



1QFY26 Result Update

Axis Bank

1QFY26 – NIM and Asset quality weak

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CMP (Rs): 1,160

Market cap. (Rs bn): 3,597

Target price (Rs): 1,300

Maintain Hold

Performance summary/What stood out

- Axis Bank's (AXSB) 1QFY26 PAT of Rs 58.1 bn (-4% YoY/-18% QoQ) was largely in line with our estimates and ~9% lower than consensus estimates. NII at Rs 135.6 bn (1% YoY/-2% QoQ) was in line with our estimates/consensus estimates. Loan growth at 8.1% YoY/1.8% QoQ was driven by corporate loans (8.6% YoY/5.5% QoQ) and SME loans (16.2% YoY/2.0% QoQ). Retail loan growth was flat QoQ (6.5% YoY) versus 2.8% QoQ in 4QFY25. Deposits declined by 1% QoQ (+9.3% YoY). Reported NIM declined by 17 bps QoQ to 3.8%, largely due to ~13 bps impact from repricing and ~4 bps from interest reversal. Gross slippage stood at Rs 82 bn (3.3% of loans versus 2.2% in 1QFY25), largely due to technical impact of Rs 27.1 bn from cash credit, overdraft and one-time settlement accounts. Slippage within the retail segment continued to be elevated. As a result, credit costs increased to 150 bps versus ~85 bps YoY. PCR declined to 71% versus 75% in 4QFY25.

Outlook and Valuation

- While the bank has been growing its SME and mid corporate loan book, growth in the retail segment has been consolidating over the last few quarters, largely due to concerns about asset quality within the unsecured loans. While the impact of 25 bps rate cut has been fully absorbed in the NIM, the impact of another 75 bps rate cut has only partly played out and will impact NIM in the coming quarters. Also, the delinquencies in the personal loan portfolio are yet to stabilise. We have cut our PAT estimates marginally on account of lower NIM and higher credit cost and cut our SOTP-based target price to Rs 1,300 (valuing the core bank at 1.7x FY27E P/Adjusted Book Value). Maintain Hold. Core bank (adjusted for subsidiaries) trades at 1.5x FY27E.

What has changed in estimates

- We have cut our FY26/27E PAT estimates by 3%/2% on account of lower NIM and higher credit costs.

Financial highlights (Standalone)

(Rs mn)	1QFY25	1QFY26	YoY (%)	4QFY25	QoQ (%)
Interest Earned	300,607	310,635	3.3	312,425	(0.6)
Interest Expended	(166,125)	(175,038)	5.4	(174,320)	0.4
Net Interest Income	134,482	135,598	0.8	138,105	(1.8)
Other Income	57,835	72,581	25.5	67,795	7.1
Total Net Income	192,317	208,178	8.2	205,901	1.1
Staff Expenses	(31,295)	(32,618)	4.2	(29,615)	10.1
Other operating exp.	(59,960)	(60,409)	0.7	(68,762)	(12.1)
Operating Profit	101,062	115,152	13.9	107,524	7.1
Provision & Contingencies	(20,393)	(39,477)	93.6	(13,594)	190.4
Provision for tax	(20,323)	(17,614)	(13.3)	(22,755)	(22.6)
Reported Profit	60,346	58,061	(3.8)	71,175	(18.4)

Key variables

	Improvement on (%)		
	B&K est.	Consensus	
Net interest Income	(0.9)	(2.6)	
PPOP	12.9	7.4	
PAT	(2.9)	(8.7)	
Valuations	FY25	FY26E	FY27E
P/E (x)	13.6	14.7	11.8
P/B (x)	2.0	1.8	1.6
P/ABV (x)	2.0	1.8	1.6
Dividend Yield (%)	0.1	1.7	2.1
Key Ratio			
NIM (%)	4.0	3.6	3.8
RoA (%)	1.7	1.5	1.7
RoE (%)	15.9	12.8	14.1
Book Value (Rs)	580	658	737
Adj. Book Value (Rs)	571	647	727

Detailed highlights

P&L and Key metrics

- ▶ **PPOP largely supported by higher non-interest income and lower opex** – NII at Rs 135.6 bn (+1% YoY/-2% QoQ) was in line with our consensus/estimates. Reported NIM declined by 17 bps QoQ to 3.8% due to the impact of 13 bps from repricing and ~4 bps on interest reversal. Non-interest income grew by 25.5% YoY, led by profit on sale on investments (Rs 14.2 bn versus Rs 1.7 bn/Rs 4.1 bn in 4QFY25/1QFY25). Fee income declined by 9% QoQ, largely due to retail loan growth being flat QoQ. Operating expenses declined by 5% QoQ led by cost optimisation measures leading to cost-to-income declining to 44.7% from 47.5% in 1QFY25. PPOP at Rs 115.1bn was supported by higher non-interest income. Provisions came in at Rs 39.5 bn, leading to credit cost of 1.5% in 1QFY26 versus 0.8% in 1QFY25.

