

January 17, 2025

Q3FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	1,350		1,530	
NII (Rs. m)	5,83,530	6,45,607	6,07,967	6,90,059
% Chng.	(4.0)	(6.4)		
Op. Profit (Rs. m)	4,50,809	5,11,304	4,63,031	5,40,589
% Chng.	(2.6)	(5.4)		
EPS (Rs.)	89.6	102.1	92.4	108.7
% Chng.	(3.1)	(6.0)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
NII (Rs m)	4,98,945	5,45,654	5,83,530	6,45,607
Op. Profit (Rs m)	3,71,232	4,20,680	4,50,809	5,11,304
PAT (Rs m)	2,48,614	2,57,687	2,77,217	3,16,103
EPS (Rs.)	80.5	83.3	89.6	102.1
Gr. (%)	13.0	3.4	7.6	14.0
DPS (Rs.)	1.0	1.1	1.2	1.3
Yield (%)	0.1	0.1	0.1	0.1
NIM (%)	3.8	3.8	3.7	3.7
RoAE (%)	18.0	15.6	14.4	14.3
RoAA (%)	1.8	1.7	1.7	1.7
P/BV (x)	2.1	1.8	1.6	1.4
P/ABV (x)	2.2	1.8	1.6	1.4
PE (x)	12.9	12.5	11.6	10.2
CAR (%)	16.6	16.8	17.0	17.0

Key Data

AXBK.BO | AXSB IN

52-W High / Low	Rs.1,340 / Rs.996
Sensex / Nifty	77,043 / 23,312
Market Cap	Rs.3,213bn/ \$ 37,122m
Shares Outstanding	3,095m
3M Avg. Daily Value	Rs.9478.79m

Shareholding Pattern (%)

Promoter's	8.23
Foreign	47.32
Domestic Institution	37.48
Public & Others	6.97
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(9.8)	(20.4)	(7.2)
Relative	(4.3)	(16.6)	(12.0)

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Weak loan growth/asset quality are key concerns

Quick Pointers:

- Soft quarter owing to miss on credit growth, fees and asset quality.
- We cut loan/opex growth leading to core PAT cut of ~5% for FY26/27E.

AXSB saw a weak quarter as loan growth, fees and asset quality were a miss. However, core PPOp beat PLe by 2.2% as opex was 7.5% lower to PLe following softer balance sheet accretion. Slippages/provisions remained elevated due to continued unsecured stress and seasonality in agri. Loan growth was weaker at 8.8% YoY led by slowdown in retail. Bank commentary suggests that loan offtake would remain challenged due to constrained deposit addition. We trim loan/deposit growth for FY25/26/27E by avg. 2.6%/3.4% which would be partly offset by cut in opex by avg. 5.6%. Hence our core PAT for FY26/27E is lower by 3.2%/6.3%. While target multiples could be lowered across the banking sector due to a tough macro environment, quantum cut would be higher for AXSB due to weaker loan growth/asset quality. We trim multiple from 2.2x to 1.9x on Sep'26 ABV and lower TP to Rs1,350 from Rs1,530. Retain 'BUY'.

- Miss on loan growth, fees and credit costs partly offset by lower opex:** NII was lower at Rs136.1bn (PLe Rs139.1bn) due to lower loan growth and NIM. Loan growth was 8.8% YoY (PLe 10.5%) and 1.5% QoQ. NIM (calc.) was a bit lower at 3.91% (PLe 3.96%) owing to softer loan yields partly offset by lower cost of funds. Deposit accretion was lower at 9.1% YoY (PLe 11.4%) and 0.8% QoQ. LDR increased to 92.6% (92% in Q2FY25). Other income was a miss at Rs59.7bn (PLe Rs62.5bn) due to lower fees. Opex at Rs90.4bn was a beat and 7.5% below PLe owing to lower staff cost and other opex. Core PPOp at Rs100.2bn was 2.2% above PLe while PPOp was Rs105.3bn (Ple Rs103.8bn). Asset quality was a miss owing to higher slippages and write-offs leading to drag on provisions which came in at Rs21.6bn (PLe Rs18bn). Core PAT at Rs59.14bn was 1.4% below PLe; PAT was Rs63bn (Ple Rs64.4bn).
- Sequential loan growth lower due to retail:** Credit growth was soft at 1.5% QoQ mainly led by slower offtake in retail; corporate/SME grew by 1.3%/3.3% QoQ. Within retail, growth was impacted due to weaker credit flow in HL, vehicle and PL/CC. Slowdown in PL/CC book is expected to continue amid a stressed environment, however, MFI contribution is not material at ~1% or Rs60bn of retail loan book. Advances growth is expected to be curtailed in the short to mid-term owing to slower deposits accretion while LDR might be maintained at current levels. We cut loan/deposit growth in FY25E/26E/27E by 3.0%/3.0%/2.0% and 4.1%/3.6%/2.6% respectively.
- Asset quality blip; we cut opex growth:** Fees declined QoQ due to lower disbursements and card issuances. Opex accretion was muted as advances growth was soft; bank guided to further control opex as the environment is tough; we trim opex in FY25E/26E/27E by 3.9%/5.7%/7.2%. Gross slippages were higher at Rs54.3bn (PLe Rs48.9bn) due to (1) continued stress in unsecured and (2) seasonality in agri. As AXSB has tightened filters in unsecured lending, stress accretion is likely to reduce in upcoming quarters.

