

Estimate change 

TP change 

Rating change 

Bloomberg	AXSB IN
Equity Shares (m)	3077
M.Cap.(INRb)/(USD\$b)	3282.1 / 39.4
52-Week Range (INR)	1152 / 854
1, 6, 12 Rel. Per (%)	2/-6/-6
12M Avg Val (INR M)	10459

#### Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	498.9	555.6	639.0
OP	371.2	419.9	497.1
NP	248.6	277.4	322.0
NIM (%)	3.8	3.7	3.7
EPS (INR)	80.7	89.9	104.3
EPS Gr. (%)	13.0	11.4	16.1
BV/Sh. (INR)	489	571	668
ABV/Sh. (INR)	472	553	648

#### Ratios

RoE (%)	18.0	16.9	16.8
RoA (%)	1.8	1.8	1.8

#### Valuations

P/E(X)	13.2	11.8	10.2
P/E(X)*	12.0	10.7	9.2
P/BV (X)	2.0	1.7	1.4
P/ABV (X)	2.0	1.7	1.5

\* adjusted for subs

#### Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	7.9	7.9	8.0
DII	29.1	27.9	31.2
FII	55.4	56.1	50.3
Others	7.5	8.0	10.5

FII Includes depository receipts

**CMP: INR1,065**

**TP: INR1,200 (+13%)**

**Neutral**

## Margins expand 5bp QoQ; treasury gains aid earnings

### CD ratio moderates to ~90%

- AXSB reported healthy PAT beat at INR71.3b (up 7.6% YoY/17.4% QoQ), driven by healthy revenue growth and treasury gains.
- NIMs expanded 5bp QoQ to 4.06% on a favorable asset mix even as funding cost pressure is likely to continue until 1HFY25.
- Loan growth was healthy at 14% YoY/3.5% QoQ, while deposits grew 12.9% YoY/6.3% QoQ. The CD ratio moderated to 90.3%.
- Fresh slippages declined to INR34.7b, whereas healthy recoveries and upgrades led to a decline in the GNPA ratio. Restructured book was under control at 0.16%.
- **We raise our estimates while remaining watchful over cost and a high CD ratio at 90%. We estimate AXSB to deliver a 14.5% CAGR in loans over FY24-26. Accordingly, we estimate FY26 RoA/RoE of 1.8%/16.8%. We retain our Neutral rating with a revised TP of INR1,200 (1.7x FY26E ABV).**

### Deposit growth healthy; CASA mix improves to 43%

- AXSB's 4QFY24 PAT grew 17.4% QoQ to INR71.3b, aided by healthy other income and improvement in margins, partly offset by higher provisions.
- NII grew modestly by 12% YoY (4.4% QoQ) to INR130.9b. Reported margins expanded 5bp QoQ to 4.06% due to improvement in yields. Fee income grew 23% YoY/9% QoQ, while treasury gains and provision reversal supported other income growth at 21.8% QoQ (17% above our estimate).
- Opex grew 25% YoY/4% QoQ (in line), owing to continued investments in digital and technology, employee increments, and expenses related to Citi's integration. Due to one-off other income, the C/I ratio improved sharply to 46.9%, while the cost-to-assets ratio continued to inch up. PPOp grew 15.3% QoQ to INR105.4b (14% above MOFSLe). The bank plans to continue to invest in the business as long as RoE stays at healthy levels above 18%.
- Loan book grew 14% YoY/3.5% QoQ, with Retail loans up 6.6%, corporate down 2.9% QoQ. SME loans grew at a healthy rate at 17% YoY/4.7% QoQ. Deposit growth gathered pace at 12.9% YoY/6.3% QoQ, led by healthy growth in retail and non-retail TDs. The CASA mix rose 100bp QoQ to 43%.
- On the asset quality front, fresh slippages moderated to INR34.7b (vs. INR37.2b in 3QFY24). The GNPA ratio improved by 15bp QoQ to 1.43%, while the net NPA ratio declined to 0.31%. PCR improved to 78.5%.

### Highlights from the management commentary

- There were no one-off items affecting NIM and NII, which reflect a disciplined strategy. The bank has various mechanisms in place to uphold margins.
- Trading gains came from DCM, treasury and reversal of MTM losses booked in 3Q.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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- Cost to assets – As long as the bank can deliver 18% RoE, it will continue to invest in the franchise.
- If the marginal CoF stays steady, deposit repricing should be completed by 2QFY25.

### Valuation and view: Maintain Neutral with a TP of INR1,200

AXSB delivered a healthy earnings beat in 4QFY24, characterized by healthy other income and improvement in margins. NIMs improved 5bp QoQ, led by an improvement in asset mix and controlled rise in funding cost. We keep an eye on near-term growth as an elevated CD ratio will constrain credit growth, while continued re-pricing of deposits may keep margins in check. The bank has healthy LCR of 120% as it maintains industry-best outflow rates; however, the impact of a surge in non-retail deposits will need to be watched over the coming quarters. The bank has reiterated its guidance of growing by 300-400bp higher than the system over the medium term. AXSB has also suggested that it will continue to invest in the business, taking advantage of controlled credit costs. This will keep cost/asset ratios elevated over the near term. **We raise our estimates by 2-4% for FY25-26 while remaining watchful over cost and high CD ratio at 90%. We estimate AXSB to deliver a 14.5% CAGR in loans over FY24-26. Accordingly, we estimate FY26 RoA/RoE of 1.8%/16.8%. We maintain our Neutral rating with a revised TP of INR1,200 (1.7x FY26E ABV).**

### Quarterly performance

(INR b)

