



Q4 FY2022-23 EARNINGS CONFERENCE CALL TRANSCRIPT

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Management:

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Canara Bank
Q4 FY 2022-23 Earnings Conference Call/Analyst Meet

- **Moderator:**

- Good evening everyone. We welcome you all to 4Q FY23 earnings web call of Canara Bank. Thank you, Sir for giving us this opportunity to host the call. Today, we have with us; Mr. K. Satyanarayana Raju, MD & CEO. Mr. Debasish Mukherjee, Executive Director. Mr. Ashok Chandra, Executive Director. Mr. Hardeep Singh Ahluwalia, Executive Director along with senior members of the team. Without further ado, I hand over the call to MD Sir for his opening remarks post which we can open the floor for Q&A.

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Good evening to all of you. Good evening to all our well-wishers who are attended this interaction session Sir. I wish to present a few highlights of that our Canara Bank's performance for the financial year 22-23 to all of you. I know that you might have gone through the presentation already, but I would like to share some of the few highlights once again. Our global business has stood at 20.41 lakh crore with a growth rate of 11.72%. Our gross advances - global advances have grown at 16.41% and stood at 8.62 lakh crore. Our domestic advances also has grown more than 15.01%. Our RAM credit has grown at 13.23 and stood at 4.77 lakh crore. With this improvement in the business has resulted to an excellent growth in the operating profit. This current quarter also we have recorded a YoY record growth rate of 16.94% and an operating profit of 7,252 crores. The year-on-year if you look at that the sequentially for the whole financial year, our operating profit growth has increased from 23,090 to 27,715 crores with a growth rate of more than 20%. This resulted us in a quarterly growth - year-on-year growth of 90.63% in our net profit and that we stood at the net profit of this quarter, March quarter 3,175.
- Here I would like to share with you that the first time Canara Bank in the history of its Canara Bank it has crossed the five-digit figure for a financial year in the net profit. The whole financial year or net profit together has across 10,604 crores as against previous year of 5,600 odd. Our net interest - this net profit or operating profit whatever the growth we have shown it was led by net interest income with a growth rate of 23.01% and the current quarter rate stood at the 8,617 crores. With these good numbers in the profit bottom line, our gross NPA has reduced considerably to the extent of a 5.35% the present level is within the YoY decline of 216 basis points. Our net NPA also has considerably shown a declining trend with a 92-basis points YoY decline and stood at 1.73% as against commitment of the Canara Bank at 2% and again we continued our strengthening the balance sheet, future ready balance sheet.
- This quarter also we have tried to provide as much as possible that has resulted to an improvement in our PCR at 87.31% with an YoY increase of 314 basis points. Further to add this Sir, some more actually the key parameters I would like to share with you is our housing loan portfolio has thrust area in our retail lending portfolio and that has grown at 14.27% and stood at 84,364 crores. Our gold loan portfolio is continuing our trend whatever the last two or three years we are showing the

growth rate and this year also we could record the same growth rate and the growth rate is around 33.82% YoY and stood and that portfolio is 1,23,185. Our retail credit has shown a growth rate with the support of housing loan with the double-digit growth at 10.91% and overall outstanding balance stood at 1,40,000 crores. With all these things, I would like to share that the board has recommended for a dividend of 120% of the total paid up capital as against the 65%, which we announced the last year. For every Rs. 10 share price, now we are recommended for a dividend of Rs. 12 as against earlier last year recommended amount of Rs. 6.5.

- With all these initiatives and our return on equity has stood at 19.49% of one of the among the public sector banks one of the best figures we can show to the - we can reflect in this balance sheet with a jump of almost 667 basis points. Our CRAR is 16.68%. We are continuing above the 16% though that we have shown the credit growth rate at more than 16.4% still we are able to show the credit CRAR at above 16% because of our internal accruals. Our return on assets also we have achieved at 0.95% year-on-year with a basis points of 38 basis points improvement. Our cost to income ratio, this is sequentially for whole financial year, we could maintain below 45%, the 44.79% with a 137-basis points improvement. Our net interest margin, as we have promised to that - committed to the investment community or stakeholders that we will manage above the 2.9 as against 2.9 the last two quarters we are reflecting our NIM of more than 3% and just concluded March quarter also, we could able to show that the 3.07% NIM with YoY improvements of 14 basis points. If you look at complete financial year, our NIM is now stood at 2.95 as against our guidance of 2.90. These are all the few highlights Sir and now it's open for the Dias people and the investors and our well-wishers we are ready. My all the Whole-Time directors, Executive Director, Mr. Mukherjee Sir, Mr. Brij Mohanji, Mr. Ashokji, Mr. Hardeepji along with me and our CFO and all our top management people, we are ready to take any of your clarifications and to clarify you, Sir. Over to you, Sir.

- **Moderator:**

- Can we open the floor for - Thank you, Sir for your brief opening remark. We will start with Q&A. Participants who wish to ask a question can kindly raise your hand. We have the first question from Mr. Gaurav Kochar. Please unmute yourself and ask your question.

- **Mr. Gaurav Kochar -- Participant:**

- Yeah, hi, good evening, Sir. Thanks for taking my question. Sir, I have a few questions. Sir, firstly can you clarify what is this 720-crore, which is there in the other provisions, what does this pertain to?

