



“Canara Bank
Q1 FY2021 Earnings Conference Call”

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ANALYST:

MR. SOHAIL HALAI - ANTIQUE STOCK BROKING LIMITED

MANAGEMENT:

**MR. LINGAM PRABHAKAR – MANAGING DIRECTOR & CHIEF
EXECUTIVE OFFICER – CANARA BANK**

MR. S. KRISHNAN - EXECUTIVE DIRECTOR - CANARA BANK

MS. A. MANIMEKALAI - EXECUTIVE DIRECTOR - CANARA BANK

MR. D MUKHERJEE - EXECUTIVE DIRECTOR - CANARA BANK

**MR. S. MATAM VENKATA RAO – EXECUTIVE DIRECTOR - CANARA
BANK**

Moderator: Ladies and gentlemen, good day, and welcome to Canara Bank Q1 FY2021 Earnings Conference Call, hosted by Antique Stock Broking. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sohail Halai from Antique Stock Broking. Thank you and over to you Sir!

Sohail Halai: Thank you, Inba. I welcome you all to Canara Bank's Q1 FY2021 Earnings Call. Today with us, we have Mr. Prabhakar, MD and CEO; along with Executive Directors, Mr. Rao, Mr. Krishnan, Mr. Mukherjee and Ms. Manimekhalai, and other senior members from the management team to give us insight about the performance of the Bank and its future outlook. Without further delay, I would now hand over the call to Mr. Prabhakar for his opening remarks, post which we can open the floor for questions.

Lingam Prabhakar: Thank you very much. Very good morning, ladies and gentlemen. We are happy to have an interaction with you.

To start with, let me bring to a notice the highlights of our Q1 FY2021 performance. As a part of our efforts to reduce the cost of deposits, we have given thrust on low cost deposits this time. Thus, our Saving Bank accounts grew by 14% y.o.y to touch Rs. 2.5 trillion and CASA grew by 16% y.o.y. Similarly retail term deposits grew by 13% y.o.y to reach Rs. 3.78 trillion.

On the credit front, generally Q1 credit growth is less compared to March Quarter. Nevertheless, due to our proactive efforts and

moratorium options, we have a decent credit growth, although not significant. Consequently, our domestic credit grew by 5% and retail remained flat on the back of on-going situation because of which there has been less off take of retail credit in general, especially in last two and half months. However, currently we are observing some traction in this segment and on the asset and liabilities side, there has been significant performance compared to other Public Sector Banks.

With respect to Interest Income, it grew by 21% y.o.y to reach Rs. 6096 cr, which is performing better. Operating profit grew by 31.82% at Rs. 4285 cr. Consequently, after making all provisions we have shown a comfortable Net Profit of Rs. 406 cr.

As far as asset quality during the time of Covid-19 pandemic is concerned, we have properly monitored the accounts even with employees working from home. The sustained and consistent efforts of contacting the NPA borrowers well in time and as a result of written off accounts, our Net NPA reduced by 192 bps at 3.95% while Gross NPA reduced 144 bps at 8.84% y.o.y. In the previous meeting, I have mentioned you about having a comfortable Provision Coverage Ratio (PCR). Hence in comparison with last year it has improved 1020 bps at 78.95%.

Besides, these factors I would like to highlight the interest income of our Bank. Despite, in a low interest rate regime (low MCLR and RLLR) and effective transmission of interest rates, we could still grow at 2.44% y.o.y in terms of interest income. The non-interest income grew by 10.56%. Since there was a lull in the credit growth for last three months, we have deliberately focused on fee-based income, resulting which we have earned Rs. 1039 cr as fee income,

up by 33.83% q.o.q and 8.07% y.o.y respectively. Thus, we could maintain the level of total income with a marginal increase of around 3%. During the quarter, the recovery in written off accounts stood at Rs. 259 cr.

On the expenditure front, we have reduced the interest expenses on q.o.q basis by 4.64% and about 6% y.o.y. With respect to operating expenditure, there is a reduction of 21.78% on q.o.q basis and a rise of 6% y.o.y. Compared to last quarter, we have reduced the staff cost by 20% but on y.o.y basis it showed a rise of 12.48%. This is owing to the 15% hike in wages on the back of bipartite settlement, wherein IBA entered into an agreement with Officers Association and UFBU Association. We have already made a provision of 14% including pension and gratuity benefits in the previous quarter itself. In the current quarter, we will make additional 1% provision to meet the requirement. Hence, any further impact on the balance sheet with regard to wage revisions can be contained.

As far as operating expense is concerned, there is a marked reduction of 24% q.o.q basis and 4% y.o.y. We are watchful on taming down the operating expense part further and shoring up income. Consequently, our Net Interest Income (NII) has grown up by 20% q.o.q basis and 21% y.o.y. Thus, Operating profit grew by 77% q.o.q and 31.82% y.o.y.

In a bid to reduce cost of deposit, I have reiterated on shedding all high - cost deposits deliberately on a calibrated basis. As I mentioned, even in lower interest rate regime, owing to better customer services rendered by the bank and the brand value we created, our deposit growth turned out to be best in both savings and retail term deposits front.

Even with uncertainty hovering around and low credit growth scenario, its because of our efficient NPA management and effective recovery, yield on advances has reduced only by 13 bps at 8.09% v/s 8.22% last year, above 8%, a better industrial average.

Coming to cost of funds last year, it was at 5.19%, now we could reduce by 63 basis points to 4.56%.

Owing to sustained efforts, NIM increased by 31 bps at 2.84% v/s 2.53% last year. I emphasis that, moving forward we would like to maintain at 2.8% level, factoring in the current situation as well.

On the recovery front, we have made a cash recovery of Rs. 1440 cr and has seen an upgradation of Rs. 620 cr even in the midst of pandemic wave, given the dedication and efficiency that our people has shown.

Even when we have the liberty of postponing, our fresh slippage stood at Rs. 1422 cr. Out of these, accounts amounting to Rs. 900 cr have shown some innate weakness and we thought its prudent to classify it as NPA and start required actions by March. In this, two accounts are overseas and one is domestic.

