

**Strong Sequential growth seen on business front;  
Asset quality improved**

**CMP: INR 700**

**Rating: ACCUMULATE**

**Target Price: INR 798**

**Stock Info**

BSE	532215
NSE	AXISBANK
Bloomberg	ASXB IN
Reuters	AXBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Cr)	612
Mkt Cap (INR Cr)	2,14,327
52w H/L (INR)	800 / 333
Avg Yearly Vol (in 000')	26,791

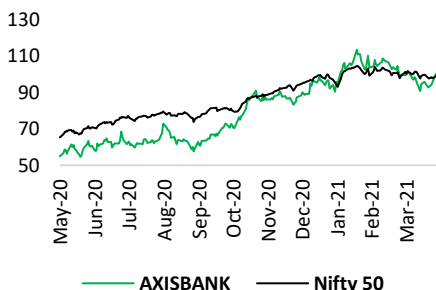
**Shareholding Pattern %**

(As on March, 2021)

Promoters	13.58
FII	51.43
DII	23.27
Public & Others	11.72

Stock Performance (%)	3m	6m	12m
Axis Bank	4.3	38.6	53.6
Nifty	6.1	24.9	56.2

**Axis Bank Vs Nifty**



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Axis Bank has reported strong performance during Q4FY21 in terms of asset quality and business growth. The net profit of the bank jumped by 2.4x QoQ to INR 2,677 cr vs. our estimate of INR 2,760 cr driven by better operating performance and decline in provisions. Advances for the quarter grew by 9% YoY/7% QoQ, which led to 11% YoY growth in NII at INR 7,555 cr. Operating profit for the quarter grew strongly by 17% YoY/13% QoQ to INR 6,865 cr, driven by non-interest income growth of 17% YoY. Cost-income ratio for the quarter decreased by 149 bps QoQ to 43.8% due to better other income growth. Credit cost for the quarter declined to 1.7% from 3.3% in the previous quarter. GNPA for the quarter improved by 85bps QoQ at 3.7% led by higher write offs. On the business front, loan book growth was at +9% YoY/7% QoQ to INR 6.23 lakh cr while deposits grew smoothly to INR 7.07 lakh cr by 11% YoY.

**Strong sequential growth seen on loan book:** Overall, loan book growth increased to 9% YoY/7% QoQ vs. 6% YoY/1% QoQ in the previous quarter. Within segments, retail book grew by 10% YoY/5% QoQ, comprising ~54% of the total loans. Retail disbursements touched new all time highs led by higher contribution from secured loan segments. SME book seen strong growth of 13% YoY and 9% QoQ, led by tech driven transformation initiatives and better co-ordination with branch banking team. Sequentially, Corporate loan book growth was also quite strong at 9% ((incl. TLTRO investments). Deposits during the quarter grew by 11% YoY/8% QoQ with stable CASA ratio of 42%.

**Asset quality improved led by high write off:** Asset quality of the bank improved with GNPA/NNPA improvement of 85bps/14bps QoQ at 3.7%/1%. Gross slippages for the quarter came in at INR 5,285 cr as compared to INR 7,993 cr in Q3FY21. Recoveries and write off for the quarter was higher at INR 9,015 cr vs. 6,419 cr QoQ. Restructuring pool was quite low at 0.3% of loans at INR 1,848 cr. The bank continue to hold higher provision with cumulative provision (standard + additional non-NPA) of INR 12,010 cr (1.95% of loans vs 2.1% in Q3FY21), which keeps the balance sheet stronger.

**Valuation & View:** We raise our earnings estimates by 4%/1% for FY22/23E and maintain our Accumulate rating on the stock with a revised TP of INR 798 (Earlier INR 794), valuing the bank at 2.0x FY23E ABV. The bank is well poised to grow at higher than industry average given it's a) strong capital position with CRAR of 19.1%, b) Strong provision buffers which makes balance sheet stronger, c) superior liability profile and d) improving asset quality trend. We expect the bank to deliver RoA/RoE of 1.3%/13% by FY23E.

