

Steady growth with improving quality and strong capital support

CMP: INR 1,366

Rating: Buy

Target Price: INR 1,714

Stock Info

BSE	532215
NSE	AXISBANK
Bloomberg	ASXB IN
Reuters	AXBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Bn)	6.22
Mkt Cap (INR Bn)	4,246
52w H/L (INR)	1,418 / 1,041
Avg Yearly Vol (in 000')	6,589

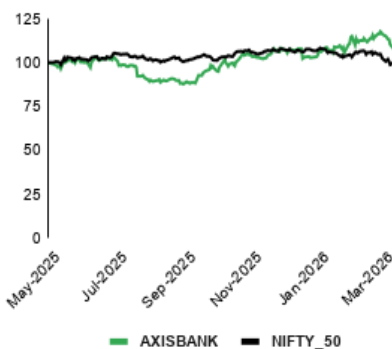
Shareholding Pattern %

(As on Dec, 2025)

Promoters	8.14
Public & Others	91.86

Stock Performance (%)	1m	6m	12m
Axis Bank	4.73	-7.96	-1.77
Nifty	13.01	8.60	14.19

Axis Bank Vs Nifty



Axis Bank reported a mixed set of Q4FY26 results, with NII broadly in line with our expectations, while PPOP and PAT came in below estimates, partly offset by stronger business growth and improving asset quality. NII stood at INR 144.6 bn vs our estimate of INR 148.2 bn, up 1.2% QoQ and 4.7% YoY, while PPOP came in at INR 100.1 bn compared with our estimate of INR 116.2 bn, down 7.9% QoQ and 6.9% YoY. Provisions rose sharply to INR 35.2 bn, above our estimate of INR 20.7 bn, up 56.8% QoQ and 159.1% YoY, driven by prudent contingent provisioning. PAT stood at INR 70.7 bn, below our estimate of INR 72.6 bn, though up 9.0% QoQ and broadly stable YoY. Asset quality improved further, with GNPA at 1.23% and NNPA at 0.37%. Advances rose 6.4% QoQ and 18.5% YoY to INR 12,335.7 bn, while deposits increased 5.9% QoQ and 13.9% YoY to INR 13,358.3 bn.

Balanced Growth Led by High-Quality and Granular Segments: The bank continued to deliver healthy growth, with advances rising 19% YoY and 6% QoQ, while deposits increased 14% YoY and 6% QoQ, supporting balance-sheet stability. Growth remained focused on granular and higher-quality segments, with SBB, SME and mid-corporate loans growing 24% YoY and contributing 24% of total advances. Corporate lending remained selective and high quality, with ~91% of the corporate book rated A- and above, reflecting Axis Bank’s disciplined growth strategy.

Improving Asset Quality with Strong Provisioning Buffer: Asset quality improved further, with GNPA declining to 1.23% and NNPA to 0.37%. Net credit cost moderated sharply to 0.37%, while lower slippages and improving collection trends indicate better portfolio behavior. The balance sheet remains conservatively provisioned, with a PCR of 70% and aggregate coverage ratio of 166%, supported by additional standard asset provisions.

Strong Capital Position with Growing Digital Franchise: Axis Bank remains well capitalized, with CET-1 at 14.38% and CAR at 16.42%, along with ~53 bps capital cushion from unutilized provisions. Management remains confident in funding growth internally. The bank also continues to strengthen its digital franchise, maintaining ~36% UPI payer PSP market share and adding ~1 Mn credit cards in Q4.

Valuation & View: Axis Bank is well positioned to deliver sustained and profitable growth over the medium term. Total advances are expected to grow at ~12–14%, driven mainly by retail and SME segments, while large corporate lending will remain selective. Asset quality is likely to stay stable, supported by low NPAs, a healthy provision coverage ratio of ~70%, and continued recoveries from written-off accounts. CASA and deposit growth should gradually improve as system liquidity normalizes, though some near-term margin pressure may persist due to deposit repricing. With strong capital adequacy of about 19.9% CRAR, controlled cost growth, and ongoing investments in digital capabilities and branch expansion, the bank is well placed to sustain ROA of ~1.7–1.8% and deliver a gradual improvement in ROE, supporting long-term earnings stability and franchise value. **Hence, We revise our estimates and rating to “BUY” with a target price of INR 1,714, valuing the stock at 1.72x FY29E ABV, awaiting clearer signs of growth momentum.**

Exhibit 1: Financial Performance

Axis Bank Ltd. (INR Bn)	FY25	FY26	FY27E	FY28E	FY29E
NII	543	560	658	770	904
PPOP	421	428	503	605	730
PAT	264	245	293	369	447
EPS (INR / Share)	85.1	78.7	94.3	118.8	143.7
ABVPS (INR / Share)	564.8	643.8	736.9	854.2	996.3
NIM (%)	3.7	3.4	3.4	3.4	3.5
ROA (%)	1.6%	1.3%	1.3%	1.5%	1.5%
ROE (%)	14.8%	12.0%	12.5%	13.6%	14.2%
P / ABV (x)	2.2	2.0	1.7	1.5	1.3

