



# Q2 FY2022-23 EARNINGS CONFERENCE CALL TRANSCRIPT

Thursday, October 20, 2022



## Management:

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**Mr. Debashish Mukherjee**

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**Mr. K Satyanarayana Raju**

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**Canara Bank**  
**Q2 FY 2022-23 Earnings Conference Call/Analyst Meet**

– **Moderator:**

- After the initial comments from the management, we'll have the Q&A. Without any further delay, I'm handing over the mic to the MD.

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

- Thanks a lot. First of all, let me convey my gratitude and thanks to all the analysts for participating in this session with the management. I would like to tell the highlights in brief, because other things we have already seen from the presentation which we have uploaded.
- We have a decent business growth in Q2 FY23, especially in credit size it is about 20% and deposits have grown by 9.82%, both above the industry average, and business has grown by 13.89%. In the last 12 months, we have added about roughly 2.4 trillion balance sheet to the existing outstanding, and now it stands at 19.58 trillion, the balance sheet size. Going forward, we are of the view that the growth momentum which we are observing, will continue, and we'll be having a decent double-digit growth.
- Coming to the credit side, especially retail credit, RAM, which is about 55% and Corporate is 45%, as we have given the guidance that our credit portfolio will be 55% RAM, 45% Corporate, plus/minus 2%. So, we maintain a RAM percentage of 55%, and the RAM has grown by 16.4%, Retail has grown by 12.52%, Agriculture about 22%, MSME about 13% and Corporate at 25%. Overall growth is at 20%. And, regarding the recovery under the present quarter, we have seen a very good recovery. In the sense, our cash recovery was about 1,876 crores plus a cash recovery of 1,205 crores in written off accounts. Getting recovery in written off accounts is one of the, I can say, a bit difficult task. However, my people have contacted the written off accounts and the borrowers, and we could recover about 1,205 crores in the Q2 FY23 quarter. Regarding upgradation, again in this quarter it was a bit attractive and it was about 1,523 crores. Percentage wise, it was... I think reasonably good work has been done. The Gross NPA has come down from 8.42 to 6.37, and going forward, we are hopeful that as we have given the guidance of 6%, we'll be achieving that. And, Net NPA has come down from 3.21% to 2.19%, and as we have given the guidance, the Net NPA will be less than 2% in a shorter period. We are very interested in increasing the Provision Coverage Ratio, and it has increased from 82.44% to 85.36%. Credit Cost we have controlled at 1.31, and slippages were at 0.35%.
- Now, coming to the main parameters regarding the Income and also the Expenditure. There is a decent interest growth, especially 20% in interest received and advances, and NII has grown to 18.51%. And, during the current quarter, it has grown by 9.57%. Expenditure we have controlled, and we have invested a good amount this time in IT and also in infrastructure, and going forward, this will give good dividends. And, the Operating Profit which was at 5,604 Crores in September 2021, has increased to 6,905 crores in September 2022, showing a Quarter on Quarter growth of 4.5% and Year on Year growth of 23%. Net Profit, we're happy to share that. The YoY growth is about 89% and QoQ growth is about 25%.
- So, what we observe is, there is a decent business growth, a very good recovery, and also, the ratios are very attractive. And, the capital has strengthened, the CRAR has increased from 14.37% to

16.51%, and common equity from 10.09% it has increased to 11.14%. With this capital, and also the deposit base, we are future-ready to take a good credit growth, which will ultimately lead to good income.

- Some key ratios I would like to share with you. ROA for the quarter is 0.79%, our projections were 0.70% for March 2023. And Return on Net Worth we have touched 18.86, and Cost to Income Ratio is at 43.68, which is one of the lowest we have. And, Earnings Per Share is about 55.22, from 29.86 in September 2021... now it is at 55.22. And then NIM, from 2.77 now it has been increased to 2.86.
- With all these good parameters, now our philosophy and aim is, whatever extra income and additional income we are earning, we want to pass on to our depositors, because of which we have brought in a new deposit scheme i.e. 666 by paying 7% interest, and for senior citizen it is 7.5%. In the last 12 days, there was a very good traction and more than 8 lakh fixed deposits were opened with a significant amount, which will help Canara Bank in the current quarter and also the coming quarter, to take care about the credit demand that is very much visible in Canara Bank. With these few observations, now it is open for Questions & Answers. Over to you sir.

– **Question & Answer Session:**

– **Moderator:**

- Thank you sir. Participants, if you want to ask a question, please raise your hands. And, if you're calling in from a dial-in number, please \*3 to ask a question. There's a call-in user who has a question. Please unmute yourself and ask your question. The question is from the line of Mona Khetan, please unmute yourself and ask your question.

– **Ms. Mona Khetan - Participant:**

- Hi sir, am I audible?

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

- Yes you are. Please go ahead.

– **Ms. Mona Khetan - Participant:**

- Hi sir. Good evening and thanks for taking up my question. So, the first query is on restructured book. Where would the aggregate book stand today?

