DEVEN CHOKSEY RESEARCH

Axis Bank Ltd.
Q2FY26

Result Update **16th Oct 2025**

Axis Bank Ltd.

Steady Q2 FY26 with solid core performance and stable asset quality, though profitability was hit by one-off provisions.

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,170	INR 1,270	8.5 %	INR 36,29,830	ACCUMULATE	Banking

Result Highlights

Financial performance

- In Q2 FY26, Axis Bank's Net Interest Income (NII) came in at INR 137,446 mn, up 2% YoY and 1% QoQ, slightly below our estimate of INR 139,018 mn, reflecting modest loan growth amid a stable yield environment.
- Net Interest Margin (NIM) stood at 3.73%, down 7 bps QoQ and 26 bps YoY, yet above our expectation of 3.52%, supported by a 30 bps YoY and 24 bps QoQ decline in cost of funds.
- Non-interest income stood at INR 66,246 mn, down 1% YoY, led by strong fee income growth of 10% YoY (granular retail fees forming 91% of total), partially offset by lower trading gains.
- Pre-Provision Operating Profit (PPOP) was INR 104,125 mn, down 3% YoY and 10% QoQ, missing our estimate of INR 112,093 mn, primarily due to higher operating expenses (+5% YoY), including integration and technology-related costs.
- Provisions stood at INR 35,470 mn, up 61% YoY but down 10% QoQ, in line with our forecast (INR 35,485 mn). The quarter included a one-time standard asset provision of INR 1,231 mn for discontinued crop loan variants.
- PAT came in at INR 50,896 mn, down 26% YoY and 12% QoQ, below our estimate of INR 57,456 mn, driven by lower PPOP. Consequently, the PAT margin contracted to 16.4%, below our estimate of 18.0%. Annualized ROA/ROE declined to 1.23% / 11.1% from 1.84% / 17.6% YoY.

Balance Sheet Performance

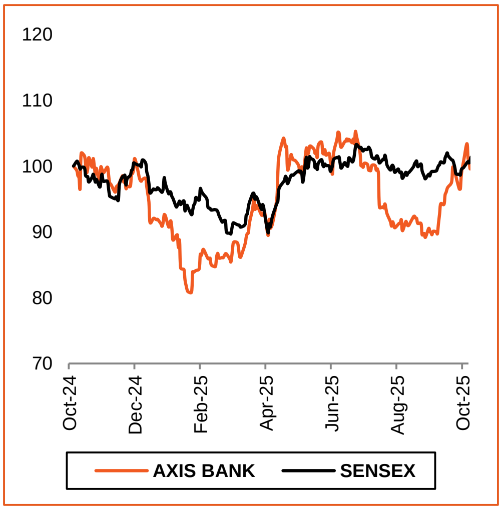
- Total deposits rose 11% YoY and 4% QoQ to INR 12,034,870 mn, supported by term deposits (+12% YoY), while CASA ratio moderated to 40% (MEB) and 38% (QAB) versus 41% / 40% YoY, reflecting a gradual shift towards term deposits. Cost of deposits increased marginally to 5.07% (vs 4.83% in Q1FY26).
- Advances grew 12% YoY and 5% QoQ to INR 11,167,030 mn, led by corporate (+20% YoY) and SME (+19% YoY) segments, while retail loans grew 6% YoY, with Small Business Banking up 14% and rural loans up 2%. Focus segments (SBB + SME + Mid-Corporate) now account for 24% of total loans, up ~740 bps over four years.

Valuation and Outlook

Axis Bank's core profitability remains solid despite transient headwinds from regulatory provisioning and PSLC costs. We expect NIMs to stabilize and credit costs to normalize in H2 FY26, supporting a rebound in RoA/RoE. With strong capital adequacy, improving asset quality, and sustained digital-led growth, the company is well-positioned to deliver above-industry growth with stable return metrics..

