



Q1 FY2022
EARNINGS CONFERENCE CALL
TRANSCRIPT
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Management:

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Canara Bank

Earnings conference call Q1 2021-22

- **Moderator:**
- Shri L.V. Prabhakar, MD & CEO, Shri Debashish Mukherjee, Executive Director, Ms. A. Manimekhalai, Executive Director, Shri K. Raju, Executive Director, Shri Brij Mohan Sharma, Executive Director, along with other team members on the call. Without taking any more time I will hand over the call to Shri Prabhakar sir for his opening remarks, post which we will open the floor for questions and answers. Thank you and over to you, sir.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Good afternoon to all of you, thank you very much for participating in this interactive meeting.
- I will just highlight the performance for Q1 of FY22. First I would like to talk about the business. Global gross business has grown by 9.3% YoY and domestic has grown by 9.23%. We did well as far as deposits are concerned, global deposits have grown by 12.34% and domestic deposits have grown by 11.6% YoY. Credit, yes, as far as advances are concerned, global credit have grown by 5.23% and domestic credit by 5.94%. And in all the parameters quarter on quarter there is a positive growth. Generally the banking industry Q1 of any financial year will have a negative growth, however Canara Bank has shown positive growth in business, in deposits as well as in advances.
- I would like to emphasize regarding the performance of CASA. CASA has grown by 37971 crores in absolute terms and the savings bank has grown by 14%. CASA has grown by 12.91%. The retail term deposits have grown by 12.14% and the growth in absolute terms is 46000 crores.
- I would like to emphasize on the mandatory norms of priority sector because it has nowadays a great impact on the income side also. Against a norm of 40% of priority sector we are having as on date after selling the PSLC certificates to other banks still we hold about 45.47%, and in agriculture against requirement of 18% still we hold at 20.93%. This difference is available for Canara Bank at any time to sell in the market and to earn commission in terms of sale of PSLC certificates.
- Quality of the advances has improved, for example A and above A rated accounts from 65.15% it has now increased to 67% and the percentage of accounts with BB and below BB has gone down from 19.72% to 18.82%.
- Now let me talk about the income parameters, interest income quarter on quarter, yes, we have shown a growth of 2.79%, YoY there is degrowth of 7%. As you all know in the last one year because of the reduction in the repo rate of 40 basis points we

have passed on to our customers a reduction of interest of 50 basis points as far as MCLR is concerned and 40 basis points as far as RLLR is concerned. Non-interest income YoY there is a growth of 67%, quarter on quarter there is de-growth of 14%. If you compare with June to June because the situations which will be there in June and the situations which are there in March are entirely different, so YoY when we compare there is a growth of 67%. Fee based income has grown by 43%, trading income by 38% and we have given more focus on recovery in written off accounts. It is about 680 crores, for tax purpose we are taking 600 crores and it is 131% YoY growth, other income has grown by 96%. So total income has grown by 3% YoY and quarter on quarter it is at 1% minus. Interest expenses, YoY the expenses have come down by 11%, and quarter on quarter about 1%, operating expenses quarter on quarter it has come down by 5% however year on year there is a growth of 8%, this is basically because of staff cost where there is an increase of 15% of salary as per the bipartite agreement and we have also given 15 days PLI to our employees because of excellent results as on 31st March 2021, because of which the staff cost has increased quarter on quarter by 2.3% and year on year 10%, which is comparatively a better figure, and we have great control on operating expenses QoQ we have reduced by 18%. So total expenses YoY there is a reduction of 5.74% and quarter on quarter 2.29%.

- Now coming to the total income and total interest expenses if you see, NII quarter on quarter is a growth of about 10%, and operating profit as on 30th June it is at 5751 Crores showing a growth of 34% YoY and about a percent quarter on quarter.
- Provisions, yes, for NPA we have done less but as a prudent measure we have done ample provisioning and the provisioning figure is at 4574 crores. The outcome of these two things that is net profit is at 1177 crores showing a growth of 16% quarter on quarter and 190% year on year. If you go and understand what type of provisions we have done by earmarking 4574 crores out of this for NPS it is only 2335 crores, that is there is a reduction of about 47% quarter on quarter and then this time we have made on income tax 845 crores provision, last year same June quarter it was only 53 crores. And the other provisions which we have done for restructuring and other things that is about 1344 crores.
- ROA we have clocked 0.41 and we are confident going forward we are going to improve this figure. Cost to income ratio was at 51%, now we have brought down to 45%, going forward we are hopeful this will be a still attractive figure.
- Earnings per share this is at 28, yes, we are hopeful this figure will also improve.
- Book value from 241 which was in the last quarter, it has now increased to 254.
- We have taken various measures to control the cost of deposit and now it has come down to 4.02. And yield on advances in spite of passing on the benefit to the customers/borrowers we still maintain a yield on advances of 7.09 than giving a NIM of about 2.71 increasing from 2.50 which was there in the last quarter.
- Gross NPA from 8.93 it has been reduced to 8.50, absolute terms there is a reduction of 2000 crores. Net NPA from 3.82 it has been reduced to 3.46, in absolute terms again there is a reduction of 2000 crores.

