



Q1 FY2022-23

**EARNINGS CONFERENCE CALL
TRANSCRIPT**

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04.30 pm (IST)



Management:

Mr. L V Prabhakar

Managing Director & Chief Executive Officer,
Canara Bank

Mr. Debashish Mukherjee

Executive Director, Canara Bank

Mr. K Satyanarayana Raju

Executive Director, Canara Bank

Mr. Brij Mohan Sharma

Executive Director, Canara Bank

Canara Bank

Q1 FY2022-23 Earnings Conference Call/Analyst Meet

- **Moderator:**
- Shri. L.V. Prabhakar - MD & CEO, Shri. Debashish Mukherjee – ED, Shri. K. Satyanarayana Raju – ED, Shri. Brij Mohan Sharma – ED. Without further ado, I will handover the call to Mr. Prabhakar for his opening remarks, post which we will open the floor for Q&A. Over to you sir.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Very good afternoon and my sincere thanks to all the investors for the support they are giving us. And, regarding the Q1 FY23 results of Canara Bank, we have concentrated on 4 verticals. Let me tell you the internal thing. First one is, in Q1 generally the credit growth will not be so impressive. So, what we thought is, in Q1, we have to take the opportunity to attract all the clients and to show a decent credit growth so that in the coming 3 quarters, the credit growth which is significant in Q1 will give many advantages to the ratios in the coming quarters. Accordingly, we worked strategically and we focused on RAM, we focused on Corporate. RAM, as we said, 55% plus or minus 2%, and Corporate 45% plus or minus 2% we'll be maintaining. In Q1 we maintained a RAM of 56% and a Corporate of 44%. Growth credit we have grown by 14.4%. Corporate 14%. RAM 14.85%. And, we are of the opinion that we want to continue this good growth journey on the asset side in Q2 also.
- The second one is, we are very conscious about the ratios of GNPA and Net NPA. GNPA compared to YoY was reduced by 152 bps, and now it stands at sub 7 i.e. 6.98. Net NPA, it was reduced by 98 bps YoY and it now stands at 2.48. In Q2, we are working to bring these Gross NPA and Net NPA figures significantly down.
- Then, coming to the income side, we have focused on Non-Interest Income and also Interest Income. Non-Interest Income has shown a decent growth of 25%, and out of this, again, we have concentrated on fee-based income also which has also shown a decent growth. Interest Income, the REPO increases of 40 bps we have passed on to our customers in Q1, whereas the remaining 50 bps we have not passed on, and it has been passed on on 7th July. So, whatever interest increase is there, that advantage Canara Bank will be getting in Q2. And, we have also ensured that whatever additional exposures we are taking, majority of the exposures will be under A and above category, because of which we have observed that 78% of the rated accounts are above A and above category, which used to be 69%. And, BB and below we have reduced to 11%. Apart from that, Operating Profit we want to have a minimum growth of 15%. Our target was 15%, we have achieved 20%, and now the amount is 6,606 crores. With the controlled provisions Net Profit we have crossed the benchmark of 2,000 crores, and we are confident and we'll work towards a direction to sustain this 2,000 crores figure going forward, and YoY there's a growth of 71%.

- Other few landmarks in the last quarter – Gold Loan we crossed 1 lakh crores, Housing Loans we are growing at 16%, and Retail Credit 11.56. Apart from this, Capital, inspite of growing at 14.4% in credit, we still maintain a CRAR of 14.91 and our endeavour will be in Q2 we'll be crossing 15% CRAR. A week ago, we have already raised AT-1 bonds for 2,000 crores at a coupon of 8.24% which is one of the best in the recent times compared to the public sector banks. Then, ROE, we have projected 15% for March 2023, whereas today we are already at 16.33%. And, ROA, we are at 0.65% and in Q2 we are working to improve this percentage to an attractive level.
- With these few observations, now I open the floor to the investors for any questions for us to answer. Along with me I have my Executive Directors and CFO and other top officials here. Over to you sir.
- **Q&A Session begins:**
- **Moderator:**
- Whoever wants to ask a question can press the Raise Hand button on the app. We have our first question from Mr. Ashok.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Yes Mr. Ashok, we are unable to hear you.
- **Moderator:**
- I think there's a problem in Mr. Ashok's line.
- **Mr. Ashok:**
- Can you hear me now please?
- **Moderator:**
- It's very hazy.
- **Mr. Ashok:**
- Can you hear me now?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Yes, very clear sir. Please go-ahead sir.
- **Mr. Ashok:**
- Sir, my compliments to you for giving fantastic results and meeting all the guidelines and targets. Q1 is so good and your promising statement that you want to grow 15% of the Operating Profit, that means it could be around 7,600-7,800 in the next quarter, which gives further confidence. Sir, having said that I have got... of course, I

have been observing the working on Canara Bank and you're doing extremely well. I have a couple of questions and observations. Sir, on the restructuring front, COVID restructure and our total restructure book, now that the moratorium is over and you must have already started seeing the regular recovery and the amount coming in, so can you throw some light on that? On restructured accounts, where do we stand today when the repayments have already started? What is our experience? And how much percentage of this, out of the money which was called or which was expected... what is the collection efficiency of that out of the restructured accounts?

