

CMP: INR 1,177

Rating: Accumulate

Target Price: INR 1,331

Stock Info

BSE	532215
NSE	AXISBANK
Bloomberg	ASXB IN
Reuters	AXBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Bn)	6.19
Mkt Cap (INR Bn)	3,629
52w H/L (INR)	1,318 / 934
Avg Yearly Vol (in 000')	7,846

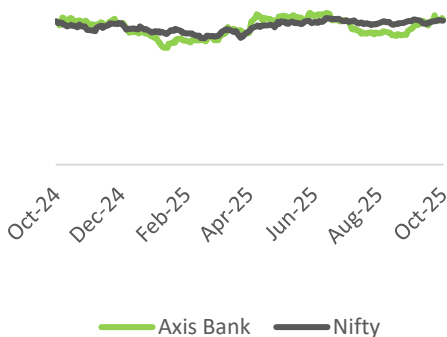
Shareholding Pattern %

(As on Sept, 2025)

Promoters	8.16
Public & Others	91.84

Stock Performance (%)	3m	6m	12m
Axis Bank	0.93	5.75	1.07
Nifty	-0.26	7.29	0.36

Axis Bank Vs Nifty



Axis Bank reported a relatively mixed set of Q2FY26 results, with NII above our estimates, while PAT came in below estimates. Gross NPA improved to 1.46% from 1.57% in the previous quarter. NII stood at INR 137.4 bn, against our estimate of INR 134.9 bn, up by 1.36% QoQ and 1.94% YoY. PPOP came in at INR 104.1 bn against our estimate of INR 105.7 bn, down by 9.58% QoQ and 2.80% YoY. Provisions stood at INR 35.5 bn, against our estimate of INR 32.4 bn, down 10.15% QoQ but up 60.93% YoY. PAT stood at INR 50.9 bn against our estimate of INR 55.0 bn, down by 12.34% QoQ and 26.42% YoY. Asset quality remained strong, with GNPA at 1.46% (vs. estimated 1.66%), down 11 bps QoQ and up 2 bps YoY, while NNPA stood at 0.44% (vs. estimated 0.47%), down 1 bps QoQ and up 10 bps YoY. Advances up by 5.38% QoQ and 11.67% YoY to INR 11,167 bn. Deposits increased 3.60% QoQ and 10.74% YoY to INR 12,035 bn.

Long-term growth outlook intact: The bank continues to deliver on its long-term growth strategy with healthy balance sheet metrics. However, its Q2FY26 earnings were impacted by a one-time provisioning which has impacted operating profit and bottom-line. Though these accounts are ~80% secured and recoveries are expected in H2, the near-term impact on profitability is visible, PAT was adversely impacted and reported at INR 50.90 cr. While we remain confident about medium-term performance, we maintain our view of caution on the stock and await greater visibility on normalization of credit costs.

Margins to normalize gradually: The bank reported NII of INR 137.4 bn in Q2FY26, slightly better than our estimates. However, the margin was 3.73% down 7 bps QoQ, impacted by both technical interest reversals and repricing of floating rate loans following policy rate cuts. Although structural margin drivers like improving retail mix and reduction in RIDF assets remain intact, we believe the full benefit will play out over a 12–18 month period.

Retail quality improvements are underway; yet to reflect in topline: There continue to be improvements in retail loan quality, especially in unsecured portfolios like credit cards and personal loans. Bounce rates, early delinquencies, and resolution metrics are showing better trends, and management believes new origination quality will improve through Q3. In other words, retail asset quality continues to stabilize. Gross slippages in the quarter were INR 5,696 crores, declining sequentially. The bank's gross slippage ratio also declined by 102 basis points sequentially. Gross slippages segmentally were INR 5,222 crores in retail, INR 265 crores in CBG, and INR 309 crores in WBCG.