After all these calibrated efforts, our Net NPA stood at Rs. 24355 cr and owing to recovery from written off accounts as I mentioned earlier we could significantly reduce our Net NPA at 3.95% and Gross NPA at 8.84%.

In segment wise, retail NPA stood at 2.22%, agriculture (6.91%), MSME (11%) and Corporate (11%). Under retail in housing specifically, it stood at 1.5%, vehicle (2.44%), education (3.3%) and

personal loans (3.3%). Looking into these numbers by September, our retail NPAs will be fully tamed.

Taking cues from the present scenario, for the past few months we have been focusing more on low cost deposit, recovery of advances and selective lending to corporate and retail segment.

So with these opening remarks, I have broadly covered the financials and if you are interested to understand anything related to amalgamation you are free to ask. Last time when we met I mentioned that, we have a well-planned amalgamation process in place and it has already been kick started. With respect to IT, in last few months we rolled out the latest 11.8 version in branches and subsequently, after testing the functions of the new software another 4 branches we have been added. And now we are confident to roll out on a larger scale in the coming months.

On the HR front, we have completed all transfers and postings of FPL 8, 7, 6, 5, 4. For scale 2 and 3 we will be completing by next week with minimum disturbance, given the severity of Covid-19 spread. Thus, transfers will be need based and selectively done as per the requirements by complying the CVC guidelines. As I said last time, we have already completed the transfer process, and all were given the benefits of elevation from 1st April 2020.

The third is regarding the structural amalgamation. All departments in the head office are now realigned and now they are working in full capacity. In the amalgamated entity we have now 24 Circle

Offices, wherein they have completed all transfer process. Similarly, 176 ROs have been also full-fledged functioning in sync with administrative guidelines. Subsequently, branches also will be functioning in full capacity once the software is implemented fully in all branches. Similarly, Inspection and Treasury offices are also equipped under the amalgamation process. With respect to our foreign operations, the two London branches of Syndicate and Canara has already been merged by 1st April and now working as a single unit.

Now coming to the most important thing - our preference for customers. We have ensured that there is no inconvenience caused to any of our customers and 12 common products, which were promised to have been rolled out by April 1st, and are working successfully in all my 10000-plus branches.

Customer complaints are being attended more vigorously and promptly to serve the customers best, so that they do not feel vertical hang out after the mergers. Regarding the credit of the borrower accounts, we are a bit more cautious. We are giving comfort to all the good borrowers who are with e-Syndicate or with Canara Bank so that they have full confidence on the amalgamated entity. Thus we are maintaining a good data base for the same. Post amalgamation, as I mentioned, there is a growth of 5% under the present conditions that itself shows that we have taken care of all the customers, and also we are going in the direction of increased credit growth.

In last quarter, I mentioned that my guidance will be about 6% to 8% in credit growth. We have already reached 5% during the lockdown period. And during the current quarter, again, my guidance will be

6% to 8%. That is the minimum which we are targeting. From the performance of last few months, we are on the right track.

So with these few words, I hand it over to you.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Sri Karthik from Investec. Please go ahead.

Sri Karthik: Thank you for the opportunity. I had a couple of questions. The first one is with regards to e-Syndicate's Q4 numbers. As you have reported in your presentation, there is a significant loss that you have taken. What sort of normalization have you assumed in that provisioning requirements and a decrease to the net worth and CET that has happened during the quarter?

Lingam Prabhakar: During the course of amalgamation, we have followed the principal of harmonization.

For instance, there are two borrower accounts, one is Canara Bank and the same person is having a facility in Syndicate Bank, if some account is under substandard category in one bank and doubtful category in other bank, we have made it doubtful and we have made the corresponding provisioning. In this harmonization exercise, we can ensure that the balance sheet will be very strong. Thus, we have provided wherever it is required. This is the reason why there is a loss in Q4 of Syndicate Bank balance sheet. However, that has been taken care in the current quarter.

Sri Karthik: Understood, Sir. Sir, my second question is with regards to the moratorium disclosure you made. I guess in your press conference yesterday suggested your Corporate moratorium number is lower

compared to all the other segments. Could you throw a little bit more color on which are corporate who have taken moratorium 2.0? Are these like really good AAA or AA corporate? Or are these like very weak corporate who have taken moratorium?

Lingam Prabhakar: As a part of being transparent with the public, we have even uploaded the moratorium details, sector wise, with account numbers and amount wise. As far as corporate accounts are concerned, , about 6% in terms of numbers and 16 point plus % in terms of amount are willing to avail moratorium. Now, we are interested to know the details of these accounts. Suppose on the corporate, if you talk about NBFCs, only about 6% of have availed moratorium. Regarding AAA or AA, BB, it is a mixture of these. 15% of my corporate portfolio is a very small amount.

Sri Karthik: Just a last clarification you mentioned you have uploaded it on your website. It is available for all of us to see?

Lingam Prabhakar: Yes, It is on our website. It is detailed in the investor presentation. The statistics we have given without account names, which are not supposed to give.

Sri Karthik: Thank you.

Moderator: Thank you. Our next question is from the line of Mona Khetan from Dolat Capital. Please go ahead.

Mona Khetan: Good morning. So firstly, on the moratorium number, just to understand what is the approach to moratorium? When we say an account is moratorium, is it based on opt-in? Or how are we approaching it?

D Mukherjee: Madam, We have followed an opt-out approach. Hence, unless a particular borrower opts out, we are considering that borrower as a part of our moratorium process. I think other nationalized banks have also followed the same and in the last interaction as well we explained the same.

Mona Khetan: Right. So last time, if I am correct, it was based on if an account has paid at least one EMI over the March to May period, it was considered to be not under moratorium. Will that approach be the same this time around as well? And will it be applicable from March to June, which is 4 months this time around?

D Mukherjee: No. As I said, unless a borrower opts - out we are considering that borrower as a part of our moratorium. So naturally, here, the number of installments is not important. Here, the borrower who is opting out, we are just keeping him outside this purview.

