

July 18, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	1,375		1,500	
NII (Rs. m)	5,64,019	6,30,045	5,71,762	6,39,054
% Chng.	(1.4)	(1.4)		
Op. Profit (Rs. m)	4,48,517	5,01,653	4,50,541	5,17,034
% Chng.	(0.4)	(3.0)		
EPS (Rs.)	85.3	99.8	87.7	102.7
% Chng.	(2.7)	(2.9)		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
NII (Rs m)	4,98,945	5,43,478	5,64,019	6,30,045
Op. Profit (Rs m)	3,71,232	4,21,049	4,48,517	5,01,653
PAT (Rs m)	2,48,614	2,63,735	2,64,677	3,09,472
EPS (Rs.)	80.5	85.1	85.3	99.8
Gr. (%)	13.0	5.7	0.2	16.9
DPS (Rs.)	1.0	1.0	1.1	1.3
Yield (%)	0.1	0.1	0.1	0.1
NIM (%)	3.8	3.7	3.5	3.6
RoAE (%)	18.0	15.9	13.7	14.0
RoAA (%)	1.8	1.7	1.6	1.7
P/BV (x)	2.4	2.0	1.7	1.5
P/ABV (x)	2.4	2.0	1.8	1.6
PE (x)	14.4	13.6	13.6	11.6
CAR (%)	16.6	17.1	17.1	16.9

Key Data

AXBK.BO | AXSB IN

52-W High / Low	Rs.1,319 / Rs.934
Sensex / Nifty	82,259 / 25,111
Market Cap	Rs.3,601bn / \$ 41,832m
Shares Outstanding	3,101m
3M Avg. Daily Value	Rs.8095.55m

Shareholding Pattern (%)

Promoter's	8.23
Foreign	43.94
Domestic Institution	40.88
Public & Others	6.95
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.5)	17.1	(11.0)
Relative	(5.2)	9.1	(12.6)

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Lower NIM/fees & asset quality drag Core PAT

Quick Pointers:

- Miss on core PAT (adj. for technical impact) owing to lower NIM/fees.
- With stress moderating in PL/CC, provisions may normalize henceforth.

AXSB saw a weak quarter yet again as core PAT missed PLe by 26.6% due to asset quality related technical impact of Rs6.14bn. Adjusting for the same, core PAT missed PLe by 17% owing to lower NIM and fees. Owing to more stringent recognition criteria, gross slippages were more by Rs27.1bn (one-time impact). In our view, this may also reflect the underlying stress. As bank does not intend to further change the recognition policy, upcoming quarters of FY26 and FY27 would see lower credit costs since stress is moderating in PL/CC. We raise provisions for FY26 by 8bps but reduce it for FY27E by 3bps. For FY26/27E, we cut NIM by 6bps and trim fees by avg. ~2.0%; core PAT is lower by 5.1%/2.6%. Due to 7bps reduction in core RoA for FY26 to 1.4%, we tweak multiple to 1.8x from 1.9x and cut TP to Rs1,375 from Rs1,500. Retain 'BUY'.

- Lower fees and weak asset quality drag core PAT:** NII grew by -1.8% QoQ and +0.8% YoY and it was 2.0% lower at Rs135.6bn (PLe Rs138.3bn). NIM (calc.) was a miss at 3.71% (PLe3.80%); reported NIM was down 17bps QoQ to 3.8%. Loan growth was 8.1% YoY (PLe 7.3%) while deposit accretion was lower at 9.3% YoY (PLe 11.2%). LDR increased to 91.2% (88.7% in Q1'26). Other income was higher at Rs72.6bn (PLe Rs65.6bn) due to higher trading gains; fee was a 4.4% miss at Rs57.5bn. Opex at Rs93bn was largely in-line; staff cost was more offset by lower other opex. Core PPOp at Rs101bn was 5.4% below PLe; PPOp was Rs115.2bn. Asset quality was a miss; GNPA worsened to 1.57% (PLe 1.38%) due to higher slippages attributable to technical factor. Provisions were a drag at Rs39.5bn (PLe Rs21.3bn). Core PAT was 26.6% below PLe at Rs46.5bn while PAT was Rs58.1bn (PLe Rs67.4bn).
- Credit growth was slightly better:** Loan growth was a tad better at 1.8% QoQ led by corporate (+5.5%) and SME (+2.0%). Retail was flat QoQ; it has been consistently slowing (+17.5% YoY in Q1'26 to +6.5% in Q1FY26). While bank expects to outpace industry credit growth by 300bps in FY26, retail segment will need to see strong growth so that that its guidance is met. NIM for Q1FY26 was a miss on account of (1) 1bp technical impact (asset quality) (2) 3bps related to agri slippages and (3) absorption of 25bps rate cut (announced in Feb) and part 75bps reduction. Full effect of 75bps repo cut would be passed on in Q2FY26 that may be partly offset by reduction in deposit rates.
- Asset quality surprises negatively again:** More stringent recognition criteria in NPA movement affected CC/OD and OTS accounts leading to higher slippages of Rs27.1bn resulting in provisions of Rs8.2bn (PAT hit of Rs6.14bn). These accounts (80% are secured) would be recovered in normal course. Change in recognition criteria was not regulatory in nature but was part of annual benchmarking practice. Q2, Q3 and Q4 of FY26 are likely to be better, as elevated slippages would be offset by healthy recoveries. FY27 could likely see controlled asset quality as recognition policy may not change materially.