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

- Ma'am, regarding the restructured book i.e. Resolution Framework 1 and Resolution Framework 2, which we have not given in this one, because now it is history. However, I will share the details with you. In Resolution Framework 2, the slippages were about 13% and remaining is performing.

– **Ms. Mona Khetan - Participant:**

- Is this this quarter or cumulatively?

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

- Cumulative ma'am.

– **Ms. Mona Khetan - Participant:**

– Okay. And, where does the book stand if I have to restructure the MSME outside and then...

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

– It is at 20,000 crores. Earlier it was 24,000 crores. There is recovery of about 3,000 crores. Now it has come down to 20,000 crores.

– **Ms. Mona Khetan - Participant:**

– Okay. Actually, last quarter you had mentioned about 18,000 crores. So, it was no reconciling with this 20,000 mentioned in these notes to accounts. What exactly happened in between?

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

– Ma'am, earlier we have included all the sectors and that was the figure. Now we're showing about the RF 2 which I'm telling you about.

– **Ms. Mona Khetan - Participant:**

– Okay. So, this is just Resolution Framework 2?

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

– Yes.

– **Ms. Mona Khetan - Participant:**

– But, if we include all the sectors, where would the number stand?

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

– Eligible under RF 2.

– **Ms. Mona Khetan - Participant:**

– Okay sir. And, can we have the breakup of your slippages?

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

– Yes. Slippages were 3,500 crores, out of which 1,200 crores is Agri, 1,300 crores is MSME, 600 crores is Retail and rest is miscellaneous, 400 crores is miscellaneous.

– **Ms. Mona Khetan - Participant:**

– And just finally, if we refer to Infra NPA, it has declined by about 1,600 crores on a QoQ basis. Is there some large recovery? What exactly has happened there?

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

– Infra, the NPA now it has come down to 6.79%. The amount is because of repayment in regular accounts, as well as in NPA accounts also, in various accounts.

- **Ms. Mona Khetan - Participant:**
- Okay, sure. And finally, where would our ECLGS book lie?
- **Mr. L V Prabhakar – MD & CEO, Canara Bank:**
- As on date?
- **Ms. Mona Khetan - Participant:**
- Yeah?
- **Mr. L V Prabhakar – MD & CEO, Canara Bank:**
- GECL book, what is the figure? One minute, I'll share it with you. Ma'am, we have disbursed about 18,000 crores, and sanctions were about 19,000 crores. This is the amount which we have disbursed and sanctioned under ECLGS as on 30<sup>th</sup> September, 2022.
- **Ms. Mona Khetan - Participant:**
- Okay. And, what sort of slippages have we seen from this portfolio?
- **Mr. L V Prabhakar – MD & CEO, Canara Bank:**
- Out of this, 669 crores is the slippages. Out of sanctions of 19,000 and disbursement of 18,500, slippages is 669. That is around 3-4%.
- **Ms. Mona Khetan - Participant:**
- Got it. Thank you so much. I'll come back in the queue.
- **Mr. L V Prabhakar – MD & CEO, Canara Bank:**
- Thank you.
- **Moderator:**
- Thank you ma'am. Participants, if you wish to ask a question, please do so by pressing the 'raise hand' button on your touchtone application. The next question is from the line of Mr. Deepak. Sir, please unmute yourself and go ahead.
- **Mr. Deepak - Participant:**
- Am I audible sir?
- **Moderator:**
- Yes you are.
- **Mr. Deepak - Participant:**
- **Mr. L V Prabhakar – MD & CEO, Canara Bank:**
- Please go ahead, Deepak ji.

– **Mr. Deepak - Participant:**

- Thank you very much for the opportunity. Sir, I wanted to understand, in your opening remarks you mentioned about the good credit growth demand visible, right? And, this extra deposit that you are taking will help you lead that growth demand. As such, we are already at about 20% growth. So, I just wanted to understand, annually we are still kind of looking at 8% growth, so there's a big disconnect between what we are achieving and what we are suggesting. Any comments on that would be quite helpful.

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

- Regarding the projections which we have given in the beginning of the year, 8% credit growth, that is considering that there would be one COVID wave or there would be recession; taking all those factors into consideration we have given 8%. However, such things have not happened and there is a very good climate for credit growth, so we could achieve 20%, and 20% is a very decent growth. We are confident that there will be a decent double-digit growth which is more than 8%. Now coming to the funds which we are raising for the annual lending, as we said, our target is to maintain RAM 55%, Corporate 45%. In RAM you have already seen a growth of 16.4% which includes retail, agri, MSME and others (except corporate). This growth, we expect that during the current quarter, will continue. So, for that, we require funds. And, going forward we of the view that, because of the liquidity situation in the market, the deposit rates are bound to rise. If you have first in the market, you get the advantage. With the amount which we have mobilised, i.e. more than 8 lakh FDRs, we are in a comfortable position to take care about the decent double-digit credit growth that is going to be there in the current quarter and the coming quarters.
- Coming to Corporate, 45% of my loan book, Corporate, nowadays we are seeing lot of inquiries. And, lot of withdrawals also we are seeing, especially in infra, especially in NBFCs, in petroleum, coal products, and also in chemical. And, to some extent in iron and steel and also food processing. So, we observe that during the current quarter, there will be good demand from corporates also. So, our aim is always to be ready for the future, and to have a strong balance sheet.

