

# PICK OF THE WEEK

14<sup>th</sup> March, 2026

## Federal Bank Ltd

Sector: BFSI – Bank

BUY

CMP

263

Target Price

290

Upside

10%

CMP as on 13<sup>th</sup> March, 2026 | Time horizon: 6-9 Months

### Why Federal Bank Ltd

- Upward Trajectory in NIMs Led by Focus on Mid-Yield Segments
- Asset Quality Not Worrisome
- Growth Momentum Showing Signs of Revival

### About the Company

Federal Bank Ltd. (FB) is a private sector bank with a pan-India presence. It has exposure to Insurance and NBFC business through its joint venture with IDBI and its subsidiary FedFina. The bank continues to execute its strategy of a branch-light and distribution-heavy franchise proactively.

### Investment Rational

#### A. NIMs Surprise in Q3; Upward Trajectory to Continue

- FB continues to prioritise NIM improvement supported by growth in chosen mid-yielding segments and realigning the liability mix with focus on CASA deposits, primarily CA deposits.
- Near-term impact on NIMs is expected as the balance (2/3rd of the Dec'25 rate cut) is yet to reflect in lending yields, and FB will look to maintain margins at Q3 levels.

#### B. Overall Asset Quality Not Worrisome

- Growth in the mid-yielding portfolio tends to result in slightly higher credit costs vs the lower-yielding segments, while adequately compensating with better yields.
- FB has guided for credit costs to be contained between 55-60 bps in FY26.

## C. Growth Outlook Strong

- FB continues to witness strong traction in the focus segments and will continue to drive growth momentum as it exits FY26.
- With growth capital infusion by Blackstone, FB intends to deliver a steady state growth of 1.2-1.5x Nominal GDP growth and aims to grow at ~16% in FY27E.

## Outlook & Valuation

- The bank has seen a growth pick-up in Q3 following a muted performance over H1, and the outlook around growth continues to remain encouraging.
- We expect FB's RoA improvement to 1.3-1.4% over FY27–28E, compared with a relatively subdued 1.1% in FY26E, supported by (1) healthy risk-adjusted credit growth, (2) margin improvement levers playing out with portfolio mix shift towards better-yielding segments and lower CoF, (3) strong deposit franchise with improving CASA mix, (4) strengthened fee income profile, and (5) stable asset quality metrics keeping credit costs under control.

**Valuation:** Trading at 1.5x Sep'27E BV

## Analyst Insights

We recommend a **BUY** with a target price of **Rs 290/share**, implying an **upside of 10%** from the CMP.

### Research Analysts

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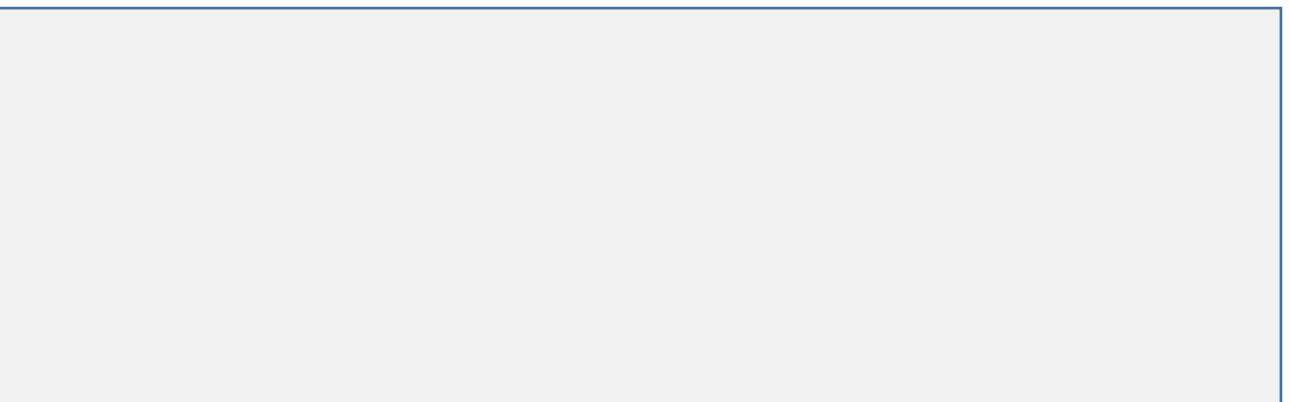
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## Financial Summary

	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
NII (Rs Cr)	10,229	12,504	15,111
PPOP (Rs Cr)	6,677	8,599	10,764
PAT (Rs Cr)	3,920	5,251	6,725
EPS (Rs)	15.5	20.8	24.6
ABVPS (Rs)	147.7	166.0	191.8
P/ABV (x)	1.8	1.6	1.4
RoA (%)	1.1	1.3	1.4
NNPA (%)	0.4	0.4	0.4

## Market Data

No. of Shares	246.2 Cr
Market Cap (Rs Cr)	64,545
52-week High	302
52-week Low	176
P/BV (x)	1.5
BSE Code	500469
NSE Code	FEDERALBNK



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