Balance sheet

- ▶ **Loan growth led by corporate and SME segment, retail loan growth was flat QoQ** – Loans grew by 8.1% YoY/1.8% QoQ, largely led by growth in corporate and SME segment, while retail loan growth was flat QoQ. Among the retail loan book, home loans (-0.7% QoQ), auto loans (-1% QoQ), rural lending (-5.2% QoQ) declined QoQ. Deposits declined by 1% QoQ (+9.3% YoY), led by CASA deposits (-2.1% QoQ) and term deposits (-0.2% QoQ). As a result, CASA ratio fell to 40.3% from 40.8% in 4QFY25. LDR increased to 91.2% from 88.7% in 4QFY25 (92.2% in 1QFY25).
- ▶ **Slippages and credit costs higher QoQ:** The bank reported higher slippages in 1QFY26 led by changes in the recognition policy relating to cash credit, overdraft and one-time settlement accounts. Gross slippages at Rs 82 bn (3.3% of loans versus 2.2% of loans in 1QFY25), out of which Rs 27.1 bn was due to technical impact. ~80% of individual contracts that slipped because of technical impact are fully secured. Recoveries and upgrades stood at Rs 21.5 bn, leading to net slippages of Rs 60.5 bn.

Concall highlights

Advances and Deposits

- ▶ The full impact of the repo rate cuts will flow in 2QFY26 and NIM is expected to decline further in 2QFY26. NIM for 1QFY26 has absorbed the full impact of the 25-bps rate cut that occurred in February 2025.
- ▶ The bank remained confident of delivering a NIM of 3.8% through cycle over the next 15-18 months.

Asset quality

- ▶ Asset quality within the personal loan book is yet to stabilise.
- ▶ The technical impact is largely related to cash credit, overdrafts and one-time settled accounts.
- ▶ The bank has changed the loan recognition policy resulting in higher slippages. However, the provisioning policy has remained the same since last quarter. The bank does not expect any further impact on the book due to the change in loan recognition policy.
- ▶ As per the bank, the economic loss due to the technical impact will be minimal, as ~80% of the accounts that slipped and turned NPA are fully secured.

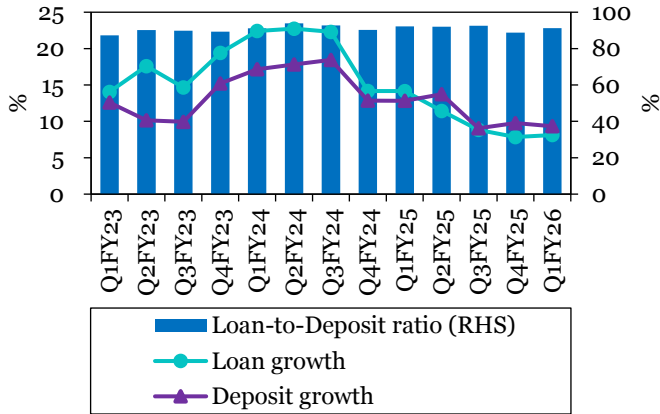
Change in estimates

(Rs mn)	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income	553,133	640,105	539,179	622,244	(2.5)	(2.8)
PPOP	431,360	519,298	424,998	509,790	(1.5)	(1.8)
PAT	254,039	312,334	245,141	305,122	(3.5)	(2.3)
EPS (Rs)	82.0	100.8	79.1	98.5	(3.5)	(2.3)

