

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
21-Feb-24	Quick Insight	113.40	94 – 98	115 – 118
14-May-24	Q4FY24	109.87		
31-Jul-24	Q1FY25	115.70		
07-Nov-24	Q2FY25	105.00		

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


Canara Bank Ltd.
Q3FY25 Quarterly Result Highlight

Canara Bank Ltd. posted resilient performance in Q3FY25 with healthy PAT growth, aided by higher other income offsetting soft growth in net interest income. During the quarter, interest income grew by +8%YoY/ +2%QoQ to ₹303bn while interest expense rose at higher pace of +14%YoY/ +4% QoQ to ₹212bn. Resultantly, Net Interest Income stood ₹91bn moderating -3%YoY/ -2%QoQ with Net Interest Margin contracting -19bps YoY/ -5bps QoQ to 2.8%. Gross advances for the quarter stood at ₹10,497bn, up +10% YoY/ +4% QoQ, while Deposits grew at +8% YoY/ +2% QoQ to ₹13,695bn. Other income for the quarter came elevated at ₹58bn up +35% YoY/+16% QoQ. Rise in operating expenses at ₹26bn up +11% YoY/+16% QoQ was well covered by marginal increase in employee expenses to ₹24bn. Core profit thus came at ₹78bn, up +15% YoY/ +2% QoQ. Provisions remained were elevated at ₹24bn, up +26% YoY/ +7% QoQ, leading to PAT of ₹41bn, +12% YoY/ +2% QoQ.

- **Assets Under Management** – Global gross advances grew +10%YoY / +4%QoQ to ₹10,497bn, driven by +35%YoY / +7%QoQ growth in RAM credit to ₹5,958bn, (comprising 57% of loans) while corporate lending grew by +8%YoY /+4%QoQ to ₹4,539bn. During the quarter, retail loans surged by +30%YoY /+7%QoQ to ₹2,081bn. Deposits rose +8% YoY / +2% QoQ to ₹13,695bn, with term deposits rising +10%YoY /+3% QoQ at ₹8,802bn. CASA deposits witnessed soft growth at +2%YoY/ -3% QoQ to ₹3,772bn, with CASA ratio moderating ~120bps to 27.5%.
- **Asset Quality** – Asset quality showed further improvement in Q3FY25, with GNPA declining -105bpsYoY/ -39bpsQoQ to 3.3% while NNPA fell -43bpsYoY/ -10bps QoQ to 0.9%, respectively. Credit cost for the quarter came at 0.9% and was maintained below 1%. Management expects recovery of ~₹5-6bn in Q4FY25e, largely from two accounts.
- **Net Interest Margin** – The bank's NIM contracted by -5bpsQoQ (-19bpsYoY) to 2.83%. In this quarter, treasury income generated through overnight market, or the call money market was muted as the bank utilized its excess liquidity provisions to garner low-cost credit growth. Margin pressure is expected to persist in the near term as deposit costs may remain elevated.
- **Concall Highlights** – 1) Management expects ₹5-6bn of NPA recovery in Q4FY25, primarily led by two accounts. 2) Bank has started divestment process in two subsidiaries in Canara Robecco and Canara HSBC Life Insurance. 3) Management guidance to achieve credit growth ~10% for FY25 remains intact. 4) In a quest to improve deposit base and cater to HNI customers, the bank has launched Canara Crest. 5) Looking to open new branches in North India to garner CASA accounts.

Outlook and View

Canara Bank posted a **resilient Q3FY25 performance**, with higher other income offsetting muted Nil growth aiding bottom-line profitability. Loan growth guidance remained intact while deposit growth was slightly on weak side, however, it was largely in line with the industry trends. Management utilized excess liquidity provision to raise low-cost funds which would help in maintaining cost of funds going forward. Several initiatives are being undertaken such as key focus on HNI clients, branch expansion to garner CASA deposits, etc. which would help in improving business growth momentum going forward. We remain constructive on bank's long-term prospects given stable asset quality despite industry wide headwinds in unsecured retail portfolio. We **maintain HOLD rating**, on CANARA current trading at **0.7x FY26e P/B**.

