

May 31, 2022

Axis Bank Limited: Migration of the rating outstanding on the medium-term rating scale to the long-term rating scale

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fixed Deposit	-	-	[ICRA]AAA (Stable); migrated from MAAA (Stable)
Infrastructure Bonds/Debentures	29,705.00	29,705.00	[ICRA]AAA (Stable); outstanding
Basel III Tier II Bonds	16,350.00	16,350.00	[ICRA]AAA (Stable); outstanding
Basel II Lower Tier II Bonds	4,425.00	4,425.00	[ICRA]AAA (Stable); outstanding
Basel III Tier I Bonds	9,500.00	9,500.00	[ICRA]AA+ (Stable); outstanding
Certificates of Deposit	60,000.00	60,000.00	[ICRA]A1+; outstanding
Total	1,19,980.00	1,19,980.00	

*Instrument details are provided in Annexure-1

Rationale

In compliance with the circular [SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2021/594] issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 and the subsequent circular (SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2022/43) of April 1, 2022, for standardising the rating scales used by credit rating agencies, ICRA has discontinued the medium-term rating scale which was being used to assign ratings to the fixed deposit programmes of entities.

Accordingly, ICRA has migrated the rating currently outstanding for the fixed deposits programme of Axis Bank Limited (Axis Bank) from the medium-term rating scale to the long-term rating scale. The medium-term rating scale of ICRA was a 14-point scale, while the long-term rating scale is a 20-point scale. The migration of the rating has resulted in a change in the rating symbol; however, this is to be construed only as a recalibration of the rating from one scale to another and not as a reflection of a change in the credit risk of the fixed deposit programme.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Rating Methodology for Banks
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 limited consolidation approach, the capital requirement of the key subsidiaries of the Group, going forward, has been factored in. In ICRA's view, Axis Bank's subsidiaries will largely remain self-sufficient in meeting their capital requirements in the near to medium term and the bank will continue to comfortably meet the regulatory capital requirements at the consolidated level.

About the company

Incorporated in December 1993, Axis Bank Limited is a private sector bank. The bank's promoter group includes Life Insurance Corporation of India (LIC) and Specified Undertaking of the Unit Trust of India (SUUTI), which collectively held 9.70% of the shares as on March 31, 2022 compared to 11.64% as on March 31, 2021 and 13.88% as on March 31, 2020. As on March 31, 2022, Axis Bank had the third-largest network of branches among private sector banks with 4,758 branches and an international presence through 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.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)					Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding^ (Rs. crore)	Date & Rating in FY2023		FY2022	FY2021	FY2020	
					May 31, 2022	Apr 07, 2022			Dec 15, 2021	Feb 19, 2021
1	Fixed Deposit	Long Term	-	-	[ICRA]AAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)
2	Infrastructure Bonds/Debentures	Long Term	29,705	23,480	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
3	Basel III Tier II Bonds	Long Term	16,350	11,580	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)
4	Basel II Lower Tier II Bonds	Long Term	4,425	2,500 [§]	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
5	Basel III Tier I Bonds	Long Term	9,500	3,500 ^{#*}	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)
6	Certificates of Deposit	Short Term	60,000	50,430	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

[^] Outstanding as on May 25, 2022

[#] Balance yet to be placed

[§] Excludes Rs. 1,925 crore bonds matured on March 20, 2022; to be withdrawn

^{*} Excludes call option exercised on Rs. 3,500-crore AT-I bond on December 14, 2021; to be withdrawn

