

**CMP: INR 1,132**

**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)	6,186
Mkt Cap (INR Bn)	3,504
52w H/L (INR)	1,340 / 951
Avg Yearly Vol (in 000')	9,680

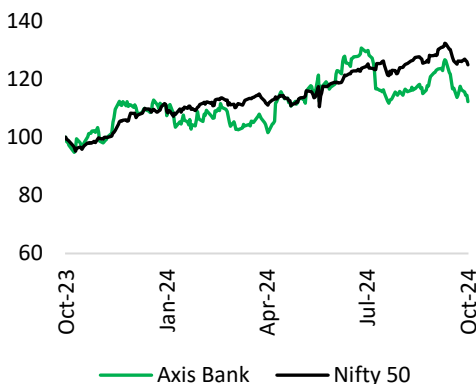
**Shareholding Pattern %**

(As on Sept, 2024)

Promoters	8.29
Public & Others	91.71

Stock Performance (%)	1m	6m	12m
Axis Bank	-8.2	10.5	12.2
Nifty	-2.6	12.5	24.9

**Axis Bank Vs Nifty**



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Axis Bank beats our estimates posting Net Profits of INR 69.17 bn for Q2FY25, above our estimates of INR 60.95 bn. Advances growth for the quarter was 2.0% QoQ/11.4% YoY to INR 10,000 bn led by Retail Loans which grew by 15% YoY. Within the Retail loans, Rural Loans grew strongly by 20% YoY, Personal Loans and Credit Cards grew by 23% YoY and 22% YoY respectively. NII for the quarter increased by 0.3% QoQ / 9.5% YoY to INR 134.83 bn, as Cost of Funds stabilized with increase of 1 bps QoQ to 5.45%. Asset quality of the bank improved during Q2FY25 as GNPA decreased by 10 bps QoQ to 1.44% and NNPA at 0.34% stood flat sequentially.

**Loan growth driven by Retail segment alone:** Overall loan book of the bank increased by 2.0% QoQ / 11.4% YoY driven by Retail Loans, among which, Rural, Personal, Credit Cards, LAP, SBB and Others grew above 20% YoY. However, the Home Loans, Auto Loans and Commercial Equipment lending saw sub par growth at 5% YoY, 6% YoY and 4% YoY respectively. SME loan portfolio grew by 16% YoY and Corporate book grew by only 3% YoY. We see the Corporate book (29% of overall Net Advances) growth falling to lower single digits is dragging down the overall Loan growth for the bank.

**Asset quality improved surprisingly:** Gross slippages came at INR 44.43 bn against INR 47.93 bn in Q1FY25 with Gross Slippage ratio coming down by 19 bps QoQ to 1.78%. Similarly, the Net Slippages too came down by 41 bps QoQ to 0.96% at INR 13.90 bn. Upgrades and recoveries were at INR 20.69 bn with the write-off of NPAs in Q2FY25 at INR 31.19 bn. The bank continues to hold provisions with cumulative provision (standard + additional non-NPA) of INR 118.15 bn (1.20% of loans in Q2FY25). The GNPA/NNPA fell to 1.44%/0.34% respectively decreasing by 10 bps/flat sequentially.

**Aggressive expansion of branch network laying ground for Deposit growth:** Employee cost during the quarter was up by 19.4% YoY while Other Operating Expenses increased 4.4% YoY as the bank opened 150 branches during the quarter. The Bank Management have guided of opening around 500 branches in FY25, similar to FY24, which lays the ground work for deposit growth in future.

**Valuation & View:** Axis Bank posted surprisingly better performance in Q2FY25 in terms of NIMs at 3.99% (down 6 bps QoQ and 12 bps YoY) while growth checked due to largely unmoving Corporate book. Going ahead, we believe the branch expansion will aid growth of both Deposits as well as loan growth. While the Bank Management maintained their guidance of 300-400 bps faster than industry growth, we believe it may still fall behind its earlier momentum in the current fiscal year. Hence, we maintain our Positive stance on the Bank's medium & long term growth prospects, but we remain skeptical for FY25 growth much below 15%, and maintain our earlier estimates with BUY rating on the bank with a target price of INR 1,383 at 2.5x FY27E ABV till we see growth momentum gathering.

**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

## Q2FY25 - Quarterly Performance (Standalone)

(in INR Mn)

