

November 19, 2024

Axis Bank Limited: [ICRA]AA+ (Stable) assigned to Basel III Tier I Bonds; ratings reaffirmed

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---------------------------------|-----------------------------------|----------------------------------|--------------------------------|
| Basel III Tier I Bonds | - | 2,000.00 | [ICRA]AA+ (Stable); assigned |
| Basel III Tier I Bonds | 3,000.00 | 3,000.00 | [ICRA]AA+ (Stable); reaffirmed |
| Basel III Tier II Bonds | 23,580.00 | 23,580.00 | [ICRA]AAA (Stable); reaffirmed |
| Infrastructure Bonds/Debentures | 33,480.00 | 33,480.00 | [ICRA]AAA (Stable); reaffirmed |
| Certificates of Deposit | 60,000.00 | 60,000.00 | [ICRA]A1+; reaffirmed |
| Fixed Deposit | - | - | [ICRA]AAA (Stable); reaffirmed |
| Total | 1,20,060.00 | 1,22,060.00 | |

*Instrument details are provided in Annexure I

Rationale

Axis Bank Limited's (Axis Bank) ratings continue to be supported by its strong position in the Indian financial system as it is the third-largest private sector bank with a 5.9%¹ share in advances and a 5.2% share in the deposits of the banking system as on June 30, 2024. Further, its capitalisation profile remains strong and well above the regulatory levels, supported by higher internal accruals. Despite the steady increase in operating expenses (opex)², the bank was able to maintain its profitability, driven by improved net interest margins (NIMs).

Axis Bank's ratings also factor in the strong liability profile with a high share of retail term deposits (RTDs) and current account and savings account (CASA) deposits in total deposits. Additionally, the headline asset quality metrics have remained on an improving trajectory, supported by steady recoveries and upgrades as well as the gradual decline in fresh non-performing advances (NPAs) generation. Going forward, the asset quality would remain monitorable in the backdrop of the persisting high interest rates, geopolitical issues and concerns around overleveraging among retail borrowers. However, credit costs are expected to remain lower in relation to the operating profitability, given the strong asset quality. The bank is expected to generate healthy internal accruals. Over and above this, Axis Bank continues to operate with large prudent provisions, which can help absorb some of the impact of any asset quality challenges.

The Stable outlook on the ratings reflects ICRA's view that Axis Bank will continue to sustain its strong position in the Indian banking sector while maintaining its asset quality, profitability and solvency position.

Key rating drivers and their description

Credit strengths

Strong position in financial services industry supports the share of granular assets – Axis Bank is the third-largest private sector bank and the seventh-largest bank in the overall Indian banking sector, with the share of advances in banking sector credit at 5.9% as on June 30, 2024 (6.2% as on June 30, 2023). Furthermore, it offers various financial services across investment banking, asset management, securities broking and lending through its subsidiaries, namely Axis Capital Limited,

¹ All ratios as per ICRA's calculations

² Excluding one-time expense/write-off related to acquisition of Citibank's India consumer business

Axis Asset Management Company Limited, Axis Finance Limited and Axis Securities Limited. It also has a presence in the insurance business, with the Group's stake of ~19% in Max Life Insurance Company Limited as on September 30, 2024.

Axis Bank's net advances witnessed strong growth and stood at Rs. 10.00 lakh crore (up 11.4% YoY) as on September 30, 2024 and it has maintained its market position as the third-largest private sector bank in the industry. The growth momentum was largely driven by the granular retail book, which continued to rise at a comparatively higher pace of ~15% YoY as on September 30, 2024. Going forward, ICRA expects the bank to remain focused on growing its granular retail book.

Capital cushions remain strong – Axis Bank's capitalisation profile remains strong, with the common equity Tier I (CET I) and CRAR (as a percentage of risk-weighted assets; RWAs) at 14.12%³ and 16.61%¹, respectively, as on September 30, 2024. The healthy capital cushion, supported by the capital raise during FY2018-FY2021 and the subsequent improvement in earnings profile, helped offset the impact of goodwill and intangibles impairment associated with the acquisition of Citibank's India consumer business as well as the capital charge of the acquired book in FY2023. Additionally, the overall earnings profile continues to support asset growth along with strong capitalisation. In ICRA's view, Axis Bank's current capital position is sufficient to support its growth requirements as well as absorb unforeseen asset quality shocks, while keeping the capital cushion and solvency better than the negative rating triggers.

