AXIS Bank | BUY

Mixed quarter: NIM disappoints; asset quality in line

Axis Bank reported a mixed Q1FY27, with healthy balance-sheet growth offset by continued margin pressure. Advances grew 19% YoY, led by continued strength in corporates (+38% YoY) and SME (+25% YoY), while retail (excluding agri) growth remained muted at 5% YoY. Deposit growth of 18% YoY was driven by strong term deposit mobilisation (+3.3% QoQ) while CASA deposits declined 1.4% QoQ. NII grew 8% YoY (-2% JMFe), as calculated NIM contracted 14bps QoQ, weighed down by loan repricing, continued mix shift towards corporate loans and agri seasonality. Management reiterated its structural NIM target of 3.8% and believes NIMs are at the bottom of the cycle, though recovery remains a key factor to monitor. Core fee income growth remained moderate at 7% YoY. PAT increased 23% YoY (+1% JMFe), supported by disciplined opex growth (+5% YoY) and a sharp decline in provisions (-44% YoY). Asset quality trends were strong with credit costs of ~71bps and contained slippages. While growth remains healthy, profitability still meaningfully lags that of ICICI Bank (Q1FY27 RoA/RoE of 1.5%/14% for Axis versus ~2.5%/17% for ICICI)—which warrants the gap in their valuations. We build in an average RoA/RoE of 1.5%/14% over FY27–28E. We largely maintain our EPS estimates and reiterate BUY with an unchanged target price of INR 1,575, valuing the bank at 1.7x FY28E BVPS.

- **Wholesale-led growth, CASA remains under pressure:** Advances grew a healthy 19% YoY/2.3% QoQ, driven by continued strength in large & mid corporates (+38% YoY) and SME (+25% YoY), while retail (excluding retail agri) growth remained muted at 5% YoY. Within retail, rural lending remained the key growth driver (+26% YoY), whereas housing, vehicle finance and unsecured portfolios witnessed subdued growth. Deposits increased 18% YoY/2.8% QoQ, supported by strong term deposit mobilisation (+20% YoY). However, CASA deposits fell 1.4% QoQ, resulting in CASA ratio declining to 38.0% from 39.6% in Q4FY26, reflecting continued reliance on term deposits to fund growth. We build in 17% loan CAGR over FY26–28E.

- **Strong profitability despite NIM pressure and weak core fees:** NII grew 8% YoY/1% QoQ as calculated NIM shrank another 14bps QoQ to 3.25%, weighed down by loan repricing, an adverse shift towards wholesale loans and agri-related seasonality. Core fee income grew 7% YoY (-8% JMFe), while treasury income recovered from the loss in Q4. Corporate fee income was strong (+18% YoY), though moderation in card and third-party distribution income weighed on retail fees (+2% YoY). Opex grew a modest 5% YoY, supporting 11% YoY core PPOP growth, despite margin headwinds.

- **Stable asset quality:** Asset quality moderated sequentially, with GNPA/NNPA increasing 5bps/2bps QoQ to 1.34%/0.41%. Nevertheless, credit costs remained well contained at 71bps (150bps in Q1FY26),as incremental stress remained contained, reflected in a gross slippage ratio of 1.8% versus 3.2% in Q1FY26. We model in average credit cost of 80bps over FY27–28E.

- **Valuation and JMF view:** Axis Bank's valuation is underpinned by a resilient liability franchise, improving asset quality and a conservative provisioning buffer. While near-term NIM improvement remains a key monitorable, improving funding costs, a better asset mix and benign credit costs should drive earnings recovery over the medium term. **We build in an average RoA/RoE of 1.5%/14% over FY27–28E; we largely maintain our EPS estimates and reiterate our BUY rating with an unchanged TP of INR 1,575 based on 1.7x FY28E BVPS.**

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,575
Upside/(Downside)	18.5%
Previous Price Target	1,575
Change	0.0%

Key Data – AXSB IN	
Current Market Price	INR1,329
Market cap (bn)	INR4,132.9/US$42.9
Free Float (%)	90.5
Shares in issue (mn)	3,111.0
Diluted share (mn)	3,111.0
3-mon avg daily val (mn)	INR9,729.2/US$101.1
52-week range	INR1,418/1,041
Sensex/Nifty	78,151/24,334
INR/US$	96.3

Price Performance

%	1M	6M	12M
Absolute	-2.3	2.7	20.9
Relative*	-4.0	7.9	26.4

*To the NSE Nifty 50

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Financial Summary (INR mn)

Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Profit	248,614	263,735	244,567	310,654	370,888
Net Profit (YoY) (%)	159.5	6.1	-7.3	27.0	19.4
PPOP (YoY) (%)	15.8	13.4	1.7	18.9	25.6
Loan (YoY) (%)	14.2	7.8	18.5	17.7	16.4
Deposit (YoY) (%)	12.9	9.8	13.9	17.7	16.7
ROA (%)	1.8	1.7	1.4	1.5	1.6
ROE (%)	18.0	15.9	12.7	14.1	14.6
EPS (INR)	80.5	85.1	78.7	99.9	119.3
EPS (YoY) (%)	158.7	5.7	-7.6	27.0	19.4
P/E (x)	**16.5**	**15.6**	**16.9**	**13.3**	**11.1**
BV (INR)	489.4	580.3	661.3	755.6	873.4
BV (YoY) (%)	20.1	18.6	14.0	14.3	15.6
P/BV (x)	**2.7**	**2.3**	**2.0**	**1.8**	**1.5**

Source: Company data, JM Financial. Note: Valuations as of July 17, 2026

Q1FY27 conference call takeaways

Guidance

- Reiterated structural NIM guidance of ~3.8%, with Q1FY27 marking the cycle bottom.
- Continues to target loan growth of industry +300bps over the medium term.

Margins

- Management believes Q1FY27 represents the NIM bottom, with efforts focused on moving towards the 3.8% structural NIM.
- The 34bps YoY NIM decline was driven by a 19bps impact from repo-rate cuts, and a 16bps impact from an adverse shift in balance-sheet mix.
- Corporate lending continues at positive spreads.
- Balance sheet recalibration through higher retail mix and deployment of FCNR liquidity remains the key margin lever.

Asset quality

- The INR 20bn additional prudent provision created in Q4FY26 remains fully intact.
- Management reiterated no requirement for fresh equity capital.
- Management expects the one-time ECL transition impact on net worth to be marginal.
- Recurring provisions are expected to increase post-transition due to Stage 1 and Stage 2 provisioning versus the current IRAC framework.

Others

- Evaluating the possibility of increasing stake in Max Life, subject to internal approvals and regulatory consent.

Q1FY27 trends at a glance

Exhibit 1: Q1FY27 result summary

Axis Bank Q1FY27 results – Snapshot							
(INR bn)	**1QFY26**	**4QFY26**	**1QFY27**	**YoY (%)**	**QoQ (%)**	**1QFY27E**	**A/E(%)**
Net Interest Income	**136**	**145**	**146**	**8%**	**1%**	**149**	**-2%**
Non-interest income	**73**	**60**	**67**	**-7%**	**12%**	**73**	**-7%**
Core fee income	57	66	62	7%	-6%	67	-8%
P/L on Sale of Invsts.	14	-6	5	-62%	-189%	5	7%
Total Income	**208**	**205**	**214**	**3%**	**4%**	**222**	**-4%**
Opex	93	105	97	5%	-7%	103	-6%
Core Operating Profit	**100**	**106**	**111**	**11%**	**5%**	**113**	**-2%**
Operating Profit	**115**	**100**	**117**	**1%**	**16%**	**119**	**-2%**
Provisions	39	35	22	-44%	-37%	24	**-9%**
PBT	**76**	**65**	**94**	**25%**	**45%**	**94**	**0%**
Adjusted PBT	**76**	**85**	**94**	**25%**	**11%**	**94**	**0%**
Tax	18	-6	23	32%	-500%	24	-2%
PAT	**58**	**71**	**71**	**23%**	**1%**	**71**	**1%**
NIM (Calc. %)	3.56%	3.39%	3.25%	(31) bps	(14) bps	3.31%	(6) bps
Loan (Rs bn)	10,597	12,336	12,616	19%	2.3%	12,619	0%
Deposit (Rs bn)	11,616	13,358	13,729	18%	2.8%	13,729	0%
C/D ratio	91%	92%	92%	66 bps	(46) bps	92%	(3) bps
GNPA (%)	1.66%	1.29%	1.34%	(31) bps	5 bps	1.27%	7 bps
NNPA (%)	0.48%	0.39%	0.41%	(7) bps	2 bps	0.38%	3 bps
Credit cost (%)	1.50%	1.18%	0.71%	(79) bps	(47) bps	0.78%	(7) bps
Adjusted credit cost (%)	1.50%	0.51%	0.71%	(79) bps	20 bps	0.78%	(7) bps
Yield on IEA (Calc, %) - 1	8.15%	7.67%	7.54%	(61) bps	(13) bps	7.55%	(1) bps
Cost of funds (Calc, %) - 2	5.20%	4.86%	4.88%	(32) bps	2 bps	4.81%	7 bps
Loan - deposit spread = 1 - 2	2.95%	2.81%	2.67%	(29) bps	(15) bps	2.74%	(7) bps
CASA	4,682	5,289	5,217	11%	-1%		
ROE	12.7%	14.0%	13.6%	89 bps	(42) bps	13.5%	6 bps
ROA	1.45%	1.55%	1.49%	5 bps	(6) bps	1.48%	1 bps
Gross Slippages (INR bn)	82	47	56	-32%	19%	53	5%
Net Slippages (INR bn)	61	20	34	-43%	71%	30	15%
Gross Slippages Ratio (annualised)	3.2%	1.6%	1.8%	(135) bps	19 bps	1.7%	9 bps
Net Slippages Ratio (annualised)	2.33%	0.70%	1.12%	(121) bps	42 bps	0.98%	14 bps

