

Rating Rationale

6 April 2026

Capital Small Finance Bank Ltd

Brickwork Ratings reaffirms the rating for the Lower Tier-II bonds aggregating to Rs. 25.00 Crores and withdraws the rating for the Upper Tier-II bonds Rs. 40.00 Crores on account of full redemption by Capital Small Finance Bank Ltd.

Particulars:

Instruments**	Amount Rated (Rs. Crores.)		Tenure	Rating*	
	Previous	Present		Previous (11 Apr 2025)	Present
Lower Tier II Bonds	25.00	25.00	Long Term	BWR A+/ Stable (Reaffirmed)	BWR A+/ Stable (Reaffirmed)
Upper Tier II Bonds	15.00	0.00	Long Term	BWR A+/ Stable (Reaffirmed)	Withdrawn
Upper Tier II Bonds	25.00	0.00			
Total	65.00	25.00	Rupees Twenty-Five Crores only		

*Please refer to the BWR website www.brickworkratings.com/ for the definition of the ratings

** Details of bonds rated are provided in Annexure-II

Withdrawal of Rating is on account of redemption in full through exercise of call option, as disclosed by the bank and confirmed by the debenture trustee. Withdrawal of Rating of Upper Tier II bonds is in compliance with BWR Rating Withdrawal Policy

RATING ACTION/OUTLOOK: REAFFIRMATION/STABLE/WITHDRAWAL

Brickwork Ratings (BWR) reaffirms the rating for the Lower Tier II Bonds of Rs 25.00 Crores of Capital Small Finance Bank Ltd. at BWR A+/ Stable, and withdraws the rating for Upper Tier II bonds of Capital Small Finance Bank, as tabulated above. BWR has principally relied on the company's audited financials up to FY25, unaudited financials of 9MFY26, publicly available information, and information/clarifications provided by the company. The rating reaffirmation, inter alia, has factored in the company's long track record in the banking industry, the consistent growth in size of business, stable asset quality, comfortable capitalization, and adequate liquidity. The ratings are, however, largely constrained by the regional concentration in geographical presence and its moderate asset size. The rating for lower tier II bonds factors in the bank's ability to maintain a comfortable capital adequacy ratio which as of 31 Dec 2025 was 21.60%. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

Brickwork Rating has withdrawn the rating of upper Tier II bonds of Rs, 40.00 Crores, present outstanding nil, at the request of the bank. The said instruments were fully redeemed on 30 March 2026 and 31 March 2026, through exercise of call option by the bank. The debenture trustee confirmed the due redemption of these bonds. Withdrawal of Rating is in compliance with BWR Rating Withdrawal Policy

KEY RATING DRIVERS

Credit Strengths :-

- **Comfortable capitalization levels:** CRAR of the Bank stands at 21.60% as of 31 Dec 2025 which has deteriorated from 25.82% as of 31 Dec 2024 as CRAR for Q3FY26 is computed in accordance with updated RBI circular dated November 28, 2025; Current year profits (YTD) have not been reckoned as part of Tier I. Capital funds item Tier-I stood at 18.61% and Tier-II stood at 2.99% as of 31 Dec 2025. The tangible Net worth grew from Rs. 1295 Crores. as of 31 Dec 2024 to Rs. 1421 Crores as of 31 Dec 2025 which was a 9.73% increase YoY. The Liquidity Coverage Ratio (LCR) stands at 215.83% as of 31 Dec 2025 and has declined from 239.16% as of 31 Dec 2024. The bank is in the process of deploying excess liquidity effectively and is expected to bring LCR at par with industry standards. As of 31 Dec 2025, the bank had cash and bank balances of Rs.1744 Crores. Liquidity coverage ratio as of 31 Dec 2025 as per Basel III disclosure is 215.83% as against the minimum requirement of 100%.
- **Experienced Board and Management team:** The Board of Directors of the Bank comprises experienced professionals from different fields such as Law, Economics, Banking, Private Equity, Accounting, Finance, Business Administration & Agriculture. The bank is led by Sarvjit Singh Samra (MD and CEO) who has been associated with the Bank since its inception. He is supported by an experienced management team. The Bank is also supported by the executive Director Mr Munish Jain with his vast experience.
- **Stable Asset Quality with decline in slippages:** The CASA % declined from 39.1% as of 31 Dec 2024 to 35.9% as of 31 Dec 2025, maintaining one of the highest CASA among peers and overall industry. The GNPA in absolute terms increased from Rs. 182 Crores. as on 31 Dec 2024 to Rs. 219 Crores as on 31 Dec 2025 Crores while the GNPA% has slightly deteriorated to 2.68% as on 31 Dec 2024 from 2.67% as on 31 Dec 2025. The NNPA in absolute terms increased from Rs. 91 Crores as on 31 Dec 2024 to Rs. 108 Crores. as on 31 Dec 2024 but the NNPA% remained constant at 1.35% in Q3FY25 and Q3FY26. There were marginal write-offs and no NPA sell-off to ARCs. The collection efficiency is 101.1% for the quarter ending 31 Dec 2025. Credit cost is 0.2%. Upgradation and recovery is Rs. 17.55 Crores as on 31 Dec 2025.
- **Improving Income and profitability:** The Gross total income has increased for 9 months ended Dec 2025 which is at Rs. 849 Crores as compared to Rs. 737 Crores for 9 months ended Dec 2024 reflecting 15.20% increase YoY. PAT has consistently improved from Rs. 97 Crores for 9 months ended Dec 2024 to Rs. 105 Crores for 9 months ended Dec 2025 even though the provisions have increased from Rs. 8 Crores for 9 months ended Dec 24 to Rs. 19 Crores for 9 months ended Dec 2025. The pre-provisioning profit has improved as well. The return on asset has marginally de-grown to 1.2% for 9 months ended Dec 25 from 1.35% for 9 months ended Dec 2024. Cost of Funds and Cost of Deposits have been maintained at similar levels since last year.

