

Axis Bank Ltd. (AXSB)

Pickup in Deposit Growth; CD Ratio Improves

Axis Bank reported Q4FY25 results slightly below our estimates in terms of advances growth (marginal miss by 0.5%), mainly due to slow growth in the retail advances. However, deposits reported an improvement with a growth of 7% QoQ (1.2% above our estimates). The bank reported an improvement in its CD ratio by 385bps QoQ/157bps YoY (150bps over our estimates). Credit quality improved during the quarter with 18bps QoQ/15bps YoY improvement in the GNPA. Margin during the quarter reported a marginal improvement 2bps QoQ/YoY, mainly due to a slight moderation in the cost of funds growth.

Loan growth picked up in the LAP/SBB/SME book : During the quarter, the loan book increased by 2.6% QoQ/7.8% YoY. The single-digit loan growth was mainly attributable to the retail loan book slowdown as the bank saw a decline in demand along with stricter guardrails for the underwriting of loans in the PL/CC segment. However, strong loan growth was reported by the LAP/SBB/SME segment with a growth of 18%/17%/13% YoY. Going forward, these segments shall continue to see healthy loan growth along with a marginal pickup in the retail segment.

Strong deposit growth on QoQ basis: The bank deposits momentum picked up on a QoQ basis, along with the improvement in the CASA ratio by 200bps QoQ. Along with the deposit growth, its CD ratio reduced to 88.7% with an improvement of 385bps QoQ/157bps YoY. The bank reported more than 90% CD ratio since Q1FY24, which has started in Q4FY25.

NIMs improved sequentially: NIMs for the bank reported marginal improvement on both QoQ/YoY basis by 2bps. Going forward, the bank expects NIM to see a moderation in the next few quarters as ~57% of loans are repo-linked leading to faster repricing of loans as compared to deposits.

Asset quality improvement: GNPA/NNPA improved to 1.3%/0.3% in Q3FY25 as compared to 1.4%/0.3% in Q3FY24. The company saw reduction in delinquencies in all its core segments such as retail, SME, corporate while delinquencies saw a reduction in the CC portfolio. The bank reported credit cost of 0.8% improving sequentially by 44bps QoQ.

Valuation and outlook

Axis Bank reported moderation in advances mainly due to retail loans, however, the bank's LAP/SME/SBB segment reported healthy growth. Deposits momentum seems to be picking up for the bank as the QoQ growth remained robust, along with declining CD ratio and stable margins. The bank reported stable asset quality with declining GNPA/NNPA along with moderation in credit cost.

We remain positive on Axis Bank given the expectation of healthy credit growth, pickup in deposit mobilisation and stable margins. We expect the bank's advances/deposits to grow at a CAGR of 13%/14% along the NIMs moderating at 3.8% in FY27E (from 3.8% in FY25) leading to NII/PPOP/PAT CAGR growth of 14%/16%/12% over FY25-27E. We thus maintain Buy on Axis Bank with a revised target price of Rs 1,425, valuing the standalone bank at 1.5x of its FY27E Adj. BVPS.

Particulars, Rs mn	FY23	FY24	FY25	FY26E	FY27E
Total income	10,16,643	13,18,102	14,79,341	16,50,932	18,19,176
Interest expended	4,22,180	5,94,742	6,83,292	7,32,049	7,78,945
Net interest income (NII)	4,29,458	4,98,945	5,43,478	6,26,729	7,09,690
Total Expenditure	6,96,163	9,46,874	10,58,292	11,63,945	12,54,430
Operating profit (PPOP)	3,20,480	3,71,228	4,21,049	4,86,987	5,64,746
Provisions and contingencies	26,526	40,631	77,584	99,664	1,21,507
Profit before tax	1,69,055	3,30,597	3,43,466	3,87,323	4,43,238
Profit after tax	95,794	2,48,611	2,63,735	2,90,492	3,32,429
PAT (excl. exceptional items)	21,933	24,861	26,373	29,049	33,243
Adj. BVPS (Rs.)	446.0	489.4	582.3	672.0	777.2
P/Adj. BV (x)	2.3	2.1	1.8	1.5	1.3

Source: Company, ACMIIL Research

BUY

Target: Rs 1,425

Key Data

Bloomberg code:	AXSB:IN
Target price (Rs)	1,425
CMP (Rs)	1,207
Upside/ (Downside)	18%
Rating:	Buy
Shares outstanding (mn):	3,097
Mcap (Rs bn) :	3,739
52-week H/L (Rs):	1,340/934