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Sir, this is the 720-crore is just to strengthen the balance sheet for future ready. Whatever we feel that, that there is some stress in some area even if it is in the news or something to take care of that future shocks or any sudden things to strengthen their balance sheets these 720 crores have been additionally provided Sir.

- **Mr. Gaurav Kochar -- Participant:**
- Okay, okay, and Sir
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Not the specifics, these are all additional cushion what we have in the balance sheet, Sir.
- **Mr. Gaurav Kochar -- Participant:**
- Great, great. So, Sir what would be the total quantum of these additional provisions today on the balance sheet other than PCR?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Actually, for against the mandatory requirements that are there, we have quite comfortable additional surplus is there Sir, that our PCR itself is reflecting that we are at now 87%. Every quarter we strongly committed that at least 100 basis points additional cushion has to be brought to this whatever the NPAs are there and the same journey is continuing and this quarter also we have strengthened our PCR from 86% to 87%, more than 87% that itself reflects the question whatever it is available in that system, Sir.
- **Mr. Gaurav Kochar -- Participant:**
- Right, one is PCR, if there is over and above PCR like you provided 720 crores just wanted to understand what is the total that you've already provided?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- See you look at that Sir actually our absolute numbers in the gross NPA is around 46,000, whereas when it comes for that net NPA, it is only a 14,349 that means that the remaining entire amount is under the provision available, so that much cushion is there, of course as per regulatory requirement we are supposed to provide certain amount, but we always go beyond that regulatory requirements and provide the additional provision. Ultimately, our aim is to see that our net NPA should come below 1% at the earliest that's the moto we are moving on that.
- **Mr. Gaurav Kochar -- Participant:**
- Got it, got it. So, the next year credit cost at 120 bips is assuming the PCR to increase further and in net NPA going below 1% is that the way we should look at it?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Actually, our efforts will continue further Sir, but we have given that commitment to the our - commitment to figures in the last PPT of the last page that we are committed for the 1.2% in the credit cost. Of course, we are little conservatively we are giving that but we are confident that we will be much better than that and even net NPA we are given a guidance that 1.2, but we are definitely confident of 1%.

- **Mr. Gaurav Kochar -- Participant:**

- Got it, got it and Sir giving to margins currently your full year margin was 2.95 for fiscal year 23, next year you're guiding for 3.05, which is 10 basis point high, so just wanted to understand what will drive that expansion, will it be the MCLR linked loans that will come up for repricing or will it be more of a big change towards the RAM book?

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- See entire thing actually, initially also last 2-3 years we are communicating to our stakeholders that our composition of RAM and corporate will continue at a 55% and 45%, 2% here and there depending on the opportunities available. Suppose if we have a bigger opportunity in the corporate, we grow 2% more in that or if we look at that higher rate RAM we diverted to that RAM, but ultimately our composition is that's the 45%-55% we may move to 43-57 or something that's the range we may look at that for because keeping in the margins are intact. That's the focus on the margins. The second one what you are asking about MCLR and all external benchmarking rates, our 49% of total asset book is under MCLR. This MCLR even now we have 40% to 45% of the portfolio is still yet to be repriced because most of these MCLR linked accounts will be reset annual basis. So, that's the better - comfort to the bank is having in our hands, the remaining 40% of the portfolio still had to be repriced that will be represented in the days to come whenever their respect to account loan account is completed one year and that gives the additional income.

- **Mr. Gaurav Kochar -- Participant:**

- Got it and Sir on the - same question on the liability side what percentage of your term deposits are already repriced and what percentage will come up replacing in the next 6 to 12 months?

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Actually, whatever the one-year period what we have taken that's entire thing repricing is going on and we are now repricing - we are able to reprice at a lower rate of interest. Whereas in the last second quarter, third quarter, and fourth quarter especially second and third quarter what we have taken in the form of CD's are a bulk deposits. We have raised at little higher side, but that we are now because in the first quarter there is now much traction from other banks.

- We want to encourage that and we are able to encash it, we are repricing that in the downward trend, but at the same time our focus more on the CASA deposits this time. Under the interest rate regime of increasing last one year because of the high rate of interest regime, we along with the

other industry players we also have suffered in the CASA front that has been little bit stagnant in the first 2-3 quarters, but in the fourth quarter we have seen some traction. Some quarter-on-quarter in the CASA itself India grown 4.26%. We want to continue that trend - that trend we want to continue in this all the quarters of this current financial year, that will address a majority of my repricing whatever it is to be done.

- **Mr. Gaurav Kochar -- Participant:**

- Okay, understood. Just last question Sir.

- **Moderator:**

- Gaurav, can you please rejoin the queue?

- **Mr. Gaurav Kochar -- Participant:**

- Just last question?

- **Moderator:**

- Okay, please go ahead.

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Tell me, Sir.

- **Mr. Gaurav Kochar -- Participant:**

- Yeah, sure, thanks. Sir, the growth guidance for fiscal year 24 is around 10½% and if you look at the ROE of the bank is well ahead of 19%-20%, so in that context do you foresee any capital requirement or you think that the internal accrual will be enough to meet the growth targets in the near term?