Credit Weakness:-

- **Regional Concentration of Operations and Moderate Asset Size:** As of 31 Dec 2025, majority of the portfolio is geographically concentrated in Punjab (85% of the portfolio), mainly due to its earlier status as a Local Area Bank. However, after graduating to a Small Finance Bank, the bank has been expanding to other states (now operating in 5 states and 2 Union Territories), which should help in diversifying its portfolio. The asset size of the bank remains moderate. The bank is continuing for deep penetration in existing markets.
- **Large Agriculture Portfolio:** The bank's agriculture portfolio continues to be high, being about 32% of the total advances as of 31 Dec 2025. This is largely due to the area of operations being the agri-dominant states of Punjab and Haryana. However, the bank has a long track record of managing this portfolio well over the past two decades. However, mortgage loans have also shown an increase.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA - STANDALONE

For arriving at its ratings, BWR has considered the standalone approach for the Bank. There were no subsidiaries of Capital Small Finance Bank. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the company's ability to show substantial growth in its loan portfolio, while maintaining asset quality, profitability, and adequate liquidity will be a key rating sensitivity factor.

Positive:

- Substantial growth in the overall business with improved earnings reflected through ROA > 1.5%
- Maintaining healthy asset quality with GNPA ratio < 2%, and a diversified resource profile

Negative:

- Deterioration in the asset quality with GNPA above 3%, impacting the provisions and profitability
- Decline in the overall performance of the bank on a sustained basis.

LIQUIDITY INDICATORS: ADEQUATE

As of 31 Dec 2025, the bank had cash and bank balances of Rs.1744 Crores. Liquidity coverage ratio as of 31 Dec 2025 as per Basel III disclosure is 215.83% as against the minimum requirement of 100%. As per ALM statement of the bank as of 31 Dec 2025, there were no negative cumulative mismatches across the buckets upto 5 years.

ABOUT THE ENTITY

“Capital Small Finance Bank Limited (CSFB)” started operations as India's 1st Small Finance Bank on 24 April 2016, after conversion from “Capital Local Area Bank”. The Bank received in-principle approval from RBI to set up a Small Finance Bank in September 2015 and it received the regular licence on 4th March 2016. The Bank was listed in Schedule II of the Reserve Bank of India Act on November 8, 2016, and has also received the Authorised Dealer II license. Before conversion to a Small Finance Bank, “Capital Local Area Bank” was operating as India's largest local area bank since January 14, 2000. The Bank transitioned from a Local Area Bank to a Small Finance Bank with 47 Branches. As of Dec 2025, the bank operates 203 branches and 205 ATMs across the states of Punjab, Chandigarh, Haryana, Rajasthan, Delhi, Jammu & Kashmir and Himachal Pradesh. Mr. Sarvjit Singh Samra is the current MD and CEO. The shares of Capital Small Finance Bank were listed on BSE, and NSE on February 14, 2024.

