

Axis Bank Ltd.
Business momentum moderates further

CMP* INR 991	Target INR 1,283	Potential Upside 29.5%	Market Cap (INR Mn) 30,67,145	Recommendation BUY	Sector Banking
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Result Highlights Q3FY25:

- AXSB's Net Interest Income (NII) grew 8.6% YoY to INR 136,059 Mn in Q3FY25. The Bank's PPOP (Pre-Provisioning Operating Profit) for the quarter was INR 105,339 Mn, a growth of 15.2% YoY (-1.7% QoQ) led by operating efficiencies. Net profit grew 3.8% YoY to INR 63,038 Mn in Q3FY25. The modest growth was primarily due to higher provisions of INR 21,556 Mn during the quarter. The operating performance met our expectations; however, higher provisions resulted in earnings miss compared to our estimates.
- Higher slippages for Q3FY25 were primarily driven by the retail segment, with stress evident in unsecured loans like personal loans and credit cards. AXSB is actively mitigating slippage risk through enhanced portfolio monitoring, early warning triggers, and recalibrating risk policies.
- We have cut our book value estimates for FY26E/ FY27E by 2.3%/ 4.0%, considering the risk of higher provisions and modest business growth. We revise our target price downwards to INR 1,283 per share (earlier INR 1,345 per share), applying a 1.7x P/ABV multiple to its FY27E adj. book value. However, we reiterate our rating as "BUY" on AXSB shares.**

MARKET DATA

Shares outs (Mn)	3,095
Mkt Cap (INR Mn)	30,67,145
52 Wk H/L (INR)	1,340/ 975
Volume Avg (3m K)	8,128
Face Value (INR)	2.0
Bloomberg Code	AXSB IN

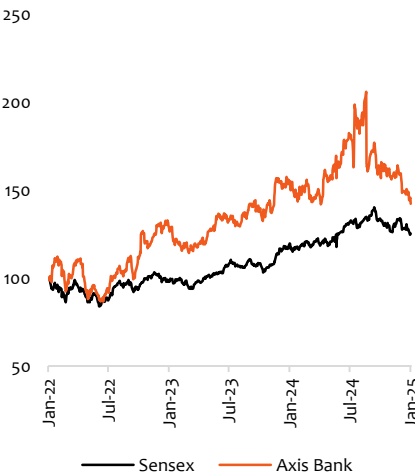
KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
NII	429,458	498,945	542,437	576,163	649,615
PPOP	192,404	371,232	426,129	463,301	526,870
PAT	-32,283	248,615	261,378	280,346	319,887
EPS (INR / Share)	-10.5	80.7	84.4	90.6	103.4
Adj. BVPS (INR / Share)	396.0	478.9	561.6	651.4	754.7
NIM (%)	3.8%	3.9%	3.8%	3.7%	3.7%
Advances Growth YoY (%)	19.4%	14.2%	8.0%	12.1%	11.9%

Source: Company, DevenChoksey Research

Impact of lower operating income was partially offset by reduced operating costs:

- Domestic NIMs for the quarter stood at 4.06%, which flat on a QoQ basis. Axis Bank's Overall Net Interest Margins (NIMs) for Q3FY25 stood at 3.93%, reporting a 6 bps decline QoQ. The decline was attributed to a) increased outflow rates on operating deposits, leading to higher investments, b) higher average Liquidity Coverage Ratio (LCR) in Q3FY25 compared to Q2FY25, and c) interest reversals on NPAs, partly due to seasonality in Bharat Banking slippages (3 bps impact).
- AXSB expects NIMs to remain stable or show slight moderation in the near term due to a) a focus on improving the quality of deposits and balancing the loan mix, b) continued efforts to manage the cost of funds efficiently, and c) the impact of reduction of CASA % in deposit / liabilities mix will continue to be offset by rate benefit on liabilities.
- Despite near-term challenges, structural drivers like retail loan growth, granular deposits, and lower reliance on low-yielding RIDF bonds are expected to support NIMs over the medium to long term.
- In Q3FY25, AXSB's trading income and miscellaneous income stood at INR 5,170 Mn, declining by ~57.0% QoQ on the back of the reversal of Mark-To-Market (MTM) gains on investments that had been recorded in Q2FY25. The reversal was a result of updated RBI guidelines relating to investment accounting, which impacted the bank's reported trading income.
- Additionally, the tight domestic liquidity environment and global macroeconomic factors during the first part of Q4FY25 have added volatility to trading income. The management has cautioned that MTM fluctuations may persist in the short term, affecting trading income consistency in the upcoming quarters.
- Operating expenses saw a decline of 4.7% QoQ, led by optimized costs in the cards business and regular operational efficiencies across various business lines. Additionally, the bank reported no integration-related costs for the quarter, as legal integration had been finalized earlier.

