

Retail Equity Research

Axis Bank Limited

Banking

BSE CODE: 532215

NSE CODE: AXISBANK

Bloomberg CODE: AXSB:IN

SENSEX: 54,836

BUY

 12Months Investment Period Rating as per Large cap
 CMP Rs. 673 TARGET Rs. 828 RETURN 23%
 (Closing: 06-05-22)

KEY CHANGES:
TARGET ↓

RATING ↔

EARNINGS ↑

Continuous improvement in asset quality

Axis Bank offers a wide range of banking services in India that includes cash and credit management services, retail banking, investment management and treasury services amongst others.

- NII up 13.3% YoY (+17% QoQ), a steady growth in NII lead to operating profit growth of 13% YoY with stable NIM up of 3.49%.
- CASA deposits increased by 19.3% YoY (-4.2% QoQ) which will lead access to low cost of fund and help improve margins.
- Access to Citi bank's consumer business division will help Axis bank to grow its deposits and advances stabilizing its asset quality driving banks' performance over the period. We reiterate our BUY rating on the stock with a rolled forward target price of Rs. 828 based on roll forward 1.75x FY24E BVPS.

Improved profitability

Net interest income (NII) for the year increased 16.7% YoY to Rs. 8,819cr, supported by higher total interest income slightly offset by increase in total interest expense (+12.8% YoY). Interest income grew 14.7% YoY to Rs. 17,776 cr, with Net interest margin (NIM) remaining stable at 3.49% (vs. 3.56% in Q4FY21 and against 3.53% in Q3FY22). Total provisions saw a significant reduction of 79.2% YoY to Rs. 987cr this quarter. Bank's net slippages declined by 0.42% QoQ (-1.15% YoY) and credit cost declined 116 bps YoY (-12bps QoQ). Capital adequacy ratio for the FY22 is 18.5% down from 19.12 in FY21 and CET-1 ratio of 15.2%. Net profit for the period increased by 53.8% YoY to Rs. 4,118cr (+52.0% QoQ).

Key concall highlights

- Bank has gained significant market share of 31% in 11MFY22 on merchant acquiring business making it the second-largest merchant-acquiring bank in the country with an installed capacity of 9.52 lakh terminals.
- The board recommended dividend of Re 1 per share for FY22.
- Gross NPAs and Net NPAs are down by 88bps and 32bps at 2.82% and 0.73% respectively.
- The manage remains optimistic and confident about the future of the Bank.

Acquisition of Citibank's Consumer Businesses in India

The Board have approved the purchase of Citibank's India Consumer Business and the NBFC Consumer Business. The transaction is expected to close in Q4FY23, subject to regulatory approvals and customary conditions. The deal will add Rs. 50,200cr of deposits of which 73% is Savings a/c and 8% Current a/c.- which should strengthen Axis Bank's journey on CASA, LCR accretion and will increase Wealth AUM by 42% to Rs. 3,77,600cr.

Outlook and valuation

Axis Bank has witnessed sequential improvements in its margins on account of steady growth in lending and subsequent reduction in provisions. The bank has maintained impressive credit growth momentum and asset quality continues to improve as well. Hence, we remain positive on the bank's performance over the coming quarters and reiterate our BUY rating on the stock with a rolled forward target price of Rs. 828 based on 1.75x FY24E BVPS.

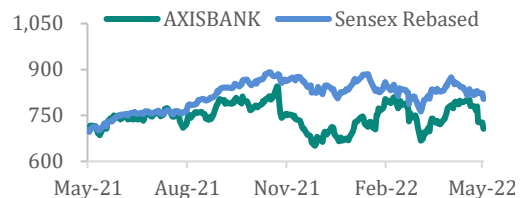
Company Data

Market Cap (cr)	Rs. 203,650
Outstanding Shares (cr)	307
Free Float	83.0%
Dividend Yield	2.4%
52 week high	Rs. 867
52 week low	Rs. 637
6m average volume (lacs)	4.9
Beta	1.3
Face value	Rs. 2

