

July 03, 2020

Syndicate Bank: Rating withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Compliant Tier II Bonds Programme	3,250.00	3,250.00	[ICRA]AA (hyb) & withdrawn
Total	3,250.00	3,250.00	

& Denotes under rating Watch with Developing Implications

*Instrument details are provided in Annexure-1

Rationale

The Government of India (GoI) had announced the amalgamation of Syndicate Bank with Canara Bank (Tier II bonds rated [ICRA]AA+(hyb) &) on August 30, 2019. On March 28, 2020, the Reserve Bank of India's notification stated that the amalgamation of Syndicate Bank into Canara Bank Scheme, 2020 dated March 4, 2020, issued by the GoI will be effective from April 1, 2020. As a result, all the branches and customers including the depositors of Syndicate Bank are now the branches and customers of Canara Bank. Thus, Syndicate Bank has ceased to exist as an independent entity. The above-mentioned instrument of Syndicate Bank is currently outstanding and is being withdrawn at the request of the anchor bank, i.e. Canara Bank, and in accordance with ICRA's policy on the withdrawal and suspension of ratings.

Key rating drivers and their description

The key rating drivers have not been captured as the rated instrument is being withdrawn.

Liquidity position

The liquidity position has not been captured as the rated instrument is being withdrawn.

Rating sensitivities

The rating sensitivities have not been captured as the rated instrument is being withdrawn.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA Rating Methodology for Banks ICRA Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	Not applicable
Consolidation/Standalone	Not applicable

About the company

Manipal (Karnataka)-based Syndicate Bank was a public-sector bank that was established in 1925. The GoI held 78.48% in the bank as of December 31, 2019. As of December 31, 2019, the bank had about 4,063 branches, including a branch in London, and 4,571 ATMs. Its net worth (excluding revaluation reserves) stood at Rs. 14,774 crore as on December 31, 2019.

In 9M FY2020, the bank reported a loss before tax of Rs. 551 crore on a total asset base (excluding revaluation reserves) of Rs. 3.25 lakh crore as on December 31, 2019 compared to a loss before tax of Rs. 3,279 crore in 9M FY2019 on a total asset base (excluding revaluation reserves) of Rs. 3.05 lakh crore as on December 31, 2018. Syndicate's gross and net NPAs stood at 11.33% and 5.94%, respectively, as on December 31, 2019. It reported a Tier I capital ratio of 11.56% and a CRAR of 14.36% as on December 31, 2019.

Key financial indicators (audited)

(Rs. crore)	9M FY2019	9M FY2020	Q3 FY2019	Q3 FY2020
Net interest income	4,697	5,402	1,618	1,871
Profit before tax	-3,279	-551	136	291
Profit after tax	-2,716	-295	108	435
Net advances	1,95,815	2,10,757	1,95,815	2,10,757
Total assets	3,04,601	3,25,202	3,04,601	3,25,202
% CET-I	7.65%	9.51%	7.65%	9.51%
% Tier I	9.68%	11.56%	9.68%	11.56%
% CRAR	12.46%	14.36%	12.46%	14.36%
% Net interest margin	2.00%	2.27%	2.11%	2.34%
% Net profit / ATA	-1.16%	-0.12%	0.14%	0.54%
% Return on net worth	-27.36%	-2.61%	3.65%	11.95%
% Gross NPAs	12.54%	11.33%	12.54%	11.33%
% Net NPAs	6.75%	5.94%	6.75%	5.94%
% Provision cover (excl. TWO)	49.55%	50.59%	49.55%	50.59%
% Net NPA/ CET	102.84%	83.23%	102.84%	83.23%

Note: Net worth and total assets exclude revaluation reserves

Source: Syndicate Bank, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. No.	Instrument	Current Rating (FY2021)			Rating History for the Past 3 Years					
		Type	Amount Rated	Amount O/S	Rating 03-Jul-2020	FY2020 31-Jan-2020	19-Sep-2019	FY2019 16-Aug-2018	28-May-2018	FY2018 17-Aug-2017
1	Basel III Compliant Tier II Bonds Programme	LT	3,250.00	2,900.00 [^]	[ICRA]AA & Withdrawn	[ICRA]AA &	[ICRA]AA &	[ICRA]AA (hyb) (Negative)	[ICRA]AA+ (hyb) (Negative)	[ICRA] AA+ (hyb) (Negative)

[^] Rs. 350 crore yet to be placed

& Rating Watch with Developing Implications

Amount in Rs. crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE667A08013	Tier II Bonds - Basel III	02-Dec-2014	8.95%	02-Dec-2024	750.00	[ICRA]AA (hyb) &; Withdrawn
INE667A08021	Tier II Bonds - Basel III	23-Mar-2015	8.75%	23-Mar-2025	400.00	[ICRA]AA (hyb) &; Withdrawn
INE667A08039	Tier II Bonds - Basel III	28-Sep-2015	8.58%	28-Sep-2025	1,000.00	[ICRA]AA (hyb) &; Withdrawn
INE667A08047	Tier II Bonds - Basel III	18-Dec-2015	8.62%	18-Dec-2025	750.00	[ICRA]AA (hyb) &; Withdrawn
-	Tier II Bonds - Basel III	-	-	-	350.00#	[ICRA]AA (hyb) &; Withdrawn

Yet to be issued

& Rating Watch with Developing Implications

Source: Syndicate Bank

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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