

## Axis Bank (AXSB)

BUY

## Easing Provisions Support Sequential Earnings Recovery

## Summary

Axis Bank reported a healthy Q3FY26 performance, with operating metrics reflecting steady execution despite a softer interest rate environment. Net interest income grew 5% YoY to Rs14,287 crore, supported by balance sheet expansion and stable margins. Core pre-provision operating profit increased 7% YoY to Rs10,815 crore, aided by healthy fee income growth and controlled operating costs. Profit after tax rose 3% YoY to Rs6,490 crore, with a strong 28% QoQ improvement driven by operating leverage and stable credit costs. We reiterate our BUY rating with a target price of Rs. 1,467, valuing the stock at 1.5x FY28E P/BV.

## Key Highlights and Investment Rationale

- Balanced Growth with Stable Returns:** Aligned deposit and loan growth, driven by strong CASA and new-to-bank flows, supports sustainable balance-sheet expansion. Stable asset quality and healthy RoA (~1.5%) underscore the resilience of the bank's return profile, with operating leverage expected to improve as growth converges.
- Clear Strategy Supporting Margins and Risk-Adjusted Growth:** Management's focus on growing ahead of the industry and rebalancing the loan mix toward retail enhances earnings stability. While near-term NIMs face rate-cut pressure, liability repricing and a high floating-rate loan mix support the through-cycle NIM guidance of ~3.8%.
- Outlook:** The balance sheet remains strong, with CET-1 at 14.50% and no immediate need for equity capital. Liquidity is comfortable, with LCR guided at 115–120%. Overall, the outlook remains constructive, underpinned by steady growth, stable asset quality and improving efficiency.

TP Rs.1,467

CMP Rs.1,260

Potential upside/downside 16%

Previous Rating BUY

## Price Performance (%)

	-1m	-3m	-12m
Absolute	2.6	1.5	32.9
Rel to Sensex	6.7	4.6	25.9

## V/s Consensus

EPS (Rs)	FY26E	FY27E	FY28E
IDBI Capital	80.8	97.0	107.9
Consensus	79.1	100.5	118.6
% difference	2.1	(3.5)	(9.0)

## Key Stock Data

Bloomberg / Reuters	AXSB IN / AXBK.BO
Sector	Banking
Shares o/s (mn)	3,105
Market cap. (Rs mn)	39,13,074
3-m daily avg Trd value (Rs mn)	127.4
52-week high / low	Rs1,326 / 934
Sensex / Nifty	81,538 / 25,049

## Shareholding Pattern (%)

Promoters	8.2
FII	42.6
DII	38.6
Public	10.6

## Financial snapshot

(Rs mn)

Year	FY2024	FY2025	FY2026E	FY2027E	FY2028E
NII	498,945	543,478	570,364	629,206	687,928
Change (yoy, %)	16%	9%	5%	10%	9%
Net Profit	248,614	263,735	250,488	300,726	334,511
Change (yoy, %)	160%	6%	-5%	20%	11%
EPS (Rs)	80.5	85.1	80.8	97.0	107.9
Change (yoy, %)	159%	6%	-5%	20%	11%
ABV (Rs)	481.5	571.3	650.5	745.7	848.0
PER (x)	15.6	14.8	15.6	13.0	11.7
P/ABV (x)	2.6	2.2	1.9	1.7	1.5
ROE (%)	18.0	15.9	13.0	13.7	13.4
ROA (%)	1.8	1.7	1.5	1.6	1.6
GNPA (%)	1.5	2.0	1.5	1.7	1.9
NNPA (%)	0.3	0.4	0.3	0.3	0.3
CAR (%)	16.6	17.1	17.3	17.6	17.9

Source: IDBI Capital Research

Sweta Padhi

 Sweta.padhi@idbicapital.com  
 +91-22-4069 1819

Smit Shah

 Smit.shah@idbicapital.com  
 +91-22-4069 1819

## Conference Call Highlights

### Margin Management

- Reported NIM declined to 3.72%, down 27 bps YoY, after factoring in ~100 bps pass-through of repo rate cuts; Q3 NIM stood at 3.64%, down 9 bps QoQ, driven by a 17 bps QoQ decline in asset yields, partly offset by an 8 bps QoQ reduction in cost of funds.
- Management reiterated its through-the-cycle NIM guidance of 3.8%, maintaining confidence in achieving this over the duration of the repricing cycle, despite cumulative 125 bps of rate cuts.
- Margin compression during the quarter was attributed to advances mix shift (higher wholesale share) and liability mix impact, as incremental CASA formation remained lower than the overall book CASA ratio.
- Trading profits and other income stood at ₹125 crore, declining both QoQ and YoY, mainly due to lower realised gains and NPL recoveries.
- Operating expenses were ₹9,637 crore, up 7% YoY and down 3% QoQ; YoY increase of ₹593 crore was largely driven by statutory costs (PSLC, CSR, DICGC premium), technology spend and BAU expenses, partly offset by lower staff costs.
- The bank has been prudently providing for labour code-related costs since FY21, with a cumulative provision of ₹434 crore as of December 2025; the Q3 FY26 impact was limited to ₹25 crore.
- Staff costs declined QoQ, driven by a ~950 reduction in period-end headcount and reversal of certain staff expense accruals; non-staff opex remained flat QoQ.

### Advances

- Management reiterated focus on optimising NII and ROE, with wholesale growth driven by risk-adjusted opportunities without compromising portfolio quality.
- Over the medium term, management expects the loan book to rebalance towards an optimal mix of ~58–60% retail, 23–25% wholesale and the balance SME, calibrated based on the cycle.
- Retail asset growth is expected to improve gradually as unsecured disbursements recover, mortgage growth stabilises amid easing PSU bank competition, and traction improves in auto, CV, construction equipment and small business banking segments, supported by digital initiatives.

- The bank reiterated its aspiration to grow advances ~300 bps faster than the industry through the cycle, driven by calibrated growth across retail, wholesale and SME segments.

