

 Early Warning System

IFC-48310

Titan



Quick Facts

Countries	India
Financial Institutions	International Finance Corporation (IFC)
Status	Approved
Bank Risk Rating	FI
Voting Date	2023-07-17
Borrower	THE FEDERAL BANK LIMITED
Sectors	Finance, Industry and Trade
Investment Type(s)	Equity
Investment Amount (USD)	\$ 119.63 million



Project Description

According to the Bank's website, the proposed project comprises a primary equity investment in Federal Bank Limited ("FBL" or the "Bank"), the seventh largest private sector bank in India, for up to INR9.84 billion (approximately US\$120 million equivalent), by International Finance Corporation (IFC), IFC Financial Institutions Growth Fund, LP (FIG), and IFC Emerging Asia Fund, LP (EAF). The primary equity will strengthen the Bank's Tier 1 capital adequacy ratio, which will allow it to accelerate its lending, including to MSMEs and for climate finance. The investment will support the Bank's commitment to financial inclusion and support it operationalize its strong commitment to sustainability and climate finance. The proposed transaction is subject to all required approvals.

ENVIRONMENTAL AND SOCIAL INFORMATION

Given the Bank's size and diversity of operations, it has exposure to companies operating in high-risk sectors such as infrastructure, chemicals, heavy industries, and large plantations. Some of these sectors and industries, by the nature of their operations, may have high E&S risks and impacts such as those related to Occupational Health and Safety, environment, community health and safety, biodiversity, cultural heritage, involuntary resettlement, and Indigenous Peoples. Hence, the Project has been categorized as FI-1 in accordance with IFC's Environmental and Social Sustainability Policy. The applicable performance requirements to manage the E&S risks of the Bank's activities will be: i) the IFC- FI Exclusion List; ii) the host country E&S laws and regulations; and iii) IFC Performance Standards. In line with the Green Equity Approach, the Bank made a commitment to reduce its long-term project finance and/or corporate finance exposures to coal-related projects to 50 percent by December 2025 (from 2021 levels) and to zero by December 2030. The Bank also agreed on terminating financing of any new coal-related assets, including coal-fired power plants once IFC became a shareholder in the Bank. Accordingly, the Bank has not taken any new exposure to long-term project finance and/or corporate finance for the development of new coal related projects since IFC became a shareholder in 2021, and the historical exposure stands at Zero percent of the portfolio as of March 2023 (down from 3.5 percent at the time of IFC's last investment in 2021). The Bank has working capital facilities to companies involved in coal-related activities at the level of 0.57 percent of the portfolio (down from 1.6 percent at the time of IFC's last investment in 2021). In addition, the Bank has agreed to disclose in its annual reports information on Category A projects (the name, location by city, and sector) committed after IFC investment as well as the Bank's exposure to coal related projects as a percentage of its portfolio.



Investment Description

- International Finance Corporation (IFC)

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- [The Federal Bank Limited](#) (Financial Intermediary)



Private Actors Description

FBL is the seventh largest private sector bank in India with assets of US\$31.7 billion as of March 2023. The Bank has a diversified loan book comprised of retail, agricultural, MSME, and corporate loans. FBL has 1,355 branches spread across India, with 65% branches in semi urban and rural India. The Bank through its vast network reaches the underserved segments and addresses their financing needs through its diverse products and services. FBL is headquartered in Aluva, Ernakulam, Kerala, India and has 1,355 branches across India.

FBL is listed on the Bombay Stock Exchange and the National Stock Exchange and has a market capitalization of US\$3.2 billion as of July 13, 2023. FBL has a well-diversified shareholding structure with no promoter or sponsor holding. As of March 31, 2023, 34.0 percent of the Bank's shares were held by mutual funds (MFs), 27.0 percent by foreign portfolio investors (FPIs), 9.7 percent by other Financial Institutions (including insurance companies), 28.9 percent by retail investors (individual investors), and the remaining 0.4 percent by others.



Contact Information

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ACCESS TO INFORMATION

You can submit a request for information disclosure at: <https://disclosures.ifc.org/#/inquiries>

If you believe that your request for information from IFC has been unreasonably denied, or that this Policy has been interpreted incorrectly, you can submit a complaint at the link above to IFC's Access to Information Policy Advisor, who reports directly to IFC's Executive Vice President.

ACCOUNTABILITY MECHANISM OF IFC/MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org>