Axis Bank's Q2FY24 Media Conference Call

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MANAGEMENT:

MR. AMITABH CHAUDHRY – MANAGING DIRECTOR & CEO, AXIS BANK LIMITED.
MR. RAJIV ANAND – DEPUTY MANAGING DIRECTOR, AXIS BANK LIMITED.
MR. PUNEET SHARMA – CHIEF FINANCIAL OFFICER, AXIS BANK LIMITED.
MR. RAVI NARAYANAN– GROUP EXECUTIVE, RETAIL LIABILITIES, BRANCH BANKING & PRODUCTS
MR. ARJUN CHOWDHRY – GROUP EXECUTIVE, AFFLUENT BANKING, NRI, CARDS & PAYMENTS
MR SUMIT BALI – GROUP EXECUTIVE AND HEAD - RETAIL LENDING

AXIS BANK

Moderator: Ladies and gentlemen, good day and welcome to Axis Bank Conference Call to discuss the Bank's Financial Results for the quarter and half year ended September 30th, 2023.

Participation in this conference call is by invitation only. Axis Bank reserves the right to block access to any person to whom an invitation has not been sent. Unauthorized dissemination of the contents or the proceeding of the call is strictly prohibited, and prior explicit permission and written approval of Axis Bank is imperative.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

On behalf of Axis Bank, I once again welcome all the participants to the conference call. On the call, we have Mr. Amitabh Chaudhry - MD and CEO; Mr. Rajiv Anand - Deputy Managing Director; and Mr. Puneet Sharma - CFO.

I now hand the conference over to Mr. Amitabh Chaudhry - MD and CEO. Thank you, and over to you, sir.

Amitabh Chaudhry: Good evening and welcome everyone. In Q2FY24, we continued with the focus on GPS metrics that we had set for ourselves a couple of years back. The P&L performance and balance sheet quality of the bank is now significantly different from the past, which gives us confidence in sustaining it across cycles. Let me briefly explain these Structural Changes

- The current level of 18% plus ROE is delivered at a much lower risk weighted asset intensity than in the past
- This has helped the Bank become self-sufficient on capital. The Bank accreted 18 bps of CET1 capital in Q2FY24 and 54 bps in the H1FY24 with CET1 levels now at 14.56%
- On profitability, there is visible improvement in quality and consistency of the bank's earnings. In Q2 the Bank delivered one of the best core operating profit growth driven by one of the best margin and fee performance on large private banks

- On loan growth, all the three segments have grown above 20% with SME book growing 9% QOQ
- On deposit quality, we have improved meaningfully with one of the best LCR outflow rates and CASA ratio in the sector today
- On Digital and Tech, our people, product, API's and System Architecture continue to be among the best-in-class. It is validated by so many successful partnerships across the Bank and its new product launches, which I will share later during this call

The structural improvements provide us a flexibility to build a Bank for the future, with the investment in our chosen areas of distinctiveness, namely Digital, Bharat Banking and Customer Obsession, while working on synergies from acquired Citi businesses. We continue to remain focused on three core areas of execution of our GPS strategy, namely:

A. Embedding a performance driven culture.

B. Strengthening the core.

C. Building for the future.

I will now discuss each one of these areas.

A. <u>EMBEDDING A PERFORMANCE DRIVEN CULTURE</u>

On embedding a performance driven culture, there is visible improvement in the retail deposit growth and the quality of our deposit franchise. We have made solid progress in improving the quality, granularity and premiumization of our deposit franchise through multiple Bank wide transformation initiatives. The result of these is already reflected in our improving retail deposit performance.

- The growth trajectory of retail term deposits continues to improve with **15%** YOY and **4%** QOQ growth on a period-end basis and **13%** YOY and 4% QOQ growth on QAB basis
- Low-cost CASA shares stood at **44.4%,** among the best in the industry and compounding at **15%** for the last three years
- In the last two years the. Bank's outflow rates (on Basel reporting basis) has seen reduction by **550** bps and are now trending closer to the best in the Indian banking sector

During the quarter we achieved a milestone of opening the **5000th** branch and added **207** branches and **110** new centers to widen our distribution network to **5152** domestic branches.