### Deposits

- Cost of funds declined 39 bps YoY and 8 bps QoQ, reflecting disciplined liability management through the rate hike cycle.
- The bank has recalibrated its NTB and ETB deposit acquisition strategy with sharper focus on quality, engagement and premiumisation; NTB customers acquired during the year showed 53% YoY growth in fees and average balances, driven by persona-based sourcing and tighter conversion discipline.
- Deposit growth has been faster than the industry, supported by improved acquisition, customer deepening and controlled movement in deposit costs over the last 11 quarters.
- Management acknowledged that retail and small business deposit growth has lagged corporate and institutional deposits in recent years and reiterated continued focus on granular and retail deposit build-up, particularly current accounts.
- The bank continues to operate with LCR in the 115-120% range, with quarter-on-quarter variability driven by balance-sheet flows rather than any strategic change.

### Asset Quality

- Secured portfolios across segments remained resilient, while early indicators in retail unsecured portfolios continued to stabilise within guardrails.
- Key operating metrics like bounce rates, early delinquencies, collections and resolution trends have showed continued stabilisation, reflecting improving portfolio behaviour.
- Retail asset quality stabilisation, particularly in credit cards, is playing out as guided earlier, with YoY improvement seen across gross slippages, net slippages and credit costs.
- On technical slippages, management reiterated that these are adequately collateralised and are not expected to result in economic losses, with recoveries expected over time.

### Operational Efficiency

- Management reiterated continued execution of its GPS strategy, anchored around building a resilient franchise, creating multiple competitive advantages, and building for the future.

- Wholesale banking growth has been driven by deeper ecosystem penetration and higher customer stickiness, with incremental sanctions concentrated in A- and above rated clients, maintaining portfolio quality.
- Retail banking growth remains selective, with focus on credit-tested customers, multi-channel distribution and relationship deepening.
- The bank continued investments in digital capabilities, including omni-channel Express Banking Digital Points, UPI-enabled digital co-branded RuPay credit cards, and AI/deep-tech initiatives, alongside branch expansion (~400 branches planned in FY26).
- Operating efficiency improved with better cost discipline, lower staff costs and ongoing focus on cost-to-assets improvement over the medium term, despite incremental investments to support growth.

#### **Future Outlook / Guidance**

- Management reiterated confidence in delivering through-the-cycle NIM of 3.8%, despite near-term margin pressure from rate cuts and mix shifts.
- The bank expects deposit cost reduction to continue into Q4, helping offset some pressure from loan yield repricing.
- Retail asset growth is expected to gradually accelerate over the next few quarters, as disbursement momentum improves and unsecured and mortgage segments recover.
- The bank reiterated that it does not require equity capital for growth or protection; it may opportunistically evaluate Tier II or AT1 issuances, with AT1 call due in 2026 subject to market conditions.
- Management remains focused on sustainable growth, margin discipline, asset quality stability and calibrated capital allocation through the cycle.

## Exhibit 1: Quarterly Snapshot

(Rs mn)

Year-end: March	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Interest Income	3,22,744	3,09,539	3,09,702	4.3	4.2
Interest Expenses	1,79,878	1,73,481	1,72,257	3.7	4.4
<b>Net Interest Income</b>	<b>1,42,866</b>	<b>1,36,059</b>	<b>1,37,446</b>	<b>5.0</b>	<b>3.9</b>
<b>NIM (%)</b>	<b>0.04</b>	<b>3.99</b>	<b>3.80</b>	<b>-395 bps</b>	<b>-376 bps</b>
Non-Interest Income	62,257	59,722	66,250	4.2	-6.0
<b>Operating Income</b>	<b>2,05,122</b>	<b>1,95,781</b>	<b>2,03,696</b>	<b>4.8</b>	<b>0.7</b>
Staff Cost	27,718	29,846	31,176	-7.1	-11.1
Other Op Exp	68,647	60,596	68,390	13.3	0.4
Total Operating Expenses	96,365	90,442	99,566	6.5	-3.2
<i>Cost to Income (%)</i>	<i>47.0</i>	<i>46.2</i>	<i>48.9</i>	<i>78 bps</i>	<i>-190 bps</i>
<b>Operating Profit</b>	<b>1,08,757</b>	<b>1,05,339</b>	<b>1,04,130</b>	<b>3.2</b>	<b>4.4</b>
Provisions	22,459	21,556	35,470	4.2	-36.7
<b>PBT</b>	<b>86,298</b>	<b>83,782</b>	<b>68,659</b>	<b>3.0</b>	<b>25.7</b>
Tax	21,402	20,745	17,759	3.2	20.5
<i>-effective tax rate</i>	<i>24.8</i>	<i>24.8</i>	<i>25.9</i>	<i>4 bps</i>	<i>-106 bps</i>
<b>PAT</b>	<b>64,896</b>	<b>63,038</b>	<b>50,901</b>	<b>2.9</b>	<b>27.5</b>
EPS (Rs)	20.9	20.4	16.4	2.6	27.4
BV (Rs)	633.5	553.4	612.2	14.5	3.5
Deposits	1,26,07,859	1,09,58,830	1,20,34,869	15.0	4.8
Advances	1,15,90,517	1,01,45,640	1,11,67,030	14.2	3.8

