MIRAE ASSET Sharekhan

Axis Bank Ltd

Weak Q1

Stock Update

Result Update

Banks	Sharekhan code: AXISBANK
Reco/View: **Buy** ↔	CMP: **Rs. 1,160**
	Price Target: **Rs. 1,400** ↔

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)		✓	
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

Company details

Market cap:	Rs. 3,59,724 cr
52-week high/low:	Rs. 1,318/ 934
NSE volume: (No of shares)	75.1 lakh
BSE code:	532215
NSE code:	AXISBANK
Free float: (No of shares)	285.4 cr

Shareholding (%)

Promoters	-
FII	43.9
DII	49.1
Others	7.0

Price chart

Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-4.5	-2.6	17.1	-11.0
Relative to Sensex	-5.4	-7.3	9.7	-12.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- PAT at Rs. 5,806 crore (down 4% y-o-y) was significantly below estimates mainly led by sharp increase in slippages (majorly from retail segment) and in turn higher credit cost (at 150 bps annualised vs 50 bps q-o-q and 84 bps y-o-y).
- Total slippages were elevated at 3.1% (annualised as % of net loans) vs 1.9% q-o-q and 2.0% y-o-y. Management attributed this to one-time clean-up, done to harmonise asset classification policies with best-in-class practices and remained confident that slippages from hereon will be lower as the backlog is cleared.
- Loan growth was weak at ~8% y-o-y, while deposits grew by 9% y-o-y. Despite lower NII (due to lower NIMs, down 17 bps q-o-q), core operating profits were broadly in line as it was offset by lower opex growth.
- Stock trades at 1.5x/1.4x its FY2026E/FY2027E core BV estimates. We maintain a Buy rating with an unchanged PT of Rs. 1,400 as current valuation gap with peers largely addresses key concerns and we believe profitability/ growth would bottom out in H1FY26.

Overall, Q1FY26 was a weak quarter for Axis Bank led by sharp deterioration in asset quality, along with weak core operating profitability led by muted growth, lower NIMs, although partially offset by lower opex growth. NII, at Rs. 13,560 crore (below estimates), grew by ~1% y-o-y but was down 2%q-o-q. NIMs declined by 17 bps q-o-q to 3.8%. About 4 bps of margin decline was led by interest reversal and 13 bps came from repricing. Management guided for an "inverted C" margin trajectory, with NIMs expected to dip due to full impact of repo cuts in Q2, but revert towards ~3.8% as deposit repricing benefits flow in. Core fee income grew by 10% y-o-y /down 9% q-o-q. Treasury gains were significantly higher due to lower bond yields, stood at Rs. 1,420 crore versus a gain of Rs. 173 crore q-o-q and Rs. 407 crore y-o-y. Other income (ex-treasury gains) at Rs.92 crore vs Rs. 269 crore q-o-q & Rs 172 crore y-o-y. Operating expenses grew by ~2% y-o-y but were down by 5% q-o-q. Staff costs grew by 4% y-o-y, while non-staff costs grew by 1% y-o-y. Cost to average assets stood at 2.32% versus 2.51% q-o-q and 2.48% y-o-y. Operating profit (PPoP) grew by 14% y-o-y / 7% q-o-q mainly due to higher treasury gains. Core PPoP (exc. treasury gains) grew by 4% y-o-y but was down by 5% q-o-q. Total provisions were higher by 94% y-o-y /190% q-o-q. Credit cost stood at 150 bps vs 50 bps q-o-q and 84 bps y-o-y. PAT at Rs. 5,806 crore (below estimates) declined by 4% y-o-y/ 18% q-o-q mainly led by higher provisions. GNPA/ NNPA ratio deteriorated sharply by 29 bps / 12 bps q-o-q reported at 1.57%/0.45% q-o-q. PCR at 72% vs 75% q-o-q. Slippages were higher by 71% q-o-q reported at Rs. 8,200 crore (3.10% annualised vs 1.85% q-o-q) includes Rs 2,709 crore of technical slippages, primarily from CC/ OD and OTS-linked accounts. Net slippages were also higher at Rs. 6,053 crore vs Rs. 2,015 crore. Adjusted net slippages were at Rs 4,192 crore after excluding the technical impact. Restructured book stood at 0.11% of advances stable q-o-q. BB and below rated book declined to Rs. 4,417 crore vs Rs. 4,536 crore q-o-q. Net advances grew by ~8% y-o-y/~2% q-o-q. Retail and SME books grew by 6% y-o-y and 16% y-o-y, respectively. Corporate loans grew by 9% y-o-y. Total deposits grew 9% y-o-y/ 1% q-o-q. CASA balances grew by 5% y-o-y/ down 2% q-o-q. Term deposits grew 12% y-o-y/ flat q-o-q.