- Provision coverage ratio, we have achieved 81.18%, going forward we will be improving this ratio. And credit cost we managed at 2.04 with a slippage ratio of 0.69. Recovery this time we have given more emphasis on upgradation and we achieved a figure of 2292 crores. And cash recovery other than recovery in the written off accounts is 1508 crores and recovery in written off accounts is 680 crores, put together the cash recovery is of about 2458 crores. Cash recovery plus upgradation is about 4750 crores and the slippages are 4391 including the debits in the existing NPA, that is the collection is more than the fresh slippages, and because of which we could maintain a good NPA ratio.
- Restructuring, in the restructuring Resolution Framework of 1 we have restructured about 5000 crores against a target of 10,000 crores and we have made required 10% provisioning. Under Resolution Framework 2, that is during the last quarter that is Q1 of FY22, when two and half months out of three months the shops were closed, business was not happening and lockdown was there, the MSME and retail people really got hit. And proactively we have approached all our people and encouraged them whoever is affected with Covid to use this facility and then we have also advised them that if they have good cash flows they can pay back even though there is no demand. We have restructured or we have resolved to the extent of 13234 crores, number of accounts is 3.5 lakhs, but after this the people have started repaying the amount and 64 crores we have already received as on 30th June out of which 35 crores is advance payment. And we are hopeful that during the current month and the months to come, the people who have availed this resolution process or resolution facility, they will be paying back their instalments without waiting to pay subsequently after reviewing the moratorium period because now they are getting the cash flows and these borrowers are I can say where the unit is there, where it is functioning, and they are conscious about the interest cost. So to avoid the interest cost they prefer to payback the instalments even though they are not due.
- Regarding the capital, capital ratios have improved, tier 1 it is at 10.34 and CRAR is at 13.36.
- So with these few words I open the session for questions and answers, you are free to ask any questions, over to you please.
- **Moderator:**
- Thank you, sir, we will now open the floor for Q&A, any participant who wishes to ask a question may do so by raising their virtual hand, we will wait for a moment. We have the first question from the line of Mr. Ashok, please go ahead.
- **Question - Mr. Ashok Ajmera:**
- Good afternoon, Prabhakar sir.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Good afternoon, Mr. Ashok.
- **Question - Mr. Ashok Ajmera:**

- Congratulations to the entire team for the excellent results, very good profitability, good income maintained in spite of all the difficulties which are faced by the bank. I have certain observations and some concerns also. Our income you know the profit comprises of mainly the treasury operations in this quarter of almost about 2593 crores, and quarterly appreciation of more than 1150 [13:25] crores. So this becomes a good point also, appreciation and accolades to the treasury, but at the same time there will be a concern also that if there is a pressure on the treasury because these are not the booked income, so then what will happen. Because asset deployment to the treasury is the additional asset deployed for the quarter is only 10,000 crores, but returns are very high. So this is one thing on which I need your observation and reaction on this comment. I have a couple of other questions and data points also. Now, one is that selling of PSLC of 700 crores pre-sale, out of 953 crores of other income, I mean in the income, is it going to be a consistent price for the remaining 3 quarters, or this is one-off during the whole year, because this is also [audio lost].
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Can I answer?
- **Moderator:**
- Yes, sir, you can proceed, there seems to be some network problem.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- He has to hear, please can you check up whether Mr. Ashok is online.
- **Moderator:**
- I think he is not there. Sir, we will take the next question, then we can come back to him.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Yes, because I want to answer when he hears because it is his question, so my responsibility is to answer him.
- **Moderator:**
- We have next question from the line of....
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Ashokji, you are back.
- **Question - Mr. Ashok Ajmera:**
- I can hear you, I am Ashok Ajmera, I was muted by them.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**

- I wanted to answer, okay, I would love to answer your questions. See generally in any quarter if any bank earns good non-interest income the first question will be whether next quarter you are going to get or not, it is a normal question. The issue is the treasury which we are having is a very efficient treasury and if you see the book which we are having still we have lot of scope to earn money. This is point number one. Second one is if you compare the treasury income, in the last 4 quarters consistently treasury is doing very well and next quarter it is going to do well, there is no doubt about that. Now the issue is whether we are going to sustain for a long period, yes, as long as our modified duration is under control and we can understand the market there will not be any issue. Second one is PSLC certificates, this time we earned 699 crores, the point is whether we are going to continue this or not. When I was discussing with the slide wherein the mandatory priority sector lending targets are there, there I have said that priority sector lending target mandatory is 40%, today even after selling the PSLC certificates now I am at 45.47%, and now we are aggressive under health care sector also which also counts for priority sector classification. Going forward we will be having scope to sell the PSLC certificate if not in the present scale, but all the components of non-interest income in some quarters, some parameters will have higher weightages, in other quarters some other new parameters will come up wherein we will be making money. So overall how we are faring as far non-interest income is concerned is of importance. So we have many parameters wherein we can do it, and one more thing is when you see our fee based income, it is at 1337 crores compared to last June of 931 crores. So this is increasing because again it is linked with the business increase and also the way in which we are handling the business. There are many ways to increase the fee based income. I can be a follower of some other bank in some credit proposal or I can be a leader and I can have a premium as far as the fee based income is concerned that is the processing charges and other things. As you all know, our credit, domestic credit especially in spite of Covid in the Q1 it has grown by 6% that means we are very active in the market even during Covid time. So our aim is to give more and more focus on non-interest income including treasury, including other income and we are hopeful to continue the trend. Thank you.
- **Moderator:**
- Thank you, sir, we have next question from the line of Mr. Jai Mundra, please unmute yourself. We will move to the next participant....please go ahead.
- **Question - Mr. Jai Mundra:**
- Sorry, I was not able to unmute myself. So good afternoon, sir. Few questions from my side.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Good afternoon.
- **Question - Mr. Jai Mundra:**

