

Research Report

Canara Bank



Prepared By-

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About

The Canara Bank Limited is an India-based bank. The Bank's segments include Treasury Operations, Retail Banking Operations, Wholesale Banking Operations, Life Insurance Operations and Other Banking Operations. Its Retail Banking Operations include Digital Banking and Other Retail Banking. Its products and services include personal banking and corporate banking. Its personal banking includes depository services, mutual funds, technology products, retail loan products, and MSME services.

Key Segments

- Retail Banking Operations
- Life Insurance Operation
- Treasury Operations
- Wholesale Banking Operations

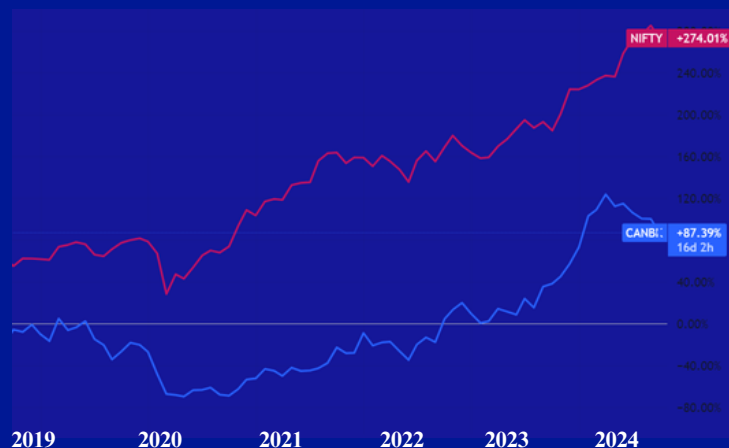
Synopsis of Financials

- Global business grew by 11.07% year-on-year.
- Global deposits increased by 11.97% year-on-year.
- Global advances grew by 9.86% year-on-year.
- Net profit increased by 10.47% year-on-year, reaching ₹3,905 crore.
- Common equity Tier 1 crossed 12.05%, a 55 basis points year-on-year improvement.
- Return on assets improved from 1% to 1.05%.
- Provision coverage ratio (PCR) improved to 89.22%, a 118 basis points year-on-year improvement.

Stock data (as 14th October 2024)

Nifty Price	: 25,127.95
52 week High (in Rs.)	: 129
52 week Low (in Rs.)	: 68.4
Market Cap. (in Crore)	: 94,652
NSE Code	: CANBK

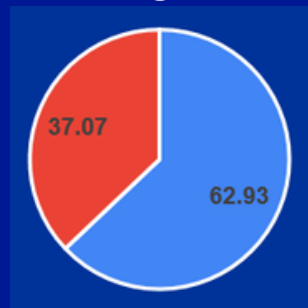
Stock data



-NIFTY50

-IRCTC Limited

Shareholding Pattern (March 2024)



-PUBLIC GROUP

-PROMOTER GROUP

Financial Summary

Particulars	March 2024	March 2023	March 2022
Sales	1,10,519	85,885	70,614
Interest	72,118	52,990	43,035
Expenses	46,146	42,772	41,235
Financing Profit	-7,745	-9,877	-13,657
Financing Margin %	-7%	-12%	-19%
Net Profit	15,401	11,345	6,158
EPS in Rs	16.84	12.41	6.75

Quarterly Results

Particular	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Revenue	22,561	24,304	25,451	27,290	28,492	29,286	29,173
Interest	13,622	15,292	16,337	17,934	18,620	19,226	19,534
Expenses +	10,831	12,253	10,990	10,859	12,001	13,198	12,010
Financing Profit	-1,891	-3,241	-1,876	-1,504	-2,129	-3,138	-2,371
Financing Margin %	-8%	-13%	-7%	-6%	-7%	-11%	-8%
Other Income +	5,777	7,470	6,809	6,602	7,138	8,098	7,793
Depreciation	0	0	0	0	0	0	0
Profit before tax	3,886	4,229	4,933	5,098	5,009	4,960	5,422
Tax %	25%	24%	28%	28%	25%	24%	27%
Net Profit +	3,058	3,364	3,755	3,829	3,827	3,991	4,098