We value Axis Bank at 1.7x Mar'27 ABVPS, implying a target price of INR 1,270. We reiterate our "**ACCUMULATE**" rating on the stock

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	3,101
Mkt Cap (INR Mn)	36,29,830
52 Week H/L (INR)	1,247/934

*Based on previous closing
Note: All the market data is as of previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sep-25	Jun-25	Mar-25
Promoters	8.2	8.2	8.2
FIIs	41.9	43.8	43.9
DIIs	42.8	41.2	40.9
Others	7.1	6.8	7.0
Total	100.0	100.0	100.0

9.8%
NII CAGR between FY25-27E

9.8%
PAT CAGR between FY25-27E

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
NII	4,98,945	5,43,478	5,71,618	6,54,973	7,86,209
PPOP	3,71,232	4,21,049	4,55,953	5,29,836	6,16,303
PAT	2,48,615	2,63,735	2,56,981	3,17,727	3,82,084
EPS (INR / Share)	80.7	85.1	83.0	102.6	123.4
BVPS (INR / Share)	489.4	580.3	661.0	763.6	887.0
NIM	3.9%	3.8%	3.6%	3.7%	3.9%
Advances Growth YoY (%)	14.2%	7.8%	13.9%	12.5%	13.1%

Source: Company, DevenChoksey Research

RESEARCH ANALYST
Yogesh Tiwari, fundamental-research1@devenchoksey.com

Phone: +91-22-6696 5555
www.devenchoksey.com

Axis Bank Ltd.

Key Con-call Highlights:

Operating Performance & Financial Metrics

- Core operating performance remained steady despite regulatory provisions. Core operating revenue increased 4% year-on-year (YoY) and core operating profit grew 3% YoY in Q2. Fee income rose 10% YoY / 5% quarter-on-quarter (QoQ) with a 91% granular mix. Retail fees specifically grew 10% YoY.
- Operating expenses were up 5% YoY (+7% QoQ), with staff costs broadly flat YoY; excluding PSLC cost, QoQ opex growth was contained at 2%. Positive operating jaws persisted. Net profit stood at INR 50,900 mn. Management reiterated strengths in the cards (over 15 mn Cards In Force) and UPI (35%+ market share by value and volume) franchises, which continue to underpin non-interest income.

Net Interest Income & Margins

- H1 NII grew 1% YoY, while Q2 NII rose 2% YoY. Q2 NIM printed at 3.73% (-7 bps QoQ), reflecting a ~30 bps QoQ decline in asset yields partly offset by a 24 bps drop in cost of funds QoQ.
- Management reiterated a through-cycle NIM of 3.8% and expects margins to bottom out in Q3 FY26 assuming no further policy rate cuts. No one-offs in NII were reported.

Balance Sheet & Growth

- Deposits grew 11% YoY / 4% QoQ (QAB +10% YoY / +3% QoQ) with Savings Account (SA) deposits grew +4% QoQ and TD +4% QoQ; Current Account (CA) deposits were slightly weaker showing negative 1% QoQ growth (MEB) and 2% QoQ growth (QAB).
- Advances rose 12% YoY / 5% QoQ, led by wholesale lending. SME + mid-corporate together grew 8% QoQ / 20% YoY (forming 24% of loans).
- CET1 ratio stood strong at 14.4%. The overall Capital Adequacy Ratio (CAR) was 16.6%. The bank also carried unrecognized provisions of INR 62,430 mn (This translates to an additional cushion of approximately 44 basis points over the reported CAR). This amount includes INR 50,120 mn of other provisions and INR 12,310 mn of additional one-time standard asset provision.
- Management reiterated there is no need for fresh equity; Tier-2 / AT1 issuances may be taken up opportunistically.