	FY23				FY24				FY23	FY24	FY24E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est
<b>Net Interest Income</b>	<b>93.8</b>	<b>103.6</b>	<b>114.6</b>	<b>117.4</b>	<b>119.6</b>	<b>123.1</b>	<b>125.3</b>	<b>130.9</b>	<b>429.5</b>	<b>498.9</b>	<b>127.2</b>	<b>3%</b>
% Change (Y-o-Y)	20.9	31.1	32.4	33.1	27.4	18.9	9.4	11.5	29.6	16.2	8.3	
Other Income	30.0	39.4	46.7	49.0	50.9	50.3	55.5	67.7	165.0	224.4	57.7	17%
<b>Total Income</b>	<b>123.8</b>	<b>143.0</b>	<b>161.2</b>	<b>166.4</b>	<b>170.5</b>	<b>173.5</b>	<b>180.9</b>	<b>198.5</b>	<b>594.5</b>	<b>723.4</b>	<b>184.9</b>	<b>7%</b>
Operating Expenses	65.0	65.9	68.5	74.7	82.3	87.2	89.5	93.2	273.0	352.1	92.8	0%
<b>Operating Profit</b>	<b>58.9</b>	<b>77.2</b>	<b>92.8</b>	<b>91.7</b>	<b>88.1</b>	<b>86.3</b>	<b>91.4</b>	<b>105.4</b>	<b>321.4</b>	<b>371.2</b>	<b>92.2</b>	<b>14%</b>
% Change (Y-o-Y)	-4.8	30.2	50.6	41.8	49.7	11.9	-1.5	14.9	29.9	15.5	0.5	
Provisions	3.6	5.5	14.4	3.1	10.3	8.1	10.3	11.9	28.8	40.6	7.3	63%
<b>Profit before Tax</b>	<b>55.3</b>	<b>71.7</b>	<b>78.4</b>	<b>88.6</b>	<b>77.8</b>	<b>78.2</b>	<b>81.1</b>	<b>93.5</b>	<b>292.6</b>	<b>330.6</b>	<b>84.9</b>	<b>10%</b>
Tax	14.0	18.4	19.9	22.4	19.8	19.5	20.4	22.2	73.3	82.0	21.4	4%
<b>Net Profits</b>	<b>41.3</b>	<b>53.3</b>	<b>58.5</b>	<b>66.3</b>	<b>58.0</b>	<b>58.6</b>	<b>60.7</b>	<b>71.3</b>	<b>219.3</b>	<b>248.6</b>	<b>63.5</b>	
% Change (Y-o-Y)	91.0	70.1	61.9	60.9	40.5	10.0	3.7	7.6	68.4	13.3	-4.1	
<b>Operating Parameters</b>												
Deposit (INR t)	8.0	8.1	8.5	9.5	9.4	9.6	10.0	10.7	9.5	10.7	10.8	-1%
Loan (INR t)	7.0	7.3	7.6	8.5	8.6	9.0	9.3	9.7	8.5	9.7	9.8	-1%
Deposit Growth (%)	12.6	10.1	9.9	15.2	17.2	17.9	18.5	12.9	15.2	12.9	13.8	
Loan Growth (%)	14.0	17.6	14.6	19.4	22.4	22.8	22.3	14.2	19.4	14.2	15.6	
<b>Asset Quality</b>												
Gross NPA (%)	2.8	2.5	2.4	2.0	2.0	1.7	1.6	1.4	2.2	1.5	1.6	
Net NPA (%)	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.4	0.3	0.4	
PCR (%)	77.3	79.9	80.8	80.9	79.6	79.5	77.8	78.5	80.0	78.5	77.0	

## Quarterly snapshot

Profit and Loss (INR b)	FY23				FY24				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Interest Income	187.3	202.4	222.3	239.7	255.6	266.3	279.6	292.2	22	5
Interest Expenses	93.4	98.8	107.7	122.3	136.0	143.1	154.3	161.4	32	5
Net Interest Income	93.8	103.6	114.6	117.4	119.6	123.1	125.3	130.9	11	4
Other Income	30.0	39.4	46.7	49.0	50.9	50.3	55.5	67.7	38	22
Trading profits	-6.7	-0.9	4.3	0.8	5.2	-1.0	2.9	10.2	1,130	251
Total Income	123.8	143.0	161.2	166.4	170.5	173.5	180.9	198.5	19	10
Operating Expenses	65.0	65.9	68.5	74.7	82.3	87.2	89.5	93.2	25	4
Employee	21.9	21.7	22.8	21.6	26.9	26.1	27.1	29.2	35	8
Others	43.1	44.2	45.7	53.1	55.4	61.1	62.3	64.0	21	3
Operating Profits	58.9	77.2	92.8	91.7	88.1	86.3	91.4	105.4	15	15
Core Operating Profits	65.5	78.0	88.5	90.8	83.0	87.3	88.5	95.1	5	8
Provisions	3.6	5.5	14.4	3.1	10.3	8.1	10.3	11.9	288	15
PBT	55.3	71.7	78.4	88.6	77.8	78.2	81.1	93.5	6	15
Taxes	14.0	18.4	19.9	22.4	19.8	19.5	20.4	22.2	-1	9
PAT	41.3	53.3	58.5	66.3	58.0	58.6	60.7	71.3	8	17
<b>Balance Sheet (INR t)</b>										
Deposit	8.0	8.1	8.5	9.5	9.4	9.6	10.0	10.7	13	6
Loans	7.0	7.3	7.6	8.5	8.6	9.0	9.3	9.7	14	4
<b>Loan Mix (INR t)</b>										
Large/mid corp.	2.2	2.3	2.5	2.7	2.7	2.8	2.9	2.8	3	-3
SME	0.7	0.8	0.8	0.9	0.9	1.0	1.0	1.0	17	5
Retail	4.1	4.2	4.3	4.9	5.0	5.2	5.5	5.8	20	7
<b>Loan Mix (%)</b>										
Large/mid corp.	30.9	31.4	33.2	31.7	31.8	31.4	30.6	28.7	-303	-188
SME	10.3	10.7	10.4	10.6	10.2	10.7	10.7	10.9	27	12
Retail	58.9	57.9	56.3	57.7	58.0	57.9	58.7	60.4	276	176
<b>Asset Quality (INR b)</b>										
GNPA	210.4	198.9	199.6	186.0	181.6	167.6	158.9	151.3	-19	-5
NNPA	47.8	40.0	38.3	35.6	37.0	34.4	35.3	32.5	-9	-8
Slippages	36.8	33.8	38.1	33.8	39.9	32.5	37.2	34.7	3	-7
<b>Asset Quality Ratios (%)</b>										
GNPA	2.76	2.50	2.38	2.02	1.96	1.73	1.58	1.43	-59	-15
NNPA	0.64	0.51	0.47	0.39	0.41	0.36	0.36	0.31	-8	-5
PCR (Calculated)	77.3	79.9	80.8	80.9	79.6	79.5	77.8	78.5	-234	72
PCR (Reported)	92.0	93.0	93.0	94.0	93.0	94.0	94.0	94.0	0	0
Slippage Ratio	2.2	2.0	2.1	1.7	2.0	1.6	1.8	1.5	-20	-22
<b>Business Ratios (%)</b>										
CASA (Calculated)	43.7	46.2	44.5	47.2	45.5	44.4	42.1	43.0	-417	85
Loan/Deposit	87.3	90.1	89.8	89.3	91.2	93.9	92.8	90.3	104	-247
Fees to Total Income	28.9	27.0	25.4	27.5	26.3	28.6	28.6	28.4	93	-19
Cost to Core Income	50.1	46.3	44.0	45.8	50.1	50.5	50.5	49.8	397	-77
Cost to Assets	2.2	2.3	2.2	2.3	2.3	2.4	2.5	2.6	30	6
Tax Rate	25.4	25.6	25.3	25.2	25.5	25.0	25.2	23.8	-149	-142
<b>Capitalisation Ratios (%)</b>										
Tier-1	15.8	15.8	16.2	14.6	14.9	15.1	14.2	14.2	-37	2
- CET 1	15.2	15.1	15.6	14.0	14.4	14.6	13.7	13.7	-28	3
CAR	17.8	17.7	19.5	17.6	17.7	17.8	16.6	16.6	-101	0
RWA / Total Assets	65.0	66.0	65.0	65.0	67.0	67.0	71.0	70.0	500	-100
LCR	116.5	120.8	116.4	129.3	123.3	117.9	118.5	120.0	-927	153
<b>Profitability Ratios (%)</b>										
Yield on loans	8.4	9.0	9.6	9.4	10.3	10.4	10.6	10.3	89	-24
Yield on Funds	8.0	8.4	8.7	8.8	9.4	9.5	9.5	9.4	54	-11
Cost of funds	3.9	4.1	4.3	4.8	5.0	5.2	5.4	5.4	68	8
Margins	3.6	4.0	4.3	4.2	4.1	4.1	4.0	4.1	-16	5
<b>Other Details</b>										
Branches	4,759	4,760	4,849	4,903	4,945	5,152	5,252	5,377	474	125
ATM	10,161	16,043	15,674	15,953	15,798	15,806	15,931	16,026	73	95
Employees (K)	0	88,540	87,575	91,900	94,800	99,350	99,600	1,04,000	12,100	4,400



