

18 July 2025

India | Equity Research | Results Update

## Axis Bank

Banking

### Deterioration in asset quality due to 'technical reasons'

Axis Bank (Axis) reported disappointing Q1FY26 with a massive rise in gross/net slippages and credit costs. Axis, in its Q4FY25 call, without quantifying, had mentioned that it has tightened the upgrade and classification criteria (technical impact), which could adversely impact asset quality outcomes. The technical impact on gross slippages (INR 27.1bn), net slippages (INR 18.6bn) and credit costs (INR 8bn) is: 1) higher than our estimates; and more importantly 2) difficult to comprehend, in our view. Gross/net slippages jumped to ~3.1%/2.3% annualised, while credit costs spiked to 1.5%. RoA moderated to 1.5%, cushioned by treasury/fee and muted opex. NIM declined ~17bps QoQ to 3.8% and the bank retains its 'through the cycle' guidance of 3.8%. Axis now aims for outpacing the industry on loan growth in FY26 and continued muted opex in the near term. Retain **BUY** on valuations.

### Cut FY26E EPS by 7%; see sharp revival in growth/RoA in FY27

We reiterate that 'technical slippages' are a bit surprising and difficult to comprehend. Yet, we take comfort that hit on 'stock' has been taken and the 'flow' impact for subsequent quarters should be muted (can even surprise positively). Axis also reiterated that there would be no more unilateral tightening. Progress on unsecured retail asset quality has been encouraging and ex-technical impact, slippages are broadly in-line. We see NIM declining further in Q2FY26 due to loan repricing, but envisage healthy revival beginning Q3FY26 as deposits repricing gathers pace. We estimate ~25-30bps YoY dip in NIM for FY26 and see healthy recovery in FY27. We also acknowledge positive commentary on loan growth (key beneficiary of improving liquidity) and healthy scope on cost ratios. Our FY26 PAT estimates are cut by ~7% (higher credit costs) but we see limited impact on FY27 PAT (cut of ~2%). CET 1 stands healthy at 14.68%.

### Cut target price to INR 1,370; retain BUY on valuations

Axis has delivered ~1.5% RoA for Q1FY26 and we estimate ~1.45% RoA for FY26, as NIM moderation is offset by easing credit costs. However, we see the bank delivering strong >15% YoY growth in NII/PAT for FY27 with RoA rising to ~1.6%. Stock trades inexpensive at ~1.4x FY27E core banking book. We cut our target multiple to ~1.65x (~1.8x earlier); TP revised to INR 1,370 (INR 1,470 earlier). Maintain **BUY** on valuations, though we believe that the stock's returns are likely to be back-ended. Axis has seen higher churn at the senior level and we hope the bank addresses this before it starts impacting execution. **Key risk:** Higher-than-expected slippages.

### Financial Summary

Y/E March	FY24A	FY25A	FY26E	FY27E
NII (INR bn)	498.9	543.5	550.9	642.9
Op. profit (INR bn)	371.2	421.0	443.4	508.1
Net Profit (INR bn)	248.6	263.7	248.1	302.9
EPS (INR)	80.7	85.3	80.1	97.8
EPS % change YoY	13.0	5.7	(6.1)	22.1
ABV (INR)	481.5	571.3	648.4	744.3
P/BV (x)	2.4	2.0	1.8	1.5
P/ABV (x)	2.2	1.8	1.6	1.4
Return on Assets (%)	1.8	1.7	1.5	1.6
Return on Equity (%)	18.0	15.9	12.9	13.8

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#### Market Data

Market Cap (INR)	3,597bn
Market Cap (USD)	41,786mn
Bloomberg Code	AXSB IN
Reuters Code	AXBK.BO
52-week Range (INR)	1,319 /934
Free Float (%)	92.0
ADTV-3M (mn) (USD)	94.2

Price Performance (%)	3m	6m	12m
Absolute	(2.6)	17.0	(11.1)
Relative to Sensex	(7.3)	9.7	(13.0)

ESG Score	2023	2024	Change
ESG score	81.6	80.3	(1.3)
Environment	75.2	79.7	4.5
Social	73.3	67.5	(5.8)
Governance	89.5	90.0	0.5

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
EPS	(7)	(2)

#### Previous Reports

02-07-2025: [Quarterly results preview](#)

23-06-2025: [Company Update](#)

## Loan growth reasonable; NIM declines 17bps QoQ

Loan growth was reasonable at ~2% QoQ and 8% YoY. The bank's focus segments (SME, SBB, Mid-corporate, PL and credit cards) grew 1% QoQ and 11% YoY. Corporate growth was strong at 5.5% QoQ while retail was flattish QoQ. Deposits base was flattish QoQ and was up 9% YoY. NIM declined 17bps QoQ to 3.8%, of which 13bps was due to re-pricing/spread, 1bps was due to technical slippages reversals and the remaining 3bps was due to usual agri interest reversals. NII was flattish YoY and declined 2% QoQ. Given the rate transmission policy of the bank, we expect NIM to decline further in Q2FY26 before ascending, as deposits' re-pricing benefit starts. Axis aims to outpace industry growth in FY26 and aims to maintain 'through the cycle' NIM of 3.8%. We model loan growth of ~10% YoY for FY26E, rising to ~13% YoY in FY27E. We see muted NII growth in FY26E but a strong >15% rebound in FY27E.

## Other income strong; opex under control

Fee income grew 10% YoY, within which retail fee grew 9% YoY and constituted ~70% of the total fee. Treasury gains jumped sharply to INR 14.2bn vs. INR 4bn YoY and INR 2bn QoQ. Opex was well contained at 2% YoY/down 5% QoQ, as belt tightening exercise continues. Axis aims to sustain tight opex control in the near term. Cost to income improved to ~45% vs. 47.5% YoY and 47.8% QoQ. Despite weak NII growth, operating profits jumped 14% YoY (7% QoQ), led by strong fee/treasury and contained opex. Core operating earnings (ex-treasury) grew 4% YoY, but declined ~5% QoQ.

## Jump in slippages/credit costs, due to 'technical tightening'

Reported gross slippages surged to INR 82bn, or 3.1% annualised vs. 1.96% YoY and 1.85% QoQ. Net slippages too jumped to INR 60.5bn, or 2.3% annualised vs. 1.3% YoY and 0.8% QoQ. Gross NPA jumped 23% QoQ; ratio increased 29bps QoQ to 1.57%. PCR saw a dip to 71.5% vs. 74.6% QoQ. Net NPA ratio increased 12bps QoQ to 45bps. Calculated credit costs jumped to ~1.5%.

