

BUZZING

STOCK

Syndicate Bank

CMP – Rs.90

Analyst

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Key Stock Data

Sensex	16921
Nifty	4941
Sector	Banks – Public
Bloomberg	SNDB IN
Reuters	SBNK.BO
No. of shares (m)	522
Market Cap (Rs m)	47,163
Market Cap (US\$ m)	1,188
52-week H/L	Rs.94 / 57

Shareholding Pattern (%)

Promoters	66.47
Mutual Funds	5.15
FII's	12.99
Corporate Bodies	1.58
Pubic & Others	13.82

Syndicate Bank is amongst the mid-sized bank stocks that still look attractive. At the yesterday's closing price of Rs.90.4, the bank trades ~1.2x FY08E ABV Rs.76. After moving up smartly post its FPO in early 2006, when it issued fresh equity at Rs.50/share, the bank's stock has staggered in the 75-90 range for a long time (going below Rs.50 levels on occasions of sharp market corrections). It hit an all time high of Rs.100.5.

The only issue grappling the bank we think is it's NIM. The bank has consistently maintained good asset quality and has a strong coverage for its NPA's. The NNPA's stand at 0.8% levels. Technologically, it covers about 80% business on CBS and has been aggressive in leveraging the same for launching new products or generating frequent data through its MIS for faster decision-making.

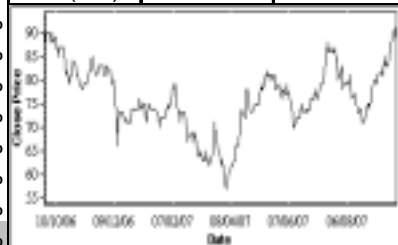
Syndicate Bank has a good proportion of retail assets comprising 30% of the total loan assets. The bulk deposits kept its margins suppressed. We feel re-pricing of the same going forward should provide some headroom for margin improvement, which went below 3% in FY07. There should also be good growth in fee-based income where the bank has achieved greater success in areas like bancassurance and bullion business.

The bank will be off MAT in FY08 and shall be paying regular tax. The marginal improvement in margins alongwith higher than industry average growth in business in FY08 should keep the earnings on track for Syndicate Bank. The RoE, which has remained 20%+ may see some decline if the bank goes ahead with its planned FPO. However, post-issue accretion to reserves should keep the stock attractive.

We feel there is still an upside of ~Rs.10 or about 10% from the present levels in the stock.

Financial Snapshot

	Syndicate Bank			Rs.m			Ratios		
	1QFY08	1QFY07	Chng (%)	FY07	FY06	Chng (%)		FY07	FY06
Interest Income	18,463	12,308	50.0%	60,401	40,504	49.1%	CD	65.7%	68.0%
Interest expended	12,993	7,249	79.2%	38,900	21,696	79.3%	CAR	11.7%	11.7%
NII	5,470	5,059	8.1%	21,501	18,809	14.3%	NIM	3.0%	3.4%
Other Income	1,531	1,262	21.3%	6,185	5,620	10.1%	RoA	0.1%	0.1%
Net Income	7,001	6,321	10.7%	27,685	24,428	13.3%	RoE	26.6%	24.6%
Operating expenses	3,855	3,382	14.0%	13,860	14,349	-3.4%	ABV (Rs.)	62.0	48.3
Payments to employees	2,553	2,350	8.6%	8,945	10,372	-13.8%	EPS (Rs.)	13.7	10.3
Other expenses	1,302	1,031	26.3%	4,915	3,976	23.6%			
Operating income	3,145	2,940	7.0%	13,826	10,080	37.2%			
Provisions and contg.	482	884	-45.5%	6,547	4,565	43.4%			
NPA provisions	299	550	-45.7%	5,125	4,262	20.3%			
Other provisions	183	334	-45.3%	1,422	303	368.8%			
PBT	2,664	2,056	29.6%	7,278	5,515	32.0%			
Taxes	453	250	81.4%	118	150	-21.8%			
PAT	2,210	1,806	22.4%	7,161	5,365	33.5%			



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