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Sir, we have given a guidance of credit growth at 10.5% and the present CRAR in for the Canara Bank is 16.68%. I think we are one among the top the highest CRAR banks among the peer banks in the public sector front. Comfortably, in a common equity we are comfortable in Tier 1 and Tier 2. This 16.68, we could achieve it for the last one year though the last year credit growth is more than 16%.

- Even if the regulatory introduce IndAS further accounting system on the loan loss provisioning is to be required that time available is five years and every year we need actually the 8000 crores, we assessed our requirement that in the five years our total requirement is 42,000 crores. Out of these 42,000 crores, every year we are on approximately we need 8000 to 8500 crores and our net profit

first time we have crossed 10,600 crores. I'm sure with even after announcing the dividend 20% of my net profit my existing accruals itself is required to - enough to meet the additional requirement whatever the regulator expects from us. If you even maintain at the double digit growth in the credit for the next two to three years, our CRAR without going into the mark we can easily manage above 14%, but at the same time in the next board meeting again we are going to the board only to replenish of our 81 bonds are Tier 2 bonds which are maturing or which are at higher rate of interest when the market is in our favor. We don't mind doing that to that extent only we go to the board and get a permission in the next board meeting, but we are not in plans for any common equity in the next one or two years because we are comfortable in that.

- **Mr. Gaurav Kochar -- Participant:**

- Sure. Sir, just to clarify you mentioned 8000 crore of provision required for IndAS, can you explain a bit within

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- No, Sir it is not ATS. This is not ATF. If so far, it has not been implemented in India. See IndAS, that is the loan loss provisioning, credit loss provisioning. If at all even regulator comes for that - implements that we are very active on that. So, that book demands higher provisioning, that provisioning also we can meet from our internal accruals, but as it is we are so comfortable at 16.68 and it is the highest among the peers - public sector peer banks 16.68 and we don't require any additional capital at this moment.

- **Mr. Gaurav Kochar -- Participant:**

- Sure, Sir got it. Thanks, and all the very best.

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Thank you, Sir.

- **Moderator:**

- Thank you. Participants, please restrict your questions to two to three per participants. We will take the next question from Anand Dama. Please unmute yourself and ask your questions.

- **Mr. Anand Dama – Participant:**

- Thank you for the opportunity. Sir, first if you can just help with like you know the broad breakup of slippages because what we've observed is that for you basically slippages have come whereas other banks slippages have been on the higher side, so if you can just spell out what's the slippages during the current quarter and how it compares on last quarters and similarly for corporate and MSME?

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Sir, your question I understand that that is regarding the slippages Sir because your voice is breaking, but I understood that you asked about the slippages. I'll explain to you that slippages Sir. Just you look at that the slippages, our focus is very much on the slippages as well as on the recovery, both the fronts. If you study that the last entire financial year had that quarter-on-quarter the slippages is coming down. The March 22, our slippages were 4736, it has come down to the December 22 the slippages were 3,210, but whereas now the current quarter March quarter our slippages are further down and now the current quarter was only 2,973 crores. As against that the cash recovery in the current quarter was the 4,349 as against that slippage of 2,973, our cash recovery itself is 4,349. There is 1400 crores more than what we allowed the slippages. Here I would like to share with you that Sir our SMA position if you look at that, our SMA position also has been drastically has come down. Sir, last March 22 our SMA if you look at that 5 crore and above, 1.53%, which it has come down to the 0.76, even 50% almost it has come down. That's the way we are working on that in the both the fronts together to address this NPA position Sir, that's the reason actually we could reflect - we could brought down the gross NPAs to the what the percentages we announced in the gross NPA and net NPA percentages that we could show that 5.35 and 1.73.

- **Mr. Anand Dama – Participant:**

- Sir, my question was about the broad breakup of slippage during the current quarter in terms of Agri, corporate, MSME?

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Broad?

- **Mr. Anand Dama – Participant:**

- Slippage.

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Slippage bifurcation you want, Sir?

- **Mr. Anand Dama – Participant:**

- Yes, yes.

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- 2,973, actually there are no account has slipped from the corporate Sir. This entire 2,973 from the RAM sector, 1450 to 1500 crores is from the MSME sector, 980 to 1000 crores is from agriculture, approximately 500 crores is from retail.
- **Mr. Anand Dama – Participant:**
- Okay sure and Sir secondly you have a recovery from written-off amounts of almost about 2,000 crores on the other income, what is a broad break of that where from this recovery has come?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- No recovery Sir in return of account is continuing whatever we are doing it in the regularly for every quarter, but this quarter, March quarter, we got a good amount because we got some recoveries from ILFS Group companies and some LCLT resolutions, otherwise in the small ticket size whatever we are able to do it for the continuously for last three four quarters and this quarter also has been yielded the good results. That's the reason we are able to show good results in the bottom line both in the operating profit and net profit, it has contributed to us almost 2,150 crores Sir.
- **Mr. Anand Dama – Participant:**
- Okay Sir. How much was from ILFS?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Sir, two accounts we got some resolutions, the amount is around 600 crores - 600 to 650 crores.
- **Mr. Anand Dama – Participant:**
- Any further resolution is expected Sir in first quarter?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Definitely Sir, that's the action is going on, but exactly we cannot say that this quarter or next quarter. We are expecting in this financial year also some resolutions on that through NCLT or whatever the process is there.
- **Moderator:**
- Hi, Anand, can you please rejoin the queue? We will take the next question from Mr. Ashok. Please unmute yourself and ask your questions.
- **Mr. Ashok Ajmera – Participant:**

