PL Capital PRABHUDAS LILLADHER

Federal Bank (FB IN)

Management Meet Update

August 12, 2026

☑ Estimate Change | ☑ Target | ☑ Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		ACCUMULATE	
Target Price	400		345	
NII (INR. mn)	1,24,763	1,49,686	1,22,932	1,43,567
% Chng.	*1.5*	*4.3*		
Op. Profit (INR mn)	85,338	1,06,492	80,107	97,301
% Chng.	*6.5*	*9.4*		
EPS (INR)	21.6	24.5	19.5	22.1
% Chng.	*10.9*	*10.5*		

Key Data

FED.BO | FB IN

BSE Code	500469
NSE Code	FEDERALBNK
52-W High / Low	INR 371 / INR 188
Face Value	2
Sensex / Nifty	77,966 / 24,436
Market Cap	INR 877 bn / $ 9,200 mn
Shares Outstanding	2470.68 mn
3M Avg. Daily Value	INR 3,630.74 mn

Shareholding Pattern (%)

Promoters	-
FIIs	27.71
Mutual Funds	37.69
Domestic Institutions	11.59
Public & Others	23.01
Promoters Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	7.6	24.6	23.7	81.1
Relative	7.1	19.2	32.7	86.4

Key Financials - Standalone

Y/e Mar	FY26	FY27E	FY28E	FY29E
NII (INR mn)	102,014	124,763	149,686	174,243
NIM (%)	*2.9*	*3.2*	*3.3*	*3.4*
Core PPOP (INR mn)	64,715	80,944	101,642	121,737
PAT (INR mn)	41,173	53,412	67,109	80,299
Core PAT (INR mn)	37,203	50,138	63,496	76,686
EPS (INR)	16.7	21.6	24.5	29.3
Gr. (%)	*1.3*	*29.4*	*13.1*	*19.7*
DPS (INR)	1.2	1.6	2.0	2.3
Yield (%)	*0.5*	*0.5*	*0.5*	*0.7*
RoAE (%)	*11.4*	*12.7*	*13.2*	*13.4*
Core RoAE (%)	*10.9*	*12.5*	*12.9*	*13.2*
RoAA (%)	*1.1*	*1.3*	*1.4*	*1.5*
Core RoAA (%)	*1.0*	*1.2*	*1.3*	*1.4*
P/BV (x)	1.5	1.9	1.7	1.5
P/ABV (x)	1.5	2.0	1.8	1.6
PE (x)	13.7	16.5	14.6	12.2
CAR (%)	*17.2*	*17.8*	*19.1*	*18.8*

Strong execution leading to tangible outcomes

Quick Pointers

- Better asset-liability mix driving steady rise in NIM
- MD & CEO sounded confident of achieving targets
- Raise core PAT for FY27/28E by avg 8%; upgrade to 'BUY'

We hosted FB's senior management for a road show. The bank's evolution is progressing well and the MD & CEO sounded confident of achieving the targets set out in Feb'25. Liability mix has improved with reduced bulk deposit share, while de-congestion at branches has led to consistent rise in avg. CASA from 27.3% in Q4FY25 to 30.7% in Q1FY27. Prudent balance sheet management with superior asset-liability mix has led to sustained NIM expansion over the last 1 year from 2.94% to 3.33%. NIM may further increase led by faster growth in mid-yield/unsecured loans and CASA. Fee to asset may see a fillip, although existing opex run-rate may sustain given the focus on increasing presence in metros. We raise core PAT for FY27/28E by 5%/11% led by higher NIM/fees. Due to improving earnings trajectory, we raise multiple to 1.8x from 1.6x on Sep'28 ABV and increase TP to INR 400 from INR 345. Upgrade to 'BUY' from 'ACCUMULATE'.

CASA momentum to sustain led by improving branch efficiency: Avg CASA has consistently risen over past 6 quarters from 27.3% to 30.7% driven by branch-level changes such as (1) shifting loan origination/renewal and other admin functions to a central processing center; (2) enhanced performance monitoring by introducing score cards and related incentive structures, especially for liabilities; (3) elimination and simplification of clerical processes leading to lower TAT for account opening; (4) setting up of a separate RM team to manage retail lending; and (5) enhancement of teller-level approval limits. The management sees further scope for improvement in CASA.