Price Performance (%)

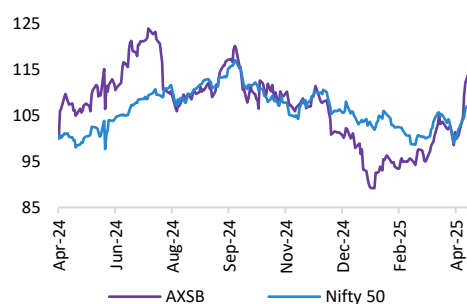
1 month	9.9
3 months	27.3
12 months	13.5

Shareholding Pattern (%)

	Sep'24	Dec'24	Mar'25
Promoter	8.3	8.2	8.2
FII	51.8	47.3	43.9
DII	33.2	37.5	40.9
Public	6.7	7.0	7.0

Source: BSE

Price Performance: AXSB vs Nifty 50



Source: NSE

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Axis Bank Ltd. (AXSB)

Quarterly performance - standalone

YE March, Rs mn	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	ACMIIL Est.	Var (%)
Interest earned	3,12,425	2,92,245	6.9	3,09,539	0.9	3,24,552	(3.7)
Other income	67,795	67,658	0.2	59,722	13.5		
Interest expended	1,74,320	1,61,355	8.0	1,73,481	0.5	1,79,538	(2.9)
Net interest income (NII)	1,38,105	1,30,890	5.5	1,36,059	1.5	1,45,014	(4.8)
Operating revenue	2,05,901	1,98,548	3.7	1,95,781	5.2		
Staff cost	29,620	29,240	1.3	29,850	(0.8)		
Non-staff cost	68,760	63,960	7.5	60,590	13.5		
Operating Expenses	98,377	93,191	5.6	90,442	8.8		
Operating profit (PPOP)	1,07,524	1,05,357	2.1	1,05,339	2.1	1,15,193	(6.7)
Operating profit margin (%)	34.4	36.1	-164bps	34.0	39bps		
Provisions and contingencies	13,594	11,853	14.7	21,556	(36.9)		
Profit before tax	93,930	93,504	0.5	83,782	12.1	95,165	(1.3)
Profit before tax (excl. exceptional items)	93,930	93,504	0.5	83,782	12.1	95,165	(1.3)
Tax expense	22,755	22,207	2.5	20,745	9.7		
Profit after tax	71,175	71,297	(0.2)	63,038	12.9	72,326	(1.6)
PAT (excl. exceptional items)	71,175	71,297	(0.2)	63,038	12.9	72,326	(1.6)
PAT margin (%)	18.7	19.8	-109bps	17.1	165bps		
EPS (Rs)	22.9	23.0	(0.4)	20.3	12.9	23.4	(2.1)

Source: Company, ACMIIL Research

Segments - standalone

YE March, Rs mn	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Revenue from operations					
Corporate / Wholesale Banking	1,17,176	1,15,381	1.6	1,16,671	0.4
Other Banking	18,068	12,208	48.0	10,904	65.7
Retail Banking	3,62,774	3,29,194	10.2	3,57,867	1.4
Treasury	71,628	81,604	(12.2)	71,072	0.8
Profits before tax					
Corporate / Wholesale Banking	37,476	30,062	24.7	29,215	28.3
Other Banking	16,899	11,021	53.3	10,273	64.5
Retail Banking	26,762	30,909	(13.4)	23,740	12.7
Treasury	12,794	21,513	(40.5)	20,196	(36.7)

Source: Company, ACMIIL Research

Business parameters - standalone

YE March, Rs mn	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	ACMIIL Est.	Var (%)
Advances	1,04,08,110	96,50,680	7.8	1,01,45,640	2.6	1,04,59,998	(0.5)
Deposits	1,17,29,520	1,06,86,410	9.8	1,09,58,830	7.0	1,15,91,416	1.2
Credit deposit ratio (%)	88.7	90.3	-157bps	92.6	-385bps	90.2	-150bps
RoA (%)	1.8	2.0	-17bps	1.6	19bps	1.8	-2bps
RoE (%)	17.0	20.4	-337bps	15.4	161bps	16.5	48bps
CASA (%)	41.0	43.0	-200bps	39.0	200bps	39.1	189bps
NIM (%)	4.1	4.1	2bps	4.1	2bps	4.1	-2bps

Source: Company, ACMIIL Research

NII growth was reported ~2%/6% on a QoQ/YoY basis, lower than our estimate of ~5%.