Strategic Focus & Execution

- Under its GPS strategy, Axis focused on: (1) building a resilient all-weather franchise, (2) leveraging platforms and partnerships as multiplicative forces, and (3) investing for the future.
- Digital launches included **"Lock FD"** (restricts premature FD withdrawals) and India's first **gold-backed credit line on UPI** for MSMEs and self-employed borrowers.
- Around 95% of corporate clients have migrated to the NEO platform, enhancing transaction banking flows and client stickiness. Premiumization continued (Burgundy AUM up 5% YoY). Rural reach expanded to 2,740 multi-product branches.
- **Asset Quality & Credit Costs**
- GNPA/NNPA improved to 1.46% / 0.44% (-11 bps QoQ each). PCR stood at 70%; all-provisions-to-GNPA at 147%; and standard-asset cover 1.13%.
- Net credit cost was 73 bps (-65 bps QoQ, +19 bps YoY). A one-time standard-asset provision of **INR 12,310 mn** was booked under RBI advice on two discontinued crop-loan variants (PSL classification issue). This is static and will be written back by Mar-2028 as the portfolio runs down; no impact on customers.
- PSLC purchase cost tied to this was **INR 9,480 mn** (of which ~INR 4,740 mn expensed in Q2; balance amortized over the next two quarters). No divergence in classification or provisioning.

Management Commentary & Guidance

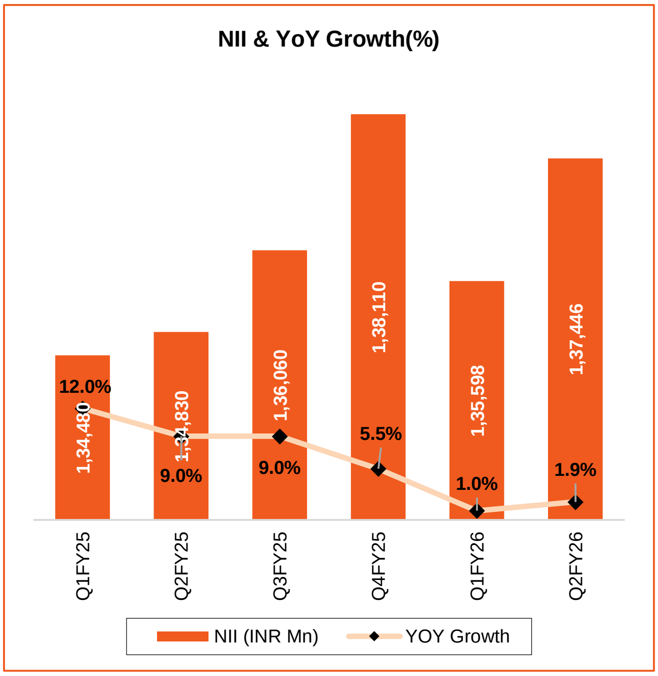
- Growth to outpace industry advances by ~300 bps medium term; near-term momentum led by wholesale while retail disbursements are recovering. Margins bottom expected in Q3 FY26 if rates stay stable.
- The retail unsecured book is broadly seeing improvement and stabilization. Specifically, there has been improvement in cards and stabilization in personal loans. Microfinance loans are also steady
- Capital is adequate with no equity need. They may opportunistically evaluate Tier-2 and AT1 instrument

