated; TCL along with its subsidiary, TCHFL. The ratings further derive strength via TCL's strong parentage and support from TSPL, (TSPL holds 92.83% stake in TCL). The financial services business housed under TCL is integral part of Tata Group's business which is evident through demonstrated capital support to TCL. Besides capital, TCL benefits from managerial support and business linkages given its access to Tata Group ecosystem as well as operational linkages such as shared branding. The list of entities taken for consolidation is provided in Annexure 6.

**Outlook:** Stable

The outlook is "Stable" on account of expectation of continued growth momentum supported by healthy capitalization and liquidity buffers.

**Detailed description of key rating drivers:****Key strengths****Strong parentage, shared brand equity and capital support from parent**

TCL functions as the financial services division of the Tata Group, with Tata Sons Private Limited (TSPL) holding 92.83% ownership. Additionally, Tata Group companies own 2.46%, the International Finance Corporation holds 1.91%, Trustees of the Employee Welfare Trust holds 1.16%, and the remaining shares are held by Bodies Corporate, Trusts, and individuals. Tata Capital and its subsidiaries offer a comprehensive range of services and products in the financial sector, operating in diverse areas such as commercial finance, retail loans, wealth management, and distribution services. The financial services segment under TCL is an integral part of Tata Group's business, supported by significant capital and managerial resources. TCL has access to regular and need-based capital support from TSPL. In the last six years, TCL has received capital infusion to the tune of ₹6000 crores, out of which ₹2000 crore and ₹500 crore was infused during FY24 and FY23 respectively, while ₹1,000 crore was infused during FY20 and ₹2,500 crore was infused during FY19.

**Experienced management and board**

TCL's board consist of 8 members comprising of a Chairman, Managing director & CEO, 2 non-executive directors and 4 Independent directors. Board includes 2 representatives from TSPL bringing in strategic oversight, industry expertise, strong corporate governance, and efficient risk management. On managerial front, Mr. Saurabh Agrawal (Group CFO of TSPL) is chairman & non-executive director of TCL and Ms. Aarthi Subramanian (Group Chief Digital Officer of TSPL) is the non-executive director of TCL. Further, with Tata Group being a technology & manufacturing conglomerate with decades of experience, the financial services business also benefits, especially in infrastructure/corporate underwriting. At the helm of affairs of the company is Mr. Rajiv Sabharwal (Managing Director & CEO) having up to 3 decades of experience in the banking and financial services industry. He is also Chairman of TCHFL and Tata Securities Limited.

**Comfortable capitalisation levels**

TCL's consolidated tangible net worth stood at ₹ 24,069 crores as of March 31, 2024, [PY.: ₹17,726 crores] with gearing of 6.16 times [PY.: 6.39 times], primarily driven by capital infusion of ₹2000 crore by TSPL during FY24. As of September 2024, TCL had a comfortable capital structure with consolidated tangible net worth of ₹ 25,480 crore and gearing of 6.35 times. The company's standalone capital adequacy ratio (CAR) stood at 17% and Tier I CAR stood at 12%, which is above the regulatory requirement. The capital structure of the company benefits from the support of the Tata Group, providing the company with demonstrated capital support and financial flexibility. CARE Ratings envisages TCL's gearing to remain rangebound at 5.5 to 6.5 times in medium term.

**Diversified resources profile**

Given its association with Tata Group, TCL enjoys financial flexibility with access to funding from diversified lender base at competitive rates. As of March 2024, TCL has diversified resource mix constituting of bank loans (46%, PY.: 43%), non-convertible debentures (34%, PY.: 38%), commercial papers (7%, PY.: 7%), subordinated debt (6%, PY.: 6%) and external commercial borrowing (7%, PY.: 6%). Going forward, CARE Ratings expects the resource mix to continue being diversified through both bank borrowings and market borrowings and an increasing presence of overseas lenders.

### **Comfortable asset quality metrics**

TCL has demonstrated improvement in the asset quality with consolidated gross non-performing assets (GNPA) at 1.50% as of March 2024 down from 1.71% as on the previous year. The Net NPA remained unchanged at 0.40% as of March 31, 2024, compared to March 31, 2023. The provision coverage ratio (PCR) of the company stood at healthy 74% as of March 2024 [PY: 71%]. The GNPA and NNPA stood at 1.50% and 0.5%, respectively, as on September 30, 2024. Further, company's restructured book stood at Rs. 630.4 crore and accounted for 0.52% of the loan portfolio as on September 30, 2024.

