

19 July 2026

Axis Bank

Cost efficiencies offset NIM compression; maintain BUY

Loan growth accelerated to 19.0% y/y (vs. 18.5% in Q4FY26), ahead of the system and peers (Kotak/HDFC), while deposit growth of 18.0% y/y was the highest among peers (Kotak/HDFC/ICICI). Asset quality held up in a seasonally weak quarter, though gross and net slippages continued to remain higher than peers. NIM declined 16bps q/q to 3.46%, reflecting downward loan repricing and a higher share of corporate loans. However, the opex/assets ratio continued to improve, declining a further 26bps q/q. Ahead, we expect loan growth to sustain at ~100–150bps above the industry, with margins improving from hereon and moderating credit costs driving RoE to ~15% by FY28E (vs. ~12.7% in FY26). Axis remains our preferred large-cap pick, given its ~20% valuation discount to peers. At 1.4x FY28E core P/ABV, it continues to trade below ICICI, HDFC, and Kotak. Our SOTP-based TP stands at Rs1,622, valuing the core bank at 1.7x FY28E P/ABV and subsidiaries at Rs147/share.

Credit growth outpaces industry; deposits market share gain continues: Credit growth improved to 19% y/y (from 18.5% in Q4FY26), aided by strong momentum in Corporate (up 31% y/y) and SME (up 25% y/y). Despite improvement, retail growth remained in single digit for 6th consecutive quarter. Deposit growth remained healthy at 18% y/y, well ahead of system growth, while CASA grew 11.2% y/y, broadly in-line with the industry. Thus, the CASA ratio softened to 38%, as TDs grew faster. FCNR(B) scheme should provide an incremental boost to deposit mobilisation in the coming quarters, strengthening liquidity, aiding future loan growth and lowering funding cost.

Margins bottoming out; RoE recovery to sustain: NIM fell 16bps q/q to 3.46%, mainly due to loan repricing (9bps), change in balance sheet mix (4bps) and interest reversal (3bps). The management believes margins have largely bottomed, with lower funding costs, continued deposit repricing, an improving retail mix and FCNR(B) inflows expected to support a gradual recovery. Opex/assets improved 26bps (20bps ex one-offs) q/q to 2.04%. We expect RoE to improve to ~15% by FY28E (vs. ~12.7% in FY26), driven by margin normalisation, operating leverage and moderating credit cost.

Asset quality holds in a seasonally weak quarter: While seasonally higher agri slippages led to rise in gross/net slippages to 180/112bps (vs. 161/69bps in Q4FY26), it remained markedly lower vs. 315/233bps in Q1FY26. It retained Rs20bn precautionary provisioning, taking total additional provisioning buffer to Rs156bn (~1.2% of loans), providing a strong cushion against potential stress. The management expects marginal impact of upcoming ECL transition.

Valuation: We maintain BUY rating on Axis Bank with an SOTP-based TP of Rs1,622, valuing the core bank at 1.7x FY28E P/ABV and subsidiaries at Rs147/share.

Key Risks: (a) Slower credit growth; and (b) higher slippages.

Rating: **BUY**

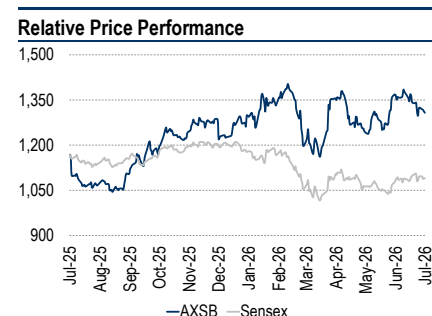
Target Price (12-mth): Rs.1,622

Share Price: Rs.1,328

Key Data	AXSB IN / AXBK.BO
52-week high / low	Rs1418 / 1043
Sensex / Nifty	78151 / 24334
Market cap	Rs4133bn
Shares outstanding	3111m

Shareholding Pattern (%)	June'26	Mar'26	Dec'25
Promoters	7.9	8.1	8.2
- of which, Pledged	-	-	-
Free float	92.1	91.9	91.9
- Foreign institutions	39.9	42.0	42.6
- Domestic institutions	42.7	43.4	42.6
- Public	9.5	6.5	6.6

