AXIS/CO/CS/15/2023-24

April 4, 2023

Listing & Compliance Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, "G" Block
Bandra-Kurla Complex
Bandra (E), Mumbai – 400 051

Listing Department
BSE Limited
1st Floor,
P. J. Towers,
Dalal Street
Fort, Mumbai – 400 001

NSE Symbol: AXISBANK

BSE Scrip Code : 532215

Dear Sir(s),

SUB.: RATING ACTION BY CARE RATINGS LIMITED.

REF.: REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.

This is to inform you that credit rating agency Care Ratings Limited has reaffirmed ratings assigned to various debt instruments of Axis Bank Limited ("the Bank") as "CARE AAA; Stable" and has also withdrawn the rating assigned to lower tier II bonds of the Bank as these are fully redeemed.

A copy of rationale letter issued by Care Ratings Limited dated April 4, 2023 is enclosed herewith.

This is for your information and records.

Thanking you.

With warm regards,

For Axis Bank Limited

SANDEEP PODDAR

Digitally signed by SANDEEP PODDAR
Date: 2023.04.04 22:50:58 +05'30'

Sandeep Poddar
Company Secretary

Encl.: As above

AXIS BANK
Legal & CS: Axis House, Wadia International Centre, Pandurang Budhkar marg, Worli, Mumbai 400 025
Registered Address: "Trishul" - 3rd Floor, Opp. Samartheswar Temple, Near Law Garden, Ellisbridge, Ahmedabad - 380006. Telephone No.: 079-26409322 Fax No.: 079-26409322
CIN : L65110GJ1993PLC020769 Website: www.axisbank.com

Axis Bank Limited

April 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Infrastructure Bonds	5,000.00	CARE AAA; Stable	Reaffirmed
Infrastructure Bonds	3,500.00	CARE AAA; Stable	Reaffirmed
Tier II Bonds	3,350.00	CARE AAA; Stable	Reaffirmed
Lower Tier II	-	-	Withdrawn*

Details of instruments/facilities in Annexure-1 Ratings withdrawn as the bank has redeemed the bonds and does not intend to issue bonds under the unutilised limit.

Tier II Bonds under Basel III are characterised by a 'Point of Non-Viability' (PONV) trigger due to which the investor may suffer a loss of principal. PONV will be determined by the Reserve Bank of India (RBI) and is a point at which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to various debt instruments of Axis Bank Limited (ABL) factors in the bank's long track record of operations with strong market position as one of the largest private sector banks in the country, strong established franchise and branch network, strong capitalisation levels supported by sizeable amount of equity capital raised during the last two years demonstrating the ability of the bank to raise capital as well as improvement in internal accruals, experienced management team and diversified resource profile led by healthy Current Account Savings Account (CASA) deposit mix and comfortable liquidity profile.

The ratings further factor in the bank's shift of focus towards retail lending over the last three years adding to more granularity to the advances book coupled with improvement in the bank's asset quality parameters as reflected by decrease in its gross non-performing assets (GNPAs) over the last three years supported by lower amount of slippages.

On March 01, 2023, ABL announced, that it has completed acquisition of the Citibank's India Consumer Business from Citibank N.A. (acting through its branch in India) and the NBFC Consumer Business from Citicorp Finance (India) Limited (CFIL), as going concerns, without values being assigned to individual assets and liabilities to either business. The cash purchase consideration (subject to timing differences, customary & contractual adjustments) for Citi India Consumer of was ₹11,603 crore based on the closing position of assets and liabilities and is subject to true-up or true-down for February 2023 as against the initial estimate of ₹12,325 crore in April 2022.

The acquisition will add deposits of around ₹40,000 crore and will help increase the depositor base and market share in retail banking segment and wealth which will help grow its affluent customer base and allow cross sell and up sell opportunities as well as operating cost synergies. The bank has guided on the integration cost of around ₹1,500 crore to be spread across two financial years.

As the acquisition is through the balance sheet, the impact of the acquisition on the Common Equity Tier (CET) I capital is estimated to be up to 177 basis points (bps). However, Limited (CARE Ratings) expects the bank to have comfortable cushion of over 4.00% over the minimum regulatory requirement.

CARE Ratings has withdrawn the rating assigned to the ₹ 7,800 crore BASEL II - Lower Tier II bonds as these are fully redeemed and no amount is outstanding against the rated instrument.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could lead to positive rating action/upgrade: Not applicable

Negative factors: Factors that could lead to negative rating action/downgrade

- Deterioration in asset quality parameters – in the event of net NPA (NNPA) ratio increasing to more than 5.50%
- Decline in the profit for a sustained basis, leading to deterioration in capitalisation cushion levels of less than 3.5% over and above the minimum regulatory requirements.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that ABL shall continue to maintain its steady growth in advances, deposits and healthy profitability profile over the medium term while maintaining stable asset quality and comfortable capitalisation levels.

