

Q2FY24 Earnings Conference Call -- Canara Bank

October 26, 2023

- **Moderator:**

- Good afternoon everyone. On behalf of Antique Stock Broking, we welcome you all. We have on the Canara Bank management team side, Mr. K. Satyanarayana Raju – MD & CEO, Mr. Debashish Mukherjee – Executive Director, Mr. Ashok Chandra – Executive Director, Mr. Hardeep Singh Ahluwalia – Executive Director, and Mr. Bhavendra Kumar Executive Director along with other senior members of the team. Thank you, Sir for giving us this opportunity to host the Q2 FY24 post results earnings call. Without further delay, I hand over the call to MD Sir for his opening remarks, post which, we can open the floor for any queries. Thank you, Sir and over to you.

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

- Good evening, Sir for all the investors and all our well-wishers. I wish to share few highlights of this quarter performance with all of you. Of course, by this time you might have gone through our presentation, still for the starting I want to share few glimpses on this. Our total business has grown year-on-year first-time double-digit growth in the last few years and reached a high-level total business level of 21.56 lakhs crores and our gross advances has grown at 12.11% and stood at 9.23 lakhs crore. Our operating profit has reached 7,616 crores with year-on-year growth rate of 10.3%. Our net profit has reached 3,606 with year-on-year growth rate of 42.81%. This profit - operating profit and net profit we could achieve it because of a good growth in the net interest income with 19.76% in the year-on-year and reached to that position of 8,903 crores. Our RAM credit has grown at 13.63% and stood at 5.17 lakh crore. Our gross NPA has reduced 161 basis points year-on-year and reached to that below 5% that is at 4.76% and our net NPA has declined 78 basis points year-on-year and reached at 1.41% and our PCR has further improved to 88.73% with a year-on-year change of 337 basis points upwards.
- Our retail credit growth has now crossed double-digit figure and it is grown at 10.56% and the total amount stood at 1.48 lakh crores and it is led by the housing loan with a 12.32% and educational loan at 14.68% and vehicle loan at 9.29%. Our return on equity, we continued the good performance that stood at 22.51% with year-on-year improvement of 514 basis points. Our CET1 that's a common equity, it's through internal accruals we could achieve 11.58% all time high that year-on-year improvement is 44 basis points. Our return on asset, first time in the last decade we have crossed 1% and stood at 1.01% with year-on-year improvement of 30 basis points. We are able to contain our expenses and maintained cost to income ratio well below 45% and it stood at 43.68% with an improvement of 53 basis points year-on-year.

- Our net interest margin, though there is a stress on the interest expenses, we are able to maintain just above the 3% that we stood at 3.02% with year-on-year improvement of 19 basis points. These are all the few glimpses we have shared with you Sir, but I'm sure that you might have gone through all our entire presentation. Along with me, all our four Executive Directors are there and all our top management is here. We are happy to receive any clarifications or corrections on our performance in this quarter, Sir. It now opens for all of you, Sir.
- **Moderator:**
- Thank you, Sir. So, we'll now open the session for any Q&A. I would request participants to limit their questions to 2 per participants, so that everyone can get a chance. Okay, so we'll wait for some time. Okay, so we have the first question from the line of Mahrukh Adajania. I would request to please mention the company name as well. Thank you.
- **Ms. Mahrukh Adajania:**
- Yeah, hello Sir. Good afternoon and congratulations Sir.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Thank you, madam.
- **Ms. Mahrukh Adajania:**
- Yes. Sir, basically my first question is on the outlook ahead for margins and the reason for that is in the festive season, all banks are offering lower rates on incremental loans like some retail incremental loans and all banks have increased their flagship deposit rates as well. So, would that from here on, will we be able to hold margins at 3 or what is the outlook like given that there's so much deposit competition, higher rates etc.? That's my first question, Sir.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Yes, Madam. Actually, it is true that there is a stress on the interest expenses, but sourcing of liabilities is not a big issue. There is a consistency growth in our liability side as we given the guidance of above 8%, we are growing the domestic deposit more than 8%. Even retail term deposits in absolute number, there is a growth of almost 20,000 crores in the last six months. Even in the Savings Bank, there is a 4,000 crores growth. In CASA there is more than 1,000 crores and absolute numbers, growth is there. That means the growth is there, but it is the present rate of interest what we are offering to the public and the term deposits is high. I don't see any further increase in the term deposits because there is a continuous inflow is there and we are not finding any difficulty in raising the resources at this rate of interest. So, that's the said, but because already we are offering at a higher rate of interest our pressure on margins is continuing. So, if the liquidity improves in the system for next two quarters then inflow may increase.

- If the inflow increases, our cost of deposit may come down then we may be able to maintain the around 3 or 3.05 what we projected, but if this current scenario continues with high interest rate and the same liquidity issue is there in the next two quarters, we may land up at 2.9, that is the range what we are expecting in the coming quarters.
- **Ms. Mahrukh Adajania:**
- Okay Sir, that's so clear and helpful. Sir, my next question is on the new investment guidelines by RBI, which are not yet applicable. What will be the impact on Canara Bank?
- **Mr. Debashish Mukherjee -- Executive Director, Canara Bank**
- We have made some assessment, not much impact will be there in our case because our mostly holdings are in HTM portfolio, so not much impact. That is all we can say right now.
- **Ms. Mahrukh Adajania:**
- Okay, Sir. Thank you.
- **Moderator:**
- Okay. So, we have the next question from the line of Mona Khaitan. Please unmute yourself and go ahead.
- **Ms. Mona Khaitan:**
- Yeah. Hi, Sir. Good evening and thanks for taking up my question. Sir, my first question is on the provisioning line. So, there is this other provision of 222 crores, what exactly is that about?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- See this is - see last one year also we are building up this. We have some stress in one big account of LRD that of course as it is continuing in that SMA, but in anticipation in future if any shock is there to prepare ourselves, we are providing additional provision for that. That is only a cushion what we are taking that, but as it is, that account is still continuing in the stress, but it is not NPA and last two quarters also we have provided 458 crores for that account, the same account now we are provided additional 200 crores approx.
- **Ms. Mona Khaitan:**
- Okay. So, total you have provided 458 crores or
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**

