

# Capital SFB aims to comply with conversion norms in 12-18 months

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## Capital SFB is not yet eligible to apply for a conversion to a universal bank because of net non-performing ratio



Munish Jain, executive director, Capital SFB

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Capital [Small Finance Bank](#) (SFB) aims to comply with all eligibility norms to become a universal bank in 12-18 months, a senior executive of the Jalandhar-based lender said. Capital SFB is not yet eligible to apply for a conversion to a universal bank because of the net non-performing ratio.

“We aspire to become a universal bank. Conversion to a universal bank is a natural progression from SFB. We intend to become eligible in the next 12-18 months. Want to bring net NPA less than 1 per cent in the 12-18 months,” Munish Jain, executive director, Capital SFB, told Business Standard.

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He said even as an SFB, the potential for growth was “very high”.

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According to the voluntary conversion of small finance banks to universal banks norms, SFBs need to have net and gross NPA of less than 1 per cent and 3 per cent for two consecutive years.

As of March 31, 2024, Capital SFB’s net and gross NPA were 1.4 per cent and 2.8 per cent, respectively.

Jain said the bank was growing its loan book at a compound annual growth rate (CAGR) of 19 per cent in loans in the last five years, despite capital and Covid-19 constraints.

In January, the lender raised Rs 523 crore through an initial public offering (IPO).

“Now with growth capital with the IPO that limiting factor is not there,” Jain said. Capital SFB is planning to grow the loans by 20-24 per cent going forward. Deposit growth will be in the range of 16 per cent.

“We are growing our deposits in a calibrated way to ensure to improve the credit deposit ratio,” Jain said. The bank’s retail deposits are 93 per cent of the total deposits.

The bank’s loan book was at Rs 6,160 crore as of March 31, 2024, and deposits at Rs 7478 crore.

“We are a middle-income group specialist SFB. India’s middle-income group is growing. We lend to shopkeepers, farmers, and salaried, irrespective of their economic activity,” Jain said. The bank defines middle income as annual income between Rs 4 lakh to Rs 40 lakh.

“Within this segment, our focus is to be the person’s primary bank. We are not intending to be the sole bankers, but the cash flow should be with us,” Jain said, emphasising that the bank’s assets are 99 per cent secured.


The bank has a well-diversified loan portfolio comprising 37 per cent agriculture, 26 per cent mortgage and 19 per cent micro, small and medium enterprises (MSME) and trading book.

In the conversion norms, the banking regulator said eligible SFBs with diversified loan portfolios would be preferred. Many SFBs were microfinance institutions in the past, and a significant part of loans is unsecured.

Jain said the lender will be expanding its footprint in the coming years.

Capital SFB is present in 5 states and one union territory, all in North India.

“Going forward we will keep on expanding in our neighbouring states. This year we will be adding Jammu,” Jain said. The bank has 177 branches.

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