- First thing is we have accumulated losses from erstwhile Syndicate Bank of around 18,000 crores. So why are we still paying taxes on quarterly basis, why are we not offsetting those accumulated losses?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Let me clarify the figures. The accumulated loss from Syndicate Bank is only 10,000 plus crores, and about 9,000 crores is from Canara Bank, put together it is about 19,000 crores. These are carry forward losses, I am paying 845 crores as income tax but actually there is no outgo of the money. So as long as I have the accumulated losses, I will be continuing with the present system to take the advantage of the accumulated losses
- **Question - Mr. Jai Mundra:**
- Right, sir, the question is because you have a similar situation with one of other PSU bank which also had some accumulated losses, they have shifted to DTA computation on quarterly basis and they are showing tax ride backs. So what is it that is stopping you in terms of tax write back? If not on quarterly basis then on annual basis can there be tax write back in total or you would still be having accounting taxes paid.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- As per the approval of the board, as on date we are continuing with the present tax system and going forward depending upon the balance sheet during that period of time, the board may take a decision to change or to continue. As on date we are continuing with the existing tax system.
- **Question - Mr. Jai Mundra:**
- No, that is okay, sir, that is on the tax regime. I am asking for full year basis will there be any accounting tax provisions or on full year basis you will have tax write backs?
- **Mr. Ramchandra – Canara Bank:**
- Mr. Mundra, good evening, I am Ramchandra here. See there are two aspects, this is only accounting tax provision, and as far as tax is concerned we need not pay the actual tax because I am entitled to carry forward the loss for next 6 to 7 years. So I need not pay any tax virtually for 5 years. Yes, we are taking as a conservative basis because you see income tax matters of litigation in order to avoid, we are making our balance sheet strong, we are making a conservative measure we are providing tax. Actually there is no outgo of tax.
- **Question - Mr. Jai Mundra:**
- Right, understood, sir, so maybe you are avoiding litigation, okay, understood, that's helpful. Second question is on restructuring so if I were to look at the outstanding restructured as on date or as on quarter end June, so it would be like Covid 1 + Covid 2 + MSME restructuring of some 4000 odd crores. So it should be, I mean these 3 are additive, Covid 1, Covid 2 and the MSME.

- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Correct, but here there is a difference, please understand the MSME restructuring of 4000 crores which you are talking that is called restructuring that is individual account wise, whereas regarding the Resolution Framework that is restructuring of Covid 2 it is something different from the other resolutions. In the sense, in the last quarter because of the lockdown the shops were not open, and there were no cash flows. So basically the borrower is interested to open the shop but he was not allowed to open. So naturally when it is not under his control, it is a responsibility of everyone to provide him a payment holiday which otherwise is reflected in terms of Resolution Framework 2. Here there are many good borrowers who have the capacity to pay and after the lockdown their shops are working, there is good cash flows, and out of this already people before June itself they started paying and they paid around 64 crores out of which 35 crores is advance payment, that means people are interested to pay as soon as they get the money or as soon as cash flows are available to avoid the interest burden. So what we observed is this particular 13,000 crores of restructuring under Framework 2, most of the people going forward will be paying the instalment which will be treated as advance instalment for all the practical purposes.
- **Question - Mr. Jai Mundra:**
- Right, sir. And the last question, last quarter I think you were saying, sorry, if you can include the below 5 crores loan and can give the SMA 012 figure, that would be very helpful because it looks like that the stress is particularly there in the below 5 crores accounts, because the corporate have been doing reasonably much better. To just understand the situation if you have the SMA 012 including below 5 crore loans, thank you.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Thank you, very much.
- **Question - Mr. Jai Mundra:**
- Sorry, sir, if you have that number for SMA 012, including....
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- See, SMA 012 as far as 5 crores and above is concerned we have given as 1.65. If you include SMA 1 and 2, less than 5 crores, it will be equal amount.
- **Question - Mr. Jai Mundra:**
- Thank you, sir, and all the best.
- **Moderator:**
- Thank you, Jai. We have next question from the line of Maharukh, please unmute yourself.
- **Question - Ms. Maharukh:**

