Axis Bank's Q4FY25 Media Conference Call

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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the Axis Bank Conference Call to discuss the Bank's financial results for the Quarter and Year Ended as on 31st March 2025.

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 end of the briefing session. Should you need assistance during the conference call, please signal the operator by pressing "*" and 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 with us Mr. Amitabh Chaudhry – MD and CEO; Mr. Rajiv Anand – Deputy Managing Director, and Mr. Puneet Sharma – CFO.

I now hand over the conference call to Mr. Amitabh Chaudhry – MD and CEO. Thank you and over to you, Sir.

Amitabh Chaudhry: Thank you so much, Michelle. My apologies to everyone for the slight delay in starting the call. Apart from Rajiv and Puneet, we also have Munish, our ED and other members of the leadership team.

This quarter, we delivered steady core operating performance and lifted sequential total deposit growth higher than the industry. Our focus has been on profitable and sustainable growth. We continue to calibrate risk internally across our portfolios. The balance sheet is resilient, and capital position continues to get stronger.

Let me summarize the Q4 operating performance:

1. Our core operating profit was up 11% YOY and 5% QOQ. NIM was at 3.97%, which improved 4 bps QOQ.
2. Period end total deposit growth picked up 7% QOQ. On a YOY basis, deposit growth rates were similar, for both, period end and quarterly average basis at 10% and 9% respectively.
3. On the lending side, focus on businesses with higher RAROC continues. Small business, SME and mid-corporate together, grew at 14% YOY and 3% QOQ and constituted 23% of total Bank loans.
4. Fee-to-average assets improved and continue to be best among the peer private banks.
5. Consolidated ROA and ROE stood at 1.88% and 17.11% respectively.
6. The Bank is well capitalized with a CET 1 ratio of 14.67%, the net accretion of 6 bps in Q4FY25 and 93 bps for the entire year.

We stay focused on three core areas of execution of our GPS strategy, namely:

A. **Becoming a resilient all-weather franchise**
B. **Creating multiplicative forces to build competitive advantage**
C. **Building for the future**

I will now discuss each one of these areas:

A. **Becoming a resilient all-weather franchise:**
   Over the last few years, we have significantly progressed towards building a resilient all-weather franchise. There are three areas of focus as you navigate the current cycle, deposit quality and growth, retail asset quality and costs, where we need to work on sustainable outcomes.

On retail asset quality, a normalization cycle is in progress, and this should stabilize over the next few quarters. Our recognition and provisioning policies are perhaps the most prudent among the Indian banks.

On the cost side, our expense growth moderated to 6% YOY in FY25 from 30% in FY24. We have also seen an improvement of 9 bps in our cost to assess in FY25 versus FY24.

Let me move to deposits now:

The deposit journey for Axis Bank should be looked at from three aspects – **“Quality, Cost and Growth.”**

Please refer to Slide number 22. On the first two parameters, we have delivered well:

- We have improved the granularization of our deposit book, which positively impacts the quality of LCR deposits. Consequently, improving the outflow ratio by 340 bps over the last three years, and is now similar to larger peer banks.
- We have also demonstrated a controlled increase in the cost of funds over the last eight quarters with only a 7 bps increase in the last four quarters.
- We have also opened 170 new branches in the last 3 months and ~500 in this fiscal.
- YOY MEB | QAB basis, total deposits grew 10% | 9%; term deposits grew 14% | 14%, CA grew 6% | 6%, SA grew 3% | 1%, respectively.
- QOQ MEB | QAB basis total deposits grew 7% | 2%; term deposits grew 5% | 2%, CA grew 16% | 3%, SA grew 8% | flat, respectively.
- The New to Bank acquisition engine for Savings Account franchise has trended well. In this quarter, we saw Savings Account New to Bank deposits up 19% YOY and granular balances per account up 17% YOY.
- The Bank has made focused interventions to ensure better engagements with the salaried customers and continue to see healthy trends with:
    - 18% YOY growth in Salary Uploads in the NTB Salary book on March ‘25.
    - 38% YOY growth in Premium acquisitions in the NTB Salary book by March ‘25.
    - ✓ The premiumization of our franchise continues to progress well led by 10% YOY growth in Burgundy assets under management. Axis Bank’s Burgundy Private segment won the award for “**India's best for Next Gen”** at the “**Euromoney Global Private Banking Awards 2025**”.
    - On the wholesale segment, please refer to Slide 33 and 35, our industry-leading Neo platforms along with customized solutions across

liquidity management, payments and collections continue to drive higher transaction banking flows leading to better current account balances.

On the topic of retail asset quality:

- We continue to have one of the best asset quality levels across large peer banks, in terms of net NPAs.
- Retail asset quality for unsecured products across industry including MFI, a normalization cycle is in progress. The primary reasons are credit hungriness and over-leverage.
- MFI does not constitute a significant portion of our portfolio [~2.1% of retail loans]. Recent regulatory actions have led us to adopt a cautious stance on this sector, both through direct and indirect sourcing.
- We have also strengthened the collections infrastructure including the use of tech enablement at the front-end to improve collections capabilities.

