

## **Axis Bank's Q1FY26 Media Conference Call**

**July 17, 2025**

### **MANAGEMENT:**

**MR. AMITABH CHAUDHRY – MANAGING DIRECTOR & CEO, AXIS BANK LIMITED**  
**MR. RAJIV ANAND – DEPUTY MANAGING DIRECTOR, AXIS BANK LIMITED**  
**MR. PUNEET SHARMA – CHIEF FINANCIAL OFFICER, AXIS BANK LIMITED**  
**MR. SUBRAT MOHANTY – EXECUTIVE DIRECTOR, AXIS BANK LIMITED**  
**MR. MUNISH SHARDA – EXECUTIVE DIRECTOR, AXIS BANK LIMITED**  
**MR. AMIT TALGERI – PRESIDENT & CHIEF RISK OFFICER, AXIS BANK LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Axis Bank Conference Call to discuss the bank's financial results for the quarter ended 30th June 2025. Participation in the conference call is by invitation only. Axis Bank reserves the right to block access to any person to whom an invitation has not been sent.

Unauthorized dissemination of the contents or the proceeding of the call is strictly prohibited, and prior explicit permission and written approval of Axis Bank is imperative. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of the briefing session.

Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. On behalf of Axis Bank, I once again welcome all the participants to the conference call.

On the call, we have Mr. Amitabh Chaudhry, MD and CEO, Mr. Rajiv Anand, Deputy Managing Director and Mr. Puneet Sharma, CFO. I now hand the conference over to Mr. Amitabh Chaudhry, MD and CEO. Thank you and over to you, Sir.

**Amitabh Chaudhry:** Thank you, Rayo. We have on the call Rajiv Anand, the Deputy MD, Subrat Mohanty, ED, Munish Sharda, ED, Puneet Sharma, CFO and other members of the leadership team. This quarter, we delivered steady operating performance aided by higher non-interest income and continued moderation in operating expenses.

Let me summarize the Q1FY26 operating performance. Operating profit was up 14% YOY and 7% QOQ. Non-interest income grew 25% YOY and our fee-to-average assets continued to be the best amongst peer private banks.

On a YOY basis, total deposit growth rates were similar for both period-end and quarterly average basis at 9% and 8% respectively. On a weighted basis, retail and small business deposits under the LCR framework grew 12% YOY. On the lending side, small business, SME and mid-corporate together grew at 18% YOY and 5% QOQ and constituted 23% of the total bank loans.

The bank remains well capitalized with a CET1 ratio of 14.68%. We stay focused on three core areas of execution of our GPS strategy, namely

becoming a resilient all-weather franchise, creating multiplicative forces to build competitive advantage and building for the future. I will not discuss each one of these areas. We have significantly progressed towards building a resilient all-weather franchise.

There are four areas of focus as we navigate the current cycle, deposit quality and growth, credit growth, retail asset quality and cost, where we continue to work on sustainable outcomes. On retail asset quality, our normalization cycle is in progress. As indicated in the last call, we apparently made changes to our technical recognition criteria, which has impacted Q1FY26 asset quality numbers across cost slippages, net slippages, credit costs and interest reversals, impacting NIMs.

Puneet will provide details on each of these. On credit, we are focused on delivering better growth outcomes. Quarter 1st, financial year 2026 has been one of our strongest quarters in terms of QOQ loan book growth in the last few years. Wholesale banking growth was driven by sector-specific demand, strong refinancing activity and disciplined execution, not just rates tailwinds.

On the cost side, our expense growth moderated 2% YOY and declined 5% QOQ. Let me move to the deposits now. The deposit journey for Axis Bank should be looked at from three aspects -- quality, cost and growth.

Please refer to slide number 17. On the first two parameters, we have delivered well and demonstrated consistency. We have improved the granularization in our deposit book, which possibly impacts the quality of LCR deposits, consequently improving the outflow ratio by 150 basis points over the last one year and is similar to larger peer banks.

We have also demonstrated controlled increase in cost of funds over the last eight quarters. Our confidence in the franchise has allowed us to take early and proactive action on savings account rates and term deposits. This has resulted in a QOQ decline of 11 basis points in cost of funds.

The quality and strength of our deposit franchise continues to improve. Our acquisition engine, expansion plans, product launches, salary credits and Burgundy AUMs remain healthy. The bank has made focus interventions to ensure better engagements with its salaried customers and continues to see healthy trends with 18% YOY growth in salary uploads in the NTB Salary Book by June 25, 27% YOY growth in premium acquisitions in NTB Salary Group by June 25.

