

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
21-Feb-24	Quick Insight	567	550 – 570	660 – 680


**Canara Bank**
**4QFY24 Quarterly Result Highlight**

Canara Bank 4QFY24 numbers were largely in-line with the expectations, however, loan book growth marginally lower than industry peers weighed on investor sentiments. Improving asset quality led lower provisions continue to drive bottom-line growth on a sequential basis and was aided by the surge in other income this quarter. While net interest income was up +2% QoQ (+11% YoY) at ₹96bn, operating profit rose by 9% QoQ (+2% YoY) to ₹74bn. For the quarter, operating expenses grew +22% YoY/ +24% QoQ to ₹30bn, resulting in cost to income ratio coming in at 50.1% in 4QFY24. The bank was able to NIMs at ~3.05% amid high interest rate scenario aided by rising share of RAM segment. Controlled provisioning and lower tax rate supported the bottom-line profitability improvement with PAT coming in at ₹38bn up +18% YoY/ +3% QoQ. On RBI's latest circular, bank's exposure to project financing stands at ~₹1tn, out of which ~₹400-450bn is lent to state government backed entities.

**Important Data**

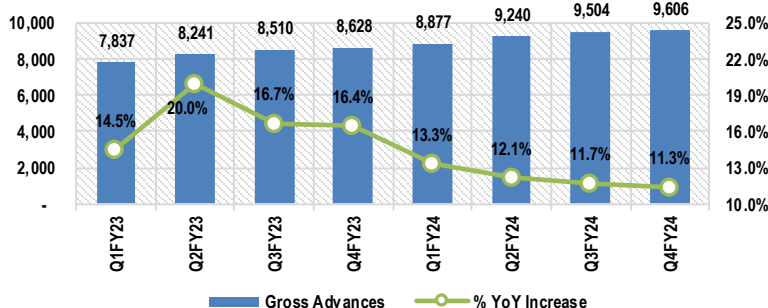
Nifty	22,104
Sensex	72,776

**Key Stock Data**

CMP (₹)	549.35
Market Cap (₹ tn)	1.02
52W High/Low	632.90/291.35
Shares o/s (crs)	1.81
Daily Vol. (3M NSE Avg.)	433,270
BSE Code	532483
NSE Code	CANBK
Bloomberg Code	CBK:IN

**INVESTMENT RATIONALE**

- **Assets Under Management** – Global gross advances grew 11.3% YoY/ 1.1 QoQ to ₹9,606bn led by 13.5% YoY/ 2.1% QoQ growth in RAM credit to ₹5,415bn comprising 56.4% share, while corporate lending was up 9% YoY but flat sequentially at ₹4,191bn. The bank looks to cut its exposure to some of lower priced PSU accounts (~₹700bn). Agriculture and Allied segment witnessed strong traction with 19% YoY/ 4% QoQ increase in credit to ₹2,532bn. Retail segment grew at healthy rate of 12% YoY/ 2% QoQ to ₹1,564bn. MSME lending growth remained muted, rising 7% YoY but declining 2% QoQ to ₹1,319bn.

**Loan Book growth moderates in 4QFY24**


Advances Mix (₹ bn)	Q4FY24	Q4FY23	% YoY Increase	Q3FY24	% QoQ Increase
Retail	1,564	1,401	12%	1,536	2%
Agriculture & Allied	2,532	2,133	19%	2,425	4%
MSME	1,319	1,236	7%	1,343	-2%
<b>RAM Credit</b>	<b>5,415</b>	<b>4,770</b>	<b>13.5%</b>	<b>5,304</b>	<b>2.1%</b>
% RAM Credit	56.4%	55.3%		55.8%	
Corp. & Others	4,191	3,858	9%	4,200	0%
Domestic Gross Advances	9,082	8,178	11%	9,015	1%
<b>Global Gross Advances</b>	<b>9,606</b>	<b>8,628</b>	<b>11.3%</b>	<b>9,504</b>	<b>1.1%</b>

Source: Company, Way2Wealth

**Shareholding Pattern (%) – Mar'24**

Promoter	62.93
FII	10.57
FII	14.39
Public & Others	12.11

**Financials**

Particulars (₹bn)	FY23	FY24	FY25E
Net Int. Inc.	314	366	385
Ner Int. Mar.	2.9%	3.0%	2.8%
Op. Expenses	225	261	271
Core Profit	277	294	311
Provisions	135	97	111
PBT	142	197	200
Tax	36	52	51
PAT	106	146	149
EPS	58	80	82
BV	332	396	561
P/E	9.4	6.8	6.7
P/BV	1.7	1.4	1.0