Axis Bank Ltd. (Rs Cr)	FY20	FY21	FY22E	FY23E
NII	25,206	29,239	33,601	40,029
PPOP	23,438	25,702	29,400	36,122
PAT	1,627	6,588	12,799	16,705
EPS (INR / Share)	5.8	21.5	41.8	54.5
ABVPS (INR / Share)	261.4	308.1	349.4	398.9
NIM (%)	3.2	3.4	3.4	3.6
ROA (%)	0.2%	0.7%	1.1%	1.3%
ROE (%)	1.9%	6.5%	11.2%	12.7%
P / ABV (x)	2.7	2.3	2.0	1.8

## Q4FY21 - Quarterly Performance (Standalone)

(in INR Cr)

Particulars	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ
Interest Earned	15545	16234	-4.2%	15498	0.3%
Interest Expended	7990	9426	-15.2%	8126	-1.7%
<b>NII</b>	<b>7555</b>	<b>6808</b>	<b>11.0%</b>	<b>7373</b>	<b>2.5%</b>
Other Income	4668	3985	17.1%	3776	23.6%
Operating Expenses	5359	4942	8.4%	5053	6.0%
<b>Operating Profit before Prov.&amp; Cont.</b>	<b>6865</b>	<b>5851</b>	<b>17.3%</b>	<b>6096</b>	<b>12.6%</b>
Provisions and Contingencies	3295	7730	-57.4%	4604	-28.4%
<b>PBT</b>	<b>3570</b>	<b>-1879</b>	<b>NA</b>	<b>1491</b>	<b>139.4%</b>
Provision for tax	893	-491	NA	375	138.3%
<b>Net Profit (after Extraordinary Items)</b>	<b>2677</b>	<b>-1388</b>	<b>NA</b>	<b>1117</b>	<b>139.8%</b>
Return on Assets (Annualised)	1.1	-0.6	NA	0.5	NA
<b>Earnings Per Share</b>	<b>8.7</b>	<b>-4.9</b>	<b>NA</b>	<b>3.7</b>	<b>138.9%</b>
Cost-income ratio	43.8	45.8	-195bps	45.3	-149bps
Advances	623720	571424	9.2%	582754	7.0%
Deposits	707306	640105	10.5%	654140	8.1%
C-D Ratio (%)	88.2	89.3	-109bps	89.1	-90bps
Amount of Gross NPA	25315	30234	-16%	21998	15%
Amount of Net NPA	6994	9360	-25%	4610	52%
% of Gross NPAs	3.70	4.86	-116bps	3.44	26bps
% of Net NPAs	1.05	1.56	-51bps	0.74	31bps
Provisions Coverage%	79.0	69.0	1000bps	79.0	0bps
NIM %	3.6	3.6	1bps	3.6	-3bps
CASA%	42.0	39.0	300bps	42.0	0bps
Capital Adequacy Ratio Basel III	19.1%	17.5%	159bps	18.7%	0bps
Tier I Basel III	16.5%	14%	198bps	16%	1bps

Source: Arianth Research, Company Filings

## Conference Call Highlights:

- The bank Continue to focus on six-point strategy (i) Strengthening core of bank (ii) Invest in technology (iii) Making Axis digital (iv) granularity in loans/deposits/exposures (v) Strong focus on PPOP growth and (vi) Improve reach & scale up subsidiaries.
- The retail segment saw strong momentum with highest ever quarterly retail disbursements. Domestic secured retail loans grew 13% YoY and 8% QoQ. Secured segments like HL, LAP and small biz banking continued to grow strongly with 45% QoQ, 51% QoQ and 42% QoQ growth in disbursements, respectively.
- Large corporate continue to deliver amidst deleveraging & repayments/pre-payments. Strong growth in non-large corporate side like – Mid corp, Govt biz, MNCs which is 15-18% of loans.
- The bank has sanctioned INR 104 bn under ECLGS, out of which 99% being ECLGS 1.0.
- Bank continue to focus on granular deposits. The bank has added 1.8 mn new liability a/c opened in Q4, up 10% QoQ while added 6.7mn new accounts for FY21. New savings & CA acquisition grew by 12% & 7%QoQ and average retail saving balances was up by 11% YoY.
- Staff cost has increased as bank provides for social security (gratuity) of INR 2.2bn.
- Cheque bounce rates slightly higher than pre-covid. Although demand resolution has been higher given the strong recovery workforce built and investments made in collections in FY21.
- Bank witnessed INR 5285 cr of slippages of which 65% were from retail book.
- During the quarter, Axis Bank has made additional provision of INR 800 cr to improve coverage from 53% to 80% in the commercial banking segment.
- Collection efficiency for the quarter at 98%, which is in line with pre-covid scenario.
- BB & below book (fund based) of the bank declined to 1.09% vs. 1.37% QoQ. Total fund based BB & below outstanding stood at INR 7,443 cr vs. 8,722 cr in previous quarter.