NIM showed improvement of 2bps both QoQ/YoY, slightly lower than our estimate by 2bps.

Axis Bank Ltd. (AXSB)

Asset quality

YE March, Rs mn	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
GNPA	1,44,900	1,51,270	(4.2)	1,58,500	(8.6)
NNPA	36,850	32,470	13.5	37,750	(2.4)
GNPA (%)	1.3	1.4	-15bps	1.5	-18bps
NNPA (%)	0.3	0.3	2bps	0.4	-2bps
Credit Cost (%)	0.8	0.7	16bps	1.3	-44bps

Source: Company, ACMIIL Research

Asset quality improved with GNPA declining 18bps/15bps QoQ/YoY and NNPA declining 2bps sequentially.

Segments - standalone

Loan mix (%)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Corporate	28.8	28.7	5.0	29.0	(27.0)
SME	11.4	10.9	54.0	11.2	14.0
Retail	59.8	60.4	(59.0)	59.7	13.0
Deposits mix (%)					
Savings	26.5	28.3	(173.0)	26.4	15.0
Current	14.2	14.7	(50.0)	13.1	112.0
CASA	41.0	43.0	(200.0)	39.0	200.0
Term/Fixed	59.2	57.0	222.0	60.5	(127.0)
Market share (%)					
Assets	5.3	5.5	(20.0)	5.3	-
Deposits	5.0	5.0	-	4.8	20.0
Advances	5.4	5.9	(50.0)	5.5	(10.0)

Source: Company, ACMIIL Research

Axis Bank Ltd. (AXSB)

Con-Call Key Take Away

Improvement in the granularisation of the deposit book: The bank has improved on the granularisation of its deposit book, which will impact the quality of LCR deposits, consequently, improving the outflow ratio by 340 bps over the last 3 years. It has also demonstrated a controlled increase in the cost of funds over the last 8 quarters, which means a 7 bps increase YoY. The acquisition engine, expansion plans, product launches, salary credits and Burgundy AUMs remain healthy. It is observing initial signs of traction from these efforts on overall deposit growth as certain portfolios begin to stabilise and the tight liquidity scenario eases.

Opening of new branches: The bank opened 170 new branches in the last 3 months and 500 in FY25. The new to bank acquisition engine for the savings account franchise has trended well. In this quarter, the bank saw savings account new to bank deposits of 19% YoY and granular balances per account up 17% YoY.

Normalization cycle in progress: In retail asset quality for unsecured products across industries, including MFI, a normalization cycle is in progress. The primary reasons for the cycle are credit-hungry units and over-leverage. MFI does not consider a significant portion of the portfolio. It is 2.1% of retail loans, and recent regulatory actions are promoting lenders to adopt a cautious tone in this sector, both through direct and indirect sourcing.

Risk in the personal loan segment: The bank saw increased risk in certain segments and buyer programs for personal loans and cards. However, proactive interventions, including regular portfolio monitoring and early warning triggers, have allowed the bank to recalibrate policies to ensure delinquencies remain within acceptable thresholds for the new cohorts based on early data reads. Overall, it sees stabilisation in the card portfolio. Personal loans may take a few more quarters to show improvement. The bank has strengthened the collection infrastructure, including using tech enablement and front-end to improve collections capabilities.

PSL compliant: The bank has assessed itself as being PSL-compliant in FY25 at a headline level and at each sub-segment level. In Q4FY25, the bank incurred an expense of Rs 5,910mn to meet organic shortfalls in the SMS and NCF categories. Excluding this expense, the QoQ cost growth would be 2%, and the cost of assets for Q4FY25 annualized would be 2.4%. The bank continues to maintain a surplus in other categories of PSL and has sold PSLC and booked income aggregating to Rs 1,690mn in Q4FY25.

Lower provisions on QoQ basis: Provisions and contingencies for Q4FY25 were Rs 13,590mn, lower by 37% QoQ, driven largely by upgrades in the wholesale book, including recoveries aggregating to Rs 8,010mn due to government-guaranteed security receipts.

