



Q2 FY2022
EARNINGS CONFERENCE CALL
TRANSCRIPT
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Management:

Mr. L V Prabhakar

Managing Director & Chief Executive Officer, Canara Bank

Mr. Debashish Mukherjee

Executive Director, Canara Bank

Ms. A. Manimekhalai

Executive Director, Canara Bank

Mr. K Satyanarayana Raju

Executive Director, Canara Bank

Mr. Brij Mohan Sharma

Executive Director, Canara Bank

Canara Bank
Earnings Conference Call Q2 2021-22

– **Mr. Anubhav Adlaka – Host:**

- Shri L V Prabhakar, MD & CEO, Shri Debashish Mukherjee, Executive Director, Ms. A. Manimekhalai, Executive Director, Shri K. Satyanarayana Raju, Executive Director, Shri Brij Mohan Sharma, Executive Director and other members of the call. The format of the call would be we will have initial comments by the management and then we will do a Q&A session. Without further ado I would hand over the call to Shri Prabhakar sir, please go ahead.

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

- Thank you very much. Just I will take 3-4 minute to highlight the performance.
- Few attractive parameters I want to highlight, one is regarding the CASA growth, as we said we are going to grow in savings bank account, we have grown at 12%. CASA as a whole we have grown at 12%. Then as far as retail credit is concerned we have grown more than 10.4%, especially housing we have grown at 14%. Education loan and vehicle loan also we are plus 8%.
- Coming back to the main point of profit, this time we have shown our net profit at 1233 crores which is 200% growth. Operating profit quarter on quarter we are showing a growth in comparison to Y-o-Y about 20%, this time it is about 22% at 5604 crores.
- Next parameter is NPA, net NPA we have reduced by 21 basis points to 3.21% and gross NPA also we have reduced. It has come down to 8.42%. In absolute terms also it has come down.
- Now coming back to the CRAR, this time we have done a very good I can say performance and it is at 14.37% as far as CRAR is concerned and tier 1 it is at 11.41%. There is a drastic increase in this one as far as the capital base is concerned.
- Slippages, yes, everyone is concerned, in this excluding [02:04] the slippages are around 3200 crores, [02:07] the exposure is upto 3200 crores. As the regulator requires 15% provision has to be made in [02:15], we made 50%. So in that way we have taken care about the [02:19] so that going forward there will not be much pain. And since beginning we are telling that our recovery will be more than the slippages. This quarter the reduction of NPA is about 7258 crores as against slippages of 6800 including [02:35]. Cash recovery is a bit attractive this time, it is at 3717 crores in which from written off accounts we have recovered about 715 crores. And upgradation is about 2671 crores. Retail NPA percentage is less than 2%, and in housing loan the NPA percentage is 0.97. And education, vehicle and personal loans it is less than 2. So retail as a whole the NPA percentage is 1.35%, and growth we have shown in terms of business, in terms of credit it is about 5.8%, this is overall credit growth. Corporate this quarter we were a bit cautious whereas in the Q3 FY22 we will be aggressive in corporate financing and also retail we are growing 10+ % and we will continue this growth going forward. Agriculture we have grown at about 14%. MSME quarter on quarter we have grown about 2.9%, year on year it is almost flat. And then corporate there is a year on year there is a slight growth, quarter on quarter there is some degrowth but this quarter we will be consolidating.
- With these remarks I am open for discussion and question and answers.

– **Anubhav Adlaka - Host:**

– Thank you, sir. I will request all participants to please ask the question by raising your hand, please raise your hand and I will unmute you to ask your question. To begin we have a question from the line of Mr. Madhu Kela. Sir, please unmute yourself and go ahead.

– **Mr. Madhu Kela – Q&A:**

– Good afternoon, sir.

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

– Good afternoon.

– **Mr. Madhu Kela - Q&A:**

– How are you sir?

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

– Fine, thank you for participating.

– **Mr. Madhu Kela – Q&A:**

– Yes, sir, thank you so much. Congratulations to you and the entire team. I think our conviction and belief is paying off in public sector banks and I am glad that Canara Bank is leading the pack here. So congratulations on a good set of numbers. Just 3-4 clarifications, sir, one is the recovery of 1700 crores rupees of Diwan Housing which we have done, how much of it is being taken in the P&L account and how is being taken without P&L, sir.

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

– Sir, as far as this 1700 crores which we got, we have again made aggressive provisioning and in this quarter 2200 crores additional provisioning we have made as a what you call prudent measure. So basically whatever we have recovered we have again ploughed back into the provisioning to make the balance sheet strong, nothing has been taken to the P&L.

– **Mr. Madhu Kela – Q&A:**

– Nothing so in our operating profit of 6500 crores there is no contribution of Diwan Housing recovery?

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

– No, sir, rather from this we have made additional provisioning of about 500 crores, additional, 1000 + 700 + 500 = 2200 crores.

– **Mr. Madhu Kela – Q&A:**

– Okay, sir. The other thing which is very, little perplexing your tax rate is even higher than the FERA companies, 41-42%, provision which we are making, so can you help me understand why such high tax rates we are making provisions?

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

– My Chief General Manager who is an expert in the tax of our bank, I request him to kindly reply.

– **Management - Canara Bank:**

– Considering our operating profits and the lesser provision and NPA provision and more towards the unlocking of the capital, as an overall view we have increased, we have contributed more, we have debited almost 910 crores to the profit and loss account. Here there are two things, so since we have accumulated loss of more than 18000 crores there is in fact there is no in, and as per our tax return there is no outgo of tax. But now our DTA is one of the lowest among the [06:48] banks, but we have a long term view, but it is more than 10% of CET, so any reduction in DTA will help us in improving our CET. And as a measure of capital unlocking and also through overall tax management we are making more provision for tax.

– **Mr. Madhu Kela – Q&A:**

– But will you continue to do that in future also, sir? At 14% provision of the taxation?

– **Management - Canara Bank:**

– No, as long as it is profitable for us in all aspects when the unlocking of capital and other aspects we are continuing to do that.

– **Mr. Madhu Kela – Q&A:**

– Sir, the other point is, MD sir, you have guided in the beginning of the year for slippage of around 15000 crores which was got reiterated in the last quarter after the last quarter numbers were declared, now in the first quarter we have done roughly 11100 crores of slippage including the slippage of [07:54]. Are you still confident that this 15000 crore number will be maintained, I am confident that you will do it, but I am wanting to make sure that all of us know your mind.