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

– Sir, as you have seen the slippages, slippages under restructured is also a part of the overall slippages which we have shown as 3,600 crores. Our anticipation is, out of the restructured book, 10-15% bound to be NPA in small ticket loans. So, as we have seen in the overall slippages, the slippages are at 3,600 crores, which includes the slippages from the restructured book also, which is about 10-11%. And, this is already anticipated and this includes accumulative slippages since beginning. As on 30th June, this is it. And going forward, we expect that there can be another 5-8% slippages in the existing portfolio, which will be within the overall projections of what we have given, that the slippages will be maximum 15,000 crores for the whole year. And, percentage-wise if you ask, I think it should not be more than 15-18% of the total restructured book. Regarding the collection efficiency, under these things, we are observing it is 91-92%

– **Mr. Ashok:**

– Okay sir. My second question is on the credit side. Of course, you are growing very well and you have a target of, I think, 45% on the corporate book. So, what exactly the sanctions are in the pipeline and what kind of projects or from which industry or segments are these credit inquiries coming in where we can establish that yes, that much credit... because the situation overall is still not very conducive today also. Internationally problems are happening, locally also... but then, where do you see this credit demand coming in from? Which segment/industry? Can you throw some light on that sir?

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

– See, as I said, our credit growth will be spread over under various sectors. For e.g. Retail we are growing at 11.56, Agri and Allied Term Loans and CC we are growing at about 18%, MSME we are growing at 13%, Corporate we are growing at 14%; put together, overall, it's 14.47%. And this going forward also, we will maintain a balanced growth in all the sectors. Why I'm saying this is because, if at all in any quarter, if there is an unforeseen issue in any of the particular sectors, my other sectors will take care about my growth. That is the basis purpose with which we are seeing that our growth should be there in each and every sector. Coming to corporates, as you are interested, corporates as I said, we are very active in infrastructure, especially HAM, which is one of the safest advances as far as the existing repayment and the scheme guidelines are concerned. We have already

underwritten projects worth of 50,000 crores under HAM project, which will be disbursed quarter on quarter as the progress happens in the HAM projects. Secondly, we are very active in NBFC finance which are all AAA and AA, not less than that. We are having good proposals and we have already sanctioned under iron and steel. Nowadays, to have good growth in housing... for e.g., our housing is growing at 16%. To have the raw material, we are selectively financing real estate projects of housing. So, we are active in housing also. And, engineering we are financing, construction also we are financing. You have seen 26% growth Y-o-Y, Quarter on Quarter it is about 8% growth in construction activities. And we are also active in chemicals and chemical products. So basically, not in one sector or in one scheme, we want to have a spread over. However, with the corporates we are very choosy. As you have seen, our rated portfolio of A and above is about 78%. BB and below has come down from 18% to 11%. So, the book is very good. We don't see any immediate stress in any of the books as far as corporate is concerned of Canara Bank. So, growth is widespread.

– **Mr. Ashok:**

– Sir...

– **Moderator:**

– Mr. Ashok, I would request you to come back in the queue please. Other participants are waiting for their turn.

– **Mr. Ashok:**

– On the NBFC front can you throw some light sir? How are you placed on NBFC for co-lending, for onward lending and also the pool buyout? What are your views on that sir? And what are our plans on that front?

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

– Yeah. Point no. 1, pool buyout, no, we have not taken. Why? Because, as an individual bank, I am able to show excellent performance under disbursements. So, I have not gone for any pool purchase. Without that, this is the growth. The second point is co-lending. Yes, we are interested, to some extent, in co-lending. But however, our emphasis will be on lending by ourselves.

– **Moderator:**

– Yes sir. Can we move on to the next participant?

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

– Yeah, please.

– **Moderator:**

– Yes. We have Mahrukh next. You can go ahead.

- **Ms. Mahrukh:**
- Yeah hi, hello sir.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Hello ma'am. Very good afternoon.
- **Ms. Mahrukh:**
- Good afternoon, sir. Sir, I had questions on credit growth. Basically, your global advances have grown very very strongly. So, which sector would that be? I'm sure it's India-linked, but in global advances which sector would that be? Again, in steel, because of the recent government measures, we hear that some of the capex has been rolled back. So, why is the growth in infra, steel so strong, because these are sensitive sectors? And, which part of infra is growing? What are the capacities in steel that have grown so much in the quarter? And also, in NBFCs, would these be power NBFCs?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Ma'am, I will answer one by one. First is regarding the overseas credit growth. In June 2021 our overseas portfolio was 23,000 crores, which is insignificant as far as the overall advances is concerned; at that time, it was about 6.84 trillion. Now, from 23,000 crores we have come to 35,000 crores, out of my loan 7.83 trillion. So, percentage wise, it is still doesn't make much impact. And, having a 35,000-40,000 crores of loan book overseas for a bank like Canara Bank, is very small. So, percentage wise, the growth is 52% as you see, and Quarter on Quarter it is 18%. Still, we are not happy. That's because, unless and until we have atleast a trillion overseas gross advances, it doesn't make sense for Canara Bank. So, we are in that direction. Now, coming back to what type of advances we are doing overseas? As you said, 90% is India linked AAA rated companies... AAA companies, at the most AA rated companies, and 10% is foreign banks and foreign institutions also which are also highly rated. So, this is the exposure which we are taking as far as overseas is concerned. Now coming to domestic...
- **Ms. Mahrukh:**
- Which sectors?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Yeah yeah. In this, as I said, these are all AAA Indian corporates as well as public sector undertakings as well. They are not under one sector; it is under various sectors.
- **Ms. Mahrukh:**
- But if you could name about 2-3 sectors, whether it's oil, steel, infra, cement?

- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Yeah yeah. See, I can see, it is a public sector AAA rated company in power, power financing and also infrastructure financing and also financial institutions and banks and some Indian corporate who is a very good corporate under steel. He has also raised funds abroad from our bank. And coming back to India, domestic credit, as we say, we have taken A and above rated corporates under these various sectors and purposes. So, as I said, it is not only steel, we are growing in all the sectors. And the second point is, if you see my Risk Weighted Assets, it is 69%, which used to be 74%, 72%, 79%. So, now we have such a good portfolio where the risk is very well under control and I can say, this 69% of Risk Weighted Assets maybe one of the best in the banking sector.
- **Ms. Mahrukh:**
- Got it sir. And in terms of NBFCs, would these be power finance NBFCs?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- No ma'am, it is spread over, not power finance, it includes that also.
- **Ms. Mahrukh:**
- Okay Sir. Thank you, Sir.
- **Ms. Mahrukh:**
- Thank you, ma'am. Thank you very much.
- **Moderator:**
- Thank you, Mahrukh. Request all participants to limit the question to two, so that everybody can get a chance to ask. Next, we have Mona Khaitan. Go ahead.
- **Ms. Mona Khaitan:**
- Hello, am I audible?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah ma'am, please. Good afternoon, you can go ahead ma'am.
- **Ms. Mona Khaitan:**
- Good afternoon, Sir and thanks for taking up my question. Sir, firstly what is your reset period for the EBLR loan? How soon does it get reset?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Generally, it will be minimum three months ma'am.

- **Ms. Mona Khaitan:**
- Okay. So, the first repo rate increase happened in May, so the first reset for you was around June for that first 50 bps.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes. Yes.
- **Ms. Mona Khaitan:**
- Okay, got it.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- No, first one is 40, then 50 ma'am. 40 bps is first which we have passed on, whereas 50 bps we have passed on to the customers on 7th of July.
- **Ms. Mona Khaitan:**
- Okay and the first one was passed on in June.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah, before June ma'am.
- **Ms. Mona Khaitan:**
- Okay, okay and on the restructured book you mentioned that about 10% or so has slipped, so the outstanding today would be about 18,000 crore is that a fair understanding?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Exactly correct, ma'am. So, 10% if you take it will be about 1,800 crores. I said it is a cumulative one.
- **Ms. Mona Khaitan:**
- Right, right.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Putting everything in all the quarters and during the current quarter whichever is there, it is appearing in the 3,600 crores which we have shown. It is a part and parcel of that.

- **Ms. Mona Khaitan:**
- Right, right. So, about 5% or so has slipped in this quarter because another 5 has slipped earlier.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- You can take around 6% to 7% you can take.
- **Ms. Mona Khaitan:**
- Okay, okay, and okay, sure, and what percentage of this book has started billing by now, that is out of moratorium?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Ma'am, our estimation is at the most cumulative maybe about 18% to 19% it may slip, where 11% is already booked, rest leftover is about 8% to 9%, which we are expecting and which we are making provision for that, that we are already prepared how to handle that and to recover that amount and the guidance which I have given in the beginning of the year that overall, in full year our slippages will restrict to 15,000 crores and recovery will be more than that. All this restructured amount we have taken into consideration, we have factored in within those 15,000 crores and during the current quarter the 3600 crores includes that amount also.
- **Ms. Mona Khaitan:**
- Sure. I also want to understand what percentage is totally out of moratorium and the billing has started for the restructured?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Now everything is started ma'am. No moratorium is -- there is no moratorium.
- **Ms. Mona Khaitan:**
- Under the restructured loan?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes, that process is over. Now installments have started and our collection efficiency is somewhere about 90% to 91% under this.
- **Ms. Mona Khaitan:**
- Sure, sure, and the Future Group exposure was this recognized as NPA in this quarter?

- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- yes ma'am, as last time as I said because we were getting repayment it was not classified as NPA in Q4 of FY22. Whereas during the current quarter, we have these 3,600 crores includes Future Group where the exposure is about 1,240 crores roughly.
- **Ms. Mona Khaitan:**
- Sure, and it is fully provided by now?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- 100%.
- **Ms. Mona Khaitan:**
- Okay.
- **Moderator:**
- Thank you, Mona. We'll move on to the next participant.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you.
- **Moderator:**
- Mr. Jay Mundra.
- **Mr. Jay Mundra:**
- Yeah, hi. Good evening, Sir. & Congratulations
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Sir, very good evening. Thank you. Thank you very much Sir.
- **Mr. Jay Mundra:**
- Sir I have a couple of questions. First is on your capital Sir. the absolute amount of common equity capital, that has gone up by around 1,700 crores, so does this include the proportionate net profit or there is some DT adjustment?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- No. you are correct. It includes major portion is our net profit.

