Axis Bank (AXIBAN)

ICICI Direct

CMP: ₹ 1328 | Target: ₹ 1575 (19%) | Target Period: 12 months | BUY

July 19, 2026

Result Update

Growth outpaces industry, margin recovery watchful...

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 ~66% of total loans

Q1FY27 performance: Axis Bank reported mixed performance in Q1FY27, with strong business growth partly offset by continued margin compression. Advances grew 19% YoY (2% QoQ), led by robust corporate (38% YoY) and SME (25% YoY) growth, while retail growth remained relatively moderate despite healthy disbursement. Deposits increased 18% YoY (3% QoQ), driven by 23% YoY growth in term deposits, with CASA at 38%. NIM declined 16 bps QoQ to 3.46%, impacted by loan repricing, adverse balance-sheet mix and seasonal agri-related interest reversals. Treasury income moderated on a high base, while fee income remained healthy. Operating expenses stayed under control, while lower provisions led to credit cost moderating to ~63 bps. Seasonal agri stress led to higher net slippages (~1.12%), resulting in a marginal uptick in GNPA/NNPA to 1.28%/0.39%, with PCR remaining healthy at ~70%. PAT stood at ₹7,114 crore.

Investment Rationale

- **Growth momentum continues; favorable mix to support medium-term trajectory:** Credit growth remained robust, with advances growth led by strong traction in corporate (38% YoY) and SME (25%) segments, while retail growth (8%) remains relatively moderate but supported by improving disbursement momentum at 18% YoY across products. The current mix skew toward wholesale lending is tactical, aimed at optimizing pricing opportunity, with management maintaining its intent to rebalance towards ~70% retail/SME mix over the cycle. Liability traction remained healthy, supported by robust 23% YoY growth in term deposits. Operating efficiency improved, with cost-to-assets ratio declining to 2.2% (vs 2.41% in Q1FY26), aided by operating leverage. Further, fee income remained resilient, up 12% YoY, led by healthy traction across retail banking, cards and distribution business, partly offsetting moderation in treasury income.
- **Margins at trough, recovery expected:** We expect NIMs to have largely bottomed out, with a gradual recovery likely over the coming quarters, aided by an improving loan mix towards higher-yielding retail assets, continued liability repricing and transmission of lower funding cost. Management has reiterated its through-cycle NIM guidance of ~3.8%, although the pace of recovery will depend on retail mix normalisation and competitive intensity. While seasonal agri stress led to a marginal uptick in slippages to 1.12% (vs 0.7% in Q4FY26) and GNPA/NNPA inching up 5 bps / 2 bps QoQ to 1.28%/0.39%, while asset quality remains comfortable with healthy provisioning buffers and benign credit cost.

Rating and Target Price

- Healthy capital buffer and improving liability franchise, along with steady asset quality and moderating credit cost, supports earnings visibility. Factoring all this, we continue to value the bank at ~1.7x FY28E BV, and ₹130 for subsidiaries, with unchanged target of ₹1,575 and maintain BUY rating.

AXIS BANK

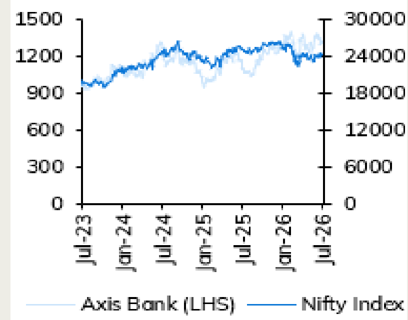
Particulars

Particulars	Amount
Market Capitalisation	₹ 4,13,292 crore
52 week H/L	₹ 1,418 / 1,041
Net worth	₹ 2,21,603 crore
Face value	2.0
DII Holding (%)	42.7
FII Holding (%)	39.9

Shareholding pattern

(in %)	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	8.1	8.1	8.1	8.1
FII	41.9	42.6	42.0	39.9
DII	42.9	42.7	43.4	42.7
Public	7.1	6.6	6.5	9.3

Price Chart



Key risks

(i) Slower than anticipated business growth

(ii) Adverse asset quality and asset mix change

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ICICI Securities – Retail Equity Research

Key Financial Summary

₹ crore	FY24	FY25	FY26	3 year CAGR (FY23-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII	49894	54348	56048	9%	64195	75068	16%
PPP	37123	42105	42817	29%	50129	60456	19%
PAT	24861	26373	24457	37%	29739	35563	21%
ABV (₹)	476.2	550.7	625.5		698.7	803.4	
P/E	16.5	15.6	16.9		13.9	11.6	
P/ABV	2.8	2.4	2.1		1.9	1.7	
RoA	1.8	1.7	1.4		1.5	1.6	
RoE	18.1	16.0	12.8		13.7	14.5	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Performance and growth outlook