Estimates Revision (%)	FY27e	FY28e
Net interest income	0.6	1.9
Pre-provisioning profit	1.7	4.3
PAT	2.1	5.0



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income Statement (Rs bn)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Net interest income	499	543	560	659	774
<i>NII growth (%)</i>	16.2	8.9	3.1	17.6	17.5
Non-interest income	224	253	261	302	351
Net total income	723	796	822	961	1,125
<i>Total inc. growth (%)</i>	22.4	10.0	3.2	17.0	17.0
Operating expenses	352	375	394	449	509
PPoP	371	421	428	513	616
<i>PPoP growth (%)</i>	15.0	13.4	1.7	19.7	20.1
Provisions	41	78	133	103	105
PBT	331	343	296	410	511
Tax	82	80	51	102	128
PAT	249	264	245	307	383
<i>PAT growth (%)</i>	12.7	6.1	(7.3)	25.6	24.7
EPS (Rs)	80.5	85.1	78.7	98.9	123.3
DPS (Rs)	1.0	1.0	1.0	1.0	1.2

Source: Company, Anand Rathi Research

Fig 2 – Balance Sheet (Rs bn)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Share capital	6	6	6	6	6
Reserves & surplus	1,504	1,791	2,049	2,353	2,733
Deposits	10,686	11,730	13,358	15,362	17,666
Borrowings	1,968	1,841	2,353	2,823	3,388
Other liabilities	607	731	1,102	1,263	1,466
Total liabilities	14,772	16,099	18,868	21,808	25,259
Advances	9,651	10,408	12,336	14,396	16,843
Investments	3,315	3,961	4,450	5,118	5,886
Cash & bank balance	1,145	997	1,049	1,175	1,316
Fixed & other assets	662	732	1,033	1,120	1,215
Total assets	14,772	16,099	18,868	21,808	25,259
No. of shares (m)	3,087	3,097	3,108	3,108	3,108
<i>Deposits growth (%)</i>	12.9	9.8	13.9	15.0	15.0
<i>Advances growth (%)</i>	14.2	7.8	18.5	16.7	17.0

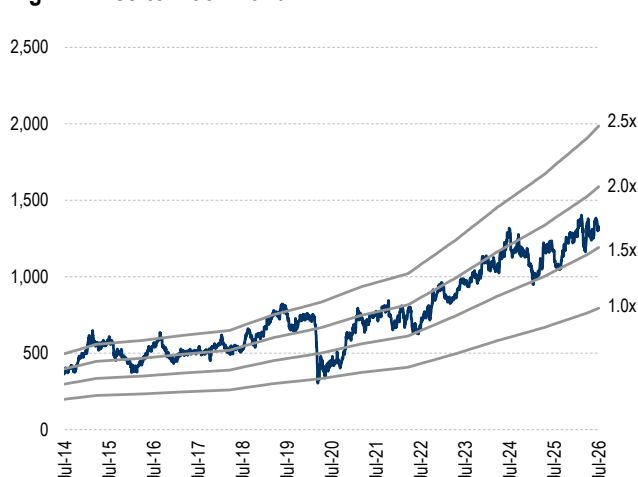
Source: Company, Anand Rathi Research

Fig 3 – Ratio Analysis

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
NIM	4.0	3.9	3.5	3.6	3.6
Cost-income	48.7	47.1	47.9	46.7	45.3
RoA	1.8	1.7	1.4	1.5	1.6
RoE	18.0	15.9	12.7	13.9	15.0
DPS (Rs)	0.1	0.1	0.1	0.1	0.1
LDR	90.3	88.7	92.3	93.7	95.3
Gross NPA	1.4	1.3	1.2	1.2	1.2
Net NPA	0.3	0.3	0.4	0.4	0.3
Provision coverage	77.4	73.6	70.2	70.0	70.0
BV (RS)	485.2	573.3	661.3	759.2	881.2
CRAR (%)	16.6	17.1	16.4	15.7	15.6
- Tier 1	14.2	15.1	14.8	14.3	14.4
P / E (x)	14.7	13.9	15.0	11.9	9.6
P / BV (x)	2.4	2.0	1.8	1.6	1.3
P / ABV (x)	2.4	2.1	1.8	1.6	1.4