Exhibit 1: PAT at Rs58bn dragged down due to higher provisions

Financial Statement (Rs m)	Q1FY26	Q1FY25	YoY gr. (%)	Q4FY25	QoQ gr. (%)	Q1FY26E	Est. beat/miss
Interest Income	3,10,635	3,00,607	3.3	3,12,425	(0.6)	3,10,941	(0.1)
Interest Expenses	1,75,038	1,66,125	5.4	1,74,320	0.4	1,72,643	1.4
Net interest income (NII)	1,35,598	1,34,482	0.8	1,38,105	(1.8)	1,38,298	(2.0)
-Treasury Income	14,200	4,060	249.8	1,730	720.8	3,000	373.3
Other income	72,581	57,835	25.5	67,795	7.1	65,606	10.6
Total income	2,08,178	1,92,317	8.2	2,05,901	1.1	2,03,903	2.1
Operating expenses	93,027	91,255	1.9	98,377	(5.4)	92,654	0.4
-Staff expenses	32,618	31,295	4.2	29,615	10.1	31,688	2.9
-Other expenses	60,409	59,960	0.7	68,762	(12.1)	60,966	(0.9)
Operating profit	1,15,152	1,01,062	13.9	1,07,524	7.1	1,11,249	3.5
Core operating profit	1,00,032	95,268	5.0	1,03,104	(3.0)	1,08,249	(7.6)
Total provisions	39,477	20,393	93.6	13,594	190.4	21,341	85.0
Profit before tax	75,675	80,670	(6.2)	93,930	(19.4)	89,908	(15.8)
Tax	17,614	20,323	(13.3)	22,755	(22.6)	22,477	(21.6)
Profit after tax	58,061	60,346	(3.8)	71,175	(18.4)	67,431	(13.9)
Balance sheet (Rs m)							
Deposits	1,16,16,146	1,06,24,837	9.3	1,17,29,520	(1.0)	1,18,11,454	(1.7)
Advances	1,05,97,244	98,00,915	8.1	1,04,08,113	1.8	1,05,12,194	0.8
Ratios (%)							
Profitability ratios							
NIM	3.7	4.1	(38)	3.7	(4)	3.8	(9)
RoaA	1.5	1.7	(23)	1.8	(33)	1.8	(26)
RoaE	13.5	16.6	(316)	17.2	(373)	15.6	(215)
Asset Quality							
Gross NPL	1,77,647	1,62,113	9.6	1,44,901	22.6	1,52,125	16.8
Net NPL	50,660	35,530	42.6	36,855	37.5	38,031	33.2
Gross NPL ratio	1.6	1.5	3	1.3	29	1.4	19
Net NPL ratio	0.5	0.3	11	0.3	12	0.3	10
Coverage ratio (Calc)	71.5	78.1	(660)	74.6	(308)	75.0	(352)
Business & Other Ratios							
Low-cost deposit mix	40.3	41.8	(153)	40.8	(46)	39.4	95
Cost-income ratio	44.7	47.5	(276)	47.8	(309)	45.4	(75)
Non int. inc / total income	34.9	30.1	479	32.9	194	32.2	269
Credit deposit ratio	91.2	92.2	(102)	88.7	249	89.0	223
CAR	16.9	16.7	20	17.1	(22)		
Tier-I	14.7	14.1	62	14.7	1		