Exhibit 1: PAT was a miss at Rs63.0bn led by miss on margins and provisions

Financial Statement (Rs m)	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY24	QoQ gr. (%)	Q3FY25E	Est. beat/miss
Interest Income	309,539	279,611	10.7	304,199	1.8	316,018	(2.0)
Interest Expenses	173,481	154,290	12.4	169,367	2.4	176,959	(2.0)
Net interest income (NII)	136,059	125,322	8.6	134,832	0.9	139,059	(2.2)
-Treasury Income	3,680	2,910	26.5	11,110	(66.9)	3,000	22.7
Other income	59,722	55,548	7.5	67,219	(11.2)	62,532	(4.5)
Total income	195,781	180,870	8.2	202,051	(3.1)	201,591	(2.9)
Operating expenses	90,442	89,457	1.1	94,926	(4.7)	97,774	(7.5)
-Staff expenses	29,846	27,113	10.1	31,172	(4.3)	32,107	(7.0)
-Other expenses	60,596	62,344	(2.8)	63,754	(5.0)	65,667	(7.7)
Operating profit	105,339	91,412	15.2	107,125	(1.7)	103,818	1.5
Core operating profit	101,659	88,502	14.9	96,015	5.9	100,818	0.8
Total provisions	21,556	10,283	109.6	22,041	(2.2)	18,000	19.8
Profit before tax	83,782	81,129	3.3	85,084	(1.5)	85,818	(2.4)
Tax	20,745	20,418	1.6	15,908	30.4	21,454	(3.3)
Profit after tax	63,038	60,711	3.8	69,176	(8.9)	64,363	(2.1)
Balance sheet (Rs m)							
Deposits	10,958,828	10,048,995	9.1	10,867,440	0.8	11,195,420	(2.1)
Advances	10,145,641	9,322,864	8.8	9,999,792	1.5	10,299,786	(1.5)
Ratios (%)							
Profitability ratios							
NIM	3.9	4.1	(15)	4.0	(9)	4.0	(5)
RoaA	1.7	1.9	(13)	1.9	(22)	1.7	(2)
RoaE	16.0	17.7	(172)	18.3	(231)	16.3	(35)
Asset Quality							
Gross NPL	158,503	158,930	(0.3)	154,662	2.5	162,035	(2.2)
Net NPL	37,748	35,269	7.0	36,125	4.5	35,648	5.9
Gross NPL ratio	1.5	1.6	(12)	1.4	2	1.5	(4)
Net NPL ratio	0.4	0.4	(0)	0.4	1	0.3	3
Coverage ratio (Calc)	76.2	77.8	(162)	76.6	(46)	78.0	(182)
Business & Other Ratios							
Low-cost deposit mix	39.5	42.1	(264)	40.6	(109)	40.0	(49)
Cost-income ratio	46.2	49.5	(326)	47.0	(79)	48.5	(231)
Non int. inc / total income	30.5	30.7	(21)	33.3	(276)	31.0	(51)
Credit deposit ratio	92.6	92.8	(19)	92.0	56	92.0	58
CAR	17.0	16.6	38	16.6	40		
Tier-I	14.6	13.7	90	14.5	7		

