

- Axis Bank Limited reported a net interest income growth of 8% in its Q2-FY22 standalone results at ₹79,000 million as against ₹73,260 million in Q2-FY21, driven by advances growth of 10% and a net interest margin of 3.39%. Non-interest income (comprising of fee, trading profit and miscellaneous income) for Q2-FY22 stood at ₹32,310 million, growth of 17% YoY.
- Operating profit for Q2-FY22 stood at ₹59,280 million, down by 11% YOY. Core operating profit for Q2-FY22 stood at ₹54,560 million, down by 7% YOY. The Bank reported standalone profit of ₹31,330 million, as compared to profit of ₹16,830 million in Q2-FY21.
- The Bank's advances grew 10% YOY to ₹6,217,190 million as on 30th September 2021. Retail loans grew 16% YOY to ₹3,456,030 million and accounted for 56% of the net advances of the Bank. The share of secured retail loans was ~ 80%, with home loans comprising 37% of the retail book. Corporate loan book grew by 1% YOY. 86% of Corporate book is now rated A- and above with 93% of incremental sanctions in Q2-FY22 being to corporates rated A- and above.
- The total deposits on quarterly average basis (QAB) grew by 18% YoY both on period end basis. Savings account deposits grew 23% YOY and 5% QoQ, Current Account deposits grew 18% YOY and Retail Term Deposits grew 11% YOY. CASA and Retail Term Deposits on a QAB basis put together recorded a growth of 16% YOY. The share of CASA and Retail Term Deposits in the Total Deposits was 83% as of 30th September 2021.
- Specific loan loss provisions for Q2-FY22 were ₹9,270 million compared to ₹28,650 million in Q2-FY21. The Bank has not utilized Covid provisions during the quarter. On an aggregated basis, provision coverage ratio (including specific + standard + additional + Covid provisions) stands at 124% of GNPA as on 30th September, 2021.
- As on 30th September 2021, the Bank's Gross NPA and Net NPA levels were 3.53% and 1.08% respectively, as against 3.85% and 1.20% respectively as on 30th June 2021. The reported gross slippages for quarter were ₹54,640 million, compared to ₹65,180 million during Q1-FY22 and ₹17,510 million in Q2-FY21.
- Given the healthy asset mix, liability strength, adequate capital and superior customer profile, we believe the bank is poised to face near term challenges and benefit in the phase of normalisation. We continue to remain positive on the company and maintain our **BUY** rating on the stock with a target price of **₹860 per share**.

Quarterly Results

Financial Results

Standalone						
(In ₹ mn)	Q2-FY22	Q2-FY21	Chg	6M-FY22	6M-FY21	Chg
Interest Earned	163,360	159,807	2.2%	323,395	324,261	-0.3%
Interest Expended	84,357	86,546	-2.5%	166,789	181,148	-7.9%
Net Interest Income	79,003	73,261	7.8%	156,606	143,114	9.4%
Other Income	37,984	35,694	6.4%	73,866	61,560	20.0%
Operating Expenses	57,705	42,356	36.2%	107,029	79,632	34.4%
Pre-Provision Profits	59,282	66,598	-11.0%	123,442	125,042	-1.3%
Provisions	17,351	43,428	-60.0%	52,671	87,592	-39.9%
PBT	41,931	23,170	81.0%	70,771	37,449	89.0%
Tax	10,598	6,343	67.1%	17,836	9,501	87.7%
Exceptional Items	-	-		-	-	
PAT	31,333	16,827	86.2%	52,935	27,948	89.4%

Margins

Standalone						
Margins	Q2-FY22	Q2-FY21	Chg BPS	6M-FY22	6M-FY21	Chg BPS
Operating Margin %	48.4%	45.8%	252	48.4%	44.1%	429
Net Margin %	19.2%	10.5%	865	16.4%	8.6%	775

Source: Company, Anand Rathi Research

Standalone Financials:

