

Primary banker for the Mid-Income group...

Business Overview:

- ⇒ Capital Small Finance Bank Ltd (CSFB) commenced operations as **India's first small finance bank in 2016**. Incorporated in 1999 and having experience of over 2 decades in the banking industry, CSFB is 1 out of the 2 non-NBFC microfinance entities to receive the SFB license in 2015.
- ⇒ Its **core strategy is to strengthen retail focused banking franchise** by enabling access to affordable credit in the states it operates in its well-defined niche catering to **middle income group segment** with special emphasis on rural and semi-urban areas. **CSFB focusses primarily on the middle-income customer segments with an average annual income of Rs. 0.4mn to Rs. 5mn in semi-urban and rural areas with branches** (41.6% - rural, 34.7% - semi-urban areas and 23.7% - urban areas) as on Sep-23.
- ⇒ Its asset products primarily include **agriculture loans, MSME and trading loans** (working capital, machinery loans etc.) and **mortgages** (housing loans and loans against property). Since FY21, loans with ticket size of up to Rs. 2.5mn have increased from 62.9% of total loan book to 67.4% as on Sep-23. **As on Sep-23, 99.9% of loan book was secured** with 84.3% of the loans secured by immovable properties.
- ⇒ Retail deposits (as a % of total deposits), and CASA deposits stood at 93.6%, and 37.8%, as on Sep-23, respectively. Further, it has the lowest cost of deposit amongst comparable SFBs. As of Mar-23, it had the lowest cost of deposit (4.94%) followed by AU SFB (5.48%) and Ujjivan SFB (6.00%).
- ⇒ Cost of funds was 5.68% for the period ended Sep-23. It is the lowest interest paying SFB where-in rate of interest for retail term deposits inches up to only 7.6% as against higher rate offered by others across some of the tenors in retail deposits. It offers saving bank deposit rate of 3.5% irrespective of the amount of saving deposit as compared to other banks which have different saving bank deposit rates for various buckets.
- ⇒ **Headquartered in Jalandhar, Punjab**, it has over the years expanded SFB operations strategically in the north Indian states of **Punjab, Haryana, Rajasthan, Delhi and Himachal Pradesh and UT of Chandigarh**. As of Sep-23, it has 173 branches and 175 ATMs with 76.3% of branches located in rural and semi-urban areas covering 24 districts and 75.8% of total customers (both credit and deposit).
- ⇒ The SFB maintains a CRAR of 20.7% and has a healthy capital position and balance sheet with a Tier I capital ratio of 15.3% and Tier II capital ratio of 5.5% while RWA stood at Rs. 45.2bn as on Sep-23.
- ⇒ As of Sep-23, gross NPAs was Rs. 1.6bn which accounted for 2.73% of advances, while net NPAs was Rs. 0.8bn which accounted for 1.36% of advances.
- ⇒ Promoter, MD and CEO, Mr. Sarvjit Singh Samra, is a first-generation entrepreneur with over 3 decades of experience in the banking and financial services sector. CSFB is backed by a number of institutional investors and financial institutions including SIDBI, PI Ventures LLP, OIIF II, Amicus, ICICI Prudential, HDFC Life and Max Life Insurance.

Valuation and Views: At the upper price band, on post issue basis, Capital SFB is valued at 1.8x H1FY24 P/B. We believe the issue is priced higher than average valuation which would result in limited upside. Amongst its Peer Set of Small Finance banks, Capital SFB has lower RoA and RoNW (compared with Peer Set Average).

We recommend to "Subscribe for Long Term" to the issue given (1) Strong Retail deposit book with lowest cost of deposits (2) Healthy capital position with CRAR of 20.7% (3) Diversified portfolio and non-reliance on MFI (4) Management is focused to grow book organically and strengthen operational & profitability metrics (5) Promoted by First-gen entrepreneur backed by strong management.

Issue Size & Market Cap	
Type of Issue	Rs. Mn
Fresh Issue	4,500
Offer for Sale	731
Total Issue Size	5,231
Post-Issue Market cap*	21,080
*At upper price band	
Issue Break-Up	
Fresh Issue (Shares)	9.6mn
Offer for Sale (Shares)	1.6mn
Total Offer (Shares)	11.2mn
Reservation for	% of Net Offer
QIB	50%
NII (HNI)	15%
Retail	35%
Total Offer	100%
Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	07th February, 2024
Bid/Offer Closing Date	09th February, 2024
Basis of Allotment	12th February, 2024
Initiation of refunds	13th February, 2024
Credit of shares	13th February, 2024
Listing Date	14th February, 2024
Use of Net Proceeds	
Towards augmenting Bank's Tier – 1 capital base to meet future capital requirements and to improve Tier-I capital and CRAR.	
General Information	
BRLMs	Nuvama Wealth Management, DAM Capital Advisors, Equirus Capital Pvt Ltd
Registrar	Link Intime India Pvt Ltd

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Shareholding Pattern & Selling Shareholders in OFS

Shareholding Pattern						
	Pre Issue		Offer		Post Issue	
	# of shares (in Mn)	%	Type	# of shares (in Mn)	# of shares (in Mn)	%
Promoter & Promoter Group	8.5	24.0%			8.5	18.8%
Public	26.9	76.0%	Fresh Issue + OFS	9.6	36.6	81.2%
Total	35.4	100.0%			45.0	100.0%
Selling Shareholders			Type	# of Shares (in Mn)	OFS* (in Mn)	
Oman India Joint Investment Fund II			Public	0.8	392	
Amicus Capital Private Equity I LLP			Public	0.2	71	
Amicus Capital Partners India Fund I			Public	0.0	8	
Vijay Kumar Bhandari (jointly with Sneha Bhandari)			Public	0.1	23	
Rachna Monga			Public	0.0	14	
Rashpal Singh (jointly with Surinder Kaur)			Public	0.2	94	
Nalini Rampilla			Public	0.0	17	
Kalyana Chakravarthy Pilla			Public	0.0	23	
Darshna Devi			Public	0.0	11	
Ramesh Kaur			Public	0.2	78	
Total				1.6	731	
<i>*At upper price band</i>						
Issue Breakup		No of shares			Rs Mn	
		Floor	Cap		Floor	Cap
Fresh Issue		10,112,360	9,615,385		4,500	4,500
Offer for Sale		1,561,329	1,561,329		695	731
Total Offer		11,673,689	11,176,714		5,195	5,231
QIB Portion (50% of Net Offer)		5,836,844	5,588,357		2,597	2,615
Total Anchor portion (60% of QIB)		3,502,107	3,353,014		1,558	1,569
QIB Portion reserved for MF (5% of QIB)		291,842	279,418		130	131
Balance Available QIB Portion (35% of QIB)		2,042,895	1,955,925		909	915
Non Institutional portion (15% of Net Offer)		1,751,053	1,676,507		779	785
Retail portion (35% of Net Offer)		4,085,791	3,911,850		1,818	1,831

CSFB targets to be the primary banker to customers and it achieves this objective through a mix of (1) suite of product offerings; (2) customer service orientation; (3) deeply entrenched physical branch network; and (4) evolving digital channels of service delivery.

It generates fee income from products and services such as forex and money transfer, outward remittances, safe-deposit lockers, distribution of life insurance and general insurance products, 3-in-1 demat and trading account and other ancillary services.

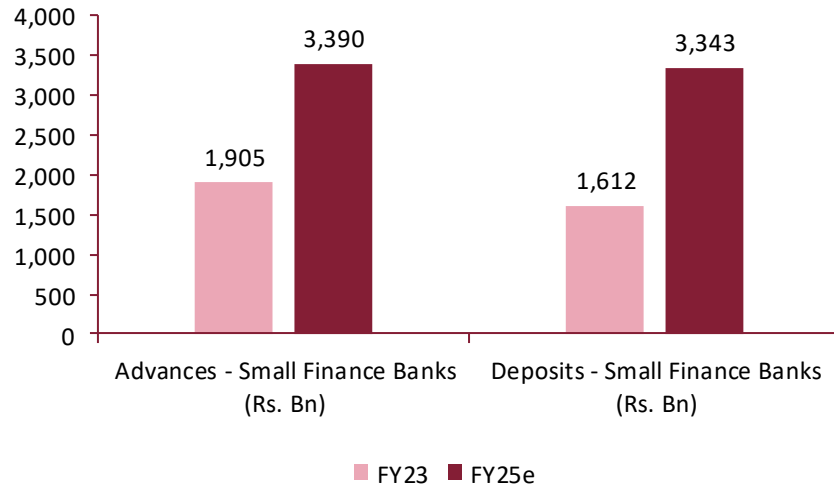
It has average gross NPA ratio of 2.5% and average net NPA ratios of 1.3% with negligible write offs as a percentage of loan book for the previous 3 FYs and H1 FY24. It also has consistent asset quality in the range of 2-3% from FY21 to H1FY24.

