

# HSIE Results Daily

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# Federal Bank

## Soft quarter, IRR lift underway

Federal Bank's (FB) Q1FY26 earnings missed our estimates, owing to elevated provisioning towards the MFI portfolio, coupled with muted growth on both sides of the balance sheet, offset by stronger traction in fee income. Deposit growth (8% YoY, 1.3% QoQ) was soft, while the CASA ratio was largely stable at 30.3% (+12 bps QoQ), driven by pick-up in savings account balances. The management indicated that the MFI stress has peaked out, with other asset classes remaining stable. FB continues to scale its mid-yielding asset segments, increasing its mix of fixed-rate loans to improve profitability and quality of earnings. We believe FB is well-placed to capitalize on its balance sheet strengths (quality deposit franchise and superior underwriting standards), with clear catalysts for earnings reflation, compared to larger peers that are nearly-fully optimized. We maintain BUY with a TP of INR225 (1.3x Mar-27 ABVPS).

- **Muted credit growth, offset by strong fee income traction:** NII growth (+2% YoY/-1.7% QoQ) was soft, impacted by faster transmission to asset yields, partly offset by lower cost of funds, as NIMs contracted to 2.9% (-18bps QoQ). Other income witnessed strong traction (+22% YoY) on the back of robust core fees, treasury gains, and recoveries from written-off accounts. Loan growth (+9% YoY, +2.7% QoQ) was soft as growth stayed sluggish in core segments like home loans and business banking, while growth in higher-yielding segments (CC, PL, CV/CE, and gold loans) remains robust.
- **MFI stress impacting asset quality:** Gross slippages (1.1%) and credit costs (65bps) were elevated, on the back of MFI delinquencies, as 20% of the portfolio is concentrated in Karnataka. The management guided for FY26 credit costs at 55bps, with MFI stress likely to have peak during the quarter.
- **Critical to deliver profitability plus growth:** Given FB's pivot towards enhancing profitability, we believe that the bank's ability to exercise pricing power on both sides of the balance sheet, while simultaneously picking up the pace on loan growth, is critical to a sustained re-rating in valuations.

### Financial summary

(INR bn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY25	FY26E	FY27E
NII	23.4	22.9	2.0%	23.8	-1.7%	94.7	105.9	129.9
PPOP	15.6	15.0	3.7%	14.7	6.2%	61.0	71.7	88.1
PAT	8.6	10.1	-14.6%	10.3	-16.4%	40.5	45.0	54.4
EPS (INR)	3.5	4.1	-15.2%	4.2	-16.6%	16.5	18.3	22.2
ROAE (%)						13.0	12.7	13.5
ROAA (%)						1.2	1.2	1.2
ABVPS (INR)						131.9	148.0	168.0
P/ABV (x)						1.5	1.3	1.2
P/E (x)						11.9	10.7	8.8

### Change in estimates

(INR bn)	FY26E			FY27E		
	New	Old	Δ	New	Old	Δ
Net advances	2,716	2,740	-0.9%	3,182	3,220	-1.2%
NIM (%)	3.2	3.2	-3 bps	3.4	3.4	4 bps
NII	105.9	107.2	-1.2%	129.9	129.3	0.5%
PPOP	71.7	72.2	-0.7%	88.1	88.3	-0.2%
PAT	45.0	45.1	-0.2%	54.4	54.3	0.2%
Adj. BVPS (INR)	148.0	148.0	0.0%	168.0	167.9	0.1%

Source: Company, HSIE Research

## BUY

CMP (as on 01 Aug 2025)	INR 196
Target Price	INR 225
NIFTY	24,565

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR225	INR225
	FY26E	FY27E
EPS %	-0.2%	+0.2%

### KEY STOCK DATA

Bloomberg code	FB IN
No. of Shares (mn)	2,457
MCap (INR bn) / (\$ mn)	482/5,503
6m avg traded value (INR mn)	1,669
52 Week high / low	INR 220/173

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.3)	6.5	(2.3)
Relative (%)	(0.8)	2.5	(0.8)

### SHAREHOLDING PATTERN (%)

	Mar-25	Jun-25
Promoters	0	0
FIs & Local MFs	49.1	48.2
FPIs	26.3	26.9
Public & Others	24.6	25.0
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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# Stylam Industries

## Strong performance

In Q1FY26, Stylam's revenue grew 17% YoY to INR 2.8bn. EBITDA margin improved by 140bps YoY as gross margin slightly inched up (up 10bps YoY) on op-lev gain. Owing to higher EBITDA and lower depreciation offset by higher finance cost, lower other income and increase in tax rate, APAT declined 1% YoY. Adjusted for forex loss, APAT grew by ~25% YoY. Earlier in Q4FY25 concall, Stylam had guided for ~20/40% export revenue growth in FY26/27E. The brownfield laminates plant expansion is delayed again by a month and is now expected to be commissioned by Oct 2025. Factoring in the Q1 healthy margin, we increase our APAT estimate by 4% for FY26E, while we maintain our FY27E estimate. We are projecting 22/25/26% revenue/EBITDA/APAT CAGR for FY25-27E, aided by ramp-up of brownfield expansion. Considering promoter's strained relationship, we maintain our REDUCE rating, with an unchanged target price of INR 1,700/sh (15x Mar-27E EPS).