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

– Sir, here Q1 FY22 the slippages were 4250 crores, out of this 4250 crores, 1770 crores already we have recovered and upgraded. So the current quarter Q2 FY22 is about 6500, so 6500 plus about 2000 is only 9500 crores as on date. Because already what has slipped in Q1, out of that 1770 is already upgraded and recovered. So as we have given the guidance that the slippages will be maximum 15000 crores out of which as on date 9500 crores is there. So still there is a gap of about 7000 crores. However in the coming 6 months out of this 9500 crores also we will be recovering. Keeping the slippages at 15000 crores we will be very comfortably we will be doing and as we said our recoveries will be more than slippages. During the current quarter also if you see, our recoveries are 7000 plus that is more than the slippages, so at the end of the day we will see the net NPA and gross NPA in absolute terms it will go down and that's what we are demonstrating quarter on quarter including Q2 FY22, sir.

– **Mr. Madhu Kela – Q&A:**

– So you remain confident that our slippage will not be more than 15000 crores.

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

– By 31st March, 2022, the slippages as on that day we are projecting and confident that it will be less than 15, and recoveries will be more than that.

– **Mr. Madhu Kela – Q&A:**

– Sir, the other thing is that other income which was let's say in June '20 was 2650 crores and it has been steadily rising and in this quarter it is 4268 crores other income.

– [a] is there anything which we should read in this other income the way it has risen. [b] do you think it is maintainable at this level?

– And if you can explain a little bit what does the other income constitute, what do you include in the other income?

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

– For example, if you see quarter on quarter, the fee based income is increasing and noninterest income is increasing because of 2-3 parameters. One is fee based income which consists about our processing charges and other commission expenses those are steadily increasing because we are now underwriting the big loan proposals where we are getting good commission because of which the traction is there. And fee based income if you see, year on year it has grown by 20%, quarter on quarter it has grown by 9.42%. Here service charges, miscellaneous, commission, processing charges are increasing and going to increase, so there we are not worried. Second point is treasury income, treasury income it is doing exceptionally well, but as you say that going forward sustaining this time of income over a period of many quarters may not be feasible. For that what we are doing is even if there is any shortfall in the treasury income because of various parameters that will be taken care by the recovery in written off accounts and also in other accounts. For example, recovery in written off accounts this quarter we have recovered around 715 crores out of which 584 crores has gone for our other income. So this is going to be more coming quarters, our emphasis will be more in recovering more and more amount from the written off accounts. The other point is regarding the receipts, other receipts, other receipts consist of PSLC and other things, this is seasonally every quarter we will be getting something. For example, PSLC last year it was about 700 crores, this time we already crossed 900 crores and still there is scope for us to make some profit in this one and this will be every year feature, again in next Q1 FY23 again we will be booking profit from the sale of PLSC certificates. And other income also nowadays we are diversifying and we are aggressive, there we are going to get some fee based income. So if you see the non interest income from 3100 crores it has gone to 4000 crores March, again March is a month where we will be loading maximum charges, again in June it was 4100, September 4200, and I think going forward we will be sustaining this 400 plus noninterest income with more emphasis on recovery on written off accounts and fee based income. So we feel it is sustainable since in the last many quarters we are continuing this and we are having a clear roadmap to increase this income, and we focus on that.

– **Mr. Madhu Kela – Q&A:**

– Thank you, sir, sorry I am just taking a little bit time. Just last two questions.

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

– No, it is a pleasure.

– **Mr. Madhu Kela – Q&A:**

– One, on loan growth, this year our loan growth has been very tepid in the last two quarters, but if I see the loan growth of private sector banks have been pretty healthy in the last two quarters. So can you help me understand what is our bank's plan to increase the loan growth?

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

– Our guidance is that minimum we will be growing by 7.5% as on 31st March 2022. As on date let me bifurcate the credit growth into two parts. One part is corporate, second part is retail. Retail we said that we will be growing at 10% plus. Q1 also we have grown by 10% plus, Q2 also we have grown by 10.46%. And even agriculture we are growing at 13.92%. So retail, healthy growth is there and the most important thing is in retail our NPA percentage is less than 2, housing loans it is less than 1. So we are very aggressive in retail growth. And even quarter on quarter if you see the growth as far as retail is concerned it is more than 3%. So annualized if you take it will be 12% minimum. So and my total credit portfolio it consists of 57% retail and 43% corporate. So regarding the 57% we are already growing more than 8%. Now the question of corporate, corporate we have already a book of about 20,000 crores which is underwritten and to be disbursed. And apart from that, this quarter, last quarter we have consolidated, in Q1 we have grown well under corporate, Q2 we have consolidated and we have concentrated on retail, and Q3 we will be concentrating on retail and corporate also. And 20000 crores, the book which is already underwritten and to be disbursed very soon, that itself will give a credit growth of more than 7.5% going forward book as a whole.

– **Mr. Madhu Kela – Q&A:**

– Thank you, sir, one last question, sir, can you tell me one-offs in this operating profits, like you have the family pension, you may have the [15:35] interest reversal which would have taken place, or even any depreciation related items which are there which you have accounted for, how much of that amount, it would be great if you can give the details of what the one-off items are.

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

– As far as this time operating profit is concerned there is no one-off item, it is normal items only as I said whatever we got we have accounted for, and this operating profit...

– **Mr. Madhu Kela – Q&A:**

– No, sir, one-off which are one-off in terms of expenditure.

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

– Sir, actually one-off expenditure, one-off item in expenditure we have invested some amount in IT again where we are going for data analytics and interest, [16:23] there is a reversal of interest even then we could maintain that interest income as stable.

– **Mr. Madhu Kela – Q&A:**

– So how much is that amount will be if I say what will be [16:34] reversal of interest income, sir, we know what is the real operating profit which the bank has made.

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

- The interest reversal is to the tune of about 280 crores.
- **Mr. Madhu Kela – Q&A:**
- 280 crores, and if there is family pension plan which has to be accounted for which was not accounted for in last quarter, how much will that amount be in this quarter, family pension plan provision?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- 250 crores already we have accounted for which is the requirement.
- **Mr. Madhu Kela – Q&A:**
- 250 crores is incremental which was not there in last quarters, family pension, right, so that's like 280 + 250 crores.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Yes, as on date we have taken care about family pension, we have taken care about the reversal of the interest of [17:19], in spite of all these things we could still maintain a healthy growth in terms of interest income as well as operating profits.
- **Mr. Madhu Kela – Q&A:**
- Is there any depreciation in the asset or securities which you have taken, sir, in this quarter which is one-off?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Not significant, sir.
- **Mr. Madhu Kela – Q&A:**
- Not significant, okay. Okay, sir, thank you so much, all the very best, god bless and you are doing such a fabulous job and finally people are cheering our public sector banks and I am quite confident we have a long way to go, all the very best, thank you so much sir.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Thank you, sir.
- **Anubhav Adlakha – Host:**
- Thank you, sir. I would like to remind all the participants to please raise your hands to ask a question. Our next question is from the line of Mr. Rishi, sir, please unmute yourself and go ahead. Mr. Rishi, sir, please go ahead. I think there is some problem in the line. Jai Mundhra, please go ahead and ask the question, please unmute yourself.
- **Mr. Jai Mundhra - Q&A:**
- Hi, sir, thanks for the opportunity.

