

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		
31-Jul-24	Q1FY25	115.70		

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


Canara Bank Ltd.
Q2FY25 Quarterly Result Highlight

Canara Bank Ltd. posted mixed bag Q2FY25 earnings number, as soft NII growth was supported by well controlled OPEX and lower credit costs. NIM remained largely flat sequentially at 2.9%. Gross advances for the quarter stood at ₹10,120bn rising +10% YoY/ +4% QoQ. Deposits were up +9% YoY/+1% QoQ to ₹13,473bn. During the quarter, net interest margin moderated by just 3bps sequentially to 2.9% with net interest income coming in at ₹93.2bn +5% YoY/ +2% QoQ. Cost of funds were stable at 5.3% while yield on advances improved to 8.8%. Controlled operating costs enabled the bank to book PPop of ₹77bn flat YoY/ QoQ. Lower provisions for the quarter at ₹23bn, down -14% YoY/ -1% QoQ, improved bottom-line profitability significantly with PAT rising +11% YoY/ +3% QoQ to ₹40bn. Asset quality improved notably with GNPA / NNPA coming in at 3.7% / 1.0%.

- **Assets Under Management** – Global gross advances grew +10% YoY/ +4% QoQ to ₹10,120bn led by +12% YoY/ +5% QoQ growth in RAM credit to ₹5,766bn comprising 57% share, while corporate lending was up +7% YoY / +3% QoQ at ₹4,354bn. Retail sector remained the key driver for this growth rising +31% YoY/ +11% QoQ to ₹1,946bn. Overall deposits for quarter grew at 9% YoY / 1% QoQ to ₹13,473bn, with term deposits growing at 10% YoY/ flat sequentially at ₹8,514bn. CASA deposits increased +5% YoY/ +2% QoQ to ₹3,873bn, resulting in CASA mix improving by ~29bps sequentially at 31.3%. Savings deposits base rose +5% YoY/ +3% QoQ to ₹3,407bn
- **Asset Quality** – Asset quality continues to improve in 2QFY25 as well, with GNPA and NNPA falling -103bps YoY/-41bps QoQ and -42bps YoY/-25bps QoQ to 3.7% and 1.0% respectively. Credit cost was maintained sub 1% level at 0.9% for the quarter.
- **Net Interest Margin** – As the bank was able to reduce ₹350bn of relatively lower interest bearing advances from total of ₹600bn, it supported in yield expansion during the quarter.
- **Concall Highlights** – 1) Gold loan book stood at ~₹1,650bn, recently launched retail gold loan book was ~₹280bn and average yield is ~9.15% 2) Unsecured book was at ~₹180bn 3) Loan book growth guidance for FY25 is 11% 4) Co-lending book stood at ~₹320bn by end-Q2FY25. 4) Management aims to keep credit cost below 1% level in FY25.

Outlook and View

Canara Bank posted a mixed set of earnings performance in Q2FY25 supported by controlled OPEX. Although the growth was somewhat muted during the quarter, key highlight remains the healthy asset quality of the bank. The management is undertaking several initiatives on various fronts which should set the ground for healthy performance in upcoming years. These initiatives include launch of new products such as Canara Aspire – Education Loan, Canara Angel – Lending to Women, premium payroll packages which also helps garner CASA deposits. Focusing on maintaining asset quality, the bank rolled down its MFI book nearly 50% to ~₹3.8bn. In order to improve yields, low interest bearing sanctions to good corporates worth ₹300-350bn of sanctions were taken withdrawn and put to use at high yields. **Thus, multiple initiatives are in place to drive business performance along with well controlled operating expenses and lack of any concerns on the asset quality front keeps us bullish on the bank hence we recommend to HOLD at CMP ₹105, trading at 0.8x FY26e P/B.**

Important Data

Nifty	24,213
Sensex	79,477

Key Stock Data

CMP (₹)	105
Market Cap (₹bn)	~955
52W High/Low	129/76
Shares o/s (crs)	55.0
Daily Vol. (3M NSE Avg.)	32,86,3r
BSE Code	532483
NSE Code	CANBK
Bloomberg Code	CBK:IN