- Sir, can you give the breakdown of retail slippage please?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Ma'am, retail slippage....
- **Question - Ms. Maharukh:**
- Sorry, breakdown of total slippage please pardon me, breakdown of total slippage.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Yes, out of this 4200 crores which is a fresh slippage, about 56% is about MSME, and about 36 to 38% is retail and rest is others.
- **Question - Ms. Maharukh:**
- Okay, sir, and my other question is that what is the total Covid restructuring in 1 plus 2 including pipeline, I know there was a slide on it, but I just wanted to reconfirm the figure.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- See for Resolution 1, there is no pipeline, pipeline has been completed. And Resolution 2, most of the accounts proactively we have approached the people and we have completed the exercise as on 30th June.
- **Question - Ms. Maharukh:**
- Okay, so basically there is no pipeline?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- There will be some as far as Resolution 2 is concerned, but only thing is now the people who have not come forward before 30th June for restructuring, now they should come forward then only the figure will increase. However we feel that some people will come for restructuring during the current quarter also, but it will not be like the restructuring which we have done in Q1.
- **Question - Ms. Maharukh:**
- Got it. Sir, I have one more question, of total slippage retail that you gave, can you also break down what is the agri slippage?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Agri slippage?
- **Question - Ms. Maharukh:**
- Yes, slippage from agriculture.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**

- It will be around 9 to 10%.
- **Question - Ms. Maharukh:**
- 9 to 10% of total, okay, sir, thank you.
- **Moderator:**
- Thank you, Maharukh. We have the next question from the line of Mona Khaitan, please unmute yourself.
- **Question - Ms. Mona Khaitan:**
- Hello.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Hello, please.
- **Question - Ms. Mona Khaitan:**
- Good evening. So my first question is on the agri NPAs and it seems your agri NPAs are both lower than peers and typically Q1 is the, in Q1 agri NPAs are seasonally higher across industry but it has held up in your case. So anything that explains better agri NPAs for Canara Bank?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- As far as agriculture outstanding is concerned, our outstanding is about 156,000 crores. Out of this if you see the KCC where there will be a hit and where the what you call ancillary units are there under agriculture that we have already restructured wherever restructuring is eligible. And in the restructuring slide we have given that agriculture we have restructured to an extent of less than 1000 crores. Because of that the agriculture slippages are less and repayment is more. And the second point is basically underwriting under agriculture by Canara Bank is a bit different in the sense we go through the details of lending so that tomorrow the accounts will not become bad. So that has helped us in maintaining our gross NPA at 5.89% in agriculture. And I think going forward we will be maintaining the NPA percentage under agriculture close to this figure only.
- **Question - Ms. Mona Khaitan:**
- And coming to your upgrades and recoveries of 3900 crores this quarter, if you could just give some colour on how much was upgrade of due to completion of restructuring of some corporate accounts and how much were intra-quarter recoveries if any.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Regarding the upgradation there is no corporate account, because of restructuring it has become upgraded. All corporate accounts which are upgraded are only through recovery. And in this corporate accounts are not significant. The second one is upgradation has happened mostly by collection of cash from the people and a minor

portion will be there because of restructuring, and as far as cash is concerned it is total cash, there is no question of any what you call restructuring and that 1598 crores which we have collected is pure cash. Apart from that we have also collected from written-off Accounts about 680 crores. So both the things put together it is coming to about 4750 crores.

– **Question - Ms. Mona Khaitan:**

– So the 3900 crores in your movement of NPA, mostly pertains to NPAs till last quarter?

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

– Yes, but also 680 you have to add, that is 4750 total figure, 1598 plus 2292 plus 680. 680 and 1592 are pure cash.

– **Question - Ms. Mona Khaitan:**

– Sure, got it. On the capital raising front if you could throw light on what are the plans and any colour on whether you are intending to sell stake in CanFin and raise capital that way?

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

– Ma'am, we have a board permission to raise 2500 crores through QIP, and in a day or two we will be deciding the date when we are going to hit the market. Second one is additional tier 1 bonds we have permission for 4000 crores but we are waiting when to take a call. Tier 2 bonds about 2,500 cr. we have permission and that in the current quarter we are not planning. However, we will take a decision after 2-3 weeks once we complete the QIP process.

– **Question – Mona Khetan:**

– Okay. And on the recovery pipeline if you could give some colour as well.

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

– In the beginning of the financial year, we were given guidance that our slippages will be somewhere about 14,000 to 15,000 cr. full year and our recoveries be more than that and cash would be around 10,000 cr. So if you see our recoveries in the 1st quarter itself, almost 4,750 cr. we have clocked. So, getting a recovery of say 15,000 cr. which is more than the slippages, will not be an issue for us for various reasons. The first one is, we have a specialised vertical and staff to take care about the monitoring and recovery, and we are aggressive in OTS. In Q1 we have done about 89,000 OTS and the amount settled is about 1,250 cr. and the book liability is about 1,950 cr. So we are very aggressive as far as recovery is concerned. So that is why we feel that under the worst conditions in Q1, we could give such better results as far as cash recovery and upgradation is concerned and slippages are controlled. So going forward, the efforts which we are putting in, should definitely yield better results.