Key strengths

Strong market position established franchise with branch network and strong track record with shift towards retail lending

ABL is third-largest bank in the private sector banking space with total assets size of ₹ 12,23,509 crore (not adjusted for deferred tax assets and intangible assets) as on December 31, 2022, as against ₹ 11,75,178 crore as on March 31, 2022. The bank has established a robust franchise having pan-India presence through a network of 4,849 domestic branches and extension counters and 15,674 ATMs and cash recyclers spread across the country as on December 31, 2022. Furthermore, the Bank has strategic international presence with branches in Singapore, Dubai (at the DIFC) and Gift City-IBU; representative offices at Dhaka, Dubai, Abu Dhabi, Sharjah and an overseas subsidiary in London, UK. As on December 31, 2022, the Bank has nine unlisted subsidiary companies, two step-down subsidiaries and one associate company.

The bank's advances stood at ₹7,62,075 crore as on December 31, 2022, while its deposits stood at ₹8,48,173 crore. Over the last few years, the bank has shifted its focus towards retail lending in order to increase the granularity in the advances portfolio and maintain better asset quality. The proportion of retail lending (around 79% of the book being secured) has increased over the last few years and constituted 56.33% as on December 31, 2022, as compared with 55.18% as on December 31, 2021. Under the retail segment, the bank has various segments including small business banking, personal loans rural loans and credit cards during 9MFY23. As on December 31, 2022, housing loans constituted the major segment constituting 34% of total retail book, followed by rural lending (14%), vehicle loans (11%), and personal loans (12%). The acquisition of Citibank's business will further add to the bank's franchise increasing its market share in segments like credit cards and wealth management.

Strong capitalisation levels and demonstrated resource raising ability

The bank has maintained healthy capitalisation levels and demonstrated strong capital ability to raise capital to fund growth and maintain cushion over minimum regulatory requirement as well as strong ability to raise resource by way of deposits and bonds. The bank raised equity capital of ₹10,000 crore (₹9,963 crore net of share issue expenses) during FY21 by way of Qualified Institutional Placement (QIP) of equity shares which strengthened the core capitalisation of the bank. During FY22, the bank did not raise equity capital but raised Additional Tier I (AT I) Bonds amounting to USD 600 million (approximately ₹4,548 crore) which helped overall capitalisation of the bank. The bank's tangible net worth (TNW) increased to ₹ 1,07,812 crore as on March 31, 2022 and it reported capital adequacy ratio (CAR) of 18.54% and Tier I CAR of 16.34% (CET I Ratio of 15.24%) as on March 31, 2022.

As on December 31, 2022 the CAR stood at 19.51% (including 9MFY23 profit) and CET I Ratio stood at 15.55% as on December 31, 2022. The bank has guided that the impact of the acquisition on CET I Ratio would be 177 bps of which 137 bps would be attributable to purchase consideration and 40 bps towards meeting incremental risk weighted assets requirement.

CARE Ratings expects the bank's capitalisation levels to remain comfortably over and above the minimum regulatory requirement after absorbing the impact of acquisition cost.

Experienced management team

ABL has an experienced senior management team and Board of Directors headed by Rakesh Makhija, who was appointed as non-Executive (part time) Chairman with effect from July 18, 2019, for a period of three years and was re-appointed as the Non-Executive (Part-time) Chairman of the bank up to October, 2023. He has wide experience across sectors and was the former Managing Director (MD) of SKF India.

The operations of the bank are headed by Amitabh Chaudhary who was appointed as the Managing Director and Chief Executive Officer (MD & CEO) with effect from January 01, 2019, for a period of three years, Furthermore, in April 2021, the tenure of Amitabh Chaudhary was extended for the next three years effective from January 01, 2022. Prior to that he was a Managing Director (MD) and Chief Executive Officer (CEO) at HDFC Life Insurance Company Limited.

The bank has senior management team comprising experienced professionals looking after respective business segments.

Strong liability franchise and diversified resource profile with comfortable liquidity profile

ABL's total deposits grew by 10% y-o-y and stood at ₹ 8,48,173 crore as on December 31, 2022. The bank has a sizeable CASA deposit base, which constituted around 44.53% (As on March 31, 2022.: 45.00%) of the total deposits as on December 31, 2022. The bank witnessed its savings account deposits grow by around 10% y-o-y while the current account deposits increased by around 8% y-o-y. The bank's term deposits increased by 10% y-o-y. The bank's proportion of CASA + retail term deposits constituted around 79% of the total deposits as on December 31, 2022 (P.Y. 82%).