- **Mr. Jay Mundra:**
- Okay. Understood. Secondly Sir, you have mentioned that you will be raising some debt capital right, so there is just wanted to double check is there any plan for equity capital raise for the residual nine months?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- This year, no.
- **Mr. Jay Mundra:**
- Right. Understood. Secondly Sir, on your loan yields right, so there is a dip in the loan yields. Is there an interest reversal component, which is driving the low yields lower because otherwise we should be seeing a loan yield getting higher right, so I'm just -- if you can explain what could have led to lower yields on a sequential basis?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Two things. 38% of My Portfolio is linked to RLLR. As on 30th June, we have passed on only 40 basis points to our customers. Remaining 50 basis points increase in repo rate, we have passed on to our customers only on 7th of July. Two reasons, first one is, we don't want in June quarter itself to load our customers with 90 basis points additional interest, point number one. Point number 2, during the June quarter, we have increased the deposit rates to retain our customers taking into consideration the inflation that is available at that point of time. However, during the current quarter that is Q2, that 50 basis points of repo is already loaded and cost of deposits which we have increased in the earlier quarters is continuing and no further increase we foresee in the coming one month. So, whatever NIM or the yields you are seeing at 7.03 under advances will increase in the current quarter because we have passed on that amount and there is no reversal of interest in any of the accounts because no big account has slipped, except that Future.
- **Mr. Jay Mundra:**
- Correct. Right. So, would Future downgrading would have some chunky interest reversal?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- No, not much was there because in those 1,200 crores about 50% roughly was under debt and 50% was under NPI investment.
- **Mr. Jay Mundra:**
- Right.

- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- So, that is why it is not there. Only thing is the interest which has to be passed on to the customers knowingly well we have not passed on because June quarter we thought that it is very sensitive quarter where we have to give some breathing time to our customers, hence we have loaded that 50 basis points on 7th of July.
- **Mr. Jay Mundra:**
- Right. No, Sir if that was the case then it should be flattish right. If you have not and you have only -- you have been calibrated in
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes, yes, and another point is if you see the churning of my credit portfolio, 40,000 crores worth of advances we have given to AAA rated company in the Q1.
- **Mr. Jay Mundra:**
- Okay.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- 40,000 crores.
- **Mr. Jay Mundra:**
- Understood. Last question Sir, if you have -- sorry last two questions, if you have MTM, you have given treasury gains which is very, very positive surprise. If you can bifurcate into treasury gains and MTM loss if you had?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes. Mr. Mahesh are you there? Mr. Mahesh.
- **Moderator:**
- It seems, someone has to unmute him.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah, one minute, one minute because
- **Mr. Mahesh Pai - Head of Treasury, Canara Bank:**
- Yes Sir. Sir, shall I answer Sir.

- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- One minute, one minute. Sir, Mahesh is our General Manager in charge of My Treasury. Please Mahesh.
- **Mr. Mahesh Pai - Head of Treasury, Canara Bank:**
- Sir, you asked two questions, is the profit what you are seeing 889, is including the depreciation? Yes, it includes the depreciation, so that means we have booked more amount of profit than what is declared. So, we have some depreciation on books, but that whatever 889 declared as a trading profit includes the depreciation figure.
- **Mr. Jay Mundra:**
- Any of you have that number Sir, what was the depreciation?
- **Mr. Mahesh Pai - Head of Treasury, Canara Bank:**
- It is around 360 crores.
- **Mr. Jay Mundra:**
- And last question Sir, if you have the slippages
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Sir, here one minute, if you recollect our earlier interaction last quarter you were asking about the Q1 how much depreciation losses will be there in treasury, at that time we said it will be 250 to 300 crores.
- **Mr. Jay Mundra:**
- Right.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- We have ended up at 360 exactly near to that.
- **Mr. Jay Mundra:**
- Right. No, no, congratulations Sir. It is a very, very positive surprise.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you, Sir. Thank you and one more question Sir you were asking another.

- **Mr. Jay Mundra:**
- Last question Sir, if you have the slippages for the quarter break up of slippages for the quarter agri, retail, MSME, and
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes, yes, yes, 3,600 crores, out of these 800 crores is corporate, out of 800 crores 600 crores is Future only.
- **Mr. Jay Mundra:**
- Right.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Then 600 crore is agriculture, around 700 crores is retail, and 1,500 crores is MSME.
- **Mr. Jay Mundra:**
- Understood. Great Sir. thank you and all the best Sir.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you, Sir. thank you.
- **Moderator:**
- Thank you. Next, we have Deepak.
- **Mr. Deepak:**
- Yeah, thank you very much Sir. Sir am I audible?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes Sir. very good afternoon, Deepakji please.
- **Mr. Deepak:**
- Good afternoon. Sir I just want you to understand that going forward how do you see the bond yield investment loss or MTM loss going forward?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Mahesh. Mahesh unmutes please.