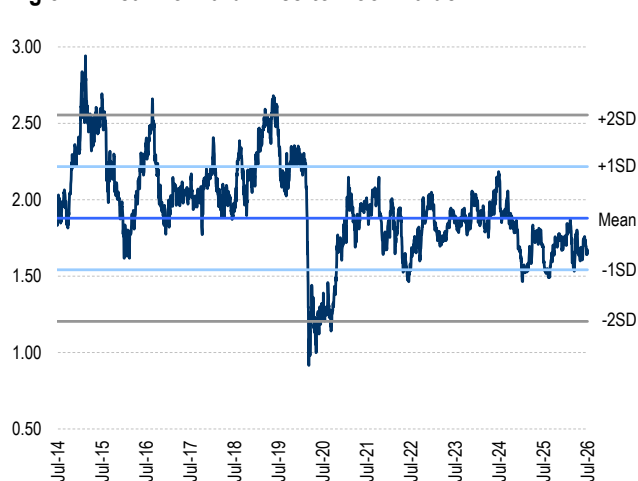
Source: Company, Anand Rathi Research

Fig 4 – Price-to-Book Band



Source: Bloomberg

Fig 5 – 1-Year Forward Price-to-Book Value



Source: Company, Anand Rathi Research

Fig 6 – Price Movement



Source: Bloomberg

Key Highlights

Quarterly Snapshot

Fig 7 – Income Statement

(Rs bn)	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27
Interest income	312	311	310	323	327	340
Interest expense	174	175	172	180	183	193
NII	138	136	137	143	145	146
y/y growth (%)	5.5	0.8	1.9	5.0	4.7	8.0
Non-interest income	68	73	66	62	60	67
Total Income	206	208	204	205	205	214
y/y growth (%)	3.7	8.2	0.8	4.8	-0.5	2.7
Operating expenses	98	93	100	96	105	97
Of which, staff cost	30	33	31	28	31	31
PPoP	108	115	104	109	100	117
y/y growth (%)	2.1	13.9	(2.8)	3.2	(6.9)	1.3
Total provisions	14	39	35	22	35	22
PBT	94	76	69	86	65	94
Tax	23	18	18	21	(6)	23
PAT	71	58	51	65	71	71
y/y growth (%)	(0.2)	(3.8)	(26.4)	2.9	(0.6)	22.5

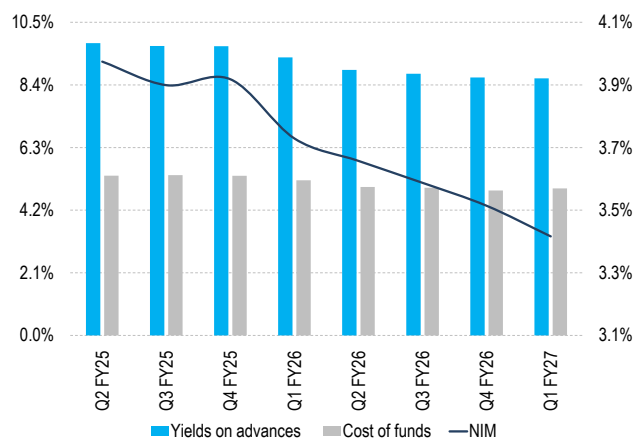
Source: Company, Anand Rath Research

Fig 8 – Balance sheet

(Rs bn)	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27
Equity capital	6	6	6	6	6	6
Reserves & Surplus	1,791	1,853	1,905	1,974	2,049	2,124
Deposits	11,730	11,616	12,035	12,608	13,358	13,729
Borrowings	1,841	1,810	1,995	2,179	2,353	2,373
Other liabilities	731	748	825	755	1,102	987
Total Liabilities	16,099	16,033	16,766	17,522	18,868	19,220
y/y deposit growth (%)	9.8	9.3	10.7	15.0	13.9	18.2
q/q deposit growth (%)	7.0	-1.0	3.6	4.8	6.0	2.8
Cash and cash balances						
Advances	997	993	832	1,001	1,049	1,308
Investments	10,408	10,597	11,167	11,591	12,336	12,616
Other assets	3,961	3,606	3,919	4,184	4,450	4,390
Total Assets	732	836	848	746	1,033	906
y/y advances growth (%)	16,099	16,033	16,766	17,522	18,868	19,220
q/q advances growth (%)	7.8	8.1	11.7	14.2	18.5	19.0

