

BSE SENSEX

82,253

S&P CNX

25,082



## Stock Info

Bloomberg	AXSB IN
Equity Shares (m)	3101
M.Cap.(INRb)/(USD\$)	3637.1 / 42.3
52-Week Range (INR)	1325 / 934
1, 6, 12 Rel. Per (%)	-4/3/-13
12M Avg Val (INR M)	9736
Free float (%)	92.1

## Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
NII	543.5	581.9	675.3
OP	421.0	461.7	538.4
NP	263.7	272.6	332.7
NIM (%)	3.7	3.6	3.7
EPS (INR)	85.3	88.0	107.4
EPS Gr. (%)	5.7	3.2	22.1
BV/Sh. (INR)	577	655	749
ABV/Sh. (INR)	547	635	728

## Ratios

RoA (%)	1.7	1.6	1.7
RoE (%)	15.9	14.3	15.3

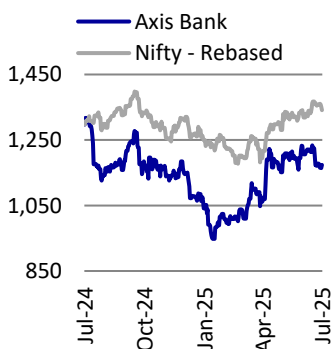
## Valuations

P/E(X)	13.7	13.3	10.9
P/E(X)*	12.2	11.9	9.7
P/BV (X)	1.8	1.6	1.4
P/ABV (X)*	1.9	1.6	1.4

## Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	7.9	7.9	7.9
DII	39.5	36.0	29.1
FII	45.8	49.4	55.4
Others	6.8	6.7	7.5

## Stock's performance (one-year)



**CMP: INR1173**

**TP: INR1,300 (+11%)**

**Neutral**

## Navigating through challenges

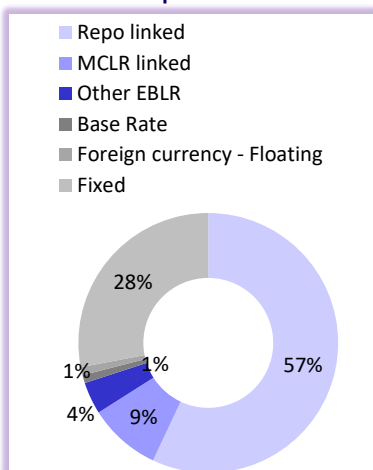
### Weak near-term earnings; estimate gradual recovery from 2HFY26

- Axis Bank's (AXSB) stock has significantly underperformed key private peers, led by concerns on muted growth, elevated credit cost, and a decline in RoE. The bank is strategically shifting toward secured, better yielding segments amid a cautious stance on unsecured retail and aims to outpace system growth by ~3% CAGR over the coming years.
- AXSB continues to focus on strengthening its liability franchise and is witnessing strong traction in the NTB (new to bank) segment. With digital initiatives, branch expansion, and a supportive LCR framework, we estimate deposits to post a 13% CAGR over FY25-27.
- Margins are likely to remain under pressure in the near term, driven by the transmission of repo rate cuts and slower unsecured loan growth. However, a well-matched ALM duration will help make the impact more manageable. The bank continues to guide for through-cycle NIMs of 3.8%.
- Cost ratios remain higher compared to peers. While AXSB remains focused on building a stronger and more sustainable franchise—and will continue making necessary business investments—we expect positive operating jaws to emerge from FY27.
- The bank aims to further tighten its provisioning and asset quality classification norms, and has guided for elevated credit costs in 1HFY26. While the credit card portfolio has seen stabilization, the bank remains watchful of trends in the PL business.
- While the stock trades at reasonable valuations and the risk-reward appears favorable, clarity on the trajectory of credit costs, margins, and growth remains key for a sustained performance. We estimate AXSB to deliver FY27 RoA/RoE of 1.74%/15.3%. Reiterate Neutral with a TP of INR1,300 (1.6x FY27E ABV + INR127 for subs).