## Highlights from the management commentary

### Opening remarks by the management team

- Another successful year was achieved, supported by a GPS strategy.
- Expanded branch network, surpassing 5,000 branches.
- The bank recorded a robust RoE of 20.87% in 4Q, maintaining over 18% RoE for seven consecutive quarters.
- Over the past two years, deposit strength has improved, with momentum carrying into FY25.
- Strong growth observed in retail deposits, contributing to improved LCR outflow rates. Retail term deposits grew by 17% YoY, reaching a 13-quarter high.
- Deposit mobilization, bolstered by Siddhi, resulted in strong deposit growth.
- 93% of fee income is derived from granular retail and transaction banking.
- Partnerships with fintech firms enhance customer experience, leveraging synergy between Axis, partnerships, and new-age tech platforms.
- The bank has successfully completed the migration from Citi systems to its systems, with portfolio metrics aligning with projections.
- The 'Open by Axis' platform continues to drive strong growth, maintaining leadership in new innovations.
- The bank targets 13% deposit growth in the medium term.
- Strong operating performance in 4Q, with NIM at 4.07%, up 5bp QoQ, and C/I ratio declining by 229bp QoQ.
- The bank opened 124 branches in 4Q and 475 branches in FY24.
- Redesigned corporate salary offerings with Suvidha, with the Citi Bank acquisition contributing to corporate salary growth.
- Continuation of 100% provisions on AIF investments.
- The bank has sold IBPC during the quarter.
- Achieved ~500bp reduction in outflow rates over the last two years; now among the industry's best.
- 70% of the bank's loan book is floating.
- Trading gains have come from DCM, treasury and reversal of MTM losses booked in last quarter.
- Deposit growth may temporarily constrain loan growth in the near term, but the bank remains well-positioned for long-term success.

### Margins

- There was no one-off items affecting NIM and NII. These metrics reflect a disciplined strategy.
- The bank has various mechanisms in place to uphold margins and has no intention of margin erosion.
- Interest reversal within the book is standard practice, and there are no exceptional items impacting NIMs.
- The bank experienced an 8bp increase in CoF and an 11bp movement in yields, resulting in a ~95bp increase in CoF for FY24. The bank has been successful in passing on the cost of deposits.
- Pricing is determined based on industry standards, and the bank does not fully transfer rate changes to customers. Yields increased by 11bp in 4Q compared to an 8bp increase in CoF.

### LDR Strategy

- The bank has a defined strategy regarding LDR and has consistently followed a specific trajectory. It aims to sustain growth while maintaining flexibility in upcoming quarters.
- Deposit growth will play a crucial role in driving credit expansion. Eventually, there should be alignment and convergence between credit and deposits.

### Deposits

- Regarding the quality of the deposit franchise, the bank has not yet reached a plateau, and there are still untapped levers to enhance this aspect.
- In the retail sector, the bank is refining its distribution strategy, while on the corporate side, efforts are directed toward expanding salary accounts. Government-related business focuses more on providing solutions and aligns with the bank's strategy.
- The bank anticipates outpacing industry growth by 300-400bp in the medium to long term for deposits, targeting 13% growth in deposits for FY25.

### Cost

- Cost to Assets – As long as it can deliver 18% RoE, the bank will continue to invest in the franchise.
- If the marginal CoF stays steady, deposit repricing should be completed by 2QFY25.

### Asset quality

- GNPA improved by 15bp QoQ to 1.43%, while net NPA was stable at 0.3%. PCR moderated 165bp QoQ to 78.5%.
- Asset quality in the unsecured portfolio is fairly stable. The bank does not see any stress in asset quality in unsecured.
- Slippages on Corporate and CBG remained lower.
- Gross slippages breakup:- INR37.4b, declined 7%. Of which INR3.1b is Retail, INR1.6b is CBG, INR1.93b is Wholesale

### Subsidiaries' performance

- **Axis Finance:** Overall assets under finance grew 38% YoY. Retail book grew 51% YoY and constituted 45% of total loans. Axis Finance FY24 PAT was INR6.1b, up 28% YoY from INR4.75b in FY23.
- **Axis AMC:** Overall QAAUM grew 14% YoY to INR2.74t. FY24 PAT stood at INR4.14b
- **Axis Capital:** FY24 PAT stood at INR1.5b and completed 90 investment banking transactions in FY24.
- **Axis Securities:** In FY24, broking revenues grew 58% YoY to INR11.4b and PAT grew 48% YoY to INR3b.

### Miscellaneous

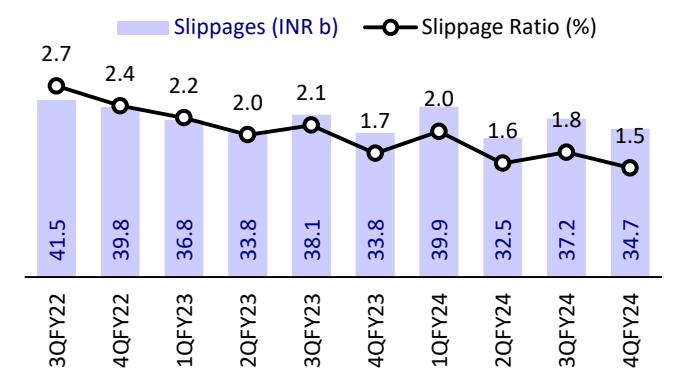
- The bank is enhancing its technological infrastructure. It has transitioned to cloud-based and backend infrastructure, focusing on fairness and resilience. Continuous investment in technology remains a priority.

- New investment guidelines will take effect from 1st Apr'25. The bank has reclassified the existing book based on strategic perspectives, eliminating the ability to move from AFS to HTM.
- For FY24, the bank was compliant at both the headline and sub-segment levels. The composition comprises both organic and inorganic growth, with organic growth now contributing more compared to FY23.
- Capital requirements are assessed based on growth pillars, and the bank reiterates its current lack of need for additional capital.

**PCR stood at ~79%; asset quality remains under control**

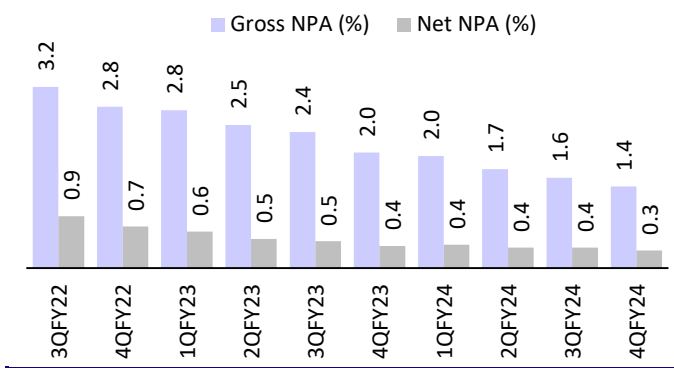
- Reported slippages moderated to INR34.7b in 4QFY24, while recoveries/upgrades stood at INR20b and write-offs amounted to INR21.5b.
- As a result, GNPA improved by 15bp QoQ to 1.43%, while net NPA improved to 0.31%. PCR further improved to 79% in 4QFY24. Net credit costs (annualized) stood at 0.37%.
- The funded/non-funded BB and below pool stood at INR29.8b/INR14.3b. Additionally, BB and below rated investments amounted to INR7.0b.
- Overall, implemented restructuring declined to INR15.3b (0.16% of net advances). The bank is carrying a provision of ~20% of the restructured book.