Mid-yield segments to drive growth; unsecured growth to be measured: Management reiterated its guidance of mid-teens loan growth with an upward bias, led by mid-yield segments. Profitability would not be compromised in favor of faster growth. FB may pursue higher growth in BuB/auto loans as impact of the West Asia crisis/El Nino eases, aided by structural changes in branch-level teams. FB remains optimistic on gold loans, which is cannibalizing personal loans. Unsecured loan growth is picking up but would be calibrated with guardrails in place. We raise FY28E loan growth by ~100bps to 15%.

FCNR-led liquidity surge may not impact FB materially: FCNR inflows of ~USD100bn across the industry is likely to flush the system with surplus liquidity, which could lower interest rates and prompt NBFCs and large corporates to shift back to bond markets for funding. This, in turn, may moderate corporate credit growth for the industry (19% YoY in Jun'26). However, since 80% of FB's incremental disbursals are to mid-corporates (that yield 50-60bps higher than large corporates), impact on growth may be minimal.

NIM/fees expansion to strengthen RoA/RoE: Reported NIM has steadily increased from 2.94% in Q1FY26 to 3.33% in Q1FY27. NIM is expected to further improve, aided by sustained CASA accretion, expansion in unsecured loans and continued growth in mid-yield segments. Fee to assets may improve led by the (1) sustained momentum in banca & CC businesses, (2) expanding wealth AUM and related trail fees, and (3) increase in trade & forex fees with implementation of new tech propositions. Improvement in NIM/fees could expand RoA by 3-4bps per quarter. We introduce FY29 estimates.

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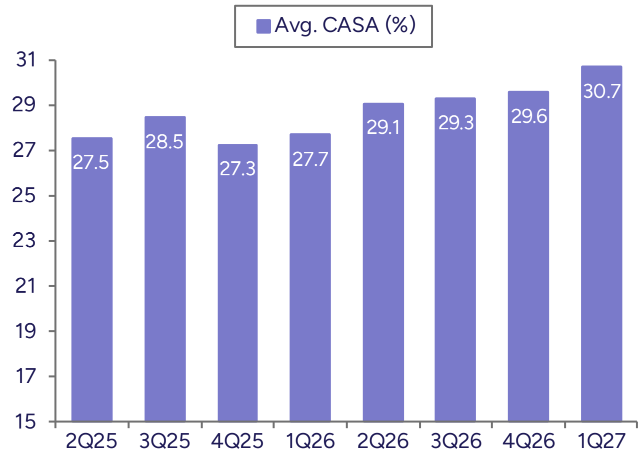
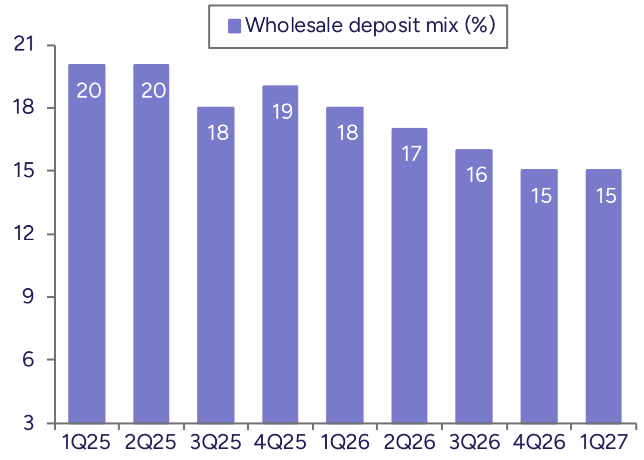
Exhibit 1: Avg CASA rises from 27.3% in Q4FY25 to 30.7% in Q1FY27