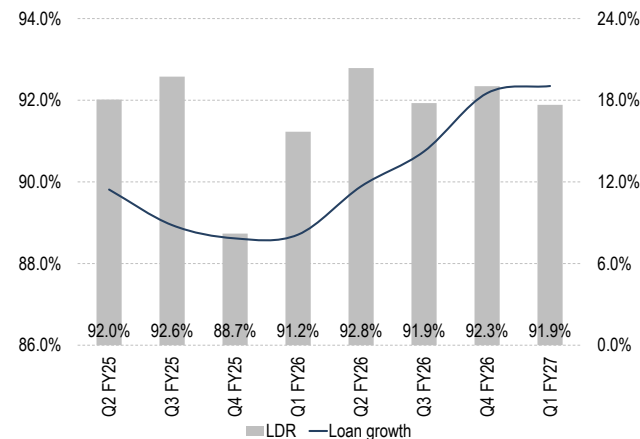
Source: Company, Anand Rath Research

Fig 9 – Yield, Cost and Margin



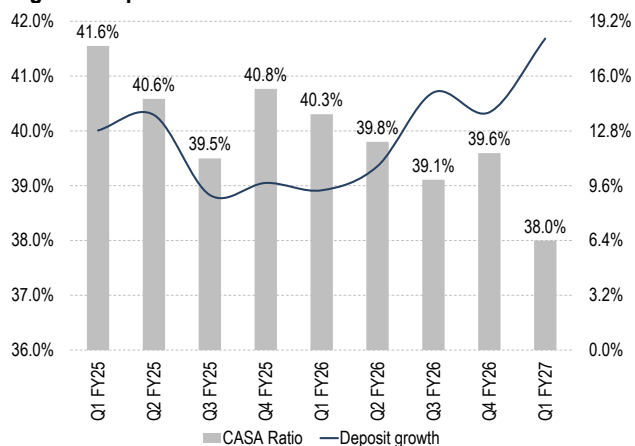
Source: Company, Anand Rathi Research

Fig 10 – Credit Growth vs. LDR



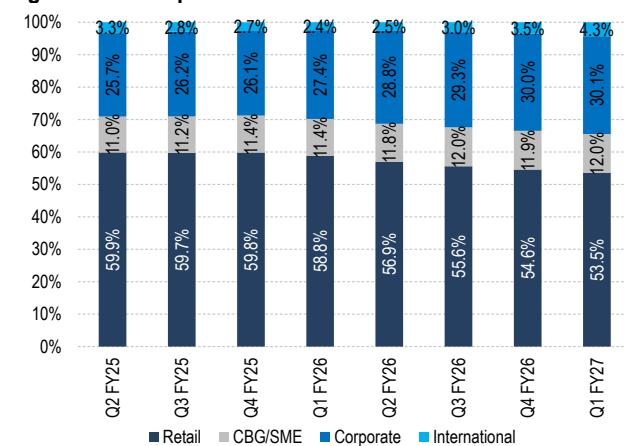
Source: Company, Anand Rathi Research

Fig 11 – Deposit Growth vs. CASA Ratio



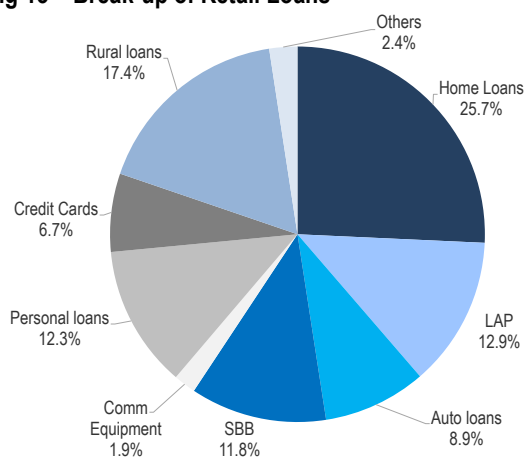
Source: Company, Anand Rathi Research

Fig 12 – Break-up of Loans



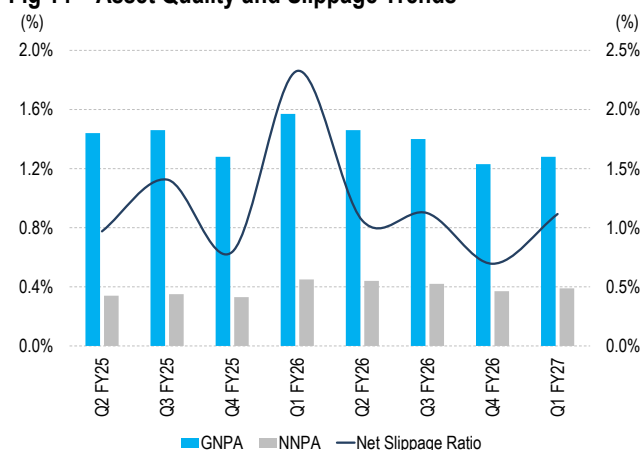
Source: Company, Anand Rathi Research

Fig 13 – Break-up of Retail Loans



Source: Company, Anand Rathi Research

Fig 14 – Asset Quality and Slippage Trends



Source: Company, Anand Rathi Research

Outlook and Valuations

We maintain BUY rating on Axis Bank with an SOTP-based TP of Rs1,622, valuing the core bank at 1.7x FY28e P/ABV and subsidiaries at Rs147/share.

Fig 15 – DuPont Analysis

	FY24	FY25	FY26	FY27e	FY28e
