

November 25, 2022

Analyst Meet Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,100		1,080	
NII (Rs. m)	4,61,356	5,22,702	4,61,058	5,21,502
% Chng.	0.1	0.2		
Op. Profit (Rs. m)	3,41,169	3,96,772	3,26,423	3,72,329
% Chng.	4.5	6.6		
EPS (Rs.)	68.6	80.0	65.0	74.0
% Chng.	5.5	8.0		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
NII (Rs bn)	331	427	461	523
Op. Profit (Rs bn)	247	299	341	397
PAT (Rs bn)	130	200	211	247
EPS (Rs.)	42.4	65.0	68.6	80.0
Gr. (%)	97.3	53.1	5.5	16.6
DPS (Rs.)	-	5.8	7.5	8.8
Yield (%)	-	0.7	0.8	1.0
NIM (%)	3.6	4.0	3.8	3.8
RoAE (%)	12.0	15.9	15.2	16.0
RoAA (%)	1.2	1.6	1.5	1.6
P/BV (x)	2.4	2.0	1.9	1.7
P/ABV (x)	2.5	2.1	2.0	1.7
PE (x)	20.9	13.7	12.9	11.1
CAR (%)	18.5	18.6	18.0	17.7

Key Data

AXBK.BO | AXSB IN

52-W High / Low	Rs.920 / Rs.618
Sensex / Nifty	62,294 / 18,513
Market Cap	Rs.2,728bn/ \$ 33,403m
Shares Outstanding	3,073m
3M Avg. Daily Value	Rs.9750.76m

Shareholding Pattern (%)

Promoter's	9.69
Foreign	43.48
Domestic Institution	32.26
Public & Others	14.57
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.7)	33.5	30.6
Relative	(6.0)	15.2	23.2

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Axis Bank (AXSB IN)

Rating: BUY | CMP: Rs888 | TP: Rs1,100

Earnings momentum likely to sustain

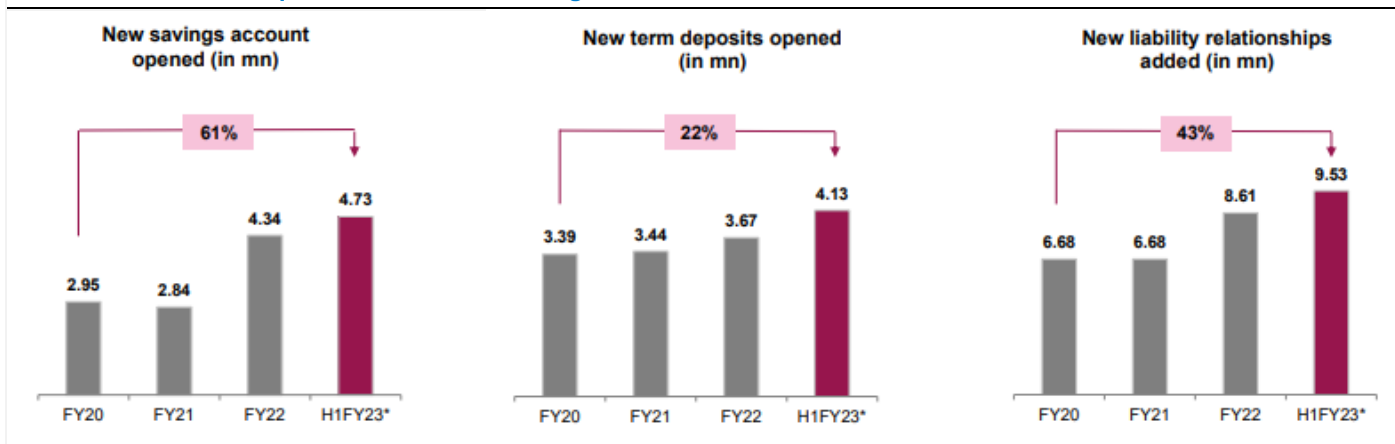
Our experience of attending the Axis Bank analyst day was positive as there seems to be a clear priority on profitability and consistency. Management sounded confident of maintaining operational performance as cushion on NIM would continue while medium term guidance is to reduce opex/assets by end FY25 to ~2% (FY22 was 2.18%) by focusing on segments that are opex lighter (CBG, BuB, SBB etc.). Loan growth would largely hinge on deposit accretion and as per AXSB system deposit growth could remain weak for 2-3 quarters, however, profitability would not be compromised. CITI acquisition may be a bit delayed and could see fruition post Q4FY23. Near term growth would be funded through internal accruals and capital raise would be evaluated only after CITI acquisition. Over medium term, bank would like to deliver on aspirational ROE of 18%. For FY24E/25E, we lower opex by 4.5%/6.5% and raise PAT by 5.5%/8.0%. With FY25E RoA/RoE at 1.6%/16% for AXSB, if earnings quality sustains each quarter, discount to ICICIB should narrow from 29% to 20%. AXSB remains one of our top picks with compelling valuation at 1.8x and we maintain multiple at 2.3x on Sep'24 ABV. Reiterate BUY and slightly raise TP from Rs1080 to Rs1100.

- Balance sheet mix and growth:** Deposit accretion would be key to advance growth. However, system deposit accretion could be muted for next 2-3 quarters. If environment is more conducive (i.e. if system deposit growth picks up) target is to grow by 5-6% higher to system. Loan mix in retail: secured to unsecured would be near 75:25. Focus is on increasing share of mid Corp+CBG+SBB which is currently 15-20%. Currently A- and above that contributes 89% would reduce as the bank would be aggressive in CBG, BuB etc. which would be BBB rated. Bharat Banking is a focus area as rural consumption could go up 3x and good traction is expected for 8-10 years. MSME + Mid Corp having current market share of 11.25% would be another focus area for next 10-15 years (grew at 28% CAGR from FY19 to H1FY23).
- NIM and opex to assets outlook:** Aim is to maintain NIM at current levels however effect of deposit cost increases would start to percolate from H1CY23. NIM has improved despite of reduction in RWA due to change in loan mix, shedding low yielding RIDF, reducing LCR. Pricing has improved in corporate segment. Target is to reduce opex/assets to around 2% by FY25 end which would be achieved via stronger growth in opex light segments like CBG, SBB etc. Bulk of tech investments (2/3rd) have been done and coupled with growth in focused segments opex run-rate should decline. 700 branches were added in last 3 years and branch addition to gather pace from Q3FY23.
- Citi acquisition and capital raise:** Post Citi acquisition, deposit size would be Rs8.6trn and combined CASA on proforma basis is expected to improve by 200bps to 48%. Earlier estimate that transaction could be concluded by 1st Mar may be a bit delayed. Growth would be largely funded through internal accruals in near term, as witnessed in H1FY23 that saw matched accretion and consumption. Capital raise if required would only be evaluated only after CITI acquisition, but bank would be watchful of global macros