– **Mr. Deepak - Participant:**

- Fair enough. And just a follow up, you mentioned decent double-digit credit growth. So, is 15-20% the range that we're looking at?

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

- See, I said a decent double-digit growth. When I say 8%, we have shown 20% growth. So, when I say decent double-digit growth, you can understand.

– **Mr. Deepak - Participant:**

- Okay, fair enough. That's it from my side. All the very best sir.

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

- Thank you sir.

- **Moderator:**
- Our next question is from the line of Mr. Ashok. Please unmute yourself and go ahead. Mr. Ashok, are you there? Okay, we'll move to the next question. Our next question is from the line of Mr. Prakash. Sir, please unmute yourself and go ahead.
- **Mr. Prakash - Participant:**
- Am I audible?
- **Moderator:**
- Yes, you are sir.
- **Mr. Prakash - Participant:**
- First of all, congratulations for the good numbers shown in this quarter.
- **Mr. L V Prabhakar – MD & CEO, Canara Bank:**
- Thank you sir.
- **Mr. Prakash - Participant:**
- I have few questions. One is, I remember last time you mentioned that because of the RBI change of REPO rate, which you put into effect only from 7<sup>th</sup> July onwards, so there is going to be some additional interest of about 250 crores. So, in this quarter, when I calculate the simple NII (interest received – interest expended), in June quarter it was 1,558 crores and in September it was 1,986 crores, which increased by about 428 crores. So, can I presume that out of 428 crores, 250 crores were because of the 50 bps increase which was given in the floating rate account w.e.f. 7<sup>th</sup> July? It means, in the next quarter, which is the December quarter, we won't see such increase of 428 crores in the NII.
- **Mr. L V Prabhakar – MD & CEO, Canara Bank:**
- Here, let me answer in a different way. See, this time the NII was at 7,434. Again you all know that this is based on the cost of deposits and also yield in advances. 250 or 200 crores which we received because of REPO increase is factored in, and that 250 will continue this quarter also, because it is already inbuilt. Not only that, apart from that, in the hardening interest rates, we increase the spread also and also the interest income from other than RLLR also, for eg. MCLR. MCLR we have increased. MCLR is also contributing. Apart from that, in a normal course, corporate advances also we have increased the rate. So, the estimation that only 250 crores out of 400 crores is there, which will not be available, will not be true in the coming future. It may be a part of that, but there will be further resources and avenues, because of which we are targeting to have a good NII.
- **Mr. Prakash - Participant:**
- Okay sir. The second thing, our provision for NPA, it is hovering around 2,600 to 2,700 crores. Do you see it coming down in the coming quarter, or will it hover around a similar range?

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

– I will not comment about the figure, but I will share with you our principles. Our principle is, if you have followed me in the last 2 years, I have always said that I want to have a healthy PCR, and also my balance sheet should be ready for the future. In the sense, proactively we want to make more provisions. As you know, in big accounts where 15% provision is required, Canara Bank has made 100% provision. So basically, if you see the provision of 2,700 crores of this one, there are accounts where we have aggressively made provisions and we continue to do that.

– **Mr. Prakash - Participant:**

– Good sir. And sir my last question, employee cost has come down by 300 crores as compared to the previous quarter. What is the reason for this? The number 3,119 crores for this quarter, will this continue in the next quarter also?

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

– Sir, here actually there are 2-3 points which I would like to share with you. Canara Bank is one big bank which is paying PLI to its employees in the last 2 years, 15 days i.e. full PLI. And in Q1, PLI amount is there, which will be paid again in the next Q1 of FY24. Whereas, that PLI is not there during the current quarter, because of which there is a difference in the staff cost. Second point is, seniors are retiring and their cost is being reduced. Even if we recruit new people, the cost is very less. So going forward, staff cost will be moderate, whereas, since Canara Bank is making good profits, we want to give maximum benefits to our staff. To that extent, the amount may be increased, but it may not be significant.

– **Mr. Prakash - Participant:**

– Very good sir. All the best sir. I'll come back in the queue sir. Thank you sir.

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

– Thank you sir.

– **Moderator:**

– Thank you sir. I request participants to please keep their questions to two as there's a long queue. The next question is from the line of Mr. Bhavik Shah. Sir, please unmute yourself and go ahead.

– **Mr. Bhavik Shah - Participant:**

– Hi sir. Congrats on a very good set of numbers.

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

– Thank you very much.

