

AXIS BANK

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	1,169
12 month price target (INR)	1,180
52 Week High/Low	1,247/934
Market cap (INR bn/USD bn)	3,627/41.0
Free float (%)	92.0
Avg. daily value traded (INR mn)	8,799.4

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	8.2%	8.2%	8.2%
FII	41.9%	43.8%	43.9%
DII	42.9%	41.2%	40.9%
Pledge	0.0%	0.0%	0.0%

FINANCIALS

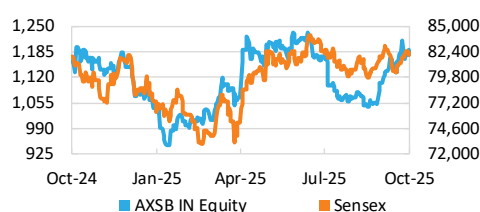
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	723364	796049	874730	975409
PPoP	371232	421049	481947	538477
Adjusted profit	248614	263735	260710	287313
Diluted EPS (INR)	80.5	85.1	84.2	92.8
EPS growth (%)	158.7	5.7	(1.1)	10.2
RoAE (%)	18.0	15.9	13.5	13.1
P/E (x)	14.5	13.7	13.9	12.6
P/ABV (x)	2.3	1.9	1.7	1.5

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	8,74,730	9,75,409	0.0%	1.4%
PPoP	4,81,947	5,38,477	0.2%	1.9%
Adjusted profit	2,60,710	2,87,313	-0.2%	-0.1%
Diluted EPS (INR)	84.2	92.8	-0.2%	-0.1%

PRICE PERFORMANCE



One-off credit cost recurs in Q2FY26

Axis Bank posted mixed Q2FY26 results with a beat on loan growth and NIM, but a miss on credit cost, loan mix and opex. Loan growth of 5% QoQ was better than expected, but driven mostly by corporate while retail lagged. While both core and technical slippage fell on a high base of Q1, credit cost stayed high at 1.3%, highest among large banks. The miss was driven by RBI inspection-driven standard and one-time provision of INR1.2bn on crop loans. RoA fell to 1.2% from 1.5% QoQ.

We retain target price of INR1,180 and maintain 'HOLD'. In view of the repeated volatility in credit cost and a weak loan mix, we recommend switching to ICICI Bank for a more sustainable and less volatile business model and higher CASA growth.

Beat on loan growth driven by corporate while retail lags

Loans grew better than expected at 5% QoQ/12% YoY driven mainly by corporate (11% QoQ) and SME (9% QoQ) while retail continued to lag at 2% QoQ. Even within retail, unsecured loans/SBB grew faster at 4%/5% QoQ while housing +auto fell QoQ. In exposure by industry, there was strong growth in real estate at 18% QoQ, financial companies 7% QoQ, engineering 8% QoQ, trade 10% QoQ and power 9% QoQ. Deposits grew 4% QoQ/11% YoY with QAB deposits up 10% YoY/3% QoQ and QAB CASA increasing 5% YoY/2% QoQ.

NIM decreases less than expected; core PPOP falls

NIM fell only 7bp QoQ driven by faster repricing of deposits including a steep 200bp decline in CD cost and better liquidity management. NIM is guided to bottom out in Q3FY26E. NII grew 2% YoY/1% QoQ. Opex rose 7% QoQ/5% YoY, higher than expected driven by PSLC. Axis had to purchase higher PSLC due to declassification of agri loans (explained later). Core PPOP fell 2% QoQ. Credit cost stayed elevated at 1.3%. PAT declined 12% QoQ/26% YoY. RoA fell to 1.2% from 1.5% QoQ.

Core and technical slippage fall, but credit cost rises on RBI inspection

Core slippage fell to 1.6% from 2.1% QoQ. Technical slippage decreased to 0.5% from 1%. Total slippage fell to 2.1% from 3.1% QoQ. Net core slippage declined to 0.9% from 1.6% driven by higher retail recoveries while net technical slippage fell to 3bp from 18bp. Despite a sharp improvement in slippage, provisions remained elevated at 1.3%. Core credit cost fell to 0.8% from 1.5% QoQ. However, following RBI inspection, Axis was mandated to make one-time standard provisions of INR12.3bn on two discontinued crop loan variants representing 5% of the pool. These are reversible on closure or March 31, 2028, whichever is earlier. These loans had to be declassified from PSL and replaced by PSLC leading to higher opex.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	2,03,691	2,02,051	0.8%	2,08,178	-2.2%
Pre-provisioning Profits	1,04,125	1,07,125	-2.8%	1,15,152	-9.6%
Reported Profits	50,896	69,176	-26.4%	58,061	-12.3%
EPS	16.4	22.4	-26.7%	18.7	-12.4%