The premiumization of our franchise continues to progress well, led by 6% QOQ growth in Burgundy AUM. As per the recently published Asian Private Banker India 2024 league tables, we retain the third position with the highest growth rate amongst banks. Our industry-leading NEO platforms, along with customized solutions across liquidity management, payments and collection, continue to drive higher transaction banking flows.

Please refer to slide 31 for more details. On creating multiplicative forces to build competitive advantage, as a full suite cards and payments player, the bank continues to hold on innovation-led partnership models to tap newer customer segments and the evolving needs. It partners with Flipkart, Group SuperMoney and RuPay to launch a co-branded credit card targeted at UPI users, and an innovative wearable payment solution in partnership with boAt and Mastercard.

Building for the future, digital bank performance continues to remain strong, providing fraud-safe data. Digital platform remains a key focus area for the bank. In Q1 FY26, the bank enhanced transaction monitoring and introduced fraud prevention related features, such as mobile OTP, Safety Center and lock FD.

On the corporate banking side, the bank continued the rollout and further enhancement of features on the NEO platform. In Q1 FY26, the bank migrated 80% of eligible clients to the NEO platform. Our digital platforms are scaling rapidly.

Adi, the Gen AI-powered frontline assistant, has seen a 66% increase in usage. It helps employees deliver faster, consistent resolutions at the frontline, enhancing productivity and reducing dependency on manual support. Bank-wide programs to build distinctiveness through Bharat Banking and Sparsh continue to progress well.

The rule advances grew 5% YOY and deposits from Bharat branches were up 9%, thereby aiding the PSL metrics. We have expanded our multi-product distribution architecture to 2,737 branches. Sparsh 2.0, our enhanced customer experience program, simplifies interactions driving NPS, automation and dataization with a focus on customer loyalty and business growth.

Our retail bank NPS score has matured significantly, rising to 159 from a baseline of 100 in the past three years. Softer aspects like our brand consideration score has also improved over the past few years. In conclusion, we are optimistic as we step into FY26.

We believe large, well-capitalized banks like Axis with strong digital capabilities, innovative product suites are best placed to capitalize on the India opportunity. Our platform will allow us to grow at rates faster this year than the industry and this thesis will continue to play in the medium term.

Before I hand over to Puneet, on behalf of the bank, I would like to acknowledge Rajiv Anand's exceptional 16-year journey with Axis Group. We thank him profusely for his visionary leadership and invaluable contributions across all business segments of the bank that has created a lasting impact on the bank's growth and culture. Thank you so much, Rajiv. I will now request Puneet to take over.

**Puneet Sharma:**

Thank you, Amitabh. Our performance at a glance for Q1FY26 is as follows. Operating profits at INR11,515 crores, up 14% YOY, 7% QOQ. Our operating performance is driven by higher non-interest income and effective cost control. Our net interest income was up 1% YOY, down 2% QOQ. Net interest margin at 3.80%, down 17 basis points QOQ.

Non-interest income up 25% YOY, fee income up by 10%, retail fee up 9%, granular fee accounts for 91% of our total fee. Operating revenue was up 8% YOY, operating expenses grew 2% YOY and was down 5% QOQ. We delivered a positive operating job for the quarter.

Cost of assets at 2.41%, declined 5 basis points QOQ, 13 basis points YOY. Consolidated ROA at 1.51%, X of technical impact ROA was 1.66%. Consolidated ROE at 13.57%, X of technical impact 14.9%. Our focus on average deposits continues. MEB deposit growth remains steady.

YOY, MEB, QAB total deposits grew 9% and 8% respectively. Term deposits grew 12% and 12% respectively. CA grew 9% YOY, 4% QOQ. SA grew 3% YOY, 1% QOQ. MEB-QAB CASA ratio was at 40% and 38% respectively. Average LCR during Q1FY26 was 119%. Outflow rates improved by 150 basis points over the last year. Cost of funds declined by 5 basis points QOQ and 11 basis points YOY.

SBB, SME and mid-corporate growth remains healthy. Our SBB, SME and mid-corporate mix stood at INR 2,472 billion worth of loans, 23% of our total loans, up 820 basis points over the last 4 years. Overall, our advances grew 8% YOY. The bank's focus segments grew 11% YOY.

SME loans were up 16% YOY and 2% QOQ. Corporate loans were up 9% YOY, 6% QOQ. And mid-corporate was up 24% YOY and 15% QOQ. Our

small business banking book grew 15% YOY and 1% QOQ. Retail loans grew 6% YOY with rural loans growing 5% YOY. We are well capitalized with a self-sustaining capital structure and adequate liquidity buffers.