Shareholding Pattern (%) – Sep'24

Promoter	62.93
FIIs	11.26
FIIIs	11.65
Public & Others	14.17

Financials

Particulars (₹bn)	FY24	FY25E	FY26E
Net Int. Inc.	366	371	433
Net 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	6.5	6.9	5.6
P/BV	1.1	0.9	0.8

Source: Company, Way2Wealth Research

Relative Performance

Return(%)	1Yr	3Yr	5Yr
Canara Bank	36%	127%	156%
Nifty50	25%	35%	102%
Sensex	23%	33%	96%

Source: Company, Way2Wealth Research

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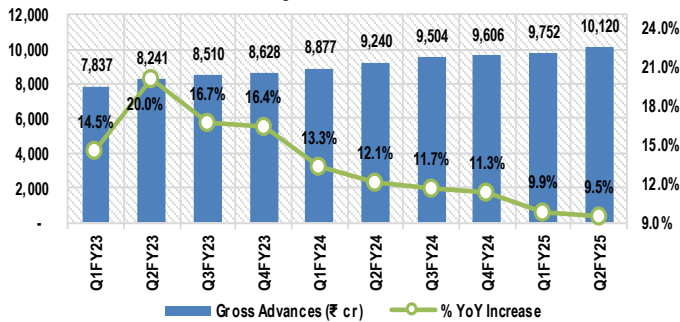
Advances Mix (₹ bn)	Q2FY25	Q2FY24	% YoY Increase	Q1FY25	% QoQ Increase
Retail	1,946	1,482	31%	1,758	11%
Agriculture & Allied	2,429	2,370	3%	2,409	1%
MSME	1,391	1,318	6%	1,351	3%
RAM Credit	5,766	5,169	11.5%	5,518	4.5%
% RAM Credit	57.0%	55.9%		56.6%	
Corp. & Others	4,354	4,070	7%	4,234	3%
Domestic Gross Advances	9,541	8,783	9%	9,203	4%
Global Gross Advances	10,120	9,240	9.5%	9,752	3.8%

Deposit Mix (₹bn)	Q2FY25	Q2FY24	% YoY Increase	Q1FY25	% QoQ Increase
Saving Deposits	3,407	3,230	5%	3,322	3%
Current Deposits	466	446	5%	492	-5%
CASA Deposits	3,873	3,676	5%	3,814	2%
CASA Ratio	31.3%	32.2%		31.0%	
Term Deposits	8,514	7,758	10%	8,497	0%
Retail Term Deposits	5,134	4,804	7%	5,146	0%
Retail Mix	60.3%	61.9%		60.6%	
Total Domestic Deposit	12,387	11,434	8%	12,312	1%
Overall Deposits	13,473	12,322	9%	13,352	1%

