



Q3 FY2022
EARNINGS CONFERENCE CALL
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Management:

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Canara Bank

Q3 FY2021-2022 Earnings Conference Call/Analyst Meet

- **Moderator:**

- On behalf of Antique Stock Broking, we welcome you all to the 3rd Quarter Earnings Call of Canara Bank. From the management side, we have Shri. L.V. Prabhakar - MD and CEO, Shri. Debashish Mukherjee – ED, Ms. A. Manimekhalai – ED, Shri. K. Satyanarayana Raju – ED, Shri. Brij Mohan Sharma - ED and other team members. Without much ado, I will hand over the call to Mr. Prabhakar for the opening remarks, post which we will open the floor for Q&A. Over to you sir.

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

- Thank you very much, and I sincerely thank my investors for the support they have given and the confidence they have reimposed on us, because of which we could deliver good results. Let me talk about the net profit. Rs. 1,502 crores, which is about 115% Y-o-Y. But we are not happy with the net profit of 1,502. Our philosophy is to see that the balance sheet is very strong and the balance sheet is future ready. In that direction what we did is, in the current quarter, that is Q3 FY22, Rs. 1,355 crores we have made a special provision for the family pension of the staff, which otherwise as per the permission of the RBI can be done in 5 years. But we don't want to wait for 5 years to make the provision and we have uploaded front-ended total Rs. 1,355 crores. And the second point is, last quarter you were all aware there was a big NPA account Srei, because of which the NPA figure has increased, and last quarter we did 50% provision for that Srei account where the outstanding is about Rs. 3,100 crores plus. This quarter, what we did is instead of 50%, we have increased the provision to 75. That is about Rs. 2,400 plus crores we parked as provision against Srei account to take care about the future losses, and the future recovery are there will be ploughing back the provisions. So along with net profit, I would like to emphasize about the provision made for the family pension and also the extra provision made for Srei account which is one of the bigger accounts.
- This time Canara Bank has focused on growth in business, both the liability side and also asset side. Gross advances has grown by 9.28% and now we are at 7.3 trillion loan book. Apart from this, retail we have grown at 10.02%, housing 14.82% and agriculture 12%, corporate 10%. So put together the gross advances globally it has grown by 9.28% and we are targeting to achieve two-digit growth under the gross advances going forward. Apart from asset side, we are also very conscious about the liability side of the book. CASA continues to be our focus area, and we have grown at 10.28%. Now in the absolute terms, it is about 3.42 trillion and bulk deposits we have reduced, and there is a normal growth of about 7%. Regarding the asset quality, we have improved the underwriting standards and also we have increased the emphasis and the total staff energies are being diverted towards the recovery in written off accounts also. Because of which as we have committed in the last 3-4 quarters that our recoveries will be more than slippages we could get that situation during the current quarter also by recovering about Rs. 2,784 crores as cash recovery and about Rs. 1,100 crores as upgradation, and the percentages, gross NPA from 8.42 it has come down to 7.80, net NPA

has come down to 2.86. Going forward, we are very conscious about these two ratios and we are committed to improve these ratios in Q4 FY22. Along with NPA, we want to see that provision coverage ratio also increases. Now we are at 83.26%, and we are of the view that we have to achieve 84%.

- Then capital. With all your support this financial year, we have raised Rs. 2,500 crores QIP successfully and also AT1 bonds and also Tier II bonds and at a very competitive rate and today our CRAR is at 14.80, an increase by 111 basis points Y-o-Y. CET 1, it also increased by 135 basis points to 10.12%, and operating profit, we are at Rs. 5,803 crores showing a growth of 10.16% and the operating profit for the three quarters is taken, it is growing at more than 16%. Global business, we crossed 17.7 trillion. And in the last one year, we have added a domestic business of about 1.17 trillion. Current deposits continue to grow and savings bank also continues to grow. This time we have concentrated on SMA 1, SMA 2 and SMA 0 of those accounts where the outstanding balance is more than Rs. 5 crores and because of the focused attention, as on 31st December 2021, the SMA 2 amount is only Rs. 2,400 crores, which is 0.28%. And SMA 1 is only Rs. 3,400 crores, which is 0.39%. Put together, SMA 1, SMA 2 it is only 0.67% and even put together SMA 0 also, it is only 1.76%.
- We could maintain very good recovery percentages under retail also. Retail, the NPA percentage is 1.30, housing the percentage is 0.90 and in vehicle, education and personal loans it is less than 2%. And we target to continue to have the NPA ratios under retail at this level only. Regarding agriculture, again our NPA is only 5 plus percent, which is again a very good sign. So with the overall increase in OP, NP growth in credit, growth in deposits and reduction in SMA and also increase in the capital, we could make Canara Bank balance sheet ready for the future. Thank you very much.

- **Moderator:**

- Thank you sir. We will open the floor for Q&A now. Anyone who wishes to ask a question may do so by pressing the 'raise hand' button on the app. We will wait for a moment while the question queue assembles. We have our first question from the line of Mahrukh.

- **Ms. Mahrukh - Participant:**

- Hello sir. A couple of questions. Firstly, there is a lot of lending that has happened to NBFCs during the quarter. So what kind of NBFCs are these? Because that is the key growth driver, correct? So what kind of NBFCs are these?

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

- I cannot say it is the only driver, it is one of the drivers. And as far as NBFC is there, in the slide we have given that rating of the NBFCs. 98% of the NBFCs today they are A and above, at the same time, we are getting good yields from them along with taking care about the future aspects.