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

– Hi.

– **Mr. Jai Mundhra – Q&A:**

– Sir, I have a few questions, first is if you can reconcile what is the total outstanding restructuring number as of Q2. Correct me if this understanding is wrong, so you have Restructuring 1.0 of where the outstanding is 2139 crores. Then there is Restructuring 2.0 where there is outstanding around 13700 something. And then you also have MSME Restructuring which is like 3000 odd crores, right. And then there is some overlap between Restructuring 1 and 2, which is like some 500 crores. So should I add the 3 and reduce the overlap or there is, I mean is this calculation right.

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

– Let me answer, first Resolution Framework 1, it is 5067 crores, out of this 5067 crores more than 2000 crores has come out of the restructuring and is now in regular accounts. And the remaining 3000 we can take it as it is under restructuring still continuing. Regarding the Framework 2, 13475 which we have restructured, out of which retail is 10,000, MSME is only 1100 and agriculture is 1300. But under Framework 2, out of this 13475, about 52% of the outstanding is under advanced repayment period, they have availed restructuring but they are paying the instalment. That is we are taking it as advanced repayment period. So basically if you have to calculate restructuring, 48% of 13,475 will be around 6,500 crores plus 3000 under Resolution Framework 1, that is about 9000 crores, so total put together I think the net figure will be around 10 to 10500 crores.

– **Mr. Jai Mundhra – Q&A:**

– And of this 10,000 crores, sir, the corporate restructuring number is around 1000, I mean the....

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

– Initially it was 4,287 out of which already 1500 crores has been come out.

– **Mr. Jai Mundhra – Q&A:**

– Right, so 2700 is the corporate restructuring outstanding?

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

– Yes, in Framework 1.

– **Mr. Jai Mundhra – Q&A:**

– Right. Okay, because in your BSE table it shows out of 2000 crores, 2100 crores which is standard after all the repayment and NPA, 1400 crores is corporate restructuring.

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

– Correct, as I said 2000 crores, that is 2100, now it is not under Resolution Framework 1 since it has fulfilled and come out of the resolution framework. So net balance as I said it is out of about 5000, 3000 is there.

– **Mr. Jai Mundhra – Q&A:**

– Okay and out of that 3000, 2700 crores is only corporate.

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

– Yes, corporate in the sense, MSME is only 31 crores, it is not what you call significant amount, rest personal loan is 596, in that also a portion is upgraded.

– **Mr. Jai Mundhra – Q&A:**

– Right, understood, sir. And secondly sir, on your CET 1, right, so if I see your presentation then the capital has CET 1 core equity capital has increased by around 6000 crores plus QoQ, of which 2500 crores is anyway your QIP that you had done. But what explains the additional 3500 crores increase in the capital.

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

– Ramachandran.

– **Management – Canara Bank:**

– Mainly because around, see there is a June profit of 1177 and the present profit of 1333 that is around 2400 plus because of the unlocking of capital by way of DTA, it has, we have got around 1500 and there are yeah, this is a major component.

– **Mr. Jai Mundhra – Q&A:**

– Okay, so, sir, are you, earlier I thought the bank was not taking the interim unaudited profit but this CET 1 of 10.01% includes the first half profit, is that the understanding.

– **Management - Canara Bank:**

– Yes.

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

– Here one thing I would like to add the Reserve Bank of India has given permission to Canara Bank to treat it the current profits also, a portion of that.

– **Mr. Jai Mundhra – Q&A:**

– Okay, understood. And, sir, this capital unlocking of 1500 crores from DTA if you can explain how does this work, so as and when you provide more accounting tax provisions your DTA will be unlocked, right, or for the next two quarters if you, hypothetically if you maintain at the same PBT level and let's say if you provide similar tax number will there be further unlocking of this capital because of DTA thing.

– **Management - Canara Bank:**

– Naturally, see the DTA to the extent of 10% we can taken under CET 1, if there is any excess of that any reduction in the DTA will result in unlocking of capital and increasing of CET 1 capital.

– **Mr. Jai Mundhra – Q&A:**

– Understood. And what is the outstanding DTA now, sir.

– **Management – Canara Bank:**

– It is around say 8000.

– **Mr. Jai Mundhra – Q&A:**

– Okay, understood, sir. And last thing, sir, from my side, on this accumulated loss from erstwhile Syndicate Bank, when do you I mean so while the accounting, so there are two things, one is you are still paying accounting tax but you have accumulated losses, and that is why you probably are not shifting to the new tax regime. So [a] by when do you think this should continue as in you can remain on the old tax regime and may not pay tax, is there any understanding there.

– **Management – Canara Bank:**

– See this carry forward loss can be availed upto 8 years, so as on today I do not have a tax liability to pay as per the income tax return. See the first loss we have registered in 2018 upto 2026 first year profit loss itself is available. So there is upto 2028 theoretically we are capable of carrying forward these accumulated losses. However, we will not go because we are capable enough to come out of this, and paying more tax and reducing the DTA is another process of strengthening the balance sheet, so that whenever we want we can shift to the new tax regime to have that comfort also this is one of the thought process of making full provision of tax.

– **Mr. Jai Mundhra – Q&A:**

– Right, when do you intend to shift to the new tax regime, sir? Is it like in the next one year or maybe?

– **Management – Canara Bank:**

– Yes, maybe one to two years whenever we feel if we are confident that with the same tempo of our progressive growth it is not far away.

– **Mr. Jai Mundhra – Q&A:**

– Understood, thank you so much, sir, I will come back in the queue. Thank you so much for your time.

– **Anubhav Adlakha – Host:**

– Thank you, sir. I wish to remind all the participants if you wish to ask a question please do so by raising your hand. Our next question is from the line of Mr. Ashok, sir, please unmute yourself and go ahead.

– **Mr. Ashok – Q&A:**

– Good evening.

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

– Good evening.

