



## “Canara Bank Q3 FY2021 Earnings Conference Call”

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**Sohail Halai:** I welcome you all to Canara bank Q3 earnings, we have with us Shri LV Prabhakar, MD, ED Sir Shri M V Rao, Shri Debashish Mukherjee and Ms. A Manimekhalai. Without further ado, I would hand over the call to MD Sir for his opening remarks post which we will open the floor for Q&A. Sir please go ahead!

**LV Prabhakar:** Thank you. Good afternoon to all the participants. Before we take the questions and answers, just I want to highlight some of the achievements and some of the significant points in the balance sheet. As far as Canara Bank balance sheet is concerned, since the beginning we are concentrating on strengthening the balance sheet so that we are ready for the future challenges. When I say strengthening the balance sheet, we have concentrated on business growth, especially CASA Growth, and you have seen that savings bank growth as on Dec 2020 is at 14% yoy, CASA growth is at 15% yoy and retail term deposit is at 18% yoy. Bulk deposits we have reduced by 10% yoy to save high interest on that.

Apart from that as far as credit is concerned, domestic credit has grown by 7.55% yoy. We concentrated a bit more on RAM sector and retail sector. Retail has grown at 9% yoy, out of which the housing loan has grown at 13% yoy and this time in agriculture also we have shown good traction, growing at 11% yoy. MSME year on year is at 6% and RAM as a whole, we have grown at 9% yoy.

But here the important point is, as the economy is picking up, our credit offtake is also picking up, and this is evident from the quarter on quarter growth. In retail, quarter on quarter we have grown at 3.3%, annualized it is growing about 12%. Under Agriculture we are growing around 6% qoq, MSME about 3.65% qoq and RAM we are growing at 4.5% qoq. Corporate also there is a traction and we are growing at 1% as far as quarter on quarter is concerned. Domestic advances as a whole, quarter on quarter we have grown at 2.81%. Global credit has grown at 2.86%. This indicates that there is pickup in the credit and we are disbursing the advances to various sectors, not concentrating on any one sector.

Then the other point is we have concentrated on recovery. Since this quarter, the previous quarter and the coming quarter is going to be challenging as far as recovery is concerned, we have put in more efforts. Last quarter you have seen that our cash recovery was at Rs 1504 crores and upgradation was Rs 657 crores. In this quarter we could do direct cash recovery of about Rs 2003 crores, plus from fully provided and written off accounts we have recovered about Rs 890 crores. This has helped a lot towards the bottom line and upgradation was of about Rs 774 crores. So overall if you see, as on Dec'20 the gross NPA and net NPA has been brought down to 7.46% and 3.64% respectively.

Now, the most important thing is how we are taking care of the provisions. One year ago, on 31<sup>st</sup> December 2019, the Provision Coverage Ratio was 70%. Today the Provision Coverage Ratio is at 84.89%. There is a growth of about 15%. This indicates that sufficient provisioning has been made in the balance sheet to take care of the future impact. Apart from this we have also made a provision for the future NPAs, like we have made a provision about Rs 1901 crores to take care of the future NPAs.

Apart from this, another important and prudent step what we have taken is, about Rs 413 crores of interest income relating to the accounts, which are as on date NPA but not classified as NPA because of the Supreme Court directions; that portion of interest of about Rs 413 crores we have not accounted for interest received as well as operating profit. Generally the banks make provision for this. But what we thought is one step ahead of making the provision, that we don't recognize it at all, so that as on date whatever figures we are showing you as far as interest received or net interest income, and operating profit, it reflects a more transparent picture. So this Rs 413 crores reversal is there apart from Rs 1903 crores of provisioning which we have done.

Now as far as the interest income and expenditure concerns, both the sides we have managed well in the sense that interest income is almost stagnant if you take the three quarters that is 9 months' figure and interest expenses yes we have reduced. This has resulted in an operating profit of Rs 5382 crores which doesn't include Rs 413 crores of reversal amount. In provisions we want to be future ready. So we have made a provision of about Rs 4686 crores, taking care of routine provisions as well as the provisions that are required for the future also.

Out of this, we have made Rs. 1300 crores as other provisions and Rs 2600 crores for NPA. Then for income tax about Rs 261 crores we have made the provisions.

Now coming to the restructured portfolio as per OTR 1 and OTR 2, which we have started from 1<sup>st</sup> January 2019 and second one is 1<sup>st</sup> January 2020. About 164000 accounts are restructured under MSME and the amount is about Rs 5200 crores. Apart from this, there is another OTR which is in the lines of the recommendations of the Kamath Committee, where in the last quarter we have given a guidance that maybe around Rs 13000 crores to Rs 13500 crores of loan book maybe one time restructured. But as on 31<sup>st</sup> December the proposals which we received are the invocation, where we have effected about Rs 11000 crores including non-fund business. For this as per the RBI guidelines, when we implemented, we have to make a provision of 10%. But as a proactive step, in this quarter we have made a provision of about Rs 494 crores against these OTR accounts, so that in the coming quarters there will not be much burden on the bank. And this has also helped us in making the balance sheet a bit strong.



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Now coming to the other expenditures, people maybe interested and you maybe interested to know that, because of the wage revision what is the impact that the bank is going to have in the future. As on 31<sup>st</sup> December 2020, all the arrears are paid and it has been booked in the P&L account. So there is no question of any additional provisioning which we have to make in the coming quarters, except the payment of regular salaries. So as far as wage revision is concerned, that also we have taken care of. As far as OTR is concerned, 50% we have taken care of and as far as the restructured accounts are there, which may be converted into NPA, for that also sufficient provision of about Rs 1900 crores has been done.