Source: Company, PL

Exhibit 2: Loan growth driven by SME & corporate

Segmental Mix (Rs m)	Q1FY26	Q1FY25	YoY gr. (%)	Q4FY25	QoQ gr. (%)
Large & mid-corporate	31,59,000	29,10,000	8.6	29,94,000	5.5
SME Advances	12,09,000	10,40,000	16.3	11,85,000	2.0
Retail	62,30,000	58,51,000	6.5	62,29,000	0.0
- Housing Loans	24,47,160	23,04,040	6.2	24,24,600	0.9
- Personal loans	7,70,990	7,36,200	4.7	7,73,320	(0.3)
- Auto loans	5,77,600	5,88,270	(1.8)	5,83,190	(1.0)

Source: Company, PL

Q1FY26 Concall Highlights

Balance Sheet

- Bank is expecting advances to grow 300bps faster than industry for FY26.
- Retail loans have been consistently slowing (+17.5% YoY a year ago to +6.5% YoY in Q1FY26); retail segment will need to see strong growth so that the bank can meet its guidance.

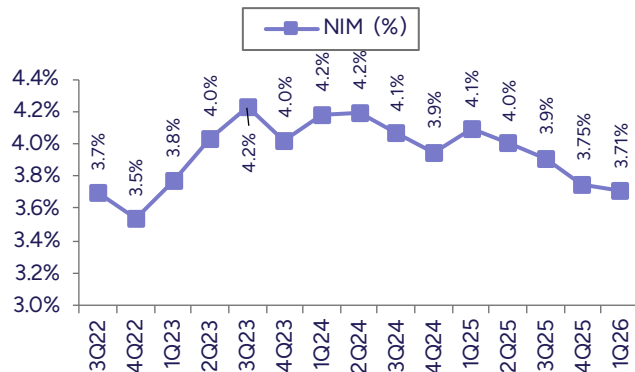
Profit & Loss

- NIMs for Q1FY26 has absorbed the impact of 25bps rate cut (announced in Feb) and a part of 75bps rate cut. Full impact of 75bps rate cut will be available in Q2FY26 partially offset by savings in borrowings cost.
- Also, technical impact of asset quality affected NIM by 1bp while agri slippages affected NIM by 3bps.
- Staff cost increase QoQ was attributable to gratuity

Asset Quality

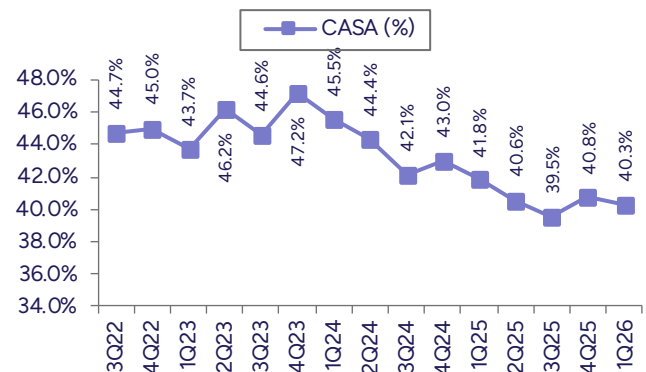
- As per the bank, more stringent recognition criteria in NPA movement led to higher slippages of Rs27.1bn resulting in higher provisions of Rs8.2bn and PAT impact of Rs6.14bn.
- As per IRAC norms an account is classified as per DPD, however, to be more prudent, Bank introduced additional qualitative criteria along with DPD
- Change in recognition criteria for slippages/upgrades was not regulatory but was part of annual practice of benchmarking policies followed by bank.
- This recognition criteria affected CC, OD and OTS accounts. Bank intends to recover these accounts in normal course; 80% of these accounts are secured.
- PCR ex-technical impact has improved as new slippages had to be provided with lesser provisions given 80% of accounts are secured.
- Q2, Q3 and Q4 are expected to be muted in terms of asset quality as elevated slippages will be offset by higher recoveries.
- FY27 is expected to normalize in terms of asset quality as bank does not intend to materially change policies going forward unless regulations change.
- As per bank, asset quality has been stabilizing in PL and improving on CC
- Provisions ex-technical impact increased QoQ due to ageing accounts.

