

**CMP: INR 1,176**

**Rating: BUY**

**Target Price: INR 1,383**

**Stock Info**

BSE	532215
NSE	AXISBANK
Bloomberg	ASXB IN
Reuters	AXBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Mn)	6,154
Mkt Cap (INR Bn)	3,582
52w H/L (INR)	1,340 / 921
Avg Yearly Vol (in 000')	10,160

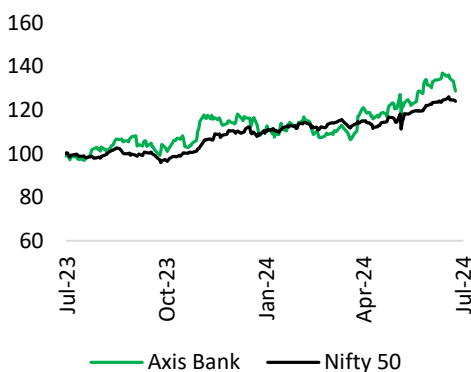
**Shareholding Pattern %**

(As on June, 2024)

Promoters	8.20
Public & Others	91.80

Stock Performance (%)	1m	6m	12m
Axis Bank	-7.6	12.7	22.1
Nifty	2.9	14.3	24.0

**Axis Bank Vs Nifty**



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Axis Bank has reported deterioration in asset quality in Q1FY25 with moderate profit growth of 4.1% YoY/down 15.4% QoQ at INR 60.35 bn, below our estimates of INR 72.06 bn. Advances growth for the quarter was 14.2% YoY/1.6% QoQ to INR 9,801 bn led by small business loans 26% YoY, retail loans like Rural Loans grew by 24% YoY, Personal Loans and Credit Cards grew by 29% YoY and 22% YoY respectively. NII for the quarter increased by 12.5% YoY/2.7% QoQ to INR 134.48 bn, as rise in Cost of Funds stabilized with increase of 1 bps QoQ to 5.44%. Operating profit for the quarter increased by 14.7% YoY/down 4.1% QoQ to INR 101.06 bn. Asset quality of the bank fell in Q1FY25 as GNPA decreased by 11 bps QoQ to 1.54% and NNPA at 0.34% up 3 bps QoQ.

**Loan growth was driven by growth in the focused segment:** Overall, loan book of the bank increased by 14.2% YoY/1.6% QoQ driven by small business banking growing at 26% YoY, LAP book by 28% YoY and Retail loans like: Rural, Personal and Credit Cards grew by 24%, 29% and 22% YoY respectively. Retail loan book (comprising 59.7% of net advances) grew strongly by 18% YoY, SME loan portfolio grew by 20% YoY and Corporate book grew by only 6% YoY. Total deposits during the quarter grew by 12.8% YoY/down 0.6% QoQ with CASA ratio of 42%. The term deposits grew by 21% YoY driving deposit mobilization.

**Asset quality improved marginally:** Gross slippages stood at INR 47.93 bn against INR 39.90 bn. Upgrades and recoveries were at INR 15.03 bn with the write-off of NPAs in Q1FY25 was at INR 22.06 bn, indicating further room for improvement tapering off for the bank in the subsequent quarters. The bank continues to hold provisions with cumulative provision (standard + additional non-NPA) of INR 117.32 bn (1.20% of loans in Q1FY25 against 1.26% of loans in Q4FY24), which provides cushion to the balance sheet. The GNPA/NNPA fell to 1.54%/0.34% respectively increasing by 11 bps/3 bps sequentially.

**Aggressive expansion of branch network pushing Opex:** Employee cost during the quarter was up by 16.4% YoY/7% QoQ while Other Operating Expenses increased 8.2% YoY/down 6.2% QoQ as the bank opened 50 branches during the quarter taking total branch count to 5,427 branches. This is particularly important to be emphasized as a larger liability portfolio will help further drive the bank's loan growth in the future.

**Valuation & View:** Axis Bank's posted slightly disappointing performance in Q1FY25 in terms of NIMs at 4.06% (down 1 bps QoQ for Q1FY25) while while growth checked. The Bank opened 50 branches in Q1FY25 in order to increase their penetration and drive deposits. Higher growth in the unsecured portfolio ensured that the stabilizing Cost of Funds at 5.44% didn't affected the NIMs much. We maintain our estimates and rating on the bank with BUY rating with a target price of INR 1,383 at 2.5x FY27E ABV.