- **Mr. Ashok – Q&A:**
- [26:50 audio problem]
- **Anubhav Adlakha – Host:**
- Mr. Ashok, I would request you to please turn off your video I think there is a bandwidth issue, so please turn off your video so that your voice is clear.
- **Mr. Ashok – Q&A:**
- Yeah, is it okay now?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Yes, yes.
- **Mr. Ashok – Q&A:**
- Sir, most of the questions they have already been answered. I have got just a couple of questions and observations. In case of our DHFL recovery, we have also received the bond in addition to the cash. [27:35 audio problem]
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Sir, we lost you, sir.
- **Anubhav Adlakha – Host:**
- Sir, your voice is breaking. I would request you to please reconnect.
- **Mr. Ashok – Q&A:**
- Is it okay now?
- **Anubhav Adlakha – Host:**
- Yes sir.
- **Mr. Ashok – Q&A:**
- So, sir, what I was asking about DHFL recovery, we have received in cash in bond from Piramal I suppose it is 10 year bond so what treatment has been given to, what is the quantum of the amount of the bond and what treatment we have been given in accounts as regards the reversal of the [28:22] because it was 100% written off account.
- **Management – Canara Bank:**
- Sir, it is like this that the bond because ours was a loan account so naturally the loan has to be adjusted and we have taken that amount of bond now as an investment. So that is the treatment what we have done. So roughly around 900 was the bond and about 700 was the cash recovery. So total about 1700, so because the loan account got credited by creating an investment so the cash recovery is total shown as 1725 or 30, like that we have treated.

– **Mr. Ashok – Q&A:**

– So the entire 1700 has been taken as the profit in this quarter?

– **Management – Canara Bank:**

– Yes, as a cash recovery.

– **Mr. Ashok – Q&A:**

– No, no, what I am asking is that 900 crores of the bond which you received according to you, you have put in the investment, have you provided for anything on that investment while reversing the provision which you had.

– **Management - Canara Bank:**

– It is considered as a normal investment and the MTM depreciation has been provided.

– **Management – Canara Bank:**

– Because it is a new entity who has made this investment, it is not DHFL so provision is not required. Because it is Piramal who has invested so no provision was required as such.

– **Management – Canara Bank:**

– And DHFL is not a technically written off account, of course, there is no question of taking into operating profit of the bank.

– **Mr. Ashok – Q&A:**

– So this 900 crores bond which is 10 year bond from Piramals, you have taken at par in the value as far as the investment book is concerned, isn't it?

– **Management - Canara Bank:**

– Yes, yes.

– **Management – Canara Bank:**

– And due MTM depreciation has been provided.

– **Mr. Ashok – Q&A:**

– Yes that's what I am asking, how much MTM depreciation has been provided.

– **Management - Canara Bank:**

– Yes, that individual account wise I may not have the details, we will come back.

– **Management - Canara Bank:**

– It is all due MTM provisions have been done there.

– **Mr. Ashok – Q&A:**

- Yeah, anyway, sir.
- **Management - Canara Bank:**
- But the treatment was like this like I told you.
- **Mr. Ashok – Q&A:**
- Okay, sir. As regards loan no. 7, all the accumulated losses have been adjusted against the premium of about I think 17000 [30:47] so all the accumulated losses have been adjusted against the premium or still anything is pending.
- **Management - Canara Bank:**
- No, sir, as on date we don't have any accumulated loss, and balance of accumulated loss is nil.
- **Mr. Ashok – Q&A:**
- All right. Sir, my next question is that this commission income from PSLC of 909 crores which you received in the last 6 months in the last two quarters, and since we have a very good book in the priority sector, is this phenomena going to continue for the next two quarters of the year. Can we see a similar kind of income in the next two quarters, sir?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- See, next two quarters we cannot treat the same amount of what you call processing charges or commission we will be getting, but still we have a scope of about 10 to 12,000 crores of book which we can what you call sell as PSLC certificates.
- **Mr. Ashok – Q&A:**
- So it amounts to I mean 909 crore we have already taken now, in the whole year approximately how much can be considered?
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- I think if the demand is good we will be crossing about 1100 crores.
- **Mr. Ashok – Q&A:**
- Okay, so now only a small amount of 200 crores or more.
- **Mr. L.V. Prabhakar – MD & CEO, Canara Bank:**
- Yes, but here the beauty is PSLC certificates again next year again I can sell it, total amount. So I have a scope of earning again 1000 to 1100 to 1200 crores in FY 23 also.
- **Mr. Ashok – Q&A:**
- Yes, sir. Sir, you said that your fee income was very good because you have underwritten some big ticket loan, but as you yourself answered sometime back that corporate book if you see has not grown in this quarter. So whether those amount of 20,000 crores you are saying you have underwritten, so fees has already been collected on that pending disbursement?

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

– In majority of the cases since we have handed over the sanction letter, fee has been collected.

– **Mr. Ashok – Q&A:**

– And that is why the income has come in this quarter.

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

– And the sanctions will continue in this current quarter also, so the flow of fee based income will be going, and now the corporates who are not earlier banking with Canara Bank now they are very much interested to start banking relationship with Canara Bank which is a very good trend which we are seeing.

– **Mr. Ashok – Q&A:**

– So I believe, sir, you have started considering the construction loan for the residential to the builders and some of those areas where earlier for last two years the loans were not generally welcome, so is that the bank is going aggressive n because your NBFC book has also increase considerably.

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

– Here let me tell me, one thing is we are aggressive in HAM projects, we are aggressive in steel financing, cement, textiles and health sector. Health sector we already have a sanctioned support of 5500 crores, and the disbursement is about 2300 crores, still there is a scope of disbursement. And as far as the real estate sector is concerned we are calculatedly taking the exposure where real estate home loan scope is there, in the sense real estate residential is there. Because as you see our housing loan we are growing at 14% so suppose if I finance a real estate project, residential one, I will get raw material for housing loan financing and that particular loan will be liquidated automatically. So in that angle we are concentrating where the project is RERA compliant and where we see that the promoters are strong and the project will be completed well in time, there we are very happy to take exposures.

– **Mr. Ashok – Q&A:**

– Sir, my last question in this round is that first phase of the restructuring out of that how much has slipped into NPA I mean in absolute terms how much was done and how much has slipped into NPA.

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

– Less than 50 crores.

– **Mr. Ashok – Q&A:**

– Only 50?

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

– Yes, less than. It is around 38 or 40.