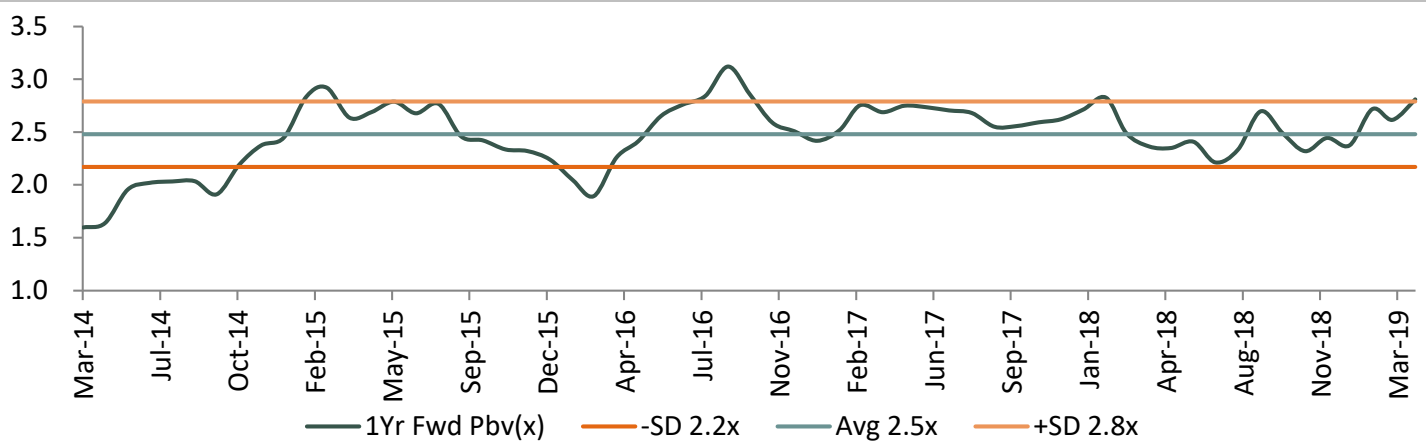
Source: Company; IDBI Capital Research

**Exhibit 2: ROE Decomposition**

(%)	FY24	FY25	FY26E	FY27E	FY28E
NII	3.6	3.5	3.4	3.4	3.3
Fees	1.5	1.5	1.4	1.5	1.5
Other Income	0.1	0.1	0.2	0.2	0.2
Net Revenue	5.2	5.2	5.0	5.0	5.0
Op.Exp	2.5	2.4	2.3	2.3	2.3
Op.Profit	2.7	2.7	2.7	2.7	2.6
Provisions	0.3	0.5	0.7	0.5	0.5
PBT	2.4	2.2	2.0	2.2	2.2
Tax	0.6	0.5	0.5	0.5	0.5
PAT	1.8	1.7	1.5	1.6	1.6
Leverage (x)	10.1	9.3	8.7	8.4	8.2
<b>ROE</b>	<b>18.0</b>	<b>15.9</b>	<b>13.0</b>	<b>13.7</b>	<b>13.4</b>

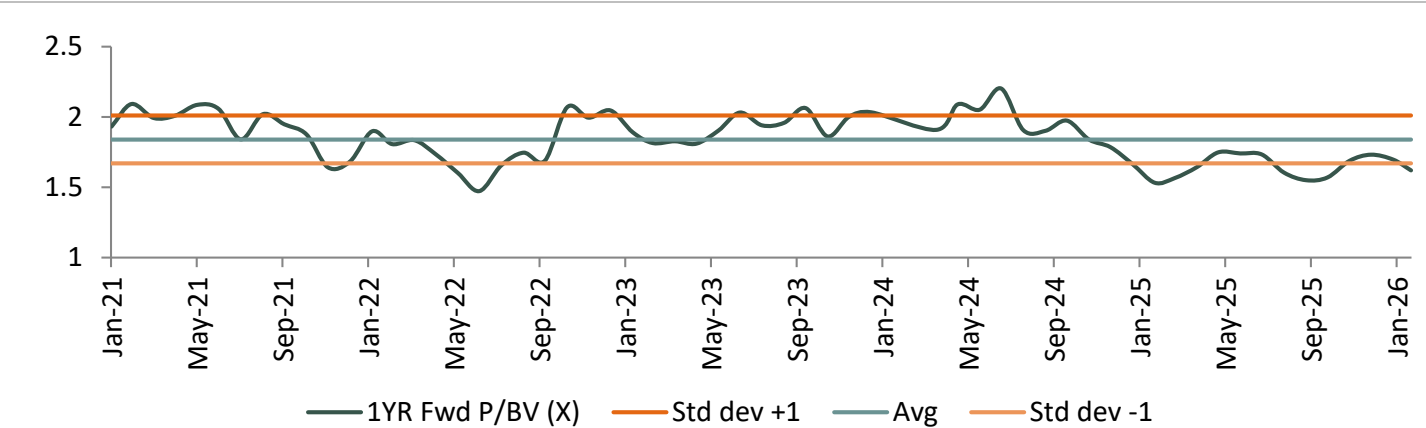
Source: Company; IDBI Capital Research

Exhibit 3: One-year forward P/ABV (FY14-19)

