

Axis Bank Limited

September 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Infrastructure Bonds	5,000.00	CARE AAA; Stable	Reaffirmed
Infrastructure Bonds	3,500.00	CARE AAA; Stable	Reaffirmed
Tier II Bonds	3,350.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Tier II Bonds under Basel III are characterised by a 'Point of Non-Viability' (PONV) trigger due to which the investor may suffer a loss of principal. PONV will be determined by the Reserve Bank of India (RBI) and is a point at which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable.

Rationale and key rating drivers

Reaffirmation of rating assigned to various debt instruments of Axis Bank Limited (ABL) factors in the bank's long track record of operations with strong market position as one of the largest private sector banks in the country, as well as strong established franchise and branch network. The rating also factors in strong capitalisation levels supported by sizeable amount of equity capital raised during the last three years demonstrating the ability of the bank to raise capital as well as improvement in internal accruals. The rating further factors in the experience of the management team and diversified resource profile led by healthy current account savings account (CASA) deposit mix and comfortable liquidity profile.

The advances portfolio growth of the bank has been led by the retail lending over the last three years adding to more granularity to the advances book coupled with improvement in the bank's asset quality parameters as reflected by decrease in its gross nonperforming assets (GNPAs) over the last three years supported by lower slippages and improved profitability parameters on a steady state basis.

ABL has successfully completed the acquisition of Citibank's India Consumer Business from Citibank N.A. (acting through its branch in India) and NBFC Consumer Business from Citicorp Finance (India) Limited (CFIL) as going concerns, without values being assigned to individual assets and liabilities to either business. The purchase consideration for the business was ₹11,932 crore. The Bank has started accruing the benefits during the quarter and expected to increase the same over the medium term.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

Not applicable

Negative factors

- Deterioration in asset quality parameters – in the event of net NPA (NNPA) ratio increasing to more than 3%
- Decline in the profit for a sustained basis, leading to deterioration in capitalisation cushion levels of less than 3.5% over and above the minimum regulatory requirements.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that ABL shall continue to maintain its steady growth in advances, deposits and healthy profitability profile over the medium term while maintaining stable asset quality and comfortable capitalisation levels.

Detailed description of key rating drivers:

Key strengths

Strong capitalisation levels and demonstrated resource raising ability

The bank has maintained healthy capitalisation through internal capital generation as well as has demonstrated strong ability to raise capital to fund growth and maintain cushion over minimum regulatory requirement. Axis Bank was able to raise resources by way of deposits and bonds. The bank raised equity capital of ₹10,000 crore (₹9,963 crore net of share issue expenses) during FY21 by way of Qualified Institutional Placement (QIP) of equity shares which strengthened the core capitalisation of the bank. During FY22, the bank raised Additional Tier I (AT I) Bonds amounting to USD 600 million (approximately ₹4,548 crore) which helped overall capitalisation of the bank. During FY23, the bank raised Tier II bonds of ₹12,000 crore.

The capitalization levels of the bank remained comfortable with Capital Adequacy Ratio (CAR) of 16.63% and Tier I CAR of 14.20% (CET I Ratio of 13.74%) as on March 31, 2024 (March 31, 2023: CAR: 17.64%, Tier I CAR- 14.57%, CET I – 14.02%). As on June 30, 2024, the CAR stood at 16.65% and Tier I CAR stood at 14.52% which is over and above the regulatory requirement provision cushion for growth and any credit losses. On consolidated basis, the CAR stood at 16.57% as on March 31, 2024.

ABL has nine major subsidiaries, and all of these are profit making. CARE Ratings expects ABL to provide growth capital and extend support including financial support at times of need to its subsidiaries. However, CARE Ratings does not envisage significant support required by its subsidiaries in the near term except towards Axis Finance Limited towards growth capital. CARE Ratings expects the bank to maintain comfortable cushion over and above the minimum regulatory requirements to help it grow its advances.