Source: Company, Way2Wealth Research

**Relative Performance**

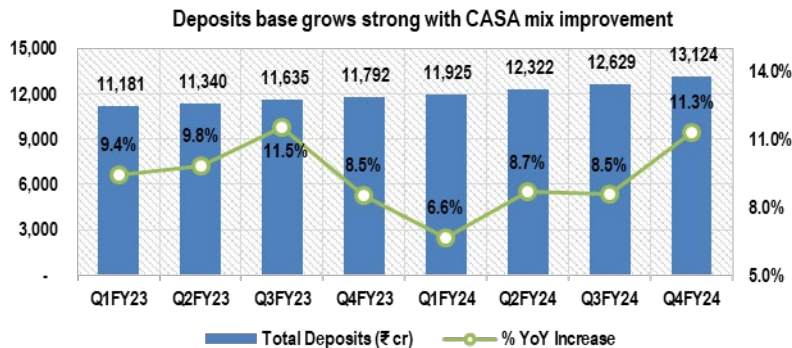
Return (%)	1Yr	3Yr	5Yr
<b>Canara Bank</b>	<b>80%</b>	<b>259%</b>	<b>124%</b>
<b>Nifty 50</b>	21%	51%	98%
<b>Sensex</b>	18%	50%	96%

Source: Company, Way2Wealth Research

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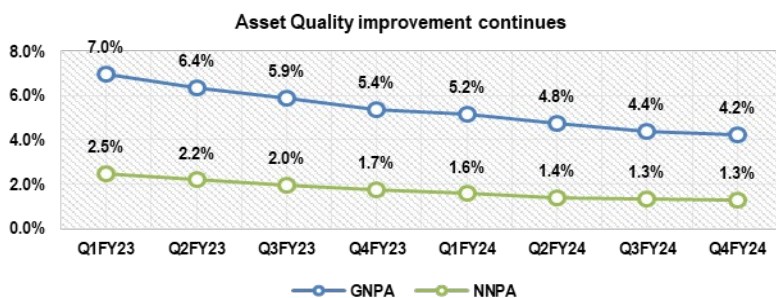
- **Deposits** – Overall deposits for quarter grew strongly by 11% YoY / 4% QoQ to ₹13,124bn, led by growth in term deposits base which was up 13% YoY/ 3% QoQ to ₹8,226bn. Retail term deposit mix fell marginally (~50bps) to 61% sequentially. CASA deposits witnessed 7% YoY/ 6% QoQ increase to ₹3,923bn, resulting in CASA mix inching up by ~65bps sequentially to 32.3%. Savings deposits base rose 3% YoY/ flat QoQ to ₹3,284bn.



Deposit Mix (₹bn)	Q4FY24	Q4FY23	% YoY Increase	Q3FY24	% QoQ Increase
Saving Deposits	3,284	3,188	3%	3,240	1%
Current Deposits	639	477	34%	452	41%
<b>CASA Deposits</b>	<b>3,923</b>	<b>3,665</b>	<b>7%</b>	<b>3,693</b>	<b>6%</b>
CASA Ratio	32.3%	33.5%		31.6%	
Term Deposits	8,226	7,283	13%	7,976	3%
Retail Term Deposits	5,014	4,617	9%	4,905	2%
Retail Mix	61.0%	63.4%		61.5%	
Total Domestic Deposit	12,150	10,947	11%	11,668	4%
<b>Overall Deposits</b>	<b>13,124</b>	<b>11,792</b>	<b>11%</b>	<b>12,629</b>	<b>4%</b>

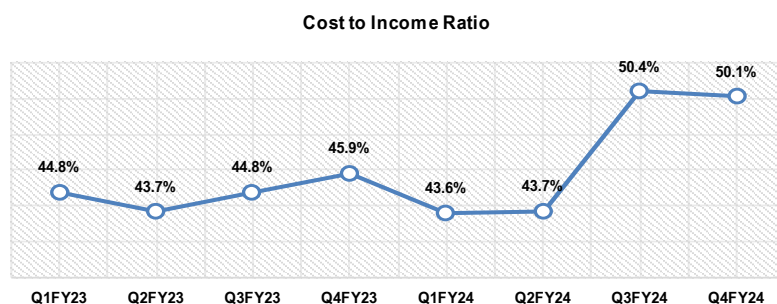
Source: Company, Way2Wealth

- **Asset Quality** – Asset quality continues to improve in 4QFY24 as well with GNPA and NNPA falling by 112bps YoY/ 16bps QoQ and 46bps YoY and 5bps QoQ to 4.2% and 1.3% respectively. Provision coverage ratio stood strong at 89.1% by end-4QFY24 up from 87.3% by end-Q4FY23. Credit cost was maintained sub-1% level at 0.96% for the quarter.