The bank has not booked interest aggregating to Rs 5,370mn on the said assets, which will be done on a realization basis, or upon clarity emerging on the RBI circular at a subsequent date. The bank has reviewed and made more stringent classification upgrade criteria for certain types of loans, which may negatively impact margin and impact credit cost, upgrades and recoveries in FY26E when compared to FY27E.

Transmission of rate cuts on loan products: The banks manages their balance sheet on a duration basis, which is a key driver of retransmission and rate impact. It has a tightly matched duration on assets and liabilities. The bank is policy led on rate transmission across assets as it transmits rate increases or decreases in the quarter in which the policy rate changes, and that policy will be effective both ways on the up cycle and down cycle.

Investments are fixed-rate: The bank's investment portfolio is largely fixed-rate rate as the largest component of investments on a bank's balance sheet will be government securities, which are fixed-rate instruments. Hence, when rates tend to decline, there are MTM gains.

Prioritizing growth in a certain portfolio: Due to the deposit constraint, the bank prioritized growth in certain asset classes and controls and constrains the growth in some of the asset classes. However, the bank believes that now both growth and profitability should start moving in the right direction, subject to this increased liquidity and continuous increased liquidity playing through in this FY. Hence, assuming the liquidity remains and flows into the deposit side, the bank believes that the platform is there for both growth and profitability.

No impact of trade tariffs: The bank has assessed that the tariffs on the portfolio are negligible. But there are so many moving parts, both positive and negative, hence it will watch the space and evaluate the impact on the portfolio.

Impact of margin due to rate cuts: The bank its margin is expected to be impacted by ~18bps on YoY and 17bps on QoQ basis. However, it shall try and retain as much of the cushion as possible. The bank will look to manage margins on a dual principle basis. It shall look to manage margins by managing the balance sheet on the asset side. Hence, it could see some legs on the mix change left.

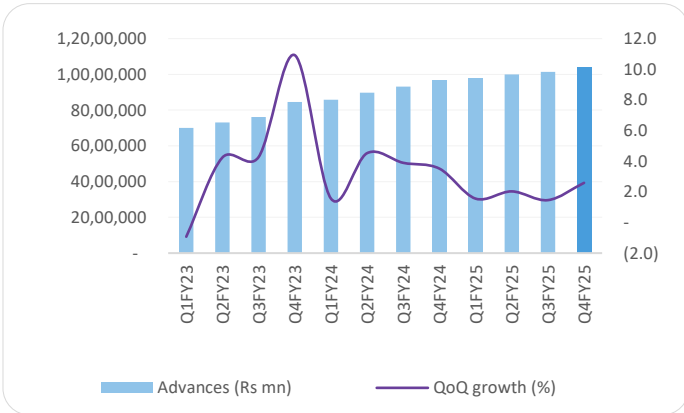
While assets will reprice faster than liabilities. If one takes the duration view of the balance sheet, the bank will have a tight duration between assets and liabilities. Consequently, taking a full year or a slightly longer view, the bank believes that it is well positioned to manage the report down cycle.

Provisions were lower by 37% QoQ, driven largely by upgrades in the wholesale book, including recoveries due to government-guaranteed security receipts

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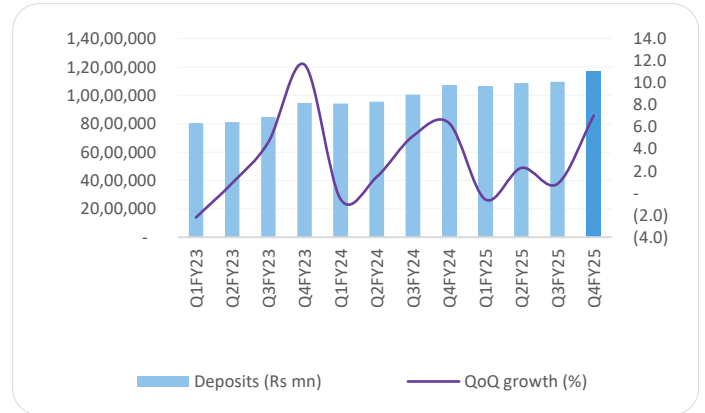
Story in charts