Source: Company, PL

Exhibit 2: Loan growth muted due to lower retail growth

Segmental Mix (Rs m)	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)
Large & mid-corporate	2,946,000	2,852,440	3.3	2,908,000	1.3
SME Advances	1,141,000	1,000,430	14.1	1,105,000	3.3
Retail	6,058,250	5,469,990	10.8	5,987,000	1.2
- Housing Loans	2,372,210	2,214,170	7.1	2,348,750	1.0
- Personal loans	759,690	650,830	16.7	754,440	0.7
- Auto loans	583,590	578,740	0.8	587,080	(0.6)

Source: Company, PL

Q3FY25 Concall Highlights

Balance Sheet

- **Deposits:** Bank emphasized its commitment to securing granular, stable deposits in order to reduce volatility, as acquiring deposits at a high cost is not sustainable. Primary focus is on attracting deposits from salaried customers and non-callable deposits.
- **Advances:** Unsecured portfolio growth has been cautious through direct and indirect sourcing. Retail MFI constitutes ~1% (~Rs60bn) of retail loan book. Slowdown in PL/CC book is expected to continue amid stress environment.
- Advances are expected to be curtailed in the short to midterm owing to slower deposits growth. Deposit and credit growth for the system is expected to be maintained at 11-12% in FY26. **LDR** is expected to be maintained at this level.
- **RoE** was impacted due to reduction in leverage and increased liquidity. Bank plans to raise funds through Tier-2 or AT-1 bonds based on market conditions.
- **LCR** guidelines impact will be evaluated after finalization of the policy.

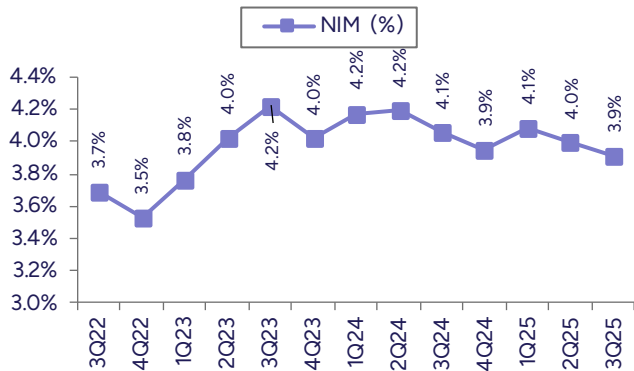
Profit & Loss

- NIM fell by 6bps; 1) 3bps was attributable to increased outflow rates of operating deposits leading to higher investments and 2) higher average LCR.
- **NIM** is guided to be maintained above 3.8%. Global NIM was impacted due to 1) increase in non-rupee book mix and 2) excess off-shore liquidity.
- **Other income: Fees** declined owing to lower disbursements and card issuances. However, when the cycle changes, bank is positioned to boost its fee income going forward. **Trading profits** and other income decreased due to reversal of MTM gains on investments.
- Bank guided to curb its **operating expenses** in a tough environment.

Asset Quality

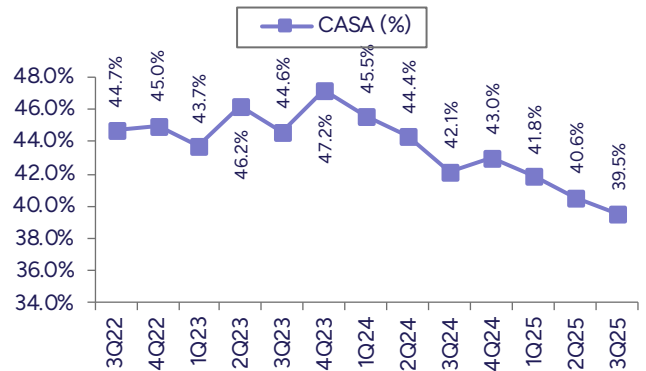
- Bank witnessed a **higher stress in PL/CC**. AXSB has proactively increased filters in unsecured lending leading to fresh credit being of superior quality. Improved quality is expected to reduce stress in the upcoming quarters.
- Bank improved its **collection efficiency** through technological infrastructure.
- Overall **slippages** were higher owing to increased stress in unsecured and seasonality in agri. Unsecured stress is yet to peak out.
- **Recovery from TWO** includes wholesale recovery in Q3FY25 which was not present in earlier quarters.
- **Provisioning policy:** 1) Unsecured portfolio is 100% provided for after crossing 90DPD and 2) rule-based write-off policy in retail/SME. This leads to higher credit cost in the initial quarters of stress environment vs peers.