Source: Company, Way2Wealth

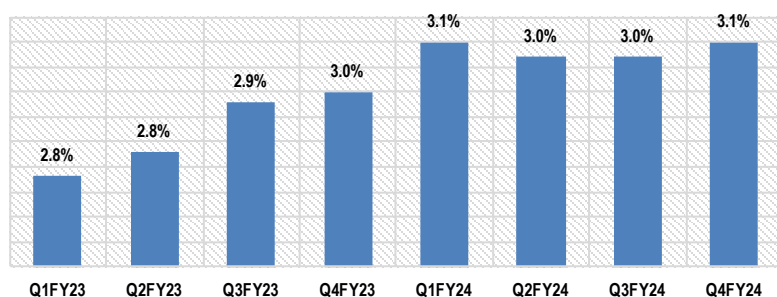
- **Operating Expense** – Cost to income ratio increased by 423bps YoY but remained largely flat sequentially at 50.1%. Operating expense were up 22% YoY/ 24% QoQ to ₹30bn for the quarter, as the bank absorbs ~₹1-1.5bn IT-related expenses in 4QFY24.



Source: Company, Way2Wealth

➤ **Financial Performance** – During 4QFY24, Net Interest Income grew by 11% YoY/ 2% QoQ to ₹96bn slowed down by interest expenses which were up 26% YoY/ 3% QoQ to ₹192bn. Higher interest expense comes on the back of elevated cost of funds at 5% for 4QFY24 rising ~97bps YoY/ 7bps QoQ. Improvement in yield on advances during the quarter to 8.7% up ~100bps YoY/ ~10bps QoQ provided necessary cushioning. This resulted in NIM for the quarter coming in higher at 3.05% sequentially and rising ~10bps YoY. Employee cost was up 20% YoY but remained largely flat sequentially at ₹45bn. During the quarter, higher operating expenses resulted in operating profit coming in at ₹74bn up 2% YoY/ 9% QoQ. Provisions for the quarter stood at ₹25bn down 20% YoY but rising by 31% QoQ. Profit for the quarter was at ₹38bn, up 18% YoY/ 3% QoQ.

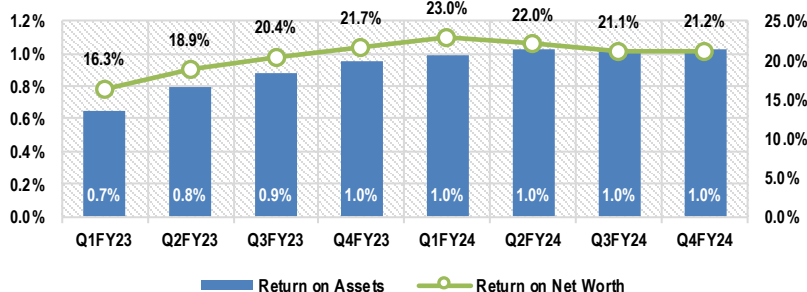
Net Interest Margin



Source: Company, Way2Wealth

➤ **Return Ratio** – Improved operating performance was reflected in elevated return ratios as return on assets and return on net worth expanded by 2bps and 12bps sequentially to 1.0% and 21.2% respectively.

Return Ratios



Source: Company, Way2Wealth

## Outlook and View

Canara Bank’s 4QFY24 performance was largely stable, with numbers coming in-line with expectations. While loan book growth came in below industry average which worried investors, the management highlighted that it is primarily on account bank’s focus to cut exposure to some of PSU corporate accounts. Aided by strong demand for RAM segment, bank expects advances to grow at more than 10% rate for FY25. Robust deposit growth witnessed during the quarter, is likely to continue going forward, as the management expects it to grow at healthy 12%. Focus would remain on improving the CASA mix, as it remains relatively lower compared to other public sector banks. With higher CASA deposit base, the bank aims to achieve lower cost of funds, which would enable it to maintain NIMs between 2.95-3.0%.

Aided by continuous improvement in the asset quality, bank’s return ratios remains one of the best in the industry. Additionally, one of the subsidiary is in the final stages of its listing process and is likely to be completed by 3QFY25, which would act as a good tripper for bank’s price performance.