Source: Screener

Key Ratios

मुख्य कार्यनिष्पादन अनुपात (%) / Key Performance Ratios (%)			
पूंजी पर्याप्तता अनुपात / Capital Adequacy Ratio	14.90	16.68	16.28
सकल अनर्जक आस्ति अनुपात / Gross NPA Ratio	7.51	5.35	4.23
निवल अनर्जक आस्ति अनुपात / Net NPA Ratio	2.65	1.73	1.27
आस्तियों पर औसतन प्रतिलाभ / Return on Average Assets	0.48	0.81	1.01
इक्विटी पर प्रतिलाभ / Return on Equity	12.82	19.49	22.06
बही मूल्य (₹ में) / Book Value (in ₹)	268.41	331.81	395.94
निवल ब्याज मार्जिन / Net Interest Margin	2.82	2.95	3.05

Source: Annual Report

Yearly Results

Particulars	March 2024	March 2023	March 2022
Equity Capital	1,814	1,814	1,814
Reserves	90,319	76,240	68,147
Borrowings +	13,69,780	12,37,160	11,32,626
Other Liabilities +	73,104	65,816	56,202
Total Liabilities	15,35,018	13,81,030	12,58,789
Fixed Assets +	12,331	10,334	11,447
CWIP	0	0	2
Investments	3,99,207	3,52,893	3,11,347
Other Assets +	11,23,480	10,17,803	9,35,992
Total Assets	15,35,018	13,81,030	12,58,789

Synopsis Quater Results

Con-Call Aug FY'24: Key Highlights

Financial Performance:

- Credit cost showed improvement, declining to 0.90% year-on-year.
- Gross NPA decreased to 4.14%, a decline of 101 basis points year-on-year.
- Net NPA decreased to 1.24%, a decline of 33 basis points year-on-year.

Business Growth:

- Focus on Retail, Agriculture, and MSME sectors (RAM sector).
- Retail credit grew by 12.39% year-on-year.
- Housing loan portfolio increased to ₹96,108 crores.
- Vehicle loan portfolio grew to ₹17,708 crores.
- Earning per share reached 17.27, a 10.18% year-on-year increase.
- Fee-based income increased by 16.75% year-on-year.

Challenges and Opportunities:

- Reduction in agriculture loans due to a shift towards retail products in metropolitan areas.
- Cost of funding increased due to high incremental deposit costs.
- Yield on advances reached a peak, further improvement dependent on market conditions.
- Slippages around ₹3,000 crores per quarter, efforts to reduce gradually.
- Liquidity surplus utilized effectively to generate additional interest income.