Key highlights from MD & CEO strategy

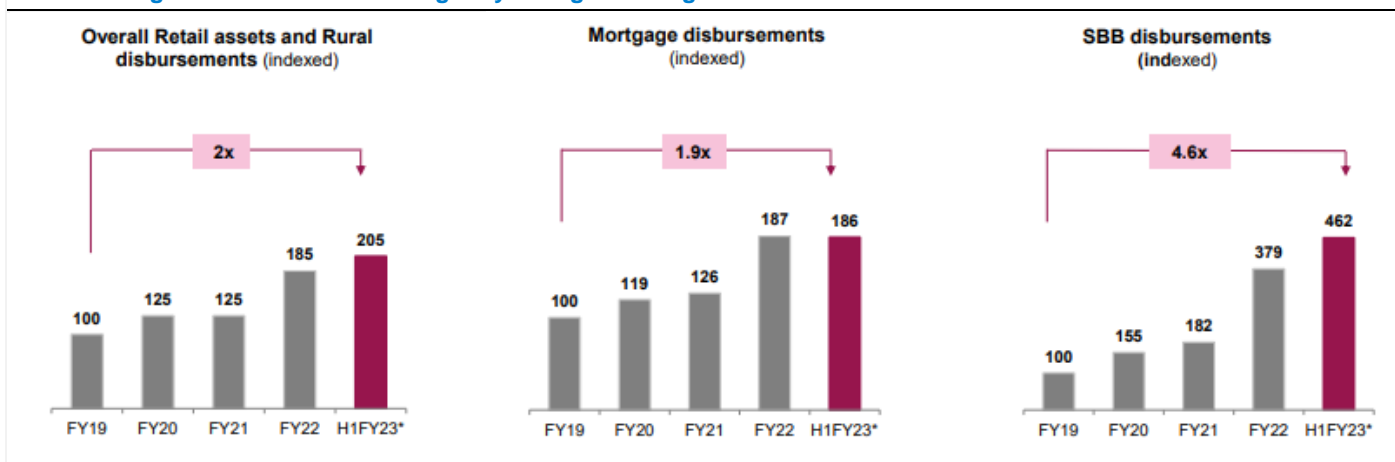
- The initial steps since FY2020 were to 1. Strengthen Balance Sheet 2. Fix P/L, 3. Lift growth momentum with focus on business with higher risk adjusted return in selected segments (MSME + Mid Corporates) 4. Grow deposits which has been lagging but momentum has started.
- **Execution of Growth, Profitability & Sustainability strategy:**
 - **Growth front:** Customer acquisition trends have been robust across segments. Disbursements have picked up in the higher yielding retail segments which has been aided by improved productivity and digitization. Credit card acquisition has been strong, with Citi acquisition the position in the credit market would be further strengthened. Bank has gained market share in CASA which is expected to continue, incremental flow has been better than the industry, focus on district level to gain market share, Total Deposits have grown by 35% YoY, Term Deposits have grown by 58%. Wealth management business has been steadily growing. Work in progress to strengthen the position in the wholesale banking franchise. Subs have continued to add value to the business.
 - **Profitability:** NIM have consistently improved from 3.43% in FY19 to 3.96% in Q2FY23 while RWA has steadily reduced. Share of bulky fee income has been gradually reduced. Aspiration would be to continue delivering ROE of 18%. (Pg 14)
 - **Sustainability:** Bank has been self-sufficient in funding growth through internal accruals. Asset quality issues have been adequately dealt, with comfortable provision cushion of 1.60% of loans. Focus would be on growth and profitability while strengthening the risk frameworks.
- **Capital raise:** Growth has been funded through internal accruals, further capital raise would be evaluated post the Citi Deal acquisition. (pg.4 – 2nd last)

Exhibit 1: Customer acquisition trends across segments



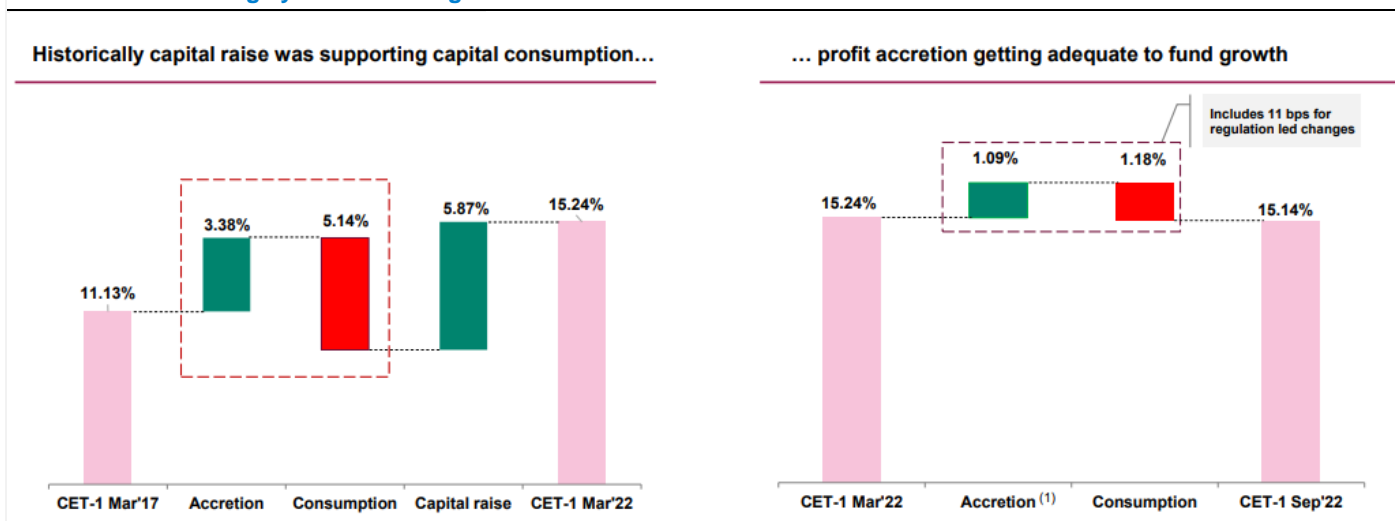
Source: Company, PL

Exhibit 2: Higher disbursements in higher yielding retail segments



Source: Company, PL

Exhibit 3: Growth largely funded through internal accruals

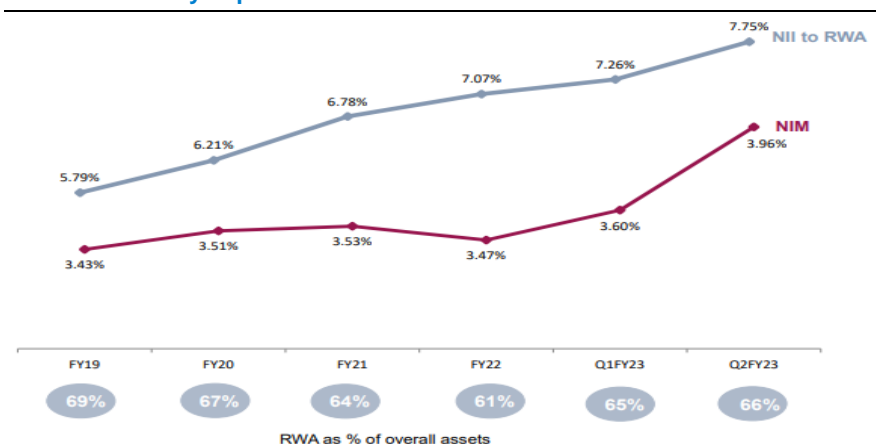


Source: Company, PL

Bridge to stronger, consistent, sustainable performance

- Levers from NIMs** - Improving business mix optimization to retail within which high yielding segments, move to mid corporate, focused SME, shedding of low yield RIDF bond, improvement in average CASA levels have led to improvement in margins to 3.96% in Q2FY23. Guidance to maintain margin between 3.70-3.80%. The above mentioned structural levers would offset the increase in cost of deposit.
- Fees levers** - Corporate credit fees used to be 21% in FY16 which has reduced to 6% in H1FY23, with retail fees share going up from 45% to 67% in the same time frame. Trading income is only 9% of the total income, rest being from NII & fees.
- Opex levers** - With 65-67% of investments in tech already made, business benefit would flow in, resulting in C/A reduction. Endeavor to reduce C/A by 25bps to 2% by FY25. Although, branch expansion would pick pace from Q3FY23 onwards.
- Growth Levers:** Advances growth would be 4-6% better than the industry growth over the medium term with focus segments growing faster. Aim would be to become dominant player in the space by gaining market share. However, deposit accretion would be key to advance growth