Steady growth in granular deposit base – The bank's overall deposit base grew by a strong 14% YoY to Rs. 10.87 lakh crore as on September 30, 2024. Within overall deposits, low-cost CASA stood strong at 40.6% as on September 30, 2024, which remains higher than the private sector average but lower than the 44-46% levels seen in the past. Nevertheless, Axis Bank continues to steadily expand its granular RTD base, with CASA and RTD together dominating the total deposits.

Axis Bank's interest rate proposition is in line with the peer rated private sector banks across most deposit tenures, which has helped it reduce the differential in its cost of interest-bearing funds with these banks and the banking sector average. Compared to the banking sector average of 5.31% in Q1 FY2025, Axis Bank's cost of interest-bearing funds stood at 5.28% (4.84% in Q1 FY2024 and 4.94% in FY2024). The YoY increase in the cost of funds was due to the systemic increase in interest rates and the consequent upward repricing of deposits. Going forward, the bank's ability to achieve stronger growth while maintaining or improving the cost differential will remain key for its operating profitability.

Earnings profile improves; sizeable prudent provisions provide cushion to profitability – NIM/average total assets witnessed a sustained improvement to 3.61% in H1 FY2025 (3.57% in FY2024, 3.45% in FY2023 and 3.06% in FY2022), largely led by the expansion in interest spreads and better asset quality levels. The strong growth in net advances, expansion in interest spreads and steady non-interest income levels were partially offset by the relatively higher operating expenses as the bank continues to expand its franchise. A one-time charge related to the impairment of goodwill arising out of the Citibank acquisition led to a moderation in the return on assets (RoA) to 0.8% in FY2023 from 1.2% in FY2022. While it improved to 1.8% in FY2024, the RoA moderated to 1.7% in H1 FY2025 due to the normalisation of credit costs. Moreover, the bank continued to hold prudent provisions of Rs. 5,012 crore or 0.5% of standard advances as on September 30, 2024. Overall, ICRA expects Axis Bank to maintain an RoA of more than 1.0%, which shall be sufficient for its growth capital requirements over the medium term.

Credit challenges

Asset quality remains monitorable – The gross fresh NPA generation rate moderated to 1.7% (annualised) in FY2024 from 2.0-3.3% during FY2021-FY2023, which was meaningfully lower than the levels seen before the onset of the Covid-19 pandemic. The gross slippage rate witnessed a mild uptick to 1.9% in H1 FY2025. Slippages remain higher in the retail segment, as lumpy slippages in the corporate book have been limited. The asset quality remains monitorable given the concerns around overleveraging in the retail segment, the seasoning of the recently originated book amid the persisting elevated interest rate environment and geopolitical issues. The headline asset quality numbers remain on an improving trajectory and the gross and net NPAs remained steady at 1.5% and 0.4%, respectively, as on September 30, 2024 (1.6% and 0.4%, respectively, as on June 30, 2024). This was supported by the moderating slippage rate, steady recoveries and upgrades. Axis Bank's overall

³ Including H1 FY2025 profit

restructured book also remained manageable (0.1% of standard advances) as on September 30, 2024. Its ability to contain slippages and maintain healthy recovery rates will remain key for maintaining asset quality in the near to medium term.

Environmental and social risks

While banks like Axis Bank do not face material physical climate risks, they are exposed to environmental risks indirectly through their asset portfolio. If the entities or businesses to which banks and financial institutions have exposure face business disruptions because of physical climate adversities or if they face climate transition risks because of technological, regulatory or customer behaviour changes, the same could translate into credit risks for banks. However, such risks are not material for Axis Bank as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks, as material lapses could be detrimental to their reputation and invite regulatory censure. Axis Bank has not faced such lapses over the years, which highlights its sensitivity to such risks. It is seen to be operating responsibly in terms of its selling practices, with no instances of fines being imposed by the regulatory authorities because of misconduct. Customer preference is increasingly shifting towards digital banking, which provides an opportunity to reduce operating costs. Axis Bank has been at the forefront of making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the underserved segments, its lending practices remain prudent, as reflected in the healthy asset quality numbers in this segment compared with its peers.

