

India Ratings Affirms Axis Finance and its NCDs at 'IND AAA'/Stable; CP at 'IND A1+'

Jun 30, 2025 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has affirmed Axis Finance Limited's (AFL) Long-term Issuer Rating at 'IND AAA'. The Outlook is Stable. The detailed rating actions are as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/ Watch	Rating Action
Issuer rating	-	-	-	-	IND AAA/Stable	Affirmed
Non-convertible debentures*	-	-	-	INR173,850 (reduced from INR177,350)	IND AAA/Stable	Affirmed
Tier II subordinated bonds *	-	-	-	INR34,700	IND AAA/Stable	Affirmed
Commercial paper	-	-	1 to 365 days	INR60,000	IND A1+	Affirmed
Principal protected market linked debenture *	-	-	-	INR300	WD	Withdrawn (Paid in full)
Long-term bank loan\$	-	-	-	INR330,000	IND AAA/Stable	Affirmed
Short-term bank loan\$	-	-	-	INR20,000	IND A1+	Affirmed

*Details in Annexure

\$The total bank loan limit of INR3,50,000 million stands fungible between long-term bank loan and short-term bank loan

Principal protected market linked debenture (PP-MLD) refers to the full principal protection in the equity-linked notes wherein the issuer is obligated to pay the full principal upon maturity.

Analytical Approach

AFL's ratings continue to be driven by Ind-Ra's continued expectation of support from its parent, Axis Bank Limited (ABL; ['IND AAA'/Stable](#)), if required. As of FY25, ABL held 100% in AFL.

Detailed Rationale of the Rating Action

The rating affirmation reflects AFL's strong parentage, AFL's strong operational and business linkages with ABL and the continued support from the parent. The ratings also reflect AFL's long operating track record and adequate liquidity position.

List of Key Rating Drivers

Strengths

- Linkages remain strong with parent ABL
- Ongoing product mix shift towards retail continuing
- Expanding geographic presence to support retail loan growth
- Margin likely to stabilise; control on credit cost is key
- Stable borrowing profile
- Stable leverage
- Stable asset quality; unseasoned book key monitorable

Weaknesses

- Higher concentration in wholesale segment, but share is moderating

Detailed Description of Key Rating Drivers

Linkages Remain Strong with Parent ABL: AFL's ratings continue to be driven by ABL's credit strength and the strong oversight of Axis Bank. AFL is core to ABL's business and operations under its One Axis strategy and provides synergistic benefits to the Axis group. AFL has nine members on its board, with ABL's managing director and chief executive officer, acting as the non-executive chairman of the company, ABL's chief financial officer (CFO) acting as a non-executive director on board and CFO of and the ex-chief credit officer of ABL, acting as a non-executive director on board and part of risk management committee. In addition, AFL's registered and corporate office being located in Axis House. AFL continues to receive guidance and oversight from ABL in assurance functions. ABL has supported AFL's growth and capital levels by regularly infusing equity in the latter. The last equity infusion was of INR5.98 billion in FY25 (FY24: INR3 billion; FY23: INR4 billion). ABL has also provided AFL with back-up funding lines of INR21.0 billion as of FY25.

Ind-Ra continues to monitor the strong linkages between AFL and ABL and the former's strategic importance to the latter. Any material weakening of the linkages with ABL could lead to a rating implication for AFL.

Ongoing Product Mix Shift towards Retail Continuing: AFL's overall asset under finance (AUF) grew at 21.7% yoy in FY25, the retail grew 28.5% (FY24: 51.0%, FY23: 66.8%), largely led by the retail loan against property (LAP) exposure (up to INR50 million) which reported 48.1% AUF growth. Moreover, micro, small and medium enterprises (MSME) lending grew at 30.3% yoy in FY25 on smaller base and is likely to inch up further in the medium term. Growth in wholesale exposure moderated to 11.5% in FY25 (FY24: 33.7%, FY23: 10.2%), which largely led to wholesale book exposure in the overall AUF reduced to 43.2% in FY24 from 60.3% in FY20.