**Exhibit 1: Financial Performance**

Axis Bank Ltd. (INR Bn)	FY23	FY24	FY25E	FY26E	FY27E
NII	429	499	678	794	930
PPOP	198	371	424	521	637
PAT	96	248	231	285	356
EPS (INR / Share)	31.1	62.7	74.9	92.2	115.3
ABVPS (INR / Share)	394.1	473.7	550.9	647.5	772.2
NIM (%)	4.0	4.0	4.0	4.1	5.1
ROA (%)	0.7%	1.8%	1.8%	1.8%	1.9%

Source: Arihant Research, Company Filings

## Q1FY25 - Quarterly Performance (Standalone)

(in INR Mn)

Particulars (INR in bn)	Q1FY25	Q1FY24	Q4FY24	YoY	QoQ
<b>Interest Earned</b>	<b>300.61</b>	<b>255.57</b>	<b>292.25</b>	<b>17.6%</b>	<b>2.9%</b>
- Interest/discount on advances/bills	237.19	201.35	233.51	17.8%	1.6%
- Income on Investments	55.81	47.83	53.38	16.7%	4.5%
- Interest on bal with RBI	2.95	2.99	2.56	-1.3%	15.1%
- Others	4.66	3.40	2.79	37.0%	67.2%
<b>Interest Expenses</b>	<b>166.13</b>	<b>135.98</b>	<b>161.36</b>	<b>22.2%</b>	<b>3.0%</b>
<b>NII</b>	<b>134.48</b>	<b>119.59</b>	<b>130.89</b>	<b>12.5%</b>	<b>2.7%</b>
Other Income	57.83	50.87	67.66	13.7%	-14.5%
Total Income	192.32	170.46	198.55	12.8%	-3.1%
<b>Operating Expenses</b>	<b>91.25</b>	<b>82.32</b>	<b>93.19</b>	<b>10.9%</b>	<b>-2.1%</b>
- Employee cost	31.29	26.88	29.24	16.4%	7.0%
- Others	59.96	55.43	63.96	8.2%	-6.2%
<b>Operating Profits</b>	<b>101.06</b>	<b>88.14</b>	<b>105.36</b>	<b>14.7%</b>	<b>-4.1%</b>
Provisions	20.39	10.35	11.85	97.1%	72.0%
Exceptional items	0.00	0.00	0.00	NA	NA
<b>PBT</b>	<b>80.67</b>	<b>77.79</b>	<b>93.50</b>	<b>3.7%</b>	<b>-13.7%</b>
Tax	20.32	19.82	22.21	2.5%	-8.5%
<b>PAT</b>	<b>60.35</b>	<b>57.97</b>	<b>71.30</b>	<b>4.1%</b>	<b>-15.4%</b>
Advances	9,801	8,585	9,651	14.2%	1.6%
Deposits	10,625	9,417	10,686	12.8%	-0.6%
Total Assets	14,682	13,028	14,772	12.7%	-0.6%
CASA (%)	43%	46%	43%	-300bps	0bps
CASA Deposits	4,445	4,288	4,235	3.7%	5.0%
<b>Asset Quality</b>					
GNPA	162.1	181.6	151.3	-10.7%	7.2%
NNPA	35.5	37.0	32.5	-4.1%	9.4%
GNPA (%)	1.54%	1.96%	1.43%	-42bps	11bps
NNPA (%)	0.34%	0.41%	0.31%	-7bps	3bps
RoA	1.65%	1.80%	2.00%	-15bps	-35bps
Cost to Income Ratio	47.45%	48.29%	46.94%	-84bps	51bps

Source: Arianth Research, Company Filings

**Conference Call Highlights:****Management Guidance:**

- The Management explained that the Deposit growth will determine level of credit growth for the Bank.
- The Management expects overall expenses growth to be slower than what was seen in previous year.
- They expect Credit cost to soften going ahead.
- NIM outlook on structural basis is guided at 3.8%.

