

Estimate change 

TP change

Rating change 

Bloomberg	AXSB IN
Equity Shares (m)	3090
M.Cap.(INRb)/(USD\$b)	3830.5 / 45.8
52-Week Range (INR)	1340 / 921
1, 6, 12 Rel. Per (%)	-3/3/3
12M Avg Val (INR M)	11029

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	498.9	549.8	621.1
OP	371.2	418.8	486.8
NP	248.6	264.3	303.3
NIM (%)	3.8	3.7	3.7
EPS (INR)	80.7	85.6	98.3
EPS Gr. (%)	14.9	6.1	14.8
BV/Sh. (INR)	487	563	653
ABV/Sh. (INR)	469	543	632

Ratios

RoE (%)	18.0	16.3	16.2
RoA (%)	1.8	1.7	1.7

Valuations

P/E(X)	15.4	14.5	12.6
P/E(X)*	14.0	13.2	11.5
P/BV (X)	2.3	2.0	1.7
P/ABV (X)	2.4	2.1	1.8

* adjusted for subs

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	7.9	7.9	8.0
DII	30.2	29.1	29.0
FII	55.6	55.4	53.4
Others	6.3	7.5	9.6

FII Includes depository receipts

CMP: INR1,240

TP: INR1,175 (-5%)

Neutral

High provisions drag earnings; elevated C/D ratio to suppress loan growth

Asset quality deteriorates slightly

- Axis Bank (AXSB) reported a net profit of INR60.3b (+4% YoY; 6% miss) in 1QFY25. The miss was due to higher provisions.
- NII grew 12% YoY and 3% QoQ to INR134.5b (in line). NIM moderated 1bp QoQ to 4.05%, displaying continued resilience. Provisioning expenses were INR20.4b (sharply higher than MOFSLe), thus leading to the 6% miss at the PBT level.
- Loans grew 14% YoY (2% QoQ). Deposits grew 13% YoY (-1% QoQ), thus resulting in further increase in the C/D ratio to 92%. CASA mix stood at 42%.
- Fresh slippages came in at INR47.93b (vs. INR39.9b in 1QFY24). GNPA/NNPA ratios thus increased 11bp/3bp QoQ to 1.54%/0.34%. PCR stood broadly stable at 78%. About 55% of the rise in credit costs is attributed to lower recoveries in the corporate portfolio this quarter.
- We cut our earnings estimates by 5.6%/7.8% in FY25/26, as we moderate our growth assumptions and build in higher credit costs. We thus estimate FY26E RoA/RoE of 1.7%/16.2%. Reiterate Neutral with a revised TP of INR1,175 (based on 1.7x FY26E ABV).**

Business growth muted; NIM moderates 1bp QoQ

- AXSB reported a net profit of INR60.3b (+4% YoY; 6% miss) in 1QFY25. The miss was due to higher provisions.
- NII grew 12% YoY and 3% QoQ to INR134.5b (in line). NIM moderates 1bp QoQ to 4.05%. Other income grew 14% YoY to INR57.8b. Treasury gains stood at INR4.06b (vs. INR10.2b in 4QFY24). Total revenue thus grew 13% YoY to INR192.3b (in line) during the quarter.
- Opex grew 11% YoY to INR91.3b (4% beat). The C/I ratio stood at 47.5%, while the cost-to-assets ratio improved to 2.5%.
- PPoP thus grew 15% YoY to INR101.1b (in line). The bank suggested continuing investments in the business while maintaining the ability to tighten the overall opex run-rate.
- AXSB's loan book grew 14.2% YoY/1.6% QoQ, with retail/commercial loans being flat/up 4% QoQ and SME loans growing at 20% YoY/0.3% QoQ. Deposit growth was modest at 12.8% YoY/down 0.6% QoQ. Retail TD dipped 0.9% QoQ while non-retail TD grew 4.8% QoQ. CASA mix moderated 100bp QoQ to 42%. C/D ratio increased 194bp QoQ to 92.2%.
- Fresh slippages came in at INR47.93b (INR39.9b in 1QFY24). GNPA / NNPA ratio thus increased by 11bp/3bp QoQ to 1.54% and 0.34% respectively. PCR stood broadly stable at 78%.

Nitin Aggarwal - Research Analyst (Nitin.Aggarwal@MotilalOswal.com)

Research Analyst: Dixit Sankharva (Dixit.Sankharva@motilalosal.com) | **Disha Singhal** (Disha.Singhal@MotilalOswal.com)

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- Net credit costs came in higher at 97bp due to seasonality and lower recoveries & upgrades and did not reflect the full-year credit costs owing to timing differences. About 55% of the rise in credit costs is attributed to lower recoveries in the corporate portfolio this quarter. Excluding this timing difference, the effective credit costs would be 67bp. The restructured loans edged lower to 0.14% of net advances.

Highlights from the management commentary

- The new investment guidelines had a net positive impact of INR12.19b, reducing RoE by 82bp and RoA by 7bp. However, CET 1 improved 14bp.
- ECL provisions included INR50.12b in extra provisions, providing a cushion of 40bp over the reported capital ratio.
- In 1QFY25, the net credit costs did not reflect the full-year outlook due to timing differences. Approximately 55% of the increase is attributed to lower recoveries in the corporate portfolio.
- Excluding this 55% impact from timing differences, the effective credit costs would be 67bp. About 32% of gross slippages were linked accounts that were standard; as these slippages regularize, so would the linked provisions.

Valuation and view

AXSB reported a mixed quarter, with higher provisions leading to the earnings miss, while margin witnessed a meager 1bp QoQ moderation. Asset quality deteriorated, with credit costs increasing sharply due to the timing difference and lower recoveries. Loan growth was driven by the corporate segment, while deposits saw a muted growth leading to an increase in the C/D ratio to 92.2%. We will keenly monitor the near-term growth as an elevated C/D ratio will constrain credit growth, while continued re-pricing of deposits may keep margins under check. The bank has a healthy LCR of 120%, as it maintains the industry-best outflow rates; however, the impact of a surge in non-retail deposits will need to be monitored over the coming quarters. **We cut our earnings estimate by 5.6%/7.8% in FY25/26, as we moderate our growth assumptions and build in higher credit costs. We thus estimate FY26E RoA/RoE of 1.7%/16.2%. Reiterate Neutral with a revised TP of INR1,175 (1.7x FY26E ABV).**

Quarterly performance

(INR b)

