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- Federal Bank's advance grew by 18% in Q1FY12 at Rs 320 bn with strong growth in deposit of 23% yoy at Rs 430 bn. Total business grew at 21% yoy at Rs 749 bn.
- Bank's Net interest income was up 31% yoy at Rs 31.2 bn driven by Interest income growth of 31% at Rs 12.4 bn and Interest expense gone up significantly by 46% at Rs 7.8 bn with CASA ratio stood at 27%. NIMs stood at 3.9% down by 30bps both on yoy and 10 bps on sequential basis mainly due to spike in cost of funds at 7% in Q1FY12 as compared to 5.8% in Q1FY11.
- Non interest income was slightly up by 6.4% yoy in Q1FY12 at Rs 1.2 bn as compared to Rs 1.1 bn in Q1FY11.
- Cost to income ratio stood 38.6% in Q1FY12 up by 2.26% as compared to 36% in Q1FY11.
- The bank's ROA stood at 1.2% Q1FY12 as compared to 1.3% in corresponding quarter last year with marginal growth in Net profit of 11% yoy in Q1FY12. Provision coverage ratio stood at 80.4% which is well above the stated guidelines of RBI.
- Gross NPA of the bank stood at 3.9% in Q1FY12 up from 3.7% in Q1FY11 and Net NPA remain stable at 0.7%.
- The bank is well Capitalised with adequacy of 15.6% in Q1FY12 as compared to 17.9% in Q1FY11.

Valuation

At CMP of Rs 421, the stock is trading at P/BV of 1.3x FY12E Bloomberg estimates and 1.1x Bloomberg estimates FY13E. We don't have a formal rating on the stock as of now.

Financial Highlights

Federal Bank (Rs. Mn)

Particulars	Quarter Ended			Change	
	Q1FY12	Q1FY11	Q4FY11	YoY(%)	QoQ(%)
Interest Earned	12447.1	9517.9	11000.3	30.8	13.2
Interest / discount on advances/bills	9770.2	7446.9	8571	31.2	14.0
Income on Investments	2597.9	2040.7	2388	27.3	8.8
Int on Bal with RBI/Inter-Bank Funds	61.7	21.1	27	192.4	132.8
Others	17.3	9.2	15	88.0	15.3
Other Income	1169	1098.9	1412	6.4	-17.2
Total Income	13616	10617	12412	28.3	9.7
Interest Expended	7849.6	5384.7	6524	45.8	20.3
Net Interest Income	4598	4133	4477	11.2	2.7
Operating Expenses	916.5	831.2	1035.8	25.0	-11.5
Employee Cost	1309.5	1047.5	1350	25.0	-3.0
Operating Expenses	2226	1878.7	2386.1	18.5	-6.7
Total Expenses	10076	7263	8910	38.7	13.1
Pre-Provision Operating Profit	3541	3353	3502	5.6	1.1
Provisions and Contingencies	1340.2	1333.8	794	0.5	68.7
Profit Before Tax	2200	2020	2708	8.9	-18.8
Tax Expenses	738.7	701	991	5.4	-25.4
Net Profit	1461.6	1318.6	1717.3	10.8	-14.9
Ratios (%)					
Cost to Income	38.60	35.91	40.52	269bps	(192bps)
RoA (not annualised) %	0.29	0.31	0.37	(2bps)	(8bps)
Gross NPA (Rs m)	12998.9	10438.2	11483.3	24.5	13.2
Gross NPA %	3.94	3.73	3.49	21bps	45bps
Net NPA (Rs m)	2357.7	2006.7	1906.9	17.5	23.6
Net NPA %	0.74	0.74	0.74	0bps	0bps
Total CAR	15.57	17.89	16.79	(232bps)	(122bps)

Source: Company Filings; IndiaNivesh Research



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