Mona Khetan: Secondly, on the capital front. So you have reported a CET-1 ratio of 8.15%. Does that include the Q1 profit as well?

Lingam Prabhakar: Of course, Madam.

Mona Khetan: Okay. And any thoughts on what are the plans around capital raising?

Lingam Prabhakar: Madam, last time, I mentioned that , we are going to the Board for raising about Rs.8000 Crores. Subsequently, we have taken permission from the Board for Rs.8000 Crores, out of which Rs.5000 Crores will be in terms of CET. About Rs.3000 Crores will be in terms of CET-1 bond. And out of this Rs.3000 Crores, Rs.1,500 Crores in Q2 will be raising and another Rs.1,500 Crores will be collected in Q3 of FY2021. We are waiting for our June

results to be declared, so that let the market go through our results and understand the business, especially NPA recoveries and our efforts during COVID time. This is the reason why we are waiting and in any time we will be coming to the market.

Mona Khetan: Any plans on stake sale in CanFin Homes? Any clarity there?

Lingam Prabhakar: As I mentioned, our 8 subsidiaries are doing good, and declaring dividends. Hence, in Q2, I do not have any plans of investment in these subsidiaries. However, in Q3 and Q4, our strategy may change depending upon the Board's guidance at that point of time.

Mona Khetan: Lastly, on the recovery front, if you could just share with us, what are your expectations for the full year any large accounts that you are factoring in?

Lingam Prabhakar: Yes, Madam. Our guidance will be about Rs.10,000 Crores of recovery for the whole year. And out of which big accounts we are not considering now. Rather we are considering medium and small accounts for recovery.

Mona Khetan: That is very helpful. Thank you.

Moderator: Thank you. Our next question is from the line of Deepak Agarwal from Axis Mutual Fund. Please go ahead.

Deepak Agrawal: Very good morning Sir. I wanted to understand your view on the circular regarding current accounts which RBI came out yesterday. So how should we read it? Is it that it will go in favor of large banks and mid-sized banks will struggle in terms of a large part of that current account money going to the larger banks?

Lingam Prabhakar: I will answer your question in two parts. First, let me tell you about my Bank. Our balance sheet is about Rs.15.6 trillion. So I consider my Bank as a big bank, and a stronger bank. For me, thus, it's a positive circular. On the opening of current account front, wherever a person is availing the credit facilities in some particular bank, the other banks should not open the current account because the banks are indirectly contributing for the diversion of funds or in discipline in the financial matters. So, some banks have implemented while others have strictly implemented and some other banks they are implementing partly. However, some deviations were there. But with this circular, it is clearly defining and implementing a financial discipline among borrowers and the banks. Hence, suppose the circular says that if there is a 10% exposure in the consortium, those banks will decide to have CC account through which the amount will be routed. Others can also have the account, but only credits will be there, and it will be transferred to the main account. In this case there will be a clear-cut monitoring of the cash flows, which is good for the borrower as well as for all the banks, which are in consortium. So, I welcome this move and as far as my bank is concerned, we will be implementing it in full spirit.

Deepak Agrawal: Sir, do you believe obviously, you are a much larger bank, so you are staring to benefit because you will be more than 10% of the system-level exposure of the large corporate.

Lingam Prabhakar: Let me give some information on this regard. We are also having exposure in certain consortium, less than 10%. It is not that in all the consortiums, we have more than 10%. So even as a bigger bank, we will be implementing this wherever we have less than 10%, we will be collecting the proceeds and remitting to the bank, which is having more than 10%, as decided at the consortium meeting.

Deepak Agrawal: Sir, but in the smaller accounts, there, less than 10%, your ability to get business from those corporate in terms of, one, obviously, is CA balance, and second is related to forex and treasury and all. Does that go down for you in those accounts where you are not a dominant lender?

Lingam Prabhakar: See, business is dynamic. Today, I may be having 5%. Tomorrow, it will take a call to have 15%. So, it is not that because today I have 5%, I will be losing the business. But my strategy going forward as a bigger Canara Bank will be to have more than 10% of exposure in each and every account.

Deepak Agrawal: Thank you so much.

Moderator: Thank you. Our next question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.

Mahrukh Adajania: My question was also related to current account. I did hear your comment on the previous question. But basically, there is a lot of feedback coming across from various participants. I would like to know from someone as experienced as you that basically, was it the problem that the State Bank is giving a lot of cash in, but the private banks who are kind of taking away the cream of business, was that the issue or was it like a general sector-specific issue because what is coming through as feedback is that probably the State Banks had big exposures to the borrowers in the form of cash credit for the private banks for taking away the cream of the business and even in terms of NPLs, receivables and account was about to default the private bank would actually appropriate the cash flows earlier than State Bank. So was that the issue? Or was it your general sector-specific issues without any segment buyers like private versus state?

M.V. Rao: Good morning. Myself, M.V. Rao. As far as this subject is concerned, our MD also mentioned, it is more on the financial discipline either on the borrower side or on the banker side. It is not private versus public sector banks. Let us not take it that way. But whatever the you have explained it is there in the industry and certainly it is not a good practice. To put an end to this many internal discussions were there at IBA level and also the time has come to implement such measures. It definitely augurs well for the industry as a whole.

Mahrukh Adajania: Got it, Sir. Sir, my other question is on onetime restructuring. I know it is too early, but what would be a broad policy around it as in that do you see a loss being restructured because in general, people are scared of the word restructuring because in the past, a lot of restructured loans have paid. So what is your view? And how would you view it for your own loan?

Debashish Mukherjee: I am D. Mukherjee, Executive Director. Let me first tell you that the restructuring has never been a dirty word. It was made dirty by the practice, right? So, restructuring exists and will continue to exist. Case in point is the onetime restructuring for MSME. We have helped more than a lakh of borrowers in our bank who have benefited from this onetime restructuring. So, while RBI has made a welcome move with regard to onetime restructuring for the bigger accounts as well. Now here, let me answer your question specifically. Although it is too premature and early because some parameters need to be built in, which I think every committee is going to tell us. Leaving aside all those things, if we look at it in this perspective, it is only those accounts because it is standard and SMA-0. Others are not eligible. In short, comparatively stronger accounts are only being approved for restructuring, and they require

some help and impetus. In short it is a welcome move from RBI, from our point of view.

