Axis Bank's Q3FY25 Media Conference Call

January 16, 2025

MANAGEMENT:	**MR. AMITABH CHAUDHRY - MD & CEO, AXIS BANK** **MR. RAJIV ANAND - DEPUTY MANAGING DIRECTOR, AXIS BANK** **MR. PUNEET SHARMA – CFO, AXIS BANK** **MR. SUBRAT MOHANTY – EXECUTIVE DIRECTOR, AXIS BANK** **MR. ARJUN CHOWDHRY – GROUP EXECUTIVE FOR AFFLUENT BANKING, CARDS/PAYMENTS AND RETAIL LENDING, AXIS BANK**

Moderator: Ladies and gentlemen, good day and welcome to the Axis Bank Conference Call to discuss the Bank's Financial Results for the Quarter Ended 31st December 2024.

Participation in the 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. There will be an opportunity for you to ask questions at the end of the briefing session. Should you need assistance during the conference call, please signal an 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 Mr. Amitabh Chaudhry – MD & CEO; Mr. Rajiv Anand – Deputy Managing Director, and Mr. Puneet Sharma – CFO.

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

Amitabh Chaudhry: Thank you so much. We have on the call other members of the leadership team.

This quarter, we delivered healthy core-operating performance. Our focus has been on profitable and sustainable growth. We continue to calibrate risk internally across portfolios and monitor the changing credit environment. Balance sheet and capital levels continue to remain strong.

Let me summarize the Q3 operating performance:

1. Core-operating profit was up 14% YoY and 5% QoQ driven by healthy operating income growth and further moderation in operating expense growth.
2. Business growth is slower this quarter on a period end basis, but we continue to grow deposits at the healthy pace of 13% YoY and 3% QoQ on a quarterly average basis. Focus loan segments have also grown at a faster pace like small business, SME and mid-corporate together grew at 16% YoY and 4% QoQ.
3. CASA ratio and fee to average assets continues to be the best amongst peer private banks.
4. Consolidated RoA and RoE stood at 1.71% and 15.8%.
5. The Bank is well capitalized with a CET1 ratio now 14.61%, with net accretion of 49 bps in Q3FY25 and 87 basis points in 9MFY25 period.

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

- **Becoming a resilient, all-weather franchise**

- **Creating multiplicative forces to build competitive advantage**
- **Building for the future**

I will now discuss each of these areas.

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

On the retail asset quality, a normalisation cycle is in progress. Our recognition and provisioning policies are perhaps the most conservative among Indian banks. We expect this to stabilise for the sector over the next few quarters. On the Cost side, our expense growth this quarter has moderated to 1% YoY as we had been indicating on our prior calls.

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 17. On the first two parameters, we have delivered well.

- We have improved the granularisation in our deposit book, which positively impacts the quality of LCR deposits. Consequently, improving the outflow ratio by ~320 bps over the last 2-3 years and is now similar to larger peer banks.
- We have also demonstrated controlled increase in cost of funds over the last six quarters with only 3 bps increase in the last three quarters.
- The above focus along with macro-economic factors have impacted the period end growth in the last one year. However, quarterly average balance-based deposit growth remains higher than the industry at 13%.
- The quality and strength of our deposit franchise continues to improve through “Project Triumph”, the bank-wide deposit transformation program. Our acquisition engine, expansion plans, product launches, salary credits, burgundy AUMs remain healthy. We will see the effects of all these efforts in the deposit growth as the impact of reduction in certain portfolios start to stabilise and tight liquidity the scenario eases.
  - ✓ We have opened 130 new branches in the last three months and 330 in the first nine months of this fiscal.
  - ✓ The New to Bank acquisition engine for the SA franchise has trended well. In this quarter, we saw SA New to Bank deposits up 15% YoY with new accounts opened up 2% YoY and balances per account up 15% YoY.
  - ✓ With a specific focus on the needs and requirements of women, the Bank launched a special women's account “Arise”, a comprehensive offering

with financial solutions and healthcare benefits. We believe there is significant market opportunity in this segment.