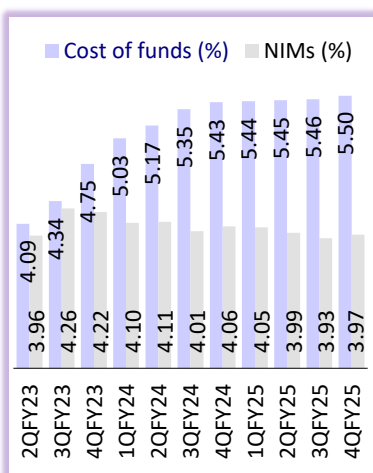
### Modest near-term growth; focus on granular, high-yield lending

AXSB reported a modest 8% YoY loan growth in FY25, affected by a modest 7.7% YoY growth in corporate lending, a 6.8% YoY growth in retail advances, and a cautious stance on unsecured retail. Both personal loans and card segments witnessed a sharp deceleration in loan growth to 8% YoY and 4.3% YoY, respectively, in 4QFY25 vs ~30% YoY in 4QFY24. The bank is strategically pivoting toward higher RAROC segments, with relatively stronger growth in SME, mid-corporate, and small business loans (collectively growing at 14% YoY). Together, these segments now form 23% of the loan book, marking an increase of ~740bp over the past four years. While near-term loan growth is expected to remain modest, the bank aims to outperform the system by ~300bp CAGR over the medium term (3-4 years).

### FY25 loan mix: 57% of the book is linked to the repo rate



### Trend in cost of funds and margins



### Healthy traction in NTB; focus on building a granular liability franchise

AXSB's deposits grew 10% YoY in FY25, slightly ahead of loan growth, leading to a slight improvement in CD ratio at 88.7%. The bank has witnessed healthy traction in the NTB segment, with savings account acquisitions growing 19% YoY. Average balances per account also grew by 17%, reflecting a steady CASA mix at 41%. Salary deposits and premium segments remain strong, with NTB salary uploads rising 18% YoY and Burgundy AUMs growing 10% YoY. The new LCR framework is expected to enhance the bank's funding and liquidity operations, supporting future growth, especially with its current LCR at 118%. With initiatives like Project Triumph (an internal initiative focused on deepening customer relationships and driving consistent growth), digital partnerships, and NTB growth initiatives, the bank is well-positioned to sustain healthy traction in deposit growth. We estimate deposits to post ~13% CAGR over FY25-27.

### Maintains through-cycle NIM guidance of 3.8%

The bank is likely to face near-term margin pressure due to repo rate cuts (with 57% of its book linked to repo), an elevated CD ratio, and a moderation in the mix of high-yield unsecured credit. However, its tightly matched asset-liability duration will make the impact of rate transmission more manageable. Recent deposit rate cuts across retail and non-retail term deposits, along with a reduction in the SA rate (50bp cut, implemented in two tranches of 25bp each in Apr'25 and Jun'25), will help limit margin impact. While NIMs stood at 3.97% in 4QFY25, the bank has reiterated its guidance to maintain through-cycle margins at 3.8%. The bank is addressing margin challenges through liability repricing, maintaining a favorable deposit mix, and optimizing its loan portfolio toward better-yielding segments, while adopting a cautious stance on unsecured retail disbursements.

### Operating efficiency remains key lever; C/I ratio estimated at 46% by FY27

AXSB has strategically invested in technology and business expansion, shifting toward a more retail-focused portfolio that now accounts for ~60% of advances. This transition has supported a robust fee-to-asset ratio of 1.6%. In FY25, operating expenses grew at a modest 6% YoY vs 30% in FY24, driven by productivity gains and controlled overheads, with tech expenses making up ~10.1% of total opex.

- Fee income grew 12% YoY, backed by granular fees, which account for 94% of total fees. Strong growth in bancassurance fees reflects the bank's deepening presence in cross-selling and a more integrated customer offering.
- The bank has expanded its footprint with 500 new branches, while also reducing PSLC-related costs. Backed by its Bharat Bank strategy, AXSB leverages a mix of organic PSL growth and PSLCs to meet regulatory targets. In 4QFY25, the bank incurred INR5.9b in PSLC purchases for SMF and NCF shortfalls, while earning INR1.7b from PSLC sales in other PSL categories.
- With disciplined cost control and strong tech capabilities, the bank aims to sustain positive operating jaws. We believe opex remains a key earnings lever, with AXSB trailing significantly vs larger peers on this front. We estimate C/I ratio to improve to 46% by FY27.