**Exhibit 1: Slippage ratio stood at 1.5%**



Source: MOFSL, Company

**Exhibit 2: GNPA/NNPA ratio stood at 1.4%/0.3% in 4QFY24**



Source: MOFSL, Company

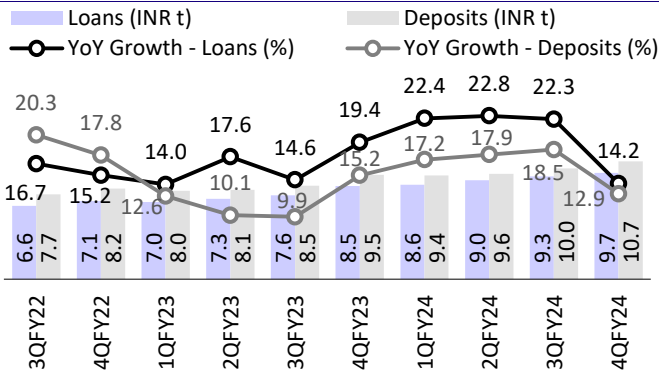
**Loan book grew ~14% YoY; deposits growth accelerates on the back CASA deposits**

- Loan book grew 14% YoY and 3.5% QoQ, with Retail loans up 20% YoY/ 6.6% QoQ and commercial loans up 7% YoY/down 1% QoQ. Retail makes up ~60.4% of total loans. Retail disbursements saw healthy traction across segments.
- Within Retail loans, LAP grew at an accelerated pace of 8.6% QoQ, PL grew 10% QoQ, while cards grew slower at 3.4% QoQ. Business banking grew 29% YoY/8.8% QoQ.
- Corporate portfolio declined 2.9% QoQ, while growth in SME book was 17% YoY (up 4.7% QoQ). Around 89% of AXSB’s corporate book is now rated A- and above, with 88% of incremental sanctions in FY24 being made to corporates rated A- and above.
- Deposits grew ~13% YoY (up 6.3% QoQ), with CASA deposits up 3% YoY (up 8.5% QoQ). Non-retail TDs grew 4.7% QoQ and retail TDs grew 4.8% QoQ. As a result, the CASA ratio further improved to 43%. CASA and Retail TDs now comprise 76.3% of total deposits.

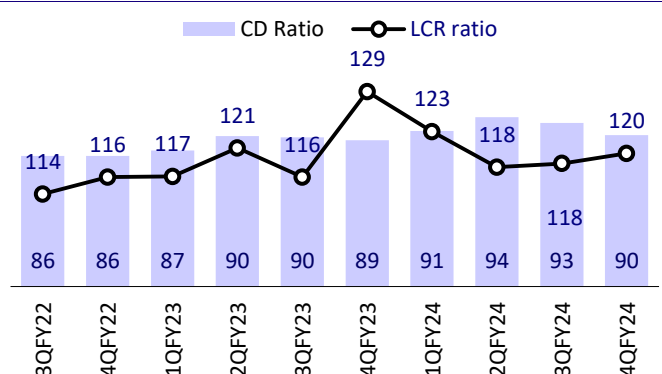


## Story in charts

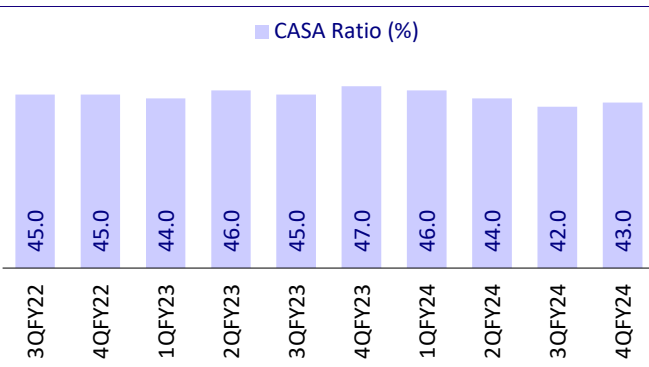
**Exhibit 3: Loans/deposits grew 14.2%/3.5% QoQ in 4QFY24**



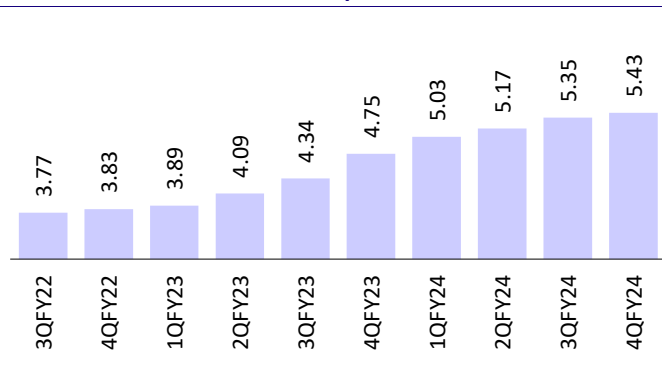
**Exhibit 4: CD ratio declined to 90%, while LCR stood at 120%**



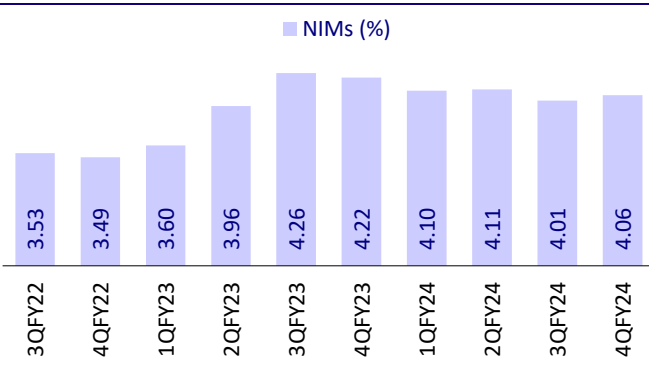
**Exhibit 5: CASA ratio moderated to 43% in 4QFY24**



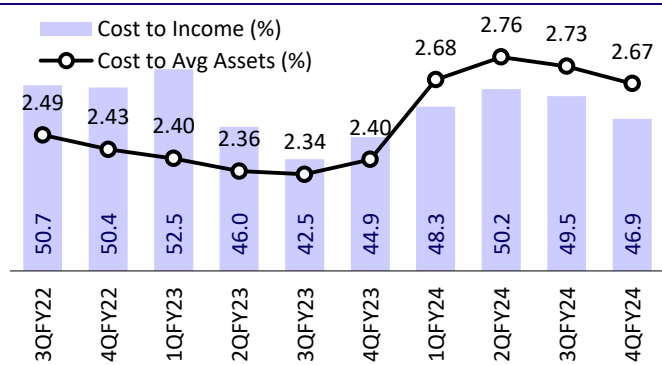
**Exhibit 6: Cost of funds rose 8bp QoQ to 5.43%**