Exhibit 4: Steady improvement in NIM



Source: Company, PL

Exhibit 5: Guidance

	Structural call out	Q2 FY 23	
Net Interest Margin	3.70% - 3.80%	3.96%	↑ Structural levers cushion deposit cost growth
Consolidated ROE %	Visible	16% - 16.5%	↑ Consistently above 15% for 3 quarters
	Aspirational	18.0%	
Advances Growth (YOY)	4%-6% better than industry over the medium term	18% vs 15% for industry	In line, focus segments growing faster
Cost to assets %	Around 2%	2.25%	Achieve by FY 25 exit

Source: Company, PL

Axis 2.0

- **New app to be based on four Pillars:** 1. Create an open app for existing & new customers, 2. Revamp user experience, design and simplify customer journeys 3. Hyper Personalize Nudges 4. Provide always on, low latency experience. Ultimate focus would be on the impact on the numbers by offering full suite of products & services
- **Highlights of Few Products:**
 - **ASAP (Digital savings account)** – 70% customers are less than 32 years of age, 50% urban customers, 2x more salaried. **Impact** – 82% reduction in TAT, balance per account Rs. 22,000, cost of acquisition 40% lower.
 - **Maximus (Digital lending stack)** – Lending for customer profiles based on account aggregator credit underwriting with 17 different integrations. Account Aggregator no of accounts have gone up 20x, 3 lakh accounts being linked monthly currently offering PL, CC, BL, 2W. Auto Loan. **Impact** – 100bps higher NIM, 15bps higher Fee, 55% lower CoA, 22bps lower risk. Management continues thrust on this segment as it has been witnessing double digit disbursements every month
 - **Olive (Life cycle digital Credit Card)** – Digital sourcing done for ETB, KTB, NTB and through partnerships. Of which, Flipkart partnership has been most successful. **Impact** – 84% requests have been processed, 80% TAT reduction, 4 lakh monthly cross sell/up sell. Profitability of the partnered credit cards is lower
- Digital lending yields better fees owing to better services. 7% of the new originations for the bank have been digitally. NTB acquisitions for deposits have been higher as compared to loans. Cybersecurity and impersonation risk would be closely monitored.
- **Banking on Data:** Data has improved personalization capacity and enabling credit access to large chunk of the population. Focus would be on the lendable segment (19-65 years) i.e nearly 76 crore population. Bank has been working to scale up universal underwriting to ETB, KTB & NTB.
- **Tech for Change:** Tech budget has grown by 2.5x in the last 3 years. Strategy – Building resilient capability, minimal impact on core banking operations, modernizing the core. Significant workloads have been shifted to cloud (agreement with 3 larger players), 70% workload to be cloud in next 2 years.
- **Siddhi** - Empowers axis colleagues to seamlessly engage with customers as well as internally. Customer 360 approach which provides tailor made solutions on the go and real time. Personalized nudges for customers as well as themselves. Conversions have improved significantly.
- **Sparsh (Customer obsession program)** – Accelerating customer delight is a strategic priority for the organization to create multiplicative effect. Enhancing customer delight is a multi-year journey of nearly 5-8 years, hence management has shifted to NPS from Q1FY23 to track the movement. (pg 25. Sparsh & Siddhi).

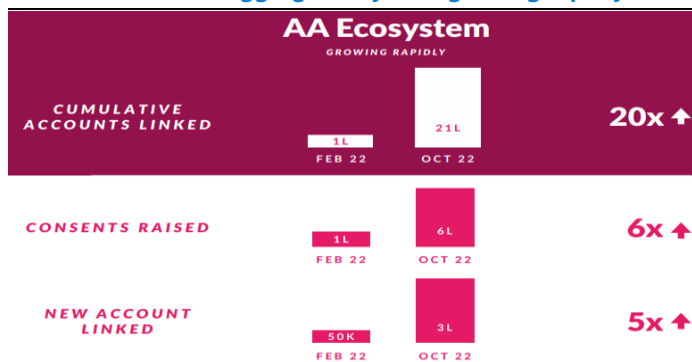
- Connect & Grow – Partnership led growth:** Partnerships play an important role in expanding the scope of and accelerating business benefits. Regulatory stance changing in favour of banks have improved the opportunities to grow. Flipkart-Axis Credit Card has given access to large set of data which gives access to KTB sourcing. CSC VLE an area of government focus help in banking underserves areas and improve wallet share. Wholesale banking partnerships under Project Neo have given opportunities to dominate and grow in Supply Chain Finance and B2B. pg. 4

Exhibit 6: Digitization impact

	PRODUCT	AXIS 2.0	INCL ASSISTED
ASSETS	PL	20%	55%
	OTHER LOAN*	13%	78%
	CREDIT CARDS	35%	74%
	CREDIT CARD PORTFOLIO	40-73%	40-73%
LIABILITIES**	SAVINGS ACCOUNTS	7%	71%
	FD (ETB & NTB)	60%	65%
FEE PRODUCTS**	FOREX CARDS	36%	61%
	MUTUAL FUNDS	51%	51%
	OTHERS	85-100%	85-100%