- **Ms. Mahrukh - Participant:**

- So sir my other question, follow up, is that but what kind is it? Is it a power finance NBFC? Or other private NBFCs? That's what I meant, whether it is PSU or it is private.

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

- So, along with this NBFCs, let me bring to your notice the credit growth that has happened in other parameters also. For example, as I said, retail you have seen 10% growth, housing 14% growth, agriculture 12% growth, corporate also 10% out of which NBFC is a component. Now, last time I have said that we are very aggressive in sanctioning HAM projects under infrastructure. Why I am telling HAM projects is, under HAM projects most of the risk is being taken over by the NHAI and there are milestones, after completion of those only bank will be disbursing the amount. So safety is good.

- And the second strategy is, Canara Bank with a huge equity and also with the talent available to assess the infrastructure projects at head office level, we have financed big ticket HAM projects. For example, previously banks used to sanction Rs. 300 crores, Rs. 400 crores where the debt requirement is about Rs. 700 crores. Today, Canara Bank is in a position to underwrite total Rs. 700 crores which in turn is giving Canara Bank bargaining power in terms of interest rate and also in terms of processing charges, because of which you can observe the yield on advances has gone up. Apart from infrastructure projects, we have given for public sector undertaking NBFCs also on a calculated basis. So, it is a mixture of these thing, but all the NBFCs are A and above.

- **Ms. Mahrukh - Participant:**

- Got it sir. Sir and my other question is on asset quality. Sir the first question is that, was there any reversal of provisions related to Air India this quarter, and will there be some more in the next quarter? And then on Future retail, I mean, it will be part of the restructured book and it is probably not performing as the restructuring terms, correct?

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

- Ma'am, Canara Bank was having exposure to Air India to the extent of only Rs. 200 crores, and total Rs. 200 crores we have recovered.

- **Ms. Mahrukh - Participant:**

- Got it sir. And in terms of Future?

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

- Future, yes. As you see Canara Bank PCR is more than 83%. Whatever recoveries are going to happen along with the recoveries, there will be significant amount of provisions that will be written back. That is why I said, we are making our balance sheet future ready. Future group yes, we have exposure, but it is not going to be NPA in the coming quarter because we have exposure to only one part not to the other part.

- **Ms. Mahrukh – Participant:**

- Okay sir. Thank you. Thanks a lot.

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

- Thank you.

- **Moderator:**

- Thank you Mahrukh. We have our next question from the line of Suraj Das. Yes Suraj, you can go ahead.

- **Mr. Suraj Das – Participant:**

- Sir, my question is on the asset quality again. So can you bifurcate what is the slippages break up for this quarter, I mean, segment wise, like in agri, corporate, retail and MSME? Because as you said, there has been some pickup in growth in infra, steel, textile and all that. So if you could bifurcate the slippages break up segment wise. That is my first question.

- Sir, my second question is on the restructuring. So while you have given a slide on restructuring, which consists of COVID 1.0 and COVID 2.0, but also sir you have one MSME restructuring pertaining to the earlier scheme. So I just want to know what is the total restructure amount which includes COVID 1.0, 2.0, earlier MSME and all other previous restructuring. So what will be the total amount?

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

- Now, let me talk about the fresh slippages, about Rs. 2,699 crores. In this, it consists of about Rs. 400 crores one or two big accounts and the remaining is agriculture, retail and MSME. And if you bifurcate about Rs. 2,200 crores under these three categories, it will be coming about Rs. 600-700-500 crores in these three sectors. And regarding the 593 which is there, it is existing NPAs including big accounts also where the non-fund limits have been devolved. So that we have paid. So basically 2,699 consists of about Rs. 400 crores of one or two big accounts, not even big accounts because it is less than Rs. 400 crore and Rs. 2,100 crores relates to agriculture, MSME and the retail proportionately, maybe 5% this side or that side. That is all.

- And regarding the restructure. RBI has said that there is a Restructuring Package 1. In that we have clearly given that Rs. 500 crores which is restructured. Restructured package 2, the RBI has said that you have to view the restructuring package under resolution two number and amount. So we have given the number as 3 lakhs, amount as 14,198. But the beauty of this restructuring in Canara Bank is, because of the continuous follow-up and handholding and timely the benefit was given to our customers because of which 74.34% of these people who have availed the resolution process have paid back the amount. And for your question regarding MSME, which is other category, it is about Rs. 3,200 crores which is freezed long ago.

- **Mr. Suraj Das – Participant:**

- Okay sir. So, if I have to arrive at the total restructuring, that would be this Rs. 5,000 crores of COVID 1.0, then this Rs. 14,000 crores of COVID 2.0....

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

- No, because that figure is on that date. Now the figure has gone down because there is recovery, there are closer of accounts and some extent about 1-2% have been slipped into NPA also, that is hardly Rs. 150 crores, Rs. 160 crores that is less than Rs. 200 crores. So if you remove this again, the figure will come to about Rs. 20,000 crores or Rs. 21,000 crores, not more than that. 20,258 precisely. And going forward by next quarter, this figure will still come down maybe by Rs. 2,000 crores to Rs. 18,000 crores.

- **Mr. Suraj Das – Participant:**

- Right. Understood, sir. And sir what about the provision on this restructured pool?

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

- 10%.

- **Mr. Suraj Das – Participant:**

- Okay. And do we have any other provision outside this I mean, restructured pool over and above the PCR? Any other contingent provision, sir COVID...?

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

- Sir the provision which is not included in the PCR, there are three things. One is provision for standard assets, another one is provision for RP and the third one is, as you said, the provision which we do in specific cases.