– **Mr. Ashok – Q&A:**

- Okay sir, thank you very much. If time permits, I'll come back again.
- **Mr. Anubhav Adlakha - Host:**
- Thank you sir. Our next question is from the line of Mr. Sridhar Sivaram. Sir, please unmute yourself and go ahead.
- **Mr. Sridhar Sivaram – Enam:**
- Thank you sir. This is Sridhar from Enam. I have two questions. One is on your pre-provision profit guidance for the year. Is it fair to expect around 23,000-24,000 crores pre-provision profit for the current year? And my other question is on the provisioning itself. What sort of provisioning number should we expect for this year, and maybe if you could guide a little bit for the next year as well.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- As far as OP is concerned, as on date you're seeing that it is 5,500 plus. And the last quarter also we have done very well. And one more thing is the way in which we are building up our loan book and also increasing focus on recovery. Going forward in the coming 2 quarters, I think we should be doing better than what we did in Q1 and Q2. So naturally as you expect 24,000 crores I think that should not be a big issue, the way in which the trend is going on. And provisions, as you have seen, during the current quarter, we have made 2,200 crores additional provisioning. For eg. 36.45 15%, we made 50% provision. That means, we are taking care of the future provisions in the current quarters. So, our strategy of making aggressive provisions will continue, at the same time taking care about the other parameters also.
- **Mr. Sridhar Sivaram – Enam:**
- Sir, when will we see a normalisation? Is it fair to expect a 4-digit provisioning number next year?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- I think as on date also, it is on track to that figure.
- **Mr. Sridhar Sivaram – Enam:**
- Okay, okay. Because, annualised number works towards say around 14,000 odd crores provisioning for this year. So, maybe we can expect somewhere in the 9,000-10,000 range next year?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Sir, here one more point is there. Even though we are making 14,000 crores provision, by the end of the year out of this 3,000-4,000 crores provisioning maybe netted off because of the recoveries. So that process is going on. So, in a cumulative term Q1+Q2+Q3+Q4 they look like that. But at the end of the year if you see the absolute netted off figure, that will come down.
- **Mr. Sridhar Sivaram – Enam:**
- Okay. Sir, my last question on this 40% tax provisioning to help your capital, given that you're also raising capital from the market and we under report the profits by providing higher tax, this also impacts the value creation in the markets. So my suggestion would be, from next year onwards, if

you could come to normalise tax rates, that will help some sort of certainty amongst investors to gauge what sort of tax rates you would be providing, and it can help in future capital raising also.

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

– Yes, we agree with you. We are open to that suggestion also and we are working in that direction also sir. It is only a matter of time when we will take that decision.

– **Mr. Sridhar Sivaram – Enam:**

– Sir, but if you could guide the market in advance so that we are not always wondering whether it will be 40 or 25, it will help if that sort of a guidance on... tax rate it is a certain number, I'm not asking you to guide for some number about profit or something else where there are lot of other parameters. This is a more certain number and if you can atleast tell us 1 or 2 quarters in advance, it will help us to gauge some expectations in the market.

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

– Yes sir, going forward definitely we'll come up with that clarification.

– **Mr. Sridhar Sivaram – Enam:**

– Thanks a lot sir. Best of luck!

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

– Thank you.

– **Management - Canara Bank:**

– To answer Mr. Ajmera's question about marked to market in those bonds, it is around 200 crores and already provided for.

– **Mr. Anubhav Adlaka - Host:**

– Okay, thank you sir. Our next question is from the line of Mr. 40.02. Sir, please unmute yourself and go ahead.

– **Question:**

– Thanks for the opportunity to join in. I have a question and I want the answer just on the slippages of about 7,000 crores. How much of that is related to 40.21?

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

– It is 3,200 crores sir.

– **Question:**

– Cool, thanks. And on the cash recoveries of 3,000 crores, how much is that one?

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

– It is about 1,700 crores.

- **Question:**
- That's all, thank you so much.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Thank you sir. And one more point sir regarding the 40.40, out of this 3,200 we made already 50% provision.
- **Mr. Anubhav Adlaka - Host:**
- Okay, thank you sir. Our next question is from the line of Mr. Aditya Singhania. Sir please unmute yourself.
- **Mr. Aditya Singhania - Enam:**
- Thank you. Good afternoon sir, this is Aditya Singhania from Enam. I just wanted to clarify couple of things on the Dewan accounting. So sir, what was the total exposure we had and if you could tell me whether it was in the form of bonds or loans?
- **Management - Canara Bank:**
- Okay, we had about 3,600 crores in the form of loans, 3,385 in the form of investments. So that was the original thing. Out of that, what I said was around 1,700 odd crores we received. So, we still have a book liability where... because our liability towards the guarantor still exists. So that thing we are still keeping alive. So about 1,950 crores of liability is there which we are attributing towards the guarantors. So that call will be taken as to how and when we are going to take action against that.
- **Mr. Aditya Singhania - Enam:**
- Sir, if you could explain this guarantor thing? I was not aware of this aspect.
- **Management - Canara Bank:**
- First of all, these are 100% provided. So, no fresh provision is required. In our books this amount still exists and we want to keep it alive for the simple fact that the liability of the guarantors also we are invoking. So that part is still there. But, so far as DHFL, Piramal issue is concerned, it is closed.
- **Mr. Aditya Singhania - Enam:**
- So, is there a recovery possible on this 1,950 crores?
- **Management - Canara Bank:**
- We will definitely try. As a consortium we will definitely try.
- **Mr. Aditya Singhania - Enam:**
- Who is the guarantor sir in this case, if I may understand?
- **Management - Canara Bank:**
- The promoters are there.

- **Mr. Aditya Singhania - Enam:**
- These are personal guarantees?
- **Management - Canara Bank:**
- Personal guarantee, yeah yeah.
- **Mr. Aditya Singhania - Enam:**
- Okay. And sir, just to understand the accounting we are a little confused. This 1,700 crores of cash recoveries, that has been taken in the P&L, right?
- **Management - Canara Bank:**
- Yes yes, that has been taken as a cash recovery for our loan accounts to the extent of 1,700 od crores. That's what I'm trying to explain.
- **Mr. Aditya Singhania - Enam:**
- Yeah. And this was not written off earlier? This as a 100% provisioned account?
- **Management - Canara Bank:**
- It is a 100% provisioned account, yes.
- **Mr. Aditya Singhania - Enam:**
- Okay. So the 1,700 comes in the form of cash recovery, out of which as you explained, 900 has been credited to bonds as an investment, and on that you have made a 200 odd crore marked to market provision.
- **Management - Canara Bank:**
- Yes, exactly. It is actually exactly 191 crores which we have provided.
- **Mr. Aditya Singhania - Enam:**
- Okay. I could not understand... the Chairman mentioned that you have made a total 2,200 crores further provision using this. So if you could just explain that aspect?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Sir regarding this 2,200 crores, an additional provision which we have done is, instead of 15% we did 50%. Accordingly in other accounts also, we have done additional provisioning so that Q3 can be taken care without much difficulty.
- **Mr. Aditya Singhania - Enam:**
- Right. Sir additional means in addition to the RBI mandate?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Exactly. In addition to the regulatory requirements, 2,200 additional provisioning we have made.

