

CMP: INR 1,207

Rating: BUY

Target Price: INR 1,568

Stock Info

BSE	532215
NSE	AXISBANK
Bloomberg	ASXB IN
Reuters	AXBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Bn)	6.19
Mkt Cap (INR Bn)	3,739
52w H/L (INR)	1,340 / 934
Avg Yearly Vol (in 000')	9,661

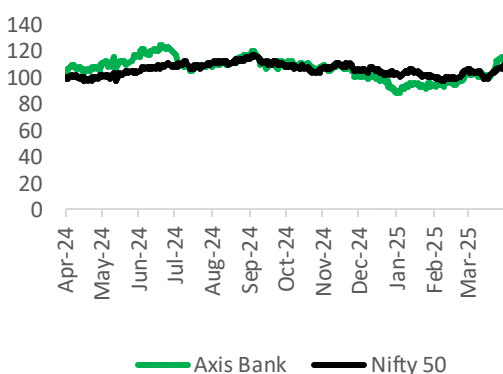
Shareholding Pattern %

(As on Mar, 2025)

Promoters	8.18
Public & Others	91.82

Stock Performance (%)	1m	6m	12m
Axis Bank	9.93	3.39	13.51
Nifty	2.83	-0.29	8.60

Axis Bank Vs Nifty



Axis Bank posted a relatively good set of earnings for Q4FY25, slightly below our estimates. Net Interest Income for Q4FY25 stood at INR 138.1 bn against our estimates of INR 141.4 bn, up by 1.5% QoQ / up by 5.5% YoY. PPOP came at INR 107.5 bn against our estimates of INR 110.4 bn, up by 2.07% QoQ / up by 2.06% YoY. Provisions stood at INR 135.9 bn against our estimates of INR 220.4 bn, down by 36.9% QoQ / up by 14.7% YoY. PAT increased to INR 71.2 bn against our estimates of INR 70.7 bn, up 12.9% QoQ / down by 0.2% YoY. GNPA came at 1.28% against our estimates of 1.44%, down 18 bps QoQ/ 15 bps YoY while NNPA was at 0.33% against our estimates of 0.34%, down 2 bps QoQ/ up 2 bps YoY. Advances increased by 7.0% QoQ / up 9.8% YoY to INR 10,408 bn. Deposits increased by 2.6% QoQ / up 7.9% YoY to INR 11,730 bn.

Asset Quality Stability and Conservative Provisions Reinforce Balance Sheet Strength: GNPA declined to 1.28% (down 18 bps QoQ) and Net NPA to 0.33% (down 2 bps QoQ) as of Mar 2025. The bank also maintained a strong PCR of 157%. Management flagged incremental tightening of asset classification norms, particularly around one-time settlements, which could marginally increase slippages in FY26. The cumulative provisions stood at a healthy INR 119,570 Mn (including INR 50,120 Mn in expected credit loss buffers), offering significant resilience against future stress, especially in unsecured retail segments where normalization is underway.

Diversified Loan Growth with Focus on High-Return, Low-Risk Segments: The bank's total advances grew 8% YoY, with a strategic tilt towards secured retail lending and small/mid corporate loans. Retail loans now comprise 60% of total advances, with 72% of the retail book secured. Notably, commercial banking (SME and mid-corporate) grew 14% YoY, driven by higher RoC segments. While personal loans saw some asset quality challenges, corrective underwriting actions have been taken, and early signs of stabilization are emerging in the credit card portfolio.

Comfortable Capital Position and Liquidity Buffer for Growth: Capital adequacy remains strong, with a CET-1 ratio of 14.67% (up 93 bps YoY), providing ample room for balance sheet growth without immediate capital raising needs. The bank holds INR 50,120 Mn in excess provisions, translating to a capital cushion of 37 bps beyond regulatory requirements. Liquidity remains comfortable with an average LCR of 118%, positioning the bank well to capitalize on loan growth opportunities as systemic liquidity improves.

Strong Subsidiary Performance Driving Incremental Profit Pools: Domestic subsidiaries reported a net profit of INR 17,680 Mn in FY25, up 11% YoY, with Axis Finance growing AUM by 22% YoY and maintaining excellent asset quality with Net NPA at just 0.37%. Axis AMC saw 17% YoY AUM growth and a 21% increase in PAT to INR 5,010 Mn, while Axis Securities and Axis Capital grew revenues by 45% and 33% YoY, respectively. This validates the strategic rationale of building diversified, scalable, and high-margin businesses alongside the core banking operation.

Valuation & View: Loan growth stayed moderate, especially in home and auto loans, but segments like SME and mid-corporate saw stronger traction. The bank maintained a comfortable capital position and strong provision buffers, giving it room to absorb any future asset quality pressures. We expect personal loan asset quality to stabilize over a few quarters, while credit card delinquencies have already improved. Hence, we maintain our Positive stance on the Bank's medium & long term growth prospects, revise our earlier estimates with BUY rating on the bank with a target price of INR 1,568 at 1.65x FY28E ABV till we see growth momentum gathering.