– **Mr. Bhavik Shah - Participant:**

– Firstly sir, I wanted to understand, how is the liquidity situation with the bank? what would be Excess liquidity in Rupees in crores and how much would be the LCR as on date?



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

– Let me share with you the LCR number. LCR number is always an average number of 90 days. It is 122%. The RBI requirement is 100%. So, as far as liquidity is concerned, Canara Bank is maintaining very well the liquidity position, neither surplus or deficit, because we want to deploy the funds effectively. Now coming to the liquidity portion, as on date Canara Bank is not having any liquidity problem, because as you know, we have floated one deposit scheme 666 where more than 8 lakh deposits were opened, including 666, with huge amounts. So for Canara Bank, resources or liquidity is not going to be a problem in the current quarter and in the coming quarter.

– **Mr. Bhavik Shah - Participant:**

– Sir, taking that a little further, given that we're paying higher on fixed deposits compared to other SOE banks, what would be the outlook of margins in the next 3-4 quarters? Because of repricing, can we expect a similar kind of delta over the next 2-3 quarters?

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

– See, our guidance regarding NIM is 2.90. Today we are at 2.86. So, we'll be achieving 2.90. For eg. if you see my interest earned and OP, it has increased tremendously. Now as a management I have two points to answer. One is, whether to continue with this abnormal OP without passing any benefit to my depositors, or to share some of this to my depositors. I have a depositor base of more than 10 crores, and my depositors are very loyal to Canara Bank. So, during the time of high inflation, we thought that we have to pass on some benefit to the depositors. This is the main reason because of which we are passing on 50 bps more than the market to my depositors. But, I am making good money in advances also. That's because, my interest income on advances is growing by 20%, and I am getting non-interest income also at 13-14%. Fee based income I'm getting at 18%, that is 1,700 crores plus. So, our aim is, pass on some benefit to the depositors, they will be with you life-long; that is the concept along with maintaining the margin. This is the philosophy on which we are working, and it is working well.

– **Mr. Bhavik Shah - Participant:**

– Understood sir. Sir lastly, a couple of data keeping questions sir. Sir, last quarter our restructured book was 18,000 crores. On similar like to like basis, what would it be this quarter?

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

– It is... Majumdar ji.

– **Mr. S K Majumdar – CFO, Canara Bank:**

– Sir, for RF 1, our present liability is around 4,420 crores. For RF 2 it is 12,089 crores. So, both put together is around 16,000 crores.

– **Mr. Bhavik Shah - Participant:**

– Okay. And, would MSME get added to this?

- **Mr. S K Majumdar – CFO, Canara Bank:**
- Yes, MSME we have another, that is OTR of that old... is another 2,300 crores.
- **Mr. Bhavik Shah - Participant:**
- So, the total would be around 18,300 crores.
- **Mr. S K Majumdar – CFO, Canara Bank:**
- Exactly.
- **Mr. Bhavik Shah - Participant:**
- Sir, has it increased quarter on quarter?
- **Mr. S K Majumdar – CFO, Canara Bank:**
- No no, it has only come down quarter on quarter.
- **Mr. Bhavik Shah - Participant:**
- Sir, last quarter 18,000 was the number. So, I'm not sure if 18,300 is comparable to 18,000.
- **Mr. S K Majumdar – CFO, Canara Bank:**
- No no, what you are comparing may be last quarter we told of RF 1, RF, 2. This is not MSME OTR we spoke of. Last quarter, the figure that you have is of only RF 1 and RF 2, which has come down to 16,000 crores.
- **Mr. Bhavik Shah - Participant:**
- Clear sir. Thank you so much sir. And sir, what would be the slippages from the restructured book this quarter?
- **Mr. S K Majumdar – CFO, Canara Bank:**
- RF 1 the slippages... if you take out that future...
- **Mr. L V Prabhakar – MD & CEO, Canara Bank:**
- I'll answer. Sir, RF 1 it is about 3%, excluding future. RF 2 it is 13%. And, it is cumulative, not during the quarter. It is cumulative only.
- **Mr. Bhavik Shah - Participant:**
- Understood sir. Sir, that's it from my side. Good luck and thank you.
- **Mr. L V Prabhakar – MD & CEO, Canara Bank:**
- Thank you.