- **Mr. Aditya Singhania - Enam:**
- Right. And so all of this is part of 2,678 which is provision for NPAs.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes.
- **Mr. Aditya Singhania - Enam:**
- Plus what is 475 is others sir?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- That is regarding the RBI Resolution 2 framework under which we have restructured. To that, some amount has been done.
- **Mr. Aditya Singhania - Enam:**
- Okay. So that is against that?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes.
- **Mr. Aditya Singhania - Enam:**
- Thank you sir, that's very clear. Just a second question I had was on the DTA. So we understood that the DTA outstanding now is 8,000 crores?
- **Management - Canara Bank:**
- Yeah, around that.
- **Mr. Aditya Singhania - Enam:**
- So how much of that is not getting allocated to CET 1 right now sir?
- **Management - Canara Bank:**
- Almost around 2,000.
- **Mr. Aditya Singhania - Enam:**
- Okay. So 2,000 crores of further tax provisions in the books hopefully in the next 2 quarters will be added to CET 1 as it gets used.
- **Management - Canara Bank:**
- Yeah, scope is available for us to augment the capital by way of that.
- **Mr. Aditya Singhania - Enam:**
- I understand. Thank you sir, thank you so much.

– **Mr. Anubhav Adlaka - Host:**

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

– **Mr. Rishi – Q&A:**

– Hello, am I audible?

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

– Yes you are audible.

– **Mr. Rishi – Q&A:**

– Thanks sir. I just wanted a clarification. Earlier when you were talking about provisions, for this year are we going to take provisions at around 14,000 crores?

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

– Sir again, as I said, every quarter we are making provisions. But during the year, where we recover the amount from these accounts, to that extent provision will come down. So, cumulative at the end of the year I think it will be around 10,000 to 11,000 crores; it will not be more than that.

– **Mr. Rishi – Q&A:**

– Okay, that works. Thank you sir.

– **Mr. Anubhav Adlaka - Host:**

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

– **Mr. Rakesh Kumar – Q&A:**

– Am I audible now?

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

– Yes please.

– **Mr. Rakesh Kumar – Q&A:**

– Hi sir! Thanks a lot for the opportunity. Sir just one question. We had close to 10,000 crores total of net DTA as on March end. And now we have close to 8,000 crores. So just to understand the movement of this DTA and DTL... so basically, the investment depreciation provision what we have made, we would have got some DTL we would have got because of that. Ad if there is a provision ride back because of this DHFL thing, that would (47.48 – cracks) DTA number. Let me know if that understanding is correct. Going ahead as we say that NPA provision would be higher, that would again lead to a higher DTA number which will get deducted from the CET for the calculation.

– **Management - Canara Bank:**

– Sir, opting for DTA or not is a bank discretion. That's why, providing more tax is strengthening of the balance sheet. As long as I'm making a profit, I need not go for DTA. It is an accounting window available to the banks. It is not compulsory, it is optional.

– **Mr. Rakesh Kumar – Q&A:**

– That I understood sir. I'm just asking, the movement of DTA from 10,400 odd crores from March end to 8,000 crores to September end, this number has come down by around 2,400 crores. This is because of the reversal of NPA provision and because of the investment depreciation provision that we have made, correct?

– **Management - Canara Bank:**

– Sir, there are different reasons for reduction of DTA. See, when we are paying more tax and the provision of the NPA is also reduced, all this results in the reduction of DTA. This is only two components, there are 7-8 components which we are taking into account while calculating the income tax provision. So all of this will lead to the reduction of DTA sir.

– **Mr. Rakesh Kumar – Q&A:**

– Okay sir, thanks a lot.

– **Mr. Anubhav Adlaka - Host:**

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

– **Mr. Deepak Lalwani – Q&A:**

– Hi sir! Thank you for the opportunity. Sir, the restructuring number in retail looks a bit high, 10,000 crores on a book of 120,000 crores. So where is this restructuring primarily coming from? Is it vehicle, home loans or mortgages?

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

– In this major portion, the home loan people have availed this facility. But as you see the slide, 52% of these people have started paying in advance. So basically, the housing loan people during the COVID time thought that this is a good window and we also encourage them and they have utilised the facility. However, now they have started paying the instalments in advance. So basically, major portion is under housing.

– **Mr. Deepak Lalwani – Q&A:**

– Got it sir. And sir, if you could highlight how much of the retail book is salaried and non-salaried?

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

– Basically in our retail book more than 85% is salaried only.

– **Mr. Deepak Lalwani – Q&A:**

– Okay, got it. And sir in the agri book, is it entirely backed by gold?

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

– No no no. It is a combination of investment credit, KCC and also backed by gold, backed by agricultural land mortgaged; it is a combination of everything. And that constitutes about 161,000 crores.

– **Mr. Deepak Lalwani – Q&A:**

– So how much would be secured in the agri book – backed by gold or backed by the land of the farmer?

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

– It is 82,000 crores.

– **Mr. Deepak Lalwani – Q&A:**

– Okay, got it. And sir lastly on the restructuring number, do we see any further restructuring accounts in the pipeline?

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

– No, now it is closed. Whoever opted, we have sanctioned and no pending issues are there.

– **Mr. Deepak Lalwani – Q&A:**

– And on the entire book we carry the minimum 10% coverage, right?

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

– Yes.

– **Mr. Deepak Lalwani – Q&A:**

– Okay. Thank you sir, that's it from me.

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

– Thank you.

– **Mr. Anubhav Adlaka - Host:**

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

– **Mr. Jay Mundra – Q&A:**

– Yeah hi sir, thanks for the opportunity.

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

– Good afternoon sir. Please.

– **Mr. Jay Mundra – Q&A:**

– Good afternoon. Sir, one is, there was an RBI Master Circular that said that you have to... there was a reclassification of other income recovery from write off, recovery from written off accounts from other income to netting of provisions. I think even IDBI Bank has done that and I think other private banks and other banks have also done that. We seem to have not done that. Do you plan to do that in the coming quarters or is that up to the bank to do or not do?

– **Management - Canara Bank:**

– This RBI Circular is really speaking on the format of the balance sheet which has to be disclosed at the end of March financial year. However, 1-2 investment depreciation and dividend on investments we have taken into account. Recovery on written off, the major banks, even some of the major private sector banks are also taking under the operating profit other income only. So, let us see first. In another 2 quarters we'll take a call on that in accordance with the other banks decisions.

– **Mr. Jay Mundra – Q&A:**

– Okay, understood sir.