Shareholding %	Q2FY22	Q3FY22	Q4FY22
Promoters	11.4	9.5	9.7
FII's	50.1	46.4	46.9
MFs/Insti	27.2	31.7	30.5
Public	4.8	5.7	5.9
Others	6.5	6.7	7.0
Total	100.0	100.0	100.0
Promoters' Pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-11.5%	-6.1%	0.9%
Absolute Sensex	-5.1%	-7.3%	15.4%
Relative Return*	-6.4%	1.2%	-14.4%

*over or under performance to benchmark index



Standalone (cr)	FY22A	FY23E	FY24E
Net Interest Income	33,132	39,348	46,128
Growth (%)	13.3	18.8	17.2
NIM (%)	3.6	3.8	3.9
Pre-Provision Profit	24,742	30,979	34,946
Net Profit	13,025	16,847	18,804
Growth (%)	97.7	29.3	11.6
Adj. EPS	42.4	54.8	61.1
Growth (%)	91.7	29.3	11.6
BVPS	374.5	421.0	473.0
P/E	15.9	12.3	11.0
P/B	1.8	1.6	1.4
ROE (%)	12.0	13.8	13.7
ROA (%)	1.2	1.3	1.3

Quarterly Financials (Standalone)

Profit & Loss Account

(Rs. cr)	Q4FY22	Q4FY21	YoY Growth %	Q3FY22	QoQ Growth %	FY22	FY21	YoY Growth %
Interest Income	17,776	15,494	14.7	17,261	3.0	67,377	63,346	6.4
Interest Expense	8,957	7,939	12.8	8,609	4.0	34,245	34,107	0.4
Net Interest Income	8,819	7,555	16.7	8,653	1.9	33,132	29,239	13.3
Non-Interest Income	4,223	6,115	(30.9)	3,840	10.0	15,221	14,838	2.6
Total Income	22,000	21,610	1.8	21,101	4.3	82,597	78,184	5.6
Operating Expenses	6,576	5,359	22.7	6,331	3.9	23,611	18,375	28.5
Total Expenditure	15,534	13,298	16.8	14,940	4.0	57,855	52,482	10.2
Pre-Provisioning profit	6,466	8,312	(22.2)	6,162	4.9	24,742	25,702	(3.7)
Provisions	987	4,742	(79.2)	1,335	(26.0)	7,359	16,896	(56.4)
Profit Before Tax	5,479	3,570	53.5	4,827	13.5	17,383	8,806	97.4
Tax	1,361	893	52.5	1,212	12.2	4,357	2,217	96.5
Net Profit	4,118	2,677	53.8	3,614	13.9	13,025	6,589	97.7
Adj.	0	0	-	0	-	0	0	n.m.
Adj. PAT	4,118	2,677	53.8	3,614	13.9	13,025	6,589	97.7
Adj. EPS - Diluted (Rs.)	13.4	8.8	52.0	11.8	13.9	42.3	21.5	96.6

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Net Interest Income (NII)	39,913	45,225	39,348	46,128	(1.4)	2.0
Pre-Provision Profit	34,432	37,858	30,979	34,946	(10.0)	(7.7)
Adj. PAT	15,926	17,037	16,847	18,804	5.8	10.4
Adj. EPS (Rs.)	53.4	57.1	54.8	61.1	2.6	7.1

PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Interest Income	62,635	63,346	67,377	82,273	94,543
Interest Exp.	37,429	34,107	34,245	42,924	48,415
Net Int. Income	25,206	29,239	33,132	39,348	46,128
% Change	16.1	16.0	13.3	18.8	17.2
Non-Int. Income	15,537	14,838	15,221	15,613	16,015
Net Income	40,743	44,077	48,353	54,961	62,143
Total Income	78,172	78,184	82,597	97,886	110,558
Operating Exp.	17,305	18,375	23,611	23,982	27,197
Total Exp.	54,734	52,482	57,855	66,906	75,612
Pre-Prov. Profit	23,438	25,702	24,742	30,979	34,946
Provisions	18,534	16,896	7,359	8,497	9,852
PBT	4,904	8,806	17,383	22,482	25,094
Tax	3,277	2,217	4,357	5,635	6,290
Tax Rate (%)	66.8	25.2	25.1	25.1	25.1
Net Profit	1,627	6,589	13,025	16,847	18,804
% Change	(65.2)	304.9	97.7	29.3	11.6
Adj.	2,138	0	0	0	0
Adj. Net Profit	3,765	6,589	13,025	16,847	18,804
No. of Shares (cr)	282	298	308	308	308
Adj. EPS (Rs.)	13.3	22.1	42.4	54.8	61.1
% Change	(26.3)	65.6	91.7	29.3	11.6
DPS (Rs.)	0.0	0.0	1.0	8.2	9.2