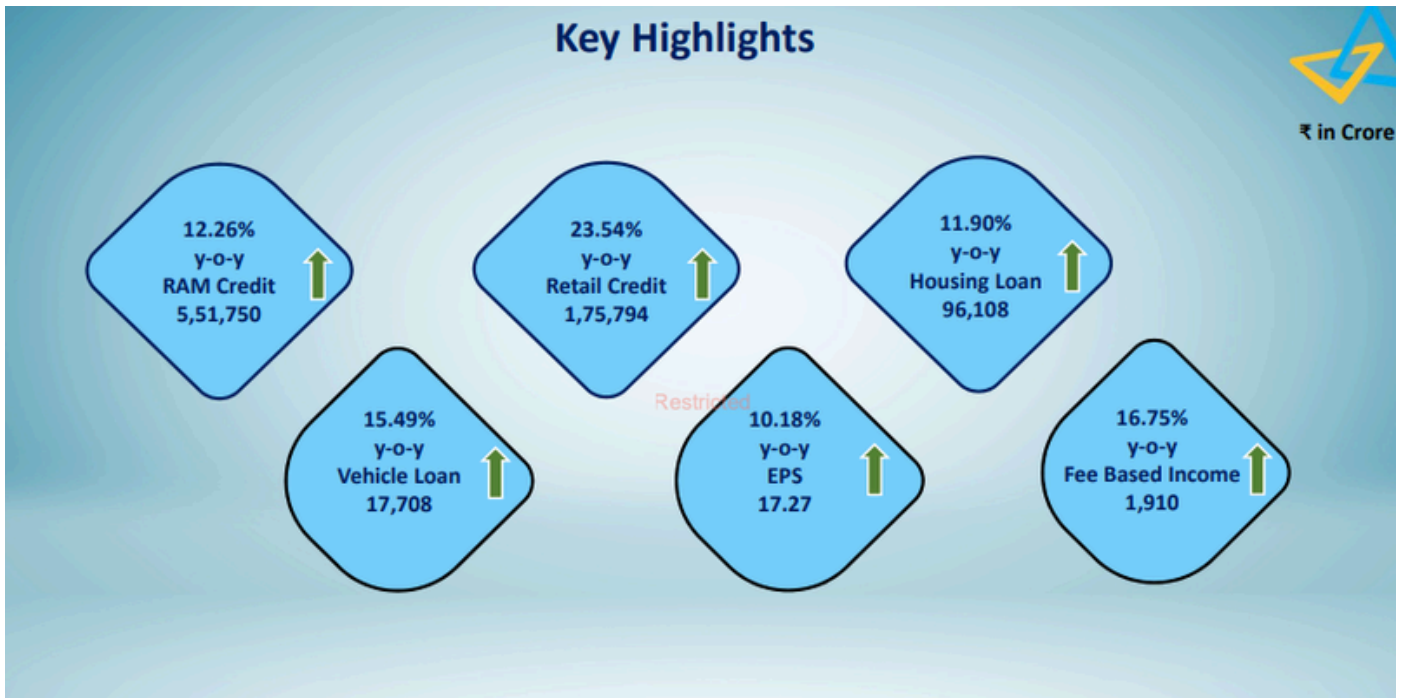
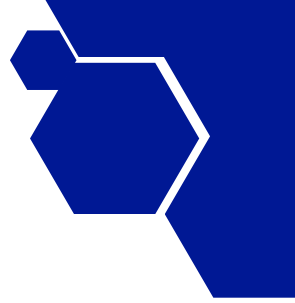
Capital Management:

- CET 1 ratio comfortable above 12%, no immediate need for core capital raising.
- Plans for disinvestment in subsidiaries to support capital position.
- Raised infrastructure bonds for liquidity management.

Future Outlook:

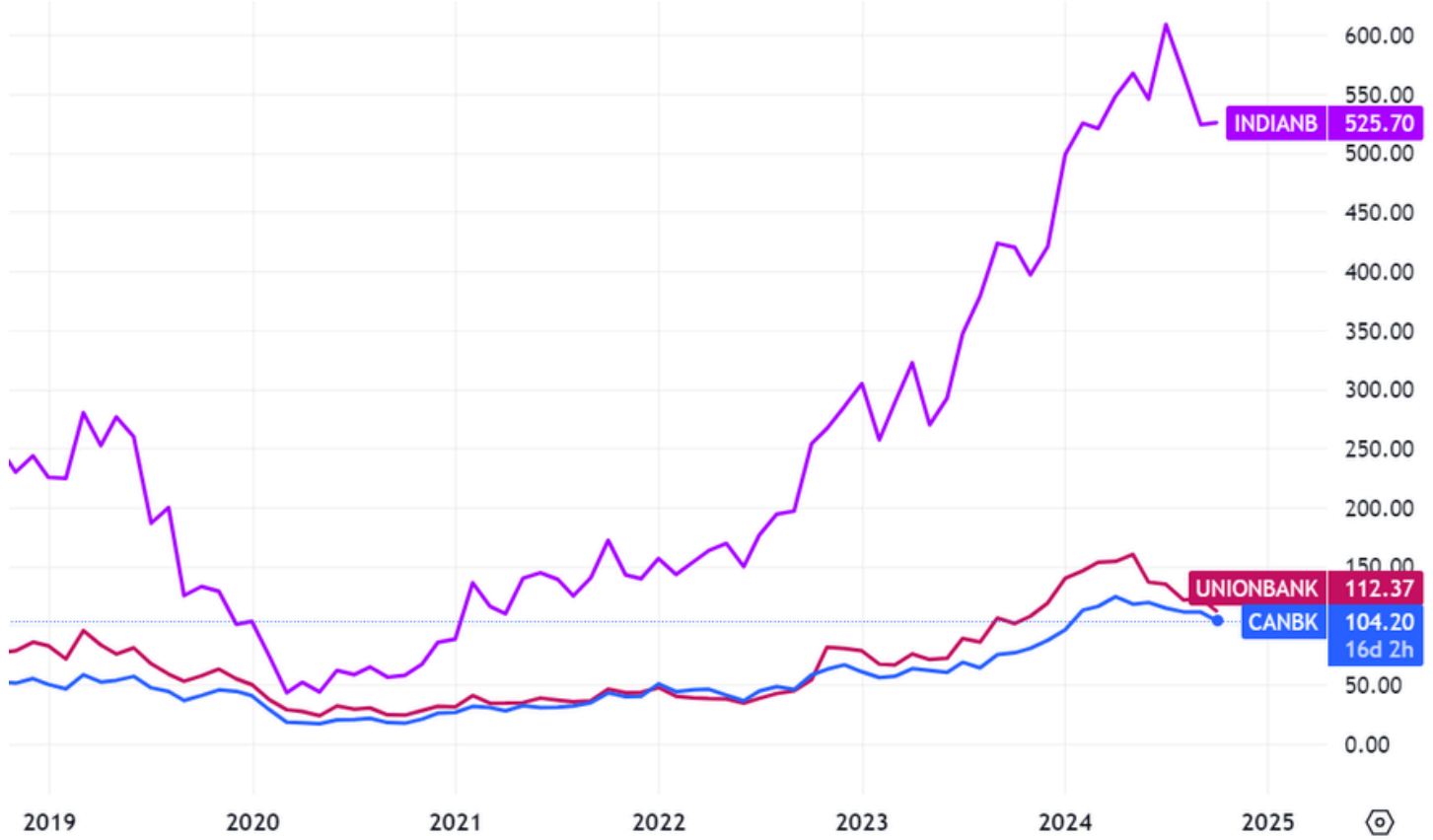
- Management confident in achieving full-year guidance.
- Focus on maintaining consistency in performance across all business parameters.
- Emphasis on steady growth without impacting bottom line.
- Continuous efforts towards improving operational efficiency and financial performance.

