

CMP: Rs 479

Rating: ACCUMULATE

Target Price: Rs 535

Stock Info

BSE	532215
NSE	AXISBANK
Bloomberg	ASXB IN
Reuters	AXBK.BO
Sector	Banks
Face Value (Rs)	2
Equity Capital (Rs Cr)	564
Mkt Cap (Rs Cr)	1,35,189
52w H/L (Rs)	766 / 286
Avg Yearly Vol (in 000')	12,150

Shareholding Pattern %

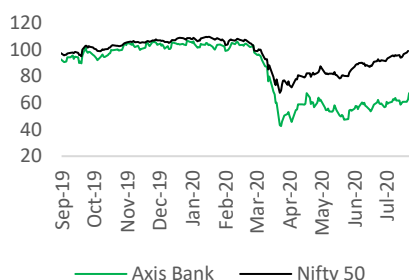
(As on March, 2020)

Promoters	16.0
FII	46.0
DII	19.6
Public & Others	18.4

Stock Performance (%)

	3m	6m	12m
Axis Bank	18.6	-35.3	-34.2
Nifty	21.6	-8.1	-1.9

Axis Bank Vs Nifty



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Axis Bank reported good performance during Q1FY21 with NII growth of 19.5% YoY to Rs 6,985 cr driven by advances growth of 13% YoY. Due to 33% decrease in other income, Bank has reported negative growth in operating profit at -1% YoY to Rs 5,844 cr. Provision were at Rs 4,416 cr, bank has made additional provision of Rs 733 cr (Rs 3,475 cr in Q4FY20) for Covid-19 related impact. With this, bank now holds total additional provision of Rs 6,898 cr. Net profit for the quarter stood at Rs 1,112 cr vs. Rs 1,388 cr loss in Q4FY20. On the business front, the bank's loan book grew by +12.9% YoY/-2% QoQ to Rs 5.61 lakh Cr while deposits grew smoothly to Rs 6.28 lakh Cr by +16.2% YoY. The advances growth was driven by both Corporate and Retail loans.

Key Highlights of Q1FY21:

Loan growth slows down: Overall, loan book growth slowed down to 13% vs. 15% in FY20 due to lower growth in retail portfolio. Retail loan book for the quarter grew by 16% YoY vs. 24% in FY20 while corporate book grew by 16% YoY vs. 11% in FY20. Deposits during the quarter grew by 16% YoY with CASA sequentially flat at 39%.

NIM contracted sequentially: On a sequential basis, NIM contracted by 15bps largely due to surplus liquidity (9bps) and prudence (5bps due to NII provision).

Asset Quality improved along with prudent provisioning: Asset quality of the bank improved led by lower slippages which has declined by 43% QoQ to Rs 2,218 cr. The banks GNPA/NNPA fell down to 4.72%/1.23% in Q1FY21 against 4.86%/1.56% at the end of March 2020.

Valuation & View

Moratorium book of the bank has declined meaningfully to 9.7% in Q1FY21 from 26% in Q4FY20. However, asset quality of the bank need to be watched in H2FY21. The bank has created strong provisioning buffer of 1.56% (additional + Covid provision) of standard loans which is quite healthy. With strong capital adequacy ratio, improving operating efficiency and management's focus on secured retail portfolio, we keep our positive stance on Axis Bank. We continue to value the bank at 1.9x P/ABV multiple to its FY22 ABVPS of Rs 281 for a target price of Rs 535 per share. We maintain our Accumulate rating on the stock.

Axis Bank Ltd. (Rs Cr)	FY18A	FY19A	FY20	FY21E	FY22E
NII	18,618	21,708	25,206	25,755	27,984
PPOP	15,594	19,005	23,438	24,049	26,768
PAT	276	4,677	1,627	6,811	11,430
EPS (INR / Share)	1.1	18.2	5.8	24.1	40.5
ABVPS (INR / Share)	182.7	215.4	257.8	268.8	281.5
NIM (%)	3.1	3.2	3.5	3.5	3.5
Advances Growth (%)	17.8	12.5	18.0	14.0	18.0
Deposits Growth (%)	9.5	20.9	16.0	14.5	17.0
P / ABV (x)	3.7	2.2	1.9	1.8	1.7

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Q1 FY20 - Quarterly Performance (Standalone)

(in Rs Cr)

Particulars	Q1FY21	Q1FY20	YoY	Q4 FY20	QoQ
Interest Earned	16539	15255	8.4%	16234	1.9%
Interest Expended	9554	9411	1.5%	9426	1.3%
NII	6985	5844	19.5%	6808	2.6%
Other Income	2587	3869	-33.1%	3985	-35.1%
Operating Expenses	3728	3820	-2.4%	4942	-24.6%
Operating Profit before Prov.& Cont.	5844	5893	-0.8%	5851	-0.1%
Provisions and Contingencies	4416	3815	15.8%	7730	-42.9%
PBT	1428	2078	-31.3%	-1879	NA
Provision for tax	316	708	-55.4%	-491	NA
Net Profit (after Extraordinary Items)	1112	1370	-18.8%	-1388	NA
Return on Assets (Annualised)	0.5	0.7		-0.6	NA
Earnings Per Share	3.9	5.3	-25.5%	-4.9	NA
Cost-income ratio	38.9	39.3		45.8	
Advances	561341	497276	12.9%	571424	-1.8%
Deposits	628150	540678	16.2%	640105	-1.9%
C-D Ratio (%)	89.4	92.0		89.3	
Amount of Gross NPA	29560	29405	1%	30234	-2%
Amount of Net NPA	7448	11037	-33%	9360	-20%
% of Gross NPAs	4.72	5.3		4.86	
% of Net NPAs	1.23	2.0		1.56	
Provisions Coverage%	69	78		69	
NIM %	3.40	3.40		3.55	
CASA%	39.0	41.0		39.0	
Capital Adequacy Ratio Basel III	17.3%	16.1%		17.53%	
Tier I Basel III	14.4%	12.9%		14.49%	