- **Mr. Suraj Das – Participant:**

- Okay. Sir what will be the standard provision I mean, as on a date, rough ballpark figure?

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

- All these three things put together other than PCR, it is about Rs. 6,000 crores.

- **Mr. Suraj Das – Participant:**

- Okay sir. Thank you so much sir. Yeah, that is it.

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

- Thank you, sir.

- **Moderator:**

- Thank you Suraj. We have the next question from the line of Mona Khetan. Mona, you can ask.
- **Ms. Mona Khetan – Participant:**
- Good evening and congratulations on a good set of numbers. Firstly, on this... so we have seen rationalization of employee expenses in FY22. So how do we look at employee expenses going forward? Will this rationalization continue or we should see growth from here on, in terms of the total employee expenses?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Ma'am, if you see in the last two years after amalgamation, most of the senior people have retired and recruitment, we are a bit cautious and selectively we are recruiting the technical people. That is directly reflecting in the staff cost, which is coming down quarter-on-quarter. And after the amalgamation Canara Bank has changed its strategy of doing business by bringing in a hybrid vertical types, which has boosted the business and the available staff were properly deployed. Simultaneously, the digital transactions are increasing in Canara Bank at a very greater speed. In the last three quarters about 256 crores transactions have happened through digitally. This has an impact on my staff strength. With the existing staff strength also, going forward we can do business with the help of digitalization and also verticalization. So this will be our plan ma'am.
- **Ms. Mona Khetan – Participant:**
- Okay. So, probably in FY23 also the growth in employee expenses should be pretty contained. Is that a fair understanding?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Need-based recruitment we will be doing, I can tell that, Need-based recruitment. Just like normal procedure as public sector banks used to do we have to recruit every year, that policy we have changed. We know work on scientific lines, requirement of the staff, proper deployment of the staff, proper accountability of the staff and then proper rewarding of the staff. These things we brought in the last two years, which has given us good results and employee participation and involvement has increased a lot.
- **Ms. Mona Khetan – Participant:**
- Sure, thank you. The other question is if you look at slide 21, there is a write back in other provisions of Rs. 400 crores. What exactly is it pertaining to?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Yes. My CFO Mr. Ramachandra is there. Ramchandra, please explain.
- **Mr. V. Ramachandra – CGM, Canara Bank:**

- This time we have made a one-time provision towards the family pension of Rs. 1,355 crores. Last year when we are preparing the results, we made an ad hoc provision for the family pension to the extent of Rs. 400 crores. That same Rs. 400 crores is reversed this time. So that is why there is a reversal.

- **Ms. Mona Khetan – Participant:**

- Okay. But this family provision should come in other OPEX. I was talking about the provision line item outside of the operating profits.

- **Mr. V. Ramachandra – CFO, Canara Bank :**

- Yeah, correct. Family pension, we have taken as an extraordinary item. Last quarter the provision made towards the family pension included under the Provision Act **(29.52)** that Rs. 400 crores since we have made as an extraordinary item this Rs. 400 crores, we have reversed.

- **Ms. Mona Khetan – Participant:**

- Sure, got it. And also if I look at your corporate GNPA, sequentially there is a decline of Rs. 1,000 crores in the GNPA quantum. So what has helped this decline this quarter?

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

- Ma'am if you see our recovery under NCLT accounts, this time this quarter, we got about Rs. 333 crores of recovery in bigger accounts from NCLT and also in other bigger accounts because in terms of putting pressure on them and taking legal actions, we could recover good amount in big corporate accounts also because of which the percentage has gone down. And second point is because the outstanding of the corporate credit has gone up, that also helped in reducing the percentage of NPA as far as the corporate is concerned. It is a double effect.

- **Ms. Mona Khetan – Participant:**

- And on the ECLGS book, what is your outstanding quantum? And have we seen any delinquencies from the book so far?

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

- Ma'am, it is about Rs. 16,500 crores, number of accounts is about more than it is about 5, 70, 000 accounts. Generally we treat 1%, 2% slippages will be there and immediately we will be taking action on those things. So it is a continuous process. 2%, 1% will be slipping and accordingly action will be taken. And this amount is included in our current slippages of 2,699.

- **Ms. Mona Khetan – Participant:**

- Okay, got it. And finally, what share of the loan size is REPO linked and similarly on the liability side, if there is anything that is linked to REPO or external benchmark?

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

- Liabilities side, no ma'am. Asset side yes. We have a book of about roughly, maybe around Rs. 30,000 to 40,000 crores.

- **Ms. Mona Khetan – Participant:**

- Okay. Thank you so much sir, that was helpful.

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

- Thank you ma'am.

- **Moderator:**

- Thank you Mona. We have our next question from the line of Jay Mundra. Jay, you can ask. Jay we can't hear you.

- I think we will move on to our next question meanwhile. We have our next question from the line of Rishikesh. Rishikesh, you can ask.

- **Mr. Rishikesh – Participant:**

- Sir my first question is regarding a broad outlook on the other income. So would it be fair to say that other income now more or less will be in the similar range?

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

- Other income, it will be growing in the coming quarter also. Whereas the trading income, we presume that it will be at this level only. It will not increase. Fee-based income also we are going to increase. So put together, I think we are expecting to compensate the loss in the trading income through recovery in written off accounts, through income from other sources and also through interest income. So finally when we see, there will not be any impact whatever treasury is not giving to the Canara Bank.