The bank has reviewed the upgrade and classification criteria, which has impacted reported AQ parameters – gross slippages, net slippages and credit costs. NPA recognition has been changed – as per annual benchmarking exercise, and NOT out of any regulatory intervention. Technical impact largely restricted to cash credit and OD accounts and also to accounts where one-time settlement is offered. Retail segment was impacted the most with INR 21.7bn worth of slippages out of total technical slippages of INR 27.1.

## Ex-technical, asset quality is broadly stable

Adjusted for technical impact, gross slippages were ~2.1% vs. 1.96% YoY and 1.85% QoQ. The QoQ rise can be partly attributed to agri slippages seasonality. Axis mentioned that all key lead indicators in unsecured retail are showing encouraging trends and outcomes are within risk guardrails. The early trends are suggesting stabilising trend in PL and improving trends for PL.

While the 'technical impact' slippages are much higher than expected, the majority of the hit (on stock basis) has been taken and the flow impact would come through in coming quarters while FY27E should be a more normalised year. We raise our credit costs estimate for FY26 to ~1%. We cut our FY26 PAT estimates by ~7% while FY27 PAT is broadly intact (down 2%). For FY27E, we see double-digit NII/PPOP/PAT growth led by ~13% loan growth, NIM uptick and credit cost normalisation.

## Q1FY26 conference call takeaways

### Technical impact on asset quality

- Bank has reviewed the upgrade and classification criteria, which has impacted reported AQ parameters – gross slippages, net slippages and credit costs. NPA recognition has been changed – as per annual benchmarking exercise, and NOT out of any regulatory intervention. Provisioning criteria is unchanged (and is one of the stringent in the industry). Axis believes that this is the last tightening required and there would be no more unilateral change.
- Technical impact largely restricted to cash credit and OD accounts and also to accounts where one-time settlement is offered. Cash and OD is also offered to retail customers (for example KCC). Majority of slippages are coming from retail segment.
- Upgrades and recoveries will likely come in normal course of business.
- 80% of individual contracts that slipped because of technical impact and that continue to remain NPA as at 30 Jun'25 are 100% secured. Hence, given the security cover, the economic loss due to technical impact shall be minimal over the life of such contracts.
- The stock's impact has already been taken in this quarter. The subsequent quarter would have flow impact but the net impact for Q2, Q3 and Q4 will likely be muted.

### Impact of these changes on gross and net slippages

- Slippages increased by INR 27.09bn (~1.3%). Ex of technical impact, slippages are similar to Q3FY25.
- Segment-wise technical impact on gross slippages – retail: INR 21.65bn; CBG: INR 2.34bn, WBG: INR 3.10bn. Net slippages – reported: 2.33%. Adjusted 1.62%. Technical impact on net slippages was INR 18.61bn (~0.71%).
- Segment-wise technical impact on net slippages – retail: INR 21.65bn, CBG: INR 2.34bn, WBG: INR 3.10bn. Segment-wise technical impact on net slippages (Ex of TWO): INR 15.74 bn, CBG: ~INR 1bn, WBG: INR 1.87bn.
- Reported gross slippages breakup – Retail: INR 75bn, CBG: INR 4.03bn, WBG: INR 2.97bn.
- Reported net slippage breakup – retail: INR 57.26bn, CBG: INR 1.37bn, WBG: INR 1.90bn.
- Net slippages adjusted for TWO: INR 32.88bn. Segmental breakup – retail: INR 36.36bn, CBG and WBG are negative at INR 0.14bn and INR 3.34bn respectively.
- New slippages have less PCR. Ex of technical impact, PCR has improved.

### Unsecured retail stress

- Bank has seen stabilisation/improvement across all unsecured loan products.
- With respect to retail unsecured loans, there are signs of stabilisation in every lead indicator such as resolution rate. Indicators are within risk guardrails and are encouraging. The trends are stabilising in PL and improving in credit card.

## Business

- In FY26, bank would aim to grow faster than industry as the bank's growth engine is strong. It aims to grow 300bps faster than industry over medium term (3-5 years) with FY26 as base year.
- Bank would continue to focus on deepening relationship with ETB customers.
- QAB-basis, deposit balance improvement shows that the efforts on ETB customers are yielding results.
- Good momentum on premium NTB acquisition, both on salaried as well as non-salaried customers.

## NIM

- 1bps adverse impact on NIM because of technical changes. 3bps impact due to agri slippages. The rest 13bps impact is from spread/re-pricing.
- Bank maintains through-cycle margin guidance of 3.8%. NIM trajectory should be looked at as an 'inverted C'.
- NIM, during the current quarter, has fully absorbed 25bps of rate cut. Rest 75bps has been absorbed only for part of the quarter. The impact shall emerge in next quarter. Part of the impact would be cushioned by an offset in deposits and borrowing pricing.

## Opex and other income

- Staff cost increased QoQ due to gratuity.
- Other opex has moderated due to ongoing belt tightening exercise at the bank.
- The bank has widened the JAWS and aims to continue to widen in the near term.

## Q4FY25 conference call takeaways

### Asset Quality

- The bank has reversed INR 8 bn provisions on government backed SR. It has not booked INR 5.37 bn of accrued interests, which would be done on realization or further clarity from RBI.
- The bank has made upgrade conditions more stringent vs earlier, which could impact credit costs adversely in FY26 vs FY25. The upgrade conditions could include conditions pertaining to, for example, one-time settlement getting more stringent for smaller vintage. The bank clarified that the impact, however, is likely to be marginal and not exponential.
- Gross slippages break-up: Retail (INR 45 bn), SME and commercial – INR 1.96 bn and INR 1.02 bn from corporate. For the quarter, ~30% slippage pertaining to linked accounts or which have upgraded within the quarter.
- Break-up of net slippages: Retail INR 28.04 bn, SME / commercial (INR 1.25 bn) and negative in corporate.

### Unsecured stress

- The bank maintains that early reading on the unsecured portfolio is positive. However, loan vintages are not matured enough to provide a firm outlook at this stage.
- Credit card portfolio is stabilizing but PL portfolio could take some more quarters to show improvement. Correction in card portfolio have started to play out. This view contrasts vs previous commentary wherein it mentioned that credit costs should ideally improve first for PL while credit card may take few more quarters. The bank mentioned that underwriting is not an exact science and there are continuous tweaks.
- The assets build in PL is faster (direct disbursement) and slower for credit card. There are signs of stabilization / improvement in both segments. However, the new book has different proportion in both these segments.