### Prudential tightening to keep near-term credit costs elevated

AXSB continues to maintain resilient asset quality, with a strong net NPA ratio of 0.3% and a PCR of 75%. Stability in the card business, controlled exposure to riskier segments like MFI (~2.1% of retail loans), and tightened underwriting practices are expected to keep slippages under control over the medium term, although the bank remains watchful of trends in the PL segment in the near term. The bank has proactively tightened credit filters, strengthened portfolio monitoring, implemented early warning systems, and adopted risk-based pricing to manage stress. Enhanced tech-enabled collections have supported recoveries, helping contain the slippage ratio at 1.9% in FY25. However, near-term credit costs and slippages are likely to remain elevated, driven by stricter provisioning norms (100% provisioning on unsecured loans) and tightened classification criteria. We estimate GNPA/Net NPA ratio at 1.35%/0.33% with a credit cost of 70bp by FY27.

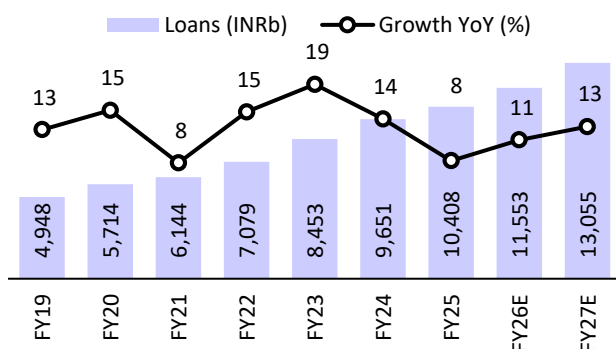
### Valuation and view

AXSB remains focused on building a stronger, more consistent, and sustainable franchise. The bank witnessed modest advance growth in FY25 due to a previously high CD ratio, which has now eased to 88.7% vs 92.6% in 3QFY25.

- Given the sharp reduction in repo rates, margins are expected to remain under pressure in the near term. However, the SA and TD rate cuts will help limit the overall impact and support recovery from 2H onwards. While the bank will continue to invest in business growth and technology, it aims to sustain positive operating jaws as productivity gains begin to materialize.
- AXSB aims to deliver 3% higher growth than the industry on a CAGR basis over the next three years, while targeting through-cycle margins of 3.8%. Over the past couple of years, the bank has significantly tightened its provisioning policy and asset quality classification criteria. However, management indicated that the ongoing provisioning represents the final phase of voluntary tightening and is not expected to have a material impact on the bank's economic performance over the medium term.
- **While the stock trades at reasonable valuations and the risk-reward appears favorable, clarity on the trajectory of credit costs, margins, and growth remains key for sustained performance. We estimate AXSB to deliver FY27 RoA/RoE of 1.74%/15.3%. Reiterate Neutral with a TP of INR1,300 (1.6x FY27E ABV + INR127 for subs).**