Mahrukh Adajania: But Sir, would you be in favor of doing a lot of retail restructuring corporate? I understand that all the large corporate accounts would already be restructured, your corporate moratorium is not very high. But would you be more inclined to do a lot of retail restructuring? Or how do you view your current moratorium in terms of restructuring? Do you think a lot of them would be eligible for restructuring in the retail segment?

Lingam Prabhakar: This is again, Prabhakar here. Adding to the earlier question on our notes on accounts, we have already furnished the figures of restructured accounts and it is about 1.45 lakhs, amounting to Rs.4400 Crores. As per our previous experience, wherever we have extended this restructuring, those accounts are performing better. Why I am pinpointing to your question is that with respect to restructuring, there is a feeling in the market that it means we are postponing NPAs. But if we go through the RBI circular, wherein, they said that when you do MSME onetime restructuring, they have classified into less than Rs.1 Crores, Rs.1 Crores to less than Rs.5 Crores and Rs.5 Crores to Rs.25 Crores. And for each bucket, there are clear-cut directions that before you do restructuring, what are things you are supposed to see, what type of certificates you are supposed to take and whether it will be done by an individual or a committee of members who will be doing restructuring. And after restructuring, the parameters have to be monitored at regular intervals. The disciplined way of onetime restructuring will be a help banks as well as the MSME borrowers to really come out of the short-term trouble, which they are faced with now. As per the circular, there are eligibility criteria, those who are not qualifying are

being excluded and those accounts anyhow are becoming NPA. Besides, whichever account is restructured with these parameters, and these are being checked subsequently by the auditors also. This is why wherever the banks are restructuring, they are very cautious, and they proceed only when it is feasible. That is with respect to point number one. Coming to the next question, what you have asked, Madam, regarding the type of restructuring that we may do in the retail and other things. As you have seen, our moratorium portfolio is about 22% in terms of amount outflow. And if you take a cut-off date of same, March 1, on that date, in real sense, there are not much or, I can say the number of borrowers. I cannot say it is a large number maybe the number is very reasonable when it comes to the eligibility of restructuring.

Since around 78% of people paid back, out of which 30% retail customers availed moratorium and 70% paid back. On this back with this circular my bank will be beneficial. Only a small portion those who are unable to pay, will be allowed for restructuring with all conditions apply.

Mahrukh Adajania: Got it, Sir. And Sir, just 1 last question then on the MSME portfolio, of the loans restructured, do you have any data on how much has slipped?

Lingam Prabhakar: Madam, it has slipped. It is not that 100% restructured are in restricted only. But if you see this quarter, it was very insignificant. Only in next quarter you will get the actual figure. For us it will not be that significant as our whole amount accounts to Rs. 10380 crore, wherein we have made a provision of Rs. 1038 cr. Even if with 25-30% slippages, out of this 10000 cr, I may lose around Rs. 2500 cr to Rs. 3000 cr. For this Rs. 3000 cr I will have to make provision of say

15% or may be 25% if it is unsecured. Hardly it comes to around Rs. 450 cr to Rs. 500 cr or maximum Rs. 550 cr, where as I have a provision of already Rs. 1038 cr. So as of now, I think the bank is in a better position to handle the Q2 NPA slippages. And as I said, already this quarter, I made about Rs.1420 Crores as pressure slippages. So, the pain which I can take in the next quarter, I have already front loaded it in the current quarter.

Mahrukh Adajania: Sir, in MSME, I was just asking more about MSME, of the restructured MSME loans in the past, how many would have slipped?

Lingam Prabhakar: Exactly those figures, we have not taken. Madam, but I can tell you that I can share you the figure separately, but it is not significant, I think. Yes, I have the figures, just now I got it. From January 1st, that is for two quarters, if you see, it is hardly Rs.315 Crores.

Mahrukh Adajania: Thank you.

Moderator: Thank you. We will take our next question from the line of Ravi Singh from HSBC. Please go ahead.

Ravi Singh: Thank you. Sir, my question is on this new resolution window which RBI announced yesterday. For that, there is a provisioning requirement of 10% on the residual credit, residual debt, but whatever the sacrifice between existing debt and residual debt? Do you have clarity, I mean, how will that have provided, will has to be immediately provided? Or could that be spread over some time?

Lingam Prabhakar: Actually, we are going through in details the circular. It came out only yesterday. We also have some clarifications on the same, which

will be asked to RBI. So we are awaiting the same. The details will come around with regard to 20% repayment and other things and you get back 50% provisions. Its too early to comment on this. We are also waiting for the KV Kamath recommendations. So, in totality, we are going to study it once again and place it to our Board for adoption. Then only we will come out with the correct picture.

Ravi Singh: Sir, given that the guiding guidelines are from the June last year notification from the RBI on the resolution framework. Under that framework, was any sacrifice on the debt needed to be provided immediately? Or were other options available?

Lingam Prabhakar: June 7 circular is different from the current one. This is only for those accounts affected by the Covid-19 pandemic. But 7th June was with regard to the Rs.2000 Crores, above Rs.1500 Crores and above. Under this, the resolution was, if you go for NCLT, you need not provide. Or if it is only filed, you can recover 50%. If it is admitted, you need not provide. If it is not filed, then you provide 20%, which will go up to 35%. This is still in hold. That has not been scrapped by RBI.

Ravi Singh: Sir, just last question. Based upon your understanding of borrowers in MSME, corporate and retail who are getting impacted by COVID related impact on their income levels, do you think there could be significant gap in the sustainable debt versus the debt, which they have right now? Or do you think the impact is temporary and with some rescheduling, NPV loss may not be very large?