- Approx 650 crores.
- **Ms. Mona Khaitan:**
- Got it and how large is this account? I mean we have provided 650, so how much have we provided?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- With this, it will be sufficient to meet the requirement of the provisioning.
- **Ms. Mona Khaitan:**
- Okay, okay and
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Even if it slips, but we don't see that, but in anticipation why to keep that when we have surplus, we are in anticipation of that we are providing this.
- **Ms. Mona Khaitan:**
- Got it. So, will it be like 50% provisions against this account or higher?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Pardon.
- **Ms. Mona Khaitan:**
- Will this 650-crore be like 50% provisions against that account or will it be higher?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Ultimately, whatever it is required, we have provided it.
- **Ms. Mona Khaitan:**
- Got it, Sir. So, apart from the NPA provisions which we provide under the PCR and this 650 that you already mentioned, do we have any other provisions made against the SMA book?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, that's always we take a future ready that's the stand what we are taking the Canara Bank for last three years that always our provisioning will be aggressive saying that the future ready balance sheet. The same tendency is continuing every quarter. Our provisioning will be always in aggressive side.
- **Ms. Mona Khaitan:**

- No, so what I'm trying to understand is against our SMA book, you mentioned this LDR account and against which you provided 650 crores, is there any other provisions apart from the 650-crore against the SMA book or any particular account?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- See when our PCR is more than 88.73 that itself shows that how much extra it is there. It's not required to be disclosed individual account wise how much we provided. We are already maintaining a provisioning coverage ratio. We have given a guidance that we will try to reach 90% by the end of this financial year and we are moving on that direction that means that it's not that required only the required provisioning we are making we are making provisioning beyond that. In addition to that whatever the employee's expenses because you know that the bipartite settlement is due for that agreement and it is due for the last November 2022 onwards. We started providing that 15% every month and this quarter also we provided only for that incremental in future suddenly if we have to pay the arrears, there should not be any shock to that balance sheet. That's why in anticipation of that this quarter also we provided 345 crores for that.
- **Ms. Mona Khaitan:**
- Got it, Sir. And just finally on the restructured book, can you share the outstanding amount and how much has slipped through the quarter so far?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- See, including RF1, RF2, and MSME restructuring, everything, originally it was 24,000 crores Madam. As on date it is approximately 20,000 crores outstanding was there and 14,000 still continuing in the standard assets, around 6,000 crores is under NPA.
- **Ms. Mona Khaitan:**
- Sorry, how much is NPA?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- 6,000 crores is already slipped to NPA. 14,000 crores is continuing in the standard asset. 4,000 crores liability has come down.
- **Ms. Mona Khaitan:**
- Got it, Sir. Thank you. That's very helpful. I'll come back in the queue.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Thank you, Madam.
- **Moderator:**

- Thank you. The next question is from the line of Mr. Ashok. Please unmute yourself and go ahead.
- **Mr. Ashok:**
- Compliments to you Sir - Raju Sir
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Thank you, Ashok ji.
- **Mr. Ashok:**
- and the entire team for the excellent result in this quarter. In fact, if you see on all the parameters including the operating profit, net profit, your gross NPA has come down, net NPA has come down, credit cost is also under control, and ROA is also 1.01. So, excellent result Sir. just I picked up one point out of that. That LRD accounts which is under SMA2, now the SMA2 total figure is 4,413 crore. In the last quarter it was 3,367 crore. So, if this 4413 crore includes was it in SMA2 even in the last quarter also, which is not possible actually.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No Sir. Now, this quarter that is in the SMA2, Sir.
- **Mr. Ashok:**
- So, it means the other SMA2 the balance
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- has come down.
- **Mr. Ashok:**
- has come down. Yeah, that's what
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- It has come down. That has reflected in our SMA position also. If you see that, our SMA position 5 crore and above, last quarter it was 1.11%, now it is 0.70, all-time low.
- **Mr. Ashok:**
- That's very good, Sir. Sir, this being an LRD account, we must be having very good security in
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**