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fixed Deposit	Very Simple
Infrastructure Bonds/Debentures	Very Simple
Basel III Tier II Bonds	Highly Complex
Lower Tier II Bonds	Simple
Basel III Tier I Bonds	Highly Complex
Certificates of 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: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance/Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating
NA	Basel III Tier II Bonds	Yet to be placed			4,770	[ICRA]AAA (Stable)
INE238A08443	Basel III Tier I Bonds	June 28, 2017	8.75%	Perpetual [^]	3,500	[ICRA]AA+ (Stable)
INE238A08427	Basel III Tier I Bonds	December 14, 2016	8.75%	Perpetual [§]	3,500	[ICRA]AA+ (Stable)
NA	Basel III Tier I Bonds	Yet to be placed			2,500	[ICRA]AA+ (Stable)
INE238A08435	Basel III Tier II Bonds	June 15, 2017	7.66%	June 15, 2027	5,000	[ICRA]AAA (Stable)
INE238A08369	Basel III Tier II Bonds	February 12, 2015	8.45%	February 12, 2025	850	[ICRA]AAA (Stable)
INE238A08377	Basel III Tier II Bonds	September 30, 2015	8.50%	September 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	November 23, 2016	7.84%	November 23, 2026	1,800	[ICRA]AAA (Stable)
INE238A08450	Infrastructure Bonds	December 28, 2018	8.60%	December 28, 2028	3,000	[ICRA]AAA (Stable)
INE238A08351	Infrastructure Bonds	December 5, 2014	8.85%	December 5, 2024	5,705	[ICRA]AAA (Stable)
INE238A08385	Infrastructure Bonds	October 30, 2015	8.25%	October 30, 2025	3,000	[ICRA]AAA (Stable)
INE238A08401	Infrastructure Bonds	October 20, 2016	7.60%	October 20, 2023	5,000	[ICRA]AAA (Stable)
INE238A08468	Infrastructure Bonds	January 30, 2020	7.65%	January 30, 2027	4,175	[ICRA]AAA (Stable)
INE238A08476	Infrastructure Bonds	December 22, 2021	6.99%	December 22, 2031	2,600	[ICRA]AAA (Stable)
NA	Infrastructure Bonds	Yet to be placed			6,225	[ICRA]AAA (Stable)
INE238A08336	Lower Tier II Bonds	March 20, 2012	9.30%	March 20, 2022 [#]	1,925	[ICRA]AAA (Stable)
INE238A08344	Lower Tier II Bonds	December 31, 2012	9.15%	December 31, 2022	2,500	[ICRA]AAA (Stable)
NA	Fixed Deposit	-	-	-	-	[ICRA]AAA (Stable)
NA	Certificates of Deposit	Yet to be placed		7-365 days	9,570	[ICRA]A1+
INE238A160X0	Certificates of Deposit	November 24, 2021	4.40%	September 19, 2022	2,000	[ICRA]A1+
INE238A160Z5	Certificates of Deposit	March 7, 2022	4.65%	September 5, 2022	675	[ICRA]A1+
INE238A161X8	Certificates of Deposit	November 23, 2021	4.40%	September 20, 2022	1,850	[ICRA]A1+
INE238A161Y6	Certificates of Deposit	January 3, 2022	4.20%	June 20, 2022	2,000	[ICRA]A1+
INE238A161Z3	Certificates of Deposit	March 17, 2022	4.92%	March 7, 2023	2,300	[ICRA]A1+
INE238A162X6	Certificates of Deposit	November 25, 2021	4.18%	June 17, 2022	475	[ICRA]A1+
INE238A162Y4	Certificates of Deposit	January 14, 2022	4.60%	November 9, 2022	1,275	[ICRA]A1+
INE238A162Z1	Certificates of Deposit	March 17, 2022	4.92%	March 8, 2023	1,750	[ICRA]A1+
INE238A163X4	Certificates of Deposit	November 25, 2021	4.18%	June 15, 2022	2,350	[ICRA]A1+
INE238A163Y2	Certificates of Deposit	January 14, 2022	4.60%	November 10, 2022	1,625	[ICRA]A1+
INE238A163Z9	Certificates of Deposit	March 17, 2022	4.92%	March 9, 2023	200	[ICRA]A1+
INE238A164X2	Certificates of Deposit	November 25, 2021	4.18%	June 16, 2022	1,305	[ICRA]A1+
INE238A164Y0	Certificates of Deposit	January 14, 2022	4.60%	November 11, 2022	2,400	[ICRA]A1+
INE238A165X9	Certificates of Deposit	December 10, 2021	4.57%	December 7, 2022	2,000	[ICRA]A1+