B. **Creating multiplicative forces to build competitive advantage:**

We continue to innovate and remain open to new partnerships and collaborations. An example of this was during the quarter Axis Bank became the first Indian Bank to execute an Aircraft Financing deal. It involved a long-term US Dollar Loan for the purchase of 34 training aircrafts. This pioneering aircraft financing deal, structured end-to-end by our GIFT City Team, is a strategic step towards creating a robust aviation finance ecosystem within India.

C. **Building for the future:**

Digital banking performance continues to remain strong.

- In Q4, the Bank introduced several new fraud protection related initiatives.
  - We introduced an in-app mobile OTP as an alternative to SMS/OTP. This industry-first feature significantly enhances security against fraud and takes away dependence on telecom networks thus improving customer experience as well.

- The Bank also introduced a Safety Centre on the Open app by Axis Bank, which provides customers the ability to control their digital channel usage at a granular level across Internet banking, mobile banking, UPI, etc.

- Additionally, the Bank continues to make progress in introducing new journeys and optimizing existing ones.

Bank-wide programs to build distinctiveness through Bharat Banking and Sparsh is progressing well

- The rural advances grew 7% YOY and deposits from Bharat branches were up 9% thereby aiding the PSL metrics. We have expanded our multi-product distribution architecture now to 2,736 branches.
- Sparsh 2.0, our enhanced customer experience program simplifies interactions, driving NPS, automation and digitization, with a focus on customer loyalty and business growth. Our Retail Bank NPS score has matured significantly, rising to 159 from a baseline of 100 in the past 3 years. Softer aspects like our Brand Consideration Score have also improved over the past few years.

In Closing:

The Bank prioritized profitability over growth, considering the uncertain macros and tight liquidity environment dominating most of FY25 while continuing to meaningfully invest in making the franchise more sustainable. As we enter FY26, we believe the operating environment is improving, which should help us drive both growth and profitability.

I will now request Puneet to take over.

Puneet Sharma: Thank you, Amitabh. Good evening, everyone.

Our Q4FY25 consolidated ROA was 1.88%. Our consolidated ROE was 17.11%. Our PAT was Rs. 7,117 crores, up 13% QOQ. This operating performance was aided by a strong CASA growth of 10% QOQ and total deposits growth of 7% QOQ.

Our performance at a glance:

On an operating performance basis Q4FY25:

a. Net interest margin at 3.97% improving 4 bps QOQ, FY25 NIM at 3.98%
b. Q4FY25 Fee income grew 12% YOY and 16% QOQ
c. Retail fee grew 22% QOQ. Our granular fees was 94% of our total fees.
d. Q4FY25 Core operating profit grew 5% QOQ
e. Our Q4FY25 and FY25 core operating profit grew 11% and 13% YOY respectively.
f. FY25 Operating expense growth moderated to 6.5% YOY
g. Operating profit was reported at Rs. 42,104 crores, up 13% YOY
h. FY25 cost-to-assets at 2.46% improved 9 bps YOY.
i. FY25 PAT at Rs. 26,373 crores was up 6% YOY.
j. Our Consolidated ROA for the full fiscal was 1.77% and Consolidated ROE was 16.89%.

We continue to drive the franchise on an average deposit balance basis:

1. The MEB growth was robust for Q4. YOY MEB | QAB basis, total deposits grew 10% | 9%; term deposits grew 14% | 14%, CA grew 6% | 6%, SA grew 3% | 1%
2. Our QOQ MEB1 | QAB1 basis total deposits grew 7% | 2%; term deposits grew 5% | 2%, CA grew 16% | 3%, SA grew 8% | flat, respectively
3. MEB1 | QAB1 CASA ratio at 41% | 38%, respectively
4. The average LCR during Q4FY25 was 118%, outflow rates improved ~340 bps over last 3 years
5. Our Q4FY25 cost of funds remained in a tight range with a 7 bps increase YOY.
6. Our small business banking, SME and mid-corporate growth continued to remain healthy.
7. SBB, SME, and MC mix of advances stands at Rs. 2,36,342 crores that is 22.8% of loans, up 750 bps in the last 4 years.
8. Our net advances grew 8% YOY, 3% QOQ.
9. Retail loans grew 7% | 3%, SME grew 14% | 4% on YOY | QOQ basis, Corporate loans grew 8% YOY
10. Small Business Banking loans grew 17% | 4% on YOY | QOQ basis, Mid-Corporate (MC) book grew 10% YOY

We are well capitalized with the self-sustaining capital structures and carry adequate liquidity buffers:

- Overall capital adequacy ratio (CAR) stood at 17.07% with CET 1 ratio of 14.67%
- Self-sustaining capital structure with net accretion^ to CET-1 of 93 bps in FY25 and 6 bps in Q4FY25
- Overall capital adequacy remained healthy. Additional cushion of ~37 bps over the reported CAR, attributable to other provisions of Rs. 5,012 crores.
- Our excess SLR is Rs. 1,14,609 crores.