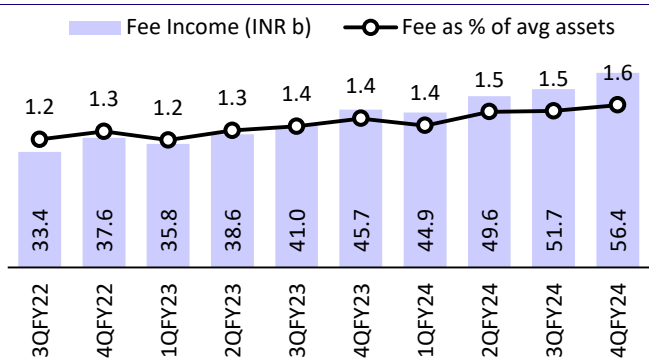
**Exhibit 7: Margins improved 5bp QoQ to 4.06%**



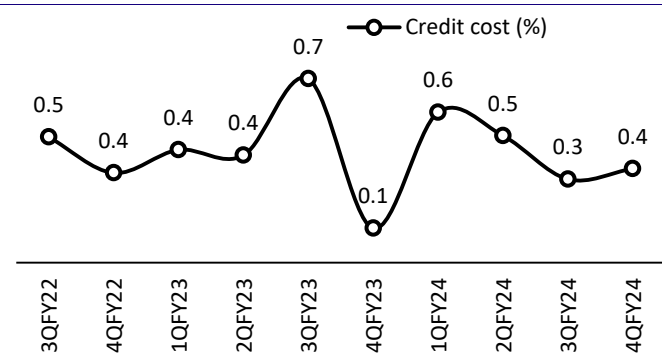
**Exhibit 8: CI ratio declined to 46.9% in 4QFY24**



**Exhibit 9: Fee income as % of assets stood at 1.6%**



**Exhibit 10: Credit costs stood at 0.4% in 4QFY24**



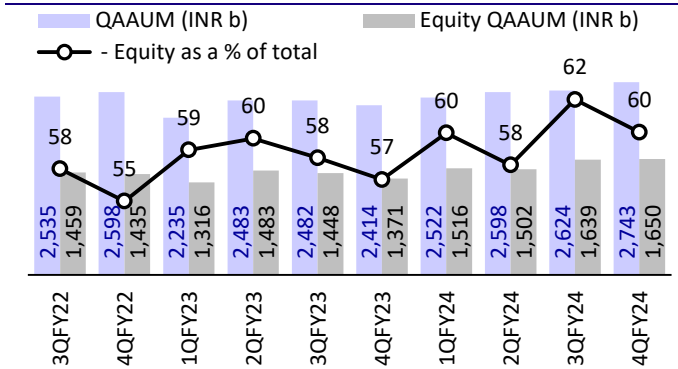
Source: MOFSL, Company

Source: MOFSL, Company

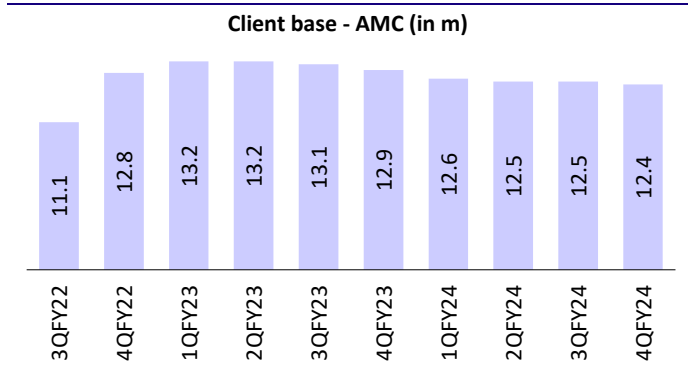


## Subsidiaries performance and consolidated earnings snapshot

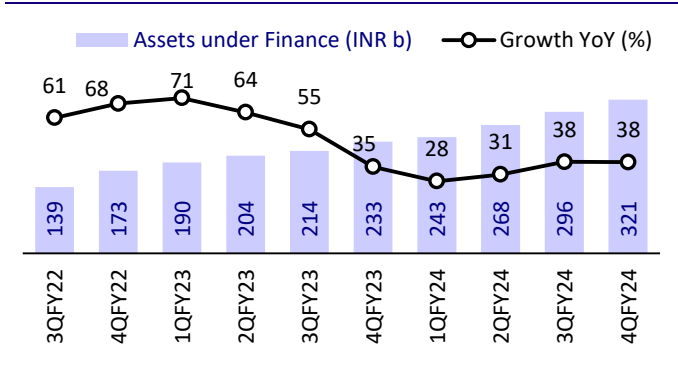
**Exhibit 11: Axis AMC's Equity QAAUM as % of total increases to 62%**



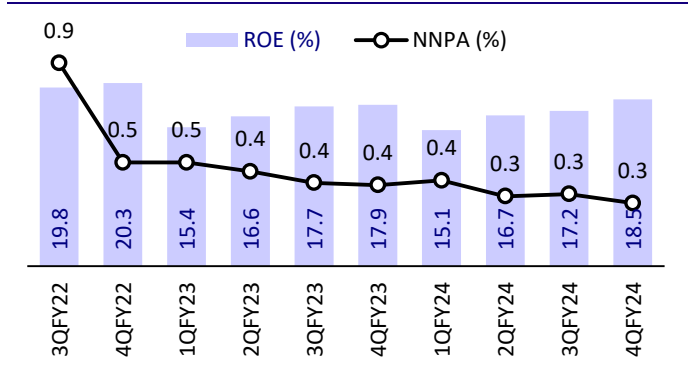
**Exhibit 12: Client base increases to 12.4m in 4QFY24**



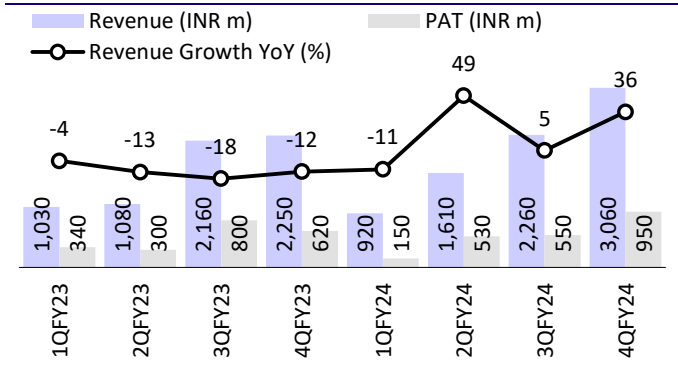
**Exhibit 13: Axis Finance AUF grew healthy at 38%**



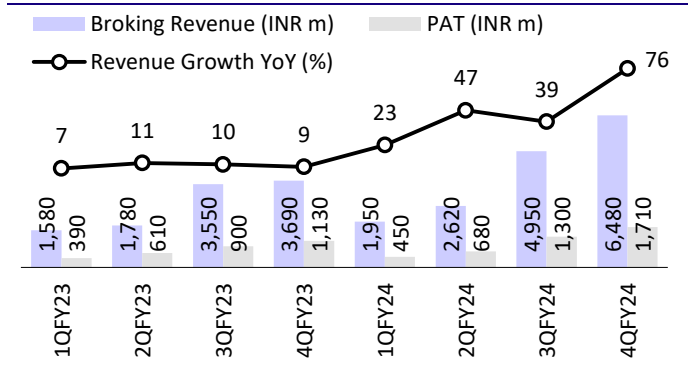
**Exhibit 14: Axis Finance RoE improves while NNPA reduces**