- ✓ The Bank has made focused interventions to ensure that the Salaried customers remained engaged with the Bank. We see higher number of customers, both existing as well as newly acquired customers, getting salary credits.
  - i. We have seen 24% YoY growth in Salary Uploads in the NTB Salary Book by December 24.
  - ii. We have seen a 42% YoY growth in premium acquisitions in NTB Salary book by December '24.
- ✓ The premiumization of our franchise continues to progress strongly, led by 26% YoY growth in Burgundy assets under management.
- ✓ On the wholesale segment, please refer to slide 37, our industry leading customized solutions across liquidity management, payments, and collections continue to drive higher transaction banking flows leading to better current account balances.

We continue to garner several key external recognitions for the capabilities and initiatives we have undertaken successfully in the last few years. Axis Bank won the **Best Indian Bank at the prestigious Financial Times (FT) Bank of the Year 2024 Awards**, which is testimony to the quality and depth of its banking services across verticals. It received the IBSi Global FinTech Innovation Awards 2024 for Most Innovative use of AI/ML; Best Digital Channel / Platform Innovation and Most Innovative Digital Onboarding Rollout. It also got the CX Asia Excellence Awards 2024 (Honorary Mentions) for Best Use of Intelligent Chatbot and Best Use of Data and Customer Insights. Axis Bank Foundation was awarded the prestigious Gold Award at FICCI's 4th Sustainable Agriculture Summit and Awards 2024.

B. Creating multiplicative forces to build competitive advantage

We continue to innovate and remain open to new partnerships and collaborations. During the quarter - GenWise, developed in collaboration with Axis Bank, India's leading app-based club for senior citizens, has launched an industry-first UPI payment solution specifically designed to address the needs of India's elderly population.

The International Finance Corporation (IFC), the soft loan window of the World Bank, has partnered with Axis Bank to provide a $500 million loan to scale up green project financing in India.

C. Building for the future:

Digital banking performance continues to remain strong.

- In this quarter, the Bank launched new products, including a personal finance management tool, which is an industry first, the ability to see the investments in shares across brokers. Further, the Bank made several enhancements to

its product, including redesign of several journeys, new journeys such as opening FD via UPI, continued rollout of Neo for Corporates and Neo for Businesses which are digital channels aimed at corporate and small business customers respectively.
- In Q2, the Bank successfully migrated erstwhile Citibank customers to Axis Bank digital platforms. Subsequently, digital activity of these customers has seen material improvement.

Bank-wide programs to build distinctiveness

We continue to work on Bank-wide programs to build distinctiveness.

Our bet on Bharat is growing from strength to strength

- The rural advances grew 17% YOY and deposits from Bharat branches were up 9%, thereby aiding the PSL metrics. We have expanded our multi-product distribution architecture to over 2,650 branches now, complemented by ~62,000 CSC VLE network across 680 districts and 80+ partners across the industry.

'Sparsh', our distinctive customer obsession program

'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 148+ from a baseline of 100 in the past two years.

In closing:

- We are well placed in the current macro environment. We continue to closely monitor the geopolitical environment, inflation, liquidity, cost of funds, and its impact on our businesses.
- We will continue to invest when necessary to remain differentiated and distinctive in our journey towards building 'an all-weather institution'.

I will now request Puneet to take over.

Puneet Sharma: Thank you, Amitabh.

- Our Q3FY25 core operating profit was up 14% YoY and 5% QoQ. PAT was up 4% YoY.
- Our nine-month FY25 consolidated ROA at 1.8% and consolidated ROE at 16.9%. The reduction in consolidated ROE is attributable to reducing leverage on the balance sheet.