- **Moderator:**
- Thank you sir. Our next question is from the line of Mr. Pranav. Sir, please unmute yourself and go ahead.
- **Mr. Pranav - Participant:**
- Hi, can you hear me?
- **Mr. L V Prabhakar – MD & CEO, Canara Bank:**
- Yes.
- **Mr. Pranav - Participant:**
- Sir, so 2,300 crores is MSME, and there 16,000 crores RF 1 + RF 2. So, total is 18,000 roughly. And out of this, 3% has slipped from RF 1 and 13% from RF 2, right?
- **Mr. L V Prabhakar – MD & CEO, Canara Bank:**
- Yeah.
- **Mr. Pranav - Participant:**
- And sir, above that security would be around 2,500 crores? Is that right?
- **Mr. S K Majumdar – CFO, Canara Bank:**
- Yes sir.
- **Mr. Pranav - Participant:**
- So, out of this 2,500, is there any outstanding provision?
- **Mr. S K Majumdar – CFO, Canara Bank:**
- We have almost fully provided, and I think only few hundred crores are left to be provided.
- **Mr. Pranav - Participant:**
- Right. Perfect sir. Sir, can you just spend some time on actually giving some colour on loan growth? What sectors are coming? Is it retail, is it corporate, SME, MSME, and will it continue? Is it capex related? Is it consumption related? Is it working capital related? Any colour would be really helpful. Thanks a lot sir.
- **Mr. L V Prabhakar – MD & CEO, Canara Bank:**
- Sure. Our principle is, we want to maintain a ratio of 55% under RAM and 45% under Corporate, plus/minus 2%. So, during the current quarter, our RAM is about 55%, which is growing at 16.4%. Now, let me discuss regarding RAM. We say RAM is Retail, Agriculture and MSME. Retail, it is growing at 12.5%, and within retail, housing is growing at 17%, and we are hopeful that the growth in housing will continue to be a decent double-digit growth. Agriculture and allied activities are growing at 21%, and this will be around this percentage next quarter also. MSME is at 13%. Since we

are seeing lot of demand in MSME, so this 13% to 14-15% we think will continue. To put together, again, under the RAM category, the growth will be about 16-17-18%, which would be decent growth. So, 55% of my portfolio will be growing at a decent double-digit growth.

- Now coming to corporate. In corporate, we have seen traction and a very good growth in infrastructure, NBFCs, then iron and steel, then we have seen in petroleum, coal products and a bit in construction and also chemicals and chemical products. During the current quarter also, we are hoping that these sectors will be doing good and the growth momentum will be sustainable. So overall the growth we see, it will be a decent double-digit growth for Canara Bank.

– **Moderator:**

- Okay, thank you sir. Our next question is from the line of Mr. Anand Dama. Please unmute yourself and go ahead.

– **Mr. Anand Dama – Participant:**

- Thank you sir for the opportunity. Sir the first question is on your overseas credit book and that's where we are seeing a lot of growth across public sector banks and so for us. So what are the key reasons why we're seeing this growth apart from a rupee depreciation.

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

- Let me tell you, in the last 12 months the credit book has grown by Rs. 1.4 lakh cores, bank as a whole. In overseas, it has grown by just Rs. 21,000 crores. Percentage wise it looks big, but amount wise, since the base is very small, percentage appears to be 85%. However, in terms of real amount, it is only Rs. 21,000 crores. So in 1.4 lakh crores, Rs. 21,000 crores overseas we feel it is a normal growth and this growth is coming from A, AA and AAA rated accounts and also very good corporates who are in India and abroad.

– **Mr. Anand Dama – Participant:**

- Sir, but then what made them borrow now or what made you lend them now that basically you were not doing a year back as such?

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

- In this overseas borrowing, there are borrowing by the banks also; some foreign banks and Indian Housing Finance company also which is a world rated company.

– **Mr. Anand Dama – Participant:**

- From overseas branches?

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

– Yes.

– **Mr. Anand Dama – Participant:**

– And why would they do that? So it's basically ECB funding that we are doing?

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

– Yes, exactly sir.

– **Mr. Anand Dama – Participant:**

– So how much would be ECB and how much would be buyers credit of the overseas book that we would have to...?

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

– Most of the portion is lending not buyers credit.

– **Mr. Anand Dama – Participant:**

– Okay. Secondly, we have moved to the new tax regime during the current quarter. So basically how have we done the DT adjustment? So we have knocked off the ETF from the asset book but is there a net worth adjustment also that we need to do, one and what is the tax rate that we should expect for the full year now going forward? Whether it will be 25% or it will be still less than 25%.

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

– Our CFO will be replying this question.

– **Mr. S K Majumdar – CFO, Canara Bank:**

– Sir, your first question is how we have adjusted this, that is funded this to DTA, that is around Rs. 2,451 crore which we have told it is out of excess tax provision that we have made last year and first quarter of the present year. So it has been funded out of that. So it has not hit my present profit and loss account. It has not hit my profit at all.

– **Mr. Anand Dama – Participant:**

– But net worth, right?

– **Mr. S K Majumdar – CFO, Canara Bank:**

– DTA reduction means my capital base goes up, me CET1 goes up, my CRAR goes up. That has gone up by almost 40 basis points each.

– **Mr. Anand Dama – Participant:**

– That I agree. But sir, from your net worth it should get adjusted, right?