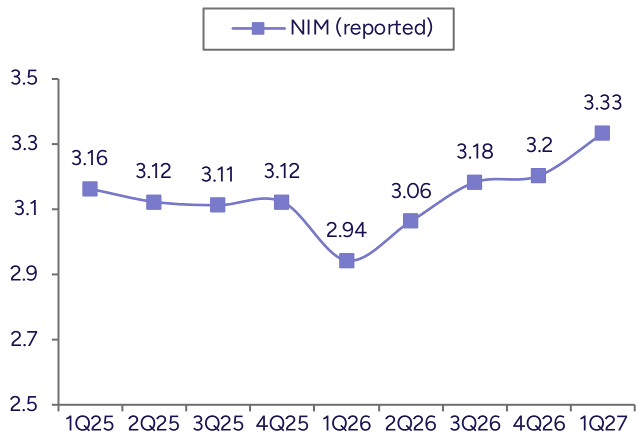
Source: Company, PL

Exhibit 2: WTD share declines from 20% in Q1FY25 to 15% in Q1FY27



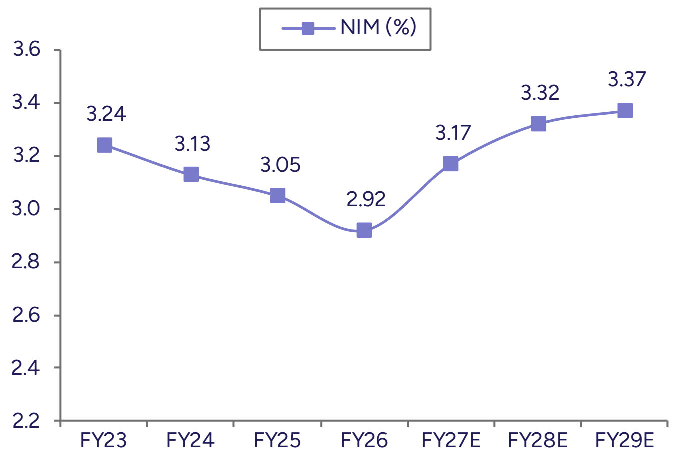
Source: Company, PL

Exhibit 3: Reported NIM up from 2.94% in Q1FY26 to 3.33% in Q1FY27



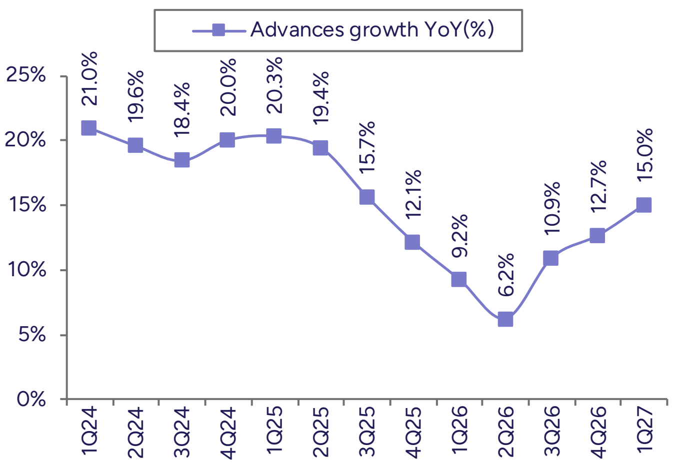
Source: Company, PL

Exhibit 4: We expect NIM to improve led by better asset-liability mix



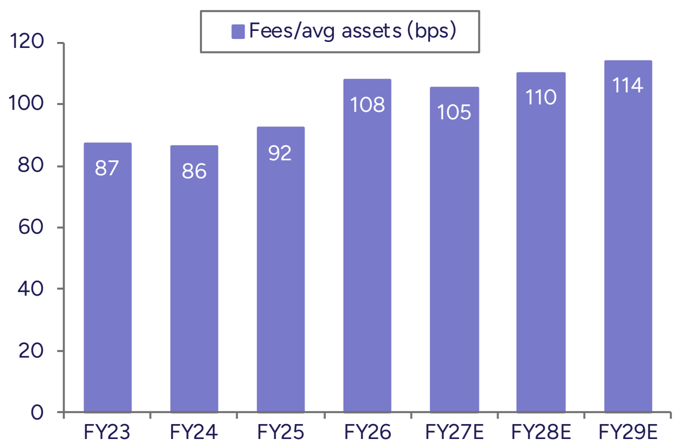
Source: Company, PL

Exhibit 5: Loan growth improving; was 15% YoY in Q1FY27



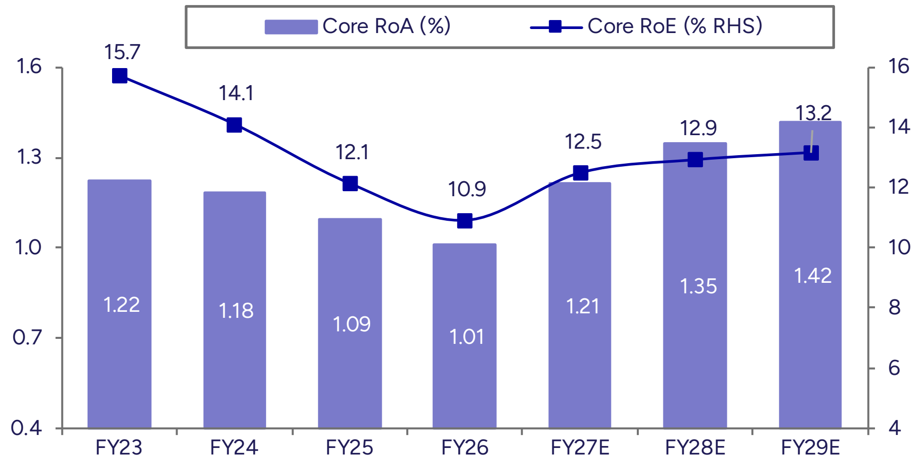
Source: Company, PL

Exhibit 6: Wealth, trade & forex expansion to lead to fee growth



Source: Company, PL

Exhibit 7: NIM/fees improvement could drive RoA/RoE expansion over FY26-29E