Source: Company, JM Financial

Exhibit 2: Loan mix

Loan book composition (INR bn)	1QFY26	4QFY26	1QFY27	YoY (%)	QoQ (%)
Large & Mid Corporates	3,159	4,129	4,344	38%	5%
SME	1,209	1,472	1,516	25%	3%
Overall Retail	6,230	6,735	6,755	8%	0%
Housing Loans	1,660	1,736	1,738	5%	0%
LAP	788	871	873	11%	0%
Personal loans	771	820	828	7%	1%
Cards	435	449	455	5%	1%
Auto Loans	578	596	601	4%	1%
Rural	931	1,026	1,172	26%	14%
Others	1,067	1,237	1,088	2%	-12%
Total	**10,597**	**12,336**	**12,616**	**19%**	**2%**
Housing Loans	15.7%	14.1%	13.8%	-1.9%	-0.3%
Personal loans	7.3%	6.7%	6.6%	-0.7%	-0.1%
Cards	4.1%	3.6%	3.6%	-0.5%	0.0%
Non schematic	10.1%	10.0%	8.6%	-1.4%	-1.4%
Auto Loans	5.5%	4.8%	4.8%	-0.7%	-0.1%
Total	**100%**	**100%**	**100%**		

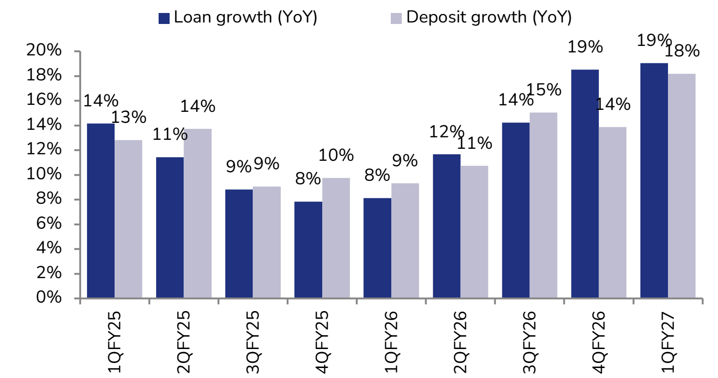
Source: Company, JM Financial

Exhibit 3: Deposit mix

Deposits Composition (Rs bn)	1QFY26	4QFY26	1QFY27	YoY (%)	QoQ (%)
Current	1,630	1,848	1,734	6.4%	-6.2%
Saving	3,051	3,441	3,483	14.2%	1.2%
Time	8,565	9,917	10,246	19.6%	3.3%
Total Deposits	**11,616**	**13,358**	**13,729**	**18.2%**	**2.8%**
Current	14.0%	13.8%	12.6%	-1.4%	-1.2%
Saving	26.3%	25.8%	25.4%	-0.9%	-0.4%
CASA	**40.3%**	**39.6%**	**38.0%**	**-2.3%**	**-1.6%**
Time	73.7%	74.2%	74.6%	0.9%	0.4%
Total	**114%**	**114%**	**113%**		