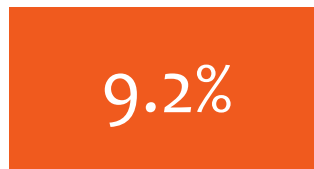
SHARE PRICE PERFORMANCE

MARKET INFO

SENSEX	76,619
NIFTY	23,203

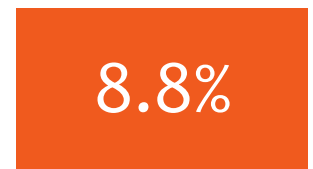
SHARE HOLDING PATTERN (%)

Particulars	Dec-24	Sep-24	Jun-24
Promoters	8.2	8.3	8.3
FIIs	47.3	51.8	53.4
DIIIs	37.5	33.2	31.6
Others	7.0	6.7	6.7
Total	100.0	100.0	100.0

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



NII CAGR between FY24 and FY27E



Adj. PAT CAGR between FY24 and FY27E

Axis Bank Ltd.

Subdued credit growth persists; deposits yet to gain momentum:

- AXSB's advances grew 8.8% YoY/ 1.5% QoQ to INR 10,146 Bn as of December 31, 2024, with retail and commercial banking loans constituting 71.0% of total advances, reflecting an increase of 167 bps YoY.
- Focused segments, such as small businesses, SMEs, and mid-corporates, registered a robust growth of 16.0% YoY and 4.0% QoQ.
- Retail loan growth continued to drive the overall loan book expansion, supported by granular loan disbursements across secured and unsecured categories. Retail loans reported a 10.7% YoY/ 1.2% QoQ growth as of December 31, 2024. The retail portfolio remains a core growth driver, with a focus on secured lending products such as home loans and vehicle loans.
- Overall business growth, however, moderated slightly due to tighter liquidity conditions and cautious risk calibration amid macroeconomic uncertainties.
- SME book reported a growth of 15.4% YoY/ 3.3% QoQ. Corporate loan book (gross of IBPC sold) grew 4.0% YoY; domestic corporate book grew 3.0% YoY. Mid-corporate book grew 15.0% and 4.0% QoQ. The SME and mid-corporate segments benefitted from tailored solutions in working capital and transactional banking, leading to higher adoption and deeper engagement.
- Rural advances grew by 17.0% YoY, supported by Axis Bank's multi-product distribution architecture across 2,650 branches and over 62,000 Common Service Centers (CSCs) in 680 districts.
- The bank anticipates continued growth in the retail and SME segments, driven by rising demand for credit in these categories. However, given the macroeconomic challenges, loan growth may remain calibrated to ensure portfolio quality.
- Axis Bank is cautiously optimistic about unsecured loan segments, such as personal loans and credit cards, due to rising delinquencies industry-wide. The bank has implemented stricter credit filters and proactive risk management to maintain quality in these areas.
- On the liabilities front, the total deposits grew by 9.1% YoY (+0.8% QoQ) to INR 10,959 Bn. The CASA ratio continued to decline by 264 bps YoY/ 109 bps QoQ to 39.5% as of December 31, 2024. Term deposits saw robust traction with 14.0% YoY/ 2.7% QoQ growth, driven by targeted acquisition campaigns and higher rates offered on fixed deposits.
- Granular deposit growth was evident, with improved strength in retail and salary-linked deposits. The bank focused on acquiring granular and stable deposits, reducing reliance on lumpy or volatile funds.
- AXSB opened 130 new branches in Q3FY25 and 330 branches YTD, boosting its presence across urban and semi-urban areas.
- The bank expects steady deposit growth, supported by continued efforts in branch expansion, customer acquisition, and product innovation. Digital initiatives, including enhanced onboarding and targeted deposit products, are expected to further improve deposit mobilization in urban and semi-urban markets.