Exhibit 3: NIMs fell to 3.9% due to lower yields



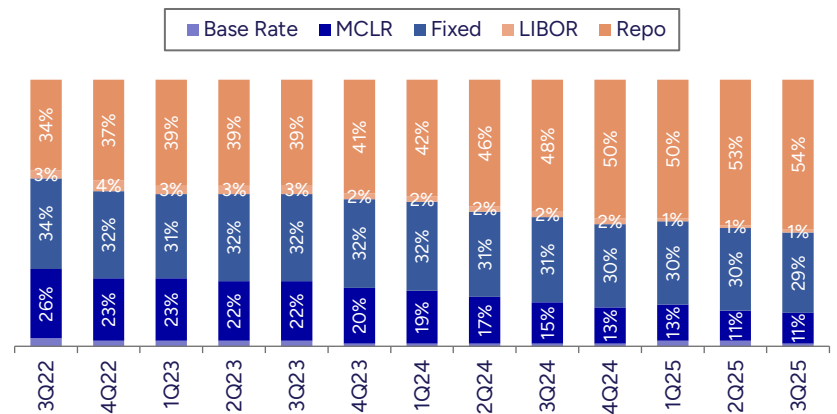
Source: Company, PL

Exhibit 4: CASA continued to decline to 39.5%



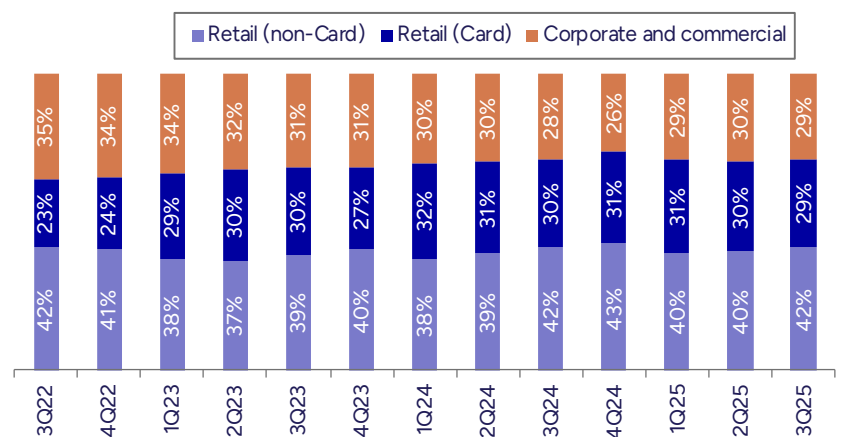
Source: Company, PL

Exhibit 5: Advances mix by rate type constant QoQ



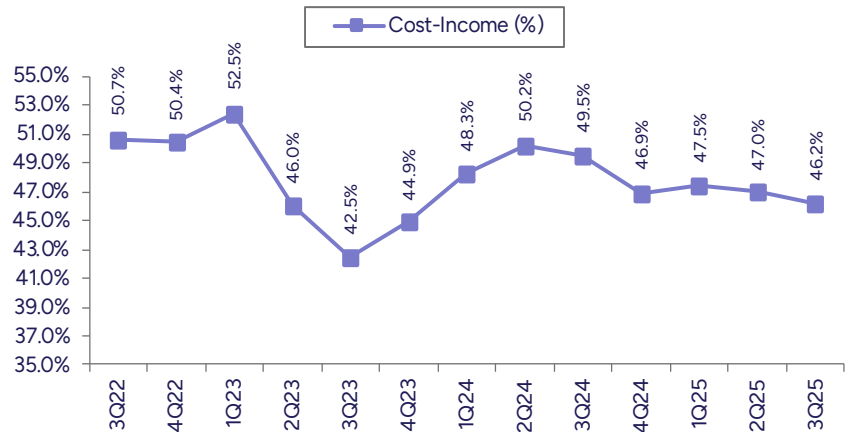
Source: Company, PL

Exhibit 6: Retail fees constitute 71% majorly from non-cards and payments



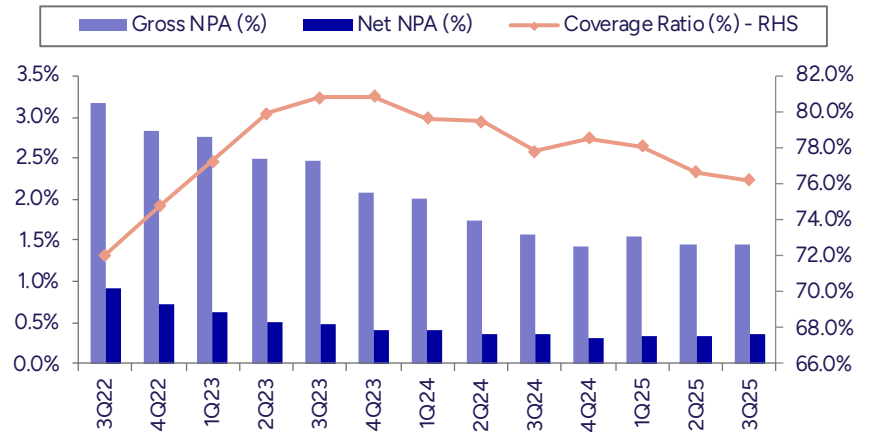
Source: Company Data, PL Research