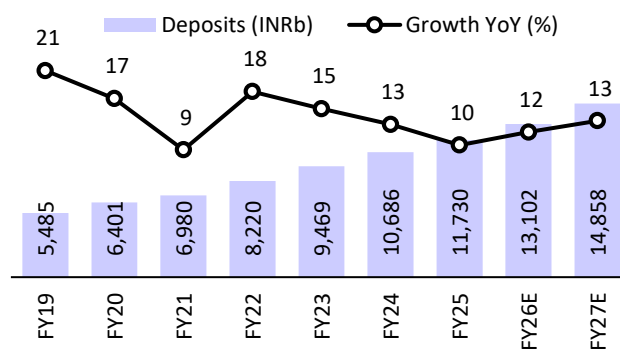
## Story in charts

**Exhibit 1: Estimate ~12% loan CAGR over FY25-27**



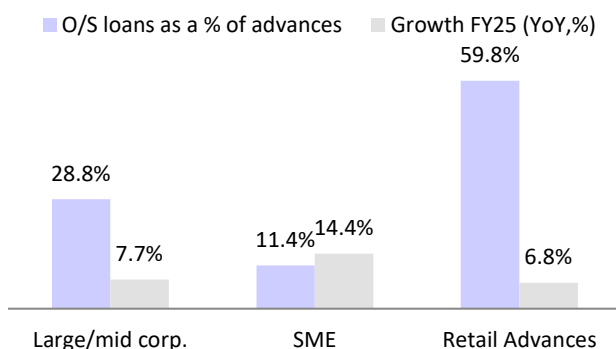
Source: Company, MOFSL

**Exhibit 2: Estimate 13% CAGR in deposits over FY25-27**



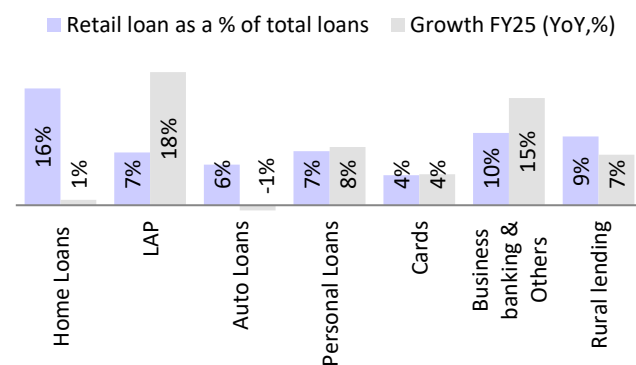
Source: Company, MOFSL

**Exhibit 3: Growth in advances driven by SMEs (14.4% YoY) in FY25**



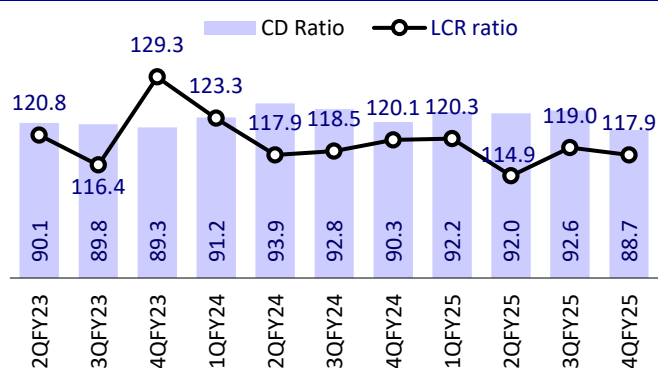
Source: Company, MOFSL

**Exhibit 4: Growth in retail loans driven by LAP and business banking**



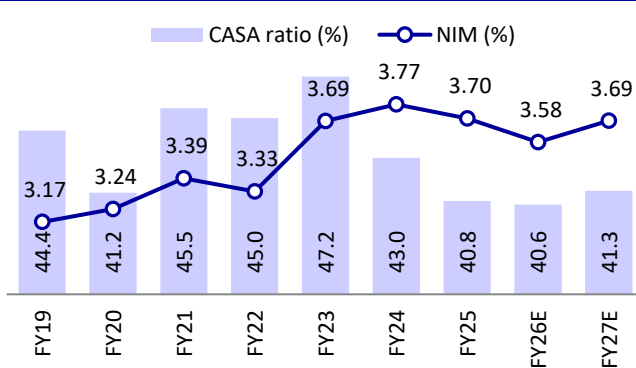
Source: Company, MOFSL

**Exhibit 5: CD ratio saw slight improvement to 88.7% in 4QFY25, with LCR holding stable at 118%**



Source: Company, MOFSL

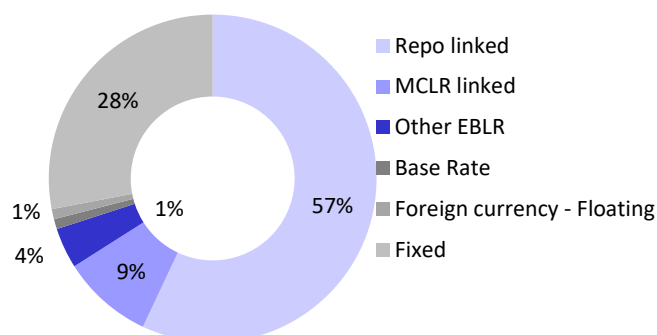
**Exhibit 6: NIMs to face near-term pressure in FY26E amid repo rate cuts; recover likely to 3.7% in FY27E**