### Opex and other income

- Cost to assets has improved 9bps YoY in FY25
- The bank added ~500 branches in FY25 and ~170 branches in Q4FY25
- Tech expenses are 9.3% of the opex.
- Sequential jump in other opex is mostly due to PSL related opex. The bank has paid INR 5.91 bn for PSLC purchase. Overall opex grew 6% YoY while ex of PSL cost, opex growth is 1% YoY/2% QoQ.
- The bank has booked INR 1.69 bn income on PSL but cannot net off this income (as per extant guidelines).

### Business

- 3 aspects to look at deposits - Quality, Cost and growth. Bank has delivered on the first 2 aspects. Granularity has increased and cost has also been in control. To improve growth, bank launched multiple initiatives and it is now witnessing initial signs of traction because of new deposit initiatives.

- SA New to Bank deposits are up 19% YoY and balances per account are up 17% YoY
- 18% YoY growth in Salary uploads in the NTB Salary book by Mar'25.
- For FY25, deposit growth has been a constraint which has led to selective growth strategy in advances. If things play out as expected, and liquidity is there in the system, growth and profitability should move in the right direction.
- No guidance on the advances or deposits growth. The loan growth would continue to be driven by RaRoC framework.

### NIM

- Bank will manage margins by managing asset mix and duration. It has tightly matched duration of asset and liability in terms of interest rate.
- The bank has taken initial steps in terms of savings rate cut and Term deposits cut to withstand yields pressure.
- The policy rate re-pricing is within the quarter.
- The day count impact is insignificant or negligible for NIM improvement in Q4FY25.
- The bank would try to protect the stated level of NIM (3.8%) as much as possible despite impending pressure on yields.

### Capital and others

- The bank does not need capital for any of the pillars (regulatory or growth). The approval is enabling in nature and customary taken every year at the beginning of the year.
- Axis Bank was the first Indian bank to execute an aircraft financing transaction through its International Banking Unit (IBU) at GIFT City, facilitating a USD loan for the purchase of 34 training aircraft by Air India.
- 66% of the investment is HTM.
- 88% CBG book is PSL compliant.

## Exhibit 1: Q1FY26 result review

	Q1FY25	Q1FY26	YoY (%)	Q4FY25	QoQ (%)
<b>Financial Highlights (INR mn)</b>					
Interest Earned	3,00,607	3,10,635	3.3	3,12,425	(0.6)
Interest Expended	1,66,125	1,75,038	5.4	1,74,320	0.4
<b>Net Interest Income</b>	<b>1,34,482</b>	<b>1,35,598</b>	<b>0.8</b>	<b>1,38,105</b>	<b>(1.8)</b>
Other Income	57,835	72,581	25.5	67,795	7.1
Total Income	3,58,442	3,83,216	6.9	3,80,220	0.8
<b>Total Net Income</b>	<b>1,92,317</b>	<b>2,08,178</b>	<b>8.2</b>	<b>2,05,901</b>	<b>1.1</b>
Staff Expenses	31,295	32,618	4.2	29,615	10.1
Other operating expenses	59,960	60,409	0.7	68,762	(12.1)
<b>Operating Profit</b>	<b>1,01,062</b>	<b>1,15,152</b>	<b>13.9</b>	<b>1,07,524</b>	<b>7.1</b>
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)
<b>Reported Profit</b>	<b>60,346</b>	<b>58,061</b>	<b>(3.8)</b>	<b>71,175</b>	<b>(18.4)</b>
Advances (INR bn)	9,801	10,597	8.1	10,408	1.8
Deposits (INR bn)	10,625	11,616	9.3	11,730	-1.0
Gross NPA	162	178	9.6	145	22.6
Gross NPA (%)	1.5	1.6	3 bps	1.3	29 bps
Net NPA	36	51	42.6	37	37.5
Net NPA (%)	0.3	0.5	11 bps	0.3	12 bps
Provision Coverage (%)	78.1	71.5	-660 bps	74.6	-308 bps

Source: Company data, I-Sec research

## Exhibit 2: Summary of technical impact across various asset quality parameters

Particulars	Gross slippage		Net slippage		Net credit cost		GNPA		NNPA	
	Rs in crores	%	Rs in crores	%	Rs in crores	%	Rs in crores	%	Rs in crores	%
Reported	8,200	3.13%	6,053	2.33%	3,900	1.38%	17,765	1.57%	5,066	0.45%
Technical impact	(2,709)	(1.03%)	(1,861)	(0.71%)	(821)	(0.29%)	(1,852)	(0.16%)	(1,030)	(0.09%)
<b>Excluding Technical Impact</b>	<b>5,491</b>	<b>2.10%</b>	<b>4,192</b>	<b>1.62%</b>	<b>3,079</b>	<b>1.09%</b>	<b>15,913</b>	<b>1.41%</b>	<b>4,036</b>	<b>0.36%</b>

Figures in ₹ Crores

Segmental Breakup															
Particulars	Gross slippage			Net slippage			Net credit cost			GNPA			NNPA		
	WBG	CBG	Retail	WBG	CBG	Retail	WBG	CBG	Retail	WBG	CBG	Retail	WBG	CBG	Retail
Reported	297	403	7,500	190	137	5,726	(171)	58	4,013	3,468	1,019	13,278	293	319	4,454
Technical impact	(234)	(310)	(2,165)	(187)	(100)	(1,574)	(62)	(40)	(719)	(187)	(100)	(1,565)	(124)	(60)	(846)
<b>Excluding Technical Impact</b>	<b>63</b>	<b>93</b>	<b>5,335</b>	<b>3</b>	<b>37</b>	<b>4,152</b>	<b>(233)</b>	<b>18</b>	<b>3,294</b>	<b>3,281</b>	<b>919</b>	<b>11,713</b>	<b>169</b>	<b>259</b>	<b>3,608</b>

(1) The prudent application of technical parameters for recognizing slippages and consequent upgrades impacted reported asset quality parameters including provisions and contingencies for the quarter ended June 30, 2025 ("Technical Impact")

(2) Technical Impact on PAT = (₹614 crores); Technical Impact on ROA% = (15 bps); Technical Impact on ROE% = (1.4%)