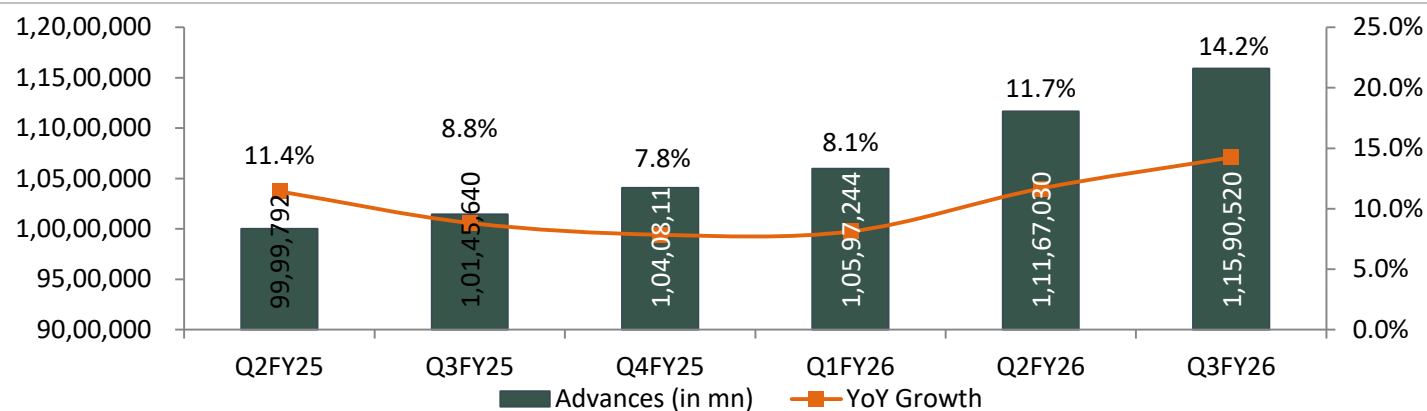


Source: Company; IDBI Capital Research

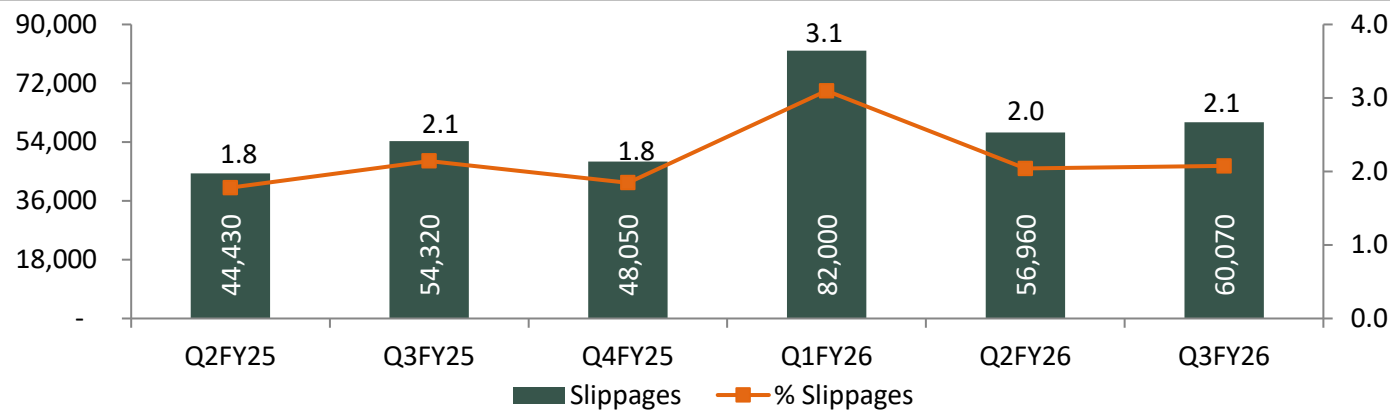
Exhibit 4: One-year forward P/ABV (2021-2026)