INE238A165Y7	Certificates of Deposit	February 11, 2022	4.90%	February 10, 2023	2,500	[ICRA]A1+
INE238A166X7	Certificates of Deposit	December 10, 2021	4.57%	December 9, 2022	1,550	[ICRA]A1+
INE238A166Y5	Certificates of Deposit	February 22, 2022	4.40%	August 10, 2022	1,725	[ICRA]A1+
INE238A167X5	Certificates of Deposit	December 10, 2021	4.57%	December 8, 2022	1,775	[ICRA]A1+
INE238A167Y3	Certificates of Deposit	March 3, 2022	4.95%	March 3, 2023	675	[ICRA]A1+
INE238A168Y1	Certificates of Deposit	March 7, 2022	4.65%	August 25, 2022	2,100	[ICRA]A1+
INE238A168Z8	Certificates of Deposit	May 24, 2022	5.75%	October 12, 2022	2,850	[ICRA]A1+
INE238A164Z7	Certificates of Deposit	May 12, 2022	5.10%	August 11, 2022	2,700	[ICRA]A1+
INE238A165Z4	Certificates of Deposit	May 12, 2022	5.10%	August 8, 2022	50	[ICRA]A1+
INE238A166Y5	Certificates of Deposit	May 12, 2022	5.10%	August 10, 2022	1,400	[ICRA]A1+
INE238A166Z2	Certificates of Deposit	May 18, 2022	5.99%	January 16, 2023	1,785	[ICRA]A1+
INE238A167Z0	Certificates of Deposit	May 23, 2022	5.75%	October 10, 2022	3,925	[ICRA]A1+
INE238A169W3	Certificates of Deposit	November 16, 2021	4.40%	November 16, 2022	1,650	[ICRA]A1+
INE238A169Y9	Certificates of Deposit	March 7, 2022	4.65%	August 29, 2022	3,540	[ICRA]A1+

Source: Axis Bank; ^ Call option due on June 28, 2022; ^ Call option exercised on December 14, 2021 – to be withdrawn; * Matured on March 20, 2022 – to be withdrawn

Key features of the rated instruments

The servicing of the Basel II Lower Tier II Bonds and the infrastructure bonds is not subject to any capital ratios and profitability. However, the Basel III Tier II Bonds are expected to absorb losses once the point of non-viability (PONV) trigger is breached in the Reserve Bank of India's (RBI) opinion. The rated Basel III Tier I (AT-I) and Basel III Tier II instruments are hybrid subordinated debt instruments with equity-like loss-absorption features. Such features may translate into higher loss severity vis-à-vis conventional debt instruments.

The rating for the Basel III Tier I Bonds is one notch lower than the rating for the Basel III Tier II Bonds as these instruments have the following loss-absorption features that make them riskier.

- The coupon payments are non-cumulative and discretionary, and the bank has full discretion at all times to cancel the same. The cancellation of discretionary payments shall not be an event of default.
- Coupons can be paid out of the current year's profits. However, 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 surpluses created through the appropriation of profits (including statutory reserves). However, the coupon payment is subject to the bank meeting the 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 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 risk-weighted assets (RWAs; w.e.f. October 1, 2021) of the bank or when the PONV trigger is breached in the RBI's opinion.

The distributable reserves¹ that can be used for servicing the coupon, in case of inadequate profits or a loss during the year, stood at a comfortable 8.3% of RWAs as on September 30, 2021. The rating on the Tier I bonds continues to be supported by the bank's sound capitalisation profile and the expectation of improved profitability going forward.

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Axis Capital Limited	100%	Limited Consolidation
Axis Trustee Services Limited	100%	Limited Consolidation
Axis Mutual Fund Trustee Limited	75%	Limited Consolidation
Axis Asset Management Company Limited	75%	Limited Consolidation

¹ As defined in [RBI circular](#)

Company Name	Ownership	Consolidation Approach
Axis Bank UK Ltd	100%	Limited Consolidation
Axis Finance Limited	100%	Limited Consolidation
Axis Securities Limited	100%	Limited Consolidation
A.Treds Ltd	67%	Limited Consolidation
Freecharge Payment Technologies Pvt Ltd	100%	Limited Consolidation
Axis Capital USA LLC	100%	Limited Consolidation
Max Life Insurance Company Limited	10%	Limited Consolidation

Source: Axis Bank

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