Digital transactions have increased from Rs. 2.9mn in FY21 to Rs. 10.4mn in FY23. Further, the digital transactions share in non-cash transactions increased from 54.5% in FY21 to 81.3% in FY23 and was approximately 84% in H1FY24.

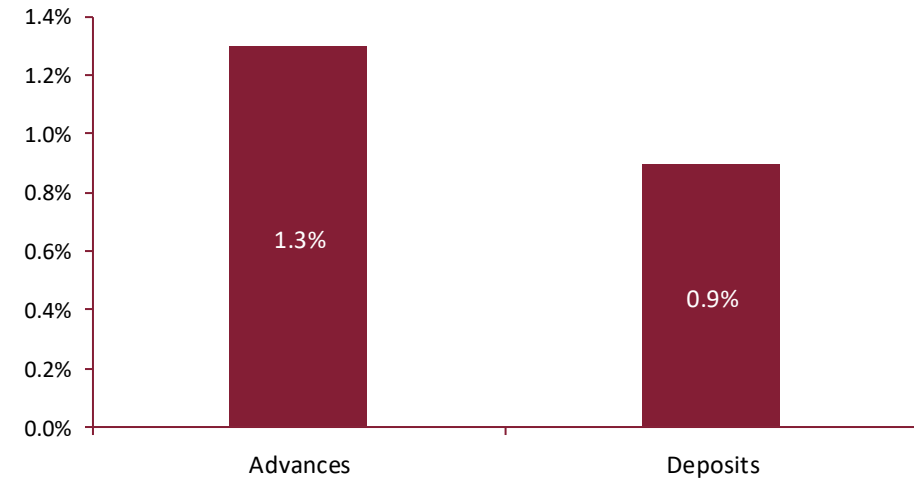
CSFB Board is supported by an experienced and qualified management team. Its KMP and members of Senior Management, excluding Company Secretary and Compliance Officer, are associated with the bank since early days.

Industry

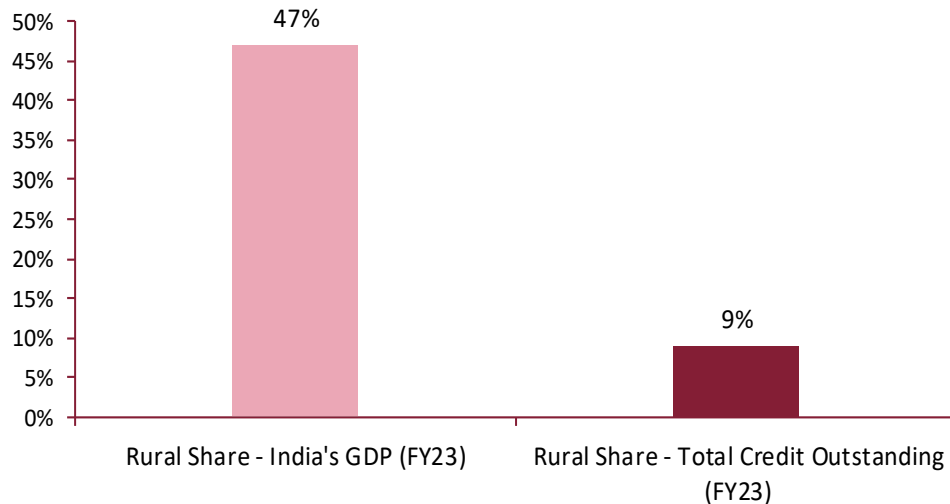
SFB's Advances & Deposits to grow @ 33% and 44% CAGR respectively



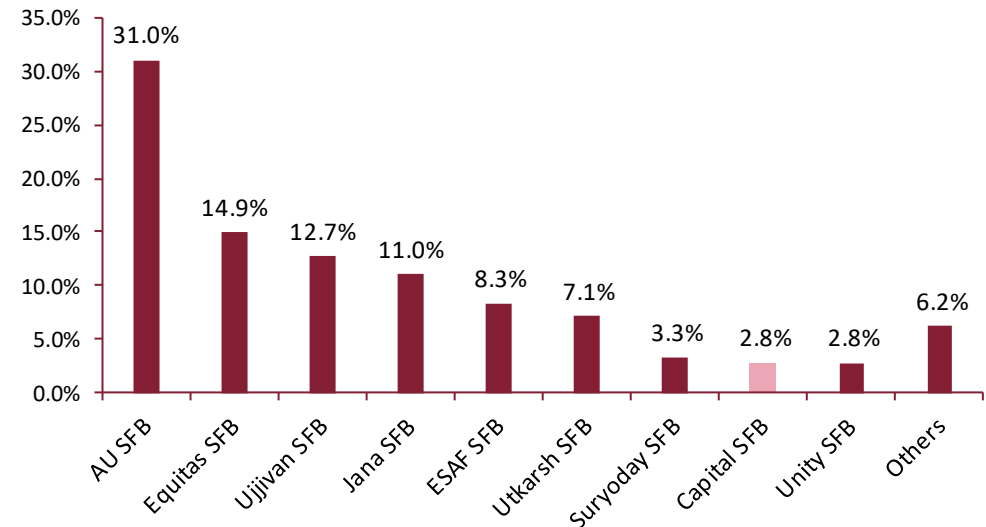
SFB's share amongst various banking groups