Exhibit 3: NIMs fell to 3.71% due to higher slippages



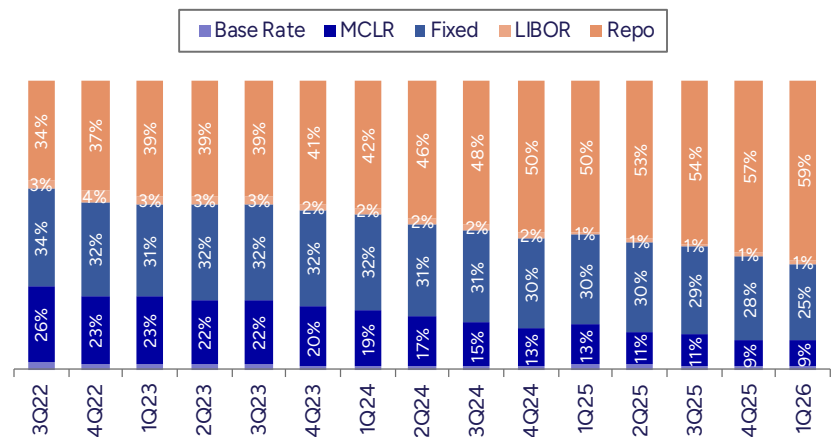
Source: Company, PL

Exhibit 4: CASA reduced to 40.3%



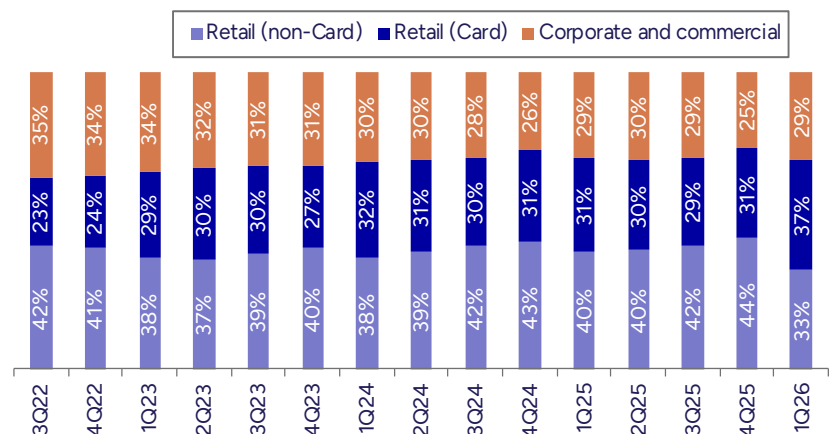
Source: Company, PL

Exhibit 5: Repo linked loans increase to 59%



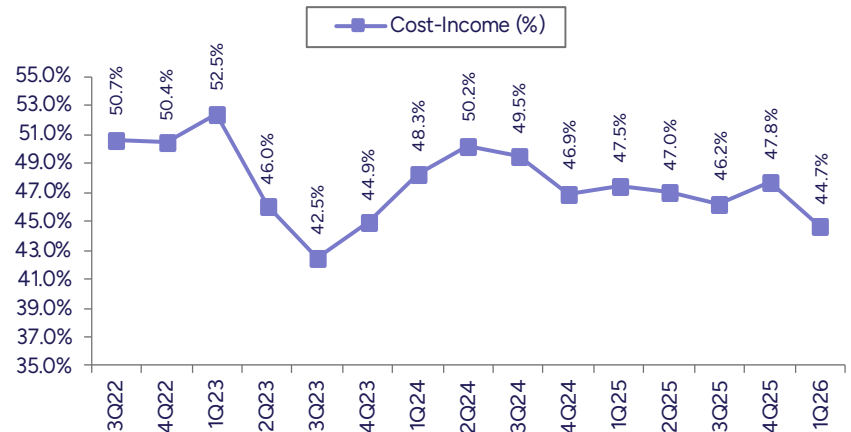
Source: Company, PL

Exhibit 6: Retail fees constitute 70% majorly from cards and payments



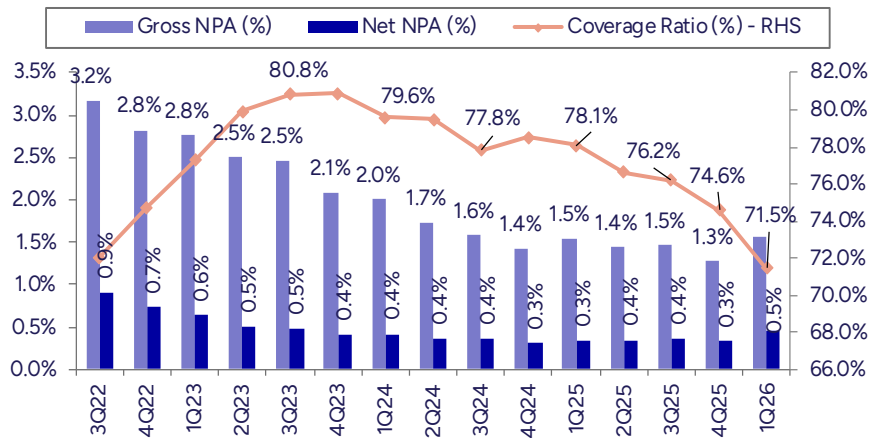
Source: Company Data, PL Research

Exhibit 7: C/I decreased to 44.7% due to lower other opex



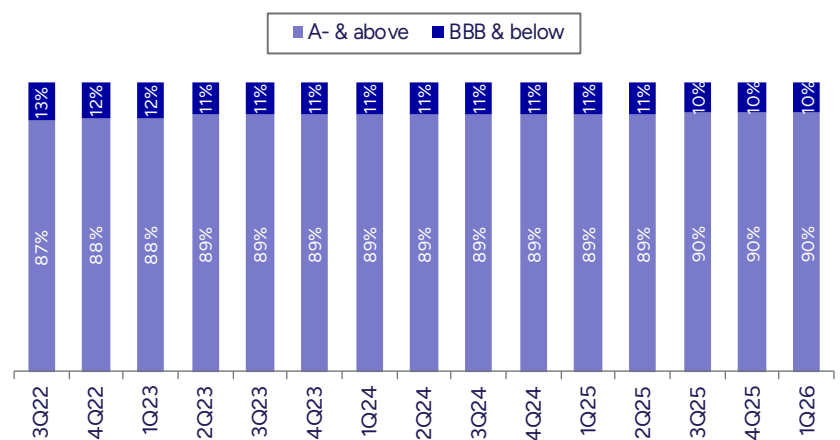
Source: Company, PL

Exhibit 8: Asset quality worsened sequentially; PCR declined to 71.5%



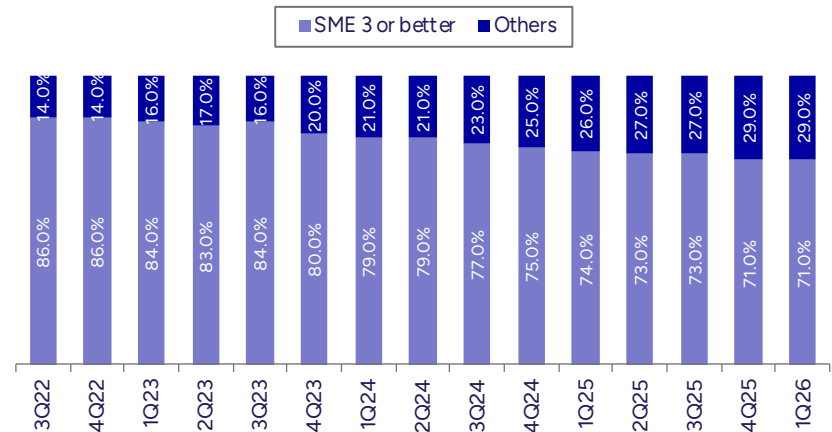
Source: Company, PL

Exhibit 9: Corporate book rating book mix steady at 90:10



Source: Company, PL

Exhibit 10: SME rating mix at 71:29



Source: Company, PL

Exhibit 11: Annualized slippages increased to 3.2% , restructured book at 0.10%