Now, let me just share with you some information regarding the proforma NPA. Suppose say today I have classified the accounts as NPA, keeping aside the Supreme Court judgement, hypothetically, there will be about just less than 10000 crores of portfolio which can be slipped into NPA. That comes to about 150 basis points. So even though I take this into consideration, my gross NPA figure will be less than 9%. It maybe somewhere about 8.95% and in net NPA there maybe an increase of about 130 basis points. It may go up to maybe 3.93 %, which is less than 4%. So with the calculation of projected NPA as on date, still we feel that proper provisioning has been done, and the ratios are within control and the most important thing is regarding the amalgamation. Everyone will be interested to know.

Now I request our executive director, Mr. MV Rao sir, who is spearheading this amalgamation process, and he will be sharing some interesting information with you. Thank you.

**MV Rao:**

Yeah, Good afternoon to all of you. Regarding the amalgamation, just continuing with our earlier discussions what we did, at that point there were unified policies and harmonized products that we brought into the common platform, where 13 products and services were made available to all the customers across the two entities. Now going forward, on the structural part, now we have stabilized. Overseas is working as a single entity, and both the treasuries are working as single entity. All regional offices which were there as amalgamated entity of 210, were optimized to 176, and all are working as a single entity. Circle offices of both the entities were around 31, which was rationalized to 24 and learning centers and inspectorates what we have, that number is continuing because of the increase in the number of staffs that is up to 90000, skilling and upgrading their skills are required and for that we have not rationalized our learning centers and then inspectorates were not reduced because of the complexities, and also new products and processes that we're bringing in, that necessitates the better oversight. That is why we have not reduced the inspectorates. That is on the structural part.

On the HR front, already this amalgamated entity has undergone a sea of change. Promotions have also taken place and all the transfers of around 18000, in between we have



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undertaken. That mix-up of the people is in place and it is working as a harmonized entity. Coming to the main important point of software amalgamations, IT platforms, we are very happy to inform you that just two days back, all the branches of 10400 branches are on a single platform now. All the products and services are available across the bank to all the customers. Now 13.5 crore plus customers are accessing to our products and services in a uniform manner, without any restriction.

And one more thing what I would like to tell you from the customer perspective, they are not encountering any of the operational issues in the Mobile Banking, even in the NEFT, RTGS, IMPS and UPI. Whatever the beneficiaries that were there in their databases, also got transferred onto the new platform. They need not work again, they need not feed again the borrowers' beneficiaries' list. That also we have taken care of. All the ATMs, 13000 plus, now they have migrated onto a common switch and both the customers of Canara Bank and E-Syndicate, with the existing cards they can operate on this switch. We need not replace any of the cards so that is one more additional benefit our customers are having. They are having the ease in doing their transactions on day to day basis.

So with this software amalgamation, ATM movement, and then making the cards functioning uniformly across 100% we have completed our integration well ahead of the schedule of 2 months. Earlier our commitment was March 2021. That we have completed in January 2021 itself. This is the update. Thank you.

**Moderator:** Thank you Sir. Should we start the Q&A sir?

**LV Prabhakar:** Please. We will take the questions.

**Moderator:** Okay. Participants please note, if you wish to ask a question, please do so by pressing the raise hand button on your application. Or pressing \*3 from your touch tone if you are using a landline. You can also put your question on the chat or on the Canara Bank website. We will wait for a moment till the Q&A queue builds. I will repeat, participants who wish to ask a question, can do so by pressing the raised hand button on their application, or pressing \*3 from their touch tone phone if you are using a landline. Or you can put your questions on the chat as well.

Our first question is from the line of Mr. Ashok Ajmera. Sir please go ahead. Please unmute yourself and go ahead.

**Ashok Ajmera:** Sir, at the very outset accept Prabhakar sir my compliments for all round performance. And just now Mr. M V Rao has also narrated that how fast you have accomplished this integration of such a big exercise well head of the time. So you all deserve rich

compliments for the same. The results are, I mean comparatively better. All your parameters are good. But having said that, I would like to ask now what is the likely road ahead? Because though now, because of various dispensations and various benefits and concession schemes given because of COVID, now today okay we may not know exactly our slippage numbers or exactly what would have happened. But provision wise as you said you are very comfortable and even that proforma NPA almost how much you said about Rs 11000 crores, Rs 10000 crores, on that also adequate provision has been made. But I mean how do you view it ahead if some of this dispensation would not have been there, or when the time comes near to the completion. How much pain you see you may still have, or how much of this can be transferred into an NPA or slippages. And my second question is that yes you are on the growth path also simultaneously. So which are the main sectors or industry or maybe NBFCs that you are looking at for this advanced growth, and you are open to receiving the applications?

**LV Prabhakar:**

Yeah, thank you very much for all your good compliments. As far as future roadmap is concerned regarding the NPAs and restructured book, we want to take tomorrow's pain today. That is why what we did it in the current balance sheet, we have made ample provisions and we have declared a profit of about Rs 696 crores. In this direction as I already said, the first point is the pain of the interest reversal which we are going to experience in the next quarter that is Q4 of FY21, we have done this quarter itself. Rs 413 crores we have not booked the interest and we have reversed it. It means going forward in Q4, I need not worry about the interest reversal, rather during these coming two months I and my people will be monitoring the proforma NPA, and out of this I think a significant portion we will be able to recover because whatever interest I have not booked I will get an opportunity in the next quarter to book that interest and since sufficient provisioning has been done, for example, in June about Rs 1038 crores provision we have done, for the hold amount of Rs 10380 crores. That now has come down to Rs 2221 crores. The issue is again in Q2, we made a provision of Rs 125 crores floating provision for the future NPAs. In Q3 we did about Rs 738 crores of provision for the proforma NPAs or future NPAs. So everything put together it is coming to Rs 1901 crores plus Rs 413 crores of interest reversal. That means the book is amply supported by provisioning, and by the measures taken. So going forward even if this Rs 10000 crore slips and whatever outcome will come from the Honorable Supreme Court's judgment, our NPAs as far as gross NPA is concerned, may jump by 150 basis points. Net NPA will be jumping by about 130 basis points. But we have time and we can do better going forward. As far as the pain is concerned, yes, it is a continuous process for the financial institutions to be alert at least for the coming 2 to 3 quarters and to have proper strategy as well as proper execution for monitoring all the accounts, especially SMA accounts.

