

In line performance with our Estimates

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**CMP: INR 968**

**Rating: Hold**

**Target Price: INR 931**

**Stock Info**

BSE	532215
NSE	AXISBANK
Bloomberg	ASXB IN
Reuters	AXBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Cr)	616
Mkt Cap (INR Cr)	2,98,009
52w H/L (INR)	990 / 702
Avg Yearly Vol (in 000')	10,261

**Shareholding Pattern %**

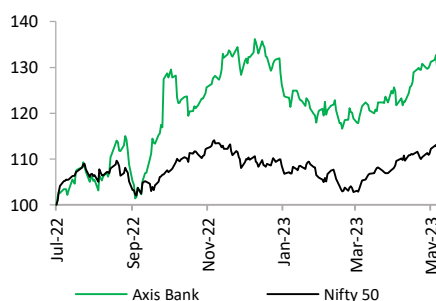
(As on June, 2023)

Promoters	8.19
Public & Others	91.81

**Stock Performance (%)**

	1m	6m	12m
Axis Bank	0.6	10.8	37
Nifty	5.9	12.5	20

**Axis Bank Vs Nifty**



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Axis Bank has reported good performance during Q1FY24 with strong profit growth of 41% YoY/ 201% QoQ at INR 57.97 bn was slightly above our estimate of INR 56 bn. Advances growth for the quarter was lower at 22% YoY/ 2% QoQ. NII for the quarter increased by 27% YoY/2% QoQ to INR 119.59 bn was below our estimate of INR 120.41 bn, driven by +22% YoY growth in advances at INR 8585.11 bn. Operating profit for the quarter increased by 50% YoY/-4% QoQ to INR 88.14 bn. However, core operating profit growth was strong at 27% YoY. Asset quality of the bank improved as GNPA decreased marginally by 6bps QoQ at 1.96%.

**Loan growth was driven by growth in the focused segment:** Overall, loan book of the bank increased by 22% YoY/2% QoQ (vs. 19% YoY in Q4FY23) driven by Retail portfolio. Retail loan book (~58% of the portfolio) grew strongly by 21% YoY/2% QoQ and SME loan portfolio grew by 24% YoY/-5.5% QoQ. Corporate book reported growth of 25% YoY/2% QoQ. Home loans, Small business Banking, LAP and Rural loans portfolio grew by 8% YoY, 46% YoY, 17% YoY & 22% YoY respectively. Unsecured personal loans and credit card advances grew by 22% YoY and 91% YoY respectively. Total deposits during the quarter grew by 17% YoY/0.55% QoQ with CASA ratio of 46%. The cost of deposits is expected to increase going forward, due to which we might see a slight pressure on NIMs.

**Asset quality improved marginally:** Slippages for the quarter stood at INR 39.9 bn vs. INR 33.75 bn QoQ (Gross slippage ratio at 1.87% vs. 1.76% QoQ). Upgrades and recoveries was at INR 23.05 bn vs. INR 26.99 bn QoQ. Write offs for the quarter was at INR 21.31 bn vs. INR 24.29 bn QoQ. Bank has not utilized any covid provision during the quarter. The bank continue to hold provision with cumulative provision (standard + additional non-NPA) of INR 118.28 bn (1.39% of loans), which provides cushion to the balance sheet.

**Increasing Opex led by increasing EE cost:** Employee cost during the quarter was up by 23% YoY/ 24% QoQ at INR 26.88 bn. This is attributable to 2 reasons. Firstly, only March month of Q4FY23 includes employee expense to citibank employee which was acquired in March23. So, this is not an equitable comparison that led to increase in cost. Secondly, the annual increments/ promotions contributed to the increase in employee cost.

**Valuation & View:** Axis Bank's Q1FY24 performance was positive in terms of operating performance, margins side and improving asset quality metrics. With the rising credit growth in the system and bank's focus on growing retail and SME portfolio will lead to healthy loan growth pick up ahead. We believe, NIM of 3.5 - 4%. Cost of deposits is expected to increase, which will put a slight pressure on NIMs. We upgrade our rating on the stock to Hold with a revised target price of INR 931, valuing the bank at 2x FY25E ABV.