- **Mr. Mahesh Pai - Head of Treasury, Canara Bank:**
- Yeah, yeah. Sir, we expect a 10-year to be broadly in the range of 725 to 775, so given the portfolio of our size, we believe if the yields continue to be upwards, I think we may see in this particular region around 100 to 150 crores of MTM losses, but we have sufficient profit to cover those MTM losses. So, we should not see any major losses from treasury side from our side.
- **Mr. Deepak:**
- And these 100 to 150 crores per quarter you're saying?
- **Mr. Mahesh Pai - Head of Treasury, Canara Bank:**
- No, if the yields move again to 775 levels, otherwise presently I'm covered.
- **Mr. Deepak:**
- Okay, okay, understood, understood and I got that and Sir just wanted to clarify operating profit we want to grow by 15%, is that what you mentioned earlier in the course?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Sir operating profit 15% minimum we are targeting because there is a reason for that. If a bank makes 15% operating profit, I can pay 15 days PLI to my 87,000 employees, so that is for us it is a minimum because we have to pay PLI, however, this quarter instead of 15% our OP growth is 20% and with the interest income and noninterest income and the growth which we are seeing in the assets and other things, I think maintaining this percentage going forward, we hope to maintain 15% plus.
- **Mr. Deepak:**
- That is on a YoY basis on annual basis, right?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Quarter-on-quarter basis that is YoY, because of YoY.
- **Mr. Deepak:**
- YoY, right.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah, yeah. YoY, because quarter-on-quarter already we're at 6.52%, so YoY every quarter we will be maintaining 15%, we are working in that direction.

- **Mr. Deepak:**
- Fair enough. That is great to hear Sir. Sir a couple of more things, now even on the growth side advances the guidance that we have given we are quite surpassed that right in terms of actual number at 15% versus 8%, which we're looking at right, so are you looking to like revise upward the guidance that we had given earlier?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- See as I say guidance is for us it is a minimum benchmark; above that it can go to any extent depending upon the availability of the good proposals and also how the economy is doing. in Q2, we observe that the economy will be doing good and the way in which we are getting the inquiries regarding new investments, I think we should be in a position to do better in Q2 better.
- **Mr. Deepak:**
- Better than your guidance or better than first quarter?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Guidance if you ask me, again I'll say it will be a double-digit growth, a decent double-digit growth.
- **Mr. Deepak:**
- Okay, fair enough and my final query is
- **Moderator:**
- We could request you to come back in the queue please, we have other participants waiting their turn.
- **Mr. Deepak:**
- Okay yeah. Thank you.
- **Moderator:**
- Thank you, Sir. thank you very much.
- **Moderator:**
- We have Rehan next. Rehan?
- **Mr. Rehan:**
- Yes, am I audible?

- **Moderator:**
- Yes, go ahead.
- **Mr. Rehan:**
- Good evening, Sir. Congratulations on a good set of numbers.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Good evening. Thank you, thank you very much.
- **Mr. Rehan:**
- Just a couple of questions. Thank you for shedding light on the slippages, but just to go to last quarter, have they been provided for the slippages that will may last further quarter especially with regards to Future Group, I think about 500 crores was what was not provided for last quarter?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah, last quarter we have provided 60%. This quarter we have made 100%.
- **Mr. Rehan:**
- Okay, okay and so my final question
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Last quarter it was not NPA, it was a standard, even then proactively we have provided 60% last quarter and this quarter we made 100%.
- **Mr. Rehan:**
- Thank you, Sir and Sir my last question is what would be our bank's exposure to maybe say the top three borrowers as a group, maybe in top three groups?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- See we have prudential limits wherein there is a fixed limit for a group and fixed limit for individuals. We are well below that fixed limit, which was decided by the Board, so we'll be within that limit. You can multiply that with our what you call existing portfolio.
- **Mr. Rehan:**
- Okay Sir, can you shed some light on the number?

- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Generally, it will be somewhere about 10,000 to 11,000 crores.
- **Mr. Rehan:**
- Okay. Thanks Sir.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you very much.
- **Moderator:**
- Thank you. We have the next question from Pranav.
- **Mr. Pranav:**
- Hello Sir. Can you hear me?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Hello, yes please.
- **Mr. Pranav:**
- Yes, Sir I just have two questions. First is that, as you said that the interest rate increase has been passed from 7 July and then the deposit rate increase also, so should we expect the new QoQ to go up next 5-10 basis points quarter?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Sir, our 38% of My Loan Book of 7.83 lakh crores is linked to RLLR. So, 50 basis points on this 38% of My Loan Book will be booked for what you call full quarter -7 days (minus seven days) that is about 83 to 84 days, we will be booking, so accordingly you can anticipate what will be the quantum that will be charged in addition to what we are charging Sir.
- **Mr. Pranav:**
- Right, right. Sir, but that's the calculation that I am making,
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yeah, as per yield is concerned, we want to be more than 7.10, today we are at 7.03, we want to cross 7.10 minimum.