Key weaknesses

Moderate asset quality with improvement over the recent years

During FY22, ratio of GNPA to gross advances decreased to 2.82%, at the end of March 2022 as against 3.70% as at end of March 2021. During FY22, net slippage has decreased from ₹8,987 crore in FY21 to ₹5,760 crore in FY22. Provision coverage of the bank has improved and stood at 93% (88% as on March 31, 2021) including technical write-off and 81% (72% as on March 31, 2021) excluding technical write-off as on December 31, 2022. Its accumulated prudential written-off pool stood at ₹36,256 crore as on March 31, 2022 (31,856 crore as on March 31, 2021). The standard restructured loans under resolution framework for COVID-19 related stress as on December 31, 2022, stood at ₹2,482 crore (0.30% of the gross customer assets). The bank carries a provision of around 22% on restructured loans, which is in excess of regulatory requirement of 10% as on December 2022. The bank's NNPA to net worth ratio has improved over the years and stood at 2.92% as on December 31, 2022 as compared with 7.43% as on March 31, 2021. The bank's fund-based 'BB and below' rated book constituted 0.53% of advances as on December 31, 2022 (March 31, 2022: 0.75%).

Improvement in financial performance

During FY22, the bank's advances grew by 15% YoY while deposits grew by 18% YoY on period end basis. Interest income as a percentage of average interest earning assets has decreased to 7.31% in FY22 as against 8.04% in FY21, on account of decrease in the repo rate which led to decrease in the funding cost of the industry and consequently decline in lending rates. The cost of deposits decreased to 3.51% FY22 from 3.97% in FY21 on account of its continuous focus on CASA as well as infusion of capital. The net interest margin (NIM; calculated based on year end assets) stood at 3.09% in FY22 as against 3.10% in FY21. Furthermore, the bank also witnessed an improvement in the return on total assets (ROTA) from 0.7% in FY21 to 1.21% in FY22. During FY22, provisions have decreased to ₹7,359 crore from ₹14,322 crore in FY21 on account of lower provision for NPAs owing to lower slippages and lower provision for other contingencies which offset by increase in provision for depreciation in value of investments.

For 9MFY23 (refers to the period from April 01 to December 31) bank reported total income of ₹72,800 crore as compared to ₹60,598 crore for 9MFY22 showing a growth of 20.14% (y-o-y). The credit costs were lower by 64.45% for 9MFY23 which helped the bank report a PAT of ₹15,308 crore as against ₹8,908 crore for 9MFY22. Growth in the profit after tax (PAT) is supported by increase in advances from ₹6,64,866 crore for 9MFY22 to ₹7,62,075 crore for 9MFY23 and lower provisioning by around 48% from ₹12,154 crore for 9MFY21 to ₹6,372 crore for 9MFY22 to ₹ 2347 crore for 9MFY23. CARE Ratings expects the bank's profitability to improve with incremental credit costs expected to be lower.

Liquidity: Strong

The bank's healthy deposit franchise with established CASA base and excess SLR maintained by ABL (₹60,568 crore as on December 31, 2022) provides comfort. In addition, the bank has been increasing the proportion of retail deposits gradually. The bank reported simple daily average liquidity coverage ratio (LCR) of over 116.44% for the quarter ended December 31, 2022 as compared to minimum regulatory requirement of 100%. The bank's Net Stable Funding Ratio (NSFR) stood at 136% as on December 31, 2022 against the minimum regulatory requirement of 100%. In addition, comfort is drawn with the bank having access to market liquidity by way of call money market and RBI's Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF).

Environment, Social and Governance (ESG) Profile:

During FY22, the bank constituted a standalone ESG Committee of the Board towards enabling a strategic vision and direction for ESG, enabling pan-Bank ESG integration and affording a 360-degree monitoring and review. The Bank has adopted its purpose statement, 'Banking that leads to a more inclusive and equitable economy, thriving community and a healthier planet', and shall endeavour to align its decision-making and activities to its purpose.