Among wholesale, AFL's focus has been on increasing collateralised LAP exposure (growth of 20.9%/77.1% in FY25/FY24) which stood at 14.1% of AUF in FY25 (FY24: 14.1%, FY23: 11.0%) and real estate financing to 8.2% of AUF (6.4%, 6.0%), with plans to maintain the same below 10% of the overall AUF.. The company has been focusing increasingly on corporate loans that are in operating level companies or those adequately backed by contracted/demonstrated cash flows. Collateralised loans (lease rental discounting/loan against property/exposures to certain other focus sectors) are a focus area to add granularity and diversification in the wholesale book.

Expanding Geographic Presence to Support Retail Loan Growth: AFL embarked on the retailisation process in a bid to diversify its portfolio, and over FY19-FY23, the company introduced new lines of retail lending such as loan against property, business loans, salaried personal loans, and housing loans and accordingly share of retail products in the overall portfolio increased to 47.1% in FY25 (FY24: 44.6%, FY23: 40.7%). The company plans to scale the branch network and locations from the 59 branches and 225 locations which will help AFL grow its retail book. Ind-Ra expects this shift towards retailisation to continue in FY26 and beyond, such that the mix of retail and MSME assets in the overall product mix eventually increases to around 65% over-time. The agency opines that the successful execution of the retail segments will

improve growth scalability, provide granularity to the loan book, and result in higher yields. However, it will also lead to a higher operating cost structure compared to the earlier wholesale portfolio regime, though AFL plans to increase scale through tech stack which gives it the agility to reach tier 3 and 4 locations.

Margins Likely to Stabilise; Control on Credit Cost is Key: AFL's spreads have been moderating through 1HFY25, as the higher cost of borrowing was not fully passed on to its customers on account of incremental exposure to better-rated corporates; however, after the capital raise in 2HFY25, the overall cost of borrowing declined and AFL reported a net interest margin (NIM) of 4.26% in FY25 (FY24: 4.27%). Moreover, the lower year-on-year direct assignment income and higher credit costs (FY25: 91bp, FY24: 56bp, FY23: 32bp) were partly compensated by the improving operating expense to AUF, which stood at 1.30% in FY25 (FY24: 1.37%, FY23: 1.44%), thereby limiting the return on assets at 1.81% (2.11%, 2.82%). However, AFL has strong profitability buffers (with increasing realisation ahead) to absorb an elevated level of credit costs, with a pre-provision operating profit to credit cost of 3.7x in FY25 (FY24: 6.3x, FY23: 12.8x). Ind-Ra expects the company to report stable NIM and healthy fee income realisation and assuming a cost structure and credit costs similar to those in FY25, the company's return on assets would remain around similar levels over the near-to-medium term, according to Ind-Ra.

Stable Borrowing Profile: AFL's assets are funded through a mix of equity and borrowings. The borrowings are raised through a mix of loans from banks (42.57% of total borrowings), ECBs (5.10%), MSE refinance (5.33%), NCDs (31.5%), commercial papers (CP;5.9%) and subordinated & perpetual debt (9.6%). Since FY21, AFL has reduced its reliance on CPs by replacing them with long-term borrowings. Consequently, the share of CPs in the overall borrowing stood at 5.9% in FY25 from 26.5% in FY21. With a reduced focus on short-term loans, AFL intends to keep the share of CPs below 15% and plans to increase the share of long-tenored liabilities in the form of bank loans and NCDs.

Stable Leverage: The leverage (debt/tangible equity) moderated to a comfortable 6.59x in FY25 (FY24: 7.07x, FY23: 6.5x) owing to the capital raise in 2HFY25. The company aims to maintain its steady state debt/equity ratio between 7.0x and 7.5x over the medium term. Moreover, ABL's capacity to extend equity support, whenever required, should support AFL's capital ratios and keep them well above the regulatory requirements, according to Ind-Ra. The tier-I capital adequacy ratio stood at 14.6% in FY25 (FY24: 13.2%, FY23: 14.8%, FY22: 14.0%). Given the current leverage levels and growth plans of the entity, AFL is looking for capital raise in medium term to provide incremental support to growth of franchise, according to Ind-Ra.

