



Q4 FY2022
EARNINGS CONFERENCE CALL
TRANSCRIPT

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Management:

Mr. L V Prabhakar

Managing Director & Chief Executive Officer,
Canara Bank

Mr. Debashish Mukherjee

Executive Director, Canara Bank

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Canara Bank

Q4 FY2021-22 Earnings Conference Call/Analyst Meet

– **Host:**

- Good Afternoon everyone, thank you for joining in. On behalf of Antique Stock Broking, I welcome you all for the 4th Quarter Earnings Call of Canara Bank. From the management side, we have Shri. L.V. Prabhakar – MD & CEO, Shri. Debashish Mukherjee – ED and other EDs. Without further adieu, I would handover the call to the MD sir for his opening remarks, post which we can open the floor for Q&A. Over to you sir.

– **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**

- Thank you very much. I express my sincere thanks to all the investors who are participating in this interactive session. Let me brief the highlights of the performance of Canara Bank as on 31st March, 2022.
- We have concentrated on credit growth. We projected that there will be growth of 7.5% against which the actually growth is 9.77%. The credit growth is widespread. There is growth in retail, growth in agriculture-led activities and MSME. Apart from this, there is a growth in corporate also. So, put together, in each and every sector, we have ensured that the growth should be about 10% YoY growth.
- Regarding deposits, we consolidated in CASA. Savings bank has grown by 12.22% and CASA has grown by 11.5%. Retail term deposits, it has grown by 5% and bulk we would like the control, and the growth was only 2%, which we expected.
- Regarding the asset quality, as we have forecasted, we continuously strive to reduce the Gross NPA and Net NPA in absolute terms as well as in terms of percentage. Gross NPA, at the beginning of the year, was about 60,000 crores. As on date, it has come down to 55,000 crores. In percentage terms it was 8.93%, and as on date it has come down to 7.51%. Net NPA, in absolute terms, it was about 24,000 crores and today it has come down to 18,000 crores. In percentage terms it was at 3.82%, today it is at 2.65%.
- Provision Coverage Ratio, 2 years ago Canara Bank used to have about 69% PCR, today we're at 84.17%, and in Credit Cost also we have controlled and it is at 1.75% as on December 31st, and as on 31st March it has come down to 1.53%. Slippage Ratio quarter-wise, it has come down to 0.38%.
- Regarding the income, we have concentrated to increase the interest income and also other interest income, simultaneously focusing on non-interest income also. YoY as on March, NII has grown by 25%, because of which the Operating Profits stood at 6,202 crores, showing a YoY growth of about 18.8%. Net Profit, it was 1,666 crores for this quarter, showing a growth of about 65%. CRAR, last quarter it was about

14.8%, now it is at 14.9%, after excluding about 23 bps, which is relating to the dividend payment amount. And this time, Canara Bank is happy to inform that the board has recommended 65% of our paid-up capital as dividend i.e. Rs. 6.50 per share.

- Global business, we have cross 18.27 trillion and this financial year we are projecting that we will be crossing about 20 trillion business.
- With these few words, now I would like to take questions from the investors. Thank you very much.

– **Host:**

- Thank you sir. Participants please note, whosoever wants to ask a question, please raise your hand. We'll wait for a minute for the question queue to gather. Our first question is from the line of Mr. Dhaval. Sir, please unmute yourself and ask your question. Mr. Dhaval?

– **Mr. Dhaval:**

- Sir, am I audible?

– **Host:**

- Yes you are.

– **Mr. Dhaval:**

- Thanks. Sir, I had two questions. First is on the comment around Can Fin Home. You made a comment that there was some corporate governance issue in the company and frauds were detected. So, I just wanted to understand the quantum of the fraud. And, also the management, I think, in their call, mentioned about some 37 odd accounts from one branch where the IT documents were fudged. So, I just wanted your perspective on the size of the fraud and what steps have we taken to address that? So that's the first question and then I'll come back to the second question.

– **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**

- Second question please?

– **Mr. Dhaval:**

- So, the second question was on the growth for next year. I just wanted to understand, on credit growth, what is the outlook on corporate credit for the next year, and what is the pipeline around that? Also, if you could also give some perspective on sectoral level – where are you seeing corporate credit demand? So, that was the second question.

- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Let me answer your second question first, and the first question next. Regarding the credit growth, we are projecting about 8%. However, we are also targeting atleast minimum 10% credit growth in Retail and RAM sector. Regarding Corporate, the growth which we are projecting is more than 8%, since we have already achieved 8% growth in the Corporate sector. We are very active in HAM projects, infrastructure projects, then steel, even to some extent in power and renewable energy. And then, we are also active in the health sector. So we are seeing growth not in one sector, but in various sectors spread over. And, apart from corporate, as on date, our loan book consists of about 57% retail and 43% corporate. Why am I emphasizing this point of 57% of RAM and 43% corporate is, even if any one sector doesn't perform well, the other sectors will compensate so that at the end of the year, we will be in a comfortable position to exceed our projected credit growth of about 8%. And, last year i.e. last financial year, corporate credit growth was at 8.27%, and we feel that with the number of inquiries and also the demand which we are observing in capex, we will be comfortably achieving a growth rate of more than 8%.
- Now coming to Can Fin Homes, in CNBC I didn't say it was corporate governance, I said, 'In the best interest of corporate governance we have conducted the inspection', those are the words. And, the origin is, there was a whistle blower complaint which we have received from the NHB. Then it was discussed in the ACB and board. And then, to find out the reality and also to plug the loopholes and to strengthen the company, an investigation was done wherein about 37 accounts were found to be fraud. The amount is less than 4 crores. Since some accounts have come, the board has decided that why not we verify the other accounts for the weaknesses, if any, to be addressed immediately, and to strengthen the company's credit loan portfolio. Canara Bank, as a financial conglomerate, is committed to support all its subsidiaries, including Can Fin Homes, and also, it wants to have highest standards of transparency and also highest standards of corporate governance. Thank you very much.
- **Host:**
- Thank you sir. Our next question is from the link of Ms. Maroukh. Ma'am, please unmute yourself and ask your question.
- **Ms. Maroukh:**
- Hello sir. I have a few questions. Firstly, what is the total interest reversal during the quarter, and why are the slippages high?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Ma'am, if you see the slippages, fresh slippages 3,600 crores. And, our cash recovery is about 3,157 crores, including recovery in written off accounts, plus upgradation of 842 crores, which amounts to about 4,000 crores. So, fresh slippages of 3,600 crores is less than the recovery of 4,000 crores. And, in this particular 3,600 crores the composition is agriculture which is about 600 crores, MSME which is about 800

crores, retail is about 600 crores and the remaining amount is other sectors. So basically, the slippages are from small accounts where we have found some weaknesses, those things have been classified as NPA. Coming to a linked parameter which is SMA2 and SMA1 (you can find out from the slides), outstanding of the loan accounts above 5 crores in those accounts, SMA 2 outstanding as on 31st March is about 2,300 crores, which is 0.27%. And, SMA1 is 3,700 which 0.43%. So, both things put together comes to only 0.70%. So, slippages are under control and it will be under control going forward. Thank you ma'am.

– **Ms. Maroukh:**

– Sir, I just wanted to know, about corporate slippage, but from the breakdown... because, a big corporate account has slipped from many banks. Did it slip for you in the previous quarter or what is the status... in the retail sector?

– **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**

– No ma'am, corporate accounts have not slipped. I think, you may be interested to know about Future Retail, if I'm right?

– **Ms. Maroukh:**

– Yes.

– **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**

– Yes, let me tell you. (chuckles). Today only we have received about 227 crores in that account, Future Retail, and our outstanding is hardly 1,200 crores, wherein we have provided, inspite of standard account, 60% as provisioning so that in Q1 FY23 there will not be any significant requirement of making provisions. Is it okay madam?

– **Ms. Maroukh:**

– Yes sir. I just wanted to know, why has interest income declined quarter on quarter? Why has it fallen quarter on quarter?

– **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**

– Ma'am, if you see the interest income, if you see YoY, there is a growth of about 8.6%, but QoQ there is a minus of 1 % because of 2-3 things. If you see my asset portfolio of rated accounts, AA and AAA portfolio, it has increased from 65% to 77%. Last year being a COVID year, we were very conscious of taking exposure in high-rated accounts with low-risk. Naturally, when you go for high-rated accounts, the yields will be a bit less. However, this thing is confined to only 43% of the corporate, whereas in retail we are getting sufficient interest income. So, going forward, we see good traction as far as interest income is concerned. And, we have already increased our RLLR rate by 40 bps which will be effective from tomorrow, and MCLR in all the buckets, we have increased by 10 bps, which would be effective from tomorrow.

- **Ms. Maroukh:**
- Got it sir. Sir, what would be book linked to MCLR and RLLR? What proportion of domestic...
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- RLLR, our book is to the extent of about 34%. MCLR is about 50%. So, about 84% of the book starts giving us higher rates.
- **Ms. Maroukh:**
- Got it. Sir, would you expect margins to improve from here on?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Ma'am, NIM (Net Interest Margin) if you see, we have projected about 2.80. Actually we are at 2.82, and we are projecting 2.90. That will be minimum.
- **Ms. Maroukh:**
- Sir, and my last question is based on the bond portfolio. What is the cut off yield on the bond portfolio, beyond which you start making marked-to-market losses?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Ma'am, for your information, the portfolio which our treasury holds in bond will not be getting a depreciation more than 200-250 crores; not more than that.
- **Ms. Maroukh:**
- Okay sir, thank you.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you ma'am.
- **Host:**
- Thank you ma'am. Participants please note, whosoever wants to ask a question, please do so by raising your hands. And I would request you to please restrict your questions to two. Our next question is from the line of Mr. Nitin Agarwal. Please unmute yourself and go ahead.
- **Mr. Nitin Agarwal:**
- Thanks for the opportunity. On this growth front, now we are guiding for a slower advances growth in FY23 than what we have reported in FY22. Why is that so? Because, the general impression is that FY23 systemic growth should be better than what we have seen in FY22. So your thoughts around this sir.

- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- If you have seen the guidance which we have given last year, we said credit growth will be around 7.5%, but in reality it is 9.77%. So, what we project is the minimum that we are supposed to achieve. So, as I said, in 57% of my portfolio which is RAM, the growth will be more than 10%. And corporate also, as on date, we are at 8% and we expect that this will also grow at a rate of about 10%. But however, as a minimum guidance, we have said that our credit book will grow at 8%.
- **Mr. Nitin Agarwal:**
- But on similar lines, if I look at the CASA guidance, that at 38% looks aggressive, especially in a rising rate environment. How fair is it to achieve this number?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Regarding the CASA percentage, if you see the CASA growth, it is 11.5% every quarter. And, if you see the savings bank growth, it is about 12%. But, the percentage of CASA, historically Canara Bank was having a lower percentage, which used to be about 30% 2-3 years ago. Every year we are increasing by 2% and now we have come to about 35.88% and going forward we'll project at 38%. This is a percentage, because this year we want to grow more aggressively in retail term deposits, and wherever we get good rate, we even want to take up some bulk deposits also. So, percentage wise, growth of 2% itself will be significant. However, CASA YoY growth will be ensuring minimum 12%.
- **Mr. Nitin Agarwal:**
- And sir, the other question is on the NCLT resolution related recoveries which we have reported, which is on slide 35. So, if I just look at the average recovery per account, that number seems to be quite small, at a little around 2 to 2.5 crore range. So, if you can indicate as to how the recovery rate overall is trending, what was the overall exposure in these accounts and how much has been the recovery? And do you expect a similar recovery rate from the upcoming resolutions in the coming quarters?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- See, whenever you talk about NCLT accounts, in my opinion, I think we should not club each and every account and have an average. No. It should be taken as small accounts, medium accounts and large accounts, because historical reasons, small accounts you may have security, in larger accounts you may have less security. So, the percentage, if you really want to analyse, it should be bifurcated into 3 different categories, and also secured and unsecured. Then more scientifically we'll be in a position to understand. However, with the past experience what we see is, atleast there will be a realisation of about 35-40% as far as the NCLT accounts are concerned.

- **Mr. Nitin Agarwal:**
- Okay. And sir lastly, on the treasury front, you mentioned 250 crores out of MTM losses. So, just to clarify, is this as per the bond yields where they are today? And also, if you could share the duration of AFS?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah. I request my Executive Director to kindly respond to this question.
- **Mr. Debashish Mukherjee – Executive Director, Canara Bank:**
- Yes, as our MD has said just now, based upon the portfolio which we have right now, and the way in which we have arranged that portfolio, even in this rising rate scenario, the negative impact with regard to depreciation, we expect would not exceed about 250 crores. So, that is what we feel is our estimation on the treasury depreciation.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- And to add to what Mukherjee sir has said, if you see last year's performance, in the beginning of the year everyone was of the opinion that this time the banks will not be able to make good profits by sale of investments. However, in Canara Bank if you see, the quarter on quarter which the treasury has earned as on March, by sale of investments, we have earned about 523 crores. Last quarter it was 320 crores. Before that it was 1,133 crores and in June it was about 647 crores. Put together, it was about 2,593 crores, which is a decent amount. And, we continue to earn in this range. Thank you sir.
- **Mr. Nitin Agarwal:**
- Sure. Thank you so much sir.
- **Host:**
- Thank you sir. Our next question is from the line of Mr. Ankur Gupta. Sir, please unmute yourself and go ahead. Okay. Our next question is from the line of Mr. Shridhar Shivaram. Please unmute yourself and go ahead. Mr. Sridhar? Please ask your question. Okay, I think there is some problem with his line. We'll move to our next question from Mr. Deepak. Mr. Deepak, please unmute yourself.
- **Mr. Deepak:**
- Hello. Am I audible.
- **Host:**
- Yes you are.

- **Mr. Deepak:**
- Sir, I just wanted to understand, in terms of credit cost, I think you've kind of given an indication of 1.4% as compared to 1.53% that we did in FY22, and 1.4% is what we're looking at in FY23. So in an absolute level, 11,000 crores is the credit cost that we're looking at in FY23?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah. Because, this time, since in SMA1 and SMA2, the loans accounts with an outstanding of more than 5 crores is very insignificant i.e. it is about 0.7%. We don't see any big accounts slipping going forward. Hence, whatever slippages will be there, will be there in the small accounts, which is natural and which can be properly handled. So, that's why we're projecting a slippage ratio of a challenging one.
- **Mr. Deepak:**
- Okay, understood. That's a fair point. But, in terms of ROA, we are expecting a big jump, right, from 0.5% to 0.7%, right, with a minimum improvement in our credit cost. So, what will drive our ROA improvement?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- See, we are projecting ROA will be at 0.70%. Again, let me tell you, this will be the minimum benchmark for us; it is not the maximum one. In the last year we projected 0.40% and achieved 0.48%. This time, the 0.70% that we are projecting, that will be our minimum benchmark as far as ROA is concerned, and we are confident of achieving that.
- **Mr. Deepak:**
- Okay. That's because, currently I think, this year we're at about 0.48%, right?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- As in annualised, and quarter-wise if you see, it is better than this figure that is appearing.
- **Mr. Deepak:**
- Okay, I get you. That's it from me. Thank you sir.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you very much.
- **Host:**
- Okay. Thank you sir. I would request all participants to please keep your questions to two. The next question is from the line of Mr. Rakesh Kumar. Please unmute yourself and go ahead. Mr. Rakesh, sir please ask your question. I think there is some

problem with his line. We'll move to our next question from the line of Mr. Mani. Please unmute yourself. Mr. Mani?