Particulars (INR in bn)	Q2FY25	Q2FY24	Q1FY25	YoY	QoQ
<b>Interest Earned</b>	<b>304.20</b>	<b>266.26</b>	<b>300.61</b>	<b>14.2%</b>	<b>1.2%</b>
- Interest/discount on advances/bills	242.61	212.56	237.19	14.1%	2.3%
- Income on Investments	54.44	48.00	55.81	13.4%	-2.5%
- Interest on bal with RBI	3.51	2.06	2.95	70.3%	18.9%
- Others	3.64	3.64	4.66	0.1%	-21.8%
<b>Interest Expenses</b>	<b>169.37</b>	<b>143.12</b>	<b>166.13</b>	<b>18.3%</b>	<b>2.0%</b>
<b>NII</b>	<b>134.83</b>	<b>123.15</b>	<b>134.48</b>	<b>9.5%</b>	<b>0.3%</b>
Other Income	67.22	50.34	57.83	33.5%	16.2%
Total Income	202.05	173.49	192.32	16.5%	5.1%
<b>Operating Expenses</b>	<b>94.93</b>	<b>87.17</b>	<b>91.25</b>	<b>8.9%</b>	<b>4.0%</b>
- Employee cost	31.17	26.10	31.29	19.4%	-0.4%
- Others	63.75	61.07	59.96	4.4%	6.3%
<b>Operating Profits</b>	<b>107.12</b>	<b>86.32</b>	<b>101.06</b>	<b>24.1%</b>	<b>6.0%</b>
Provisions	22.04	8.15	20.39	170.6%	8.1%
Exceptional items	0.00	0.00	0.00	NA	NA
<b>PBT</b>	<b>85.08</b>	<b>78.17</b>	<b>80.67</b>	<b>8.8%</b>	<b>5.5%</b>
Tax	15.91	19.54	20.32	-18.6%	-21.7%
<b>PAT</b>	<b>69.17570</b>	<b>58.63560</b>	<b>60.34640</b>	<b>18.0%</b>	<b>14.6%</b>
Advances	10,000	8,973	9,801	11.4%	2.0%
Deposits	10,867	9,556	10,625	13.7%	2.3%
Total Assets	15,057	13,389	14,682	12.5%	2.6%
CASA (%)	43%	44%	43%	-100bps	0bps
CASA Deposits	4,411	4,239	4,043	4.1%	9.1%
<b>Asset Quality</b>					
GNPA	154.7	167.6	162.1	-7.7%	-4.6%
NNPA	36.1	34.4	35.5	5.0%	1.7%
GNPA (%)	1.44%	1.73%	1.54%	-29bps	-10bps
NNPA (%)	0.34%	0.36%	0.34%	-2bps	0bps
RoA	1.84%	1.76%	1.65%	8bps	19bps
Cost to Income Ratio	46.98%	50.24%	47.45%	-326bps	-47bps

Source: Arihant Research, Company Filings

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

- The Management believes that in the Medium to Long term, the advances can grow 300-400 bps faster than the industry growth.
- The Management says that they had opened close to 500 branches last year, and are looking to open another 500 branches this year. The Management believes this will help deposit mobilization for the bank in the future.

**Key Highlights:**

- Net Interest Income for Q2FY25 stood at INR 134.83 bn against our estimates of INR 140.53, up by 0.3% QoQ / up by 9.5% YoY while NIMs came at 3.99%, down by 6 bps QoQ/ down by 12 bps YoY.
- PPOP came at INR 107.12 bn against our estimates of INR 105.10 bn, up by 6.0% QoQ / up by 24.1% YoY.
- Provisions stood at INR 22.04 bn against our estimates of INR 22.43 bn increasing by 8.1% QoQ / up by 170.6% YoY.
- PAT increased to INR 69.17 bn against our estimates of INR 60.95 bn increasing by 14.6% QoQ / up by 18.0% YoY.
- GNPA came at 1.44% against our estimates of 1.62%, down 10 bps QoQ/down 29 bps while NNPA was flat sequentially at 0.34% against our estimates of 0.38%, flat QoQ/ down 2 bps YoY.
- Advances increased by 2.0% QoQ / up 11.4% YoY to INR 10,000 bn.
- Deposits increased by 2.3% QoQ / up 13.7% YoY to INR 10,867 bn.
- RoE stood at 18.08% while the RoA stood at 1.92% for the quarter Q2FY25.
- Domestic NIMs down by 8 bps QoQ/ 14 bps YoY, at 4.06%.
- Cost of Funds increased by 1 bps QoQ/ 28 bps YoY to 5.45%.
- Fresh slippages decreased from INR 47.93 bn in Q1FY25 to INR 44.43 bn (Q2FY24: INR 32.54 bn) (down 7.3% QoQ, up 36.53% YoY).
- Retail segment loan growth stood at 15% YoY to INR 5.98 trillion while corporate and SME growth stood at 3% YoY and 16% YoY respectively.
- Within the retail space, Rural loans, Personal loans, and Credit card segment showed a strong growth of 20% YoY, 23% YoY and 22% YoY respectively.
- LAP and SBB also reported a healthy uptick of 25% YoY and 23% YoY respectively.
- Share of secured retail loans was at around 71% with home loans forming 28% of retail loan book.
- The Bank has opened 150 branches in the last 3 months and 200 branches in the H1FY25.
- The New to Bank deposits grew by 15% YoY with new bank accounts up 5% YoY and balances per account up 10% YoY.
- The New Corporate salary levels acquired in Q2FY25 grew by 11% YoY, with 10% YoY growth in the number of accounts acquired. Salary upload in the new book acquired in the H1FY25 grew by 27% YoY.
- The Bank expanded their services of Private Banking arm, Burgundy to to 15 new cities in Q2FY25, increasing their presence to 42 locations across India.
- The MSME platform, "Neo", has 1.3 lakh customers now, onboarded over the last 1 year.
- The Bank has leveraged their capabilities launching UPI Setu, a UPI focussed payment platform for businesses and developers in partnership with Setu, a Pine Labs company.
- The Net Credit Cost came down by 43 bps QoQ to 0.54% while Recoveries from written Off accounts & Upgrades improved 46% QoQ.
- The PCR remained flat sequentially at 77% with the Standard Asset Coverage ratio at 1.2%.
- The Bank received favourable IT orders for six assessment years resulting in a write back of INR 5.5 bn.
- In addition to Specific Loan Loss Provisions, the Bank made Provisions of INR 5.2 bn under Provisions for Contingencies, which are completely of prudent nature.
- The Fees Income improved by 6% QoQ/11% YoY in Q2FY25, in which the Total Wholesale Fee grew by 8% QoQ.
- The Management said that it is the unsecured retail loan Portfolio from where the majority of Slippages are coming.

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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