Second was all-around growth across businesses. We have shown market leading growth in our focus segments:

- Within retail lending we continue to drive balance balanced growth across the product portfolio
- The retail disbursements in the Q2FY24 was the highest ever for a non-financial year end closing quarter
- Corporate loans grew 21% YOY and **3%** QOQ led by a healthy pickup across sectors. The disbursement pipeline for Q3 continues to be healthy
- MSME segment continues to remain a key growth driver for the Bank, the combined portfolio of mid-corporate SMEs and small businesses grew 33% YOY and 9% QOQ and now constitutes 21% of the loan book up over **680** bps in last three years

B. STRENGTHENING THE CORE

As far as strengthening the core is concerned, on wholesale banking, we have strengthened our capabilities in the transaction banking and treasury segments in the last two years.

- Our API led transaction banking, new proposition offers strong product, market fit and continuous to witness strong adoption. The interest among corporates continues to grow at an accelerating rate with **2.3x** customers on-boarded in September over last year. Similarly, transaction volumes and throughput have surged by **5x**
- Additionally, NEO for Business, which is our mobile-first banking and beyond banking MSME proposition designed especially for MSMEs, well for SMEs went Live in the current quarter
- We have about **5000** businesses being on-boarded every month with stronger adoption rates. The offering has many standout features when compared to market offerings by banks and Fintechs. Please refer to slide 40 of our investor presentation for more details.

C. BUILDING FOR THE FUTURE

Last, building for the future, our Digital Banking performance continues to remain strong.

- We have rebranded our award-winning MOBILE app as 'Open by Axis Bank', its balance sheet continues to deliver strong growth with over 50% increase in deposits and loans. Open is now roughly 5% of the Bank's overall business and we intend to increase the contribution by three to four times by FY27
- As part of the 'Open by Axis Bank' launch, we have introduced several changes to our Mobile Banking app and Internet Banking portal. In addition to branding changes it includes a revamped landing page, hyper-personalized nudges, personal finance management, vernacular language for Internet Banking, etc. Our app continues to remain the highest rated mobile banking app on Google Play Store with rating of 4.8 based on over 2.2 million reviews
- Considering our aspirations to be a leader in new platform businesses we launched Credit on UPI on a pilot basis working with NPCI. We aim to launch this for customer usage in the coming quarter. Further Axis Bank was among the first banks to integrate with the public tech platform for frictionless credit (PTPFC) launched by the RBI and RBI Innovation Hub, the bank offers MSME loans in under 5 minutes leveraging this platform.

We continue our programs to Build Distinctiveness

Our big bet on Bharat is growing from strength to strength.

- In rural advances the balance sheet added in the last 24 months is **2x** the size of the balance sheet added in the previous 4 years
- Our distribution footprint has increased to **2373** Bharat Banking branches complemented by **63,000** strong CSC VLE network. We have scaled up marquee names such as ITC, Bayer and Airtel Payments Bank, demonstrating the progress and success of the partnership and value chain approach
- Our digital co-lending platform is live with **8+** partners, and we have more products and partners lined up to go live on the platform this year

Sparsh Customer Obsession Program

Sparsh, our Customer Obsession program is making an impact on our customer experience scores.

- We believe that only a deeply embedded culture of customer obsession can help us sustain this journey. Earlier this month, we celebrated Sparsh Week, a pan Bank event with a focus to listen to our customers, act on it, and celebrate
- Over the last 18 months NPS across retail customer journeys has moved up to 148 over an indexed baseline of 100

Citibank Consumer Business Integration

The employees and the customer integration so far is on track. We are also witnessing synergy benefits coming through with improvement in productivity and best practices transfer across the organization.

One of the key strengths of Citi was the Customer Service Capabilities, the erstwhile leadership team of CitiPhone is leading the upgrade of our service architecture in line with the best-in-class standards.

In Closing

In spite of a highly volatile global geopolitical landscape, we believe the Indian story remains strong and intact. With the upcoming festivities we are already seeing a surge in demand, which augurs well for business.

At Axis Bank, our GPS agenda is on track, and we are looking at steady growth for all major business verticals of the bank.

I will now request Puneet – our CFO to take over.

Puneet Sharma: Good evening, everyone and thank you for taking the time to join us this evening.

Our H1 FY24 PAT was Rs. 11,661 crores growing 23% YOY. Our H1 consolidated ROE was at 19.04% up 179 bps YOY. The PAT and ROE were driven by NIMs at 4.11%, 30% YOY growth in H1 fees, 23% YOY loan growth aided by 15% YOY retail term deposit growth.