Valuation & View: The bank reported a mixed operating performance in Q2FY26, supported by healthy fee income, stable retail, and continued cost prudence. However, profitability was impacted by a one-time provisioning that hit profitability. Management says the situation is likely to improve in H2FY26 with Q3 seeing the bottoming of NIM and a sequential rise thereafter. While underlying retail loan quality is showing stability, we expect asset quality metrics to normalize into H2FY26 and anticipate seeing a normal course through Q1FY27. The bank's capital position (CET-1 at 14.43%) and high provision buffers offer strong balance sheet comfort, while the digital and distribution capabilities continue to deepen customer engagement and drive growth. We remain positive on Axis Bank's medium to long-term growth, backed by a strong deposit franchise, digital execution, and prudent risk management. However, near-term pressures on credit costs and margins warrant caution. We also hope that the provisionings are adequately covered since our estimates above do not cover future provisioning of a nature similar to Q2FY26. **Hence, We maintain our estimates and rating to "Accumulate" with a target price of INR 1,331, valuing the stock at 1.5x FY28E ABV, awaiting clearer signs of growth momentum.**

Exhibit 1: Financial Performance

Axis Bank Ltd. (INR Bn)	FY24	FY25	FY26E	FY27E	FY28E
NII	499	543	572	665	764
PPOP	371	421	449	505	596
PAT	249	264	267	310	370
EPS (INR / Share)	80.5	85.1	86.0	100.1	119.5
ABVPS (INR / Share)	476.2	564.8	649.5	748.4	866.5
NIM (%)	4.1	4.0	4.1	5.1	6.1
ROA (%)	1.7%	1.6%	1.5%	1.6%	1.7%
ROE (%)	16.5%	14.8%	13.0%	13.1%	13.5%
P / ABV (x)	2.4	2.0	1.7	1.5	1.3

Source: Arihant Research, Company Filings

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Q2FY26 - Quarterly Performance (Standalone)

(in INR Bn)

Particulars (INR in bn)	Q2FY26	Q1FY26	Q2FY25	QoQ	YoY
Interest Earned	309.70	310.64	304.20	-0.3%	1.8%
- Interest/discount on advances/bills	244.24	244.08	242.61	0.1%	0.7%
- Income on Investments	58.92	61.43	54.44	-4.1%	8.2%
- Interest on bal with RBI	4.08	3.08	3.51	32.6%	16.2%
- Others	2.46	2.05	3.64	20.3%	-32.3%
Interest Expenses	172.26	175.04	169.37	-1.6%	1.7%
NII	137.45	135.60	134.83	1.4%	1.9%
Other Income	66.25	72.58	67.22	-8.7%	-1.4%
Total Income	203.69	208.18	202.05	-2.2%	0.8%
Operating Expenses	99.57	93.03	94.93	7.0%	4.9%
- Employee cost	31.18	32.62	31.17	-4.4%	0.0%
- Others	68.39	60.41	63.75	13.2%	7.3%
Operating Profits	104.13	115.15	107.12	-9.6%	-2.8%
Provisions	35.47	39.48	22.04	-10.1%	60.9%
Exceptional items	0.00	0.00	0.00	NA	NA
PBT	68.65	75.68	85.08	-9.3%	-19.3%
Tax	17.76	17.61	15.91	0.8%	11.6%
PAT	50.90	58.06	69.18	-12.3%	-26.4%
Advances	11,167	10,597	10,000	5.4%	11.7%
Deposits	12,035	11,616	10,867	3.6%	10.7%
Total Assets	16,766	16,033	15,057	4.6%	11.4%
CASA (%)	40%	38%	43%	200bps	-300bps
CASA Deposits	4,790	4,243	4,411	12.9%	8.6%
Asset Quality					
GNPA	173.1	177.6	154.7	-2.6%	11.9%
NNPA	51.1	50.7	36.1	0.9%	41.6%
GNPA (%)	1.46%	1.57%	1.44%	-11bps	2bps
NNPA (%)	0.44%	0.45%	0.34%	-1bps	10bps
RoA	1.23%	1.47%	1.84%	-24bps	-61bps
Cost to Income Ratio	48.88%	44.69%	46.98%	419bps	190bps