Asset quality slightly deteriorated; Slippages were high during the quarter:

- As of December 31, 2024, the bank's gross NPA ratio improved by 12 bps YoY to 1.46%, while net NPAs remained stable QoQ, with a slight 1 bps improvement YoY.
- Gross slippages during the quarter were INR 54,320 Mn, compared to INR 44,430 Mn in Q2FY25 and INR 37,150 Mn in Q3FY24. Net slippages in the quarter were INR 35,170 Mn, an increase of 48.0% QoQ. Net Slippages segmentally were INR 33,940 Mn in retail, INR 1,460 Mn in CBG and negative INR 230 Mn in WBCG.
- Recoveries and upgrades from NPAs during the quarter were INR 19,150 Mn. In the quarter, the bank wrote off NPAs aggregating INR 31,330 Mn. Recoveries from written-off accounts for the quarter were INR 13,000 Mn (vs. INR 9,840 Mn in Q2FY25).
- Provisions and contingencies for the quarter were INR 21,556 Mn, up 109.6% YoY (-2.2% QoQ). Specific loan loss provisions for Q3FY25 stood at INR 21,850 Mn.
- The bank holds cumulative provisions (standard + additional other than NPA) of INR 1,18,750 Mn as of December 31, 2024. These cumulative provisions translate to a standard asset coverage of 1.2%.
- Gross credit cost for the quarter stood at 1.28% (compared to 0.90% in Q2FY25), while the net credit cost was at 0.80%, an increase from 0.54% in Q2FY25 (and 0.28% in Q3FY24).

Key Concall Highlights:

- The bank is enhancing its deposit franchise through Project Triumph, which focuses on granular deposit growth and cost management. The launch of targeted products, including a new women's account "Arise," contributed to growth in savings accounts.
- Premiumization of the franchise continues with a 26.0% YoY increase in Burgundy assets under management. Wholesale banking solutions drove better current account balances through customized offerings.
- The cost-to-income ratio improved by 326 basis points YoY, standing at 46.2%, supported by disciplined cost management and operational efficiencies.
- Regulatory compliance and prudent provisioning were emphasized, with the Bank maintaining a robust Liquidity Coverage Ratio (LCR) of 119.0% and implementing rule-based write-offs for unsecured retail and SME portfolios.
- AXSB's subsidiaries contributed significantly, with a 26.0% YoY increase in domestic subsidiaries' net profit, showcasing strong growth across Axis Finance, Axis AMC, Axis Securities, and Axis Capital.
- The bank's "Sparsh" customer experience program saw significant improvement, with Retail Bank Net Promoter Score (NPS) increasing to 148 from 100 over two years.
- The bank reiterated its commitment to balancing quality growth, prudent provisioning, and expense management. It believes that current measures to improve deposit granularity, risk management, and digital adoption will position it strongly for future opportunities when the macro environment improves.
- Axis Bank will prioritize green financing and sustainability projects, leveraging partnerships like the USD 500 Mn IFC loan to scale its ESG portfolio.
- With a CET-1 ratio of 14.61%, the bank does not foresee the need for additional equity capital. It may opportunistically explore issuing Tier-2 or AT-1 instruments based on market conditions to support growth.