**Exhibit 1: Financial Performance**

Axis Bank Ltd. (INR Bn)	FY21	FY22	FY23	FY24E	FY25E
NII	292	331	429	476	520
PPOP	257	247	198	241	266
PAT	66	130	96	107	119
EPS (INR / Share)	21.5	42.4	31.1	34.8	38.6
ABVPS (INR / Share)	308.4	356.2	394.1	427.0	465.6
NIM (%)	3.4	3.5	4.0	3.6	3.6
P / ABV (x)	3.1	2.7	2.5	2.3	2.1

Source: Arihant Research, Company Filings

## Q1FY24 - Quarterly Performance (Standalone)

(in INR Bn)

Particulars (INR in bn)	Q1FY24	Q1FY23	Q4FY23	YoY	QoQ
<b>Interest Earned</b>	<b>255.57</b>	<b>187.29</b>	<b>239.70</b>	<b>36%</b>	<b>7%</b>
- Interest/discount on advances/bills	201.35	138.93	183.12	45%	10%
- Income on Investments	47.83	42.81	48.35	12%	-1%
- Interest on bal with RBI	2.99	1.93	3.61	55%	-17%
- Others	3.40	3.61	4.61	-6%	-26%
<b>Interest Expenses</b>	<b>135.98</b>	<b>93.45</b>	<b>122.28</b>	<b>46%</b>	<b>11%</b>
<b>NII</b>	<b>119.59</b>	<b>93.84</b>	<b>117.42</b>	<b>27%</b>	<b>2%</b>
Other Income	50.87	29.99	48.95	70%	4%
Total Income	170.46	123.83	166.37	38%	2%
<b>Operating Expenses</b>	<b>82.32</b>	<b>64.96</b>	<b>74.70</b>	<b>27%</b>	<b>10%</b>
- Employee cost	26.88	21.86	21.64	23%	24%
- Others	55.43	43.10	53.06	29%	4%
<b>Operating Profits</b>	<b>88.14</b>	<b>58.87</b>	<b>91.68</b>	<b>50%</b>	<b>-4%</b>
Provisions	10.35	3.59	3.06	188%	238%
Exceptional items	0.00	0.00	124.90	0%	-100%
<b>PBT</b>	<b>77.79</b>	<b>55.28</b>	<b>-36.28</b>	<b>41%</b>	<b>314%</b>
Tax	19.82	14.02	21.00	41%	-6%
<b>PAT</b>	<b>57.97</b>	<b>41.25</b>	<b>-57.28</b>	<b>41%</b>	<b>201%</b>

Source: Arihant Research, Company Filings

### Conference Call Highlights:

#### Retail Banking

- Retail banking grew faster than industry at a CAGR of 17% for last 5 years as compared to industry CAGR of 11%. They gained incremental market share of 6.3% in last 1 year as against closing market share of 4.9% as on June 23.
- Total retail book stood at INR 4978.1 bn (up 21% YoY, up 2% QoQ).
- There has been very little growth in LAP and Home loan side, during the quarter. The growth in these products is expected to be seen in Q2 onwards as bank has put in place initiatives for the growth of these books.

#### Corporate & Commercial Banking

- Corporate loan book grew 2% QoQ/ 25% YoY at INR 2730.44 bn, out of which 89% of the corporate loan book is rate A- or better.
- 10% of the total book is overseas book. Banks primary strategy is to focus on Indian corporates that have global operations.

#### Digital Banking

- Their digital banking segment has helped them to penetrate deeper into the market. More than 50% of the retain TDs or Personal loan or business loan were acquired digitally.
- It helps to increase their portfolio via cross selling and upselling.
- Bank has launched new products digitally, which are Personal Loans on Flipkart, Digital KCC, digital gold loans among others.

#### Deposit

- Total deposits stood at INR 9416.90 bn (up 17% YoY, down 0.55%). While the deposits remained stable on a QoQ basis, the healthy YoY growth was led by an increase in their CASA deposits and term deposits. CASA deposits grew by 21% YoY to INR 4465.36 bn and term deposits grew by 11% YoY to INR 5004.09 bn. Growth in term deposits was primarily led by non – retail term deposits which was up by 19% YoY to INR 1967.03 bn.
- The cost of funds stood at 5.03%. It has been visibly growing since past few quarters. It is expected to further in the coming quarters, owing to the increase in cost of deposits, although the growth of cost of deposits is expected to moderate in coming quarters.

#### Advances

- Total Advances stood at INR 8585.11 bn (up 22% YoY, 2% QoQ). This loan book remained stable QoQ, owing to seasonality but the growth was good on a YoY basis, which was lwd by the growth in retail segment.