Highlights of the Bank's ESG initiatives:

- Committed to planting 2 million trees by FY27 across India towards contributing to creating a carbon sink
- Plan to provide incremental financing of ₹30,000 crore for positive-impact sectors by FY27
- Plan to make 5% of its Retail Two Wheeler loan portfolio as electric by FY24, offering 0.5% interest discount for new EV loans
- Ensuring 30% female representation in workforce by FY27
- Raised India's first sustainable AT1 issue of USD 600 million (approximately ₹4,548 crore) perpetual bonds in the overseas market through GIFT City IBUl

Applicable criteria

Bank
Financial Ratios - Financial Sector
Policy on default recognition
Policy on Withdrawal of Ratings
Rating Basel III - Hybrid Capital Instruments issued by Banks
Rating Outlook and Credit Watch
Short Term Instruments

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Banks	Private Sector Bank

ABL is a new private sector bank incorporated on December 03, 1993; promoted jointly by Unit Trust of India (now Administrator of Specified Undertaking of Unit Trust of India – SUUTI), Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) and other four PSU insurance companies. ABL has an experienced senior management team led by Mr Amitabh Chaudhry, Managing Director and Chief Executive Officer. ABL is third-largest bank in the private sector banking space with total assets size of ₹ 12,23,509 crore as on December 31, 2022. As on December 31, 2022, the Bank had a network of 4,849 domestic branches and extension counters and 15,674 ATMs and cash recyclers spread across the country. The bank's Axis Virtual Centre channel had six centres with over 1,500 Virtual Relationship Managers as on December 31, 2022.

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	9MFY 2023 (UA)
Total operating income	75,610	82,597	72,800
PAT	6,589	13,025	15,308
Total assets	9,79,278*	11,67,816*	12,23,509#
Net NPA (%)	1.05	0.73	0.47
ROTA (%)	0.70	1.21	1.71^

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'
^Annualised
* Adjusted for deferred tax assets and intangible assets
#not adjusted for deferred tax assets and intangible assets

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure 4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Infra Bonds (Unsecured NCD)	INE238A08385	30-10-2015	8.25%	30-10-2025	3,000.00	CARE AAA; Stable
Infra Bonds (Unsecured NCD)	INE238A08401	20-10-2016	7.60%	20-10-2023	5,000.00	CARE AAA; Stable
Infra Bonds (Unsecured NCD) – Proposed	-	-	-	-	500.00	CARE AAA; Stable
BASEL II - Lower Tier II	INE238A08328	-	-	-	-	Withdrawn
BASEL II - Lower Tier II	INE238A08336	-	-	-	-	Withdrawn
BASEL II - Lower Tier II	INE238A08344	-	-	-	-	Withdrawn
BASEL II - Lower Tier II – Proposed	-	-	-	-	-	Withdrawn
BASEL III - Tier II	INE238A08369	12-02-2015	8.45%	12-02-2025	850.00	CARE AAA; Stable
BASEL III - Tier II	INE238A08377	30-09-2015	8.50%	30-09-2025	1,500.00	CARE AAA; Stable
BASEL III - Tier II - Proposed	-	-	-	-	1,000.00	CARE AAA; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Bonds-Lower Tier II	LT	-	-	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)	1)CARE AAA; Stable (07-Sep-20)	1)CARE AAA; Stable (06-Dec-19)
2	Bonds-Lower Tier II	LT	-	-	-	-	-	1)Withdrawn (06-Dec-19)
3	Bonds-Lower Tier II	LT	-	-	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)	1)CARE AAA; Stable (07-Sep-20)	1)CARE AAA; Stable (06-Dec-19)
4	Bonds-Lower Tier II	LT	-	-	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)	1)CARE AAA; Stable (07-Sep-20)	1)CARE AAA; Stable (06-Dec-19)
5	Bonds-Lower Tier II	LT	-	-	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)	1)CARE AAA; Stable (07-Sep-20)	1)CARE AAA; Stable (06-Dec-19)
6	Bonds-Lower Tier II	LT	-	-	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)	1)CARE AAA; Stable (07-Sep-20)	1)CARE AAA; Stable (06-Dec-19)
7	Bonds-Tier II Bonds	LT	3350.00	CARE AAA; Stable	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)	1)CARE AAA; Stable (07-Sep-20)	1)CARE AAA; Stable (06-Dec-19)
8	Bonds-Infrastructure Bonds	LT	5000.00	CARE AAA; Stable	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)	1)CARE AAA; Stable (07-Sep-20)	1)CARE AAA; Stable (06-Dec-19)
9	Bonds-Infrastructure Bonds	LT	3500.00	CARE AAA; Stable	1)CARE AAA; Stable (08-Apr-22)	1)CARE AAA; Stable (06-Sep-21)	1)CARE AAA; Stable (07-Sep-20)	1)CARE AAA; Stable (06-Dec-19)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Infrastructure Bonds	Simple
2	Bonds-Lower Tier II	Complex
3	Bonds-Tier II Bonds	Complex

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in