**Key Highlights:**

- NII came at INR 134.48 bn (up 2.7% QoQ/up 12.5% YoY) against our estimates of INR 133.6 bn.
- PPOP came at INR 101.06 bn (down 4.1% QoQ / up 14.7% YoY) against our estimates of INR 106.83 bn.
- Provisions increased in the quarter to INR 20.39 bn (up 72% QoQ/ up 97% QoQ).
- PBT came at INR 80.67 bn (down 13.7% QoQ / up 3.7% YoY).
- PAT came at INR 60.35 bn (down 15.4% QoQ / up 4.1% YoY) against INR 72.06 bn.
- Net interest margin for Q1FY25 stood at 4.05% v/s 4.06% QoQ and 4.10% YoY. Domestic NIMs down by 2 bps QoQ/ 6 bps YoY, at 4.14%.
- Cost of Funds increased by 41 bps YoY/ 1bps QoQ to 5.44%.
- Asset Quality: GNPA ratio increased by 11 bps QoQ / down 42 bps YoY at 1.54% and NNPA came up by 3 bps QoQ / 7 bps YoY to 0.34% for Q1FY25.
- Fresh slippages increased from INR 34.71 bn in Q4FY24 to INR 47.93 bn in Q1FY25 (Q1FY24: INR 39.9bn) (up 38% QoQ, up 20.13% YoY).
- Balance Sheet: Advances at INR 9,801 bn grew by 14% YoY/ 2% QoQ against Deposits at INR 10,624 bn which grew by 13% YoY/6% QoQ.
- Retail segment loan growth stood at 17.5% YoY to INR 5.85 trillion while corporate and SME growth stood at 6.1% YoY and 20.2% YoY respectively.
- Within the retail space, Rural loans, Personal loans, and Credit card segment showed a strong growth of 24% YoY, 29% YoY and 22% YoY respectively.
- LAP and SBB also reported a healthy uptick of 28% YoY and 26% YoY respectively.
- Share of secured retail loans was at around 71% with home loans forming 28% of retail loan book.
- The Bank's 78% of personal loans and 49% of credit card loans are towards existing customers.
- Within the SBB segment, over ~74% loans are towards working capital loans and 90% of SBB working capital portfolio is PSL compliant.
- Deposit growth for the quarter stood at 12.8% YoY and down 0.6% sequentially to INR ~10.6 trillion.
- CASA deposits increased by 3.7% YoY and hence CASA ratio declined to 42% versus 43% in Q4FY24.
- The Bank acquired a 19.2 lakh retail term deposit account during the quarter.
- The Bank currently has a standard restructured book of 0.13% of gross customer assets versus 0.14% a quarter ago. Within the retail segment 0.21% is restructured and 0.06% of the wholesale segment is restructured.
- The Bank's 98% of retail restructured is secured and unsecured book is 100% provided.
- The Bank carries 20% provisions worth INR 4,620 mn on restructured book and is in excess of regulatory limits.
- The Bank has provisions worth INR 50,120 mn which are not considered for capital adequacy calculation.
- Gross slippage ratio for Q1FY25 stands at 1.97% and was down from 1.48% QoQ, while the net slippage ratio stood at 1.37% v/s 0.57% QoQ.
- In Q1FY25, fresh slippages in absolute terms stood at INR 47,930 mn versus INR 34,710 mn QoQ while upgrades & recoveries stood at INR 15,030 mn.
- Retail slippages were at INR 42,990 mn while wholesale slippages were at INR 3,860 mn.
- The Bank's 32% of gross slippage are attributable to borrowers who are standard or have been upgraded within the same quarter.
- The recovered INR 5,810 mn from written off accounts. Write-offs during the quarter came at INR 22,060 mn as against INR 20,820 mn on QoQ basis.
- BB and below loans in the corporate segment stood at 0.3% and loans worth INR 6,440 mn were downgraded during the quarter.
- Average ticket size in BB & Below book stood at INR 360 mn.