Revenue Highlights



Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	St Bk of India	803.60	9.90	717181.84	1.70	20094.36	4.25	118242.45	16.54	6.16
2.	Bank of Baroda	243.00	6.61	125664.10	3.11	4764.03	6.19	31143.01	11.21	6.33
3.	Punjab Natl.Bank	105.00	10.21	120675.84	1.42	3991.38	196.25	29144.54	13.52	5.46
4.	I O B	54.20	36.74	102451.06	0.00	632.81	26.47	6535.03	20.48	5.41
5.	Canara Bank	104.35	6.09	94652.28	3.06	4098.24	8.79	29172.97	14.63	6.63
6.	Union Bank (I)	115.30	6.18	88015.49	3.09	3641.78	11.31	26526.92	12.34	6.55
7.	Indian Bank	524.75	7.71	70681.97	2.26	2571.37	38.96	15040.63	15.25	5.92

Source: Screener

Final Outlook



CANBK: BUY | LTP: 104

Canara Bank (CBK) reported 1QFY25 standalone PAT of INR39.1b (up 10.5% YoY, in line), driven by lower provisions NII grew 5.8% YoY to INR91.7b (5% miss). Margin contracted 17bp QoQ to 2.9% hit by a change in the accounting policy, though management maintained its NIM guidance of 2.95% by exit-FY25.

GNPA/NNPA ratios improved 9bp/3bp QoQ to 4.14%/1.24%. Fresh slippages moderated slightly to INR30.2b from INR30.8b in 4QFY24. The Bank has recorded robust growth of 37.25% y-o-y in net profit to `14,554 crores in FY 2023-24 with operating profit growing by 6.13% y-o-y to `29,413 crores.

However, speaking quarterly Canara Bank reported yet another quarter of sluggish credit growth at 10.7% YoY/1.6% QoQ, whereas deposit growth was at 12% YoY/1.7% QoQ, leading to LDR being sticky at ~71%.

Bank has also further improved the asset quality with a 112 bps y-o-y decline in Gross NPA to 4.23% and a 46 bps y-o-y decline in Net NPA to 1.27% in March 2024. Previous year's performance has been really great in many aspects, meanwhile current trends suggest that expected growth rates by analysts for FY25-27 will potentially slow down, however there won't be any major changes which might stop the stock from growing in value.