- The operating leverage aided our healthy core operating profit performance for us.
- Q3FY25, net interest income grew 9% YoY. The net interest margin was 3.93%. Q3FY25 fee income grew 6% YoY.
- Retail fee income grew 5% YoY. Granular fees was at 94% of total fee. Our operating profits grew 15% YoY.
- Operating expenses growth moderated to 1% YoY and declined 5% on a sequential quarter basis.
- Q3FY25 consolidated ROA at 1.71% and consolidated ROE at 15.8%.
- Our nine months FY25 operating profit was Rs. 31,353 crores, up 18% YoY. Nine months FY25 PAT at Rs. 19,256 crores, up 9% YoY.
- Focus on average deposits continues. CASA continues to be amongst the best in our large Bank peer set. On a month-end balance basis, total deposits grew 9% YoY and 1% QoQ. Term deposits grew 14% YoY, 3% QoQ.
- CA grew 8% YoY, 1% QoQ. SA was flat YoY. On a quarterly average balance basis, total deposits grew 13% YoY and 3% QoQ. Term deposits grew 19% YoY, 5% QoQ.
- Our average LCR for Q3FY25 was 119%. Outflow rates improved by 60 basis points over the last two years. Loan growths delivered across focus business segments.
- Our net advances grew 9% YoY and 1% QoQ. Retail loans grew 11% YoY, 1% QoQ.
- SME grew 15% YoY, 3% QoQ.
- Corporate loans gross of IBPC sold grew 4% YoY.
- Small business banking loans grew 20% YoY and 4% QoQ.
- Mid corporate book grew 15% YoY, 4% QoQ. Small business banking plus SME plus mid-corporate, which is our focus segments. The loan value stands at Rs. 2,30,055 crores, comprising 22.7% of loans, up 761 basis points in the last four years.

We are well capitalized with a self-sustaining capital structure and adequate liquidity buffers. Our overall capital adequacy ratio stood at 17.01% with a CET1 ratio of 14.61%.

Net accretion to CET1 of 87 basis points in nine months FY25, 49 basis points in Q3FY25. We hold 5,012 crores of other provisions not considered for CAR side computation, which provides us with an additional cushion of 38 basis points over reported capital adequacy. We have an excess SLR of Rs. 67,588 crores. We continue to maintain a strong position in payments and digital banking. We are amongst the largest players in merchant acquiring with a market share of 20% and an incremental market share of 27% in the last one year.

Bank maintains its number one position in UPI Payer PSP space with a market share of 30%. Open by Axis Bank remains amongst the world's top rated mobile banking app on the Google Play Store and iOS App Store with a rating of 4.7 and 4.8 respectively, with roughly 15 million monthly active users. Open by Axis Bank and Axis Pay have 14 million non-Axis customers, 29.3 million customers on WhatsApp banking. Our credit card CIF market share stands at 14% and retail card spends grew 11% YoY.

Our asset quality is stable, gross NPA at 1.46%, declined 12 basis points YoY.

Net NPA at 0.35%, flat YoY and QoQ. Our PCR remains healthy at 76%.

On an aggregated basis, our coverage ratio, which is defined as all provisions by gross NPA, stood at 151%.

Our Q3FY25 gross slippage ratio at 2.13%, net slippage ratio at 1.40% and net credit cost is 0.80%.

Key domestic subsidiaries delivered a strong performance for us. Nine months FY25 profit at Rs. 1401 crores, up 26% YoY with a return on investment on domestic subsidiaries of 49%.

Axis Finance:

Nine months FY25 PAT grew 20% YoY to Rs. 509 crores. Asset quality metrics remain stable, ROE at 14.98% for Q3FY25.

Axis AMC:

Nine months FY25 PAT grew 27% YoY to Rs. 378 crores.

Axis Securities:

Nine months FY25 PAT grew 86% YoY to Rs. 368 crores.

Axis Capital:

Nine months FY25 PAT grew 36% YoY to Rs. 148 crores.

And Axis Capital executed 43 ECM deals in the 9-month period. With that, we conclude opening comments.