Liquidity position: Strong

Axis Bank's liquidity remains strong with the daily average liquidity coverage ratio (LCR) at 115% in Q2 FY2025 against the regulatory requirement of 100%. Besides this, the bank's reported net stable funding ratio (NSFR) stood at 132% as on September 30, 2024, above the regulatory ask of 100%. The excess statutory liquidity ratio (SLR) holding above the regulatory levels can be utilised to avail liquidity support from the Reserve Bank of India (RBI; through reverse repo) apart from the marginal standing facility of the RBI in case of urgent liquidity requirement.

Rating sensitivities

Positive factors – Not applicable as all the ratings are at the highest possible levels

Negative factors – ICRA could downgrade the ratings if there is a material weakening in the bank's liability franchise, thereby impacting its resource profile. This apart, a deterioration in the asset quality or capital position, leading to the weakening of the solvency profile with net NPA/core capital of more than 15% on a sustained basis, could be a negative trigger. Further, a sustained RoA of less than 1.0% and/or a fall in the capital cushions over the regulatory levels to less than 4% at the CET I level, on a sustained basis, will remain negative triggers. Additionally, the weakening of the distributable reserves (DRs) eligible for the coupon payment on the AT-I bonds will be a negative trigger for the rating of these bonds.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | ICRA's Rating Methodology for Banks and Financial Institutions ICRA's Rating Methodology on Consolidation |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | For arriving at the ratings, ICRA has considered the standalone financials of Axis Bank. However, in line with ICRA's consolidation approach, standalone assessment of the bank factors in the ordinary and extraordinary support that the bank is expected to extend to its subsidiaries. |

About the company

Incorporated in December 1993, Axis Bank Limited is a private sector bank. Its promoter group includes Life Insurance Corporation of India (LIC), which held 7.92% of the shares as on September 30, 2024 compared to 7.92% as on March 31, 2024, 7.96% as on March 31, 2023 and 7.98% as on March 31, 2022. As on September 30, 2024, Axis Bank had the third-largest network of branches among private sector banks with 5,577 branches. It also maintains an international presence with branches in DIFC (Dubai) and Singapore, along with representative offices in Abu Dhabi, Sharjah, Dhaka and Dubai and an offshore banking unit in GIFT City.

Key financial indicators (standalone)

| Axis Bank Limited | FY2023 | FY2024 | H1 FY2025 |
|-------------------------------|--------------------|--------|-----------|
| Total income | 59,331 | 70,605 | 37,919 |
| Profit after tax | 9,580 [^] | 24,861 | 12,952 |
| Total assets (Rs. lakh crore) | 13.17 | 14.77 | 15.06 |
| CET I | 14.02% | 13.74% | 14.12%* |
| CRAR | 17.64% | 16.63% | 16.61%* |
| PAT / ATA | 0.77% | 1.78% | 1.74% |
| Gross NPAs | 2.16% | 1.55% | 1.53% |
| Net NPAs | 0.42% | 0.34% | 0.36% |

Source: Axis Bank Limited, ICRA Research; All ratios as per ICRA's calculations; * Including profits for the period

[^] Including one-time impact of acquisition of Citibank's India consumer business; Amount in Rs. crore unless mentioned otherwise

Total income = Net interest income + Non-interest income (excluding trading gains); Total assets and net worth exclude revaluation reserves

