



“Canara Bank Q4 & FY2020 Earnings
Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Canara Bank Q4 and FY2020 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 Faizan. Good afternoon everyone. I welcome you all to Canara Bank’s 4Q FY2020 earnings call. We have with us today Mr. Prabhakar, MD & CEO, Executive Directors, Mr. Rao, Mr. Krishnan and Ms. Manimekalai along with other senior management from the management team. To give us insights about the performance of the banks and address our queries, I thank Prabhakar to give us this opportunity and hand it over to him for his opening remarks. Over to you Sir!

Lingam Prabhakar: Thank you. Good afternoon ladies and gentlemen. Before I talk anything about the figures because the figures are already in the media and you all are aware of those things, let me talk about the COVID impact on our bank and about the amalgamation process, then I will talk about the business.

Regarding the COVID impact in Bengaluru, our head office is situated and our data centers take care of the functioning without any difficulty. We have made a standby provision even if a DC and DR is affected even then we can function remotely.

As far as head office is concerned, we have bifurcated, our functions, so that these functions can be carried over from various buildings. For us the fortunate thing is that our head office functional Departments is located in various buildings. So luckily in the last three months, there was no issue regarding the business disruption and we could carry our functional normally. However, during the month of April and May, most of the people have worked from home and others who come to the office have maintained the social distancing.

96% of our Normal Branches are opened and 92% of our ATMs were functioning during this lockdown period. Our BCs are functioning as usual and transactions were normal especially as far as the government sponsored schemes, are concerned like PM Kisan, PMJDY accounts. We could credit the amount in their accounts without any problems and also give the amounts to the needy people apart from serving our regular customers.

During that period, amalgamation has also taken place and as we promised to our customers that about 12 services will be providing from any other branches of Syndicate or Canara, so those 12 services we could successfully provide and the transactions are taking place in those 12 services.

Coming to amalgamation issue, we have bifurcated, this amalgamation in to three broad heads, one is HR issues. Second one is IT issues and third one is structural issues, that is the organization structure. As far as the organization structure is concerned, we have completed the consolidation work of regional offices, circle offices and head office and the people who are stationed in these places are already transferred and especially Scale V and above we have implemented all the transfers so that they will be in place by the coming months and they can concentrate on the business.

Even promotion process, we have completed the whole process from peon to CGM level as on 31.3.2020. Regarding the transfers of scale 1, 2, 3, we have taken a call that since if we transfer these people at the scale 1, 2, 3 level they will face lot of problems like they cannot shift their family and their children and even if they move, they have to be in quarantine and the bank business will get affected. So we have taken a call that up to June 30, 2020 will not be disturbing them. So structure wise up to RO level we have completed. Then regarding a branch rationalization, we are already going ahead with the plan and will be implementing first decision in the Q4 of 2021.

Regarding IT infrastructure amalgamation and database amalgamation as per the proposed plan, the things are moving. During April and May there was a big delay of four days, five days but that has been made up now. So we will be rolling out the first 11.8 version of Canara Bank in the second week of next month, after that we will be rolling over the branches on a large scale. So as far as the IT infrastructure is concerned, we have successfully managed post amalgamation and our netbanking services, mobile banking services, ATM services and CBS services are functioning without any difficulties. So there is no disruption of our business activities.

Regarding the infrastructure, everything we have provided, and we have ensured that they function even at the time of any disturbances like lockdown and other things. So basically we have ensure that amalgamation process is going on smoothly in spite of lockdown and also the business activity is continuing without any disruption. Succession planning also we have completed for the coming year. As on date, we can say that total top management, transfers, promotions, placement, have been in place. Now they can concentrate on the business activities. These are the two things which I thought I should brief you and actions taken regarding the amalgamation as well as the business continuity during the lockdown period.

Going forward, I think we will not face any difficulties because now we have decentralized our actions and also as per the requirement. We are ensuring that proper social distancing is maintained and our people use mask, and sanitizers. On date I think 100 plus people are affected by COVID in our bank and out of this more than 50% have recovered and only we are sorry to say that only two people have passed away and for those people also we have

taken steps and we ensured that all the benefits have reached their family members in time. So this is the regarding the two aspects.

Regarding the business, the last two to three months, we are concentrating on how to improve our baseline and also how the disbursements, account opening and also the growth in deposits takes place. During the lockdown period, interactions with our people. Most of the times we are interacting continuously with Circles, RO Heads, Branches through VC., They are also being frequently about government schemes available, we can take advantage of that and pass on the benefits to our customers at the same time, get benefit to the bank, those things who are aggressively implementing especially if you see the present emergency credit lines which is 100% guaranteed with zero risk weight, we are one of the top performing banks compared among their public sector banks and in terms of disbursement of government benefits all those things are we are taking care. There is no complaint and if at all there are complaints, we are addressing immediately so that this time, the satisfaction of customers is maintained. So these are the two / three things I thought I will be sharing with you. Regarding the provisioning which you may be very, very interested in a broader aspect, let me tell you, we have taken an informed call that because of the amalgamation and other things wherever provisioning is required and it has to be done proactively, we have taken care of that and we have done proactively that is why if you have see the figure, the provisioning has gone up.

Even in terms of staff costs also we have made adequate provisioning, taking into consideration the discussions that are taking place between the IBA and the union leaders and the association leader there, the wage revision will be there and we have projected that it will be in the tune of about 13% plus. So we thought that at the rate of 13% we have to make a provision and we have made 13% provision as far as establishment costs are concerned. Our operating costs are almost flat and this year we are going to concentrate on operating cost, how much we can reduce and we have taken a target of about 20% in specific sectors of the operating cost as directed by the Government of India recently they have issued a later to reduce cost in particular aspects but we have cost cutting measures, we will be extending some other sectors also, so that the operating cost will be less than the last year, that is one thing we have to taken.