Source: Company, PL

Exhibit 7: Account aggregator system growing rapidly



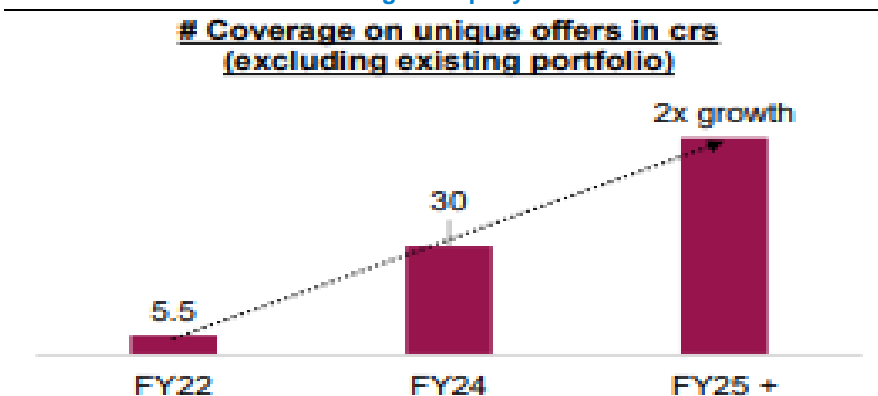
Source: Company, PL

Exhibit 8: Strong partnership



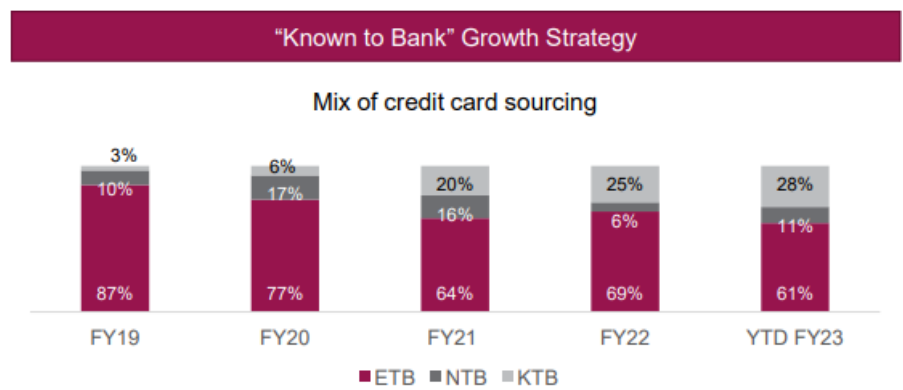
Source: Company, PL

Exhibit 9: Personalised offers to grow rapidly



Source: Company, PL

Exhibit 10: Credit Card sourcing strategy



Source: Company, PL

Exhibit 11: NPS movement post adoption

NPS movement over baseline				
	NPS			
	Baseline ¹	Oct '22	Movement	
Retail Bank	100	118	+18	
Branch NPS	100	120	+20	
Burgundy	100	105	+6	Highest NPS score across liabilities segments
SA – Onboarding ²	100	113	+13	Journey level focus VCIP NPS movement highest
Phone Banking	100	123	+23	Largest service touch-point for card customers
Credit Cards	100	117	+17	Insight led complaint reduction is the focus
CBG ³	100	103	+3	Part of Wholesale NPS

Source: Company, PL

Key highlights from Bharat Banking

- **Big opportunity** - Rural & Semi-urban (RuSu) markets offers a strong growth & market share gains opportunity. Doubling of highway network and a significant improvement in electricity penetration, unlocking growth & productivity. With financial inclusion, banks are enabled to go deeper in these markets. Strong government focus across the agri value chain and MSME.
- **Well poised for growth** – Axis has 43.4% of the branches in the RuSu markets providing deep reach and access to large customer base. Growth momentum in these segments are strong with 85% YoY growth in rural centric products and 44% growth in the book in H1FY23. This segment continues to be PSL accretive in-line with management strategy to be PSL self-sufficient. Credit growth in these segments have been faster than industry average. Current market share of the bank is 4-5%, hence headroom exists for further growth, hence over the medium term growth won't be a challenge for the bank. Liability growth has lagged in the last few years, hence thrust would be on this segment for liability growth. Although, performance of the segment would be cyclical however with robust underwriting risk could be minimized.
- **Thrust on co-lending** – Aspire to be key player in this segment on the back of digital solution, would pilot through Home Loans. Aim to bring assets/customers which would not be otherwise reached out through focus on PSL customers. First partnership to give live by the end of this quarter
- Aspiration for MFI continues, however nothing concrete exists
- **Outlook** – Optimise C/I, TAT, Risk while continuing to grow faster than industry & bank. Double RuSu Balance sheet and be self-sufficient in PSL. Branch expansion would be in this segment to help deliver on the PSL front.

Exhibit 12: Strong growth momentum in RuSu markets

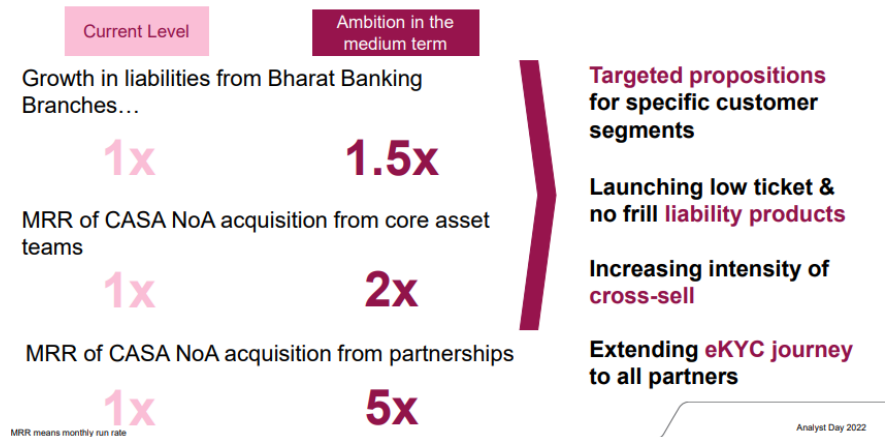


Source: Company, PL

Exhibit 13: Growth across segments faster than industry



Source: Company, PL

Exhibit 14: Mobilizing liabilities from RuSu markets using an asset led model


Source: Company, PL

Key highlights from Commercial Banking

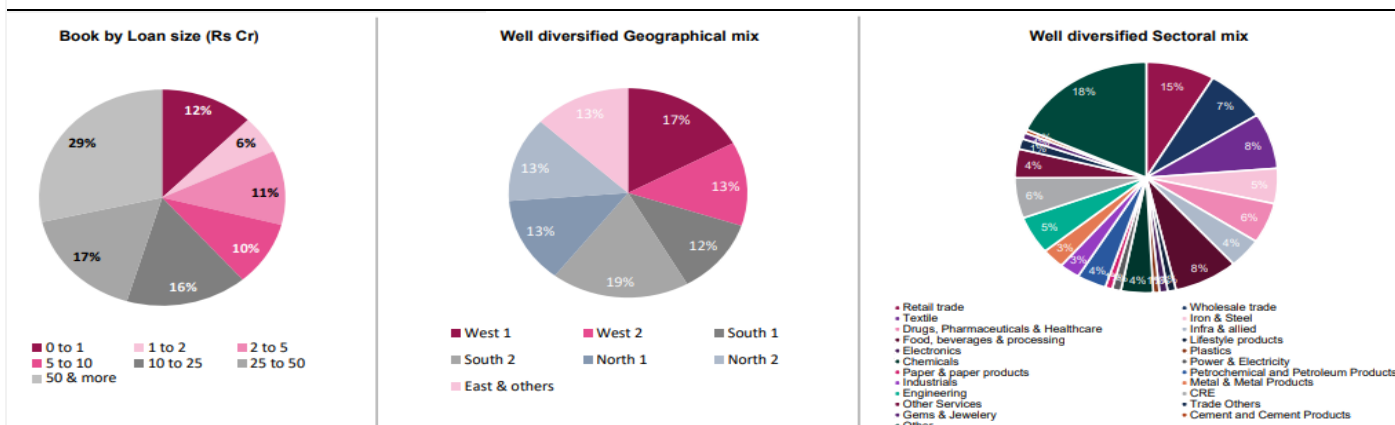
- Key segments – Small Business Banking, Small & Medium Enterprise group, Emerging Corporates.
- Opportunities and growth potential** - MSMEs continue to be a key contributor to the economy, supported by formalization and credit expansion and with tailwind from PLI, China +1, TReDs poised to provide growth impetus to the sector. Management believes opportunities exists for next 10 years to grow this segment aided by benign operating expenses.
- 2/3rd of the business is through branches. Ensuring granularity and segment/geographic diversification is a fundamental pillar of risk management in the MSME portfolio. Rejection rates have been flat, however volatility risk exists need to be watchful of that.
- Outlook** – To gain maximum wallet & market share with controlled risk. Gain promoters as well as employees banking. Maintain healthy RaROC and operational efficiency, offer multi products to Drive loan originations and client interactions.

