

RESEARCH REPORT

FEDERAL BANK LTD



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About

The Federal Bank Limited ('the Bank') was incorporated in 1931 as Travancore Federal Bank Limited. It provides retail and corporate banking, para banking activities such as debit card, third party product distribution etc., treasury and foreign exchange business. It is the second-largest bank and the largest private sector bank in Kerala

Key Business

Retail and Corporate Banking

Para Banking Activities

Third Party Product Distribution

Treasury And Foreign Exchange

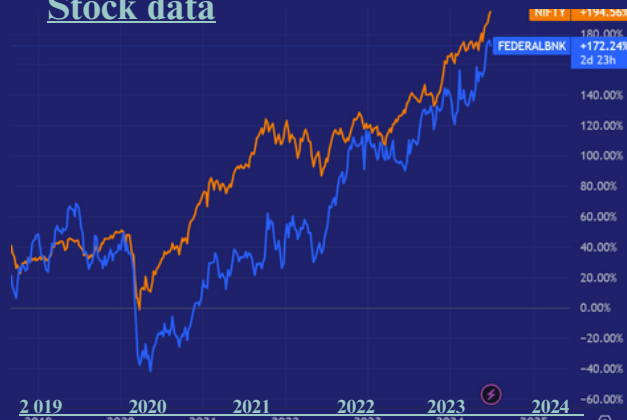
Synopsis of Financials

- Strong year of performance with aspirational return ratios achieved consistently.
- All-time high annual profit.
- Total business crossed INR 4.6 lakh crores.
- Balance sheet crossed INR 3 lakh crores.
- Q4 FY '24 was operationally one of the strongest ever.
- Margins expanded marginally.
- Asset quality remains pristine.
- Net profit reported for Q4 was INR 906 crores, impacted by a one-off pension effect of about INR 160 crores.

Stock data (as 02nd July 2024)

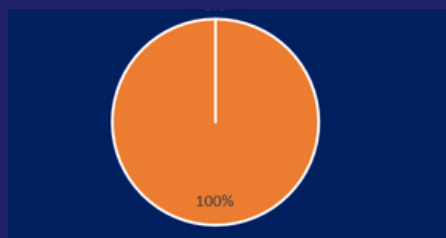
Nifty Price	: 24,186.75
52 week High (in Rs.)	: 180
52 week Low (in Rs.)	: 126
Market Cap. (in Crore)	: 43,482 CR
NSE Code	: FEDERALBANK

Stock data



-NIFTY50
- FEDERAL BANK

Shareholding Pattern (March 2024)



-PUBLIC GROUP
-PROMOTER GROUP

Financial Summary

Particulars	March 2024	March 2023	March 2022
Sales	23,565	17,812	14,382
Expenses	7,026	5,828	5,758
Financing Profit	2,045	2,009	664
FPM%	9%	11%	5%
Profit after tax	3,928	3,176	1,965
EPS in Rs	15.93	14.95	9.37

Quarterly Results

Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	4,259	4,698	5,012	5,350	5,791	6,085	6,339
Interest	2,349	2,585	2,938	3,255	3,544	3,760	3,936
Expenses	1,541	1,544	1,574	1,634	1,661	1,814	1,917
Financing Profit	369	569	500	461	586	511	486
FPM%	9%	12%	10%	9%	10%	8%	8%
Other Income	628	565	768	741	757	908	810
Profit before tax	997	1,134	1,269	1,202	1,343	1,420	1,296
Tax %	26%	25%	26%	26%	26%	25%	25%
Net Profit	745	856	964	894	1,007	1,067	996

Source: Screener

Key Ratios



Source: Annual Report

Yearly Results

Particulars	Marrech 2023	March 2022	March 2021
Equity Capital	423	421	399
Reserves	21,699	18,835	16,105
Borrowings	238,250	201,265	184,457
Other Liabilities	7,031	5,721	4,006
Total Liabilities	268,004	226,241	204,967
Fixed Assets	890	643	504
CWIP	81	29	13
Investments	48,702	39,065	204,967
Other Assets	218,330	186,504	167,717
Total Assets	268,004	226,241	204,967

Synopsis Quater Results

Con-Call May 24: Key Highlights

Business Growth:

- Branch network expanded, crossing a milestone of 1,500 branches.
- Strong trajectory of growth maintained across all focused business segments.
- CASA growth in geographies traditionally not as strong.
- Industry-level tailwinds expected in credit growth.
- Deposits growing, focusing on quality and cost of deposits.
- Footprint expansion across the country playing out well.
- Commitments made for return ratios and ROA expansion.