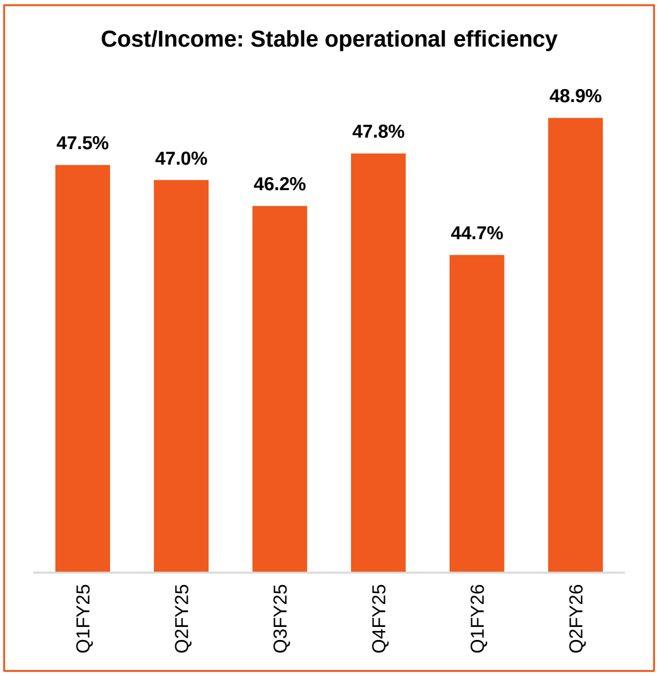
Industry & Competitive Landscape

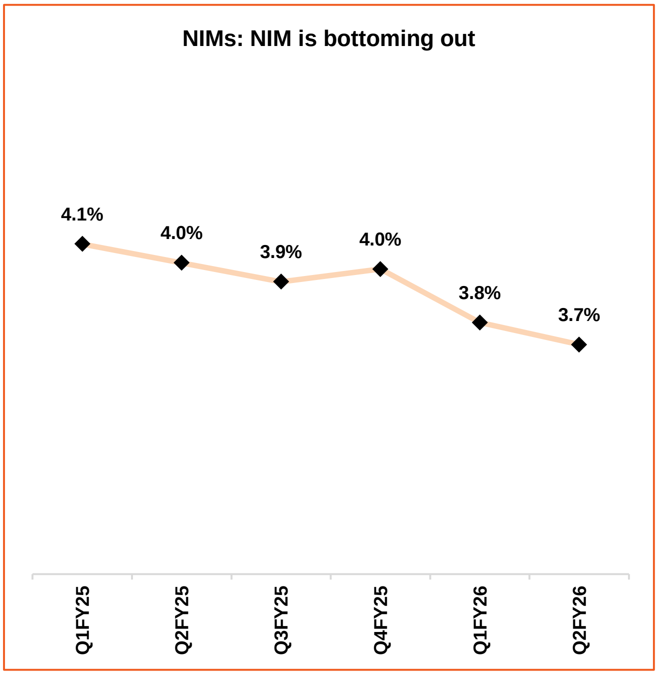
- Axis reported market-share gains in both deposits and advances.
- The Bank reinforces its leadership as the **top UPI payer** and achieved a market share of **35% plus in terms of both value and volume**.
- Platforms like NEO (Corporate/Commercial digital platform) drive higher transaction banking flows and stickiness. The retail bank utilizes digital enablers like Hadi (Gen AI platform) and Cladoscope (real-time CX engine) to improve customer experience

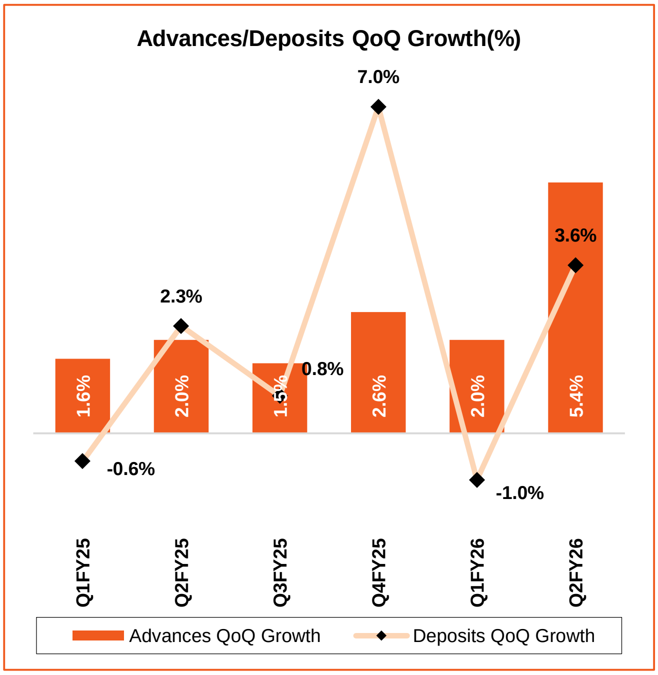
Axis Bank Ltd.

Story in Charts









Source: Company, DevenChoksey Research

Axis Bank Ltd.

