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# Catholic Syrian Bank Limited

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## Company's Overview

1. The Catholic Syrian Bank Limited is an Indian private sector bank with its headquarters at Thrissur, Kerala, India
2. It is one of the oldest bank in India which commenced business on January 1st, 1921 with an authorized capital of Rs.5 lakhs and a paid up capital of Rs. 45270/.
3. The Catholic Syrian Bank provide loans to following Sector:

### Retail Asset Portfolio

Under this portfolio company distributes Gold loans and Non-gold loans.

In FY17-18, Retail asset portfolio comprises of gold loan of 2,477 crore and retail loans (non-gold) of 1,603 crore.

During the year, gold loan book has grown by 22% from 2,025 crore as on 31st March 2017 to 2477 crore as on 31st March 2018. The non-gold retail portfolio growth is almost flat and stood at 1603 crore as on 31st March 2018 compared to 1626 crore as on 31st March 2017.

### SME Lending:

Bank plays an important role in supporting the Small and Medium Enterprise (SME) Business across the geographies of India.

SME Business portfolio stands at 3,693.6 crore as on March 31, 2018, equal to **36.86%** of the Bank's total advance. The Bank extends working capital, term



loan, and trade finance and project finance facilities to SME for their various financial need.

### **Priority Sector Lending:**

Priority Sector Advance extended by the Bank stood at 3551.93 crore at the end of March 2018, constituting 42.96% of Adjusted Net Bank Credit.

This is against the mandated target of 40% prescribed by Reserve Bank of India.

At present, the bank has a network of over 430 branches and more than 240 ATMs across India. The Bank also plans to open a number of branches in a phased manner.

## **Performance of the bank in FY17-18**

### **Indian Banking Environment**

The performance of the banking sector remained sombre, Public Sector Banks in particular. The position of stressed assets coupled with the discovery of frauds and governance issues in the banks have made this year a challenging one for the whole banking industry. On a positive note, the Insolvency and Bankruptcy Code mechanism finally took shape this year which we expect to be a shot in the arm for the Banking Industry in resolving the prevalent NPA Crisis.

### **Financial Performance in FY17-18**

(i) The growth in advances by 15 % taking the gross advances to above 10,000 crore.

(ii) The **Credit Deposit Ratio** improved to 63.6 % as on 31st March 2018 from 54.5 % as on 31st March 2017. Increase has been mainly in less risky advances (high rated corporate and gold loans), given the bank's low risk appetite in the face of low capital base.

(iii) This is reflected in the fact that the **effective risk weight of advances** of the bank has actually decreased from 53% as on 31.03.2017 to 49% as on 31.03.2018. Bank could effectively redeploy 1,200 crore of Treasury Assets to loans, increasing returns but not increasing commensurately the risks.

(iv) Bank's deposits slightly de-grew on account of decrease in term deposits which was due to the conscious call taken by the Bank, to reduce high cost term deposits & improve low cost **CASA accounts**. Cost of deposits has been brought down from 6.90% in March 2017 to 6.15 % in March 2018. CASA of the



Bank improved by 276 crore to `3971 crore as on 31st March 2018 from 3695 crore in March 2017. Bank has improved its CASA ratio to 27.03 %, showing an increase of 225 bps from 24.78 %.

(v) Bank has also reduced wholesale deposits by 482 crore and wholesale deposits as a proportion of total deposits is only 4.5% now indicating very low concentration risk.

## Key Financial of the Company

Particulars ( in Crs)	March 31st, 2018	March 31st, 2017
Deposits	14690.65	14911.56
Borrowings	41.8	41.8
Net Advances	9337.36	8118.93
Total Assets/Liabilities	15870.05	16223.24
Net Interest Income (NII)	384.81	313.6
Non-Interest Income	125.42	281.2
Operating Profit/(Loss)	74.33	151.71
Provisions and Contingencies (Other than tax)	223.69	160.63
Profit / (Loss) before Tax	-149.36	-8.92
Provision for taxes	-51.89	-10.47
Net Profit /(Loss)	-97.47	1.55
Capital Adequacy Ratio (CRAR)% Basel – II	9.92	12.18
Capital Adequacy Ratio (CRAR)% Basel – III	9.91	12.15
Earnings per share	-12.04	0.21
Book value per share	109.81	123.44
Net Interest Margin%	2.32	1.91
Cost-Income Ratio%	85.43	74.49
Return On Assets (ROA)%	-0.59	0.01