Experienced management team

ABL has an experienced senior management team and Board of Directors headed by Mr. N. S. Vishwanathan, who is an Independent Director on the Board of the company and was appointed as the Non-Executive (part time) Chairman with effect from October 27, 2023, for a period of three years. He has wide experience across sectors and was the former Deputy Governor of the Reserve Bank of India ("RBI") and has over 4 decades of experience across finance domain.

The operations of the bank are headed by Mr. Amitabh Chaudhary who was appointed as the Managing Director and Chief Executive Officer (MD & CEO) with effect from January 01, 2019, for a period of three years. Furthermore, in April 2021, the tenure of Mr. Chaudhary was extended for the next three years effective from January 01, 2022. Prior to that he was a Managing Director (MD) and Chief Executive Officer (CEO) at HDFC Life Insurance Company Limited.

The bank has a well-defined structure and various teams comprising experienced professionals to look after its various functions.

Strong liability franchise and diversified resource profile

ABL's total deposits grew by 13% and stood at Rs. 10,68,641 crores as on March 31, 2024, as compared with Rs.9,46,945 crores as on March 31, 2023. The total deposits witnessed a growth of 13% on a y-o-y basis and stood Rs. 10,62,484 crores as on June 30, 2024.

Current Account Saving Account (CASA) proportion stood at 42.99% of total deposits as on March 31, 2024 (March 31, 2023: 47.16%). Further, as on June 30, 2024, the CASA ratio decreased and stood at 41.83%, in line with its peers mainly on account of rising interest rate scenario.

The term deposits have witnessed a growth of 22% on a y-o-y basis and stood at Rs. 6,09,241 crores as on March 31, 2024 (March 31, 2023: Rs. 5,00,409 crore). The term deposits witnessed a growth of 20% on a y-o-y basis and 1% on a q-o-q basis and stood Rs. 6,18,005 crores as on June 30, 2024. Out of the total term deposits, 58% are retail in nature as on March 31, 2024.

Key weaknesses**Moderate asset quality with improvement over the recent years**

The bank's asset quality parameters have been showing improvement over the recent years. Owing to decrease in gross slippages and improved collection efficiency, the asset quality witnessed improvement during FY24 and further during Q1FY25.

The Gross NPA and Net NPA stood at 1.43% and 0.31% respectively as on March 31, 2024 (March 31, 2023: Gross NPA : 2.02%, Net NPA: 0.39%). Further, as on June 30, 2024, the Gross NPA stood at 1.54% and Net NPA stood at 0.34%. The Net NPA to Net worth ratio stood at 2.23% as on March 31, 2024 (March 31, 2023: 2.89%). The Net stressed assets to Net worth (NNPA + standard restructured advances + security receipts) also improved to 2.83% as on March 31, 2024 (March 31, 2023: 5.11%) on account of decrease in standard restructured assets and Net NPA on absolute level.

The fresh slippages in the advances increased to Rs. 14,405 crores during FY24 as compared to Rs. 13,949 crores during FY23. The recoveries declined during FY24 to Rs. 2,710 crores from Rs. 3,163 crores during FY23. The bank had written off (excluding technical write-offs) Rs. 2,797 crores of loans during FY24 as compared to Rs. 1,203 crores during FY23.

The total outstanding of standard restructured loans implemented under resolution framework for COVID-19 related stress (Covid 1.0 and Covid 2.0) declined to Rs. 1,528 crores as on March 31, 2024, which forms 0.14% of the gross loans advances as on March 31, 2024. This decline was mainly on account of repayments made to the tune of Rs. 340 crores during FY24.

The bank maintained a provision coverage ratio of 79% as on March 31, 2024 (March 31, 2023: 81%) excluding technical write offs. Including the technical write offs, the PCR stood at 94% as on March 31, 2024 (March 31,2022: 94%).

Moderate earnings profile, albeit improvement

The bank has witnessed improvement in the financial performance over the last few years; except during FY23 wherein due to a one-time exceptional item incurred by the bank owing to Citi Bank merger, the bank reported a decline in annual PAT. During FY24 the bank again posted a significant improvement in PAT during FY24, however still remain on lower side compared to its peers.