Important Data

Nifty	22,913
Sensex	75,735
Key Stock Data	
LTP* (₹)	87.80
Market Cap (₹ bn)	799.12
52W High/Low	129/87.8
Number of Equity shares (crs)	907.07
Daily Vol. (3M NSE Avg.)	2.3084Cr
BSE Code	532483
NSE Code	CANBK
Bloomberg Code	CBK:IN

LTP* as on 20th Feb 25

Shareholding Pattern (%) – Dec'24

Promoter	62.9
FIIs	11.1
DIIIs	11.7
Public & Others	14.2

Financials

Particulars (₹bn)	FY24	FY25E	FY26E
Net Int. Inc.	366	377	420
Ner Int. Mar.	3.0%	2.8%	2.8%
Op. Expenses	261	286	303
Core Profit	294	317	335
Provisions	97	95	105
PBT	197	222	230
Tax	52	57	59
PAT	146	165	171
EPS (₹)	16	18	19
BV (₹)	96	115	133
P/E	5.5	4.8	4.6
P/BV	0.9	0.8	0.7

Source: Company, Way2Wealth Research

Relative Performance

Return(%)	1Yr	3Yr	5Yr
Canara Bank	-25%	101%	205%
Nifty50	3%	32%	89%
Sensex	4%	31%	83%

Source: Company, Way2Wealth Research

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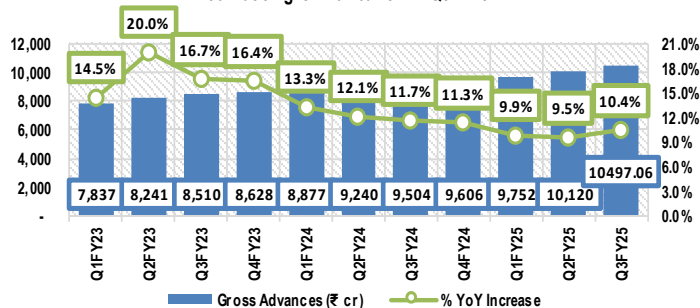
Advance Mix (₹bn)	Q3FY25	Q3FY24	% YoY Chng	Q2FY25	% QoQ Chng
RAM Credit	2081	1536	35%	1946	7%
% RAM Credit	2438	2425	1%	2429	0%
Corp. & Others	1439	1343	7%	1391	3%
Domestic Gross Advances	5958	5304	12%	5766	3%
Global Gross Advances	57%	56%		57%	
Corp. & Others	4539	4200	8%	4354	4%
Domestic Gross Advances	9876	9015	10%	9541	4%
Global Gross Advances	10497	9504	10%	10120	4%

Deposit Mix (₹bn)	Q3FY25	Q3FY24	% YoY Chng	Q2FY25	% QoQ Chng
Saving Deposits	3,297	3,240	2%	3,407	-3%
Current Deposits	475	452	5%	466	2%
CASA Deposits	3,772	3,693	2%	3,873	-3%
CASA Ratio	30.0%	31.6%		31.3%	
Term Deposits	8,802	7,976	10%	8,514	3%
Retail Term Deposits	5,213	4,905	6%	5,134	2%
Retail Mix	59.2%	61.5%		60.3%	
Total Domestic Deposit	12,574	11,668	8%	12,387	2%
Overall Deposits	13,695	12,629	8%	13,473	2%

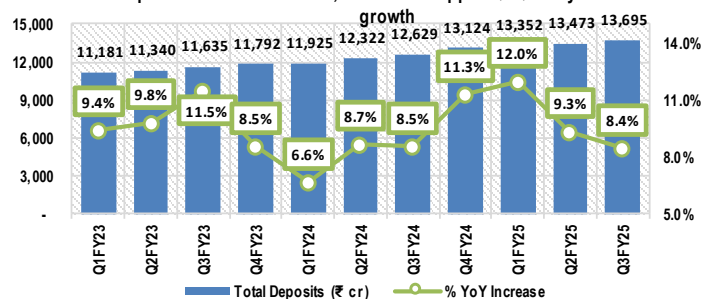
Source: Company, Way2Wealth Research

Financials in Chart

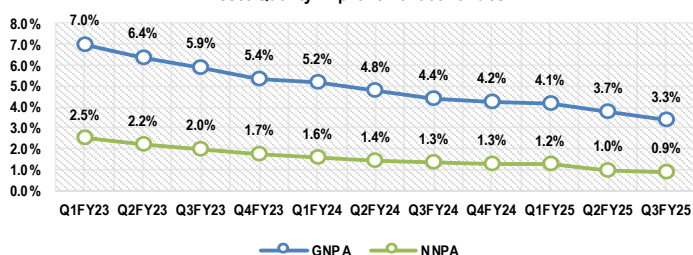
Loan book grew 10.4% YoY in Q3FY25



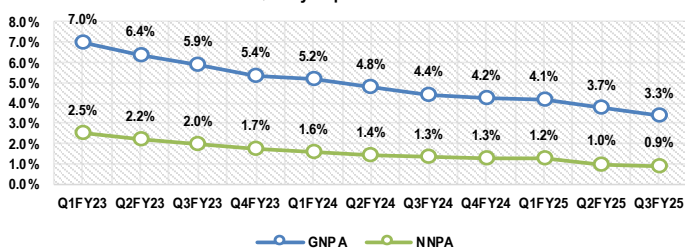
Deposit Growth moderates; CASA ratio dipped QoQ led by slower SA growth