- We don't have literally any problem in that account because we are secured by more than 150% hardcore, city properties. It's not the question of any issue is there, but in anticipation of any such sudden shocks, it should not impact our balance sheet. We are preparing ourselves, that's all.
- **Mr. Ashok:**
 - That's definitely a prudent and that gives a lot of comfort actually because I mean even if it slips, the recovery prospects are very fast and very good being having 150% coverage. Point well taken, Sir. Sir, on the CASA side, Sir, I mean historically our CASA percentage is lower as compared to many of the peer banks, as compared to the last quarter it is improved. A little bit, so going forward, Sir, are we doing something aggressive even in this scenario? Is it possible to increase CASA and what is our target so that we become more competitive in the market on the interest rate front, Sir?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
 - We strongly believe that CASA can be garnered by improving our customer service by reconnecting with them. So, for that we have taken several initiatives in the first quarter. We already shared with you all that the products, innovative products, what we launched for the targeting that salaried class, retired people, and specialized non-salaried class people. We have come out with several new initiatives and that has attracted very well and salaried employees, because of that product, that product covers that gives the term life insurance coverage to the people who opt to the Canara Bank as their salary disbursing bank. They are getting a term life insurance at a free of cost instead of in addition to that accidental death that has helped a lot in that. Our existing actually before commencing this product, our existing, the total salaried class who draws their salaries from Canara Bank was 14 lakhs. Now, it has touched 20 lakhs. Than in the last six months, we almost garnered 6 more lakhs new salaried class and simultaneously for Jeevan Dhara one pensioners, we are given the new accounts in that we have had a tie up with one TPA whatever it is there, in that we are extending some benefit to them.
 - We have created a Customer Relationship Manager to handle the top 150 customers of individual HNI customers of individual branch in 5,000 branches and several initiatives we have taken. Even we are popularizing our digital footprint and we are the first bank who has come out with so many new initiatives in the current financial year. Interoperability in credit card, linking with the credit card with UPI, making more friendly by our mobile app, so many initiatives we are taking to attract the younger generation, the existing loyal customers, and the separate sectors, and we are also coming out with two more new features or products targeting the younger generation, professional students, and the women separately. There are two more new schemes, we are working on that, we will launch very soon on that, and we are also launching a corporate mobile app for corporate clients. That's also is a very - I can say that very few banks are in India now it is offering that benefit that we are

about to launch in another one-week time and API banking we are making it more and more customer friendly.

- We are taking several initiatives and focusing of this Casa. So, we believe that, that We can improve that because you can see that the absolute numbers there is an increase almost 4,500 crores, 4,200 crores in Savings Bank and almost 1,000 crores in CASA that you can see that absolute numbers is increasing. That itself is creating a confidence once the liquidity in the system improves, our CASA will improve definitely as we expected and definitely we are targeting - at least our immediate target is to maintain that existing level of percentage because the balance sheet is growing double-digit growth to maintain that first we have to grow double-digit in the CASA then you have to think beyond that then to improve the legacy issue of low percentage. So, our first focus is we don't want to sleep from that the existing percentage, we want to maintain that and there afterwards we want to further build on that with our initiatives. I'm sure that with our initiatives, we will build up that.

- **Mr. Ashok:**

- Thank you, Sir for such an elaborate answer.

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

- Ashok Sir, tell me Sir?

- **Mr. Ashok:**

- Can you hear me, Sir now?

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

- Yes Sir, I can hear you Sir. Tell me Ashok, Sir.

- **Mr. Ashok:**

- Sir from here, can you take us through the digital journey, Sir, now because you said so many initiatives, can we have a little more detailed report or kind of an answer on our total digitalization or digi-banking with your all these initiatives and what kind of budget which we have and we have spent, how much you've gone to P&L and how much has gone to capital account?

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

- Definitely Sir, definitely, definitely. Let me explain to you that on that, first of all before because you are expecting us to talk on the digital, let me share it with you on a happy moment, I can say that the consecutive last two years MEIT; Ministry of Electronics and Information Technology is a ranking the Indian Public and Private Sector Banks together. There are 47 banks, they rank it every year based on their journeys, their target versus achievement and the growth in the transactions, growth in the POS machines, growth in the merchant establishments, growth in the reaching

of the villages and northeastern States and all, and consecutively last two years among these 47 banks, the Canara Bank stood #1

- **Mr. Ashok:**

- Oh, Congratulations Sir.

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

- with 92 marks out of 100 marks. 92 marks out of 100 marks, 90 above no bank has scored, all are in the below 87. I can say that the 87 is the highest marks that shows that how much importance we are giving for the digital front. Whatever I shared last time continuing to that even CBDC, we are the first banker who made it interoperable in the Canara Bank though we started our CBDC onboarding in the third stint, but we are the first banker made it interoperable. So, that the other person need not have a wallet of CBDC even if he is having a UPI, he can transact with CBDC currency transactions. That interoperability in India, we are the first banker who has introduced that. The second one is when the RBI is talking about a frictionless credit, the fastest STP route. First initially they have started implementing on experiment basis in Madhya Pradesh and six banks have started on the August 10th and we are the one among that six banks and it will be spread across all the remaining. It is expected to be spread in 25 states based on the revenue record digitization and all. Once that has been done and there will be a sea change in the sanctioning of the agriculture credit, it will be no time the credit will be happen, you can say that it's less than 3 minutes or 4 minutes that we have fortunately RBI innovation hub in Bengaluru headquarters and we have very good relation with them.

- We are continuously having a separate team engaged with them and recently just one week back on self-help group frictionless credit and we are the first to banker, we experimented, we successfully launched, and we are expanding it on that self-help groups STP route. There won't be any manual intervention, directly that self-help group loans and all will be done. Simultaneously, we onboarded the digital lending platform from end-to-end and the progress integration is going on. We expect that six products will be launched end-to-end by December 30th and in that including Mudra loans, the clean loans, the personalized loans, first initially we will start that there afterwards we will extend it to the other personal loans and there are several in such initiatives, we are aggressively going on that Sir, especially we are making our analytics - business analytics the wing so strong, we increased their strength from earlier, originally started from three people to now it is almost touching 45 people. We want to further strengthen it by using the latest tools on that, that we want to use it effectively in enhancing our business, new garnering the business, and we are giving more thrust on cross selling by using the business analytics.