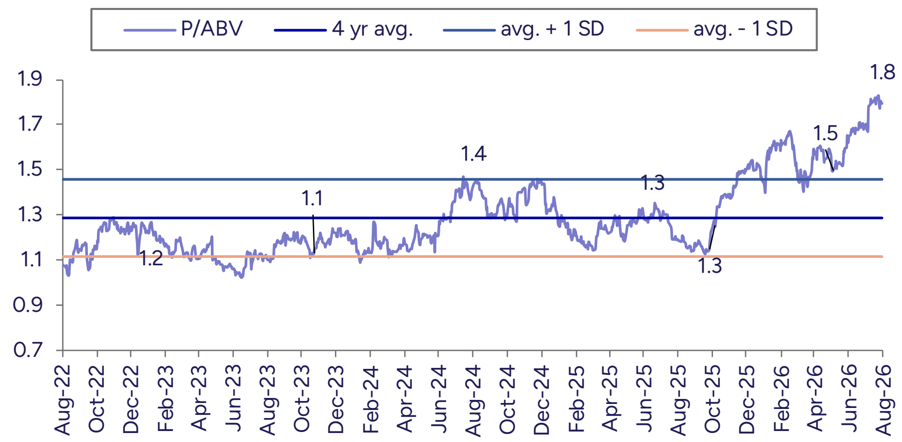
Source: Company, PL

Exhibit 8: RoA/RoE expected to improve from 1.1%/11.4% in FY26 to 1.5%/13.4% in FY29

DuPont Analysis	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
NII/Assets	**3.0**	**2.9**	**2.9**	**2.8**	**3.0**	**3.2**	**3.2**
Other inc./Assets	1.0	1.1	1.2	1.2	1.2	1.2	1.3
Net revenues/Assets	**4.0**	**4.0**	**4.0**	**4.0**	**4.2**	**4.4**	**4.5**
Opex/Assets	2.0	2.2	2.2	2.1	2.2	2.2	2.1
Provisions/Assets	0.3	0.1	0.2	0.5	0.3	0.3	0.3
Taxes/Assets	0.4	0.4	0.4	0.3	0.4	0.5	0.5
RoA (%)	**1.3**	**1.3**	**1.2**	**1.1**	**1.3**	**1.4**	**1.5**
RoE (%)	**14.9**	**14.7**	**13.0**	**11.4**	**12.7**	**13.2**	**13.4**

Source: Company, PL

Exhibit 9: Improving earnings trajectory led to re-rating; 1-yr forward P/ABV trades at 1.8x



