

Standard Chartered Bank : First IDR Issue

**IPO Note: P/E Ratio is attractive compared to Indian Private and PSU Banks
Ranking:*****

Issue details

Price band (Rs)	Rs.100-Rs.115
IPO Opening Date	25/05/2010
IPO Closing Date	28/05/2010
Issue Size	Rs.2400 - 2760 Crore

Valuations & Recommendation

Standard Chartered annualized EPS for CY 2009 on post-issue equity works out to Rs 79.5 per share or Rs 7.9 per IDR. At the price band of Rs 100 to Rs 115 per IDR (without considering discount of 5% to retail Investors) P/E of IDR is 12.6 to 14.5 times. Taking in to account, the premium from the fresh IDR issue, post-issue Book Value per IDR is Rs 63.7 and Rs 63.9 at issue price of Rs 100 and Rs 115, respectively. P/BV at both the bands works out to be 1.6 and 1.8 times, respectively much better than the 2.5 for State Bank of India. On the price to earnings, it trades at attractive 14.5 times compared with 15.7 for SBI and 29.4 for HDFC Bank.

While Stan Chart may not match the pace of Indian private sector banks on growth in its asset book, its large size, well-diversified presence across emerging markets, make the stock a good investment.

We recommend to invest in this IDR of Standard chartered Bank, looking to its attractive valuations compared to Indian private and large Public Sector banks for good long term growth.

Highlights

- **5% discount to Retail Investors.**
- **Net profit has grown at a compounded annual growth rate of 30% in the last three years, while profit before tax has trended at 38%.**
- **The Group operates in approximately 1,700 branches and outlets, 5679 ATMs in more than 71 countries – a key part of the distribution network for the Consumer Banking Business.**
- **The Group employed over 75,000 employees worldwide. Nearly half of the employees are women, and almost 70 nationalities are represented among the senior management.**
- **Standard Chartered's total capital ratio was 16.5% and its Tier 1 capital ratio was 11.5%.**
- **First foreign company to list in India through an Indian depository receipts (IDR) issue.**

Company Introduction Incorporation

- **Standard Chartered PLC was incorporated in 1969 through a merger of The Chartered Bank and The Standard Bank Limited. Standard Chartered PLC, Listed on both the London Stock Exchange and the Hong Kong Stock Exchange, ranks among the top 20 companies in the FTSE-100 by market capitalisation. The London-headquartered Group has operated for over 150 years in some of the world's most dynamic markets, leading the way in Asia, Africa and the Middle East. Its income and profits have more than doubled over the last few years primarily as a result of organic**

growth, supplemented by acquisitions.

Franchises Development in Asia

- From the early 1990s, Standard Chartered has focused on developing its strong franchises in Asia, Africa and the Middle East. It has concentrated on consumer, corporate and institutional banking and on the provision of treasury services - areas in which the Group had particular strength and expertise. The company celebrated its 150th anniversary in India in April 2008, having opened its first branch in 1858 in Kolkata.
- Standard Chartered PLC operates through a number of subsidiaries including SCB, one of the leading international banking and financial services company. SCB particularly focuses on the markets of Asia, Africa and the Middle East. The Company has no significant operations or assets other than its 100% interest in SCB.

Businesses

- The company operates in two businesses: Wholesale Banking and Consumer Banking. The Wholesale Banking business provides corporate and institutional clients with trade finance, cash management, securities services, foreign exchange and risk management, raising capital, corporate and principal finance solutions. Consumer Banking products and services include banking services, deposit-taking services, credit cards, personal loans, mortgages, auto finance and wealth management services.

Financial Summary

Particulars	0912 (12)	0812 (12)	0712 (12)
Total Op. Income	70879	65203	51661
Op. Profit	33759	29675	22649
Net Profit	16231	15610	13953
EPS* (Rs)	79.5	76.4	68.3

* Annualized on post-issue equity capital of Rs 4792.72 crore. Face Value: Rs 23.47 per share

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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