Exhibit 7: C/I improved to 46.2% due to better cost management



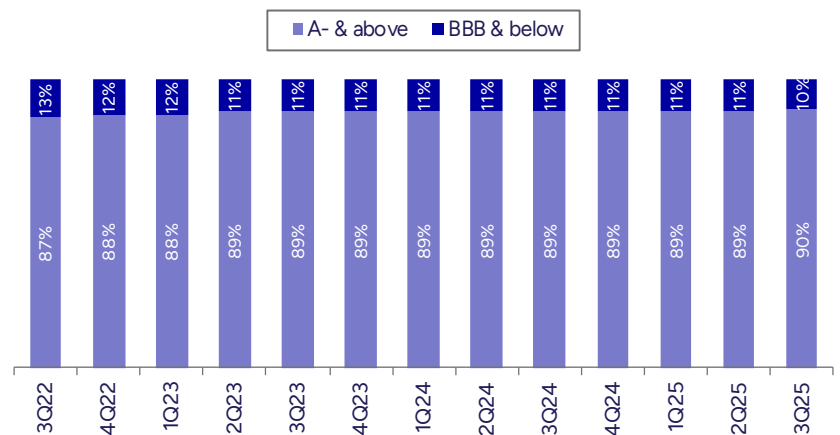
Source: Company, PL

Exhibit 8: Asset quality worsened sequentially, PCR declined to 76.2%



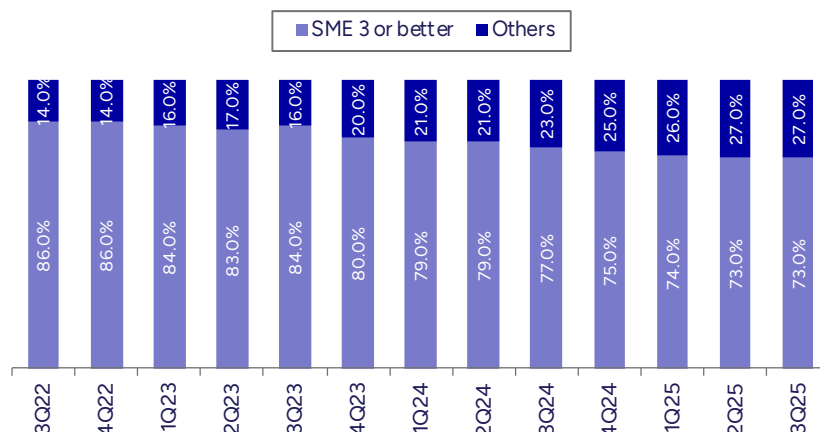
Source: Company, PL

Exhibit 9: Corporate book rating book mix steady at 90:10



Source: Company, PL

Exhibit 10: SME rating mix stable at 73:27



Source: Company, PL

Exhibit 11: Annualized slippages increased to 1.5%, and write offs were higher, restructured book at 0.12%