– **Mr. S K Majumdar – CFO, Canara Bank:**

– No sir, it will only reduce my net worth if it is a charge on my profit. It is a charge on my profit which has been funded out of tax provision, additional tax provision more than requirement which I had made last year and the first quarter of the present year which has neutralized it. I'll explain you if you want to know a bit more. Last year, I had an unadjusted accumulated loss of around Rs. 18,000 crores. So technically I need not pay any tax last year. But I made a tax provision of around Rs. 1,500 crore plus last year and this year when I started the year, I had accumulated loss of around Rs. 8,000 crores. So this year also up to this September, I need not pay any tax. But still in the first quarter I made a provision of around Rs. 900 crores which was adequate for me to fund this DTA. So that is the reason my profit and loss is not hit which you said that my net worth would have been eroded by that amount is not eroded but it was already funded.

– **Mr. Anand Dama – Participant:**

– Okay. So what's the tax rate we should expect for the full year?

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

– Here let me add something.

– **Mr. S K Majumdar – CFO, Canara Bank:**

– We will move to 25% from 35%, 34.9%.

– **Mr. Anand Dama – Participant:**

– Yeah, that's okay. actual tax rate would be?

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

– Let me add something sir. This particular migration from higher tax to lower tax we are working for the last 1½ years. It is not that today we have taken the decision. For this in order to avoid the hit or the reduction in the net worth, we have made excess provision in the last year itself for the tax and

also in the first quarter of this financial year knowing very well that this money will be required when we migrate to the lower tax regime. It is a well calculated move which is paying dividend today.

– **Mr. Anand Dama – Participant:**

– Sir, I understand the tax balance sheet adjustment. But how does that affect basically the accounting part of it? So you have knocked off from the assets the DTA on the liability side also, there should have been some adjustment to that amount. So whether it was to other liabilities some provisions that you would have made?

– **Mr. S K Majumdar – CFO, Canara Bank:**

– No, that provision of tax of equal amount has been reversed.

– **Mr. Anand Dama – Participant:**

– Okay. Sir, I'll take it offline.

– **Moderator:**

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

– **Mr. Saket Kapoor – Participant:**

– Namaskar sir, and thank you for this opportunity.

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

– Namaste sir.

– **Mr. Saket Kapoor – Participant:**

– I will just bunch my questions in the paucity of time. Firstly sir, our EPS for H1 has been Rs. 27, and correct me sir, we were guided Rs. 40 for the full year. So can we expect an upward guidance since the likelihood of breaching 40 should be by the next quarter itself, barring unfortunate circumstances? My first point and secondly sir, how have the hardening of this G-Sec rate, the government securities, the 10-year on benchmark have affected our treasury portfolio? Going ahead sir, if you could give us the trajectory of how the NIMs are going to shape up and then I have one more follow up sir, please answer. Thank you.

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

– Sir, regarding your first question, EPS. Today we are already at 55.22. We have already crossed 40 which we have given the guidance and we are hopeful that this will be improving further going forward. So that 40 is now history. Now, regarding the NII. The momentum which we are observing will be maintained going forward because the way in which we are seeing the demand for the credit and also from the good corporates who are ready to afford a bit higher rate of interest. So NII we are going to maintain. There will not be an issue regarding the NII. Regarding the treasury, yes. As you know, in Q1 we made good money in treasury because of the proactive actions taken by my treasury. This quarter we did not have much impact regarding the depreciation on our treasury income. However, the treasury income is a bit less because of the existing conditions. Next quarter, we are hopeful that the situation will improve and we will be in a position to make some money from the treasury also. However, we don't see any depreciation as far as the portfolio is concerned. At the most there may be a depreciation of Rs. 200 – Rs. 300 crores which is very negligible as far as my balance sheet is concerned.

– **Mr. Saket Kapoor – Participant:**

– Sir on the EPS front, are you annualising the first half number sir?

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

– I will give you the two EPS. One is quarter wise it is 55.22 and for cumulative for 6 months it is 50.27.

– **Mr. Saket Kapoor – Participant:**

– Okay. Correct me here sir, when I look at your reporting numbers, we find the EPS at consolidated for this first half at Rs.27, Rs. 26.93 paise. So where are we getting this Rs. 52 number, sir? I'm referring to page no. 4 of the slide.

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

– We have given on page no. 21, EPS annualized.

– **Mr. Saket Kapoor – Participant:**

– Sir, you are annualising the first half numbers; that is what I'm asking.

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

– Yes.



– **Mr. Saket Kapoor – Participant;**

– Because the performance may vary, sir. Is it going to be a granular number going ahead also, sir? Can we look forward for that?

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

– See our only commitment is we want to do better than what we did earlier. That's the only target for us.

– **Mr. Saket Kapoor- Participant:**

– Correct. Last point is , what portion of our portfolio, the loan book is on floating rate and how much is on the fixed rate part? With the increase in the repo rate, how is the incremental interest margin is going to be? And your guidance on the net interest margin sir shipping a head, in percentage terms.

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

– As on that we don't have any advances on fixed rate, all are floating rate.

– **Mr. Saket Kapoor – Participant:**

– 100% book is on floating?