We would be happy to take questions now.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Siddhi Nayak from Reuters. Please go ahead.

Siddhi Nayak: Hi Sir, I had two questions. My first question relates to the provisioning. Last quarter and this quarter both we have seen quite a lot of jump in provisions. I wanted to understand from you currently do you see the need to make more provisions? How much, till what time, or till what quarter is this trend expected to persist? If you could answer the first question, then I will come to the second.

Puneet Sharma: Thank you for the question. I don't think there has been a material movement in our provisions and contingencies line. The provisions and contingencies to average assets over the last three quarters has stayed between 0.56% to 0.59%. So, it's actually been very stable. Even in rupee crore terms, our provisions and contingencies have been in the Rs. 2000 to Rs. 2200 crore range. So, that number is not volatile, but reasonably stable. Our provisions are largely towards the retail unsecured portfolio that has slipped given the current market environment. We have taken corrective actions on a look forward basis on that portfolio. We continue to monitor those portfolios clearly as we get into Q4.

Siddhi Nayak: Okay, so at this stage, do you foresee the need to make more provisions? No?

Puneet Sharma: We are in the credit business, so provisions would always be part of our operating expense. It's very difficult to be in a credit business and not have credit cost. We have previously indicated that across the industry, personal loans and credit cards as a portfolio have been seeing higher levels of risk than they historically ran. We are in the normalization of a credit cycle; therefore, we continue to monitor those portfolios closely. We do not provide an outlook on future credit cost; therefore, I can't tell you whether we will provide more or less in the next quarter.

Siddhi Nayak: So, my second question is on your gross slippages. They have increased both QoQ and YoY. I wanted a breakup of how much of that is from microfinance and how much is from say credit cards and personal loans?

Puneet Sharma: Thank you for the question again. We do provide a breakup of our gross slippages, but we do not do it at a product level. Our total gross slippages for the quarter were Rs. 5,432 crores. It is partially impacted by seasonality. You must remember that Q3 is seasonally heavy on slippage because we see agri-slippages. The breakup of the Rs. 5,432 crores is as follows. Rs. 4,923 crores in retail, Rs. 215 crores in our CBG/SME business, and Rs. 294 crores in our wholesale business. While I have provided this data, my request is gross slippages may not be the most appropriate number to look at. We do have accounts that slip in the quarter and get upgraded. So, net slippages maybe a better number for you to look at adjusted for recoveries and upgrades.

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

Subrata Panda: Hi. My question was on loan growth. It was 9% YoY, but sequentially it's 1%. So, I just wanted to understand, what is holding you back? Is the CD ratio a concern or why just 9% growth?

Subrat Mohanty: Subrata, this is Subrat. One of the things we have always maintained is some of the growth numbers, we should look not on a QoQ basis, but also on a slightly longer-term basis. So, if you take a 9 or a 12-month view of our loan growth, it's been good. And it continues to trend in the range of the guidance that we have given about our advances growth. In this quarter, we have been a bit more careful about growth in some of the segments where we see some stress and therefore we have calibrated our growth in those segments and because of which we have taken some calls in terms of which segments to push and which segments to go easy on, which is the result of some of the stress that we are seeing in a particular sector. So, on a calibrated, deliberate basis, the growth in this quarter is about 9%. But we are fairly confident that on a yearly basis, we will continue to see good growth in our advances.

Subrata Panda: Right. And is that why the margins have also dropped slightly?

Puneet Sharma: The margin drop is not linked to growth. The margin drop is broadly, we have a 6 basis point drop in margin, 3 basis points of that 6 basis point is attributable to higher interest reversals in Q3 compared to Q2, which is purely because of seasonality relating to the agri portfolio. And 3 basis points is attributable to the higher LCR that we have maintained through the quarter. Our average LCR last quarter was about 114%-115%. Our average LCR this quarter is 119%. So, those are the two factors that have contributed to the drop in net interest margin.