Source: Company; IDBI Capital Research

**Exhibit 5: Advances growth increased during the qtr**

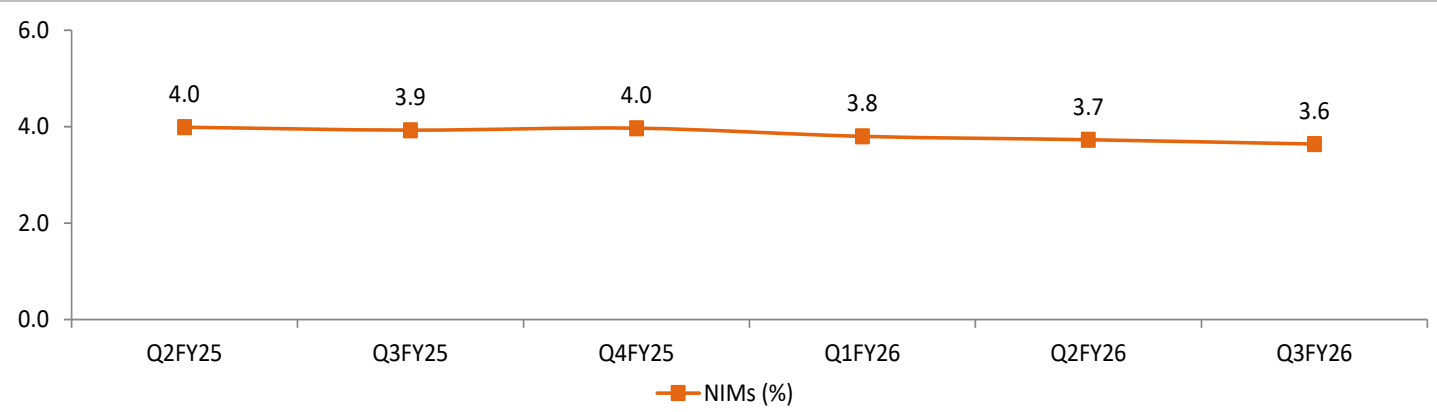
Source: Company; IDBI Capital Research

**Exhibit 6: Slippage ratio increased QoQ**

Source: Company; IDBI Capital Research

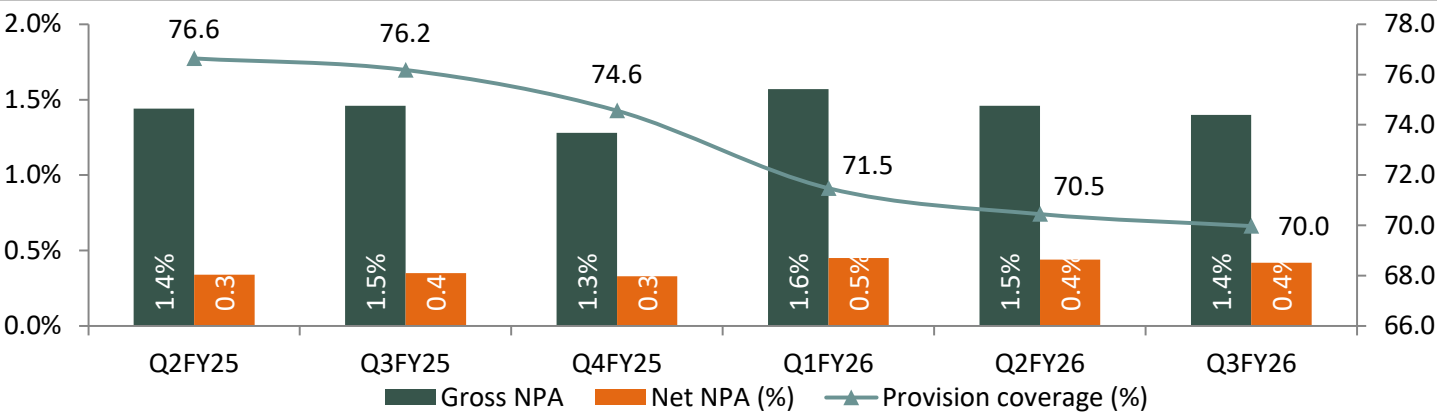


Exhibit 7: NIMs declined on a QoQ basis



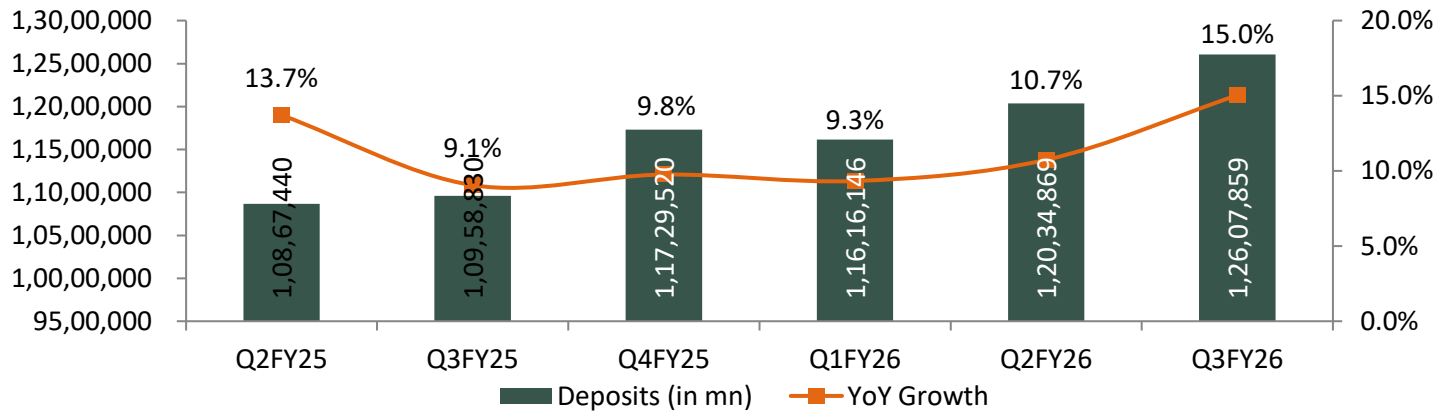
Source: Company; IDBI Capital Research

Exhibit 8: Asset quality improved with GNPA & NNPA easing



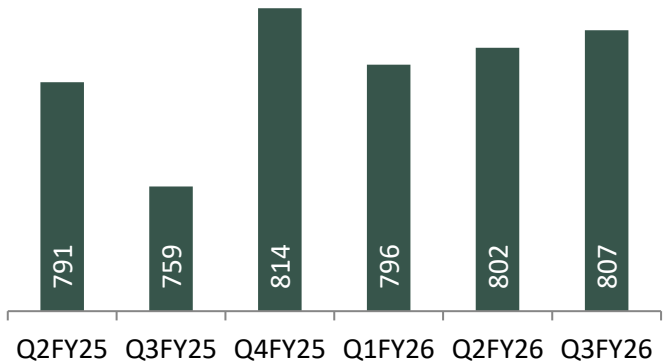
Source: Company; IDBI Capital Research

Exhibit 9: Deposits growth YoY increased from previous quarter



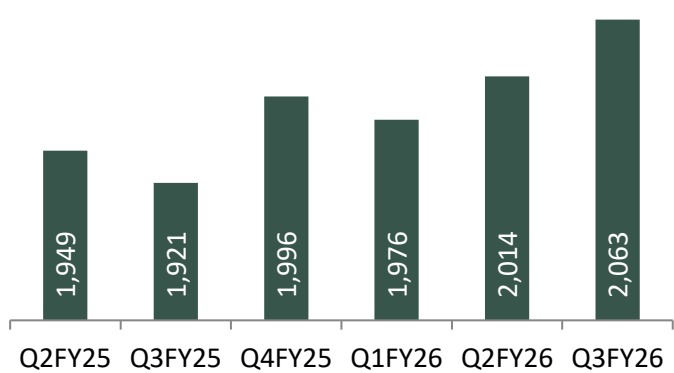
Source: Company; IDBI Capital Research

Exhibit 10: CASA per Branch



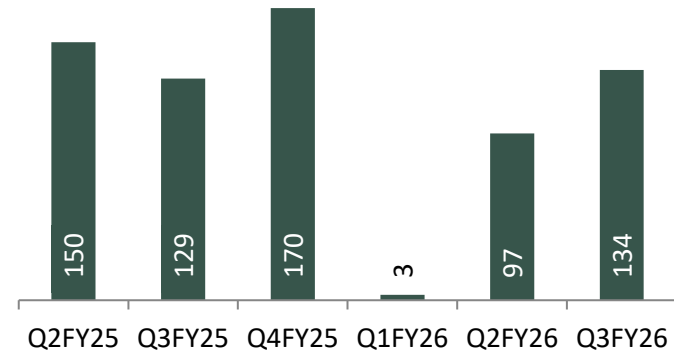
Source: Company; IDBI Capital Research

Exhibit 11: Deposit per Branch



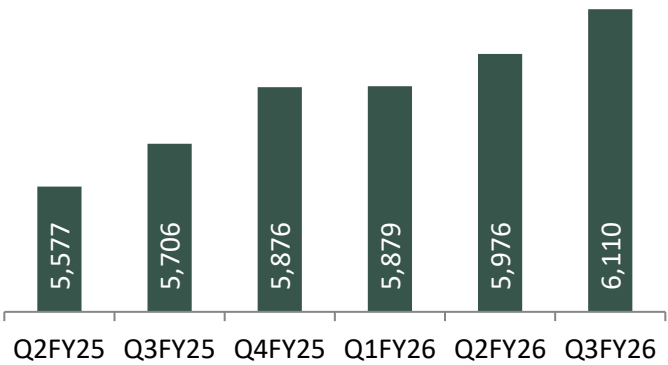
Source: Company; IDBI Capital Research

Exhibit 12: Incremental No of Branches



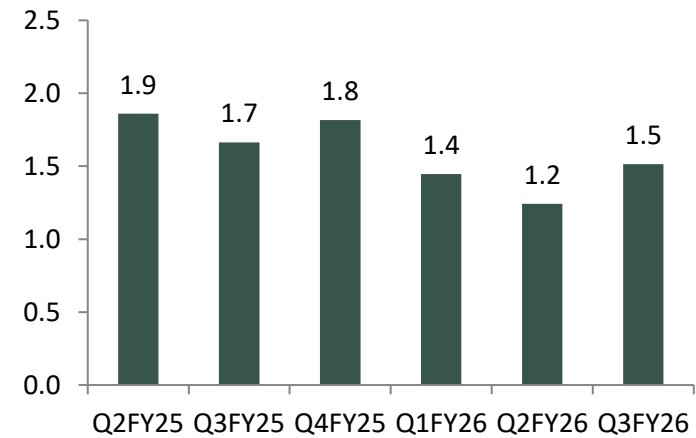
Source: Company; IDBI Capital Research

Exhibit 13: Branch Network



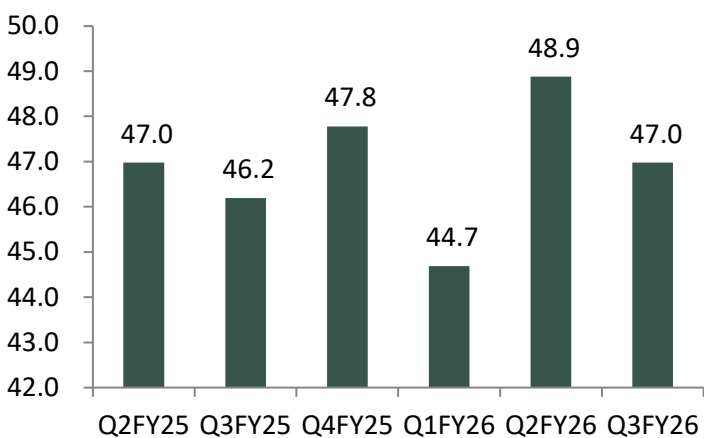
Source: Company; IDBI Capital Research

Exhibit 14: RoA increased on QoQ basis



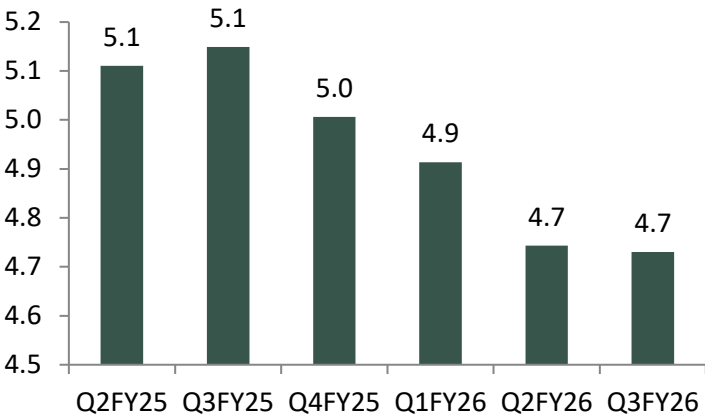
Source: Company; IDBI Capital Research

Exhibit 15: CI Ratio decreased