- **Mr. Rishikesh – Participant:**

- Okay, got it. And my second question is, if I see previously you had guided for somewhere around lower than 2% credit cost and recently, just now you mentioned that there will be many provision write backs and significant recovery. So do you think this is a very conservative estimate like net off with whatever write backs we have. So don't you think the provisions can be even lesser than 2%?

Maybe whether we try to assume around 1.5% like similar to 10K crores provision that we have guided this year, we may see that next year too, like even lesser than that.

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

- As I said, our philosophy is to provide more and more provisioning so that the balance sheet will be ready for the future. That is why we are projecting that it will be around 2%. But in real sense, it may not be 2% it will be less than that.

- **Mr. Rishikesh – Participant:**

- Okay. So around **(35.19)** for next one or two years. Is it a fair assumption?

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

- I think I will be in a position to reply after March results.

- **Mr. Rishikesh – Participant:**

- No problem sir. Okay, that's it from my side. Thank you very much.

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

- Thank you sir.

- **Moderator:**

- Thank you Rishikesh. We have our next question from the line of Dikshit Doshi. Dikshit, you can ask.

- **Mr. Dikshit Doshi – Participant:**

- My questions have been answered. Thanks.

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

- Thank you, sir.

- **Moderator:**

- Thank you. We have our next question from the line of Bharat Jain. Bharat?

- **Mr. Bharat Jain – Participant:**

- Yeah, very good evening.

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

- Good evening Mr. Bharat.

- **Mr. Bharat Jain – Participant:**

- Yeah. Thanks for the opportunity and congratulations for a good performance. I have two simple questions, like what are our focus on digitalization of banking transactions to...I mean, do we have any focused approach that 50% or X percentage of our transaction from the digital? So that is something where...

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

- Sir, I request my executive director in charge of digital transactions Shri Raju sir to kindly respond.

- **Mr. K. Satyanarayana Raju – ED, Canara Bank:**

- Good evening Jain saab. We are very much focused on digital transactions. Last year, actually our digital transactions for the same quarter, December quarter, it was around Rs. 156 Crores. But whereas in the same, the December quarter after one year or the **(36.55)** quarter, the digital transactions or e-transactions have increased to Rs. 246 crores, that means almost a 65% of growth in one year. This we could achieve it because of our focused attention on various parameters. That is, the reason is, one is we are very much aggressively marketing and making our product customer friendly in the mobile app. That is why we could enrol almost 4 million people in the last one year. In the debit card also, we have made it almost 8 million people we have extended the debit card and in UPI we are already touching the 2 crores enrolments in that UPI enrolments. That also last one year, we made it almost 80 to 90 lakhs fresh enrolments. In addition to that, we are encouraging semi-urban and rural and urban areas to do the transactions through BHIM QR code. That code in public sector banks we are actually the pioneer. We can say that now at this moment. So we are actively participating, we are actively canvassing because from the PM SVANidhi trader to middle class traders who are all doing the transactions they all have been extended almost we did 8,80,000 QR codes have been distributed and we are very, very much aggressive on that. And actually the total if you look at the branch walk-ins as well as the digital transactions comparisons, last March our branch walk-ins for cash withdrawals is around 12%, but whereas in first nine months that has come down drastically to 7.75% and our digital transactions have increased to 91% to 92% and we want to continue further in the same direction and we are initiating more and more digital platforms and we are introducing even digital lending end to end straight through process from 1st April onwards and many more we are coming in that with new features.

- **Bharat Jain - Participant:**

- Okay. Sir do you have any statistics like what is the percentage of transactions which are happening through digital mode if you say total out of 100, how many are getting digital?

- **Mr. K. Satyanarayana Raju – ED, Canara Bank:**

- That is what I told you. I already shared with you that the branch transactions have been now it is single digit. There were more than 90% transactions are doing through e-transactions, digital transactions.

- **Bharat Jain - Participant:**

- That is great sir, thank you. And sir another question is like as we have seen a successful merger with Syndicate Bank, what is the expectation that number of branches would come down in the coming year the existing branches and also any plans to like reach new locations?

- **Mr. K. Satyanarayana Raju – ED, Canara Bank:**

- Yes sir. Actually the last time when it was amalgamated it was around 10,500 branches were there together. Last year 150 branches, and this year almost 750 branches we have identified and already completed the exercise for closure. Wherever we find it that it is well within the 200-300 meters, we have two-two branches. Those branches have been identified based on the pin codes and all. That exercise has been completed and in future also wherever the possibilities are there, because we are...it is not that we are closing down the branches only, but we are converting many of those branches into a specialized branch (40:20-40:23 no audio) almost 60 mid corporate branches, 33 large corporate branches, SME are there 106, there are 243 **(40.33)** RAHs are there. There are special **(40.37)**, special focused branches we are opening - we are opening, we will continue to open like that special branches also. But it is not that we are not opening the new branches, wherever potential is there definitely we are open for the opening of the new branches, but our closure of the branches will continue in the next year also based on the duplication of the work, to minimize the overheads we are working on that.

- **Bharat Jain - Participant:**

- Okay.

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

- And to be more precise about the figures, December 20 we were having 9,870 branches. December 21, it has come down to 9007 branches. That is about 863 branches are closed simultaneously. December 20, we were having special branches of 621. Now that number has increased to 766. That is about 140 branches have increased, which are specialized branches, which give lot of credit to the bank.

- **Bharat Jain - Participant:**

- Okay

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

- And net effect we can say, more than 750 branches we have closed and those costs will be reflected in the coming quarters, which we are saving because of closing unviable branches.

- **Bharat Jain - Participant:**

- Okay. Yeah. Thank you sir. One more question like any updates on the NARCL, which is being set up?

- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Sir, it is on track and I think some light we may be seeing by March of this year.
- **Bharat Jain - Participant:**
- Okay. Any percentage of NPAs would get affected on creation of this?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- We have identified 4,000 crores, which as in when time comes we will be transferring. It is only 4,000 crores.
- **Bharat Jain - Participant:**
- Okay and finally...
- **Moderator:**
- Mr. Bharat can you move...
- **Bharat Jain - Participant:**
- Finally last question sir. Last question.
- **Moderator:**
- Please, please, please.
- **Bharat Jain - Participant:**
- By when do we see Canara Bank as the #2 PSU and do we look forward to a 10,000 crore of bottom line in the coming year.
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Sir let me tell you this is a strong wish of all my staff. So when staff they themselves have this wish, I think things will become easier. This much I can tell.
- **Bharat Jain - Participant:**
- We also as an investor have this wish.
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Yes sir, your blessings are required.
- **Bharat Jain - Participant:**
- Okay. Thanks.
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Thank you.
- **Moderator:**

- Thank you Mr. Bharat. We have a next question from line of Anand Dama. Anand.
- **Anand Dama - Participant:**
- Yeah. Thank you for the opportunity sir. This quarter we have seen very strong growth on the corporate front and within which basically we also had seen very strong growth in the NBFC book. So anything that you can comment about where have we grown in the corporate side, whether these are short term loans, or these are more of a long term loans that we have given and what kind of yields are taking on?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- As I said we are very aggressive in infrastructure HAM projects that is one thing under corporate. Second one is in industries also we have started underwriting the projects and third one is under health sector also we have underwritten most of the projects and the type of loans, they are basically term loans and second point is incorporate advances now we have changed our strategy. Previously Canara Bank in a consortium used to have 5%, 3%, or 7%. Now we don't want 3%, minimum we want 10% in all the good accounts. So we have shifted our way of thinking and whenever the proposal comes corporate, which are A rated and above, we are demanding 10% share in the working capital, which ultimately increases my CASA also. So because of that strategy in corporate this time we have shown a good growth. However under retail and agriculture in the last 6-7 quarters, we continue to show good growth, which is under double digits. This time under MSME even though Y-o-Y growth is 1.29, quarter-on-quarter, we have increased by 4% by catching hold of a good MSME borrowers. So growth I can say it is widespread and under retail out of 1,23,000, 70,700 is housing loan backed by collaterals and mortgages and there we are seeing 14.8% growth, which is again possible with the involvement of each and every staff member under verticals where accountability is there, appreciation is there, and reward is also there. So growth is widespread, we continue to do this. And RAM sector we maintain a percentage of 56%, corporate we maintain a percentage of 44%. That overall guidelines will be managing because we don't want to increase too much under corporate also. So this ratio of 56:44 or 55:45 this will continue in the future also. Thank you sir.
- **Anand Dama - Participant:**
- Sir within the NBFC where we land basically these are the microfinance, HSBs or the...?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- See microfinance doesn't come under NBFC. For our calculation microfinance we show it as a separate one and microfinance we have sanctioned about 2,200 crores and disbursed about 1,700 crores, which is guaranteed by the Central Government.
- **Anand Dama - Participant:**
- So what is there in this NBFC book which has grown in this quarter?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- NBFC book we have grown in all the NBFCs, which are AA rated and above.
- **Anand Dama - Participant:**

- Okay and those are PUCs as well as private is it?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Yes, yes, yes, but all the growth is as per the terms and conditions of Canara Bank because of which you can see fee based income we could garner about Rs. 1,421 crores and interest income is also increasing drastically. So since Canara Bank as you said is going to be a market player in the future, we are ready to underwrite big ticket loans at win-win situation not at the benefit of the borrower. It should be at the benefit of the bank also, and now we are sufficiently in a position to dictate the terms in the market and where the customers are very happy, the way in which we give the credit within seven days, at the most within 10 days if the ticket size is about 1000 crores. So this is there in the market and we say yes or no.
- **Anand Dama - Participant:**
- Sure sir. And sir secondly was the Air India exposure that we had on our books. So any provision reversal we have done during the quarter?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Sir in Air India hardly we had an exposure of Rs. 200 crores.
- **Anand Dama - Participant:**
- Okay.
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- And the 200 crores they have paid and they have closed the account. We are not having exposure to either Air India or Kingfisher. Canara Bank has not taken exposure.
- **Moderator:**
- Anand sir, can you rejoin the queue as we have some more questions.
- **Anand Dama - Participant:**
- Yeah, yeah sure. I am done, I am done.
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Thank you.
- **Moderator:**
- The next question from line off Mr. Ashok Ajmera. You can go ahead.
- **Ashok Ajmera - Participant:**
- Thank you for giving me this opportunity and congratulations...
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Ajmera sir very good afternoon.