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest income	4,98,945	5,43,478	5,69,721	6,57,536
Non interest income	2,24,420	2,52,571	3,05,008	3,17,873
Fee and forex income	1,82,564	2,27,079	2,51,841	2,84,580
Misc. income	8,854	12,649	14,167	16,293
Investment profits	13,647	12,843	39,000	17,000
Net revenues	7,23,364	7,96,049	8,74,730	9,75,409
Operating expense	3,52,133	3,74,999	3,92,783	4,36,933
Employee exp	1,09,331	1,21,928	1,26,805	1,35,047
Other opex	2,42,802	2,53,072	2,65,978	3,01,885
Preprovision profit	3,71,232	4,21,049	4,81,947	5,38,477
Provisions	40,631	77,584	1,32,000	1,52,821
PBT	3,30,601	3,43,466	3,49,947	3,85,655
Taxes	81,986	79,731	89,236	98,342
PAT	2,48,614	2,63,735	2,60,710	2,87,313
Extraordinaries	0	0	0	0
Reported PAT	2,48,614	2,63,735	2,60,710	2,87,313
Diluted EPS (INR)	80.5	85.1	84.2	92.8

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest margins	3.8	3.7	3.5	3.7
Cost-income	48.7	47.1	44.9	44.8
Tax rate	24.8	23.2	25.5	25.5

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted PE (x)	14.5	13.7	13.9	12.6
Price/BV (x)	2.3	1.9	1.7	1.5

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Equity capital	6,173	6,195	6,195	6,195
Reserves	15,04,443	17,91,057	20,48,596	23,31,606
Net worth	15,10,616	17,97,251	20,54,790	23,37,800
Deposits	1,06,86,414	1,17,29,520	1,30,19,767	1,48,42,535
Borrowings	19,68,118	18,41,465	18,96,709	20,29,479
Other liabilities	6,06,939	7,31,062	8,04,168	9,24,794
Total	1,47,72,086	1,60,99,299	1,77,75,435	2,01,34,608
Assets				
Loans	96,50,684	1,04,08,113	1,18,65,249	1,35,26,384
Investments	33,15,272	39,61,418	39,87,941	44,52,269
Cash & equi	11,44,544	9,97,321	11,19,700	12,76,458
Fixed assets	56,846	62,917	66,063	69,366
Other assets	6,04,739	6,69,529	7,36,482	8,10,130
Total	1,47,72,086	1,60,99,299	1,77,75,435	2,01,34,608

Balance Sheet Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Credit growth	14.2	7.8	14.0	14.0
Deposit growth	12.9	9.8	11.0	14.0
Gross NPA ratio	1.7	1.3	1.4	1.6
Net NPA ratio	0.3	0.3	0.4	0.5

ROA Decomposition (%)

Year to March	FY24A	FY25A	FY26E	FY27E
NII/Assets	3.6	3.5	3.4	3.5
Fees/Assets	1.3	1.5	1.5	1.5
Inv profits/Assets	0.1	0.1	0.2	0.1
Net revenues/assets	4.9	5.1	4.9	5.1
Opex/Assets	(2.5)	(2.4)	(2.3)	(2.3)
Provisions/Assets	(0.3)	(0.5)	(0.8)	(0.8)
Taxes/Assets	(0.6)	(0.5)	(0.5)	(0.5)
Total costs/Assets	(3.4)	(3.4)	(3.6)	(3.6)
RoA	1.8	1.7	1.5	1.5
RoAE	18.0	15.9	13.5	13.1

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	158.7	5.7	(1.1)	10.2
RoAE (%)	18.0	15.9	13.5	13.1