Key positives

- Cost to average assets ratio declined to 2.3% vs 2.5% q-o-q and 2.5% y-o-y.

Key negatives

- Sharp increase in slippages (majorly from retail loans) at 3.1% (annualised as % of net loans) vs 1.9% q-o-q /2.0% y-o-y and in turn higher credit cost (at 150 bps annualised vs 50 bps q-o-q and 84 bps y-o-y).
- Loan growth (~8% y-o-y) and deposit growth (~9% y-o-y) lagged system growth.

Management Commentary

- Axis Bank guided for an "inverted C" margin trajectory, with NIMs expected to dip due to full impact of repo cuts in Q2, but revert towards ~3.8% as deposit repricing benefits flow in.
- Credit cycle is normalizing in retail unsecured loans. Bank expects collections to improve gradually Early signs of stabilization visible in credit cards, while PL trends are improving but being monitored till Q2FY26 before calling a peak.
- Bank has made some prudent changes to norms for recognising slippages and consequent upgrades. This technical impact was largely limited to cash credit, overdraft and one-time settled accounts. Management attributed higher slippages to one-time clean-up, done to harmonise asset classification policies with best-in-class practices and remained confident that slippages from hereon will be lower as the backlog is cleared.
- Adjusted for technical impact, credit cost stood at ~120 bps.
- No further changes is anticipated in asset recognition/provisioning unless regulatory shifts occur.
- Lower operating expenses is largely attributable to reduction in other operating expenses, indicating its earlier stance of cost tightening measures.

Our Call

Valuation – Maintain Buy with an unchanged PT of Rs. 1,400: Axis Bank currently trades at 1.5x/ 1.4x its FY2026E/ FY2027E core BV estimates. We maintain a Buy with an unchanged PT of Rs. 1,400 as the current valuations gap with peers largely addresses the key concerns and we believe profitability/ growth is expected to bottom out in H1FY26. Normalization of credit cycle in retail portfolio is currently in progress which will lead to gradual improvement in credit cost. Margin will be under pressure in Q2 due to repricing led by repo rate cuts, but a gradual recovery in NIMs is expected after H1FY26. Bank is also using partial levers in terms of operating efficiencies. Steady improvement in growth/asset quality should drive outperformance.

Key Risks

Continued slowdown in growth, asset quality risk, slower growth in retail deposit and lower margins

Valuation (Standalone) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Net Interest Income	42,946	49,894	54,348	55,646	65,087
Net profit	9,580	24,861	26,373	26,844	32,013
EPS (Rs.)	71.4	80.7	84.8	83.9	97.0
P/E (x)	14.1	12.4	11.8	12.0	10.3
P/BV (x)	2.5	2.0	1.7	1.6	1.4
RoE	8.0	18.0	15.9	13.9	14.5
RoA	0.8	1.8	1.7	1.6	1.7

Source: Company; Mirae Asset Sharekhan estimates

Result Table (Standalone) Rs cr

Particulars	1QFY26	1QFY25	4QFY25	Y-o-Y	Q-o-Q
Interest Inc.	31,064	30,061	31,243	3%	-1%
Interest Expenses	17,504	16,613	17,432	5%	0%
Net Interest Income	**13,560**	**13,448**	**13,811**	**1%**	**-2%**
NIM (%)	**3.80**	**4.05**	**3.97**		
Core Fee Income	5,746	5,204	6,338	10%	-9%
Other Income	1,512	579	442	161%	242%
Net Income	20,818	19,232	20,590	8%	1%
Employee Expenses	3,262	3,129	2,962	4%	10%
Other Opex	6,041	5,996	6,876	1%	-12%
Total Opex	9,303	9,125	9,838	2%	-5%
Cost to Income Ratio	44.7%	47.5%	47.8%		
Pre Provision Profits	**11,515**	**10,106**	**10,752**	**14%**	**7%**
Provisions & Contingencies - Total	3,948	2,039	1,359	94%	190%
Profit Before Tax	**7,568**	**8,067**	**9,393**	**-6%**	**-19%**
Tax	1,761	2,032	2,276	-13%	-23%
Effective Tax Rate	23%	25%	24%		
PAT	**5,806**	**6,035**	**7,118**	**-4%**	**-18%**
Basic EPS (Rs)	18.73	19.54	22.99	-4%	-19%
Diluted EPS (Rs)	18.64	19.40	22.87	-4%	-18%
RoA (%)	**1.5**	**1.7**	**1.8**		
Advances	10,59,724	9,80,092	10,40,811	8.1%	1.8%
Deposits	11,61,615	10,62,484	11,72,952	9.3%	-1.0%
Gross NPA	17,765	16,211	14,490	10%	23%
Gross NPA Ratio (%)	1.57	1.54	1.28		
Net NPA	5,066	3,553	3,685	43%	37%
Net NPAs Ratio (%)	0.45	0.34	0.33		
PCR - Calculated	71.5%	78.1%	74.6%		

