

Date	Report / Update	Report Price (₹)*	Buy Range (₹)	Target Price (₹)
21-Feb-24	Quick Insight	113.40	110-114	132-136
14-May-24	Q4FY24	109.87		

* Report price adjusted to split (1:5) WEF 15-May-24

केनरा बैंक Canara Bank



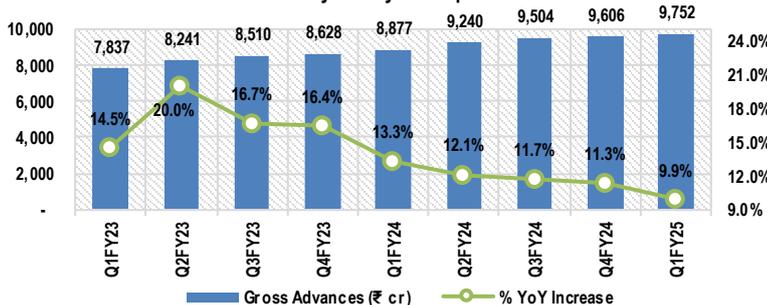
Canara Bank

1QFY25 Quarterly Result Highlight

Canara Bank Ltd. posted mixed bag 1QFY25 earnings number as growth remains well balanced, however, NIM moderates sequentially incorporating the penal interest reclassification impact. Gross advances for the quarter stood at ₹9,752bn rising +10% YoY/ +2% QoQ, deposits were up +12% YoY/+2% QoQ to ₹13,352bn. During the quarter, net interest margin moderated 15bps sequentially to 2.9% with net interest income coming in at ₹92bn +6% YoY/ down -4% QoQ. Cost of funds were higher at 5.3% while yield on advances moderated slightly to 8.7%. Controlled operating costs enable the bank to book PPop of ₹76bn flat YoY/ +3% QoQ to ₹76bn. Lower provisions for the quarter at ₹76bn, down -16% YoY/ -8% QoQ, improved bottom-line profitability significantly with PAT rising +10% YoY/ +4% QoQ to ₹39bn. Asset quality remained largely stable with GNPA / NNPA coming in at 4.1% / 1.2%.

➤ **Assets Under Management** – Global gross advances grew +10% YoY/ +2% QoQ to ₹9,752bn led by +12% YoY/ +2% QoQ growth in RAM credit to ₹5,518bn comprising 57% share, while corporate lending was up 7% YoY but flat sequentially at ₹4,234bn. Retail sector remained the key driver for this growth rising +24% YoY/ +12% QoQ to ₹1,758bn. Agriculture and Allied segment witnessed muted growth as the bank stopped gold loan financing for agricultural purpose, thus loan book reaching ₹2,409bn up +8% YoY/ down -5% QoQ. MSME lending business reported a growth of +7% YoY/ +2% QoQ to ₹1,351bn.

Loan book growth moderates in Q1FY25
in a cyclically weak quarter



Advances Mix (₹ bn)	Q1FY25	Q1FY24	% YoY Increase	Q4FY24	% QoQ Increase
Retail	1,758	1,423	24%	1,564	12%
Agriculture & Allied	2,409	2,228	8%	2,532	-5%
MSME	1,351	1,264	7%	1,319	2%
RAM Credit	5,518	4,915	12.3%	5,415	1.9%
% RAM Credit	56.6%	55.4%		56.4%	
Corp. & Others	4,234	3,962	7%	4,191	1%
Domestic Gross Advances	9,203	8,431	9%	9,082	1%
Global Gross Advances	9,752	8,877	9.9%	9,606	1.5%

Source: Company, Way2Wealth

Important Data

Nifty	24,857
Sensex	81,455

Key Stock Data

CMP (₹)	115.7
Market Cap (₹ tn)	1.05
52W High/Low	128.9/63.85
Shares o/s (crs)	9.0383
Daily Vol. (3M NSE Avg.)	4,01,81,621
BSE Code	532483
NSE Code	CANBK
Bloomberg Code	CBK:IN