- Advances grew 19% YoY (2% QoQ), with continued market-share gains across the loan franchise. Growth was led by corporate loans at 38% YoY, SME at 25% YoY and retail at 8% YoY.
- Retail disbursement momentum remained healthy at 18% YoY, with home-loan disbursements up 24%, vehicle loans up 21%, retail agriculture up 16% and personal loans up 23% YoY.
- The bank gained ~10 bps market share in advances during the year and reiterated its medium-term ambition to grow ~300 bps faster than the industry.
- New-to-bank customer acquisition remained healthy, with improving premiumisation and customer engagement; average balances of newly acquired customers increased 18% YoY.
- Average balances in new-to-bank salary accounts grew 30% YoY, while existing-to-bank salary book increased 18% YoY.
- Fee income grew 7% YoY to ₹6,156 crore, with granular fees comprising ~90% of total fees.
- Wholesale fee income increased 18% YoY, broadly in line with wholesale loan growth.
- Corporate and commercial banking fees grew 18% YoY (16% QoQ), supported by:
    - Transaction banking, forex and trade fees up 13% YoY
    - Credit fees up 21% YoY
    - Treasury fees excluding forex up 89% YoY.
- Trading and miscellaneous income stood at ~₹580 crore, declining 62% YoY, mainly due to a high base from realised gains on government securities and bonds in previous quarter.
- The overseas loan book remains high quality, with 98% rated A– and above and 64% of exposure linked to the top 10 conglomerates.
- The bank continues to target a broadly 70:30 retail/SME-to-wholesale mix, with flexibility of a few percentage points depending on market opportunities.

Margins

- NIM declined 34 bps YoY and 16 bps QoQ to 3.46%, which management identified as the bottom of the current margin cycle.
- The ~16 bps QoQ NIM decline was attributed to:
    - 3 bps from interest reversals related to seasonal agricultural slippages,
    - 4 bps from changes in the asset and liability mix,
    - 9 bps from loan pricing, including the full-quarter impact of prior-quarter corporate lending, incremental growth in lower-yielding segments and competitive pricing across loan categories.
- ~74% of the loan book is floating-rate, including 61% repo-linked, while ~45% of fixed-rate loans mature within 12 months.
- Management reiterated its structural NIM aspiration of 3.8%, while avoiding near-term quarterly or full-year margin guidance.
- Low-yielding RIDF investments declined to 0.41% of total assets, (vs 0.84% in Q1FY26), providing a structural margin tailwind.

Asset quality and opex

- Cost-to-assets improved to 2.2%, down 21 bps YoY and 8 bps QoQ, reflecting sustained productivity gains.
- Staff costs declined 6% YoY, while period-end employee count fell by ~609 employees QoQ.
- The sequential decline in operating expenses included ~₹271 crore, of one-time staff-cost benefits, mainly from reversal of employee-benefit provisions, gratuity adjustments and reversal of excess variable-pay provisions.

- Technology and digital expenses accounted for ~11% of total operating expenses.
- Gross slippages stood at ₹5,566 crore, comprising ₹5,176 crore from retail, ₹266 crore from commercial banking and ₹124 crore from wholesale book.
- Net slippages stood at ₹3,440 crore, with the net slippage ratio declining 121 bps YoY to 1.12%.
- Net slippages adjusted for recoveries from written-off accounts stood at ₹2,479 crore, including ₹2,614 crore from retail, ₹136 crore from commercial banking and a negative ₹271 crore from wholesale segment.

Other updates

- The bank did not utilise any portion of the ₹2,001 crore, precautionary standard-asset provision created in Q4FY26 for macroeconomic and geopolitical uncertainty.
- Total non-NPA provisions stood at ₹15,608 crore, comprising:
  - ₹7,013 crore of prudent standard-asset provisions,
  - ₹184 crore of restructuring provisions,
  - ₹1,854 crore of standard provisions above regulatory requirements,
  - ₹1,231 crore of additional one-time standard-asset provisions,
  - ₹5,326 crore of weak and other asset provisions.
- The bank has sanctioned ~₹5,000 crore under ECLGS and disbursed ~₹2,400 crore, while applying internal credit guardrails alongside regulatory eligibility criteria.

