WEALTH WEEKLY

Weekly Alerts You Can Use!

Weekly View: Nifty, Bank Nifty:

Indices	CMP	Support	Resistance	50 DMA	200 DMA	Range	Preferred Trade
NIFTY	23623	23201	24100	23719	24920	23388-23955	Buy at CMP. Targets at 23899/24100. Aggressive targets at 24400-24520. Stop at 23200
BANK NIFTY	56815	54500	58000	54705	56986	55100-57800	Buy at CMP. Targets 57500/58000. Aggressive targets at 59000. Stop at 54500.

Medium Term Pick:

Stocks	CMP	Support	Resistance	50 DMA	200 DMA	Bias	Preferred Trade
FEDERAL BANK	316	273	375	290	257	Positive	**Federal Bank** has quietly transformed itself from a Kerala-focused NRI franchise into a well-diversified mid-sized private-sector bank with improving asset quality, healthy profitability, and a strong capital position. Under CEO KVS Manian, the bank is emphasizing profitable growth, liability franchise expansion, digital transformation, and fee-income diversification. The positive catalyst include; Decadal-best asset quality, Consistent double-digit growth in advances and deposits, Strong capital adequacy, High exposure to NRI remittances, Improving fee-income franchise, Attractive valuation relative to larger private banks. Net profit stood at ₹1,259.10 crore for the quarter, a sequential growth of 20.93% and, supported by stronger core earnings. The net profit for the financial year stands at ₹4,117.32 crore. **Look to buy at CMP, and on dips between 289-293 zone, targeting 329/347 and then aggressive targets at psychological 375 mark. Stop below 273. Holding Period 9-12 Months.**

FEDERAL BANK	BUY
CMP	316
Target Price	371
Stop	273
52 Week H/L	318/185
P/E	17.90
EPS (TTM)	16.71
FIIs/DIIs/FIIs/Public	26.05%/50.39%/23.56%
Book Value	162
Market Cap (INR)	77881

FEDERAL BANK: Technically Massive Breakout Play on Cards.

Federal Bank has quietly transformed itself from a Kerala-focused NRI franchise into a well-diversified mid-sized private-sector bank with improving asset quality, healthy profitability, and a strong capital position. Under CEO KVS Manian, the bank is emphasizing profitable growth, liability franchise expansion, digital transformation, and fee-income diversification.

Investment Thesis

Positives

Decadal-best asset quality. | Consistent double-digit growth in advances and deposits. | Strong capital adequacy. | High exposure to NRI remittances. | Improving fee-income franchise. | Attractive valuation relative to larger private banks.

Daily Chart of FEDERAL BANK :

Risks

Margin pressure from RBI rate cuts and deposit repricing. | Relatively lower CASA ratio versus larger peers. | Increasing competition in retail and SME lending. | Elevated operating expenses due to branch expansion and technology investments. | Fy25 Financial Performance

Profitability

FY25 was one of the strongest years in Federal Bank's history.

Key Highlights – Q4 Fy26

- Profitability: Net profit stood at ₹1,259.10 crore for the quarter, a sequential growth of 20.93% and, supported by stronger core earnings. The net profit for the financial year stands at ₹4,117.32 crore.
- Liability Restructuring: The Bank successfully optimized its funding profile by focusing on retail liabilities and deliberately reducing the volume of high-value deposits to lower the overall Cost of Funds (5.46%).
- NR Franchise Milestone: Further strengthening its core moats, the NR deposit book crossed the ₹1 lakh crore milestone, reaching ₹1,02,619.69 crore (up 7.04% QoQ).
- CASA Momentum: The CASA ratio improved to 32.94%, up 271 bps YoY.
- Asset Mix & Growth: The structural shift in the asset mix is yielding results, with strong growth in desired segments like Commercial Banking (+5.92% QoQ) and Retail Banking (+3.21% QoQ).
- Fee Income: The "Fee Story" remains a standout, with fee income reaching ₹990.92 crore, up 10.54% QoQ. • Asset Quality: GNPA and NNPA reached record lows of 1.62% and 0.20% respectively.
- Return Metrics: RoA reached 1.36% and NIM reached 3.74%, while RoE expanded to 13.69%.
- Wealth Management: The Bank successfully launched its wealth offering during the quarter, marking a new chapter in its service offerings.
- Total Business reached ₹5,78,503.76 crore, registering 4.54% QoQ growth. • Gross Advances rose to ₹2,68,369.03 crore, up 3.65% QoQ, led by Commercial Banking, Retail, and the CV/CE segments.
- Total Deposits rose to ₹3,13,909.39 crore, up 5.41% QoQ, led by Resident and NR book.
- CASA balances grew to ₹1,03,390.30 crore, up 8.26% QoQ, crossing the ₹1 lakh crore milestone.
- Operating Efficiency: Cost-to-Income ratio improved to 47.28%, a sequential reduction of 665 bps, reflecting strong operating leverage.
- Provision Coverage Ratio (excluding TWO) improved to 87.07%, up 1,193 bps sequentially.

Loan Book Composition. The fastest-growing segments include:

Gold loans (+21%) | Loans against property (+20.5%) | SME lending (+16%) | Corporate banking (+12.5%) | Microfinance (+19%)

Management is increasingly focusing on secured lending segments, which should support asset quality through economic cycles. Compared with many mid-sized peers, Federal Bank currently enjoys one of the cleanest balance sheets in the sector.

Federal Bank's historical strength remains its NRI deposit base and remittance franchise. Margins remained resilient despite rising funding costs.

Management priorities include:

Accelerating granular retail growth. | Building a stronger liability franchise. | Increasing fee-income contribution. | Expanding digital banking capabilities. | Enhancing customer acquisition outside Kerala. | The strategy appears aimed at narrowing the valuation gap with larger private-sector peers. | Competitive Position. Federal Bank competes with: HDFC Bank, ICICI Bank, Axis Bank | IndusInd Bank, IDFC FIRST Bank

While it lacks the scale of HDFC Bank or ICICI Bank, Federal Bank's asset quality, NRI franchise, and valuation make it an attractive mid-tier banking play.

Conclusion: Federal Bank is evolving into a high-quality, conservatively run private-sector bank with improving fundamentals. The combination of strong asset quality, healthy capital buffers, robust NRI franchise, and steady earnings growth makes it one of the more compelling mid-cap banking stories in India today. While margin pressure remains a near-term concern, the bank appears well-positioned to deliver sustainable growth and shareholder value over the medium term.

Preferred trade on Federal Bank : Look to buy at CMP, and on dips between 289-293 zone, targeting 329/347 and then aggressive targets at psychological 375 mark. Stop below 273. Holding Period 9-12 Months.

Mehta Equities

903 Lodha Supremus, Dr. E Moses Road, Worli Naka, Mumbai - 400 018 Board: +91-22-61507100/101 Fax: +91-22-61507102