Source: Arihant Research, Company Filings

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Q4FY26 - Quarterly Performance (Standalone)

(in INR Bn)

Particulars (INR in bn)	Q4FY26	Q3FY26	Q4FY25	QoQ	YoY
Interest Earned	327.24	322.74	312.43	1.4%	4.7%
- Interest/discount on advances/bills	255.12	251.63	245.80	1.4%	3.8%
- Income on Investments	67.09	65.56	60.95	2.3%	10.1%
- Interest on bal with RBI	2.89	2.69	2.97	7.5%	-2.7%
- Others	2.13	2.86	2.71	-25.4%	-21.2%
Interest Expenses	182.67	179.88	174.32	1.6%	4.8%
NII	144.57	142.87	138.11	1.2%	4.7%
Other Income	60.23	62.26	67.80	-3.3%	-11.2%
Total Income	204.80	205.12	205.90	-0.2%	-0.5%
Operating Expenses	104.66	96.37	98.38	8.6%	6.4%
- Employee cost	31.15	27.72	29.62	12.4%	5.2%
- Others	73.52	68.65	68.76	7.1%	6.9%
Operating Profits	100.13	108.76	107.52	-7.9%	-6.9%
Provisions	35.22	22.46	13.59	56.8%	159.1%
Exceptional items	0.00	0.00	0.00	NA	NA
PBT	64.91	86.30	93.93	-24.8%	-30.9%
Tax	-5.80	21.40	22.76	-127.1%	-125.5%
PAT	70.71	64.90	71.18	9.0%	-0.6%
Advances	12,336	11,591	10,408	6.4%	18.5%
Deposits	13,358	12,608	11,730	6.0%	13.9%
Total Assets	18,868	17,522	16,099	7.7%	17.2%
CASA (%)	40%	39%	41%	100bps	-100bps
CASA Deposits	5,289	4,931	4,782	7.3%	10.6%
Asset Quality					
GNPA	160.8	171.7	144.9	-6.3%	11.0%
NNPA	47.9	51.5	36.9	-7.1%	30.0%
GNPA (%)	0.37%	1.40%	1.28%	-103bps	-91bps
NNPA (%)	1.23%	0.42%	0.33%	81bps	90bps
RoA	1.58%	1.49%	1.77%	9bps	-19bps
Cost to Income Ratio	51.11%	46.98%	47.78%	413bps	333bps

Source: Arianth Research, Company Filings

Q4FY26 Conference Call Highlights :

FY26 unfolded amid global macro and geopolitical volatility; despite this, India remained resilient and management remains confident of growing ahead of industry in a disciplined manner. Conservatism is positioned as a strategic advantage, with the bank entering FY27 with stronger resilience, clear growth intent and improving competitive positioning.

Q4FY26 Financial Snapshot

- PAT stood at INR 70.7 bn, up 9% QoQ and broadly flat YoY; consolidated ROA/ROE stood at 1.64%/15.15% in Q4.
- NII grew 5% YoY to INR 144.6 bn, while core operating profit remained broadly stable at INR 106.2 bn; NIM stood at 3.63%.
- Cost to assets improved to 2.28%, down 18 bps YoY.

One-off Items in Q4

- Q4 included tax write-back related to Citi acquisition intangibles, a one-time prudent standard asset provision of INR 20 bn and trading losses due to MTM impact.
- Management indicated the combined P&L impact of these items was largely net neutral.

Loan Growth

- Advances grew 19% YoY and 6% QoQ, led by strong momentum in wholesale, SME and retail segments.
- Retail disbursements remained robust, while loan mix optimization continues to support near-term NII.
- Management maintained medium-term growth guidance of 12–14%, with growth expected to remain above industry.

Wholesale Banking

- Growth was driven by ecosystem-led opportunities across power, real estate, manufacturing and NBFCs.
- Asset quality and underwriting remain strong, with ~91% of wholesale book rated A- and above.
- Fee traction remained healthy across transaction banking and corporate segments.

Deposits

- Deposits grew 14% YoY and 6% QoQ, supported by improving CASA momentum.
- Deposit quality and repricing remain focus areas, though management sees gradual improvement ahead.

Asset Quality & Provisions

- Asset quality improved further, with GNPA/NNPA at 1.23%/0.37%; net credit cost moderated to 37 bps.
- Provisioning remains robust, with 166% aggregate coverage ratio and additional contingent buffers strengthening downside protection.
- Management highlighted improving slippage trends and continued recovery traction.

Operating Expenses

- Opex growth remained manageable, led largely by technology investments and business-linked expenses.
- Branch expansion and digital investments continue to support long-term franchise growth.

Capital and Subsidiaries

- CET1 stood at 14.38%, with additional 53 bps capital cushion from provisions; no equity raise is envisaged.
- Subsidiaries delivered healthy performance, with domestic subsidiaries' PAT up 16% YoY.