FY23— Demand Supply Gap for Financial Services in Rural Areas

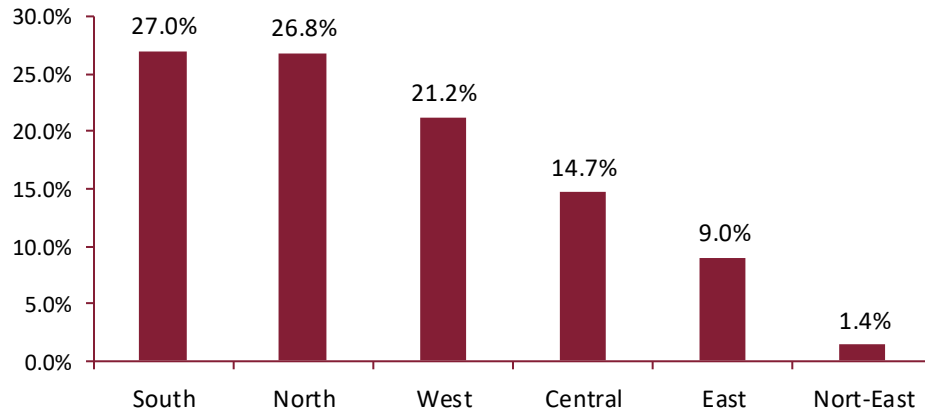


Market Share (AUM) as on Sep-23

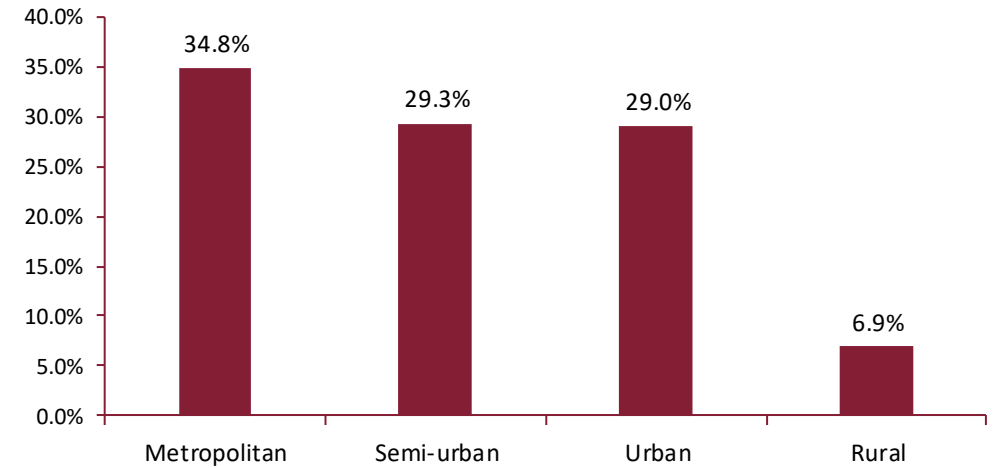


Industry

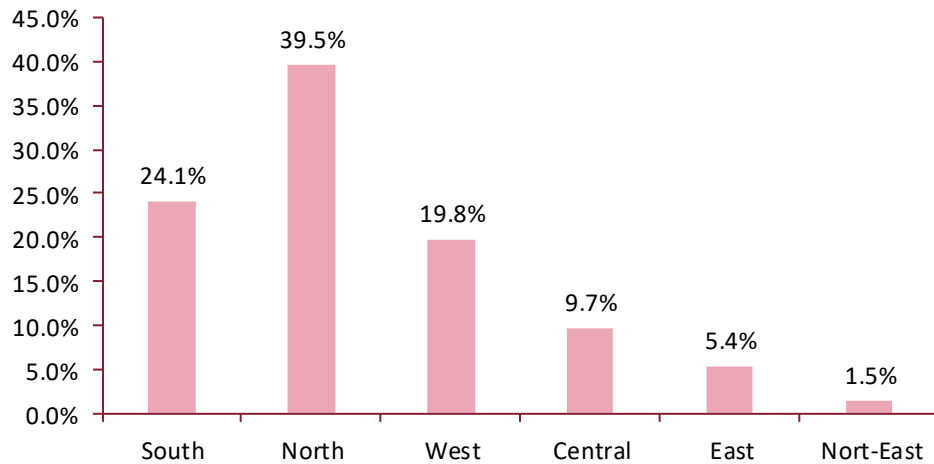
SFB's FY23 Advances - Region Mix (%)



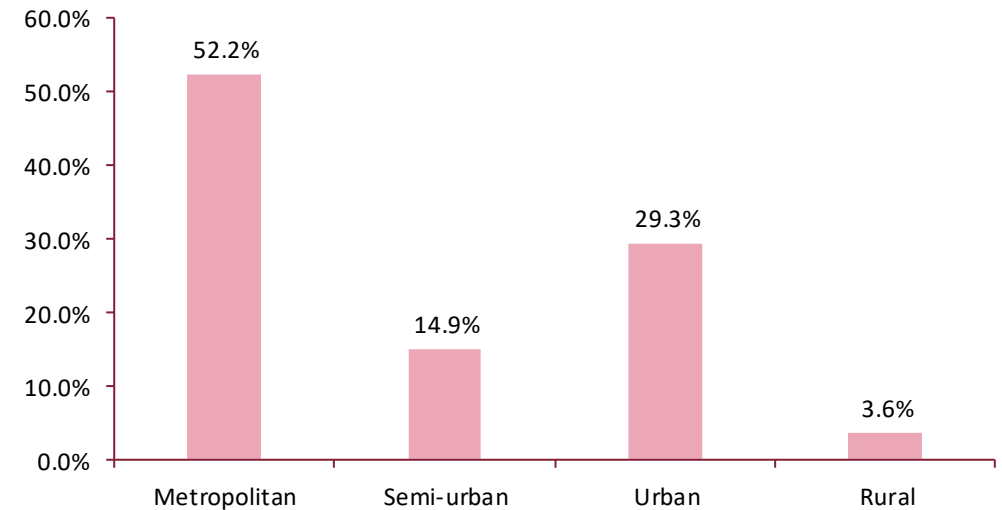
SFB's FY23 Advances - Demography Mix (%)



SFB's FY23 Deposit - Region Mix (%)



SFB's FY23 Deposit - Demography Mix (%)



Strengths

Retail focused liability franchise with a high share of CASA

- ⇒ CSFB has created a retail centric deposit franchise with a high share of CASA deposits with CASA ratio at 37.8% as on Sep-23. Its experience of operating as a local area bank for over 16 years provided a competitive edge with respect to understanding on growing deposit base.
- ⇒ Its holistic suite of banking products, deep relationship-based banking approach, entrenched branch network, single window service, customer friendly practices and brand equity has aided retail centric deposit profile. CSFB's focus on providing all banking product and services to the customers with emphasis on rural and semi-urban areas which allows it to penetrate deeper into the markets it caters.
- ⇒ Further, it is the only SFB empaneled with the Food Civil Supplies and Consumer Affairs Department, Government of Punjab to act as nodal banker for processing the payment of procurement proceeds of food grains to the beneficiaries. Its deposit rollover ratio has been consistently around 90% for the term deposits.

Secured and diversified advances portfolio

- ⇒ CSFB has consciously focused on building a secured and granular loan book over the years with a focus on income generation.
- ⇒ As on Sep-23, 99.9% of loan book was secured with 84.3% respectively of the loans being secured with immovable properties. The average ticket size of agriculture, MSME & trading and mortgage lending products was Rs.1.24mn, Rs. 1.81mn and Rs. 1.15mn as on Sep-23.
- ⇒ Further, a well-diversified loan portfolio with focus on income generation, its has continued focus on secured lending, continuous customer engagement and structured underwriting practices has contributed to growth and superior asset quality as compared to other SFBs.
- ⇒ Prior to 2016, it operated as a local area bank and were one of the two non- microfinance institutions who were granted the SFB license by RBI. Because of background as a local area bank, it already existed in diversified segments which has resulted in having lower systemic risks in comparison to the overall industry with high MFI base. The percentage of gross advances to clients up to 2.5mn stands at 67.4% as on Sep-23.
- ⇒ Further, though the priority sector lending ("PSL") targets are prescribed by RBI, it has taken it as an added opportunity to contribute to the economic development in areas of operation and serve the middle-income customer segments by fulfilling their credit requirements while also achieving the PSL targets. Its PSL advance increased at a CAGR of 17.2% from Rs. 25.8bn as on Mar-21 to Rs. 35.4bn as on Mar-23 and to Rs. 36.8bn as on Sep-23.

Streamlined credit assessment processes and risk management practices

- ⇒ CSFB's credit assessment processes, and risk management practices enables to maintain good asset quality and low delinquencies. Its strategy of secured lending, primarily for productive purposes and conservative loan to value ratio contributes towards lower delinquencies and credit losses. Its positioning as the primary banker to most of customers enables to have a comprehensive view of and control over their cash flows contributing towards effective credit assessment.
- ⇒ Its credit assessment involves multiple levels of independent review of information. It follows the principal of four eyes which involves a multi-level review of the credit exposures along with a well-defined matrix for credit assessment which is dependent on the risk profile of the borrower, including the mandatory checks of credit bureau verification, review of defaulters list and check on frauds. Further, it has a credit sanctioning committee which oversees the exposures of an amount involving Rs. 12.5mn or above and a dedicated team to monitor the exposures granted by us.
- ⇒ Dedicated customer relationship team maintains healthy engagement with customers on an ongoing basis which has resulted in effective collection recoveries and consequently better asset quality. The Bank is maintaining a healthy loan loss provision of 70% as on Mar-23 and 68.6% as on Sep-23.

Customer centric approach and understanding of target customers

- ⇒ CSFB has gained an understanding of market and customer base over the years that enables to meet the financial requirements of existing and potential customers.
- ⇒ It believes customers prefer a single source for multiple financial services, and accordingly it offers a range of credit and non-credit products and services to address a variety of financing requirements of the customer through branch network.
- ⇒ Its focus is on providing products and services to catering to middle income group segment with special emphasis on rural and semi-urban areas in areas of operations. It is a one-stop financial hub for customers where it operates.

Strengths

- ⇒ As of Sep-23, it had 7,25,037 customers respectively (both credit and deposit). It believes in customer engagement at every stage through relationship managers, personal bankers and retail bankers deployed at branches. It strategically follows branch network driven business acquisition strategy which helps to identify the customer needs effectively and respond with solutions.
- ⇒ It targets customers across the sectors with special attention to rural and semi-urban centres because it believes that borrowers in these regions tend to have lower credit penetration. Further, in these markets, there is less competition, lower risk of customer migration (leading to longer, more loyal customer relationships), better credit behaviors and, in turn, lower delinquency rates.
- ⇒ It also encourages local hiring to stay connected to customers through personal and digital means and provide them seamless banking services. It believes that its track record of originating and servicing these loans, together with extensive network of branches that cater to these customers, positions CSFB favorably to compete in these segments and continue to grow business.

