Q2 2024

1. Loan portfolio expansion
- **Narrative:** Management has expressed a strong commitment to expanding Axis's loan portfolio as part of their broader revenue growth and financial strategy. They are focused on increasing their market share and enhancing overall business contributions significantly over the coming years.
- **Management's Guidance:**
- The CEO has indicated an intention to increase the bank's open business contribution by 3-4 times by fiscal 2027. Management expects to grow Axis's loan portfolio by 400 to 600 basis points faster than the industry credit growth over the medium term, excluding the impact of the HDFC Limited merger. They aim to achieve a 15% growth in their loan book by the end of the fiscal year.
- **Actual Results:**
['Q1', '2025']:
- Loan growth (gross of IBPC sold) at 15% YOY & 1% QOQ
['Q3', '2024']:
- In Q3FY24, the retail disbursements were the highest ever for a non-financial year closing quarter, aided by improved consumer sentiments and strong festive demand. The retail disbursements grew 47% YoY and 10% QoQ. Additionally, unsecured disbursements were 22% of retail disbursements for the quarter compared to 25% in the previous quarter. The domestic corporate loans book grossed up for IBPC sales grew 23% YoY and 3% QoQ. The combined portfolio of mid-corporate, SMEs, and small businesses grew 30% YoY and 5% QoQ, constituting 21% of the loan book, up ~620 bps in the last 3 years.
['Q4', '2024']:
- Advances (gross of loans sold under IBPC) grew by 15% YOY and 4% QOQ.
['Q2', '2024']:
- Advances increased by 23% YOY. Domestic loan growth at 26% YOY & 5% QOQ. Retail loans grew 23% YOY and 4% QOQ of which Rural loans grew 24% YOY and 4% QOQ, SBB book grew 42% YOY and 9% QOQ. Corporate loans grew 21% YOY and 3% QOQ, Mid-Corporate (MC) up 37% YOY and 9% QOQ, SME loans grew 27% YOY and 9% QOQ.
- **Evaluation:**
- Expectations Exceeded: Axis's loan portfolio growth consistently surpassed the industry average by a significant margin, with advances growing up to 26% YoY in Q2FY24 and sustaining a 15% YoY growth by Q4FY24, exceeding the management's target of 15% growth by the end of the fiscal year and outperforming the industry growth rate expectations.

2. Interest income trends
- **Narrative:** During the earnings call, management highlighted the ongoing strategies to maintain and potentially enhance the net interest margin (NIM) stability at around 3.5% over the next year. This stability is expected despite anticipated increases in deposit costs. The management is focused on optimizing the pricing of assets and improving the mix of structural NIM drivers to offset higher funding costs. Additionally, the repricing of the base book, i.e., the cost of funds, is expected to decelerate in the upcoming quarters, indicating a strategic alignment to sustain interest income growth.
- **Management's Guidance:**
- Management anticipates net interest margin to remain stable at approximately 3.5% for the next year. Deposit costs are expected to rise further throughout the remainder of the financial year, but the pace of growth is likely to moderate. NIMs will largely depend on the bank's ability to pass on increased funding costs through superior asset pricing or enhancements in mix and other structural NIM drivers. The pace of repricing of the base book should slow in subsequent quarters, although a few more quarters are expected for the full repricing cycle.
- **Actual Results:**
['Q1', '2025']:
- In Q1FY25, the Net Interest Margin (NIM) was reported at 4.05%, which is above the management guidance of 3.5% for the year. Interest income grew by 18%, reaching 25,557 crores.
['Q2', '2024']:
- Net Interest Income grew 19% YOY and 3% QOQ, Net Interest Margin at 4.11%, up by 15 bps YOY
['Q3', '2024']:
- Net Interest Margin at 4.01%, which is higher than the management's guidance of approximately 3.5% for the next year. Additionally, the net interest income grew by 9% year-over-year (YOY) and 2% quarter-over-quarter (QOQ), while interest income increased by 15% this quarter compared to last year.
['Q4', '2024']:
- In Q4 FY24, the Net Interest Margin was reported at 4.06%, showing an improvement of 5 basis points quarter-over-quarter. Interest Income for Q4 FY24 increased by 22% compared to Q4 FY23. The Net Interest Income grew by 11% year-over-year and 4% quarter-over-quarter.
- **Evaluation:**
- Expectations Exceeded: The actual Net Interest Margin (NIM) consistently surpassed management's guidance of approximately 3.5%, with reported NIMs ranging from 4.01% to 4.11% across the quarters, indicating that the strategies to maintain and enhance NIM stability were more successful than anticipated.

3. Cost management strategies
- **Narrative:** Management has outlined a forward-looking strategy focusing on improving the company's overall return on equity (ROE) through strategic integrations and consolidations. This approach is expected to enhance the financial robustness of the company in the upcoming quarters.
- **Management's Guidance:**
- The Citi business integration is projected to be ROE accretive, indicating a positive financial impact post-integration. Additionally, the consolidated ROE for the first half of FY 2024 has shown improvement, reaching 19.04%, which marks an increase of 179 basis points year-over-year.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
['Q2', '2024']:
- Data Not Available

- **Evaluation:**
- Insufficient Info: Data not available.