Stressed Loans (Rs Mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Gross slippages	41470	39810	36840	33830	38070	37710	39900	32540	37150	34710	47930	44430	54320
Recoveries+ Up gradations	32880	37630	29570	28260	20880	26990	23050	19850	25980	21550	15030	20690	19150
Write-offs	17070	17218	15126	17000	16517	24288	21310	26710	19810	20810	22060	31190	31330
Annualized Slippages (%)	2.70	2.59	2.08	1.91	2.15	2.13	1.89	1.54	1.76	1.64	1.99	1.84	2.25
BB & Below book	64,960	57,780	48,580	49,390	44,510	34,780	36,450	34,340	28,840	29,780	31,690	34,340	29,210
NFB O/s to BB & Below exposures	43,240	27,800	25,190	22,610	18,940	13,710	13,850	13,260	14,820	14,530	14,130	13,020	13,520
Investments O/s in BB & Below rating	6,700	8,260	7,960	7,870	7,310	6,730	7,870	6,560	6,680	7,000	11,100	10,960	10,960
Total BB & below book	82,728	70,380	62,932	63,896	57,316	44,728	46,536	43,328	40,272	40,535	45,536	46,656	42,952
% of customer assets	1.6%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%	1.4%	1.4%	1.4%	1.5%
Provisions held	32,172	23,460	18,798	15,974	13,444	10,492	11,634	10,832	10,068	10,775	11,384	11,664	10,738
Total Restructured Dispensation	46430	40290	34020	29960	24820	20470	19070	17560	16410	15280	14090	13200	12670
% of loans	0.70%	0.57%	0.49%	0.38%	0.30%	0.22%	0.21%	0.19%	0.16%	0.16%	0.13%	0.12%	0.12%

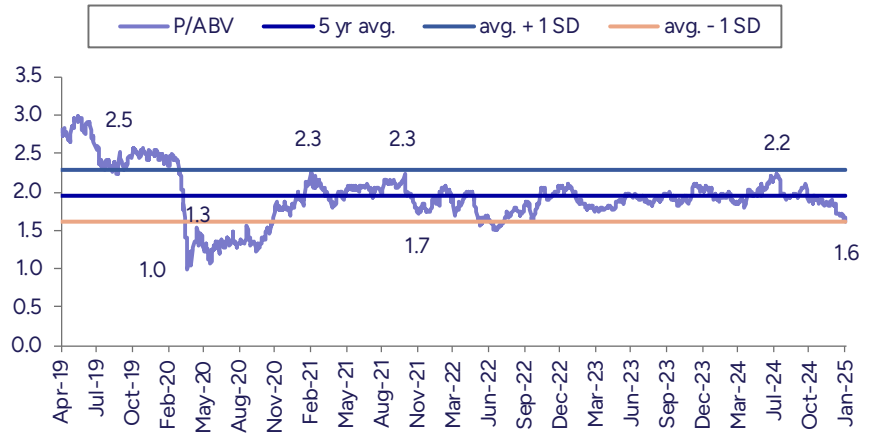
Source: Company, PL

Exhibit 12: Return ratios to remain close to 14-15% over FY26E/27E

RoA decomposition	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Net interest income	3.1	3.1	3.4	3.6	3.6	3.6	3.5
Other Inc. from operations	1.6	1.4	1.3	1.6	1.6	1.6	1.6
Total income	4.6	4.5	4.7	5.2	5.2	5.2	5.2
Employee expenses	0.6	0.7	0.7	0.8	0.8	0.9	0.9
Other operating expenses	1.3	1.5	1.5	1.7	1.6	1.6	1.5
Operating profit	2.7	2.3	2.6	2.7	2.8	2.7	2.8
Tax	0.2	0.4	0.6	0.6	0.5	0.6	0.6
Loan loss provisions	1.8	0.7	0.2	0.3	0.6	0.5	0.5
RoAA	0.7	1.2	1.8	1.8	1.7	1.69	1.73
RoAE	7.1	12.0	18.2	18.0	15.6	14.4	14.3