– **Mr. Mani:**

– Good Afternoon sir.

– **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**

– Yeah, good afternoon.

– **Mr. Mani:**

– Sir, thank you for the dividend of Rs. 6.5. I'm holding almost about 40,000 shares.

– **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**

– Thank you sir.

– **Mr. Mani:**

– It translates to almost about 1 crore. Here I would like to stress that huge amounts are spent as CSR for donation to handicapped people and the needy by the bank. It's a great initiative! And, they also run a home for the destitute. The bank has got about 75,000 retirees, of which maybe about 200-250 pensioners may be having wholly handicapped dependents. This detail/data is not available in the bank. And approximately about 72 crores is spent for the medical insurance for the serving employees, whereas these handicapped dependents are not covered under the medical insurance scheme for the retirees. So, even as a Corporate Social Responsibility, if the bank wants to cover them under this scheme of this IBA, the bank may have to spend only about 22-25 lakhs on the whole. If your good selves can look into this, because nobody is having any idea how many retirees are having handicapped dependents. So, if your good self can help these parents... and for your information sir, many of the parents of handicapped dependents have got only one prayer, that that offspring should die before they die because they don't want these people to be left in the lurch. So, your good heartedness will be appreciated by one and all sir. Thank you very much sir.

– **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**

– Thank you sir. Your suggestion is excellent! We'll really keep it in our minds. Thank you sir.

– **Mr. Mani:**

– Thank you.

– **Host:**

– Thank you sir. Our next question is from the line of Mr. Shridhar Shivaram. Sir, please unmute yourself.

- **Mr. Shridhar Shivaram:**
- Sorry. Last time I had some issues with the line. Sir, my question is on the tax rate. Last year we had almost 37% tax rate. Should we expect a normalisation of tax rate for the current year? And if so, what sort of rate should we expect?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- One minute. I request my CGM sir who is handling the accounts... please Ramachandra.
- **Mr. Ramachandra – Chief General Manager:**
- Good Afternoon. I'm Ramachandra – CGM. At present we are applying the higher rate of interest of 35%. At the moment, we found that this rate is advantageous to the bank because of the accumulated loss we got through the merger. At an appropriate time, we have a plan of shifting to the new tax regime.
- **Mr. Shridhar Shivaram:**
- So, should we assume 35% for the next year also... for the current year?
- **Mr. Ramachandra – Chief General Manager:**
- No, I have to take a decision at the appropriate time sir, I cannot commit now itself.
- **Mr. Shridhar Shivaram:**
- Okay. Sir, my second question is on the guidance that you've given of around 7,000 crores, Rs. 40 EPS you have given a guidance. If I work backwards, it looks like you are guiding for a total provisioning of close to 15,000 crores, if I assume that your operating profits will also grow at 10% from 23,000 crores to about say 25,000 crores, which looks slightly on the higher side. So, can you give some guidance on the total provisioning number – the provisioning for NPA and the others, and is my working correct?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Sir, there are two points. One is, your assumptions are based on the OP that is going to be there, which you're telling will grow at 10%.
- **Mr. Shridhar Shivaram:**
- Yeah, I'm taking a very conservative number based on what you have guided.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah yeah. Here, let me share one important information with you sir. As per the IBA agreement, if the staff has to be paid 15 days PLI which we are doing, which we did in the last year and which we paid this year also, there should be a growth of minimum 15% in the OP YoY. So, I expect that every staff member wants to take 15

days PLI. Accordingly, everyone will strive to achieve an OP growth of about 15%. And regarding the provisioning, as you have seen in the last 2 years, we do aggressive provisioning to make the balance sheet very strong and to keep the balance sheet ready for the future. This is the reason why, in the last 8-9 quarters if you see, every quarter there will be continuous growth in all the financial parameters without any downward trend, and we strongly believe that going forward also, we have to make the balance sheet strong.

– **Mr. Shridhar Shivaram:**

– You are hoping for a 5-digit number of profit for the current year because of the way the trajectory was growing and it looked like you have a very high provisioning number already but looks like you may not get there. Is that you are under promising and you will perform better?

– **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**

– I will share some figures; from that you can get the conclusion. Last year our net profit was about 2550. This year it is 5678 crores. It is almost more than a 100%, 120% and regarding provisioning also if you see, we are already at 84% and we are projecting 85%. The third point is, future account is there. It is standard as on date in our books, as on date means, 23rd of January. Even then, we have provided 60% to that account. We, our philosophy is we want to be ready for tomorrow by making sufficient provisioning today. So, that is a philosophy with which we are working and it is giving excellent results and because of which today, the board is in a position to declare dividend also after a long period and I think this will going forward, this will give good dividends because of this approach. Thank you, sir.

– **Mr. Shridhar Shivaram:**

– Sir, my last question on the dividend, your dividend absolute amount is about 20% of the profit, should we expect a continuation of that going forward also?

– **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**

– Sir, 2 years ago when I addressed my what you call, investors, I said we are working hard to take care of the investors, staff and the stakeholders and we are of the opinion that we have to give maximum to the investors and the staff and the stakeholders. So, our philosophy will go in that direction and accordingly I think, we hope year on year, the thing should become better and better, that is the philosophy sir.