4. Fintech partnerships
- **Narrative:** Management has emphasized the advancement of their digital co-lending platform, which is currently operational with over eight partners. They have also indicated ongoing efforts to expand the platform with additional products and partners scheduled to be integrated within the year.
- **Management's Guidance:**
- Management anticipates further expansion of the digital co-lending platform by onboarding more products and partners, aiming to enhance the platform's capabilities and reach in the upcoming quarters.
- **Actual Results:**
['Q1', '2025']:
- Digital end to end co-lending journey is scaling up well and live with 12+ partners
['Q4', '2024']:
- Digital end to end co-lending journey is scaling up well and live with 11+ partners.
['Q2', '2024']:
- Digital end to end co-lending journey is scaling up well and live with 8+ partners
['Q3', '2024']:
- Our digital co-lending platform is live with 10+ partners and the volumes are growing 80%+ QOQ
- **Evaluation:**
- Expectations Exceeded: The digital co-lending platform scaled up well, surpassing the management's guidance by going live with more than 12 partners by Q1 2025, which exceeded the initial plan of expanding with additional products and partners.

5. Cost reduction initiatives
- **Narrative:** Management highlighted that cost ratios are expected to remain stable during the integration phase of the Citi acquisition. This indicates a focus on maintaining operational efficiency while undergoing significant structural changes.
- **Management's Guidance:**
- The cost ratios will remain sticky till the Citi integration phase is over.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

6. Non-performing assets management
- **Narrative:** Management is focused on enhancing the quality of assets by strategically addressing non-performing assets. They have outlined a plan to significantly reduce non-performing assets, ensuring a healthier balance sheet and improving overall financial stability.
- **Management's Guidance:**
- The management has set a target to reduce non-performing assets to below 2% within the next two quarters.
- **Actual Results:**
['Q4', '2024']:
- In Q4 FY24, the Net NPA was reported at 0.31%, significantly below the management's target to reduce non-performing assets to below 2%. This indicates successful management of non-performing assets beyond the initial guidance.
['Q3', '2024']:
- GNPA at 1.58% declined by 80 bps YOY and 15 bps QOQ, NNPA at 0.36% declined 11 bps YOY, PCR healthy at 78%
['Q1', '2025']:
- Data Not Available
['Q2', '2024']:
- GNPA at 1.73% & NNPA at 0.36% in Q2FY24, indicating achievement of the management's target to reduce non-performing assets below 2%.
- **Evaluation:**
- Expectations Exceeded: The management's target to reduce non-performing assets below 2% was significantly surpassed, with the Net NPA reported at 0.31% in Q4 FY24, indicating successful NPA management well beyond the initial guidance.

7. Geographic market penetration
- **Narrative:** Management has laid out a clear strategy to significantly expand the company's physical presence through an aggressive branch opening plan. This is aimed at enhancing the company's geographic market penetration and further solidifying its market position.
- **Management's Guidance:**
- Management plans to open 50 new branches in the coming year. They have already added 204 branches in the last quarter and aim to open about 500 branches this fiscal year. Management is confident in achieving this target, having already opened approximately 200 branches in the first half of the year.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q2', '2024']:

- During Q2 FY24, management reported opening 207 branches, bringing the total to 5152 domestic branches, which aligns with the branch opening strategy for market penetration.
['Q4', '2024']:
- We have opened 125 new branches in the quarter and 475 new branches through the year.
- **Evaluation:**
- Expectations Not Met: Management aimed to open 500 branches in the fiscal year but only managed to open 475, falling short of their target, despite early progress in the first half of the year.

8. Capital adequacy ratio
- **Narrative:** The management emphasized their strategic focus on optimizing the Return on Equity (ROE) while maintaining a particular level of Risk-Weighted Assets (RWA) intensity. This approach is aimed at bolstering the bank's capital adequacy ratio in line with their long-term financial objectives.
- **Management's Guidance:**
- The management has set an ambitious target to achieve an 18% ROE, which is aligned with their current RWA intensity framework.
- **Actual Results:**
['Q4', '2024']:
- FY24 PAT grew 28% YOY to Rs. 610 crores, and healthy CAR at 19.24%.
['Q3', '2024']:
- Data Not Available
['Q1', '2025']:
- Q1FY25 PAT grew 26% YOY to Rs. 154 Crores, and it has healthy CAR at 19.35%.
['Q2', '2024']:
- Our total capital adequacy ratio including profit is 17.84% and our CET-1 ratio is 14.56%. The prudent COVID provision translates to a capital cushion of 48 bps over and above the reported capital adequacy ratio.
- **Evaluation:**
- Expectations Exceeded: The management set an ambitious target to maintain a healthy Capital Adequacy Ratio (CAR) while achieving 18% ROE, and the actual results showed a CAR consistently above 19% in subsequent quarters, surpassing the initial expectations.

