

CMP: INR 1,063

Rating: BUY

Target Price: INR 1,383

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)	2,99,651
52w H/L (INR)	1,152 / 814
Avg Yearly Vol (in 000')	10,160

Shareholding Pattern %

(As on March, 2024)

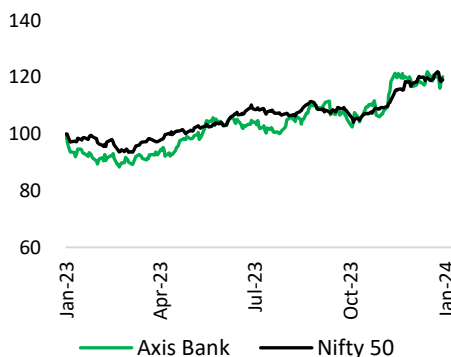
Promoters	8.20
Public & Others	91.80

Stock Performance (%)	1m	6m	12m
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Axis Bank

Nifty

Axis Bank Vs Nifty



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Axis Bank has reported healthy asset quality in Q4FY24 with moderate profit growth of 17.4% YoY/5.4% QoQ at INR 71.3 bn, slightly above our estimates of INR 65.4 bn. Advances growth for the quarter was 14.2% YoY/3.9% QoQ to INR 9,323 bn led by small business loans 33% YoY, retail loans like Rural Loans, Personal Loans and Credit Cards grew by 30% YoY, 31% YoY and 30% YoY respectively. NII for the quarter increased by 11.5% YoY/4.4% QoQ to INR 130.89 bn, marred by rise in Cost of Funds by 8 bps QoQ to 5.43%. Operating profit for the quarter increased by 14.9% YoY/up 15.3% QoQ to INR 105.36 bn. Asset quality of the bank improved as GNPA decreased by 15 bps QoQ to 1.43% and NNPA at 0.31% down 5 bps QoQ, at best ever levels over last several years.

Loan growth was driven by growth in the focused segment: Overall, loan book of the bank increased by 14.2% YoY/3.5% QoQ driven by small business banking growing at 33% YoY, LAP book by 25% YoY and Retail loans like: Rural, Personal and Credit Cards grew by 30%, 31% and 30% YoY respectively. Retail loan book (comprising 58% of net advances) grew strongly by 19.6% YoY/6.6% QoQ, SME loan portfolio grew by 17% YoY and Corporate book grew by only 3% YoY. Total deposits during the quarter grew by 9.3% YoY/3% QoQ with CASA ratio of 43%. The term deposits grew by 16% YoY/3% QoQ driving deposit mobilization.

Asset quality improved marginally: Net Slippages for the quarter stood at INR 3.98 bn while Gross slippages stood at INR 34.71 bn. Upgrades and recoveries were at INR 21.55 bn with the write-off of NPAs in Q4 was at INR 20.82 bn, indicating further room for improvement tapering off for the bank. The bank continues to hold provision with cumulative provision (standard + additional non-NPA) of INR 121.34 bn (1.26% of loans), which provides cushion to the balance sheet. The GNPA/NNPA improved further to 1.43%/0.31% respectively dipping by 15 bps/5 bps sequentially.

Aggressive expansion of branch network pushing Opex: Employee cost during the quarter was up by 35.1% YoY/7.8% QoQ while Other Operating Expenses increased 20.5% YoY/2.6% QoQ as the bank opened 125 branches during the quarter taking total branch count to 5,377 branches. This is particularly important to be emphasized as a larger liability portfolio will help further drive the bank's loanbook growth in the future.

Valuation & View: Axis Bank's posted robust performance in Q4FY24 in terms of NIMs at 4.06% (up 5 bps QoQ for Q4FY24) and showing resilience with increase in NIMs while maintaining growth was spectacular. The Bank opened 125 branches in Q4 and 475 branches in FY24 in order to increase their penetration against competition. Higher growth in the unsecured portfolio ensured that the increased Cost of Funds at 5.43% didn't affected the NIMs. We revise our estimates and rating on the bank to BUY with a revised target price of INR 1,383 (earlier INR 1,263) at 2.5x FY27E ABV.