Overall, our capital adequacy stood at 16.85%. Our CET1 ratio was 14.68%, up 62 basis points YOY. Additional cushion of 36 basis points over reported capital adequacy is attributable to other provisions of INR 5,012 crores, not counted in the stated capital adequacy ratio number. Our excess SLR was INR 96,608 crores.

We continue to maintain a strong position in the payments and digital banking space. 'Open' by Axis Bank remains amongst the world's top rated mobile banking app on Google Play Store and iOS Play Store with ratings of 4.7 and 4.8, respectively, with 15 million active monthly users. 0.79 million credit cards were acquired in Q1 FY '26. Cards in force market share was 14%.

Let me move to the asset quality trends and the impact of the technical impact and explain that a bit. We disclosed in our Q4 FY '25 Earnings Call that we have reviewed the classification and upgrade criteria for certain types of loans that would impact the reported asset quality metrics. Accordingly, the prudent application of technical parameters for recognizing slippages and consequent upgrades have been implemented and has impacted reported asset quality parameters, including provisions and conveniences for the quarter ended 30th June 2025.

The technical impact is largely restricted to cash credit and overdraft products and one-time settled accounts. Hence, due to the technical impact, the reported values of gross slippages, net slippages, credit cost, NPA ratios, ROA and ROE are not like for like comparable to previous quarter, previous year.

We have provided Slide 44 of the investor presentation that quantifies the impact of the technical impact across the key variables that I have discussed about. Let's move to each one of them in some detail. Reported gross slippages for the quarter were INR 8,200 crores. INR 2,709 crores of gross slippages is attributable to the technical impact representing 1.03% of gross slippages for the quarter in value terms. Gross slippages for the quarter adjusted for technical impact is INR 5,491 crores. Gross slippages X of technical impact have increased 13 basis points YOY and 20 basis points QOQ.

The QOQ impact is also a function of agri-seasonality. Reported gross slippage ratio annualized for Q1 is 3.13%. Adjusted for technical impact is 2.10%. Gross

slippages segmentally were INR 7,500 crores in retail, 403 in CBG and 297 in our wholesale business. The technical impact on gross slippages by segment were INR 2,165 crores for retail, INR 234 crores for our wholesale business and INR 310 crores for our CBG business.

Segmentally the gross slippage ratio for our CBG and wholesale segments adjusted for technical impact declined QoQ and YoY. For the quarter, 29% of the gross slippages other than technical impact are attributed to linked accounts of borrowers which were standard when classified or have been upgraded in the same quarter.

It's important to note that 80% of the individual contracts that slipped because of the technical impact and that continue to remain NPA at 30th June 2025 are fully secured. Hence, given the security cover, we believe that economic loss due to technical impact will be minimal over the life of such contracts.

Net slippages, reported net slippages for the quarter were INR 6,053 crores, INR 1,861 crores of the net slippage is attributable to technical impact representing 0.71% of the net slippage for the quarter in value terms. Net slippage for the quarter X of technical impact is INR 4,192 crores. Reported net slippage ratio annualized is 2.33%, net slippage ratio adjusted for technical impact is 1.62%.

Net slippages segmentally were INR 5,726 crores in retail, INR 137 crores in CBG and INR 390 crores in our wholesale business. The technical impact on net slippages by segment were INR 1,574 crores in retail, 187% in our WBCG business and INR 100 crores in CBG. Segmentally, the net slippage ratio for CBG and wholesale segments adjusted for technical impact declined YOY.

Our recoveries from written off accounts for the quarter was INR 904 crores, increasing 53% YoY and flat QoQ. Net slippages for the quarter adjusted for recoveries from written off pool and technical impact were INR 3,228 crores. The same number for Q1 FY25 was INR 2,700 crores and the comparable number for Q4 FY25 was INR 1,079 crores.

Segmentally, for retail, it was INR 3,636 crores. Equivalent number for Q1 FY25 was INR 2,456 crores and for Q4 was INR 2,297 crores. Our commercial banking business was negative INR 14 crores for the quarter. For Q1 FY25, it was INR 13 crores and Q4 FY25, INR 5 crores. For our wholesale banking business, it was negative INR 334 crores. For Q1 FY25, it was INR 231 crores positive and for Q4 FY25, it was negative INR 123 crores.

