

CMP: ₹ 1300

Target: ₹ 1520 (17%)

Target Period: 12 months

January 27, 2026

BUY

## Normalisation in earnings with no one-offs in Q3...

**About the stock:** Axis Bank is the third largest private sector bank in India with a balance sheet size of ~₹ 17.5 lakh crore. Strategy to focus on retail & MSME segment with emphasis on risk adjusted return has aided improvement in RoA & RoE.

- Retail and SME comprise ~69% of total loans

**Q3FY26 performance:** Axis Bank reported healthy business momentum though margin pressure persisted in Q3FY26. Advances grew 14% YoY (4% QoQ), led by continued traction in SME and mid-corporate segments, while retail portfolio remained benign in single digit. Deposits recorded robust growth of 15% YoY (5% QoQ), led by healthy CASA inflows, with CASA ratio sustained at 39%. NIM for Q3FY26 was 3.64%, down 9 bps QoQ, reflecting continued transmission of rate cuts. Core operating profit rose 7% YoY (9% QoQ), driven by strong fee income growth (+12% YoY). Asset quality continued to improve, with GNPA/NNPA declining to 1.4%/0.42% (down 6 bps/2 bps QoQ), while net credit cost moderated to 76 bps. PAT stood at ₹6,490 crore.

### Investment Rationale

- Corporate-led growth drives balance sheet expansion; retail recovery gradual:** Axis Bank's loan growth in Q3FY26 accelerated to 14% YoY (4% QoQ), led by a sharp pickup in corporate advances, which grew ~27% YoY (7% QoQ), reflecting selective, relationship-led lending. SME growth remained robust at ~22% YoY (6% QoQ), with the combined SME and mid-corporate book now accounting for ~24% of total loans. In contrast, retail growth stayed muted at ~6% YoY (1% QoQ), with housing, auto and rural segments witnessing slower traction, while unsecured PL and credit card growth remained modest at ~4.5% YoY. Deposit momentum remained healthy, with 15% YoY (5% QoQ) growth supported by improving acquisition quality and stable CASA flows. Overall, we expect credit growth to compound at ~13.5% CAGR over FY26–28E.
- Margin pressure persists; through-cycle guidance maintained:** NIM declined 9 bps QoQ to 3.64% in Q3FY26, weighed down by an unfavourable shift toward lower-yielding corporate loans, relatively tighter LDR and rate-cut transmission. Management maintained its through-cycle NIM guidance of ~3.8%, noting that near-term pressure from rate transmission and mix effects should ease as deposit repricing continues, retail mix normalises, and balance-sheet optimisation levers play out over the cycle.
- Asset quality metrics improved:** Asset quality trends remained benign, with GNPA/NNPA improving to 1.4%/0.42% down 6bps / 2 bps respectively. Excluding technical impact, gross slippages improved to 1.51% (vs 1.55% in Q2FY26) with net credit cost stable at 0.63%. Management reiterated that technical slippages are procedural in nature and not expected to translate into economic losses. Further, RoA improved to 1.49% (vs 1.23% Q2FY26), due to normalisation of provisions (down 37% QoQ)

### Rating and Target Price

- With corporate-led growth sustaining balance-sheet momentum, retail disbursements gaining traction, and asset quality stabilising alongside easing credit cost, earnings visibility is improving. Any inorganic expansion remains watchful. We revise our target price to ₹1,520, valuing the stock at ~1.6x FY28E BV, and ₹120 for subsidiaries. Maintain **BUY** rating.

### Key Financial Summary

₹ crore	FY24	FY25	3 year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
NII	49894	54348	18%	56301	64286	75090	11%
PPP	37123	42105	19%	44007	52166	62364	14%
PAT	24861	26373	27%	24184	30683	37172	12%
ABV (₹)	476.2	550.7		609.9	699.9	810.5	
P/E	16.1	15.3		16.6	13.1	10.8	
P/ABV	2.7	2.4		2.1	1.9	1.6	
RoA	1.8	1.7		1.4	1.6	1.7	
RoE	18.1	16.0		12.8	14.4	15.1	



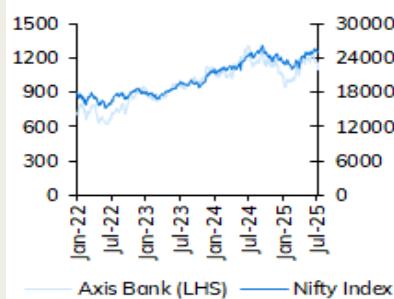
### Particulars

Particulars	Amount
Market Capitalisation	₹4,08,100 crore
52 week H/L	1,332 / 958
Net worth	₹2,05,534 crore
Face value	2.0
DII Holding (%)	42.7
FII Holding (%)	42.6

