

# Techno Funda – Capital Small Finance Bank Ltd

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**A well managed Secured Bank**

05 May 2026

# Capital Small Finance Bank Ltd – Fundamental Rationale

A well managed Secured Bank

CMP  
Rs. 275.9

6M TP – Rs. 340  
Upside – 24.77%

Rating  
BUY

## Company Overview:

Capital Small Finance Bank Ltd (CAPITALSFB) is the country's first SFB to receive its license on April 24, 2016. Initially, the company operated in its core state of Punjab, but over the years, it expanded to NCR, Rajasthan, Haryana, Himachal Pradesh, and two Union Territories (Chandigarh and J&K). As of FY26, the bank has 211 branches across five states and two Union Territories. The bank was listed in February 2024, and since then, it has been growing steadily, with Balance Sheet recording a 14% CAGR growth between FY21 and FY26.

## Key Differentiating Factors:

- **Secured assets strengthening the loan book:** The focus of CAPITALSFB has been predominantly on secured assets since inception. The diversified loan portfolio comprises mortgage loans (25% as of FY26), agri loans (28% as of FY26), MSME loans (25% as of FY26), corporate loans (14% as of FY26), and consumption & other loans (8% as of FY26). The total loan book stands at Rs. 8,687 cr as of FY26, growing at an 18% CAGR over FY21-26. The secured loan portfolio stands at 98%+ as of FY26, with zero direct exposure to microfinance (MFI); thus, it remains relatively insulated from the cyclicity associated with MFI. **We believe the diversification of loan products in its offerings, which was not present a few years ago, will play a pivotal role in shaping the bank's growth trajectory and aiding expansion into newer states.**
- **Agri-state Punjab-focused, expanding to Haryana, Rajasthan, Himachal Pradesh & J&K:** CAPITALSFB has grown its branch network from 158 in FY21 to 211 in FY26. The bank is scaling up in NCT, Rajasthan & Haryana to diversify its presence beyond Punjab and is planning to enter UP & Gujarat. **We believe this diversification, along with targeted branch expansion to 300 by FY29, will enable the bank to clock higher loan growth than in the last five years. Also, the bank will be relatively insulated from cyclicity related to loan products and states, which should aid in improving numbers.**
- **Solid retail-focused liability franchise:** CAPITALSFB has one of the strongest retail liability franchises, with 90%+ share of deposits coming from retail customers. Given its strong customer relationships, the bank aims to be the primary banker for them. The bank has a stable CASA ratio of 36% as of FY26 and has achieved granularity in its retail deposits, with total deposits growing at a 14% CAGR between FY21 and FY26. **We believe this granularity will enable the bank to maintain healthy NIM's (Net interest Margins) of 4.2% as on FY26 going forward.**
- **Stable asset quality even in adverse cycles:** Consistency in asset quality ratios, even during stressed periods, has been the bank's moat. Due to its stringent underwriting standards in customer selection, the bank maintains tight control over credit costs, which stood at 0.3% in FY26. In the last five years, despite stress cycles such as COVID-19 and overleveraging in unsecured loans, the bank has recorded an average GNPA of 2.5%, NNPA of 1%, and credit cost of 0.3%. **We believe this stable asset quality will be sustained in the coming years, as the bank remains focused on a secured loan book, while its consistent underwriting approach should aid in selecting high-quality customers in newer states as well.**

**Outlook & Valuation:** Capital Small Finance Bank is well-positioned to sustain the growth momentum witnessed over the past five years and capitalize on opportunities in newer states. Improving return ratios could act as a potential trigger for re-rating, as the bank has achieved an exit RoA of 1.4% (annualised) as of Q4FY26. Considering its improved financial performance, there is a strong case for sustaining these return ratios. At the CMP of Rs. 275.9, the bank is trading at 0.7x its FY28E BV of Rs. 408.

Rs. cr	FY24	FY25	FY26	FY27E	FY28E
Operating Income	154	185	213	265	328
PAT	111	132	141	182	230
Adjusted EPS (x)	24.7	29.3	31.3	39.9	50.9
BV/share	266	298	325	362	408
P/B (x)	1.4	0.9	0.8	0.8	0.7

05 May 2026

Industry Small Finance Bank

## Key Stock Data

Bloomberg	CAPITALS:IN
Shares o/s (cr)	45.42
Market Cap (Rs. cr)	1,254
52-wk High-Low	331/207
20D ADV (In '000)	73
Index	BSE Financial Services
F&O	N

## Latest Shareholding (%)

	Mar 26	Dec 25	Sep 25
Promoters	18.0	18.0	18.8
Institutions	28.6	28.5	29.2
Public	53.4	53.5	52.0
Pledge	0.0	0.0	0.0