Source: Company, PL

Exhibit 13: One-year forward P/ABV trades at 1.6x



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Int. Earned from Adv.	8,71,066	9,80,231	10,47,165	11,32,494
Int. Earned from invt.	2,00,106	2,28,358	2,47,172	2,67,932
Others	13,431	12,592	9,387	10,565
Total Interest Income	10,93,686	12,34,356	13,16,234	14,24,383
Interest Expenses	5,94,742	6,88,702	7,32,703	7,78,776
Net Interest Income	4,98,945	5,45,654	5,83,530	6,45,607
Growth(%)	16.2	9.4	6.9	10.6
Non Interest Income	2,24,420	2,46,007	2,64,592	2,94,973
Net Total Income	7,23,364	7,91,661	8,48,123	9,40,580
Growth(%)	30.1	12.3	6.8	8.8
Employee Expenses	1,09,331	1,23,651	1,39,602	1,61,994
Other Expenses	2,29,464	2,47,330	2,57,712	2,67,282
Operating Expenses	3,52,133	3,70,981	3,97,313	4,29,276
Operating Profit	3,71,232	4,20,680	4,50,809	5,11,304
Growth(%)	15.5	13.3	7.2	13.4
NPA Provision	38,230	70,596	66,355	73,124
Total Provisions	40,631	84,309	81,187	89,833
PBT	3,30,601	3,36,371	3,69,623	4,21,471
Tax Provision	81,986	78,685	92,406	1,05,368
Effective tax rate (%)	24.8	23.4	25.0	25.0
PAT	2,48,614	2,57,687	2,77,217	3,16,103
Growth(%)	13.3	3.6	7.6	14.0

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Face value	2	2	2	2
No. of equity shares	3,087	3,095	3,095	3,095
Equity	6,173	6,190	6,190	6,190
Networth	15,10,616	17,87,270	20,60,884	23,72,877
Growth(%)	20.4	18.3	15.3	15.1
Adj. Networth to NNPA's	32,475	38,441	42,475	49,670
Deposits	1,06,86,414	1,12,03,843	1,23,90,644	1,38,30,789
Growth(%)	12.9	4.8	10.6	11.6
CASA Deposits	45,94,010	45,16,053	49,88,803	55,82,102
% of total deposits	43.0	40.3	40.3	40.4
Total Liabilities	1,47,72,086	1,55,83,123	1,72,55,679	1,92,70,970
Net Advances	96,50,684	1,04,19,574	1,14,61,346	1,27,24,326
Growth(%)	14.2	8.0	10.0	11.0
Investments	33,15,272	35,29,210	39,03,053	43,56,699
Total Assets	1,47,72,086	1,55,83,123	1,72,55,679	1,92,70,970
Growth (%)	12.1	5.5	10.7	11.7

Asset Quality

Y/e Mar	FY24	FY25E	FY26E	FY27E
Gross NPAs (Rs m)	1,51,271	1,60,092	1,79,032	2,11,176
Net NPAs (Rs m)	32,475	38,441	42,475	49,670
Gr. NPAs to Gross Adv.(%)	1.5	1.5	1.5	1.6
Net NPAs to Net Adv. (%)	0.3	0.4	0.4	0.4
NPA Coverage %	78.5	76.0	76.3	76.5

Profitability (%)

Y/e Mar	FY24	FY25E	FY26E	FY27E
NIM	3.8	3.8	3.7	3.7
RoAA	1.8	1.7	1.7	1.7
RoAE	18.0	15.6	14.4	14.3
Tier I	14.2	14.7	14.9	15.0
CRAR	16.6	16.8	17.0	17.0

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Interest Income	2,92,245	3,00,607	3,04,199	3,09,539
Interest Expenses	1,61,355	1,66,125	1,69,367	1,73,481
Net Interest Income	1,30,890	1,34,482	1,34,832	1,36,059
YoY growth (%)	11.5	12.5	9.5	8.6
CEB	56,370	52,040	55,080	54,550
Treasury	-	-	-	-
Non Interest Income	67,658	57,835	67,219	59,722
Total Income	3,59,903	3,58,442	3,71,417	3,69,261
Employee Expenses	29,235	31,295	31,172	29,846
Other expenses	63,956	59,960	63,754	60,596
Operating Expenses	93,191	91,255	94,926	90,442
Operating Profit	1,05,357	1,01,062	1,07,125	1,05,339
YoY growth (%)	14.9	14.7	24.1	15.2
Core Operating Profits	95,147	97,002	96,015	1,01,659
NPA Provision	-	25,510	14,410	21,850
Others Provisions	11,853	20,393	22,041	21,556
Total Provisions	11,853	20,393	22,041	21,556
Profit Before Tax	93,504	80,670	85,084	83,782
Tax	22,207	20,323	15,908	20,745
PAT	71,297	60,346	69,176	63,038
YoY growth (%)	5.4	4.1	18.0	3.8
Deposits	1,06,86,414	1,06,24,837	1,08,67,440	1,09,58,828
YoY growth (%)	12.9	12.8	13.7	9.1
Advances	96,50,684	98,00,915	99,99,792	1,01,45,641
YoY growth (%)	14.2	14.2	11.4	8.8