Consistent track record of growth with constantly improving operational and profitability metrics

- ⇒ Since conversion into an SFB, CSFB has demonstrated consistent improvement in financial metrics such as total advances growth, deposit growth, increasing C/D Ratio, improving cost to income ratio and profitability.
- ⇒ CASA deposits as of Sep-23 were Rs. 26.4bn. Average credit to deposits ratio has also improved from 67.5% in FY21 to 78% in FY23 to 79.6% in H1 FY24. Through its continued efforts, its opex as a percentage of average assets has declined from 2.93% to 2.90%, from FY21 to FY23.
- ⇒ Its Return on Average Advances and Return on equity stood at 1.89% and 16.62% respectively for FY23 and the same stood at 1.98% and 16.45% for H1 FY24. Further, operating profit has grown at a CAGR of 44.2% from Rs. 0.7bn in FY21 to Rs. 1.5bn in FY23 and was Rs. 0.8bn in H1 FY24. Profit after tax has grown from Rs. 0.4bn in FY21 to Rs. 0.9bn in FY23 and stood at Rs. 0.5bn in H1 FY24.
- ⇒ Disbursements increased from Rs. 13.5bn for FY21 to Rs. 19.9bn for FY23. Further, advances as of Sep-23, was Rs. 58.7bn. It grew at a CAGR of 21% between FY21-FY23. Cost of funds and cost of deposits improved from 5.20% and 5.02% to 5.11% and 4.90% from Mar-22 to Mar-23. The same stood at 5.68% and 5.44% respectively for Sep-23.
- ⇒ As of Mar-23 and Sep-23, liquidity coverage ratio quarterly average was 215% and 246% respectively, as against regulatory requirement of maintaining the liquidity coverage ratio of 100% with effect from April 1, 2021.

Professional and experienced leadership team

- ⇒ Promoters, MD and CEO, Sarvjit Singh Samra, has over three decades of experience in the domain of banking and financial services.
- ⇒ Its Executive Director and CFO has over two decades of experience and has been instrumental in strategic decision making, corporate planning.
- ⇒ It has an experienced leadership team comprising of over 10 members. Its Board and senior management team was able to navigate the disruptions caused across all the major events (demonetisation, GST implementation, IL&FS crisis, COVID-19 pandemic) and during various business and interest rate cycles while ensuring business continuity and minimal impact on its business and operations. The senior management team is supported by a capable and talented pool of trained personnel at head office and branches with extensive on ground local knowledge and connect.
- ⇒ Board of Directors consists of people with a diverse mix of experience in various sectors, in particular, the financial services industry. Board level committees, viz., the Audit Committee, the Risk Management Committee (that monitors the Asset Liability Committee), Nomination and Remuneration Committee, Stakeholders Relationship Committee, and the Corporate Social Responsibility Committee, work in tandem.
- ⇒ Its Shareholders include PI Ventures LLP, SIDBI, Amicus, OIIF II, ICICI Prudential, HDFC Life and Max Life.

Strategies

Continue to grow loan book organically with focus on secured lending

- ⇒ CSFB intend to undertake geographical expansion by not only penetrating existing markets deeper by opening new branches in the home state of Punjab but also entering newer territories. It will leverage brand presence in Punjab and expand further in adjacent states of Haryana, UT of Chandigarh, Rajasthan, NCR and Himachal Pradesh. Its strategy to scale-up operations is aimed at developing a deeply entrenched geographical presence which will put it in a position to service a larger market for credit and effectively grow advances.
- ⇒ CSFB is well positioned to take advantage of the tailwinds and intends to continue to grow portfolio with focus on secured lending which will provide a competitive edge over competitors. Since it focusses on middle-income customer segments, its full suite of products and services on the asset and liability side will provide an opportunity to serve more customers in the middle-income segment that have limited or no access to formal banking channels, spread across rural and semi-urban areas.
- ⇒ It plans to enter into business partnerships in the states where it has lower presence currently to gain an understanding of the new markets it intends to penetrate. It intends to open targeted branches in urban/ metro areas in order to grow business in these areas. While expanding network of branches, it will continue to evaluate various market, credit parameters using time series analysis on credit growth, delinquencies, customer growth and also use publicly available metrics including household information, population, economic activities and deposit data. Its data-driven decision-making to open additional branches will offer it better returns and lower risk.

Strengthen liability franchise

- ⇒ One of its key strengths is granular retail focused deposit base. It has been able to leverage the strength of brand to rapidly grow deposit portfolio. Since 2016, it has placed a reliance on enhancing retail deposits, as they have lower cost compared to wholesale deposits and are more likely to stay deposited with Bank over a longer period compared to wholesale deposits. Its retail focus enables us to maintain high levels of CASA as compared to peers. It is focusing on deepening existing relationships to continue maintaining high levels of CASA. As on Sep-23 it had CASA ratio of 37.8% resulting in low cost of funds of 5.68%.
- ⇒ It plans to continue to increase CASA and retail deposits with judicious mix of wholesale deposits in order to optimize cost of funds through the following:
 1. Continue to target new and existing customers to source retail deposits by cross-selling deposit products to customers who do not have a deposit account and offering additional benefits to existing CASA account holders by focusing on providing high level customer service across all channels;
 2. Penetrating into existing geographies and expanding into new geographies to serve the target customer segments;
 3. Focus on 'phygital' distribution of products and services to cater the banking needs of rural and semi-urban population which includes an optimum mix of physical and digital presence to scale operations in a profitable manner;
 4. Leverage and enhance brand to build presence in the banking sector and enhance customer trust and recognition by relationship-based banking, customer engagement practices and holistic product offerings; and
 5. Focus on newly set-up government and institutional banking group so we can service the banking needs of more central and state government departments and agencies as well as co-operative banks, NBFCs and public trusts. We are one of the only two SFB's to be empaneled by Punjab Government for placing their deposits.
- ⇒ Further, CASA deposits per branch stood at Rs. 161.6mn and retail deposits per branch stood at Rs. 377.8mn as of FY23. CASA and retail deposits are cheap source of funds for SFB which will enable it to expand product portfolio and achieve economies of scale.

Leverage technology and data analytics for scalability and profitable growth

- ⇒ CSFB leverages technology to onboard customers and deploy data management processes to generate business. It provides an omni-channel integrated solution which ensures smooth customer experience across all the channels of banking, website, internet banking and mobile application. Its approach to customer acquisition and onboarding, with tailored mobile solutions has ensured ease of operation for customers. Its information technology systems allow to leverage economies of scale to increase productivity and reduce turnaround times and transaction costs.
- ⇒ Operationally, digitization benefits CSFB through improved processes, increased productivity, reduced costs, improved collections through data-driven early warning systems, and better cross-selling opportunities. Going forward, CSFB intends to strategically invest resources for leveraging technology for efficient operations as it scales up to ensure increased effectiveness of operations. It intends to reduce operating costs and increase efficiency in business operations to improve the overall customer experi-

Strategies

ence through increasing use of technology.

Customer Centric Initiatives

- ⇒ CSFB is moving towards digital on-boarding of customers, that will help widen customer base by especially targeting millennials. It is also continuously exploring new delivery channels to enhance customer outreach such as self-service portals/kiosks, host to host API based tax payments etc.
- ⇒ It also intends to strengthen alternate delivery channels such as its ATM, internet banking and increase their adoption by customers. Other initiatives which further increases customer satisfaction include a dedicated customer facing mobile application facilitating all transactions digitally including IPO applications, Utility Bill Payments, etc.

Initiatives Driving Operational Efficiencies

- ⇒ CSFB intends to invest in augmenting technology infrastructure to ensure that operations are nimble and efficient to service customers in an economical manner. It intends to leverage data analytics and create a data lake to develop customized and tailor-made products to suit the diverse requirements of customers thereby furthering vision of being their primary banker.
- ⇒ It focusses on deepening automation and are in the process of integrating with several technology service providers both on the origination as well as the credit assessment side. These solutions will be closely integrated with core banking system leading to an integrated and efficient banking infrastructure. It also intends to make extensive use of artificial intelligence and machine learning in operations for several initiatives like credit monitoring, credit assessment, origination and cross-sell of products.