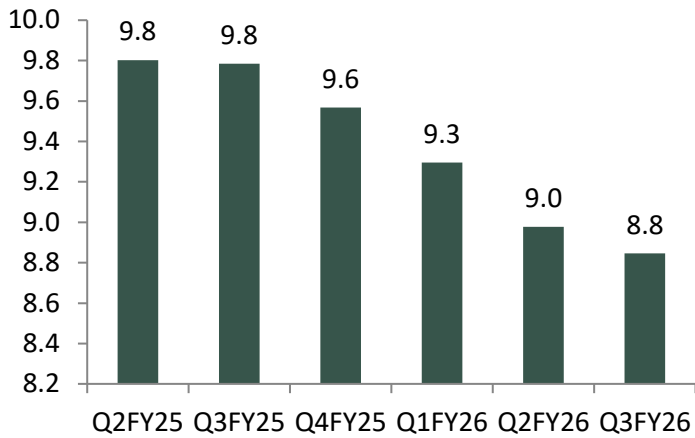
Source: Company; IDBI Capital Research

Exhibit 16: Cost of Funds remained stable QoQ



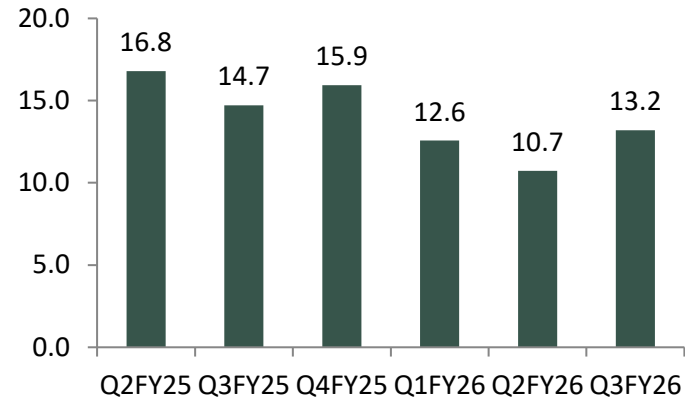
Source: Company; IDBI Capital Research

Exhibit 17: Yield on Advances decreased QoQ



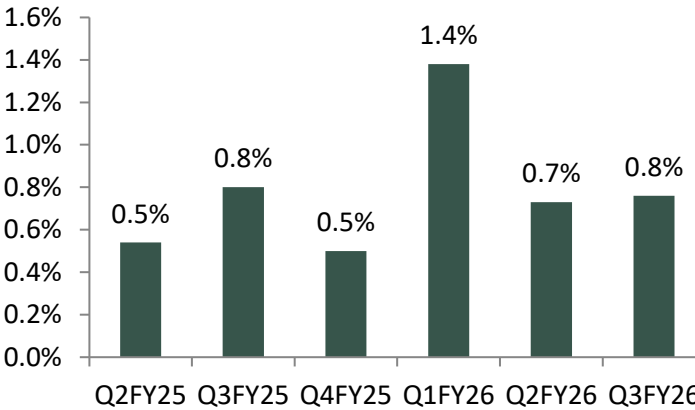
Source: Company; IDBI Capital Research

Exhibit 18: ROE increased QoQ

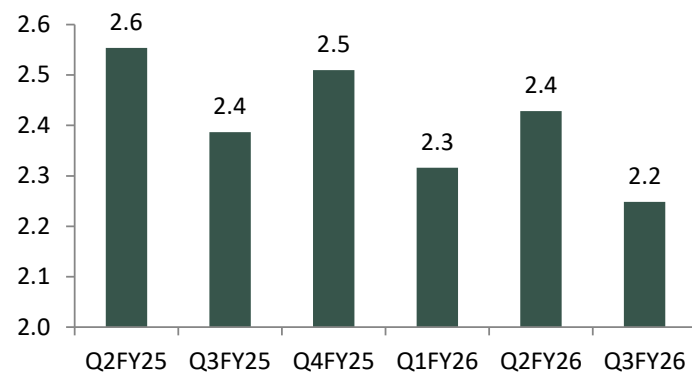


Source: Company; IDBI Capital Research

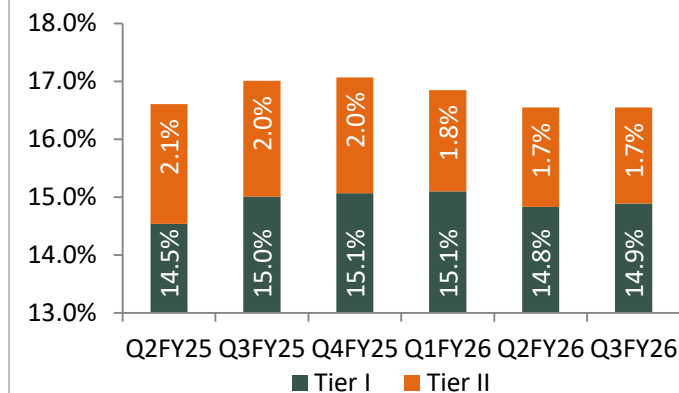
Exhibit 19: Credit Cost increased QoQ



Source: Company; IDBI Capital Research

**Exhibit 20: Cost to Assets decreased sequentially**

Source: Company; IDBI Capital Research

**Exhibit 21: CAR continues to remain strong**

Source: Company; IDBI Capital Research

**Exhibit 22: Statement of Restructured Assets-Segment Wise**

Restructured Assets	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Retail	11,610	10,870	10,210	9,690	9,150	8,600
Wholesale	1,590	1,800	1,870	1,790	1,560	1,760
CBG	-	-	-	-	-	-
<b>Total Bank</b>	<b>13,200</b>	<b>12,670</b>	<b>12,080</b>	<b>11,480</b>	<b>10,710</b>	<b>10,360</b>
<b>Bank as a % of GCA</b>	<b>0.12</b>	<b>0.12</b>	<b>0.11</b>	<b>0.10</b>	<b>0.09</b>	<b>0.08</b>
Retail as a % of segment GCA	0.19	0.19	0.16	0.15	0.14	0.13
Wholesale as a % of segment GCA	0.05	0.05	0.06	0.06	0.04	0.05