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

Vishwanath Nair: Hi, Good evening. Couple of questions. Firstly, on the comments that you made on the retail asset quality, as you said, there's a normalization that is happening on the asset quality front. I wanted to understand what does normalization mean to you? Are you suggesting that this is a peak and likely we are going to see it fall, considering that the slippage ratio has jumped about 35 basis points, QoQ, that's a significant jump? And the second part of the question is then, what are the corrective actions that you mentioned that Axis Bank is taking at this point of time? These are the only questions that I have. Thank you.

Puneet Sharma: Thank you for the question. What do we mean by normalization? Effectively, we have been coming off a trough in credit costs, last fiscal to current fiscal. So, last fiscal was not representative of through cycle credit costs. When we mean normalization, we mean a journey that is moving from troughs to through cycle average. So, that's what, in our terminology, we call as normalization. The reason we are calling this as a normalization is we are seeing increased risk in certain segments. We are also seeing that risk across segments pan market. So, it's not Axis specific as such. And therefore, in our minds, it is normalization and not a full-blown credit cycle because we have not exceeded our 15-year averages on gross credit cost or net credit cost as at quarter end. I think the other observation you have made, and our request is to look at the data slightly differently. While there has been an increase in gross slippages on a sequential quarter basis, Q2 and Q3 are not comparable. Q1 and Q3 have better comparability because of the agriculture cycle. You see agri-NPAs flow through in Q1 and Q3. Therefore, my request is sequentially, the measure will always look worse in Q3 pan industry than Q2. So, you may want to please consider that as you look to do your analysis.

Vishwanath Nair: Sure, sorry, the corrective action that you mentioned.

Puneet Sharma: Sorry, the corrective actions, I will request my colleague Arjun to…

Arjun Chowdhry: Sure, thanks, Puneet. So, as Puneet mentioned, there are a few segments where we were seeing signs of stress, and we were observing them very closely. So, the corrective actions are largely focused on those segments. Those include a whole list of granular items, and I will give you just a few to give you a flavor of what those entail. They include things like raising the cutoffs in terms of whom we onboard in certain segments, they include raising the income cutoffs, they include things like orienting our acquisitions towards a certain segment of customers where we believe there is greater durability, looking more closely at the overall degree of leverage which a customer has in the system. As you know, there is a degree of over indebtedness which we have seen, so building measures to look at that. So, those are the whole host of corrective actions which we have taken. And this is not just something we have done in this quarter. We have been doing that over a materially longer period of time.

Moderator: Thank you. We will take the next question from the line of Ashish Agashe from PTI. Please go ahead.

Ashish Agashe: Thank you so much Sir. Just a small thing. You are saying that, okay, there has been a degree of indebtedness which you see in the system. You have been taking corrective actions due to which credit growth is a bit soft, which is a deliberate measure. These are macro factors as well. So, as you look at the market, by when do you see things sort of gaining some speed given where we are right now? And also related to this, I also see that the personal loans are up 17% YoY, credit cards are up 8%. I can understand that, okay, the comparison YoY with the growth would be much more higher, but even at, if I look 17% in isolation isn't that a bit high for a portfolio where deliberate actions are being taken to slow down?

Subrat Mohanty: It's difficult to predict where we are in the cycle at this point in time, largely because the external macros are very dynamic at this moment and they continue to, I mean we continue to look at them, we continue to monitor them closely, but the liquidity continues to be tight. Global macros, especially geopolitical risk continued to be somewhat undefined at this point in time. Hopefully, in the next 30 to 45 days, we will get better clarity around that. Some of the India growth also has been a bit tepid in the last quarter. So, difficult to say, when do we see this coming back to normal. We look at our portfolio quite closely. We take our action based on that. And then we closely monitor what the external world looks like to see where do we go from there. So, that's in terms of how we see where we are in this cycle. On the specific growth numbers in certain sectors, that's based on our understanding of the sector, what we are hearing from our customers, from our people on the field, and the way the portfolio is behaving at any point in time. And we have multiple early warning indicators of various portfolios. So, based on that, there are certain segments which are growing at 17%, which we are fairly comfortable with because we know how that portfolio is fairing. We are quite close to our customers. We understand how their businesses are fairing. And based on that, we have a decision that we take in terms of where to possibly accelerate and where to hold back a bit. So, that happens on a fairly dynamic basis, and we continue to monitor the overall portfolio mix and the growth within that based on those inputs that we received.