	FY24				FY25E				FY24	FY25E	FY25E V/s our	
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE			1QE	Est
Net Interest Income	119.6	123.1	125.3	130.9	134.5	135.2	138.2	141.9	498.9	549.8	133.2	1%
% Change (Y-o-Y)	27.4	18.9	9.4	11.5	12.5	9.8	10.3	8.4	16.2	10.2	11.4	
Other Income	50.9	50.3	55.5	67.7	57.8	60.5	64.2	71.1	224.4	253.6	60.1	-4%
Total Income	170.5	173.5	180.9	198.5	192.3	195.7	202.3	213.0	723.4	803.4	193.3	-1%
Operating Expenses	82.3	87.2	89.5	93.2	91.3	94.2	97.2	101.9	352.1	384.5	95.5	-4%
Operating Profit	88.1	86.3	91.4	105.4	101.1	101.5	105.2	111.1	371.2	418.8	97.9	3%
% Change (Y-o-Y)	49.7	11.9	-1.5	14.9	14.7	17.6	15.1	5.4	16.8	12.8	11.0	
Provisions	10.3	8.1	10.3	11.9	20.4	16.8	16.3	13.0	40.6	66.5	12.2	67%
Profit before Tax	77.8	78.2	81.1	93.5	80.7	84.7	88.9	98.0	330.6	352.3	85.7	-6%
Tax	19.8	19.5	20.4	22.2	20.3	21.4	22.4	24.0	82.0	88.1	21.6	-6%
Net Profits	58.0	58.6	60.7	71.3	60.3	63.4	66.5	74.0	248.6	264.3	64.1	
% Change (Y-o-Y)	40.5	10.0	3.7	7.6	4.1	8.1	9.5	3.8	15.2	6.3	10.6	
Operating Parameters												
Deposit (INR t)	9.4	9.6	10.0	10.7	10.6	11.1	11.6	12.2	10.7	12.2	11.0	-4%
Loan (INR t)	8.6	9.0	9.3	9.7	9.8	10.0	10.4	10.8	9.7	10.8	9.9	-1%
Deposit Growth (%)	17.2	17.9	18.5	12.9	12.8	16.1	15.3	14.0	12.9	14.0	16.9	
Loan Growth (%)	22.4	22.8	22.3	14.2	14.2	11.4	11.6	12.0	14.2	12.0	15.8	
Asset Quality												
Gross NPA (%)	2.0	1.7	1.6	1.4	1.5	1.7	1.7	1.6	1.5	1.6	1.5	
Net NPA (%)	0.4	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.3	0.4	0.3	
PCR (%)	79.6	79.5	77.8	78.5	78.1	77.8	77.4	77.4	78.5	77.4	78.7	

E: MOFSL Estimates

Quarterly snapshot

Profit and Loss (INR b)	FY24				FY25 1Q	Change (%)	
	1Q	2Q	3Q	4Q		YoY	QoQ
Interest Income	255.6	266.3	279.6	292.2	300.6	18	3
Interest Expenses	136.0	143.1	154.3	161.4	166.1	22	3
Net Interest Income	119.6	123.1	125.3	130.9	134.5	12	3
Other Income	50.9	50.3	55.5	67.7	57.8	14	-15
Trading profits	5.2	-1.0	2.9	10.2	4.1	-22	-60
Total Income	170.5	173.5	180.9	198.5	192.3	13	-3
Operating Expenses	82.3	87.2	89.5	93.2	91.3	11	-2
Employee	26.9	26.1	27.1	29.2	31.3	16	7
Others	55.4	61.1	62.3	64.0	60.0	8	-6
Operating Profits	88.1	86.3	91.4	105.4	101.1	15	-4
Core Operating Profits	83.0	87.3	88.5	95.1	97.0	17	2
Provisions	10.3	8.1	10.3	11.9	20.4	97	72
PBT	77.8	78.2	81.1	93.5	80.7	4	-14
Taxes	19.8	19.5	20.4	22.2	20.3	3	-8
PAT	58.0	58.6	60.7	71.3	60.3	4	-15
Balance Sheet (INR t)							
Loans	8.6	9.0	9.3	9.7	9.8	14	2
Deposit	9.4	9.6	10.0	10.7	10.6	13	-1
CASA Deposits	4.3	4.2	4.2	4.6	4.4	4	-3
-Savings	3.0	2.9	2.9	3.0	2.9	0	-2
-Current	1.3	1.3	1.3	1.6	1.5	12	-5
Loan Mix (%)							
Large/mid corp.	31.9	31.4	30.6	28.8	29.7	-225	87
SME	10.1	10.7	10.7	10.7	10.6	54	-12
Retail	58.0	57.9	58.7	60.4	59.7	171	-75
Asset Quality (INR b)							
GNPA	181.6	167.6	158.9	151.3	162.1	-11	7
NNPA	37.0	34.4	35.3	32.5	35.5	-4	9
Slippages	39.9	32.5	37.2	34.7	47.9	20	38
Asset Quality Ratios (%)							
	1Q	2Q	3Q	4Q	1Q	YoY(bp)	QoQ(bp)
GNPA	1.96	1.73	1.58	1.43	1.54	-42	11
NNPA	0.41	0.36	0.36	0.31	0.34	-7	3
PCR	79.6	79.5	77.8	78.5	78.1	-152	-45
PCR (inc TWO)	93.0	94.0	94.0	94.0	94.0	100	0
Slippage Ratio	2.0	1.6	1.8	1.5	2.1	4	55
Business Ratios (%)							
CASA	46.0	44.0	42.0	43.0	42.0	-400	-100
Loan/Deposit	91.2	93.9	92.8	90.3	92.2	108	194
Other income/Total Income	29.8	29.0	30.7	34.1	30.1	23	-400
Cost to Income	48.3	50.2	49.5	46.9	47.5	-84	51
Cost to Assets	2.3	2.4	2.5	2.6	2.5	22	-1
Tax Rate	25.5	25.0	25.2	23.8	25.2	-29	144
Capitalisation Ratios (%)							
Tier-1	14.9	15.1	14.2	14.2	14.5	-38	32
- CET 1	14.4	14.6	13.7	13.7	14.1	-32	32
CAR	17.7	17.8	16.6	16.6	16.7	-109	2
RWA / Total Assets	67.0	67.0	71.0	70.0	73.0	600	300
LCR	123.3	117.9	118.5	120.1	120.0	-326	-12
Profitability Ratios (%)							
Yield on loans	10.3	10.4	10.6	10.3	10.3	-1	0
Yield on Funds	9.4	9.5	9.5	9.4	9.6	22	24
Cost of funds	5.0	5.2	5.4	5.4	5.4	41	1
Margins	4.10	4.11	4.01	4.06	4.05	-5	-1
Other Details							
Branches	4,945	5,152	5,252	5,377	5,427	482	50
Employees (K)	94,800	99,350	99,600	1,04,000	1,04,500	9,700	500