- Yeah, this is Ashok Ajmera. Good evening, Sir.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Hello, Ajmera Sir.
- **Mr. Ashok Ajmera – Participant:**
- Hello Sir, all of you.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Fine, fine, Sir. I'm happy to see you Sir.
- **Mr. Ashok Ajmera – Participant:**
- Sir, good to see you as the MD and CEO of such a large bank. Having said that, Sir compliments to you for the fantastic performance of the bank. As you yourself said going forward I mean you have already crossed 10,000 crores of the net profit, even in this quarter also the performance is very good overall, even the profitability front also you see. I have a couple of questions and some observations Sir. On the treasury front because of the existing pressure we were there in last you know about six months or eight months' time, even in this last quarter also the bank performed so well rather the treasury income and the profits have gone down. Now, when the things are little bit easing down you know the rates are coming, never taken a pause, where do you see a treasury contributing to our profitability in the coming quarters Sir, this is one and on the credit growth Sir, though the overall growth for the year has been put, but in the last quarter, again our growth was muted, in the domestic credit if you take is only 1.39% and you're given a very conservative target also of 10.3%, but going forward then how do you immediately start I think quarter, what is the development so far in one month, are we going to achieve this credit growth of about 3.45% or 4% and from where it will come, whether the corporate also will contribute to it? On the technology front also Sir, the bank is a very fairly placed, but we would like to know what else is going on the digital journey of the bank and what kind of budgets are allocated and end-to-end solution for the entire operations of the bank is there any plan and when those plans will be fulfilled Sir. So, these are the couple of questions and one on agri loan acquisition we have acquired the loan of 1,322 crore, what is the nature of this loan Sir, you have stated that most of it is AA, AAA, but what kind of agriculture where the security is nil as per the table given, these are the few questions and observations Sir.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Sir, treasury related our ED Mukherjee Sir will answer you. First, I will answer the other questions whatever it is there on that. First, you have spoken about the credit growth what we have projected 10%, what we have recorded in the front of the March quarter credit growth. Sir, March quarter also RAM actually even in absolute numbers, we have grown considerably the 15,000 crores in the

RAM credit itself, but the corporate also we have grown 6,000 crores. Generally, when you look at in a year, it is a 25,000 crores absolute numbers, if you grow it, it reflects in the 3%-point growth in the quarter-on-quarter basis, but actually overseas you look at that our exposures were little higher in the oil companies, which we were lent earlier there to the extent of 15,000 crores to the Indian oil companies on a short-term basis. The domestic corporate credit still continued to grow that, the only thing that there are repayments in the overseas corporate of oil companies not in the any other companies, it's only in the oil company these are all Indian government oil companies only, that the short-term people are there again they may avail in the June quarter, it's not that that they will not avail, it's a short-term purpose, we have met that requirement and it has payment as countdown, but the domestic corporate credit there is a continuation of credit is there even an absolute numbers also there is almost 6000 crores is growth is there, but the where we gone little slow is to address the bottom line, the whatever the stress on the margins; margins like NII.

- NII, we don't want to compromise on that because you are all very much aware that the last two previous two quarters we have resource mobilization we are depended more on the term deposits that gives us some pressure on our NIM to address that in the AAA rated the advances we have started repricing of certain loans that's where actually the growth used look at that it is little slow, but at the absolute numbers we were doing that the good growth, there are good sanctions on hand, we already have a more than 20,000-22,000 crores of sanctions even now. Last in one month also we have considerable sanctions we have made, every quarter there is a board CSE is the sanctioning the new proposals to address that we don't want to keep anything beyond seven days. So, sanctions are there, disbursements are expected to happen in those sanctions and we look at that the credit growth in the corporate whatever we are seeing in the last two three quarters that will continue in the domestic front, because the overseas front that whatever the 15,000 crores we have given it short-term loans that will be repayable, so partly it has been repaid in the March, partly now also it has been repaid, and to that extent only it looks that it is a little low, but it's nothing to do with that our domestic credit growth.
- RAM, we are given an emphasis on the RAM we want to grow much bigger in the RAM side because we want to improve our ratios little further in that. Last quarter you see that from 54% to 55% we have improved, this time again we want to improve from 55% to 56% or 57% depending on the opportunities available where we see that the higher returns will be there and the lower risk will be there. That's where the actually the restudying of our portfolio, so it's nothing but that's the reason initially also we announced that. Our standard is 45% to 50%, but always keep a cushion of 2% growth anywhere whether it is in RAM or whether it's a corporate depending on that respective quarter or the financial year depending on the availability of the opportunities. Our opportunity looks at that higher returns, Sir. We focus on quality at the same time higher returns; these two while keeping in that this is the actually the thing, but otherwise literally there is no question. In June, we are expecting the quarter-on-quarter growth of 2.5% to 3% and we are confident of doing that. So, the 10.5% whatever we are given the guidance to the market that will be quite comfortably achievable, it's not an because whatever the trend we are maintaining 8% we are projected and we have achieved a double digit. This year also our tendency we continue only while growing that we are keeping margins in our mind. We are not compromising that margins, except that nothing - there is no change in our approach or anything.