Stressed Loans (Rs Mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Gross slippages	36840	33830	38070	37710	39900	32540	37150	34710	47930	44430	54320	48050	82000
Recoveries+ Up gradations	29570	28260	20880	26990	23050	19850	25980	21550	15030	20690	19150	27900	21470
Write-offs	15126	17000	16517	24288	21310	26710	19810	20810	22060	31190	31330	33750	27780
Annualized Slippages (%)	2.08	1.91	2.15	2.13	1.89	1.54	1.76	1.64	1.99	1.84	2.25	1.99	3.15
BB & Below book	48,580	49,390	44,510	34,780	36,450	34,340	28,840	29,780	31,690	34,340	29,210	25,480	24,560
NFB O/s to BB & Below exposures	25,190	22,610	18,940	13,710	13,850	13,260	14,820	14,530	14,130	13,020	13,520	10,560	10,500
Investments O/s in BB & Below rating	7,960	7,870	7,310	6,730	7,870	6,560	6,680	7,000	11,100	10,960	10,960	9,320	9,110
Total BB & below book	62,932	63,896	57,316	44,728	46,536	43,328	40,272	40,535	45,536	46,656	42,952	36,288	35,336
% of customer assets	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%	1.4%	1.4%	1.4%	1.5%	1.4%	1.4%