Stable Asset Quality; Unseasoned Book Key Monitorable: AFL's gross stage-3 assets stood at 0.87% at FYE25 (FYE24: 0.46%, FYE23: 0.60%, FYE22: 1.23%). A reduction of GNPA's amounting to INR1.94 billion was on account of recoveries and write offs. The gross non-performing assets in the real estate funding portfolio reduced to 1.7% in FY25 (FY24: 1.9%, FY23: 5.8%, FY22: 8.8%), largely because of recoveries and base growth. Moreover, adequate collateral (around 2.0x) and the backing of project cash flows in the real estate segment will keep the credit costs controlled. Furthermore, this book constituted just 8.2% of the overall AUF at FYE25. AFL's stage-3 provision cover increased to 49.75% in FY25 (FY24: 47.9%, FY23: 57.2%), largely for provisions on higher delinquencies in FY25; furthermore, the incremental corporate exposure to better-rated corporates provide comfort to the asset quality. However, the asset quality will be a key monitorable, considering AFL's portfolio is moderately unseasoned with a 31.8% CAGR over the previous three years and the introduction of new products which are scaling up in contribution to the overall product mix.

Higher Concentration in Wholesale Segment, but Share is Moderating: AFL's AUF stood at INR390.8 billion at FYE25 (FY24: INR321.2 billion, FYE23: INR233.4 billion). In terms of products, corporate loans constituted 20.95% of the AUF in FY25 (FY24: 26.7%, FY23: 31.6%), real estate funding 8.2% (6.4, 6.1%), collateralised loans 14.1% (14.1%, 11.0%), MSME loans at 6.4% (6.0%, 7.4%) and retail loans 47.1% (44.6%, 40.7%). The agency believes any macroeconomic stress could impact the asset quality of the company, given that 43.2% of its AUF continues to be wholesale in nature, with the top 20 exposures constituting 10.01% of overall AUF in FY25 (FY24: 12.82%). While AFL has been able to keep asset quality in the corporate segment under check so far, the concentration can lead to an uptick in gross non-performing assets in case few of the large exposures turns delinquent.

Liquidity

Adequate: At end-March 2025, AFL had cash and cash equivalents of INR8.0 billion and unutilised bank lines of INR57.2 billion (including unutilised lines of INR21.0 billion from ABL) as against a debt repayment of INR50.7 billion over April-September 2025. AFL has adequate liquidity to cover its debt repayments and operating expenses for a minimum of six months, assuming nil inflows. The agency understands the on-balance sheet liquidity, along with undrawn lines will be adequate to cover three months of liability repayments and operating expense while assuming nil inflows on an ongoing basis.

The structural liquidity statement for March 2025 shows a positive cumulative gap of around 6.60% of the total assets in the short-term buckets up to one year. However, AFL is supported by sufficient undrawn bank lines, which can be utilised to cover the liquidity gaps in the short-term buckets. Ind-Ra also understands AFL has strong liquidity support from ABL towards meeting any shortfall in a contingency.

Rating Sensitivities

Positive: Not applicable

Negative: Any assessment of a decline in ABL's support expectation could lead to a rating downgrade. This could be in the form of material dilution of ownership, reduced oversight or otherwise. High AUF growth or a significant dilution in profitability buffers, not supported by timely equity infusions, could also lead to a negative rating action. In addition, any decline in ABL's issuer ratings could lead to a negative rating action.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on AFL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

AFL is a non-banking finance company. It has five key business lines - corporate loans, real estate funding, collateralised lending, MSME and retail funding. At FYE25, the AUF stood at INR390.8 billion.