Our reported GNPA ratio is 1.57%. GNPA ratio adjusted for technical impact was 1.41%, lower by 13 basis points YOY. Reported net NPA ratio is 0.45%. Net NPA ratio adjusted for technical impact stands at 0.36%, increasing 2 basis points YOY and 3 basis points QOQ.

Thank you for your patience for our opening remarks. We would be happy to take questions.

**Moderator:** Thank you very much. The first question is from Saloni Shukla from Economic Times. Please go ahead.

**Saloni Shukla:** Hi, good evening. Mr. Chaudhary, you had said recently that any meaningful growth will only come after the next two quarters. But Sir, even if we consider the technical impact, the asset quality performance hasn't been very great. So can you explain from here onwards how should we see FY '26 for Axis Bank on asset quality and even growth parameters? I'm seeing home loans also have not grown. So, LAP has grown and SME has grown. But if you could just sort of answer both these questions. Thank you, Sir.

**Amitabh Chaudhry:** Sorry, Saloni. Thanks a lot for the question. Let me take on the growth question first and then I'll come to asset quality. I made a statement. I said that our platform will allow us to grow at rates faster this year than the industry. And this thesis will continue to play in the medium term.

I think this line clearly brings out the fact and our intent and our confidence in terms of what can happen on growth. Obviously, this is subject to what happens in the market and how the market plays out. But we do believe that our platform is now well-poised to grow across various sectors, across various asset classes.

Where do we see more growth? Where the opportunity is? Obviously, something which we are watching very closely. We have been working on each of those platforms. There are reasons, very specific reasons why some asset classes have grown or not to that extent. But please continue to focus on the macro statement we are making.

As far as asset quality is concerned, apart from the technical change which Puneet talked about, when you compare the first quarter to the last quarter of last financial year, you do have this unusual impact coming through in the first quarter around agriculture NPL. So, you do have a situation where in the first and the third quarter you see a spike in NPLs because of agriculture. And then kind of you recover that in the second quarter.



So, when you take the impact of that out, I think our overall slippages are similar. I will ask Puneet to expand on that further. But I do not see any change in terms of where the slippages are. We have also said last quarter that the credit card performance has stabilized. We will continue to monitor the performance of some of the other areas, which is personal loans and MFI and so on and so forth, and give you a first statement in terms of our outlook at the end of second quarter.

We continue to maintain that. But the overall slippages are not growing. They are stabilizing. If you take the impact out of the two factors, one is the technical decline, second is the agri. Puneet, if you want to add anything, please go ahead.

**Puneet Sharma:** No, I would agree. I think, yes, if we have to identify one marginal area of improvement for ourselves, yes, recoveries and upgrades is what we can work on. But otherwise, I think our slippages are not exceptionally off what we see in other quarters.

**Saloni Shukla:** Okay, I just want to slip in one question. Would it be possible for you to give me a break-up of the slippages, which sectors it is coming from?

**Puneet Sharma:** Thank you for the question. I think as we called out, a dominant part of the slippages is coming from the retail segment. So, it is actually sector agnostic. From a product perspective on the retail side, we are seeing that come from the cash credit overdraft product largely offered to the retail customers, which includes some of the cash credit overdraft products we offer to the retail agri-customers that we have. So that's one product set that has gotten impacted by the change in the current quarter.

Holistically, across product sets, we have changed how we are accounting for one-time settlement classification, and that's across product sets because that's a thematic change in classification. So those are the two places where We have seen the impact play through. So, it will be sector agnostic, more product specific, please.

**Saloni Shukla:** Okay, thank you.

**Moderator:** Thank you. The next question is from Ritu Singh from CNBC. Please go ahead.

**Ritu Singh:** Hi. I understand you repeated a few times this technical impact, but if you could put it very simply, why did you choose to change how you make provisions, what your policies around those really are? What were the sort of loopholes you identified because of which you chose to change this policy?

So, in very simple words, if you could explain what exactly is this technical impact, and even without that, your retail slippages of INR 7,500 crores, excluding that INR 5,335 crores. Could you give us a breakup of exactly how much of this is agri, and where is the other stress that you are seeing? That's one question.

Second, on your loan growth in single digits at about 8% only, going ahead, do you expect this number to improve meaningfully? And if I may slip in a third question, since Mr. Rajiv Anand is retiring this quarter, is the DMV position that you are looking to fill at the bank anytime soon? Thank you.

**Puneet Sharma:**

Thank you for the questions. Okay, let me demystify technical impact in simple terms. NPA classification happens on days past-due criteria, and then there is qualitative criteria, which teaches agnostic of days past-due. An example of that could be, if you've given a customer a one-time settlement, do you follow the days past-due criteria for downgrading the customer, or do you downgrade the customer as and when a one-time settlement is given?