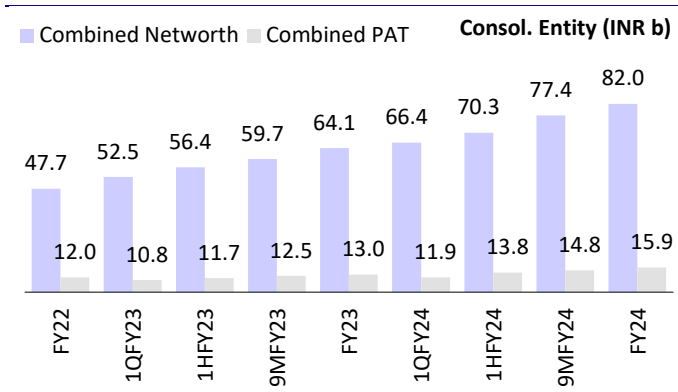
**Exhibit 15: Axis Capital revenue grows 36% by 4QFY24**



**Exhibit 16: Axis Securities broking revenue up 76% in 4Q**



**Exhibit 17: Consol. entity net worth has increased to INR82b**



Source: MOFSL, Company

**Exhibit 18: Profitability split across bank and subsidiaries**

INR m	1QFY24	2QFY24	3QFY24	4QFY24	YoY gr. (%)	QoQ gr. (%)
Stand bank	57,971	58,636	60,711	71,297	7.6	17.4
Axis Finance	1,230	2,650	1,600	4,500	80.0	181.3
Axis AMC	910	980	1,990	2,150	-1.4	8.0
Axis Cap	150	530	550	950	53.2	72.7
Axis Securities	450	680	1,300	1,710	51.3	31.5
Axis Trustee	0	0	179	67	NA	-62.5
<b>Total</b>	<b>60711</b>	<b>63476</b>	<b>66330</b>	<b>80674</b>		
Stand. RoA %	2	2	2	2.00	-10	25
Stand. RoE %	19	18	18	20.4	-77	228
Consol. RoA %	2	2	2	2.07	24	32
Consol. RoE %	19	19	18	20.9	167	280

Source: MOFSL, Company

**Valuation and view: Maintain Neutral with TP of INR 1,200**

- **Strengthening its retail franchise:** The bank has strengthened its retail business, with the share of retail loans improving to ~60.4% of total loans, led by home loans, PL, cards, and business banking. Salaried customers accounted for 100% of personal loans and 78% of credit card debt. On the liability side, the share of CASA and retail term deposits stood at ~76.3%, ensuring relatively stable funding costs.
- **Maintain Neutral with a TP of INR1,200:** AXSB delivered a healthy earnings beat in 4QFY24, characterized by healthy other income and improvement in margins. NIMs improved 5bp QoQ. With higher provisions specifically used for building the PCR in 4Q, assets quality continued to remain healthy.
- We will keep an eye on near-term growth as an elevated CD ratio will constrain credit growth, while continued re-pricing of deposits will likely exert pressure on margins in the coming quarters. The bank has healthy LCR of 120% as it maintains industry-best outflow rates; however, the impact of a surge in non-retail deposits will need to be watched over the coming quarters.
- The bank has reiterated its guidance of growing by 300-400bp higher than the system over the medium term. AXSB has also suggested that it will continue to invest in the business, taking advantage of controlled credit costs. This will keep cost/asset ratios elevated at ~2.5% cost/assets by the end of FY25.
- **We raise our estimates by 2-4% for FY25-26, while we still remain watchful over cost and high CD ratio at 90%. We estimate AXSB to deliver a 14.5% CAGR in loans over FY24-26. Accordingly, we estimate FY26 RoA/RoE of 1.8%/16.8%. We maintain our Neutral rating with a revised TP of INR1,200 (1.7x FY26E ABV).**

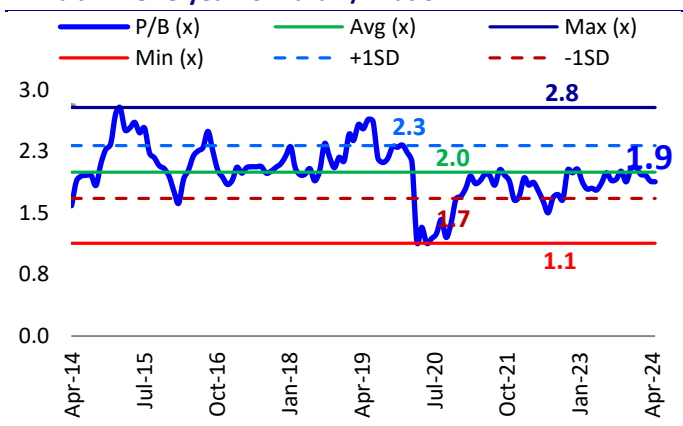
**Exhibit 19: Change in Estimates**

INR b	Old Est.		Revised Est.		Chg %/bps	
	FY25	FY26	FY25	FY26	FY25	FY26
Net Interest Income	545.1	636.9	555.6	639.0	1.9	0.3
Other Income	253.1	298.7	258.1	302.0	2.0	1.1
<b>Total Income</b>	<b>798.2</b>	<b>935.6</b>	<b>813.6</b>	<b>940.9</b>	<b>1.9</b>	<b>0.6</b>
Operating Expenses	391.0	439.5	393.8	443.9	0.7	1.0
<b>Operating Profits</b>	<b>407.2</b>	<b>496.1</b>	<b>419.9</b>	<b>497.1</b>	<b>3.1</b>	<b>0.2</b>
Provisions	51.0	72.2	50.0	67.7	-2.0	-6.3
<b>PBT</b>	<b>356.2</b>	<b>423.8</b>	<b>369.9</b>	<b>429.3</b>	<b>3.8</b>	<b>1.3</b>
Tax	89.1	106.8	92.5	107.3	3.8	0.5
<b>PAT</b>	<b>267.2</b>	<b>317.0</b>	<b>277.4</b>	<b>322.0</b>	<b>3.8</b>	<b>1.6</b>
Loans	11,257	13,058	11,050	12,685	-1.8	-2.9
Deposits	12,554	14,714	12,450	14,566	-0.8	-1.0
Margins (%)	3.6	3.7	3.7	3.7	8	5
Credit Cost (%)	0.5	0.6	0.5	0.5	-	(2)
<b>RoA (%)</b>	<b>1.67</b>	<b>1.73</b>	<b>1.75</b>	<b>1.78</b>	<b>8</b>	<b>5</b>
<b>RoE (%)</b>	<b>16.0</b>	<b>15.8</b>	<b>16.9</b>	<b>16.8</b>	<b>91</b>	<b>105</b>
EPS	84.6	98.0	89.9	104.3	6.3	6.4
BV	575.6	665.5	571.3	667.5	-0.7	0.3
ABV	556.5	645.0	552.8	647.8	-0.7	0.4