Our Q2FY24 PAT was Rs. 5,864 crores and our consolidated Q2 ROE was 18.67%. Our operating performance has been healthy. Net interest income grew 19% YOY, 3% QOQ. Net interest margin at 4.11% up 15 bps YOY, 1 bps QOQ. Fee income grew 31% YOY and 11% QOQ. Retail fee grew 38% YOY, 11% QOQ. Granular fees is at 93% of our total fee.

Core operating revenues grew 22% YOY and 6% sequentially. Core operating profit grew 12% YOY and 5% sequentially.

Consolidated ROA and ROE were 18.67% and 1.83%; subsidiaries contributed 37 bps to ROE and 7 bps to ROA.

Strong loan growth delivered across all of our business segments.

Our domestic advances were up 26% YOY, 5% sequentially. Our retail loans were up 23% YOY, 4% sequentially. SME loans were up 27% YOY and 9% sequentially. Our corporate loans were up 21% YOY, 3% sequentially. Rural loans grew 24% YOY and 4% sequentially. Our small business banking loans grew 42% YOY and 9% sequentially. Our Mid-corporate loan book grew 37% YOY.

Our Small Business Banking plus SME plus Mid-corporate book stands at a cumulative value of Rs. 188,573 crores, 21% of cumulative loans. This is higher by 680 bps over the last three years. Important to note that this is a high-yield, high-profit book.

Retail term deposits has started gaining traction with steady growth in granular deposits. On a month-end balance basis retail term deposits grew 15% YOY and 4% QOQ.

Our CASA ratio stood at 44%. Total deposits grew 18% YOY, 1% sequentially.

On a quarterly average balance basis, our total deposits grew 16% YOY, 1% sequentially. Retail term deposits performed meaningfully better with a 4% sequential growth.

On QAB, SA balances grew by 17% YOY, 1% QOQ and CA grew at 11% YOY. Our quarterly average balance CASA ratio stood at 43%. Average LCR for Q2 FY24 was 118%. Outflow rates improved by 550 bps over the last two years.

We are well capitalized with a self-sustaining capital structure, adequate liquidity buffers. Our overall capital adequacy ratio is 17.84% with the CET1 of 14.56%. Amitabh indicated that we have a self-sustaining capital structure. We have had a net accretion on CET1 of 54 bps for H1 FY24 and 18 bps for Q2FY24.

Important to note, COVID provisions of Rs. 5012 crores not included in the CAR computation discussed above has provided us with an additional cushion of 48 bps on the capital adequacy ratio.

We continue to retain a strong position in Payments and Digital Banking. We have issued 1.2 million cards in Q2FY24, cards-in-force market share is at 14.1% as of September. Our spends are up 60% YOY and 5% QOQ. We are the second largest player in Merchant Acquiring with a market share of 18.6%. Incremental market share of 23% in the last one year.

Axis Mobile and Axis Pay have 9.2 million non-Axis Bank customers using these facilities.100 Plus Digital partnerships across platforms and ecosystems. 16.5 million customers on WhatsApp Banking.

Axis Mobile remains the world's highest Mobile Banking app on the Google Play store with a rating of 4.8 and 30 million monthly active users.

Asset Quality, Provisioning & Restructuring

Our asset quality has improved, declining gross NPAs and slippages for the quarter are visible. The GNPA at 1.73% declined 77 bps YOY, 23 bps QOQ. Net NPA at 0.36%, declined 15 bps YOY and 5 bps QOQ.

Our PCR remains healthy at 79%. On an aggregate basis, all provisions which is specific, standard, additional and COVID divided by gross NPA gives us a coverage ratio of 150%.

Q2FY24 gross slippages on an annualized basis is 1.49%, declined 39 bps YOY. Net slippage ratio annualized was at 0.59%.

Q2FY24 credit costs annualized is at 0.42%, declined 8 bps on a sequential quarter basis.

Performance of Subsidiaries

Our domestic subsidiaries continue to deliver steady performance. H1FY24 profit for the domestic subsidiaries is Rs. 689 crores up 18% YOY with the return on investment on domestic subsidiaries at 53%.

Axis Finance H1FY24 PAT grew 26% YOY to Rs. 265 crores. Asset quality improved and Capital Adequacy Ratio was at 17.9%.