- **Mr. Pranav:**
- Sir also seeing the provisions, there is item of 1535 crores of nonperforming investments, so during the previous conversation you alluded that there is some Future Group NPI
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- In this, we have provided 100% for three investments. One is Future Group about 640 crores and one account was there which is a telecommunication account, where we have provided 100%, and one sugar industry, which is about 245 crores, so put together only three accounts where we did 100% provision.
- **Mr. Pranav:**
- In all the three investment.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Hello.
- **Mr. Pranav:**
- Hello, hello, Sir I'm referring to a specific sub item where it is nonperforming investments, provision on nonperforming investments, which is 1535 crores.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes, yes.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes, it is our investments and fully provided.
- **Mr. Pranav:**
- Okay Sir. Thanks a lot, Sir.
- **Moderator:**
- Thank you.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you, Sir. We have Praful next.

- **Mr. Praful:**
- Hi Sir. good evening. Am I audible?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Hello, good evening. Yes Sir. please go ahead.
- **Mr. Praful:**
- Congratulations on a great set of numbers.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Thank you, sir.
- **Mr. Praful:**
- Sir, just want to get your outlook on the cost of deposits from hereon, how do you think they move over next 6 months for the Bank.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- As far as the movement in deposit cost is concerned mostly it will be linked to the inflation. In the sense suppose inflation if it cools even if I don't increase the rate of interest on deposits, I will get deposits. If the inflation doesn't come down to 6%, I think to compensate my depositors because they will not deposit money with me with native interest rates, so I may have to increase the deposits going forward if inflation doesn't come down. As on date we have already increased the deposit rates in Q1 itself and I think that will take care coming two months, and in September we may take a call depending upon the situations which will be existing at that particular point of time. But in Canara Bank we have one philosophy, sir, we want to take care about my depositors keep in view the long-term relationship and also, we don't want to charge our borrowers on a higher side to pass on some benefit to them and to make a decent profit.
- **Mr. Praful:**
- Yes, for a spectacular growth, yes, sir.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- And you must have seen with all these things, so we want to be a win-win situation and we want to build confidence in the customers that in spite of good times or bad times, Canara Bank is with them. So that will only help us going forward to be one of the best banks of India.
- **Mr. Praful:**
- Correct, got it, all right, sir, okay. Thank you, sir.

- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Thank you, sir.
- **Moderator:**
- Thank you. We have next Mr. Dixit Doshi.
- **Mr. Dixit Doshi:**
- Yes, can you hear me?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Yes, good afternoon please.
- **Mr. Dixit Doshi:**
- Sir, one clarification and a couple of questions, firstly you mentioned that we don't need any equity capital this year, right.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Yes, equity we are not going to raise this year.
- **Mr. Dixit Doshi:**
- Okay, now my second question is you mentioned that in this provision almost 1500 crores provision was for the non performing investment. So, are there any non performing investments still to be written off?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- See non performing when I said, I said one major account is Future which is about 640 crores, second one is telecommunication account equal amount, and one is sugar industry about 245 crores, 3 accounts where we did total provision and in this, we see a good scope going forward to recover the amount from these accounts.
- **Mr. Dixit Doshi:**
- But are there any other investments in the other client customer?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- No, no.
- **Mr. Dixit Doshi:**
- Okay. And my last question is regarding the gold loan so you know from last many quarters we have been performing exceedingly well in gold loans, so what we have done differently for such a growth in gold loan and is there, my understanding is that

during the merger of the Bank you know some of the branches we have rationalized, have we opened any dedicated gold loan centres which is leading to this growth?

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

– Sir, gold loan let me tell you the secret, it is hard work and confidence of the customer. Only these two things will help us to increase the figure. Because we started two years as you said amalgamation, amalgamated figure was about 54000 crores, today it is 1 lakh crores. And even June '21 the figure was about 80000 crores, today it is 1 lakh crores, 20,000 crores increase. This progress you can achieve only and only when all your staff members are involved. This is not one-man job; this is a very cumbersome job where each and every staff member has put in best members which we could do in Canara Bank. That is how the figures are increasing in gold loan. Second one is we will have to continue this growth, and also to consolidate the performance which we are making in the gold loan.

– **Mr. Dixit Doshi:**

– Thank you, that is all from my side.

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

– Thank you, sir.

– **Moderator:**

– Thank you. Next, we have Mr. Bhavik Shah.

– Mr. Bhavik Shah:

– Hello?

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

– Hello.

– Mr. Bhavik Shah:

– Hi, sir.

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

– Hi sir, good evening.

– Mr. Bhavik Shah:

– Good evening, sir. I have just two questions. One would be, sir, what would be your liquidity ratio coverage this quarter and over average.

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

– See requirement is 100, we are above 125.