**Exhibit 20: SoTP-based pricing**

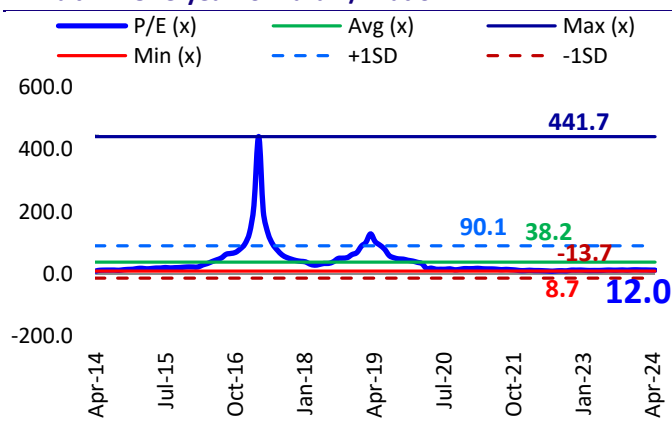
Name	Stake	Attributed Value (INR b)	Value per Share	% of total value	Rationale
<b>Axis Bank</b>	<b>100</b>	<b>3,394.5</b>	<b>1,100</b>	<b>91.7</b>	<b>1.7x P/ABV FY26E</b>
Axis Finance	100	111.5	36	3.0	2.0x FY26E Network
Axis Capital	100	32.5	11	0.9	15x FY26E PAT
Axis Securities	100	52.8	17	1.4	15x FY26E PAT
Axis Mutual Fund	75	138.0	45	3.7	27x FY26E PAT
Max Life Insurance	20	51.3	17	1.4	1.9x Sep'25E EV
<b>Total Value of Subs</b>		<b>386.1</b>	<b>125</b>	<b>10.4</b>	
Less: 20% holding disc		77.2	25	2.1	
<b>Value of Subs (Post Holding Disc)</b>		<b>308.9</b>	<b>100</b>	<b>8.3</b>	
<b>Target Price</b>		<b>3,703.4</b>	<b>1,200</b>		

**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 flattish trend**

Y/E MARCH	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	7.30	6.66	6.23	6.83	7.83	8.12	8.00
Interest Expense	4.36	3.59	3.17	3.39	4.26	4.61	4.47
<b>Net Interest Income</b>	<b>2.94</b>	<b>3.07</b>	<b>3.06</b>	<b>3.45</b>	<b>3.57</b>	<b>3.51</b>	<b>3.53</b>
Fee income	1.56	1.19	1.28	1.35	1.63	1.66	1.69
Trading and others	0.25	0.10	0.13	-0.02	-0.02	-0.03	-0.03
<b>Non-Interest income</b>	<b>1.81</b>	<b>1.29</b>	<b>1.41</b>	<b>1.32</b>	<b>1.61</b>	<b>1.63</b>	<b>1.67</b>
<b>Total Income</b>	<b>4.75</b>	<b>4.36</b>	<b>4.47</b>	<b>4.77</b>	<b>5.18</b>	<b>5.14</b>	<b>5.20</b>
<b>Operating Expenses</b>	<b>2.02</b>	<b>1.93</b>	<b>2.18</b>	<b>2.19</b>	<b>2.52</b>	<b>2.49</b>	<b>2.45</b>
Employee cost	0.62	0.65	0.70	0.70	0.78	0.77	0.76
Others	1.40	1.28	1.48	1.49	1.74	1.72	1.69
<b>Operating Profit</b>	<b>2.73</b>	<b>2.43</b>	<b>2.29</b>	<b>2.58</b>	<b>2.66</b>	<b>2.65</b>	<b>2.75</b>
<b>Core Operating Profit</b>	<b>2.48</b>	<b>2.33</b>	<b>2.16</b>	<b>2.60</b>	<b>2.68</b>	<b>2.68</b>	<b>2.77</b>
Provisions	2.16	1.51	0.68	0.23	0.29	0.32	0.37
<b>PBT</b>	<b>0.57</b>	<b>0.93</b>	<b>1.61</b>	<b>2.35</b>	<b>2.37</b>	<b>2.34</b>	<b>2.37</b>
Tax	0.38	0.23	0.40	0.59	0.59	0.58	0.59
<b>RoA</b>	<b>0.19</b>	<b>0.69</b>	<b>1.20</b>	<b>1.76</b>	<b>1.78</b>	<b>1.75</b>	<b>1.78</b>
Leverage (x)	11.3	10.2	10.0	10.4	10.1	9.7	9.5
<b>RoE</b>	<b>2.1</b>	<b>7.1</b>	<b>12.0</b>	<b>18.3</b>	<b>18.0</b>	<b>16.9</b>	<b>16.8</b>

## Financials and valuations

### Income Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	626.4	633.5	673.8	851.6	1,093.7	1,283.9	1,447.3
Interest Expense	374.3	341.1	342.4	422.2	594.7	728.4	808.4
<b>Net Interest Income</b>	<b>252.1</b>	<b>292.4</b>	<b>331.3</b>	<b>429.5</b>	<b>498.9</b>	<b>555.6</b>	<b>639.0</b>
Growth (%)	16.1	16.0	13.3	29.6	16.2	11.3	15.0
Non Interest Income	155.4	122.6	152.2	165.0	224.4	258.1	302.0
<b>Total Income</b>	<b>407.4</b>	<b>415.0</b>	<b>483.5</b>	<b>594.5</b>	<b>723.4</b>	<b>813.6</b>	<b>940.9</b>
Growth (%)	16.9	1.9	16.5	22.9	21.7	12.5	15.6
Operating Expenses	173.0	183.8	236.1	273.0	352.1	393.8	443.9
<b>Pre Provision Profits</b>	<b>234.4</b>	<b>231.3</b>	<b>247.4</b>	<b>321.4</b>	<b>371.2</b>	<b>419.9</b>	<b>497.1</b>
Growth (%)	23.3	(1.3)	7.0	29.9	15.5	13.1	18.4
<b>Core PPOp</b>	<b>212.7</b>	<b>221.5</b>	<b>233.6</b>	<b>324.2</b>	<b>374.5</b>	<b>423.8</b>	<b>501.8</b>
Growth (%)	16.5	4.2	5.5	38.8	15.5	13.2	18.4
Provisions	185.3	143.2	73.6	28.8	40.6	50.0	67.7
<b>PBT</b>	<b>49.0</b>	<b>88.1</b>	<b>173.8</b>	<b>292.6</b>	<b>330.6</b>	<b>369.9</b>	<b>429.3</b>
Tax	32.8	22.2	43.6	73.3	82.0	92.5	107.3
Tax Rate (%)	66.8	25.2	25.1	25.0	24.8	25.0	25.0
Extraordinary expense	-	-	-	123.5	-	-	-
<b>PAT</b>	<b>16.3</b>	<b>65.9</b>	<b>130.3</b>	<b>95.8</b>	<b>248.6</b>	<b>277.4</b>	<b>322.0</b>
Growth (%)	(65.2)	304.9	97.7	(26.5)	159.5	11.6	16.1