– **Question – Mona Khetan:**

- And just a final one from my side. On the growth front we've seen a very healthy growth on the corporate portfolio at 3% plus from a sequential perspective. So what is it... where are the opportunities in the corporate segment?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- In corporate sector, we are very aggressive in infrastructure especially HAM projects. Second one, we are very aggressive in the healthcare sector. Third, we are getting good inquiries and we are also taking exposure in steel and cement, basically industries. So this is where we are seeing very good traction.
- **Question – Mona Khetan:**
- Sure thank you. That's all from my side and all the best.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you very much.
- **Moderator:**
- Thank you. We have the next question from Pranav Tendulkar. Please unmute yourself.
- **Question - Pranav Tendulkar:**
- Hi Sir, thanks a lot for the opportunity. Can you hear me?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah, please go ahead.
- **Question - Pranav Tendulkar:**
- Yes, thanks a lot for the opportunity sir. Sir, I have few questions regarding data. Sir, finally what is the total restructured book? So there is a restructured book which was presented which was around 8,000 cr. and if I'm correct, around 8,000 cr. has been added this quarter. So is it around 16,000 cr, the total restructured book including SME... sorry, restricting 1, 2 and other?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- The total restructured book is 4,000 cr. + 5,000 cr. + 13,000 cr. But here again I say that, this 13,000 cr. you cannot term it as restructuring, it can be termed it as a resolution.
- **Question - Pranav Tendulkar:**
- Got it, which is this COVID restructuring?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes.

- **Question - Pranav Tendulkar:**
- Perfect sir! Sir that is one. Second is, in the last quarter's PPT, the 35.55 for the quarter was reported as 2.7, but in this quarter in March it is changed to 2.5. So has anything changed that reading?
- **Management - Canara Bank:**
- In March we gave the yearly figures and here it is the quarterly figures.
- **Question - Pranav Tendulkar:**
- Oh, sorry sorry. So that is the second. Third is, now in this quarter, what is the total provisions which are outstanding which are not considered in PCR or anywhere else? Like the COVID provision buffer that we have?
- **Management - Canara Bank:**
- Any provision that is made for standard account and other than the NPA account, is not considered for a PCR. So naturally whatever 1,500 or almost 2,000 cr. made for COVID restructuring position is not included in the PCR.
- **Question - Pranav Tendulkar:**
- So that is 2,000 cr. for the quarter?
- **Management - Canara Bank:**
- Yeah, approximately for COVID or other... whatever the court order or whatever related orders. Those provisions are not included in the PCR. You can take it as 2,000 cr.
- **Question - Pranav Tendulkar:**
- Correst. Sir, if I see whatever is the net NPA amount right now, will it be safe to assume that even if there is a 30,000-40,000 slippage and similar recovery, the provision expense for next year would be below 2%, is that a right assumption? 2% of the advances?
- **Management - Canara Bank:**
- It is cost. As of now it is 2.06. It would be less than 2. It must be around 1.80 range, the same level of 37.34. The target is less than 2.
- **Question - Pranav Tendulkar:**
- Right. And the guidance of the slippages is around 30,000 to 40,000 cr. but the recovery will be higher, right?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- It is 14,000 to 15,000 crores and the recoveries will be more than the slippages. So at the end of the day, the outstanding gross NPA will come down.

- **Question - Pranav Tendulkar:**
- Okay sir. Sir, any idea about what would be the current embedded value of Canara HSBC Life Insurance Company?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- I think we have to work on that.
- **Question - Pranav Tendulkar:**
- Okay sir. Thanks a lot for the opportunity sir.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you.
- **Moderator:**
- Thank you Pranav. We have the next question from the line of Abhijit. Please unmute yourself.
- **Question – Abhijit:**
- Yeah hi! Sir, a few clarifications. The first one, on the restructuring itself, can you please explain what is the nature of this restructuring, how many months of moratorium have you given yet?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Total restructuring is about 13,000 cr. and the number of accounts are 3,50,000, out of which Retail is about 7,600, MSME 3,300 and Small Business is about 1,400. The rest is about allied activities in agriculture. Agriculture is a different criteria. There it is not 12 or 24 months, it is depending on the crop and the income which would be generated on the allied activities. So maximum the period given is about 24 months. It varies from 3 months depending upon the requirement of the borrower.
- **Question – Abhijit:**
- And given that Retail has a good contribution in the second round, this is largely coming from mortgages?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes... not mortgages, they are from housing loans. That's because we classify mortgages and housing loans in a bit different way. In the sense, mortgages are 39.51 properties and these are a pure housing loans where the people have taken this facility, but we are of the opinion that they will not be withholding the instalments, they will be paying inspite of having the moratorium period.
- **Question – Abhijit:**

- And sir, let's say when the borrower does not use the moratorium, then are you allowed to upgrade these accounts?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- No, they are already standard accounts.
- **Question – Abhijit:**
- Upgrade as in remove the restructuring...
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- We will not be removing them from the restructuring figures, however going forward, we want to mention separately that so many borrowers in spite of using the reservation facility, they have prepaid the instalments. That statistics will be given to the public going forward.
- **Question – Abhijit:**
- And the tag is removed only once the loan is entirely repaid?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes. Not entirely repaid, once the 12 or 24 months whatever is crossed, when the regular instalments start, no more it will be treated as restructured. We'd say restructured, but restructuring is properly implemented.
- **Question – Abhijit:**
- Got it. And the second one is, if you can give some data on the mix of loan book across the different types of benchmarks, MCLR or the other one... the REPO linked loans?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- That I can provide you, no problem.
- **Question – Abhijit:**
- Will you provide it separately?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Separately I will provide. Because see, all MSME, they are under RLLR and Retail. Agriculture, again it is linked to MCLR, corporate is MCLR...
- **Question – Abhijit:**
- If you have the number, on a weighted average basis, MCLR v/s RLLR, what would be the gap in each?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**