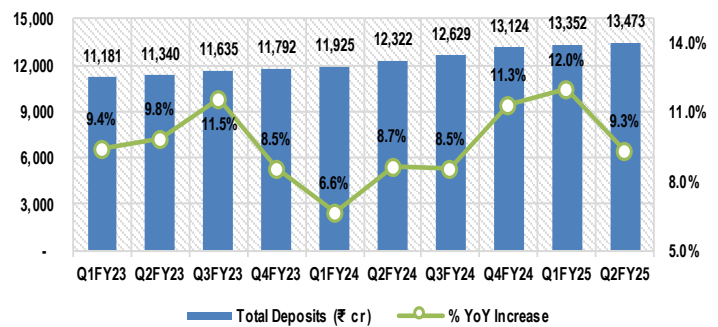
Source: Company, Way2Wealth Research

Financials in Chart

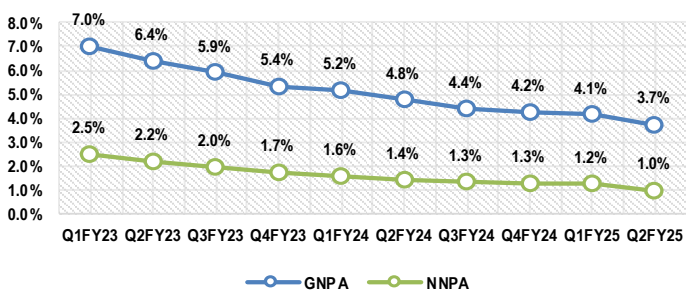
Loan book growth slows down in Q2FY25



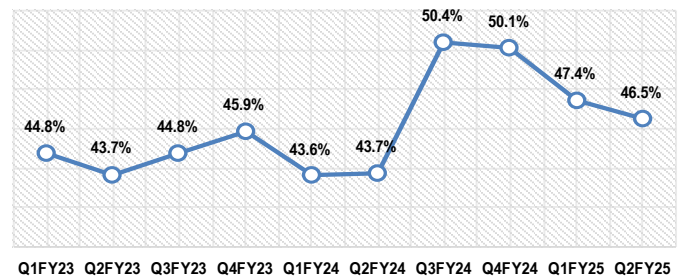
Deposit Growth moderates; CASA mix improves marginally



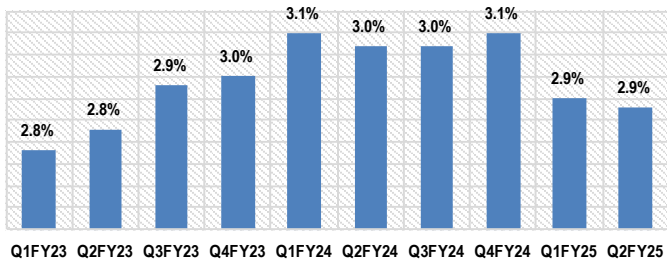
Asset Quality improvement continues



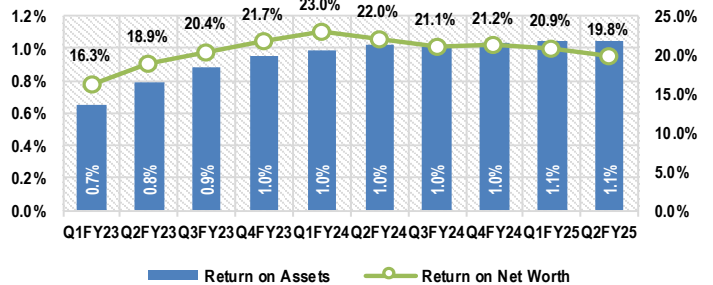
Controlled operating cost improves Cost to Income Ratio



Higher CoD & accounting policy changes impacts Net Interest Margin



Return Ratios



Source: Company, Way2Wealth Research

Quarterly Financials

(₹ bn)

Particulars	Q2FY25	Q2FY24	% YoY Chng	Q1FY25	% QoQ Chng	H1FY25	H1FY24	% YoY Chng
Interest / Discount on advances / bills	218	194	12%	208	5%	425	374	14%
Income on investments	61	56	7%	61	0%	121	110	10%
Interest on balances with RBI & other banks	11	12	-3%	11	6%	22	23	-3%
Others	8	7	20%	8	2%	16	11	37%
Interest earned	297	268	11%	287	4%	584	518	13%
Interest expensed	204	179	14%	195	5%	400	343	17%
Net Interest Income	93.2	89	5%	92	2%	185	176	5%
Other income	50	46	7%	53	-6%	103	95	9%
Total income	143	135	6%	145	-1%	288	270	7%
Employees Cost	44	38	15%	42	3%	86	74	15%
Other operating E xpenses	23	21	7%	26	-14%	49	44	13%
Total Operating Expenses	66	59	12%	69	-3%	135	118	14%
Core Profit	77	76	1%	76	0%	153	152	0%
Provisions and Contingences	23	26	-14%	23	-1%	45	53	-15%
Profit Before Tax	54	50	8%	53	1%	107	99	9%
Tax Expense	14	14	-1%	14	-3%	28	28	2%
Profit After Tax	40	36	11%	39	3%	79	71	11%
EPS	4.4	4.0	11%	4.3	3%	8.8	7.9	11%

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 07 November 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
Receipt of Compensation	No
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