- The second one that technology front what you asked is, we are taking last continuously this is the third year, we got our board approved budgetary allocation for even the capital CapEx investment in the IT exclusively that's more than 1,200 crores. That 1,200 crores will continue every last three years we are investing in the IT more than 1,000 crores, though little bit it impacts on my operating expenses when I'm investing heavily, but keeping in view technologically transforming so that I can reach the younger generation that's ultimately where the wealth is there, you cannot neglect that younger generation, we are coming out with so many new initiatives. On April first week itself, we have kept our house ready for with the transfers and all those things, we have announced several new products both in the technology as well as to attract the CASA also. You might have seen many advertisements also is coming, we are very aggressive in meeting the people and all. We have come out with premium payroll package to attract the salaries of big corporates.
- Simultaneously, to make the corporates comfortable to deal with us, we have come out, we have launched API banking for the first time with the 50 more features - 50 plus features and we want to upgrade that features in this year with another 150 more features, so that this year we want to introduce the 200 features and no corporate need to come to the bank for operating it. That's the one active we are considering it that, Sir. The cross-border transactions that are there to tap the NRIs and all, Bharat Bill Payment whatever IT is the first Indian public sector bank who has had a tie up with the Bharat Bill Payment in the from Oman country. So, those NRIs whoever is there they can make the all the payments directly by using that and the tendency will continue and we are directly working with the RBI, the research wing at the Bengaluru and we are in regular touch with that. Recently also we have launched form #15G15H, submission of that form #15G15H through our website through only Aadhaar OTP nothing else, no paper nothing is there, you need not visit anything that has been first introduced by us only, that has been again another initiative. The one more initiative is UPI whatever the credit card on UPI in public sector bank we are the first initial banker to come on that and our CBDC, the Central Bank Digital Currency, we already live Sir in that and they have permitted us in 13 cities. We are working on onboarding the both the customers as well the merchant establishments also, so we are working on that.
- Like that we are initiating many new initiatives, ultimately our aim is to meet the requirements of the younger generation and tech savvy people so that we want to make ultimately the branch banking in their mobile, so for any purposes they need not come and we are about to finalize our digital lending platform. I think it commences its operations from June month end and business analytics already it is very active. Among the EASE, we are the highest earning banker for business analytics. To strengthen further for big data analytics, we have taken a project, we are working on that big data analytics, and many more initiatives Sir here afterwards any technological initiative you will see the Canara Bank is a forefront - forerunner in that, that every initiative you will - we would love to see our Canara Bank in that.
- This is actually some initiatives Sir, so many are there because of time constraint I'm not explaining all those things, but we are moving in the right direction to attract the younger generation and I will request our Mukherjee Sir that to address your third question that's regarding the treasury and all.
- **Mr. Debasish Mukherjee, Executive Director, Canara Bank:**

- So, thank you very much, Sir. Mr. Ajmera to respond to your question with regard to treasury how we are looking forward with regard to you know income and profits in the quarters to come, let me tell you that because of this change in yields you know yields going up and then coming down slightly, we have not been able to do well that much what we had expected in the previous quarter. Now, with the yields coming down, there is an opportunity because we have a very high HTM holding that has helped us, that has come in good stead during our previous quarters where which has increased our portfolio yields from 6.28% to 6.63%, which is one of the best among our peers so far as our HTM portfolio of this thing is concerned – holding - yield is concerned. So, we want to capitalize on that because we have a high you know HTM holding. Now, that the yields are coming down, but they are not coming down to that extent where we can you know get so much of profit, but yes we will definitely try to leverage this situation of lowering of yields and try to maintain a profit which will not be extraordinarily high, but which will be there in this quarter at least, then we will see the market and then see how it happens.

- **Mr. Ashok Ajmera – Participant:**

- What is the duration for AFS?

- **Mr. Debasish Mukherjee, Executive Director, Canara Bank:**

- Our treasury portfolio duration - average duration minimum duration is 4.26 out of that AFS duration is around 2, so that also you know its very much under control.

- **Mr. Ashok Ajmera – Participant:**

- My one question was on the agri loan acquisition Sir.

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Pardon?

- **Mr. Ashok Ajmera – Participant:**

- On agricultural loan acquisition of 1,322 crores I just wanted what kind of loan book had been acquired by the bank during the quarter?

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- No, it's not that acquisition Sir, you might have seen that that the growth rate whatever it is there in that, there is no, it's a routine way of doing that agriculture banking whatever we are doing for the last - see the percentage of if you look at that previous December 22, it was a 24% agriculture, now in that is 25% agriculture, but it is supporting by the gold loan as well as for the regular self-help groups and food processing and all, where you have seen that acquisition actually?

