



August 21, 2024

To,  
The Listing Department  
BSE Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400001

To,  
The Listing Department  
National Stock Exchange of India Ltd.,  
Exchange Plaza,  
Bandra Kurla Complex, Bandra (East),  
Mumbai – 400051

Dear Sir/Madam,

**Sub.: Intimation regarding revision in Outlook by S&P Global Ratings**

**Ref: Tata Capital Limited (“Company”)**

Pursuant to Regulation 51 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that, S&P Global Ratings has revised the Company’s Outlook to ‘Positive’ from ‘Stable’ while re-affirming ‘BBB-’ long-term and ‘A-3’ short-term Issuer Credit Ratings. The report on the same is enclosed as Annexure.

Kindly take the same on record.

Thanking you,

Yours faithfully,  
For **Tata Capital Limited**

**Sarita Kamath**  
**Head – Legal & Compliance and Company Secretary**

**TATA CAPITAL LIMITED**

Corporate Identity Number U65990MH1991PLC060670

11th Floor Tower A Peninsula Business Park Ganpatrao Kadam Marg Lower Parel Mumbai 400 013

Tel 91 22 6606 9000 Web [www.tatacapital.com](http://www.tatacapital.com)

Registered Office 11th Floor Tower A Peninsula Business Park Ganpatrao Kadam Marg Lower Parel Mumbai 400 013

Research Update:

# Tata Capital Ltd. Outlook Revised To Positive On Strengthened Group Support; 'BBB-/A-3' Ratings Affirmed

August 20, 2024

## Overview

- Cohesion and operational integration between Tata Sons, the holding company of the Tata group, and group entities continues to increase. We have therefore revised upward our assessment of group support for Tata Capital to strategically important from moderately strategic.
- The ratings on Tata Capital remain capped at the sovereign ratings on India because it operates mainly in India and is unlikely to pass a sovereign stress test.
- We have revised our outlook on the long-term issuer credit rating on Tata Capital to positive from stable. We affirmed our 'BBB-/A-3' ratings on the India-based financial institution.
- The positive outlook on Tata Capital reflects that on the sovereign credit rating on India. The rating on the company will move in tandem with that on the sovereign.

### PRIMARY CREDIT ANALYST

**Shinoy Varghese**  
Singapore  
+65 6597-6247  
shinoy.varghese1@spglobal.com

### SECONDARY CONTACT

**Deepali V Seth Chhabria**  
Mumbai  
+ 912233424186  
deepali.seth@spglobal.com

## Rating Action

On Aug. 20, 2024, S&P Global Ratings revised its rating outlook on Tata Capital Ltd. to positive from stable. At the same time, we affirmed our 'BBB-' long-term and 'A-3' short-term issuer credit ratings on the India-based financial institution.

## Rationale

The outlook revision reflects our view of a one-in-three possibility of an upgrade of Tata Capital over the next 12-24 months. This follows the revision in our assessment of the company's status in its parent group to strategically important from moderately strategic.

The ratings on Tata Capital therefore qualify for three notches of uplift from our assessment of its stand-alone credit profile (SACP) at 'bb+'. However, the ratings remain capped at the sovereign credit rating on India (BBB-/Positive/A-3). We do not rate Indian financial institutions above the

sovereign given the direct and indirect influence the sovereign has on financial institutions operating in the country. Hence, we expect the rating to move in tandem with the sovereign.

We believe there is greater operational integration and cohesiveness within the Tata group in recent years (see "Six Tata Group Entities Placed On CreditWatch Positive On Possible Increase In Group Support," and "Tata Capital Ltd. Ratings Affirmed At 'BBB-/A-3' Post Merger Announcement; Group Support Under Review; Outlook Stable," both published on June 13, 2024). The merger of Tata Motors Finance Ltd. (TMFL) with Tata Capital is an example of streamlining of businesses, seeking greater synergies, and increasing future linkages.

In our view, this greater operational integration increases the longer-term commitment of Tata Sons to group entities as well as the incentive to provide support, driving our view of higher group support for group companies, including Tata Capital.

## Outlook

The positive outlook on Tata Capital reflects that on the sovereign credit rating on India. The rating on Tata Capital is capped by the sovereign rating and will therefore move in tandem with that on the sovereign.

We expect Tata Capital to continue to benefit from being part of the Tata group. Tata Capital's linkages with a strong Tata brand should help the company to solidify its market position while maintaining a good capital position and average asset quality over the next two years.

We expect Tata Capital's risk-adjusted capital (RAC) ratio to improve to sustainably above 10% over the next 12-24 months. The company will benefit from capital infusions from the parent, sale of investments, and a potential IPO.

## Upside scenario

We would upgrade Tata Capital over the next two years if we raised the sovereign rating on India.

## Downside scenario

We would revise the outlook to stable if we took a similar action on the sovereign rating on India.

We could revise our assessment of Tata Capital's SACP downward by a notch if we no longer expect the company's RAC ratio to improve and remain above 10% over the next 12-24 months. However, the ratings will remain unchanged in that scenario due to the group support.

## Ratings Score Snapshot

|                      | To                | From            |
|----------------------|-------------------|-----------------|
| Issuer Credit Rating | BBB-/Positive/A-3 | BBB-/Stable/A-3 |
| SACP                 | bb+               | bb+             |
| Anchor               | bb                | bb              |
| Business position    | Adequate (0)      | Adequate (0)    |
| Capital and earnings | Strong (+1)       | Strong (+1)     |
| Risk position        | Adequate (0)      | Adequate (0)    |

|                             |                              |                           |
|-----------------------------|------------------------------|---------------------------|
| Funding and liquidity       | Adequate & Adequate (0)      | Adequate & Adequate (0)   |
| Comparable ratings analysis | 0                            | 0                         |
| Support                     | +3                           | +1                        |
| ALAC support                | 0                            | 0                         |
| GRE support                 | 0                            | 0                         |
| Group support               | Strategically Important (+3) | Moderately strategic (+1) |
| Sovereign support           | 0                            | 0                         |
| Additional factors          | -2                           | 0                         |

SACP--Stand-alone credit profile

## Related Criteria

Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Tata Capital Ltd. Ratings Affirmed At 'BBB-/A-3' Post Merger Announcement; Group Support Under Review; Outlook Stable, June 13, 2024
- Tata Capital Ltd., March 1, 2024

## Ratings List

### Ratings Affirmed; Outlook Action

|                          | To                | From            |
|--------------------------|-------------------|-----------------|
| <b>Tata Capital Ltd.</b> |                   |                 |
| Issuer Credit Rating     | BBB-/Positive/A-3 | BBB-/Stable/A-3 |

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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