During FY24, the bank reported a rise in the Net Interest Margin (NIM) by 12 bps on a Y-o-Y basis and stood at 3.59% (FY23: 3.46%) on account of a higher rise in the yield on interest earning assets than the rise in the cost of funds. The yield increased

due to increase in rates across products over and above the increased cost of funds passed on. The bank has around 70% of the advances book under floating rate of which 50% is linked to repo rate, 13% is MCLR linked. The operating expense declined to 2.53% during FY24 (FY23: 3.20%) which was higher during FY23 due to one-time expense related to CITI merger. The credit costs increased marginally and stood at 0.29% in FY24 (FY23: 0.23%). On account of the above, the ROTA improved and stood at 1.79% in FY24 (FY23: 0.77%).

During Q1FY25, the bank reported PAT of Rs. 6,035 crores on a total income of Rs. 35,844 crores as against PAT of Rs. 5,797 crores on a total income of Rs. 30,644 crores during Q1FY24. The PPOP improved to Rs. 10,106 crores during Q1FY25 as compared to Rs. 8,814 crores during Q1FY24 leading to a growth of 15% on Y-o-Y basis.

Going forward, the NIM is expected to compress with rate cuts. The credit cost is expected to increase in FY25 due to increase in expected write-offs combined with taper down of recoveries and upgradation and operation cost is expected remain at the same levels post stabilising in FY24. Thus, overall ROTA is envisaged to remain at the current levels.

Liquidity: Strong

The liquidity position of the bank stands comfortable as on June 30, 2024. The bank maintained an average quarterly liquidity coverage ratio of 121% as on March 31, 2024, and 120% as on June 30, 2024, against the regulatory requirement of 100%. The bank reported high quality liquid assets (HQLA) of Rs. 2,57,647 crores as on March 31, 2024.

In addition, comfort is drawn with the bank having access to market liquidity by way of call money market and RBI's Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF).

Environment, social, and governance (ESG) risks

The bank remains steadfastly committed towards making the principle of ESG a key element of its long-term strategy and activities; and continues to work towards aligning its overall organizational strategy and decision-making. In August 2021, ABL became the first Indian bank to establish a dedicated ESG committee at the board level, centralising oversight of our ESG initiatives and climate-related risks. In fiscal 2024, the ESG Committee of the Board met four times, wherein it reviewed the Bank's progress towards achieving its ESG-aligned commitments and also provided its guidance on new initiatives and activities.

Towards its commitment of achieving incremental wholesale lending of ` 30,000 Crores in sectors with positive sustainable impact by 2026, as included in the Bank's Sustainable Financing Framework, the Bank has achieved ` 30,409 Crores of incremental lending as of March 31, 2024. During the year, under the oversight of the ESG Working Group that was set up in 2021 to formally guide and manage the Bank's future sustainable financing activities, the internal tagging and tracking process for all such eligible transactions was successfully automated. In fiscal 2022, the Bank had also taken an internal commitment to scaling down its exposure to coal mining and trading, and thermal power sectors, which is being tracked on a quarterly basis and reported to the ESG Committee of the Board. As of March 31, 2024, the Bank's exposure to these two sectors was well within the annual limits set as part of the glide path. The Bank's total wholesale lending portfolio in the 'green' sectors stood at ` 18,907 crores as of March 31, 2024.

The Bank has also made progress on its commitments in Retail lending. Towards its commitment of incremental lending of ` 10,000 crores in Asha Home Loans by March 2024, the Bank has achieved a cumulative lending of ` 9,902 crores as of March 31, 2024. Notably, the Bank also increased the percentage of women borrowers under Asha Home Loans, with 17.70% women borrowers as of March 31, 2024, up from 5.86% as on March 31, 2022. Towards its commitment to making 5% of its Retail Two-Wheeler loan portfolio as electric by March 2024, the Bank achieved an EV share of 3.62% (cumulatively since 1 October 2021), partly

due to policy changes such as changes to FAME II program and consumer anxiety around charging infrastructure and lack of used market. Notably, in this period, the Bank entered into exclusive dealer finance programs, launched a differential policy to support the EV segment, and scaled its retail tie ups, in addition to offering a sector-leading up to 0.5% interest discount on EV loans, thus achieving an EV share of 5.53% for this fiscal. The Bank is actively exploring pilot ESG aligned retail products including solar rooftop loans for SMEs and green home loans.