We continue to maintain a strong position in Payments and Digital Banking:

- We continue to be amongst the largest players in merchant acquiring business with a terminal market share of ~19%.
- Bank maintains a strong position in the UPI Payer PSP space with the market share of ~32% by UPI volumes.
- *open* by Axis Bank remains amongst the world's top rated mobile banking application on the Google Play Store and iOS App Store with a rating of 4.7 and 4.8 respectively. We have ~15 million monthly active users on the app.
- *open* by Axis Bank and Axis Pay have ~15 million non-Axis Bank users, ~30.1 million customers on WhatsApp banking.
- Credit card CIF market share at ~14%.

Our asset quality remains stable:

- Gross NPA at 1.28%, declined 15 bps YOY and 18 bps QOQ.
- Our Net NPA at 0.33%, declined 2 bps QOQ.
- Our PCR is healthy at 75%.
- On an aggregated basis, our coverage ratio is at 157%, improved ~600 bps QOQ.
- Our Q4FY25 Gross slippage ratio is 1.90%. Our net slippage ratio is 0.81% and our net credit cost is 50 bps.

Our key domestic subsidiaries delivered a strong performance:

FY25 profit at Rs. 1,768 crores, up 11% YOY with the return on investment on domestic subsidiaries at ~46%.

- **Axis Finance:**
  - FY25 PAT grew 11% YOY to Rs. 676 crores.
  - Asset quality metrics were stable with an ROE of 14.51% for Q4FY25.
- **Axis AMC:**
  - FY25 PAT grew 21% YOY to Rs. 501 crores.
- **Axis Securities:**
  - FY25 PAT grew 39% YOY to Rs. 419 crores.
- **Axis Capital:**
  - FY25 PAT grew 7% YOY to Rs. 161 crores and we executed 44 ECM deals in FY25.

Thank you for your patience. We would be happy to take the questions.

Moderator: Thank you very much, Sir. We will now begin with the question-and-answer session. The first question is from the line of Piyush Shukla from Hindu Business Line. Please go ahead.

Piyush Shukla: Yes. Good evening, Sir. Couple of queries. One is that your loan growth is at around 8%, retail loans have also not grown much. So why are we seeing this slower pace of growth in loans? I wanted to understand your NIM as well. Sequentially it is up a few bps. What contributed, was there some sort of IT refund that happened? Also on the write-offs, if you can give some color, because in last one year it was the highest in this quarter. So, what were the segments you wrote-off? Thank you.

Puneet Sharma: Thank you for your question. Let me start with your last question first on write-offs. Our write-offs are all rule based. We exercise no discretion on write-offs. The program that we follow is after an account is 100% provided with the lapsation of time, the account gets written-off on our books. So, there is no discretion. This would have been regular flow through of NPAs being written-off after they have been fully provided. Broadly, given the environment, the write-offs for the current quarter would have been on the retail unsecured side. As for your question on margin improvement, I would request you to look at Slide 14 of our investor presentation. We have broken the margin improvement into interest reversal as well as spread. Interest reversal is a reflection of improvement on sequential quarter asset quality. So, we have had lower slippages in the quarter consequently, lower interest reversal, therefore margin improvement and there is roughly 2 bps spread improvement. In that 2-bps spread improvement, there is a component of interest on income tax refund, but we had a similar interest on income taxrefund in Q1 also of the current fiscal. On growth, on retail assets, I will request Arjun to kindly answer that question.

Arjun Chowdhry: Yes, thanks, Puneet. So, a couple of things about the retail assets growth. We have been calibrating our growth along the different segments which go into making up the retail assets book. We talked about it in earlier quarters as well and that continues. And as we see early signs of improvement in that, we will be opening up the acquisitions in those segments as well. Specifically, we have taken certain actions to tighten the kind of and calibrate the originations on our unsecured book, and we are seeing the early results, in fact, early positive results of that. So, as we continue to see the improvements, we will build that back up. On our secured book, we will also be building that backup because that continues to hold well.

Piyush Shukla: Thank you.

Moderator: Thank you. The next question is from the line of Vishwanath Nair from NDTV Profit. Please go ahead.

Vishwanath Nair: Hi, a couple of questions. The first one is around the quarterly average balance-based deposits. So, if you were to compare that with your outstanding loans, just looking at that number, the CD ratio is a little tight. I am just curious to understand if there is any worry at all on that front. The second part, now, when you are talking about the loan mix, in terms of which interest rate regime they are linked to. 57% according to the presentation is linked to the EBL, which means that gets repriced much faster than your broader deposit base. So, I am curious to understand, is that why your cost of funds has not actually come down, in fact has gone up a little bit? And is there an expectation that maybe Q2 might be slightly better? Also, one last point on the corporate book, is there any concern at all with regard to the current tariff regime that is going on globally? Any worries about your corporate exposures?