Second one is regarding the focus on our audit. We will be focusing on our retail. Going forward at corporate level, we have taken a decision regarding the credit growth. We will be concentrating more on retail. Simultaneously, we will be addressing the requirement of the corporate also. Under retail, we are very strong in south in the sense that our retail growth we have seen in the last Y-O-Y, which is around 12% plus in that housing is about 18% plus and best point of it is the NPAs under the retail is less than 2%, which is really, I can say a very good thing as far as public sector banks are concerned.

As far as the deposit side is concerned, last year we have concentrated on the savings banks deposit and the growth is visible at around 12% and CASA percentage we are interested to increase from the present of 32.59% to 35% mid December and above 35% by March 2021. This we are concentrating because in the last two months, if you see the December figure, it is around 30%, so we could get and increase for about 173 points in the CASA. Second one, we are concentrating in retail term deposits and we are not encouraging the bulk term deposits and we are very sensitive regarding the cost of the term deposits.

Liability side, we are going to concentrate more on SB and retail term deposits and in the asset side retail along with to some extent a balanced approach in terms of corporate credit also including NBFCs. With these remarks, now I request I think you can take the questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mahrukh Adajania from Elara Securities. Please go ahead.

Mahrukh Adajania: Sir, could you give us an update on disinvestment of CanFin Home? That is my first question.

Lingam Prabhakar: Madam, we have eight subsidiaries, which have been very good, in that CanFin Finance is doing very well. As of now, we have not taken any decision regarding the disinvestment in CanFin. Second week of July we are going to have a board meeting, wherein will be discussing about the raising of the capital that will be from the market, maybe in terms of QIP or AT-1 bonds available in the market.

Mahrukh Adajania: Okay. So as of now no firm plans on CanFin Homes, right?

Lingam Prabhakar: Yes, Madam.

Mahrukh Adajania: Sir just in terms of corporate asset quality, most banks have been selective in giving moratorium to corporate, so how do you think the corporate asset quality will pan out in FY2021, will you see big delinquency, how will it be going ahead?

Lingam Prabhakar: In corporate when we talk about corporate I think NBFCs also we are including in that one because we take more than ₹5 Crores as corporate advances under bank NBFC portfolio, the percentage of moratorium as far as the outstanding is concerned, is around 3%.. This is because for NBFCs we have supported them in terms of additional financing and also in terms of TLTRO 1 and TLTRO 2. Regarding the corporate, yes, we also see that there will be some challenges, however as of now, corporate which we are having in our corporate ,if you see most of the corporate book about 20000 Crores is guaranteed by state government and 5000 Crores is guaranteed by central government and about in 1.5 trillion about 63% is AAA, and above. So going forward yes we have to be cautious. We have to be regularly in

touch with the corporate to know about their cash flows, requirement and necessary steps which bank has to take and we always feel that because of this COVID impact, the corporate loan book will have to be monitored closely.

Mahrukh Adajania: Sir do you have exposure to Air India?

Lingam Prabhakar: Very insignificant, Madam.

Mahrukh Adajania: Okay. Sir my last question would be that on TLTRO how funds have you deployed totally and how much of that is to NBFC?

Lingam Prabhakar: Madam, in TLTRO 1, we have taken about 1500 Crores plus and that is deployed and second in TLTRO 2 we have taken about 850 Crores that is also deployed, but most of the fund has gone to NBFC.

Mahrukh Adajania: So most of it is to NBFCs only, not others, is it?

Lingam Prabhakar: Yes.

Mahrukh Adajania: Thanks a lot.

Moderator: Thank you. The next question is from the line of **(inaudible) 17:39** from Oswal Securities. Please go ahead.

Unknown Speaker: Sir may I know why your corporate segment, I mean wholesale banking segment will come to significant profit?

Lingam Prabhakar: Can you please elaborate your question please?

Unknown Speaker: In segment reporting, in wholesale banking, when you can expect to report a significant amount of profit?

Lingam Prabhakar: See if you see the wholesale banking that is corporate credit, our PCA as on date is 10%. Going forward we will see many of the big accounts being in the near future maybe even what I call two months whereas we see a resolution of the corporate account that is Bhushan Power and Steel where we have significant exposure getting resolved. So there is another account where we are expecting a significant recovery, maybe it is not in a Q2 maybe end of the Q2 or Q3.

Unknown Speaker: What would be the amount of that **(audio cut) 19:27**?

Lingam Prabhakar: The outstanding is about 1800 Crores, which is 100% provided.

Unknown Speaker: I have another question Sir. Sir in terms of our integration of margin profit Sir, how many quarters would it take to fix the process I mean in terms of branch rationalization, in terms of workforce rationalization, I mean how many quarter would it take?

Lingam Prabhakar: I shall answer this question in two parts. First part is I will say that regarding harmonization. Second one is regarding the merger. As far as harmonization is concerned, we have taken the impact of harmonization in Q4 of FY2020. If you have seen our balance sheet, we have made about Rs.340 Crores additional provisioning, and we have taken about Rs.553 Crores NPAs, which were standard as NPAs and we have classified them and taken a fresh NPAs. This is regarding the harmonization. Under harmonization again you might have seen our operating expenses and the staff cost has gone up because we have provided sufficiently in the staff cost. For example, if you see the bipartite agreement, which is going on, there is increase of 13% plus. So what it is we have proactively made provisions to this one itself to that extent as far as harmonization is concerned, cost of the staff and cost in terms of NPA and provisioning, and if you see that the staff cost also provided in quarter, we have provided 432 Crores additional, and if you see year as a whole, we have provided more than 1000 Crores and the cumulative amount, which is available for the wage revision if at all wage revision takes place to account for about 1142 Crores. This is regarding harmonization. Now coming to amalgamation we have identified the branches which are within 250 meter, we have about 1100 branches plus, these branches are targeted and we will be starting the first access of rationalization of these branches by Q4 of FY2021 by which our database will be merged. Then after the rollover will be very fast and next month second week we are rolling out our first Canara Bank latest version, which is 11.8. So this will be our plan for amalgamation and as far as RO offices are concerned, circle offices are concerned, we have already amalgamated.