Exhibit 1: Advances grew 2.6% QoQ



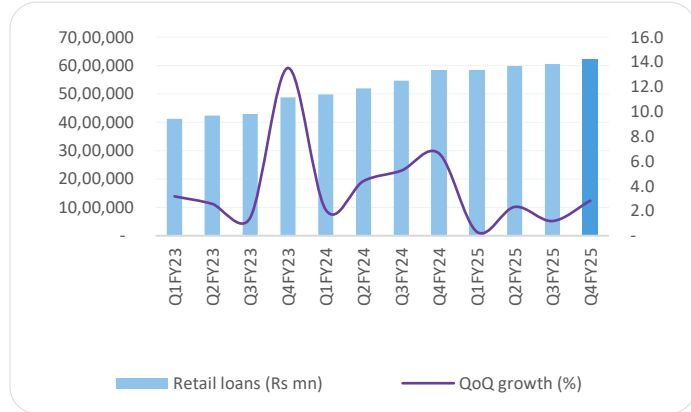
Source: Company, ACMIIL Research

Exhibit 2: Deposits showed an uptick of 7% in Q4FY25



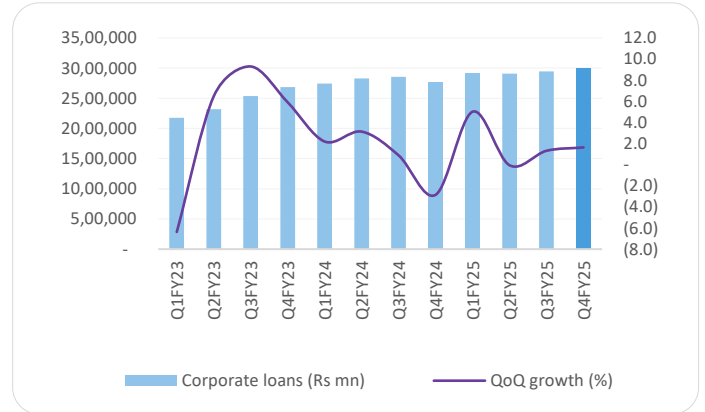
Source: Company, ACMIIL Research

Exhibit 3: Retail loans increased 2.8% in Q4FY25



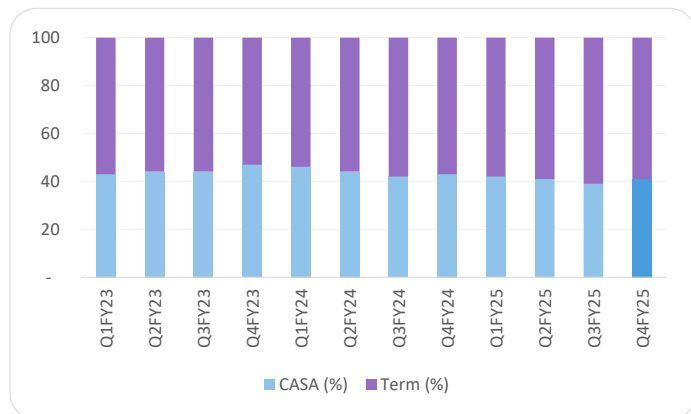
Source: Company, ACMIIL Research

Exhibit 4: Corporate loans up 1.6% in Q4FY25



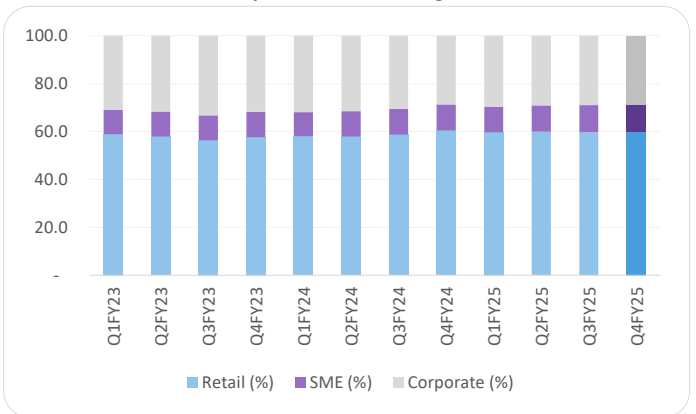
Source: Company, ACMIIL Research

Exhibit 5: CASA increased to 41% in Q4FY25



Source: Company, ACMIIL Research

Exhibit 6: Shift from Corporate to other segments



Source: Company, ACMIIL Research

Axis Bank Ltd. (AXSB)