– **Mr. Shridhar Shivaram:**

– Thanks a lot sir and well-done sir. Thanks a lot, bye.

- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- Thank you.
- **Host:**
- Thank you, sir, our next question is from the line of Mr. Anand Lata, so please unmute yourself and go ahead. Mr. Anand? Okay. Our next question is from the line of Mr. Pranav, please unmute yourself and go ahead. Pranav, Mr. Pranav? I will take the next question from the line of Mr. Gaurav Kochar. Please unmute yourself and go-ahead sir.
- **Mr. Gaurav Kochar:**
- Yeah, hi, good evening, am I audible?
- **Host:**
- Yes, you are.
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- Good evening, you are audible sir.
- **Mr. Gaurav Kochar:**
- Yeah, good evening, sir. Sir, my question is in regard to the slippage in this quarter. If I look at the gross slippage number, it was elevated. Last quarter, the last slippage number was very small but even if I look at the net slippage number, this was high sequentially and you are saying that Future Group was standard, so any other corporate account that slipped in this quarter apart from Future Group?
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- Sir, if you see the fresh slippages, it is about 3600 crores. And these 3600 crores, about 800 crores is from the MSME sector. About 600 crores is from the agriculture sector and about same amount, 500 to 550 crores are from the retail. They are all small accounts. So, whenever we identify any weakness in an account, we would like to classify it as NPA, so that it can be cured at the earliest, whatever sicknesses are there. So, that is the reason because of which, even if you compare with the last March '21, we had slippages worth 14 thousand crores because of various reasons. This time, the slippage is for only about 3600 crores, out of which we are hopeful that in this current quarter, 25 to 40 percent of this will either be recovered or will be upgraded.

- **Mr. Gaurav Kochar:**
- Sure, and sir, these upgrades and recovery target for next year, total recovery.
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- Sir, first, our first target is always we will target for recovery should be more than slippage. For example, fresh slippage, this time it was 3600, my cash recovery is 3157 crores and upgradation are 800 crores which is equal to 4000 crores and we are expecting that during the current quarter, minimum 15 to 16 thousand crores of recovery will be there, both in big accounts and small accounts.
- **Mr. Gaurav Kochar:**
- Okay, got it, got it sir and my next question is with regards to Can Fin homes, you highlighted that you sent a team from the bank for detailed audit. Any findings from that auditor that is a part of the 37 fraud accounts that you disclosed?
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- That is the initial audit wherein we observed some irregularities and the important one is about 37 accounts were identified as fraud. Amount is less than 4 crores which is already provided and reported to NHB and now, the board has decided that with the same internal team and also these statutory auditors, there can be further checking of the existing accounts, so that if any irregularity is there, it can be addressed immediately and it is an ongoing process.
- **Mr. Gaurav Kochar:**
- Okay, got it and sir.
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- Please, please.
- **Mr. Gaurav Kochar:**
- Last question if I can squeeze in, on the Can Fin call, they did highlight that Canara Bank has deputed 3 people in the risk function and the audit function and one in the admin function, so apart from this, any other action that the bank will take with respect to Can Fin Home.
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- See, Canara Bank will always take proactive steps, depending upon the situation or as situation warranted and Canara Bank is committed to support Can Fin homes and

all its subsidiaries, in terms of providing know how, in terms of giving support or if required in terms of capital also. So, we are as a sponsor, we are there to support all our subsidiaries.

– **Mr. Gaurav Kochar:**

– Sure, sure, thank you so much.

– **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**

– Thank you, sir.

– **Host:**

– Thank you, sir. Our next question is from the line of Mr. Pranav, sir, please unmute yourself and go ahead.

– **Mr. Pranav:**

– Hi, thanks for that. Can you hear me?

– **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**

– Yes, please.

– **Mr. Pranav:**

– Sir, I just wanted to have a little bit of clarity on the slippage guidance that you have given. So, slippage guidance of 1.75, don't you think it is a little bit on the upper side as compared to say FY22 was 1.7%?

– **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**

– I can say that it is not on the upper side. Why you have been given this 1.75 is we will not be crossing this. It can be less also. It may end up at 1.5 also, 1.3 also but for the public, we want to say that this is our tolerance limit, to which extent it may go.

– **Mr. Pranav:**

– Right, right and that is the gross slippage so net slippage can anyhow be negated, if you can recover and upgrades are above.

– **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**

– Yes sir, you are right.