Highlights from the management commentary

Opening remarks by the management team

- Achieved higher growth and increased market share in certain advance segments.
- The bank remains well-capitalized and continues to pursue growth effectively.
- Management remains focused on executing the GPS strategy.
- New corporate salary accounts grew 39% QoQ.
- NTB accounts opened reached a historical high for the bank.
- The bank's ongoing focus is on driving growth in business segments.
- Open by AXSB is rated among the top mobile banking services.
- The integration of Citi Bank's business was completed in Jul'24, two months ahead of schedule, acquiring 2m customers and completing a smooth transition.
- The successful integration program demonstrates the strength of the brand.
- Open saw a 55% increase in deposits and introduced a new FD journey this quarter, achieving significant volumes.
- Rural advances rose 24%, and deposits from Bharat branches grew by 9%. The balance sheet size has doubled over the past two years.
- Management anticipates that deposit growth will drive credit growth, and it is expected to be in the range of 12-13%.
- In the first quarter, AXSB's operating performance was on track. NIMs stood at 4.05%, NII grew by 12% year-on-year and 3% quarter-on-quarter, fee income grew by 15%, with granular fees accounting for 93% of the total. Operating expenses decreased by 2% QoQ.
- Cost to Assets was 2.4%, net credit costs increased 47bp to 0.97%. The increase in net credit costs in 1Q was due to certain timing differences.
- Seasonal factors affected Agri loans, with 55% attributed to lower recovery rates, which is likely to improve.
- Profit after tax grew 4% YoY. NNPA declined 7bp, and PCR remained flat at 78%.
- ECL provisions included INR50.12b in extra provisions, providing a cushion of 40bp over the reported capital ratio.
- The bank is not in need of capital in the near term.
- Interest reversals QoQ were offset by an increase in IT refunds in 1Q.
- RIDF bonds decreased INR98.5b, comprising 1.4% of overall assets compared to 2.3% as of Jun'23.
- Fee income improved in the wholesale business, reflecting its strength.
- The bank opened 50 branches in the first quarter.
- The decline in operating expenses was due to a decrease in other operational expenses.
- The bank infused INR2.5b into Axis Securities during 1Q.
- Axis Capital completed 22 investment banking deals.
- The bank holds a 19.02% share capital in Max Life.
- Gross slippages increased due to small accounts under INR1b. Filters have been implemented for retail.
- Gross slippages breakdown: Total INR47.93b, comprising INR42.29b in Retail, INR1.78b in CBG, and INR3.86b in Wholesale. In 1Q, 32% of gross slippages were from borrowers whose accounts were upgraded during the quarter.

- Net slippages breakdown: Total INR32.9b, comprising INR29.19b in Retail, INR2.87b in CBG, and a recovery of INR2.87b in Wholesale.
- Deposits may constrain advances growth, although its advances have the potential to grow 300-400bp faster than the industry.

Margins related

- Margins experienced a normal reversal due to slippages, with any additional reversal offset by an increase in income tax refunds.
- The bank maintains a 3.80% NIMs rate and remains vigilant regarding deposit competitiveness in the industry.
- There is a 25bp cushion in the NIM. As long as the bank achieves profitable growth, it will continue to expand. Deposits may constrain credit growth. The bank is committed to ensuring growth does not come at the expense of profitability. Improving the deposits franchise is a priority; acquiring the right deposits at the right price will sustain its growth trajectory.
- The integration has been successfully completed ahead of schedule. The bank has exceeded its previous guidance, with synergies benefiting a significant portion of the portfolio.

LDR and opex related

- There has been an expansion in the LDR, primarily driven by corporate lending. The bank has submitted its LDR strategy, which has been well-received by the RBI, and the bank is aligning its operations with regulatory guidelines.
- Cost to Assets: The bank plans to continue investing in its franchise while maintaining the ability to tighten belts. Expenses grew 29% YoY and are expected to see moderate growth through FY25.

New investment guidelines

- New investment guidelines had a net positive impact of INR12.19b, reducing the RoE by 82bp and RoA by 7bp. However, CET 1 improved 14bp.
- Investment yields have improved, with the AFS reserve now at INR 17b. This has resulted in a higher yielding portfolio.

Advances and deposits related

- Loan growth is driven by the corporate segment. The bank has identified promising opportunities in corporate lending and is prepared to proceed as long as the underwriting standards are met.
- The focus sectors are MSMEs and mid-sized corporates, which will sustain strong growth while adhering to underwriting standards. Currently, MSMEs and mid-sized corporates comprise 21% of the portfolio and are expected to expand further. Other segments of the portfolio face pricing pressures.
- Retail assets have grown by 18% year-on-year. The commercial banking business continues to show robust growth, with retail assets also poised for expansion.
- Regarding credit growth and personal loans, the bank will carefully manage growth. In the first quarter, the bank saw growth in cards, which were previously limited to customers with 1m and above. The bank will continue to calibrate growth in selected segments to enhance performance.

- For personal loans and credit cards, liquidity will be allocated based on achieving the right RaROC.
- Retail TDs account for 57% of the overall TDs held by the bank.

With respect to asset quality

- In 1QFY25, the net credit costs did not reflect the full-year outlook due to timing differences. Approximately 55% of the increase was attributed to lower recoveries in the corporate portfolio.
- The credit costs remained below the cycle average and are expected to gradually increase from these lower levels. There are currently no clear signs of stress in the portfolio.
- At the portfolio level, no thresholds have been breached in the corporate segment.
- The BB and below category has increased by INR6b; investments without ratings fall into this category. BB and below shows positive MTM value, exceeding their carrying costs.
- Excluding the 55% impact from timing differences, the effective credit costs would be 67bp (reflecting a 30bp impact). About 32% of gross slippages are linked accounts that are standard; as these slippages regularize, so do the linked provisions.
- Unsecured loans linked to unsecured accounts attract 100% provisions, leading to higher provisions.
- Slippages are uniform across various segments, with a notable increase in unsecured loans driven by high leverage. The key leading indicators remain within acceptable ranges, and the bank continues to monitor them closely.
- The credit card portfolio typically lags behind; the bank adjusts its portfolio based on RaROC and takes appropriate measures.
- The bank holds INR50b in contingent provisions. Previous Covid provisions have been reallocated to ECL provisions.

Miscellaneous

- RWAs have increased 300bp due to heightened operational risk, primarily observed in the first quarter of the fiscal year. Approximately 50% of this increase in RWAs is attributable to operational risks.
- Transaction banking fees have decreased, reflecting the proportion of clients' operational cash flows passing through these services. Many fintech customers prefer using APIs for transactions. The bank has introduced Neo for business and revitalized its corporate offerings, aligning with the evolving technological landscape rather than traditional business approaches.