Now let me share with you regarding the SMA accounts. If you take SMA accounts of above Rs 5 crores, in SMA-2 I have about 320 accounts amounting to about Rs 10000 crores. That comes to about 1.28%. In SMA-1 I have about Rs 5391 crores in 219 accounts. It comes to about 0.67%. To put together it is about Rs 15500 crores and percentage wise it is 1.95%. This is the bracket where we are concentrating very seriously, and it will give results because 320 plus 219 accounts if I concentrate on 540 accounts, I will be concentrating on Rs 15000 crores of SMA-1, SMA-2. So SMA-1, SMA-2, SMA-0, as on date they are also under control and going forward we are going to monitor more seriously regarding this thing. So yes there is pain in the system and we have identified it. And we have addressed it well in advance, at least one quarter in advance. Going forward I think as far as my business is concerned, as I said, we will be growing at about 8% as far as liabilities are concerned, the deposits and other things and credit will be around 6% to 8%, and with this, I think we will be in a better position to give good results in the coming days also. Thank you.

**Moderator:**

Thank you Sir. Participants, I would like to remind you, if you wish to ask a question, please do so by pressing the raise hand button. The next question is from the line of Mr. Aditya Singhania. Sir please unmute yourself.

**Aditya Singhania:**

Thank you. Good afternoon sir. I had two questions. One on just your thoughts given that you have already made significant provisions, what is your expectation of credit cost or provisioning for loan losses in the coming year FY22? That was one. And I will ask my second question and along with this if you could also indicate is there any significant quantum of recoveries that one is expecting from fully written off accounts given that you are carrying 100% provision on NCLT list.

**LV Prabhakar:**

Your second question is regarding the expectation of recovery from 100% provision accounts. Let me bifurcate this into two parts. One is NCLT accounts, second one is other than NCLT accounts. Other than NCLT accounts Canara Bank is very good in recovering the amount from those accounts where 100% provision is made. For example in Q3 there is a recovery of Rs 890 crores from fully provided accounts. This quarter we have still an ambitious target to surpass the existing achievement. This is regarding the recovery from the fully provided accounts other than NCLT. Now coming to NCLT accounts, as you all know there are good number of NCLT accounts, especially one or two accounts, where every bank is expecting a resolution very soon. If suppose since it is in the public domain I can take the name also, if it is Bhushan Power and Steel, if it is resolved, we have an exposure of about Rs 3000 crores, 100% provided. Whatever recovery I get, say around 50%, so Rs 1500 crores of provision will be written back and my gross NPA will be coming down by about Rs 3000 crores. So another small accounts are also there, but during the current quarter I don't say there is a good recovery from NCLT accounts but we could get



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in 18 accounts of about Rs 287 crores of recovery in the NCLT accounts also. So this is regarding the recovery as far as the fully provided accounts are there and here the plus point for Canara Bank is, the provision coverage ratio as on 31<sup>st</sup> December 2019 was only 70%. Today it is 84.89%. This shows that wherever and whenever I recover money from the NPA accounts, it will directly help in reversing the provision and it will help finally in my profitability. Next, FY22, we see a very stable business for Canara Bank because during the worst times, Canara Bank has shown the results with adequate provisioning and with a credit growth as well as liability's growth, and a stable balance sheet. So I strongly feel that FY22 will be very encouraging and very prospering. Thank you.

**Aditya Singhania:** Thank you. I just have another question if I may.

**LV Prabhakar:** Please.

**Aditya Singhania:** So you have already raised significant amount of capital now and you also have significant values in your subsidiaries. So just wondering on when you would like to monetize some of that value and in case you are planning another capital raise in the next maybe one or two years.

**LV Prabhakar:** I should thank the investors. In the last calendar year, that is in March 2020, we have raised around Rs 3000 crores of type 2 Basel-III Compliant bonds at 7.18% and afterwards again you all know that we have come out with AT-1 bonds of about Rs 1184 crores, we have raised at 8.3%. Then, QIP we have come out with Rs 2000 crores and it was oversubscribed and really I should thank my investors, it was oversubscribed by 2.5 times. Then again we have come out with AT-1 bonds of about Rs 1635 crores we have raised, because of which my CRAR is at 13.69% and Tier I is at 10.45%. So I can say as on date my capital is in a comfortable position as far as the regulatory and growth is concerned. Now the second point is subsidiaries. I have 9 subsidiaries. All 9 subsidiaries are doing good. They are giving me the dividend and they have good value, and in future I will get still further very good value. As on date Canara Bank as a standalone is capable of generating operating profit and net profit and also is in a position to raise the capital as and when required. In the given situation I think it is good to hold on the subsidiaries till such time when excellent valuations will come. Till such time we don't take any call on diluting our stake. Thank you.

**Aditya Singhania:** Just as a final observation or only observation was that rather than diluting stake in the bank itself at such a low valuation, would it not be better to sell stakes in subsidiaries? But yes.