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

| | Instrument | Current rating (FY2025) | | | | | Chronology of rating history for the past 3 years | | | | | |
|---|---------------------------------|-------------------------|--------------------------|--------------------|------------------|--------------------|---|--------------------|--------------------|--------------------|-------------------|--------------------|
| | | Type | Amount rated (Rs. crore) | November 19, 2024 | Date | Ratings | FY2024 | | FY2023 | | FY2022 | |
| | | | | | | | Date | Ratings | Date | Ratings | Date | Ratings |
| 1 | Fixed Deposit | Long term | - | [ICRA]AAA (Stable) | October 17, 2024 | [ICRA]AAA (Stable) | November 22, 2023 | [ICRA]AAA (Stable) | April 07, 2022 | [ICRA]AAA (Stable) | December 15, 2021 | MAAA (Stable) |
| | | | - | - | - | - | - | - | May 31, 2022 | [ICRA]AAA (Stable) | - | - |
| | | | - | - | - | - | - | - | September 19, 2022 | [ICRA]AAA (Stable) | - | - |
| | | | - | - | - | - | - | - | December 07, 2022 | [ICRA]AAA (Stable) | - | - |
| | | | - | - | - | - | - | - | March 13, 2023 | [ICRA]AAA (Stable) | - | - |
| 2 | Infrastructure Bonds/Debentures | Long term | 28,480 | [ICRA]AAA (Stable) | October 17, 2024 | [ICRA]AAA (Stable) | November 22, 2023 | [ICRA]AAA (Stable) | April 07, 2022 | [ICRA]AAA (Stable) | December 15, 2021 | [ICRA]AAA (Stable) |
| | | | - | - | - | - | - | - | May 31, 2022 | [ICRA]AAA (Stable) | - | - |
| | | | - | - | - | - | - | - | September 19, 2022 | [ICRA]AAA (Stable) | - | - |
| | | | - | - | - | - | - | - | December 07, 2022 | [ICRA]AAA (Stable) | - | - |
| | | | - | - | - | - | - | - | March 13, 2023 | [ICRA]AAA (Stable) | - | - |
| 3 | Infrastructure Bonds/Debentures | Long term | 5,000 | [ICRA]AAA (Stable) | October 17, 2024 | [ICRA]AAA (Stable) | November 22, 2023 | [ICRA]AAA (Stable) | - | - | - | - |
| 4 | Infrastructure Bonds/Debentures | Long term | - | - | - | - | November 22, 2023 | [ICRA]AAA (Stable) | - | - | - | - |
| 5 | Basel III Tier II Bonds | Long term | 23,580 | [ICRA]AAA (Stable) | October 17, 2024 | [ICRA]AAA (Stable) | November 22, 2023 | [ICRA]AAA (Stable) | April 07, 2022 | [ICRA]AAA (Stable) | December 15, 2021 | [ICRA]AAA (Stable) |

| | Instrument | Current rating (FY2025) | | | | | Chronology of rating history for the past 3 years | | | | | |
|---|-------------------------|-------------------------|--------------------------|--------------------|------------------|--------------------|---|--------------------|--------------------|--------------------|-------------------|--------------------|
| | | | | | | | FY2024 | | FY2023 | | FY2022 | |
| | | Type | Amount rated (Rs. crore) | November 19, 2024 | Date | Ratings | Date | Ratings | Date | Ratings | Date | Ratings |
| | | | - | - | - | - | - | - | May 31, 2022 | [ICRA]AAA (Stable) | - | - |
| | | - | - | - | - | - | - | - | September 19, 2022 | [ICRA]AAA (Stable) | - | - |
| | | - | - | - | - | - | - | - | December 07, 2022 | [ICRA]AAA (Stable) | - | - |
| | | - | - | - | - | - | - | - | March 13, 2023 | [ICRA]AAA (Stable) | - | - |
| 6 | Basel III Tier I Bonds | Long term | 3,000 | [ICRA]AA+ (Stable) | October 17, 2024 | [ICRA]AA+ (Stable) | November 22, 2023 | [ICRA]AA+ (Stable) | April 07, 2022 | [ICRA]AA+ (Stable) | December 15, 2021 | [ICRA]AA+ (Stable) |
| | | - | - | - | - | - | - | - | May 31, 2022 | [ICRA]AA+ (Stable) | - | - |
| | | - | - | - | - | - | - | - | September 19, 2022 | [ICRA]AA+ (Stable) | - | - |
| | | - | - | - | - | - | - | - | December 07, 2022 | [ICRA]AA+ (Stable) | - | - |
| | | - | - | - | - | - | - | - | March 13, 2023 | [ICRA]AA+ (Stable) | - | - |
| 7 | Basel III Tier I Bonds | Long term | 2,000 | [ICRA]AA+ (Stable) | - | - | - | - | - | - | - | - |
| 8 | Certificates of Deposit | Short term | 60,000 | [ICRA]A1+ | October 17, 2024 | [ICRA]A1+ | November 22, 2023 | [ICRA]A1+ | April 07, 2022 | [ICRA]A1+ | December 15, 2021 | [ICRA]A1+ |
| | | - | - | - | - | - | - | - | May 31, 2022 | [ICRA]A1+ | - | - |