Income Statement					
(Rs Bn)	FY21	FY22	FY23	FY24E	FY25E
Interest Earned	636.45	673.77	851.64	986.89	1114.12
Interest Expended	344.1	342.4	422.2	510.8	594.0
<b>Net Interest Income</b>	<b>292.4</b>	<b>331.3</b>	<b>429.5</b>	<b>476.1</b>	<b>520.1</b>
Other Income	148.4	152.2	165.0	208.6	235.0
Fee Income	106.9	130.0	162.2	181.6	203.4
Treasury Income	25.5	16.3	-2.4	20.9	24.7
<b>Operating Income</b>	<b>440.8</b>	<b>483.5</b>	<b>594.5</b>	<b>684.7</b>	<b>755.1</b>
Operating Expenses	183.8	236.1	396.6	444.1	489.5
Employee Expenses	61.6	76.1	87.6	98.1	108.9
<b>Profit before provision &amp; tax</b>	<b>257.0</b>	<b>247.4</b>	<b>197.9</b>	<b>240.5</b>	<b>265.6</b>
Provisions and Contingencies	169.0	73.6	28.8	97.6	107.4
<b>Profit Before Tax</b>	<b>88.1</b>	<b>173.8</b>	<b>169.1</b>	<b>142.9</b>	<b>158.2</b>
Provision for tax	22.2	43.6	73.3	35.7	39.5
Exp. Items	0.0	0.0	0.0	0.0	0.0
<b>Profit After Tax</b>	<b>65.9</b>	<b>130.3</b>	<b>95.8</b>	<b>107.2</b>	<b>118.6</b>

Balance Sheet					
(Rs Bn)	FY21	FY22	FY23	FY24E	FY25E
<b>Sources of funds</b>					
Share Capital	6.1	6.1	6.2	6.2	6.2
Total Reserves	1009.9	1144.1	1243.8	1350.9	1469.6
<b>Shareholder's Fund</b>	<b>1016.0</b>	<b>1150.3</b>	<b>1249.9</b>	<b>1357.1</b>	<b>1475.7</b>
Deposits	7073.1	8219.7	9469.5	10511.1	11667.3
Borrowings	1428.7	1851.3	1863.0	2049.3	2254.2
Other Liabilities & provisions	443.4	531.5	586.6	674.7	776.6
<b>Total Liabilities</b>	<b>9961.2</b>	<b>11754.3</b>	<b>13173.3</b>	<b>14592.2</b>	<b>16173.8</b>
<b>Application of Funds</b>					
Cash & Bank	617.3	1109.9	1064.1	1186.1	1322.1
Investments	2261.2	2756.0	2888.1	3315.8	3806.8
Advances	6237.2	7077.0	8453.0	9298.3	10228.2
Fixed Assets	42.5	45.7	47.3	49.7	52.2
Other Assets	803.0	763.3	720.6	742.3	764.5
<b>Total Assets</b>	<b>9961.2</b>	<b>11751.8</b>	<b>13173.3</b>	<b>14592.2</b>	<b>16173.8</b>

Ratios %					
	FY21	FY22	FY23	FY24E	FY25E
<b>Asset Quality</b>					
Gross NPA	3.7	2.8	2.2	1.9	1.9
Net NPA	1.1	0.7	0.4	0.6	0.6
PCR	80.0	70.0	81.0	70.0	70.0
<b>Growth</b>					
Advances Growth	9.2	15.0	16.0	10.0	10.0
Deposit growth	10.5	14.0	15.0	11.0	11.0
Net Profit Growth	304.9	97.7	-26.5	11.9	10.7
<b>Liquidity</b>					
C-D Ratio	88.2	86.1	89.3	88.5	87.7
CASA	42.0	45.0	45.0	45.0	45.0
Capital Adequacy	19.1	19.1	19.1	19.1	19.1
<b>Efficiency</b>					
Cost Income Ratio	41.69	48.83	66.71	64.87	64.83
Operating Costs to Assets	1.84	2.01	3.01	3.04	3.03

Spread Analysis (%)					
	FY21	FY22	FY23	FY24E	FY25E
<b>Spread Analysis</b>					
Yield on Advances	7.7	8.0	8.1	8.1	8.2
Yield on Investments	5.6	5.3	6.3	6.3	6.5
Cost of Funds	4.0	4.1	4.0	4.1	4.3
NIM	3.4	3.5	4.0	3.6	3.6
Interest Spread	3.6	3.9	4.0	4.0	3.9
<b>Profitability</b>					
ROE	6.5%	11.3%	7.7%	7.9%	8.0%
ROA	0.7%	1.1%	0.7%	0.7%	0.7%
Earnings Per Share (Rs)	21.5	42.4	31.1	34.8	38.6
Book Value (Rs)	332	375	406	441	480
Adjusted Book Value (Rs)	308	356	394	427	466
<b>Valuation</b>					
P / EPS (x)	44.9	22.8	31.0	27.7	25.1
P / ABV (x)	3.1	2.7	2.5	2.3	2.1

Source: Arian Research, Company Filings

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**Stock Rating Scale**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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