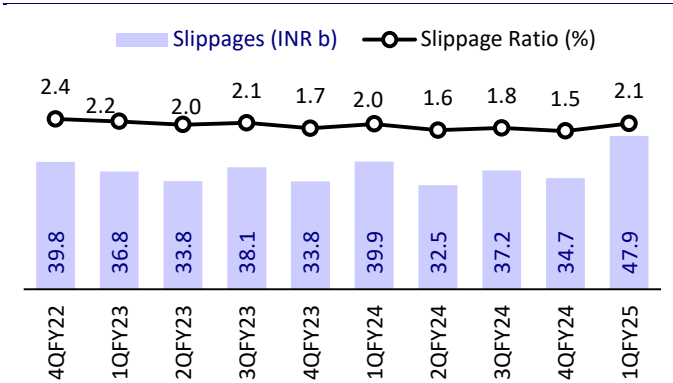
Loan book rises ~14.2% YoY led by corporates; deposit growth muted

- Loan book grew 14.2% YoY and 1.6% QoQ, with retail loans up 17.5% YoY/ 0.3% QoQ and commercial loans up 9.5% YoY/ 3.5% QoQ. Retail makes up ~59.7% of total loans.
- Within retail loans, LAP grew at 2.2% QoQ, PL rose 2.8% QoQ, and cards increased 2.9% QoQ. Business banking grew 23.7% YoY/1.2% QoQ.
- Corporate portfolio grew 4.6% QoQ, while growth in SME book was 20% YoY (up 0.3% QoQ). Around 89% of AXSB’s corporate book is now rated A- and above, with 89% of incremental sanctions in 1QFY25 being made to corporates rated A- and above.
- Deposits grew ~12.8% YoY (down 0.6% QoQ), with CASA deposits declining 3.2% QoQ. Non-retail TDs grew 4.8% QoQ, and retail TDs declined 0.9% QoQ. As a result, the CASA ratio further moderated to 42%. The CASA and retail TDs now comprise 75% of total deposits.

PCR at ~78%; asset quality deteriorates slightly

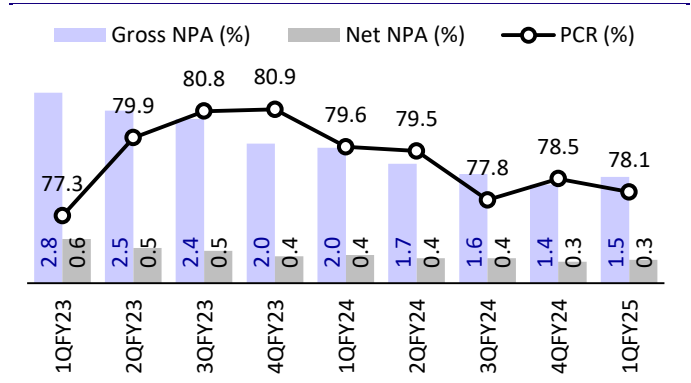
- Reported slippages increased to INR47.9b in 1QFY25, while recoveries/upgrades stood at INR21b and write-offs amounted to INR15b.
- GNPA/NNPA ratio thus increased 11bp/3bp QoQ to 1.54%/0.34%. PCR stood broadly stable at 78%.
- Net credit cost came in higher at 97bps due to seasonality and lower recoveries and upgrades and doesn’t reflect full year credit cost due to timing differences. Excluding that, the effective credit cost would be 67bps. Restructured loans edged lower to 0.14% of net advances.