Lingam Prabhakar: Like I said, the situation is still evolving. It all depends on how the economy pans out. With all efforts so far undertaken by the government will augur good results and we expect economy picking

RBI and government have taken, or they are taking. I feel, the impact may not be that severe as, they point out in FSR. And if we take into account the restructuring because this restructuring will basically try to bring out the accounts out of SMA category. Naturally, 26% SMA may not be actually, which is going to happen in the next two years.

Rakesh Kumar: No, Sir, these are SMA-0 in the sub-investment grade and unrated, 26% number?

Debashish Mukherjee: No, you see the unrated does not mean that it is a bad account, unrated can happen because of various reasons. If you kindly see the portfolio of MSME, They are mostly rated below BBB for various reasons. That is what we see the reality. But it does not mean that all the MSME accounts are bad, just because they have been rated below the investment so-called investment grid. So that is a view which banker need to take. But the inherent strength of that borrower is analyzed when we also assess see the credit requirements to be given to these borrowers, and we will continue doing so.

Rakesh Kumar: Just a second question there is an additional refinance facility of around Rs.65000 Crores what RBI has proposed through NABARD and the other financial institutions. My point here is that if you look at entire general commercial bank data for May and June, there has been a decline in the MSME total number of around Rs.23000 Crores and Rs.45000 Crores in May and June, respectively. So if the MSME loans are declining, then what is the point in giving the refinance facility to this refinance institution? So why would the bank avail at this point in time when the books are actually declining?

Lingam Prabhakar: Yes, let me answer this question. If you see my bank's position under emergency credit line, guaranteed by Government of India, we have disbursed to more than 3.8 lakh borrowers amounting to about Rs.6800 Crores. It's a disbursement happened in four months and people are repaying also. I may not say all MSME borrowers are repaying fully, but there are people who are repaying and utilizing the credit. So for us, we are not going for any refinance from SIDBI as my cost of funds is only 4.95% and my saving bank is 2.95%. I can raise money from savings bank at less than 3%. So that option is available and people are utilizing it.

Rakesh Kumar: Many thanks. Thank you.

Moderator: Thank you. Our next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: Good morning. Couple of clarifications on the moratorium number to start with this is as of June end, right? And fair to assume that these many loans have not repaid us anything during the tenure of the moratorium has it?

A. Manimekhalai: No. As we have already clarified you, only 22% of our borrowers have availed the moratorium facility. And we have also told you the measures that the government and banks are taking, we are sure the numbers would be reducing in the next quarter. Government and RBI has taken many measures in mitigating the risk from the current situation. So am sure repayments will gather momentum in the coming quarters. Most of my retail customers are salaried class which will accelerate my repayments once the issues get settled. With respect to our NPA, the numbers are almost below like 3% and

retail loan book is growing. We have no concerns at present regarding repayment currently.

Abhijeet Sakhare: Sorry, just to clarify on this Madam.. So Rs.120000 Crores worth of book is not prepaying as of today?

A. Manimekhalai: Yes. The moratorium numbers are exact. Almost if you look at the total numbers, it is like almost 13 lakh numbers. And we are sure that these numbers would be coming down in the next quarter.

Abhijeet Sakhare: Got it. Second question is what would be the expected aging related provisions for the rest of the year on the current stock of NBS?

Lingam Prabhakar: Now aging as of March 2021, it will be normal. It will be manageable within manageable limits. This is what we can say right now.

Abhijeet Sakhare: The last clarification is trying to reconcile the networth from the opening balance sheet to June end number. It looks like there is a difference of about Rs.850-odd Crores, if I compare the opening balance sheet and the June end numbers. So the opening balance sheet net worth was about Rs.61400 Crores, and June end is about Rs.52700 Crores. The difference is Rs.850 Crores more than the net profit for the quarter anything that we are missing here?

Debashish Mukherjee: As you know, in every March, with respect to fraud accounts, 100% will be taken into account, 25% will be booked to provisions and remaining amount will be adjusted towards the networth. So as the quarter passes, that amount will be brought back by making provision from this income. So last time, as you can see from our notes to accounts about Rs.800-plus Crores of provision we made for the DHFL account. But in three quarters, it will become

impacted. Same way during the current and next quarter also we will be flowing back about Rs.800-plus Crores into equity.

Abhijeet Sakhare: Thank you.

Moderator: Thank you. Our next question is from the line of Bhavik Shah from B&K Securities. Please go ahead.

Jai Mundra: This is Jai here. Sir, just a couple of questions. First to Madam, Madam on moratorium, so if we assume that this corporate moratorium loans of Rs.38000 Crores, they have not had any EMI so far. Or does this include people who have one or two EMIs?

Krishnan S: You see, as we have explained earlier, we are following the opt in and out method. So here we have, those people who have opted out, they are excluded from this option. The others, we are assuming that they are in that fold of moratorium. Our formula is very simple. We have followed opt out method. Whosoever has opted out, we have left. Whoever has not opted out, we have considered them as moratorium accounts. Now here, let me also clarify that it is not that moratorium does not mean that they have stopped paying totally. Many of them are still paying. So that way, we expect that they will continue to repay as our Manimekhalai Madam was explaining, that most of our borrowers are salaried and they are employed. That way, we do not foresee much of a problem in repayment with respect to our retail loans.

Jai Mundra: That is helpful. Second thing is, Sir, we have Rs.110000 Crores of standstill loans where we have provided 10%. Now is this understanding correct that if in the next 14 days, if we do not discover, then these accounts slip in 2Q, and these are not eligible for restructuring, right?

Krishnan S: Yes, these are not eligible for restructuring. That is true. But then we cannot assume that all these will slip. Our slippage ratio will be maintained more or less.

Lingam Prabhakar: Let me clarify, it is regarding the old accounts. As I said, about Rs.10380 Crores is on hold and made a provision of about Rs.1038 Crores. We are ready for a 25 to 30% slippage and anticipating a 30% slippage, it will be around Rs. 3000 cr, which is acceptable for my bank, for which I will have to make 20% provisioning. 15% provisioning is normal for substandard and for unsecured it is 25%. On an average it comes to 20% and Rs. 600 cr goes into it. I have already made a provision of Rs. 1038 cr and hence it is not an issue so far for the bank.

