

CMP: ₹ 1165

Target: ₹ 1350 (16%)

Target Period: 12 months

BUY

April 25, 2025

Mixed quarter; Sustained performance to aid re-rating...

About the stock: Axis Bank is the third largest private sector bank in India with a balance sheet size of ~₹ 15 lakh crore. Strategy to focus on retail & MSME segment with emphasis on risk adjusted return has aided improvement in RoA & RoE.

- Retail and SME comprise ~71% of total loans

Q4FY25 performance: Axis Bank reported mixed performance in Q4FY25 with improved asset quality but slower business growth. Advances grew 8% YoY (3% QoQ) to ₹10,40,811 crores, driven by retail loans at 7% YoY (3% QoQ), SME at 14% YoY (4% QoQ). Deposit accretion remained strong at 10% YoY (7% QoQ) to ₹11,72,952 crores, led by term deposits up 14% YoY (5% QoQ). Margins improved 4 bps QoQ to 3.97%, owing to focus on better yielding segments. Fee income growth remained healthy with continued control on opex. Reversal of ₹800 crore of provision related to SR has resulted in decline in credit cost at ~50 bps, thus keeping earnings flat at ₹7,117 crore. GNPA improved 18 bps QoQ to 1.28%, led by elevated write-off, while NNPA improved to 0.33% (down 2 bps).

Investment Rationale

- CD ratio comfort and ample liquidity set stage for re-acceleration:** Credit growth remained tepid at 8% YoY (3% QoQ), weighed down by muted performance in home loans (0.8% YoY), credit cards (4.3% YoY), and personal loans (8% YoY). However, loan against property and small business banking segments exhibited strong resilience, growing 18.3% and 16.7% YoY, respectively. With CD ratio now at a comfortable 88.7% and systemic liquidity showing signs of improvement, credit momentum is poised to reaccelerate. Strategic emphasis on improving deposit granularity and cost efficiency has helped contain funding pressures. As a result, credit growth is expected to compound at ~12.2% CAGR over FY26–27E.
- Strategic mix and ALM shield NIMs from rate cut pressure:** Supported by a tightly matched asset-liability duration, recent cut in repo rate is expected to have a minimal bearing on margin trajectory, although interim quarterly volatility could not be ruled out. Notably, despite a moderation in CD ratio to 88.7%, margins improved by 4 bps QoQ—driven equally by interest reversals and enhanced asset yields. On a full-year basis, we expect the margin compression to remain contained at ~10–12 bps, underpinned by 25 bps cut in interest on savings deposit and calibration in term deposit rates, alongside a strategic shift in business mix to preserve yield momentum.
- Slippages trend lower, personal loan segment remains watchful:** Asset quality improved with slippages declining 25 bps QoQ to 1.85% in Q4FY25. GNPA/ NNPA ratio improved 18/ 2 bps QoQ to 1.28%/ 0.33%. Credit cost declined at ~50 bps, including reversal of ₹800 crore related to security receipts. Management indicated stabilizing of stress in credit card segment, while personal loans is expected to take a few quarters to show improvement which was a change in earlier stance. Expect credit cost at ~70–75 bps in FY26–27E.

Rating and Target Price

- Sustained and consistent execution on growth and asset quality front is seen to aid valuation. Steep discount compared to private peers warrants re-rating. Thus, we revise our target price to ₹1350, valuing the stock at ~1.6x FY27E BV and ₹100 for subsidiaries. Maintain Buy rating.

Key Financial Summary

₹ crore	FY23	FY24	FY25	3 year CAGR (FY22–25)	FY26E	FY27E	2 year CAGR (FY25–27E)
NII	42946	49894	54348	18%	57467	64918	9%
PPP	19791	37123	42105	19%	44606	51179	10%
PAT	9580	24861	26374	27%	27314	31822	10%
ABV (I)	394.7	476.2	549.3		614.3	708.3	
P/E	37.4	14.5	13.7		13.2	11.3	
P/ABV	3.0	2.4	2.1		1.9	1.6	
RoA	0.8	1.8	1.7		1.6	1.6	
RoE	8.0	18.1	16.0		14.4	14.8	