Focus on strengthening operational and profitability metrics

Improve credit to deposit ratio:

- ⇒ Post conversion into an SFB, it has focused on contiguous branch expansion across Punjab, Haryana, Delhi, Rajasthan and Himachal Pradesh. It also continues to expand loan book in the new locations with an objective to improve credit to deposit ratio. In new geographies it uses loan products as entry strategy which will further improve credit to deposit ratio.
- ⇒ Its proportion of deposits to total loan book stood at 119% as of FY23 which provides opportunity to grow advances and improve efficiency. It enters into partnership with BCs in the states in which it has lower presence for credit sourcing, which will gain understanding of newer market and will also boost credit to deposit ratio.

Focus on optimizing costs:

- ⇒ It aims to further improve operating efficiency to reduce cost to income ratio while improving existing return metrics. Its branches typically take 15-21 months to break even and since majority of branches have reached the break-even, its proportion of matured branches to total branches will be incrementally higher going forward. It also targets to increase revenue from existing businesses, optimise business mix to improve risk-adjusted returns.

Focus on improving share of fee income and leverage cross-selling opportunities:

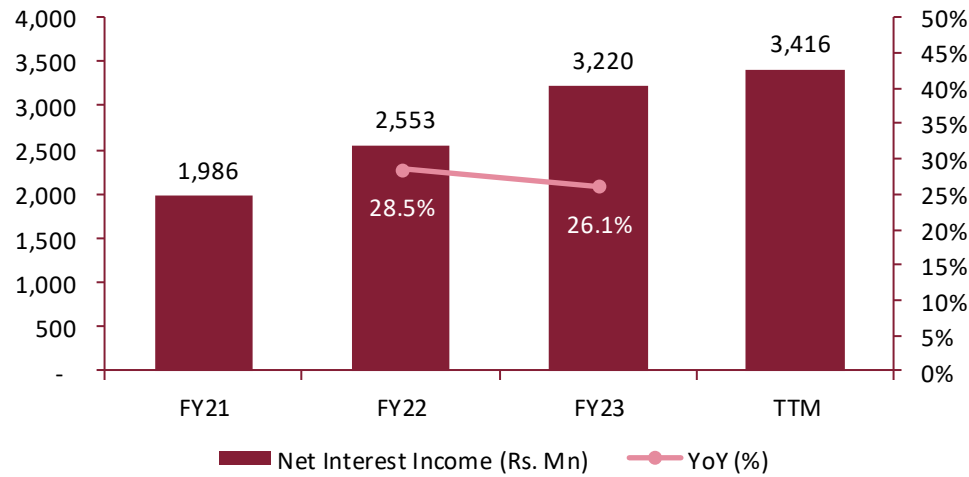
- ⇒ An important focus for the SFB is to diversify fee and non-fund based revenues. It intends to achieve this by further cross-selling existing fee income products like distribution of insurance products and introducing newer products and services. It intends to achieve this by generating fee income from products and services and cross selling third party products such as life insurance, general insurance, health insurance, money transfer, inward and outward non-trade remittances, locker rental, 3-in-1 demat and trading account etc.
- ⇒ Its non-interest income grew from Rs. 458mn in FY21 to Rs. 495mn in FY23 and stood at Rs. 292mn in H1 FY24. It further proposes to focus on bancassurance channels to distribute various types of insurance products to existing customers, thereby promoting greater financial inclusion. As of Sep-23, it has 4 bancassurance relationships including with insurance companies offering general insurance, life insurance and health insurance products. It intends to capitalize on these relationships to diversify and distribute these products by leveraging on existing network to promote newer products to multiple customers.

Key Risks

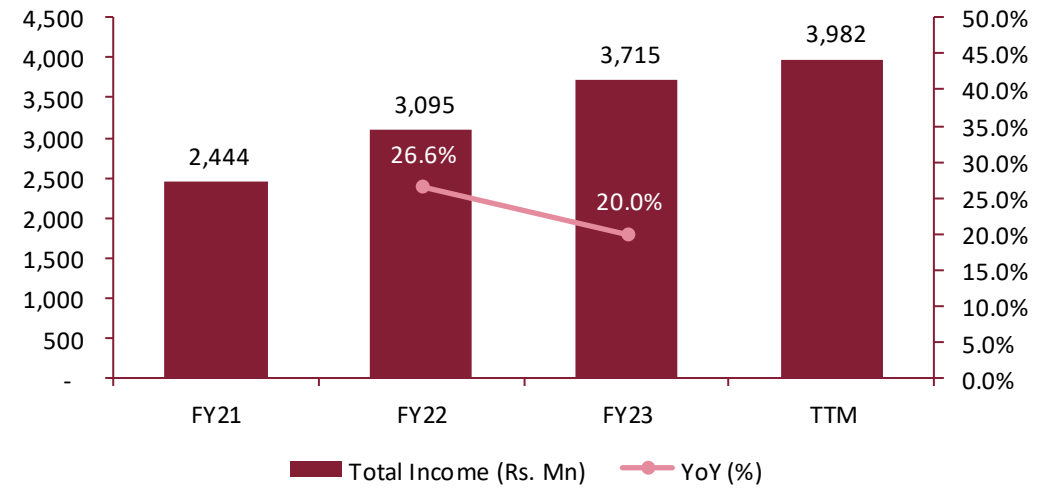
- ⇒ **Rural and Semi Urban Dependence:** CSFB derives major of its funding and advances from rural and semi urban areas, any adverse developments in the banking and finance sector in these areas could adversely affect company's business. As of Sep-23, 70% of the total advances are from rural and semi urban areas, while total funding (depositors) from rural and semi urban stood at 76.5% of the total deposits for the same period.
- ⇒ **Increasing Gross NPAs %:** The gross NPA as % to the total advances has been on the rise in FY21-23. If we the company is unable to control the level of NPAs in its portfolio effectively their financial condition might further deteriorate.
- ⇒ **Geographical concentration:** CSFB's business is concentrated in North India, with approximately 86.1% of its total branches i.e., 149 branches out of a total of 173 branches, as of Sep-23, are located in the state of Punjab. Due to this concentration, the success and profitability of their overall operations may be exposed to regional factors which include, among others, the growth in population, income and savings levels, increased competition as more players enter these geographies, financial health of borrowers in these areas, and the risk of their over-indebtedness, changes to local laws and regulations influx or efflux of migrant populations in these regions, civil, economic disruptions, political or social unrest and other natural calamities.
- ⇒ **Industry Sector concentration:** CFSB gives a 38.7% of the loans which is significant to Agriculture and related activities, any deterioration of performance in the sector might significantly affect the business of the company.
- ⇒ The bank must adhere to various regulatory requirements. Any failure to do so could lead to monetary penalty and restrictions thereby materially impacting business operation.
- ⇒ As of September 30, 2023, guarantees given by the company on behalf of its customers constitute ~81% of the total contingent liabilities. Materialization of these contingent could material affect, business, financial condition, results of operation, and cash flow.
- ⇒ In the past, RBI has observed non-compliance by the company pertaining to ordinary course of business. Any additional regulatory non-compliance by the company could impair its positioning in the industry, impacting business functioning.
- ⇒ Credit Downgrade by rating agencies could lead to imposition of additional terms and conditions and higher interest rates to new or replacement agreement for refinancing outstanding debt.

Capital Small Finance Bank : Financial story in charts

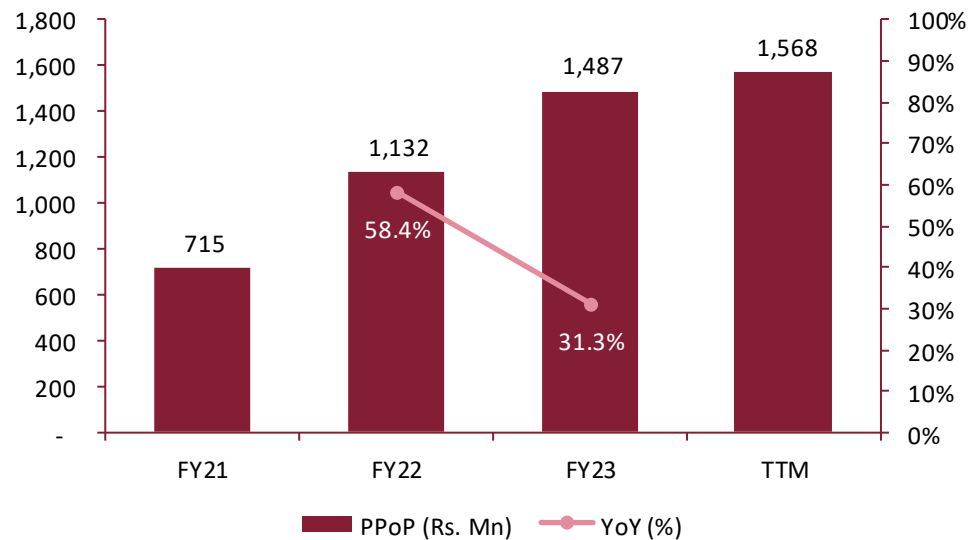
Net Interest Income (Rs. Mn) and YoY (%)