Jai Mundra: Sure, Sir. And just last two questions, Sir. In your implied fourth quarter loss for Syndicate Bank for the CET-1 reduction is around Rs.5700 Crores, of which implied loss for Syndicated Bank is around Rs.3300 Crores. What is the residual, let's say, Rs.3500 Crores kind of an adjustment there if you broadly if you can?

Lingam Prabhakar: I can mail you because these things are not yet ready. It is there, it is not issue.

Jai Mundra: Last question, Sir, there was a recent news flow suggesting that a large Indian conglomerate is now declared as a fraud. One of the housing entities in that conglomerate has been classified as fraud. Now they have also have some of the accounts which are standard at system level, including power and power distribution. Has that some sort of a trouble because now this is a fraud case and the standard exposure that they have in terms of UMTP and power distribution business. Does that come under this, in your opinion? Thank you.

Lingam Prabhakar: I will just interject here. PTCs are treasury instruments. They are not credit instruments. So I have serious doubts whether they will be allowed in this scheme of things or not. I have serious doubts.

Anirvan Sarkar: Thank you.

Moderator: Thank you. Our next question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.

Mahrukh Adajania: Sir, I just had one regulatory clarification I required that in terms of, again, this current accounting, was there an RBI norm earlier that you cannot open a current account without NOC. Was there any such norm of other lenders or any such thing?

Krishnan S: Existing guidelines are instructions from RBI. Suppose if a bank is opening the current account of any company as a borrower, they have to inquire whether they are enjoying any facilities from others or not, and we used to go through, such data available in the public domain. As per RBI, if someone is availing the credit facility without the consent of the bank, we cannot open a current account and collect the proceeds for that business. It is there, Madam.

Mahrukh Adajania: But it was not probably being strictly followed?

Krishnan S: Yes. It is followed because you can see on some of the banks, so even RBI has imposed penalties.

Mahrukh Adajania: Thank you so much.

Moderator: Thank you. Our next question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.

Sushil Choksey: Sir. I had a couple of questions. What are the plans for CanFin Homes?

Lingam Prabhakar: Yes. As I said, Q2 of FY2021, we want to be the stakeholders of that.

Sushil Choksey: In case of your wish list, will you do a rights issue? Or will you do a QIP? Because looking at assets under management and the market performance of CanFin Homes, why would not you consider a rights issue favoring the shareholders at the attractive price, which shows off the capital and shareholders are not diluted?

Lingam Prabhakar: We will take your suggestion. Let us have a discussion in our Board. Then only I will be in a position to comment.

Sushil Choksey: Okay. Going to equity raising for nongovernment shareholders in Canara Bank, why would we not consider that looking at the performance? Reward the shareholders patience for losing value over a period of last two, three years. But now time has come where we can raise equity and make it attractive, whereby at least that 24% of shareholders who are non government holders. Government holding goes below 75% and it is at a price which is attractive and shores up our capital.

Lingam Prabhakar: Excellent suggestion. Definitely we will work on that.

Sushil Choksey: Now Sir, looking at NCLT, what is your estimate for current year in terms of recovery?

Lingam Prabhakar: In last quarter from NCLT we got meager Rs. 61 cr, out of the total recovery of Rs. 2060 cr. Even in the current quarter I do not see big recoveries from NCLT, not more that may be Rs. 300 cr. Hence we

have focused more on recoveries other than NCLT, especially through OTS

Sushil Choksey: Sir, where do you see our NIM going forward?

Lingam Prabhakar: As I said, as on date, it is 2.84, we are planning to keep it around 2.8.

Sushil Choksey: The same as what you appeared on television and said. Okay.

Lingam Prabhakar: Yes. That is a fact.

Sushil Choksey: Okay. Now Sir, where CASA is concerned, what would be our wish list? And where do you stand today?

Lingam Prabhakar: When we met last time, our bank's CASA was 30%. I said, going forward, by June, we will be making 33%, by December 35% that is our size of Rs.2.5 trillion, increasing 2% or 3%. It makes a big difference. But if you see the last quarter performance, we have increased to 33.84% from about 31%. So that itself shows that how seriously we are interested in increasing our low-cost CASA deposits. And my wish list or my guidance going forward by December, we will touch 35%.

Sushil Choksey: Okay. Where do you see your gross NPA, net NPA by the year-end? And what is the growth estimate as per you in corporate book and retail book?

Lingam Prabhakar: Our overall credit growth will be around 6 to 8% and in retail we may cross 20%, hopefully by March 2021. With respect to asset quality, currently we are at 3.95% and we may see this will be maintained below 4% and GNAP at around 8%.

Sushil Choksey: Sir. Second thing is, as I can understand from your retail credit, your loan growth Syndicate Bank has not performed well in retail, whereas Canada has a reasonable share, is that assumption, right, looking at the CASA numbers and your case numbers?

Lingam Prabhakar: Now post amalgamation everyone is aggressively working on this front.

Sushil Choksey: No, I understand that. So how are we benefiting or utilizing the strength of Syndicate Bank CASA, which is higher than ours, on cross selling, housing, vehicle and education and personal loans are specifically specified.

Lingam Prabhakar: To tap the strength in both banks, we have started separate verticals in our bank. The main purpose is to have a focused attention, and we deployed sufficient manpower there. For example, in housing, it consists of about 56% of my retail. We have opened around 300 retail asset hubs, headed by scale IV officer with sufficient staff and most of the branches are attached to it. On this back I told that we will grow 20% plus in retail. With respect to our gold vertical, it about Rs. 58000 cr where there is zero risks. In southern region we are number one player and with those strength we expect to grow by 10% plus by March 2021 in this segment.

Sushil Choksey: What is the loan book on gold, Sir? Sorry, I missed out in the presentation?

Lingam Prabhakar: Rs.58000 Crores.

A. Manimekhalai: Rs.59100 Crores.

Lingam Prabhakar: Rs.58000 Crores.