- **Mr. Ashok Ajmera – Participant:**
- No, no, note #17 Sir, the accounts acquired note #17
- **Moderator:**
- Ajmera ji, please rejoin the queue as there are several participants in the queue Sir.
- **Mr. Ashok Ajmera – Participant:**
- Note #17
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- We'll come back to you Sir just
- **Mr. Ashok Ajmera – Participant:**
- Acquisition of – under note #17
- **Moderator:**
- We will take the next question from Mayank Bulbulia. Please unmute yourself and go ahead with your question.
- **Mr. Mayank Bulbulia – Participant:**
- Hi, Sir. Thanks for taking my question. My first question is related to like previous participant has shared like ECL provisions could be 45,000 and it translates to 8,000 to 8500 crores, so 42,000 crores would be incremental ECL requirement on top of whatever we are holding right now one standard asset, is my understanding, right?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- The question clarity is not there, Sir. Sir, can you repeat that question, Sir?
- **Mr. Mayank Bulbulia – Participant:**
- Yeah. So, ECL requirement is 42,000 crore that we are previous participant and that's right?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Expected Loss credit Loss provisioning - expected credit loss provisioning, right?
- **Mr. Mayank Bulbulia – Participant:**
- Yeah, yeah.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- So, what is the question on that?
- **Mr. Mayank Bulbulia – Participant:**
- Yeah, so that translate to almost 5% of loan book so that seems to be on a relatively higher side, so what is driving such like high requirement on ECL whether it's any particular segment or is it higher relatively SMA2 book?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- No, nothing Sir. It's overall - it's not that the entire thing is only expected credit loss provisioning. This assessment of 42,000 crores is for that entire IndAS. Whatever that's various regulations because of that regulations what are the extra provisioning it is expected from the system, we are well prepared to face that, that's what actually our communication is because our internal accruals - our internal accruals are so strong that we need not go to the market for depending to meet that regulatory requirements that's actually the communication what we are communicating to you, always raising from the market is one source that is available to the Canara Bank, we can anytime we can raise without any hesitation and there is a so many customers - the investors are there to invest in this, but at this moment since our CRAR is already more than 16%, it is the highest among the peer banks. We don't look at those to see anything that hurry that we have to go to the market for bringing that. Then again, I'm telling you it's not the expected credit loss only, it's the remaining the so many features it is total to the requirement is 42% as per that IndAS, that is for five years not in one year. The one-year requirement is only 20% of that, that comes around 8,000, but the quality of the credit that see it is not because there is a quality is less and all those things, you can look at that our risk weighted assets is the lowest among the peer banks. Our risk weighted assets are only a 65% whereas all the peer banks risk weighted assets are 74% and above. There is a gap of 9% cushion to the Canara Bank. What we told the other banks requirement will be much, much higher. Our bank requirement is we have quantified and we are well prepared to face that, that's what actually our communication.
- **Mr. Mayank Bulbulia – Participant:**
- Thanks for that.
- **Moderator:**

- Mayank, please rejoin the queue back. We'll take the next question from Jay Mundra. Please unmute yourself and go ahead. Jay, please go ahead. Please unmute yourself and go ahead with your questions. As there is no response, we will take the next question from Mona Khetan. Please unmute yourself and go ahead with your question.
- **Ms. Mona Khetan – Participant:**
- Yeah, hi Sir, good evening. I have two questions.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Good evening, Monaji.
- **Ms. Mona Khetan – Participant:**
- Yeah, hi. So, firstly the MCLR loan you mentioned that about 40% to 45% is yet to be repriced. This is as a percentage of advances right, the 40%-45%.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Yes Madam, let me say that it's not that 40% to 45% of total advances, but what is actually total portfolio for 8,62,000 crores, 49% is under the MCLR regime, that means 50%, let us say that 4,00,000 to 4,30,000 crores. Out of that 40% is still yet to be repriced, that means around 1,60,000 crores.
- **Ms. Mona Khetan – Participant:**
- Okay and this is likely to be repriced largely in H1 of next - this fiscal.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- 100% - 100% Madam. It's actually the - generally all these loans the interest resetting will happen annually. As and when it happens, the first quarter whatever last year happens, that will be repriced now. The second quarter, this second quarter, that's the way it moves on.
- **Ms. Mona Khetan – Participant:**
- Got it. My second question
- **Moderator:**
- Mona, can you please rejoin the queue, there are several participants waiting in the queue?