Shareholding Pattern (%) – Jun'24

Promoter	62.93
FII	11.91
FII	11.19
Public & Others	13.97

Financials

Particulars (₹bn)	FY24	FY25E	FY26E
Net Int. Inc.	366	371	433
Ner Int. Mar.	3.0%	2.7%	2.9%
Op. Expenses	261	276	310
Core Profit	294	293	342
Provisions	97	107	113
PBT	197	185	229
Tax	52	47	58
PAT	146	138	171
EPS (₹)	16	15	19
BV (₹)	96	111	130
P/E	7.2	7.6	6.1
P/BV	1.2	1.0	0.9

Source: Company, Way2Wealth Research

Relative Performance

Return (%)	1Yr	3Yr	5Yr
Canara Bank	70%	268%	154%
Nifty 50	26%	58%	124%
Sensex	23%	55%	118%

Source: Company, Way2Wealth Research

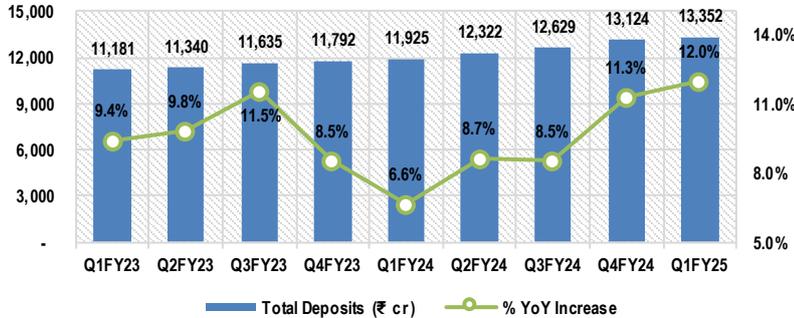
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➤ **Deposits** – Overall deposits for quarter grew strongly by 12% YoY / 2% QoQ to ₹13,352bn, led by growth in term deposits base which was up 15% YoY/ 3% QoQ to ₹8,497bn. Retail term deposit grew at a healthy rate of 10% YoY/ +3%QoQ to ₹5,146bn. CASA deposits increased +5% YoY/ down -3% QoQ to ₹3,814bn, resulting in CASA mix contracting by ~130bps sequentially to 31%. Savings deposits base rose 4% YoY/ flat QoQ to ₹3,322bn.

Robust Deposit Growth amid cyclically weak quarter

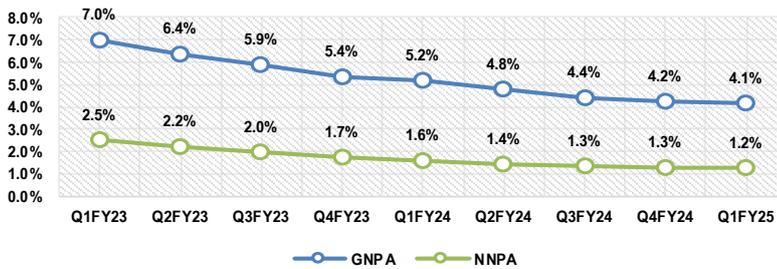


Deposit Mix (₹bn)	Q1FY25	Q1FY24	% YoY Increase	Q4FY24	% QoQ Increase
Saving Deposits	3,322	3,206	4%	3,284	1%
Current Deposits	492	438	12%	639	-23%
CASA Deposits	3,814	3,645	5%	3,923	-3%
CASA Ratio	31.0%	33.0%		32.3%	
Term Deposits	8,497	7,400	15%	8,226	3%
Retail Term Deposits	5,146	4,662	10%	5,014	3%
Retail Mix	60.6%	63.0%		61.0%	
Total Domestic Deposit	12,312	11,045	11%	12,150	1%
Overall Deposits	13,352	11,925	12%	13,124	2%

Source: Company, Way2Wealth

➤ **Asset Quality** – Asset quality continues to improve in 1QFY25 as well with GNPA and NNPA falling -101bps YoY/-9bps QoQ and -33bps YoY/-3bps QoQ to 4.1% and 1.2% respectively. Provision coverage ratio also improved marginally to 89.2% by end-1QFY25. Credit cost was maintained sub-1% level at 0.9% for the quarter.