Details on RBI provision

- Axis made one-time standard provisions of INR12.3bn in Q2FY26. RBI mandated these provisions following its inspection for FY25.
- These provisions are on discontinued crop loans.
- The provisions of INR12.3bn amount to 5% of the impacted pool of INR240bn.
- The CFO clarified that the mandated provisions are not on account of stress in the pool or wrong income recognition, but are related to classification. Following discontinuance, these loans had to be declassified as priority sector loans and the bank has bought PSLC to fill the gap. This also explains why the bank incurred a high PSLC cost this quarter.
- The additional one-time standard asset provision exceeds 7.5x FY25 and 13x the three-year average P&L charge for credit cost on an aggregated basis across both products. These loans are secured.
- The bank is not expecting any notable rise in credit cost from previous years in the two discontinued product variants over the residual closure recovery period.
- The customer terms of underlying loans remain unchanged.
- This standard asset provision shall be written back to P&L when all outstanding loans in the two discontinued variants are recovered or closed in normal course or by March 31, 2028 subject to full closure of outstanding loans, whichever is earlier.
- While there is unlikely to be any further provision related to this segment, there could be a recurring cost to fill the PSL gap of INR240bn. The bank is trying to improve its PSL compliance organically through Bharat Banking. Any shortfall would result in higher cost.

Our view: We have not completely understood the rationale of RBI levying 5% standard provisioning on these loans versus mandated standard provisioning of 40bp. We will do detailed research to understand the rationale behind the 5% figure in the next few days.

Q2FY26 earnings call: Key takeaways

Management guidance

- The bank maintained its medium-term guidance (three–five years, FY26 as base) to grow advances 300bp faster than the industry.
- NIMs are guided to remain through-cycle at 3.8%, with margins likely to bottom out in Q3FY26, assuming no further policy rate cuts.
- The retail unsecured book has begun to stabilise with a notable improvement in credit card performance and flattening of personal loan delinquencies.
- The bank remains well-capitalised with CET-1 ratio at 14.43% and reiterated that no equity capital raise is required for either growth or protection.

Priority sector lending

- The bank incurred INR9.48bn in PSLC purchase costs during Q2FY26 to compensate for the declassification of the two crop loan variants.
- Total INR4.74bn (half) has been charged to Q2FY26 P&L, with the remaining cost to be amortised over the next two quarters.
- Management noted that the PSL gap remains under control post the purchase.

Loans and deposits

- Advances grew 5% QoQ/12% YoY, led by wholesale banking while retail disbursements rose 17% QoQ, aided by 1 million-plus card issuances.
- Retail momentum was broad-based with secured and unsecured segments both showing early signs of improvement.
- Deposits grew 4% QoQ/11% YoY; the bank continues to focus on granularisation and premiumisation of its deposit base.
- Government deposits contracted due to improved treasury efficiency, which management plans to offset through salaried and premium deposit segments.

Yield, cost and margins

- NIMs for Q2FY26 were 3.73% (down 7bp QoQ). Yields on IEA declined 30bp QoQ while the CoF reduced by 24bp QoQ, partially offsetting the decline in yield.
- Low-yielding RIDF bonds declined by INR55.86bn YoY. RIDF comprised 75bp of total assets as on Sep-25 compared with 1.21% at Sept'24.

Asset quality

- Gross slippages declined to INR56.96bn, down 102bp QoQ while net slippages fell 54% QoQ to INR28.08bn.
- Technical slippages moderated sharply to INR2.8bn though provisions on technical impact rose to INR2.56bn, implying 90%-plus coverage.
- Management attributed the higher technical provision to security erosion in a few accounts and aging-related provisioning from prior slippages.
- Overall, management highlighted improving recoveries, lower fresh stress formation and stabilisation in early delinquency buckets across retail and SME segments.

Exhibit 1: Change in estimates

	FY26E Old	FY27E	FY26E New	FY27E	FY26E % Change	FY27E
NII, INR mn	5,58,117	6,40,118	5,69,721	6,57,536	2.1%	2.7%
PAT, INR mn	2,61,313	2,87,744	2,60,710	2,87,313	-0.2%	-0.1%
EPS, INR	84.4	92.9	84.2	92.8	-0.2%	-0.1%
Target price, INR		1,180		1,180		0.0%
CMP				1,169		
% Change to CMP				1%		
Rating		HOLD		HOLD		