SOTP valuation

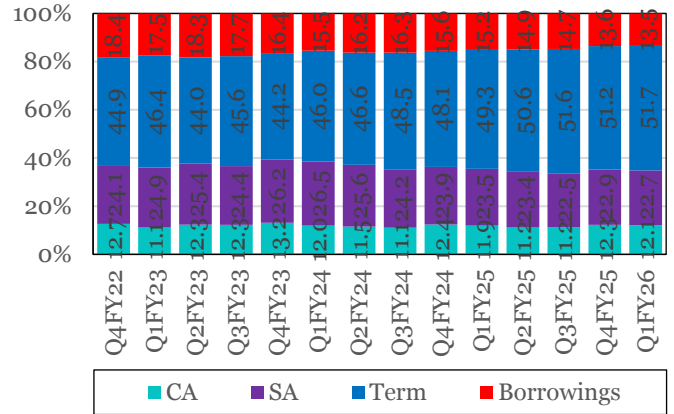
Businesses	Total value (Rs bn)	Parent stake		Per share value (Rs)	% of SOTP (%)	Remarks
		(%)	(Rs bn)			
Axis Bank (Standalone)	3,719	100.0	3,719	1,201	92.5	Based on 2 stage Gordon growth model, implied Mar-27E P/Adjusted Book Value of 1.7x
Subsidiaries & associates						
Axis AMC	119	75.0	89	29	1.8	Valued at Mar-27E P/E of 17.5x
Axis Securities	60	100.0	60	19	1.2	Valued at Mar-27E P/E of 10x
Axis Capital	21	100.0	21	7	0.4	Valued at Mar-27E P/E of 10x
Axis Finance	101	100.0	101	33	2.0	Valued at Mar-27E P/B of 1.5x
Max Life	531	19.0	101	35	2.0	Based on Mkt Cap
Total Subs & Associates (Post-Hold Co Discount)				99	7.5	
Total				1,300	100.0	