Puneet Sharma: Thank you for your question. So, I think the first part of your question was the CD ratio on a quarterly average balance basis. Yes, we have always maintained that we manage our balance sheet on a quarterly average balance basis because that is what is sustainable and that is what drives the income profile of the franchise. On a reported basis, the CD ratio has moderated from last quarter to the current quarter. Our CD ratio has dropped to 88%. As for your qualitative question, and are we comfortable operating the balance sheet at these levels? Yes, we are comfortable operating the balance sheet at these levels because we do look at other aspects, not just the CD ratio and balance sheet management. We look at our LCR and other liquidity variables, which we are comfortable with, that is reflected in the excess SLR and the consistent LCR performance we have. Regarding your second question on loan mix and transmission, we have a policy to transmit rate changes at the end of the quarter- of the quarter in which the rate change has been announced. This policy exists for both upsides and downsides, so consequently the disclosure that we have made on the loan profile will get repriced as per this policy. I think your last question was on tariffs. I will request Rajiv to please take that question.

Rajiv Anand: So we have actually done...

Vishwanath Nair: Rajiv, I am sorry. Before you start, there was a point about deposit cost also, sorry.

Puneet Sharma: Yes. Sorry. Thanks for the question. I think on deposit cost, the assertion that deposits will reprice down later in the cycle, yes, we would agree with you that deposits will reprice with a lag from assets, but we have consistently maintained that please think about a Bank balance sheet of our size on duration basis. We have commented on the fact that the duration of assets and liabilities for us is near matched and therefore we will be able to compensate for any asset pressures on pricing over the period of duration. We do not believe in monitoring our NIM performance on a quarter-by-quarter basis because there will be pushes and pulls on a quarter-by-quarter. If you look at full fiscal, we have demonstrated this to you in FY23 and FY24, one was the rising asset price cycle, the second was the rising liability price cycle. In both, we delivered NIMs of 4.03 and 4.07 respectively. So, I think we do have a tight duration match, and we will play through this rate cycle basis the duration management of the balance sheet.

Vishwanath Nair: Thanks. Thanks for that. Sorry, Rajiv.

Rajiv Anand: On tariffs, we have done a fairly elaborate exercise bottom up looking at our portfolio. At this point in time, we don't see any material issues with the portfolio. But remember, there are so many moving parts, both positive as well as negative. We will continue to be watchful as this space evolves.

Vishwanath Nair: Thank you.

Moderator: Thank you. The next question is from the line of Gopika G from Mint. Please go ahead.

Gopika G.: Hi, good evening Sir. Sir, my question is on retail loan. Of course, the growth in home loans, auto loans, credit cards have been quite low. Firstly, what is the reason and how do you see this panning out? And secondly, on credit cost, it has fallen this quarter, so where do you see that settling, going forward?

Arjun Chowdhry: Hi, thanks for the question. I will break it down into the three different components because the reasons tend to differ between the components of the loans which you mentioned. So, we have seen a combination of factors. As I mentioned earlier, in certain segments where we saw signs of credit stress, credit hungriness, we did take actions. Those affected the disbursals. With the right actions we have taken, they are showing us the right results. On credit cards, there are two factors. There is also this first factor about the initial stresses that we were seeing. In addition, as you have seen, in the market data which gets released, the spending levels on credit cards in terms of the YOY growth have actually come down a little bit and that is also reflective of the slightly lower consumption that we have been seeing. So, what we are seeing in recent months is indicating some sort of a pickup, but that is also seasonal. So that is the second factor. And the third factor which has affected certain segments- this is the slow and sluggish demand we saw in some of the underlying asset products. The actual assets which the customers purchase, be at homes or be it cars. I am sure you have seen the data around the car sales numbers, particularly passenger car sales. It is a combination of factors across multiple, there is a bit of the macro, and there is also a little bit of what actions the Bank took. So, I think if we look at where we see it is panning out now- the actions that we took in terms of the credit tightening are actually showing us good results on the unsecured portfolio. On the secured portfolio, we continue to see that holding up very well. So, as we see liquidity coming back, we are well placed to start picking that segment up as well. So we are quite positive about the growth outlook as we go into the next couple of quarters. On the credit cost, I will request Amit to share his thoughts.

Amit Talgeri: Thanks, Arjun. So, on the credit cost, we are looking at, we have seen normalization through the cycle. We have seen through the troughs we have seen in 23 and 24. We do not expect to breach our 15-year averages on a through-cycle basis despite the higher provision. The only place where we probably look at some amount of stabilization and normalization to happen is unsecured retail which again like Arjun mentioned, we have taken proactive risk action. The early risk signs seem to indicate that most of the portfolios there are stabilizing, but we will probably see out a couple of quarters for us to kind of look at that through the through-cycle basis.