Quarterly Results Q1FY26

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Source: Company data, I-Sec research

**Exhibit 3: Segment gross and net slippages**

	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>Gross slippages (INR mn)</b>						
Retail	31,100	42,290	40,730	49,230	45,070	75,000
SME	1,630	1,780	2,640	2,150	1,960	4,030
Corporate	1,980	3,860	1,060	2,940	1,020	2,970
<b>Total</b>	<b>34,710</b>	<b>47,930</b>	<b>44,430</b>	<b>54,320</b>	<b>48,050</b>	<b>82,000</b>
<b>Gross slippages (% of loans)</b>						
Retail	2.1	2.9	2.7	3.3	2.9	4.8
SME	0.6	0.7	1.0	0.8	0.7	1.3
Corporate	0.3	0.5	0.1	0.4	0.1	0.4
<b>Total</b>	<b>1.4</b>	<b>2.0</b>	<b>1.8</b>	<b>2.1</b>	<b>1.8</b>	<b>3.1</b>
<b>Net slippages (INR mn)</b>						
Retail	16,160	29,190	26,070	33,940	28,040	57,260
SME	510	840	910	1,460	(1,250)	1,370
Corporate	-3,510	2,870	-3,240	-230	(6,640)	1,900
<b>Total</b>	<b>13,160</b>	<b>32,900</b>	<b>23,740</b>	<b>35,170</b>	<b>20,150</b>	<b>60,530</b>
<b>Net slippages (% of loans)</b>						
Retail	1.1	2.0	1.7	2.2	1.8	3.7
SME	0.2	0.3	0.3	0.5	-0.4	0.5
Corporate	-0.5	0.4	-0.4	0.0	-0.9	0.2
<b>Total</b>	<b>0.5</b>	<b>1.3</b>	<b>0.9</b>	<b>1.4</b>	<b>0.8</b>	<b>2.3</b>
<b>Net slippages net of TWO recovery (INR mn)</b>						
Retail	10,610	24,560	21,640	29,280	22,970	52,100
SME	-620	130	310	500	50	860
Corporate	-6,010	2,310	-8,050	-7,610	(12,230)	(1,470)
<b>Total</b>	<b>3,980</b>	<b>27,000</b>	<b>13,900</b>	<b>22,170</b>	<b>10,790</b>	<b>32,880</b>
<b>Net slippages net of TWO (% of loans)</b>						
Retail	0.7	1.7	1.4	1.9	1.5	3.3
SME	-0.2	0.0	0.1	0.2	0.0	0.3
Corporate	-0.9	0.3	-1.1	-1.0	-1.6	-0.2
<b>Total</b>	<b>0.2</b>	<b>1.1</b>	<b>0.6</b>	<b>0.9</b>	<b>0.4</b>	<b>1.9</b>

Source: I-Sec research, Company data

**Exhibit 4: Net slippages spike on account of technical impact**

	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY23	Q4FY25	Q1FY26
<b>Net slippages (INR mn)</b>										
Retail	8,070	16,390	9,530	15,420	10,610	24,560	21,640	29,280	22,970	52,100
SME	260	-100	250	-110	-620	130	310	500	50	860
Corporate	-9,800	-4,980	-3,730	-10,490	-6,010	2,310	-8,050	-7,610	-12,230	(1,470)
<b>Total</b>	<b>-1,470</b>	<b>11,310</b>	<b>6,050</b>	<b>4,820</b>	<b>3,980</b>	<b>27,000</b>	<b>13,900</b>	<b>22,170</b>	<b>10,790</b>	<b>51,490</b>
<b>Ann. net slippages (% of loans)</b>										
Retail	0.66	1.32	0.73	1.13	0.73	1.68	1.45	1.93	1.48	3.35
SME	0.12	-0.05	0.10	-0.04	-0.24	0.05	0.11	0.18	0.02	0.28
Corporate	-1.46	-0.73	-0.53	-1.47	-0.87	0.32	-1.11	-1.03	-1.63	-0.19
<b>Total</b>	<b>-0.07</b>	<b>0.53</b>	<b>0.27</b>	<b>0.21</b>	<b>0.16</b>	<b>1.10</b>	<b>0.56</b>	<b>0.87</b>	<b>0.41</b>	<b>1.94</b>

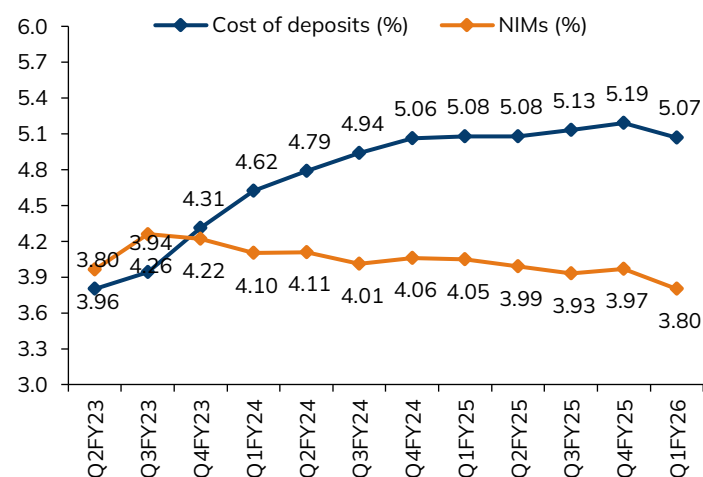
Source: Company data, I-Sec research

### Exhibit 5: Deposit mix

Deposit mix	Q1FY25		Q2FY25		Q3FY25		Q4FY25		Q1FY26			
	INR bn	% of total	INR bn	% of total	INR bn	% of total	INR bn	% of total	INR bn	% of total	YoY % chg	QoQ % chg
<b>Total Deposits</b>	<b>10,625</b>	<b>100%</b>	<b>10,867</b>	<b>100%</b>	<b>10959</b>	<b>100%</b>	<b>11,730</b>	<b>100%</b>	<b>11,616</b>	<b>100%</b>	<b>9%</b>	<b>-1%</b>
CA	1,496	14%	1,425	13%	1436	13%	1,668	14%	1,630	14%	9%	-2%
SA	2,949	28%	2,985	27%	2892	26%	3,114	27%	3,051	26%	3%	-2%
CASA	4,445	42%	4,411	41%	4329	39%	4,782	41%	4,682	40%	5%	-2%
Term Deposits	6,180	58%	6,457	59%	6630	61%	6,948	59%	6,934	60%	12%	0%