Loan growth, deposit growth and LDR



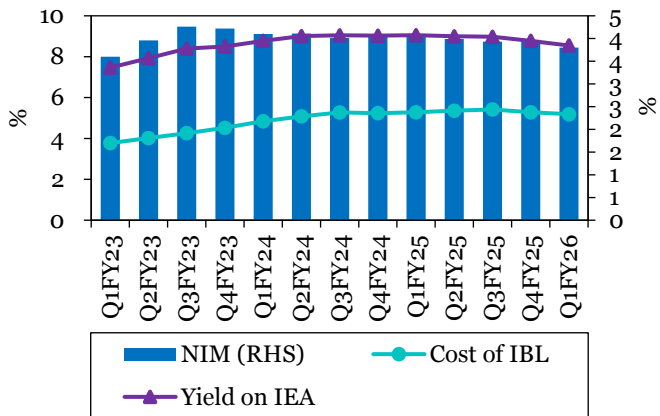
Source: Company, B&K Research

Liability mix



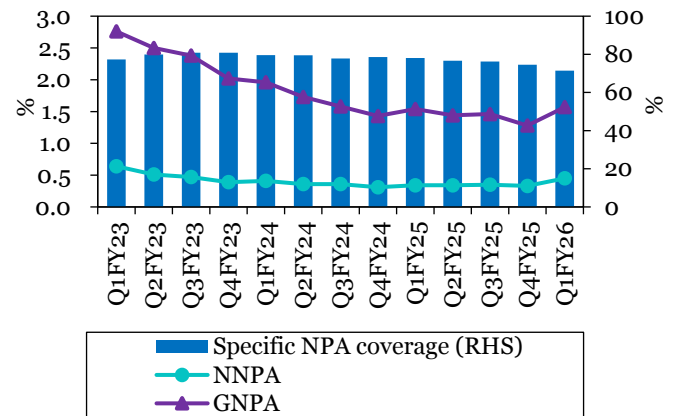
Source: Company, B&K Research

Trend in margins



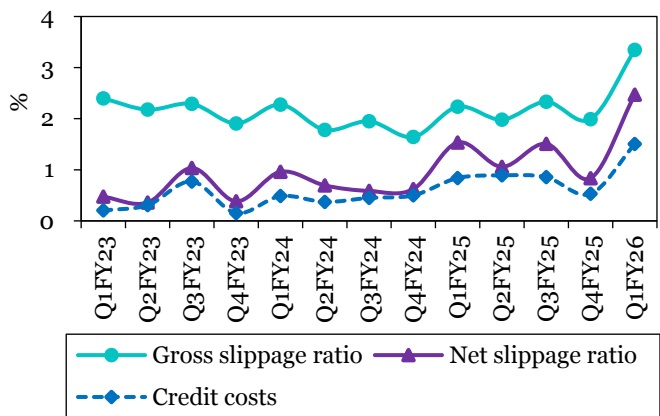
Source: Company, B&K Research

Trend in asset quality



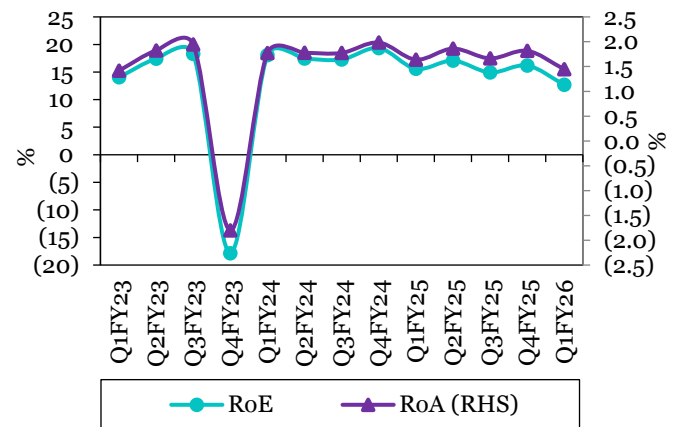
Source: Company, B&K Research

Trend in slippage ratio and credit costs



Source: Company, B&K Research

Trend in return ratios



Source: Company, B&K Research

Key ratios and trends

(%)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
CASA ratio	45.5	44.4	42.1	43.0	41.8	40.6	39.5	40.8	40.3
LDR	91.2	93.9	92.8	90.3	92.2	92.0	92.6	88.7	91.2
Yield on IEA	8.8	9.0	9.0	9.0	9.1	9.0	9.0	8.8	8.5
Cost of IBL	4.8	5.1	5.3	5.2	5.3	5.4	5.4	5.3	5.2
NIM – Reported	4.1	4.1	4.0	4.1	4.1	4.0	3.9	4.0	3.8
Fees/Average assets	1.4	1.5	1.5	1.6	1.4	1.5	1.4	1.6	1.4
Cost/Income	48.3	50.2	49.5	46.9	47.5	47.0	46.2	47.8	44.7
Cost/Income (ex-Trading Gains)	49.8	50.0	50.3	49.5	48.5	49.7	47.1	48.2	48.0
Cost/Average assets	2.5	2.6	2.6	2.6	2.5	2.6	2.4	2.5	2.3
RoA	1.8	1.8	1.8	2.0	1.6	1.9	1.7	1.8	1.4
RoE	18.1	17.4	17.3	19.3	15.6	17.1	14.9	16.2	12.7
RoRWA	2.7	2.7	2.6	2.8	2.3	2.5	2.3	2.5	2.0
CET 1 ratio	14.4	14.6	13.7	13.7	14.1	14.1	14.6	14.7	14.7
Tier 1 capital ratio	14.9	15.1	14.2	14.2	14.5	14.5	15.0	15.1	15.1
Total capital ratio	17.7	17.8	16.6	16.6	16.7	16.6	17.0	17.1	16.9