Gopika G.: And a broad question on profitability this quarter. So, have you seen a YOY fall that is largely on account of slow growth in the retail portfolio?

Puneet Sharma: Gopika, thanks for the question. I mean I wouldn't call Rs. 14 crores difference on a YOY basis- a fall. It is probably flat- the best description I would have for YOY profit. The other element I would like to draw to your attention is the differential on YOY- we had very large trading gains same quarter last year. And if you look at the core operating profit, there has been an improvement in core operating profit for both YOY and QOQ. Trading games are episodic, very difficult to time in which quarter they flow through the P&L. So that is the gap that you are seeing. But my request would be to look at the core operating profit that has shown growth in both YOY and YOY, please.

Gopika G.: Thank you. Thank you so much.

Moderator: Thank you. The next question is from the line of Manojit Saha from Business Standard. Please go ahead.

Manojit Saha: Good evening. So, if you see fresh slippages are up almost Rs. 1,300 crores to Rs. 1,400 crores YOY basis in this quarter as compared to the previous quarter Rs. 3,471 to Rs. 4805 crores. Loan loss provisions also gone up by almost Rs. 500 crores and upgradation and recoveries are down. So, what is the reason for these higher slippages, and which are the sectors? Also, for loan loss provisions which are the sectors again? And in conjunction with that, the trading profit, trading gains have fallen sharply from more than Rs. 1,100 crores to around Rs. 100 crores. What is the reason for this sharp loss, the downward trend in trading profit?

Puneet Sharma: Thank you for the question. Let me answer the trading profit question first and then take the slippages question. As I previously responded to Gopika, I would request you to look at the trading income on a full year basis and not on a QOQ basis. On a full-year basis, our trading income actually has improved on a YOY basis, which is how we manage the balance sheet. The timing of trading gains is very difficult to predict. They are dependent on many market variables including the timing of monetization of gains at our end. So, my request is to see the full year picture on a full year basis.

Manojit Saha: I wanted to know if the falling income is due to bonds or equities?

Puneet Sharma: Sir, we don't give you color on what component of our investment book has contributed to gains or losses. I think the way I would like to address this question is- on a full 12-month basis, 12 months FY23, we had Rs. 17,130 crores of trading gains; 12 months FY25 we have had Rs. 2,060 crores of trading gains. So, we have net-grown trading gains on a YOY basis by 19%. That will come from all parts of our business- debt, equity & derivatives. For the quarter, we agree with your observation, which I flagged off earlier. Q4 last year, Rs. 1,000 of the Rs. 1,700 crores of full year gains were booked in Q4. In this year, only Rs. 173 crores of the Rs. 2,060 crores of gains were booked in this quarter. Therefore, the better way to look at trading gains is full year and in a full year, we have shown an improvement on that line. That was your first question. My apologies, I may have missed. You had two questions for us. What was the other one?

Manojit Saha: What are the reasons for the higher slippages and loan-loss provision in Q4 as compared to Q4 last year? Also, what are the sectors contributing to this?

Puneet Sharma: Yes. So effectively I think on slippages, the way we look at it is that the credit cycle is undergoing normalization. FY23 and FY24 were coming off troughs on slippages. We have previously called out that the market and us have seen some stress on the unsecured book that is playing through the fresh slippages line. There isn't any new comment or color that I would like to offer. It is just the normalization of the credit cycle from troughs, plus some correction on the unsecured retail book.

Manojit Saha: I have asked you because these are the two reasons why the profit growth is flat in Q4. That is why I thought I would ask about Q4. The other issue I wanted to ask about is that credit card in force CIF. Earlier, it was more than a million every quarter the run-rate. The run-rate has fallen very sharply. It is at about 70-75- that kind of run rate. What is the reason despite the good execution, the run rate is falling this year, none of the quarter has more than 1 million addition?

Arjun Chowdhry: Manojit, that is correct. Hi, this is Arjun. And we had called this out over the last few quarters as well that we have calibrated the acquisitions. There were certain segments where we saw signs of stress and as I mentioned, we took early actions on those segments. Some of those actions included cutting down on the acquisitions in those segments where we saw those signs of stress. As we see and we had called this out, this specific number itself, we had called out a couple of quarters back and we have been consistent with that. As we see improvement and stabilization, which we are seeing in the credit card portfolio, we will be bringing back the acquisition, but we will be doing so cautiously and in a calibrated manner. So, I can't give you a number about the million which you referred to, but obviously we are now looking at faster growth than we had because we believe we are seeing the stabilization which will allow us to deliver on that growth. So, it is consistent with our strategy in terms of unsecured retail and being cautious about that. As we see the signs improving, which we are, we will pick the numbers back up again.

Manojit Saha: Thank you. The last one is LCR, what was the LCR as of March 31st and what is the impact of the RBI circular?