Source: Arianth Research, Company Filings

Q2FY26 Conference Call Highlights :**Guidance**

- Axis Bank reported 12% YoY loan growth and 11% YoY deposit growth in Q2 FY26, with stable net interest income and improving asset quality. Despite a one-time INR 1,231 crore provision due to PSL reclassification, core profitability remained intact. Management reaffirmed margin bottoming in Q3 and guided medium-term loan growth 300bps above industry.
- The management emphasized their delivery of a strong growth in advances and deposits, gaining market share in both.
- There is a steady operating performance, backed by stable net interest income, healthy fee income growth, and positive operating metrics.
- The credit card business crossed 15 million cards in force, and UPI market share rose to 35%+ in terms of both value and volume, reinforcing Axis' leadership as the top UPI payee.
- Asset quality is expected to improve gradually, with recoveries likely to rise in H2FY26.
- The bank aims to grow 300 bps faster than the industry average over FY26–FY28.
- No additional equity capital is required for growth or provisioning under current scenarios.
- The bank targets maintaining NIMs at 3.8% through the rate cycle, expecting an “inverted C-shaped trajectory” in margins.
- Retail unsecured credit trends like bounce rates and early delinquencies are stabilizing and improving, with further clarity expected by Q2 end.

Asset Quality and Credit Costs

- All the key indicators—bounce rates, early delinquency, and correction resolution rates—have shown an improvement, which provides comfort.
- Year on year, MEB, QAB basis, total deposits grew 11% and 10%. Term deposits grew 12% and 13%. CA grew 13% and 7%, and SA grew 6% and 4%, respectively. Q on Q on MEB and QAB basis, total deposits grew 4% and 3%. Term deposits grew 4% and 4%. CA grew -1% and 2%, and SA grew 4% and 3%, respectively.

Loan Book and Advances

- On the deposit side, month-end balances grew 4% quarter on quarter and 11% year on year, and quarterly average balances grew 3% QOQ and 10% year on year. On the lending side, total advances grew 5% QOQ and 12% year on year.
- Loans and investments comprise 90% of total assets at September 25, improving 40 basis points YOY. Retail CBG advances comprise 69% of total advances at September 25, largely stable YOY.

Product Highlights

- The premiumization of Axis's Burgundy franchise continues to progress well, led by 2% Q-on-Q and 5% year-on-year growth in Burgundy assets under management.
- Burgundy Private was named Best Private Bank for High Net Worth Individuals India at the Asset AAA Private Capital Awards 2025
- India's first gold-backed credit line on UPI, credit on UPI with gold loans for MSMEs and self-employed entrepreneurs in collaboration with Freecharge Payment Technologies Private Ltd.

NIM

- NIM for Q2 FY 2026 was 3.73%, down 7 basis points QOQ. Yields on interest-earning assets declined 30 basis points QOQ. This decline was offset by cost of funds reduction of 24 basis points QOQ.

Slippages

- Gross slippages in the quarter were INR 5,696 crores, declining sequentially.
- The bank's gross slippage ratio also declined by 102 basis points sequentially. Gross slippages segmentally were INR 5,222 crores in retail, INR 265 crores in CBG, and INR 309 crores in WBCG.
- Retail asset quality is stabilizing. Retail business net slippages and net credit costs were lower than Q2 FY 2025.
- Net slippages for the quarter adjusted for recoveries from written-off pool was INR 2,167 crores, declining 58% QOQ.

Specific Management Commentary

- Axis Bank is progressing well to be a stronger and sustainable franchise. In the medium term, defined as a period of three to five years with FY 2026 as base year, we believe our advances can grow 300 basis points faster than industry. We continue to closely monitor the current macro and geopolitical environment, inflation, liquidity, and cost of funds as it impacts our business. Thank you for your patience. We'd be happy to take questions now.