\*NIMs are on a calculated basis

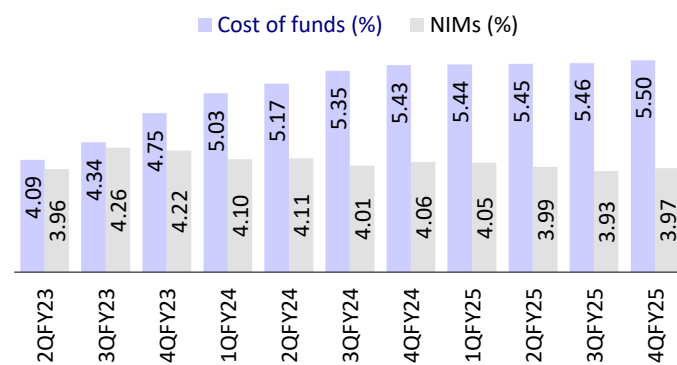
Source: Company, MOFSL

**Exhibit 7: FY25 loan mix: 57% of the book is linked to the repo rate**



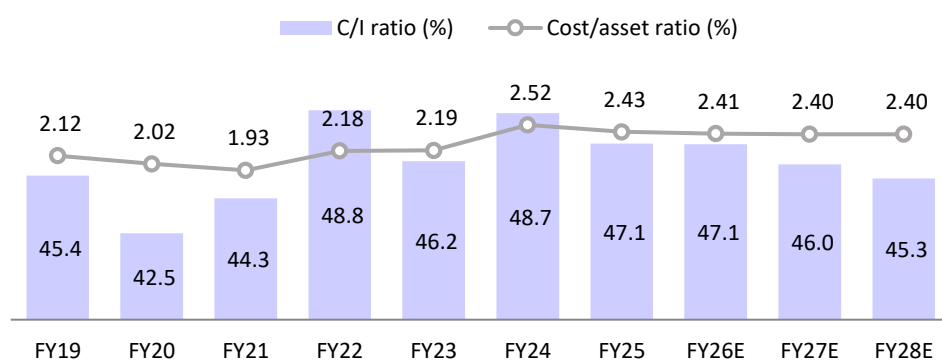
Source: Company, MOFSL

**Exhibit 8: Trend in cost of funds and margins**



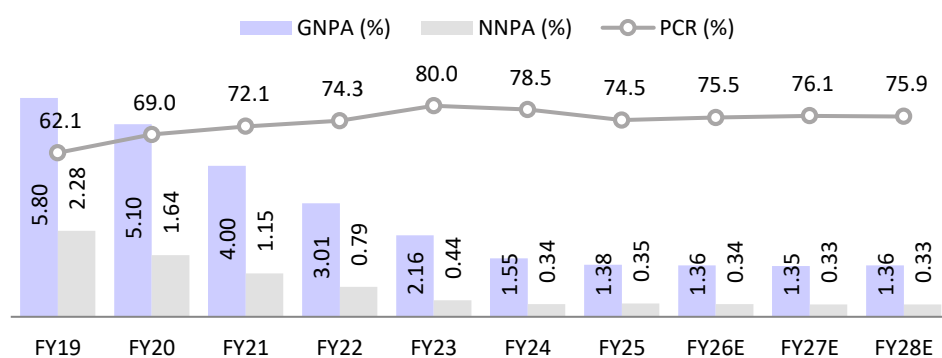
Source: Company, MOFSL

**Exhibit 9: Estimate C/I ratio to moderate to 46% by FY27E**



Source: MOFSL, Company

**Exhibit 10: Estimate GNPA/NNPA ratio at 1.35%/0.33% by FY27; PCR stable at ~76%**



Source: MOFSL, Company

**Exhibit 11: SOTP-based valuation**

Name	Stake	Attributed Value (INR b)	Value per Share	% of total value	Rationale
<b>Axis Bank</b>	<b>100.0</b>	<b>3,631.1</b>	<b>1,172</b>	<b>90.2</b>	<b>1.6x FY27E ABV</b>
Axis Finance	100.0	150.9	49	3.7	2.0x FY27E Networth
Axis Capital	100.0	42.9	14	1.1	15x FY27E PAT
Axis Securities	100.0	80.9	26	2.0	15x FY27E PAT
Axis Mutual Fund	75.0	156.8	51	3.9	27x FY27E PAT
Max Life Insurance	20.0	60.8	20	1.5	2.1x FY27E EV
<b>Total Value of Subs</b>		<b>492.2</b>	<b>159</b>	<b>12.2</b>	
Less: 20% holding disc		98.4	32	2.4	
<b>Value of Subs (Post Holding Disc)</b>		<b>393.7</b>	<b>127</b>	<b>9.8</b>	
<b>Target Price</b>		<b>4,024.8</b>	<b>1,300</b>		