Exhibit 1: Slippage ratio stood at 2.1%



Source: MOFSL, Company

Exhibit 2: GNPA/NNPA ratio stood at 1.5%/0.3% in 1QFY25



Source: MOFSL, Company

Story in charts

Exhibit 3: Loans/ deposits grew 14.2/ 12.8 YoY

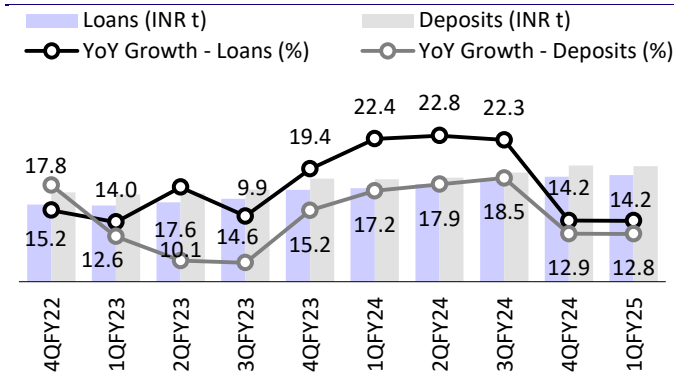


Exhibit 4: CASA ratio moderated to 42% in 1QFY25

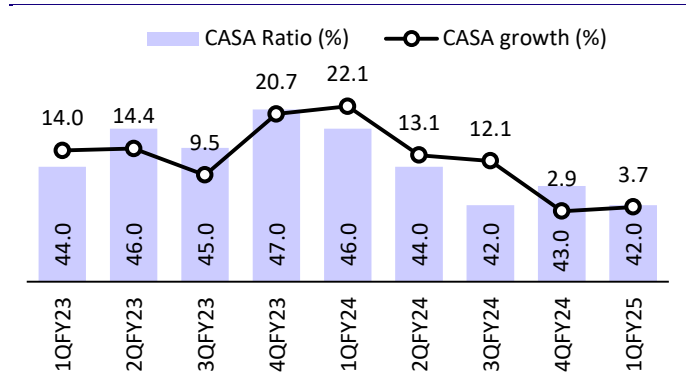


Exhibit 5: Fee income as a % of assets stood at 1.4%

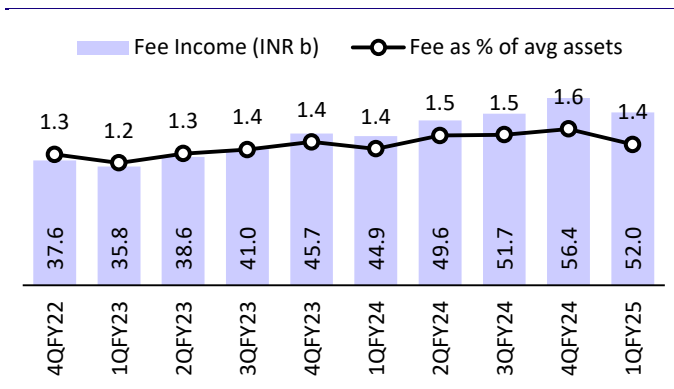


Exhibit 6: NIM moderated 1bp QoQ; CoF increased 1bp QoQ

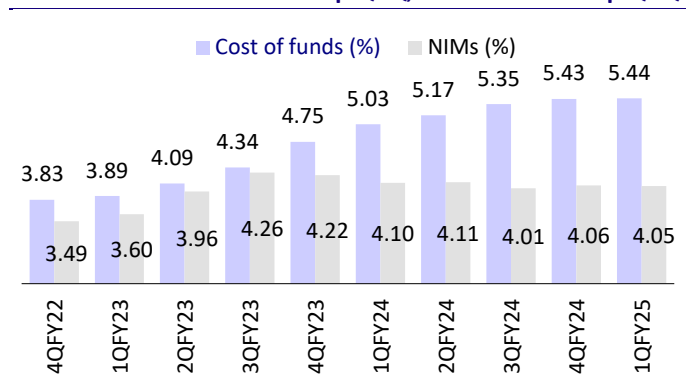


Exhibit 7: C/D ratio stood at 92.2%; LCR at 120%

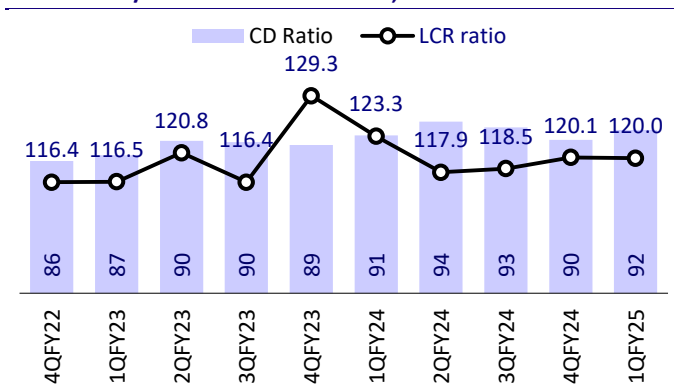


Exhibit 8: C/I ratio increased to 47.5% in 1QFY25

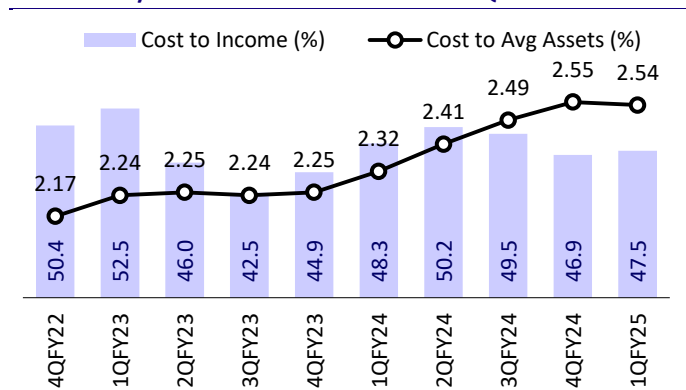


Exhibit 9: Slippage ratio stood at 2.1%

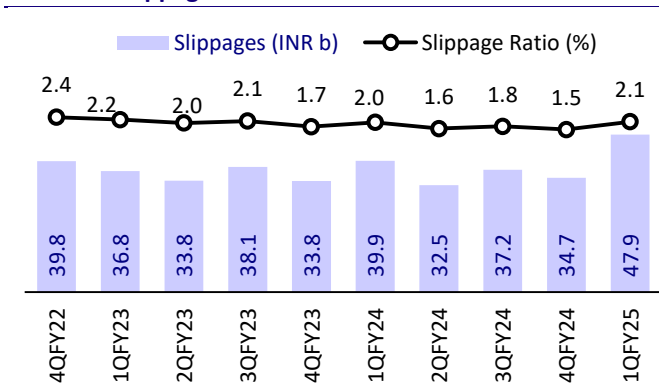
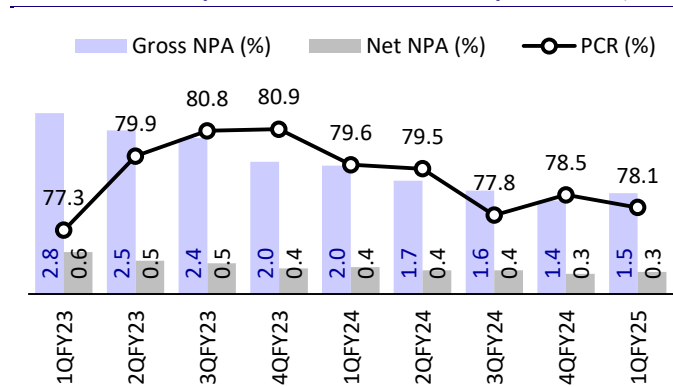


