Axis Bank (AXIBAN)

CMP: ₹ 1320 | Target: ₹ 1575 (19%) | Target Period: 12 months | BUY

April 27, 2026

Steady Quarter, Fortified Balance Sheet …

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

Q4FY26 performance: Axis Bank reported a steady operating performance in Q4FY26, with advances growing ~18.5% YoY (6.4% QoQ) led by strong traction in corporate and SME segments, while retail growth remained relatively moderate but supported by improving disbursement. Deposits increased ~14% YoY (6% QoQ), aided by term deposits and CASA accretion. NIMs remained broadly stable at 3.62%, while other income was impacted by treasury MTM losses, opex remained controlled with cost-to-asset at ~2.3%. Asset quality improved with GNPA/NNPA at ~1.23%/0.37% and credit cost moderating to ~37 bps. PAT stood at ~₹7,071 crore (up 9% QoQ/ down -1% YoY), with one-time items including a ₹2,001 crore standard asset provision and ₹2,193 crore tax benefit largely offsetting each other.

Investment Rationale

- **Growth momentum steady; mix-led strategy to support medium-term trajectory:** Bank continues to deliver steady balance-sheet expansion, with advances growth led by strong traction in corporate (38% YoY) and SME (24%) segments, while retail growth (8%) remains relatively moderate but supported by improving disbursement momentum 24% YoY (19% QoQ) across products. The current mix skew toward wholesale lending is tactical, aimed at optimizing near-term NII/RoE, with management maintaining its intent to rebalance towards ~70% retail/SME mix over the cycle. Deposit franchise remains healthy, supported by premiumisation (NTB balances up ~53% YoY) and CASA accretion (up 48 bps QoQ), aiding liability quality. With continued branch expansion, improving retail pipeline and strong ecosystem-led corporate relationships, the bank remains well placed to outpace industry growth over FY27E.
- **Improving asset quality and provision buffers to support earnings:** Margins moderated to ~3.6% (vs 3.97% in Q4FY25), impacted by repo rate transmission and adverse asset mix shift towards wholesale lending, though partly offset by ~44 bps YoY decline in cost of funds, with management reiterating ~3.8% through-cycle NIM guidance over the next 15–18 months. Asset quality trends improving, with GNPA/NNPA at ~1.23%/0.37% and credit cost moderating to ~37 bps, supported by improving retail stress indicators and recoveries. Reported earnings in Q4 were influenced by one-time items, including ₹2,001 crore, standard asset provision (precautionary) and ₹2,193 crore tax write-backs, which largely offset each other at the P&L level. With technical slippages largely behind, strong provision buffers in place and improving credit cost trajectory, earnings are expected to normalise going into FY27.

Rating and Target Price

- Strong capital buffers and an improving liability franchise, along with stabilising asset quality and moderating credit cost, supports earnings visibility. Any inorganic expansion remains watchful. We value the bank at ~1.7x FY28E BV, and ₹130 for subsidiaries, assigning revised target of ₹1575 (previous - ₹ 1520) and maintain BUY rating.

Key Financial Summary

₹ crore	FY24	FY25	FY26	3 year CAGR (FY23-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII	49894	54348	56048	9%	65081	77276	17%
PPP	37123	42105	42817	29%	51540	62234	21%
PAT	24861	26373	24457	37%	30730	36754	23%
ABV (₹)	476.2	550.7	609.9		699.0	807.6	
P/E	16.4	15.5	16.7		13.4	11.2	
P/ABV	2.8	2.4	2.2		1.9	1.6	
RoA	1.8	1.7	1.4		1.6	1.6	
RoE	18.1	16.0	12.8		14.4	14.9	

Source: Company, ICICI Direct Research

AXIS BANK

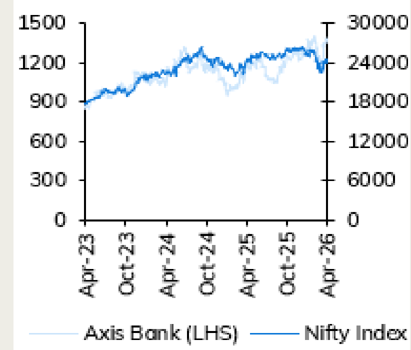
Particulars

Particulars	Amount
Market Capitalisation	₹4,24,599 crore
52 week H/L	1,418 / 1,041
Net worth	₹2,13,579 crore
Face value	2.0
DII Holding (%)	43.3
FII Holding (%)	42.0