Provisions held	18,798	15,974	13,444	10,492	11,634	10,832	10,068	10,775	11,384	11,664	10,738	9,072	8,834
Total Restructured Dispensation	34020	29960	24820	20470	19070	17560	16410	15280	14090	13200	12670	12090	11480
% of loans	0.49%	0.38%	0.30%	0.22%	0.21%	0.19%	0.16%	0.16%	0.13%	0.12%	0.12%	0.11%	0.10%

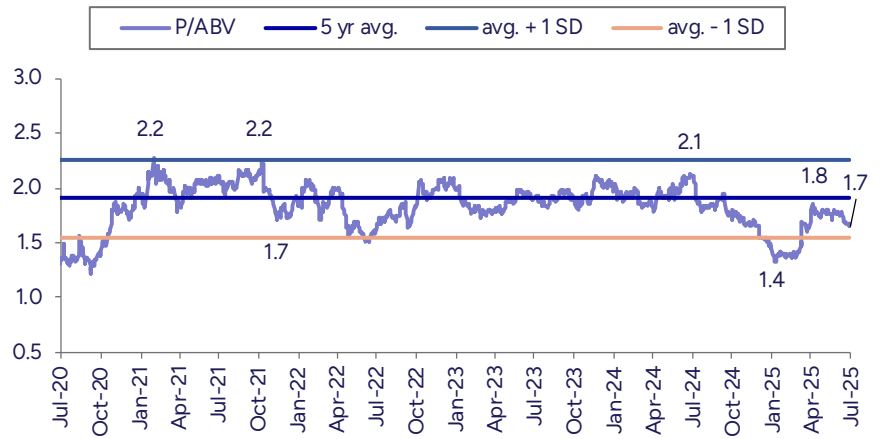
Source: Company, PL

Exhibit 12: Return ratios to remain close to 13.5-14% over FY26E/27E

RoA decomposition	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net interest income	3.1	3.1	3.4	3.6	3.5	3.3	3.4
Other Inc. from operations	1.6	1.4	1.3	1.6	1.6	1.6	1.6
Total income	4.6	4.5	4.7	5.2	5.2	5.0	5.0
Employee expenses	0.6	0.7	0.7	0.8	0.8	0.8	0.8
Other operating expenses	1.3	1.5	1.5	1.7	1.6	1.5	1.4
Operating profit	2.7	2.3	2.6	2.7	2.7	2.7	2.7
Tax	0.2	0.4	0.6	0.6	0.5	0.5	0.6
Loan loss provisions	1.8	0.7	0.2	0.3	0.5	0.6	0.5
RoAA	0.7	1.2	1.8	1.8	1.7	1.57	1.67
RoAE	7.1	12.0	18.2	18.0	15.9	13.7	14.0