Result Snapshot

Particulars (INR in Mn)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Income Statement					
Interest income	3,09,702	3,10,635	3,04,199	-0.3%	1.8%
Interest expense	1,72,257	1,75,038	1,69,367	-1.6%	1.7%
Net interest income	**1,37,446**	**1,35,598**	**1,34,832**	**1.4%**	**1.9%**
Non-interest income	66,246	72,581	67,219	-8.7%	-1.4%
Total income	**2,03,691**	**2,08,178**	**2,02,051**	**-2.2%**	**0.8%**
Employee costs	31,176	32,618	31,172	-4.4%	0.0%
Other operating expenses	68,390	60,409	63,754	13.2%	7.3%
Operating expenses	99,566	93,027	94,926	7.0%	4.9%
Pre-provision profit	**1,04,125**	**1,15,152**	**1,07,125**	**-9.6%**	**-2.8%**
Provisions	35,470	39,477	22,041	-10.1%	60.9%
Profit before tax	**68,655**	**75,675**	**85,084**	-9.3%	-19.3%
Tax expense	17,759	17,614	15,908	0.8%	11.6%
Net profit	**50,896**	**58,061**	**69,176**	**-12.3%**	**-26.4%**
Exceptional Expenses	0	0	0	NA	NA
Net Loss after exceptional	**50,896**	**58,061**	**69,176**	**-12.3%**	**-26.4%**
Balance sheet analysis					
Deposits	1,20,34,869	1,16,16,146	1,08,67,440	3.6%	10.7%
CASA Deposits	47,90,070	46,81,660	44,10,530	2.3%	8.6%
CASA (%)	39.8%	40.3%	40.6%	-50bps	-78bps
Advances	1,11,67,030	1,05,97,244	99,99,792	5.4%	11.7%
Total Assets	1,67,66,144	1,60,33,077	1,50,56,580	4.6%	11.4%
Capital adequacy ratio (%)	16.6%	16.9%	16.6%	-25bps	-1bps
Spread Analysis					
NIM (%)	3.73%	3.80%	3.99%	-7bps	-26bps
Asset quality					
Gross NPA	1,73,080	1,77,647	1,54,660	-2.6%	11.9%
Net NPA	51,140	50,660	36,120	0.9%	41.6%
GNPA (%)	1.46%	1.57%	1.44%	-11bps	2bps
NNPA (%)	0.44%	0.45%	0.34%	-1bps	10bps
PCR (%)	70.5%	71.5%	76.6%	-103bps	-619bps
Key ratios					
Cost to income ratio (%)	48.9%	44.7%	47.0%	419bps	190bps
C/D ratio (%)	92.8%	91.2%	92.0%	156bps	77bps
RoA (%) (Annualized)	1.2%	1.5%	1.8%	-24bps	-61bps

Source: Company, DevenChoksey Research

Axis Bank Ltd.

Financials:

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Interest Income	12,26,770	13,04,958	14,93,659	17,38,049
Interest Expense	6,83,292	7,33,340	8,38,686	9,51,840
Net Interest Income	**5,43,478**	**5,71,618**	**6,54,973**	**7,86,209**
Non-interest income	2,52,571	2,85,471	3,19,728	3,58,095
Operating income	7,96,049	8,57,090	9,74,701	11,44,304
Operating Expense	3,75,000	4,01,136	4,44,865	5,28,001
PPOP	**4,21,049**	**4,55,953**	**5,29,836**	**6,16,303**
Provisions	77,584	1,14,259	1,06,200	1,06,858
PBT	3,43,466	3,41,694	4,23,636	5,09,445
Exceptional costs	0	0	0	0
Tax Expense	79,731	84,713	1,05,909	1,27,361
PAT	**2,63,735**	**2,56,981**	**3,17,727**	**3,82,084**
Diluted EPS (INR)	85.1	83.0	102.6	123.4