- **Ashok Ajmera - Participant:**
- Yes sir. I was waiting for my number to come. Congratulations Sir for yet another quarter of goods set of numbers with business crossing over...
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Sir we lost you.
- **Ashok Ajmera - Participant:**
- ...over 17 lakh crores, 17.70, and I think very soon you will be next to State Bank of India the way you are going. And it is very encouraging to know that you have started very big ticket size loan taking a stand alone approach towards large loans. Sir I have got some couple of observations and some queries. #1 is that in Shrei we are left with about I think 775 crore more to be provided. I think the balance provision.
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Correct.
- **Ashok Ajmera - Participant:**
- Are we planning it in the coming quarter, this current quarter only now, January to March?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Sir I cannot give specific answer, but I will say Canara Bank wants to be future ready and strengthen the balance sheet. This I can tell.
- **Ashok Ajmera - Participant:**
- Thanks for that and sir this SMA-0, it is about I think 15,000 odd crore SMA-0. So what is the experience now, since one month has gone what according to you something might finally become SMA-2 out of this 15,236 some odd crores?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Sir SMA-0 is 9,000 crores not 14,000 crores sir.
- **Ashok Ajmera - Participant:**
- Oh sorry. I mean
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- It includes
- **Ashok Ajmera - Participant:**
- Yeah, yeah, yeah.
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- It includes SMA-1 and SMA-2 also.

- **Ashok Ajmera - Participant:**

- Yeah, yeah, yeah correct, correct.

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

- SMA-0 during COVID time, it is a common thing that they will be paying with a delay of two to three days.

- **Ashok Ajmera - Participant:**

- Okay.

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

- And as on date, we are very comfortable as far as SMA-1, SMA-2, and SMA-0 is concerned and we are hopeful that we'll be managing at this level going forward because I don't see any stress in any of my corporate accounts where 5 crores and above is there. Even if it is there, we have two months' time. We can solve it if any account slips.

- **Ashok Ajmera - Participant:**

- Great to know that. Sir now a bank like ours there are two things which the bank has some negative legacy. One is that CASA, our CASA though it is growing, but it is still under the normal you know, 40%-42% or 45%. One bank is having 55%. So some special approach is being adopted for that and secondly even the gross NPA, the percentage terms generally every bank would prefer it to be less than 5% gross and less than 1.5% net. So ours is 7.8% and with this NARCL 4,000 crore going away I think it will make about point some 0.5% or 0.25% difference in this. So any other approach to reduce the gross NPA numbers in terms of at least percentage.

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

- Sir, two questions. One is regarding the reduction in the percentages and if you see in the last eight quarters except one quarter when RBI has given the dispensation moratorium otherwise quarter-on-quarter we are reducing the NPA percentage in terms of amount and also in terms of percentages. Same thing we are continuing with net NPA also, amount wise and percentage wise and this trend will be continued going forward and our wish is and our efforts towards that is we want to have one of the best percentages in the industry as far as gross and net is concerned, which we feel we can achieve that.

- Regarding CASA, when Canara Bank two years ago, the CASA percentage was 30%. From 30% we started growing and now we have come to 34+ percentage and in absolute terms if you see the CASA amount even in one year it has grown by 32,000 crores...

- **Ashok Ajmera - Participant:**

- Yeah.

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

- ...and growing 32,000 crores because if you recollect two years ago, our provision coverage ratio was 70. Today it is 83.

- **Ashok Ajmera - Participant:**

- Yes sir.

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

- At that time our, what do you call, NPAs are on higher side and before two years...earlier four years every year Syndicate Bank and Canara Bank used to make losses. In the last eight quarters, the trend has changed and there is a continuous growth. For example, June 20, the net profit what Canara Bank shown was Rs. 406 crores. Next quarter it has increased to Rs. 444 crores. Next quarter it has increased to Rs. 696 cross. Next quarter it has increased to Rs. 1,010 crores. Next quarter it is Rs. 1,133 crores. Now it is Rs. 1,502 crores.

- **Ashok Ajmera - Participant:**

- Yes.

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

- If you see the graph, we don't want to go back. We want to go forward only. That is the spirit with which we are working in Canara Bank, so that all my investors, we'll make justice to them. Thank you sir.

- **Ashok Ajmera - Participant:**

- Sir there is a pressure of the treasury...one last question. Okay I will shift my question to one another question. Sir NBFC you have got a very good exposure and still I think you are comfortable for good NBFC A+ rated. Sir what are your views on the real estate? Because now the overall business real estate is being re-rated by most of the other banks and this particular sector also has started doing very well especially in last about nine months to one year, but still I feel that our bank has still had some reservation on even some good real estate projects sir? So what are your views and policy on this sir?

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

- Sir our policy is, since last four or five years when the experience was bad, when RERA was not in full force, it was cautious approach. Now RERA has stabilised and even underwriting standards have increased in the big public sector banks like Canara Bank. Apart from that, to fall back in real estate, we take some comfort from the promoter. That is point #1. Second one is, to have 15% to 16% housing loan growth, I have to sanction real estate projects especially real estate housing projects. It is interlinked.

- **Ashok Ajmera - Participant:**

- Yes.

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

- Once we sanction real estate housing projects, I will have first right of refusal where I can finance housing loan and I can close my real estate loan. So now, we are cautiously aggressive in sanctioning real estate projects and we are sanctioning.