### Shareholding pattern

(in %)	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	8.1	8.1	8.1	8.1
FII	43.9	43.8	41.9	42.6
DII	40.9	41.2	42.9	42.7
Public	7.1	6.9	7.1	6.6

### Price Chart



### Key risks

- Liabilities accretion at competitive price
- Any uptick in credit cost

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## Concall highlights and outlook

### **Business performance and growth outlook**

- Advances rose 14% YoY (4% QoQ) to ₹11,59,052 crore, driven by strong traction in SME (14% YoY) and mid-corporate segments (up 6% QoQ / 31% YoY).
- Deposits grew 15% YoY (5% QoQ) to ₹12,60,786 crore, with term deposits up 16% YoY and CASA balances up 14% YoY. The bank gained market share on both deposits and loans during the quarter.
- Management reiterated the broader ambition to sustainably outpace sector growth over the medium-to-long term.
- Management reiterated the optimal medium-term mix target of ~58–60% retail, 23–25% wholesale, with rebalancing expected as retail disbursements pick up.
- Sectoral traction was highlighted in power, corporate real estate and diversified conglomerates, with emphasis on transaction-led ecosystem relationships rather than pure balance-sheet lending.
- Borrowings have increased to ~15% of incremental balance sheet; management indicated this is tactical and not a structural shift.
- Deposit growth has outpaced the industry over recent quarters; however, management acknowledged more work is required on current account deepening to improve liabilities quality.
- Fee income was ₹6,100 crore, up 12% YoY (1% QoQ); granular fees constituted 92% of total fees.

### **Margins & Opex**

- The 9 bps QoQ NIM decline in Q3 was attributed primarily to:
  - Asset mix shift towards wholesale (lower-yielding than retail), and
  - Liabilities mix impact, as incremental CASA accretion remains lower than the existing book CASA.
- Management clarified that Q4FY26 will reflect full pass-through of the December 25 repo cut, partially offset by further deposit repricing benefits.
- Management reiterated strong confidence in through-cycle NIM guidance of ~3.8%, stating it is rate-cycle agnostic.
- Staff cost reduction in Q3 (-7% YoY) was driven by:
  - Reduction in headcount, and
  - One-time reversals of staff expense accruals no longer required.

### **Asset quality**

- Gross slippages were ₹6,007 crore (Retail ₹5,472 crore; CBG ₹370 crore; WBCG ₹165 crore)
- Net slippages were ₹3,135 crore, down 11% YoY; adjusted for recoveries from written-off pool, net slippages were ₹2,335 crore.
- Recoveries from written-off accounts were ₹799 crore, up 25% QoQ.
- Management reiterated stabilization in retail asset quality: cards portfolio showed YoY improvement across slippages and credit cost metrics; retail ex-cards also showed YoY improvement in key indicators.
- Non-NPA provisions remained healthy at ₹13,111 crore, including ECL buffer, restructuring provisions, standard asset provisions above regulatory, incremental one-time standard asset provision, and weak-asset provisions.

### **Other updates**

- RIDF bonds continued to run down; RIDF share declined to 0.57% of total assets (vs 1.10% last year).
- Management indicated that no additional equity capital would be required in near term, even if any inorganic opportunities arise.
- LCR continues to be managed in the 115–120% range, with quarterly volatility viewed as balance-sheet driven and not structural.
- CET-1 stood at 14.50% (including 9MFY26 profits), with ~7 bps accretion in the quarter.