Axis Bank Ltd.
Result Snapshot

Particulars (INR in Mn)	Q3FY25	Q2FY25	Q3FY24	Q-o-Q	Y-o-Y	9MFY25	9MFY24	Y-o-Y
Income Statement								
Interest income	309,539	304,199	279,611			914,345	801,441	
Interest expense	173,481	169,367	154,290			508,973	433,386	
Net interest income	136,059	134,832	125,322	0.9%	8.6%	405,373	368,055	10.1%
Non-interest income	59,722	67,219	55,548			184,775	156,762	
Total income	195,781	202,051	180,870	-3.1%	8.2%	590,148	524,817	12.4%
Employee costs	29,846	31,172	27,113			92,313	80,096	
Other operating expenses	60,596	63,754	62,344			184,310	178,846	
Operating expenses	90,442	94,926	89,457			276,623	258,942	
Pre-provision profit	105,339	107,125	91,412	-1.7%	15.2%	313,526	265,875	17.9%
Provisions	21,556	22,041	10,283			63,990	28,778	
Profit before tax	83,782	85,084	81,129			249,536	237,097	
Tax expense	20,745	15,908	20,418			56,976	59,779	
Net profit	63,038	69,176	60,711	-8.9%	3.8%	192,560	177,318	8.6%
Exceptional Expenses	0	0	0	-	-	0	0	-
Net Loss after exceptional	63,038	69,176	60,711	-8.9%	3.8%	192,560	177,318	8.6%
Balance sheet analysis								
Deposits	10,958,828	10,867,440	10,048,995	0.8%	9.1%	10,958,828	10,048,995	9.1%
CASA Deposits	4,328,550	4,410,530	4,234,580	-1.9%	2.2%	4,328,550	4,234,580	2.2%
CASA (%)	39.5%	40.6%	42.1%	-109bps	-264bps	39.5%	42.1%	-264bps
Advances	10,145,641	9,999,792	9,322,864	1.5%	8.8%	10,145,641	9,322,864	8.8%
Total Assets	15,257,119	15,056,580	13,985,407	1.3%	9.1%	15,257,119	13,985,407	9.1%
Capital adequacy ratio (%)	17.0%	16.6%	14.9%	40bps	213bps	17.0%	14.9%	213bps
Spread Analysis								
Cost of funds (%)	5.46%	5.45%	5.35%	1bps	11bps	5.5%	5.1%	35bps
NIM (%)	4.06%	4.06%	4.08%	0bps	-2bps	4.1%	4.1%	-1bps
Asset quality								
Gross NPA	158,503	154,662	158,931	2.5%	-0.3%	158,503	158,931	-0.3%
Net NPA	37,748	36,125	35,269	4.5%	7.0%	37,748	35,269	7.0%
GNPA (%)	1.46%	1.44%	1.58%	2bps	-12bps	1.46%	1.58%	-12bps
NNPA (%)	0.35%	0.34%	0.36%	1bps	-1bps	0.35%	0.36%	-1bps
PCR (%)	76.2%	76.6%	77.8%	-46bps	-162bps	76.2%	77.8%	-162bps
Key ratios								
Cost to income ratio (%)	46.2%	47.0%	49.5%	-79bps	-326bps	46.9%	49.3%	-247bps
C/D ratio (%)	92.6%	92.0%	92.8%	56bps	-19bps	92.6%	92.8%	-19bps
RoA (%) (Annualized)	1.6%	1.8%	1.8%	-20bps	-11bps	1.7%	1.8%	-6bps

Source: Company, DevenChoksey Research

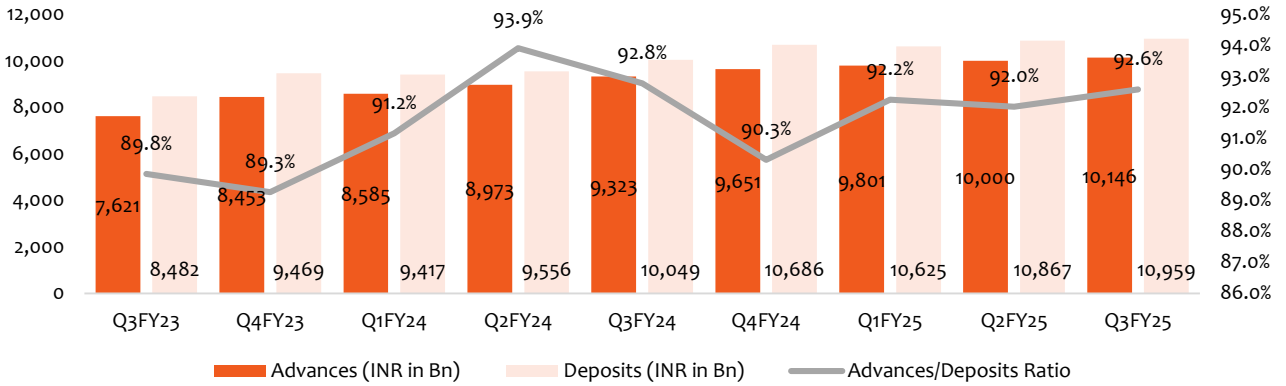
Valuation and view:

AXSB's Q3FY25 results were disappointing, with continued sluggishness in business momentum, particularly in credit growth, which underperformed industry trends. NII reported moderation on the back of the sluggishness in the business momentum. While the operating performance met our expectations, the stress on business momentum and elevated provisioning levels highlighted the challenges posed by the tough macroeconomic environment. Rising delinquencies in unsecured segments and broader sectoral credit cost pressures are expected to weigh on earnings growth in the coming quarters. Consequently, we have revised our FY26E and FY27E book value estimates downward by 2.3% and 4.0%, respectively, to account for the higher provisioning risks.