Sushil Choksey: So this would be agriculture connected or standalone leasing? Is it more related to agriculture, right?

Lingam Prabhakar: This is not totally agriculture connected, but agricultural farmers have also taken.

Sushil Choksey: And what pricing are we giving these loans now?

Lingam Prabhakar: We are giving it at 7.6%.

Sushil Choksey: Secondly, yesterday, RBI had some change in rules where gold lending is concerned. On how much are we likely to do in LTV? And what is the estimated growth now going forward on this?

Lingam Prabhakar: They have given us permission. We can grow LTV up to 90%. But there is a catch in that one, its available up to March 2021. Again we need to bring down the LTV to 75%. So people who are going to close the accounts before March 2021, will get LTV of 90% and for others it will continue at 75%

Sushil Choksey: Sir, second thing, smaller questions, more as your outlook on your trading book and outstanding on Jan-Dhan, what kind of losses are you estimating on Jan-Dhan?

Lingam Prabhakar: In Jan-Dhan, we do not expect any loss, and currently we are not experiencing any loss., We have about 1.35 Crores Jan-Dhan accounts, wherein we have about Rs.5500 Crores of deposits. So, it is a profit-making business for me.

Sushil Choksey: The gold disbursement, which we have done through the weaker section and the government scheme, what kind of book is outstanding? And what kind of loans are under NPA in that?

Lingam Prabhakar: See, as I said, in retail, my NPA is mere 2.2%, and if you take bank as a whole, domestic NPA is 8.18%. And globally, it is 8.4%. So it is very much under control.

Sushil Choksey: Second thing, I asked you on the last quarter results also the digital initiative and the spend you had spelt out, are we ahead of the reality because as far as the rate of future digital is concerned? And how are we focusing on certain states where you have a larger market share as for my understanding and strength to grow our bank on a higher scale than where we are today?

Lingam Prabhakar: Two things I would like to submit to you. One is, if you just go through my interaction in the last quarter, whatever I said, in all the parameters, we have performed better especially in terms of operating profit, net profit, growth in liability and credit products. Besides, in controlling NPAs and whatever I have given the guidance, the performance was better. On digital, now we have given a lot of emphasis for existing infrastructure and developing new ones and I think going forward, maybe by December you may see that Canara Bank is one of the best digitalized bank.

Sushil Choksey: Sir, secondly, you hired a new CEO called Deven Sangoi, who is an excellent person with the capital markets, a known name. What's the plan on Canara Robeco?

Lingam Prabhakar: Canara Robeco, is doing very well q.o.q. So, it is a continuous process that the CEOs will be engaging. And after the tenure, again, new CEOs will be engaging. But this subsidiary is doing good for me.

Sushil Choksey: Any highlights there?

Lingam Prabhakar: Because this is not the forum, I may share afterwards.

Sushil Choksey: Secondly, only on trading book, if you can give me any guidance?

M.V Rao: Investment trading are very small, amount is very small here, around Rs.100-plus Crores.

Sushil Choksey: No, I am not talking about equity. I am talking about the treasury business?

M.V Rao: Treasury book only I am telling, it is not for trading so it is very small amount.

Sushil Choksey: What is your outlook for the year on the trading gains? That is what I meant. Looking at the current quarter, where do you see the next three quarters? That is the current quarter the following two quarters.

Lingam Prabhakar: Sir, the yields are very attractive. Our treasury is well-managed and we are taking into account the future risk that may arise. Accordingly, we are investing, and we place the funding. So, going forward, I think we will not see any hit, rather, we will be in a position to make some gains from the treasury.

Sushil Choksey: So would you consider equity first Tier 1 bonds for perpetual bonds?

Lingam Prabhakar: Sir, immediately, since we are waiting Q1 results, once the Q1 results are out, we are very soon coming out with AT-1 bonds which are Basel III compliant.

Sushil Choksey: What size, Sir?

Lingam Prabhakar: Rs.1500 Crores.

Sushil Choksey: Thanks a lot and all the best to the management.

Moderator: Thank you. Our next question is from the line of Ashok Ajmera from Ajcon Global. Please go ahead.

Ashok Kumar Ajmera: Thank you for the opportunity though I got it after an hour. First of all, in fact, I wanted to congratulate Prabhakar Sir and the entire team, Mr. Mukherjee, Rao and Manimekhalai Madam for fantastic performance of the bank and completing the amalgamation also so fast and giving the full clarity about both the banks. Sir, after having said that a lot of questions have already been covered only a few, I would like to have some clarification. And after this Rs.25 Crores increased to Rs.50 Crores from Rs.5 Crores to Rs.10 Crores of this emergency loan, what is the differentiation figure, I mean, which you could have got covered more now? I mean, so the reason eligible amount of the borrowers like in 1 of the answers, you said that you have disbursed about Rs.6800 Crores under this emergency loan for MSME.

Lingam Prabhakar: We are one of the highest. I can say I am next to State Bank of India.

Ashok Ajmera: Yes. That is what I observed. So did it make any major difference by increasing this limit?

A. Manimekhalai: We will be increasing the numbers, not much, about 270. With regard to where it relates to individuals, it will be around 15000 in numbers, Sir.

Ashok Ajmera: Okay. So not much...

A. Manimekhalai: Not a significant rise in numbers.

Ashok Ajmera: Sir, now coming again to that question of yesterday's RBI's restructuring plan, which is details are going to come, still. What they have said is that both accounts, which were less than 30 days overdue, it means SMA-0 as on March 1, 2020, they will be eligible. But by the time this process starts, and you know that August 31 deadline of moratorium gets over and the September comes. So even those who are eligible, if they do not pay up to the, say, October 1, so will they still be considered for this restructuring? Or since it will be 60 days or 90 days of their nonpayment, they will not be considered by the time you complete the sanction process, restructuring process?