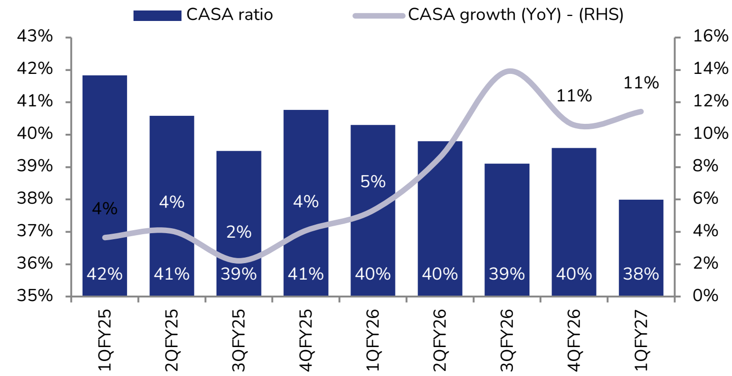
Source: Company, JM Financial

Exhibit 4: Loan growth (YoY) (%)



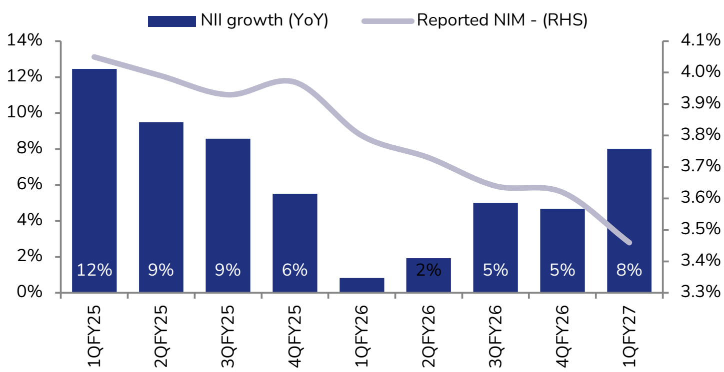
Source: Company, JM Financial

Exhibit 5: Quarterly trends in CASA ratio and growth (%)



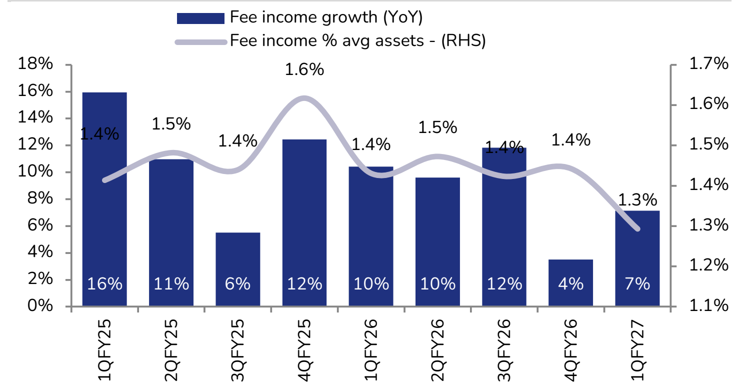
Source: Company, JM Financial

Exhibit 6: Axis Bank: Trends in NII growth and NIM (%)