Ashish Agashe: A small second question, sir. I do understand that you don't give a sort of a granular breakdown into what the gross slippages number are. But if I were to say that Rs. 4,923 crore of retail gross slippages, a majority of them came from unsecured exposures. Would that be a correct understanding or would I be just missing the point because there is a big part of agri playing there?

Puneet Sharma: So, that conclusion would have been fair for the last quarter. In the current quarter, it's a mix of unsecured portfolio plus seasonality on Bharat Banking that has played through in the current quarter. Let me also clarify and put out data since we don't give you slippages but let me contextualize MFI slippages for you differently. Our total retail loan book is roughly Rs. 6 lakh crores. Our retail MFI book is approximately 1% of the total retail loan book. So, that puts it at roughly Rs. 6,000 crores. If you contextualize Rs. 6,000 crores in the context of my total advances, it's about 0.6%, 0.7%. So, you could derive comfort from the fact that book is inconsequential in size compared to my total loan book. So, our book is very different from some of the other peer banks that may be used to looking at from an MFI space perspective.

Moderator: Thank you. We will take the next question from the line of Piyush Shukla from The Hindu Business Line. Please go ahead.

Piyush Shukla: Good Evening, Sir. Puneet Sir, wanted to understand why is there a sharp drop in the other income in this current quarter as against the last quarter. And separately, I wanted to understand the LCR draft norms from April end onwards. Have you done an assessment as to what would be the impact on our books? And have you also communicated with the regulator with regard to the 5% run-off factor, which is their additional 5% for internet mobile banking related deposits? So, is there any communication in that regard and assessment on the LCR front? If you could lastly, just allow me to ask one more query on your NIM. You had said due to specific issues 6 bps has fallen sequentially, so if you could I understand you don't give any particular guidance number as such but the trajectory from here on will it be stable or do you expect slight more moderation going right that is all thanks.

Puneet Sharma: Thank you for all of your questions. Please allow me to address them individually. Your first question was what has caused the other income to drop? Other income comprises fee income and trading income. Our fee income has effectively been flat QoQ. So, we continue to do well on fee income. Our fee to assets remains the healthiest amongst industry at 1.42%. It's actually, if not best in class, very near best in class. It was so last quarter; it continues to remain this quarter. The drop in other income has come on the trading line. And in the trading line, if you would recollect, RBI had issued a circular on April 1, which required us to mark to market all investments. So, we had a mark to market gain last quarter. That mark to market gain given the current volatility in the economy and key macro variables has reversed in the current quarter. So, the entire differential in other income can be attributed to broadly reversal of MTM gains booked last quarter with a reversal in the current quarter. Given the regulation around accounting for investments, this volatility is likely to pay through in subsequent quarter both on the positive and the negative side. Your second question was around the prospective LCR guidelines. We have done an internal assessment. We don't discuss it publicly. The guidelines are still in draft stage. I think the entire system has represented to our principal regulator for review. So, we will wait for the final guidelines before we can make a constructive comment on its impact. I think your third question was on margin outlook. We have consistently stated that we don't provide short-term guidance. Our margin outlook is as follows. On a through-cycle basis, the Bank will operate at 3.80% net interest margin. As of last reported quarter, which is Q3FY25, we have a 13 basis points cushion above our through-cycle guidance. We intend to work very hard to retain as much of this cushion as we possibly can. I hope this answers your question.

Moderator: Thank you. The next question is from the line of Shubhra from Informist Media. Please go ahead.