**LV Prabhakar:** We will wait for the appropriate time.





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- Aditya Singhanian:** Sure sir, thank you.
- LV Prabhakar:** Thank you.
- Moderator:** Thank you sir. Our next question is from the line of Mr. Pranav. Sir please unmute yourself and go ahead.
- Pranav:** Sir could you repeat what you said about restructuring? So there is around Rs 5300 crore-Rs 5400 crore, I think restructuring on which you have done some provisions. I missed that provision number.
- LV Prabhakar:** Yeah. My Executive Director Mr. Mukherjee, who is handling this recovery, he will elaborate in detail. Please Mukherjee sir.
- Debashish Mukherjee:** Good afternoon. Now so far as the restructuring under OTR one time restructuring is concerned, the data which we had told you earlier for MSME it was 164000 odd accounts amounting to Rs 5200 crores. So that was one data. Now so far as the corporate OTR scheme is concerned, under Mr. Kamath Committee, there we have so far received application for invocation amounting to around Rs 11000 crores as against our earlier submission of Rs 13500 crores. So that was the data which is still under work in process, the second one. That is why because these amounts have been invoked.
- Pranav:** Right. And you have done 10% provision for the Rs 5200 crore.
- Debashish Mukherjee:** Yes, because this as and when we do, we will provide.
- Pranav:** Sir also you said in the discussion that there will be a 150 basis points jump in the GNPA and 130 basis points in NNP. So this is about proforma or above currently reported?
- Debashish Mukherjee:** It is about proforma. Like as we have already shown earlier that as against this gross NPA ratio of 7.46%, we are expecting it to become 8.95%. So roughly that increase we are seeing if everything slips, whatever we have assumed to slip.
- Pranav:** Right. Sir there is one little confusion. So after this proforma is materialized, do you see more proforma arising in Q4? Like suppose whatever is proforma gets into slippage and is converted into GNPA, about that also you think there is a considerable proforma divergence that will happen in next quarter?
- Debashish Mukherjee:** We have tried to do a thorough analysis, in arriving at this proforma figures. During course of this quarter till the Supreme Court verdict is out, we will not stop recovery in these



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accounts also. So it maybe something. Otherwise that this proforma amount may actually come down a bit.

**Pranav:** Okay, thank you sir.

**Moderator:** Thank you sir. Our next question is from the line of Mr. Ashok Ajmera. Please go ahead sir.

**Ashok Ajmera:** Sir thanks for giving the opportunity to me. Sir what is for collection efficiency in this quarter, and how do you describe this denominator and numerator of the collection efficiency?

**Debashish Mukherjee:** So far as the collection efficiency of this Q3 is concerned, it is somewhere around 95%. Are you with us Mr. Ajmera?

**Moderator:** Sir we have our next question from the line of Ms. Pooja. Please go ahead. Ma'am please unmute yourself and go ahead.

**Pooja:** Yes hello?

**Moderator:** Yes please.

**Pooja:** I am from HSBC Asset Management. My question is that credit growth has been modest for past one year. So how are you approaching the same going forward?

**LV Prabhakar:** As far as growth is concerned, the business growth if you see the domestic credit growth has grown at 7.55%, domestic business has grown at 8.7% and deposits domestic growth is at 9.5%. If you see in absolute terms, the amount of business which were added in the last one year, is about 1.27 trillion. Out of this if you see the savings bank which we have added is about Rs 40000 crores and term deposits is about Rs 64000 crores. So domestic business is growing very well. But as far as the international business is concerned, when you discuss about the global business, there is some reduction in the sense, the global business has grown by 6.97% that is roughly 7%. And global deposits have grown by 7.8% and global credit is by 5.8%. In the international arena we have taken a calculated call to consolidate during the current financial year and then go ahead in the coming quarters. So that is why our guidance for the coming quarter is we will be growing global deposits at 8%, business also will be toughly somewhere about 8%, and credit will be somewhere about 6% to 8%. Thank you ma'am.

**Pooja:** Thank you.



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**Moderator:** Thank you ma'am, thank you sir. We will take the next question from the line of Ms. Mona Khetan. Ma'am please unmute yourself and go ahead.

**Mona Khetan:** Yeah hi sir good evening. On the restructured book of I think all the corporate and MSME loans add up to about Rs 15000 crores for you, and you mentioned slippages of proforma slippages of about Rs 10000 crores. Are there any overlaps between the two?

**Debashish Mukherjee:** Madam, the issue is that out of this Rs 15000 crore as you said, Rs 11000 crore is still work in process. So if you recall, even if these accounts slip, it will come back to the original IRAC status once the restructuring is completed. So this is one part where we don't expect much slippages. Now so far as the other part is concerned, which we have already done, that is the OTR-1, OTR-2, some slippages have happened, but then not by any overwhelming amount. Because many of these restructuring has happened during this financial year as well. So that way, the whole purpose of restructuring is to give it such a tenure for term loans and the working capital so that the cash flows will permit to run the company in a proper way and it will not slip. So we don't expect much slippages. Yes, we cannot rule out 100% that no slippages will be there. That nobody can predict. But mostly it will be standard assets.

**Mona Khetan:** Sir what I am also trying to understand is, of this Rs 11000 crores that is still work in progress, there could be some accounts that are already 90 plus TPD and even though you maybe planning to restructure, they may have been in the notional slippages for you So what would be that quantum?

**Debashish Mukherjee:** We have very few accounts which have now crossed this 90 days' status. But then that amount is about roughly Rs 1300 crores. So that way, there is a possibility of this slippage but then again it will come back to the original status.

**Mona Khetan:** Okay. So Rs 1300 crores could be part of the notional NPA for you which is part of the proforma NPA, but they may get upgraded once the restructuring is done. Is that a fair understanding?

**Debashish Mukherjee:** Exactly madam, exactly.

**Mona Khetan:** Got it and under ECLGS if you could share what have been your disbursements under both 1.0 and 2.0?

**Debashish Mukherjee:** Under GECL or ECLGS, we have sanctioned 4,75,000 odd accounts amounting to more than Rs10000 crores and out of that disbursement has been somewhere around Rs 9500 crores.