Source: Company, PL

Quarterly Financials

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Income Statement (INR m)								
Interest earned	65,773	68,087	66,484	66,866	67,422	68,675	69,431	72,383
Interest expended	42,101	43,774	42,709	43,498	42,469	42,148	42,265	42,924
Net Interest Income	**23,672**	**24,313**	**23,774**	**23,368**	**24,952**	**26,527**	**27,166**	**29,459**
Other income	9,640	9,162	10,060	11,130	10,822	11,003	11,450	10,484
Fees	**7,840**	**7,560**	**8,000**	**7,860**	**8,860**	**8,960**	**9,910**	**9,570**
Total Income	33,312	33,475	33,834	34,498	35,774	37,530	38,616	39,943
Operating Expenses	**17,658**	**17,781**	**19,180**	**18,935**	**19,332**	**20,237**	**20,412**	**20,969**
Employees	7,777	7,832	7,838	7,976	8,034	8,487	7,757	9,217
Others	9,882	9,949	11,342	10,959	11,298	11,750	12,655	11,753
Operating profit	15,654	15,695	14,654	15,563	16,442	17,293	22,764	18,973
Core PPoP	**14,814**	**14,693**	**14,185**	**14,283**	**15,320**	**16,030**	**18,085**	**18,750**
Provisions	**1,584**	**2,923**	**1,381**	**4,002**	**3,631**	**3,324**	**7,410**	**3,177**
Profit before tax	14,070	12,771	13,273	11,561	12,811	13,970	15,354	15,796
Taxes	3,503	3,217	2,971	2,944	3,258	3,557	2,763	4,027
Net Profit	10,567	9,554	10,302	8,618	9,553	10,412	12,591	11,769
Core PAT	**9,936**	**8,805**	**9,938**	**7,664**	**8,716**	**9,471**	**11,352**	**11,603**
Balance Sheet (INR m)								
Share capital	4,905	4,910	4,912	4,910	4,919	4,920	4,929	4,940
Reserves & surplus	309,661	318,430	329,295	339,280	345,635	355,910	382,122	395,720
Deposits	2,691,066	2,663,750	2,836,475	2,874,360	2,889,196	2,977,960	3,139,094	3,201,180
Borrowings	237,486	286,900	237,263	197,760	179,675	163,310	211,591	181,660
Other liabilities	112,313	125,050	82,104	116,660	141,377	164,810	137,479	150,260
Total liabilities	**3,355,430**	**3,399,040**	**3,490,048**	**3,532,970**	**3,560,802**	**3,666,910**	**3,875,215**	**3,933,760**
Cash & bank	228,669	261,720	308,592	256,560	228,620	221,050	257,276	180,340
Investments	646,619	664,410	662,456	685,010	703,469	718,890	766,762	801,030
Advances	2,303,122	2,303,700	2,348,364	2,412,040	2,446,571	2,555,690	2,645,944	2,774,980
Fixed assets	10,951	14,630	14,783	14,630	14,532	14,680	14,725	14,650
Other assets	166,069	154,590	155,853	164,740	167,610	156,600	190,508	162,760
Total assets	**3,355,430**	**3,399,050**	**3,490,048**	**3,532,980**	**3,560,802**	**3,666,910**	**3,875,215**	**3,933,760**
Balance sheet ratios (%)								
Loan growth	4.3	-	1.9	2.7	1.4	4.5	3.5	4.9
Deposit growth	1.1	(1.0)	6.5	1.3	0.5	3.1	5.4	2.0
LDR	85.6	86.5	82.8	83.9	84.7	85.8	84.3	86.7
CASA	30.1	30.2	30.2	30.3	31.0	32.1	32.9	32.2
Capital Adequacy (%)								
CET-1	13.8	13.8	15.0	14.7	14.4	13.9	15.9	15.9
Tier-2	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.1
CRAR	15.2	15.2	16.4	16.0	15.7	15.2	17.3	17.0
Profitability ratios (%)								
Yield on assets	9.0	9.1	8.6	8.3	8.2	8.2	7.9	8.1
Cost of funds	6.2	6.3	5.9	5.8	5.7	5.5	5.3	5.3
NIM	3.2	3.2	3.1	2.9	3.0	3.2	3.1	3.3
Fees/Assets	1.0	1.0	1.0	0.9	1.0	1.0	1.1	1.0
Cost/Income	53.0	53.1	56.7	54.9	54.0	53.9	52.9	52.5
Opex/avg assets	2.3	2.2	2.3	2.2	2.2	2.3	2.2	2.2
RoA	1.4	1.2	1.3	1.0	1.1	1.2	1.4	1.3
Core RoA	1.2	1.0	1.1	0.9	1.0	1.0	1.2	1.2
RoE	14.7	12.6	13.2	10.6	11.5	12.2	14.0	12.6
Core RoE	12.6	10.9	11.9	8.9	9.9	10.5	11.7	11.6
EPS (INR)	4.3	3.9	4.2	3.5	3.9	4.2	5.1	4.8
BVPS (INR)	128.3	131.7	136.1	140.2	142.5	146.7	157.1	162.2
ABVPS (INR)	-	-	-	-	-	-	-	-
Asset quality ratios (%)								
GNPA	2.1	2.0	1.8	1.9	1.8	1.7	1.6	1.5
NNPA	0.6	0.5	0.4	0.5	0.5	0.4	0.2	0.2
Provision coverage	72.9	75.2	76.2	75.2	74.3	76.0	87.8	88.2
Provision costs	0.3	0.5	0.2	0.7	0.6	0.5	1.2	0.5
Slippage	0.8	1.0	0.9	1.1	1.0	0.8	0.8	0.6
NNPA/Equity	4.2	3.5	3.1	3.4	3.3	3.0	1.4	1.3