Shareholding pattern

(in %)	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	8.1	8.1	8.1	8.1
FII	43.8	41.9	42.6	42.0
DII	41.2	42.9	42.7	43.4
Public	6.9	7.1	6.6	6.5

Price Chart



Key risks

(i) Uncertainty and volatility in credit cost trend

(ii) Liabilities accretion and any substantial skewness in asset mix

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Result Update

ICICI Securities – Retail Equity Research

Concall highlights and outlook

Performance and growth outlook

- Advances grew 19% YoY (6% QoQ), led by wholesale (+38% YoY), SME (+24%) and retail (+8%). Deposits grew 14% YoY (6% QoQ), led by term deposits, while CASA improved 48 bps QoQ.
- Retail disbursement grew 24% YoY (19% QoQ) across segments (home loans +28% YoY, vehicle +25%, agri +34%), indicating improving traction and future book growth visibility.
- Management remains confident of growing faster than industry, with near-term growth supported by wholesale and medium-term mix rebalancing towards retail/SME (~70%) vs wholesale (~30%).
- NTB balances grew 53% YoY, while ETB salary book grew 18% YoY, supporting granularization and improving quality of deposits.
- Growth in wholesale remained selective and ecosystem-led, with exposure concentrated in power (renewables), real estate, NBFCs and manufacturing sector, and >90% of the book rated A– and above, indicating no dilution in underwriting standards.

Margins

- NIM stood at 3.62% (vs 3.97% in Q4FY25), impacted by repo rate transmission and adverse asset mix shift towards wholesale lending.
- Lower retail mix (down ~300–450 bps YoY) and higher wholesale share continued to weigh on yields in the near term.
- Reduction in low-yield RIDF book (0.46% vs 0.9%) and improving balance sheet mix expected to support margin recovery over time.
- Management reiterated through-cycle NIM guidance of ~3.8%, expected to be achieved over 15–18 months post rate-cycle stabilization, aided by mix normalization and deposit repricing.

Asset quality

- GNPA at 1.23% down 17 bps QoQ, NNPA at 0.37% down 5 bps QoQ and PCR healthy at 70%.
- Net credit cost down 39 bps QoQ to 0.37%, Net slippages ratio (ex-technical impact) at 0.63% down 32 bp QoQ
- Early delinquency indicators across credit cards and personal loans showed stabilization.
- Based on an assessment of evolving and unpredictable macroeconomic and geopolitical uncertainties, the Bank created an additional one-time provision of ₹2,001 crores during the quarter.
- Cost-to-assets improved to ~2.28–2.33% (down ~15–18 bps YoY), reflecting positive operating leverage despite continued investments in distribution and technology.

Other updates

- Tax expense was lower due to allowance of tax depreciation on Citi India Consumer Business intangibles. This includes ₹1,130 crore reversal of prior-year excess tax provision, ₹266 crore reduction in current-year tax expense, and ₹798 crore DTA recognition. This reduced FY26 effective tax rate to 17.25%.
- Liquidity metrics remained stable with LCR in ~115–120% range, and upcoming regulatory changes expected to have largely neutral impact.
- PSL compliance continues to be managed through a combination of organic growth (Bharat banking) and PSLC purchases, with legacy RIDF exposure gradually declining.
- Management reiterated no requirement for equity capital, while indicating potential opportunistic issuance of AT1/Tier-2 instruments.
- AFS reserves outstanding at -₹254 crore.