- Mona Khetan:** Okay. This includes both the ECLGS programs?
- Debashish Mukherjee:** Yes, both one and two.
- Mona Khetan:** Okay and you know while for now asset quality parameters look very contained whether we look at proforma slippages or the restructured book, do you envisage tail risks as we go ahead especially once the Supreme Court dispensation is done with?
- Debashish Mukherjee:** No, as we have already explained that we have made a detailed analysis in arriving at this proforma NPA figures, so that also includes the tail risk which you are saying, because we have already provided for more than or around 20%. If you can see it is Rs 1900 crores which we have already provided for in this balance sheet plus Rs 413 crores of interest de-recognition proposed. We have thought that such amount will be de-recognized once these become NPA. So this is somewhere around 20% provision. So we are well ready for this slippages and out of this pool some will also be recovered because that recovery process is always on.
- LV Prabhakar:** Madam, to add to what Shri Mukherjee has said, let me discuss about NPA in the retail sector. In retail sector our gross NPA is 1.38%, out of that under housing the NPA is 1.21%, in vehicles loan it is 1.76%, education loans it is 0.95% and personal loans it is 1.84%. So even if there is some tail risk as far as slippages are concerned, it will not be significant and the way in which we are making the balance sheet strong, effect will not be visible in the coming quarters as far as the provisioning and other things are concerned since in advance we are doing the provisioning for these things. But there will be some effect, which we call it as tail effect, it will be there.
- Mona Khetan:** Got it and lastly the collection efficiency number that you shared of 95%, does this include the collection and demand only for December month or would it include the arrears as well.
- LV Prabhakar:** Ma'am, actually we include the policy called DCB, Demand-Collection-Balance as per that it will be done.
- Moderator:** Okay, thank you, ma'am, thank you, sir. We have a question on the chat I'll read that, it's from Mr. Dikshit Doshi. How much recovery we are expecting, from currently written-off accounts in Q4 and FY 22 next year?
- LV Prabhakar:** Let me take you through the present recoveries, this quarter as far as written-off is concerned we have recovered about Rs 890 crores. Q2 - FY21 we have recovered Rs 449 crores when lockdown was there and now going forward for Q4 we are expecting the figure under recoveries under written-off will be more than Rs 890 crores. Then as far as FY22 is

concerned we will be trying to maintain the momentum which we have gathered in Q4 of FY21. However, as far as cash recovery and upgradation is concerned we are targeting for the Q4 about Rs 6000 cr to Rs 7000 crores of recovery under cash recovery as well as upgradation. That is our guidance, ma'am; thank you.

**Moderator:** Thank you, sir. The next question is from the line of Mr. Jai Mundra, sir, please go ahead.

**Jai Mundra:** Good Afternoon. I have a couple of questions. First is, what is the net interest margin for the quarter. What you have given is the 9 month number that is one question.

**LV Prabhakar:** Yeah, you can go ahead; any other question.

**Jai Mundra:** And second is, sir, the restructuring slide at least to me it is a bit confusing. So one, I mean if I were to look at that total restructuring outstanding plus invoked; what is that number. Is this number 5200 which is MSN 5800 + 5036 + 9794 or what is the total, grand total.

**LV Prabhakar:** Yeah, first one is regarding the NII, for December 2020 it is Rs 6081 crores and this Rs 6081 crores does not include Rs 413 crores which we have reversed notionally and this comes to about 21.47% YoY growth as far as 3 quarters are concerned as on December '19 and December '20 that is regarding the NII. As for as the restructuring, that is a format which we have given wherein we have said that OTR 1, OTR 2 that we have given in the bottom that is regarding the MSME restructuring under OTR where the outstanding is less than Rs 25 cr. In that 1 and 2 put together, that is this is from 1st January 2019, the number of accounts is 1,64,000 and the amount is about Rs 5,200 crores. Now the top column we have bifurcated for further clarifications stating that about Rs 9,794 crores is an OTR as per the Kamath Committee recommendations under which, under corporate we have did, under retail it is about Rs 300 crores, Rs 36 crores under retail personal and Rs 58 crores under retail housing. This we have already implemented and we are expecting about Rs 76 crores under personal, Rs 130 crores under housing loan to be implemented but invoked. Like that we have bifurcated the figures but overall figure is Rs 5,200 crores plus Rs 11,000 crores.