– **Management - Canara Bank:**

– There is no impact on net profit.

– **Mr. Jay Mundra – Q&A:**

– Right right. And secondly, so out of 7,000 crores, 3,200 crores is one account. If you could bifurcate corporate, retail, MSME, agri regarding the slippages for the quarter?

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

– Out of the remaining 3,200-3,300, 1,000 is in agriculture, about 1,000 is in MSME and the remaining consists of corporate and retail.

– **Mr. Jay Mundra – Q&A:**

– Yeah. So how much would retail be sir?

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

– Retail is about 300-350 crores.

– **Mr. Jay Mundra – Q&A:**

– Okay understood. And sir, out of your non-PCR provisions, what is the stock of non-PCR provisions while we are holding, including restructured provisions or any other? Or, do we have any COVID buffer which is not restructured, not NPA provisions?

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

– No, we don't have.

– **Mr. Jay Mundra – Q&A:**

– What is the total restructuring provisions that we have sir, I mean in stock?

– **Management - Canara Bank:**

– Those are 1,900 crores.

– **Mr. Jay Mundra – Q&A:**

– Right, okay. And the last thing sir, we have mentioned SMA 1 and 2 and we have been reporting this number for quite some period now. This is CRILC reporting. If you were to put the number below 5 crores also, broadly how much would that number be sir? Including the below 5 crore number?

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

– See, it will be including... Less than 5 crores it would be around 3%.

– **Mr. Jay Mundra – Q&A:**

– 3% of the total book?

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

– Yeah.

– **Mr. Jay Mundra – Q&A:**

– This would be SMA2 only?

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

– It is 1 and it is 2.

– **Mr. Jay Mundra – Q&A:**

– Okay, 1+2 put together would be...?

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

– Including less than 5 crores and above 5 crores. It is about 3%.

– **Mr. Jay Mundra – Q&A:**

– Right. So the current number which we have, SMA1 plus SMA2 is 1%, it will be 3% roughly.

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

– Yeah. So above 5 crores it is about 9.98% and below it would be about 2.1%

– **Mr. Jay Mundra – Q&A:**

– Understood. Great sir! Thank you sir.

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

– Thank you very much.

– **Mr. Anubhav Adlaka - Host:**

- Thank you sir. Our next question is from the line of Mr. Abhijeet. Sir, please unmute yourself and go ahead.
- **Mr. Abhijeet Sakhare - Kotak:**
- Good afternoon sir. Couple of questions. One is, sir I missed the comment on the family pension part. But, if you can explain what was the impact this quarter and what should be the run rate on the staff cost going ahead?
- **Management - Canara Bank:**
- Family pension per month, on an average only 10-12 crores outflow of funds may be there. However, RBI has permitted us to stagger over 5 years. As a prudent measure, we have made around 200 crores provisioning this quarter. Still the payment is not started because approval from the board and other authorities is also required. But we have made a provision of around 200-250 crores towards family pension and NPS.
- **Mr. Abhijeet Sakhare - Kotak:**
- This is going towards the corpus creation, right?
- **Management - Canara Bank:**
- Yes, exactly, other than NPS.
- **Mr. Abhijeet Sakhare - Kotak:**
- And what would be that corpus on the current base of employees?
- **Management - Canara Bank:**
- Maybe around 800-900 crores. It maybe around 800-900 crores only for the family pension to be staggered over 5 years; that is the window available for us.
- **Mr. Abhijeet Sakhare - Kotak:**
- So 900 crores over 5 years, that's the net impact?
- **Management - Canara Bank:**
- It is available for the banks. Whether to avail or not, is the...
- **Mr. Abhijeet Sakhare - Kotak:**
- Got it. Second is, you mentioned that about 2,000 crores of restructured loans have come out of the 5,000 crores in the 1st pool of restructuring. So I wanted to understand, we thought that there is some criteria around repayment behaviour being established for a couple of years, after which you can upgrade the account. So I'm not sure how we have reduced the pool of restructuring there.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- These accounts amounting to about 2,100 crores, so they satisfy the condition, because of which it has come out from restructuring tag.

- **Mr. Abhijeet Sakhare - Kotak:**
- What would be those conditions sir?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- As per the RBI guidelines.
- **Mr. Abhijeet Sakhare - Kotak:**
- And are these retail accounts?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- No, it is a mixture of that.
- **Mr. Abhijeet Sakhare - Kotak:**
- Okay. And last question is, sir some comment on the overseas loan book where growth rates have been higher than what we are seeing on the domestic side. So, where is it coming from, which sectors?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Actually if you see, 1 ½ years ago, we have shrunked our loan book as far as overseas is concerned, because of COVID and other reasons. But now, once the economy is growing outside India, we thought that we should have a growth in credit also. And basically we're going for syndication of loans. And these loans are all high rated. Because of that, now we thought that the loan book has to be increased, and we are projecting that in overseas we'll be growing more than 10%.
- **Mr. Abhijeet Sakhare - Kotak:**
- These are PCBs? What kind of loans are these sir?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Combination of everything.
- **Mr. Abhijeet Sakhare - Kotak:**
- Indian promoters?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Basically, instead of solo financing, we're going for syndication.
- **Mr. Abhijeet Sakhare - Kotak:**
- Got it. That would be all. Thank you so much.
- **Mr. Anubhav Adlaka - Host:**
- Thank you sir. We'll take one last question from the line of Mr. Sohail Halai. Sohail, please unmute yourself and go ahead. Mr. Sohail?

– **Mr. Sohail – Q&A:**

– Hello. Good evening sir and thanks a lot for the opportunity. Sir, three questions – two from the P&L point of view and one from the asset quality point of view. Sir, if I look at our CD ratio, it is still at 66% i.e. including gross loans. Sir first, how far are you in terms of raising the deposit rate even if the liquidity tightens? Second, in this perspective, what is your outlook in terms of margin going forward as you leverage more in terms of your balance sheet?

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

– As far as credit growth is concerned, yes. Today we are at 66% less. Whereas, growth under retail which constitutes about 43%, it is growing at more than 9-10%. So that will continue. Now the issue is, how to increase the ratio by taking exposure in corporate? Because, in the last 2 quarters and before that, the corporates are very careful and the bankers are also very very careful in underwriting the corporate loans, because of the pandemic issues. Now we see lot of traction as far as corporate loans are concerned. So we feel that with the loan book which we have already underwritten about 20,000 crores plus the fresh financing which we're going to do, I think corporate will also grow at a rate of more than 7.5%, retail growing more than 10%. So I think this percentage will be increasing to maybe 69.