Environmental, Social, and Governance (ESG)

Capital Small Finance Bank Ltd demonstrates an Adequate ESG profile based on its environmental, social, and governance practices. Capital Small Finance Bank Ltd focuses on incorporating Environmental, Social, and Governance (ESG) principles through digital banking, energy-efficient operations, and community-focused lending, particularly in underbanked regions. While structured Business Responsibility and Sustainability Reporting (BRSR) is not mandatory for them, they are aligning with responsible finance trends, including potential RBI disclosures for Green Deposits

- **Environmental:** The bank focuses on digitizing operations to reduce paper usage and optimizing energy use across its branch network.
- **Social:** CSFB prioritizes people-centric policies, focusing on underbanked regions and contributing to community development (sports, education, healthcare).
- **Governance:** As a listed entity, CSFB informs of following corporate governance structures required by the RBI and SEBI, ensuring regulatory compliance.

KEY FINANCIAL INDICATORS (Standalone)

Key Financial Indicators	Units	FY23	FY24	FY25	9MFY26
Result Type		Audited	Audited	Audited	Unaudited
Total Business	Rs. in Crores.	12069.89	13638	15416	18095
Total Income	Rs. in Crores.	725.48	862.41	994	849
NIM	%	4.2	3.9	4.20	4.00
Profit after Tax	Rs. in Crores.	93.60	111.53	132	105
GNPA	%	2.77	2.76	2.58	2.68
NNPA	%	1.36	1.4	1.30	1.35
CRAR%	%	18.87	27.39	25.39	21.60
Tier I	%	13.69	22.8	21.71	18.61

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:

The facility consists of Lower Tier II Bonds Series Series – XVII (INE646H08129) with quarterly interest payment, Upper Tier II Bonds Series XI (INE646H08012) with annual interest payment, and Upper Tier II Bonds SERIES XIII (INE646H08020) with annual interest payment.

Subject to the conditions specified by RBI, the bank has an unconditional right to call the instrument on the interest payment dates after the expiry of ten years from the deemed date of allotment. The bank has exercised call option on the Upper Tier II Bonds on 30th and 31st March 2026.

STATUS OF NON-COOPERATION WITH PREVIOUS CRA - No non co-operation with other CRA.

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Sr. No.	Name of the instrument	Current Rating (Apr 2026)			Rating History		
		Type	Amount (Rs Crores)	Rating	2025 9-Apr-2025	2024 12-Apr-2024	2023 12-Apr-2023
1	Lower Tier II Bonds	Long Term	25.00	BWR A+ /Stable (Reaffirmed)	BWR A+ /Stable (Reaffirmed) (Rs 25.00 Crores)	BWR A+ /Stable (Reaffirmed) (Rs 25.00 Crores)	BWR A+ /Stable (Reaffirmed) (Rs 25.00 Crores)
2	Upper Tier II Bonds	Long Term	0.00	Withdrawn	BWR A+ /Stable (Reaffirmed) (Rs 15.00 Crores)	BWR A+ /Stable (Reaffirmed) (Rs 15.00 Crores)	BWR A+ /Stable (Reaffirmed) (Rs 15.00 Crores)
3	Upper Tier II Bonds	Long Term	0.00	Withdrawn	BWR A+ /Stable (Reaffirmed) (Rs 25.00 Crores)	BWR A+ /Stable (Reaffirmed) (Rs 25.00 Crores)	BWR A+ /Stable (Reaffirmed) (Rs 25.00 Crores)
	Total		25.00		Rupees Twenty Five Crores Only		

Hyperlink/Reference to applicable Criteria/Policy

- [General Criteria](#)
- [Bank Financial Institution](#)
- [Approach to Financial Ratios](#)
- [Capital Instruments Issued by Banks and FIs](#)
- [Withdrawal Policy](#)

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CAPITAL SMALL FINANCE BANK LTD

ANNEXURE-I

Details of Bank Loan Facilities rated by BWR: NA

ANNEXURE-II

INSTRUMENT (Bonds) DETAILS

Instruments	Issue Date	Amount (Rs. Crores)	Coupon Rate (%)	Maturity Date	ISIN Particulars	Complexity
Lower Tier II Bonds	31-Mar-2019	25.00	10.00 payable Quarterly	31-Mar-2029	INE646H08129	Complex**
Upper Tier II Bonds	31-Mar-2015	0.00	11.75 payable Annually	31-Mar-2030	INE646H08012	Highly Complex**
Upper Tier II Bonds	30-Mar-2016	0.00	11.75 payable Annually	30-Mar-2031	INE646H08020	Highly Complex**
Total		25.00	Rupees Twenty Five Crores only			

**<http://www.brickworkratings.com/download/ComplexityLevels.pdf>

Note: The Upper Tier II Bonds are fully redeemed and the rating are withdrawn

ANNEXURE III

List of entities consolidated: NA

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