- Q1FY26 performance:** Revenue grew 17% YoY to INR 2.8bn (export/domestic grew 22/6%). Volume declined 3% YoY as export volume declined by 9% which was partially offset by 7% growth in domestic volume. Realization increased 20/26% YoY/QoQ, primarily due to change in export product mix. Export mix was 73% YoY in Q1 vs 70/71% YoY/QoQ. Acrylic performance remains subpar, down ~30% YoY, at INR 41mn (1.5% of revenue). EBITDA margin improved by 140bps YoY as gross margin slightly inched up (up 10bps YoY) on op-lev gain. Employee cost rose 15% YoY (-3% QoQ), while other expenses grew 9/2% YoY/QoQ. So, EBITDA expanded 26/23% YoY/QoQ. Depreciation decreased 20% YoY as few assets have fully depreciated. Finance cost increased to INR 75mn (vs INR 5mn YoY) due to ~INR 70mn forex loss. Effective tax rate increased, owing to a notional forex loss. Owing to higher EBITDA and lower depreciation offset by higher finance cost, lower other income, and increase in tax rate, APAT declined 1% YoY. Adjusted for forex loss, APAT grew by ~25% YoY.
- Outlook, valuation, and recommendation:** Earlier in Q4FY25 concall, Stylam guided for ~20/40% export revenue growth in FY26/27E, aided by brownfield expansion. The ongoing brownfield laminates plant expansion, with a total cost of INR 2.6bn (INR 1.2bn already spent), has been delayed by another month and is now expected to be commissioned by Oct 2025. Factoring in the Q1 healthy margin, we increase our APAT estimate by 4% for FY26E, while we maintain our FY27E estimate. We are projecting 22/25/26% revenue/EBITDA/APAT CAGR for FY25-27E, aided by ramp-up of brownfield expansion. Considering promoter's strained relationship, we maintain our REDUCE rating, with an unchanged target price of INR 1,700/sh (15x Mar-27E EPS).

### Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q1 FY26	Q1 FY25	YoY (%)	Q4 FY25	QoQ (%)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	2,830	2,426	16.7	2,653	6.7	9,521	9,141	10,251	12,291	15,265
EBITDA	529	419	26.4	429	23.3	1,548	1,845	1,852	2,279	2,910
EBITDAM (%)	18.7	17.3		16.2		16.3	20.2	18.1	18.5	19.1
APAT	282	284	(0.5)	296	(4.6)	960	1,296	1,219	1,490	1,932
AEPS (INR)	16.6	16.7	(0.5)	17.5	(4.6)	56.6	76.5	71.9	87.9	114.0
EV/EBITDA (x)						19.8	16.1	16.3	13.0	10.2
P/E (x)						31.7	23.5	24.9	20.4	15.7
RoE (%)						26.4	27.3	20.4	20.6	22.0

Source: Company, HSIE Research

## REDUCE

CMP (as on 01 Aug 2025) INR 1,783

Target Price INR 1,700

NIFTY 24,565

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 1,700	INR 1,700
EPS	FY26E	FY27E
revision %	3.6	-0.1

### KEY STOCK DATA

Bloomberg code	SYIL IN
No. of Shares (mn)	17
MCap (INR bn) / (\$ mn)	30/345
6m avg traded value (INR mn)	75
52 Week high / low	INR 2,736/1,441

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	13.1	(10.2)	(6.6)
Relative (%)	12.6	(14.2)	(5.0)

### SHAREHOLDING PATTERN (%)

	Mar-25	Jun-25
Promoters	52.19	52.19
FIs & Local MFs	12.61	12.31
FPIs	3.68	2.79
Public & Others	31.52	32.71
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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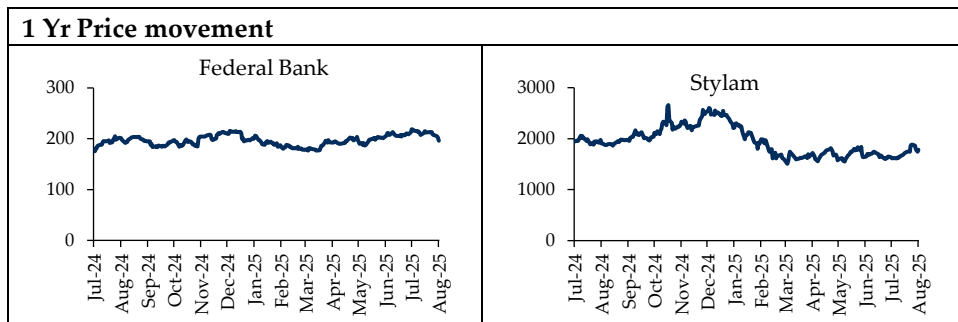
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**Rating Criteria**

BUY: >+15% return potential  
 ADD: +5% to +15% return potential  
 REDUCE: -10% to +5% return potential  
 SELL: > 10% Downside return potential

**Disclosure:**

Analyst	Company Covered	Qualification	Any holding in the stock
Krishnan ASV	Federal Bank	PGDM	NO
Akshay Badlani	Federal Bank	CA	NO
Rajesh Ravi	Stylam Industries	MBA	NO
Keshav Lahoti	Stylam Industries	CA, CFA	NO
Riddhi Shah	Stylam Industries	MBA	YES
Mahesh Nagda	Stylam Industries	CA	NO



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