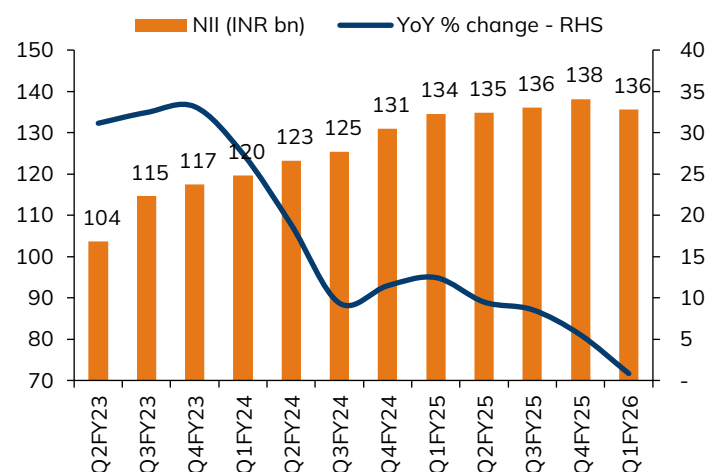
Source: Company data, I-Sec research

### Exhibit 6: NIM declines sharply QoQ



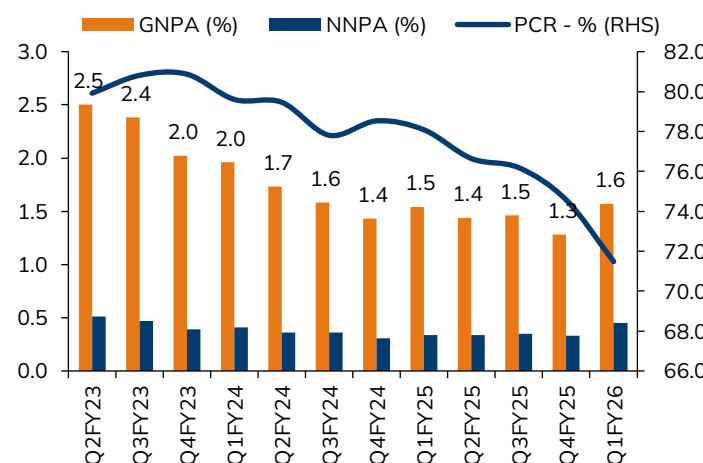
Source: Company data, I-Sec research

### Exhibit 7: NII YoY growth has been moderating



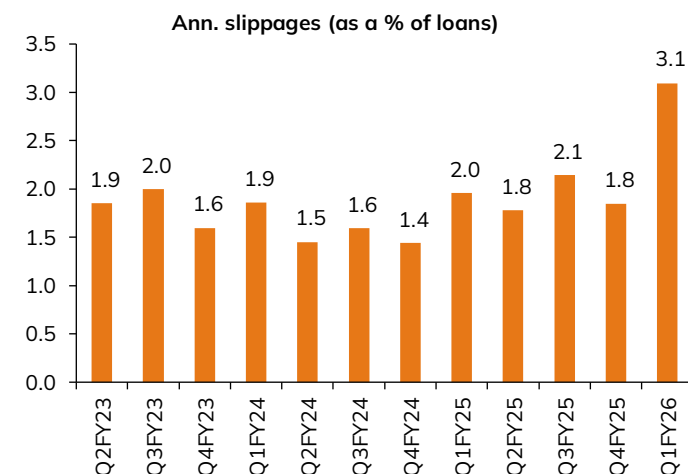
Source: Company data, I-Sec research

### Exhibit 8: Headline GNPA ratio increases QoQ on account of technical impact



Source: I-Sec research, Company data

### Exhibit 9: Slippages spike on account of technical impact



Source: I-Sec research, Company data

**Exhibit 10: Loan growth was soft at 8% YoY, and has remained below systemic average**

(INR bn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY %	QoQ %	Mix (%)
<b>Corporate Loans</b>	<b>2,683</b>	<b>2,730</b>	<b>2,817</b>	<b>2,852</b>	<b>2,771</b>	<b>2,910</b>	<b>2,908</b>	<b>2,946</b>	<b>2,994</b>	<b>3,159</b>	<b>8.6</b>	<b>5.5</b>	<b>30%</b>
<b>SME</b>	<b>894</b>	<b>877</b>	<b>960</b>	<b>1,000</b>	<b>1,047</b>	<b>1,040</b>	<b>1,105</b>	<b>1,141</b>	<b>1,185</b>	<b>1,209</b>	<b>16.2</b>	<b>2.0</b>	<b>11%</b>
<b>Retail</b>	<b>4,876</b>	<b>4,978</b>	<b>5,197</b>	<b>5,470</b>	<b>5,833</b>	<b>5,851</b>	<b>5,987</b>	<b>6,058</b>	<b>6,229</b>	<b>6,230</b>	<b>6.5</b>	<b>0.0</b>	<b>59%</b>
Home Loans	1,574	1,566	1,592	1,628	1,659	1,654	1,677	1,676	1,671	1,660	0.4	(0.7)	16%
LAP	508	506	539	586	637	651	672	697	753	788	21.1	4.6	7%
Auto Loans	523	535	556	579	587	588	587	584	583	578	(1.8)	(1.0)	5%
Rural Lending	709	716	747	798	919	885	897	937	982	931	5.2	(5.2)	9%
PL+CC	862	916	970	1,050	1,129	1,161	1,192	1,192	1,204	1,206	3.8	0.2	11%
PL	546	569	612	651	716	736	754	760	773	771	4.7	(0.3)	7%
CC	317	347	358	400	413	425	437	432	431	435	2.3	1.0	4%
SBB	430	463	503	535	572	584	619	642	668	673	15.3	0.9	6%
Others	270	275	292	294	329	328	344	332	367	394	19.9	7.3	4%
<b>Total Advances</b>	<b>8,453</b>	<b>8,585</b>	<b>8,973</b>	<b>9,323</b>	<b>9,651</b>	<b>9,801</b>	<b>10,000</b>	<b>10,146</b>	<b>10,408</b>	<b>10,597</b>	<b>8.1</b>	<b>1.8</b>	<b>100%</b>