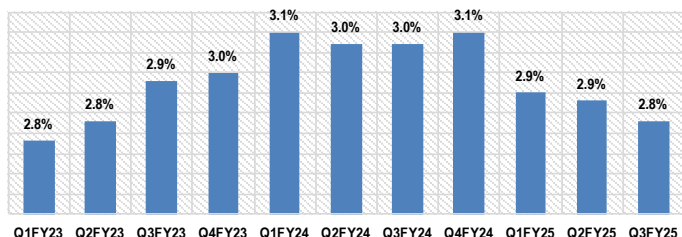
Asset Quality improvement continues



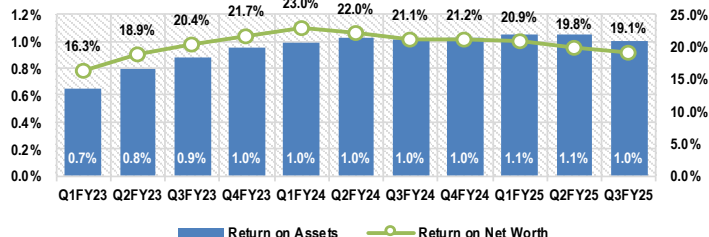
Asset Quality improvement continues



Margins slipped QoQ due to lower loan yields and other interest income



Return Ratios



Source: Company, Way2Wealth Research

Quarterly Financials

(₹ bn)

Particulars	Q3FY25	Q3FY24	% YoY Chng	Q2FY25	% QoQ Chng	9MFY25	9MFY24	% YoY Chng
Interest / Discount on advances / bills	224	199	13%	218	3%	650	573	13%
Income on investments	62	58	7%	61	2%	183	168	9%
Interest on balances with RBI & other banks	11	10	12%	11	-4%	33	32	1%
Others	6	14	-57%	8	-24%	22	26	-15%
Interest earned	303	280	8%	297	2%	888	799	11%
Interest expensed	212	186	14%	204	4%	611	529	16%
Net Interest Income	91	94	-3%	93	-2%	276	270	2%
Other income	58	43	35%	50	16%	161	137	17%
Total income	150	137	9%	143	5%	437	407	7%
Employees Cost	45	45	-1%	44	3%	131	120	9%
Other operating Expenses	26	24	11%	23	16%	76	67	12%
Total Operating Expenses	71	69	3%	66	7%	206	187	10%
Core Profit	78	68	15%	77	2%	231	220	5%
Provisions and Contingencies	24	19	26%	23	7%	69	72	-4%
Profit Before Tax	54	49	11%	54	1%	162	148	9%
Tax Expense	13	13	7%	14	-4%	42	40	4%
Profit After Tax	41	37	12%	40	2%	120	108	11%
EPS	4.5	4.0	12%	4.4	2%	13.3	11.9	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	860	930	
Income on investments	169	170	195	227	243	255	
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	1189	1295	9%
Interest expensed	452	430	530	721	812	875	10%
Net Interest Income	241	264	314	366	377	420	7%
Other income	149	165	188	190	226	219	
Total income	390	429	502	555	603	639	7%
Employees Cost	128	127	137	164	179	187	
Other operating Expenses	66	71	87	97	107	117	
Total Operating Expenses	193	198	225	261	286	303	8%
Core Profit	197	231	277	294	317	335	7%
Provisions and Contingencies	160	128	135	97	95	105	
Profit Before Tax	37	103	142	197	222	230	8%
Tax Expense	11	33	36	52	57	59	
Profit After Tax	26	70	106	146	165	171	8%
Exceptional Item	0	14	0	0	0	0	
Reported PAT	26	57	106	146	165	171	8%
EPS	3	6	12	16	18	19	

Source: Company, Way2Wealth

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Disclosure of Interest Statement: Canara Bank Ltd. as on 21 February 2025

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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