Return On Equity (ROE)% -15.8 0.2

## Financial Review

1. The Company has shown a **loss of 97 Cr** in FY17-18 due to increased provisions for bad loan as compared to a **profit of 1.55 Cr** last year.
2. The fiscal year saw spiraling non-performing assets (NPAs) across the banking industry. In this backdrop, the Bank's **Gross NPA** has only increased marginally to 7.89% from 7.25% mainly on account of increase caused by slippage of education loans and stressed sectors like Cashew.
3. During the current Financial Year CRAR of the Bank stood at 9.91% as against 12.15% as on 31.03.2017.
4. The Book Value of the banks stands at 109 for FY17-18.
5. Recently bank has given Dec-18 quarterly results and has shown marked improvement in the performance.
  - a) The company has posted a **decent growth** of 17% QoQ basis and 14.44% on YoY Basis.
  - b) The company has posted a **Profit** of 74 Lakh against loss of 31 Cr last Qtr and a loss of 46 Cr last year which is big positive for the company.
  - c) The **Gross NPA** has also gone down QoQ basis from 8.26% to 7.52%.
  - d) The Bank has issued **1,98,32,130** Equity Shares @ Rs. 140/- per Equity Share (including premium of Rs. 130/- per share) to FIH Mauritius Investments Limited. Out of the said issue of Equity Shares, the Bank has received an amount of Rs. 35/- per Equity Share (Rs. 2.50/- towards Share Capital and Rs. 32.50/- towards Share premium)-aggregating to Rs. 69,41,24,550/- (Rupees Sixty Nine Crore Forty One Lakhs Twenty Four Thousand and Five Hundred Fifty) towards application and allotment money.
  - e) The Bank has also issued **6,64,63,329** Warrants (being Compulsorily convertible into or exchangeable for Equity Shares) @ Rs. 140/- per warrant (including premium of Rs. 130/- per warrant ) to **FIH Mauritius Investments Limited**. Out of the said issue of warrants, the Bank has received an amount of Rs. 56/- per



warrant (Rs. 3/- towards Warrant Capital and Rs. 53/- towards warrant premium) aggregating to Rs. 372,19,46,424 towards application and allotment money.

## Valuation of the Company

The Recent Investment of FIH Mauritius Investments Limited in the Catholic Syrian Bank @ 140 per shares is very positive for the bank.

### *“As per news in the Market”*

Canadian billionaire Prem Watsa-owned Fairfax India Holdings Corporation has invested \$60.2 million (approximately ₹440 crore) in securities of Catholic Syrian Bank, comprising 19.8 million common shares for \$9.5 million (approximately ₹70 crore) and warrants to purchase 66.5 million common shares for \$50.7 million (approximately ₹370 crore).

The consideration paid thus far represented 25% and 40% of the consideration payable for the common shares and warrants, respectively. Fairfax made the investment on October 19. “The balance of the consideration payable to CSB of approximately \$104 million at the exchange rate at that date (approximately ₹770 crore) is payable within 18 months following the initial investment, payable in one or more tranches either upon request by CSB or at the option of Fairfax India,” Fairfax said

So after this investment the Book Value per shares for CSB comes out to be 120 Per share.

In the listed segment generally banks trade at 2x-3x of their Book value , so accordingly , the CSB will surely get a valuation above 225 - 240 per share when it will come up with an IPO.



## Listing News

### ***“As per News published in Business Standard on 28 March 2019”***

Fairfax-backed Catholic Syrian Bank (CSB) is gearing up for a listing in order to meet RBI requirements. The bank, which has enough capital for the next three years, says it is looking at two routes - direct listing, or through an IPO. The latter may involve the sale of both new and existing shares.

Last year, Fairfax got all the approvals to acquire a 51 per cent stake in CSB for around Rs 1200 crore. This is the first stake sale of an Indian bank to a foreign non-banking entity since the RBI tweaked ownership norms in May 2017. One of the conditions imposed by the RBI required that bank is listed before September 2019.

The bank has also approached the Securities and Exchange Board of India (SEBI) requesting approval for a direct listing, where all existing shares become tradable without the need for an initial public offering.

Rajendran cited Spotify and another firm, which have taken the direct listing route.

“We have enough capital for the next three years, so the listing is not for money but to meet the regulator's condition, so we thought we will take the direct listing route.”

“If SEBI doesn't agree to a direct listing, the bank will pursue the IPO route that may involve the sale of both new and existing shares,” Rajendran added.