CBG as a % of segment GCA	-	-	-	-	-	-

Source: Company; IDBI Capital Research

**Exhibit 23: Retail Assets Breakup (In Mn)**

Retail Assets	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Home Loans	17,06,730	16,75,700	16,57,030	1.9	3.0
LAP	8,32,710	6,96,510	8,22,590	19.6	1.2
Auto loans	5,81,590	5,83,590	5,74,870	(0.3)	1.2
SBB	7,29,970	6,41,920	7,06,630	13.7	3.3
Comm Equipment	1,22,640	1,15,290	1,17,250	6.4	4.6
Personal loans	8,01,300	7,59,690	7,87,100	5.5	1.8
Credit Cards	4,44,210	4,32,250	4,69,560	2.8	(5.4)
Rural loans	9,32,920	9,36,880	9,14,000	(0.4)	2.1
Others	2,93,680	2,16,420	3,05,570	35.7	(3.9)
<b>Total Retail Asset</b>	<b>64,45,750</b>	<b>60,58,250</b>	<b>63,54,600</b>	<b>6.4</b>	<b>1.4</b>

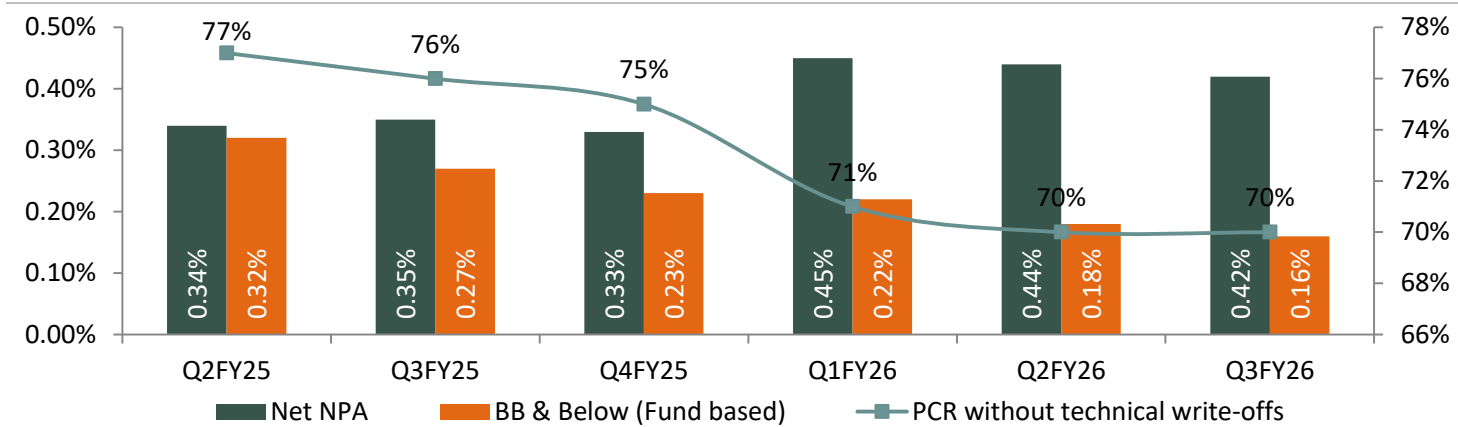
Source: Company; IDBI Capital Research

**Exhibit 24: Retail Assets Breakup (In %)**

Retail Assets	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Home Loans	26.5	27.7	26.1	-118 bps	40 bps
LAP	12.9	11.5	12.9	142 bps	-3 bps
Auto loans	9.0	9.6	9.0	-61 bps	-2 bps
SBB	11.3	10.6	11.1	73 bps	20 bps
Comm Equipment	1.9	1.9	1.8	0 bps	6 bps
Personal loans	12.4	12.5	12.4	-11 bps	5 bps
Credit Cards	6.9	7.1	7.4	-24 bps	-50 bps
Rural loans	14.5	15.5	14.4	-99 bps	9 bps
Others	4.6	3.6	4.8	98 bps	-25 bps
<b>Total Retail Asset</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		