Key Financial Table

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
NII	14,646.1	13,559.8	8.0	14,457.2	1.3	Steady NII growth backed by healthy 19% YoY advances growth
NIM (%)	3.46	3.80	-34 bps	3.62	-16 bps	Margin declined due to a 9 bps loan-pricing impact, 4 bps mix drag and 3 bps seasonal agri-related interest reversal
Other Income	6,735.4	7,258.1	-7.2	6,022.6	11.8	Trading gains down 62% YoY impacted other income, while fee traction remained healthy
Net Total Income	21,381.5	20,817.8	2.7	20,479.7	4.4	
Staff cost	3,058.0	3,261.8	-6.2	3,114.8	-1.8	Benign employee cost amid reduction in staff count
Other Operating Expenses	6,664.4	6,040.9	10.3	7,351.6	-9.3	Sequential decline in operating expenses included ₹271 crore of one-time staff-cost benefits
PPP	11,659.1	11,515.2	1.3	10,013.4	16.4	
Provision	2,222.5	3,947.7	-43.7	3,522.2	-36.9	Net credit cost at ~63 bps, down 75 bps YoY and in Q4FY26 bank took ₹2,001 crore one-time standard asset provision
PBT	9,436.6	7,567.5	24.7	6,491.2	45.4	
Tax Outgo	2,322.6	1,761.4	31.9	-580.1	-500.4	In Q4FY26 tax reversal benefit of (~₹2,193 crore) was received
PAT	7,113.9	5,806.1	22.5	7,071.3	0.6	Driven by healthy business growth and benign provisions YoY
Key Metrics						
GNPA	17,124.3	17,764.7	-3.6	16,083.7	6.5	GNPA inched up 5 bps QoQ to 1.28%
NNPA	5,192.6	5,066.0	2.5	4,789.6	8.4	PCR maintained at ~70%
Credit	1,261,557	1,059,724	19.0	1,233,570	2.3	SME loans up 25% YoY, corporate loans up 38% YoY aided healthy growth
Deposit	1,372,936	1,161,615	18.2	1,335,834	2.8	Term deposits up 23% YoY; CASA at 38%

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	122,677	127,032	147,095	169,207
Interest Expended	68,329	70,984	82,899	94,139
Net Interest Income	54,348	56,048	64,195	75,068
Growth (%)	8.9	3.1	14.5	16.9
Non Interest Income	25,257	26,131	28,603	31,302
Net Income	79,605	82,179	92,799	106,370
Staff cost	12,193	12,266	13,148	14,478
Other Operating Expense	25,307	27,096	29,521	31,436
Operating Profit	42,105	42,817	50,129	60,456
Provisions	7,758	13,263	10,999	13,662
PBT	34,347	29,554	39,130	46,794
Taxes	7,973	5,097	9,391	11,231
Exceptional	-	-	-	-
Net Profit	26,373	24,457	29,739	35,563
Growth (%)	6.1	-7.3	21.6	19.6
EPS (₹)	85.2	78.7	95.7	114.4

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No. of Equity Shares	309.7	310.8	310.8	310.8
EPS (₹)	85.2	78.7	95.7	114.4
BV (₹)	576.7	657.0	735.6	846.5
ABV (₹)	550.7	625.5	698.7	803.4
P/E	15.6	16.9	13.9	11.6
P/BV	2.3	2.0	1.8	1.6
P/ABV	2.4	2.1	1.9	1.7
Yields & Margins (%)				
Net Interest Margins	3.9	3.6	3.5	3.6
Yield on assets	8.8	8.1	8.1	8.2
Avg. cost on funds	5.2	4.8	5.0	5.1
Yield on average advances	9.7	8.8	8.9	9.0
Avg. Cost of Deposits	4.8	4.5	4.4	4.5
Quality and Efficiency				
Cost to income ratio	47.1	47.9	46.0	43.2
Credit/Deposit ratio	88.7	92.3	93.4	94.0
GNPA	1.2	1.2	1.0	1.0
NNPA	0.4	0.4	0.4	0.4
RoE	16.0	12.8	13.7	14.5
RoA	1.7	1.4	1.5	1.6

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Capital	619	622	622	622
Reserves and Surplus	177998	203573	227999	262471
Networth	178617	204194	228620	263093
Deposits	1172952	1335834	1527598	1736870
Borrowings	184147	235271	254443	275480
Other Liabilities & Provisions	74214	111551	124577	132588
Total	1609930	1886850	2135238	2408032
Application of Funds				
Fixed Assets	6292	6549	7207	8267
Investments	396142	445033	491345	542620
Advances	1040811	1233570	1426790	1631882
Other Assets	66953	96795	97043	103539
Cash with RBI & call money	99732	104903	112852	121724
Total	1609930	1886850	2135238	2408032

Source: Company, ICICI Direct Research

Exhibit 5: Growth (%)

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	9.0	17.2	13.2	12.8
Advances	7.8	18.5	15.7	14.4
Deposit	9.8	13.9	14.4	13.7
Total Income	10.0	3.2	12.9	14.6
Net interest income	8.9	3.1	14.5	16.9
Operating expenses	6.5	5.0	8.4	7.6
Operating profit	13.4	1.7	17.1	20.6
Net profit	6.1	-7.3	21.6	19.6
Net worth	18.9	14.3	12.0	15.1
EPS	5.7	(7.6)	21.6	19.6

Source: Company, ICICI Direct Research

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