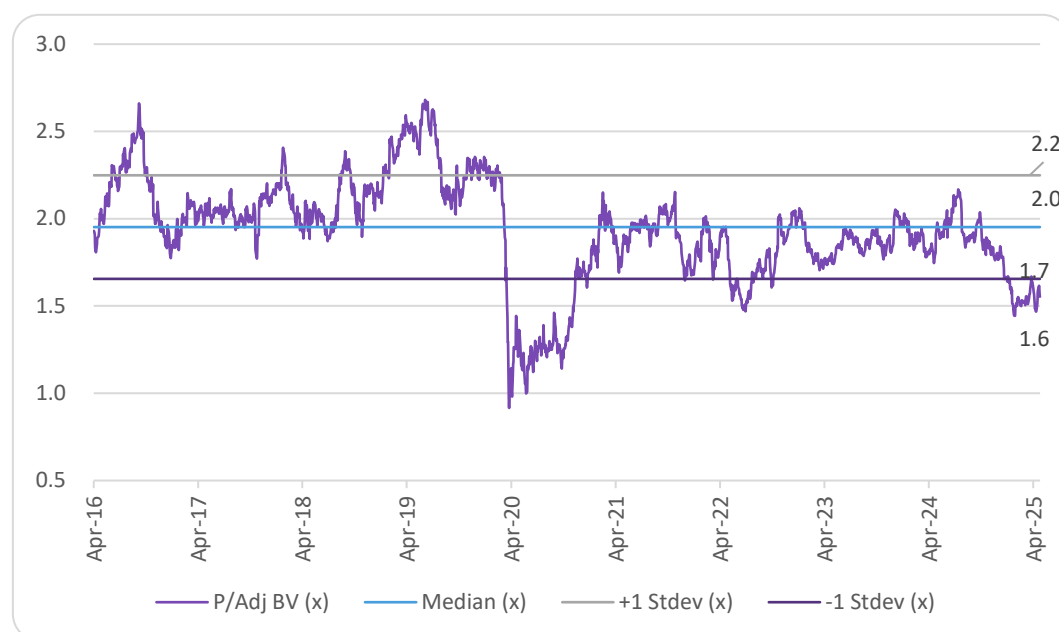
Valuation Chart

Axis Bank reported moderation in advances mainly due to retail loans, however, the bank's LAP/SME/SBB segment reported healthy growth. Deposits momentum seems to be picking up for the bank as the QoQ growth remained robust, along with declining CD ratio and stable margins. The bank reported stable asset quality with declining GNPA/NNPA along with moderation in credit cost.

We maintain Buy on Axis Bank with a revised target price of Rs 1,425, valuing the standalone bank at 1.5x of its FY27E Adj. BVPS.

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Exhibit 7: 1 yr forward P/Adj BV (x)



Source: Company, ACMIL Research

Axis Bank Ltd. (AXSB)

Financials

Income statement - Standalone

YE March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Interest earned	8,51,638	10,93,686	12,26,770	13,58,779	14,88,635
Other income	1,65,006	1,52,910	2,52,571	2,92,153	3,30,541
Total income	10,16,643	13,18,102	14,79,341	16,50,932	18,19,176
Interest expended	4,22,180	5,94,742	6,83,292	7,32,049	7,78,945
Net interest income (NII)	4,29,458	4,98,945	5,43,478	6,26,729	7,09,690
Operating revenue	5,94,463	6,51,855	7,96,049	9,18,883	10,40,230
Operating Expenses	2,73,983	3,52,133	3,75,000	4,31,895	4,75,485
Total Expenditure	6,96,163	9,46,874	10,58,292	11,63,945	12,54,430
Operating profit (PPOP)	3,20,480	3,71,228	4,21,049	4,86,987	5,64,746
Provisions and contingencies	26,526	40,631	77,584	99,664	1,21,507
Profit before tax	1,69,055	3,30,597	3,43,466	3,87,323	4,43,238
Tax expense	73,262	81,986	79,731	96,831	1,10,810
Profit after tax	95,794	2,48,611	2,63,735	2,90,492	3,32,429
EPS – Basic (Rs)	31.2	80.7	85.3	93.8	107.3