Income Statement

(Rs Bn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Earned	851.6	1,093.7	1,226.8	1,309.0	1,498.5	1,717.8
Interest Expended	421.2	594.7	683.3	736.8	833.5	953.4
Net Interest Income	430.5	498.9	543.5	572.2	665.0	764.3
Other Income	165.0	224.4	252.6	290.5	297.0	335.5
Fee Income	162.2	182.6	205.5	230.1	257.7	288.6
Treasury Income	-2.4	0.0	0.0	24.8	30.0	36.3
Operating Income	595.5	723.4	796.0	862.7	962.0	1,099.9
Operating Expenses	396.6	352.1	375.0	413.8	456.5	503.6
Employee Expenses	87.6	109.3	121.9	132.9	147.5	163.7
Profit before provision & tax	198.9	371.2	421.0	448.9	505.5	596.2
Provisions and Contingencies	28.8	40.6	77.6	93.5	92.2	102.6
Profit Before Tax	170.1	330.6	343.5	355.4	413.3	493.6
Provision for tax	73.3	82.0	79.7	88.8	103.3	123.4
Exp. Items	0.0	0.0	0.0	0.0	0.0	0.0
Profit After Tax	96.8	248.6	263.7	266.5	310.0	370.2

Balance Sheet

(Rs Bn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sources of funds						
Share Capital	6	6	6	6	6	6
Total Reserves	1,244	1,496	1,780	2,047	2,356	2,727
Shareholder's Fund	1,250	1,502	1,786	2,053	2,363	2,733
Deposits	9,469	10,686	11,730	12,874	14,131	15,510
Borrowings	1,863	1,968	1,841	2,026	2,228	2,496
Other Liabilities & provisions	587	607	731	838	962	1,152
Total Liabilities	13,173	14,772	16,099	17,791	19,684	21,891
Application of Funds						
Cash & Bank	1,064	1,145	997	1,046	769	511
Investments	2,888	3,315	3,961	4,437	5,184	6,058
Advances	8,453	9,651	10,408	11,553	12,951	14,518
Fixed Assets	47	57	63	66	69	73
Other Assets	721	605	670	690	710	732
Total Assets	13,173	14,772	16,099	17,791	19,684	21,891

Source: Arianth Research, Company Filings

Ratios %						
	FY23	FY24	FY25	FY26E	FY27E	FY28E
Asset Quality						
Gross NPA	2.0	1.4	1.3	1.3	1.3	1.3
Net NPA	0.4	0.3	0.3	0.4	0.3	0.3
PCR	80.9	78.5	74.6	75.0	75.0	75.0
Growth						
Advances Growth	19.4	14.2	7.8	11.0	12.1	12.1
Deposit growth	15.2	12.9	9.8	9.8	9.8	9.8
Net Profit Growth	-25.7	156.8	6.1	1.1	16.3	19.4
Liquidity						
C-D Ratio	89.3	90.3	88.7	89.7	91.6	93.6
CASA	39.5	37.8	35.4	45.0	45.0	45.0
Capital Adequacy	17.6	16.6	17.1	17.2	17.2	17.3
Efficiency						
Cost Income Ratio	66.60	48.68	47.11	47.97	47.45	45.79
Operating Costs to Assets	3.01	2.38	2.33	2.33	2.32	2.30

Spread Analysis (%)						
	FY23	FY24	FY25	FY26E	FY27E	FY28E
Spread Analysis						
Yield on Advances	7.6	9.0	9.3	8.9	9.0	9.1
Yield on Investments	6.3	6.0	5.8	5.6	5.8	6.0
Cost of Funds	3.7	4.7	5.0	4.9	5.1	5.3
NIM	4.0	4.1	4.0	4.1	5.1	6.1
Interest Spread	3.9	4.3	4.3	4.0	3.9	3.8
Profitability						
ROE	7.7%	16.5%	14.8%	13.0%	13.1%	13.5%
ROA	0.73%	1.7%	1.6%	1.5%	1.6%	1.7%
Earnings Per Share (Rs)	31.5	80.5	85.1	86.0	100.1	119.5
Book Value (Rs)	406	487	577	663	763	882
Adjusted Book Value (Rs)	395	476	565	650	748	866
Valuation						
P / EPS (x)	30.7	14.1	13.3	13.2	11.3	9.5
P / ABV (x)	2.4	2.4	2.0	1.7	1.5	1.3

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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