Exhibit 1: Financial Performance

Axis Bank Ltd. (INR Bn)	FY23	FY24	FY25E	FY26E	FY27E
NII	429	499	678	794	930
PPOP	198	371	424	521	637
PAT	96	248	231	285	356
EPS (INR / Share)	31.1	62.7	74.9	92.2	115.3
ABVPS (INR / Share)	394.1	473.7	550.9	647.5	772.2
NIM (%)	4.0	4.0	4.0	4.1	5.1
ROA (%)	0.7%	1.8%	1.8%	1.8%	1.9%

Source: Arihant Research, Company Filings

Q4FY24 - Quarterly Performance (Standalone)

(in INR Mn)

Particulars (INR in bn)	Q4FY24	Q4FY23	Q3FY24	YoY	QoQ
Interest Earned	292.25	239.70	279.61	21.9%	4.5%
- Interest/discount on advances/bills	233.51	183.12	223.64	27.5%	4.4%
- Income on Investments	53.38	48.35	50.89	10.4%	4.9%
- Interest on bal with RBI	2.56	3.61	1.46	-29.0%	75.1%
- Others	2.79	4.61	3.61	-39.6%	-22.8%
Interest Expenses	161.36	122.28	154.29	32.0%	4.6%
NII	130.89	117.42	125.32	11.5%	4.4%
Other Income	67.66	48.95	55.55	38.2%	21.8%
Total Income	198.55	166.37	180.87	19.3%	9.8%
Operating Expenses	93.19	74.70	89.46	24.8%	4.2%
- Employee cost	29.24	21.64	27.11	35.1%	7.8%
- Others	63.96	53.06	62.34	20.5%	2.6%
Operating Profits	105.36	91.68	91.41	14.9%	15.3%
Provisions	11.85	3.06	10.28	287.6%	15.3%
Exceptional items	0.00	124.90	0.00	NA	NA
PBT	93.50	88.62	81.13	5.5%	15.3%
Tax	22.21	21.00	20.42	5.7%	8.8%
PAT	71.30	67.6	60.7	5.4%	17.4%
Advances	9,649	8,453	9,323	14.2%	3.5%
Deposits	10,350	9,469	10,049	9.3%	3.0%
Total Assets	14,451	13,173	13,985	9.7%	3.3%
CASA (%)	43%	44%	42%	-100bps	100bps
CASA Deposits	4,043	3,741	4,235	8.1%	-4.5%
Asset Quality					
GNPA	151.3	186.0	158.9	-18.7%	-4.8%
NNPA	32.5	35.6	35.3	-8.8%	-7.9%
GNPA (%)	1.43%	2.02%	1.58%	-59bps	-15bps
NNPA (%)	0.31%	0.39%	0.36%	-8bps	-5bps
RoA	2.00%	1.75%	-1.83%	25bps	383bps
Cost to Income Ratio	46.94%	44.90%	49.46%	204bps	-252bps

Source: Arianth Research, Company Filings

Conference Call Highlights:**Management Guidance:**

- Credit growth is foreseen to be above 300-400 bps of industry average, going forward.
- Margins are expected to be maintained in rangebound levels.
- The Company's board has approved the capital raise plans of INR 550 bn. The Bank will be issuing debt instruments for INR 350 bn while the remaining INR 200 bn will be raised through issue of Equity shares.

Key Highlights:

- Retail segment loan growth stood at 19.6% YoY and 6.6% QoQ to INR 5.8 trillion while Corporate & SME growth stood at 3.3% YoY and 17.1% YoY respectively.
- Within the retail space, Rural loans, Personal loans, and Credit card segment showed a strong growth of 30% YoY, 31% YoY and 30% YoY respectively.
- LAP and Small Business Banking reported a healthy uptick of 25% YoY and 33% YoY growth respectively.
- Secured retail loans was at around 72% with home loans forming 28% of retail loan book.
- 78% of personal loans and 49% of credit card loans were towards existing customers of the bank.
- Within the SBB segment, over ~74% loans are towards working capital loans.
- Retail term deposits showed an uptick of 17% YoY while non-retail term deposits were up 29% YoY.
- The Bank currently has standard restructured book of 0.14% of gross customer assets v/s 0.22% a quarter ago. Within the retail segment 0.23% is restructured and 0.07% of wholesale segment is restructured.
- 98% of retail restructured is secured and unsecured restructured book is 100% provided.
- The bank carries 20% provisions on restructured book and is in excess of regulatory limits.
- Gross slippage ratio annualized for Q4FY24 stands at 1.48%, and was down 28 bps YoY / 14 bps QoQ, while the net slippage ratio stood at 0.57%, and was down 19 bps QoQ.
- During the quarter fresh slippages in absolute terms stood at INR 34,710 mn v/s INR 37,150 mn QoQ while upgrades and recoveries stood at INR 21,550 mn.
- Write-offs during the quarter came in at INR 20,820 mn against INR 19,810 mn on QoQ basis.
- During the quarter accounts worth INR 4,570 mn were downgraded to BB & below category. Average ticket size in BB & below book stood at INR 320 mn.
- For Axis securities, broking revenue for FY24 were up by 58% YoY to INR 11,430 crore and Net Profit was up 48% YoY to INR 3,010 mn. Customer base jumped by 12% YoY.
- Axis AMC's average quarterly AUM for the quarter stood at INR 2.74 trillion and its FY24 PAT came in at INR 4,140 mn.