Interest income / assets	7.8	7.9	7.3	7.3	7.3
Interest expense / assets	4.3	4.4	4.1	4.0	4.0
Net interest income / assets	3.6	3.5	3.2	3.2	3.3
Non-interest income / assets	1.6	1.6	1.5	1.5	1.5
Net revenues / assets	5.2	5.2	4.7	4.7	4.8
Operating expense / assets	2.5	2.4	2.3	2.2	2.2
PPoP / assets	2.7	2.7	2.4	2.5	2.6
Provision / assets	0.3	0.5	0.8	0.5	0.4
Taxes / assets	0.6	0.5	0.3	0.5	0.5
RoA	1.8	1.7	1.4	1.5	1.6
RoAE	18.0	15.9	12.7	13.9	15.0

Source: Company, Anand Rath Research

Fig 16 – Change in Estimates

(Rs bn)	FY27e			FY28e		
	New Estimates	Old Estimates	Change (%)	New Estimates	Old Estimates	Change (%)
NII	659	655	0.6	774	760	1.9
Pre-provisioning profit	513	504	1.7	616	590	4.3
PAT	307	301	2.1	383	365	5.0

Source: Anand Rath Research

Key Risks

- Slower credit growth.
- Higher slippages from the corporate book.

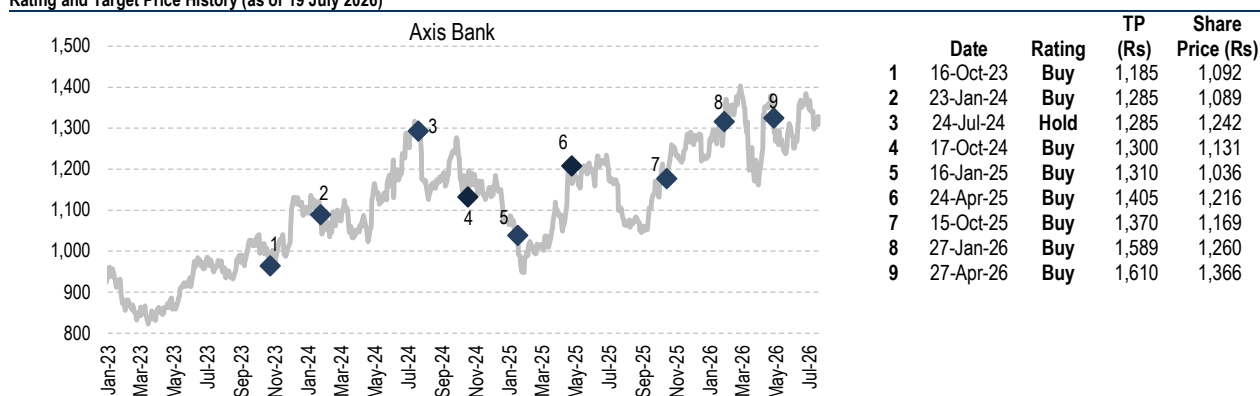
Appendix

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