Puneet Sharma: So our reported LCR is on Slide 19 of our investor presentation. We don't report LCR for a day. The LCR for Q4 on a consolidated basis is 118%. The second part of your question was around the RBI circular. The RBI circular is effective from 1st April of next year. On a static balance sheet basis, we do believe that the circular is neutral in our context, but the balance sheet is dynamic and keeps evolving. So, it would be more prudent for us to comment on this closer to the implementation date than today.

Manojit Saha: Neutral as of now! Okay, thank you.

Moderator: Thank you. The next question is from the line of Hamsini Karthik from Moneycontrol. Please go ahead.

Hamsini Karthik: Hi, I would like to ask my question drawing reference to the point made by Mr. Chaudhry in his opening remarks where he talked about normalization of the stress in the retail credit cycle. What is on ground, Mr. Chaudhry, giving you the confidence to call out this trend? You were also the first to say that there is stress building in the retail space back in 2022. So, what is giving you the courage today? And consequent to that, we have also seen Axis Bank's growth rates, whether it is on deposits or on loans on an FY25 basis, slightly underperformed thaN of the market, especially if I were to compare you against the top 5 banks. So, with this sort of confidence that you are getting on retail, do you expect Axis to grow at par with the market in FY26 or a little better than the market?

Amitabh Chaudhry: Thanks for the question. You have asked quite a few things, so let me just try to cover them as quickly as I can. At a segmental level, corporate, SME and retail secured books are holding up well- that has held up well through the last couple of years, so nothing new there. We see early indicators showing positive trends across product specs. These need time to mature. We would like to monitor these till at least the end of first half of FY26 and if they hold for us to call our normalization stabilization for this portfolio. So, as you said, we are stabilizing and I will have some specific comments on some specific asset classes, but stabilizing, not fully stabilized yet. The credit cost cycle is witnessing normalization through through-cycle troughs seen in FY23 and FY24. Despite this normalization process, we do not expect to breach our 15-year averages, which is the comment made by Amit earlier on a through cycle basis, despite higher provisions cover of 15%-20%. If you want to know the outlook on unsecured retail slippages, overall, we see stabilization in our CAR's portfolio. Personal loans will take a few more quarters to show improvement. We have obviously made more stringent classifications of grade criteria for certain types of loans. This we believe will negatively impact both credit costs and upgrade recoveries in FY26 when compared to FY25. This change coupled with seasonality by slippages in 1st quarter will keep slippages higher in the 1st quarter and then we will see from there on. And I hope I have answered all your questions.

Hamsini Karthik: And Sir, just the part on growth rate – what kind of growth protection would you want to give for 25-26?

Amitabh Chaudhry: Sorry to interrupt you. I said in my opening remarks that we do believe that we are reaching the stage, especially in the cycle. I will just repeat what we have said. As we enter FY26, we believe the operating environment is improving, which should help us drive both growth and profitability. So, we are hopeful about FY26. We also talked about the fact that the external environment does remain volatile to many variables, to many things changing on a day-to-day basis, but the confidence in terms of growth and profitability is better than what it was at the end of the 3rd quarter. Obviously, we will keep watching this space very closely and let us see how it goes.

Hamsini Karthik: But you don't want to put a number to growth right now?

Amitabh Chaudhry: No, we don't give any guidance on growth, either on deposits or on the advanced side, but I think I have given you, through our comments, enough insights. Thank you.

Hamsini Karthik: Just one follow up question I have. In terms of asset quality, in terms of the quality of earnings, etc., the Bank is much well placed compared to where it was on a pre-AQR basis. Would that give you a little bit more confidence to underwrite some of the high yield and if I can add high risk portfolios, particularly on the retail because next fiscal is going to be a little challenging on the NIMs front as well. So, you may want to compensate it with high yielding products, is that the strategy that the Bank would think about?

Amitabh Chaudhry: We have worked very hard to ensure that we operate within a certain zone of risk guardrails and the kind of risks we are willing to undertake. We have absolutely no intention to change that whatsoever. We believe where we are in terms of our market share, our presence in the market, we have enough opportunities to grow without sacrificing anything on the risk guardrail side, whatsoever or the kind of risk which we are willing to take. So please, we do not intend to change that course which we have taken over the last 4 or 5 years steadfastly. We believe enough opportunities exist and we will go and try to capitalize on those opportunities as we move forward.

Hamsini Karthik: Thank you so much.

Moderator: Thank you. The next question is from the line of Subhana Shaikh from NDTV Profit. Please go ahead.

Subhana Shaikh: Hi, Sir. Your NIMs have improved on a quarterly basis. I know that you have already given the reason for that, but your CASA has improved, but you are also cutting rates on your SA and given that the LCR guidelines are also softer, which will get implemented from next year, I wanted an outlook on margins if you could provide us?