Moderator: Thank you. Mr. Dey we request that you return to the question queue for followup questions as there are several participants waiting for their turn. The next question is from the line of Mona Khetan from Dolat Capital. Please go ahead.

Mona Khetan: Good afternoon. On the notes to accounts, you have mentioned about this fraud accounts, where you yet to provide another 15 billion over the next three quarters is that DHFL?

Lingam Prabhakar: The fraud amount which has taken is around 2350 Crores. Out of which, we have made a provision for this quarter, 25% which comes by about 497 Crores. So in this about 440 Crores is only DHFL. Here the issue is we have classified the DHFL as fraud in Q1 2021 that is in June quarter; however, as a proactive step what we did is we have made provision from the bad debt that is in the March itself we have taken provision, so that 100% provision we will be completing by December and Q4 of 2021, we will not be having any leftover provision to be made.

Mona Khetan: Sir this is pertaining just one account or a couple of accounts?

- Lingam Prabhakar:** Out of this Rs.2350 Crores, Dewan is around Rs.2000 Crores. Remaining miscellaneous accounts are there, which are about Rs.300 Crores. Nowadays, as a good corporate governance as soon as we find any account where fraudulent activity is there, we are immediately declaring. We are not waiting.
- Mona Khetan:** On the moratorium aspect, your presentation mentions of 17% moratorium by value, so is that which date is just number of?
- Lingam Prabhakar:** Our executive director, Manimekalai Madam likes to interact.
- A. Manimekalai:** Good afternoon Madam. The moratorium has been given as per the Reserve Bank of India guidelines. We have extended this to all our customers. Many of the customers have opted out of this facility because our clientele base is very good. We have given this facility, if you look at our retail book, most of our customers have salaried and government employees and have permanent jobs. So many of them have not opted for this facility, only 17% of the amount and 19% of the customer base if you look at they have taken it for this purpose and this is as on March 31, 2020 and we have also taken the present numbers also as on the present date also, the number is 17% and 19% of the amount to 2 members.
- Mona Khetan:** So the number has remained same from March to around June.
- A. Manimekalai:** It has actually improved. The numbers have actually improved. We had quite a big number at the earlier stage because we have given the option to the customers and who have not taken this option but afterwards they have really taken this options and then now the present number is at 17% and 19%.
- Mona Khetan:** Just to understand a little on how you define moratorium, so is it like accounts that borrowers that even one installment out of three in March, April, May, are they considered as to be end of moratorium or how do you treat it?
- A. Manimekalai:** Madam, we have taken those customers who have not paid the three installments that is the customers we have taken under moratorium and the people have already paid one or two installments that we have not considered under this category.
- Mona Khetan:** Okay. Roughly about 83% of your loan or three months, the payments were coming?
- A. Manimekalai:** Yes Madam, at least one or two installments have come in.
- Mona Khetan:** Okay so even for one installment, you would treat as non-moratorium?
- A. Manimekalai:** Yes, Madam.

- Mona Khetan:** The other question was on recovery from written-off account you have seen a good recovery in this quarter. Could you just throw some light around it? Are there any large names out there?
- D Mukherjee:** Good afternoon. I am D Mukherjee, Executive Director of Canara Bank. Now this quarter, our recovery from written-off account has been quite good i.e., 1470 Crores. We are recovering consistently from our written-off account. So this quarter was not an exception. We will be continuing this in the coming quarters as well.
- Mona Khetan:** How do you expect recoveries to pan out going forward? Do you see a dent there or are there any large accounts that you have expected to be recovered over the next one year?
- D Mukherjee:** Next one year we expect our recovery to be in the range of Rs.9000 Crores to Rs.10000 Crores. Out of that from NCLT resolution process we expect somewhere around Rs.3700 Crores and the balance from other recoveries from midsized and smaller assets. Now one name comes into my mind that is Bhushan Power, which itself is a big amount of Rs.800 Crores as our MD has previously told you. So including all these things, I believe that the recovery would be in line with what we have been doing last financial year.
- Mona Khetan:** Sure and on the merged numbers as on April 1, 2020 for Canara and Syndicate, could you give some details around the GNPA, net NPA and networth level?
- D Mukherjee:** Actually we have not yet placed those results to our board, which we intent to do somewhere first week of next month, so we will disclose those figures only after the board look at it and adopts it. But even though the figures have not yet been adopted by the board, but we still feel that we will be able to maintain our gross percentage of NPA, net percentage of NPA, it is line with what we are now.
- Mona Khetan:** Last question from my side, if you could share the segmental breakup of slippages?
- D Mukherjee:** There have been slippages in various sectors, MSME, the slippage has been around Rs.3900 Crores, agriculture about again a bit more than Rs.3000 Crores, then large industry about Rs.2000 Crores roughly.
- Mona Khetan:** Retail Sir?
- D Mukherjee:** Retail around Rs.400 Crores.
- Mona Khetan:** Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.

Sushil Choksey: Good afternoon management. Sir I had couple of questions. Canara Bank, Syndicate Bank, both are headquartered in Bengaluru, lot of synergies including local culture assets all housed in Bengaluru city. What benefit are we reaping specifically where the real estate and staff is concerned is my first question?