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Conference Call Highlights:

- Loans under moratorium at the end of June 2020 stood at 9.7% of the total book, of which 0.5% came from the rural MFI business out of which 67% started paying from June.
- Out of the total retail borrowers, 78% are fully secured and 70% have high prime credit bureau scores.
- In the mortgages segment of the moratorium users, 80% are with ready properties, thereby reducing its risk.
- Among the unsecured customers, 95% of credit card customers have ODPD and 90% have longer than 12 months credit score vintage.
- From the moratorium 1 phase users, 80% of corporates have paid in June and 70% from retail.
- 81% of retail book is secured while 67% of credit cards are issued to salaried customers.
- Bank has reduced its SME portfolio by more than 10% over last year.
- 88% of the book is secured and the rest is towards supply chain finance.
- 82% of the wholesale book has rating of A- & better and keeps on improving as 95% of the incremental disbursements over last 12 months was towards A- & better assets.
- June 2020 disbursements for home loans and personal loans were 68% and 37% of June 2019 levels, while June rural disbursements were 90% of the June 2019 levels.

Income Statement				
(Rs Cr)	FY19	FY20	FY21E	FY22E
Interest Earned	54986	62635	69571	78616
Interest Expended	33278	37429	43815	50632
Net Interest Income	21708	25206	25755	27984
Other Income	13130	15537	17675	20490
Fee Income	10127	11849	13863	16220
Treasury Income	971	1350	1241	1365
Operating Income	34839	40743	43431	48475
Operating Expenses	15833	17305	19381	21707
Employee Expenses	4747	5321	5960	6675
Profit before provision & tax	19005	23438	24049	26768
Provisions and Contingencies	12031	18534	15243	11991
Profit Before Tax	6974	4904	8806	14776
Provision for tax	2297	3277	1995	3347
Exp. Items	0	0	0	0
Profit After Tax	4677	1627	6811	11430

Balance Sheet				
(Rs Cr)	FY19	FY20	FY21E	FY22E
Sources of funds				
Share Capital	514	564	564	564
Total Reserves	66162	84384	91195	102625
Shareholder's Fund	66676	84948	91759	103189
Deposits	548471	640105	732920	857517
Borrowings	152776	147954	161270	175784
Other Liabilities & provisions	33073	42158	47644	57263
Total Liabilities	800997	915165	1033594	1193753
Application of Funds				
Cash & Bank	67205	97268	106995	117695
Investments	174969	156734	172408	189649
Advances	494798	571424	651424	768680
Fixed Assets	4037	4313	4529	4755
Other Assets	59988	85425	98239	112975
Total Assets	800997	915165	1033594	1193753

Ratios %				
	FY19	FY20	FY21E	FY22E
Asset Quality				
Gross NPA	5.3	5.3	6.2	5.9
Net NPA	2.1	2.1	2.4	3.1
PCR	62.0	76.0	78.0	78.0
Growth				
Advances Growth	12.5	18.0	14.0	18.0
Deposit growth	20.9	16.0	14.5	17.0
Net Profit Growth	1596.4	-65.2	318.6	67.8
Liquidity				
C-D Ratio	90.2	89.3	88.9	89.6
CASA	44.4	41.2	42.0	42.0
Capital Adequacy	16.6	16.6	16.6	16.6
Efficiency				
Cost Income Ratio	45.4	42.5	44.6	44.8
Operating Costs to Assets	2.0	1.9	1.9	1.8

Spread Analysis (%)				
	FY19	FY20	FY21E	FY22E
Spread Analysis				
Yield on Advances	8.4	8.6	8.6	8.6
Yield on Investments	6.5	6.0	6.0	6.0
Cost of Funds	4.7	4.9	4.9	4.9
Cost of Deposits	5.3	5.7	5.7	5.7
NIM	3.2	3.5	3.5	3.5
Interest Spread	3.6	3.8	3.7	3.7
Profitability				
ROE	7.0	1.9	7.4	11.1
Earnings Per Share (Rs)	18.2	5.8	24.1	40.5
Dividend Per Share (Rs)	0.0	5.0	5.0	5.0
Adjusted Book Value (Rs)	215	258	269	281
Valuation				
P / EPS (x)	26.3	83.1	19.8	11.8
P / ABV (x)	2.2	1.9	1.8	1.7

Source: Arian Research, Company Filings, Ace Equity, Bloomberg

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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