Source: Company, PL

Exhibit 13: One-year forward P/ABV trades at 1.7x



Source: Company, PL



Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Earned from Adv.	8,71,066	9,72,003	9,85,756	10,52,699
Int. Earned from invt.	2,00,106	2,29,283	2,62,015	2,66,795
Others	13,431	13,122	8,569	9,644
Total Interest Income	10,93,686	12,26,770	12,68,929	13,42,887
Interest Expenses	5,94,742	6,83,292	7,04,911	7,12,842
Net Interest Income	4,98,945	5,43,478	5,64,019	6,30,045
Growth(%)	16.2	8.9	3.8	11.7
Non Interest Income	2,24,420	2,52,571	2,77,482	2,94,364
Net Total Income	7,23,364	7,96,049	8,41,501	9,24,409
Growth(%)	30.1	12.2	4.5	5.9
Employee Expenses	1,09,331	1,21,928	1,36,459	1,57,119
Other Expenses	2,29,464	2,36,080	2,56,525	2,65,637
Operating Expenses	3,52,133	3,74,999	3,92,984	4,22,756
Operating Profit	3,71,232	4,21,049	4,48,517	5,01,653
Growth(%)	15.5	13.4	6.5	11.8
NPA Provision	38,230	77,693	80,882	72,092
Total Provisions	40,631	77,584	97,354	89,023
PBT	3,30,601	3,43,466	3,51,163	4,12,630
Tax Provision	81,986	79,731	86,486	1,03,157
Effective tax rate (%)	24.8	23.2	24.6	25.0
PAT	2,48,614	2,63,735	2,64,677	3,09,472
Growth(%)	13.3	6.1	0.4	16.9

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Face value	2	2	2	2
No. of equity shares	3,087	3,097	3,101	3,101
Equity	6,173	6,195	6,202	6,202
Networth	15,10,616	17,97,251	20,63,234	23,68,683
Growth(%)	20.4	19.0	14.8	14.8
Adj. Networth to NNPA's	32,475	36,855	46,115	52,204
Deposits	1,06,86,414	1,17,29,520	1,29,53,992	1,45,06,265
Growth(%)	12.9	9.8	10.4	12.0
CASA Deposits	45,94,010	47,81,880	53,18,640	59,42,161
% of total deposits	43.0	40.8	41.1	41.0
Total Liabilities	1,47,72,086	1,60,99,299	1,76,58,539	1,94,77,285
Net Advances	96,50,684	1,04,08,113	1,16,58,593	1,30,55,639
Growth(%)	14.2	7.8	12.0	12.0
Investments	33,15,272	39,61,418	40,21,760	42,06,817
Total Assets	1,47,72,086	1,60,99,299	1,76,58,539	1,94,77,285
Growth (%)	12.1	9.0	9.7	10.3

Asset Quality

Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs (Rs m)	1,51,271	1,44,901	1,84,458	2,08,815
Net NPAs (Rs m)	32,475	36,855	46,115	52,204
Gr. NPAs to Gross Adv.(%)	1.5	1.3	1.5	1.6
Net NPAs to Net Adv. (%)	0.3	0.3	0.4	0.4
NPA Coverage %	78.5	74.6	75.0	75.0

Profitability (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	3.8	3.7	3.5	3.6
RoAA	1.8	1.7	1.6	1.7
RoAE	18.0	15.9	13.7	14.0
Tier I	14.2	15.1	15.2	15.3
CRAR	16.6	17.1	17.1	16.9

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Interest Income	3,04,199	3,09,539	3,12,425	3,10,635
Interest Expenses	1,69,367	1,73,481	1,74,320	1,75,038
Net Interest Income	1,34,832	1,36,059	1,38,105	1,35,598
YoY growth (%)	9.5	8.6	5.5	0.8
CEB	55,080	54,550	63,380	57,460
Treasury	-	-	-	-
Non Interest Income	67,219	59,722	67,795	72,581
Total Income	3,71,417	3,69,261	3,80,220	3,83,216
Employee Expenses	31,172	29,846	29,615	32,618
Other expenses	63,754	60,596	68,762	60,409
Operating Expenses	94,926	90,442	98,377	93,027
Operating Profit	1,07,125	1,05,339	1,07,524	1,15,152
YoY growth (%)	24.1	15.2	2.1	13.9
Core Operating Profits	96,015	1,01,659	1,05,794	1,00,952
NPA Provision	14,410	21,850	13,690	39,000
Others Provisions	22,041	21,556	13,594	39,477
Total Provisions	22,041	21,556	13,594	39,477
Profit Before Tax	85,084	83,782	93,930	75,675
Tax	15,908	20,745	22,755	17,614
PAT	69,176	63,038	71,175	58,061
YoY growth (%)	18.0	3.8	(0.2)	(3.8)
Deposits	1,08,67,440	1,09,58,828	1,17,29,520	1,16,16,146
YoY growth (%)	13.7	9.1	9.8	9.3
Advances	99,99,792	1,01,45,641	1,04,08,113	1,05,97,244
YoY growth (%)	11.4	8.8	7.8	8.1