Lingam Prabhakar: Syndicate Bank, they are very good in CASA and Canara Bank now we are picking up from 30% to 33% and second point so as far as the culture of the people are concerned, I can say almost there is a synergy and to address this what we did is, first we want to address their grievance, grievance in the sense, their expectations, they should get the promotions in time. So we have completed all the promotions of Syndicate and also Canara Bank and we have given the promotion effect on April 1, 2020. So in that way, we have addressed that is to them and second one is the regarding the posting, we have mixed the people and we have ensured that they also get the number one post in the sense, they also heading the ROs, they are also heading the circle office. So we have ensured that talent is recognized and at that same time proper representation is given to them. The third point is whenever we interact, we interact as a group and as a unit, it is not like Syndicate Bank or Canara Bank because of which the people have got confidence and they have understood the culture of the bank as a whole as a combined entity and now they are a part of the bank and do not feel that they are from this bank or that bank other thing is that for us customers are the most important and no customers should leave either Canara Bank or Syndicate Bank for that we said that our only culture is we have to be best servicing bank in the south and in India also. So in that way I think most of the issues we addressed as far as the staff is concerned, and the other point is regarding the benefits of the staff. We have given the best benefits available in both the banks to both the banks staff and officers. So in that way also they have got the maximum benefit and now everyone thinks that because of the amalgamation, they got benefited in terms of perks, in terms of knowledge, in terms of future opportunities. So I think as of now today I do not see any difference among the employees and they are now working as a unified entity as Canara Bank.

Sushil Choksey: No. My question on asset monetization specifically real estate between Canara and Syndicate, any benefit are you likely to see this year?

Lingam Prabhakar: Regarding the asset monetization, as far as the fixed assets are concerned, I think we have identified a few but the amount is not that significant whereas in terms of our joint venture in Moscow with State Bank of India, I think we are coming out of that and we will be getting about 14 million from joint venture. So State Bank will be taking it and they will be giving us whatever equity we have invested that is about 14 million. Other than this I think no other fixed assets we are going to dispose it off now.

Sushil Choksey: What percentage of our CASA comes from Karnataka and market share in southern states?

Lingam Prabhakar: See the Karnataka and Tamil Nadu these are the two places combined together we have around a presence of 5000 branches as a combined entity and out of this in the CASA I can say exact percentage regarding these two have not worked out but majority of the CASA is being generated from these two states. Apart from these two states, I think we are getting some deposits from UP also.

Sushil Choksey: Sir on digitalization specifically led by COVID, most of the banks or businesses are taking lot of initiative for digitalization even in customer services, as the bank merged with Syndicate, they still might have been upgraded and you might have aligned both the system because you were in a common platform, what further initiatives you are taking as your part of Tamil Nadu and Karnataka on a larger market share, where the learned society is a larger number, so what kind product initiative and technology adoption are you likely seeing?

Lingam Prabhakar: Regarding the digitization and technology adoption, as you know first step is we have decided that we should be having the latest version of the CBS system which is 11.8 and I said in the second week of next month, we are launching the first branch with a new version and subsequently many more branches will be rolled out so that by March 31 all the branches that is Syndicate as well as Canara, there will be version 11.8. Once we have 11.8-version it can be used for multipurpose. But however we cannot wait up to March 31, 2021, so keeping in view the COVID, one thing what we did is office functioning, we can do now by working from home as far as controlling offices are concerned for the staff members. Now coming to the facilities provided to the customers, we said that all the digital transactions that is especially ATM transactions maybe any of the ATMs, maybe Syndicate or our ATM, we said the charges are free. We are not going to charge anything and we are pushing the debit cards to these customers and we are making rather compulsory that each and every account open they have to give the debit cards and also encouraged them to use our mobile banking as well as internet banking facilities. I think with these efforts and also we are putting in place some incentives for using more and more digital transaction.

Sushil Choksey: Sir how is the behavior in moratorium specifically and first part of June and how is your credit growth outlook between wholesale banking and retail banking right now?

Lingam Prabhakar: In the past if you see our retail banking is having a decent growth that is about 12% plus whereas as far as corporate is concerned it is almost flat. It is not negative. That means whatever repayments have taken place before this COVID impact has been taken care by giving the additional financing. So going forward I think in retail will be continued to grow at 10% plus whereas corporate it will be a bit less so both the corporate and retail put together, our growth maybe around 7% to 8%.

Sushil Choksey: Any target on CASA for the year?

Lingam Prabhakar: Target on CASA is as I said, in terms of percentage, 32.6%, we in December and maybe 36% by March and in CASA we have projected a growth of around 12% and I think we are already on track as on date.

Sushil Choksey: Any large VRS or retirement likely this year between both combined entities?

Lingam Prabhakar: If you see the data, about 3500 people will be retiring in normal course and because of this amalgamation, few people have opted out and they were already relieved as on April 1, 2020.

Sushil Choksey: Thank you very much and I will come back in the queue if I have further questions.

Moderator: Thank you. The next question is from the line Ashok Ajmera from Ajcon Global Services Limited. Please go ahead.

Ashok Ajmera: Good afternoon Prabhakar, Mukherjee, Mr. Rao and Madam. It is nice to speaking you. Sir at the very outset, kindly accept my and convey my deepest condolence to those two staff member's family members who have lost their life in COVID in fact the bankers are the one who from the day one stood to strengthen the whole financial system and take care of it, though it may not have been recognized the way it should like police and doctors, please accept my condolence and convey it to their families. Sir now coming to the results, the bank is in losses and we are sure both these banks coming in. My first question is the merger of Syndicate Bank with Canara Bank if signifies that both two southern banks have been merged. So what you think I mean the character of this bank is going to be the pan India bank and you have some proper plan for that because your major business is concentrated in south. Your CASA is also more have you said in two states. At the outset, I would like to know what are the plans to take the bank how much in the whole country in a very, very strong manner, what is the plan for that?