Exhibit 1: Financial Performance

Axis Bank Ltd. (INR Bn)	FY24	FY25	FY26E	FY27E	FY28E
NII	499	543	661	776	912
PPOP	371	421	515	622	750
PAT	249	264	319	400	487
EPS (INR / Share)	80.5	85.1	103.2	129.1	157.2
ABVPS (INR / Share)	476.2	564.8	666.6	794.6	950.4
NIM (%)	4.1	4.0	4.1	5.1	6.1
ROA (%)	1.8%	1.7%	1.7%	1.9%	2.0%
ROE (%)	16.5%	14.8%	15.2%	16.0%	16.3%
P / ABV (x)	2.4	2.0	1.7	1.4	1.2

Source: Arihant Research, Company Filings

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Q4FY25 - Quarterly Performance (Standalone)

(in INR Bn)

Particulars (INR in bn)	Q4FY25	Q3FY25	Q4FY24	QoQ	YoY
Interest Earned	312.43	309.54	292.25	0.9%	6.9%
- Interest/discount on advances/bills	245.80	246.41	233.51	-0.2%	5.3%
- Income on Investments	60.95	58.09	53.38	4.9%	14.2%
- Interest on bal with RBI	2.97	2.93	2.56	1.4%	15.8%
- Others	2.71	2.12	2.79	28.0%	-2.8%
Interest Expenses	174.32	173.48	161.36	0.5%	8.0%
NII	138.11	136.06	130.89	1.5%	5.5%
Other Income	67.80	59.72	67.66	13.5%	0.2%
Total Income	205.90	195.78	198.55	5.2%	3.7%
Operating Expenses	98.38	90.44	93.19	8.8%	5.6%
- Employee cost	29.62	29.85	29.24	-0.8%	1.3%
- Others	68.76	60.60	63.96	13.5%	7.5%
Operating Profits	107.52	105.34	105.36	2.1%	2.1%
Provisions	13.59	21.56	11.85	-36.9%	14.7%
Exceptional items	0.00	0.00	0.00	NA	NA
PBT	93.93	83.78	93.50	12.1%	0.5%
Tax	22.76	20.74	22.21	9.7%	2.5%
PAT	71.18	63.04	71.30	12.9%	-0.2%
Advances	10,408	10,146	9,651	2.6%	7.8%
Deposits	11,730	10,959	10,686	7.0%	9.8%
Total Assets	16,099	15,257	14,772	5.5%	9.0%
CASA (%)	43%	39%	43%	350bps	0bps
CASA Deposits	4,043	4,329	4,043	-6.6%	0.0%
Asset Quality					
GNPA	144.9	158.5	151.3	-8.6%	-4.2%
NNPA	36.9	37.7	32.5	-2.4%	13.5%
GNPA (%)	1.28%	1.46%	1.43%	-18bps	-15bps
NNPA (%)	0.33%	0.35%	0.31%	-2bps	2bps
RoA	1.83%	1.64%	2.00%	19bps	-17bps
Cost to Income Ratio	47.78%	46.20%	46.94%	158bps	84bps

Source: Arianth Research, Company Filings

Q4FY25 Conference Call Highlights :**Key Highlights:**

- The management expects its personal loan portfolio to stabilize over the coming quarters.
- Non-interest income was flattish on YoY basis despite decent growth in fee income, this was owing to fall in treasury income.
- Provisions during the quarter were up 14.7% YoY and down 37% QoQ. Sequential decline in provisions was owing to upgrades in corporate book.

Deposit Trends

- Deposits grew 9.8% YoY and 7% QoQ, reaching ~INR 11.7 Trillion.
- CASA deposits rose 4% YoY, with the CASA ratio declining to 41% from 43% in previous year.
- The bank maintained a strong Liquidity Coverage Ratio (LCR) of around 118% as of March 2025.
- ~170 new branches were opened during the quarter.

Loan Book Performance

- Retail disbursements during the quarter rose by 15% YoY.
- Growth in credit card and personal loan portfolios moderated due to a more cautious approach and rising delinquencies.
- ~72% of the total loan book is linked to floating interest rates.
- The bank reported YoY loan growth of 7.8% and sequential growth of 2.6% in Q4 FY25, with total advances reaching INR 10.4 Trillion.
- Retail loan book grew 7% YoY to INR 6.22 Tn, while corporate and SME loans registered growth of 8% YoY and 14% YoY respectively.
- Within retail – 1) Home loans remained subdued, growing just 1% YoY. 2) Rural loans expanded 7% YoY. 3) The Loan Against Property (LAP) segment posted a healthy 18% YoY growth.