Source: Company, PL

Financials

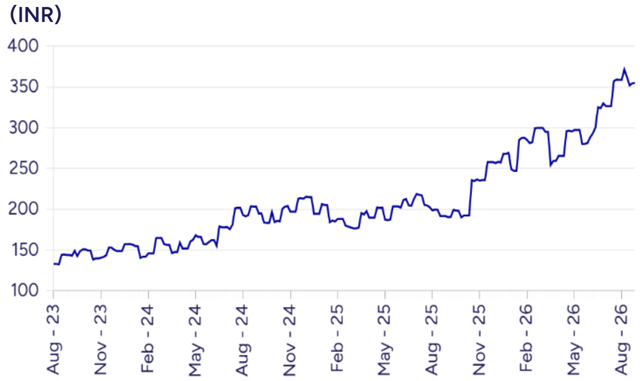
Y/e Mar	FY26	FY27E	FY28E	FY29E
Income Statement (INR m)				
Interest earned	272,394	303,502	354,472	408,878
Interest expended	170,380	178,738	204,786	234,636
Net Interest Income	**102,014**	**124,763**	**149,686**	**174,243**
Other income	44,404	49,742	58,514	68,284
Fees	**33,234**	**38,585**	**45,787**	**54,109**
Net Total Income	146,418	174,505	208,201	242,527
Operating Expenses	**78,916**	**89,167**	**101,709**	**115,940**
Employees	32,254	36,820	41,573	48,395
Others	46,662	52,347	60,136	67,545
Operating profit	67,502	85,338	106,492	126,587
Core PPoP	**64,715**	**80,944**	**101,642**	**121,737**
Provisions	**18,367**	**13,646**	**16,413**	**18,803**
Profit before tax	53,695	71,692	90,079	107,784
Taxes	12,522	18,280	22,970	27,485
Net Profit	41,173	53,412	67,109	80,299
Core PAT	**37,203**	**50,138**	**63,496**	**76,686**
Growth Ratios (%)				
Loans	12.7	16.0	15.0	14.0
Deposits	10.7	13.2	13.9	15.6
NII	7.7	22.3	20.0	16.4
Fees	18.8	16.1	18.7	18.2
Opex	10.1	13.0	14.1	14.0
Core PPoP	17.8	25.1	25.6	19.8
Provisions	150.5	(25.7)	20.3	14.6
Core PAT	3.6	34.8	26.6	20.8
Profitability Ratios (%)				
Yield on IEA	7.8	7.7	7.9	7.9
Cost of funds	5.3	5.0	5.1	5.1
NIM	**2.9**	**3.2**	**3.3**	**3.4**
Cost/Income	53.9	51.1	48.9	47.8
Provision cost	**0.7**	**0.5**	**0.5**	**0.5**
Tax rate	23.3	25.5	25.5	25.5
Core RoA	**1.0**	**1.2**	**1.3**	**1.4**
Core RoE	**10.9**	**12.5**	**12.9**	**13.2**
Du-pont (%)				
Interest income	**7.4**	**7.3**	**7.5**	**7.6**
Interest expenses	**4.6**	**4.3**	**4.3**	**4.3**
NII	**2.8**	**3.0**	**3.2**	**3.2**
Other income	1.2	1.2	1.2	1.3
Fees/avg assets	**1.1**	**1.1**	**1.1**	**1.1**
Total income	**4.0**	**4.2**	**4.4**	**4.5**
Opex/avg assets	**2.1**	**2.2**	**2.2**	**2.1**
Staff cost	0.9	0.9	0.9	0.9
Other opex	1.3	1.3	1.3	1.2
PPOP	**1.8**	**2.1**	**2.3**	**2.3**
Core PPoP/avg assets	**2.0**	**2.2**	**2.2**	**2.3**
Provisions	0.5	0.3	0.3	0.3
PBT	**1.3**	**1.7**	**1.9**	**2.0**
Tax	0.3	0.4	0.5	0.5
RoA	**1.0**	**1.3**	**1.4**	**1.5**
RoE	**11.4**	**12.7**	**13.2**	**13.4**