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Source of Funds				
Share capital	6,195	6,206	6,206	6,206
Reserves & Surplus	17,91,057	20,41,289	23,59,016	27,41,100
Net worth	17,97,251	20,47,495	23,65,222	27,47,305
Borrowings	18,41,465	21,61,191	22,73,143	26,21,879
Deposits	1,17,29,520	1,30,98,130	1,46,65,438	1,66,99,869
Other liabilities & provisions	7,31,062	8,50,102	11,66,854	12,13,557
Total Equity & Liabilities	**1,60,99,299**	**1,81,56,918**	**2,04,70,657**	**2,32,82,611**
Uses of Funds				
Balance w/ banks & others	17,33,705	20,95,701	23,46,470	26,71,979
Net investments	39,61,418	40,60,420	45,46,286	51,76,959
Loans & advances	1,04,08,113	1,18,55,062	1,33,33,903	1,50,79,288
Fixed assets	62,917	67,135	73,135	79,135
Other assets	6,69,530	8,64,488	10,50,790	12,77,242
Total Assets	**1,60,99,299**	**1,81,56,918**	**2,04,70,657**	**2,32,82,611**

Exhibit 4: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
Growth Rates				
Advances (%)	7.8%	13.9%	12.5%	13.1%
Deposits (%)	9.8%	11.7%	12.0%	13.9%
Total assets (%)	9.0%	12.8%	12.7%	13.7%
NII (%)	8.9%	5.2%	14.6%	20.0%
Pre-provisioning profit (%)	13.4%	8.3%	16.2%	16.3%
PAT (%)	6.1%	-2.6%	23.6%	20.3%
B/S Ratios				
Credit/Deposit (%)	88.7%	90.5%	90.9%	90.3%
CASA (%)	40.8%	40.4%	40.8%	41.2%
Advances/Total assets (%)	64.6%	65.3%	65.1%	64.8%
Leverage - Total Assets to Equity	9.0	8.9	8.7	8.5
Operating efficiency				
Cost/income (%)	47.1%	46.8%	45.6%	46.1%
Opex/total assets (%)	2.3%	2.2%	2.2%	2.3%
Opex/total interest earning assets	2.6%	2.5%	2.5%	2.6%
Profitability				
NIM (%)	3.8%	3.6%	3.7%	3.9%
RoA (%)	1.7%	1.5%	1.6%	1.7%
RoE (%)	15.9%	13.4%	14.4%	14.9%
Asset quality				
Gross NPA (%)	1.4%	1.5%	1.4%	1.4%
Net NPA (%)	0.4%	0.5%	0.4%	0.4%
PCR (%)	74.5%	69.1%	72.8%	73.7%
Slippage (%)	2.0%	2.2%	2.1%	1.9%
Credit cost (%)	0.8%	0.1%	0.6%	0.6%
Per share data / Valuation				
EPS (INR)	85.1	83.0	102.6	123.4
BVPS (INR)	580.3	661.0	763.6	887.0
ABVPS (INR)	568.3	643.6	747.0	868.4
P/E (x)	13.1	14.1	11.4	9.5
P/BV (x)	1.9	1.8	1.5	1.3
P/ABV (x)	2.0	1.8	1.6	1.3

Source: Company, DevenChoksey Research

Axis Bank Ltd.

Axis Bank Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
16-Oct-25	1,170	1,270	ACCUMULATE
21-Jul-25	1,099	1,186	ACCUMULATE
29-Apr-25	1,187	1,346	ACCUMULATE
17-Jan-25	991	1,283	BUY
17-Oct-24	1,132	1,345	BUY
30-Jul-24	1,170	1,345	BUY
26-Apr-24	1,130	1,345	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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DRChoksey FinServ Private Limited

CIN Number -U67100MH2020PTC352816

Registered Office and Corporate Office:

5th Floor Abhishek Building, Behind Monginis Cake Factory, Off New Link Road, Andheri West, Mumbai-400058

YOGESH DASHARATH TIWARI

Digitally signed by YOGESH DASHARATH TIWARI
Date: 2025.10.16 15:01:12 +05'30'