Shubhra: Hi, Sir. I have two questions. First was with respect to your loan book mix. Just wanted to understand on a quarterly basis, your retail portfolio has grown by just 1%. So, is that something that you will be kind of reducing and increasing the other books or what is your assessment on that? First, please, then I'll ask the next question.

Puneet Sharma: Thank you for your question. Our loan books mix has been relatively stable. Our mix last quarter was roughly 60% retail, 11% SME and 29% wholesale. That mix continues in the current quarter. So, we have had a stable mix. The growth in the retail portfolio is reflective of the headline growth that we had. So, we had no mix change from a business plan perspective.

Shubhra: And also, there is an expectation of rate cuts also in February, so any impact on your margins? Anything on that front?

Subrat Mohanty: I mean, our internal economist team do not share that view. We believe that we might not see a rate cut that soon in the cycle. And if there is a rate cut, we will accordingly take action on both sides of the balance sheet. So, too early to give a view on what happens if there is a rate cut at this time.

Moderator: Thank you. We will take the next question from the line of Ritu Singh from CNBC. Please go ahead.

Ritu Singh: Just a couple of questions. First, clarification on this margin bit. You said you'll take action on both sides of the balance sheet. Are you indicating that when RBI starts to cut rates, you'll reduce your deposit rates? How will you protect that 13 basis point of buffer that you spoke about that you currently have on margins that you wish to maintain? Secondly, on your slippages, would it be possible for you to quantify how much exactly has come from agriculture and also maybe more than numbers. Mr. Chaudhry, if you could give a broader comment on how many of these smaller customers that may be defaulting on these unsecured loans have secured loans with the Bank as well because once they start to default in the smallest of amounts, the borrower gets tagged the defaulter and therefore affects the larger loans they may have as well. So, what is the sort of linkage you are seeing? Are you concerned on that front?

Rajiv Anand: I'll take the first question. So, Ritu as Subrat mentioned in an environment where we have a depreciating rupee, and liquidity continues to be tight. It looks unlikely that we will get a rate cut anytime soon, but having said that, the way that this will work out is given the fact that a larger portion of the asset book is now priced against external benchmarks. Yes, if a rate cut does happen, the first repricing that will happen is on the asset side. But, over a period of time, the liability side will also reprice. Maybe there's a bit of a lead and lag depending upon where we are on the cycle. But ultimately, both sides of the balance sheet will reprice if the rate cut happens.

Ritu Singh: Essentially, if the same borrower that has a smaller loan has defaulted and gets tagged as a defaulter, to what extent that will affect other secured loans he may have, other larger loans. So, how many such borrowers do you have?

Arjun Chowdhry: So, policy-wise, the requirement is very clear that the NPA status is classified at a borrower level. That has been our position and that is a position across the industry as well. Now in terms of how many borrowers who have smaller versus larger, that is something we wouldn't put out in terms of granular data. But I will request Puneet to add more to it.

Puneet Sharma: Thanks, Arjun. In the interest of addressing this question explicitly, for the quarter, 29% of our gross slippages are attributed to linked accounts of borrowers which were standard when classified or have been upgraded during the quarter. So, that should give you a context of how much of the gross slippage could be on linked accounts or on borrowers that were upgraded in that quarter.

Ritu Singh: Okay, this question was actually more on whether these borrowers that have unsecured loans also have secured loans with the Bank?

Puneet Sharma: Thank you for the question. I think what we are trying to address for you is if I let's say have a credit card which went bad, and I also have a home loan. One, the home loan could continue to be serviced even if the customer on the credit card has gone bad. So, the way we understood your question is to understand linkages. If you look at the cumulative slippages for the quarter, which we have called out, which is Rs. 5,432 crores, 29% of the gross slippages for the quarter are attributable to the linkage that I have just described or accounts that slipped and got upgraded in the same quarter. This 29% has broadly been a flat number for multiple quarters. So, this number ranges from about 29% to 33%-34% on a quarter-by-quarter basis. So, what we are trying to address for you is if an unsecured slipped, there could be a secured slippage, which continues to remain standard, and we have quantified that number for you. So, that should give you a quality of slippage that we have.

