

HSIE Results Daily

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Results Reviews

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Axis Bank

Technical episodes dominate business fundamentals

Axis Bank's (AXSB) Q2FY26 earnings missed our estimates on account of a one-off RBI-mandated standard asset provisioning to the tune of INR12bn for two discontinued crop loan products, adversely impacting RoA by 11bps. Loan growth (~12%YoY) saw an uptick, driven by wholesale, business banking, LAP, and credit card segments, coupled with a positive surprise on NIMs, driven by lower cost of funds. Deposit growth (~11% YoY) was in line with industry, even as the CASA ratio dipped further to 39.8% (-50bps QoQ). Despite its claims of conservatism, AXSB has consistently been inferior to its peers on underwriting and impairment recognition policies, impacting sustainability of its earnings and repeatedly testing stakeholder confidence. We cut our FY26E/27E estimates by ~10%/7.5%, factoring in higher credit costs. We maintain ADD with a revised TP of INR1,265 (standalone bank at 1.6x Sep-27 ABVPS).

- **NIMs and growth surprise positively:** Loan growth picked up on the back of corporate (~11% QoQ), SME (~9% QoQ), business banking (~5%QoQ), and credit cards (~8% QoQ) segments. NIMs declined by a mere 7bps QoQ to 3.7% as QoQ decline in asset yields (~30bps) was offset by the QoQ improvement in cost of funds (~24bps). We factor in FY26E and FY27E NIMs at 3.7%, lower than the management's through-cycle guidance of 3.8%.
- **Serious credibility deficit:** Basis regulatory advice, AXSB absorbed a one-time additional standard provision to the tune of INR12bn, on account of PSL declassification. Barring this, gross slippages and net credit costs came in at 2.1%/0.7% (Q1FY26: 3.1%/1.4%). We argue that repeated "technical" episodes pose a serious credibility deficit to the bank's claims of conservatism.
- **Portfolio stability essential for valuation rerating:** While AXSB continues to moderate its opex intensity and improve efficiencies, we believe that the bank lacks a handle on its growth and asset quality parameters and continues its perennial search for portfolio stability, which is likely to delay any re-rating.

Financial summary

(INR bn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	FY25	FY26E	FY27E	FY28E
NII	137.4	134.8	1.9%	135.6	1.4%	543.5	567.9	647.0	748.3
PPOP	104.1	107.1	-2.8%	115.2	-9.6%	421.0	447.9	503.5	580.8
PAT	50.9	69.2	-26.4%	58.1	-12.3%	263.7	245.1	293.6	346.4
EPS (INR)	16.3	22.2	-26.6%	18.6	-12.4%	85.1	79.1	94.8	111.8
ROAE (%)						15.9	12.8	13.4	13.8
ROAA (%)						1.7	1.4	1.5	1.6
ABVPS (INR)						547.4	621.3	714.0	821.5
P/ABV (x)						2.1	1.9	1.6	1.4
P/E (x)						13.8	14.8	12.4	10.5

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY26E			FY27E		
	New	Old	Δ	New	Old	Δ
Net advances	11,674	11,691	-0.1%	13,201	13,213	-0.1%
NIM (%)	3.7	3.7	-6 bps	3.7	3.8	-10 bps
NII	567.9	579.1	-1.9%	647.0	666.9	-3.0%
PPOP	447.9	459.3	-2.5%	503.5	534.6	-5.8%
PAT	245.1	272.7	-10.1%	293.6	317.3	-7.5%
Adj. BVPS (INR)	621.3	629.0	-1.2%	714.0	727.6	-1.9%

Source: Company, HSIE Research

ADD

CMP (as on 15 Oct 2025) INR 1,170

Target Price INR 1,265

NIFTY 25,324

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR1,290	INR1,265
	FY26E	FY27E
EPS %	-10.1%	-7.5%

KEY STOCK DATA

Bloomberg code	AXSB IN
No. of Shares (mn)	3,103
MCap (INR bn) / (\$ mn)	3,629/41,212
6m avg traded value (INR mn)	8,519
52 Week high / low	INR 1,247/934

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	0.3	5.1	1.4
Relative (%)	0.3	(2.5)	0.4

SHAREHOLDING PATTERN (%)

	Jun-25	Sep-25
Promoters	8.2	8.2
FIs & Local MFs	41.2	42.9
FPIs	43.8	41.9
Public & Others	6.8	7.1
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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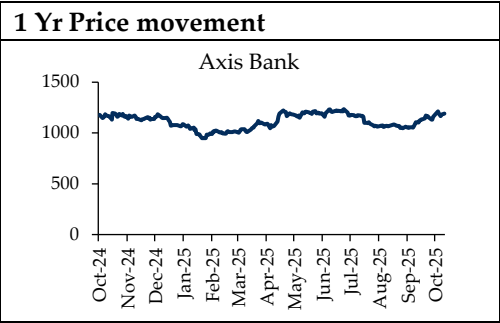
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Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Krishnan ASV	Axis Bank	PGDM	NO
Akshay Badlani	Axis Bank	CA	YES



Disclosure:

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