Key Financial Indicators

Particulars	FY25 (IND-AS)	FY24 (IND-AS)
Total assets (INR billion)	393.5	327.8
Total tangible equity (INR billion)	51.4	39.5
Net income (INR billion)	6.52	5.97
Return on average assets (%)*	1.81	2.11
Equity/assets (%)	13.1	12.1
Tier 1 capital (%)	14.6	13.2
Source: AFL, Ind-Ra		
* ROA calculations is based on Ind-Ra methodology		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (million)	Rating	6 January 2025	27 June 2024	28 June 2023	29 June 2022
Issuer rating	Long-term	-	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable/IND A1+
Commercial paper	Short-term	INR60,000	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
Long-term bank loan	Long-term	INR3,30,000	IND AAA/Stable	IND AAA/Stable	IND D	IND AAA/Stable	IND AAA/Stable
Short-term bank loan	Short-term	INR20,000	IND A1+	IND A1+	IND D	IND A1+	IND A1+
Tier II subordinated bonds	Long-term	INR34,700	IND AAA/Stable	IND AAA/Stable		IND AAA/Stable	IND AAA/Stable
Non-convertible debentures	Long-term	INR173,850	IND AAA/Stable	IND AAA/Stable		IND AAA/Stable	IND AAA/Stable
Principal protected market linked debenture	Long-term	INR300	WD	IND PP-MLD AAA/Stable	IND PP-MLD AAA/Stable	IND PP-MLD AAA/Stable	IND PP-MLD AAA/emr/Stable

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low
Long-term bank loan	Low
Non-convertible debenture	Low
Short-term bank loan	Low
Tier II subordinated bonds	Moderate

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Tier II Subordinated Bonds

ISIN	Date of Issuance	Coupon Rate	Maturity Date	Outstanding/Rated Amount (million)	Rating/Outlook
INE891K08034	5 August 2016	8.80%	5 August 2026	INR2,000.00	IND AAA/Stable
INE891K08042	11 May 2017	8.50%	11 May 2027	INR1,000.00	IND AAA/Stable
INE891K08042	11 May 2017	8.50%	11 May 2027	INR500.00	IND AAA/Stable
INE891K08042	11 May 2017	8.50%	11 May 2027	INR500.00	IND AAA/Stable
INE891K08059	14 September 2017	8.08%	14 September 2027	INR500.00	IND AAA/Stable
INE891K08059	14 September 2017	8.08%	14 September 2027	INR250.00	IND AAA/Stable
INE891K08059	14 September 2017	8.08%	14 September 2027	INR250.00	IND AAA/Stable

INE891K08091	6 December 2021	7.42%	5 December 2031	INR750.00	IND AAA/Stable
INE891K08133	26 September 2022	8.07%	24 September 2032	INR1,000.00	IND AAA/Stable
INE891K08141	28 November 2022	8.06%	26 November 2032	INR2,000.00	IND AAA/Stable
INE891K08166	30 October 2023	8.28%	28 October 2033	INR2,000.00	IND AAA/Stable
INE891K08166	12 December 2023	8.28%	28 October 2033	INR2,500.00	IND AAA/Stable
INE891K08067	15 February 2021	7.45%	14 February 2031	INR700.00	IND AAA/Stable
INE891K08075	10 June 2021	7.40%	10 June 2031	INR1,000.00	IND AAA/Stable
Limit utilised				INR14,950.00	
Limit unutilised				INR19,750.00	
Total				INR34,700.00	