Source: Company; IDBI Capital Research

Exhibit 25: Bank’s Net NPA and Fund based BB and Below portfolio



Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Net interest income</b>	<b>429,457</b>	<b>498,945</b>	<b>543,478</b>	<b>570,364</b>	<b>629,206</b>	<b>687,928</b>
<i>Change (yoy, %)</i>	30%	16%	9%	5%	10%	9%
Fees	167,827	206,497	232,817	242,613	269,416	301,746
Other Income	-2,818	17,923	19,753	30,319	32,657	36,317
Net Revenue	594,466	723,364	796,049	843,295	931,279	1,025,991
Operating expenses	396,560	352,133	374,999	386,519	430,292	481,641
Employee expenses	87,601	109,331	121,928	135,163	151,167	169,021
Other expenses	308,959	242,802	253,072	251,356	279,125	312,620
<b>Pre-Provision Profit</b>	<b>197,906</b>	<b>371,232</b>	<b>421,049</b>	<b>456,776</b>	<b>500,987</b>	<b>544,350</b>
<i>Change (yoy, %)</i>	-20%	88%	13%	8%	10%	9%
Provision	28,848	40,631	77,584	122,033	99,108	97,322
PBT	169,058	330,601	343,466	334,743	401,879	447,028
Taxes	73,262	81,986	79,731	84,255	101,153	112,517
<i>Effective tax rate (%)</i>	43%	25%	23%	25%	25%	25%
<b>Net profit</b>	<b>95,797</b>	<b>248,614</b>	<b>263,735</b>	<b>250,488</b>	<b>300,726</b>	<b>334,511</b>
<i>Change (yoy, %)</i>	-26%	160%	6%	-5%	20%	11%
EPS	31.1	80.5	85.1	80.8	97.0	107.9
Return on Equity (%)	8.0	18.0	15.9	13.0	13.7	13.4
Return on Assets (%)	0.8	1.8	1.7	1.5	1.6	1.6



**Balance Sheet**

(Rs mn)

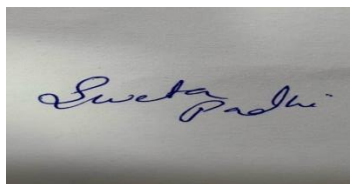
Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Capital	6,154	6,173	6,195	6,202	6,202	6,202
Reserves	1,248,013	1,504,443	1,791,057	2,037,760	2,332,284	2,660,593
<b>Networth</b>	<b>1,254,167</b>	<b>1,510,616</b>	<b>1,797,252</b>	<b>2,043,963</b>	<b>2,338,486</b>	<b>2,666,795</b>
<b>Deposits</b>	<b>9,469,452</b>	<b>10,686,414</b>	<b>11,729,520</b>	<b>12,978,494</b>	<b>14,489,752</b>	<b>16,182,361</b>
Current deposits	1,491,205	1,572,680	1,667,987	2,206,344	2,463,258	2,751,001
Saving deposits	2,974,160	3,021,326	3,113,893	3,504,193	3,912,233	4,369,237
Term deposit	5,004,087	6,092,408	6,947,640	7,267,957	8,114,261	9,062,122
Borrowings	1,863,000	1,968,118	1,841,465	1,800,377	1,952,594	2,119,118
Other liabilities	586,636	606,939	731,062	619,205	664,951	716,736
<b>Total Liab. &amp; Equity</b>	<b>13,173,256</b>	<b>14,772,087</b>	<b>16,099,299</b>	<b>17,442,038</b>	<b>19,445,783</b>	<b>21,685,009</b>
Cash	1,064,109	1,144,544	997,321	1,100,474	1,230,454	1,376,031
Advances	8,453,028	9,650,684	10,408,113	11,448,925	12,822,795	14,361,531
Investments	2,888,148	3,315,272	3,961,418	4,123,571	4,585,012	5,099,549
Fixed Assets	47,339	56,846	62,917	66,063	69,366	72,834
Other Assets	720,632	604,740	669,530	703,006	738,157	775,064
<b>Total assets</b>	<b>13,173,256</b>	<b>14,772,086</b>	<b>16,099,299</b>	<b>17,442,038</b>	<b>19,445,783</b>	<b>21,685,009</b>

## Financial Ratios

(%)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth</b>						
Deposits	15.2	12.9	9.8	10.6	11.6	11.7
Advances	19.4	14.2	7.8	10.0	12.0	12.0
NII	29.6	16.2	8.9	4.9	10.3	9.3
Pre-Provision Profit	(20.0)	87.6	13.4	8.5	9.7	8.7
Net Profit	(26.5)	159.5	6.1	(5.0)	20.1	11.2
<b>Spreads</b>						
Yield on Assets	7.6	8.5	8.6	8.2	8.1	8.0
Cost of Funds	3.7	4.7	5.0	4.7	4.7	4.6
NIM	3.8	3.9	3.8	3.7	3.7	3.6
CASA	47.2	43.0	40.8	44.0	44.0	44.0
<b>Operating Efficiency</b>						
Cost-to-Income	66.7	48.7	47.1	45.8	46.2	46.9
Cost-to-Assets	3.2	2.5	2.4	2.3	2.3	2.3
<b>Asset Quality</b>						
GNPA	2.2	1.5	2.0	1.5	1.7	1.9
NNPA	0.4	0.3	0.4	0.3	0.3	0.3
Provision Coverage	80.9	78.5	82.7	79.2	84.1	82.1
Credit Cost	0.4	0.4	0.8	1.1	0.8	0.7
<b>Capital Adequacy</b>						
CAR	17.6	16.6	17.1	17.3	17.6	17.9
Tier I	14.6	14.2	15.1	15.3	15.6	15.9
<b>Valuation</b>						
EPS	31	81	85	81	97	108
ABV	399	482	571	651	746	848
P/E	40.5	15.6	14.8	15.6	13.0	11.7
P/ABV	3.2	2.6	2.2	1.9	1.7	1.5
ROE	8.0	18.0	15.9	13.0	13.7	13.4
ROA	0.8	1.8	1.7	1.5	1.6	1.6

Source: Company; IDBI Capital Research



Dealing

(91-22) 6836 1111

dealing@idbicapital.com

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