

Reco/View: **HOLD**

CMP: **Rs. 275**

Price Target: **Rs. 310**
FEDERAL BANK
YOUR PERFECT BANKING PARTNER

STOCK UPDATE

Result Update - Q3FY2026

SECTOR

Banking

COMPANY DETAILS

Market cap:	Rs. 67,689 cr
52-week high/low:	Rs. 278/ 173
NSE volume: (No of shares)	87.0 lakh
BSE code:	500469
NSE code:	FEDERALBNK
Free float: (No of shares)	242.8 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	-
FII	24.9
DII	51.1
Others	24.0

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART


Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	5.0	27.9	27.9	43.2
Relative to Sensex	6.9	28.4	27.4	35.5

Source: Mirae Asset Sharekhan Research, Bloomberg

Quick Snapshot

- NII growth beat estimates, as NIMs improved both YoY and QoQ
- Better asset quality lowered credit costs, which in turn helped net profit grow 9% y-o-y and q-o-q, ahead of estimates.
- Loan growth momentum rose aided by wholesale segment.
- Fundamental outlook healthy; valuations factor in positives, maintain HOLD with revised PT of Rs310.

Result overview

- Net interest income (NII) rose 9% y-o-y and 6% q-o-q aided by an NIM expansion of 7 bps y-o-y and 12 bps q-o-q. Margins improved as cost of funds declined 11 bps q-o-q and 51 bps y-o-y to 5.5% while change in asset mix towards high margin products like gold, credit card, CV/CE, etc.
- Fee income growth was healthy at 18.6% y-o-y, fee to average assets up to 0.99% versus 0.9% YoY, while treasury gain of Rs. 126 crore (up 37% y-o-y) aided overall topline growth.
- Operating expense growth inched up however cost/income ratio declined q-o-q by ~10 bps to 53.9% led by a healthy sequential rise in income.
- Provisions were up 13.7% y-o-y but down 8.5% q-o-q owing to reducing stress on balance sheet, this resulted in PAT growth of 9% y-o-y and q-o-q.
- Asset quality improved as GNPA and NNPA ratio fell by 11 bps and 6 bps q-o-q to 1.72% and 0.42%, respectively. Restructured assets also declined to 0.4% from 0.7% y-o-y and 0.5% q-o-q.
- Slippages dropped to Rs. 435 crore versus Rs. 579 crore q-o-q, upgrades & recoveries stood at Rs. 246 crore, while loans worth Rs. 282 crore were written of during the quarter.
- Loan growth was at 10.9% y-o-y at Rs. 2.55 lakh crore in which commercial banking and Corporate & Institutional banking loans jumped 25% y-o-y and 9% y-o-y. Gold loans showed strong traction of 9% q-o-q, while credit card also was up 6% q-o-q. Deposits were up 11.8% y-o-y to Rs. 2.97 lakh crore and CASA ratio improved to 32.1% versus 30.2% y-o-y and 31% q-o-q.

Our Call

Q3FY26 was a healthy operational show and improved loan traction is a positive. The bank is expected to beat industry growth in the medium term with improving financial metrics. Stress in select segments has peaked out largely and thus, the bank should be able to deliver respectable return ratios on a sustained basis. Fundamental outlook remains healthy; however, we believe valuations factor in the positives, limiting room for upside, we maintain HOLD with revised PT of Rs310.

Key Risks

Increased stress in case of MFI or credit card segment could hamper performance.

Valuation

	Rs cr				
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income	8,293	9,468	10,389	12,132	13,927
Net profit	3,721	4,052	3,883	4,697	5,705
EPS (Rs)	15.3	16.5	15.8	19.1	20.9
P/E (x)	18.0	16.6	17.4	14.4	13.2
P/BV (x)	2.3	2.0	1.9	1.5	1.4
RoE	14.7	13.0	11.1	11.7	11.8
RoA	1.3	1.2	1.0	1.1	1.2

Source: Company; Mirae Asset Sharekhan estimates

Concall Highlights:

- Corporate loan growth increased owing to increased working cap requirement, pricing gap between bond market and bank lending rates
- New labour code impact was minimal
- NIM largely to be steady in next quarter
- A 55-60 bps credit cost guidance given for FY26
- Business banking and LAP growth momentum to sustain
- NIM – This has been positively impacted by CRR cut impact, lower cost of funds and better yield on investments
- Six branches in Q3FY26
- The bank has increased stake in Ageas Federal Life from 26% to 30%
- MFI slippages to be lower in Q4 than in Q3
- Card business to add to fee income going ahead
- Average LCR stood at 123%
- The management expects to have ~16% loan growth from next year onwards.

Q3FY26 Result Snapshot:

Particulars	Rs cr				
	Q3FY26	Q3FY25	Y-o-Y%	Q2FY26	Q-o-Q%
Net Interest Income	2,653	2,431	9.1%	2,495	6.3%
Other income	1,100	916	20.1%	1,082	1.7%
Net Income	3,753	3,348	12.1%	3,577	4.9%
Opex	2,024	1,778	13.8%	1,933	4.7%
Operating Profit	1,729	1,569	10.2%	1,644	5.2%
Provisions	332	292	13.7%	363	-8.5%
PAT	1,041	955	9.0%	955	9.0%
Advances	2,55,569	2,30,370	10.9%	2,44,657	4.5%
Deposits	2,97,796	2,66,375	11.8%	2,88,920	3.1%
NIMs %	3.18	3.11	7 bps	3.06	12 bps
GNPA %	1.72	1.95	-23 bps	1.83	-11 bps
NNPA %	0.42	0.49	-7 bps	0.48	-6 bps
PCR %	76.0	75.2	82 bps	74.3	169 bps

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	HDFC Asset Management	6.73
2	Mirae Asset Financial	4.05
3	International Finanical	3.80
4	Axis Asset	3.43
5	Kader Yusufalli	3.11
6	Nippon Life India	3.10
7	SBI Funds	2.80
8	Invesco Asset	2.53
9	Jhujhunwala Rekha	2.40
10	HDFC Life	2.36

Source: Bloomberg

Key management personnel

Name	Designation
MD & CEO	KVS Manian
CFO & ED	Venkatraman Venkateswaran
Chairman	A. P. Hota

Source: Company Website

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