- **Moderator:**

- Thank you, Sir. The next question would be from the line of Mr. Mayank Kumar Gulgulia. Please unmute yourself and go ahead.
- **Mr. Mayank Kumar Gulgulia:**
- Yeah. Hi, Sir. Thanks for taking my question. So, first like interest on the balance with RBI that amount used to be 500 to 600 crore one year back and it has increased to 1,000 to 1,100 crores.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- That is interest earned or interest spent? See the interest earned is generally when there is a liquidity issue is there in the market. If your treasury operations are effective whatever, that's overnight lending to the other required needy reported entities, so you can earn more interest - overnight interest whatever it is there on that. So, that's the effective operations that benefit we are getting it and another is automatically whatever the interest we are getting it, see interest on investment is there. The interest on call money market, CBLO, whatever we are investing it that income it is increasing on that.
- **Mr. Mayank Kumar Gulgulia:**
- Okay. Sir, actually jump in interest income and that amount is much sharper than the like movement in cash and
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No. If you compare to the June to September, it's hardly 230 crores.
- **Mr. Mayank Kumar Gulgulia:**
- Yeah.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- It's not a sharp increase. You might be comparing one year back.
- **Mr. Mayank Kumar Gulgulia:**
- Right. One year or two
- **Mr. K. Satyanarayana Raju – MD & CEO, Canara Bank:**
- One year back, system itself is having ample liquidity. There is no much demand in the overnight lending and all, call money market and all. It's a market driven. If tomorrow ample liquidity is there in the system again, this interest income may come down.
- **Mr. Mayank Kumar Gulgulia:**

- Okay. There's no one of, its pure money market and balance with the RBI. There is no one of in this - there's no swap, interest income from swap, there's no one off in this amount.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- So, these are all the - that's the details what we have given it to you, further details if anything is required, our CFO will forward to you.
- **Mr. Mayank Kumar Gulgulia:**
- Okay, sure. And within a fee-based income this quarter, miscellaneous had jumped to like 840 crores, it used to be 500 to 600 crores. So, can you share like jump in that line?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Yes, Sir. Just. See debit card annual fee, the check - you see these are all the fees, SMS alerts, recovery in written off accounts. So, these are all the regular various parameters, those incomes that annual fee, see debit card has increased that annual card also is there actually what will happen last time I can say that they clearly compared to the previous year, last year whatever the hike in that interest, the acquiring cost of the debit card has been borne by the bank and for passing on to the customer it took time at six months' time. The plastic card cost was increased enormously last year from ₹24 to ₹84, but the first six months it was absorbed by the bank, that's why it was not reflected in the last year, but there afterwards from December onwards it was started passing on to the customers that has helped us in getting the same amount.
- **Mr. Mayank Kumar Gulgulia:**
- Okay, got it. Sir, this will be a recurring income going forward also like it will be like around 800 crores or something.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- There may not be a reduction on that much on that.
- **Mr. Mayank Kumar Gulgulia:**
- Got it. That was helpful and lastly like recovery from written off account, it was 1,612 crores in noninterest income and on the asset quarter slide we have shared 1,791 crores. So, can you share the accounting treatment of remaining 179 crores?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, Sir. Actually, exactly account to account sharing, it will be not good personally, but actually NCLT, I'll tell you that through NCLT recoveries under written off accounts, the total whatever it is we received that, that's around 650 crores we got

through NCLT settled accounts. The remaining all amount has come through either the OTS or the existing small ticket size recoveries.

- **Mr. Mayank Kumar Gulgulia:**

- Sir, I'm looking from the entire written off account

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

- Just one minute, one minute, our CFO will explain to you that.

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

- Your query is that in this, in one place we are saying 1,612 and in the slide #28 we are saying at 1,791 that is your query isn't it? That difference is that interest amongst, whatever amount is

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

- Interest amount, interest on those written off accounts. If you have received book balance, it will be treated as an actual recovery. If you received beyond that, that will go to the income head. That is an interest amount, interest amount. That's the difference is only the interest on return of accounts also recovered.

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

- The balance amount is taken as part of the interest income - other interest income.

- **Moderator:**

- Okay. Thank you, Mayank. The next question would be from the line of Mr. Jai Mundra. Please unmute yourself and go ahead. Jai? Not able to hear you.

- **Mr. Jai Mundra:**

- Can I come in?

- **Moderator:**

- Okay. So, we'll take the next question from the line of Mr. Anand Dama. Please unmute yourself and go ahead.

- **Mr. Anand Dama:**

- Yeah. Thank you for the opportunity. Sir, basically the LRD account that you're referring, is it more specific to the bank where you or basically that account itself where you're seeing a stress or is there a general stress in the LRD segment, #1?