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

– Yes. And I can only say that whatever ratios we have given this time, next time we will try to better those ratios.

– **Moderator:**

– Thank you sir. Our next question is from the line of Mr. Ashok. Please unmute yourself and go ahead.

– **Mr. Ashok – Participant:**

– Sir, a lot of the queries and questions have been answered by you very calmly and with a great reassurance. I have just one, the recent development by the RBI on the rating agencies, they are not giving guidance to rate the corporates, especially the large accounts with the names of the banks for which this limit is being rated. Sir, have you gone through that and whether can I see some clarifications on that from you that how is it going to be impacted?

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

– See, we have come across with this one and still we are also, I can say studying because the time is there and for further clarifications I have my CGM Risk who handles the rating, he will be responding this. Please Mr. Rao.

– **Mr. Ashok – Participant:**

– So sir my question is basically that most of the time when the loan is at the second stage, that time the ratings have been called for, I mean the previous rating or rating of the company. By that time it is not clear that which bank is going to sanction the loan out of the various banks where the loans are applied. So generally the rating is for an amount that this is the amount which we are seeking, this is the amount which we are going to see, say Rs. 1000 crores or Rs. 2000 crore, that time the names of the banks may or may not have been known, only the existing banks who have given the credit, their names can be given, but not the bank which is assessing the proposal.

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

– You are perfectly correct, that's why I said still there is time. So we are also working and discussing internally and we will be giving the feedback.

– **Mr. Ashok – Participant:**

– Okay sir. So we'll wait for the clarification you, the ban and also the RBI. Sir, my second observation and some answer from you that we have very large number of subsidiaries and associates. I think, we have 8 subsidiaries and 5 associates and a lot of money has been invested in those subsidiaries whereas when you see the operating profit, the consolidated profit, it is just Rs. 75 – Rs. 80 crores more than your standalone profit and if you look at the net profit, it's again the same. You know, like kind of a thing. So ultimately at the end of the day, are we just banking on the valuations of these companies or their products or we do we want to bring in something in our profit and loss account and our balance sheet also?

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

– Very good question. Let me tell you for example CanFin Homes, they are doing very good profit – OP and NP, and going forward we are confident that this particular subsidiary or associate is going to perform very well. Now coming to Canara HSBC. We are seeing a very good traction in Canara HSBC as far as the business is concerned, and going forward the evaluations are going to be very good when they come out with for IPO. Canara Robeco is another best mutual fund in India which is giving good returns and excellently managed. So these are all the jewels for Canara Bank.

– Today profit in terms of comparison to parent Canara Bank may be less but going forward these companies or subsidiaries are going to give huge returns. That is why we are not selling the stake in these companies. And regarding Gramin Banks, I have 4. For example Andhra Pradesh Gramin Bank. It started making Rs. 326 crores profit and same way I have other Gramin Banks like Kerala Gramin

Bank. It is making Rs. 129 crores profit. So going forward these things are going to give huge dividends to Canara Bank.

– **Moderator:**

– Thank you sir. Our next question is from the line of Ms. Marookh. Please unmute yourself and go ahead.

– **Ms. Marookh – Participant:**

– Hello sir. Congratulations.

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

– Thank you ma'am.

– **Ms. Marookh – Participant:**

– Sir, I had just a couple of questions. Firstly, you said that you would try to better all your parameters next quarter. How do you view your margins? Because you also said that you have to pass on something to depositors too so that they stay loyal to you. So how do you view your margins going ahead? Do you think the peak is here or there is hope for improvement given MCLR repricing? What's your view on margins in the next one to two quarters?

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

– Ma'am, regarding margins going forward, the margins are going to increase. As we said NIM, our guidance is 2.90. Today we are at 2.86. So margins will increase and the thing which I have said that we have to pass on some benefit to the depositors that will help the bank in the long run to improve the margins. See, there is a demand for the deposits in the market because we don't see the liquidity which was available 4 months ago, 5 months ago today. Under this scenario and also taking into consideration the present inflation which is there, it is justifiable and also required that you should pay interest which will help the depositors to take care about the inflation and also to continue with Canara Bank.

– And regarding the margins. Now the lending is being done at a higher rate and people are ready to take; well rated companies. So for Canara Bank margin will not be an issue. The outcome will be my depositors will be happy, they continue to bank with me and also deposit money in my bank. It will ultimately lead to a very good liquidity position for Canara Bank which I will be deploying in the credit. As you have seen during the current quarter, Y-o-Y growth is about 20%. To maintain a decent double digit growth, you need resources, deposits and for that you have to pay a bit more also.

– **Ms. Marookh – Participant:**

– Got it sir, very well explained. I just have one more question dwelling a bit more into what Anand Dama was asking. So this question on international loans and where there have been lend keeps coming up because what has happened is it's a coincidence that all PSU banks have started showing growth in international loans at the same time. So there is no lead lag or any such thing. Except Baroda which was anyway strong in international loans everyone has upped their lending just in the last 2-3 quarters. Part of it will be exchange depreciation. But if you could have a rough breakdown on how much growth has come through exchange, how much is to overseas banks that we talked about and how much is to overseas corporate and how much is to Indian corporates. So any such broad classification?