Source: Company data, I-Sec research

**Exhibit 11: On YoY basis, growth remains muted; Unsecured loans have been seeing muted growth**

YoY % change	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>Corporate Loans</b>	<b>15.4</b>	<b>25.4</b>	<b>21.5</b>	<b>12.6</b>	<b>3.3</b>	<b>6.6</b>	<b>2.8</b>	<b>3.3</b>	<b>7.6</b>	<b>8.6</b>
<b>SME</b>	<b>18.8</b>	<b>24.0</b>	<b>26.6</b>	<b>26.0</b>	<b>17.1</b>	<b>18.7</b>	<b>16.5</b>	<b>14.1</b>	<b>14.3</b>	<b>16.2</b>
<b>Retail</b>	<b>21.9</b>	<b>20.6</b>	<b>22.8</b>	<b>27.4</b>	<b>19.6</b>	<b>17.5</b>	<b>15.2</b>	<b>10.8</b>	<b>6.8</b>	<b>6.5</b>
Home Loans	10.0	7.9	8.6	9.0	5.4	5.6	5.4	2.9	0.8	0.4
LAP	19.5	17.1	22.6	38.0	25.4	28.5	24.7	18.9	18.3	21.1
Auto Loans	17.7	18.7	22.4	23.6	12.4	9.9	5.6	0.8	(0.7)	(1.8)
Rural Lending	25.9	21.9	24.0	34.0	29.5	23.6	20.1	17.5	6.9	5.2
PL+CC	41.2	40.8	39.2	47.4	30.9	26.8	22.9	13.5	6.6	3.8
PL	20.6	21.0	24.7	28.4	31.2	29.4	23.3	16.7	8.0	4.7
CC	99.9	92.5	73.7	94.3	30.4	22.4	22.0	8.2	4.3	2.3
SBB	50.2	46.2	42.3	39.7	33.1	26.2	23.1	19.9	16.7	15.3
Others	13.3	15.8	31.7	36.4	22.0	19.4	17.9	13.0	11.4	19.9
<b>Total Advances</b>	<b>19.4</b>	<b>22.4</b>	<b>22.8</b>	<b>22.3</b>	<b>14.2</b>	<b>14.2</b>	<b>11.4</b>	<b>8.8</b>	<b>7.8</b>	<b>8.1</b>

Source: Company data, I-Sec research

**Exhibit 12: Retail loans were flat QoQ: Corporate growth strong**

QoQ % change	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>Corporate Loans</b>	<b>5.9</b>	<b>1.8</b>	<b>3.2</b>	<b>1.3</b>	<b>(2.9)</b>	<b>5.0</b>	<b>(0.1)</b>	<b>1.3</b>	<b>1.6</b>	<b>5.5</b>
<b>SME</b>	<b>12.6</b>	<b>(1.9)</b>	<b>9.5</b>	<b>4.3</b>	<b>4.7</b>	<b>(0.7)</b>	<b>6.2</b>	<b>3.3</b>	<b>3.9</b>	<b>2.0</b>
<b>Retail</b>	<b>13.6</b>	<b>2.1</b>	<b>4.4</b>	<b>5.2</b>	<b>6.6</b>	<b>0.3</b>	<b>2.3</b>	<b>1.2</b>	<b>2.8</b>	<b>0.0</b>
Home Loans	5.3	(0.5)	1.6	2.3	1.9	(0.3)	1.4	(0.1)	(0.3)	(0.7)
LAP	19.6	(0.3)	6.4	8.8	8.6	2.2	3.3	3.7	8.1	4.6
Auto Loans	11.6	2.4	3.9	4.1	1.5	0.1	(0.2)	(0.6)	(0.1)	(1.0)
Rural Lending	19.1	1.0	4.2	6.8	15.2	(3.7)	1.3	4.5	4.9	(5.2)
PL+CC	21.0	6.2	5.9	8.3	7.5	2.9	2.6	0.0	1.0	0.2
PL	7.6	4.3	7.5	6.4	10.0	2.8	2.5	0.7	1.8	(0.3)
CC	54.1	9.6	3.2	11.5	3.4	2.9	2.8	(1.2)	(0.3)	1.0
SBB	12.2	7.7	8.7	6.4	6.9	2.0	6.0	3.7	4.0	0.9
Others	25.5	1.8	6.1	0.7	12.2	(0.3)	4.7	(3.5)	10.7	7.3
<b>Total Advances</b>	<b>10.9</b>	<b>1.6</b>	<b>4.5</b>	<b>3.9</b>	<b>3.5</b>	<b>1.6</b>	<b>2.0</b>	<b>1.5</b>	<b>2.6</b>	<b>1.8</b>

Source: Company data, I-Sec research

**Exhibit 13: Loan mix**

Mix (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>Corporate Loans</b>	<b>31.7</b>	<b>31.8</b>	<b>31.4</b>	<b>30.6</b>	<b>28.7</b>	<b>29.7</b>	<b>29.1</b>	<b>29.0</b>	<b>28.8</b>	<b>29.8</b>
<b>SME</b>	<b>10.6</b>	<b>10.2</b>	<b>10.7</b>	<b>10.7</b>	<b>10.9</b>	<b>10.6</b>	<b>11.0</b>	<b>11.2</b>	<b>11.4</b>	<b>11.4</b>
<b>Retail</b>	<b>57.7</b>	<b>58.0</b>	<b>57.9</b>	<b>58.7</b>	<b>60.4</b>	<b>59.7</b>	<b>59.9</b>	<b>59.7</b>	<b>59.8</b>	<b>58.8</b>
Home Loans	18.6	18.2	17.7	17.5	17.2	16.9	16.8	16.5	16.1	15.7
LAP	6.0	5.9	6.0	6.3	6.6	6.6	6.7	6.9	7.2	7.4
Auto Loans	6.2	6.2	6.2	6.2	6.1	6.0	5.9	5.8	5.6	5.5
Rural Lending	8.4	8.3	8.3	8.6	9.5	9.0	9.0	9.2	9.4	8.8
PL+CC	10.2	10.7	10.8	11.3	11.7	11.9	11.9	11.7	11.6	11.4
PL	6.5	6.6	6.8	7.0	7.4	7.5	7.5	7.5	7.4	7.3
CC	3.7	4.0	4.0	4.3	4.3	4.3	4.4	4.3	4.1	4.1
SBB	5.1	5.4	5.6	5.7	5.9	6.0	6.2	6.3	6.4	6.4
Others	3.2	3.2	3.3	3.1	3.4	3.4	3.4	3.3	3.5	3.7
<b>Total Advances</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company data, I-Sec research