- **Mr. Bhavik Shah:**
- Okay, and, sir, so you mentioned that we disburse around 50,000 crores for HAM projects, sir, what would be the indicative yields there?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Sir, it is 50,000 crores HAM projects worth we have sanctioned, and the disbursements will be going on and there is no question of negative yields, total is positive yield, because there are two components in this. We get very good interest, it is 8 plus and the processing charges which we get in these proposals is really significant because of which if you see the Canara Bank fee-based income it is growing at 18%, the amount is 1577 crores per quarter which is a very decent income.
- **Mr. Bhavik Shah:**
- Okay, and, sir, broadly what will be your yield on AAA corporates?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Yield on corporates, see, if you take bifurcate into AAA the yield will not be much attractive but we will be earning from that. So, it is a mixture of everything, AA/AAA/A/B and overall put together as you have seen the yield is at 7.03%.
- **Mr. Bhavik Shah:**
- Okay, understood, sir, that's it from my side, thank you, sir.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Thank you, sir, thank you very much.
- **Moderator:**
- Thank you, next we have Nimesh Maheshwari.
- **Mr. Nimesh Maheshwari:**
- Congratulations on a good set of numbers.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Thank you, sir, thank you.
- **Mr. Nimesh Maheshwari:**
- I have just one question, what is the yield on the gold loan side?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- It is 7.20 plus.

- **Mr. Nimesh Maheshwari:**
- And what is the Q4 yield for gold loan?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Q4, yeah it is + 7%.
- **Mr. Nimesh Maheshwari:**
- Okay, thank you.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Thank you, sir.
- **Moderator:**
- Next, we have Sailesh Kotak.
- **Mr. Sailesh Kotak:**
- Hello, sir, good afternoon.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Good afternoon, sir.
- **Mr. Sailesh Kotak:**
- Sir, firstly on the P&L provisions I see there is one item of provision reversal of about 650 crores, can you just elaborate on that please.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Mr. Majumdar is my CFO, I request him to answer, Mr. Majumdarji.
- **Mr. S.K. Majumdar – CFO, Canara Bank**
- There are some reversals, first is Future, we last time only we made provisions of around 315 crores when it was with a standard asset which this quarter has slipped. So that reversal of that provision is around 315 crores, then there are that FITL reversal - standard reversal of 163 crores, delayed RP reversal of around 100 crores, and Bajaj Hindustan which has slipped to NPA, there which was restructured under S4A there in that we were holding provision of around 74 crores. So if you add up it will come to exactly that what I said, that is Future adhoc.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- So here whatever these reversals we have done as what you see because of the efficiency brought out in FITL and also in restructured accounts and proactive

provision what we made in future, those things we got it reversed, and accounted for in the NPA provisions.

– **Mr. Sailesh Kotak:**

– Understood, sir, thanks for that.

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

– Thank you.

– **Mr. Sailesh Kotak:**

– Second question is on the employee expenses side. With the yields going up do you see any reversal coming from the retirement, provisions for retirement benefits either in first quarter or going forward in the rest of the year as well?

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

– Sir, as far as employee benefits and employee staff cost is concerned, one point is the number of staff is not increasing in Canara Bank because at the most whoever retires we are replacing them with the new blood. So, the new people who join generally the payment will be less compared to the people who are retiring. So as far as salaries and other things are concerned, we are going to have a comfortable position. Regarding the provisions because of the yields, there will be some impact positive but 3400-3600 we expect that we want to pay some amount to our staff. So, expenses will be around this range only, even if we get some benefit from the yields, that will be adjusted somewhere in the staff cost.

– **Mr. Sailesh Kotak:**

– Understood, sir. Sir, lastly if I look at the SRs there seems to be another mark down in this quarter as well.

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

– Security receipts as I said some 200 crores 300 crores every quarter we will be doing. And it is a continuous process. And some SRs also we will be realizing and recovery also we will be doing. It is a continuous process in the Bank.

– **Mr. Sailesh Kotak:**

– Understood, sir, thanks, those were all my questions.

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

– Thank you, sir.

– **Moderator:**

– Thank you, next we have Gaurav Jani.

- **Mr. Gaurav Jani:**
- Yeah, am I audible?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Yeah, very good evening.
- **Mr. Gaurav Jani:**
- Good evening, sir, just wanted to understand firstly as to we have our staff deputed at Can Fin Homes, any fresh findings after the audit has been concluded?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Sir, we have completed the inspection in all the 200 branches, and some irregularities and some deficiencies, process deficiencies were observed, which were addressed to a larger extent. And subsequently about 2.3 crores of further frauds in about 23 accounts were found which was 100% provided. And now we can say that Can Fin Homes is one of the best subsidiaries we are having since we have screened everything and addressed the loopholes.
- **Mr. Gaurav Jani:**
- Sir, just on that also wanted to understand that generally due to what reason do we have our staff on deputation at Can Fin Home.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- We have 4 top executives deputed to Can Fin Homes wherein 1 executive is totally controlling and monitoring the inspection aspect because we in Canara Bank we believe in one thing that is compliance first, business next. We want to have Canara Bank as well as all my subsidiaries 100% compliant of the regulations and 0% tolerance as far as this is concerned. So that is why we posted our staff in all our subsidiaries including Can Fin Homes.
- **Mr. Gaurav Jani:**
- But, sir, that helps just wanted to under historically due to what reasons would we have deputed staff at Can Fin Homes and when was that.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- See, there are two things. First one is we want to give our expertise to all our subsidiaries which can be done through our staff so generally we depute. Second one is they also can contribute along with the others whom we take from the market. So these are the twin benefits which we see as far as our subsidiaries are concerned. Since I am the chairman of those companies, so generally I like to have some people of Canara Bank in all my subsidiaries.