| | Instrument | Current rating (FY2025) | | | | | Chronology of rating history for the past 3 years | | | | | |
|---|------------------------------|-------------------------|--------------------------|-------------------|------|---------|---|---------|--------------------|--------------------|-------------------|--------------------|
| | | | | | | | FY2024 | | FY2023 | | FY2022 | |
| | | Type | Amount rated (Rs. crore) | November 19, 2024 | Date | Ratings | Date | Ratings | Date | Ratings | Date | Ratings |
| | | - | - | - | | | - | - | September 19, 2022 | [ICRA]A1+ | - | - |
| | | - | - | - | - | - | - | - | December 07, 2022 | [ICRA]A1+ | - | - |
| | | - | - | - | - | - | - | - | March 13, 2023 | [ICRA]A1+ | - | - |
| 9 | Basel II Lower Tier II Bonds | Long term | - | - | - | - | - | - | April 07, 2022 | [ICRA]AAA (Stable) | December 15, 2021 | [ICRA]AAA (Stable) |
| | | - | - | - | - | - | - | - | May 31, 2022 | [ICRA]AAA (Stable) | - | - |
| | | - | - | - | - | - | - | - | September 19, 2022 | [ICRA]AAA (Stable) | - | - |
| | | - | - | - | - | - | - | - | December 07, 2022 | [ICRA]AAA (Stable) | - | - |
| | | - | - | - | - | - | - | - | March 13, 2023 | [ICRA]AAA (Stable) | - | - |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|-------------------------|----------------------|
| Infrastructure Bonds | Very Simple |
| Basel III Tier II Bonds | Highly Complex |
| Basel III Tier I Bonds | Highly Complex |
| Certificates of Deposit | Very Simple |
| Fixed Deposit | Very Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|--------------|-------------------------|------------------|-------------|--------------|--------------------------|----------------------------|
| NA | Basel III Tier I Bonds | Yet to be placed | | | 5,000 | [ICRA]AA+ (Stable) |
| INE238A08435 | Basel III Tier II Bonds | Jun 15, 2017 | 7.66% | Jun 15, 2027 | 5,000 | [ICRA]AAA (Stable) |
| INE238A08369 | Basel III Tier II Bonds | Feb 12, 2015 | 8.45% | Feb 12, 2025 | 850 | [ICRA]AAA (Stable) |
| INE238A08377 | Basel III Tier II Bonds | Sep 30, 2015 | 8.50% | Sep 30, 2025 | 1,500 | [ICRA]AAA (Stable) |
| INE238A08393 | Basel III Tier II Bonds | May 27, 2016 | 8.50% | May 27, 2026 | 2,430 | [ICRA]AAA (Stable) |
| INE238A08419 | Basel III Tier II Bonds | Nov 23, 2016 | 7.84% | Nov 23, 2026 | 1,800 | [ICRA]AAA (Stable) |
| INE238A08435 | Basel III Tier II Bonds | Dec 13, 2022 | 7.88% | Dec 13, 2032 | 12,000 | [ICRA]AAA (Stable) |
| INE238A08450 | Infrastructure Bonds | Dec 28, 2018 | 8.60% | Dec 28, 2028 | 3,000 | [ICRA]AAA (Stable) |
| INE238A08351 | Infrastructure Bonds | Dec 05, 2014 | 8.85% | Dec 05, 2024 | 5,705 | [ICRA]AAA (Stable) |
| INE238A08385 | Infrastructure Bonds | Oct 30, 2015 | 8.25% | Oct 30, 2025 | 3,000 | [ICRA]AAA (Stable) |
| INE238A08468 | Infrastructure Bonds | Jan 30, 2020 | 7.65% | Jan 30, 2027 | 4,175 | [ICRA]AAA (Stable) |
| INE238A08476 | Infrastructure Bonds | Dec 22, 2021 | 6.99% | Dec 22, 2031 | 2,600 | [ICRA]AAA (Stable) |
| INE238A08492 | Infrastructure Bonds | Mar 07, 2024 | 7.64% | Mar 07, 2034 | 3,851 | [ICRA]AAA (Stable) |
| INE238A08500 | Infrastructure Bonds | Sep 05, 2024 | 7.45% | Sep 05, 2034 | 3,925 | [ICRA]AAA (Stable) |