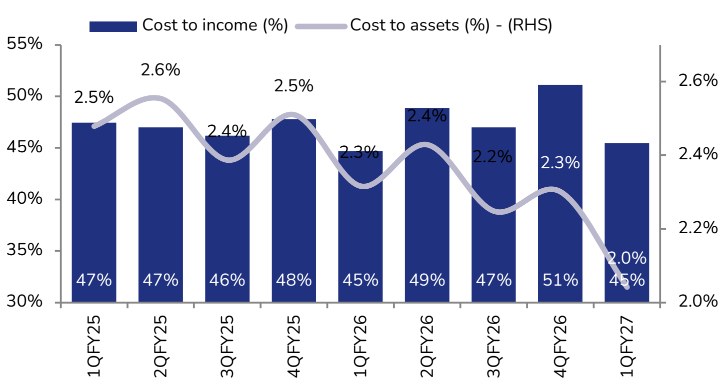
Source: Company, JM Financial

Exhibit 7: Trend in fee income growth



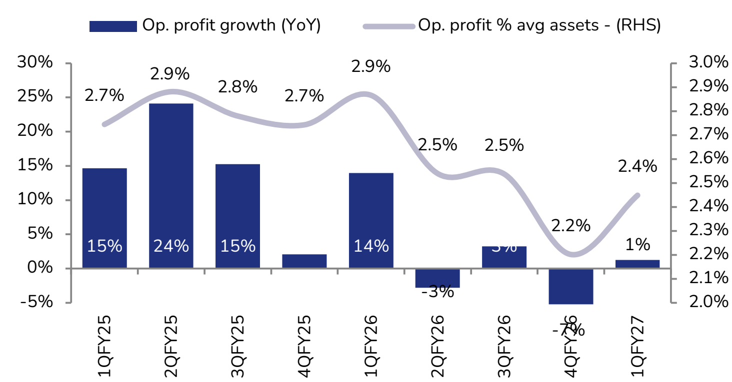
Source: Company, JM Financial

Exhibit 8: Cost ratios trend



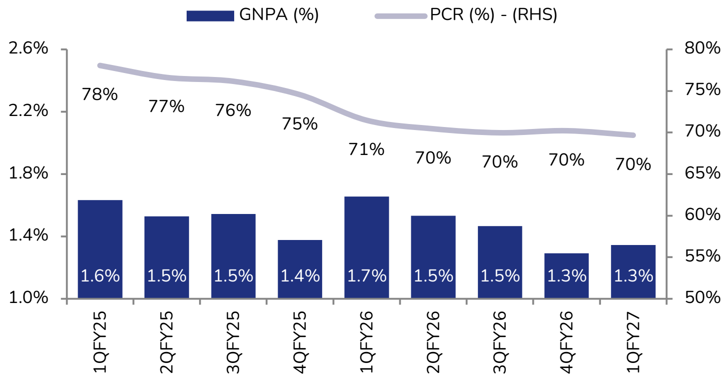
Source: Company, JM Financial

Exhibit 9: Operating profit trend



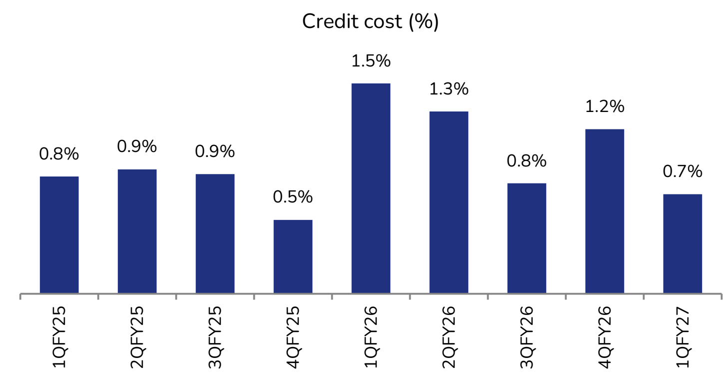
Source: Company, JM Financial

Exhibit 10: Asset quality trend



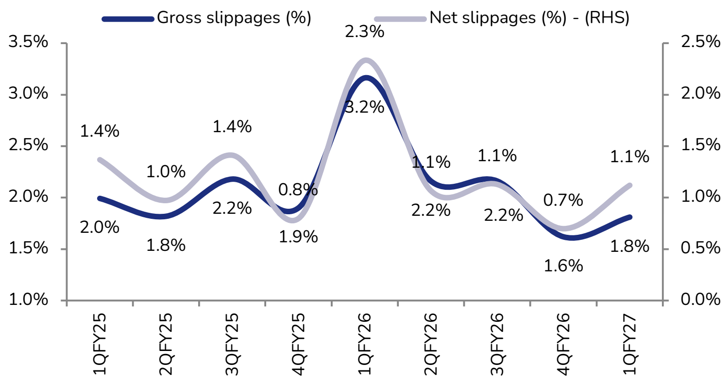
Source: Company, JM Financial

Exhibit 11: Credit cost trend



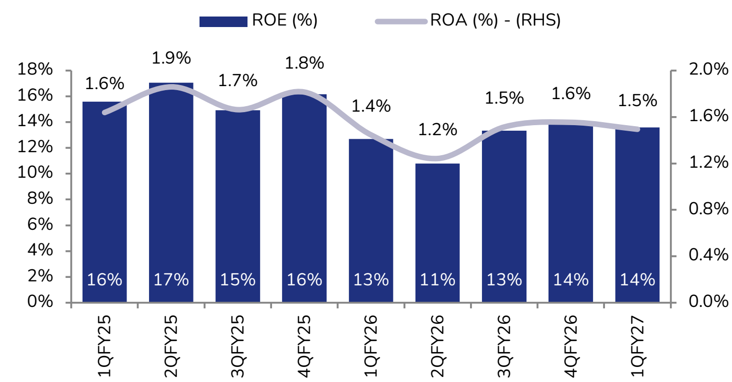
Source: Company, JM Financial

Exhibit 12: Trends in slippages



Source: Company, JM Financial

Exhibit 13: Returns metrics: How RoE and RoA are trending



Source: Company, JM Financial

Valuation and 12-month TP

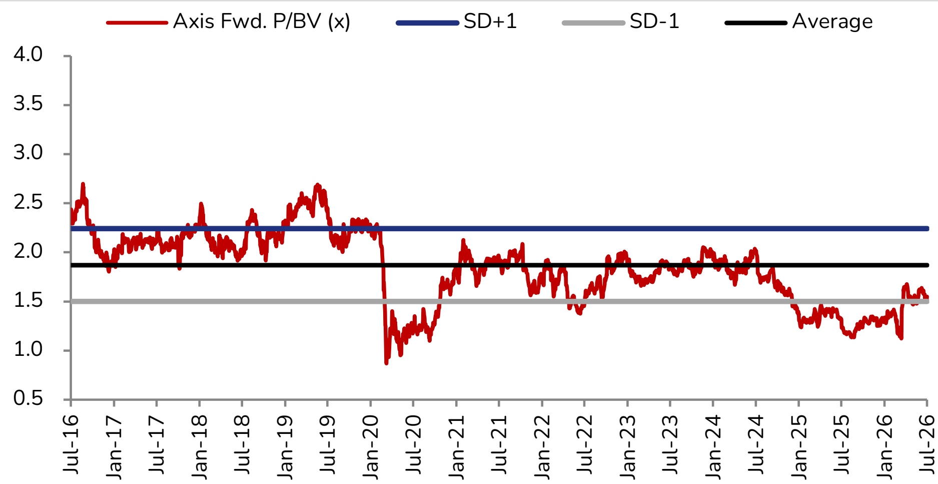
We value Axis Bank using an excess returns methodology. The SotP valuation follows.

Exhibit 14: Axis Bank: SotP valuation

SOTP	Holding	Methodology	Value	Contribution to TP
Axis Bank - standalone value		1.7x FY28E core BVPS based on Excess return	1,439	91%
Subsidiaries			**136**	**9%**
Axis AMC	75%	4% of Mar'26 AUM	30	2%
Max Life	20%	M.cap - 15% Hold Co. disc.	28	2%
Axis Bank UK	100%	1x FY24 BVPS	2	0%
Axis Capital	100%	15x FY26 PAT	12	1%
Axis Finance	95%	2.4x FY26 BVPS (as per recent deal)	45	3%
Axis Securities	100%	15x FY26 PAT	18	1%
