

Federal Bank (FB)-BUY

Result Update

Current Market Price (CMP)

Rs.162

Target Price

Rs.190

Rationale:

- Federal Bank reported flat earnings, led by higher provisions for staff costs.
- Co. continues to do well on asset quality, despite a steady increase in higher-yielding loan products.
- Bank has indicated that it has made substantial progress on its succession planning.
- We maintain Federal Bank as a preferred pick among mid-tier banks.
- BUY with FV of Rs190 (from Rs185 earlier).

Q4FY24 Result update:

Positives:

- Federal Bank reported ~20% yoy loan growth, which was broad based.
- Deposit growth stood at 18% yoy.
- The Gross Non-performing loans (GNPL) ratio improved ~15 bps qoq to 2.1%, whereas the Net Non-performing loans (NNPL) ratio was flat qoq at 0.6%.
- NIM (Net Interest Margin) was flat qoq at 3.2%.

Negatives:

- The CASA ratio has been declining over the past couple of quarters (down ~700 bps since March 2022).
- Cost-income ratio high at ~60%.

[Click here](#)

For detailed report dated 2nd May 2024. Note: CMP & valuation may differ due to difference in dates.



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