- **Ms. Mona Khetan – Participant:**
- Alright. Thank you.
- **Moderator:**
- We'll take the next question from Ankur Gupta. Please unmute yourself and go ahead with your question.
- **Mr. Ankur Gupta – Participant:**
- Good evening, Sir. Sir, am I audible?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Good morning Ankurji. Yes Sir.
- **Mr. Ankur Gupta – Participant:**
- Sir, thanks for the opportunity. Sir, first of all congratulations for the great set of numbers.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Thank you, Sir.
- **Mr. Ankur Gupta – Participant:**
- Sir, we have achieved all the parameters as guided for the FY23 except CASA. Sir, regarding CASA I would like to understand what is the reason behind such low CASA, because if we compare to our peer banks like SBI, BOB, PNB, all are having CASA of about approximately 45% and we are having CASA at around 33.47%, so just want to understand your view on CASA and Sir
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- I will split your question. I
- **Mr. Ankur Gupta – Participant:**
- Sir and one more Sir, further what are the steps we are taking to improve the same?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Definitely, Sir. I'll split this question into two parts. One is why the last year it was stagnated or it is a low, that's the last year is of course it's an industry level experience, when the higher interest regime is there and there is a competition in the market and every bank is for sourcing that resources to meet their resources requirement when they are offering at 8% for the retail term deposits, it will be tempting for the everybody to keep the part of their savings into the term deposits that's the major impact, otherwise nothing that's the serious impact on that. It's a bigger interest rate driven impact on the CASA for the last year muted growth, which we even we could not achieve the target what we have set for that, that's the industry level experience. Then, historically, this bank is 117 years old banks Sir, and this is a basically South-based bank.
- Even during the amalgamation, again one more South-based bank has been merged with this. These South-based banks historically it's an experience that they are since beginning 100 years together that's their CASA ratio is very, very low. The reason maybe the tendency of majority of their exposure is in the South India, their more branches are located in South India where the actually the branch the CASA producing states are they're these banks presence is less comparatively that, that might be the one reason that, otherwise there is no other reason to say that why it is low. It is in all the South-based in banks if you study it, you will realize it that the CASA is historically is low, but in Canara Bank, we were also in the last three years post-amalgamation we started our journey at 39%. Last year we went up to the 35% from 29%, but in the last is this previous year, but the last year you know that the market conditions, the rate of interest is in higher side and there is a rate war in the industry for grabbing the resources that has yielded every bank not the Canara Bank that their CASA has been to that extent dented. So, but otherwise there is no such special things. To address these, what we are taking the initiatives is we want to be very active in the first week of April itself.
- We kept our house ready, we have completed our process of internal promotions and transfers in the first week itself, and we made the people in their respective positions especially in the key positions and within seven days and we launched on the 3rd of April, almost addressing the CASA only more than five initiatives. In that initiatives, the major thrust we have given it to the salaries account. The salaried accounts, the product we have brought it is the salary premium payment package that is the salary we product we brought it. In that first time we covered a term life insurance for the salaries based on their fitment into that whether it is a silver product or a gold product or a diamond product and there are four products are there. Depending on that we cover their life coverage from 1 lakh crores to 6 lakh crores, that's the first time in India. No other bank has come forward and we are looking at the overwhelming response from all big corporates because we realized that this salary package has to be driven from employer not from the employee, so our target is on that and we are moving in the right direction, but the simultaneously when you want to attract a higher quality corporates - big corporates, they need a technological front support to strengthen their requirements, same day we have launched API banking so that these corporates need not come to the branch for meeting their any of the day-to-day requirements of the banking needs.
- We have started our API banking with 50 plus features. We are upgrading it in every quarter with 50 odd new features on that. Then, again non-salaried class also we have come out with one more product as a select in the rural, semi-urban, and urban and metropolitan that will take care of the requirements of the non-salaried class and we kept in mind the super seniors where the 75 years

and above where we have a little courtesy towards them because these are all the loyal customers for the Canara Bank for a decades together. We want to give an additional incentive so that we need not make them to wait in the branch for their meeting their requirements in wherever the doorstep banking is available in 200 places, so around 200 towns it is available as on date and across all the banks through outsourcing model that whatever the 14 services are available for meeting their requirements.

- So far it is being paid by the customers, but here based on the average income and all, monthly three services we ourselves wants to absorb the expenses, that gives and a more comfort to those super seniors and we are also working for a two more new products for women centric as well as a professional student centric, which we will launch it very soon and we also launched a current account product that is also going well and we are modifying it for the requirements of that and we have launched 1 single number for contact cell, our contact center i.e. 1030. If you anybody can do that 1030, they can get 35 services in 12 vernacular languages. These are all the initiatives of small - few initiatives we have taken Sir. We are taking much, much many more such initiatives to address this CASA.

- **Mr. Ankur Gupta – Participant:**

- Thank you for the detailed answer, Sir. One last question Sir

- **Moderator:**

- Thank you Ankur, we will take next question.

- **Mr. Ankur Gupta – Participant:**

- Sir one last question, Sir.

- **Moderator:**

- We will take the next question from Jay Mundra. Please unmute yourself and go ahead with your questions.

- **Mr. Jay Mundra – Participant:**

- Yeah, hi Sir, good afternoon.

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**

- Hi, Jay.

- **Mr. Jay Mundra – Participant:**

- Yeah, hi Sir. Sir, you mentioned that on the loan repricing side 1.6 trillion worth of loans you know will come for repricing and hence we will have yield benefit, but if I look your term deposit side right, so on an absolute number the term deposit itself is some 8 lakh crores right, which will also reprice. So, how are you then expecting a margin increase for full year?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Sir, actually in term deposits they need not wait for one year to reprice their deposit. The depositors are at liberty to reprice their deposit whenever there is a higher rate of interest, they can switch over to the higher rate of interest within just one day. so, most of that whatever the actually the one-year period whatever the deposits what we have taken almost in more than 90% of deposits have been repriced and kept in that 666 scheme or 400-day scheme or even 444 scheme whatever it is going on now. So, that repricing has been happened already Sir. Now, our the deposit side whatever we are looking at the replacing is on the bulk side we want to reduce that rate of interest because in the first quarter there is a less traction from other banks, we are trying to reprice at a downward trend, but the customer side they repricing is more than 90% is already completed because there is no bar that they have to wait for completing that contract period.
- **Mr. Jay Mundra – Participant:**
- So, you are saying Sir cost of the deposits should fall for Canara Bank and that does not seem
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- I'm telling you Sir that will be maintained at the present level. I don't say that it will reduce, but that depends on how my CASA grows in the next three months. If my CASA grows as we expected if our efforts comes to the reality and we get a good results on that then definitely there will be a downward, but otherwise we look at that the cost of funds will be already we are we have incurred our interest expenses that will be more or less in the same level Sir.
- **Mr. Jay Mundra – Participant:**
- Sure, Sir and last Sir
- **Moderator:**
- Jay, can you please rejoin in the queue as there are several participants. We will take the next question from Sushil Choksi. Please unmute yourself and go ahead with your question.
- **Mr. Sushil Choksi – Participant:**
- Congratulations to Canara Bank team for their excellent performance and all the milestone achieved.

