

## CSB BANK : Weak Issue

**IPO Note: No Growth, Loss making with High NPA, Expensive Issue: Ranking\***



### Issue details

Price band (Rs)	Rs.193-195
IPO Opening Date	22/11/19
IPO Closing Date	26/11/19
Issue Size	Rs.409.67 Cr.

### Recommendation

On the financial performance front, for the last three fiscals, CSB has posted a total income/net profit (loss) of Rs. 1617.50 cr. / Rs. (57.99) cr. (FY17), Rs. 1422.27 cr. / Rs. (127.09) cr. (FY18) and Rs. 1483.43 cr. / Rs. (65.69) cr. (FY19). For the first half-year of FY20, it has posted a net profit of Rs. 44.27 cr. on a total income of Rs. 816.71 cr. Based on financial data, the issue priced at a PE of 38+. All its peers are trading at much lower P/Es currently. **As per offer documents, CSB has shown DCB Bank, Federal Bank, S I Bank, City Union Bank and Karur Vysya Bank as its listed peers that are currently trading at a P/Es of around 15.6, 11.6, 6.6, 21.6 and 20.8 (as on 19.11.19). Considering all these factors, it can be ignored.**

### Highlights

- CSB Bank Ltd., is one of the oldest private sector banks in India with a history of over 98 years and have a strong base in Kerala along with a significant presence in Tamil Nadu, Karnataka, and Maharashtra.
- CSB has 412 branches and 290 ATMs spread across 16 states and four union territories as on September 30, 2019
- Its gross NPAs decreased to 4.87% as of March 31, 2019, from 7.25% as of March 31, 2017. As on 30.09.19, it's gross NPAs was 2.86%. The net NPAs decreased to 2.27% as of March 31, 2019, from 4.12% as of March 31, 2017, and its net NPAs was 1.96% as of September 30, 2019,

### Company Introduction

Incorporated in 1920, Kerala based CSB Bank Ltd, formerly known as Catholic Syrian Bank, is one of the oldest private sector banks in India. The bank has a significant presence in Kerala, Karnataka, Tamil Nadu and Maharashtra. CSB Bank Ltd has four business areas, which are:

**SME Banking:** Under SME Banking, the bank offers banking services to vendors, allied businesses, agriculture, financial institutions, and dealers of corporates. **Wholesale Banking:** CSB Bank fulfils business needs of large & mid-size corporates, and business entities of Rs 250 million and more credit requirement under Wholesale Banking category. **Retail Banking:** Under the Retail Banking category, the bank offers retail lending and deposit products to retail and NRI customers. The lending products include vehicle loans, gold loans, loans against properties, education loans, agricultural loans, personal loans and housing loans to retail and NRI customers. **Treasury Operations:** Under Treasury Operations, the bank deals with asset-liability management, statutory reserves management, trading & investment of securities, foreign exchange, and liquidity management activities. This category is aimed to maintain liquidity requirement to comply with the CRR (Cash



[www.csb.co.in](http://www.csb.co.in)

### Financial Summary (Rs. In Crore)

Parti.	FY2019	FY2018	FY2017	Half year end.Sept 2019
Total Income	1483.43	1422.23	1617.5	816.71
Net Profit	-197.42	-97.47	1.55	44.27
EPS (Rs)	-	-	-	

Source: RHP and ACE Equity

### RANKING METHODOLOGY

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

Reserve Ratio) and SLR (Statutory Liquidity Ratio), which are RBI Mandates.

The company also has a contractual arrangement to distribute life insurance products of HDFC, Edelweiss Tokio, and ICICI Prudential Life Insurance Company Ltd and general insurance products of Reliance General Insurance Company Ltd. **The bank has 1.3 million customers**, which are majorly from Retail, SME and NRI segments. **It has a wide product and services range which are delivered through multiple channels such as 277 ATMs, 414 branches** and other micro ATMs, internet banking, debit cards, mobile banking, UPI and POS (Point of Sale). **CSB Bank has a presence across 16 states and 4 UTs (Union Territories).**

### The object of the issue are to:

- To augment Bank's Tier-I capital base to meet the Bank's future capital requirements;
- To achieve the benefits of listing the Equity Shares on the Stock Exchanges and Offer for Sale.

### Company Promoters:

The Promoter of the Bank is FIH Mauritius Investments Ltd

### IPO Issue Proceed

To part finance bank's future capital requirement (Rs. 24 cr.) and providing an exit route to PE investors, CSB is finally coming out with a maiden IPO via book building route to mobilize Rs. 405.72 cr. - Rs. 409.68 cr. (based on lower and upper price bands). The issue comprises of fresh equity issue worth Rs. 24 cr. (approx 1230750 shares) and offer for sale (OFS) of 19778298 equity shares of Rs. 10 each. It has fixed a price band of Rs. 193 - Rs. 195 per share. The issue opens for subscription on 22.11.19 and will close on 26.11.19. Minimum application is to be made for 75 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE/NSE. CSB has allocated 75% for QIBs, 15% for HNIs and 10% for Retail Investors. Post issue, CSB's current paid-up equity capital of Rs. 172.28 cr. will stand enhanced to Rs. 173.51 cr.

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