Asset quality

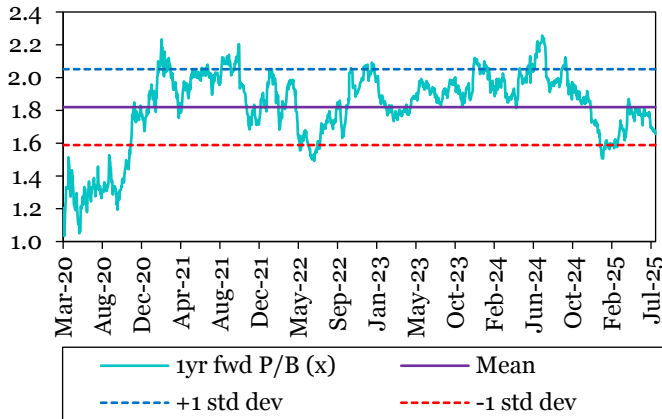
(Rs bn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Gross NPA (%)	2.0	1.7	1.6	1.4	1.5	1.4	1.5	1.3	1.6
Net NPA (%)	0.4	0.4	0.4	0.3	0.3	0.3	0.4	0.3	0.5
Specific NPA coverage (%)	79.6	79.5	77.8	78.5	78.1	76.6	76.2	74.6	71.5
Gross slippage ratio (%)	2.3	1.8	1.9	1.6	2.2	2.0	2.3	2.0	3.3
Recovery and Upgrade ratio (%)	34.7	32.2	43.0	37.7	24.3	33.0	29.1	43.8	27.8
Net slippage ratio (%)	1.0	0.7	0.6	0.6	1.5	1.1	1.5	0.8	2.5
Write-off ratio (%)	32.1	43.3	32.8	36.5	35.7	49.7	47.6	53.0	36.0
Credit costs (Total provisions/Avg. Loans) (%)	0.5	0.4	0.4	0.5	0.8	0.9	0.9	0.5	1.5
Gross slippages	39.9	32.5	37.2	34.7	47.9	44.4	54.3	48.1	82.0
Upgrades and Recoveries	23.1	19.9	26.0	21.6	15.0	20.7	19.2	27.9	21.5
Net slippages before write-offs	16.9	12.7	11.2	13.2	32.9	23.7	35.2	20.2	60.5
Write-offs	21.3	26.7	19.8	20.8	22.1	31.2	31.3	33.8	27.8
Gross NPA – Closing	181.6	167.6	158.9	151.3	162.1	154.7	158.5	144.9	177.6
Provisions	144.6	133.2	123.7	118.8	126.6	118.5	120.8	108.0	127.0
Net NPA	37.0	34.4	35.3	32.5	35.5	36.1	37.7	36.9	50.7

Loan mix

(Rs bn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Retail Loans	4,978	5,197	5,470	5,833	5,851	5,987	6,058	6,229	6,230	6.5	0.0
Home Loans	1,566	1,592	1,628	1,659	1,654	1,677	1,676	1,671	1,660	0.4	(0.7)
Rural lending	716	747	798	919	885	897	937	982	931	5.2	(5.2)
Auto Loans	535	556	579	587	588	587	584	583	578	(1.8)	(1.0)
Personal Loans (PL)	569	612	651	716	736	754	760	773	771	4.7	(0.3)
Loan against property (LAP)	506	539	586	637	651	672	697	753	788	21.1	4.6
Credit card (CC)	347	358	400	413	425	437	432	431	435	2.3	1.0
Small Business Banking (SBB)	463	503	535	572	584	619	642	668	673	15.3	0.9
Commercial Equipment	110	112	118	122	120	116	115	118	117	(2.0)	(0.6)
Others	165	180	175	208	209	227	216	249	276	32.6	11.0
SME loans	865	948	990	1,037	1,040	1,105	1,141	1,185	1,209	16.2	2.0
Corporate loans	2,742	2,828	2,863	2,781	2,910	2,908	2,946	2,994	3,159	8.6	5.5
Net loans	8,585	8,973	9,323	9,651	9,801	10,000	10,146	10,408	10,597	8.1	1.8
Loan mix (%)											
Retail loans	58.0	57.9	58.7	60.4	59.7	59.9	59.7	59.8	58.8	-	-
Home loans	18.2	17.7	17.5	17.2	16.9	16.8	16.5	16.1	15.7	-	-
Rural lending	8.3	8.3	8.6	9.5	9.0	9.0	9.2	9.4	8.8	-	-
Auto loans	6.2	6.2	6.2	6.1	6.0	5.9	5.8	5.6	5.5	-	-
Personal loans (PL)	6.6	6.8	7.0	7.4	7.5	7.5	7.5	7.4	7.3	-	-
Loan against property (LAP)	5.9	6.0	6.3	6.6	6.6	6.7	6.9	7.2	7.4	-	-
Credit card (CC)	4.0	4.0	4.3	4.3	4.3	4.4	4.3	4.1	4.1	-	-
Small Business Banking (SBB)	5.4	5.6	5.7	5.9	6.0	6.2	6.3	6.4	6.4	-	-
Comm Equipment	1.3	1.2	1.3	1.3	1.2	1.2	1.1	1.1	1.1	-	-
Others	1.9	2.0	1.9	2.2	2.1	2.3	2.1	2.4	2.6	-	-
SME Loans	10.1	10.6	10.6	10.7	10.6	11.0	11.2	11.4	11.4	-	-
Corporate Loans	31.9	31.5	30.7	28.8	29.7	29.1	29.0	28.8	29.8	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-	-