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	1,161	1,161	1,161	1,161
EPS (Rs)	80.5	85.1	85.3	99.8
Book Value (Rs)	489	580	665	764
Adj. BV (Rs)	479	568	650	747
P/E (x)	14.4	13.6	13.6	11.6
P/BV (x)	2.4	2.0	1.7	1.5
P/ABV (x)	2.4	2.0	1.8	1.6
DPS (Rs)	1.0	1.0	1.1	1.3
Dividend Payout Ratio (%)	1.2	1.2	1.3	1.3
Dividend Yield (%)	0.1	0.1	0.1	0.1

Efficiency

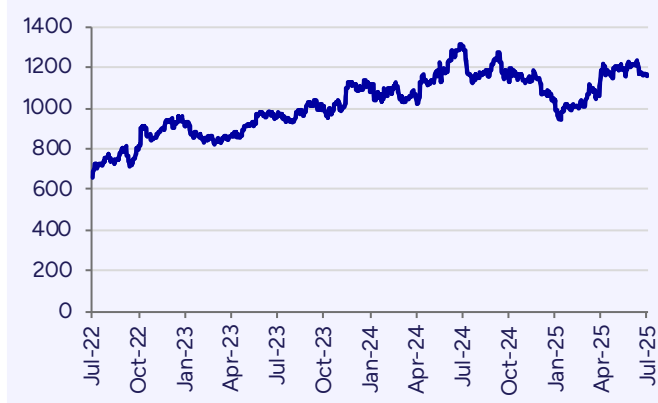
Y/e Mar	FY24	FY25	FY26E	FY27E
Cost-Income Ratio (%)	48.7	47.1	46.7	45.7
C-D Ratio (%)	90.3	88.7	90.0	90.0
Business per Emp. (Rs m)	195	212	224	240
Profit per Emp. (Rs lacs)	24	25	24	27
Business per Branch (Rs m)	3,782	3,900	4,135	4,444
Profit per Branch (Rs m)	46	46	44	50

Du-Pont

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	3.57	3.52	3.34	3.39
Total Income	5.18	5.16	4.99	4.98
Operating Expenses	2.52	2.43	2.33	2.28
PPoP	2.66	2.73	2.66	2.70
Total provisions	0.29	0.50	0.58	0.48
RoAA	1.78	1.71	1.57	1.67
RoAE	17.98	15.95	13.71	13.97

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-25	BUY	1,500	1,175
2	23-Jun-25	BUY	1,500	1,221
3	25-Apr-25	BUY	1,500	1,207
4	08-Apr-25	BUY	1,350	1,048
5	17-Jan-25	BUY	1,350	1,038
6	08-Jan-25	BUY	1,530	1,068
7	18-Oct-24	BUY	1,530	1,132
8	07-Oct-24	BUY	1,425	1,178
9	25-Jul-24	BUY	1,425	1,239

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,072	1,974
2	Axis Bank	BUY	1,500	1,175
3	Bank of Baroda	BUY	275	241
4	Can Fin Homes	BUY	860	816
5	City Union Bank	BUY	210	219
6	DCB Bank	BUY	155	142
7	Federal Bank	BUY	220	215
8	HDFC Asset Management Company	BUY	4,600	5,102
9	HDFC Bank	BUY	2,125	1,987
10	ICICI Bank	BUY	1,700	1,436
11	IndusInd Bank	Hold	780	854
12	Kotak Mahindra Bank	BUY	2,400	2,150
13	LIC Housing Finance	BUY	725	605
14	Nippon Life India Asset Management	BUY	700	775
15	State Bank of India	BUY	960	807
16	Union Bank of India	BUY	160	152
17	UTI Asset Management Company	BUY	1,300	1,329

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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