Income Statement				
(Rs Cr)	FY20	FY21	FY22E	FY23E
Interest Earned	62635	63645	73133	84615
Interest Expended	37429	34406	39532	44586
<b>Net Interest Income</b>	<b>25206</b>	<b>29239</b>	<b>33601</b>	<b>40029</b>
Other Income	15537	14838	16073	18329
Fee Income	11019	10686	11541	12926
Treasury Income	2420	2547	1830	2276
<b>Operating Income</b>	<b>40743</b>	<b>44077</b>	<b>49675</b>	<b>58358</b>
Operating Expenses	17305	18375	20274	22236
Employee Expenses	5321	6164	6842	7595
<b>Profit before provision &amp; tax</b>	<b>23438</b>	<b>25702</b>	<b>29400</b>	<b>36122</b>
Provisions and Contingencies	18534	16896	12294	13795
<b>Profit Before Tax</b>	<b>4904</b>	<b>8806</b>	<b>17106</b>	<b>22327</b>
Provision for tax	3277	2217	4307	5622
Exp. Items	0	0	0	0
<b>Profit After Tax</b>	<b>1627</b>	<b>6588</b>	<b>12799</b>	<b>16705</b>

Ratios %				
	FY20	FY21E	FY22	FY23E
<b>Asset Quality</b>				
Gross NPA	4.9	3.7	3.9	3.7
Net NPA	1.6	1.1	1.0	1.1
PCR	76.0	80.0	78.0	74.0
<b>Growth</b>				
Advances Growth	15.5	9.2	15.0	16.0
Deposit growth	16.7	10.5	14.0	15.0
Net Profit Growth	-65.2	304.9	94.3	30.5
<b>Liquidity</b>				
C-D Ratio	89.3	88.2	89.0	89.7
CASA	41.2	42.0	42.0	42.0
Capital Adequacy	17.5	19.1	19.1	19.1
<b>Efficiency</b>				
Cost Income Ratio	42.5	41.7	40.8	38.1
Operating Costs to Assets	1.9	1.8	1.8	1.7

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

Balance Sheet				
(Rs Cr)	FY20	FY21	FY22E	FY23E
<b>Sources of funds</b>				
Share Capital	564	613	613	613
Total Reserves	84384	100990	113789	130493
<b>Shareholder's Fund</b>	<b>84948</b>	<b>101603</b>	<b>114402</b>	<b>131106</b>
Deposits	640105	707306	806329	927278
Borrowings	147954	142873	158589	174448
Other Liabilities & provisions	42158	44336	48770	56085
<b>Total Liabilities</b>	<b>915165</b>	<b>996118</b>	<b>1128090</b>	<b>1290029</b>
<b>Application of Funds</b>				
Cash & Bank	97268	61730	67903	74693
Investments	156734	226120	254132	291764
Advances	571424	623720	717278	832043
Fixed Assets	4313	4245	4457	4680
Other Assets	85425	80304	84319	86849
<b>Total Assets</b>	<b>915165</b>	<b>996118</b>	<b>1128089</b>	<b>1290028</b>

Spread Analysis (%)				
	FY20	FY21E	FY22	FY23E
<b>Spread Analysis</b>				
Yield on Advances	8.5	7.7	8.0	8.0
Yield on Investments	7.2	5.6	6.0	6.0
Cost of Funds	4.7	4.0	4.1	4.0
NIM	3.2	3.4	3.4	3.6
Interest Spread	3.7	3.6	3.9	3.9
<b>Profitability</b>				
ROE	1.9%	6.5%	11.2%	12.7%
ROA	0.2%	0.7%	1.1%	1.3%
Earnings Per Share (Rs)	5.8	21.5	41.8	54.5
Book Value (Rs)	301	332	373	428
Adjusted Book Value (Rs)	261	308	349	399
<b>Valuation</b>				
P / EPS (x)	121.3	32.5	16.7	12.8
P / ABV (x)	2.7	2.3	2.0	1.8

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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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