| NA | Infrastructure Bonds | Yet to be placed | | | 7,224 | [ICRA]AAA (Stable) |
| NA | Fixed Deposit | - | - | - | - | [ICRA]AAA (Stable) |
| NA | Certificates of Deposit | Yet to be placed | | 7-365 days | 10,565 | [ICRA]A1+ |
| INE238AD6579 | Certificates of Deposit | Nov 30, 2023 | 7.87% | Nov 29, 2024 | 2,275 | [ICRA]A1+ |
| INE238AD6579 | Certificates of Deposit | Dec 01, 2023 | 7.87% | Nov 29, 2024 | 210 | [ICRA]A1+ |
| INE238AD6579 | Certificates of Deposit | Dec 05, 2023 | 7.87% | Nov 29, 2024 | 250 | [ICRA]A1+ |
| INE238AD6579 | Certificates of Deposit | Dec 08, 2023 | 7.87% | Nov 29, 2024 | 65 | [ICRA]A1+ |
| INE238AD6587 | Certificates of Deposit | Nov 30, 2023 | 7.87% | Nov 28, 2024 | 2,400 | [ICRA]A1+ |
| INE238AD6587 | Certificates of Deposit | Dec 01, 2023 | 7.87% | Nov 28, 2024 | 600 | [ICRA]A1+ |
| INE238AD6595 | Certificates of Deposit | Dec 19, 2023 | 7.87% | Dec 17, 2024 | 1,000 | [ICRA]A1+ |
| INE238AD6603 | Certificates of Deposit | Dec 27, 2023 | 7.85% | Dec 26, 2024 | 100 | [ICRA]A1+ |
| INE238AD6603 | Certificates of Deposit | Dec 29, 2023 | 7.87% | Dec 26, 2024 | 1,150 | [ICRA]A1+ |
| INE238AD6603 | Certificates of Deposit | Jan 01, 2024 | 7.87% | Dec 26, 2024 | 55 | [ICRA]A1+ |
| INE238AD6603 | Certificates of Deposit | Sep 26, 2024 | 7.25% | Dec 26, 2024 | 1,750 | [ICRA]A1+ |
| INE238AD6629 | Certificates of Deposit | Jan 11, 2024 | 7.9% | Jan 10, 2025 | 805 | [ICRA]A1+ |
| INE238AD6629 | Certificates of Deposit | Jan 12, 2024 | 7.9% | Jan 10, 2025 | 650 | [ICRA]A1+ |
| INE238AD6629 | Certificates of Deposit | Jan 15, 2024 | 7.9% | Jan 10, 2025 | 850 | [ICRA]A1+ |
| INE238AD6637 | Certificates of Deposit | Jan 15, 2024 | 7.9% | Jan 14, 2025 | 1,625 | [ICRA]A1+ |
| INE238AD6645 | Certificates of Deposit | Jan 31, 2024 | 7.95% | Jan 30, 2025 | 2,350 | [ICRA]A1+ |
| INE238AD6652 | Certificates of Deposit | Feb 01, 2024 | 7.95% | Jan 31, 2025 | 2,025 | [ICRA]A1+ |
| INE238AD6694 | Certificates of Deposit | Feb 23, 2024 | 7.8% | Feb 21, 2025 | 1,000 | [ICRA]A1+ |
| INE238AD6694 | Certificates of Deposit | May 30, 2024 | 7.56% | Feb 21, 2025 | 400 | [ICRA]A1+ |
| INE238AD6694 | Certificates of Deposit | Aug 19, 2024 | 7.52% | Feb 21, 2025 | 1,225 | [ICRA]A1+ |
| INE238AD6694 | Certificates of Deposit | Aug 20, 2024 | 7.52% | Feb 21, 2025 | 25 | [ICRA]A1+ |
| INE238AD6694 | Certificates of Deposit | Oct 22, 2024 | 7.20% | Feb 21, 2025 | 200 | [ICRA]A1+ |
| INE238AD6702 | Certificates of Deposit | Mar 05, 2024 | 7.8% | Mar 05, 2025 | 750 | [ICRA]A1+ |
| INE238AD6744 | Certificates of Deposit | Mar 28, 2024 | 7.7% | Mar 27, 2025 | 230 | [ICRA]A1+ |
| INE238AD6819 | Certificates of Deposit | May 28, 2024 | 7.56% | Feb 27, 2025 | 1,675 | [ICRA]A1+ |
| INE238AD6819 | Certificates of Deposit | Aug 20, 2024 | 7.52% | Feb 27, 2025 | 875 | [ICRA]A1+ |
| INE238AD6819 | Certificates of Deposit | Aug 21, 2024 | 7.52% | Feb 27, 2025 | 200 | [ICRA]A1+ |
| INE238AD6827 | Certificates of Deposit | May 29, 2024 | 7.56% | Feb 28, 2025 | 700 | [ICRA]A1+ |
| INE238AD6827 | Certificates of Deposit | May 30, 2024 | 7.56% | Feb 28, 2025 | 400 | [ICRA]A1+ |