Fee Income:

- Fee income growth expected to be around 20-25% on a Y-o-Y basis.
- Personal loans not necessarily tied to credit cards.
- Fee income growth driven by card fees, loan processing fees, and other segments

Branch Expansion:

- Branch expansion expected to be between 5-7% annually, aiming for about 100 branches in FY '25.
- Breakeven for new branches turning faster, indicating a positive business case for expansion.

Operational Expenses:

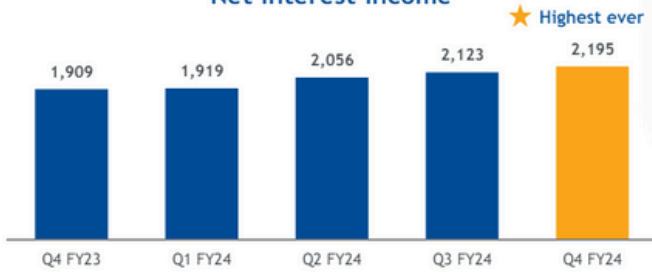
- Opex growth expected to continue at the same levels, considering investments in new branches and technology.
- Branch investments showing faster payback, with profitability achieved in a shorter period.

Capital Position:

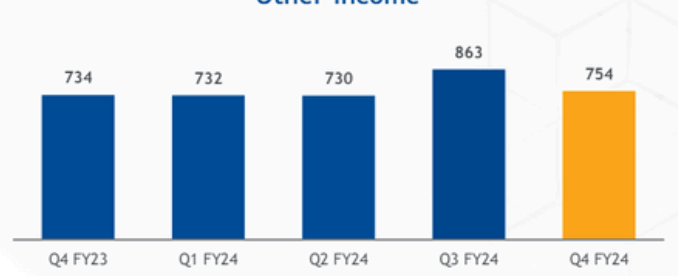
- No significant impact on capital due to new investment guidelines.
- Management focused on preserving capital while striking a balance between plowback and rewarding shareholders.

Revenue Highlights

Net interest income



Other income



Fee income



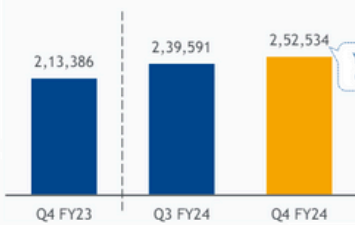
Net profit



DEPOSITS

Deposits:

(₹ in cr)



- ✓ The resident savings book grew by 11% on a YoY basis
- ✓ Core deposits form 98% of total deposits

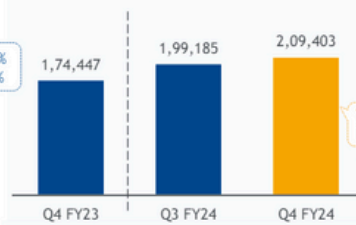
Sustained business momentum



ADVANCES

Net advances:

(₹ in cr)



- ✓ Retail Book[#] up by 25% YoY
- ✓ Business Banking book[#] up by 21% YoY
- ✓ CIB¹ [#] grew by 12% YoY
- ✓ CoB² [#] grew by 27% YoY
- ✓ CV/CE³ [#] up by 57% YoY
- ✓ Gold loan up by 27% YoY

Broad-based robust credit growth



PROFITABILITY

Profitability:

■ RoE* (%) ■ RoA* (%)