- **Mr. Pranav:**
- Okay, so that is first question, second question is, can you just spend some time on explaining the treasury income? So, treasury income, as I understand, there will be some interest and then, there will be some AFS intent, and then this treasury income that comes in the other income is the sum of the two items and now, if you see, even in this quarter, you have not reported negative, so is it safe to assume that this number on a net basis will be in the same range of minimum 300 to 500 crores?
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- Yeah, one minute sir. Mr. Mahesh, you there? Yeah, Mukherjee sir, please.
- **Mr. Debashish Mukherjee - ED, Canara Bank:**
- Like we said just now, we do not expect any very drastic change in the depreciation levels in the treasury. Our AFS duration is around 2.3, which is a very healthy duration, we can say. So, with this, we are in a position to manage the risk in the treasury, which due to this higher rate regime, interest rate regime which we are facing, so it won't be as good as what it was in the last financial year but it will not show much drastic lowering of the treasury income also. Like we said, we are totally aware of the depreciation levels which our treasury book will undergo which roughly would be somewhere in the range of 200 to 250 crores.
- **Mr. Pranav:**
- Right, right, what is the other item in this income, like minus 200 and then there will be some plus, right.
- **Mr. Debashish Mukherjee - ED, Canara Bank:**
- Can you please repeat.
- **Mr. Pranav:**
- Yeah, so I am saying, so even if that is minus 200, the treasury income that comes from the other income will have some other components, right. It is not just AFS, MTM.
- **Mr. Debashish Mukherjee - ED, Canara Bank:**
- No, no, it will have its other components as well, like it had this time also, so profit on exchange transactions and other things will also be there. They will also contribute, like it had contributed. We are totally talking about sale of investments,

the core treasury functions, what I was telling you about that but there are other avenues of income which will help boost the treasury income, like we said.

– **Mr. Pranav:**

– Right, so if I just go just by the guidance given by you, 10% or 8, 9 percent growth in credit and 10 basis points increase in NIM, which will account to somewhere around 13 to 14 percent including NII and obviously other income, that you are saying and obviously taking operating expenses, your guidance for profit and EPS looks very, very conservative. I think it can be 30, 40 percent higher. Am I wrong in this conclusion, because 1.4% of NPA provision is going to be around 10 thousand crores max and if I just tail in all the other data that you have guided and in this 40 EPS looks very conservative?

– **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**

– Sir, this is our minimum benchmark which will always be conservative and going forward, as we declare June results, we will be revising the forecasts also sir. Guidance will be revising on upper side.

– **Mr. Pranav:**

– Perfect, so that's tax amount for the year, 30% will continue?

– **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**

– Sir, as long as it is beneficial to us, till some more quarters, we will continue with that. Once the carry forward losses are adjusted, then we will actually take a call to shift to the new tax regime.

– **Mr. Pranav:**

– Right, right, any guidance about how many quarters will that continue?

– **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**

– Only going forward, I will be in a position to say sir. As of now, I think it is difficult for me.

– **Mr. Pranav:**

– Perfect, perfect and just to repeat, last question from my side.

– **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**

– Please, please.

- **Mr. Pranav:**
- Yeah, out of 1000 crores, in Future exposure, 200 crores payment we have received, 600 crores already we have provided, so there is almost nothing to be provided henceforth, is that right?
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- Sir, we have provided 60%, in future, so 40% is left over. Generally, our philosophy is to make provision as far as possible, so we may do it this quarter, remaining amount also.
- **Mr. Pranav:**
- Correct but you have said that you have received 200 crores also, right, so 800 crores...
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- Today, after excluding 220 crores, which are received, now the balance is 1200 crores roughly.
- **Mr. Pranav:**
- Okay, okay, got it, thank you.
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- Thank you, sir.
- **Host:**
- Our next question is from the line of Mr. Bhavik Shah. Please unmute yourself and go ahead. Bhavik Shah? Okay. Our next, yeah.
- **Mr. Bhavik Shah:**
- Hello.
- **Host:**
- Yes please, go ahead.
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- Hello.

- **Mr. Bhavik Shah:**
- Hi sir, thank you for the opportunity. So, I just wanted to know, what will be your liquidity coverage ratio this quarter?
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- Sir, as of date, it is 125% LCR.
- **Mr. Bhavik Shah:**
- And sir, in...
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- Yeah, please.
- **Mr. Bhavik Shah:**
- No sir, go ahead.
- **Sri L.V. Prabhakar – MD & CEO, Canara Bank:**
- As of date, it has increased to 147. As on balance sheet date, we are about 125.
- **Mr. Bhavik Shah:**
- Okay and sir, why has there been a drastic change, because of deposits from 120 to 140?
- **Mr. A V Rama Rao – CGM, Canara Bank:**
- RBI has given this latest on 19th April, some MSF relaxations as per HQLAs, that is also there.
- **Mr. Bhavik Shah:**
- Okay, okay, understood sir, answer one more thing, I wanted to understand how has the slippage been from the restructured book and what would be our outstanding restructuring number?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Sir, restructuring book is 14,000 crores as far as under the resolution framework 2 is concerned and about 5,000 crores under resolution framework 1, put together it is about 19,000 to 20,000 crores. We are observing about 4% to 4.5% as slippages and in this restructured book now in a resolution framework 1, the repayment is up to 95% and in resolution framework 2 the repayment is about 85%.
- **Mr. Bhavik Shah:**
- Okay, okay, understood Sir. Sir that's it from my side. Thank you.

- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Thank you Sir.
- **Host:**
- Our next question is from the line of Mr. Abhijeet Sakare. Please unmute yourself and go ahead.
- **Mr. Abhijeet Sakare:**
- Yeah, hi good evening Sir.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Good evening Sir.
- **Mr. Abhijeet Sakare:**
- Sir first question is on the investment provision, there's 1,000 crore hit that we've taken, this relates to the security receipt book.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Exactly correct Sir because it has crossed eight years, so we have made 100% provision.
- **Mr. Abhijeet Sakare:**
- Okay and then there is a 1,500 crore which is still pending there so that would also get marked down consequently.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- It will take some years not immediate Sir.
- **Mr. Abhijeet Sakare:**
- Okay.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- It will take some years. Immediately there maybe around 300 to 350 crores which if at all required to make the provision in the full financial year.
- **Mr. Abhijeet Sakare:**
- And Sir on the G-Sec book the impact that you're sharing potential future impact what are you looking at in terms of the cutoff yields when you're calculating that number?

- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- We are you know that is our outlook is somewhere around 7.50 to 7.60, that is what we expect.
- **Mr. Abhijeet Sakare:**
- Okay, sure. Sir second question is on the slippages if you just reduce -- if you deduct all the retail, agri, SME slippages, we still have 1,600 crores of corporate slippages, so trying to understand if this is like really spread out across a lot of accounts or if there is any large account still sitting there?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Large accounts at the most it is about 150 or 120 crores, not in four digit figures or not in higher vertical I can say 3 digit figure, it's a spread over year.
- **Mr. Abhijeet Sakare:**
- Sure and the last question is a clarification on the pricing of home loans for example so when we increase the RLLR rate by 40 basis points how are we -- are we doing anything on the spreads as well, is that is that being retained, are we cutting it, how are we dealing with the spread on top of the RLLR tweaks that we are doing?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- As far as RLLR is concerned, we have increased 40 basis points by maintaining the speed as it is.
- **Mr. Abhijeet Sakare:**
- So there's a straight 40 basis point
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Yes.
- **Mr. Abhijeet Sakare:**
- impact
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Yes.
- **Mr. Abhijeet Sakare:**
- On the

- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- And a portfolio above 34% of my book.
- **Mr. Abhijeet Sakare:**
- Okay, got it Sir. This is useful. Thanks a lot.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Thank you Sir.
- **Host:**
- Thank you Sir. Our next question is from the line of Mr. Dikshit Doshi. Please unmute yourself and go ahead.
- **Mr. Dikshit Doshi:**
- Yeah can you hear me?
- **Host:**
- Yes.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Yes I can hear you. Please go ahead.
- **Mr. Dikshit Doshi:**
- Thanks for the opportunity. So most of the questions have been answered just one question so you know looking at the growth that we are targeting for FY23 and also the recovery and upgradation we're targeting is it fair to assume that in FY23, we will not require any fund raising.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Sir as on date with my present CRAR off 14.9%, I can comfortably achieve a great growth of about 10%; however, our philosophy is to strengthen the balance sheet and strengthen the capital base as far as possible and since now the Canara Bank is in a very strong footing, we can raise at a very competitive rate AT1 bonds and Tier 2 bonds. Equity, we are not looking as of now, so AT1 bonds and Tier 2 bonds to the extent of about 9,000 crores, we may rise and this will be taking to our board in the next board and once the approval is there, then will be coming to the market.
- **Mr. Dikshit Doshi:**
- Okay, okay. Thanks. That's it from me.

- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Thank you sir.
- **Host:**
- Thank you Sir. Our next question is from the line of Mr. Jay Mundra. Sir please unmute yourself and go ahead.
- **Mr. Jay Mundra:**
- Yeah, hi Sir good evening. I have three set of questions.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Sir good evening Sir, please.
- **Mr. Jay Mundra:**
- Good evening Sir. Sir first on Can-Fin, so if you can suggest what is the course of action here in the interim will the current MD, CEO stay or there could be a potential change of management there and you know and also it looks like the amount of fraud is not that material considering their balance sheet side, so you know what is the thought process there.
- **Mr. Debashish Mukherjee – ED, Canara Bank:**
- So, I will break up this question into two three parts. One with regard to the stay of MD and CEO there at Can-Fin Homes, you see at the present moment we do not foresee any change, that is #1. #2 is with regard to this whistleblower complaint as we have been explaining you, this has been forwarded by NHB, so we had to pay a lot of attention and seriousness on that and which led to discovery of certain fraud accounts amongst other irregularities which we have already you know taken rectification action on them like provision of the fraud accounts and etc. etc. on the irregularities. Now as our MD Sir was telling you -- -- since we have found out certain lacuna -- we wanted it to be more broad-based. So, is the idea with regard to why we appointed the central statutory auditors of the company to themselves verify and see the books so that it is made more strong in the near future. So, that is what the basic idea which we have in this area.
- **Mr. Jay Mundra:**
- Understood Sir. Second question is Sir on your corporate slippages once again, so out of 1,600 crores corporate slippages and your SMA 1 + 2 that still remains the more or less similar, so what is the sanctity of this SMA 1 + 2 number when you have 1,600 crores of corporate slippages and you still have let's say 1,200 crores pending from future, so how should one look at you know this 6,000 crores of SMA 1 + 2 it looks like it does not show the real riskiness in the book, so how would you tie that up.

- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Sir as far as the corporate is concerned regarding this SMA 2 and SMA 1 which accounts to about 0.7%, this is above 5 crores and regarding the slippages of 3,600 crores from which we said that excluding retail, MSME, agriculture, there is other small accounts called small businesses and others also and excluding this the corporate there is no big account even if it is a big amount it is about 110 crores or 120 crores. So put together in a full quarter, the slippages were about 3,600 crores including everything and the SMA 1 and SMA 0 where we are projecting about 6,000 crores, there can be some slippages, but not significant slippages in the current quarter.
- **Mr. Jay Mundra:**
- Right. Sir what I was saying is that last quarter we also had the similar number which looks very small, less than 1%
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- No sir, last quarter we had 5,000 crores -- last March we had about 5,000 crores compared to this March which is about 0.7% in SMA 2 and about 10,000 crores in SMA 1 which is about 1.47%, put together it is 15,000 crores which constitutes about 2.17%.
- **Mr. Jay Mundra:**
- No, no so I was comparing sir slippages of 1,600 crores in corporate is clearly for this quarter, so maybe I was comparing versus last quarter, there is not too much change in the SMA 1 + 2 and we have
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Total 1,600 crores is not corporate Sir, in that again there are small businesses and retail also to some extent where they are not corporates and corporates when we say 100 crores, 150 crores such accounts are 1 or 2 only.
- **Mr. Jay Mundra:**
- Okay understood and 3rd question is capital and tax, so one is we have accumulated losses of 18,000 crores plus, which we have set off despite having that you know it looks like we are still paying accounting taxes whereas one other PSU banks when they you know shifted to new tax regime or without shifting to new text regime when they had accumulated loss, they were still showing negative taxes. So, why are we not showing tax provisions write back when we have accumulated losses or if you can explain that?
- **Mr. Ramachandra – Chief General Manager:**
- See as already informed by our MD and CEO as long as advantages to the bank with higher tax regime we are continuing with the higher tax regime. I confirm that as on

today it is advantageous to us to have a higher rate of tax because of the reversal of the whatever carry forward loss, so when it is advantageous with the new text, we are really going to shift.

– **Mr. Jay Mundra:**

– No, so I am asking Sir when we have accumulated losses of 18,000 crore why are we still paying taxes?

– **Mr. Ramachandra – Chief General Manager:**

– Sir see the accumulated loss is not a static every time it is reducing also, I can only tell it is advantageous as on today with a higher rate of interest. With tax paying also it is advantageous, totally overall it is advantageous to the bank.

– **Mr. Jay Mundra:**

– Sorry how Sir, how paying taxes are advantageous?

– **Mr. Ramachandra – Chief General Manager:**

– I will -- you can come off the line, we can explain.

– **Mr. Jay Mundra:**

– Sure, sure sir. Okay and lastly on IFR Sir, Investment Fluctuation Reserve, it looks like RBI had asked bank to provide at least 2% of IFR and it looks like we did not we have only done some 1.7% or something if I look at the last annual report.

– **Mr. Ramachandra – Chief General Manager:**

– It is fully provided now. It is fully provided.

– **Mr. Jay Mundra:**

– Okay, okay. Sure Sir and how much is the

– **Host:**

– Sir you are requested to please come back. Thank you.

– **Mr. Jay Mundra:**

– Sure.

– **Host:**

– Thank you Sir. Next question is from the line of Ms. Neha. Please unmute yourself and go ahead. Ms. Neha please ask your question ma'am.

- **Ms. Neha:**
- Plans to selling of any of your subsidiary is on the fundraising plan?
- Host:
- Ma'am could you please be a little louder.
- **Ms. Neha:**
- Just wanted to know any plans you're planning to sell any of your subsidiary and second question is any plans to raise the capital considering the growth which we are targeting.
- **Mr. Debashish Mukherjee – ED, Canara Bank:**
- Madam to answer your first question at present we do not see any necessity for any you know lowering our stake in any of our subsidiaries for the present moment that is number one. With regard to raising of capital, as our MD had very clearly stated that regarding the growth which we are envisaging in credit it is not necessary for us to raise capital on account of that, but for strengthening the balance sheet further we may come out with some you know plans for raising capital which we will separately take up with our Board of Directors in the in the coming months and get their permission and then we will announce them. Could you get my answer Madam?
- **Ms. Neha:**
- Yes and sir one more thing during the fourth quarter we have seen a high substantial fee income can we expect the same trajectory to be continue in the coming quarters or the fee income side.
- **Mr. Debashish Mukherjee – ED, Canara Bank:**
- You see our endeavor is always for you know maintaining the fee income of course the contribution of treasury would be less, but at the same time the fee income by way of Commission and the LCBG Commission, and other our bank assurance business, government business, service charges etc., we would continue the same level of income so far as the fee based income is concerned.
- **Ms. Neha:**
- Okay, got it sir. Thank you.
- **Host:**
- Thank you ma'am. This would be our last question for the day. I will now pass on the mic to MD sir for his closing remarks. Sir.

- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Thank you very much for all the investors for giving us an opportunity to clarify if any doubts are there and also to project our future guidance. Today, really we are happy as our board has kind enough to declare the dividend for which we have worked hard in the last two years to take care about our investors, about our staff, and about our stakeholders. We expect this same type of support and cooperation from you all people. Thank you very much.
- **Host:**
- Thank you Sir. On behalf of Antique Stock Broking, I thank the Canara Bank management for giving us the opportunity to host them. Thank you everyone for joining in. Goodbye and have a good weekend.
- **Mr. Ramachandra – Chief General Manager:**
- Thank you.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Thank you. Bye, bye.

End of Transcript