Lingam Prabhakar: If you see the presence as of now as you said yes, the number of branches which are present in the south, are significant. But however if you see for example UP, we are having around 1300 branches which is a significant number and even in Gujarat, there are about 243 branches even if you see Bihar or West Bengal. In Bihar we have around 400, West Bengal again, 200 branches, then even in north we have around by say 500 branches, so in real sense we are pan India, there is no doubt but only thing is concentration is there in the south. If you take any other western based banks or North India based bank or eastern based bank, naturally wherever there is headquarters, the presence or the number of branches will be more there, but going forward we want to capture or we want to serve the customers pan India that is our plan, and in that direction, we want to use our ECs, we want to use our ATMs, also want to use the network of the branches. During amalgamation, we require to amalgamate two branches and to open another branch in another place we will be using that opportunity. Basically we want to be a pan India bank, not a South Indian bank but of

course we do not want to lose both, will continue with that one where about the other untapped areas also.

Ashok Ajmera:

Sir now coming to the profitability in 2021 of the bank, the major amount which you have to provide is for the fraud which is almost about 1500 Crores is still to be provided for, and there are other provisions and also the provisions might be required because once the moratorium is over, I would like to know that how much will be impact because interest on the working capital, up to August it is there, thereafter people have to pay this six month interest as well as the current interest also up to March 31, 2021 if I am not wrong. So how do you see the overall profitability of banks going forward in 2021 from where do you see that the profit coming in overall as a bank against the loss of 3260 Crores?

Lingam Prabhakar:

Now first let me just address the figure of 3200 Crores of loss, which we have shown during the financial year 2019-2020. This is important because how we are going to project our future balance sheet that is I think it has relevance of the today's figures. Regarding the Jet Airways account, there is an outstanding of Rs.525 Crores. It is classified as NPA during the current year. We have made a total 525 Crores provision for the Jet Airways especially 393 Crores is provided in the Q4 of 2020. So Jet Airways I need not make any provision going forward. Same way there is an account called ABAN we have made 210 Crores which is 100% provided. Then if you see the DHFL knowingly we have preponed the provision of 25% which comes to about 440 Crores to Q4 of 2020 so that Q4 of 2021 we will not be having stress. If you see the delayed RPs we have made that 20% additional provision because 180 days have been lapsed that is to the extent of about 460 Crores. So the day we file the NCLT case from this 458 Crores, 50% of this i.e., 10% will be reversed as per the RBI circular and apart from this we have also made a provisioning of about 94 Crores for COVID and other miscellaneous up to 127 Crores and then in subsequent provisioning we have made about 512 Crores, which is relating to these big accounts and with this provisioning has gone up to 5300 Crores. So, basically in this provisioning what we did is in one way we have frontloaded or we want to see that the provisioning coverage ratio increases because our provisioning coverage ratio as on last year was only 68% which is one of the lowest in the industry so we thought it has to be increased, so we have increased to 76% and going forward I think it will be increasing to 78%, 79% also. Apart from this, staff cost also about 1100 Crores increase is there. In this 1100 Crores about 746 Crores we have made provision taking into consideration the increase that we may have to absorb in relating to pension, relating to leave encashment, relating to gratuity and relating to settlement. That we have loaded during the current year and during the current quarter we have loaded about 432 Crores, 133 Crores under pension, 40 Crores under leave encashment, gratuity 106 Crores and settlement 153 Crores. During the current quarter we have taken care about the staff costs, which I have to provide in future that has been now itself. In some big accounts where I can do in the next quarter that has also been done during the current quarter, so going forward provisioning requirement will be less as per the

present scenario. Apart from this Bhushan Power and Steel where our outstanding is about 1800 Crores where we have made 100% provision even if I get that 50% of that amount, **(audio cut) 52:37** even the resolution if it happens in Q2 or Q3 or even Q4 we will be getting about 50% of the account that is 900 Crores. So, 900 Crores will be directly added to my bottomline. So, taking into consideration, all these things, I think going forward the quarterly provisioning requirement will be very nominal or within control.

Ashok Ajmera:

Those who have taken the benefit here, where Madam said the quality of our accounts are very good on this moratorium front, like once it gets over in August, the interest on working capital, which is there, how much earning you see, how much percentage of that may not be in a position to pay these arrears as well as the current interest because they have to pay the entire deferred amount, before March 2021. So do you think they will be able to take care of that because the business many of them have not yet started even?

Lingam Prabhakar:

You are right Sir. We are also bit worried about this one, but silver lining is whatever interest is recorded in the six months, it will be converted into FITL and this FITL they will be paying up to March 31 in installments and second point is regarding the installments which they are taking moratorium they need not pay immediately. It will be back-ended. So I think even then we are still cautious and for the past one and a half months, we have created a separate vertical in our head office and also in the field where we are calling each and every borrower who have availed the moratorium to explain them better to pay the amount, if you want additional financing, we are ready to give them, this has given good results, but definitely going forward it is a challenge for us and we are seized with the situation and I expect that some portion of this will become NPA.

Ashok Ajmera:

Thank you Sir. All the best for you. Please take care of your staff also. Thank you.

Moderator:

Thank you. The next question is from the line of Jay Mundra from B&K Securities. Please go ahead.

Jay Mundra:

Good afternoon. Sir, first on if you can give the moratorium numbers in Rupees Crores for retail, agri, corporate, MSME, I do not know if you have already given because there was some line disturbance and I got disconnected also. So I am sorry for that that is why I am asking again.