Income Statement					
(Rs Bn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Earned	851.6	1,050.2	1,224.3	1,414.8	1,635.4
Interest Expended	422.2	470.4	563.8	641.5	730.1
<b>Net Interest Income</b>	<b>429.5</b>	<b>579.7</b>	<b>660.6</b>	<b>773.3</b>	<b>905.3</b>
Other Income	165.0	207.2	234.0	264.3	298.6
Fee Income	162.2	181.6	203.4	227.8	255.2
Treasury Income	-2.4	19.1	23.0	27.7	33.3
<b>Operating Income</b>	<b>594.5</b>	<b>786.9</b>	<b>894.5</b>	<b>1,037.5</b>	<b>1,203.8</b>
Operating Expenses	396.6	444.1	489.5	539.6	594.8
Employee Expenses	87.6	98.1	108.9	120.9	134.2
<b>Profit before provision &amp; tax</b>	<b>197.9</b>	<b>342.8</b>	<b>405.0</b>	<b>498.0</b>	<b>609.1</b>
Provisions and Contingencies	28.8	101.6	116.4	142.1	162.7
<b>Profit Before Tax</b>	<b>169.1</b>	<b>241.1</b>	<b>288.6</b>	<b>355.8</b>	<b>446.4</b>
Provision for tax	73.3	60.3	72.2	89.0	111.6
Exp. Items	0.0	0.0	0.0	0.0	0.0
<b>Profit After Tax</b>	<b>95.8</b>	<b>180.9</b>	<b>216.5</b>	<b>266.9</b>	<b>334.8</b>

Balance Sheet					
(Rs Bn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Sources of funds</b>					
Share Capital	6	6	6	6	6
Total Reserves	1,244	1,425	1,641	1,908	2,243
<b>Shareholder's Fund</b>	<b>1,250</b>	<b>1,431</b>	<b>1,647</b>	<b>1,914</b>	<b>2,249</b>
Deposits	9,469	10,511	12,035	13,780	15,778
Borrowings	1,863	2,049	2,254	2,480	2,728
Other Liabilities & provisions	587	675	777	891	1,022
<b>Total Liabilities</b>	<b>13,173</b>	<b>14,666</b>	<b>16,713</b>	<b>19,065</b>	<b>21,777</b>
<b>Application of Funds</b>					
Cash & Bank	1,064	1,096	1,129	1,163	1,198
Investments	2,888	3,030	3,538	4,134	4,831
Advances	8,453	9,679	11,082	12,689	14,529
Fixed Assets	47	50	52	55	58
Other Assets	721	742	765	787	811
<b>Total Assets</b>	<b>13,173</b>	<b>14,597</b>	<b>16,566</b>	<b>18,828</b>	<b>21,426</b>

Ratios %					
	FY23	FY24	FY25E	FY26E	FY27E
<b>Asset Quality</b>					
Gross NPA	2.2	1.9	1.9	1.9	1.9
Net NPA	0.4	0.6	0.6	0.6	0.6
PCR	81.0	70.0	70.0	70.0	70.0
<b>Growth</b>					
Advances Growth	16.0	14.5	14.5	14.5	14.5
Deposit growth	15.0	11.0	14.5	14.5	14.5
Net Profit Growth	-26.5	88.8	19.7	23.3	25.4
<b>Liquidity</b>					
C-D Ratio	89.3	92.1	92.1	92.1	92.1
CASA	47.2	45.0	45.0	45.0	45.0
Capital Adequacy	19.1	19.1	19.1	19.1	19.1
<b>Efficiency</b>					
Cost Income Ratio	66.71	56.44	54.73	52.01	49.40
Operating Costs to Assets	3.01	3.04	2.96	2.87	2.78

Spread Analysis (%)					
	FY23	FY24	FY25E	FY26E	FY27E
<b>Spread Analysis</b>					
Yield on Advances	7.6	8.6	8.7	8.7	8.7
Yield on Investments	6.3	6.3	6.5	6.7	6.9
Cost of Funds	3.7	3.7	3.9	3.9	3.9
NIM	4.0	4.0	4.0	4.1	5.1
Interest Spread	3.9	4.9	4.8	4.8	4.8
<b>Profitability</b>					
ROE	7.7%	12.6%	13.1%	13.9%	14.9%
ROA	0.73%	1.2%	1.3%	1.4%	1.6%
Earnings Per Share (Rs)	31.1	58.8	70.4	86.7	108.8
Book Value (Rs)	406	465	535	622	731
Adjusted Book Value (Rs)	394	452	525	616	734
<b>Valuation</b>					
P / EPS (x)	36.6	19.4	16.2	13.1	10.5
P / ABV (x)	2.9	2.5	2.2	1.8	1.6

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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