Axis AMC H1FY24 PAT stood at Rs.189 crores.

Axis Securities H1FY24 PAT grew 14% YOY to Rs. 113 crores.

Axis Capital executed 48 Investment Banking deals in H1FY24.

With this we conclude our opening comments, we would be very happy to take questions now.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ankur Mishra from ET Now. Please go ahead.

Ankur Mishra: My question is regarding your corporate growth which is showing 21% YOY and 3% QOQ growth, I want to understand that the domestic growth of over 30%, is it this quarter per se growth or it is going to sustain. Because we have seen that net corporate was growing at that pace even more than this. But how do you see the corporate sector growth in particularly this quarter?

Puneet Sharma: Let me just offer a data point clarity and then I will request Rajiv to provide the outlook on corporate loan growth for the quarter. Just out of abundant caution and clarity on the numbers, what we stated was the corporate book was up 21% YOY, 3% sequential quarter, that is the total Corporate book. If I were to make an assessment only of the Domestic Loan book, our Domestic Corporate Loan book was up 33% YOY and 4% sequentially. What that indicates is that we have run down our Foreign Currency Corporate book, the Domestic Corporate book has gained traction. With that data point clarification, I now hand over to Rajiv

Rajiv Anand: As Puneet just mentioned, domestic demand continues to be strong. And it continues to be strong across sectors, both on the working capital side and on term loans. And as I have been mentioning earlier as well, we certainly see demand for CAPEX from the private sector.

Ankur Mishra: Another question on your Home Loans which compared to other sectors it is growing at 9% in a single digit, what is the reason for that? And if I can squeeze in one more question regarding your Personal Loan and Credit Card Advances which is 72% YOY, do you see that these numbers will continue? Why I am asking is because the RBI has also been nudging banks to be cautious in this sector's growth.

Sumit Bali: Hi Ankur, this is Sumit here, so on the Home Loan, I will start with that. So, last two quarters you would have observed, we were focused more on correcting the NIM journey subsequent to that we have seen recovery in the Home Loan volumes. This volume has grown vis-à-vis Q1, the growth rate is looking up. And we expect that we will continue to increase the growth rate as we go QOQ.

Regarding the Personal Loan side, we have been running a strategic project internally. We continue to focus on our ETB customers, we continue to focus on our partnership customers, so those have been good sourcing engines for us. My sense is this kind of growth will sustain and it is not coming at the cost of credit quality, our risk appetite remains in line. And that's how we are looking at sourcing, there is no dilution in our standards. For credit cards, I will handover to my colleague, Arjun.

Arjun Chowdhry: So, on the Credit Card space, the 72% does include the acquisition of the Citi Credit Cards book as well. So, obviously, that's not going to repeat itself next year. But we are seeing very healthy growth on Credit Card outstanding as well. The other part I did want to call out is that with the acquisition of the Citi portfolio, while we are seeing very good growth, we have also seen the acquisition of the industry's most mature and stable book to add it to what is the industry's fastest growing book. So, when you put the two together, it actually gives us a very good picture in terms of the way the credit performance of the combined book with the two coming together will play out in the years and months to come.

Ankur Mishra: And your operating expenses have also gone on by 34% this is also due to acquisition and also cost of funds at 5.17%, which are constantly increasing QOQ. Can you give guidance on that?

Puneet Sharma: Yes, your observation is right cost of funds have gone up by 14 bps. But it's also important to understand that yields on interest earning assets are up by an equivalent amount. So, we have been able to offset cost of funds growth, which is also reflected in the fact that our sequential quarter margins are up by 1 bps. So, that should give you comfort that while we do continue to expect the base book to reprice, the marginal funding cost has stabilized. And the base book will continue to be repriced over the next few quarters.

On your question on OPEX, we continue to invest in the business, most of our investments, if you look at the slide that we put out in the investor presentation, effectively sets out that 51% of the YOY cost growth is for our technology and growth-related businesses. Please do appreciate that we do on a YOY basis incur the integration expenses that are likely to fall away. Those are the two key constituents for the growth that we are seeing apart from business-as-usual growth on OPEX that one would expect for a business our size.

Moderator: Thank you. Next question is from line of Ira Dugal from Thomson Reuters. Please go ahead.

Ira Dugal: Just to the point of personal loan, so you are not even wanting or seeing the need to pull back on some of the growth and flow of personal loans that you are giving out. There is no sign of rising risk in your book at all. Is it?