So qualitatively and simply, classification can happen on days past-due, classification can happen on qualitative parameters. We have not changed any day-past-due parameters because they are driven by regulation.

The qualitative parameters, as we have previously indicated, we benchmark the most prudent in market on an annual basis. That benchmarking exercise happens for us in the period of Feb and March, and the implementation of that happens from the next fiscal.

The purpose of the benchmarking is to make sure that our balance sheet is resilient and can withstand any credit cycle that comes our way, therefore giving you a robust, credible outcome when growth comes back. So that's the thinking behind why the change and what the change is about.

I'll defer to Amitabh to answer the DMD question. If I've missed another part of the question, I'd be happy to come back and take that.

**Ritu Singh:**

That is on the credit growth, and also on the slippages in this about size 335, including the technical impact, the retail slippage. How much is from the agriculture portfolio and how much and where is the rest from?

**Puneet Sharma:**

So roughly, if you look at what we do, is Q1 and Q3 are cyclical, and the way I would request you to think about it is, in Q1 and Q3, about 25% or thereabouts of slippages are from the agri portfolio. So, you could apply the maths to INR

5,400 crores, and roughly about 25% or thereabouts would be agri. The percentage would be broadly similar for last year's rupee crore number.

**Ritu Singh:** The rest of the 75%?

**Puneet Sharma:** The rest of the 75% is coming entirely from the unsecured business. We are very clear in making a call-out saying, we do not see stress in the secured part of our retail book as on date.

**Ritu Singh:** Sorry, since you say 75% of those slippages are from the unsecured book, when do you see that book stabilizing?

**Puneet Sharma:** So, it would basically be, if you look at the INR 5,491 crores that I called out, if you back out the 25% of agri, you will be left with a residual number. A large part of that residual number would have trigger accounts from the retail unsecured book, and some of them would have also got upgraded during the quarter.

**Ritu Singh:** Sure. On the credit quote and the DMV question, thank you.

**Amitabh Chaudhry:** So, when Rajiv retires in August, as per expectations of RBI, we need to have MD, CEO and three EDs. Our NRC is actively looking at who and when we appoint a third person as Executive Director of the bank. When we are ready to do that, we will be very happy to do it, but you should expect announcement of ED appointment as Rajiv retires. So that is the answer to one of your questions.

Second question I thought I answered in detail in the response to the first question, which was, yes, credit growth is where it is, but our confidence about what we can do the rest of the year and in the medium term given where our platform is, is high. We are expecting to grow faster than the industry.

Obviously, that's an expectation, but we are quite driven towards ensuring that we can deliver that output. Our platform allows us to do it. It is a question of identifying the specific retail asset class and the wholesale asset classes where we want to grow.

So, we have made that statement very clearly. We are not guiding for growth, but I have given you enough hints on that. We believe we can go faster than the industry.

**Ritu Singh:** Sure. The industry numbers are about 10% at the moment, so we will take cue from that.



**Amitabh Chaudhry:** Let us see what the industry is, and we will at Axis Bank try to ensure that we are better than that.

**Ritu Singh:** Thank you.

**Amitabh Chaudhry:** Thank you, Ritu.

**Moderator:** Thank you. The next question is from Vishwanath Nair from NDTV. Please go ahead.

**Vishwanath Nair:** Hi. Just a -- I mean, I am sorry I am still harping about this technical impact thing, but just the fact that your NPA number has changed, or fresh slippage numbers can change from INR 5,500-odd crores to INR 8,200 crores, and INR 2,700 crore addition. I mean whatever material or immaterial changes you might be making to your NPA classification; it is just a little surprising that the gap is so big. So, if you can explain why exactly the gap is so big.

The second part of this question is about the growth aspect. So, I know you made a lot of comments, Mr. Chaudhry, but just the fact that your retail book is not at all at this point in time showing any material growth of 6%. 27% of your retail book is just home loans, which has not grown at all in quarters, multiple quarters.

And if you were to look at the next largest piece of your book, which is rural loans, there as well you have seen a QOQ decline. I am just trying to understand the reason behind this confidence that you will beat industry growth. Just these two questions. Thank you.

