

Syndicate Bank ^(Revised)

September 11, 2019

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Remarks
Lower Tier II Bonds	1500.00*	CARE AA (Double A) (Credit watch with developing implications)	Placed on credit watch with developing implications
Upper Tier II Bonds	200.10**	CARE AA- (Double A Minus) (Credit watch with developing implications)	Placed on credit watch with developing implications
Perpetual Bonds	773.00^	CARE AA- (Double A Minus) (Credit watch with developing implications)	Placed on credit watch with developing implications
Basel III Tier II Bonds	4850.00^^	CARE AA (Double A) (Credit watch with developing implications)	Placed on credit watch with developing implications
Basel III Additional Tier I Bonds	3800.00@	CARE A+ (Single A Plus) (Credit watch with developing implications)	Placed on credit watch with developing implications
Total	11,123.10 (Rupees Eleven Thousand One Hundred and Twenty Three crore and Ten lakh only)		

Details of instruments/facilities in Annexure-1

* Bank has repaid Rs.500 crore against the bond issue; ** Bank has repaid Rs.200.1 crore against the bond issue; ^Bank has repaid Rs.579 crore against the bond issue; ^^ Bank has repaid Rs.1450 crore against the bond issue; @ Bank has repaid Rs.550 crore against the bond issue. However bank has not shared No-Due Certificate from Debenture Trustee for these bonds.

CARE has rated the aforesaid Upper Tier-II Bonds and Perpetual Bonds one notch lower than Lower Tier-II Bonds of Syndicate Bank (SB) in view of their increased sensitiveness to Syndicate Bank's Capital Adequacy Ratio (CAR), capital raising ability and profitability during the long tenure of instruments. The ratings factor in the additional risk arising due to the existence of the lock-in clause in hybrid instruments. Any delay in the payment of interest/principal (as the case may be), following invocation of the lock-in-clause, would constitute as an event of default as per CARE's definition of default and as such these instruments may exhibit a somewhat sharper migration of rating compared to conventional subordinated debt instruments. Tier-II Bonds under Basel III are characterized by a 'Point of Non-Viability' (PONV) trigger due to which the investor may suffer a loss of principal. PONV will be determined by the Reserve Bank of India (RBI) and is a point at which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in financial losses and raising Common Equity Tier-I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable. In CARE's opinion, the parameters considered to assess whether a bank will reach the PONV are similar to the parameters considered to assess rating of Tier-II instruments even under Basel II. CARE has rated the Tier-II bonds under Basel III after factoring in the additional feature of PONV. Additional Tier-I Bonds (AT 1) under Basel III are characterized by the existence of banks having coupon discretion at all points of time, capital thresholds for coupon non-payment, and principal write-down (on breach of a prespecified trigger). As prescribed by RBI, the pre-specified trigger for AT 1 bonds before March 31, 2019, will be CET-1 ratio of 5.5% and 6.125% after March 31, 2019, or the Point of Non-viability (PONV) trigger is breached in RBI's opinion. These features increase the risk attributes of AT 1 bonds compared with Tier-II instruments under Basel III and capital instruments issued under Basel II. In CARE's opinion, these loss absorption features increase the risk parameters associated with AT 1 bonds compared to the parameters considered to assess rating of Tier-II instruments under Basel III and capital instruments under Basel II. Thus, CARE has rated the Additional Tier-I bonds under Basel III two notches below the rating of Tier-II instruments under Basel III.

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

The rating being placed under watch with developing implications follows the development involving communication from Ministry of Finance, GOI on amalgamation of Syndicate Bank into Canara Bank. The amalgamated bank is likely to be the 4th

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

largest PSB post amalgamation. Given the number of approvals required and timelines to obtain the same and challenges to be encountered in successfully integrating the operations, CARE places the rating under watch with developing implications. CARE will continue to monitor the development and take appropriate rating call once clarity emerges on the merged entity.

Liquidity Indicator: Adequate

Bank's liquidity is adequate with LCR of 140.72% as on Jun-19 as against the regulatory requirement of 100%. ALM statement submitted by the Bank as on March 31, 2019 shows negative cumulative mismatch in the upto one year bracket due to the maturity of 60.77% of term deposits. However, rollover rate of 59% of term deposits and excess SLR of Rs.21,744 crore (as on March 31, 2019) provide cushion to the liquidity profile.

The detailed press release on Syndicate Bank is available here: [click here](#)
 Detailed rating rationale is available on www.careratings.com

Analytical approach: Standalone.