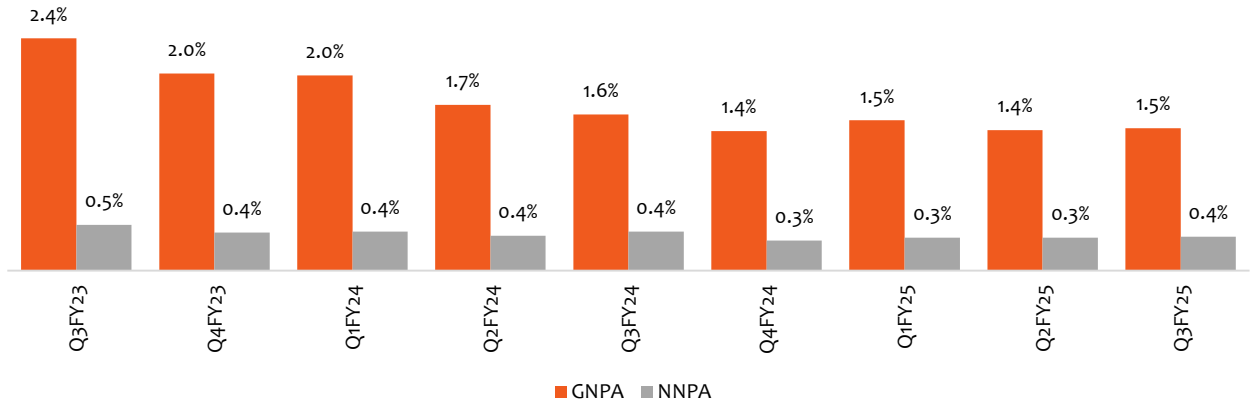
We have factored a CAGR of 10.7% in advances, 9.2% in NII, 12.4% in PPOP, and 8.8% in adj. PAT over FY24-27E. The stock is currently trading at 1.6x/ 1.4x the P/ABV for FY26E/ FY27E, respectively. We revise our target price downwards to INR 1,283 per share (earlier INR 1,345 per share) by assigning a 1.7x P/ABV multiple to the FY27E adjusted book value of INR 754.7 per share, which implies an upside of 29.5% from the CMP. Despite headwinds in growth and asset quality, Axis Bank has adopted a prudent strategy by focusing on high-quality loans and deposits and maintaining a conservative provisioning policy. Accordingly, we reiterate our "BUY" rating on Axis Bank Ltd. shares.

Axis Bank Ltd.

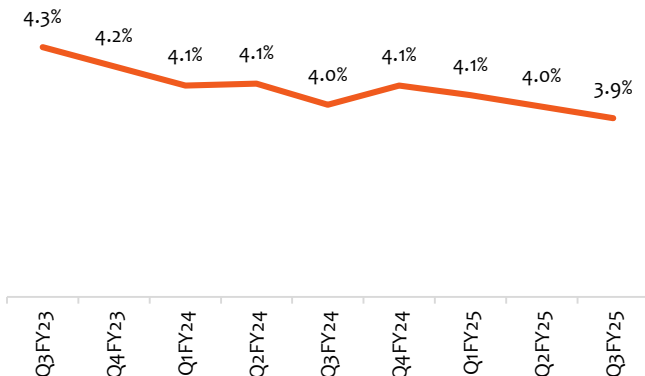
Credit to Deposit ratio: Credit growth remains sluggish, Deposit saw sequential slowdown in growth



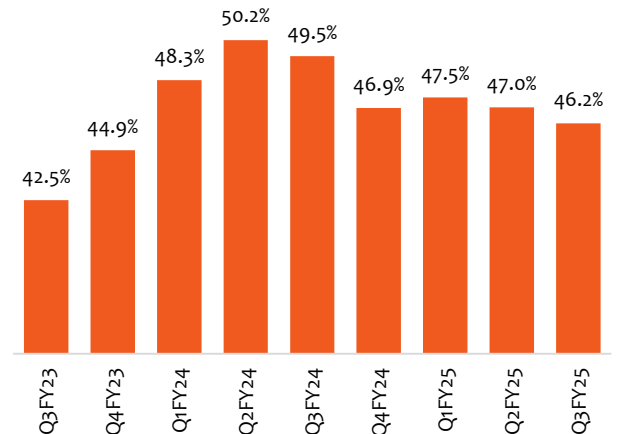
Asset Quality slight deterioration due to higher slippages