– **Mr. Sohail – Q&A:**

– And its consequent impacts on margins, are you looking at subsidising some of these loans and your yields will come up or basically you will go for the margins?

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

– Margin, going forward, I think it will increase. Why I'm telling you is, as on date, we are having a margin of about 2.72% and in the next quarter we are hopeful that we should be able to cross 2.80%. The way in which we are underwriting the proposals and the interest incomes which we are earning, I think 2.8% next quarter we'll be comfortably achieving.

– **Mr. Sohail – Q&A:**

– Okay. So just to clarify, in terms of the growth perspective, you would not be compromising on the yield part of it, right?

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

– See, it is a balance. If the account is rated AAA, naturally the yield and advances I have to compromise to some extent because AAA people will not pay. So, we'll have a combination of BBB, A, AA and AAA also so that at the end of the day, we'll be in a position to have a good margin.

– **Mr. Sohail – Q&A:**

– And sir in this, one more think I note is basically in terms of your OPEX, that has been flat for the last 5 quarters. So, what do you think is the kind of cost flow that one should build in whenever the growth comes back, because this could give you the benefits of operating leverage as well?

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

– Corporate sir, the growth which I am projecting is, it will be more than 6 to 7.5%.

– **Mr. Sohail – Q&A:**

– No sir, I was talking about more on the OPEX side that has been flat from the last 5 quarters. So what is the kind of cost **1.02.56**.

– **Management - Canara Bank:**

– Yeah, the bank has been taking lots of measures post amalgamation, lots of cost cutting measures, which is basically the Synergy. As a result of that, rental savings is there and employee cost savings is also there due to retirement and adjustment of employees in different speciality verticals. And during COVID time we've also found that wherever rental agreement has come of renewal, there is a deduction as compared to the earlier position where there used to be a steep increase. So thereby our cost, what you have said, OPEX has remained **1.03.36** stable. So we expect it to go in the same manner, maybe 5-10% may be there going forward. But, this is the pattern.

– **Management - Canara Bank:**

– Actually, we are taking advantage of the present market conditions in the real estate sector, the low rates, demand for commercial spaces. Whatever the existing 12,000 lease on premises, we have renegotiated and many of those things are at a much lower price and we are locking for the next 0-15 years. So, there we are saving a lot of money. Cumulatively numbers I don't want to disclose it, but there is a considerable amount we are saving. That way, we are controlling our operating expenses, but simultaneously, just strategically, some part of that we are reinvesting in our IT area where we want to bring the younger generation close to our bank. That's why we are revamping our existing mobile app also, and many such things like data dump analytics and all, latest technology we are introducing. So, some part of that what we are saving through this real estate or the lease rentals and other things, or even Synergy... Actually we have almost closed 800 branches because of the in the last 1 year and we are planning to close wherever possibilities are there in the next financial year also to some extent, to take the advantage of Synergy. We have already got almost 140 crores in the IT sector also in the last 1 year. Like that, in the real estate sector also we have got 200-250 crores benefit, this is Synergy's. So this is all on a continuous basis and quarter to quarter we are working on that. But part of that strategically we are implementing in IT so that we can revamp our IT sector. We are coming out with 150 new features in the mobile app.

– **Mr. Sohail – Q&A:**

– And sir final question, basically more in terms of the ECGLS. So, any disbursement made during the quarter - The outstanding book and the portfolio behaviour in terms of the ECGLS book that you are looking at right now?

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

– See, ECGLS book is very good, and during the current quarter we have disbursed around 180 crores. Put together total my Emergency Credit Line Book is about 11,044 crores, and this book is doing good.

– **Mr. Sohail – Q&A:**

– Sir, has the entire book started paying or only a part of it has started paying?

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

- See, actually this is 20% of the outstanding which we had. So, this 20% instalment moratorium is also there, and where moratorium is not there, they have started paying. But however, delinquencies we observe are very negligible in this particular vertical.
- **Mr. Sohail – Q&A:**
- So sir in that 80%, are the normal principal and interest that are getting paid?
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Here 100% plus 20%, it is 120%.
- **Mr. Sohail – Q&A:**
- Yeah, so in that 100%...
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Unless and until the regular account is paid, otherwise both will become NPA.
- **Mr. Sohail – Q&A:**
- Okay understood. So only on this 20% it is moratorium, rest is actually paying off on a continued manner.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- Yes.
- **Mr. Sohail – Q&A:**
- And sir final question. We have a very large pool of technical write offs still at the rate of 60,000 crores. So any view on that in terms of how do we look at the recoveries coming from that portion?
- **Management - Canara Bank:**
- Actually if you take that total portfolio of technically written off accounts, most of it are in NCLT, most of these accounts are in NCLT. So yes, gradually one or the other big accounts are getting tracked. So we expect some recovery, and then moreover, you see our Q2 results, here also in technically written off accounts we have made lot of recovery, about 700 crores. So here also there are bigger accounts, there are smaller accounts also in this category. Though the bigger accounts fall under NCLT mostly, in the smaller accounts we are getting steady recovery. Over the quarter we are getting that as you are witnessing. Now, so far as the other bigger accounts where we have not gone to NCLT or some other measures are being taken, we are following up for OTS also. We are open for that. So these are the measures which we are taking, and on a quarter to quarter basis we are getting dividends, out of that we are getting the recoveries. That is how we propose to continue.
- **Mr. L.V. Prabhakar - MD & CEO, Canara Bank:**
- And in the current quarter, as our Executive Director is mentioning, 715 crores have been recovered from the written off accounts, and in this quarter we are targeting about 1,000 crores to be recovered from the written off accounts.

– **Mr. Sohail – Q&A:**

– And sir, plans for this National ARC transfer, how much have we actually kept out? If you could just share how the accounting treatment would be done on those?

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

– We have identified to the tune of about 4,000 crores which can be transferred.

– **Mr. Sohail – Q&A:**

– And that entire thing, whatever the recovery is, will come into the P&L?

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

– Yes. No P&L, provision will be written back because these accounts are not written off accounts, they are 100% provided for.

– **Mr. Sohail – Q&A:**

– And if it is a written off account, then it would come in the Other Income, right?

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

– Exactly.

– **Mr. Sohail – Q&A:**

– Thanks a lot sir. All the best!

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

– Thank you very much.

– **Mr. Anubhav Adlaka - Host:**

– With that, as we are running out of time, I would like to end the conference here. Thank you so much team from Canara Bank, especially the MD sir, CEO and all the Executive Directors. On behalf of 1.09.46 Stock Broking I'd like to thank you all. And thank you all participants for joining in. Have a great evening. Bye.

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

– Bye. Thank you very much.

– **END OF TRANSCRIPT**