Axis Trustee services	100%	10x FY26 PAT	1	0%
Target Price		**1.7x FY28E consolidated P/B**	**1,575**	**100%**

Source: Company, JM Financial

Exhibit 15: One-year forward P/B



Source: Company, JM Financial

Exhibit 16: Changes in estimates

	New estimates		Old Estimates		Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Recommendation	**BUY**		**BUY**			
Target price (Rs)	**1,575**		**1,575**		**0%**	
Assumptions						
YoY loan growth	17.7%	16.4%	15.7%	15.4%	201 bps	100 bps
NIM (calculated)	3.27%	3.41%	3.41%	3.55%	(15) bps	(14) bps
Fee income to asset	1.41%	1.49%	1.47%	1.51%	(5) bps	(2) bps
Cost to assets	2.09%	2.07%	2.17%	2.18%	(9) bps	(11) bps
Credit cost	0.70%	0.92%	0.78%	0.92%	(8) bps	(0) bps
Outputs (Rs bn)						
Loans	14,522	16,909	14,273	16,477	2%	3%
Deposits	15,717	18,338	15,448	17,869	2%	3%
Assets	21,960	25,526	21,605	24,700	2%	3%
NII	**631**	**767**	**653**	**778**	**-3%**	**-1%**
Other income	304	363	301	360	1%	1%
Total income	935	1,130	954	1,137	-2%	-1%
Sale of Treasury gains	12	5	1	5	1100%	0%
Opex	426	491	440	504	-3%	-3%
Operating profit	509	639	514	634	-1%	1%
Provisions	94	144	103	141	-9%	2%
Net Profit	311	371	308	369	1%	1%
EPS (Rs)	**100**	**119**	**99**	**119**	**1%**	**1%**
Tax rate (%)	25%	25%	25%	25%	0	0
ROA (%)	**1.52%**	**1.56%**	**1.52%**	**1.59%**	**0 bps**	**(3) bps**
ROE (%)	**14.1%**	**14.6%**	**14.0%**	**14.6%**	**12 bps**	**6 bps**
Adj. BVPS	735	852	734	851	0%	0%

Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement					(INR mn)
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Interest Income	498,945	543,478	560,480	630,662	766,968
Profit on Investments	17,960	19,848	7,386	12,000	5,000
Exchange Income	19,355	21,628	25,425	-	-
Fee & Other Income	182,564	205,451	225,365	288,717	353,597
Non-Interest Income	**224,420**	**252,571**	**261,308**	**304,314**	**362,728**
Total Income	**723,364**	**796,049**	**821,789**	**934,976**	**1,129,696**
Operating Expenses	352,133	374,999	393,621	426,048	490,507
Pre-provisioning Profits	**371,232**	**421,049**	**428,168**	**508,927**	**639,189**
Loan-Loss Provisions	-	-	-	-	-
Provisions on Investments	1,421	2,225	659	-	-
Others Provisions	1,739	1,460	18,911	-5,000	3,000
Total Provisions	**40,631**	**77,584**	**132,628**	**94,169**	**144,011**
PBT	**330,601**	**343,466**	**295,540**	**414,758**	**495,178**
Tax	81,986	79,731	50,973	104,104	124,290
PAT (Pre-Extraordinaries)	248,614	263,735	244,567	310,654	370,888
Extra ordinaries (Net of Tax)	-	-	-	-	-
Reported Profits	**248,614**	**263,735**	**244,567**	**310,654**	**370,888**
Dividend paid	3,087	3,097	3,108	3,948	4,714
Retained Profits	**245,528**	**260,637**	**241,458**	**306,706**	**366,174**

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Equity Capital	6,173	6,195	6,216	6,216	6,216
Reserves & Surplus	1,496,177	1,779,975	2,035,726	2,342,432	2,708,606
Networth	1,510,616	1,797,251	2,055,364	2,348,648	2,714,823
Deposits	10,686,414	11,729,520	13,358,340	15,716,545	18,337,806
Borrowings	1,968,118	1,841,465	2,352,706	2,665,379	2,985,225
Other Liabilities	606,939	731,062	1,102,089	1,229,464	1,487,872
Total - Liabilities	**14,772,086**	**16,099,299**	**18,868,498**	**21,960,036**	**25,525,726**
Investments	3,315,273	3,961,418	4,450,328	4,963,120	5,757,219
Net Advances	9,650,684	10,408,113	12,335,699	14,521,720	16,909,164
Cash & Equivalents	-	-	-	-	-
Fixed Assets	56,846	62,917	65,494	75,318	86,615
Other Assets	604,740	669,530	967,952	1,113,144	1,280,116
Total - Assets	**14,772,086**	**16,099,299**	**18,868,498**	**21,960,036**	**25,525,726**

Source: Company, JM Financial

Key Ratios					
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Growth (YoY) (%)					
Deposits	12.9	9.8	13.9	17.7	16.7
Advances	14.2	7.8	18.5	17.7	16.4
Total Assets	12.1	9.0	17.2	16.4	16.2
NII	16.2	8.9	3.1	12.5	21.6
Non-interest Income	39.0	12.5	3.5	16.5	19.2
Operating Expenses	30.2	6.5	5.0	8.2	15.1
Operating Profits	15.8	13.4	1.7	18.9	25.6
Core Operating profit	9.7	13.4	5.6	18.1	27.7
Provisions	53.2	90.9	70.9	-29.0	52.9
Reported PAT	159.5	6.1	-7.3	27.0	19.4
Yields / Margins (%)					
Interest Spread	13.96	14.19	13.00	12.80	13.04
NIM	4.11	3.98	3.60	3.48	3.64
Profitability (%)					
Non-IR to Income	31.0	31.7	31.8	32.5	32.1
Cost to Income	48.7	47.1	47.9	45.6	43.4
ROA	1.78	1.71	1.40	1.52	1.56
ROE	18.0	15.9	12.7	14.1	14.6
Asset Quality (%)					
Slippages	1.71	2.02	2.37	1.90	1.80
Gross NPA	1.55	1.38	1.29	1.12	1.16
Net NPAs	0.34	0.35	0.39	0.34	0.35
Provision Coverage	78.5	74.6	70.2	70.0	70.0
Specific LLP	0.45	0.77	1.17	0.70	0.92
Net NPAs / Networth	2.1	2.1	2.3	2.1	2.2
Capital Adequacy (%)					
Tier I	14.2	15.1	14.8	14.0	14.0
CAR	16.6	17.1	16.4	15.4	15.2