NIMs: Sequential fall in margins due to multiple factors



Cost/Income: Improvement on the back of lower operating expenses



Source: Company, DevenChoksey Research

Axis Bank Ltd.
Financials:
Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	851,638	1,093,687	1,233,503	1,362,021	1,528,025
Interest Expense	422,180	594,742	691,066	785,858	878,410
Net Interest Income	429,458	498,945	542,437	576,163	649,615
Non-interest income	161,434	224,420	257,846	296,523	332,106
Operating income	590,892	723,365	800,283	872,686	981,721
Operating Expense	398,488	352,133	374,153	409,385	454,851
PPOP	192,404	371,232	426,129	463,301	526,870
Provisions	26,526	40,631	84,836	89,506	100,354
PBT	165,877	330,601	341,293	373,795	426,517
Exceptional costs	73,262	81,986	79,915	93,449	106,629
Tax Expense	124,898	0	0	0	0
PAT	-32,283	248,615	261,378	280,346	319,887
Diluted EPS (INR)	-10.5	80.7	84.4	90.6	103.4

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Source of Funds					
Share capital	6,154	6,173	6,190	6,190	6,190
Reserves & Surplus	1,248,013	1,504,443	1,765,821	2,046,167	2,366,054
Net worth	1,254,167	1,510,616	1,772,011	2,052,357	2,372,245
Borrowings	1,863,000	1,968,118	1,990,479	2,166,739	2,298,186
Deposits	9,469,452	10,686,414	11,374,166	12,745,522	14,363,661
Other liabilities & provisions	586,636	606,939	832,865	873,485	1,053,421
Total Equity & Liabilities	13,173,255	14,772,086	15,969,521	17,838,103	20,087,513
Uses of Funds					
Balance w/ banks & others	1,725,286	2,005,319	1,819,867	2,039,283	2,298,186
Net investments	2,888,148	3,315,273	3,639,733	3,951,112	4,452,735
Loans & advances	8,453,028	9,650,684	10,423,116	11,684,833	13,079,622
Fixed assets	47,339	56,846	62,310	68,310	74,310
Other assets	720,632	604,740	706,945	859,296	1,044,480
Total Assets	13,173,255	14,772,086	15,969,521	17,838,103	20,087,513

Source: Company, DevChoksey Research

Exhibit 4: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
Growth Rates					
Advances (%)	19.4%	14.2%	8.0%	12.1%	11.9%
Deposits (%)	15.2%	12.9%	6.4%	12.1%	12.7%
Total assets (%)	12.1%	12.1%	8.1%	11.7%	12.6%
NII (%)	32.3%	16.2%	8.7%	6.2%	12.7%
Pre-provisioning profit (%)	0.4%	92.9%	14.8%	8.7%	13.7%
PAT (%)	-143.4%	-870.1%	5.1%	7.3%	14.1%
B/S Ratios					
Credit/Deposit (%)	89.3%	90.3%	91.6%	91.7%	91.1%
CASA (%)	47.2%	43.0%	40.0%	39.1%	38.6%
Advances/Total assets (%)	64.2%	65.3%	65.3%	65.5%	65.1%
Leverage - Total Assets to Equity	10.5	9.8	9.0	8.7	8.5
Operating efficiency					
Cost/income (%)	67.4%	48.7%	46.8%	46.9%	46.3%
Opex/total assets (%)	3.0%	2.4%	2.3%	2.3%	2.3%
Opex/total interest earning assets	3.5%	2.7%	2.7%	2.6%	2.6%
Profitability					
NIM (%)	3.8%	3.9%	3.8%	3.7%	3.7%
RoA (%)	-0.3%	1.8%	1.7%	1.7%	1.7%
RoE (%)	-2.7%	18.0%	15.9%	14.7%	14.5%
Asset quality					
Gross NPA (%)	2.0%	1.4%	1.5%	1.3%	1.3%
Net NPA (%)	0.4%	0.3%	0.3%	0.3%	0.3%
PCR (%)	80.7%	78.3%	77.7%	76.8%	78.8%
Slippage (%)	1.8%	1.5%	1.3%	1.2%	1.1%
Credit cost (%)	1.0%	0.3%	0.4%	0.6%	0.6%
Per share data / Valuation					
EPS (INR)	-10.5	80.5	84.4	90.6	103.4
BVPS (INR)	407.6	489.4	572.5	663.1	766.4
ABVPS (INR)	396.0	478.9	561.6	651.4	754.7
P/E (x)	-82.0	13.0	12.3	11.5	10.0
P/BV (x)	2.1	2.1	1.8	1.6	1.4
P/ABV (x)	2.2	2.2	1.8	1.6	1.4

Axis Bank Ltd.

Axis Bank Limited			
Date	CMP (INR)	TP (INR)	Recommendation
20-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
25-Jan-24	1,059	1,275	BUY
30-Oct-23	989	1,160	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%

ANALYST CERTIFICATION:

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