Exhibit 10: GNPA/NNPA ratio stood at 1.5%/0.3% in 1QFY25



Source: MOFSL, Company

Source: MOFSL, Company

Subsidiaries' performance and consolidated earnings snapshot

Exhibit 11: Axis AMC: Equity QAAUM as a % of total at 59%

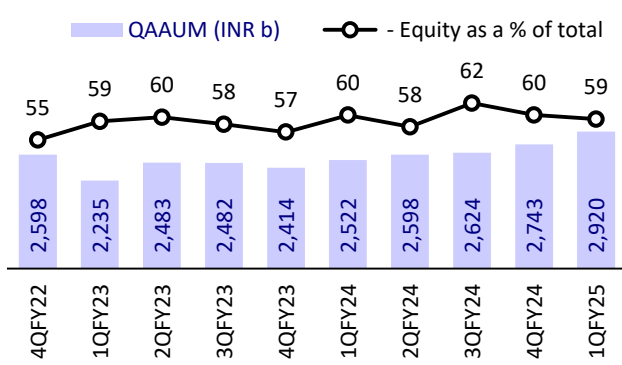


Exhibit 12: Axis AMC: PAT grew 27% YoY in 1QFY25

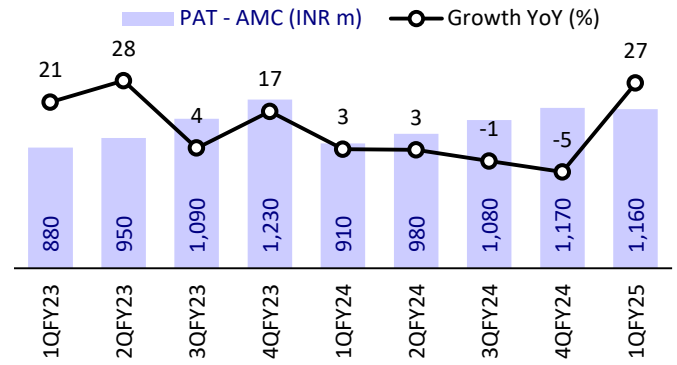


Exhibit 13: Axis Finance: AUF grew healthy at 41% YoY

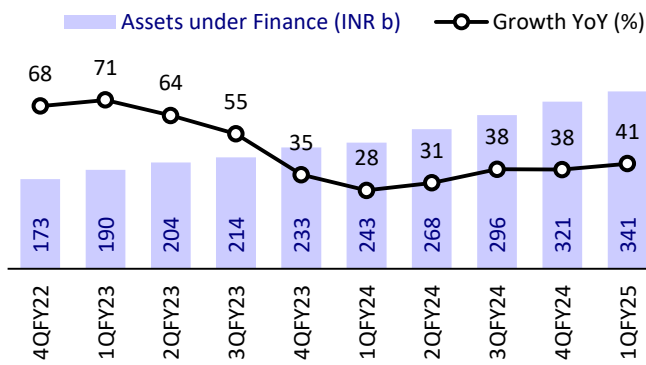


Exhibit 14: Axis Finance: PAT at INR1.5b; RoE at 14.7%

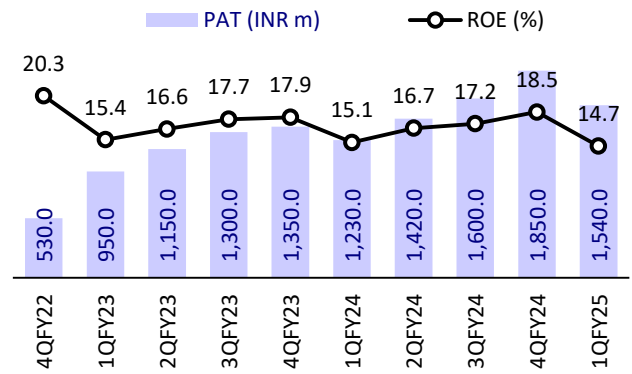


Exhibit 15: Axis Capital: Revenue/PAT grew 148%/227% YoY

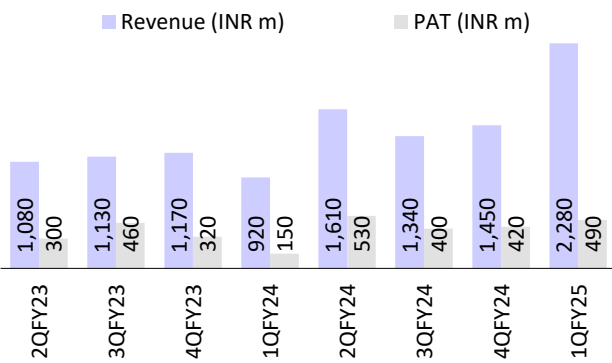


Exhibit 16: Axis Securities: Broking revenue grew 118% YoY

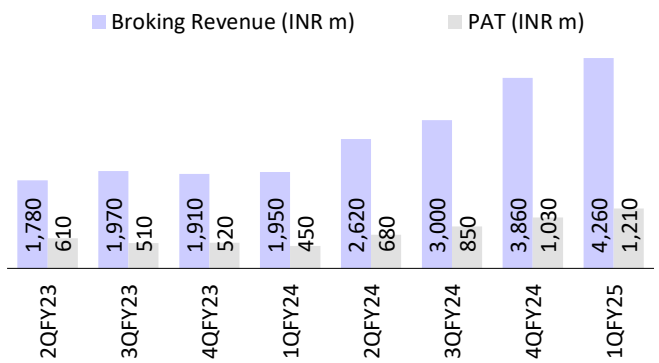
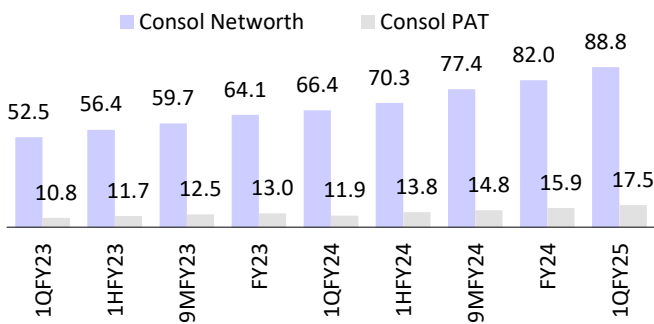


Exhibit 17: Consol. entity's net worth increased to INR89b



Source: MOFSL, Company

Exhibit 18: Profitability split across bank and subsidiaries

INR b	1QFY25	4QFY24	1QFY25	YoY growth (%)	QoQ growth (%)
Stand bank	58.0	71.3	60.3	4.1	-15.4
Axis Finance	1.2	1.9	1.5	25.2	-16.8
Axis AMC	0.9	1.2	1.2	27.5	-0.9
Axis Cap	0.2	0.4	0.5	226.7	16.7
Axis Securities	0.5	1.0	1.2	168.9	17.5
Axis Trustee	-	0.1	0.1	NA	-25.7
Total	61	76	65		
Consol. RoA %	1.8	2.1	1.7	-13	-37
Consol. RoE %	19.4	20.9	16.7	-276	-419

Source: MOFSL, Company

Valuation and view: Reiterate Neutral with a TP of INR1,175

- AXSB reported a mixed quarter, with higher provisions leading to the earnings miss, while margin witnessed a meager 1bp QoQ moderation. Asset quality deteriorated, with credit costs increasing sharply due to the timing difference and lower recoveries.
- Loan growth was driven by the corporate segment, while deposits saw a muted growth leading to an increase in the C/D ratio to 92.2%. We will keenly monitor the near-term growth as an elevated C/D ratio will constrain credit growth, while continued re-pricing of deposits may keep margins under check. The bank has a healthy LCR of 120%, as it maintains the industry-best outflow rates; however, the impact of a surge in non-retail deposits will need to be monitored over the coming quarters.
- **We cut our earnings estimate by 5.6%/7.8% in FY25/26, as we moderate our growth assumptions and build in higher credit costs. We thus estimate FY26E RoA/RoE of 1.7%/16.2%. Reiterate Neutral with a revised TP of INR1,175 (1.7x FY26E ABV).**