Exhibit 15: GPS strategy for Commercial Bank



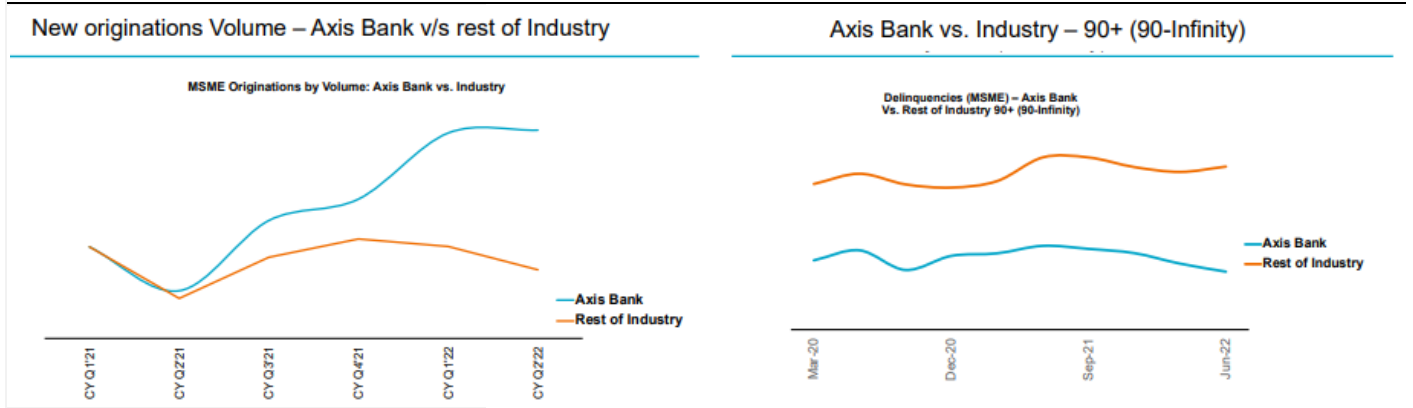
Source: Company, PL

Exhibit 16: Granular book

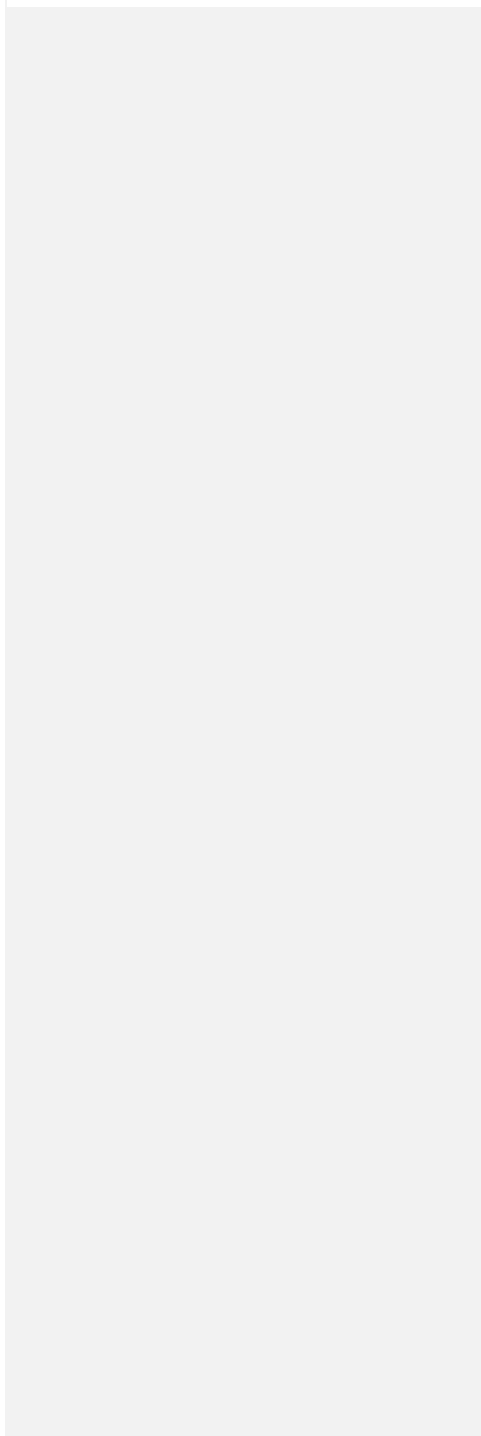


Source: Company, PL

Exhibit 17: Garnering a higher share of new business flows while keeping risk levels under control



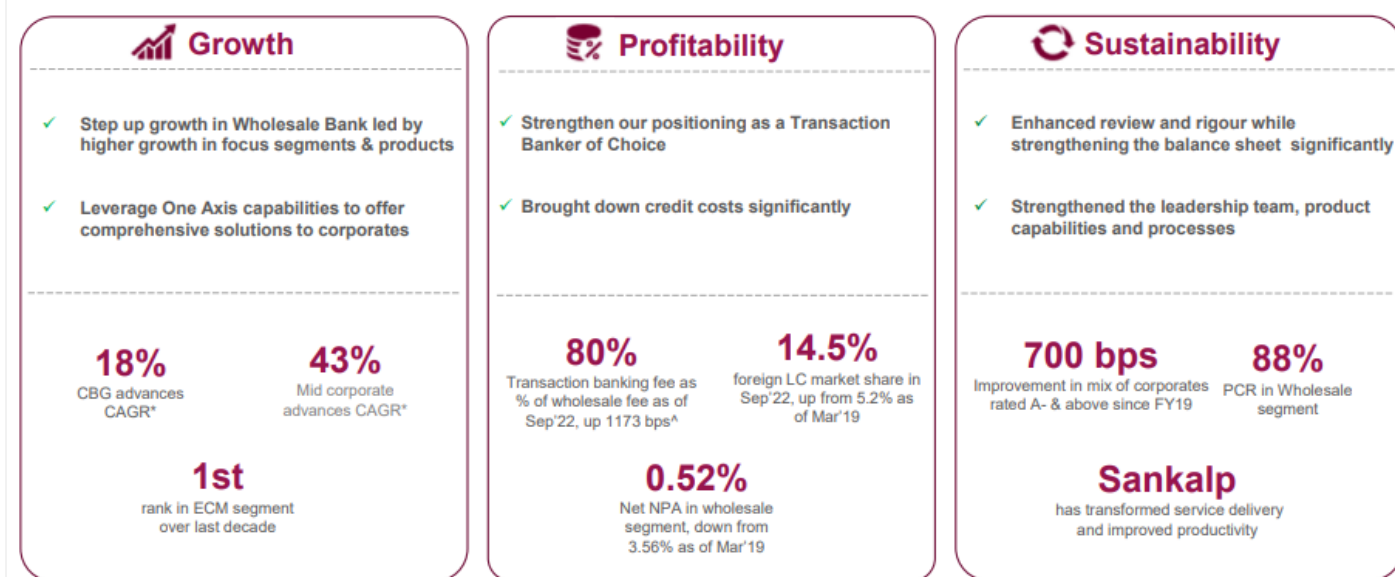
Source: Company, PL



Key Highlights from Wholesale Banking

- The ratings mix of clients has improved over the years (89% being from A- or better rated corporates), led by higher incremental sanctions to better rated corporates and higher contribution of transaction banking fees to wholesale fees (80% as on H1FY23). Rating mix is expected to slightly trend downwards as focus segment for growth is Mid corporates which would be BBB to A- rated. (pg. 2)
- Bank has strengthened its position as a transaction bank by gaining market share and higher contribution of transaction banking fees to wholesale fees.
- Share in government business has improved led by providing all round solution.
- Endeavor to provide solutions across capital structure. Relationship RaROC should continue to grow to contribute to profitability. Optimizing on cost and improvement in NIM
- Project Neo - Bank has made significant investments in 12-15 months for this purpose to create a digital corporate bank comparable to global peers. Key Highlights from Wholesale Banking