Amitabh Chaudhry: Well, we have laid the table quite clearly that we are planning to grow, and we continue to grow based on the risk guardrails we have set for ourselves. So, this growth is not coming at the cost of in anyway compromising on what we believe is the right kind of risk to take. Right now, in our portfolio we are not seeing anything, which is telling us that our risk framework is not working. And as long as you know obviously, we are monitoring what is happening in the economy. We are monitoring where some of the shares are building up and we are watching it very closely. And you can expect us to do that going forward in the future.

So, whatever we grow and whatever pace you grew at, it is all based on certain risk guardrails, certain outlook and understanding of risks which we have as a Bank, and we will keep that in mind as we grow, but as Sumit pointed out in an answer to earlier question, that we do see growth momentum continuing at this point in time.

Ira Duggal: So, delinquencies have not increased or overdue have not increased in your personal loan book?

Amitabh Chaudhry: Well you can look at our numbers, it is there in the presentation. If you want, I can give you the slide number and you will see that our metrics are trending in the right direction. I will give you the slide number, atleast you have it.

Puneet Sharma: If you look at slide 60 of our presentation, you will see that our gross slippages number is declining period on period and effectively our gross and net NPAs on the retail business are well contained.

Sumit Bali: Just to supplement that, when we speak to credit bureaus and benchmark, we do not see any change, but we do observe there is a higher delinquency in sub-50,000 personal loan segment, now that is a segment we have chosen to stay away from. I think that is kind of clouding a lot of assessment about this business. And that's one segment we choose to stay away from.

Moderator: Thank you. Next question is from the line of Ritu Singh from CNBC-TV18. Please go ahead.

Ritu Singh: Hi, just to take forward that question on unsecured personal loans, one, if you could clarify your strategy from the sub 50,000 loan segment, why you are choosing to stay away. Secondly, while your portfolio you are saying is based, the growth is based on risk guardrails in the SMA-1 bucket or so with some of the other banks have indicated. Are you seeing any initial signs of stress? And we are asking because the RBI Governor himself has been talking about this, persistently, publicly. So, is there anything on the personal loan front that you would like to highlight? Any trends?

Secondly, in your slippages of Rs. 3200 crores, there is no break up provided on corporate and retail if you could give that as well. And thirdly, on your margins, which has actually been flattish QOQ, are you confident you would be able to protect these levels of growth from here, given the asset liability, the liability repricing that is underway? If you could just provide your feedback on these.

Amitabh Chaudhry: On the portfolio quality and I think you were asking the question in reference to RBI Governor expressing concern on the rate of growth on the personal loan side, as I said, we are fully cognizant of all the risks that are there in the system, which are visible, not visible, which are being speculated about and we are very conscious of some of these emerging risks. I think as Sumit pointed out, we are not in the 50,000 and below category for personal loans or average personal loans are on much higher side. Please understand that the larger banks play on the lower end of the risk curve as far as personal loans are concerned, that does not mean that there is no risk, there is risk we are watching it very closely, and we will continue to watch it closely. I mean, growth cannot come at the cost of higher credit cost. So, we obviously will watch as we move forward. Based on what we see today, as I said, we see a growth momentum being sustained.

Ritu Singh: If I may follow up on this, you said there is risk, and you are watching it closely. Keeping that in mind what are your plans for the remaining part of the year as far as growth in this portfolio is concerned?

Amitabh Chaudhry: I mean we do not give guidance for specific product categories, we have always maintained a guidance that we will grow at 400 to 600 bps, higher than industry average, that is what we have maintained. I think we are saying a lot when we are saying expected to maintain the growth momentum.

Sumit Bali: Ritu, if you see slide 22 on personal loan, 83% of personal loans are to existing to bank customers. These are set of customers whom we know well. We have their savings account with us, with transaction data etc. risk qualification. We have superior knowledge of this customer set and that is the bulk of our sourcing engine.

Ritu Singh: Guidance on Margins?

Puneet Sharma: I think what we have clearly called out is we do not offer guidance on margin. But our commentary on margins has been consistent from the start of the year. One request we have is please look at margins on a full-year basis. Last year we delivered a 4.02 net interest margin with an 18% ROE. For H1 we are at a 4.11 margin with an 18.3% ROE, given where we are, we feel comfortable that we should be able to protect margins at or better than our structural guidance on a go-forward basis.