Source: Company, AMIIL Research

Asset quality

YE March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Gross NPA (Rs mn)	1,82,090	1,47,310	1,40,940	1,58,624	1,91,059
Net NPA (Rs mn)	35,590	32,470	36,850	37,194	45,593
Gross NPA (%)	2.0	1.4	1.3	1.4	1.4
Net NPA (%)	0.4	0.3	0.3	0.3	0.3

Source: Company, AMIIL Research

Per share

YE March (Rs)	FY23	FY24	FY25	FY26E	FY27E
EPS	71.4	80.7	85.3	93.8	107.3
BVPS	406.0	489.4	582.3	672.0	777.2
Adj. BVPS	446.0	489.4	582.3	672.0	777.2

Source: Company, AMIIL Research

Valuation ratio

YE March (x)	FY23	FY24	FY25	FY26E	FY27E
P/E	14.3	12.7	12.0	10.9	9.5
P/BV	2.5	2.1	1.8	1.5	1.3
P/Adj. BV	2.3	2.1	1.8	1.5	1.3

Source: Company, AMIIL Research

Balance Sheet - Standalone

Particulars, Rs mn	FY23	FY24	FY25	FY26E	FY27E
Capital	6,154	6,173	6,195	6,195	6,195
Employees stock options outstanding	4,234	8,266	11,082	11,082	11,082
Reserves and surplus	12,43,779	14,96,177	17,79,975	20,64,233	23,89,835
Total equity	12,54,167	15,10,616	17,97,251	20,81,510	24,07,111
Deposits	94,69,452	1,06,86,420	1,17,29,520	1,33,55,026	1,51,52,322
Borrowings	18,63,000	19,68,118	18,41,465	18,53,861	19,31,702
Other liabilities and provisions	5,86,636	6,06,939	7,31,062	7,78,336	7,77,325
Total equity and liabilities	1,31,73,255	1,47,72,092	1,60,99,299	1,80,68,732	2,02,68,461
Cash and balances	46,90,483	36,98,465	7,36,384	10,97,555	11,65,214
Investments	28,88,148	33,15,273	39,61,418	44,77,578	49,89,590
Advances	84,53,028	96,50,684	1,04,08,113	1,16,78,721	1,32,08,633
Fixed assets	47,339	56,846	62,917	90,367	1,15,987
Other assets	7,20,632	6,04,740	6,69,530	7,24,511	7,89,036
Total assets	1,31,73,255	1,47,72,086	1,60,99,299	1,80,68,732	2,02,68,461
Book value per share (Rs)	406.0	489.4	582.3	672.0	777.2

Source: Company, AMIIL Research

Efficiency Ratio

YE March (%)	FY23	FY24	FY25	FY26E	FY27E
Int Expended / Int Earned	49.6	54.4	55.7	53.9	52.3
Int Income / Total Funds	7.3	8.3	8.4	8.4	8.2
NII/ Total Income	42.2	37.9	36.7	38.0	39.0
Other Inc. / Total Income	16.2	11.6	17.1	17.7	18.2
Ope. Exp. / Total Income	26.9	26.7	25.3	26.2	26.1
Net Profit / Total Funds	1.1	2.6	2.5	2.5	2.5
Credit / Deposit	89.3	90.3	88.7	87.4	87.2
Investment / Deposit	30.5	31.0	33.8	33.5	32.9
RoA	1.8	1.8	1.7	1.7	1.7
RoE	18.4	18.9	15.9	15.0	14.8
Net interest margin	3.7	4.2	3.9	3.9	3.8

Source: Company, AMIIL Research

Growth Ratio

YE March (%)	FY23	FY24	FY25	FY26E	FY27E
Interest Income	26.4	28.4	12.2	10.8	9.6
Interest Expenses	23.3	40.9	14.9	7.1	6.4
Other Income	8.4	(7.3)	65.2	15.7	13.1
Total Income	23.1	29.7	12.2	11.6	10.2
Operating profit (PPOP)	29.5	15.8	13.4	15.7	16.0
Deposits	15.2	12.9	9.8	13.9	13.5
Advances	19.4	14.2	7.8	12.2	13.1

Source: Company, AMIIL Research

Axis Bank Ltd. (AXSB)

Explanation of Investment Rating

Investment Rating	Expected return (over 12-month)
BUY	$\geq 15\%$
SELL	$< -10\%$
HOLD	$> -10\%$ to 15%

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Research Analyst Registration Number:

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