**Amitabh Chaudhry:** Well, we are – normally, I think you will notice that as Axis Bank. we are quite careful about what we say. I think sometimes we are blamed for not saying enough or not projecting things in the future too much. The fact that some of the retail asset book has not grown should actually give you confidence that we can grow because there is that much more opportunity for it to grow. Some of the asset classes have not grown because you have seen a spate of regulation changes, which has meant that the way loans are done or the way loans are given out, their processes has change or the way they have to be booked, that process has changed.

So, in some of the areas where the growth is not there, it is not because if you go and look at the numbers, the disbursement growth is quite solid, but the overall AUM has not grown because in many cases you have seen loans getting repaid or renewal not getting done, etcetera.

So, the second part of the confidence comes from there, that we know that the disbursement growth is going quite well. A number of asset classes in the retail area, but the AUM is not reflecting that as yet and it will reflect over a period of time. Wholesale is an area also which did not grow for a long period of time or did not grow fast enough. In this quarter we have shown that the wholesale side has started growing.

So, by the way not that our overall loan growth is bad, our loan growth is in line with the industry and we are seeing that the industry credit growth starts picking up. We believe we can also pick up from where we are. So if you believe that if we can deliver this growth with, as you said, low loan growth on the mortgage side or Bharat Banking side, I think it should give you more confidence that what we are saying comes with some logic.

As far as the credit, the slippages are concerned, I will ask Puneet to add, but at a very conceptual level, what this new provision policy has done for us is that it has either led to...

**Vishwanath Nair:** I am sorry, I think the audio dropped.

**Moderator:** Participants, thank you for patiently holding your lines. We have the lines of the management reconnected. Over to you, Sir.

**Amitabh Chaudhry:** Sorry, I was on that answering the question on the credit costs. We got disconnected. Apologies about that. So, I have explained to you what's really happening conceptually. Again, just to repeat, so you get the sense for what we are saying. Either it's pre-polling recognition of NPLs because you are being more conservative or we are delaying recognition of recovery over a period of time.

And that's the bigger driver. Yes, because the stock of our overall book is so large, you are seeing the impact of that in this quarter to be quite large. We do believe that the economic impact over a period of time will be almost will become minimal. And yes, so hopefully from here on, it will start to come down.

**Vishwanath Nair:** Just a follow-up to this. So, would you say that this is a one-off then?

**Amitabh Chaudhry:** Let Puneet finish, then why don't you ask a follow-up, if you don't mind.

**Vishwanath Nair:** Sure.

**Amitabh Chaudhry:** Let Puneet finish.

**Puneet Sharma:** Thanks, Amitabh. I think broadly the way you have to think about whenever a policy changes, there is a re-correction of stock and then there is the true flow. What you've seen in the current quarter is a re-correction of the full stock because we don't apply policy changes prospectively, we apply it to the full book as of a given date.

So the reason the number is large in Q1FY26 is the full book has gotten reassessed on that criteria, consequently large. Now that the stock has flowed through Q1 to the point Amitabh was making earlier, the flow should be more moderate than what you've seen in the current quarter.

**Vishwanath Nair:** So, it's safe to say that this is a one-off then, the spike in slippages?

**Puneet Sharma:** So, it is safe to say that -- so I'd like to confirm two or three things. One, having benchmarked our policies, we do not expect to make any further changes of this nature on a go-forward basis because we think we are at the most prudent end of the street today. So, this is probably the end, not just probably actually the end of policy corrections at Axis Bank unless regulation changes today. So that's one confirmation we are happy to offer.

Second is, the impact will play through the full year, but the stock correction is Q1. So yes, it's fair to assume that the impact will be more muted in the subsequent quarters.

**Vishwanath Nair:** All right. Thank you.

**Moderator:** Thank you. The next question is from Mayur Shetty from Times of India. Please go ahead.

**Mayur Shetty:** Yes, sorry. My question was also on this, the technical impact. I just wanted to know if I understood it correctly. The slide says that the total impact was INR 614 crores. So, the profit is down by INR 614 crores because the bank has changed its asset classification and income recognition norms. Is that correct? Would it be correct to say that?

**Puneet Sharma:** Yes, that's correct. So I guess you are referring to Slide 44 of the investor presentation. INR 614 crores is nothing, but 75% of INR 821 crores, which is the provision we have made because of higher recognition that was done due to change in norms. So INR 821 crores is the provisions and contingencies impact. Post-tax impact is INR 614 crores.

So, yes, one way to read the number is the reported PAT plus INR 614 crores of PAT would have been apples-to-apples to same quarter last year.