- See in RLLR, you could take this Retail at about 1,15,000 cr. and MSME at about 1,06,000 cr.
- **Question – Abhijit:**
- In terms of the yields, the underlying yields of the RLLR book and the MCLR linked book, is there a very big gap between the two sets of loan book?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- I cannot say there is much gap. There is difference, but I think those figures we have to find out. But, globally if you see, Retail and MSME, they are under RLLR, and about 32-32% is there.
- **Question – Abhijit:**
- And sir you mentioned that you reduced the rates on RLLR by 40 bps.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes. If you compare...
- **Question – Abhijit:**
- But this is supposed to be linked to an external benchmark, right?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah exactly, that's what I'm telling you. When the REPO rate has come down by 40 bps, correspondingly we have also reduced 40 bps in RLLR. Whereas in MCLR, even though it is 40 bps, we have reduced 10 more bps to pass on the benefit to our customers.
- **Question – Abhijit:**
- Got it. Sir, the last one is, there is a breakup of the industry credit which is Slide no. 12. The infra book is 88,384 cr. The same number in the last quarter's presentation was a number of 72,000 cr. There's a 16,000 cr. jump on that line.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes. As I said, in infrastructure, we are a bit very active, especially HAM projects and other infrastructure wherever the construction activities are going on. So, these are all high rated companies and the disbursement is still pending. And I think you may see a good growth in this one going forward.
- **Question – Abhijit:**
- Okay alright sir. Thanks a lot.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you.

- **Moderator:**
- Thank you Abhijit. We have a follow up question from the link of Mahrukh. Please unmute yourself.
- **Question – Mahrukh:**
- Hi. Sir, just a few follow up questions. Firstly, just to clarify again on restructuring, so the 13,000 cr. is COVID 1 +2, 4,000 is MSME and what is 5,000?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Ma'am, 4,000 cr. is previous... that is from 1st January, 2019, whatever restructuring is eligible for the MSMEs, that is the figure. And this 5,000 cr. is the RBI Resolution 1 where they said you can give for corporates, personal, MSME and others, where we said that we'll be restructuring up to 10,000 cr. But when the scheme is closed, only borrowers outstanding to 2.5... only 5,000 cr. they agreed for restructuring, the remaining they started paying the amount.
- **Question – Mahrukh:**
- Got it sir. Sir and my other question is, in your Non-agri Retail loans, what would be the composition of salaried v/s self-employed? And then within salaried, what would be the composition of government v/s non-government?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Ma'am, as far as salaried is concerned, the major portion is salaried, say up to 80%, and the remaining 20% may be other than salaried people. However within salaried, government and non-government, that we have not classified.
- **Question – Mahrukh:**
- Got it. So it is based on zero scores or is it largely to government employees?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Mostly it is a mixture of both because we have exposure to government employees as well as the private sector Bluechip company employees also.
- **Question – Mahrukh:**
- Okay got it sir. Sir, in your movement of NPAs, the upgrades were high. So any lumpy accounts there?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Ma'am last quarter we were fortunate to have Bhushan Power and Steel. There we got a significant amount. But in this quarter, totally all are small accounts, and this has come only because of the involvement of all my 10,000 branch managers.
- **Question – Mahrukh:**

- Got it. But even in COVID they went and collected?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes yes. Especially we used that work from home facility to be in touch with the people, and use that opportunity for recovery as well as for restructuring of the accounts.
- **Question – Mahrukh:**
- Got it. And in terms of Kingfisher, did you have any exposure sir?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Fortunately, no.
- **Question – Mahrukh:**
- Okay sir. Thanks a lot.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thanks ma'am.
- **Moderator:**
- Thank you Mahrukh. We have the next question from the line of Rajeev. Please unmute yourself.
- **Question – Rajeev:**
- Hello, good afternoon sir and congratulations to the team for a very strong pre-provisioning profit and recovery numbers in these tough times.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you very much.
- **Question – Rajeev:**
- Sir, my question is on the capital. So, we are right now at a CET1 of 8.9% and our loan growth is barely into mid-single digits. In fact, our risk weighed assets have actually shown a quarter on quarter decline. So in such a scenario, what would explain a rationale for a capital raise?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- We have given a guidance that our global credit will grow by 7.5% minimum. So it may touch 10% also. Then, when the credit growth picks up, we want to be ready with the capital also. That is why we are very soon coming out for raising about 2,500 cr. of capital through QIP. Once we raise that, I think we'll be in a very comfortable position to take on any big projects also and to expand the credit.
- **Question – Rajeev:**