Ritu Singh: On the slippages bit as well if you could provide us an insight into where it is coming from that breakup is not in the slide, Rs. 3200 crores of fresh slippages.

Puneet Sharma: Our net slippages have declined 25% QOQ, our net slippages for the quarter is Rs. 1269 crores of which retail is Rs. 1405 crores, corporate bank, which is our wholesale banking segment is negative Rs. 220 crores and our SME business which we called as our Commercial Banking Business is Rs. 84 crores, positive.

Ritu Singh: May I please ask you to repeat the numbers?

Puneet Sharma: Our net slippages on a Rupee crore basis is 1269 crores, of which retail is 1405 crores, our SME business which our CBD business is 84 crores and our wholesale business is in negative 220 crores. So, when you add 1405+84-220, you will get 1269. On a sequential quarter basis, our net slippages are down 25%.

Moderator: Thank you. Next question is from the line of Hamsini Karthik from The Hindu Business Line. Please go ahead.

Hamsini Karthik: I just have a couple of questions- one is on the Digital Banking front, this quarter there has been a loss at a segmental level of about Rs. 29 lakhs. Last quarter was very strong at about Rs. 1.68 crores. I just want to understand how these numbers get calculated? And how internally you bifurcate a retail and digital banking retail?

Puneet Sharma: Let me clarify, at Axis Bank, our Digital business is digitally sourced, digitally serviced. So, end-to-end digital is what we call our Digital Business. We report that Digital business as part of our publications. And that business has trended well, both on a YOY basis as well as a sequential quarter basis. The disclosure that you are referring to is a regulatory description of Digital which is prescribed by RBI. It includes transactions like ATM transactions, cards transactions so on and so forth. It is not digital as we understand it, and therefore my request is that disclosure is for compliance purposes. If you want to see the progress of our Digital business, please reference our investor presentation. We are clearly confirming that we are seeing strong growth both in volumes, revenues and profits coming from our end-to-end Digital business.

Hamsini Karthik: The other question is with respect to the share of loans to financial companies that's around 11% this quarter, everything including advances, and everything included. Now that we know that there is risk in the less than 50,000 category, are you also looking into some of your clients, NBFCs to scan for this, because ultimately these are cashflow funded loans for any bank and risk of default there would also be a subsequent risk of default to the bank.

Rajiv Anand: It is a fair point, I think the way that we look at our portfolios is by and large we lend only to the large NBFCs, very strongly rated, typically part of a large, either financial institution or a large group. And so therefore, we draw significant comfort from the fact that the balance sheet is very capitalized. We also understand that the business model has been tested through cycles. So, the contagion effect that you are talking about is not something that we are concerned at this point in time, but we continue to watch the portfolio on the NBFC side.

Hamsini Karthik: The September numbers for card spends does not seem to present a very healthy picture. There has been a dip in spends and there has been a dip in card issuance as well. Is it something which is and this is for the entire sector, this is something which is seasonal or was the base effect of last year, calendar 2022 very high which is somewhere sort of offsetting on reality today?

Arjun Chowdhry: Yes, that is a good observation, the number for September which were just published by the RBI are around Rs. 1.42 lakh crores, down from the Rs. 1.48 lakh crores in the previous month. Yes, you are right, this is partially seasonal. Also, it has to do with the fact that September is a slightly shorter month. So, there are a multiple set of factors going into that. What we have seen is also that people tend to hold on to some of their spending because they anticipate some of these big events, some of which we have seen from our E-commerce partners and from many other retail players. And bearing that out, the spends that we have seen in October is actually much higher than what we saw in October last year. So, you are right, some of this is seasonal. Some of this is related to customers being smarter about how they plan their festive spending. Also, keep in mind that the big festival event is a little later this year, as it was compared to last year, three to four weeks later. So, all of these factors are playing out. And we are almost at the end of October and what we are seeing is quite good.

Moderator: Thank you very much. Next question is from line of Shilpy Sinha from The Economic Times. Please go ahead.

Shilpy Sinha: I have two questions - one is on the deposit front, the total deposit if I see on a QOQ basis has grown 1%. This if I see other banks, they have grown 4% to 5%. If you can actually just explain this part a bit if there is a slowdown and what is the Bank doing about it?