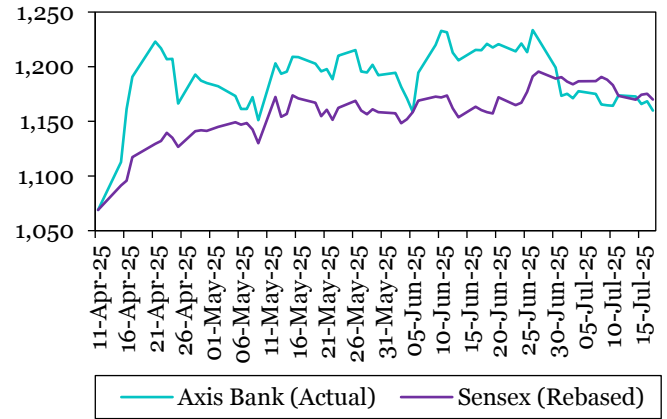
Source: Company, B&K Research

One-year forward P/BV



Source: B&K Research

Relative performance

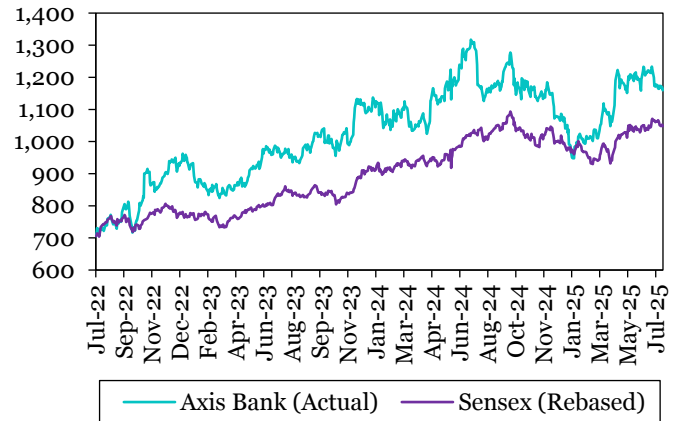


Source: B&K Research

Major shareholders (%)

	Dec-24	Mar-25	Change
Promoters	7.9	7.9	0.0
GOI	0.0	0.0	0.0
FII's	49.4	45.8	(3.5)
MFs	27.9	31.0	3.1
BFSI's	8.1	8.6	0.5
Public & Others	6.7	6.8	0.1
Pledge	0.0	0.0	0.0

Relative to Sensex 3 Years



Financial Summary (Standalone)

Income Statement

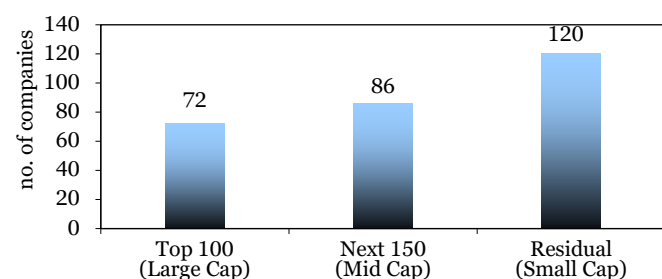
Y/E (Rs mn)	FY24	FY25	FY26E	FY27E
Interest income	1,093,686	1,226,770	1,240,543	1,384,694
Interest expense	(594,741)	(683,292)	(701,364)	(762,449)
Net interest income	498,945	543,478	539,179	622,244
Growth (%)	16.2	8.9	(0.8)	15.4
Non-interest income	224,420	252,571	283,227	327,327
Operating income	723,364	796,049	822,406	949,571
Operating expenses	(352,133)	(375,000)	(397,407)	(439,782)
- Staff expenses	(109,331)	(121,928)	(131,682)	(147,484)
Pre-provisions profit	371,232	421,049	424,998	509,790
Core operating profit	329,376	393,529	388,385	474,416
Growth (%)	15.0	13.4	0.9	20.0
Provisions & Contingencies	(40,631)	(77,584)	(98,144)	(102,960)
Pre-tax profit	330,601	343,466	326,854	406,829
Tax	(81,986)	(79,731)	(81,714)	(101,707)
Net profit	248,614	263,735	245,141	305,122
Adjusted net profit	248,614	263,735	245,141	305,122
Growth (%)	12.7	6.1	(7.1)	24.5