- Sure sir. But sir, if you look at our valuations, we'll be raising at a very diluted valuation. We're still quoting at 0.4 times book value. And we would understand that in December when we raised the capital, that was a different time frame. We were coming out of wave 1, moratorium, Supreme Court judgment on asset classification helping all those uncertainties, and we needed to boost our tier 1. So at that time, even going at a dilution at those kinds of levels I think was okay. But now going into a second dilution and when the growth picks up we may even look at further capital. So, shouldn't we be looking at monitoring our stake from Can Fin Homes rather than diluting at such cheap valuations sir, because it's actually very unfair on the minority.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- There are two points. One thing is, through QIP as per the decision of the board, we want to raise about 2,500 cr. to take care of the future growth. And the second one is, suppose tomorrow if there is any impact because of COVID 3, we should be in a position to sustain. So that's the reason why we want to raise only 2,500 cr. through QIP. The second option of diluting the stake in subsidiaries, that option is always open, but the only thing is, still we don't see very attractive valuations as on date to dilute our stake. So we are waiting for an opportunity.
- **Question – Rajeev:**
- Okay. So can that happen? Once this phase is over, then maybe we would not have to go for a capital raise again? Then we'll actually be exploring very seriously a stake dilution maybe at the end of the current financial year or something when we actually need the growth capitals? Will that be a fair assumption?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- As on date as per the approvals of the board, we have a permission to raise only 2,500 cr. QIP.
- **Question – Rajeev:**
- Okay, and that is for this current financial year. Is that the approval?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- As on date this is the permission for this financial year.
- **Question – Rajeev:**
- Okay okay. Thank you so much sir.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you very much.
- **Moderator:**
- Thank you Rajeev. We take the next question from the line of Mayank. Please unmute yourself.

- **Question – Mayank:**
- Hello, am I audible?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes, you are audible Mayank. Please Mr. Mayank.
- **Question – Mayank:**
- Sir, my question is regarding the PSLC. So what is the tenure of the PSLC income? In the sense, the validity would be till March 2020 for selling PSLC? And will we able to sell again in April 2022?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- On 31st March of every year it becomes zero. Again from 1st April onwards till lot will again be available for you to again resell. As on date the remaining percentage is, we have about 5.47% excess over the required norms as far as the priority sector is concerned. And going forward, since we will be lending to the priority sector further, the figure may go up still further.
- **Question – Mayank:**
- Okay. So 5-6% further we can sell in the remaining year and since the tenure would be much lower, the income would be proportionately lower in that segment.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah, every year we can book it.
- **Question – Mayank:**
- Yeah yeah, thank you.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you.
- **Moderator:**
- Thank you Mayank. We have the last question from the line of Sushil Choksi. Sir, please unmute yourself.
- **Question – Sushil Choksi:**
- Congratulations on a great set of results in these challenging times.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Good afternoon Choksi ji.
- **Question – Sushil Choksi:**

- Good afternoon. I hope that you succeed and do well in the current year. Sir my follow up question to some of the participants who are asking on your dilution, let's assume in the media you spoke about 7% growth in business this year. And the second thing is, you spoke about lot of rationalisation which is eating into our income currently. So if 7% growth is on target, do you need capital or if it's only exceeding 7% and you're looking at 10-12% then you'll need capital?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- See, our guidance is, credit growth of 7.5% is minimum; it is a lower benchmark. And second one is, as far as rationalisation of the branches are concerned, we have already closed more than 600 branches and opened around 60 specialised branches. So we are saving cost there. But at the same time, we are conscious of increasing the business and increasing the credit book, the loan book.
- **Question – Sushil Choksi:**
- I understand that credit book opportunity for a bank of your size is far greater, better off than many of the other banks ~~you~~ in competition, with lesser equity or their own internal problems and processes are there. Now, you've guided that you're looking at HAM and some other specific pharma hospitals. But pharma cannot give you that kind of growth as you may envisage. Government may ask and push for it, but hardly any pharma companies are borrowers. So you may get 10-20 large accounts, but it's not much. So when you elaborate pharma, what kind of... Are you looking at supply chain discounting which is a low margin business, or you're looking at Capex of pharma or working capital?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah. When this scheme came, we have said that we would be sanctioning about 4,000 cr. and disbursing about 4,000 cr. to start with. So as on date we're at a 4,500 cr. sanctions and about 1,800 cr. disbursements, and disbursements happen in the healthcare sector phase wise. This consists of pharma, hospitals, medical colleges, oxygen manufacturing units, pathological units, it consists of all. And the number of accounts to whom we have sanctioned is 74,000 accounts. So it is widespread. Yes, you are right, here the scope maybe about 4,500 to 5,000, at the most 5,500 cr. However, infrastructure, cement and steel, huge potential is there.
- **Question – Sushil Choksi:**
- Cement and steel I agree that with the current cycle there would be Capex and it may not be a big gain from a high spread, it may be a stable spread because most of these companies are AAA and AA rated companies. But there is a scope of 8,000-10,000-20,000 c. easily because everybody is announcing Capex with a plan. But what kind of other advances would you look at for more of a diversification from the bank's point of view? And the second question, on digitisation process on the entire credit system.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**