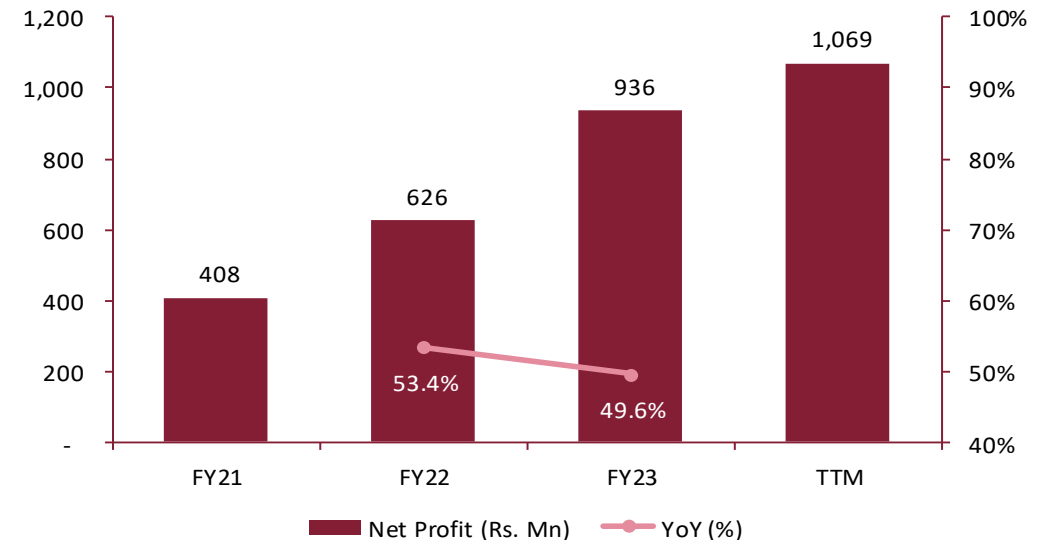
Total Income (Rs. Mn) and YoY (%)



PPoP (Rs. Mn) and YoY (%)

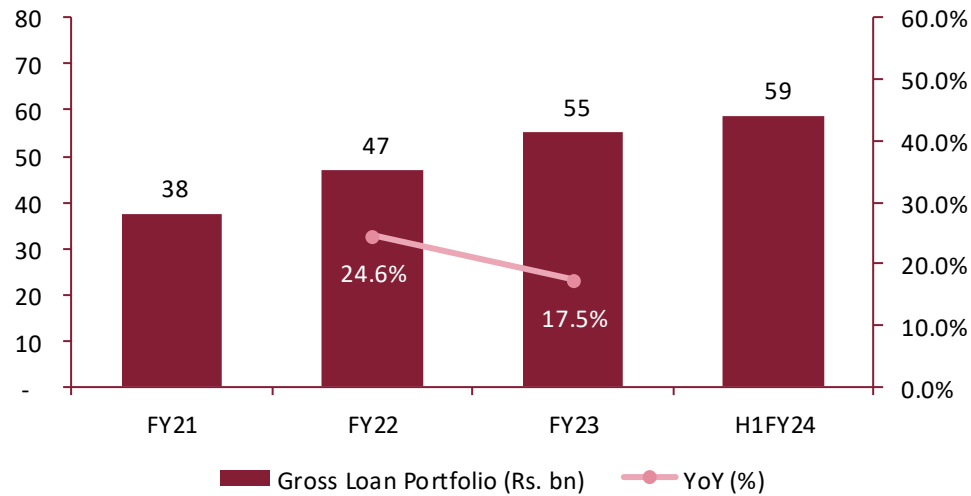


Net Profit (Rs. Mn) and YoY (%)

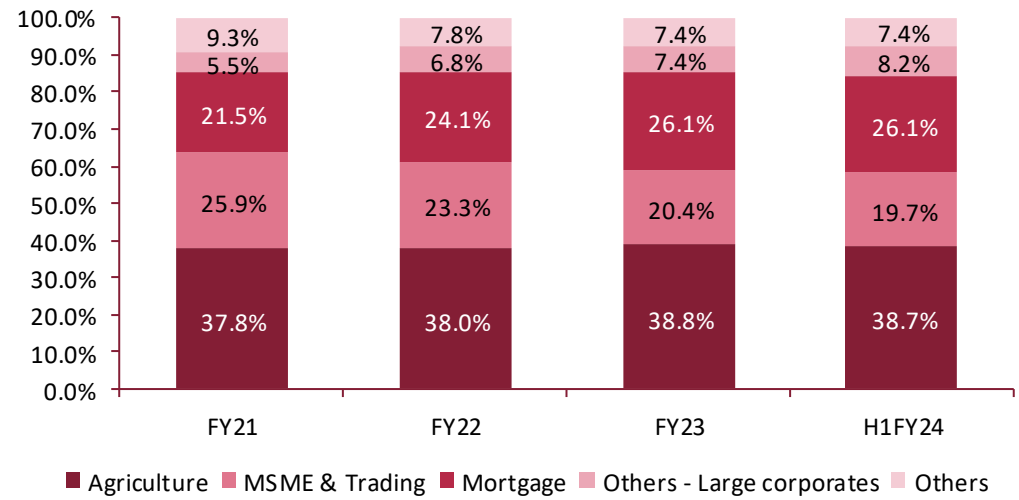


Capital Small Finance Bank : Financial story in charts

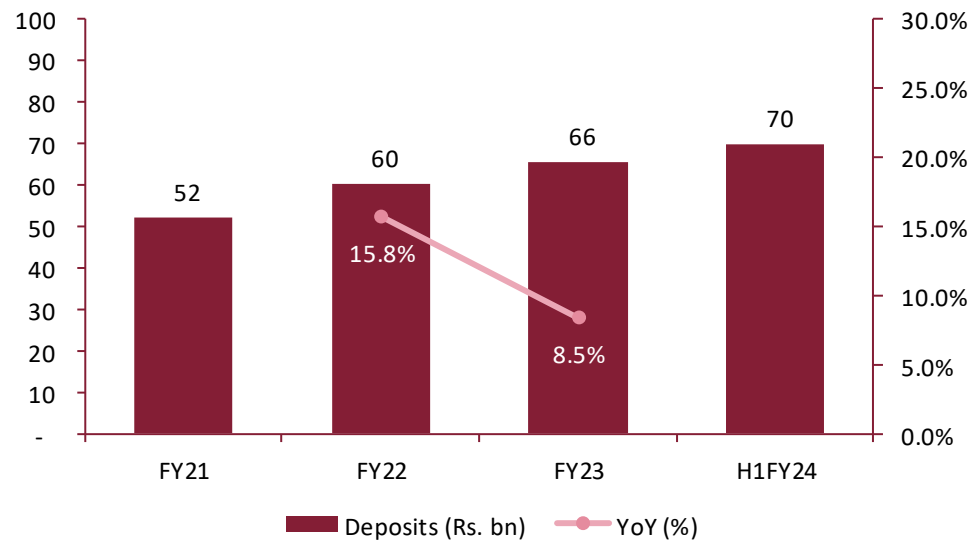
Gross Loan Portfolio (Rs. bn) and YoY (%)