**At CMP ₹549.35, the stock is trading at 1x FY26e P/B value and we recommend to BUY for good potential upside over medium term.**

**Quarterly Financials**

(₹ bn)

Particulars	Q4FY24	Q4FY23	% YoY Chng	3QFY24	% QoQ Chng	FY24	FY23	% YoY Chng
Interest / Discount on advances / bills	209	175	19%	199	5%	782	614	27%
Income on investments	59	53	12%	58	2%	227	195	16%
Interest on balances with RBI & other banks	10	10	3%	10	5%	42	30	44%
Others	10	1		14		36	6	511%
<b>Interest earned</b>	<b>288</b>	<b>239</b>	<b>20%</b>	<b>280</b>	<b>3%</b>	<b>1,087</b>	<b>844</b>	<b>29%</b>
Interest expensed	192	153	26%	186	3%	721	530	36%
<b>Net Interest Income</b>	<b>96</b>	<b>86</b>	<b>11%</b>	<b>94</b>	<b>2%</b>	<b>366</b>	<b>314</b>	<b>16%</b>
Other income	52	48	9%	43	21%	190	188	1%
<b>Total income</b>	<b>148</b>	<b>134</b>	<b>10%</b>	<b>137</b>	<b>8%</b>	<b>555</b>	<b>502</b>	<b>11%</b>
Employees Cost	45	37	20%	45	-2%	164	137	20%
Other operating E xpenses	30	24	22%	24	24%	97	87	11%
<b>Total Operating Expenses</b>	<b>74</b>	<b>61</b>	<b>21%</b>	<b>69</b>	<b>7%</b>	<b>261</b>	<b>225</b>	<b>16%</b>
<b>Core Profit</b>	<b>74</b>	<b>73</b>	<b>2%</b>	<b>68</b>	<b>9%</b>	<b>294</b>	<b>277</b>	<b>6%</b>
Provisions and Contingencies	25	31	-20%	19	31%	97	135	-28%
<b>Profit Before Tax</b>	<b>49</b>	<b>42</b>	<b>18%</b>	<b>49</b>	<b>0%</b>	<b>197</b>	<b>142</b>	<b>39%</b>
Tax Expense	11	10	17%	13	-8%	52	36	44%
<b>Profit After Tax</b>	<b>38</b>	<b>32</b>	<b>18%</b>	<b>37</b>	<b>3%</b>	<b>146</b>	<b>106</b>	<b>37%</b>
EPS	21	18	18%	20	3%	80	58	37%

Source: Company, Way2Wealth

**Financials**

(₹ bn)

Profit and Loss Statement	FY21	FY22	FY23	FY24	FY25E	FY26E	FY23-26E 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	
<b>Interest earned</b>	<b>693</b>	<b>694</b>	<b>844</b>	<b>1087</b>	<b>1156</b>	<b>1278</b>	<b>15%</b>
Interest expensed	452	430	530	721	771	830	16%
<b>Net Interest Income</b>	<b>241</b>	<b>264</b>	<b>314</b>	<b>366</b>	<b>385</b>	<b>448</b>	<b>13%</b>
Other income	149	165	188	190	197	220	
<b>Total income</b>	<b>390</b>	<b>429</b>	<b>502</b>	<b>555</b>	<b>582</b>	<b>667</b>	<b>10%</b>
Employees Cost	128	127	137	164	169	189	
Other operating E xpenses	66	71	87	97	101	118	
<b>Total Operating Expenses</b>	<b>193</b>	<b>198</b>	<b>225</b>	<b>261</b>	<b>271</b>	<b>307</b>	<b>11%</b>
<b>Core Profit</b>	<b>197</b>	<b>231</b>	<b>277</b>	<b>294</b>	<b>311</b>	<b>360</b>	<b>9%</b>
Provisions and Contingencies	160	128	135	97	111	121	
<b>Profit Before Tax</b>	<b>37</b>	<b>103</b>	<b>142</b>	<b>197</b>	<b>200</b>	<b>240</b>	<b>19%</b>
Tax Expense	11	33	36	52	51	61	
<b>Profit After Tax</b>	<b>26</b>	<b>70</b>	<b>106</b>	<b>146</b>	<b>149</b>	<b>179</b>	<b>19%</b>
Exceptional Item	0	14	0	0	0	0	
<b>Reported PAT</b>	<b>26</b>	<b>57</b>	<b>106</b>	<b>146</b>	<b>149</b>	<b>179</b>	<b>19%</b>
EPS	17	32	58	80	82	98	

Source: Company, Way2Wealth

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**Disclosure of Interest Statement: Canara Bank Ltd. as on 14 May 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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