9. Liquidity management plans
- **Narrative:** Management is focused on improving the company's liquidity position by reducing outflow rates and managing the cost of deposits. They have outlined a strategy to handle the expected increase in the cost of funds, indicating that they are prepared for a more stable financial environment moving forward.
- **Management's Guidance:**
- Management noted that the outflow rates have decreased by approximately 550 basis points over the past two years, indicating a strengthening in their liability franchise. They expect the increase in the cost of funds/cost of deposits to slow down, with the incremental increases expected to decelerate in the coming quarters. The outlook for their liquidity management is targeting around 2.10%, which sets a benchmark for their financial objectives in the near future.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q3', '2024']:
- Average LCR Outflow rates improved by ~600 bps in last 2 years
['Q1', '2025']:
- Quality of liabilities measured by outflow rate improved ~ 400 bps over last two years, QAB CASA at 40% was flat QOQ. MEB CASA ratio at 42% has declined sequentially.
['Q2', '2024']:
- Quality of liabilities measured by outflow rate improved ~ 550 bps over last two years
- **Evaluation:**
- Expectations Exceeded: The management expected a slower increase in the cost of funds and targeted a 2.10% liquidity management benchmark. The actual results show an improvement in outflow rates by ~600 bps over two years, surpassing the management's expectation of 550 bps, indicating stronger-than-anticipated improvements in liquidity management.

10. CET-1 ratio dynamics
- **Narrative:** Management emphasized that the company's CET-1 ratio was positively impacted by organic business growth, contributing to a significant accretion in both the quarter and the first half of FY24.
- **Management's Guidance:**
- The company experienced an organic CET-1 accretion of 18 basis points in the quarter and 54 basis points for the first half of FY24, reflecting strong underlying business performance.
- **Actual Results:**
['Q1', '2025']:
- Net accretion to CET-1 of 32 bps in Q1FY25, with the bank being well capitalized and a CET-1 ratio of 14.06% including Q1 profit.
['Q2', '2024']:
- Net accretion to CET-1 of 54 bps in H1FY24 and 18 bps of net accretion in Q2 FY24.
['Q4', '2024']:
- Organic CET-1 accretion in FY24, including profits, was 44 bps, with a change in regulations adversely impacting CET-1 by approximately 72 bps.
['Q3', '2024']:
- Organic net accretion to CET-1 of 39 bps in 9MFY24.
- **Evaluation:**
- Expectations Met: The management guidance expected an organic CET-1 accretion of 18 basis points in Q2 FY24 and 54 basis points for H1 FY24, which aligns with the actual results reported, indicating that the company met its expectations for CET-1 ratio dynamics.

11. New product launches
- **Narrative:** The management has emphasized its strategic focus on expanding its product offerings to cater to a broader market segment through the

introduction of new platforms and services. This initiative aims to strengthen the company's foothold in the corporate sector and enhance overall customer engagement.
- **Management's Guidance:**
- The company is set to launch a new platform, "Neo for Corporates," targeting large corporate clients within the current quarter. This launch is expected to drive increased adoption and usage among corporate clients, contributing to the company's growth strategy. The management also plans to release another product for customer usage in the upcoming quarter, signaling continued innovation and expansion in their product lineup.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
['Q4', '2024']:
- 23% of eligible base has been migrated to neo for corporates
- **Evaluation:**
- Expectations Met: The launch of "Neo for Corporates" resulted in 23% of the eligible base being migrated, aligning with management’s guidance of increased adoption among corporate clients, indicating the company met its strategic goals for this product launch.

12. Multi-partner arrangements
- **Narrative:** The management emphasized the importance of strategic partnerships as a key growth lever. They highlighted the role these collaborations play in achieving both numerical growth and enhanced customer value. The ongoing strategy involves adjusting the ETB-KTB mix, which is expected to evolve in the coming quarters.
- **Management's Guidance:**
- Management indicated that they will continue to invest in partnerships to drive growth and deliver higher customer value. They also plan to keep calibrating the ETB-KTB mix in the upcoming quarters to optimize these outcomes.
- **Actual Results:**
['Q3', '2024']:
- We have 100+ Partnerships across Platforms and Ecosystems
['Q4', '2024']:
- We have 100+ Partnerships across Platforms and Ecosystems
['Q1', '2025']:
- Strong and deep-rooted alliance with multiple partners across India with over 5.8 lakh MIDs and a yearly throughput of 34k+ crores.
['Q2', '2024']:
- We have 100+ Partnerships across Platforms and Ecosystems
- **Evaluation:**
- Expectations Met: The management's guidance to invest in partnerships to drive growth and enhance customer value was met, as evidenced by the establishment of over 100 partnerships and the strong alliance with multiple partners resulting in significant transaction throughput.