Source: Company, ICICI Direct Research



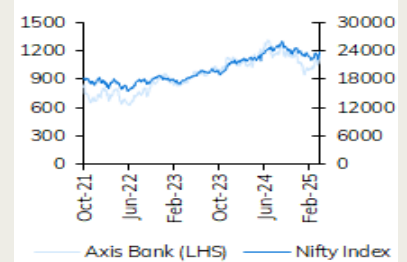
Particulars

Particulars	Amount
Market Capitalisation	₹3,60,914
52 week H/L	1340/ 934
Net worth	₹186053 crore
Face value	2.0
DII Holding (%)	40.9
FII Holding (%)	43.9

Shareholding pattern

(in %)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	8.2	8.3	8.3	8.3	8.1
FII	53.8	53.4	51.8	47.5	43.9
DII	30.1	31.6	33.2	37.5	40.9
Public	7.8	6.6	6.7	6.7	7.1

Price Chart



Key risks

- Elevated delinquencies in unsecured retail book
- Higher volatility in margins could impact earnings trend

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Concall highlights and outlook

Business performance and growth outlook

- No formal guidance provided on advances or deposits growth; however, management expects growth and profitability to trend positively if system liquidity remains supportive.
- Continued strategic focus on high RAROC segments such as small business, SME, and mid-corporate lending.
- Secured retail disbursements are expected to be a key growth lever going forward.
- Citi retail integration fully completed, with ~178 senior employees now leading critical functions within Axis.
- The bank added 500 branches in FY25, including 170 in Q4FY25, to support distribution-led growth.
- Axis Bank executed financing of aircraft leasing through International banking Unit (IBU) in Gift City for purchase of 34 aircrafts.

Margins & Asset Mix Strategy

- NIM improved to 3.97% in Q4FY25, up 4 bps QoQ. Of the 4 bps expansion, 2 bps came from reversal of interest and the rest from improved asset yields.
- Duration of assets and liabilities are tightly matched to mitigate interest rate risks.
- Measures such as selective deposit repricing (e.g., savings rate reduction) and improving loan mix towards high-yield segments are being implemented to support NIM.
- Bank aims to protect its NIM at or near the stated 3.8% level, despite upcoming yield pressure.
- Transmission of repo rate cut is done within the quarter

Deposit Strategy & Liability Franchise

- Bank is witnessing healthy traction in business from NTB customers which has increased 18% YoY.
- Deposit strategy is anchored on three pillars: quality, cost, and growth. The bank has delivered well on quality and cost fronts.
- Management monitors performance based on Quarterly Average Balances (QAB) and expects reasonable stickiness; actual retention trends to be visible in Q1FY26

PSL Compliance & Lending Composition

- Shortfall in RMFI and gold loan disbursements led to a ₹591 crore spend on PSLCs in Q4FY25
- Management plans to use a combination of organic PSL growth, PSLCs, IBPCs, and PTCs in FY26 to meet regulatory norms.
- Intention is to reduce reliance on PSLCs gradually as internal PSL generation improves.
- 88% of the CBG (Commercial Banking Group) portfolio is PSL compliant.

Credit Quality & Provisioning

- Credit cards portfolio showing early signs of stabilization; personal loan stress may take a few more quarters to normalize. However, this is contrary to earlier commentary of improvement to be seen in personal loans followed by credit cards.
- ₹801 crore provision related to government backed SRs written back in Q4FY25; ₹537 crore interest not booked yet—will be recognized on realization or clarification from regulator
- Management has tightened conditions for upgrades which could marginally add to provision in FY26E.
- Maintains one of the most conservative provisioning policies among peers—100% provision on unsecured retail NPAs from the 91st day of default

Strategic Initiatives

- New in-app mobile OTP module launched – an industry-first for fraud protection.
- Aircraft financing deal executed via GIFT City team – first for any Indian bank