Going forward, TCL's ability to mitigate slippages and uphold its asset quality will be a key focus, especially as it implements strategic changes and leverages technology to better integrate and align its asset risk matrices.

### **Stable Profitability with improving credit costs**

TCL's profitability is supported by stable net interest margins (NIMs) and improving credit costs, despite an uptick in operating expenses. During FY24, TCL's consolidated return on average total assets (ROTA) moderated to 2.14% [PY: 2.49%] led by marginal compression in the NIM to 4.37% [PY: 4.49%]. The operating expense to total assets rose in FY24 to 2.33% [PY: 2.25%] reflecting the company's growth initiatives, however, the credit costs improved, which aided the stable profitability. Consolidated PBT increased by 16.2% to ₹ 4,405 crores on account of improved profitability from core operations. During H1FY25, on consolidated basis, TCL's ROTA and return on tangible network (RONW) stood at 2.25% and 16.48% respectively.

Going forward, company's ability to improve its profitability metrics on the back of business growth will be our key monitorable.

### **Key weaknesses**

#### **Concentration risk in wholesale portfolio; albeit increase in share of retail loans**

TCL's consolidated loan book (including managed assets) has grown by 35% y-o-y to ₹ 1,61,025 crores as of March 31, 2024. Further, loan book (including managed assets) stood at ₹ 1,79,783 as on September 30, 2024. Within the overall portfolio, retail and wholesale constituted 59% [PY.: 54%] and 41% [PY.: 46%] respectively as of March 31, 2024. As on September 30, 2024, the retail and wholesale book stood at ₹ 1,06,242 and ₹73,541 respectively. While the retail portfolio is granular, the company is exposed to concentration risk within wholesale loans, however, improved during FY24 and H1FY25. As of September 30, 2024, top 20 wholesale accounts constituted 7% of the total loan book (including managed assets) as compared to 10% of the total loans book (including managed assets) as on September 30, 2023. The top 20 wholesale exposures formed 61% of the consolidated tangible net worth as on September 30, 2024 as compared to 73% of the consolidated tangible net worth as on September 30, 2023. Within wholesale loans, term loans contributed 38% followed by bill discounting/channel financing (20%), infrastructure loans (22%), builder loans (12%) with the remaining (8%) being corporate commercial vehicles (CVs) and loan against shares. The credit risk within the asset profile is mitigated by the company's strategy to diversify within the individual sub-segments. Going forward, CARE Ratings expects retail and wholesale mix to remain at 60:40 in medium term.

### **Liquidity: Strong**

The liquidity profile of TCL is supported by strong financial flexibility. As of September 2024, TCL's cash and liquid investments on consolidated basis stood at ₹ 33,978 Crore as against next 4 months against debt obligations of ₹ 26,796 Crore.

TCL's ALM as on September 30, 2024, has positive cumulative mismatch across all time buckets. Cash and liquid investments for next 12 months stood at ₹ 5,797 crore and loan receivables stood at ₹50,045 crores against debt obligations of ₹ 41,402 crore; thereby providing sufficient buffers. Unutilised line of credit stood at ₹ 10,598.26 crore as on September 30,2024.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

### Applicable criteria

[Policy on Default Recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non Banking Financial Companies](#)

[Consolidation](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Non-Banking Financial Company (NBFC)

#### TSPL (Parent company)

TSPL is the principal holding company of the Tata group of companies and is the owner of the Tata brand and its associated Tata trademark. The company's operations are spread across various sectors including, information technology (IT), infrastructure, automotive, steel, aerospace & defence, financial services, tourism & travel, consumer & retail, trading & investments, and telecom & media.

TSPL is registered as a core investment company with the Reserve Bank of India. Also, with a robust balance sheet and low leverage, TSPL's financial flexibility arises from its ability to raise funds by sale or pledge of its large portfolio of investments. There are 16 publicly listed Tata enterprises under Tata Sons with a combined market capitalization of over Rs. 32 lakh crore as on August 19, 2024, of which TCS accounted for more than 48%.

#### TCL

TCL is a subsidiary of Tata Sons Pvt Limited (TSPL), which holds 92.83% in the company as on March 31, 2024. TCL is operating as an NBFC - ICC and is in the process of obtaining the necessary approval from NCLT. Tata Capital offers various retail and corporate loans. TCL is the primary financial services arm for Tata group, helping the group to diversify its business. TCL being a strategically important entity in the entire gamut of the Tata Group Ecosystem, enjoys the strong support from the Tata Group through TSPL, in terms of both financial and managerial backing. The same could be demonstrated through the continuous capital infusion by TSPL in TCL. In the last 6 years, TCL has received capital infusion from TSPL to the tune of Rs. 6,000 crores, out of which Rs. 2000 crore was infused in FY24, 500 crore was infused in FY23, Rs.1,000 crore was infused in FY20, Rs.2,500 crore was infused in FY19.