Amitabh Chaudhry: We don't give any outlook on margins. I think what we are trying to say is that it is a pretty dynamic environment. We have already seen two rate cuts. The market is talking about somewhere between 2-3 rate cuts going forward in the future. We need to ensure that we continue to work towards maintaining our margins. The cost of deposits has started trending down, not, there is still some distance to go and as part of that measure, we do believe that with all the rate cuts that the time was right to reduce the return on savings and that like other banks, we have also done the same. I think the market rates will remain dynamic for some time before it kind of settles. It was something similar which happened when the rate started going up or the interest rate started going up. I think you will see something similar when the rates are going down. So, it is pretty much a part of the normal play out of this activity over the next couple of quarters. Thank you.

Subhana Shaikh: But are you seeing any near-term pressure on margins like other banks have called out?

Puneet Sharma: Subhana, thanks for the question. I think what we have consistently maintained is- we do not believe our franchise of our size should look at margins on a sequential quarter basis. The duration of our assets and liabilities are tightly matched. Effectively, therefore, we should have the ability to manage NIMs over the duration of our balance sheet. Yes, if you are asking me a pointed question on will the industry see NIM compression in the quarter in which rates are cut? Yes, that is going to be an industry phenomenon and all participants in the industry will work towards managing it basis the color and construct of their assets and balance sheet. I think that is where we would like to leave that response at, please.

Subhana Shaikh: Thank you.

Moderator: Thank you. Ladies and gentlemen, due to paucity of time, kindly limit your questions to one per participant. Thank you. We will take the next question from the line of Ritu Singh from CNBC. Please go ahead.

Ritu Singh: Hi, Mr. Chaudhry, again going back to some of your opening remarks where you said the Bank right now prioritizes profitability over growth given the uncertain environment. Apart from unsecured, which of course you have been calling out and you say you will pick it up as and when the environment improves, are there sectors or are there segments you are particularly focusing on for profitability? Where do you expect some lag in growth and also MFI, why you say it is not a large book when you say you have taken a more cautious start? Will we see degrowth in the book or what should we expect going ahead?

Puneet Sharma: Ritu, thank you for your question. In terms of MFI, effectively I think the comment Amitabh was looking to make is we saw stress in the MFI market space. We took credit actions in order to curtail the MFI book disbursements. Consequently, there is an impact on MFI book growth. As we get the confidence that the MFI cycle is playing through, we are interested in that space from a lending perspective, but we will dial up growth only once we are comfortable that the credit environment is suitable for us to lend to that segment. We continue to watch that space. It is PSL accretive for us. So that space will be a space that the Bank will be present in. The second part of your question, or rather the first part of your question, was, what are the segments that we would look to grow as and when opportunities come our way? We have called out consistently that as part of our GPS strategy, there are five segments that we are looking to grow in which are Mid-corporate, SME, Bharat, Retail Assets and the Small Business Banking spaces. In our internal world, we call them our focus segments. They will continue to remain our focus segments as we look to grow in the next fiscal.

Ritu Singh: And a quick word on, these are just rumors that have been around about, 100 or more senior employees at the Bank being laid off recently, if there was any truth to that?

Amitabh Chaudhry: Ritu, as part of normal process in any institution- we, at the end of a Financial Year, we go through a pretty detailed appraisal cycle. As part of that appraisal cycle, there are a large number of people which are rewarded. In terms of certain ratings, all the people get promoted. There are some sets of people whose performance is below par and there are some tough conversations which happen. So, I would not like to comment on what you are referring to, but this is pretty much a powerful course for any institution. Now, obviously, in the banking industry, there are some parts of business which are going through some challenges. There are some parts of the business which are doing quite well. So, on one side, the Bank is investing heavily in certain areas. In some areas, obviously, given the performance, given how some people might have fared, you might see some individuals existing, but that happens every year, so nothing unusual.

Ritu Singh: Is there a number you could put to it? The number of layoffs that are due to performance related issue?

Amitabh Chaudhry: No, we don't put out this number. These are all based on normalized curves. So, absolutely no. We don't give any guidance or a number of that nature, whatsoever.

Ritu Singh: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Anshika Kayastha from Mint. Please go ahead.

Anshika Kayastha: Hi, good evening. Sir, you mentioned that the incremental loan quality on the retail side is getting better, but given that the slippages on the write-offs are elevated during this quarter, could you elaborate on the SMA, the trends in the SMA book and where it stands right now? Especially given that last year in Q1, you flagged some asset quality issues in the agri book and the collection being hit, would that continue to weigh on asset quality in Q1, then how are you seeing the trend going forward?

Puneet Sharma: Anshika, thank you for the question. We do not share SMA data publicly, so that is the information that we will not be able to provide to you as a response to your question. If the write-offs are concerned, our write-offs are all rule-based. So, if an exposure is 100% provided for on the retail and SME book, it gets written-off X months after the account is fully provided. So, the numbers within quarters are not judgmental, they are purely program based and therefore a certain set of accounts would have been fully provided and therefore would have been written-off in this quarter. The third part of your question was around how do we see the credit cycle? I think we made three comments there earlier in this conversation, which I would reiterate. First is at a segmental level corporate SME and retail secured book is holding up well. The early indicators are showing positive trends on the unsecured portfolio on certain products. We would like to see these new underwritten vintages mature and then provide a data backed outlook on asset quality. Overall, I think the last part of your question was how do we see sequential performance? My request to you is to note that Q1 and Q3 for the industry does have Agri slippages and there is a seasonal impact of slippages. So, if you look at our past behavior, Q1 slippages have normally been higher than Q4 slippages due to seasonality. And I don't think that trend is going to break.