Applicable Criteria

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Financial sector](#)

[CARE's Rating Methodology for Banks](#)

About the Company

Syndicate Bank (SB) is a Manipal based public sector bank which was established in 1925. As on March 31, 2019, GOI holds a majority stake [84.66%] in the bank. In FY19, the total branches increased to 4,032 as on March 31, 2019 (FY18: 4012) comprising of 1,238 rural, 1,138 semi-urban, 815 urban, 840 metro branches. The bank also has a branch in London. Further, the bank had 4,509 ATMs as on March 31, 2019. The bank has presence across all the States and Union Territories of India. During FY19, the bank has received equity infusion of Rs.3,963 crore from GOI.

The bank's branch at London is involved in the syndication of loans abroad and ECBs. The revenue from international operation constituted 5.40% of the total revenue for FY19 (FY17: 4.28%). All branches in India have been brought under core banking solutions (CBS) since March 31, 2009.

The day-to-day affairs of the bank are looked after by Mr. Mrutyunjay Mahapatra, Managing Director and CEO. He is assisted by the executive directors who are supported by general managers heading important functions of credit, recovery, treasury, risk management, planning and development, information technology, vigilance, etc.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	24582	23949
PAT	-3223	-2588
Interest coverage (times)	1.25	1.19
Total Assets	322427	309581
Net NPA (%)	6.28	6.16
ROTA (%)	-1.04	-0.82

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Bonds-Lower Tier II	December 26, 2008	8.60%	December 26, 2018	500.00	CARE AA (Under Credit watch with Developing Implications)
Bonds-Upper Tier II	July 11, 2006	9.30%	February 28, 2022	200.10	CARE AA- (Under Credit

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
					watch with Developing Implications)
Bonds-Perpetual Bonds	March 25, 2008	9.90	Perpetual	240.00	CARE AA- (Under Credit watch with Developing Implications)
Bonds-Perpetual Bonds	January 12, 2009	9.40%	Perpetual	339.00	CARE AA- (Under Credit watch with Developing Implications)
Bonds-Perpetual Bonds	June 29, 2009	8.90%	Perpetual	194.00	CARE AA- (Under Credit watch with Developing Implications)
Bonds-Lower Tier II	December 31, 2012	9.00%	December 31, 2022	1000.00	CARE AA (Under Credit watch with Developing Implications)
Bonds-Tier II Bonds	December 02, 2014	8.95%	December 02, 2024	1500.00	CARE AA (Under Credit watch with Developing Implications)
Bonds-Tier II Bonds	September 28, 2015	8.58%	September 28, 2025	1750.00	CARE AA (Under Credit watch with Developing Implications)
Bonds-Tier I Bonds	March 30, 2016	11.25%	Perpetual	100.00	CARE A+ (Under Credit watch with Developing Implications)
Bonds-Tier I Bonds	March 30, 2016	11.25%	Perpetual	1700.00	CARE A+ (Under Credit watch with Developing Implications)
Bonds-Tier I Bonds	October 24, 2016	9.95%	Perpetual	1000.00	CARE A+ (Under Credit watch with Developing Implications)
Bonds-Tier II Bonds	May 03, 2017	8.00%	May 03, 2027	1600.00	CARE A+ (Under Credit watch with Developing Implications)
Bonds-Tier I Bonds	July 25, 2017	9.80%	Perpetual	1000.00	CARE A+ (Under Credit watch with Developing Implications)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned	Date(s) & Rating(s) assigned	Date(s) & Rating(s) assigned in	Date(s) & Rating(s) assigned in