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|--------------|-------------------------|------------------|-------------|--------------|--------------------------|----------------------------|
| INE238AD6827 | Certificates of Deposit | May 31, 2024 | 7.56% | Feb 28, 2025 | 750 | [ICRA]A1+ |
| INE238AD6827 | Certificates of Deposit | Jun 03, 2024 | 7.56% | Feb 28, 2025 | 550 | [ICRA]A1+ |
| INE238AD6835 | Certificates of Deposit | Jun 07, 2024 | 7.7% | Jun 06, 2025 | 2,400 | [ICRA]A1+ |
| INE238AD6835 | Certificates of Deposit | Jun 10, 2024 | 7.7% | Jun 06, 2025 | 25 | [ICRA]A1+ |
| INE238AD6843 | Certificates of Deposit | Jun 07, 2024 | 7.7% | Jun 05, 2025 | 1,425 | [ICRA]A1+ |
| INE238AD6850 | Certificates of Deposit | Jun 25, 2024 | 7.43% | Nov 25, 2024 | 550 | [ICRA]A1+ |
| INE238AD6868 | Certificates of Deposit | Jul 15, 2024 | 7.64% | Jul 15, 2025 | 1,700 | [ICRA]A1+ |
| INE238AD6868 | Certificates of Deposit | Jul 16, 2024 | 7.64% | Jul 15, 2025 | 650 | [ICRA]A1+ |
| INE238AD6876 | Certificates of Deposit | Jul 16, 2024 | 7.64% | Jul 16, 2025 | 550 | [ICRA]A1+ |
| INE238AD6876 | Certificates of Deposit | Jul 18, 2024 | 7.64% | Jul 16, 2025 | 625 | [ICRA]A1+ |
| INE238AD6876 | Certificates of Deposit | Jul 19, 2024 | 7.64% | Jul 16, 2025 | 325 | [ICRA]A1+ |
| INE238AD6876 | Certificates of Deposit | Jul 22, 2024 | 7.64% | Jul 16, 2025 | 150 | [ICRA]A1+ |
| INE238AD6876 | Certificates of Deposit | Oct 01, 2024 | 7.6% | Jul 16, 2025 | 250 | [ICRA]A1+ |
| INE238AD6884 | Certificates of Deposit | Aug 22, 2024 | 7.65% | Aug 22, 2025 | 490 | [ICRA]A1+ |
| INE238AD6884 | Certificates of Deposit | Aug 23, 2024 | 7.65% | Aug 22, 2025 | 250 | [ICRA]A1+ |
| INE238AD6884 | Certificates of Deposit | Aug 26, 2024 | 7.65% | Aug 22, 2025 | 125 | [ICRA]A1+ |
| INE238AD6884 | Certificates of Deposit | Aug 27, 2024 | 7.65% | Aug 22, 2025 | 150 | [ICRA]A1+ |
| INE238AD6892 | Certificates of Deposit | Sep 06, 2024 | 7.72% | Sep 05, 2025 | 2,050 | [ICRA]A1+ |
| INE238AD6900 | Certificates of Deposit | Sep 06, 2024 | 7.72% | Sep 04, 2025 | 2,000 | [ICRA]A1+ |
| INE238AD6918 | Certificates of Deposit | Sep 09, 2024 | 7.72% | Sep 09, 2025 | 2,050 | [ICRA]A1+ |
| INE238AD6926 | Certificates of Deposit | Sep 25, 2024 | 7.25% | Dec 24, 2024 | 1,550 | [ICRA]A1+ |
| INE238AD6926 | Certificates of Deposit | Sep 26, 2024 | 7.25% | Dec 24, 2024 | 1,300 | [ICRA]A1+ |
| INE238AD6934 | Certificates of Deposit | Oct 08, 2024 | 7.55% | Oct 08, 2025 | 405 | [ICRA]A1+ |
| INE238AD6942 | Certificates of Deposit | Oct 10, 2024 | 7.50% | Oct 10, 2025 | 2,450 | [ICRA]A1+ |
| INE238AD6959 | Certificates of Deposit | Oct 11, 2024 | 7.50% | Oct 09, 2025 | 700 | [ICRA]A1+ |
| INE238AD6959 | Certificates of Deposit | Oct 14, 2024 | 7.50% | Oct 09, 2025 | 125 | [ICRA]A1+ |