Exhibit 1: Variance Analysis

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments
NII	13,811	13,089	5.5	13,606	1.5	Tepid NII traction amid continued slower credit growth
NIM (%)	3.97	4.06	-9 bps	3.93	4 bps	NIM improved 4 bps QoQ - 2 bps each from interest reversal and spread
Other Income	6,780	6,766	0.2	5,972	13.5	Fee income healthy at 12% YoY. Treasury income low
Net Total Income	20,590	19,855	3.7	19,578	5.2	
Staff cost	2,962	2,924	1.3	2,985	-0.8	
Other Operating Expenses	6,876	6,396	7.5	6,060	13.5	Citi integration cost pressure over
PPP	10,752	10,536	2.1	10,534	2.1	
Provision	1,359	1,185	14.7	2,156	-36.9	Credit cost at 50 bps including reversal of ₹800 crore of provision on SR
PBT	9,393	9,350	0.5	8,378	12.1	
Tax Outgo	2,276	2,221	2.5	2,074	9.7	
PAT	7,118	7,130	-0.2	6,304	12.9	Lower provisioning aided earnings
Key Metrics						
GNPA	14,490	15,127	-4.2	15,850	-8.6	Slippages at ~1.85%, recoveries and write-offs aid 18 bps QoQ in GNPA ratio
NNPA	3,685	3,247	13.5	3,775	-2.4	
Credit	1,040,811	965,068	7.8	1,014,564	2.6	SME (14% YoY), LAP and SBB in retail remain main growth driver
Deposit	1,172,952	1,068,641	9.8	1,095,883	7.0	Term deposit accretion at 14% YoY

Financial Summary

Exhibit 2: Profit and loss statement				₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E
Interest Earned	109,369	122,677	131,623	144,876
Interest Expended	59,474	68,329	74,156	79,958
Net Interest Income	49,894	54,348	57,467	64,918
Growth (%)	16.2	8.9	5.7	13.0
Non Interest Income	22,442	25,257	28,248	31,631
Net Income	72,336	79,605	85,716	96,549
Staff cost	10,933	12,193	13,649	15,236
Other Operating Expense	24,280	25,307	27,461	30,133
Operating Profit	37,123	42,105	44,606	51,179
Provisions	4,063	7,758	8,667	9,308
PBT	33,060	34,347	35,939	41,871
Taxes	8,199	7,974	8,625	10,049
Exceptional	-	-	-	-
Net Profit	24,861	26,374	27,314	31,822
Growth (%)	159.5	6.1	3.6	16.5
EPS (₹)	80.5	85.2	88.2	102.8

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios				₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E
Valuation				
No. of Equity Shares	308.7	309.7	309.7	309.7
EPS (₹)	80.5	85.2	88.2	102.8
BV (₹)	486.7	576.9	646.0	745.2
ABV (₹)	476.2	549.3	614.3	708.3
P/E	14.5	13.7	13.2	11.3
P/BV	2.4	2.0	1.8	1.6
P/ABV	2.4	2.1	1.9	1.6
Yields & Margins (%)				
Net Interest Margins	4.1	3.9	3.7	3.8
Yield on assets	8.9	8.9	8.6	8.4
Avg. cost on funds	5.0	5.1	5.1	4.9
Yield on average advances	9.6	9.6	9.2	9.0
Avg. Cost of Deposits	4.5	4.8	4.6	4.5
Quality and Efficiency				
Cost to income ratio	48.7	47.1	48.0	47.0
Credit/Deposit ratio	90.3	88.7	87.2	87.9
GNPA	1.4	1.5	1.5	1.5
NNPA	0.3	0.4	0.4	0.4
RoE	18.1	16.0	14.4	14.8
RoA	1.8	1.7	1.6	1.6

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E
Sources of Funds				
Capital	617	619	619	619
Reserves and Surplus	149618	178013	199406	230141
Networth	150235	178633	200025	230760
Deposits	1068641	1172952	1328451	1489128
Borrowings	196812	184147	224407	236008
Other Liabilities & Provisions	61520	74214	78995	84254
Total	1477209	1609946	1831878	2040151
Application of Funds				
Fixed Assets	5685	6292	7548	8716
Investments	331527	396141	442010	493288
Advances	965068	1040811	1158490	1309093
Other Assets	60474	66970	89190	82457
Cash with RBI & call money	114454	99732	134641	146597
Total	1477209	1609946	1831878	2040151

Source: Company, ICICI Direct Research

Exhibit 5: Growth				(%)
(Year-end March)	FY24	FY25	FY26E	FY27E
Total assets	12.1	9.0	13.8	11.4
Advances	14.2	7.8	11.3	13.0
Deposit	12.9	9.8	13.3	12.1
Total Income	22.4	10.0	7.7	12.6
Net interest income	16.2	8.9	5.7	13.0
Operating expenses	-10.4	6.5	9.6	10.4
Operating profit	87.6	13.4	5.9	14.7
Net profit	159.5	6.1	3.6	16.5
Net worth	20.2	18.9	12.0	15.4
EPS	158.7	5.7	3.6	16.5

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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