Source: Company, Nuvama Research

Exhibit 2: Summary of technical impact on various parameters

Particulars	Gross slippage		Net slippage		Net credit cost		GNPA		NNPA	
Q2FY26	INR bn	%	INR bn	%	INR bn	%	INR bn	%	INR bn	%
Reported	56.96	2.11%	28.08	1.05%	21.33	0.73%	173.08	1.46%	51.14	0.44%
Technical impact	-15.12	-0.56%	-2.8	-0.10%	-2.56	-0.09%	-20.41	-0.17%	-10.55	-0.09%
Excluding Technical Impact	41.84	1.55%	25.28	0.95%	18.77	0.64%	152.67	1.29%	40.59	0.35%
Q1FY26	INR bn	%	INR bn	%	INR bn	%	INR bn	%	INR bn	%
Reported	82.00	3.13%	60.53	2.33%	39.00	1.38%	177.65	1.57%	50.66	0.45%
Technical impact	-27.09	-1.03%	-18.61	-0.71%	-8.21	-0.29%	-18.52	-0.16%	-10.3	-0.09%
Excluding Technical Impact	54.91	2.10%	41.92	1.62%	30.79	1.09%	159.13	1.41%	40.36	0.36%

Source: Company, Nuvama Research

Exhibit 3: Segmental breakdown: summary of impact of technical parameters

INR bn	Gross slippage			Net slippage			Net credit cost			GNPA			NNPA		
Q2FY26	WBG	CBG	Retail	WBG	CBG	Retail	WBG	CBG	Retail	WBG	CBG	Retail	WBG	CBG	Retail
Reported	2.09	2.65	52.22	1.06	1.12	25.90	-1.00	1.14	21.19	32.78	10.09	130.21	3.35	2.81	44.98
Technical impact	-1.02	-2.10	-12.00	-0.92	-1.09	-0.79	-0.30	-0.98	-1.28	-2.79	-1.97	-15.65	-1.86	-0.72	-7.97
Excluding Technical Impact	1.07	0.55	40.22	0.14	0.03	25.11	-1.30	0.16	19.92	29.99	8.12	114.56	1.49	2.09	37.01
Q1FY26	WBG	CBG	Retail	WBG	CBG	Retail	WBG	CBG	Retail	WBG	CBG	Retail	WBG	CBG	Retail
Reported	2.97	4.03	75.00	1.90	1.37	57.26	-1.71	0.58	40.13	34.68	10.19	132.78	2.93	3.19	44.54
Technical impact	-2.34	-3.10	-21.65	-1.87	-1.00	-15.74	-0.62	-0.40	-7.19	-1.87	-1.00	-15.65	-1.24	-0.60	-8.46
Excluding Technical Impact	0.63	0.93	53.35	0.03	0.37	41.52	-2.33	0.18	32.94	32.81	9.19	117.13	1.69	2.59	36.08

Source: Company, Nuvama Research

Exhibit 4: Breakdown of loans

INR bn	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25	YoY (%)	QoQ (%)
Corporate	3,497	3,159	2,994	2,946	2,908	20.3%	10.7%
SME	1,315	1,209	1,185	1,141	1,105	19.0%	8.8%
Retail	6,355	6,230	6,229	6,058	5,987	6.1%	2.0%
Total	11,167	10,597	10,408	10,146	10,000	11.7%	5.4%

Source: Company, Nuvama Research

Exhibit 5: Breakdown of loans by benchmark

%	Q2FY26	Q1FY26
Repo	60	59
MCLR	8	9
Other EBLR	3	4
Base rate	1	1
Foreign currency - floating	1	1
Total floating rate	74	74
Total fixed rate linked	26	26
Grand total	100	100

Source: Company, Nuvama Research

Exhibit 6: Deposits' breakdown

INR bn	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25	YoY (%)	QoQ (%)
Current	1,613	1,630	1,668	1,436	1,425	13.2%	-1.1%
Savings	3,177	3,051	3,114	2,892	2,985	6.4%	4.1%
CASA	4,790	4,682	4,782	4,329	4,411	8.6%	2.3%
Term	7,245	6,934	6,948	6,630	6,457	12.2%	4.5%
Total	12,035	11,616	11,730	10,959	10,867	10.7%	3.6%
CASA Ratio (%)	40%	40%	41%	39%	41%	-78bp	-50bp