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

– Ma'am if you see the increase in figure in overseas, it is only Rs. 21,000 crores which is not a big amount and in this Rs. 21,000 crores, Rs. 4,000- Rs. 5,000 has gone to the banks, we have financed the banks and remaining is for well reputed high rated corporates.

– **Ms. Marookh – Participant:**

– Got it. And these are international banks?

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

– Yes. And one Indian Housing Finance Bank is also there.

– **Moderator:**

– Thank you ma'am. Next question is from the line of Mr. Rushab . Please unmute yourself and go ahead.

– **Mr. Rushab – Participant:**

– Hi sir. Congratulations for the good results. Sir, considering the increase in deposit rates and the 666 scheme that have come up, what is the expected growth in deposits for next 3-4 quarters?

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

– I can say next two quarters. Next two quarters there will be a decent deposit growth of double digits. And the deposits as I said, in the last 12 days we have mobilized more than 8 lakh fixed deposits which are going to stay with Canara Bank and these are all retail deposits.

– Regarding the deposits, just as I was explaining, it got disconnected. We are going to see a decent double digit growth in deposits also in the current quarter, that is Q3 FY23 and also Q4 FY23 because

we have already mobilized more than 8 lakh fixed deposits from various customers which are all retail. So this money is going to stay with Canara Bank. So there will be a very decent deposit growth.

– **Mr. Rushab – Participant:**

– And this additional deposits that we are taking in, the cost of those deposits are typically less than the borrowing or is it higher? Just wanted to understand.

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

– We are always conscious about the margin to be earned. So always we lend at a rate taking into consideration of our margins also and the 7% percent is only for 666 whereas for other deposits, it is 2.5, 3.5, 4, 5 different rates are there. So it is not that all the deposits are at 666. 666 actually it has created a wave in the market that deposit money in Canara Bank.

– **Mr. Rushab – Participant:**

– Got it, okay. And sir lastly, wanted to understand as you mentioned the entire advances book of Canara Bank is floating so just wanted to confirm if even the commercial advances are floating or only the retail advances we were talking about.

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

– No all advances, except loan against FDR which fixed we give all other are either any of the floating rates only. No fixed rates we have given.

– **Moderator:**

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

– **Mr. Jai Mundra – Participant:**

– Hi sir. Good evening and thanks for the opportunity. Sir, our NIM's guidance of 2.9% is it for FY 23 or this is like exit quarter FY23, I mean 4<sup>th</sup> quarter?

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

– Sir it is for 31<sup>st</sup> March 2023.

– **Mr. Jai Mundra – Participant:**

– For the full year?

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

– Full year.

– **Mr. Jai Mundra – Participant:**

– Sir, the capital number that we have shown, this includes the interim first half PAT number, right?

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

– Yes. Excluding 20%.

– **Mr. Jai Mundra – Participant:**

– And sir, if you can share the slippages breakup for this quarter of around...?

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

– Sir out of this 3,500, 1,200 is under Agriculture, small ticket loans, 1300 is under MSME, 600 is under retail and leftover 400 is other accounts.

– **Mr. Jai Mundra – Participant:**

– Last question sir, is there any one off in the net interest income line item? Because while you have clearly shown a very huge loan growth, the interest on advances have also gone up significantly. So is there any one off or any NPA recovery which is also coming in interest advances line or this is like usual?

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

– No sir, this is all, the growth in credit and also the increase in interest rates which we have implemented in the last 3 months that has given this increase in interest income which is about 20% Y-o-Y. No one off instance.

– **Mr. Jai Mundra – Participant:**

– And if you can sir, we used to share the SMA 1 and 2 at overall bank level. The reason I'm asking, sir, is in this quarter also large part of the slippages have come from below 5 crore accounts, right? So if you can help us with the SMA 1.

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

– We will share with you, sir.

– **Moderator:**

– Thank you sir. With keeping in mind the time, this was the last question. Hand over the mic to MD sir for his last closing comments.

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

– First of all, from Canara Bank side and from the management side, we thank the investors and also the analysts who are very cooperative to Canara Bank and bringing out the actual position in the market. Second one is, as we are committed that each and every staff in Canara Bank is committed to the bank and the growth momentum will continue in the coming quarters also. The growth is not in one sector or in one region, it is spread over on agriculture, MSME, retail, corporate, all those things. So we are of the strong opinion and confidence that the growth will continue in the current quarter also. With these words, I thank one and all.

– **Moderator:**

– Thank you, sir. On behalf of Antique Stock Broking and Canara Bank, I thank all the participants for joining the call. Have a good evening everyone. Bye.

– End of Transcript