Source: MOFSL, Company

**Exhibit 12: DuPont: Estimate FY27E RoA/RoE at 1.74%/15.3%**

Y/E MARCH	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	6.23	6.83	7.83	7.95	7.69	7.60
Interest Expense	3.17	3.39	4.26	4.43	4.28	4.07
<b>Net Interest Income</b>	<b>3.06</b>	<b>3.45</b>	<b>3.57</b>	<b>3.52</b>	<b>3.41</b>	<b>3.53</b>
Fee income	1.28	1.32	1.48	1.51	1.55	1.52
Trading and others	0.13	-0.02	0.13	0.13	0.15	0.16
<b>Non Interest income</b>	<b>1.41</b>	<b>1.30</b>	<b>1.61</b>	<b>1.64</b>	<b>1.70</b>	<b>1.68</b>
<b>Total Income</b>	<b>4.47</b>	<b>4.74</b>	<b>5.18</b>	<b>5.16</b>	<b>5.11</b>	<b>5.21</b>
<b>Operating Expenses</b>	<b>2.18</b>	<b>2.19</b>	<b>2.52</b>	<b>2.43</b>	<b>2.41</b>	<b>2.40</b>
-Employee cost	0.70	0.70	0.78	0.79	0.79	0.78
-Others	1.48	1.49	1.74	1.64	1.62	1.61
<b>Operating Profit</b>	<b>2.29</b>	<b>2.55</b>	<b>2.66</b>	<b>2.73</b>	<b>2.71</b>	<b>2.81</b>
<b>Core Operating Profit</b>	<b>2.16</b>	<b>2.57</b>	<b>2.53</b>	<b>2.60</b>	<b>2.55</b>	<b>2.65</b>
<b>Provisions</b>	<b>0.68</b>	<b>0.23</b>	<b>0.29</b>	<b>0.50</b>	<b>0.58</b>	<b>0.49</b>
<b>PBT</b>	<b>1.61</b>	<b>2.32</b>	<b>2.37</b>	<b>2.23</b>	<b>2.13</b>	<b>2.32</b>
Tax	0.40	0.59	0.59	0.52	0.53	0.58
<b>RoA</b>	<b>1.20</b>	<b>1.73</b>	<b>1.78</b>	<b>1.71</b>	<b>1.60</b>	<b>1.74</b>
Leverage (x)	10.0	10.4	10.2	9.4	8.9	8.8
<b>RoE</b>	<b>12.0</b>	<b>18.0</b>	<b>18.1</b>	<b>16.0</b>	<b>14.3</b>	<b>15.3</b>

Source: MOFSL, Company

## Financials and valuations

### Income Statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	673.8	851.6	1,093.7	1,226.8	1,312.8	1,454.6
Interest Expense	342.4	422.2	594.7	683.3	730.9	779.3
<b>Net Interest Income</b>	<b>331.3</b>	<b>429.5</b>	<b>498.9</b>	<b>543.5</b>	<b>581.9</b>	<b>675.3</b>
-growth (%)	13.3	29.6	16.2	8.9	7.1	16.1
Non Interest Income	152.2	161.4	224.4	252.6	290.5	322.4
<b>Total Income</b>	<b>483.5</b>	<b>590.9</b>	<b>723.4</b>	<b>796.0</b>	<b>872.3</b>	<b>997.7</b>
-growth (%)	16.5	22.2	22.4	10.0	9.6	14.4
Operating Expenses	236.1	273.0	352.1	375.0	410.6	459.3
<b>Pre Provision Profits</b>	<b>247.4</b>	<b>317.9</b>	<b>371.2</b>	<b>421.0</b>	<b>461.7</b>	<b>538.4</b>
-growth (%)	7.0	28.5	16.8	13.4	9.7	16.6
<b>Core PPOp</b>	<b>233.6</b>	<b>320.6</b>	<b>353.3</b>	<b>401.2</b>	<b>435.9</b>	<b>507.2</b>
-growth (%)	5.5	37.2	10.2	13.6	8.6	16.3
Provisions	73.6	28.8	40.6	77.6	98.3	94.8
<b>PBT</b>	<b>173.8</b>	<b>289.0</b>	<b>330.6</b>	<b>343.5</b>	<b>363.4</b>	<b>443.6</b>
Tax	43.6	73.3	82.0	79.7	90.9	110.9
Tax Rate (%)	25.1	25.3	24.8	23.2	25.0	25.0
Extraordinary expense	-	123.5	-	-	-	-
<b>PAT</b>	<b>130.3</b>	<b>92.2</b>	<b>248.6</b>	<b>263.7</b>	<b>272.6</b>	<b>332.7</b>
-growth (%)	97.7	(29.2)	169.6	6.1	3.4	22.1