Moderator: Thank you. The next question is from the line of Piyush Shukla from The Hindu Business Line. Please go ahead.

Piyush Shukla: Puneet Sir, just to follow back on the earlier question about NIM that I had asked, and you had said that 13 bps cushion is still there. So, are you hinting that the NIM margin may continue to moderate in Q4 as well? And separately, Sir, I don't see SMAs, what is the breakup or the overall SMAs that you have. If you could just give us some colour as to what is the quantum of special mention accounts that you have across buckets and is there a rise in the corresponding quarter last year and just last quarter.. some data on the potential slippages stress accounts if you could give me any and what are the segments that these SMA loans are coming out of?

Puneet Sharma: Thank you for the question, I think we do have an exhaustive list of disclosures as part of our investor presentation. Unfortunately, we do not disclose the SMA profile of our book, either historical or current. We haven't put that data in public domain ever, so therefore I am unable to answer that question for the purposes of the call. If I paraphrase your first question for my understanding, your first question was, our margin outlook. And what do we think margins will be? Whether margins have reached trough or are likely to fall further? Is that a paraphrasing of your question?

Piyush Shukla: Yes, Sir, because you had mentioned there is still 13 basis points, sort of a cushion that you have in terms of the historical average which has been there. So, basically, do you expect it to fall more, the margins from here?

Puneet Sharma: Like I said, I think 380 is our through cycle guidance. We are comfortable retaining that through cycle guidance even in the current macro environment. The 13-basis points cushion, we will defend as hard as we possibly can. We do not provide a quarterly outlook on where the margin would be. The one comfort I can give you is basis historical performance. If you look at FY23, where only assets got repriced. We delivered a full year margin of 402. In FY24, where only liability is repriced, we delivered a margin of 407. So, my request is, as you think of margins for a financial institution of our size, please do not think about margins on a sequential quarter basis or running quarter basis. We are delivering to a finite period of time. We have a reasonably closely matched duration of assets and liabilities to the point Rajiv made earlier on the call. Therefore, our comfort that when a rate cut comes, over a finite period of time, we would be able to balance asset repricing and liability repricing.

Piyush Shukla: If I could add one question to Amitabh, Sir. Your number four private Bank in terms of profitability went on record and said that they aim to be number three in terms of overall profits by FY30. And Amitabh Sir also spoke about going through and sticking to the expansion and growth plans going ahead. So, how do you aim to maintain the number three stand that you have in terms of profit amongst on the private banks?

Amitabh Chaudhry: We need to inform you we are already number three in terms of private banks. So, I don't know where you are getting the fourth from.

Piyush Shukla: No. The fourth bank saying they want to become number three, sir.

Amitabh Chaudhry: Sorry, I misheard you. Every Bank wants to move positions. We have been obviously very focused on ensuring that in kind of an overall scheme of things, we do move up. There is a clear gap between us and the two banks we keep talking about internally. We have to be focused on people ahead of us. Yes, we are very cognizant of what Kotak's ambitions are. But, I believe that if we can keep executing on the strategy that we laid out and some of the things that we talked about in this call, we have a great platform, great set of people. We have worked hard on our technology, which is the best in the industry. We have a very strong balance sheet and capital ratios. I think the amount of work we have been doing on the deposit and the advances side on the asset quality side puts us at par with some of the players we're competing with. We just need to keep executing better and we are quite confident that if we keep focus on execution, the numbers will come. They will take time, but they will come, and that's what the management team is focused on.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will take that as 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 so much for taking time to speak with us this evening. If we unfortunately not able to answer your questions, please feel free to reach out to Piyali and her team at Corporate Communications. We would be happy to pick them up and respond to them. Wishing you all a very good evening. Thank you.

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.