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Good evening, Choksi Sir.
- **Mr. Sushil Choksi – Participant:**
- Thank you, Sir. What is your outlook on treasury as margins the lending rates have peaked, treasury is indicating the bond market is clearly indicating of piercing 7 and maybe 675 and some of the peer bank calls are indicated for the year end and second is the outlook on subsidiaries, what is the road map because you're taking a lot of initiatives what is going to be in the subsidiary?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Sir, Choksi Sir, subsidiaries first I will address it, otherwise our Mukherjee Sir already of course he explained about the treasury, but once again he will reiterate that what he has told. Regarding subsidiaries you look at that Sir, we have submitted our road map even for the regulator also and all our subsidiaries and associates they are earning a good profits now. As on that, the value of these subsidiaries for us is around more than 12,500 crores. We have given a road map to all these associates and subsidiaries that this value should be at least a 100% growth that is to match with the 25,000 crores to improve from 12,500 to 25,000 crores, the value of the Canara Bank value. It's not that the subsidiaries value, Canara Bank value to the extent of whatever their shareholding that has to be multiplied to the double that to the from 12,500 to 25,000. In addition to that, we also given a go ahead with Canara Robeco Asset Management Company and Canara-HSBC Life Insurance to initiate steps to go for the listing. These two will come for the listing. Generally, the expected timelines is around 15 months to 18 months. Once they complete all these formalities from the regulators, but from board level, from the Canara Bank level we already has given a go ahead with these two companies for listing of those things as a stakeholders also we have taken other stakeholders into confidence when we communicate to this respective boards and the Can Fin Homes, MD has reported.
- He has taken a full control of that and the results have come down declared already and that also has shown a 621 crores profit and I'm sure that with the present current MD is an experienced guy and this Can Fin Homes also will do extremely well. The remaining the computer – Canara Bank Computer Services, we want to strengthen it. There is a scope for that further strengthening and Canbank Venture Capital, we are strengthening that also because there is a lot of scope and tractions in that and the only thing that the Canara-Tanzania Limited, we may likely to go for the closure of that. We are already on the process, its valuation is going on that, just for the namesake we don't want to have any subsidiaries. It should give some value to the bank. So, that's why Can Fin; the Canara Bank Financial Services and Canbank; the Canara Bank Financial Services is already defunct, this is because some litigation's are there. Once that litigations have been addressed that company also will be closed Sir. These are all the actually our road map in short-term and long-term.
- **Mr. Sushil Choksi – Participant:**

- Congratulations
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- And now I request
- **Mr. Sushil Choksi – Participant:**
- Congratulations at Can Fin Homes.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Yes Sir, yes Sir. Thank you so much and now your treasury-related question, our Mukherjee Sir will address you.
- **Mr. Debasish Mukherjee, Executive Director, Canara Bank:**
- Thank you, Sir. good evening, Mr. Choksi. You see your question was with regard to what will happen to our treasury income in the coming quarter.
- **Mr. Sushil Choksi – Participant:**
- That's right.
- **Mr. Debasish Mukherjee, Executive Director, Canara Bank:**
- As I've told the previous person that, now the yields are coming down, but very slightly. So, we have actively built up our HTM book during the previous regime when the yields were moving up, so now we want to capitalize that and we want to you know use that and convert it into AFS and then you know go to the market for you know earning profits. It won't be a very spectacular profit, but we will continue that trajectory of profit making in this quarter also. After that, it depends on the market situation, we will see, and then we will evaluate, and see how it pans out, and then we will move. profitability will be there, but at a lower pace.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- I want to clarify to you under even that last two quarters toughness among peer banks we are the better performer. So, that will continue.
- **Mr. Sushil Choksi – Participant:**
- Sir, congratulations to you and Mr. Mahesh Pai for doing excellent work.

- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Thank you, Sir.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Thank you. Thank you, Sir.
- **Moderator:**
- Participants, due to time constraints we will take that as a last question. I will now hand over the call to Sohail Halai.
- **Mr. Sohail:**
- Yeah, good evening. Thanks everyone for joining in.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Good evening Sohailji.
- **Mr. Sohail:**
- How are you, Sir?
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- Fine, fine, fine.
- **Mr. Sohail:**
- Sir, due to time constraints we'll end this call now here and probably if you have any closing remarks kindly share with us and Sir congratulations for a great set of numbers and best of luck.
- **Mr. K. Satyanarayana Raju -- MD & CEO, Canara Bank:**
- So, I request all the participants if still any questions are there, they can send to our MD, Secretariat mail that will be addressed immediately Sir, so that your questions can be addressed immediately. Thank you, Sir. Thank you so much.
- **Mr. Sohail:**

- Thank you, Sir and with this we end the call of Canara Bank 4QFY23 earnings. Thanks a lot everyone for joining us. Thank you, Sir a lot.

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End of Transcript