Source: Company, Nuvama Research

Exhibit 7: Gross slippages' breakdown

INR bn	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25	QoQ	YoY
Retail slippage	52.22	75	45.07	49.23	40.73	-30.4%	28.2%
CBG	2.65	4.03	1.96	2.15	2.64	-34.2%	0.4%
Corporate	3.09	2.97	1.02	2.94	1.06	4.0%	191.5%
Total	57.96	82	48.05	54.32	44.43	-29.3%	30.5%

Source: Company, Nuvama Research

Exhibit 8: Net slippages' breakdown

INR bn	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25	QoQ	YoY
Retail slippage	25.90	57.26	28.04	33.94	26.07	-54.8%	-0.7%
CBG	1.12	1.37	1.25	1.46	0.91	-18.2%	23.1%
Corporate	1.06	1.90	-9.14	-0.23	-3.24	-44.2%	-132.7%
Total	28.08	60.53	20.15	35.17	23.74	-53.6%	18.3%

Source: Company, Nuvama Research

Exhibit 9: Cost and margin movement (reported)

%	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25	YoY (bps)	QoQ (bps)
NIM (Global)	3.73%	3.80%	3.97%	3.93%	3.99%	-26bp	-7bp
NIM (Domestic)	3.82%	3.91%	4.08%	4.06%	4.06%	-24bp	-9bp
Cost of funds	5.15%	5.39%	5.50%	5.46%	5.45%	-30bp	-24bp

Source: Company, Nuvama Research

Exhibit 10: Movement in NPLs

INR bn	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25	YoY (%)	QoQ (%)
Opening NPLs	178	145	158	155	162	9.6%	22.6%
NPA Additions	57	82	48	54	44	28.2%	-30.5%
Less: Write-offs	33	28	34	31	31	4.7%	17.6%
Less: Recoveries and upgradations	29	21	28	19	21	39.5%	34.5%
Total reduction	62	49	62	50	52	18.6%	24.9%
Closing NPLs	173	178	145	158	155	11.9%	-2.6%
Slippage, % of lagged GCA	2.1%	3.1%	1.8%	2.2%	1.8%	29bp	-99bp

Source: Company, Nuvama Research

Exhibit 11: Slippages' breakdown

INR bn	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25
Total gross slippage	57.0	82.0	48.1	54.3	44.4
as % of lagged loans	2.1%	3.1%	1.8%	2.2%	1.8%
Net retail slippage	21.0	52.1	23.0	29.3	21.6
As % of lagged retail loans	1.4%	3.6%	1.6%	2.1%	1.7%
Net corporate and SME slippage	0.7	-0.6	-12.2	-7.1	-7.7
as % of lagged corporate & SME loans	0.1%	-0.1%	-1.0%	-0.6%	-0.7%
Total net slippage	21.7	51.5	10.8	22.2	13.9
as % of lagged loans	0.8%	2.0%	0.4%	0.9%	0.6%

Source: Company, Nuvama Research

Exhibit 12: Income statement summary

INR bn	Q2FY26	Q1FY26	Q2FY25	YoY (%)	QoQ (%)
Interest on advances	244.2	244.1	242.6	0.7%	0.1%
Income on investments	58.9	61.4	54.4	8.2%	-4.1%
Interest on balances with RBI	4.1	3.1	3.5	16.2%	32.6%
Others	2.5	2.0	3.6	-32.3%	20.3%
Interest Income	309.7	310.6	304.2	1.8%	-0.3%
Interest expended	172.3	175.0	169.4	1.7%	-1.6%
Net Interest Income	137.4	135.6	134.8	1.9%	1.4%
Trading gains	5.0	14.2	11.1	-55.2%	-64.9%
Other non-interest income	61.3	58.4	56.1	9.2%	4.9%
Total Non-interest income	66.2	72.6	67.2	-1.4%	-8.7%
Employee expenses	31.2	32.6	31.2	0.0%	-4.4%
Other Operating expenses	68.4	60.4	63.8	7.3%	13.2%
Total Operating expenses	99.6	93.0	94.9	4.9%	7.0%
Operating Profit	104.1	115.2	107.1	-2.8%	-9.6%
Loan loss provisions	21.3	39.0	14.4	48.0%	-45.3%
Other Provisions	14.1	0.5	7.6	85.3%	NM
Profit before tax	68.7	75.7	85.1	-19.3%	-9.3%
Tax	17.8	17.6	15.9	11.6%	0.8%
Net Profit	50.9	58.1	69.2	-26.4%	-12.3%

Source: Company, Nuvama Research

Company Description

Axis is the third-largest private sector bank in India in terms of asset size, with a balance sheet of >INR16tn. The bank earns substantial fee income from transaction and merchant banking activities.