**Exhibit 14: Opex growth contained**

INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Staff cost	21,636	26,885	26,098	27,113	29,235	31,295	31,172	29,846	29,615	32,618
Non-staff cost	51,987	55,432	61,070	62,344	63,956	59,960	63,754	60,596	68,762	60,409
Total opex	73,624	82,317	87,168	89,457	93,191	91,255	94,926	90,442	98,377	93,027
<b>YoY % change</b>										
Staff cost	14.7	23.0	20.5	18.9	35.1	16.4	19.4	10.1	1.3	4.2
Non-staff cost	10.8	30.8	40.9	36.5	23.0	8.2	4.4	-2.8	7.5	0.7
Total opex	11.9	28.1	34.1	30.6	26.6	10.9	8.9	1.1	5.6	1.9
<b>QoQ % change</b>										
Staff cost	-5.1	24.3	-2.9	3.9	7.8	7.0	-0.4	-4.3	-0.8	10.1
Non-staff cost	13.9	6.6	10.2	2.1	2.6	-6.2	6.3	-5.0	13.5	-12.1
Total opex	7.5	11.8	5.9	2.6	4.2	-2.1	4.0	-4.7	8.8	-5.4

Source: Company data, I-Sec research

## Exhibit 15: Key ratios and trends

	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>Loans (INR mn)</b>	<b>85,85,114</b>	<b>89,73,470</b>	<b>93,22,864</b>	<b>96,50,684</b>	<b>98,00,915</b>	<b>99,99,792</b>	<b>1,01,45,641</b>	<b>1,04,08,113</b>	<b>1,05,97,244</b>
Loans YoY %	22.4	22.7	22.3	14.2	14.2	11.4	8.8	7.8	8.1
Loans QoQ %	1.6	4.5	3.9	3.5	1.6	2.0	1.5	2.6	1.8
<b>Composition %</b>									
- Corporate	31.8	31.4	30.6	28.7	29.7	29.1	29.0	28.8	29.8
- SME/BB	10.2	10.7	10.7	10.9	10.6	11.0	11.2	11.4	11.4
- Retail	58.0	57.9	58.7	60.4	59.7	59.9	59.7	59.8	58.8
<b>Liability Profile %</b>									
CASA	45.5	44.4	42.1	43.0	41.8	40.6	39.5	40.8	40.3
CA	14.2	13.8	13.2	14.7	14.1	13.1	13.1	14.2	14.0
SA	31.4	30.6	28.9	28.3	27.8	27.5	26.4	26.5	26.3
Branch (No.)	4,945	4,945	5,252	5,377	5,427	5,577	5,706	5,876	5,879
<b>Margins</b>									
NIM %	4.10	4.11	4.01	4.06	4.05	3.99	3.39	3.97	3.80
NIM %- Domestic	4.20	4.20	4.08	4.16	4.14	4.06	4.06	4.08	3.91
<b>Asset Quality</b>									
GNPA %	2.1	1.8	1.7	1.5	1.6	1.5	1.5	1.4	1.7
NNPA %	0.4	0.4	0.4	0.3	0.3	0.3	0.4	0.3	0.5
PCR % - Specific	79.6	79.5	77.8	78.5	78.1	76.6	76.2	74.6	71.5
Restructured book (O/s % of loans)	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
<b>Capital adequacy</b>									
CAR %	17.7	16.6	16.6	16.6	16.7	16.6	17.0	17.1	16.9
Tier I %	14.4	13.8	14.2	14.2	14.5	14.5	15.0	15.1	15.1
<b>ROE Decomposition % (on total assets)</b>									
NII	4.2	4.2	4.1	4.1	4.1	4.0	4.0	3.9	3.8
Other Income (Ex Treasury)	1.6	1.7	1.7	1.8	1.6	1.7	1.6	1.9	1.6
Treasury	0.2	(0.0)	0.1	0.3	0.1	0.3	0.1	0.0	0.4
Opex	2.9	3.0	2.9	2.9	2.8	2.8	2.6	2.8	2.6
<b>PPOP</b>	<b>3.1</b>	<b>2.9</b>	<b>3.0</b>	<b>3.3</b>	<b>3.1</b>	<b>3.2</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>
Provisioning Cost	0.4	0.3	0.3	0.4	0.6	0.7	0.6	0.4	1.1
PBT	2.7	2.7	2.7	2.9	2.5	2.5	2.4	2.7	2.1
Tax	0.7	0.7	0.7	0.7	0.6	0.5	0.6	0.6	0.5
<b>RoA</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>2.0</b>	<b>1.6</b>	<b>1.9</b>	<b>1.7</b>	<b>1.8</b>	<b>1.4</b>
Leverage (x)	10.2	9.8	9.7	9.8	9.5	9.2	9	8.9	8.8
<b>RoE</b>	<b>18.1</b>	<b>17.4</b>	<b>17.3</b>	<b>19.3</b>	<b>15.6</b>	<b>17.1</b>	<b>14.9</b>	<b>16.2</b>	<b>12.7</b>

Source: Company data, I-Sec research

## Exhibit 16: SOTP Valuation

Name of the entity	Value of Business (INR Bn)	Stake (%)	Per share value (INR)	Comments
Axis Finance	119	100	39	2.3x Adj NW FY27E
Axis AMC	255	75	62	6% of FY27E AUM
Axis Securities	66	100	21	15x FY27E PAT
Axis Capital	24	100	8	15x FY27E PAT
Max Life	731	19	45	At implied market cap
<b>Value of Subsidiaries</b>			<b>174</b>	
Holding Co. discount (INR)			35	
Holding Co. discount (in %)			20	
<b>Subs Value post Holdo Disc.</b>			<b>139</b>	
<b>Axis Bank Core Book</b>			<b>1,231</b>	~1.7x FY27 ABV
<b>Target Price</b>			<b>1,370</b>	

Source: I-Sec research, Company data

Exhibit 17: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	8.3	8.2	8.2
Institutional investors	85.0	82.6	82.5
MFs and others	27.8	29.0	32.0
Insurance Cos	4.8	6.3	6.5
FII's	52.4	47.3	43.9
Others	6.7	9.2	9.3

Source: Bloomberg, I-Sec research

Exhibit 18: Price chart



Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 19: Profit & Loss

( , year ending March )