The other one is on the Axis Bank share going up in Max Life Insurance, there, I understand around 65% of sales for Max comes from Axis Bank, is that going to go up with the stake increase? And what is the status on the increase in stake?

Ravi Narayanan: Yes, liquidity for us is very critical. The entire Bank is focused on garnering deposits and pushing across not just the liability side of the teams, but every team in the Bank is looking at seeing how they can get their relationships to deliver deposits.

There are three or four large projects that are in play, we recognize that there is a lot of work that we have to do and efforts that we have to put. What we are looking at is trying to understand how we can capture at two to three levels, one at a district-by-district level where we are in terms of our market share as a Bank, across all banks in that district. Second is in terms of whitespaces that we want to cover across geographies and states. Third is in terms of how do we sweat the franchise branch-by-branch and see that our consolidation of all these efforts that we are doing based on catchments, micro markets, segments, the efforts are brought in. And as I said to conclude that the entire Bank is working on getting and garnering deposits from every relationship that is there.

Amitabh Chaudhry: Shilpi I would like to add that we have the best-in-class CASA ratio. Please understand that when you are quoting the deposit numbers you are looking at the overall deposits. From our perspective, the way we look at it is that we had a certain amount of asset growth, it could be funded through various means. We have best in class LCR outflow ratios now. So, if you look at all the variables, if you just look at QOQ you might, please do not reach the conclusion that our deposit franchise is not doing well. We have various choices, we made those choices and based on those choices we could support a certain group and this turns into some numbers.

As far as Max is concerned, we have maintained that we would like to keep the share of Max in the 65% to 70% range. And that is a stated policy. Yes, we are planning to increase our stake, that process is underway as we speak. But having some competition, firstly have competition, secondly, give choices to our customers is an important element of our strategy as far as our customers are concerned, so that will continue as we move forward.

Shilpi Sinha: Any latest report on the deal, has it been approved by the regulators or?

Amitabh Chaudhry: Whenever we have anything to report to you, we will be the first ones to let you know, nothing more to report.

Moderator: Thank you. Next question is from the line of Shayan Ghosh from Mint. Please go ahead.

Shayan Ghosh: So, a question on personal loan as well. There was an analyst report last month which cited a meeting of Axis with investors in Singapore. And saying that apart from the less than Rs. 50,000 bracket personal loans, there’s also some stress on the higher end personal loan. I wanted to understand is there a similar strategy at play there that you would like to avoid that? That is one.

And second is -could you explain why the provisions went up in this quarter?

Amitabh Chaudhry: So, I think if you refer to that particular report it was referring to a commentary made by someone else, we have not said that we are seeing any deterioration in our portfolio for some personal loans maybe about Rs. 8 lakhs, I think that was the number which was quoted. Very happy to get it clarified separately to you, if that's what you want. I do not think we have made the statement that we are seeing anything in our portfolio which is causing some worry to us.

Puneet Sharma: I will address the second part of your question; I request you to look at slide 62 of our investor presentation. On a sequential quarter basis, our total provisions and contingencies actually have fallen. So, we had provisions and contingencies in Q1FY24 of Rs. 1035 crores, they are down to Rs. 815 crores for Q2FY24.

Shayan Ghosh: This is on slide number?

Puneet Sharma: slide 62 of our presentation, please see the table at the bottom.

Amitabh Chaudhry: Just to clarify, it was not quoting Axis, it was quoting me - was what we are seeing as something that is developing in the industry, nothing specific to Axis.

Moderator: Thank you, Ladies and Gentlemen. Due to paucity of time, I request all the participants to restrict to one question per participant. Next question is from the line of Sachin Kumar from The Financial Express. Please go ahead.

Sachin Kumar My question is already answered.

Moderator: Thank you. Next question is from the line of Vishwanath Nair from BQ Prime. Please go ahead.

Vishwanath Nair: Couple of questions, the first one is on the credit card portfolio; you said it is the highest growing, yes, in terms of issuances, but in terms of your outstanding loans on a QOQ basis, it's up about 3%. And it was 10% in the June quarter. So, I am just trying to understand, what has happened there, because that is the outstanding number and not the current flow that happens.

And the second question, sorry bringing up the personal loan segment again, it's at about 20% of your Retail portfolio, just the credit card and the personal loans put together, do you consider that high in terms of the constitution of the book?