- **Ashok Ajmera - Participant:**

- Okay Sir. Thank you. On the treasury front there is some pressure sir on the income now because of the hardening of the interest rate and I mean this signals a message. So how are we planning to offset because treasury all along has given except this quarter of course it was still under pressure what do you see in future? One is that trading income and other one is the investment returns from the treasury where major allocation of the asset is there sir.
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Correct, correct. Let me talk about the existing figures. With an average loan book of about 7 trillion, I can calculate at a yield of about 7.23 or 7.25 the amount of interest income that I am going to earn, which will be very significant and we are projecting a growth of 10% plus as far as credit is concerned. Since we have already assured 9.28, our next step is 10%, we are confident of doing that. With this, whatever loss I incur in the sale of securities by the treasury that I will compensate with interest income, point #1. Point #2, as I said recovery in written-off accounts, we are targeting Rs. 1,100 crores that is going to give me very good income. So business is always dynamic. If one channel reduces the income to the bank, bank should immediately shift to other channels from where they can earn the money that is the strategy we have adopted and we are successful and we will continue to be successful. But lot of efforts and lot of research is being put into before we take a policy decision. Thank you sir.
- **Ashok Ajmera - Participant:**
- Thank you sir. Congratulations on...
- **Moderator:**
- Thank you Mr. Ajmera. I request you to join back in the queue because we have a lot...thank you sir. Yeah, we have our next question from line of Mr. Aditya Singhania. Aditya go ahead.
- **Aditya Singhania - Participant:**
- Thank you. Congratulations for excellent results.
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Thank you very much Mr. Singhania. Thank you very much.
- **Aditya Singhania - Participant:**
- Sir, I had two questions, both are somewhat accounting questions. So one is sir you have made Rs. 2,700 crores as provisions for loans – loan loss provisions and the write offs are around Rs. 1,300 crores and the provision, outstanding provision coverage has not increased in absolute terms. So I was just curious where is the balance 1,300 odd crores.
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Ramchandra ji, please.
- **Mr. V. Ramachandra – CGM, Canara Bank:**
- Sir the 2,946 was the provision, total provision. 2,705 crores is towards the NPA provision we have given.

- **Aditya Singhania - Participant:**
- Yes.
- **Mr. V. Ramachandra – CGM, Canara Bank:**
- In total amount, Rs. 1,355 crores we have taken it for the onetime family...onetime extraordinary income, though that is why...
- **S.K. Majumdar - Chief Financial Officer, Canara Bank:**
- It is a **(59.24)** expense.
- **Mr. V. Ramachandra – CGM, Canara Bank:**
- ...towards the onetime extraordinary item, towards the family pension. So to the extent to that, that the PCR has not gone up. Otherwise whatever the provision we made towards the loan has taken towards the PCR.
- **Aditya Singhania - Participant:**
- Sorry. So you are saying that 2,705 includes the 1,300 crores for pension?
- **Mr. V. Ramachandra –CGM, Canara Bank:**
- No it is 59:49.
- **Aditya Singhania - Participant:**
- So that's what I'm trying to understand, so that if the loan loss provision was 2,700 crores...
- **Mr. V. Ramachandra – CGM, Canara Bank:**
- Yes...
- **Aditya Singhania - Participant:**
- ...if there was no write off, the outstanding provision coverage should have gone up by the same amount, right? The opening was 36,991, if there was no provision it should have gone up to 39,696, but the closing figure of outstanding provisions is 37,074. There is a difference of Rs. 2,622 crores, but you have mentioned write offs as 1,304 crores, so I'm just trying to understand what is gap, where is the balance 1,318 crores.
- **S.K. Majumdar - Chief Financial Officer, Canara Bank:**
- Sir provisions that the right off is Rs. 1,300 crores what Mr. Ramchandra was telling that this provision that we have made for that family pension that has not come as a part of the provision coverage ratio and that is only making these differences.
- **Aditya Singhania - Participant:**
- But you are saying Rs. 2,700 crores does not include the family pension right?
- **Mr. V. Ramachandra – CGM, Canara Bank:**

- Yes.
- **S.K. Majumdar - Chief Financial Officer, Canara Bank:**
- Yes. No, it does not include family pension.
- **Aditya Singhania - Participant:**
- Oh that's...
- **S.K. Majumdar - Chief Financial Officer, Canara Bank:**
- And of course there is a write off fees offset to the extent we have written off a part of the loan that is being offset.
- **Aditya Singhania - Participant:**
- So that is what I'm trying to understand sir. That if...
- **Mr. V. Ramachandra – CGM, Canara Bank:**
- Yeah. We will come back with the details. I will explain...
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Sir our Majumdar sir will be mailing you in detail.
- **Aditya Singhania - Participant:**
- Okay. The second question was on the accounting change that you did, where you have mentioned in your notes to accounts that about 400 odd crores, Rs. 436 crores was the increase in interest income due to the change in accounting policy and Rs. 342 crores was the increase in gross NPA, so in which head has this been accounted for in gross NPA?
- **S.K. Majumdar - Chief Financial Officer, Canara Bank:**
- Sir existing head only it has been adjusted.
- **Aditya Singhania - Participant:**
- Okay existing (1.02.10)
- **S.K. Majumdar - Chief Financial Officer, Canara Bank:**
- Exactly it is existing sir, what it was all other almost all our peer banks were following the process what we have done now. So we have aligned ourselves in line with the industry, which we were not doing so far. So, it is for nothing but just to align ourselves with the industry, present industry practices.
- **Aditya Singhania - Participant:**
- I understand that, I'm just trying to understand where this Rs. 342 crores is gone in the NPA. Is it debits in existing NPA accounts or is it fresh slippages?
- **S.K. Majumdar - Chief Financial Officer, Canara Bank:**