- Yeah, let me as you regarding the AAA accounts. Yes, AAA accounts, they demand good rate. But if you see our cost of deposits, it has come down to 4.02%. I'm able to raise deposits at 4.02% average cost, and funds I can raise at 3.7%. So it is a very very competitive price at which I'm raising, and I can afford to lend this at a competitive rate to AAA customers in cement, steel and whatever sectors. So going forward for Canara Bank, competing with other banks as far as A, AA and AAA borrowers are concerned will not be an issue. That's point no. 1. Second, my savings bank is growing at a very fast rate. Last year there was a growth of about 37,000 cr. which is at 2.9%. So, cost is not a factor for me. Apart from HAM, steel, pharma, we are also active in retail. In retail credit and corporate we want to maintain a balance of 55% and 44%. So in retail, in housing we are very aggressive. In the last quarter inspite of COVID, our YoY growth was about 13% in housing and QoQ there is no negative growth, there is a positive growth of 1.26%. Now in the current month we see a lot of traction under vehicle loans, especially education loans also, and personal loans. So I think it will be a mix of retail and corporate where in corporate we want to take up the proposals of industries and also infrastructure.
- **Question – Sushil Choksi:**
- Sir do you think your treasury profit of Q1 which might have been led by (I'm just speculating) GSAP, and in the current year GSAP may support you in the following quarters too also because the government and RBI are working together towards keeping the stability in the current global challenges. What's the outlook for the current year on that? And what would be your outlook on NIM and CASA as a percentage of... and also cost to income?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- See, our Non-interest Income is not totally dependent on treasury income. Treasury income we are getting very attractive yields and in the current quarter I think there should not be an issue as far as the treasury yields are concerned. With the way in which the treasury is handling the business, going forward also we'll be in a position to make money from the treasury. And, we have already taken steps not to over depend on any one particular non-interest income criteria. We want to spread over and we are trying to get more and more fee-based income i.e. apart from treasury income. So I think, even if in a particular quarter any of the particular component of the Non-interest Income goes down, the other component will compensate it. So we are working in that strategy and we'll continue to increase our Non-interest Income going forward.
- **Question – Sushil Choksi:**
- Sir, your outlook on NIM, cost income and CASA?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- NIM, now we are at 2.71. It is going to improve. And our guidance is, we said that we'll be at 2.75 and we are confident that we'll be crossing this. So NIM will not be a problem. And cost to income ration, last year it was 51%, now it has come down to

45%. Going forward, the way in which we are controlling the operating expenses and increasing the other income, cost to income ratio is bound to come down further.

– **Question – Sushil Choksi:**

– Sir is there any guidance where you are expecting on the year end on CASA on this on percentage terms?

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

– Cost to income ratio, by percentage terms, we'll be coming down about say 1% more minimum. And CASA we are targeting a growth of minimum 14% in the next quarter also. So, as on date it is about 34% and we have given a guidance of 36.5% by the end of the year. I think we'll comfortably achieve that because this is again a percentage of term deposits and CASA deposits. Term deposit, bulk deposits we are not going to increase. It is at 2,13,000 cr. and we are going to maintain at that level unless and until we get the bulk deposits at a very competitive rate, that is where I can make some money. With this I think, increasing the savings bank at 14-15% and controlling the bulk deposits, encouraging the retail term deposits... I think CASA percentage of 36.50 by 31st March 2022 is comfortably achievable.

– **Question – Sushil Choksi:**

– Sir, I would last request and urge that if Canara Bank can interact with large shareholders where your dilution is concerned, because people have different opinions compared to what the board might be taking a decision on the betterment of Canara Bank and not taking a negative stand.

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

– We are open to have a dialogue with any of the stakeholders.

– **Question – Sushil Choksi:**

– I'm only talking about the top shareholders, I'm not talking about participants or analysts.

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

– Definatly sir, definitely sir.

– **Question – Sushil Choksi:**

– Thank you sir and all the best.

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

– Thank you very much

– **Moderator:**

– Thank you. Sir with that... would you like to make some closing remarks?

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

- Yes, our Executive Director Shri. Mukherjee, he would like to make some comments.
- **Mr. Debashish Mukherjee – Executive Director, Canara Bank:**
- Thank you for this interesting interactive session what we had just now for the past one hour or so. Like our bank has given the guidance, we will be definitely following those guidelines for the rest of the financial year. As a closing remark, let me also tell you that we are aware of the challenges which the economy is going through and we are equipping ourselves to face those challenges. And over the last 2-3 quarters you must have seen that our performance in recovery, our performance in slippage management has been better than the average of our peer banks. So we are going to continue that. So far as business growth is concerned, as our guidance is 7.5%, that is the minimum and we will strive to exceed that. And as far as cost cutting and other operative cost decrease is concerned, we have already decreased to cost to income ratio to a reasonable level now. We will further strive to reduce it during the course of this year. So both, in the business front, in the recovery front, in the profitability front, we will continue to move in this direction. Thank you.
- **Moderator:**
- Thank you. With that, on behalf of Antique Stock Broking, Prabhakar sir and his team, thank you so much for giving us this opportunity. Thank you all the participants for joining in. Have a good day and good evening. Thank you everyone.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you very much.
- ***END OF TRANSCRIPT***