Source: NSDL; AFL

Non-convertible debentures

ISIN	Date of Issuance	Coupon Rate	Maturity Date	Outstanding/Rated Amount (million)	Rating/Outlook
INE891K07AA0 \$	29 November 2024	Three month FIBIL Tbill	28 January 2028	INR2,500.00	IND AAA/Stable
INE891K07994	9 August 2024	8.05%	25 April 2028	INR2,667.00	IND AAA/Stable
INE891K07671	28 June 2021	7.27%	26 June 2031	INR1,240.00	IND AAA/Stable
INE891K07705	22 September 2021	6.55%	22 September 2026	INR1,700.00	IND AAA/Stable
INE891K07713	29 September 2021	6.10%	29 September 2025	INR1,250.00	IND AAA/Stable
INE891K07721	18 November 2021	6.80%	18 November 2026	INR2,500.00	IND AAA/Stable
INE891K07721	18 November 2021	6.80%	18 November 2026	INR1,500.00	IND AAA/Stable
INE891K07754	25 February 2022	6.30%	25 February 2025	INR3,500.00	WD (Paid in Full)
INE891K07762	30 March 2022	6.80%	30 March 2026	INR2,500.00	IND AAA/Stable
INE891K07796	13 July 2022	7.70%	11 July 2025	INR2,500.00	IND AAA/Stable
INE891K07812	8 September 2022	7.70%	8 September 2027	INR1,000.00	IND AAA/Stable
INE891K07762	17 November 2022	6.80%	30 March 2026	INR2,000.00	IND AAA/Stable
INE891K07820	23 February 2023	8.07%	23 February 2028	INR2,630.00	IND AAA/Stable
INE891K07838	20 March 2023	8.35%	20 May 2026	INR3,850.00	IND AAA/Stable
INE891K07846	3 May 2023	7.99%	3 August 2026	INR3,000.00	IND AAA/Stable
INE891K07879	13 September 2023	8.00%	11 December 2026	INR1,500.00	IND AAA/Stable
INE891K07887	22 September 2023	8.00%	22 July 2026	INR3,750.00	IND AAA/Stable
INE891K07721	17 November 2023	6.80%	18 November 2026	INR3,000.00	IND AAA/Stable
INE891K07895	17 November 2023	8.10%	17 November 2028	INR2,000.00	IND AAA/Stable
INE891K07903	29 December 2023	8.29%	26 February 2027	INR3,000.00	IND AAA/Stable
INE891K07911	29 December 2023	8.30%	26 December 2025	INR4,950.00	IND AAA/Stable
INE891K07929	29 January 2024	8.19%	29 January 2029	INR3,100.00	IND AAA/Stable
INE891K07937	21 February 2024	8.14%	21 February 2029	INR1,840.00	IND AAA/Stable

INE891K07903	28 February 2024	8.29%	26 February 2027	INR3,000.00	IND AAA/Stable
INE891K07945	28 February 2024	8.35%	27 February 2026	INR3,000.00	IND AAA/Stable
INE891K07960#	7 March 2024	0.00%	6 March 2026	INR500.00	IND AAA/Stable
INE891K07952	7 March 2024	8.35%	7 May 2027	INR8,000.00	IND AAA/Stable
INE891K07978	19 April 2024	8.29%	19 August 2027	INR4,000.00	IND AAA/Stable
INE891K07986	22 May 2024	8.15%	22 May 2029	INR2,195.00	IND AAA/Stable
INE891K07978	22 May 2024	8.29%	19 August 2027	INR4,000.00	IND AAA/Stable
INE891K07903	29 November 2024	8.29%	26 February 2027	250	IND AAA/Stable
INE891K07937	23 July 2024	8.14%	21 February 2029	1,000.00	IND AAA/Stable
INE891K07986	26 August 2024	8.15%	22 May 2029	1350	IND AAA/Stable
			Utilised limits	INR81,272.00	
			Unutilised limits	INR92,578.00	
			Total	INR173,850.00	

Source: NSDL; AFL

Zero coupon bond

\$coupon rate of 8.24

Principal Protected Market Linked Debenture

ISIN	Date of Issuance	Coupon Rate	Maturity Date	Outstanding/Rated Amount (million)	Rating/Outlook
INE891K07788*	14 June 2022	GSEC LINKED	13 June 2025	INR300.00	WD (Paid in Full)
			Utilised	INR300.00	

Source: AFL; NSDL* coupon of 7.35%

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

The Rating Process

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

Rating FI Subsidiaries and Holding Companies

Rating of Financial Institutions Legacy Hybrids and Sub-Debt

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