A. Manimekalai:

For the moratorium for corporate we have got about 16000 Crores. Retail we have about 2300 Crores out of total number of borrowers, total amount being 460538 Crores that is the total volume under that retail, we have got about 2300 Crores, corporate is around 15000 Crores, MSME is about 17000 Crores.

Jay Mundra:

Agri.

A. Manimekalai: Agri actually there is no moratorium because they make the payment on a quarterly basis or half-yearly basis. So it is actually seasonal, so the allied activities, of course we have got about 2000 Crores that is (inaudible) 57:18 and all those things. Agriculture as such we do not have anything.

Jay Mundra: Madam this data is of which date?

A. Manimekalai: This is I said on the present date.

Jay Mundra: As on June, correct?

A. Manimekalai: May 31.

Jay Mundra: May end. Madam, your second moratorium now RBI of course has extended. What is your sense let us say in Agri now maybe some of the guys who are in half-yearly basis so some of their dues will become fall due in this quarter.

A. Manimekalai: There is a challenge, but the KCCs are getting renewed, there is the Kharif season is on. So, we do not see much of a challenge and of course the government has also given a lot of incentives for the allied activities. So, I know there will be a challenge in this, but of course the Kharif season is on. Monsoons have been very good during the time. We will be having challenges, but not the way the previous years it was and the same accounts will probably continue.

Jay Mundra: Madam, if you have a similar number for the merged entities, some of the banks who have actually given.

A. Manimekalai: The merged entity we will not be able to right now talk about because as and when it is getting approved from the board, only then we will be going in for. Of course what we have observed internally is it is almost on the similar lines. Whatever I have told earlier 19% of the total amount and 17% of the number of customers. It is almost on the similar lines. No major deterioration in the numbers.

Jay Mundra: Madam, now you mentioned that the moratorium calculation actually excludes any partial payment. So, this number is actually not comparable if you look at any other banks because they are giving moratorium and they are calculating in a way that if all installments are not being paid then that is the number moratorium for them.

A. Manimekalai: As MD was already telling you we have a separate vertical in our head office and in the circle offices who regularly call the customers, tell them what is the problem if they do not pay the amount and how it is going to affect their repayment. So we are creating a lot of awareness and as I told earlier also our customers are well rated and salaried class, so we

have taken of course the three installments have not come that only we have considered under the moratorium.

Jay Mundra: That is well understood, Madam that lot of customers, are salaried and state government or government enterprises, just for like-to-like basis if you were to include all people who have taken moratorium and all those people who have taken moratorium and have not paid all their dues, all their three EMIs.

A. Manimekalai: Sir, this has come only in our MSME sector, but for this we have already told you we have given that 10% emerging still line of credit and so the challenges were there only, but of course in the other retail books I have not found much of a problem neither we have done and found any issues in our NBFC books also. The only issue was with MSME and where we have given our 10% line of credit. For NBFCs we have just about 2.94% whoever willed of this moratorium facility.

Jay Mundra: Madam, just on this overdue loans, that number in 1800 Crores 1900 Crores roughly but that is as of March 1, that would have moved substantially downwards. Would that be the right understanding?

A. Manimekalai: It will actually come down. It was 1800 Crores as on March. Now it has substantially come down almost half the numbers now.

Jay Mundra: Madam, the difference between the overdue loans at 22000 Crores and SMA0, SMA1, SMA2 that we report in our presentation at around 13800 Crores what is the difference. Is it mainly because this is all ticket size and SMA0, SMA1, SMA2 is above 5 Crores or is there any other difference?

A. Manimekalai: Sir, what you are saying is right above 5 Crores only. 13000 Crores.

Jay Mundra: My last question is the situations are very, very fluid, we understand that, but still what would be your best case range of slippages, let us say for FY2021? You can give a range maybe for parent bank and merged entity?

A. Manimekalai: That is the credit cost. It will be in the same range because we are aggressive and we cannot say aggressively but we are creating a lot of awareness with our customers and of course we are very giving out our loans, and we are very aggressively following it up and if you observe in this quarter of course we have given loans up to 91000 Crores. In our Canara COVID loans also it was about almost like 2700 Crores. That also we have given. Under the GECL we have sanction about 5073 Crores of loans and sanctions close to about 3000 loans, about 6.89 lakhs customers were eligible under this scheme and then we have sanctioned loans to almost like 2.5 lakh customers. So we are very aggressively seeing that

whatever the government has given us the mandate, we are pursuing it with lot of customers and we hope that our numbers will not deteriorate further.

- Jay Mundra:** It is similar slippages and not higher?
- A. Manimekalai:** Yes, Sir.
- Jay Mundra:** Thank you so much. All the best.
- Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.
- Mahrukh Adajania:** Sir, I have two questions; firstly, just to clarify on moratorium. If you have paid even one installment you are not counted as part of moratorium is that correct?
- A. Manimekalai:** Yes, Madam.
- Mahrukh Adajania:** So, even if you have paid one installment you are not under moratorium, one or more?
- A. Manimekalai:** Yes. If they have not paid the three installments, we are considering under moratorium.
- Mahrukh Adajania:** The other thing I wanted to check is that is Religare as classified as fraud now?
- A. Manimekalai:** It is classified as fraud, Madam. It has been classified in this Q1.
- Mahrukh Adajania:** Thank you Madam.
- Moderator:** Thank you. The next question is from the line of MB Mahesh from Kotak. Please go ahead.
- MB Mahesh:** Good afternoon. Just two questions; one is on Syndicate Bank, can you at least broadly give us some colour as to what major adjustments would you have done for the Q4 and second have you at the Board level taken any decision on your ownership basically?
- Krishnan S:** Good afternoon. I am Krishnan here Executive Director. As far as Syndicate Bank is concerned, MD was telling about harmonization. The provisions required for harmonization where we have common accounts the provision has been totally factored whatever is required. So that has already been factored so there is no further requirement will be there from the point of view of harmonization. Can you repeat your second question please?
- MB Mahesh:** Just wanted to clarify we understand where the exposure of you would have made the provisions but in terms of the other adjustments pertaining to the SA side especially on the retirement side, what major changes have happened on Syndicate Bank's portfolio?