- **Mr. Gaurav Jani:**
- Sure, sir. Last question, sir, small one, actually last time when did we depute the staff at Can Fin Homes before this episode?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Before this also DGM used to be there since beginning, our DMD is our staff only, Deputy MD is from Canara Bank.
- **Mr. Gaurav Jani:**
- But apart from that we also have 3 more people this time around, right, so I just want to know.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Yes, we increased the strength, we increased the strength, that's correct.
- **Mr. Gaurav Jani:**
- Okay, perfect, thanks, that's it.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Thank you, sir.
- **Moderator:**
- Thank you. We have the next question from Pritesh.
- **Mr. Pritesh:**
- Hi, sir, good afternoon.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Hello, good evening.
- **Mr. Pritesh:**
- I had a couple of questions, one is basically you have done a very good job on the PSLC side, so I see that PSLC itself has contributed about 850 crores. Can you just two data points on that, one is what commissions generally we get on that, if I look at its coming to about 2%, is it a quarterly phenomenon and do we sustain that kind of PSL?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- See, this PLSC if you see last year, we earned about more than 900 crores. So definitely generally our aim is whatever we earned in the subsequent quarters we earned more than what we have earned earlier. So, this time in the current quarter

itself we have already earned around 840 crores. And still, we are hoping to book some profit in the Q2 also.

– **Mr. Pritesh:**

– So, we see that....

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

– And this is every year phenomena, as long as RBI doesn't change the criteria.

– **Mr. Pritesh:**

– Sure, sure. Sir, second question was on MSME side, you said that there were 1500 crores of NPA from MSME which is about 40-50% share of the overall slippages. Where do you see it stabilizing, it will come down, is it going to stay in MSME or we see any, what are the issues still there under the MSME side.

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

– See, if you see historically, about 1000 crores to 1200 crores generally every quarter in MSME it slips, and subsequently 400-500 crores will be recovered or upgraded. It is a continuous phenomenon, not for this, this time maybe around 200 to 300 crores, maybe more. Otherwise MSME you have to make what you call provision to absorb the slippages and also to recover them. That is why in Canara Bank we have a separate team who handles MSME's stressed assets. So, our recoveries are also good under this MSME NPA accounts, it is a continuous process.

– **Mr. Pritesh:**

– Okay. Sir, will it be fair to assume that large part of these also will have restructured book.

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

– Yes, as I said about 11% of the restructured book cumulatively it has already slipped. So, it consists a part of that also.

– **Mr. Pritesh:**

– Okay, and anything from ECLGS coming in?

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

– That is hardly 3% cumulative.

– **Mr. Pritesh:**

– 3%.

- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- 3%, it is only 3%.
- **Mr. Pritesh:**
- Okay, and last question will be if you can give the CASA break up between CA and SA for this quarter?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Yeah, CASA as you see in, we have grown at 8.8% and generally Q1 for CASA it will be a bit challenging because institutional deposits which we get from the government where we are a very significant player, March the government will be giving huge amounts to exhaust the budget, and the next budgetary allocations and the funds will be flowing to some extent in Q1, but to a significant extent from Q2 onwards. So, this quarter we are expecting minimum double-digit growth under CASA.
- **Mr. Pritesh:**
- Yeah, but can you give me an absolute number of CA and SA in this quarter?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- In these 3,61,000 crores about 40-45000 crores will be current, remaining will be savings.
- **Mr. Pritesh:**
- Sure, thanks.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Thank you very much.
- **Moderator:**
- Thank you. We will take that as the last question for today. And again, hand over to Prabhakar sir for his closing remarks, over to you, sir.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- I request my executive director, Shri Mukherjee sir to give the closing remarks, please Mukherjee sir.
- **Mr. Debashish Mukherjee – ED, Canara Bank**
- Thank you, sir. And we thank all the analysts for you know this Q&A session which was very interesting. Now as we have all understood Canara Bank is on a growth path and we are showing this on a quarter-to-quarter basis in all the aspects and nuances of banking, be it deposits, be it advances, be it recovery, and be it profitability and asset quality. So, in all these aspects we have been doing well

quarter on quarter and we propose to do it. Now so far as the guidance which we have given for March 2023, that will remain as it is, and as our MD sir has said that we would definitely like to surpass that and in some of the parameters even in this quarter we have surpassed. But then we want to keep it on a conservative side so that we keep on achieving them and with our growth but we will not stop our growth because of these guidance's. So, these are only guidance. So far as the closing remarks is concerned, we would definitely for Q2 we will go for our advance's growth, asset quality growth as well as our PCR that we will also strive to reach our levels of 85% as early as possible. And then regarding the CRAR we would like to improve it further by improving the credit density. So, these are the things which you are aware, bank is doing quarter on quarter and we would continue to do so.

- Thank you very much.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank**
- Thank you, sir.
- **Moderator:**
- Thank you.
- **End of transcript**