- Mayur Shetty:** And with this new policy, are you all compliant with the ECL norms? Should they be implemented?
- Puneet Sharma:** The new policy would -- effectively the policy has nothing to do with ECL norms. The ECL norms are provision-led. Our provisioning policy was always more conservative than required by regulation and more conservative relative to our peer banks. So yes, basis is PCR today. We do not believe that there will be a stage 3 impact on ECL transition to our network, i.e., we are adequately provided for stage 3 assets.
- Mayur Shetty:** Thank you.
- Moderator:** Thank you. The next question is from Gopika from Mint. Please go ahead.
- Gopika:** Hi, just one more question on this technical impact. If I missed, what triggered this change in the policy?
- Puneet Sharma:** Gopika, thank you for the question. As a bank, we undertake a benchmarking exercise to market best practices annually. This exercise we do internally between the months of February and March. When we did this exercise, for the non-DPD-based parameters, we did find an odd bank that was following criteria that were more stringent than us, and that benchmarking led to the change that we have made.
- If you go back in our history, you would have seen similar changes made to the CBG provisioning policy, similar changes being made to our 100% provision on unsecured retail assets policy change. So it's a continuous process to get better over a period of time, and that's what yielded this change currently.
- Gopika:** Okay. This is not because of any concerns regarding your retail portfolio...
- Amitabh Chaudhry:** Sorry to interrupt the question. By the way, we had stated that we are changing our policy in the last call, so it's not that this is some sudden thing which we did. I think when we did the last call, we did say that we are making a change and you will see an impact come through our results.
- But anyway, yes. No, there was nothing which we are seeing in the portfolio or something in the economy which is making us conservative. It was a planned thing which we do every year. I think now we have become the most, as Puneet used the word, the most prudent bank in terms of provisioning policies across the spectrum, and hopefully we have done with it.

- Gopika:** And one quick question on margins. Of course, how do you see the impact of margins? Because the funds have come down, but how do you see margins panning out in the next quarter, in the coming quarter?
- Puneet Sharma:** So, thank you for the question again. I would request that we look at margins on a through-cycle basis rather than a sequential quarter basis, and I'll answer your sequential quarter question. Our balance sheet is reasonably tightly matched on duration.
- Therefore, over the duration of our assets and liabilities, which is roughly in the 15-to-18-month range, asset re-pricing and liability re-pricing should level off. Therefore, we retain our confidence that on a through-cycle basis, we will stay at the 3.80 NIM that we have previously alluded to. For the next quarter, the RBI has cut rates by 100 basis points.
- 25 basis points of that have been fully passed through in the current quarter for the full quarter. The remaining 75 basis points have been passed through for part of the quarter. So, the way you have to think about it is the full 75 basis points will get passed through the next quarter. That's how, directionally margins will go.
- Gopika:** Okay. Thank you.
- Moderator:** Thank you. The next question is from Hamsini from Moneycontrol. Please go ahead.
- Hamsini:** Hi. A couple of things I'd like to understand. So, this technical aspect that we just covered right now, has it been only for retail assets or across the business classes? And as a continuation to this aspect, is the RBI inspection still ongoing? Would it have any bearing to the inspection as well?
- Puneet Sharma:** I will not comment on inspection, but I will give you a confirmation that this is not an RBI-triggered change. This is a change that we have triggered on our own.
- Hamsini:** And the second question I'd like to ask is, we have seen a protracted phase of high slippages from particularly the retail segment. Has it been difficult for the bank to sort of really pinpoint as to when the pain in the retail space is going to come to a near-tapering level? Have you assessed the situation well there? How long should investors expect that retail will be a pain point for Axis Bank, as well as for the banking industry as a whole?



**Puneet Sharma:**

Thank you for the question. I think I missed answering the question earlier, or part of your question earlier, which was whether this is just retail or across the portfolio. The implementation is across the portfolio.

But please appreciate that the larger corporate customers are able to work through some of these changes sooner than the retail customers. So that's the reason why we clearly called out that the impact on the CBG and the WBCG segment has been minimal.

To your second question on asset quality trends, We have called out the fact that credit cards is stabilizing for us. We have called out the fact that on personal loans, post-credit corrections that were undertaken, early rates on the new portfolio are encouraging, i.e. delinquency lower than previously underwritten portfolio.

This personal loan portfolio should vintage by end of H1, which is another quarter. And if the rates continue to be the way we are currently seeing it, we have called out the fact that early rates are good, so you'll clearly get a directional input basis vintaging of the book.

On secured, we have had no problem on retail or – and segmentally on wholesale CBG, we are not seeing any emerging risk. That should give you a full flavour of how we are seeing the colour of our book.