- Krishnan S:** There is no much one and that has been addressed. MD was also telling that the necessary provisions have been made as far as the staff is concerned whether it be the wage revision or the pension everything has been taken care. So, we do not find anything additional that will be post merger.
- MB Mahesh:** I understand. I am just trying to understand is it possible to at least quantify what has been the impact of it?
- Krishnan S:** We are yet to go to the board for the adoption of the opening balance sheet. Once that is done, we will be able to give the exact number and where it comes.
- MB Mahesh:** I just wanted to check qualitatively is it possible, at least approximate how challenging or how difficult, how big is the kind of an impact on account of these?
- Krishnan S:** No, we do not have an impact. That is what I can tell you, but this is one amalgamation **(audio cut) 01:07:55**. We do not expect any additional burden and your question is what could be so I say that we did not expect any additional impact at all as far as HR cost is concerned going forward.
- MB Mahesh:** With respect to CanFin?
- Krishnan S:** With respect to CanFin Homes. MD was already telling that we have seven to eight subsidiaries. Everyone is doing well and CanFin is also doing well. As of now we do not have any plans of the disturbing that. The capital requirement was stressing upon that will be going to board next month to get approval for raising the capital maybe by way of equity or by way of AT-1 and various mode of raising will be discussed as far as the CanFin Home or any other subsidiary is concerned as of now we are not going to disturb.
- MB Mahesh:** Can you confirm this, by any chance CanFin does require equity capital you are ready to invest your share in it?
- Krishnan S:** We will be taking a call as and when it is required.
- MB Mahesh:** Thanks.
- Moderator:** Thank you. The next question is from the line of Punit Bahlani from HDFC Securities. Please go ahead.
- Punit Bahlani:** Just two questions, I think major recoveries in Q4 and your NCLT recoveries are close to 38 billion, so the recovery side just wanted to know the sources of the recovery like is it to ARC settlement, is it to OPS, like what modes have you observed?

Lingam Prabhakar: Let us clarify. First of all, our bank has not been taking the ARC route for quite some time now so no ARC settlement that is number one. Number two so far has been major accounts are concerned, Rs.3700 Crores has been from our NCLT recoveries and major accounts. Some major recoveries, which have come, you are all aware Essar Steel, Prayagraj Power, Jaiprakash Venture etc., so these have contributed but some major portion has been from the smaller accounts also where we have gone for OTS, we have gone for recovery and it is a normal process of recovery. As I was telling even for the smaller and mid segment accounts we have been constantly successful in going for one-time settlement as well as going for recovery our SARFAESI action and all those actions which we normally take for recovery. So it has been a mixed sort of effort both big accounts and mid-level and smaller accounts so we cannot say it is only the big accounts which has given the push it is an it is a mixture and we propose to continue it on this financially.

Punit Bahlani: So this year also you expect the same amount of NCLT recoveries like if we could just give some color on that like you mentioned Bhushan Power and Steel we have got the major?

Lingam Prabhakar: Last year our recovery from NCLT has been around Rs.3700 Crores. This year also we expected recovery of around Rs.3000 Crores.

Punit Bahlani: Last question what would be breakup between retail deposits and corporate deposits?

Lingam Prabhakar: Actually, if you take below Rs.5 Crores and above Rs.5 Crores that distinction our RAM portfolio is around 55% deposit. Deposit portfolio it is 60%-40%. Retail is 60%.

Punit Bahlani: Thank you Sir and best of luck.

Moderator: Thank you. The next question is from the line of Deepak Kumar Kapadia, Individual Investor. Please go ahead.

Deepak K. Kapadia: Bank also equity stake in Bajaj Hindustan Sugar so it is NPA account or standard account Sir?

Lingam Prabhakar: It is a standard account as of now, but because of that CDR issues where you know all the bank participated so some equity infusion, S4A, so some equity participation has been there.

Deepak K. Kapadia: So it is resolved now or it is NPA at present?

Lingam Prabhakar: At present it is tendered but S4A if you remember, there was a scheme few years back on the basis of that scheme only all the banks have participated including our banks.

Deepak K. Kapadia: What is the combined book value after merger approximate?

Krishnan S: As I have told you earlier also MD Sir also has emphasized that we are going to the board in the next week of first week of next month for adoption. Then we will come out with all the figures post amalgamation.

Deepak K. Kapadia: Thank you.

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

Ashok Ajmera: Sir you said that your corporate and non-corporate you are just having a limit of Rs.5 Crores and about that you call as a corporate account do not you think that now looking at the size of the bank and the way the banks are getting consolidated there is a lot of thinking required and the change in the policies and programs because you need a higher amount of loans to be, focussed more and sanctioned a larger amount because this gives a very misnomer numbers and figures even for the working internally? My second question is how do you plan to grow your loan book in these circumstances? You said your focus will continue to remain on the retail, but you will also welcome the corporate account so when you call corporate, are you talking about Rs.20 Crores, Rs.100 Crores, Rs,200 Crores limit in some of the top infra companies and some of the projects which are coming up with the opening up of the lockdown? What are your views on this?