### Balance Sheet

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	6.1	6.2	6.2	6.2	6.2	6.2
Reserves & Surplus	1,144.1	1,243.8	1,496.2	1,780.0	2,021.3	2,314.6
<b>Net Worth</b>	<b>1,150.3</b>	<b>1,249.9</b>	<b>1,502.3</b>	<b>1,786.2</b>	<b>2,027.5</b>	<b>2,320.8</b>
<b>Deposits</b>	<b>8,219.7</b>	<b>9,469.5</b>	<b>10,686.4</b>	<b>11,729.5</b>	<b>13,101.9</b>	<b>14,857.5</b>
-growth (%)	17.8	15.2	12.9	9.8	11.7	13.4
<b>- CASA Deposits</b>	<b>3,700.1</b>	<b>4,465.4</b>	<b>4,594.0</b>	<b>4,781.9</b>	<b>5,319.4</b>	<b>6,136.2</b>
-growth (%)	16.4	20.7	2.9	4.1	11.2	15.4
Borrowings	1,851.3	1,863.0	1,968.1	1,841.5	2,105.2	2,232.6
Other Liabilities & Prov.	531.5	586.6	606.9	731.1	790.3	855.1
<b>Total Liabilities</b>	<b>11,752.8</b>	<b>13,169.0</b>	<b>14,763.8</b>	<b>16,088.2</b>	<b>18,024.8</b>	<b>20,266.0</b>
Current Assets	1,109.9	1,064.1	1,144.5	997.3	1,292.6	1,435.6
<b>Investments</b>	<b>2,756.0</b>	<b>2,888.1</b>	<b>3,315.3</b>	<b>3,961.4</b>	<b>4,397.2</b>	<b>4,942.4</b>
-growth (%)	21.9	4.8	14.8	19.5	11.0	12.4
<b>Loans</b>	<b>7,079.5</b>	<b>8,453.0</b>	<b>9,650.7</b>	<b>10,408.1</b>	<b>11,553.0</b>	<b>13,054.9</b>
-growth (%)	15.2	19.4	14.2	7.8	11.0	13.0
Fixed Assets	45.7	47.3	56.8	62.9	70.5	78.2
Other Assets	763.3	720.6	604.7	669.5	711.6	754.9
<b>Total Assets</b>	<b>11,754.3</b>	<b>13,173.3</b>	<b>14,772.1</b>	<b>16,099.3</b>	<b>18,024.8</b>	<b>20,266.0</b>

Asset Quality	FY22	FY23	FY24	FY25	FY26E	FY27E
GNPA	218.2	186.0	151.3	144.9	158.8	178.2
NNPA	56.1	37.3	32.5	36.9	38.9	42.5
Slippages	201.1	146.5	144.3	194.7	224.0	233.8
GNPA Ratio (%)	3.01	2.16	1.55	1.38	1.36	1.35
NNPA Ratio (%)	0.79	0.44	0.34	0.35	0.34	0.33
Slippage Ratio (%)	3.0	1.9	1.6	1.9	2.0	1.9
Credit Cost (%)	0.8	0.4	0.4	0.8	0.9	0.7
PCR (Excl Tech. write off) (%)	74.3	80.0	78.5	74.5	75.5	76.1