Anshika Kayastha: Sir, because you mentioned that the write-offs are of course rule-based, but just to understand the pipeline of loans that could be maturing in the next quarter. I am trying to understand that- maybe the trends in the SMA book if not the absolute figure?

Puneet Sharma: Again, we do not give you the information, but I can guide you to a proxy. If you look at Slide 48 of our investor presentation. We report the closing balance of gross NPA at Rs. 14,490 crores. We run with the provisional cover of about 75%. Broadly, if you break that book up, some part of that book will be 100% provided and some part of that book would not be 100% provided. If you did this analysis over time, you would get a good proxy of what could potentially be write-offs coming through in Q1 of next year. So, we put out enough information for you to make an educated guess, but I can assure you that the write-offs are program-based and they aren't episodic, or choices made in that portfolio.

Anshika Kayastha: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Advait Rao from Bloomberg News. Please go ahead.

Advait Rao: In the financial statement, it shows that you have sold about Rs. 16,000 crores or assigned Rs. 16,000 crores worth of corporate loans. So, I just want to understand if it is a large amount for the assignment and if this is at par with the course? Do you expect to do a sizable amount in the following year? Just wanted some understanding of the rationale behind that.

Puneet Sharma: Thank you for the question. I think you are referring to Note 8B of our result's AFR presentation. I think it is important to read that note in context. Our syndication business, which may book an asset and then sell it down as part of the syndication strategy, gets recorded in that segment. A dominant 16,000 is on a full year basis and not for the quarter and a dominant part of the Rs. 16,072.15 crores would be a result of our syndication business. So that is syndicated related sell downs, and nothing to do with asset quality or business-related sell-down.

Advait Rao: Just in terms of, I am just putting two and two together. Mr. Chaudhry said that there was some slowdown in customer demand across some assets like cars, home loans. Maybe that is rebounding. Maybe that will rebound with the budget and the repo cut going forward, but at the same time, on the corporate end tariffs, the outcome of geopolitics, maybe corporate demand for loans is not going to be there. This is in terms of your SME book because that is the fastest growing segment at least this year. Is there a mix that you are looking at to end up because it is a small part of the overall loan mix. Retail dominates then corporate, but SME not so much. Which is the mixture targeting? Is there hunger among SMEs for credit?

Rajiv Anand: On tariffs, at the beginning of the conversation, I did speak about the fact that we actually did a fairly elaborate bottom up as far as the impact on the corporate portfolio is concerned. At this point in time, we don't see too much of a problem. But having said that there are both lead lags and pulls on both sides which are currently playing out. This is a space that is evolving, and we will continue to watch the space itself and its impact on our portfolios. I don't think tariffs are impacting demand for money at this point in time. Corporates continue to be cautious as far as private CAPEX is concerned, but more importantly, there is ample cash on corporate balance sheets at this point in time. So therefore, do expect that corporate demand going forward will be relatively muted.

Advait Rao: So on the SME part, just in terms of, how much do you want to grow that business? Is it 7%, if I am not mistaken? Or just the smallest part of your loan mix, how much do you want to grow that? Is there high demand from SMEs for that?

Puneet Sharma: So our book composition is 60% retail, 11% SME, 29% corporate. SME is a focus segment for us, and we have previously stated that we would like to grow our focus segments. What gives us confidence to grow in the SME space? I would request your attention to Slide 40 of our investor presentation. The book is granular, so less than Rs. 5 crores are 40% of the book. The book is diversified by geography. We have no concentration. The book is diversified by industry, again, no concentration. What is even more interesting for us in this space is 70% of our book is short term. Therefore, it pays for itself reasonably quickly and 87% of our incremental sanctions are in the SME 3 and above rating. And on a full book basis, 71% of the full book is SME 3 and above. So, the book is well rated, well diversified by value, by geography, by industry and typically short term in nature. That is the quality of the SME book that we have built over time. That has also reflected in the fact that we do call out that SME slippages are near negligible on a net slippage basis for the last

5-6 quarters and consequently that is giving us confidence to grow this business as we move forward.

Moderator: Thank you, Sir. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Puneet Sharma for closing comments. Thank you and over to you, Sir.

Puneet Sharma: Thank you, Michelle. Thank you, everyone, for taking the time to speak with us this evening. If there are any questions that remain unanswered, please do reach out to our Corporate Communications team of Piyali. We would be very happy to pick them up. Thank you and have a good evening.

Moderator: Thank you members of the management. On behalf of Axis Bank, thank you for joining us and you may now disconnect your lines. Thank you.