**Jai Mundra:** Okay, so this Rs 5,800 crore, which is the line number one, right.

**LV Prabhakar:** Yes.

**Jai Mundra:** Where is this number then, I mean ideally?

**LV Prabhakar:** It is not exclusive figure, it is a part of many figures.

**Jai Mundra:** Okay, so the total number is...



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- LV Prabhakar:** So that's why for your clarity I am giving the total book is Rs 5,200 crores plus Rs 11,000 crores.
- Jai Mundra:** Right, okay, great so that is, that is helpful.
- LV Prabhakar:** Yeah.
- Jai Mundra:** In terms of collection efficiency, you had mentioned 95% is the collection efficiency and if I look at our SME 0 + 1 + 2 then that number is 2.8% or may be 3.6%. So I am a bit confused. I mean what is the balance I mean is it how do you calculate that number because I thought the collection efficiency, 1 minus collection efficiency should be SME 0 + 1 + 2.
- LV Prabhakar:** Let me tell you as I said this collection efficiency we have given based upon the DCB calculation; demand, collection and balance calculation. So wherever we have not received the installment that we have computed as balance.
- Jai Mundra:** Right, okay.
- LV Prabhakar:** Thank you, sir. Next any other question, thank you.
- Jai Mundra:** Sir, if you can share that deferred taxed asset because maybe from next year onwards when you intend to shift to the new tax regime probably you will have to take a write-off on DTA because now if you are in steady state kind of a slippage trajectory then probably you will look to migrate to the new tax regime, so what is the DTA number that we have.
- LV Prabhakar:** Yeah let me introduce, my Chief General Manager and CFO, Mr. Ramachandra, please, Ramachandra, can you respond.
- Ramchandra:** Yeah, good afternoon. Sir, DTA number is around Rs 12,000 crores and, of course, we have taken an appropriate permission and it is commercially justifiable for that we are not going for a new tax regime and as per in accordance to the merger we are getting the benefit of merger where there is a taxable loss, so we need not go immediately for that change of act.
- Jai Mundra:** Okay, right, sir, if you can highlight the top 5 individual account sector which have come for the COVID restructuring out of that Rs 11,000 crore. The top account maybe of large organized retail, then it could be; I would just need the sector of the top 5 accounts.
- LV Prabhakar:** Sir, if you see the OTS portfolio, it is retail and corporate is 80/20, that is 80% is corporate 20% is this one. Out of this 80 corporate, major portion is one account which is a steel account.



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- Jai Mundra:** Sir, I am asking about the onetime restructuring, Rs 11,000 crore number.
- LV Prabhakar:** Yeah, that is what; under Rs 11,000 crores 20% is about retail and 80% is corporate and under corporate there is one big account which is steel account, so the major portion is going to steel sector and 20% is going to personal and housing loan sector in retail and the other is which is spread over, not concentrated in any one of the sectors.
- Jai Mundra:** Right, sir, okay, sir, I have few more questions but I'll come back in queue, thank you, sir.
- LV Prabhakar:** Thank you very much.
- Moderator:** Sir, we have few questions on the chat, I'll read them before you go to the next question and I'll remind the participants if you wish to ask a question you can do so by pressing the raised hand button for putting on the chat. There are a few questions from the chat of Mr. Saket Kapoor. He wants to know, sir, steps taken to improve the image of the bank being a PSU, bank's shareholder rewarding policy and ROA targets. Sir?
- Debashish Mukherjee:** Now so far as the improvement of the image of the bank, we have taken a lot of steps in publicity and in refurbishing the hoardings and other publicity materials of our bank. We have also gone in for social media in a big way to put forth the bank's image as a strong and one of the largest lending institutions in the country. So we believe that the image makeover which is actually not required because Canara Bank is known by most of our customers as well as most of the general public but still after the merger we wanted to make our image clearer so we are on the job and you maybe also witnessing a lot of changes in our publicity. What was the second question, can you please repeat?
- MV Rao:** Yeah, further just I would like to add there regarding this, our bank has already embarked on the digital journey and on the social media and to get the millennials and also the new gen customers, we are moving on to the digital platforms where we have data analytics team and also data scientists who are continuously working, so we are also working on our up selling and cross selling from the existing 13.5 crore plus customers data base.
- LV Prabhakar:** Further let me add, recently DFS has ranked the banks in terms of performance under various parameters. As on September 2020 results are out and Canara Bank is ranked as third best bank. We are ranked as second position as far as governance and outcome centric HR practices are concerned, and the other thing is deepening financial inclusion in customer protection. We got third position in institutionalizing the prudent banking, customer protection and customer service. In this we give a lot of importance and because of good customer service the image of the bank is now on a very high scale. We give lot of importance to customer facilities and customer convenience and ease of doing business by



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the customers with the Canara Bank. I think this is the way in which we see that the image of the Canara Bank is reflected and projected in a proper way. Can we have your second question, sir.

**Moderator:** Yes, sir, bank's shareholding rewarding policy, ROA targets.

**LV Prabhakar:** Yeah, we have a policy which is as per the industry best practices. However, as you know ours is a public sector bank and we follow the instructions of the regulators and also the government of India in the best interest of the stakeholders and also the shareholders. We will be implementing and we will be trying to give the best as and when it is possible and it is permitted, thank you.

**Moderator:** Thank you, sir, and the ROA targets.

**LV Prabhakar:** For ROA we have targets as on standalone basis for this quarter of about 0.24%, but cumulative it is 0.19% and we are proposing to have 0.22%.

**Moderator:** Okay, sir, we have another question on the chat from Mr. Avinash D, in MSME how have accounts been selected for a GECL versus OTR scheme, what has been the historical slippages from MSME restructuring.

**LV Prabhakar:** As far as guaranteed emergency credit line is concerned as per the government guidelines whoever is eligible we have given 20% of the outstanding as the additional facility to about 4,44,000 borrowers and this has really helped the MSME entrepreneurs to bring their business back into full steam and also they are able to pay the installments and run the business and indirectly it helped the bank to get the accounts out of stress. As far as OTR is concerned this is also as per the scheme whoever is eligible for them we have given.

**Moderator:** Thank you, sir, our next question is from the line of Mr. Rahul Nair, sir, please unmute yourself and go ahead.

**Rahul Nair:** Hello, yeah, I just had one question, sir. So our loan growth has been in the retail sector mainly housing loans, vehicle loans side. So do we expect this to continue in the coming quarters or we will start focusing on corporate and SME as well?

**LV Prabhakar:** Our strategy as far as RAM sector and corporate sector is concerned is to have a ratio of 60/40, as on date we are at 57% and 43%.