Source: Company; Mirae Asset Sharekhan Research

SOTP valuation

Subsidiary/Associate/JV	Per share value (Rs.)
Core Bank Value (A)	1,230
Axis Capital	9
Axis Securities	25
Axis Finance	46
Axis Mutual Fund	32
Max Life Insurance	58
Sum of subs/ associates (B)	**170**
Fair Value (A+B)	**1,400**

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Deposit mobilisation, NIMs and asset quality to be in focus

System credit growth has further declined to ~9% y-o-y from 16% year ago as per the latest fortnight data, mainly driven by slower deposit growth, slower growth in secured retail segment and stress in the unsecured retail segment. Deposit growth for the system has been broadly at ~10% y-o-y. However, deposit growth is mainly led by time deposits rather than CASA. Margins are expected to be under pressure due to lower repo rates. Overall, asset quality outlook is stable to positive for the sector, except for the unsecured retail loans and the MFI segment but it appears that stress in unsecured segment has also broadly peaked out. We believe banks with a robust capital base, strong asset quality, and healthy retail deposit franchises are well-placed to capture growth opportunities.

■ Company Outlook – Headwinds to recede gradually, valuation comfortable

We believe that intermittent headwinds in terms of muted business growth and volatility in asset quality is likely to recede over the next two quarters. The balance sheet mix has significantly improved for the bank, which we believe is positive for sustained growth. Recovery in growth and retail asset quality remains a key monitorable for outperformance.

■ Valuation – Maintain Buy with an unchanged PT of Rs. 1,400

Axis Bank currently trades at 1.5x/ 1.4x its FY2026E/FY2027E core BV estimates. We maintain a Buy with an unchanged PT of Rs. 1,400 as the current valuations gap with peers largely addresses the key concerns and we believe profitability/ growth is expected to bottom out in H1FY26. Normalization of credit cycle in retail portfolio is currently in progress which will lead to gradual improvement in credit cost. Margin will be under pressure in Q2 due to repricing led by repo rate cuts, but a gradual recovery in NIMs is expected after H1FY26. Bank is also using partial levers in terms of operating efficiencies. Steady improvement in growth/ asset quality should drive outperformance.

Peer valuation

Company	CMP (Rs./Share)	MCAP (Rs. Cr)	P/E (x)		P/B (x)		RoE (%)		RoA (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Axis Bank	1,160	3,59,724	11.8	10.2	1.5	1.4	13.9	14.5	1.6	1.7
ICICI Bank	1,419	10,08,900	17.2	14.6	2.4	2.1	15.3	15.5	2.1	2.2

Source: Company; Mirae Asset Sharekhan Research

About company

Axis Bank is the third-largest private sector bank in India. The bank offers the entire spectrum of financial services to customer segments, covering large and mid-corporates, MSME, agriculture, and retail businesses. The bank also has subsidiaries catering to diversified financial services, which contribute and benefit from the bank's strong market position across categories. The bank had a network of 5,879 domestic branches as of June 2025. Capital adequacy ratio (CAR) stands at 16.85%.

Investment theme

We believe that intermittent headwinds in terms of muted business growth and volatility in asset quality is likely to recede over the next two quarters. The balance sheet mix has significantly improved for the bank, which we believe is positive for sustained growth. Recovery in growth and retail asset quality remains a key monitorable for outperformance.

Key Risks

Continued slowdown in growth, asset quality risk, slower growth in retail deposit and lower margins

Additional Data

Key management personnel

Name	Designation
Mr. Amitabh Chaudhary	MD and CEO
Mr. Rajiv Anand	Deputy MD
Mr. Subrat Mohanty	ED
Mr. Munish Sharda	ED
Mr. Puneet Sharma	CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	7.89
2	ICICI Prudential Asset Management	5.91
3	SBI Funds Management Ltd	5.14
4	HDFC Asset Management Co Ltd	5.10
5	Vanguard Group Inc/The	3.16
6	Blackrock Inc	3.09
7	Nippon Life India Asset Management	2.91
8	NPS Trust A/c Uti Retirement Solutions Ltd	2.25
9	Dodge & Cox	2.21
10	Republic of Singapore	2.10

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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