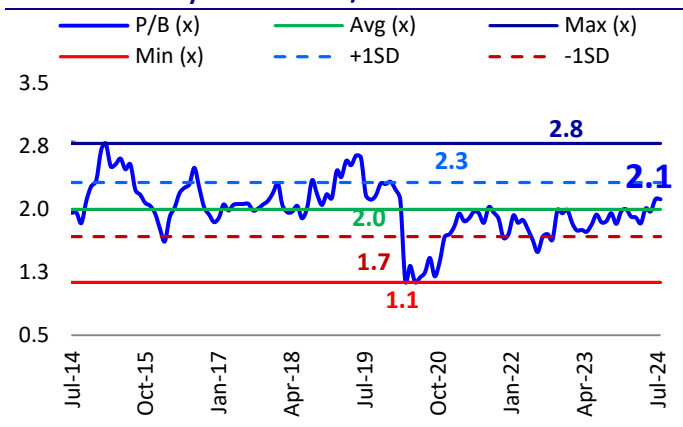
Exhibit 19: Changes to our estimates

INR b	Old Est.		Revised Est.		Chg %/bps	
	FY25	FY26	FY25	FY26	FY25	FY26
Net Interest Income	556.5	639.3	549.8	621.1	-1.2	-2.8
Other Income	260.3	304.6	253.6	294.2	-2.6	-3.4
Total Income	816.8	943.9	803.4	915.3	-1.6	-3.0
Operating Expenses	391.3	438.6	384.5	428.4	-1.7	-2.3
Operating Profits	425.4	505.3	418.8	486.8	-1.6	-3.7
Provisions	52.3	66.8	66.5	82.4	27.1	23.4
PBT	373.1	438.5	352.3	404.4	-5.6	-7.8
Tax	93.3	109.6	88.1	101.1	-5.6	-7.8
PAT	279.9	328.9	264.3	303.3	-5.6	-7.8
Loans	11,098	12,741	10,809	12,268	-2.6	-3.7
Deposits	12,450	14,516	12,183	13,949	-2.1	-3.9
Margins (%)	3.7	3.7	3.7	3.7	(1)	(2)
Credit Cost (%)	0.5	0.5	0.6	0.7	13	15
RoA (%)	1.76	1.80	1.68	1.70	(8)	(10)
RoE (%)	17.1	17.1	16.3	16.2	(82)	(99)
EPS	90.7	106.5	85.6	98.3	-5.6	-7.8
BV	572.0	670.5	563.1	653.4	-1.6	-2.6
ABV	554.5	651.3	543.5	632.3	-2.0	-2.9

Exhibit 20: SoTP-based pricing

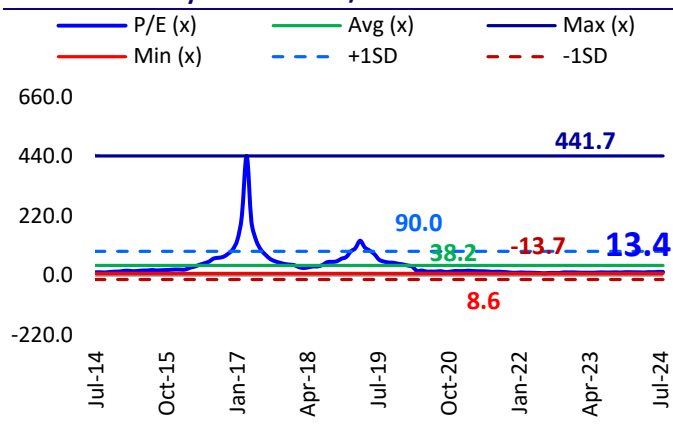
Name	Stake	Attributed Value (INR b)	Value per Share	% of total value	Rationale
Axis Bank	100.0	3,297.2	1,068	90.9	1.7x ABV FY26E
Axis Finance	100.0	123.1	40	3.4	2.0x FY26E Networkth
Axis Capital	100.0	34.8	11	1.0	15x FY26E PAT
Axis Securities	100.0	67.4	22	1.9	15x FY26E PAT
Axis Mutual Fund	75.0	135.1	44	3.7	27x FY26E PAT
Max Life Insurance	20.0	51.3	17	1.4	1.9x FY26E EV
Total Value of Subs		411.7	133	11.4	
Less: 20% holding disc		82.3	27	2.3	
Value of Subs (Post Holding Disc)		329.4	107	9.1	
Target Price		3,626.5	1,175		

Exhibit 21: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 22: One-year forward P/E ratio



Source: MOFSL, Company

Exhibit 23: DuPont Analysis: Return ratios to see a moderation

Y/E MARCH	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	7.30	6.66	6.23	6.83	7.83	8.11	7.99
Interest Expense	4.36	3.59	3.17	3.39	4.26	4.61	4.50
Net Interest Income	2.94	3.07	3.06	3.45	3.57	3.50	3.49
Fee income	1.56	1.19	1.28	1.32	1.48	1.48	1.51
Trading and others	0.25	0.10	0.13	-0.02	0.13	0.14	0.15
Non-Interest income	1.81	1.29	1.41	1.30	1.61	1.61	1.65
Total Income	4.75	4.36	4.47	4.74	5.18	5.11	5.14
Operating Expenses	2.02	1.93	2.18	2.19	2.52	2.45	2.41
-Employee cost	0.62	0.65	0.70	0.70	0.78	0.78	0.78
-Others	1.40	1.28	1.48	1.49	1.74	1.67	1.63
Operating Profit	2.73	2.43	2.29	2.55	2.66	2.66	2.73
Core Operating Profit	2.48	2.33	2.16	2.57	2.53	2.53	2.59
Provisions	2.16	1.51	0.68	0.23	0.29	0.42	0.46
PBT	0.57	0.93	1.61	2.32	2.37	2.24	2.27
Tax	0.38	0.23	0.40	0.59	0.59	0.56	0.57
RoA	0.19	0.69	1.20	1.73	1.78	1.68	1.70
Leverage (x)	11.3	10.2	10.0	10.4	10.2	9.7	9.5
RoE	2.1	7.1	12.0	18.0	18.1	16.3	16.2

Financials and valuations

Income Statement							(INR b)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	
Interest Income	626.4	633.5	673.8	851.6	1,093.7	1,274.7	1,422.1	
Interest Expense	374.3	341.1	342.4	422.2	594.7	725.0	801.0	
Net Interest Income	252.1	292.4	331.3	429.5	498.9	549.8	621.1	
-growth (%)	16.1	16.0	13.3	29.6	16.2	10.2	13.0	
Non-Interest Income	155.4	122.6	152.2	161.4	224.4	253.6	294.2	
Total Income	407.4	415.0	483.5	590.9	723.4	803.4	915.3	
-growth (%)	16.9	1.9	16.5	22.2	22.4	11.1	13.9	
Operating Expenses	173.0	183.8	236.1	273.0	352.1	384.5	428.4	
Pre Provision Profits	234.4	231.3	247.4	317.9	371.2	418.8	486.8	
-growth (%)	23.3	(1.3)	7.0	28.5	16.8	12.8	16.2	
Core PPOp	212.7	221.5	233.6	320.6	353.3	397.3	461.0	
-growth (%)	16.5	4.2	5.5	37.2	10.2	12.5	16.0	
Provisions	185.3	143.2	73.6	28.8	40.6	66.5	82.4	
PBT	49.0	88.1	173.8	289.0	330.6	352.3	404.4	
Tax	32.8	22.2	43.6	73.3	82.0	88.1	101.1	
Tax Rate (%)	66.8	25.2	25.1	25.3	24.8	25.0	25.0	
Extraordinary expense	-	-	-	123.5	-	-	-	
PAT	16.3	65.9	130.3	92.2	248.6	264.3	303.3	
-growth (%)	(65.2)	304.9	97.7	(29.2)	169.6	6.3	14.8	

Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	5.6	6.1	6.1	6.2	6.2	6.2	6.2
Reserves & Surplus	843.8	1,009.9	1,144.1	1,243.8	1,496.2	1,732.0	2,010.5
Net Worth	849.5	1,016.0	1,150.3	1,249.9	1,502.3	1,738.2	2,016.6
Deposits	6,401.0	6,979.9	8,219.7	9,469.5	10,686.4	12,182.5	13,949.0
-growth (%)	16.7	9.0	17.8	15.2	12.9	14.0	14.5
- CASA Deposits	2,637.1	3,177.5	3,700.1	4,465.4	4,594.0	5,031.4	5,747.0
-growth (%)	8.3	20.5	16.4	20.7	2.9	9.5	14.2
Borrowings	1,479.5	1,428.7	1,851.3	1,863.0	1,968.1	2,102.7	2,266.2
Other Liabilities & Prov.	421.6	443.4	531.5	586.6	606.9	655.5	707.9
Total Liabilities	9,151.6	9,868.0	11,752.8	13,169.0	14,763.8	16,678.9	18,939.8
Current Assets	972.7	617.3	1,109.9	1,064.1	1,144.5	1,242.8	1,394.5
Investments	1,567.3	2,261.2	2,756.0	2,888.1	3,315.3	3,845.7	4,461.0
-growth (%)	-10.4	44.3	21.9	4.8	14.8	16.0	16.0
Loans	5,714.2	6,144.0	7,079.5	8,453.0	9,650.7	10,808.8	12,267.9
-growth (%)	15.5	7.5	15.2	19.4	14.2	12.0	13.5
Fixed Assets	43.1	42.5	45.7	47.3	56.8	62.5	68.8
Other Assets	854.3	803.0	763.3	720.6	604.7	719.1	747.5
Total Assets	9,151.6	9,868.0	11,754.3	13,173.3	14,772.1	16,678.9	18,939.8

Asset Quality	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
GNPA	302.3	253.1	218.2	186.0	151.3	170.4	187.6
NNPA	93.6	70.6	56.1	(1,318.5)	32.5	38.5	42.9
Slippages	199.2	172.5	201.1	146.5	144.3	178.0	196.2
GNPA Ratio (%)	5.10	4.00	3.01	1.87	1.55	1.56	1.51
NNPA Ratio (%)	1.64	1.15	0.79	-15.60	0.34	0.36	0.35
Slippage Ratio (%)	3.7	2.9	3.0	1.9	1.6	1.7	1.7
Credit Cost (%)	2.4	1.8	0.8	0.4	0.4	0.6	0.7
PCR (Excl Tech. write off) (%)	69.0	72.1	74.3	808.7	78.5	77.4	77.1

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Yield and Cost Ratios (%)							
Avg. Yield-Earning Assets	8.0	7.3	6.7	7.3	8.2	8.5	8.4
Avg. Yield on loans	9.1	8.0	7.5	8.3	9.6	9.7	9.5
Avg. Yield on Investments	6.9	6.7	5.9	6.5	6.6	6.9	6.9
Avg. Cost-Int. Bear. Liab.	5.0	4.2	3.7	3.9	5.0	5.4	5.3
Avg. Cost of Deposits	4.9	4.0	3.5	3.6	4.5	5.0	4.9
Avg. Cost of Borrowings	5.4	5.2	4.6	5.6	7.3	7.3	7.1
Interest Spread	3.0	3.1	3.0	3.3	3.3	3.1	3.1
Net Interest Margin	3.2	3.4	3.3	3.7	3.8	3.7	3.7
Capitalisation Ratios (%)							
CAR	17.6	19.2	18.5	17.6	17.0	17.1	16.9
Tier I	14.6	16.6	16.4	14.6	14.6	14.9	15.0
-CET-1	13.3	15.4	15.2	14.0	0.0		
Tier II	3.0	2.6	2.1	3.1	2.4	2.2	1.9
Business Ratios (%)							
Loans/Deposit Ratio	89.3	88.0	86.1	89.3	90.3	88.7	87.9
CASA Ratio	41.2	45.5	45.0	47.2	43.0	41.3	41.2
Cost/Avg Assets	2.0	1.9	2.2	2.2	2.5	2.4	2.4
Cost/Total Income	42.5	44.3	48.8	46.2	48.7	47.9	46.8
Cost/Core Income	44.9	45.3	50.3	46.0	49.9	49.2	48.2
Int. Expense/Int.Income	59.8	53.8	50.8	49.6	54.4	56.9	56.3
Fee Income/Total Income	28.9	23.4	24.7	24.7	25.9	24.8	25.3
Non Int. Inc./Total Income	38.1	29.5	31.5	27.3	31.0	31.6	32.1
Empl. Cost/Total Expense	30.7	33.5	32.2	32.1	31.0	31.8	32.3
Efficiency Ratios (INRm)							
Employee per branch (in nos)	16.4	17.0	18.0	18.7	19.4	20.1	20.3
Staff cost per employee	0.7	0.8	0.9	1.0	1.0	1.1	1.1
CASA per branch	582.4	691.7	777.7	909.4	854.4	882.8	942.3
Deposits per branch	1,413.7	1,519.3	1,727.6	1,928.6	1,987.4	2,137.4	2,287.2
Business per Employee (INR m)	163.4	167.6	178.3	195.0	194.9	200.3	211.5
Profit per Employee (INR m)	0.2	0.8	1.5	2.3	2.4	2.3	2.4
Profitability Ratios and Valuation (%)							
RoE	2.1	7.1	12.0	17.9	18.0	16.3	16.2
RoA	0.2	0.7	1.2	1.7	1.8	1.7	1.7
RoRWA	0.3	1.0	1.7	2.4	2.4	2.3	2.3
Book Value (INR)	301.1	331.6	375.2	406.2	486.7	563.1	653.4
-growth	16.1	10.2	13.1	8.3	19.8	15.7	16.0
Price-BV (x)	3.8	3.4	3.0	2.8	2.3	2.0	1.7
Adjusted BV (INR)	269.7	308.0	354.1	696.6	468.8	543.5	632.3
Price-ABV (x)	4.2	3.7	3.2	1.6	2.4	2.1	1.8
EPS (INR)	6.0	22.4	42.5	70.2	80.7	85.6	98.3
-growth	-66.9	271.0	89.7	65.3	14.9	6.1	14.8
Price-Earnings (x)	205.5	55.4	29.2	17.7	15.4	14.5	12.6
Price-Earnings (x) - Adj. Subs	187.8	50.6	26.7	16.1	14.0	13.2	11.5
Dividend Per Share (INR)	1.0	0.0	1.0	1.0	1.0	8.1	8.1
Dividend Yield	0.1	0.0	0.1	0.1	0.1	0.6	0.6

E: MOFSL Estimates

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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