Source: Axis Bank; Certificates of deposit outstanding as on November 08, 2024

Key features of the rated instruments

The servicing of the Basel III Tier II bonds is not subject to any capital ratios and profitability. However, the Basel III Tier II bonds and Basel III Tier I bonds (AT-I bonds) are expected to absorb losses once the point of non-viability (PONV) trigger is invoked.

Further, the exercise of the call option on the Basel III Tier II and Tier I bonds is contingent upon the prior approval of the RBI. Moreover, the bank will need to demonstrate that the capital position is well above the minimum regulatory requirement, post the exercise of the said call option.

The rated Tier I bonds have the following loss-absorption features that make them riskier:

- Coupon payments are non-cumulative and discretionary, and the bank has full discretion at all times to cancel coupon payments. Cancellation of discretionary payments shall not be an event of default.
- Coupons can be paid out of the current year's profits. If the current year's profit is not sufficient or if the payment of the coupon is likely to result in a loss, the coupon payment can be made through the reserves and surpluses⁴ created via the appropriation of profits (including statutory reserves). However, the coupon payment is subject to the bank meeting the

⁴ Calculated as per the amendment in Basel III capital regulations for Tier I bonds by the RBI, vide its circular dated February 2, 2017. As per the amended definition, DRs include all reserves created through appropriations from the profit and loss account

minimum regulatory requirements for the CET I, Tier I and total capital ratios (including capital conservation buffer, CCB) at all times as prescribed by the RBI under the Basel III regulations.

These Tier I bonds are expected to absorb losses through the write-down mechanism at the objective prespecified trigger point fixed at the bank's CET I ratio as prescribed by the RBI, i.e. 6.125% of the total RWAs of the bank or when the PONV trigger is breached in the RBI's opinion.

Given the above distinguishing features of the Tier I bonds, ICRA has assigned a one notch lower rating on these than the rating on the Tier II instruments. The DRs that can be used for servicing the coupon in a situation of inadequate profit or a loss during the year stood at a comfortable 8.6% of RWAs as on March 31, 2024.

The rating on the Tier I bonds continues to be supported by the bank's capital profile, which is likely to remain comfortable, given the outlook on its profitability. However, the transition to the expected credit loss (ECL) framework and its impact on the capital and DRs remain monitorable.

Annexure II: List of entities considered for consolidated analysis

| Company Name | Ownership* | Consolidation Approach [§] |
|---|------------|-------------------------------------|
| Axis Capital Limited | 100.00% | Full Consolidation |
| Axis Trustee Services Limited | 100.00% | Full Consolidation |
| Axis Mutual Fund Trustee Limited | 75.00% | Full Consolidation |
| Axis Asset Management Company Limited | 75.00% | Full Consolidation |
| Axis Bank UK Ltd | 100.00% | Full Consolidation |
| Axis Finance Limited | 100.00% | Full Consolidation |
| Axis Securities Limited | 100.00% | Full Consolidation |
| A.Treds Ltd | 67.00% | Full Consolidation |
| Freecharge Payment Technologies Pvt Ltd | 100.00% | Full Consolidation |
| Freecharge Business Technology and Services Limited | 100.00% | Full Consolidation |
| Max Life Insurance Company Limited [^] | 19.02% | Full Consolidation |

Source: Axis Bank; *As on September 30, 2024; [§]As per ICRA's Rating methodology on consolidation as mentioned in analytical approach section

[^]Axis Bank accounts Max Life Insurance Company Limited as an Associate in its consolidated financial statements/results

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