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Interest Earned	626,352	636,453	719,270	848,612
Interest Expended	374,290	344,062	397,026	450,604
Net Interest Income	252,062	292,391	322,244	398,009
Other Income	155,366	148,382	221,769	242,065
Operating Expenses	173,046	183,751	205,184	218,701
Pre-Provision Profits	234,381	257,022	338,829	421,373
Provisions	185,339	168,963	184,427	167,199
PBT	49,042	88,059	154,403	254,173
Tax	32,770	22,174	38,863	63,975
PAT	16,272	65,885	115,539	190,198
Margins	FY-20	FY-21	FY-22E	FY-23E
Operating Margin %	40.2%	45.9%	44.8%	46.9%
Net Margin %	2.6%	10.4%	16.1%	22.4%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Liabilities				
Equity Share Capital	5,643	6,127	6,127	6,127
Reserves & Surplus	843,835	1,009,903	1,125,442	1,315,640
Total Shareholder's Funds	849,478	1,016,030	1,131,570	1,321,767
Minority Interest	-	-	-	-
Deposits	6,401,049	7,073,061	7,815,623	8,636,143
Borrowings	1,479,541	1,428,732	1,379,667	1,332,287
Other Liabilities & Provisions	421,579	443,362	627,788	794,988
Total	9,151,648	9,961,184	10,954,648	12,085,185
Assets				
Balance with RBI and banks	972,683	617,298	599,869	652,591
Investments	1,567,343	2,261,196	2,705,310	3,153,254
Advances	5,714,242	6,237,202	6,808,023	7,431,085
Net Block	38,386	41,353	37,311	44,121
Capital Work in Progress	4,743	1,097	1,097	1,097
Other Assets	854,252	803,038	803,038	803,038
Total	9,151,648	9,961,184	10,954,648	12,085,185
Particulars	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	5.3	21.5	37.7	62.0
P/E (x)	133.1	32.9	18.7	11.4
P/B (x)	2.5	2.1	1.9	1.6
ROA	0.19%	0.69%	1.10%	1.65%
ROE	1.9%	6.5%	10.2%	14.4%

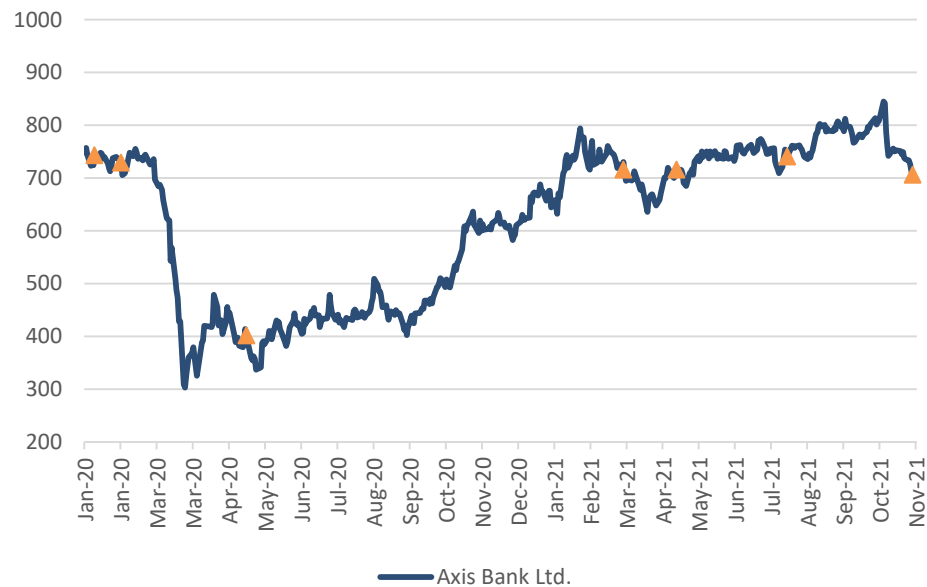
Risks :

- ❑ The company is exposed to credit, liquidity and interest rate risk. Any adverse movement in these macroeconomic indicators may lead to lower than estimated growth and profitability.



Rating and Target Price History:

Axis Bank rating history & price chart



Axis Bank rating details

Date	Rating	Target Price	Share Price
09-Jan-20	BUY	902	743
31-Jan-20	BUY	902	729
14-May-20	BUY	626	402
23-Feb-21	BUY	800	716
06-May-21	BUY	830	716
06-Aug-21	BUY	860	741
21-Nov-21	BUY	860	706

Source: Ace Equity, Anand Rathi Research

NOTE: Prices are as on 22 November 2021 close.

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