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Yield and Cost Ratios (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>6.7</b>	<b>7.3</b>	<b>8.2</b>	<b>8.3</b>	<b>8.1</b>	<b>7.9</b>
Avg. Yield on loans	7.5	8.3	9.6	9.7	9.3	9.1
Avg. Yield on Investments	5.9	6.5	6.6	6.4	6.4	6.4
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>3.7</b>	<b>3.9</b>	<b>5.0</b>	<b>5.2</b>	<b>5.1</b>	<b>4.8</b>
Avg. Cost of Deposits	3.5	3.6	4.5	4.8	4.8	4.5
Avg. Cost of Borrowings	4.6	5.6	7.3	7.6	7.0	6.8
<b>Interest Spread</b>	<b>3.0</b>	<b>3.3</b>	<b>3.3</b>	<b>3.1</b>	<b>3.0</b>	<b>3.1</b>
<b>Net Interest Margin</b>	<b>3.3</b>	<b>3.7</b>	<b>3.8</b>	<b>3.70</b>	<b>3.58</b>	<b>3.69</b>

### Capitalisation Ratios (%)

CAR	18.5	17.6	16.6	17.1	17.5	17.8
Tier I	16.4	14.6	14.2	15.1	15.7	16.0
- CET-1	15.2	14.0	13.7	14.7	15.2	15.5
Tier II	2.1	3.1	2.4	2.0	1.9	1.7

### Business Ratios (%)

Loans/Deposit Ratio	86.1	89.3	90.3	88.7	88.2	87.9
CASA Ratio	45.0	47.2	43.0	40.8	40.6	41.3
Cost/Avg Assets	2.2	2.2	2.5	2.4	2.4	2.4
Cost/Total Income	48.8	46.2	48.7	47.1	47.1	46.0
Cost/Core Income	50.3	46.0	49.9	48.3	48.5	47.5
Int. Expense/Int.Income	50.8	49.6	54.4	55.7	55.7	53.6
Fee Income/Total Income	24.7	24.7	25.9	26.5	26.3	25.2
Non Int. Inc./Total Income	31.5	27.3	31.0	31.7	33.3	32.3
Empl. Cost/Total Expense	32.2	32.1	31.0	32.5	32.7	32.7

### Efficiency Ratios (INRm)

Employee per branch (in nos)	18.0	18.7	19.4	17.8	20.3	20.5
Staff cost per employee	0.9	1.0	1.0	1.2	1.1	1.1
CASA per branch	777.7	909.4	854.4	813.4	872.1	940.2
Deposits per branch	1,727.6	1,928.6	1,987.4	1,995.2	2,148.0	2,276.5
Business per Employee (INR m)	178.3	195.0	194.9	211.9	198.9	208.5
Profit per Employee (INR m)	1.5	2.3	2.4	2.5	2.2	2.5

### Profitability Ratios and Valuation (%)

RoE	12.0	17.9	18.0	15.9	14.3	15.3
RoA	1.2	1.7	1.8	1.7	1.6	1.74
RoRWA	1.7	2.4	2.3	2.2	2.1	2.3
Book Value (INR)	375.2	406.2	486.7	576.7	654.6	749.3
-growth	13.1	8.3	19.8	18.5	13.5	14.5
<b>Price-BV (x)</b>	<b>2.8</b>	<b>2.6</b>	<b>2.1</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>
Adjusted BV (INR)	354.1	388.2	468.8	547.4	634.6	728.4
<b>Price-ABV (x)</b>	<b>2.9</b>	<b>2.7</b>	<b>2.2</b>	<b>1.9</b>	<b>1.6</b>	<b>1.4</b>
EPS (INR)	42.5	70.2	80.7	85.3	88.0	107.4
-growth	89.7	65.3	14.9	5.7	3.2	22.1
<b>Price-Earnings (x)</b>	<b>27.5</b>	<b>16.6</b>	<b>14.5</b>	<b>13.7</b>	<b>13.2</b>	<b>10.9</b>
<b>Price-Earnings (x) - Adj. Subs</b>	<b>24.5</b>	<b>14.8</b>	<b>12.9</b>	<b>12.2</b>	<b>11.8</b>	<b>9.7</b>
Dividend Per Share (INR)	0.0	1.0	1.0	1.0	1.4	1.6
<b>Dividend Yield</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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