Source: Company, PL

Y/e Mar	FY26	FY27E	FY28E	FY29E
Balance Sheet (INR m)				
Equity	387,051	454,653	563,413	637,288
Share capital	4,929	4,940	5,486	5,486
Deposits	3,139,094	3,552,364	4,046,188	4,677,017
Borrowings	211,591	219,445	224,350	277,661
Other Liabilities	137,479	169,022	197,732	198,187
Total liabilities	**3,875,215**	**4,395,484**	**5,031,683**	**5,790,154**
Cash with RBI	155,662	146,749	165,167	232,870
Balance with banks	101,614	98,455	110,812	148,640
Investments	766,762	888,091	1,011,547	1,122,484
Advances	2,645,944	3,069,243	3,528,276	4,022,235
Fixed assets	14,725	15,094	15,707	16,978
Other assets	190,508	177,852	200,174	246,947
Total assets	**3,875,215**	**4,395,484**	**5,031,683**	**5,790,154**
Balance sheet ratios (%)				
LDR	84.3	86.4	87.2	86.0
CASA	33.3	33.8	35.1	35.6
Inv/NDTL	22.0	22.5	22.6	21.8
Borr/NDTL	6.1	5.6	5.0	5.4
Assets/equity (x)	10.0	9.7	8.9	9.1
RWA/Loans	87.4	85.1	85.1	85.9
RWA/Total assets	59.6	59.4	59.7	59.7
Capital ratios (%)				
CRAR	17.2	17.8	19.1	18.8
CET-1	15.9	16.5	17.8	17.5
AT-1	-	-	-	-
Tier-2	1.3	1.3	1.3	1.3
Asset quality ratios (%)				
GNPA (INR mn)	43,353	43,606	47,031	53,432
NNPA (INR mn)	5,293	5,452	5,880	6,679
GNPA	1.6	1.4	1.3	1.3
NNPA	0.2	0.2	0.2	0.2
PCR	87.8	87.5	87.5	87.5
Slippage	0.9	0.8	0.8	0.8
NNPA / Equity	1.4	1.2	1.0	1.0
Per share (INR)				
EPS	16.7	21.6	24.5	29.3
DPS	1.2	1.6	2.0	2.3
BVPS	157.0	184.0	205.4	232.3
ABVPS	154.9	181.9	203.3	229.9
Core BVPS	-	-	-	-
Core ABVPS	-	-	-	-
Valuation (x)				
Price (INR)	229.4	356.9	356.9	356.9
P/E	13.7	16.5	14.6	12.2
P/BV	1.5	1.9	1.7	1.5
P/ABV	1.5	2.0	1.8	1.6
P/core BV	-	-	-	-
P/core ABV	-	-	-	-

Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	18-Jul-26	Accumulate	345	349
2	07-Jul-26	Accumulate	300	332
3	30-Apr-26	Accumulate	300	285
4	10-Apr-26	BUY	275	283
5	19-Feb-26	BUY	275	291
6	17-Jan-26	BUY	275	270
7	08-Jan-26	BUY	250	259
8	24-Oct-25	BUY	250	227
9	19-Oct-25	BUY	235	213
10	07-Oct-25	BUY	220	199

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Axis Bank	BUY	1550	1329
2	Bank of Baroda	Accumulate	280	246
3	Canara Bank	BUY	150	127
4	Canara Robeco Asset Management Company	HOLD	285	267
5	City Union Bank	BUY	250	229
6	DCB Bank	BUY	215	190
7	Federal Bank	Accumulate	345	349
8	HDFC Asset Management Company	BUY	3040	2729
9	HDFC Bank	BUY	1040	820
10	ICICI Bank	BUY	1850	1444
11	ICICI Prudential Asset Management Company	BUY	3550	3206
12	Indian Bank	BUY	1000	843
13	IndusInd Bank	Accumulate	1150	1069
14	Karur Vysya Bank	BUY	345	301
15	Kotak Mahindra Bank	BUY	480	390
16	Nippon Life India Asset Management	Buy	1225	1148
17	Prudent Corporate Advisory Services	Accumulate	3175	2851
18	State Bank of India	BUY	1200	1097
19	Union Bank of India	Accumulate	190	172
20	UTI Asset Management Company	Hold	975	904

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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