Lingam Prabhakar: Here, whatever I could gather the circular is ; firstly, these accounts will have to continue as standard assets, till the time the consortium or the banks decide on having that resolution plan. After that, they may slip, but when the plan is finalized and implemented, they will come back to their original status as a standard. But they will have to be continuing as a standard asset. Still, it is decided by the consortium of the bank that, yes, this is the resolution plan, what we are going to adopt. They can slip thereafter; they will again be brought back to the original status.

Ashok Ajmera: Okay. So it means that the deadline is up to December 31, for restructuring and implementation up to March 31, 2021.

Lingam Prabhakar: Yes. That is the maximum timeline, 90 days implementation. Maximum timeline is March 31, 2021 which will expire thereafter. Application and decision are actually by December 31.

Ashok Ajmera: So again, coming back to that only. So if suppose somebody was already in default for 29 days up to March 1, and again, he does not

pay up to the October 1. So that will not be considered as a standard under this scheme, even though the sanction procedure might get completed by 15th of November or November 30, these accounts will not be eligible. Is not it?

Lingam Prabhakar: Yes, because they have to maintain their standard stature. That is why if you recall my earlier response, I said this time, restructuring will not be a random restructuring. It will be a structured restructuring where only the strong players will be restructured. So, it will be a proper restructuring. Somebody asked me this question earlier.

Ashok Ajmera: Sir, Sir, from the bank point of view, even if they would have slipped in NPA, you would have provided the first instance only 15%. So now also, you are, in any case, supposed to provide up to 10%.

Lingam Prabhakar: Yes, that is to avoid cliff effect, so that suddenly you need not provide 15%. So, you'll gradually build up. That's what RBI had in mind and it's a good strategy.

Ashok Ajmera: All right, Sir. Point taken. Sir, now coming to some specific data points and some clarification your overseas advances have declined by 6300, almost about at 20% or so. So was it a particular **(inaudible) 01:20:52** or is it a strategic, I mean, a view which has been taken to reduce the overseas advances, exposure because from 32716 Crores, it came down to Rs.20402 Crores.

Krishnan S: One is based on the economy and other is on market. It is not that consciously we want to reduce our reverse exposure. We are open to any good projects. We have been taking in the overseas sector also and because of the pandemic situation now there is a slow growth.

Ashok Ajmera: All right. Sir, some color on the NBFC, Sir, TLTRO 1 and 2 how much have availed for your bank and distributed and can you give some color on your total NBFC exposures and TLTRO 1 and 2 numbers?

Krishnan S: Ashok, right now, I do not have the number of TLTRO 1 and 2, but all that I can say is that we have fully utilized 1 and 2, I have now where I can tell you, it is about Rs.1200 Crores totally. That has been fully utilized.

Ashok Ajmera: Approximate amount or I am not asking a number of accounts, but the total amount?

Krishnan S: Total amount about Rs.1200 Crores.

Ashok Ajmera: Okay, got it. Especially in TLTRO 2, where you have given to BBB plus or A minus NBFCs?

Krishnan S: Negligible, not much. No, we are compliant with the RBI guideline that has been complete.

Ashok Ajmera: Madam, about this moratorium, do you have ready numbers out of the 6 installments, I have been now so far, I think, four installment, amount wise that how much have paid 4, 3, 2, 1 or 0 to 1, do you have any such breakup?

A. Manimekhalai: Sir, we can come back to you with those numbers, Right now, we are not having these numbers. We can mail those numbers to you.

Ashok Ajmera: My e-mail address, I will send it to you. Sir, around coming back, Sir of course, the restructuring now has come, so that will reduce the pain as far as the NPA is concerned. But what are your views when you are interacting with your customers and saying that after the

August 31? And especially, I am talking about the interest on the working capital loans, our working capital facilities, for which the moratorium was given. And suddenly, from September onwards, they have to not only service their monthly interest, but also this backlog, which they have to complete before March 31, 2021. So there will be double whammy on them. So how do you look at it? I mean, whether some of these small businesses, MSME will be in a position to take this burden? Or do you think that this moratorium also may get extended by another three months or so?

Lingam Prabhakar: I will answer your question in two, three parts. Following our interaction with the borrowers, from moratorium people have benefited to certain extent. Those who were facing less cash flow problems, they are paying back interests as well as installments. Once it is over they may repay it. Many of them are repaying using their cash credit and working capital accounts in a proper way. In line with economic revival, within the reasonable timing of 6 to 9 months, business will get back on track and the interruption in cash flows will be nullified. And it is not that that everybody will have to pay on March 31. They can pay as and when they can and that flexibility is there.

With regard to other part of the question, moratorium may not be extended but they can be brought under the restructuring.

Ashok Ajmera: The restructuring is only for the purpose of loans. Now some of this like working capital pressure and other things, I do not think this will be also under the purview of restructuring because the interest amount of six months also will be huge, whether I will not allowed to be restructured at a onetime and probably, the corporate may not avail that kind of small onetime city of restructuring.

Lingam Prabhakar: Under the COVID relief scheme of RBI, there was a good scheme for working capital lenders, borrowers wherein, we could extend their cycle and lenders could give them more drawing power, margins could be reduced. They have already enjoyed all these benefits and in the latest circular they have not excluded the working capital. But we require more clarity in this front. So we can always have a holistic approach when we do the restructuring for corporate.

Ashok Ajmera: That is great. Thank you very much.

Moderator: Thank you. Due to time constraint we have to just move on. Ladies and gentlemen, that was the last question. I would now hand over the floor back to Mr. Sohail Halai for closing comments. Over to you, Sir!

Sohail Halai: Thank you, Sir. I really like to thank Mr. Prabhakar and the entire management team of Canara Bank for detailed explanation and giving us this opportunity to host the earnings call. Sir, any concluding remarks that you would like to add at the end?

Lingam Prabhakar: Really, I am indeed happy to interact with the analysts and the well-wishers for our bank. Post interaction, we could get deeper insights. I think we will be taking all those valuable points in our future strategy planning. Again, after the next quarter results, we will be meeting and if required, we will have one more interactive call some other time. Thanks a lot to all participants.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us. You may now disconnect your lines.