Krishnan S: I will answer both of your questions. The first question is your suggestion as to us the bank has grown big particularly post amalgamation Rs.5 Crores. Let me clarify as the bank has well-defined verticals. We have a large corporate, we have mid corporate and of course, MSME separately it is there so as far as the business perspective is concerned the focus is totally customer centric and that PAT is being closely monitored in respect of business perspective. Internally, for the calculation even if you look into the Reserve Bank of India guideline or Basel guideline it says that any exposure of Rs.5 Crores or below Rs.5 Crores in only retail and all of us for corporate this is what is definition. So that is being followed for the purpose of classification but as you rightly said as a big bank, yes. Coming to your second question of the focus, the focus as it was said that the focus will be on retail that does not mean that it will be only on retail. We have currently a mix of about 45 corporate and 55 of retail and mix will be maintained and bank is totally open for corporations including the infrastructure. As the MD was telling from that day of COVID pandemic started, we have disbursed about Rs.96000 Crores and in that Rs.56000 or Rs.55000 Crores is towards the corporate so all the infrastructure whichever is coming Canara will be there to participate.

Moderator: Thank you. The next question is from the line of Rakesh Kumar from Elara Capital. Please go ahead.

Rakesh Kumar: Thank you. Sir like because of this environment the asset quality certainty is not there because what will happen post moratorium gets over we are not very sure about it and it is not only for Canara Bank for any other banks also and overall situation is quite fluid and also the credit growth, you know, it is very difficult to ascertain that how much credit growth generally bank can do in this scenario. Like I was just wondering what is the like, you know, how much focus we require we need to put on your NPA recovery and reduction in the opex and what are the measures we are taking on these two fronts because during this time I think it was better to you know, focus on these two to three areas rather than on the credit growth, so maybe or maybe because of slippages also will be much under control because also because the macro scenario is very, very different this time around so just would like to get your opinion and steps that we are planning to take on these two areas on the opex and the NCLT recovery?

Krishnan S: You are absolutely right. The situation is very fluid for the industry as a whole as to what will happen after these moratorium period and how calculations will be there, it is in a fluid situation. Having said and it is also absolutely right that is most important to improve and have enhanced monitoring to maintain the asset quality, you may have to recollect **(audio cut) 01:20:04**. Rakesh you may recollect the conversation what we were having during this meet where MD was also telling and my colleague, Executive Director, Manimekalai was also telling that wherever the moratorium has been given we have been contacting the customers and educating them as to their requirement or in their own interest it would be better if they can repay so the customer education is one where it is a part of enhanced monitoring so it is going on. We have put in additional people for this so that we will be able to address this challenge. The next question is on the opex, the cost again, if you recollect what the MD was telling that they about to 20% of the cost reduction what we plan that we have been now, we have started closely monitoring the expenditure wherever avoidable expenditure is there that is being curtailed so that we are able to bring in the austerity and at the same time see that wherever the expenditures were required absolutely for the purpose of the customer service or to do the day-to-day transactions that is being done. So we also take cognizance of this aspect and we will be reducing the opex. Having said this as well as the credit is concerned yes the credit growth, we do not actually today the credit offtake is not there much but what we are telling is we are focusing on the retail where there is offtake. Definitely and we are also open for the corporate where the good projects are coming we are also open for that.

Rakesh Kumar: How is the situation is conducive right now so for asset monetization because there is a lot of overlaps because both the banks were large banks so how fast we can do asset monetization which will lead to one time gain?

Krishnan S: As far as your question concerned about asset monetization we do not see much for asset monetization with both of the banks.

Rakesh Kumar:

Thanks, Sir. All the best Sir.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the management for the closing comments.

Sohail Halai:

Sir before actually we end I have a couple of questions from my side. Basically I clearly see that we have improved our provision coverage ratio to around 76%, but that is still lower than the industry average so in terms of provision coverage ratio we have definitely improved and ensure it up around 76% including technical write offs. But if I look at some of the other banks it is slightly on the lower side still so what is the outlook in terms of ageing of the provision, hitting us in terms of FY2021, and secondly, if you could just give some comments on how do you see the margins panning out in terms of FY2021, it says?

Krishnan S:

Let me understand margins question first. As well as NIM is concerned now we have seen that result as 2.29%. So we expect that it should be around a 2.35% plus. Why I am telling this is the deposit cost has come down significantly about 45,000 cost of deposits which we have taken in Q4 of FY2019, which already got matured and which you have paid so now as a conscious decision, we are encouraging retail term deposit because we need a customer base and regarding to bulk deposits we have discouraged in the past two to three months because obviously we could see that as far as term deposits in bulk there is vertical stagnate or negative growth whereas in retail there is a growth of around 11% so we are very cautious about the cost of deposit because in the beginning as said our focus will be to get the CASA from 32.6% to we should be coming about 35% by December and going forward it will be still more. So the NIM yes, it is under our radar and we are going to improve it. Now coming to the PCR, provision coverage ratio, 76% compared to some banks it is okay, but the issue is we want to make provisions proactively wherever there is an opportunity so as I said going forward. I think by December 8, 2020 again by that time things will be very clear by December and as of now with representatives from their circumstances and the situation's we see that the PCR should be somewhere around 78% plus by December.

Sohail Halai:

Thank you that answers my question. Thank you, Prabhakar, Sir, and the entire management team for giving us this opportunity to host the call and we wish you and the team all the best. Sir while we you have covered most of the things do you want to add anything before this call concludes?

Lingam Prabhakar:

I should thank you for hosting this one and really we got very good inputs. I think based on these inputs, I think we will be working for that to see that to what extent we can improve the balance sheet and also to take our put in place the necessary measures to address the risks that are going to crop up because of this fluid situation, which have arisen because of COVID affect. Thank you very much. Thank you, from my Executive Directors and my management team to all the people who have participated and thank you Sir for the hosting the call.

Moderator:

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