Arjun Chowdhry: So, I will answer the question on the credit cards portfolio first, the reference to fastest growing is to the gentleman who had asked the question at that point of time that the growth was 72%. In terms of market balance sheet outstanding from our estimates, it is the highest growing both in terms of issuances and in terms of the outstanding, a part of that obviously comes from the acquisition of the Citi portfolio, as I mentioned, but not all of it. Even without that, the growth is quite healthy. It is in the upwards of 25% to 30% range if you look at the book without that. So, we continue to see that growing. And as we continue to, we just mentioned that we acquired 1.2 million cards in the quarter, and this is the seventh quarter where we have done more than a million cards of acquisition. So, as we get the tailwinds of that growing acquisition number, the outstanding will also continue to grow on the book, because we see that followed by healthy spending and by healthy lending as well.

Puneet Sharma: I think the point that you were raising is - are we comfortable with the 12% proportionality for PL and 7% for cards?

Vishwanath Nair: Yes.

Puneet Sharma: I think the way I would request you to think about that number is our Retail book is 58% of our total book. So, 19% of the Retail book translates to about only 11% of our cumulative book. So, that is not a large number. Again, if you evaluate the fact that not all cards outstanding is loan based, because these are point in time balances as pointed out earlier. So, there are transactors in this balance. So, just for illustration, if you assume that half the book is transacting and half the book is revolving, this number on an overall loan book falls to sub 10% - it's roughly 9%. So, just contextualizing this, this is amongst the smallest in the industry that we see. And yes, we are comfortable with the proportionality of this book in our overall loan set.

Ravi Narayanan: If I can just add one more point to the point that Puneet was making, if you look at slide 16, the RWA intensity of the overall portfolio is not really changing. So, it is not as if the portfolio, the Axis Bank balance sheet is taking on more risk to deliver whatever we are delivering. The RWA intensity has been quite stable at 66% or 67% over the last few quarters.

Moderator: Thank you. Next question is from line of Anshika Kayastha from The Hindu Business Line. Please go ahead.

Anshika Kayastha: You had mentioned that you have been able to offset some of the rise in cost of funds via higher yields. I am sorry if I missed it, but could you quantify the rise in yield on assets vis-à-vis the rise in cost of funds? And how much more of an increase are you factoring in for cost of deposits?

Puneet Sharma: So, our cost of funds for the quarter went up by 14 bps. Our yield on interest earning assets also went up by 14 bps for the quarter so there is a full offset. You will also see the waterfall on slide 11 of our investor presentation which will give you the breakdown. On our outlook on cost of funds, the way we are looking at cost of funds is the marginal cost of funds have stabilized. The back book of deposits will continue to reprice. The reprice is likely to take place over the next few quarters. Having said that, we have multiple structural levers in our NIM journey, to optimize our NIMs which is book mix, product mix, currency mix so on and so forth. So, we feel comfortable with where we are on our cost of funds and yields on interest earning assets journey.

Moderator: Thank you. Next question is from line of Lalatendu Mishra from The Hindu. Please go ahead.

Lalatendu Mishra: The net profit for the quarter has gone up by 10% to Rs. 5864 crores is it good or why is this? Second question is the net slippage, you said about Rs. 1269 crores for this quarter, what was the year ago period number?

Puneet Sharma: So, we have actually delivered a PAT that is better than the consensus estimate that analysts have. So, I presume given that we have beaten consensus, it's a good outcome to have for the quarter. To your second question on what was the equivalent value of net slippage a year ago, it was roughly about Rs. 1000 crores for retail against the Rs. 1405 crores for retail that I spoke about earlier.

Lalatendu Mishra: No, Rs. 1269 is this quarter, what was the year ago period number?

Puneet Sharma: So, you want it on a cumulative basis, on a cumulative basis it was about Rs. 600 crores.

Moderator: Thank you. Next question is from line of Amol from ET BFSI. Please go ahead.

Amol Dethe: Thank you so much but my questions have already been answered. I will give it a pass.

Moderator: Thank you. As there are no further questions, I will now hand the conference over to Mr. Puneet Sharma for closing comments.

Puneet Sharma: Thank you, ladies and gentlemen for taking the time this evening for attending this call and patiently hearing our responses. If there are any unanswered questions, the Corporate Communications Team and our Investor Relations team would be happy to engage with you. Thank you and have a good evening.

Moderator: Thank you very much on behalf of Axis Bank that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.