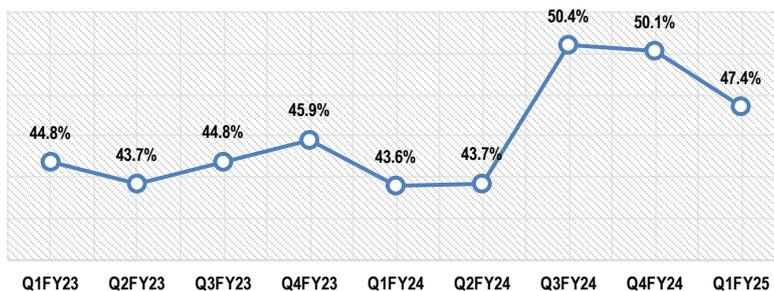
Asset Quality improvement continues



Source: Company, Way2Wealth

➤ **Operating Expense** – Cost to income ratio improved sequentially by -266bps to 47.4%. Operating expense were up 17% YoY but -7% QoQ to ₹69bn for the quarter.

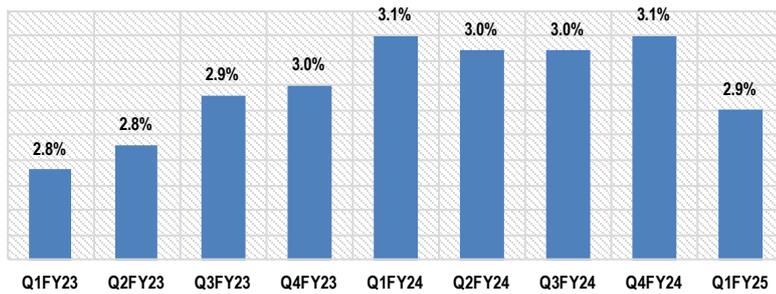
Controlled operating cost improves Cost to Income Ratio



Source: Company, Way2Wealth

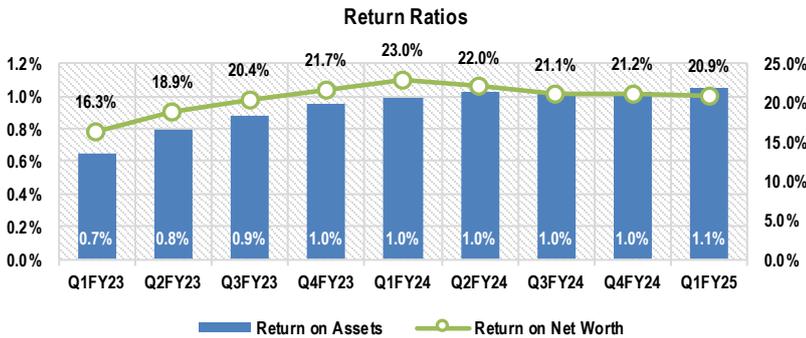
➤ **Financial Performance** – During 1QFY25, Net Interest Income grew by +6% YoY/ -4% QoQ to ₹92bn impacted by rise in interest expenses which were up +20% YoY/ +2% QoQ to ₹195bn. Higher interest expense comes on the back of elevated cost of funds at 5.3% for 1QFY25 rising ~+50bps YoY/ +25bps QoQ. There was hardly any improvement in yield on advances sequentially but rose +23bps YoY to 8.7%. During the quarter, NIM profile witnessed compression of -15bps YoY and QoQ each to 2.9%. Employee cost was up +16% YoY but fell -5% QoQ to ₹45bn. For the quarter, the bank was able to well control its operating expenses (total) which came at ₹69bn, up +17% YoY/ down -7% QoQ. Provisions for the quarter stood at ₹23bn down -16% YoY/ -8% QoQ. Profit for the quarter was at ₹39bn, up +10% YoY/ +4% QoQ.