Exhibit 18: GPS strategy for wholesale book

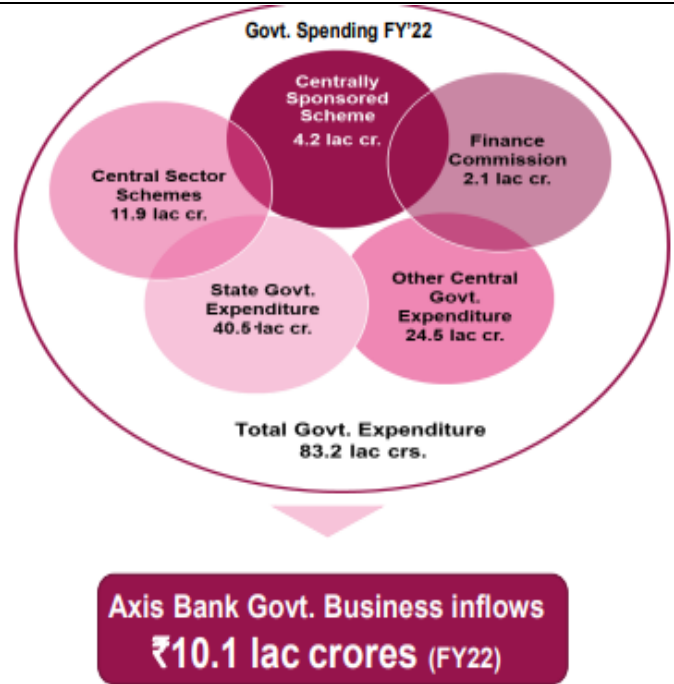


Source: Company, PL

Exhibit 19: Solution led banking has helped in gaining significant incremental share of Government business

Comprehensive solutions across various Departments / Bodies

Central and State Government <ul style="list-style-type: none"> Central Sector & CSS (SNA & CNA) GeM PFMS Integration 	Central and State Autonomous Bodies <ul style="list-style-type: none"> Collection solutions (Fee, commission) e-tendering & e-procurement Central Nodal Account
State Local Bodies <ul style="list-style-type: none"> Revenue Collection Fine & Fee collection Smart City & Smart Card 	Constitutional Bodies & IHLs <ul style="list-style-type: none"> Collection & Payment Smart Campus Solution Salary & Payroll Management
Central and State PSUs <ul style="list-style-type: none"> Collection solutions (Online & Physical) e-tendering & GeM Vendor Payment 	Co-operatives & Federations <ul style="list-style-type: none"> Account Management Solutions e-tendering & e-auction Vendor Payment & Agent collection



Other Central Expenditure : Payments on subsidies, Defence, Devolution of taxes, pensions, transfer to Public Enterprises etc..

Analyst Day 2022

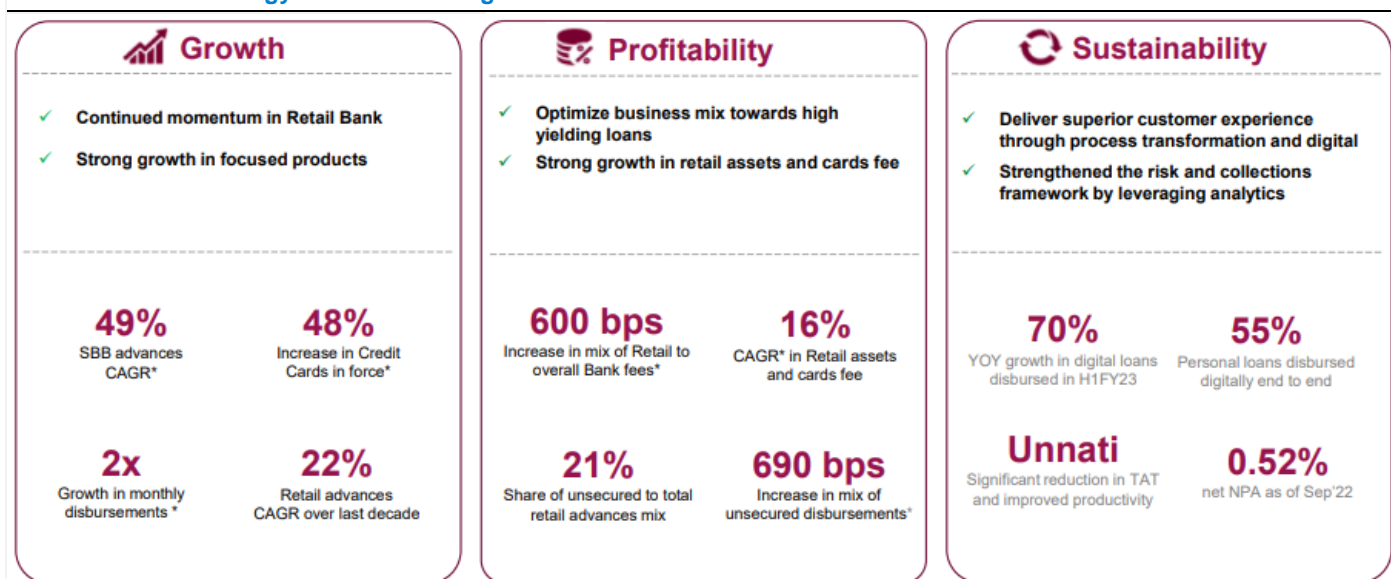
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Source: Company, PL

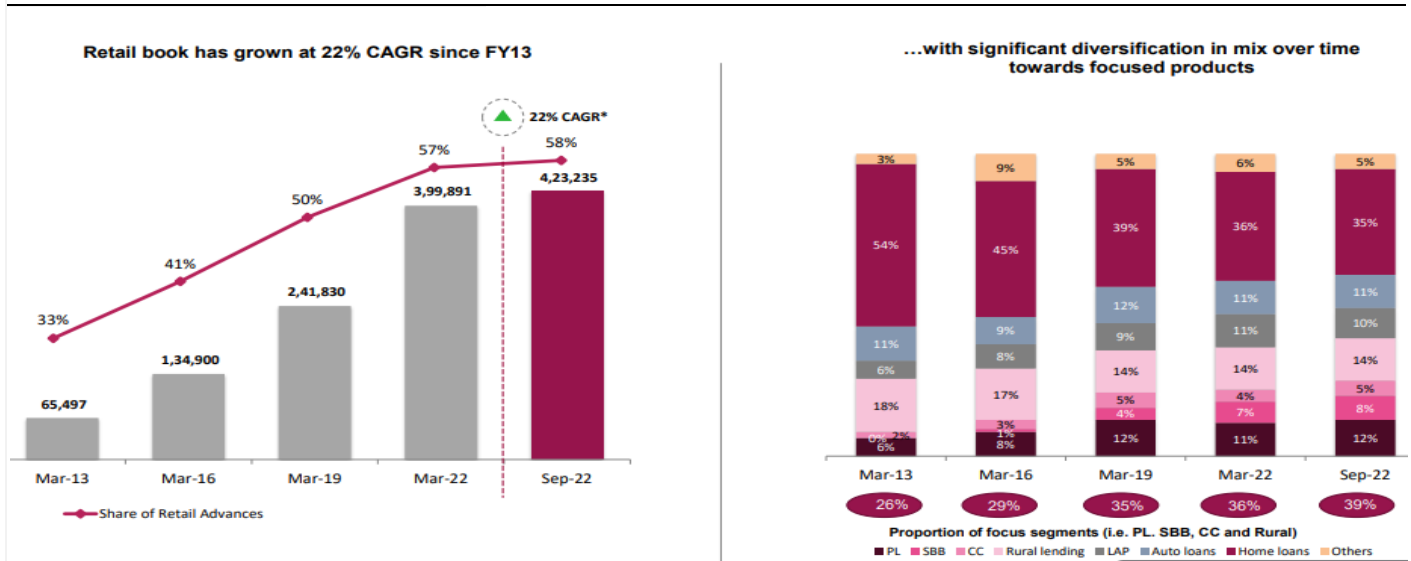
Key Highlights from Retail Lending & Payments