#### TCL Consolidated- Financial Summary

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	13,637	18,199	11,366
PAT	2,946	3,328	1,898
Interest coverage (times)	1.57	1.46	1.42
Total Assets*	1,35,140	1,76,181	1,91,184
Net NPA (%)	0.40	0.40	0.50
ROTA (%)	2.49	2.14	2.25

A: Audited UA: Unaudited; Note: these are latest available financial results

\*Adjusted for intangible assets and deferred tax assets

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coup on Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Public Debentures-Non-Convertible Debentures	INE306N07LJ1	26-08-2019	NA	26-08-2024	0	Withdrawn
Public Debentures-Non-Convertible Debentures	INE306N07LK9	26-08-2019	NA	26-08-2024	0	Withdrawn
Public Debentures-Non-Convertible Debentures	INE306N07LL7	26-08-2019	NA	26-08-2027	92.48	CARE AAA; Stable
Public Debentures-Non-Convertible Debentures	INE306N07LM5	26-08-2019	NA	26-08-2027	600.39	CARE AAA; Stable
Public Debentures-Non-Convertible Debentures	INE306N08284	27-09-2018	NA	27-09-2028	29.55	CARE AAA; Stable
Public Debentures-Non-Convertible Debentures	INE306N08292	27-09-2018	NA	27-09-2028	341.85	CARE AAA; Stable
Public Debentures-Non-Convertible Debentures	INE306N08334	26-08-2019	NA	26-08-2029	4.65	CARE AAA; Stable
Public Debentures-Non-Convertible Debentures	INE306N08342	26-08-2019	NA	26-08-2029	172.7	CARE AAA; Stable
Public Debentures-Non-Convertible Debentures	Proposed	-	-	-	1,968.87	CARE AAA; Stable
Secured & Unsecured Debentures-Non-Convertible Debentures	INE306N07DT7	20-Nov-14	9.36	20-Nov-24	0	Withdrawn
Secured & Unsecured Debentures-Non-Convertible Debentures	INE306N08367	19-Mar-19	8.93	17-Mar-34	590	CARE AAA; Stable
Secured & Unsecured Debentures-Non-Convertible Debentures	INE306N08375	23-Mar-20	NA	23-Mar-35	500	CARE AAA; Stable
Secured & Unsecured Debentures-Non-Convertible Debentures	INE857Q07141	02-Jun-17	NA	03-Jun-24	0	Withdrawn
Secured & Unsecured Debentures-Non-Convertible Debentures	INE857Q07232	15-Jul-19	NA	13-Jul-29	140	CARE AAA; Stable
Secured & Unsecured Debentures-Non-Convertible Debentures	INE857Q07240	16-Oct-19	NA	16-Oct-29	60	CARE AAA; Stable
Secured & Unsecured Debentures-Non-Convertible Debentures	INE857Q07257	05-Dec-19	NA	05-Dec-24	0	Withdrawn