**Rahul Nair:** 60% is for retail?





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- LV Prabhakar:** Retail, retail is 57% and it includes small loans that is RAM sector what we call and as far as the growth in housing sector is concerned, year on year we have grown at 13.32% and quarter on quarter we have grown at 3.56% and going forward, I think we will be growing somewhere about 15+ percentage as for as housing is concerned. The reason is we have 215 specialized verticals in this bank who mobilizes, does excellent underwriting and turnover time is very minimal and with convenience and ease we are doing the advances because of which even under the Covid time our housing loan portfolio has grown by 13.32% and it continues to grow, thank you.
- Rahul Nair:** Okay.
- Moderator:** Thank you, sir. Next question is from the line of Mr. Abhijit, sir, please unmute yourself and go ahead.
- Abhijeet:** Hi, thanks. Sir, few questions, clarifications actually, one was the SME number and restructuring number, is there any overlap between the 2.
- Debashish Mukherjee:** No, the restructuring numbers we had just now discussed like we said that restructuring under OTR for MSME is around Rs 5,200 crore along with that the proposed restructuring numbers is Rs 11,000 crore so you can add up that is the total restructuring number which we have.
- Abhijeet:** And the SMA 1 and 2 about Rs 15,000 crore that is separate?
- Debashish Mukherjee:** SMA1 and 2 it is, it cannot be told to be separate because restructured or to be restructured accounts they also come under this category. So it is a composite group.
- Abhijeet:** So, yeah, the overlap would be significant between the 2 buckets? The overlap between the Rs 15,000 crore let's say SMA 1 and 2 and the similar number in the restructured bucket.
- Debashish Mukherjee:** That is just a coincidence it is not that all these restructured or to be restructured are coming under this, there are other accounts as well where we are not doing restructuring which are under SMA 0, 1, 2 also.
- Abhijeet:** Okay, so that's the overlap that I was looking for.
- Debashish Mukherjee:** Overlapping is there, it's always there.
- Abhijeet:** Okay fair enough and the SMA number 1 it's above 5 crores, right, so if you can give us the numbers on the overall loan book.

**Debashish Mukherjee:** Actually this is what we disclosed to RBI so that is why we have shown you this number so SME above Rs 5 crores and these are representative numbers you can say. So our SME, total SME at 3.63% and now it is much less at 2.80%, so this can be taken as a representative number.

**Abhijeet:** Okay, and, sir, last one on capital, so we managed to raise about Rs 2000 crores, any more plans to raise and having said that are you planning to sell the stakes to any of the subsidiaries, would this imply that you would look to raise capital again in the next let's say 12 months.

**LV Prabhakar:** As on date we have sufficient capital, CRAR at 13.69% and tier 1 at 10.45% and common equity at 8.77% is sufficient for us and in the future we will be taking a call as per the direction of the board, thank you, sir.

**Abhijeet:** Sir, I have one last clarification on the FITL slide, it looks like there is not much of a reduction on quarter on quarter basis, how do we look at that number then. Does this potentially become part of the restructured growth or is it already part of that?

**Debashish Mukherjee:** These are 2 separate entities, this FITL is what the interest for CCOD accounts we have capitalized and these are to be paid by 31st of March. So this has got nothing to do with restructuring per se, this is not that FITL what we normally use for restructuring. This is a separate thing as per RBI guidelines which we had done. So this is Rs 2,200 odd crores which we have already published in our presentation.

**Abhijeet:** But that number has not seen of much of reduction over the last 3 months that's why I was wondering.

**Debashish Mukherjee:** No, no, they are supposed to pay by 31st of March so if somebody is paying they are pre-paying it.

**Abhijeet:** Okay, understood, sir. Thanks a lot.

**Moderator:** Thank you, sir. We have one question in the chat I will just read it out it's from the line of Mr. Rahul Gupta. Can you explain the calculation of proforma GNPA and NNPA based on F2 Q1-21 and F3 Q-21 upgrades, recoveries, write-offs, gross proforma slippages are implied at Rs. 10,400 crore in Q2 and just Rs 500 crore in Q3. So he wants to know the calculation of proforma GNPA and NNPA.

**Debashish Mukherjee:** We have, as we have already told you we have made a very detailed analysis of these NPA, proforma NPA accounts where we have taken the exact figures of what the accounts which

have crossed 90 days and if today the Supreme Court you know comes out with vacation of the state, these accounts will become NPA. So these are actual numbers what we are talking of, based upon that we have arrived at these figures, and of course the ratios come automatically based on these numbers only.

**Moderator:** Thank you, sir, we have one more question from the line of Mr. Ashok Ajmera; sir, please unmute yourself and go ahead.

**Ashok Ajmera:** So, sir, on this FITL part only on this moratorium of 6 months which was given on this, especially on the working capital where you have to pay the amount of the interest up to 31st March 2021, there may be lot of people who must not have gone for the documentation for paying it up to 31st of March 2021 but are paying it on regular basis. So in your SMA 1 and 2 is there any analysis been done that people who had availed the moratorium, how many of them are paying them regularly thereafter without opting to pay up to 31st March 2021, and what is the default percentage in that, this is my question number one.

**Debashish Mukherjee:** You see it is like this, this SMA classification is done from the system. If a person is paying and paying as per the schedule, he or she will not be a part of the SMA. So it is system generated totally, then if somebody is not paying then that account will be part of a SMA. So it is system generated and we have left nothing to chance here so whatever is the actual figure is in front of you.

**Ashok Ajmera:** Sir, my second question is on this note number 12, you know, Rs 855 crore fraud reported during the quarter. So first of all am I correct this Rs 855 crore is during this quarter only and secondly what kind of this fraud accounts are, I mean are they, are they multiple accounts of a small amount or is there any account more than Rs 100 crores or so.

**Debashish Mukherjee:** You see let me elaborate a bit during this quarter there are 28 fraud accounts which have been detected as fraud and out of this majorly it is the credit frauds, 18 accounts credit frauds which have been detected and 10 number of frauds which is noncredit in nature. So majorly it is credit frauds which have been reported.