AI and Strategic Initiatives

- AI-led initiatives under AXIOM continue to scale, with management expecting meaningful profitability benefits over the next 18–24 months.
- Wealth and digital franchises continued to strengthen, supporting long-term franchise value.

Guidance

- Management retained guidance on calibrated growth, ~3.8% through-cycle NIM aspiration and gradual improvement in ROE.
- Asset quality outlook remains stable, with strong buffers in place amid macro uncertainties.
- Fees, deposit traction and business mix are expected to improve gradually as growth normalizes.

Income Statement

(Rs Bn)	FY24	FY25	FY26A	FY27E	FY28E	FY29E
Interest Earned	1,093.7	1,226.8	1,270.3	1,498.0	1,782.7	2,128.0
Interest Expended	594.7	683.3	709.8	839.6	1,012.6	1,224.0
Net Interest Income	498.9	543.5	560.5	658.4	770.1	903.9
Other Income	224.4	252.6	261.3	278.4	314.3	354.9
Fee Income	182.6	205.5	213.7	239.3	268.0	300.2
Treasury Income	0.0	0.0	0.0	29.9	35.2	41.6
Operating Income	723.4	796.0	821.8	936.8	1,084.4	1,258.9
Operating Expenses	352.1	375.0	393.6	434.2	479.0	528.4
Employee Expenses	109.3	121.9	122.7	136.2	151.1	167.8
Profit before provision & tax	371.2	421.0	428.2	502.6	605.4	730.5
Provisions and Contingencies	40.6	77.6	132.6	112.0	113.3	135.0
Profit Before Tax	330.6	343.5	295.5	390.6	492.1	595.4
Provision for tax	82.0	79.7	51.0	97.7	123.0	148.9
Exp. Items	0.0	0.0	0.0	0.0	0.0	0.0
Profit After Tax	248.6	263.7	244.6	293.0	369.1	446.6

Balance Sheet

(Rs Bn)	FY24	FY25	FY26A	FY27E	FY28E	FY29E
Sources of funds						
Share Capital	6	6	6	6	6	6
Total Reserves	1,496	1,780	2,036	2,329	2,698	3,144
Shareholder's Fund	1,502	1,786	2,042	2,335	2,704	3,151
Deposits	10,686	11,730	13,358	15,280	17,555	20,256
Borrowings	1,968	1,841	2,353	2,706	3,247	3,896
Other Liabilities & provisions	607	731	1,102	1,265	1,516	1,817
Total Liabilities	14,772	16,099	18,868	21,586	25,022	29,119
Application of Funds						
Cash & Bank	1,145	997	1,049	988	965	346
Investments	3,315	3,961	4,450	5,162	5,988	6,946
Advances	9,651	10,408	12,336	14,608	17,357	20,693
Fixed Assets	57	63	65	69	72	76
Other Assets	605	670	968	997	1,027	1,058
Total Assets	14,772	16,099	18,868	21,824	25,410	29,119

Source: Arianth Research, Company Filings

Ratios %						
	FY24	FY25	FY26A	FY27E	FY28E	FY29E
Asset Quality						
Gross NPA	1.4	1.3	1.2	1.2	1.2	1.1
Net NPA	0.3	0.3	0.3	0.3	0.3	0.3
PCR	78.5	74.6	75.0	75.0	75.0	75.0
Growth						
Advances Growth	14.2	7.8	18.5	18.4	18.8	19.2
Deposit growth	12.9	9.8	13.9	14.4	14.9	15.4
Net Profit Growth	156.8	6.1	-7.3	19.8	26.0	21.0
Liquidity						
C-D Ratio	90.3	88.7	92.3	95.6	98.9	102.2
CASA	37.8	40.8	39.6	45.0	45.0	45.0
Capital Adequacy	16.6	17.1	17.1	17.2	17.3	17.4
Efficiency						
Cost Income Ratio	48.68	47.11	47.90	46.35	44.17	41.97
Operating Costs to Assets	2.38	2.33	2.09	1.99	1.89	1.81

Spread Analysis (%)						
	FY24	FY25	FY26A	FY27E	FY28E	FY29E
Spread Analysis						
Yield on Advances	9.0	9.3	8.1	8.0	8.0	8.0
Yield on Investments	6.0	5.8	5.7	5.8	5.9	6.0
Cost of Funds	4.7	5.0	4.5	4.7	4.9	5.1
NIM	3.8	3.7	3.4	3.4	3.4	3.5
Interest Spread	4.3	4.3	3.5	3.3	3.1	3.0
Profitability						
ROE	16.5%	14.8%	12.0%	12.5%	13.6%	14.2%
ROA	1.7%	1.6%	1.3%	1.3%	1.5%	1.5%
Earnings Per Share (Rs)	80.5	85.1	78.7	94.3	118.8	143.7
Book Value (Rs)	487	577	657	751	870	1014
Adjusted Book Value (Rs)	476	565	644	737	854	996
Valuation						
P / EPS (x)	15.6	14.8	16.0	13.3	10.6	8.8
P / ABV (x)	2.6	2.2	2.0	1.7	1.5	1.3

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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