ABL has 61% of the proportion of the board as independent directors with around 15% of women directors on the board of the bank. Further, Mr. N. S. Vishwanathan who is an independent director is the chairperson of the Company's Board.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Bank](#)

[Financial Ratios - Financial Sector](#)

[Rating Basel III - Hybrid Capital Instruments issued by Banks](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Banks	Private Sector Bank

ABL is a new private sector bank incorporated on December 03, 1993, and was promoted jointly by Unit Trust of India (now Administrator of Specified Undertaking of Unit Trust of India – SUUTI), Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) and other four PSU insurance companies. As on June 30, 2024, LIC is the sole promoter of the bank holding 8.31%. Axis Bank Limited (ABL) is third largest bank in the private sector banking space with total assets size of ₹14,71,896 crores as on March 31, 2024 (₹13,10,999 crores as on March 31, 2023).

ABL has a pan-India presence through a network of 5,427 domestic branches and extension counters and 15,014 ATMs and cash recyclers spread across the country as on June 30, 2024. The total employee strength stood at around 1,04,000 as on March 31, 2024. The Bank has strategic international presence with branches at Singapore, Dubai (at the DIFC) and Gift City-IBU; representative offices at Dhaka, Dubai, Abu Dhabi, Sharjah and an overseas subsidiary at London, UK.

As on March 31, 2024, the Bank has nine unlisted subsidiary companies, two step down subsidiary and one associate company.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total income	1,01,307	1,31,811	35,844
PAT	9,580	24,861	6,035
Total Assets*	13,10,999	14,71,896	14,68,163 [#]
Net NPA (%)	0.39	0.31	0.34
ROTA (%)	0.77	1.79	NA

A: Audited UA: Unaudited; Note: these are latest available financial results

*As per CARE's criteria.

[#]Reported figure.

NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Infra Bonds (Unsecured NCD)	INE238A08385	30-Oct-2015	8.25%	30-Oct-2025	3,000.00	CARE AAA; Stable
Infra Bonds (Unsecured NCD)	INE238A08401	20-Oct-2016	7.60%	20-Oct-2025	5,000.00	CARE AAA; Stable
Infra Bonds (Unsecured NCD) - Proposed	-	-	-	-	500.00	CARE AAA; Stable
BASEL III - Tier II	INE238A08369	12-Feb-2015	8.45%	12-Feb-2025	850.00	CARE AAA; Stable
BASEL III - Tier II	INE238A08377	30-Sep-2015	8.50%	30-Sep-2025	1,500.00	CARE AAA; Stable
BASEL III - Tier II - Proposed	-	-	-	-	1,000.00	CARE AAA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Bonds-Lower Tier II	LT	-	-	-	1)Withdrawn (04-Apr-23)	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)
2	Bonds-Lower Tier II	LT	-	-	-	1)Withdrawn (04-Apr-23)	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
3	Bonds-Lower Tier II	LT	-	-	-	1)Withdrawn (04-Apr-23)	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)
4	Bonds-Lower Tier II	LT	-	-	-	1)Withdrawn (04-Apr-23)	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)
5	Bonds-Lower Tier II	LT	-	-	-	1)Withdrawn (04-Apr-23)	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)
6	Bonds-Tier II Bonds	LT	3,350.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Sep-23) 2)CARE AAA; Stable (04-Apr-23)	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)
7	Bonds-Infrastructure Bonds	LT	5,000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Sep-23) 2)CARE AAA; Stable (04-Apr-23)	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)
8	Bonds-Infrastructure Bonds	LT	3,500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Sep-23) 2)CARE AAA; Stable (04-Apr-23)	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Infrastructure Bonds	Simple
2	Bonds-Tier II Bonds	Complex

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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Disclaimer:

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