**Ashok Ajmera:** Any evaluation any analysis of recoverable amount of this because you have provided I think as per the rule, as per the RBI this thing I think 1/4th of the amount or some amount has been already provided in this quarter. So how bright are the chances of recovery of the remaining or it is to be totally to be written off.

**LV Prabhakar:** Here, let me tell you it is not 25% provision, it is almost 50%. If you see the amount the dispensation which you have taken ....



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**Ashok Ajmera:** [1:07:30] isn't it.

**LV Prabhakar:** It is about Rs 440 crores, which is already provided against this Rs 850 crores roughly and this is the initial stages. Fraud doesn't mean that total amount is fraud. For a classification purpose for declaration to be declared as fraud but from this also there is recoverable amount. In many accounts which we have declared as fraud, from that also we have recovered the amount by OTS and also by legal actions. So it doesn't mean that total amount is what you call has to be written-off. We will be getting case to case, it varies from may be 50%, 30% to 100% also.

**Ashok Ajmera:** Okay, sir, now since this NCLT working now what kind of recoveries which we expect in the next quarter as this is the last quarter of the financial year, which can have unexpected kind of recoveries and which can add to your profitability straightaway. You said one name, Bhushan Steel and Power but are there some other accounts where you have done some calculation which we can get it in the next quarter so that we have a little idea about the profitability of the next quarter.

**LV Prabhakar:** Yeah, for your information during the current quarter from NCLT accounts we have recovered about Rs 287 crores in 18 accounts. Going forward as I said Bhushan Power and Steel is on the limelight, apart from that we have internal working where we are expecting some recoveries and the guidance which we have given that is about Rs 6000 crores of recovery which we are going to do during the Q4 where cash recovery and upgradation is involved. In that I am not calculating or including the NCLT recoveries that are going to come. Because whatever we get from NCLT, I will take it as additional recovery apart from what we have actually planned that is Rs 6000 crores.

**Ashok Ajmera:** Sir, there are 344 investor complaints which have been resolved but since these are very high number of investor complaints, what kind of complaints during the quarter we must have received.

**Ramachandra:** Sir, this is generally regarding the non-receipt of the, non-credit of the dividend, what happened is all our old customers who have not registered their account number or so, we could not able to remit the dividend by way of RTGS or NEFT so that is the major reason for the complaints, sir. It is now all complaints are resolved and are not of major, of both the banks together, merged banks together, Canara Bank and also Syndicate Bank.

**Ashok Ajmera:** Thank you, sir, thanks a lot.

**LV Prabhakar:** Thank you very much.



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**Moderator:** Thank you, sir. Next question is from the line of Mr. Jai Mundra, sir, please unmute yourself and go ahead.

**Jai Mundra:** Yeah, hi, Sir, on the slide where we have shown the rating wise mix, we have BB and below account at 44,000 crores. So can you share some views on this, do you see any risk there, what are the key sectors here, and how is the collection efficiency particularly in this Rs 44,000 crore pool, any qualitative comment and, sir, the net interest margins for the 3rd quarter FY21, I mean for the current quarter. Yeah these are the 2 questions.

**LV Prabhakar:** Yeah, regarding the external rating if you see A and above A, in terms of absolute amount it has increased from 1.25 trillion to 1.285 trillion. However, percentage wise there is a reduction of 2%, but amount wise there is no reduction. It means that the financing which we have done under the BB and below has increased because of which the percentage has come down but absolute amount has not come down. Same way if you see BBB it is about Rs 35,000 crores previously and now also it is Rs 35,000 crores, Again the percentage is because of the overall figure. So basically as far as A and above, BBB absolute term amount is same or it has increased by about Rs 3,000 crores. Now coming to BB and below, there is a traction or increase in amount because of 2 reasons one is if you see the emergency credit line that is guaranteed emergency credit line which we have given to 4,44,000 people, amounting to about Rs 9,500 crores, majority of this component is reflected in BB because as you know MSME borrowers even though they are very good and even though they are supported by collaterals or other guarantees and also by the stock they generally come under BB or below. So this, Rs 9479 crores which we disbursed under guaranteed emergency credit line reflected in that BB and below, apart from this we have done some other advances also where we have sufficient securities and which are high yielding. At the end of the day there is no meaning in only doing A and above accounts, there should be a mix of both to earn interest along with calculated risk that is why the ratio is this, BB and below has increased to 21% but going forward the amount wise in A and above, and BBB will also increase but percentages may vary a little. Now coming to NIM, NIM we are maintaining at 2.80%, last time it was 2.82%, previous to that it was 2.51%, before that it was 2.50%. So gradually NIM is increasing and stabilizing and it will be around 2.80%, and please appreciate this 2.80% NIM is after excluding Rs 413 crores of interest which we have not counted.

**Jai Mundra:** Right sir, 2.8% is for 9 months, right, if you have the number ending for 3rd quarter otherwise it is also same; thank you, sir, and all the best.

**LV Prabhakar:** Thank you, thank you very much.



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**Moderator:** Thank you, sir, since this was the last question and we are running out of time. MD sir, would you like to give your final remarks if you have any.

**LV Prabhakar:** First of all, thank you very much for all the participants. Very good questions and it has given us an opportunity to explain and to put before the investors and participants the way forward what we are thinking and the way how we have handled the balance sheet and how we are going to handle the business in the coming future; thank you very much.

**Moderator:** Thank you sir, on behalf of Antique Stock Broking I would like to thank all the participants and the management of Canara Bank for their precious time; thank you everyone and have a great evening, bye.

**LV. Prabhakar:** Bye, thank you.

**Ramachandra:** Thank you Mr. Anubhav.

**End of file.**