- Retail book has grown at 22% CAGR since FY13 with significant diversification in mix over time towards focused products (600 bps Increase in mix of Retail to overall Bank fees).
- Business mix optimisation in secured segments towards high yielding products, like increase in LAP (340bps over H1FY19), Affordable Housing Loans (186bps growth over H1FY19), Used Car Loans (100bps increase). Strong data analytics capabilities drive higher growth in unsecured segments.
- Cards & Payments business has delivered consistent and strong profitable growth. Continue to gain market share in Retail Card spends (market share at 7.6%) which has driven higher Cards & Payments Fees (27% contribution to total bank fees). Citi bank acquisition to further strengthen card business. Aim to maintain leadership position in the payment space.
- **Outlook** – Focused on delivering healthy growth, through business mix optimization, account aggregator and bharat banking, better risk framework.

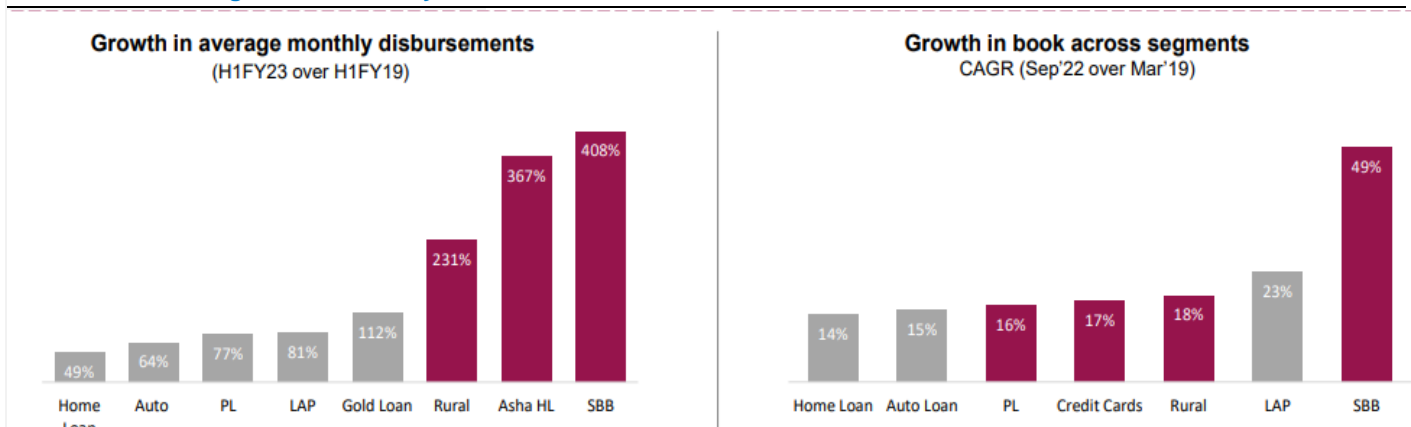
Exhibit 20: GPS Strategy for Retail lending book