Secured & Unsecured Debentures-Non-Convertible Debentures	INE857Q07273	10-Jun-20	NA	10-Sep-27	175	CARE AAA; Stable
Secured & Unsecured Debentures-Non-Convertible Debentures	Proposed	-	-	-	3814	CARE AAA; Stable
Bonds-Perpetual Bonds	INE306N08011	27-Mar-14	10.95	Perpetual	93.55	CARE AA+; Stable
Bonds-Perpetual Bonds	INE306N08060	16-Jul-15	9.99	Perpetual	100	CARE AA+; Stable
Bonds-Perpetual Bonds	INE306N08110	06-Jan-16	9.86	Perpetual	50	CARE AA+; Stable
Bonds-Perpetual Bonds	INE306N08128	02-Feb-16	9.86	Perpetual	50	CARE AA+; Stable
Bonds-Perpetual Bonds	INE306N08136	09-Feb-16	9.86	Perpetual	100	CARE AA+; Stable
Bonds-Perpetual Bonds	INE306N08144	23-Mar-16	9.8	Perpetual	100	CARE AA+; Stable
Bonds-Perpetual Bonds	INE306N08185	30-Jun-16	9.8	Perpetual	50	CARE AA+; Stable
Bonds-Perpetual Bonds	INE306N08219	13-Jan-17	9	Perpetual	10	CARE AA+; Stable
Bonds-Perpetual Bonds	INE306N08227	08-Mar-17	9.05	Perpetual	40	CARE AA+; Stable
Bonds-Perpetual Bonds	Proposed	-	-	-	250	CARE AA+; Stable
Bonds-Subordinated Debt	INE306N08029	26-Sep-14	10.15	26-Sep-24	0	CARE AAA; Stable
Bonds-Subordinated Debt	INE306N08037	07-Jan-15	9.35	07-Jan-25	35	CARE AAA; Stable
Bonds-Subordinated Debt	INE306N08045	30-Jan-15	9.32	30-Jan-25	75	CARE AAA; Stable
Bonds-Subordinated Debt	INE306N08052	31-Mar-15	9.37	31-Mar-25	200	CARE AAA; Stable
Bonds-Subordinated Debt	INE306N08078	22-Jul-15	9.25	22-Jul-25	90	CARE AAA; Stable
Bonds-Subordinated Debt	INE306N08151	30-Mar-16	9.17	30-Mar-26	200	CARE AAA; Stable
Bonds-Subordinated Debt	INE306N08193	11-Aug-16	8.92	11-Aug-26	200	CARE AAA; Stable
Bonds-Subordinated Debt	INE306N08201	26-Oct-16	8.45	26-Oct-26	15	CARE AAA; Stable
Bonds-Subordinated Debt	INE306N08326	16-Apr-19	NA	16-Apr-29	20	CARE AAA; Stable
Bonds-Subordinated Debt	INE306N08326	13-Jun-19	NA	16-Apr-29	65	CARE AAA; Stable
Bonds-Subordinated Debt	INE306N08326	26-Jun-19	NA	16-Apr-29	100	CARE AAA; Stable
Bonds-Subordinated Debt	INE306N08326	29-Jul-19	NA	16-Apr-29	29.5	CARE AAA; Stable
Bonds-Subordinated Debt	INE857Q08016	10-May-19	NA	10-May-29	50	CARE AAA; Stable
Bonds-Subordinated Debt	INE857Q08016	29-May-19	NA	10-May-29	50	CARE AAA; Stable
Bonds-Subordinated Debt	INE857Q08016	27-Jun-19	NA	10-May-29	50	CARE AAA; Stable
Bonds-Subordinated Debt	INE857Q08024	13-Nov-19	NA	13-Nov-29	50	CARE AAA; Stable
Bonds-Subordinated Debt	INE857Q08024	03-Feb-20	NA	13-Nov-29	100	CARE AAA; Stable
Bonds-Subordinated Debt	INE857Q08024	24-Feb-20	NA	13-Nov-29	50	CARE AAA; Stable



Bonds-Subordinated Debt	INE857Q08032	28-Jul-20	NA	26-Jul-30	50	CARE AAA; Stable
Bonds-Subordinated Debt	INE857Q08032	14-Oct-20	NA	26-Jul-30	50	CARE AAA; Stable
Bonds-Subordinated Debt	INE857Q08032	17-Dec-20	NA	26-Jul-30	50	CARE AAA; Stable
Bonds-Subordinated Debt	Proposed	-	-	-	445.05	CARE AAA; Stable

\*NA: Not Available

## Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Public Debentures-Non-Convertible Debentures	LT	3210.49	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Jan-24)	-	-
2	Secured & Unsecured Debentures-Non-Convertible Debentures	LT	5279.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Jan-24)	-	-
3	Bonds-Perpetual Bonds	LT	843.55	CARE AA+; Stable	-	1)CARE AA+; Stable (09-Jan-24)	-	-
4	Bonds-Subordinated	LT	1974.55	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Jan-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

## Annexure-3: Detailed explanation of covenants of rated instruments/facilities - Not Applicable

## Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Perpetual Bonds	Highly Complex
2	Bonds-Subordinated	Complex
3	Debentures-Non Convertible Debentures	Simple

## Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Annexure-6: List of entities consolidated as on March 31,2024**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Tata Capital Limited	Full	Holding Company
2	Tata Capital Housing Finance Limited	Full	Subsidiary
3	Tata Securities Limited	Full	Subsidiary
4	Tata Capital Pte Ltd, Singapore and its subsidiaries	Full	Subsidiary

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.



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### About us:

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