

- Axis Bank is among India's top-3 private banks with advances at Rs. 10 Lac Cr, strong liability franchise, large distribution network and an array of product offerings. With top management revamped in 2019 and having already achieved their initial target of 18% ROE since H2FY23, Axis is now in a good position to harvest further gains.
- Axis has managed to improve its NIMs from ~3.5% levels prior to FY23 to ~4% levels today which is in line with HDFC/ICICI. However Axis Bank's cost to income has remained elevated since many years at around 47% compared to HDFC/ICICI at ~40%.
- Axis Bank's ROA at 1.8% lags HDFC (1.9%)/ICICI (2.4%) primarily due to higher cost to income.
- Asset quality is in line with its peers with GNPA/NNPA at (1.4%/0.3%) compared to HDFC and ICICI at (1.4%/0.4%) and (2.0%/0.4%) respectively.
- Axis Bank's deposits have grown steadily in CY2024, delivering 200 bps higher growth vs. the industry during Q2FY25. CASA ratio continues to be the best amongst peer private banks at 41% during Q2FY25.

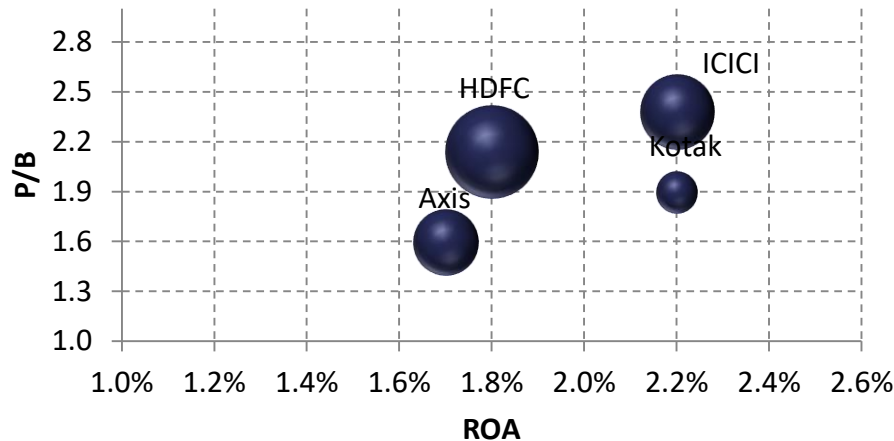
With Citi acquisition almost over, we believe cost/income has peaked out and is headed lower. Opex intensity has slowed down with a 10% YoY growth in H1FY25. We estimate this moderation in opex growth to continue over FY26 & 27 at 10% CAGR whereas advances and NII are expected to grow at 14% CAGR, leading to a decline in cost/income by 200 bps over FY25-27E from 48.0% to 46.0%.

We recommend to buy; valuing the standalone bank at 1.8x Sep 2026E BV at Rs. 1300 plus Rs. 100 as the value for its subsidiaries (MF, Broking, IB and Others) leading to a target of Rs. 1400.

Figures in Rs Cr

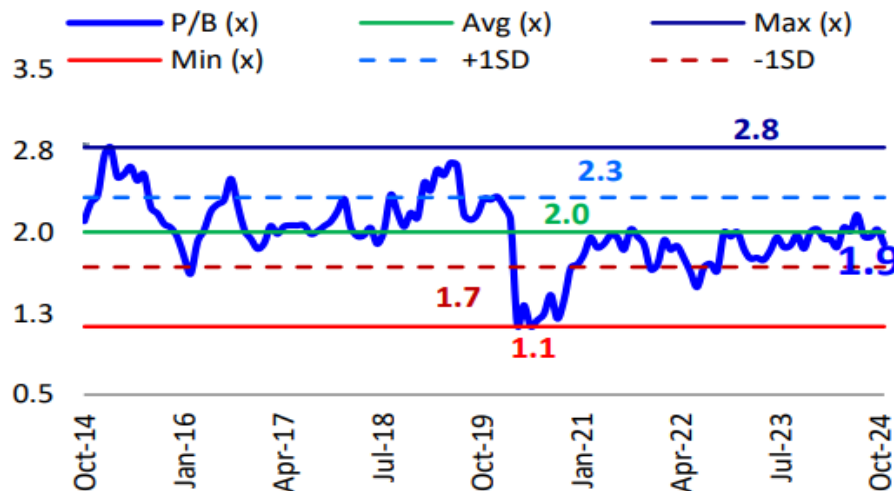
Year	NII	Growth	PAT	Growth	EPS	PE	BVPS	P/BV	RoA	RoE
FY24	51,368	20%	24,861	129%	22.4	46.3	487	2.1	1.8%	16.8%
FY25E	55,433	8%	26,491	7%	85.3	12.1	569	1.8	1.7%	16.2%
FY26E	62,181	12%	29,673	12%	95.8	10.8	657	1.6	1.7%	16.0%
FY27E	71,869	16%	34,355	16%	110.7	9.4	765	1.4	1.7%	16.1%

ROA vs P/B (FY26)



- Axis Bank has ROA of 1.7% while HDFC Bank is at 1.8%, a difference of mere 10 bps while Axis trades at much cheaper valuations at P/B of 1.6x FY26E compared to HDFC Bank's 2.2x FY26E.

One Year Forward P/B



- Banking is one of the few sectors where the valuations are still available at the past 10 year average levels.
- Axis Bank is also available at close to its 10 year average valuations, providing decent scope for appreciation in the long term.

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