Income Statement				
(Rs Bn)	FY24	FY25E	FY26E	FY27E
Interest Earned	1,093.7	1,245.8	1,440.4	1,666.0
Interest Expended	594.7	568.2	646.7	736.3
Net Interest Income	498.9	677.6	793.7	929.7
Other Income	224.4	236.3	267.0	301.9
Fee Income	181.6	203.4	227.8	255.2
Treasury Income	20.9	25.1	30.3	36.4
Operating Income	723.4	913.9	1,060.7	1,231.6
Operating Expenses	242.8	489.5	539.6	594.8
Employee Expenses	109.3	108.9	120.9	134.2
Profit before provision & tax	371.2	424.3	521.1	636.9
Provisions and Contingencies	40.6	116.0	141.7	162.3
Profit Before Tax	330.6	308.3	379.4	474.6
Provision for tax	64.5	77.1	94.8	118.7
Exp. Items	82	0.0	0.0	0.0
Profit After Tax	248.6	231.2	284.5	356.0

Balance Sheet				
(Rs Bn)	FY24	FY25E	FY26E	FY27E
Sources of funds				
Share Capital	6	6	6	6
Total Reserves	1,496	1,727	2,012	2,368
Shareholder's Fund	1,502	1,734	2,018	2,374
Deposits	10,686	12,236	14,010	16,042
Borrowings	1,968	2,165	2,381	2,620
Other Liabilities & provisions	607	699	801	919
Total Liabilities	14,772	16,833	19,211	21,954
Application of Funds				
Cash & Bank	1,145	1,179	1,214	1,251
Investments	3,315	3,871	4,523	5,285
Advances	9,651	11,050	12,652	14,487
Fixed Assets	57	60	63	66
Other Assets	605	684	759	866
Total Assets	14,772	16,833	19,211	21,954

Ratios %				
	FY24	FY25E	FY26E	FY27E
Asset Quality				
Gross NPA	1.9	1.9	1.9	1.9
Net NPA	0.6	0.6	0.6	0.6
PCR	70.0	70.0	70.0	70.0
Growth				
Advances Growth	14.5	14.5	14.5	14.5
Deposit growth	11.0	14.5	14.5	14.5
Net Profit Growth	101.9	19.6	23.1	25.1
Liquidity				
C-D Ratio	90.3	90.3	90.3	90.3
CASA	37.8	45.0	45.0	45.0
Capital Adequacy	19.1	19.1	19.1	19.1
Efficiency				
Cost Income Ratio	55.29	53.57	50.87	48.29
Operating Costs to Assets	3.01	2.92	2.83	2.73

Spread Analysis (%)				
	FY24	FY25E	FY26E	FY27E
Spread Analysis				
Yield on Advances	8.6	8.7	8.7	8.7
Yield on Investments	6.3	6.5	6.7	6.9
Cost of Funds	3.7	3.9	3.9	3.9
NIM	4.0	4.0	4.1	5.1
Interest Spread	4.9	4.8	4.8	4.8
Profitability				
ROE	12.9%	13.3%	14.1%	15.0%
ROA	1.3%	1.4%	1.5%	1.6%
Earnings Per Share (Rs)	62.7	74.9	92.2	115.3
Book Value (Rs)	487	562	654	769
Adjusted Book Value (Rs)	474	551	648	772
Valuation				
P / EPS (x)	15.4	12.9	10.5	8.4
P / ABV (x)	2.0	1.8	1.5	1.3

Source: Arian Research, Company Filings

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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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