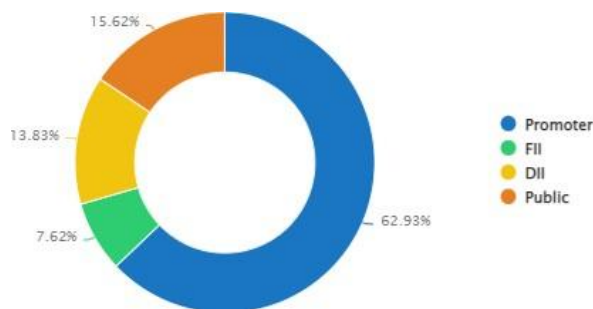


March 2022

VALUE PARAMETERS

Face Value (Rs.)	10
EPS (TTM)	29.78
52-Week High/Low	272.8/124
M.Cap (Rs. in Cr.)	39,548
P/E Ratio (TTM)	7.32
Sector P/E	11.21
P/B Ratio (calc at CMP)	0.65
Dividend Yield (%)	0
Stock Exchange	NSE

SHAREHOLDING PATTERN



FINANCIAL PERFORMANCE

	ACTUAL	FORECAST	
	FY Mar-21	FY Mar-22	FY Mar-23
Net interest income	240,622	275,553	317,421
NII growth (%)	83.3	14.5	15.2
Adj, net profit (Rs mn)	25,576	25,879	31,823
EPS (Rs)	19.1	14.3	16.1
P/E (x)	7.7	10.3	9.1
P/BV	0.4	0.4	0.4
ROE (%)	0.3	0.2	0.2
ROA (%)	5.2	4.1	4.7

Our Recommendation: As per the present scenario, strong financials, good quarterly results, healthy recoveries, reducing slippages, we estimate the company will outperform in coming quarters. Thus, we recommend BUY in price range Rs. 190-205 with target price 270 (Upside 25%).

Investment Rationale:

- **Canara Bank**, incorporated in the year 1906, is a banking company having a market cap of Rs 37951.60 Crore.
- **Canara Bank** key Products/Revenue Segments include Interest & Discount on Advances & Bills, Income from Investment, Interest on Balances with RBI and Other Inter-Bank Funds and Interest, deposits, loans, mutual funds, Insurance, internet banking, debit card, credit card, etc. The bank also offers various products and services to the priority and SME sector.
- **Canara Bank** has been consistent performer in growth of net profit since last seven quarters. The bank's margin of 2.8% in the 3QFY22 is in upward direction with continuous improvement in CD ratio. The bank has been reporting stable credit growth (7% sequential jump seen in previous quarter) across segments. The bank's recoveries are in line and credit cost is estimated below 2% for FY22 and FY23.
- As per December 2021 quarterly results, the bank's Net Interest Income stood at Rs 7,221.13 crore, up 14.19% from Rs. 6323.58 crore in December 2020. Quarterly Net Profit at Rs. 1,657.09 crore in December 2021, up 121.02% from Rs. 749.73 crore in December 2020. Operating Profit stands at Rs. 5,941.97 crore in December 2021 up 9.38% from Rs. 5,432.21 crore in December 2020. EPS has increased to Rs. 9.13 in December 2021 from Rs. 5.01 in December 2020.
- Slippages reduced to Rs 32.9 billion though healthy recoveries and upgrades led to improvements in asset quality ratios. SMA overdue reduced to 1.76% from 2.0% in 2QFY22 while restructured portfolio stands at 2.8% of loans. The bank is targeting to achieve a double-digit loan growth in Gross advances in future.
- To support business growth, **Canara Bank** has raised Rs 1,000 crore in capital through additional tier I bonds (AT 1 bonds) at a coupon of 8.07 per cent.

Risks:

- Higher than expected improvement in economic activity can push higher loan growth than forecast.
- Below than expected slippage risk is there plus sharp improvement in resolution of corporate assets can impact our credit cost assumptions.

Financials

Income Statement (Rs m)

Y/E March	2017	2018	2019	2020	2021
Interest Earned	4,13,876	4,12,521	4,68,103	4,89,350	6,92,398
Interest Expended	3,15,159	2,90,888	3,23,322	3,58,111	4,51,776
Net Interest Income	98,718	1,21,633	1,44,781	1,31,239	2,40,622
YoY (%)	1.1	23	19	-9	83
Other Income	75,544	69,429	65,750	78,132	1,52,853
Net Operating Income	1,74,262	1,91,062	2,10,531	2,09,371	3,93,475
Operating Expenses	85,123	95,579	1,04,622	1,15,772	1,93,382
Employee Cost	49,151	54,441	60,398	71,342	1,26,900
Other Operating expenses	35,972	41,138	44,224	44,431	66,482
Pre - Provision Profit	89,139	95,482	1,05,909	93,598	2,00,093
Provisions and Contingencies	72,720	1,61,091	1,29,183	1,11,154	1,63,020
Profit Before Tax	16,419	-65,609	-23,274	-17,556	37,072
Taxes	5,200	-23,386	-26,744	4,802	11,497
Profit After Tax	11,219	-42,222	3,470	-22,357	25,576
EPS	19	-58	5	-22	16

Balance Sheet (Rs m)

Y/E March	2017	2018	2019	2020	2021
Share Capital	5,973	7,332	7,532	10,302	16,467
Face Value	10	10	10	10	10
Total Reserves	3,30,882	3,48,716	3,54,240	3,82,627	5,72,382
Net worth	3,36,855	3,56,048	3,61,772	3,92,930	5,88,849
Deposits	49,52,752	52,47,719	59,90,333	62,53,512	1,01,08,746
YoY (%)	3.2	6	14	4	62
Borrowings	3,95,036	3,88,085	4,09,923	4,27,618	4,99,836
Other Liabilities & Provisions	1,50,551	1,77,009	1,85,639	1,64,688	3,39,320
Total Liabilities	58,35,194	61,68,861	69,47,667	72,38,747	1,15,36,750
Cash and balance with Reserve Bank of India	1,99,225	2,21,000	2,99,190	2,25,701	4,31,116
Balances with banks and money at call	3,89,030	2,78,123	3,62,337	4,57,013	13,52,964
Investments	15,02,659	14,40,537	15,29,853	17,62,449	26,16,904
Advances	34,20,088	38,17,030	42,77,273	43,21,752	63,90,490
YoY (%)	5.3	12	12	1	48
Fixed Assets	71,683	83,186	84,102	82,763	1,12,065
Other Assets	2,52,510	3,28,985	3,94,912	3,89,068	6,33,211
Total Assets	58,35,194	61,68,861	69,47,667	72,38,747	1,15,36,750
BVPS	564	486	480	381	358

Ratios

Y/E March	2017	2018	2019	2020	2021
Basic (INR)					
EPS	19	-58	5	-22	16
BVPS (Calculated)	564	486	480	381	358
Performance Ratios					
ROA (% Calculated)	0.2	-0.7	0.0	-0.3	0.2
ROE (% Calculated)	3.3	-11.9	1.0	-5.7	4.3
Efficiency Ratios					
Cost Income Ratio	49	50	50	55	49
CASA (%)	30	32	29	31	33

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Disclosure:

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