Asset Quality

- Asset quality improved, with Gross NPA ratio down by 18 bps QoQ to 1.28% and Net NPA ratio declining by 2 bps QoQ to 0.33%
- Cumulative provisions (including standard and additional provisions excluding NPAs) stood at INR 119,570 Mn at the end of Q4 FY25.
- Gross slippage ratio (annualized) improved to 1.9% from 2.13% QoQ, while the net slippage ratio decreased by 59 bps QoQ to 0.81%.
- Fresh slippages during the quarter fell by 11.5% QoQ to INR 48,050 Mn. Of this, retail net slippages amounted to INR 22,970 Mn. GNPA for the retail segment was at 1.60%, and for the commercial banking segment at 0.77%.
- Recovery from written-off accounts totalled INR 9,350 Mn in Q4 FY25.
- The bank also wrote off INR 8,000 Mn of provisions against security receipts during the quarter.
- The bank has declared a dividend of INR 1 per share for FY25.

Income Statement

(Rs Bn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Earned	851.6	1,093.7	1,226.8	1,418.2	1,639.0	1,894.7
Interest Expended	421.2	594.7	683.3	757.3	862.7	982.8
Net Interest Income	430.5	498.9	543.5	660.9	776.3	911.9
Other Income	165.0	224.4	252.6	267.6	302.5	342.2
Fee Income	162.2	182.6	204.5	229.0	256.5	287.3
Treasury Income	-2.4	0.0	22.9	29.8	35.9	43.2
Operating Income	595.5	723.4	796.0	928.5	1,078.8	1,254.1
Operating Expenses	396.6	352.1	375.0	413.7	456.4	503.6
Employee Expenses	87.6	109.3	121.9	135.3	150.2	166.8
Profit before provision & tax	198.9	371.2	421.0	514.8	622.4	750.5
Provisions and Contingencies	28.8	40.6	77.6	88.8	89.1	101.1
Profit Before Tax	170.1	330.6	343.5	426.0	533.3	649.4
Provision for tax	73.3	82.0	79.7	106.5	133.3	162.4
Exp. Items	0.0	0.0	0.0	0.0	0.0	0.0
Profit After Tax	96.8	248.6	263.7	319.5	400.0	487.1

Balance Sheet

(Rs Bn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sources of funds						
Share Capital	6	6	6	6	6	6
Total Reserves	1,244	1,496	1,780	2,099	2,499	2,986
Shareholder's Fund	1,250	1,502	1,786	2,106	2,506	2,993
Deposits	9,469	10,686	11,730	13,430	15,378	17,607
Borrowings	1,863	1,968	1,841	2,026	2,228	2,451
Other Liabilities & provisions	587	607	731	838	962	1,104
Total Liabilities	13,173	14,772	16,099	18,400	21,073	24,155
Application of Funds						
Cash & Bank	1,064	1,145	997	1,133	1,319	1,542
Investments	2,888	3,315	3,961	4,629	5,409	6,320
Advances	8,453	9,651	10,408	11,883	13,566	15,488
Fixed Assets	47	57	63	66	69	73
Other Assets	721	605	670	690	710	732
Total Assets	13,173	14,772	16,099	18,400	21,073	24,155

Source: Arianth Research, Company Filings

Ratios %						
	FY23	FY24	FY25	FY26E	FY27E	FY28E
Asset Quality						
Gross NPA	2.2	1.6	1.4	1.3	1.3	1.3
Net NPA	0.4	0.3	0.4	0.3	0.3	0.3
PCR	80.9	78.5	74.6	75.0	75.0	75.0
Growth						
Advances Growth	19.4	14.2	14.2	14.2	14.2	14.2
Deposit growth	15.2	12.9	14.5	14.5	14.5	14.5
Net Profit Growth	-25.7	156.8	6.1	21.1	25.2	21.8
Liquidity						
C-D Ratio	89.3	90.3	88.7	88.5	88.2	88.0
CASA	39.5	37.8	45.0	45.0	45.0	45.0
Capital Adequacy	17.6	16.6	16.5	16.2	15.9	15.9
Efficiency						
Cost Income Ratio	66.60	48.68	47.11	44.56	42.31	40.16
Operating Costs to Assets	3.01	2.38	2.33	2.25	2.17	2.08

Spread Analysis (%)						
	FY23	FY24	FY25	FY26E	FY27E	FY28E
Spread Analysis						
Yield on Advances	7.6	9.0	9.1	9.1	9.1	9.1
Yield on Investments	6.3	6.0	6.2	6.4	6.6	6.8
Cost of Funds	3.7	4.7	4.9	4.9	4.9	4.9
NIM	4.0	4.1	4.0	4.1	5.1	6.1
Interest Spread	3.9	4.3	4.2	4.2	4.2	4.2
Profitability						
ROE	7.7%	16.5%	14.8%	15.2%	16.0%	16.3%
ROA	0.73%	1.8%	1.7%	1.7%	1.9%	2.0%
Earnings Per Share (Rs)	31.5	80.5	85.1	103.2	129.1	157.2
Book Value (Rs)	406	487	577	680	809	966
Adjusted Book Value (Rs)	395	476	565	667	795	950
Valuation						
P / EPS (x)	30.7	14.1	13.3	11.0	8.8	7.2
P / ABV (x)	2.4	2.4	2.0	1.7	1.4	1.2

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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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