## Stock Performance (%)

	1M	3M	12M
Capital SFB	15.5	6.9	-4.6
BSE Financial Services	-8	8	0

RESEARCH ANALYST

Sagar Shah  
sagar.s@sparkcapital.in

# Capital Small Finance Bank Ltd

Banking	Reco/View <b>Buy</b>	Previous Day's Close <b>Rs. 275.90</b>	Buying Range <b>Rs. 265 - 280</b>	6M TP <b>Rs. 340</b>	SL (on Closing Basis) <b>Rs. 240</b>	Potential Upside <b>24.77%</b>
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## Technical View (Daily)



- The stock has demonstrated a healthy recovery from its recent lows over the past month, establishing a "higher high, higher low" pattern on the daily chart. This sequence aligns with Dow Theory principles, signaling a primary trend reversal toward the upside.
- From a technical standpoint, the stock has successfully executed a trendline breakout and is currently trading above its 20, 50, and 200-day EMAs. This alignment above key moving averages suggests that the positive momentum is well-supported and likely to persist in the near term.
- The underlying strength of this move is confirmed by both the RSI and MACD indicators, which reflect positive positioning across daily and weekly timeframes.
- Considering overall chart structure, we anticipate a move toward the 340 target over the next 4 – 6 months. Investors and traders may look to accumulate shares within the 265 - 280 range, maintaining a stop-loss at 240 on a daily closing basis.

RESEARCH ANALYST

Jay Kumar Purohit

[jaykumar.p@sparkcapital.in](mailto:jaykumar.p@sparkcapital.in)

Source: Falcon, Spark PWM

Note: Potential upside is calculated based on the average price within the defined buy range.

# Capital Small Finance Bank Ltd

## 2-Year Price Chart

2-Capital Small Fin Bank L - 04/05/26

[Log] F7Net



Source: Falcon, Spark PWM

# Disclaimer (1/2)

## Absolute Rating Interpretation

<b>BUY</b>	Stock expected to provide positive returns of >15% over a 1-year horizon	<b>REDUCE</b>	Stock expected to provide returns of <5% – -10% over a 1-year horizon
<b>ACCUMULATE</b>	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon	<b>SELL</b>	Stock expected to fall >10% over a 1-year horizon

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## Chennai

No. 1, 3<sup>rd</sup> Floor,  
First Crescent Park Road,  
Gandhi Nagar,  
Adyar,  
Chennai – 600 020



## Mumbai

Unit – 301, 302, Windsor House, 11<sup>th</sup> floor, C Wing, ONE BKC,  
2, Kolivery Village,  
MMRDA Area, Kalina,  
Santacruz East,  
Mumbai – 400 098

Unit Nos. 1116,  
Bandra Kurla Complex,  
Bandra East,  
Mumbai – 400 051



## Delhi

No. 23, 1<sup>st</sup> Floor,  
Community Centre,  
Basant Lok,  
Vasant Vihar,  
New Delhi – 110 057



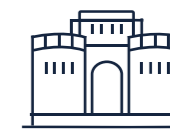
## Bengaluru

No. 2, 3<sup>rd</sup> Floor,  
Prestige  
Emerald,  
Lavelle Road,  
Bengaluru – 560 001



## Hyderabad

No. 25 & 42, 3<sup>rd</sup> Floor,  
Lumbini Avenue,  
Near Preston Prime Mall  
Main Road, Gachibowli,  
Hyderabad – 500 032



## Pune

No. 7/352 1<sup>st</sup> Floor,  
Elbee House,  
Boat Club Road,  
Sangamvadi,  
Pune – 411 001



## Ahmedabad

No. 409, 4<sup>th</sup> Floor,  
Venus Amadeus,  
Near Jodhpur Cross Road,  
Satellite,  
Ahmedabad – 380 015



## Kolkata

No. 9A-1 & 9B-1,  
9<sup>th</sup> Floor,  
No. 95A,  
Park Street,  
Kolkata – 700 016



## Kochi

No.1285 F1, Ground floor,  
The Quadrant, MP Pylee Road,  
Jawahar Nagar Avenue,  
Kadavanthra P O,  
Ernakulam – 682 020



## Thiruvananthapuram

2<sup>nd</sup> Floor,  
Mankulangara Tower,  
Kuravankonam,  
Pattom P.O.,  
Trivandrum – 695 004



## Lucknow

Unit No.6, 3<sup>rd</sup> Floor  
Marigold Building,  
Sapru Marg Shahnajaf Road,  
Hazratfang,  
Lucknow – 226 001



## Kanpur

Unit No 205, 2<sup>nd</sup> Floor,  
Imperial Square,  
16/105,  
MG Road,  
Kanpur – 208 001



## Spark Global PWM Private Limited

Unit number- GV-00-04-03-BC-24, Gate Village Building  
04, Dubai International Financial Centre (DIFC), Dubai, UAE