% change	QoQ (%)	YoY (%)
Total Income	2	23
NII	3	15

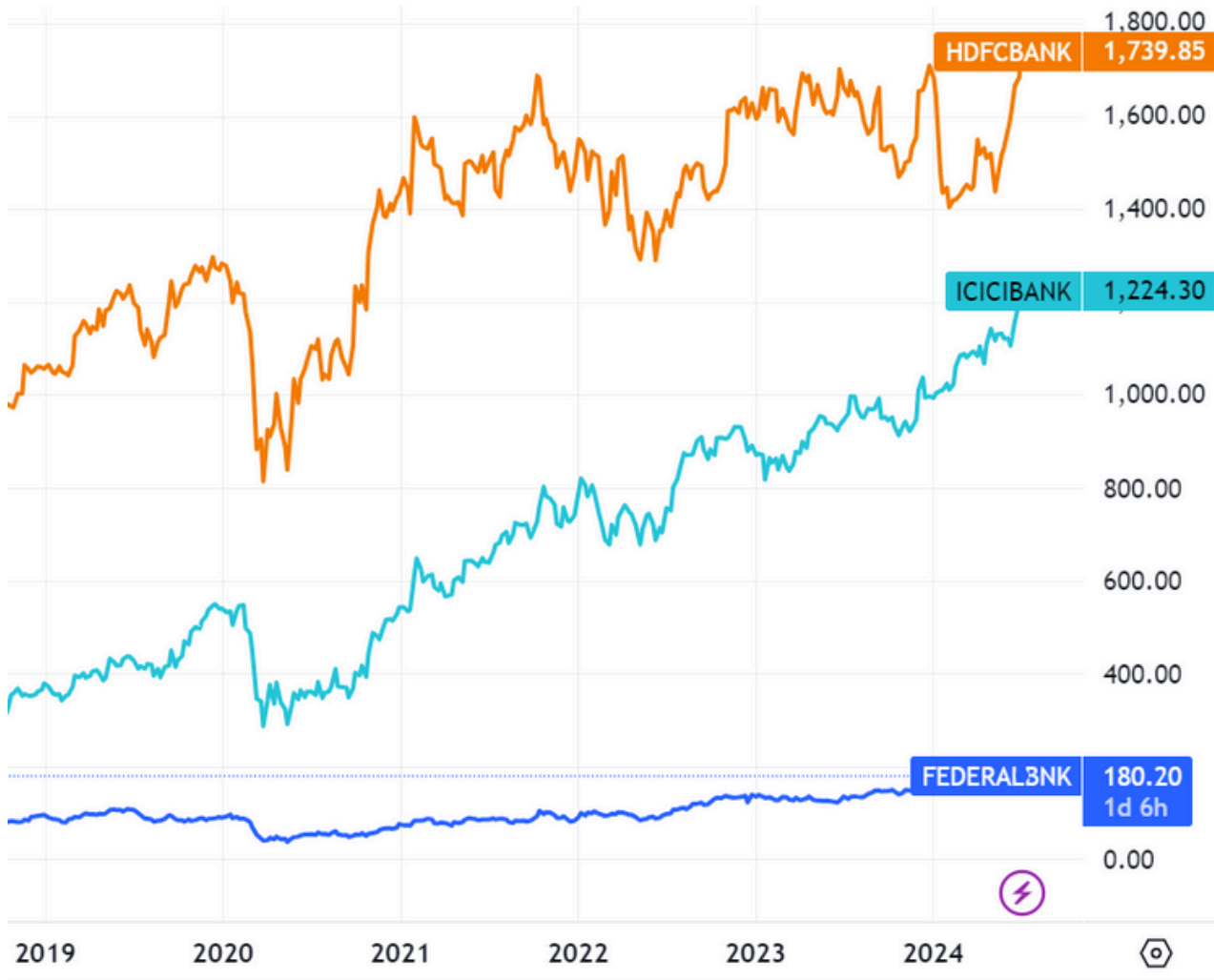
- ✓ RoRWA at 2.14%
- ✓ Profit per employee at ₹ 24 lakh

Consistently delivering improvement

Peer Comparison



Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

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 %
HDFC Bank	1742.90	20.71	1326019.60	1.11	18012.87	39.92	79433.61	67.06	9.50
ICICI Bank	1224.80	19.48	861792.32	0.66	12200.05	18.46	42606.72	23.72	8.37
Federal Bank	180.20	11.36	44106.52	0.55	996.17	1.77	6339.22	26.47	7.56

Source: Screener

Final Outlook

FEDERAL BANK : BUY | LTP: 181.30

Federal Bank showed strong growth in loans (advances) and deposits, at 20% and 18% year-over-year respectively. This helped them maintain profitability (margins) despite rising costs. The bank invested in expanding its branch network and staff, which increased expenses (CI ratio) but may benefit them in the long term. While profitability ratios (RoA) were lower due to higher expenses, the bank maintained a good record on loan quality (low slippages and credit cost). This indicates they are managing their loans well.

Stock is trading in an upsloping channel from past more than 10 months and recently has rebounded higher after taking support near the lower band of the channel.

Federal Bank has been showcasing solid performance, with advance growth of 21%YoY and deposit growth of 18.3%YoY. The performance is expected to continue with advances growth at 20.4% and deposits at 21% during FY25-26E.

BUY/Hold For Long Term Will be good