Key Ratios

Y/e Mar	FY24	FY25E	FY26E	FY27E
CMP (Rs)	1,038	1,038	1,038	1,038
EPS (Rs)	80.5	83.3	89.6	102.1
Book Value (Rs)	489	577	666	767
Adj. BV (Rs)	479	565	652	750
P/E (x)	12.9	12.5	11.6	10.2
P/BV (x)	2.1	1.8	1.6	1.4
P/ABV (x)	2.2	1.8	1.6	1.4
DPS (Rs)	1.0	1.1	1.2	1.3
Dividend Payout Ratio (%)	1.2	1.3	1.3	1.3
Dividend Yield (%)	0.1	0.1	0.1	0.1

Efficiency

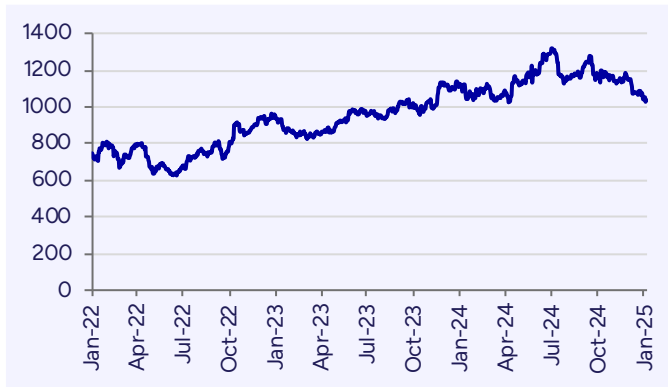
Y/e Mar	FY24	FY25E	FY26E	FY27E
Cost-Income Ratio (%)	48.7	46.9	46.8	45.6
C-D Ratio (%)	90.3	93.0	92.5	92.0
Business per Emp. (Rs m)	195	196	206	220
Profit per Emp. (Rs lacs)	24	23	24	26
Business per Branch (Rs m)	3,782	3,809	4,007	4,282
Profit per Branch (Rs m)	46	45	47	51

Du-Pont

Y/e Mar	FY24	FY25E	FY26E	FY27E
NII	3.57	3.60	3.55	3.53
Total Income	5.18	5.22	5.17	5.15
Operating Expenses	2.52	2.44	2.42	2.35
PPoP	2.66	2.77	2.75	2.80
Total provisions	0.29	0.56	0.49	0.49
RoAA	1.78	1.70	1.69	1.73
RoAE	17.98	15.63	14.41	14.26

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	BUY	1,530	1,068
2	18-Oct-24	BUY	1,530	1,132
3	07-Oct-24	BUY	1,425	1,178
4	25-Jul-24	BUY	1,425	1,239
5	08-Jul-24	BUY	1,450	1,287
6	25-Apr-24	BUY	1,400	1,063
7	09-Apr-24	BUY	1,250	1,076
8	24-Jan-24	BUY	1,250	1,089

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	1,900	1,681
2	Axis Bank	BUY	1,530	1,068
3	Bank of Baroda	BUY	315	232
4	Can Fin Homes	BUY	1,000	705
5	City Union Bank	BUY	190	171
6	DCB Bank	BUY	155	117
7	Federal Bank	BUY	220	197
8	HDFC Asset Management Company	BUY	4,700	3,865
9	HDFC Bank	BUY	2,000	1,713
10	ICICI Bank	BUY	1,640	1,279
11	IndusInd Bank	BUY	1,500	984
12	Kotak Mahindra Bank	BUY	2,230	1,772
13	LIC Housing Finance	Hold	675	583
14	Nippon Life India Asset Management	BUY	820	722
15	State Bank of India	BUY	1,025	779
16	UTI Asset Management Company	BUY	1,320	1,296

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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