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

- No, no, no, it's a specific only single account.
- **Mr. Anand Dama:**
- Okay and otherwise basically you are not seeing any stress in the LRD segment?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, no, no, not at all.
- **Mr. Anand Dama:**
- Sir, any other bank has an exposure to that account?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Pardon?
- **Mr. Anand Dama:**
- Any other bank also has an exposure to that account?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, no, no, LRD is a - sole accounts only .
- **Mr. Anand Dama:**
- Okay Sir. Sir basically, what is the reason for the stress in that account?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- See actually it has started from COVID, it's a mall, so when it is a mall COVID there is an issue. So, when there is a re occupancy has come that sometimes they were struggling in the cash flows and all that was the reason, but we expect that the promoter will take care of that whatever it is required, but they are trying their best, but in anticipation of future ready, we are making it additional provisioning. It's a precaution and nothing else.
- **Mr. Anand Dama:**
- Okay. So, we are 100% provider on that account is it, Sir?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, there is no question of 100% provision. Whatever it is required, we already provided.
- **Mr. Anand Dama:**

- Okay, and Sir secondly, the effective tax rate seems to be again on the higher side, so is it more to do with that we have had decent recovery during the current quarter that's the reason it is on higher side?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Effective tax rate, CFO saab.
- **Mr. S.K. Majumdar – CFO, Canara Bank:**
- No, no. This is the tax whatever provision we may design anticipation of the profit that we expect to make during this year. You must remember so far whatever tax provision we were making that we were having accumulated losses with us. Now, that is completely wiped off. There is no accumulated loss with the bank. Now, whatever is the expected operating profit based on that only tax provision has been done.
- **Mr. Anand Dama:**
- So basically, we have move to the new tax regime, right for effective tax rate?
- **Mr. S.K. Majumdar – CFO, Canara Bank:**
- Yes, yes. This provision is based on the new tax rate only.
- **Mr. Anand Dama:**
- For full year it will be 25%, right? Effective tax rate?
- **Mr. S.K. Majumdar – CFO, Canara Bank:**
- You are aware of it, it is 25% only is my tax rate and whatever provision we are making is based on that only.
- **Mr. Anand Dama:**
- Okay Sir, lastly on PSLC fees, so this quarter the PSLC fees are actually come off. So, any strategic reason for lower?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- See you should be aware about that. I am sure that you are aware about those things, Sir. The PSLC certificate, the demand will be there in the first quarter because the bank also will get full year benefit, the bank which purchases that's why whatever the opportunity it is available, we try to encash it in the first quarter and that the same benefit will not be there in the remaining 3 quarters. That is the general phenomena and again in the June quarter, we can earn more money on that.
- **Mr. Anand Dama:**

- Next year?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Yes, Sir.
- **Mr. Anand Dama:**
- Sure Sir. Thanks a lot.
- **Moderator:**
- Thank you, Anand.
- **Mr. Jai Mundra:**
- Yeah, hi Sir. This is Jai Mundra. I'm sorry I could not speak earlier.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Good evening, Jai Mundra Sir.
- **Mr. Jai Mundra:**
- Congratulations on the great set of numbers Sir. I have a question Sir on your loan yields, right. So, loan yields whichever way I calculate they have increased at least by 25 basis point QoQ and someone was also asking that you know is there any component of NPA recovery in the interest income, so if you have that number is that number like 200 crores odd or there is some more number, some more income that has come from NPA recovery and the increase in loan yields because if you look at it RBI data right, they give the monthly WALR and you know lending rate number that and also other commentaries of the other banks on the lending rate seems to be stabilizing only, but for our bank it has increased, so any comments there?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, our lending rates actually we are very closely, very margin conscious decisions we are taking when we are giving a corporate side the decisions, credit decisions, but we are focused more on RAM sector where our average yield is always around 9%. So, you can see that the growth in the current quarter, quarter-on-quarter more than 5% we are grown in the RAM sector as against that 2½% in the corporate sector that is helping us and in the corporate sector also we are trying to reprice our existing low yielding advances. If necessary, we are trying to reduce that exposure and redeploying it in a better pricing way. So, that's the reason rejigging is happening at a corporate level that is helping us in maintaining that increase in the average yield.
- **Mr. Jai Mundra:**

- Okay and what is the total NPA interest that has come in interest income, Sir?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- That will be a regular routine. I think it will not be in an even 4-digit. It will be very three-digit figure only exactly I didn't remember, but our CFO will share it with you directly.
- **Mr. S.K. Majumdar – CFO, Canara Bank:**
- That is the difference what previous that is,
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, interest on NPA accounts, so he is asking. That's what, I read around 1,000 to 1,100 crores.
- **Mr. S.K. Majumdar – CFO, Canara Bank:**
- No, no, no.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- 450 crores, 450 crores.
- **Mr. Jai Mundra:**
- So, Sir I mean 450 crores is the NPA interest that has come in the interest income, right?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, that every quarter you get Sir. It's not that this quarter you are getting it. Wherever in the NPA balance is there, if you can recover beyond the balance that interest on NPA will be there, it's a part of the general banking and every year, every quarter that will be there. It's not that this quarter you got additional amount in the form of that 450 crores. Every quarter on an average 300 to 500 you will find that interest on NPA accounts.
- **Mr. Jai Mundra:**
- Okay. So, nothing unusual here?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, no, no, no. Nothing unusual.
- **Mr. Jai Mundra:**