Higher CoD & accounting policy changes impacts Net Interest Margin



Source: Company, Way2Wealth

➤ **Return Ratio** – Return on Assets continued to improve during the quarter coming in 1.1%. However, return on equity moderated by -207bps YoY/ -30bps QoQ to 20.9%.



Source: Company, Way2Wealth

Outlook and View

Canara Bank’s bottom-line improvement in 1QFY25 was underpinned by lower provisions, offsetting the higher interest cost for the quarter. While NIM contracted during the quarter, change in accounting policy related to recognition of penal interest had some impact during the quarter, management expects it to recover in coming quarters and reach 2.95% mark for FY25.

Divestment in Canara Robeco is likely to be completed in 4QFY25, which would be a key monitorable, as funds garnered from this transaction would improve CET-1 to support growth as well as any capital requirement for ECL provisioning. We expect the bank to continue on its path of improving asset quality, which enable it to maintain RoA above 1% mark. **At CMP ₹115.70, the stock is trading at 0.9x FY26e P/B value and we recommend to HOLD it in anticipation of performance improvement in 2HFY25.**

Quarterly Financials

(₹ bn)

Particulars	Q1FY25	Q1FY24	% YoY Chng	4QFY24	% QoQ Chng	FY24	FY23	% YoY Chng
Interest / Discount on advances / bills	208	181	15%	209	0%	782	614	27%
Income on investments	61	53	14%	59	3%	227	195	16%
Interest on balances with RBI & other banks	11	11	-4%	10	5%	42	30	44%
Others	8	5		10		36	6	511%
Interest earned	287	250	15%	288	0%	1,087	844	29%
Interest expensed	195	163	20%	192	2%	721	530	36%
Net Interest Income	92	87	6%	96	-4%	366	314	16%
Other income	53	48	10%	52	2%	190	188	1%
Total income	145	135	7%	148	-2%	555	502	11%
Employees Cost	42	37	16%	45	-5%	164	137	20%
Other operating E xpenses	26	22	18%	30	-11%	97	87	11%
Total Operating Expenses	69	59	17%	74	-7%	261	225	16%
Core Profit	76	76	0%	74	3%	294	277	6%
Provisions and Contingences	23	27	-16%	25	-8%	97	135	-28%
Profit Before Tax	53	49	9%	49	9%	197	142	39%
Tax Expense	14	14	6%	11	24%	52	36	44%
Profit After Tax	39	35	10%	38	4%	146	106	37%
EPS	4.3	3.9	10%	4.2	4%	16.1	11.7	37%

Source: Company, Way2Wealth

Financials

(₹ bn)

Profit and Loss Statement	FY20	FY22	FY23	FY24	FY25E	FY26E	FY24-26E CAGR
Interest / Discount on advances / bills	504	499	614	782	828	901	
Income on investments	169	170	195	227	243	267	
Interest on balances with RBI & other banks	19	22	30	42	60	80	
Others	1	4	6	36	25	30	
Interest earned	693	694	844	1087	1156	1278	8%
Interest expensed	452	430	530	721	785	845	8%
Net Interest Income	241	264	314	366	371	433	9%
Other income	149	165	188	190	197	220	
Total income	390	429	502	555	568	652	8%
Employees Cost	128	127	137	164	172	191	
Other operating E xpenses	66	71	87	97	103	119	
Total Operating Expenses	193	198	225	261	276	310	9%
Core Profit	197	231	277	294	293	342	8%
Provisions and Contingences	160	128	135	97	107	113	
Profit Before Tax	37	103	142	197	185	229	8%
Tax Expense	11	33	36	52	47	58	
Profit After Tax	26	70	106	146	138	171	8%
Exceptional Item	0	14	0	0	0	0	
Reported PAT	26	57	106	146	138	171	8%
EPS	3	6	12	16	15	19	

Source: Company, Way2Wealth

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Disclosure of Interest Statement: Canara Bank Ltd. as on 31 July 2024

Name of the Security	Canara Bank Ltd.
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
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