Balance Sheet

Y/E (Rs mn)	FY24	FY25	FY26E	FY27E
Cash and balance with RBI/Banks	1,144,544	997,321	1,021,967	1,121,098
Investments	3,315,273	3,961,418	4,159,489	4,492,248
Advances	9,650,684	10,408,113	11,401,673	12,824,302
Interest Earning Assets	14,110,500	15,366,852	16,583,129	18,437,648
Fixed assets (Net block)	56,846	62,917	72,355	83,208
Other assets	604,740	669,530	874,369	737,258
Total Assets	14,772,086	16,099,299	17,529,852	19,258,114
Deposits	10,686,414	11,729,520	13,041,425	14,615,704
Borrowings	1,968,118	1,841,465	1,657,319	1,491,587
Other liabilities and provisions	606,939	731,062	791,814	867,692
Share capital	6,173	6,195	6,195	6,195
Reserves & surplus	1,504,443	1,791,057	2,033,100	2,276,937
Shareholders' funds	1,510,616	1,797,251	2,039,295	2,283,131
Total Equity & Liabilities	14,772,087	16,099,299	17,529,852	19,258,114
Balance Sheet Ratios (%)				
Loan growth	14.2	7.8	9.5	12.5
Deposit growth	12.9	9.8	11.2	12.1
Assets growth	12.1	9.0	8.9	9.9
Loans / Deposits	90.3	88.7	87.4	87.7
CASA ratio	43.0	40.8	40.3	39.8
RWA / Assets	70.0	72.0	73.0	74.0

Key Ratios

Y/E (%)	FY24	FY25	FY26E	FY27E
Per share data (Rs)				
No of shares (mn)	3,087	3,097	3,097	3,097
Adjusted EPS	80.5	85.1	79.1	98.5
PPOP	120.3	135.9	137.2	164.6
Book Value	489.4	580.3	658.4	737.1
Adjusted BVPS	481.5	571.1	646.9	726.7
Subs Value	-	-	-	-
Valuation Ratios (x)				
P/E	14.4	13.6	14.7	11.8
P/B	2.4	2.0	1.8	1.6
P/ ABV	2.4	2.0	1.8	1.6
Price / PPOP	9.6	8.5	8.5	7.0
Dividend Yield (%)	0.1	0.1	1.7	2.1
Profitability Ratios (%)				
Yield on advances	11.9	12.1	11.3	11.3
Cost of deposits	5.9	6.1	5.7	5.5
NIM	4.1	4.0	3.6	3.8
Cost / Income	48.7	47.1	48.3	46.3
RoA Tree (%)				
NII / Avg. Assets	3.6	3.5	3.2	3.4
Non-interest income/Avg Assets	1.6	1.6	1.7	1.8
(Fee income / Avg Assets)	1.3	1.5	1.5	1.6
(Trading gains / Avg Assets)	0.1	0.1	0.2	0.1
Cost / Avg. Assets	2.5	2.4	2.4	2.4
PPOP / Avg. Assets	2.7	2.7	2.5	2.8
(Core PPOP / Avg assets)	2.4	2.5	2.3	2.6
Non-tax Provisions / Avg. Assets	0.3	0.5	0.6	0.6
PBT / Avg. Assets	2.4	2.2	1.9	2.2
Tax Provisions / Avg. Assets	0.6	0.5	0.5	0.6
RoA	1.8	1.7	1.5	1.7
Leverage (x)	10.1	9.3	8.8	8.5
RoE	18.0	15.9	12.8	14.1
Asset Quality Ratios (%)				
Gross NPLs	1.4	1.3	1.5	1.2
Net NPLs	0.3	0.3	0.4	0.3
PCR	78.5	74.6	73.6	72.9
Gross Slippages (% of PY loans)	1.7	2.0	2.0	1.8
Loan Provisions / Avg. Loans	0.4	0.8	0.9	0.9
Net NPLs / Net worth	2.1	2.1	2.3	1.9
Capitalisation Ratios (%)				
Core Equity Capital	13.7	14.7	14.5	14.5
Tier I cap. adequacy	14.2	15.1	14.9	14.8
Total cap. adequacy	16.6	17.1	16.7	16.4

B&K Universe Profile – by AMFI Definition**B&K Investment Ratings**

	LARGE CAP (Market Cap > US\$ 2 bn)	MID & SMALL CAP (Market Cap < US\$ 2 bn)
BUY	>+15%	>+20%
HOLD	+15% to -10 %	+20% to -15 %
SELL	<-10%	<-15%

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