Investment Theme

We retain our TP of INR 1,180 and maintain HOLD. In view of the repeated volatility in credit cost and a weak loan mix we recommend switching to ICICI for a more sustainable, less volatile, business model and higher CASA growth.

Key Risks

- Higher-than-expected credit cost
- Weak growth in secured retail loans.

Additional Data

Management

Chairman	N S Vishwanathan
MD & CEO	Amitabh Chaudhry
CFO	Puneet Sharma
Auditor	KKC & Associates LLP

Holdings – Top 10*

	% Holding		% Holding
IPru MF	7.04	Dodge & Cox	2.23
SBI Fund	5.26	Govt P.F.	2.15
HDFC MF	5.24	Govt of Singapore	1.92
Nippon MF	3.23	UTI MF	1.87
NPS Trust	2.54	Kotak MF	1.81

*Latest public data

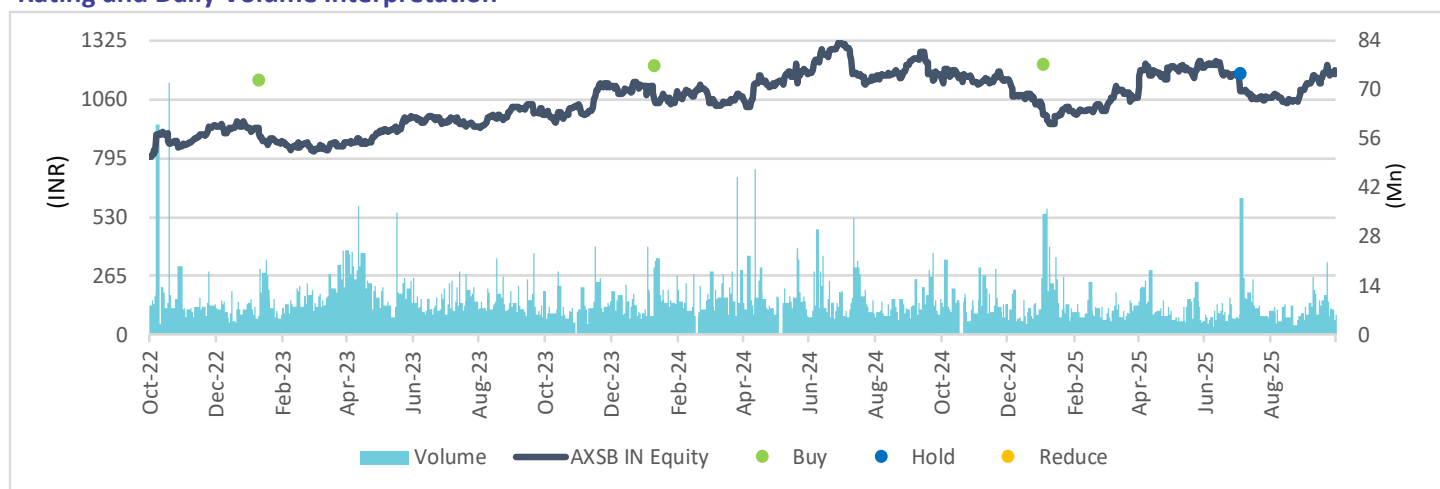
Recent Company Research

Date	Title	Price	Reco
17-Jul-25	Sharp uptick in core credit cost; <i>Result Update</i>	1,159	Hold
24-Apr-25	Sequential traction in growth and NPL; <i>Result Update</i>	1,207	Buy
16-Jan-25	Miss on all metrics except opex; <i>Result Update</i>	1,026	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
08-Aug-25	State Bank of India	Q1FY26 – Core NIM falls less than peers; <i>Result Update</i>
02-Aug-25	Federal Bank	Sharp spike in credit cost led by MFI/BU; <i>Result Update</i>
28-Jul-25	IndusInd Bank	Fees crash, uptick in NPL; RoA at 45bp; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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