## Key Financial Table

### Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
NII	14,286.6	13,605.9	5.0	13,744.6	3.9	Healthy loan growth was offset by pressure on margins
NIM (%)	3.64	3.93	-29 bps	3.73	-9 bps	Decline owed to asset mix shift towards wholesale and repo transmission
Other Income	6,225.7	5,972.2	4.2	6,624.6	-6.0	Trading profits moderated QoQ due to lower realized gains/MTM
Net Total Income	20,512.2	19,578.1	4.8	20,369.1	0.7	
Staff cost	2,771.8	2,984.6	-7.1	3,117.6	-11.1	Declined sequentially driven reduction in headcount
Other Operating Expenses	6,864.7	6,059.6	13.3	6,839.0	0.4	Steady opex
PPP	10,875.7	10,533.9	3.2	10,412.5	4.4	
Provision	2,245.9	2,155.6	4.2	3,547.0	-36.7	Provisions were stable YoY, though QoQ was distorted due to one-off Q2 related to crop loan provisioning of ~₹1,231 crore
PBT	8,629.8	8,378.2	3.0	6,865.5	25.7	
Tax Outgo	2,140.2	2,074.5	3.2	1,775.9	20.5	
PAT	6,489.6	6,303.8	2.9	5,089.6	27.5	PAT steady on lower provisioning
<b>Key Metrics</b>						
GNPA	17,166.8	15,850.0	8.3	17,308.0	-0.8	GNPA down 6 bps QoQ to 1.40%
NNPA	5,154.3	3,775.0	36.5	5,114.0	0.8	PCR maintained at ~70%
Credit	1,159,052	1,014,564	14.2	1,116,703	3.8	Driven by healthy growth in mid-corporate & SME segment
Deposit	1,260,786	1,095,883	15.0	1,203,487	4.8	Term deposits up 14% YoY; CASA at 39%

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 2: Profit and loss statement				₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E
Interest Earned	122,677	127,331	140,052	160,703
Interest Expended	68,329	71,030	75,766	85,614
Net Interest Income	54,348	56,301	64,286	75,090
Growth (%)	8.9	3.6	14.2	16.8
Non Interest Income	25,257	27,027	29,850	32,980
Net Income	79,605	83,328	94,136	108,069
Staff cost	12,193	12,833	13,897	15,422
Other Operating Expense	25,307	26,487	28,073	30,283
Operating Profit	42,105	44,007	52,166	62,364
Provisions	7,758	12,187	11,794	13,454
PBT	34,347	31,820	40,372	48,910
Taxes	7,973	7,637	9,689	11,738
Exceptional	-	-	-	-
Net Profit	26,373	24,184	30,683	37,172
Growth (%)	6.1	-8.3	26.9	21.1
EPS (₹)	85.2	78.1	99.1	120.0

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Valuation				
No. of Equity Shares	309.7	309.7	309.7	309.7
EPS (₹)	85.2	78.1	99.1	120.0
BV (₹)	576.7	639.9	735.4	851.9
ABV (₹)	550.7	609.9	699.9	810.5
P/E	15.3	16.6	13.1	10.8
P/BV	2.3	2.0	1.8	1.5
P/ABV	2.4	2.1	1.9	1.6
Yields & Margins (%)				
Net Interest Margins	3.9	3.6	3.7	3.8
Yield on assets	8.8	8.2	8.0	8.2
Avg. cost on funds	5.2	5.0	4.8	4.9
Yield on average advances	9.7	9.1	8.8	9.0
Avg. Cost of Deposits	4.8	4.6	4.4	4.5
Quality and Efficiency				
Cost to income ratio	47.1	47.2	44.6	42.3
Credit/Deposit ratio	88.7	89.3	90.2	90.6
GNPA	1.2	1.4	1.3	1.3
NNPA	0.4	0.4	0.4	0.4
RoE	16.0	12.8	14.4	15.1
RoA	1.7	1.4	1.6	1.7

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Capital	619	619	619	619
Reserves and Surplus	177998	197542	227138	263223
Networth	178617	198162	227758	263842
Deposits	1172952	1324451	1490312	1677346
Borrowings	184147	193579	203560	214121
Other Liabilities & Provisions	74214	79930	84988	90540
Total	1609930	1796122	2006617	2245848
Application of Funds				
Fixed Assets	6292	7102	8153	9368
Investments	396142	438607	485767	538157
Advances	1040811	1182953	1344721	1519535
Other Assets	66953	59467	50799	51398
Cash with RBI & call money	99732	107994	117177	127390
Total	1609930	1796122	2006617	2245848

Source: Company, ICICI Direct Research

Exhibit 5: Growth (%)				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Total assets	9.0	11.6	11.7	11.9
Advances	7.8	13.7	13.7	13.0
Deposit	9.8	12.9	12.5	12.5
Total Income	10.0	4.7	13.0	14.8
Net interest income	8.9	3.6	14.2	16.8
Operating expenses	6.5	4.9	6.7	8.9
Operating profit	13.4	4.5	18.5	19.5
Net profit	6.1	-8.3	26.9	21.1
Net worth	18.9	10.9	14.9	15.8
EPS	5.7	(8.3)	26.9	21.1

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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