- Secondly Sir, on your cost of deposit, while you mentioned that you know cost of deposit remains under pressure, but given your envisaged deposit growth, you know, where do you think this should stabilize or do you think it will not stabilize at least for the next 2-3 quarters?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, at this moment, we see that there is - we are experiencing that there is a stress on our margins because of interest on deposits, but there is no struggle in mobilizing the deposits. There is a continuous flow in our retail term deposits, in savings bank, and current account. Maybe savings and current the growth is very slow compared to the retail term deposits. Retail term deposits growth is good. Even quarter-on-quarter, the retail term deposit growth is more than 3%. So, that is growth is there, but that rate of interest what we are offering is special scheme 7.25% - 7.25 is comparatively very high, that is continuing now at this moment. At this moment, there is no plans to reduce that rate of interest, at the same time there is no plan to increase also because there is a continuous flow. Whatever we require, we are getting that funds at this rate. So, we don't see any further increase in that rate of interest, but, however, paying 7.25 is definitely a burden in coming quarters.
- **Mr. Jai Mundra:**
- Okay and Sir if you were to put a median number to your bulk deposit wholesale rate, what would that be range? I mean, let's say what would be your blended rate for bulk deposits and how has that blended?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, bulk deposits depending on the period, it varies from 6.5 to 7.5, 7.7 that is the average rate, it is coming even 6.5 if you are taking it a short-term deposit. So, that's why we are making our bulk deposits or CD in the combination of three months, six months, and 12 months. In that way, on average we are trying to maintain below 7.5.
- **Mr. Jai Mundra:**
- Okay, understood, Sir and last question, Sir, some of the banks have reported treasury loss this quarter. Of course, our treasury team has done phenomenally well, but just wanted to check, was there any, MTM in the G-sec, which would have been offset by something else or you know, there was no MTM?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No such anything special, Sir. It is a regular what we do, it is the same transaction, but look at that, you are comparing with the last quarter, then you are telling that last two quarters you are doing better here, but if you compare year-on-year, I lost almost 50%.

- **Mr. Jai Mundra:**
- Right, okay, and Sir if you have this number of loan mix by benchmark, how much is repo, how much is MCLR, and fixed rate that would be?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- It is almost 50% is in MCLR, Sir. 38% is in RLLR. The remaining is staff loans, loans against deposits, and all those things are there, Sir.
- **Mr. Jai Mundra:**
- Thank you so much, Sir, and all the very best.
- **Moderator:**
- Thank you, Jai.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Thank you, Sir. Thank you.
- **Moderator:**
- The next question would be from the line of Ashilesh. Please unmute yourself and go ahead.
- **Mr. Ashilesh Sanjit:**
- Can you hear me? Hello, hi Sir. I hope you can hear me?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Yes, Sir.
- **Mr. Ashilesh Sanjit:**
- Sir, just a couple of questions. Firstly, on the wage hike provision, which you have taken of about 345 crores, what is the percentage wage hike which we are assuming here?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- 15%. Actually, the last wage revision it was around 14% to 15% the settlement was happened. In anticipation of that same line, we are continuing to provide 15% every month. We have more than 1,150 crores provisioning in that so far and we continue to provide.
- **Mr. Ashilesh Sanjit:**

- Okay Sir and secondly on the MCLR linked loan book, we have taken a hike of only around 10 basis points since March 23, do you expect any further repricing left in this MCLR linked book?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Growth in the loan book, Sir?
- **Mr. Ashilesh Sanjit:**
- In the MCLR linked loan book, do you expect any repricing left?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, that's repricing almost it is coming to the end. See the MCLR 50% our exposure is there and we have revised MCLR there. It's almost coming to the end.
- **Mr. Ashilesh Sanjit:**
- Okay Sir. Okay and Sir just one question to end with, the profit on exchange transactions line item within non-interest income that has been steadily declining, is there any reason for this?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Pardon?
- **Mr. Ashilesh Sanjit:**
- That is the profit on exchange transactions.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- That is the transaction, that is a treasury, that is a treasury transaction, Sir. You know that the treasury transactions are happening that because of market conditions only. It's nothing beyond the control of the individual, Sir. It's because of market conditions, the trend is like that.
- **Mr. Ashilesh Sanjit:**
- Okay Sir, perfect. Thank you.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Okay.
- **Moderator:**

- Thank you. Thank you, Ashilesh. Before we move on to the next participant, just one question from my side, Sir, your SMA number has reduced to 0.70. How do you say fresh slippages spanning out in second-half of the year?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- We feel that we can continue with that, Sir. The percentage that we have shown that 0.70, we are confident that we maintain that percentage.
- **Moderator:**
- Okay Sir. Okay. So, the next question would be from the line of Sushil Chokshi. Unmute yourself and go ahead.
- **Mr. Sushil Chokshi:**
- Congratulation team Canara for excellent performance.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Thank you, Sir.
- **Mr. Sushil Chokshi:**
- Sir, my first question is based on the entire digital spend you worked out rolling out with lot of co-lending and various other partnerships, onboarding of corporates and SME for digital initiatives you would have taken for many products, will second-half not do much better than the first half because of your outlook on RAM as well as existing retail products is getting better?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No business front, we see that definitely with the second quarter, third, and fourth quarters will be better than the second quarter in business front, but we are very conscious on the margins too, Sir. It's not we are taking the decisions based on the margin also. Only, we are not looking at the top line. We are looking at both top line and bottom line. So, our growth will be steady. I don't say that there will be an too much change in that, but we have given the guidelines, guidance that our advances will grow at 10.5%, but we are already told initially itself that our advances may grow between the 12% to 14% and we think that definitely we will grow at about 12% and total business we have given a guidance of 10% and we are going above 10%.
- **Mr. Sushil Chokshi:**
- Sir, that is typical of Canara, be conservative and outperform. So, that's fine. The second thing is your outlook specifically based on where money market is concerned in India or globally, what is our treasury outlook and what is outlook on our international book, which may be yielding rewards right now?

- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Our Mukherjee Sir will answer you, Sir.
- **Mr. Debashish Mukherjee – Executive Director, Canara Bank:**
- Sir, with regard to the treasury book, not much significant difference will be there in the current quarter that is what we anticipate. So far as our international operations is concerned, we are seeing steady growth there. Incidentally, we have gone in for opening of one IBU in Gift City as you are aware and that will be fully operational in this quarter, we have already started business.
- So far as our international business is concerned, it is growing steadily. With regard to treasury operations, it will maintain the same pace as it was in this quarter. This is all I can say.
- **Mr. Sushil Chokshi:**
- Sir, based on the outlook and what we have highlighted in press that we may be capitalizing on some of our subsidiaries with IPO and some of our subsidiaries where market was seeing some problems have been resolved and they started performing well. Can you give gist because this time I don't see anybody asking you a question on them rather give us some positive or color on the positivity which has emerged in last one quarter?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Sure, Sir. Actually, whatever we promised on that subsidiary, the actions are continuing it. We told already that in two cases we will come out with that public issue and the respective companies are taking the necessary steps towards that because since it's a long period duration, the things are going in the right direction and again we told that in One Can Fin Homes now you have seen that the uptrend is there and we are very closely associating with them in their day-to-day functioning and nowadays we are trying to give as much technology benefit to them also to internal control and to have better monitoring systems. They are doing very good business, but they need support from us in the form of a technology support that which we are extending to that subsidiary, so that we are confident that that subsidiary also will do well in the days to come. Then 4th one is the shifting of our credit card business to a subsidiary that is also his action is going on. Now, recently we posted a GM level person as a General manager to take forward whatever the initiatives we have taken into that as an MD of that company.
- **Mr. Sushil Chokshi:**
- Sir, congratulations on excellent choice for Can Fin Home. Sir, my next question is on the digital spend, which we had decided for the large amount, how much of that work would be over in current year and what percentage of money would have been spent by now?

- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- See generally on an every year, we are targeting a capital expenditure of around 1,000 to 1,200 crores in that Sir and this year almost 80% of that transactions have been completed. Maybe the payments may happen in a staggered manner, but the purchase orders and all have been given through, it has been done everything through Gem portal only and when you are investing heavily in the capital expenditure continuously for three years, naturally that ATS whatever the annual maintenance charges and all it Increases your operating expenses to some extent, but that we are able to maintain even with that ATS extra charges by controlling that internal operating expenses by regulating our non-core branches and all well with in that.
- **Mr. Sushil Chokshi:**
- Sir, do you see a cost of income coming to 40% in next 12 months?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No Sir, we don't see that. See given the guidance below 45, we maintain that. It's a too Big Bang, Sir.
- **Mr. Sushil Chokshi:**
- Thank you and all the best for years to come.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Thank you, Sir. Thank you, Sir. Thank you.
- **Moderator:**
- Next question would be from the line of Omkar. Please unmute yourself and go ahead. Omkar, can you unmute yourself and go ahead.
- **Mr. Omkar:**
- Hello.
- **Moderator:**
- Yeah, you are audible.
- **Mr. Omkar:**
- Yeah, hi Sir. Thank you for the opportunity. I just wanted to ask you our agri book has grown very well at almost 6% quarter-on-quarter. I wanted to know how much of this has come from the gold portfolio?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**

- Actually, of course, gold portfolio also has contributed a good amount in this agriculture. We can say that the 4% out of this 6.3 only I am giving that bifurcation. 4% from the gold and 2.37 from the core agriculture, but the core agriculture also has started picking up because of the self-help group lending and rural infrastructure lending those things, there's areas we have focused and we introduced some area wise products also that is getting a good traction on that. That's why first time we are seeing any even a core agricultural double-digit growth.
- **Mr. Omkar:**
- Okay. Thank you, Sir. That's it.
- **Moderator:**
- Sir, we have one question from the chat box. If you could provide slippages breakup for this quarter?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Sir, you can note down that's 800 crore is from agriculture, 900 crore from MSME, 400 crore from retail. The remaining is corporate; corporate is around 750 Sir.
- **Moderator:**
- Thank you, Sir. Sir, the next question is from the line of Chintan.
- **Mr. Chintan:**
- Yeah, hi. Thank you for the opportunity. So, two questions from my end. Firstly, on the branch network, so I see Sir our branch number has been consistently declining and it's almost near to three years low. So, just wanted to understand what is the strategy here on the branch expansion? That is my first question.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Actually, the post amalgamation wherever it is a repetition of that branches in the same location has to be gradually - has to be either relocated or the merger that was the decision of the board. In that direction every year we are identifying some things and we are continuing to close or merger the relocate those branches, but at the same time this year we identified such 400 branches, but at the same time we are also permitting the all our field functionary circles and regional offices to open at 275 new branches where the potential - CASA potential is there. So, that's the actually the part of the CASA when we focused more. This rationalization of branches or relocation of branches or opening up new branches is also a part of strategy to improve that CASA. That is indirectly helping us in operating expenses control also.
- **Mr. Chintan:**

- Sure Sir, but this rational rationalization is going on since the past three years, you mean, right?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- See the rationale behind that is, if suppose two branches are in adjacent of just 500 meters or 300 meters of the same bank when the technology is so high and it's a merely because of the olden days, the two different banks, they have the two different branches when it is merged slowly, we are looking at those merging of those things branches.
- **Mr. Chintan:**
- Okay. Sure, Sir. And Sir, just one thing on this stress account, just to catch up on that again, you don't get that one account which is LRDs under stress. Apart from that, any other accounts which are kind of very much sticky in SMA and where do we think we could provide some in case we have any buffer or something?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No Sir.
- **Mr. Chintan:**
- And there are no other sticky accounts?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- That you can easily make out from our SMA figures. No, no, no account. That you can easily make out from our SMA figures.
- **Mr. Chintan:**
- Okay. So, Sir the provision I mean on that usually, so you don't - we have been provided adequately so, that is like 15%-20% odd there or more or would you just drop a comment on that number?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- When we say that we are in anticipating and providing more than what it is required that you should get the answer from that.
- **Mr. Chintan:**
- Sure Sir. Sure. That is very helpful. Thank you, Sir.
- **Moderator:**
- Thank you, Chintan.

- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Thank you.
- **Moderator:**
- The next question is from the line of Bhavik Shah. Please unmute yourself and go ahead.
- **Mr. Bhavik Shah:**
- Hello. Am I audible?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Good evening, Bhavik.
- **Mr. Bhavik Shah:**
- Good evening, Sir. Sir, congrats on good results. Sir, just two questions. Sir, RBI has been flagging concerns of low savings account rate, what should we read through that like are you anticipating increase in savings account rate over the couple of quarters?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- At this moment, we are not anticipating any upward revision in the savings bank account interest rate, but we keep observing the market. If necessary, we don't mind to take such decisions, but I feel that the savings bank deposit by increasing the rate of interest you can increase the balance, it may not be the case, but it's more or less depends on the service and the satisfactory level of the customer that gives you more savings.
- **Mr. Bhavik Shah:**
- Understood Sir. And Sir circling back to one more comment that you kind of indicated earlier that whenever there is periods of constrained liquidity that interest on balance component of the interest earnings will be high. Sir is that also to do with your LCR ratio. So, whenever the LCR ratio is high, you will kind of keep deploying?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, no, no, no, not at all. Our LCR is very comfortable. Actually, the last year our LCR was 119. This year we are touched almost 130 above. Now, as on date we are maintaining on an average 130 above. The regulator expectation is 100%. Our internally we kept a barrier is 120, but we are maintaining well above that even 120 and we are maintaining on an average 130 to 135.

- **Mr. Bhavik Shah:**
- Okay, Sir. So, that excess that you are holding, is that helping you all that income like how should one read that?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, that excess or holding means you see that we are already increased our CD ratio 75%. We also increased our investment portfolio also. You can see that in the last six months and this because we have excess SLR by using that window, we are borrowing from the RBI and we are effectively using that money to earn the funds, traditional income.
- **Mr. Bhavik Shah:**
- Understood, Sir. Sir, that was very helpful, Sir. Thank you, Sir.
- **Moderator:**
- Thank you, Bhavik. The next question is from the line of Rishikesh. Please unmute yourself and go ahead.
- **Mr. Rishikesh:**
- Hello. I'm audible?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Yes, Rishikesh.
- **Mr. Rishikesh:**
- Hi. Thank you for the opportunity. Sir, my question is with respect to the credit cost. Sir, how do you see credit cost for coming, let's say one to two years, could you please give some light over here?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- No, actually we are given guidance of credit cost is 1.2 – 1% so that's 1.2. Just now we are reaching to that 1.10 to 1.22. Now, we are already reached to 1.02. I don't see a drastic reduction on that. We may maintain around that.
- **Mr. Rishikesh:**
- Okay and how would that shape up for
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Because there is a still scope for me to increase our PCR.

- **Mr. Rishikesh:**
- Okay and how do we see that for FY25 and FY26, if you can share for that too?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- That's what I'm telling. We can manage around 1%. So, till we reach our PCR is around 95%.
- **Mr. Rishikesh:**
- Okay. Okay. No problem. Thank you.
- **Moderator:**
- Thank you, Rishikesh. The next question, the last question is from the line of Bharat Jain. Please unmute yourself and go ahead.
- **Mr. Bharat Jain:**
- Sir, very good evening. Sir, my question is on the slow pace of recovery on NCLT referred accounts. So, like if you have any comments about what is happening on those lines?
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Mukherjee Sir.
- **Mr. Debashish Mukherjee – ED, Canara Bank:**
- Actually, let me tell you, you are all aware about the workings of NCLT. In spite of our best efforts, although we are getting some fruits of NCLT processes, but mostly by way of liquidation and that is #1. #2, some of the cases are just at the verge of, you know, getting some results. So, yes, the pace is very slow, but we still feel that NCLT has a process, IBC has a process, has a deterrent factor which also helps us indirectly in recovery. So, that way it is pretty helpful.
- **Moderator:**
- Thank you. Thank you, Bharat. Due to time constraints, this was the last question. Thank you, Sir for giving Antique Stockbroking the opportunity for hosting this call. I would request MD, Sir for his closing comments.
- **Mr. K. Satyanarayana Raju - MD & CEO, Canara Bank:**
- Thank you. Thank you. Thank you, Sir. Thank you, investors. We are continuing whatever we told that whatever guidance we have given at the initial stages of this financial year. Hope you all realized that we are moving in the same direction in a much better, stronger way, and we continue to do that. We will try to see that, that our value of this bank is increasing multifold in the coming days and whatever the

hard work we are continuing in all the parameters, the same focus we will continue.
Thank you, Sir. Thank you very much for your support.

- **Moderator:**
- Thank you, Sir. I request all the participants to please sign off. Thank you.
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End of Transcript