Key Financial Table

Exhibit 1: Variance Analysis

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
NII	14,457.2	13,810.5	4.7	14,286.6	1.2	Healthy loan growth was offset by ~17 bps decline in asset yields due to rate transmission
NIM (%)	3.62	3.97	-35 bps	3.64	-2 bps	Pressure from mix shift toward wholesale and rate cuts, partly offset by ~8 bps decline in CoF
Other Income	6,022.6	6,779.5	-11.2	6,225.7	-3.3	Moderation due to lower treasury gains
Net Total Income	20,479.7	20,590.1	-0.5	20,512.2	-0.2	
Staff cost	3,114.8	2,961.5	5.2	2,771.8	12.4	
Other Operating Expenses	7,351.6	6,876.2	6.9	6,864.7	7.1	Incremental costs largely driven by statutory expenses (PSLC, CSR, DICGC) and technology investment
PPP	10,013.4	10,752.4	-6.9	10,875.7	-7.9	
Provision	3,522.2	1,359.4	159.1	2,245.9	56.8	Bank took ₹2,001 crore one-time standard asset provision, driven by macro/geopolitical uncertainties
PBT	6,491.2	9,393.0	-30.9	8,629.8	-24.8	
Tax Outgo	-580.1	2,275.5	-125.5	2,140.2	-127.1	Tax reversal benefit (~₹2,193 crore)
PAT	7,071.3	7,117.5	-0.6	6,489.6	9.0	PAT impacted by one-time provision and benign treasury
Key Metrics						
GNPA	16,083.7	14,490.0	11.0	17,166.8	-6.3	GNPA down 17 bps QoQ to 1.23%
NNPA	4,789.6	3,685.0	30.0	5,154.3	-7.1	PCR maintained at ~70%
Credit	1,233,570	1,040,811	18.5	1,159,052	6.4	Driven by healthy growth in wholesale and SME segment
Deposit	1,335,834	1,172,952	13.9	1,260,786	6.0	Term deposits up 16.1% YoY; CASA at 39.6%

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	142,488	166,871
Interest Expended	68,329	70,984	77,407	89,595
Net Interest Income	54,348	56,048	65,081	77,276
Growth (%)	8.9	3.1	16.1	18.7
Non Interest Income	25,257	26,131	29,560	32,413
Net Income	79,605	82,179	94,642	109,689
Staff cost	12,193	12,266	13,897	15,422
Other Operating Expense	25,307	27,096	29,205	32,033
Operating Profit	42,105	42,817	51,540	62,234
Provisions	7,758	13,263	11,106	13,873
PBT	34,347	29,554	40,434	48,361
Taxes	7,973	5,097	9,704	11,607
Exceptional	-	-	-	-
Net Profit	26,373	24,457	30,730	36,754
Growth (%)	6.1	-7.3	25.7	19.6
EPS (₹)	85.2	78.8	98.9	118.3

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No. of Equity Shares	309.7	309.7	310.8	310.8
EPS (₹)	85.2	78.8	98.9	118.3
BV (₹)	576.7	663.7	734.9	849.7
ABV (₹)	550.7	609.9	699.0	807.6
P/E	15.5	16.7	13.4	11.2
P/BV	2.3	2.0	1.8	1.6
P/ABV	2.4	2.2	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	45.5	43.3
Credit/Deposit ratio	88.7	92.3	92.6	93.2
GNPA	1.2	1.2	1.2	1.2
NNPA	0.4	0.4	0.4	0.4
RoE	16.0	12.8	14.4	14.9
RoA	1.7	1.4	1.6	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	204915	227809	263473
Networth	178617	205536	228431	264094
Deposits	1172952	1335834	1511921	1718835
Borrowings	184147	235271	233589	245952
Other Liabilities & Provisions	74214	110209	128394	136115
Total	1609930	1886850	2102334	2364996
Application of Funds				
Fixed Assets	6292	6549	8153	9368
Investments	396142	445033	485767	538157
Advances	1040811	1233570	1400131	1601311
Other Assets	66953	96795	91107	88770
Cash with RBI & call money	99732	104903	117177	127390
Total	1609930	1886850	2102334	2364996

Source: Company, ICICI Direct Research

Exhibit 5: Growth (%)

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	9.0	17.2	11.4	12.5
Advances	7.8	18.5	13.5	14.4
Deposit	9.8	13.9	13.2	13.7
Total Income	10.0	3.2	15.2	15.9
Net interest income	8.9	3.1	16.1	18.7
Operating expenses	6.5	5.0	9.5	10.1
Operating profit	13.4	1.7	20.4	20.7
Net profit	6.1	-7.3	25.7	19.6
Net worth	18.9	15.1	11.1	15.6
EPS	5.7	(7.4)	25.4	19.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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