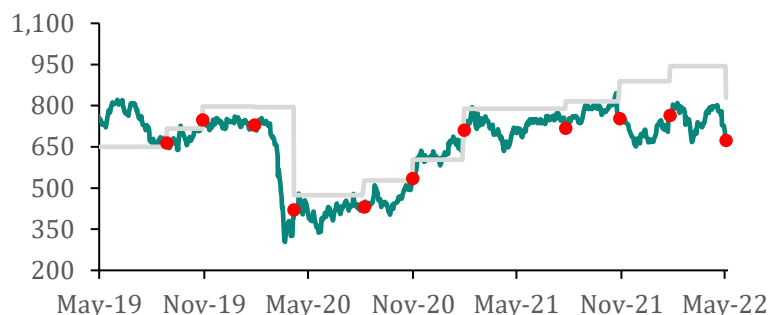
BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash & Balances	97,268	61,730	110,987	131,653	141,220
Investments	156,734	226,120	275,597	289,377	303,846
Advances	571,424	614,399	707,696	818,698	951,204
Fixed Assets	4,313	4,245	4,572	4,801	5,041
Other Assets	85,425	80,304	76,325	80,142	84,149
Total Assets	915,165	986,798	1,175,178	1,324,670	1,485,460
Capital	564	613	614	614	614
Reserves Surplus	84,384	100,990	114,412	128,731	144,715
Deposits	640,105	697,985	821,721	944,979	1,077,276
Borrowings	147,954	142,873	185,134	194,391	204,110
Other Liabilities	42,158	44,336	53,298	55,955	58,746
Total Liabilities	915,165	986,798	1,175,178	1,324,670	1,485,460
BVPS (Rs.)	300.9	340.7	374.5	421.0	473.0
Adj. BPS (Rs.)	276.2	322.2	358.5	421.0	473.0
% Change	24.5	16.7	11.3	17.4	12.3

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Valuation					
P/E (x)	28.4	31.6	15.9	12.3	11.0
P/BV (x)	1.3	2.0	1.8	1.6	1.4
Div. Yield (%)	0.0	0.0	0.1	1.2	1.4
Profitab. & Return (%)					
Yield on Advances	9.1	8.0	7.5	8.1	8.2
Cost of Deposits	5.0	4.2	3.7	4.0	4.0
Spread	4.0	3.8	3.8	4.1	4.2
NIM	3.6	3.7	3.6	3.8	3.9
ROE	2.1	7.1	12.0	13.8	13.7
ROA	0.2	0.7	1.2	1.3	1.3
Capital Adequacy (%)					
CAR	17.5	17.5	17.5	18.3	18.8
Tier I	14.5	14.5	14.5	15.3	15.7
Tier II	3.0	3.0	3.0	3.1	3.1
Asset Quality (%)					
GNPA	4.9	3.7	2.8	2.0	1.8
NNPA	1.6	1.1	0.7	0.6	0.5
Operating Ratios (%)					
Credit/ Deposit	89.3	88.0	86.1	86.6	88.3
Cost/ Income	70.0	67.1	70.0	68.4	68.4
CASA	41.2	39.6	40.2	40.4	40.7

Recommendation Summary (Last 3 years)



Dates	Rating	Target
31-Jan-20	HOLD	794
9-Apr-20	BUY	474
10-Aug-20	BUY	528
3-Nov-20	BUY	603
1-Feb-21	BUY	789
29-Jul-21	BUY	815
1-Nov-21	BUY	889
28-Jan-22	BUY	944
9-May-22	BUY	828

Source: Bloomberg, Geojit research

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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