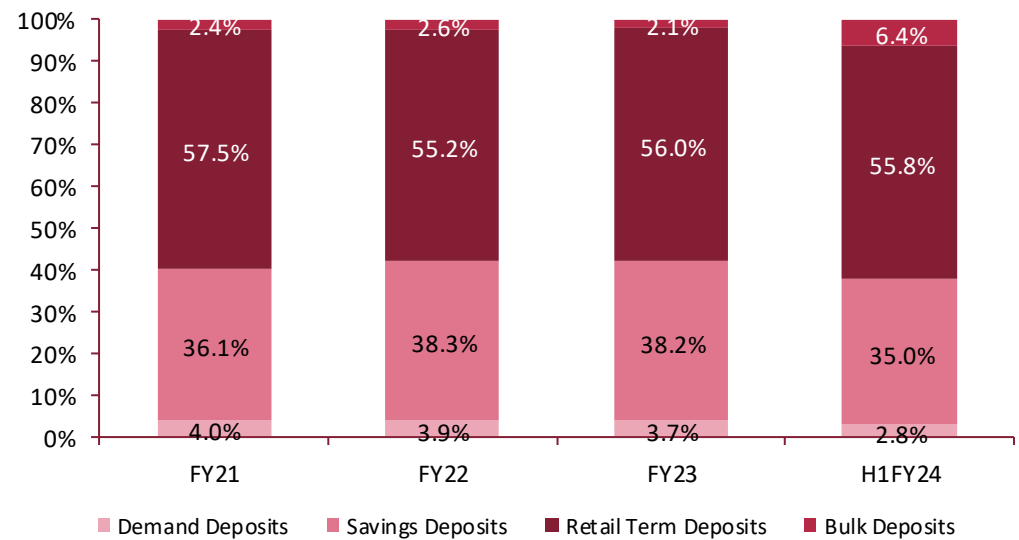
Gross Loan Portfolio Mix (%)



Deposits (Rs. bn) and YoY (%)

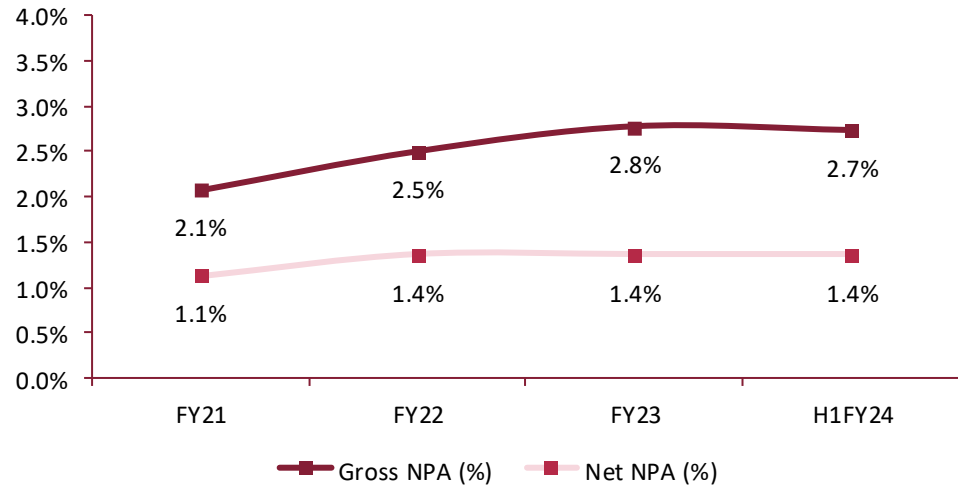


Deposits Mix (%)

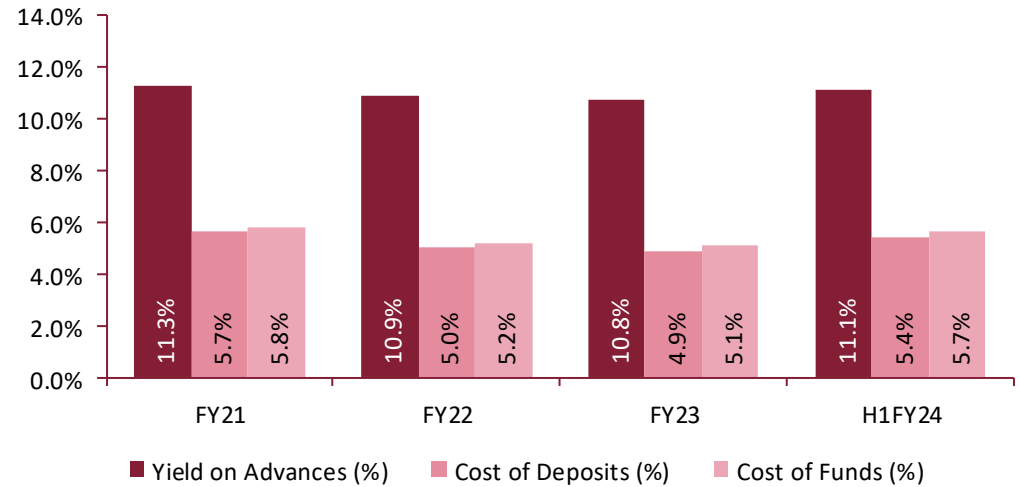


Capital Small Finance Bank : Financial story in charts

Gross NPA & Net NPA (%)



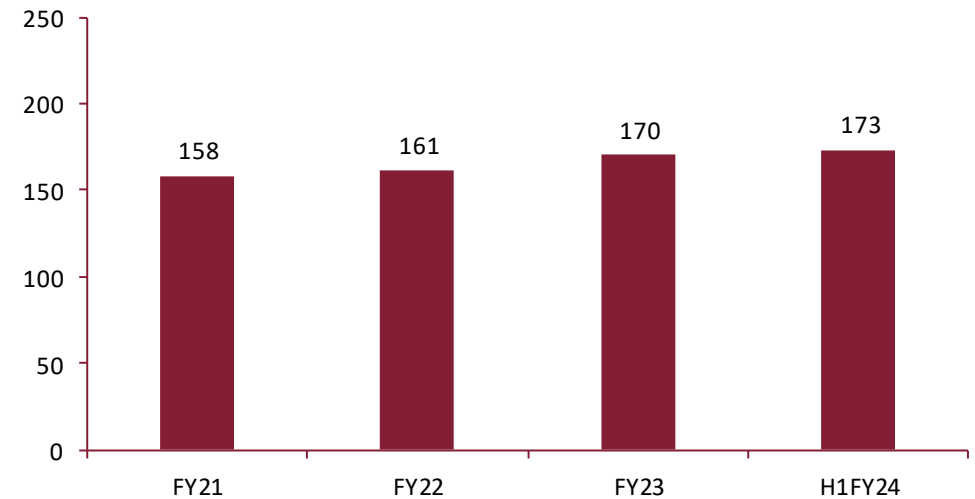
Yield vs Costs (%)



Provision Coverage Ratio (%)