- No sir these are all existing NPA accounts.
- **Aditya Singhania - Participant:**
- Okay.
- **S.K. Majumdar - Chief Financial Officer, Canara Bank:**
- These are all existing accounts.
- **Aditya Singhania - Participant:**
- In the original treatment your income would have been lowered by 436 and your outstanding gross NPA would have been lower by 342
- **S.K. Majumdar - Chief Financial Officer, Canara Bank:**
- And provision also, corresponding provision also because if you see....
- **Aditya Singhania - Participant:**
- And what would be the balance 90 odd crores sir.
- **S.K. Majumdar - Chief Financial Officer, Canara Bank:**
- No, no this is 436 is the interest. There is another...because some odd charges are there. Apart from interest there are charges, so the charges, it has gone into the charges other than interest.
- **Aditya Singhania - Participant:**
- Okay, right, alright. Thank you so much.
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Thank you sir.
- **Moderator:**
- Thanks Aditya. We have the next question from line of Jai. Jai
- **Jai Mundra - Participant:**
- Yeah hi, am I audible now sir?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Yeah, please. Jai Mundra you are clearly audible please.
- **Jai Mundra - Participant:**
- Yeah. Great sir. Congratulations on good quarter sir. I have two questions. One is on capital. So you have shown that CET-1 has increased in absolute amount by Rs. 1,700 or Rs. 1,800 crores. Does this include PAT now for this quarter?
- **Mr. V. Ramachandra – CGM, Canara Bank:**

- Yeah. It includes PAT for the quarterly profits.
- **Jai Mundra - Participant:**
- Sure and there looks...so the increase is slightly higher than PAT I mean PAT is like Rs. 1,500 crores and the Q-o-Q increase looks like Rs. 1,800 crore. So is it also that DTA unwinding, which is also happening here?
- **Mr. V. Ramachandra – CGM, Canara Bank:**
- Yeah, DTA unwinding is a very small amount here.
- **S.K. Majumdar - Chief Financial Officer, Canara Bank:**
- Sir the DTA unwinding is a very small amount, insignificant amount this time, around 100-150 crores.
- **Jai Mundra - Participant:**
- Okay sure. And second sir do we have any erstwhile SDR or 525 cases also which are standard?
- **Mr. V. Ramachandra – CGM, Canara Bank:**
- Very negligible, it is very negligible.
- **Mr. Debashish Mukherjee - ED, Canara Bank:**
- We have about 4-5 accounts, which are still there. So that investment part is still continuing. Although now some other restructurings have been done.
- **Jai Mundra - Participant:**
- Understood. And just on NBFC sir, if I look at this number right over 1 lakh crore, so as a percentage of loan this is now 14.5%. So NBFC as a segment and even if you are not including MFI this is like 14.5% of gross loans. So is there any internal threshold I mean what is the internal threshold that beyond which you would not be growing this segment as a percentage of total loan book?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Our internal threshold is when we take exposure to AA and AAA, there is liberty to take it, less than that already we have a threshold not to take.
- **Jai Mundra - Participant:**
- No, as a sectoral cap also sir. So, NBFC even if it is a AAA you would have some sectoral cap also right?
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Internally we are permitted to go up to 16%.
- **Jai Mundra - Participant:**
- Okay. Understood sir and the last question sir from my side is, in ECLGS right, if I look at this quarter ECLGS number and if I compare that with last quarter ECLGS number, it looks like 5000 plus increase

in third quarter. So is that number right or what has happened in ECLGS in this quarter? Why there is sudden spike?

- **A. Manimekhalai - ED, Canara Bank:**

- No this is as per the new norms that has come up, ECLGS 2. Under that we have given 5,000 is the correct number that we have given.

- **Jai Mundra - Participant:**

- Okay so you have topped up ECLGS 1.0 with additional 10%.

- **A. Manimekhalai - ED, Canara Bank:**

- Yes, that was – yes exactly that was 10%, 20% so now it has gone up to 40% in certain cases. So we have done that.

- **Jai Mundra - Participant:**

- Right understood and sorry if I may ask sir, on your slide 45, which gives some guidance, I mean it looks like we have not revised despite having, let us say GNPA is now lower than your guided range for March 22, you are already below that. So this would also go back to I mean....

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

- Sir this guidance is when we have given at the beginning of the financial year and some modifications were there subsequently. But our philosophy is this will be the minimum and we will be doing more than this what we are giving the guidance. It cannot fall below this guidance.

- **Jai Mundra - Participant:**

- Right. No just to understand sir this gross NPA number, I mean as of now it looks like it will increase because you are actual is 7.8 and you have reported 7.9 as your sort of...

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

- Yeah in the beginning, in my opening remarks I said our endeavour will be whatever percentages we are having as on 31st December 2021, as on 31st March it will be better. So gross NPA 7.8 we don't expect it will grow rather we expect that it will come down; however, the guidance which we have given earlier we don't want to change it so that we'll be knowing what guidance we have given and what we have achieved and it will be very attractive.

- **Jai Mundra - Participant:**

- Understood sir. Thank you so much sir and all the best.

- **Moderator:**

- Thank you Jai. Due to time constrain we will have a last question.

- **Moderator:**

- Yeah, yeah, sir before I hand over the call to Mr. Prabhakar sir for his closing remarks, thank you Prabhakar sir and the entire Canara Bank team for giving Antique opportunity to host you. We look forward to the same in the future as well. Over to you Prabhakar sir for your closing remarks.
- **Mr. L. V. Prabhakar – MD and CEO, Canara Bank:**
- Sir if the COVID situation improves, next time we will have the investors meet in person. Maybe in Mumbai, maybe in Delhi or maybe in Bengaluru as per the convenience of the investors. So that is one wish which we have to interact personally with our investors and to see them, and let them also see us, how we are running this bank. And I think I should thank all the investors for the support they are giving because of which quarter-on-quarter we are giving results, which are more than the market expectations and our wish is to continue this. Thank you sir.
- **Moderator:**
- Thank you everyone for logging in. Goodbye. Have a good evening.
- **Mr. V. Ramachandra – CGM, Canara Bank:**
- Thank you.

End of transcript