	FY24A	FY25A	FY26E	FY27E
Interest income	10,93,686	12,26,770	12,56,445	14,23,999
Interest expense	5,94,742	6,83,292	7,05,554	7,81,085
<b>Net interest income</b>	<b>4,98,945</b>	<b>5,43,478</b>	<b>5,50,891</b>	<b>6,42,914</b>
Non-interest income	2,24,420	2,52,571	2,88,294	3,12,752
<b>Operating income</b>	<b>7,23,364</b>	<b>7,96,049</b>	<b>8,39,184</b>	<b>9,55,666</b>
Operating expense	3,52,133	3,75,000	3,95,757	4,47,517
Staff expense	1,09,331	1,21,928	1,31,682	1,48,801
<b>Operating profit</b>	<b>3,71,232</b>	<b>4,21,049</b>	<b>4,43,427</b>	<b>5,08,149</b>
<b>Core operating profit</b>	<b>3,53,272</b>	<b>4,01,202</b>	<b>4,11,927</b>	<b>4,85,649</b>
Provisions & Contingencies	40,631	77,584	1,11,786	1,03,154
<b>Pre-tax profit</b>	<b>3,30,601</b>	<b>3,43,466</b>	<b>3,31,641</b>	<b>4,04,995</b>
Tax (current + deferred)	81,986	79,731	83,574	1,02,059
<b>Net Profit</b>	<b>2,48,614</b>	<b>2,63,735</b>	<b>2,48,067</b>	<b>3,02,936</b>
<b>Adjusted net profit</b>	<b>2,48,614</b>	<b>2,63,735</b>	<b>2,48,067</b>	<b>3,02,936</b>

Source Company data, I-Sec research

### Exhibit 20: Balance sheet

( , year ending March )

	FY24A	FY25A	FY26E	FY27E
Cash and balance with RBI/Banks	11,44,544	9,97,321	12,29,237	13,80,661
Investments	33,15,273	39,61,418	43,15,895	47,57,163
Advances	96,50,684	1,04,08,113	1,14,32,539	1,29,22,192
Fixed assets	56,846	62,917	69,452	76,141
Other assets	6,04,740	6,69,530	7,60,367	8,66,175
<b>Total assets</b>	<b>1,47,72,086</b>	<b>1,60,99,299</b>	<b>1,78,07,491</b>	<b>2,00,02,332</b>
Deposits	1,06,86,414	1,17,29,520	1,31,18,100	1,49,29,881
Borrowings	19,68,118	18,41,465	18,72,591	19,07,452
Other liabilities and provisions	6,06,939	7,31,062	7,76,443	8,27,765
Share capital	6,173	6,195	6,195	6,195
Reserve & surplus	15,04,443	17,91,057	20,34,163	23,31,040
<b>Total equity &amp; liabilities</b>	<b>1,47,72,086</b>	<b>1,60,99,299</b>	<b>1,78,07,491</b>	<b>2,00,02,332</b>
% Growth	12.1	9.0	10.6	12.3

Source Company data, I-Sec research

### Exhibit 21: Key ratios

(Year ending March )

	FY24A	FY25A	FY26E	FY27E
<b>No. of shares and per share data</b>				
No. of shares (mn)	3,087	3,097	3,097	3,097
Adjusted EPS	80.7	85.3	80.1	97.8
Book Value per share	489	580	659	755
Adjusted BVPS	482	571	648	744
<b>Valuation ratio</b>				
PER (x)	14.4	13.6	14.5	11.9
Price/ Book (x)	2.4	2.0	1.8	1.5
Price/ Adjusted book (x)	2.2	1.8	1.6	1.4
Dividend Yield (%)	0.1	0.1	0.1	0.2
<b>Profitability ratios (%)</b>				
Yield on advances	9.6	9.7	9.0	9.2
Yields on Assets	7.8	7.9	7.4	7.5
Cost of deposits	4.5	4.8	4.4	4.4
Cost of funds	4.3	4.4	4.2	4.1
NIMs	3.8	3.7	3.4	3.6
Cost/Income	48.7	47.1	47.2	46.8
<b>Dupont Analysis (as % of Avg Assets)</b>				
Interest Income	7.8	7.9	7.4	7.5
Interest expended	4.3	4.4	4.2	4.1
<b>Net Interest Income</b>	<b>3.6</b>	<b>3.5</b>	<b>3.2</b>	<b>3.4</b>
Non-interest income	1.6	1.6	1.7	1.7
Trading gains	0.1	0.1	0.2	0.1
Fee income	1.5	1.5	1.5	1.5
<b>Total Income</b>	<b>5.2</b>	<b>5.2</b>	<b>4.9</b>	<b>5.1</b>
<b>Total Cost</b>	<b>2.5</b>	<b>2.4</b>	<b>2.3</b>	<b>2.4</b>
Staff costs	0.8	0.8	0.8	0.8
Non-staff costs	1.7	1.6	1.6	1.6
<b>Operating Profit</b>	<b>2.7</b>	<b>2.7</b>	<b>2.6</b>	<b>2.7</b>
Core Operating Profit	2.5	2.6	2.4	2.6
Non-tax Provisions	0.3	0.5	0.7	0.5
<b>PBT</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</b>	<b>2.1</b>
Tax Provisions	0.6	0.5	0.5	0.5
<b>Return on Assets (%)</b>	<b>1.8</b>	<b>1.7</b>	<b>1.5</b>	<b>1.6</b>
Leverage (x)	10.1	9.3	8.8	8.6
<b>Return on Equity (%)</b>	<b>18.0</b>	<b>15.9</b>	<b>12.9</b>	<b>13.8</b>
<b>Asset quality ratios (%)</b>				
Gross NPA	1.5	1.3	1.5	1.4
Net NPA	0.3	0.4	0.4	0.3
PCR	77.4	73.6	75.0	77.0
Gross Slippages	1.7	2.0	2.3	2.0
LLP / Avg loans	0.4	0.8	1.3	1.1
Total provisions / Avg loans	0.4	0.8	1.0	0.8
Net NPA / Networth	2.1	2.1	2.1	1.8
<b>Capitalisation ratios (%)</b>				
Core Equity Tier 1	13.7	14.7	14.8	14.9
Tier 1 cap. adequacy	14.2	15.1	15.2	15.2
Total cap. adequacy	16.6	17.1	17.2	17.1

Source Company data, I-Sec research

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