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
NII / Assets	3.57	3.52	3.21	3.09	3.23
Other Income / Assets	1.61	1.64	1.49	1.49	1.53
Total Income / Assets	5.18	5.16	4.70	4.58	4.76
Cost / Assets	2.52	2.43	2.25	2.09	2.07
PPP / Assets	2.66	2.73	2.45	2.49	2.69
Provisions / Assets	0.29	0.50	0.76	0.46	0.61
PBT / Assets	2.37	2.23	1.69	2.03	2.09
Tax rate	24.8	23.2	17.2	25.1	25.1
ROA	1.78	1.71	1.40	1.52	1.56
RoRWAs	2.63	2.41	1.94	2.11	2.17
Leverage	10.1	9.3	9.1	9.3	9.4
ROE	18.0	15.9	12.7	14.1	14.6

Source: Company, JM Financial

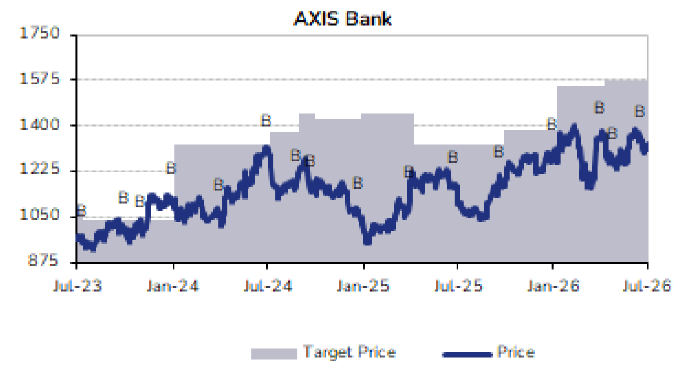
Valuations					
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Shares in Issue (mn)	3,086.6	3,097.4	3,108.2	3,108.2	3,108.2
EPS (INR)	80.5	85.1	78.7	99.9	119.3
EPS (YoY) (%)	158.7	5.7	-7.6	27.0	19.4
PER (x)	16.5	15.6	16.9	13.3	11.1
BV (INR)	489.4	580.3	661.3	755.6	873.4
BV (YoY) (%)	20.1	18.6	14.0	14.3	15.6
ABV (INR)	477.0	559.3	640.3	734.7	852.5
ABV (YoY) (%)	19.8	17.2	14.5	14.7	16.0
P/BV (x)	2.71	2.29	2.01	1.76	1.52
P/ABV (x)	2.79	2.38	2.07	1.81	1.56
DPS (INR)	1.0	1.0	1.0	1.3	1.5
Div. yield (%)	0.1	0.1	0.1	0.1	0.1

Source: Company, JM Financial

Ticker – Recommendation history table

Date	Recommendation	Target Price	% Chg.
13-Jul-26	Buy	1,575	0.0
21-May-26	Buy	1,575	0.0
26-Apr-26	Buy	1,575	1.6
26-Jan-26	Buy	1,550	11.9
16-Oct-25	Buy	1,385	4.1
18-Jul-25	Buy	1,330	0.0
24-Apr-25	Buy	1,330	-8.0
16-Jan-25	Buy	1,445	1.4
17-Oct-24	Buy	1,425	-1.7
18-Sep-24	Buy	1,450	5.5
24-Jul-24	Buy	1,375	3.4
24-Apr-24	Buy	1,330	0.0
23-Jan-24	Buy	1,330	27.9
27-Nov-23	Buy	1,040	0.0
26-Oct-23	Buy	1,040	0.0
27-Jul-23	Buy	1,040	-3.3
27-Apr-23	Buy	1,075	-4.0
1-Mar-23	Buy	1,120	0.0
23-Jan-23	Buy	1,120	12.0
24-Nov-22	Buy	1,000	

Ticker – Recommendation history chart



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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Rating	**Meaning**
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ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

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