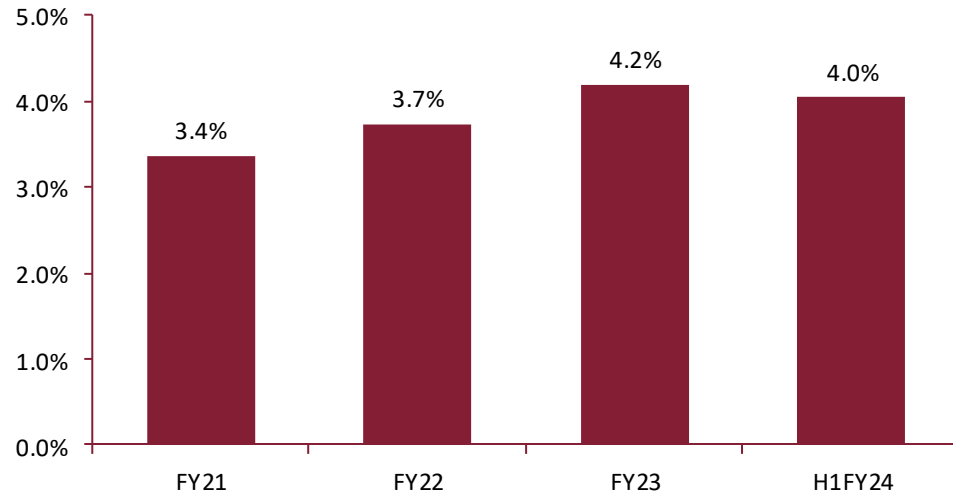


Branches

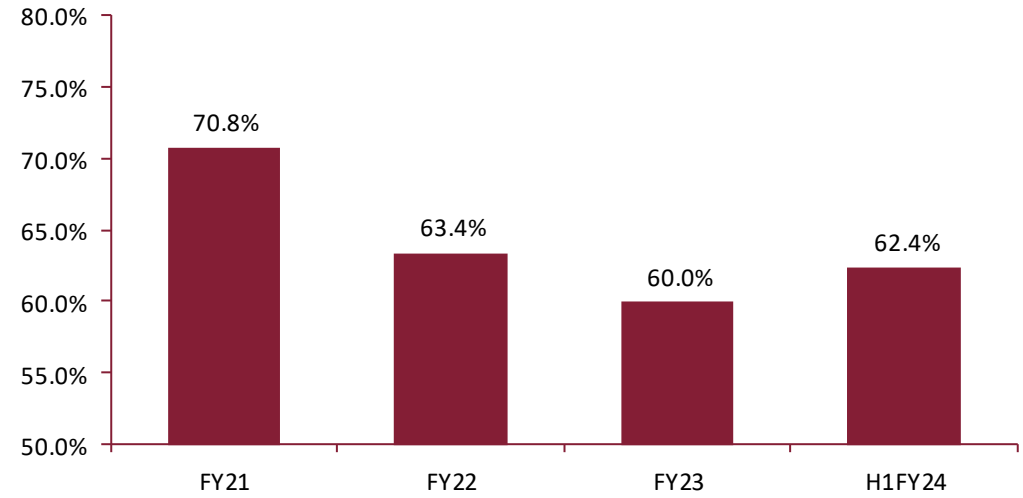


Capital Small Finance Bank : Financial story in charts

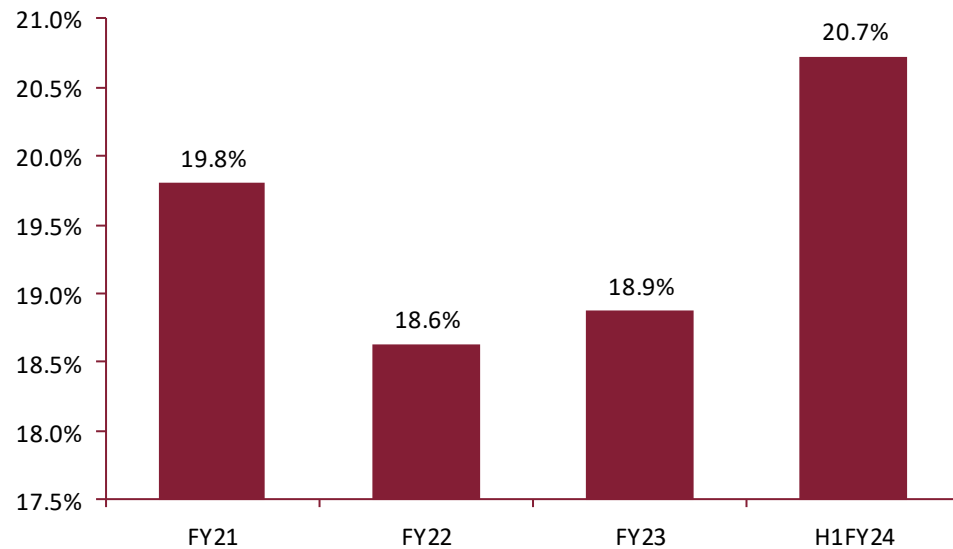
NIMs (%)



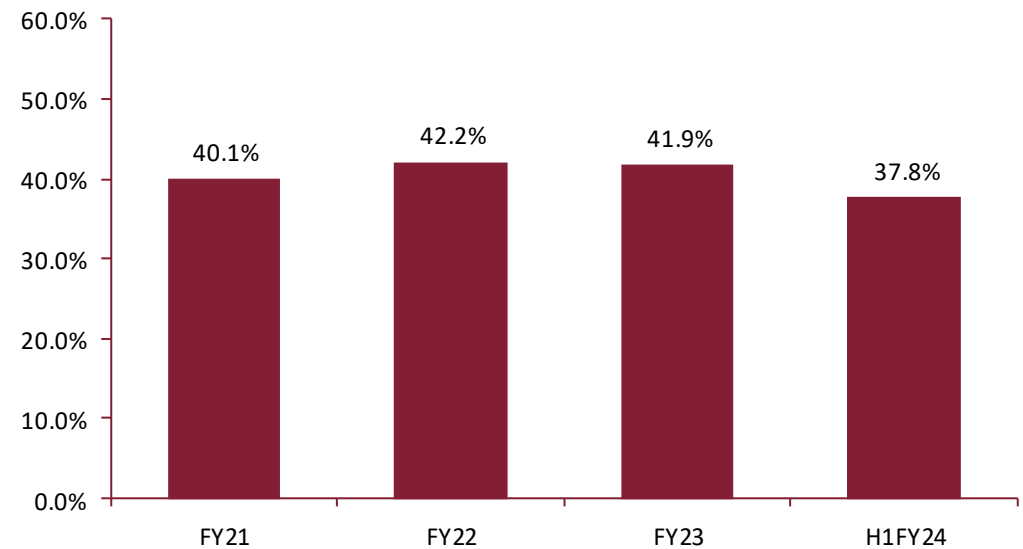
Cost to Income (%)



Capital Adequacy (%)



CASA Ratio (%)



Peer Performance - H1FY24

Peer Performance (H1FY24)	AU SFB	Equitas SFB	Ujjivan SFB	Jana SFB	ESAF SFB	Utkarsh SFB	Suryoday SFB	Capital SFB
AUM (Rs. bn)	650	312	266	230	175	149	69	59
yoy %	24.0%	37.0%	27.0%	42.4%	37.0%	26.4%	28.7%	12.9%
Deposits (Rs. bn)	757	308	291	189	174	140	64	70
yoy %	30.0%	42.0%	43.0%	33.5%	28.8%	19.0%	51.9%	13.3%
Retail Deposits (%)	66.0%	74.5%	64.6%	67.2%	89.0%	66.0%	77.6%	93.6%
CASA (%)	34.0%	34.0%	24.1%	20.5%	18.0%	20.0%	15.7%	37.8%
Employees	28,500	21,862	21,040	20,355	5,505	16,364	6,989	1,838
Banking Outlets	1,042	956	700	771	700	871	635	173
NIM (%)	5.6%	8.0%	9.0%	8.0%	11.2%	8.9%	9.7%	4.1%
Opex Ratio (%)	4.4%	6.4%	5.8%	5.9%	7.2%	6.2%	6.5%	3.0%
Cost to Income Ratio (%)	63.1%	65.5%	53.0%	58.5%	56.4%	51.7%	56.7%	62.3%
Credit Cost (%)	0.5%	0.9%	0.6%	3.6%	3.2%	2.4%	2.5%	0.1%
Yield on Advances (%)	13.4%	17.3%	20.7%	17.5%	23.3%	19.5%	20.3%	11.0%
Cost of Borrowings (%)	6.6%	9.5%	7.3%	7.4%	7.1%	7.7%	7.2%	6.9%
Gross NPA (%)	1.9%	2.3%	2.4%	2.4%	2.6%	2.8%	2.9%	2.7%
Net NPA (%)	0.6%	1.0%	0.1%	0.9%	1.3%	0.2%	1.5%	1.4%
PCR (%)	69.1%	57.7%	96.3%	64.9%	55.5%	94.6%	50.5%	51.0%
CRAR (%)	22.4%	21.3%	25.2%	17.5%	20.6%	24.8%	30.2%	20.7%
Credit to Deposit Ratio	85.9%	101.3%	91.2%	110.9%	85.6%	106.6%	108.3%	83.8%

Valuation - H1FY24

Valuation	AU SFB	Equitas SFB	Ujjivan SFB	Jana SFB	ESAF SFB	Utkarsh SFB	Suryoday SFB	Capital SFB
Shares (Mn)	668.2	1,121.7	1,955.1	104.6	514.8	1,095.9	106.2	45.0
Networth (Rs. Mn) (Sep-23)	117,627	54,788	47,707	30,310	19,850	26,875	16,841	11,618
BVPS (Rs.)	176.0	48.8	24.4	289.8	38.6	24.5	158.6	257.9
Price	600.5	103.1	58.9	414.0	78.9	65.0	176.0	468.0
P/Bx (H1 FY24)	3.4	2.1	2.4	1.4	2.0	2.7	1.1	1.8
Market Cap (Rs. bn)	401.6	116.7	115.2	43.3	40.7	71.4	18.7	21.1
RoA (TTM) (H1FY24)	1.7%	1.0%	1.9%	1.4%	1.3%	1.0%	2.0%	1.2%
RoNW (TTM) (H1FY24)	13.9%	14.6%	29.0%	13.6%	15.8%	19.3%	12.2%	9.2%

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

DISCLOSURE

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