					in 2019-2020	in 2018-2019	2017-2018	2016-2017
1.	Bonds-Lower Tier II	LT	500.00	CARE AA (Under Credit watch with Developing Implications)	1)CARE AA; Negative (04-Jul-19)	1)CARE AA; Negative (12-Nov-18) 2)CARE AA+; Negative (06-Jul-18)	1)CARE AA+; Negative (20-Jul-17)	1)CARE AA+; Negative (23-Dec-16) 2)CARE AA+ (08-Jul-16)
2.	Bonds-Upper Tier II	LT	200.10	CARE AA- (Under Credit watch with Developing Implications)	1)CARE AA-; Negative (04-Jul-19)	1)CARE AA-; Negative (12-Nov-18) 2)CARE AA; Negative (06-Jul-18)	1)CARE AA; Negative (20-Jul-17)	1)CARE AA; Negative (23-Dec-16) 2)CARE AA (08-Jul-16)
3.	Bonds-Perpetual Bonds	LT	240.00	CARE AA- (Under Credit watch with Developing Implications)	1)CARE AA-; Negative (04-Jul-19)	1)CARE AA-; Negative (12-Nov-18) 2)CARE AA; Negative (06-Jul-18)	1)CARE AA; Negative (20-Jul-17)	1)CARE AA; Negative (23-Dec-16) 2)CARE AA (08-Jul-16)
4.	Bonds-Perpetual Bonds	LT	339.00	CARE AA- (Under Credit watch with Developing Implications)	1)CARE AA-; Negative (04-Jul-19)	1)CARE AA-; Negative (12-Nov-18) 2)CARE AA; Negative (06-Jul-18)	1)CARE AA; Negative (20-Jul-17)	1)CARE AA; Negative (23-Dec-16) 2)CARE AA (08-Jul-16)
5.	Bonds-Lower Tier II	LT	-	-	-	-	-	1)Withdrawn (27-Apr-16)
6.	Bonds-Perpetual Bonds	LT	194.00	CARE AA- (Under Credit watch with Developing Implications)	1)CARE AA-; Negative (04-Jul-19)	1)CARE AA-; Negative (12-Nov-18) 2)CARE AA; Negative (06-Jul-18)	1)CARE AA; Negative (20-Jul-17)	1)CARE AA; Negative (23-Dec-16) 2)CARE AA (08-Jul-16)
7.	Certificate Of Deposit	ST	-	-	-	-	1)Withdrawn (20-Jul-17)	1)CARE A1+ (23-Dec-16)

								2)CARE A1+ (08-Jul-16)
8.	Bonds-Lower Tier II	LT	1000.00	CARE AA (Under Credit watch with Developing Implications)	1)CARE AA; Negative (04-Jul-19)	1)CARE AA; Negative (12-Nov-18) 2)CARE AA+; Negative (06-Jul-18)	1)CARE AA+; Negative (20-Jul-17)	1)CARE AA+; Negative (23-Dec-16) 2)CARE AA+ (08-Jul-16)
9.	Bonds-Tier II Bonds	LT	1500.00	CARE AA (Under Credit watch with Developing Implications)	1)CARE AA; Negative (04-Jul-19)	1)CARE AA; Negative (12-Nov-18) 2)CARE AA+; Negative (06-Jul-18)	1)CARE AA+; Negative (20-Jul-17)	1)CARE AA+; Negative (23-Dec-16) 2)CARE AA+ (08-Jul-16)
10.	Bonds-Tier II Bonds	LT	1750.00	CARE AA (Under Credit watch with Developing Implications)	1)CARE AA; Negative (04-Jul-19)	1)CARE AA; Negative (12-Nov-18) 2)CARE AA+; Negative (06-Jul-18)	1)CARE AA+; Negative (20-Jul-17)	1)CARE AA+; Negative (23-Dec-16) 2)CARE AA+ (08-Jul-16)
11.	Bonds-Tier I Bonds	LT	100.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Negative (04-Jul-19)	1)CARE A+; Negative (12-Nov-18) 2)CARE AA-; Negative (06-Jul-18)	1)CARE AA-; Negative (20-Jul-17)	1)CARE AA-; Negative (23-Dec-16) 2)CARE AA- (08-Jul-16)
12.	Bonds-Tier I Bonds	LT	1700.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Negative (04-Jul-19)	1)CARE A+; Negative (12-Nov-18) 2)CARE AA-; Negative (06-Jul-18)	1)CARE AA-; Negative (20-Jul-17)	1)CARE AA-; Negative (23-Dec-16) 2)CARE AA- (08-Jul-16)
13.	Bonds-Tier I Bonds	LT	1000.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Negative (04-Jul-19)	1)CARE A+; Negative (12-Nov-18)	1)CARE AA-; Negative (20-Jul-17)	1)CARE AA-; Negative (23-Dec-16) 2)CARE AA-

				Implications)		18) 2)CARE AA-; Negative (06-Jul-18)		(26-Oct-16)
14.	Bonds-Tier II Bonds	LT	1600.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Negative (04-Jul-19)	1)CARE A+; Negative (12-Nov- 18) 2)CARE AA+; Negative (06-Jul-18)	1)CARE AA+; Negative (20-Jul-17)	1)CARE AA+; Negative (23-Dec-16) 2)CARE AA+ (26-Oct-16)
15.	Bonds-Tier I Bonds	LT	1000.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Negative (04-Jul-19)	1)CARE A+; Negative (12-Nov- 18) 2)CARE AA-; Negative (06-Jul-18)	1)CARE AA-; Negative (20-Jul-17)	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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