**Hamsini:**

Thank you so much. If I can squeeze in one more question. On margins, you had given a guidance of about 3.8% being a sustainable number. I know QOQ is not the right way to look at it, but in a decreasing interest rate scenario, would you be looking at tweaking the product mix or doing something a little different with your retail – I mean, with your assets right now in order to ensure that 3.8% is maintained? I'm just curious to understand how you would look at this number?

**Puneet Sharma:**

Thank you for the question. I think it's important that I put that question in perspective. 3.8% was on a through-cycle basis, so effectively the way I would request you to think about a cycle is equate a cycle to the duration of our assets and liabilities.

As previously called out, roughly it's in the 15-month, 18-month range. So if you take the last rate cut and measure 15 months to 18 months thereafter, you should see us being able to get back to the 3.80% that we have alluded to previously. So, on a through-cycle basis, we will get to the 2% to 3.80% name

that we have. We have never said 3.80% will hold through for every single reporting quarter.

As responded to a question posed earlier, we reported a 3.80% net interest margin for the current quarter. The current quarter has for the full quarter impact of 25 basis points and part of the quarter impact for 75 basis points. This 75-basis points rate cut impact will fully play through in the next quarter. That's directionally how you should be thinking about our margins. Thank you.

**Hamsini:** Thank you so much.

**Moderator:** Thank you. The next question is from Harshita Swaminathan from Bloomberg News. Please go ahead.

**Harshita Swaminathan:** Hi. Good evening. My question on NIM was mostly answered, but I did want to ask about the technical changes that you mentioned. Out of your loan book sector-wise, did you see that the impact of those technical changes was more in one particular part of the loan book or was it more evenly distributed?

**Puneet Sharma:** Thank you for the question. Like we said that, we can't call this out sectorally, because the change has impacted the retail segment more. And within the retail segment, the product that has got impacted by the change is the cash credit overdraft product.

That's ...so it's a product-specific impact rather than a sector or a segment-specific impact. One-time settlements are across all products, all segments. So the combination of the two is what has manifested in the current quarter.

**Harshita Swaminathan:** All right. Thank you so much.

**Puneet Sharma:** Thank you.

**Moderator:** We will be able to take one last question. The last question is from Varun Dubey from ET Now. Please go ahead.

**Varun Dubey:** Sir, my question on NIM has been answered, but I just wanted to understand one more thing because in last quarter the company has said that the company had 18-basis-point cushion over the through-cycle margin. When the NIMs were 3.98%, it has come down to 3.8% now. So, what is the cushion that the company has? Can you tell me?

**Puneet Sharma:** Thank you for your question. I think let me probably articulate the way we think about margins. We think about margins on a through-cycle basis. We do not think of margins on a sequential quarter basis.

The cycle should be measured broadly in terms of the duration of our assets and liabilities. And if you put them in the 15-month, 18-month range, over the period of 15 months to 18 months, then the rate cycle shows you a drop, you will first see a drop in margins and then a recoupment of margins.

So, what we have consistently maintained and what we continue to maintain today is the quality of the franchise that we have built will allow us to deliver 3.80% on a through-cycle basis with an early drop because assets get re-priced faster than liabilities and then a recoupment at the end of the cycle. So think about it as it inverted C, that's how margin trajectory should behave.

**Varun Dubey:** Okay, Sir, and I have missed, I think, Sir, your answer on the PL portfolio, I mean the personal loan portfolio, because it was expected to show some improvement in the next two to three quarters. So, are there any initial signs of improvement?

**Management:** Yes. Thanks, Varun, for the question. Yes. We have clearly seen some signs of change in the portfolio there. I think Puneet mentioned it earlier. All the key indicators that we have seen, whether its bounce rates, early delinquencies, resolution rates, we have seen an improvement. I think that provides us comfort and all are within the risk guardrails. I think he also mentioned the fact that we would still like to monitor these for a quarter before we are calling out normalization or stabilization, but clear signs of improvement.

**Varun Dubey:** Okay. Thank you, Sir.

**Moderator:** Thank you very much. We will take that as the last question. I would now like to hand the conference over to Mr. Puneet Sharma for closing comments.

**Puneet Sharma:** Thank you, Rayo. Thank you, everyone, for taking the time to speak with us this evening. If there are any questions that have remained unanswered, please feel free to reach out to our Corp. Comm team. We will try and get back to you as soon as possible. Have a good evening, everyone. Thank you.

**Moderator:** Thank you very much. On behalf of Axis Bank, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.