### 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	1,504.4	1,757.0	2,054.2
<b>Net Worth</b>	<b>849.5</b>	<b>1,016.0</b>	<b>1,150.3</b>	<b>1,249.9</b>	<b>1,510.6</b>	<b>1,763.2</b>	<b>2,060.4</b>
<b>Deposits</b>	<b>6,401.0</b>	<b>6,979.9</b>	<b>8,219.7</b>	<b>9,469.5</b>	<b>10,686.4</b>	<b>12,449.7</b>	<b>14,566.1</b>
Growth (%)	16.7	9.0	17.8	15.2	12.9	16.5	17.0
<b>of which CASA Dep</b>	<b>2,637.1</b>	<b>3,177.5</b>	<b>3,700.1</b>	<b>4,465.4</b>	<b>4,594.0</b>	<b>5,278.7</b>	<b>6,292.6</b>
Growth (%)	8.3	20.5	16.4	20.7	2.9	14.9	19.2
Borrowings	1,479.5	1,428.7	1,851.3	1,863.0	1,968.1	1,991.1	2,008.2
Other Liabilities & Prov.	421.6	443.4	531.5	586.6	606.9	655.5	707.9
<b>Total Liabilities</b>	<b>9,151.6</b>	<b>9,868.0</b>	<b>11,752.8</b>	<b>13,169.0</b>	<b>14,772.1</b>	<b>16,859.5</b>	<b>19,342.6</b>
Current Assets	972.7	617.3	1,109.9	1,064.1	1,144.5	1,198.6	1,342.5
<b>Investments</b>	<b>1,567.3</b>	<b>2,261.2</b>	<b>2,756.0</b>	<b>2,888.1</b>	<b>3,315.3</b>	<b>3,812.6</b>	<b>4,384.4</b>
Growth (%)	-10.4	44.3	21.9	4.8	14.8	15.0	15.0
<b>Loans</b>	<b>5,714.2</b>	<b>6,144.0</b>	<b>7,079.5</b>	<b>8,453.0</b>	<b>9,650.7</b>	<b>11,050.0</b>	<b>12,685.4</b>
Growth (%)	15.5	7.5	15.2	19.4	14.2	14.5	14.8
Fixed Assets	43.1	42.5	45.7	47.3	56.8	62.5	68.7
Other Assets	854.3	803.0	763.3	720.6	604.7	735.8	861.5
<b>Total Assets</b>	<b>9,151.6</b>	<b>9,868.0</b>	<b>11,754.3</b>	<b>13,173.3</b>	<b>14,772.1</b>	<b>16,859.5</b>	<b>19,342.6</b>

Asset Quality	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
GNPA	302.3	253.1	218.2	186.0	151.3	169.0	190.8
NNPA	93.6	70.6	56.1	37.2	32.5	36.7	41.1
Slippages	199.2	172.5	201.1	146.5	144.3	181.1	207.7
GNPA Ratio	5.10	4.00	3.01	2.16	1.55	1.51	1.49
NNPA Ratio	1.64	1.15	0.79	0.44	0.34	0.33	0.32
Slippage Ratio	3.7	2.9	3.0	1.9	1.7	1.8	1.8
Credit Cost	2.4	1.8	0.8	0.4	0.4	0.5	0.5
PCR (Excl Tech. write off)	69.0	72.1	74.3	80.0	78.5	78.3	78.5

E: MOSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Yield and Cost Ratios (%)</b>							
<b>Avg. Yield-Earning Assets</b>	<b>8.0</b>	<b>7.3</b>	<b>6.7</b>	<b>7.3</b>	<b>8.2</b>	<b>8.5</b>	<b>8.4</b>
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
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.0</b>	<b>4.2</b>	<b>3.7</b>	<b>3.9</b>	<b>5.0</b>	<b>5.4</b>	<b>5.2</b>
Avg. Cost of Deposits	4.9	4.0	3.5	3.6	4.9	5.0	4.9
Avg. Cost of Borrowings	5.4	5.2	4.6	5.6	7.2	7.3	7.1
<b>Interest Spread</b>	<b>3.0</b>	<b>3.1</b>	<b>3.0</b>	<b>3.3</b>	<b>3.3</b>	<b>3.1</b>	<b>3.2</b>
<b>Net Interest Margin</b>	<b>3.2</b>	<b>3.4</b>	<b>3.3</b>	<b>3.7</b>	<b>3.8</b>	<b>3.7</b>	<b>3.7</b>

### Capitalisation Ratios (%)

Tier I	14.6	16.6	16.4	14.6	14.2	14.2	14.3
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
CAR	17.6	19.2	18.5	17.6	16.6	16.4	16.1

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	89.3	88.0	86.1	89.3	90.3	88.8	87.1
CASA Ratio	41.2	45.5	45.0	47.2	43.0	42.4	43.2
Cost/Avg Assets	2.0	1.9	2.2	2.2	2.5	2.5	2.5
Cost/Total Income	42.5	44.3	48.8	45.9	48.7	48.4	47.2
Cost/Core Income	44.9	45.3	50.3	45.7	48.5	48.2	46.9
Int. Expense/Int.Income	59.8	53.8	50.8	49.6	54.4	56.7	55.9
Fee Income/Total Income	28.9	23.4	24.7	25.2	27.5	28.2	28.6
Non Int. Inc./Total Income	38.1	29.5	31.5	27.8	31.0	31.7	32.1
Empl. Cost/Total Expense	30.7	33.5	32.2	32.1	31.0	31.1	31.2
CASA per branch (INR m)	582.4	691.7	777.7	909.4	854.4	926.1	1,031.8
Deposits per branch (INR m)	1,413.7	1,519.3	1,727.6	1,928.6	1,987.4	2,184.3	2,388.4
Business per Employee (INR m)	163.4	167.6	178.3	195.0	195.5	205.4	220.6
Profit per Employee (INR m)	0.2	0.8	1.5	2.4	2.4	2.4	2.6

### Profitability Ratios and Valuation

RoE	2.1	7.1	12.0	18.2	18.0	16.9	16.8
RoA	0.2	0.7	1.2	1.8	1.8	1.8	1.8
RoRWA	0.3	1.0	1.7	2.5	2.4	2.3	2.3
Book Value (INR)	301.1	331.6	375.2	406.2	489.4	571.3	667.5
Growth (%)	16.1	10.2	13.1	8.3	20.5	16.7	16.9
<b>Price-BV (x)</b>	<b>3.2</b>	<b>2.9</b>	<b>2.6</b>	<b>2.4</b>	<b>2.0</b>	<b>1.7</b>	<b>1.4</b>
Adjusted BV (INR)	269.7	308.0	354.1	388.2	472.2	552.8	647.8
<b>Price-ABV (x)</b>	<b>3.6</b>	<b>3.1</b>	<b>2.7</b>	<b>2.5</b>	<b>2.0</b>	<b>1.7</b>	<b>1.5</b>
EPS (INR)	6.0	22.4	42.5	71.4	80.7	89.9	104.3
Growth (%)	-66.9	271.0	89.7	68.0	13.0	11.4	16.1
<b>Price-Earnings (x)</b>	<b>176.5</b>	<b>47.6</b>	<b>25.1</b>	<b>14.9</b>	<b>13.2</b>	<b>11.8</b>	<b>10.2</b>
<b>Price-Earnings (x) - Adj. Subs</b>	<b>159.9</b>	<b>43.1</b>	<b>22.7</b>	<b>13.5</b>	<b>12.0</b>	<b>10.7</b>	<b>9.2</b>
Dividend Per Share (INR)	1.0	0.0	1.0	1.0	6.9	8.1	8.1
<b>Dividend Yield (%)</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.6</b>	<b>0.8</b>	<b>0.8</b>

E: MOSL Estimates

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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