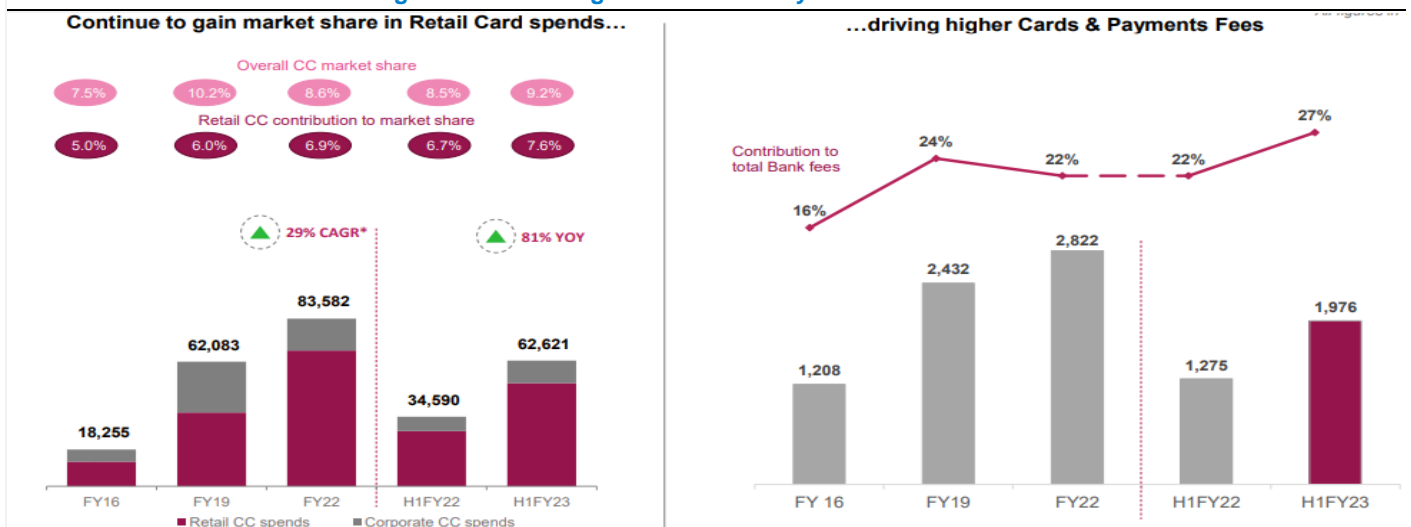
Source: Company, PL

Exhibit 21: Retail book grown at 20%+ CAGR with being well diversified


Source: Company, PL

Exhibit 22: Robust growth in monthly disbursements


Source: Company, PL

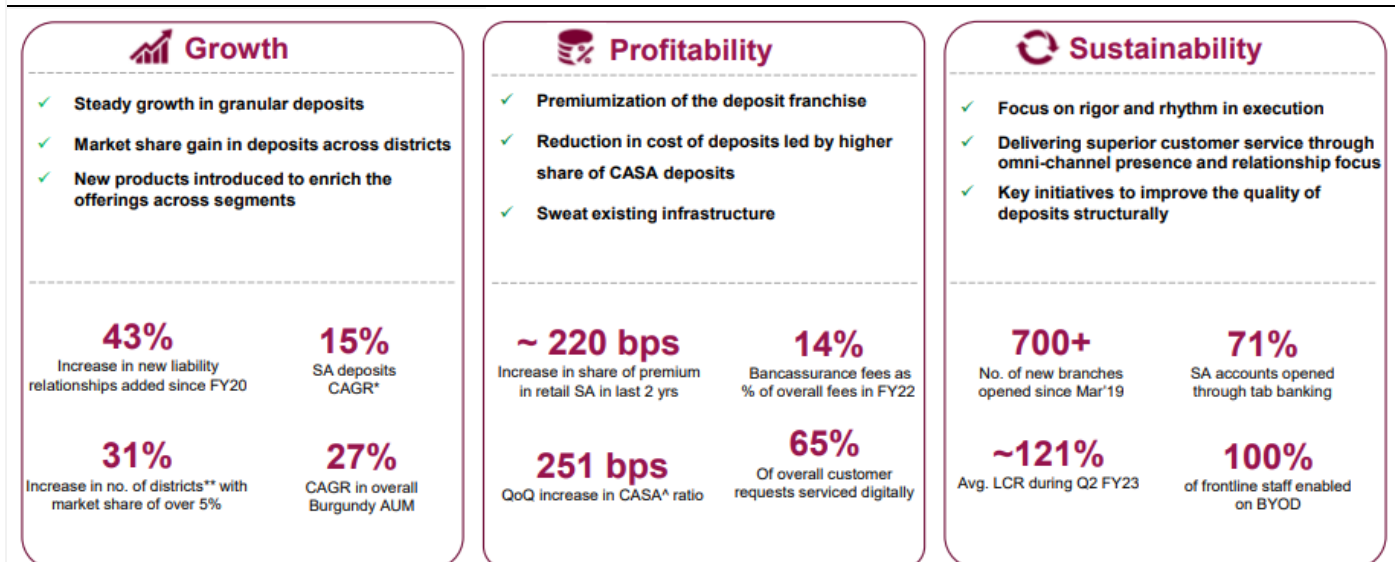
Exhibit 23: Retail Credit card being focus area has grown consistently


Source: Company, PL

Key highlights from Retail Liabilities Franchise

- Granularization and Premiumization of liability franchise continues to make strong progress. Steadily gaining share across districts led by our micro market focused approach towards granular deposits. Premium segment share in the Retail Savings* portfolio increased by ~220 bps YoY. Citi acquisition to further strengthen our premiumization and granularization journey (Pg 2,3,4,15 PPT)
- Focus on more NTB, corporate salary acquisitions. Drive higher business growth and increase market share in Rural and Semi Urban markets through asset led liability strategy & enhancing brand in RuSu markets. Personalization engine to drive customer level deepening and boost product per customer. Further, aim to leverage internal synergies to drive deposits.
- Silver Linings – Focus on 50-60 years age group to help in their retirement planning and funding, participate as a lifecycle phase.
- GPS strategy of retail liabilities franchise

Exhibit 24: xxx



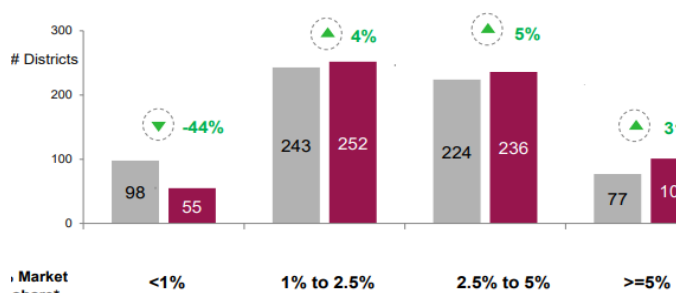
Source: Company, PL

Exhibit 25: Granular & premium strategy impact

- ~ 220 bps** YoY increase in premium segment share of retail portfolio*
- 100%** roll out of Triumph operating rhythm extended to all resources with managed book
- 60%** increase in acquisition of Priority accounts after launch of new proposition in April'22
- 300 bps** increase in individual term deposits growth in H1 FY23 over FY22

Source: Company, PL

Exhibit 26: Steadily gaining share across districts



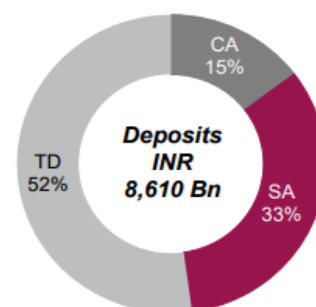
Source: Company, PL

Exhibit 27: Citi portfolio acquisition impact

Citi acquisition provides access to a sizable granular deposit base with deep corporate salary relationships

- Incremental addition* of **₹502 bn** to overall deposits
- High proportion of SA base constituting **73%**
- Affluent and digitally engaged SA customer base with **high balances per account**
- Best-in-class salary account customer base with **1600+ Suvidha corporates**
- **Strategically located** branches

Combined (Axis + Citi*) deposits portfolio



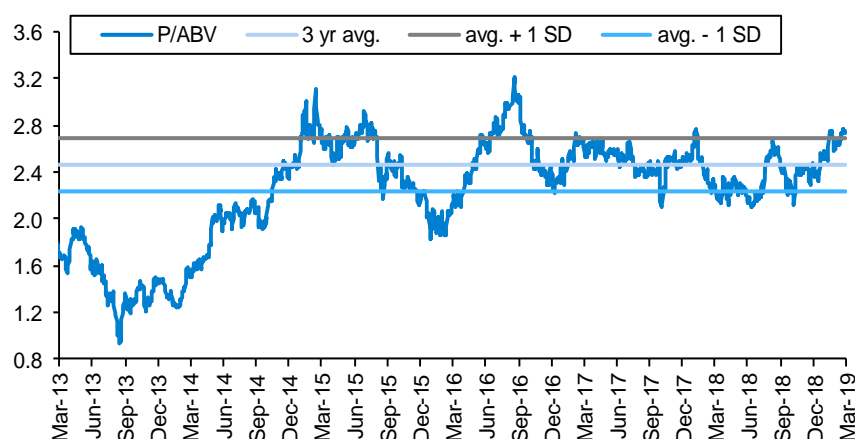
Combined CASA ratio on proforma basis to improve by ~200bps to 48%

Source: Company, PL

Key highlights from Subsidiaries (One Axis)

- Axis Finance** – Started as wholesale financing NBFC, moved to retail now 39% of the book. 85% secured lending book. They currently have an AUM of Rs. 204bn. Retail 70% secured, RE & LAS have been brought down to single digit. Aim to grow at +20%, have digital path in most businesses, deliver returns and maintain at same levels.
- Axis Capital** - Long-term Relationship mindset – both with Corporates and Investors, built over two decades with focus on repeat IB business. Ability to provide holistic solutions to Corporates, leveraging on 'One Axis' capabilities. Committed to invest and build a world class franchise leveraging technology and our relationships
- Axis AMC** – Market share doubled in last 4 years, 13% incremental mkt share in industry, performance. Margin pressure in traditional channels exists. Strengthen distribution channels with shift from however aim to leverage technology, partner with intermediaries, small distributors, 60 branches, end the year with 90 branches. Maintain growth rates as in the past. Margin pressure exists in traditional channel.
- Axis Securities** - Rev per client stood at Rs. 5,760 in H1FY23, 2.65 active client base. Focus would be to acquire quality customer, strengthen product suite, build digital capabilities, penetration through Burgundy Private customers. Partnered with 2 fintechs, would be live by Feb'23.

Exhibit 28: AXSB's historical P/ABV trends



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Int. Earned from Adv.	4,96,166	6,47,971	8,00,697	9,60,786
Int. Earned from invt.	1,46,189	1,87,958	2,28,718	2,63,365
Others	16,132	14,474	16,842	19,099
Total Interest Income	6,73,768	8,56,887	10,54,213	12,52,271
Interest Expenses	3,42,446	4,30,039	5,92,857	7,29,569
Net Interest Income	3,31,322	4,26,847	4,61,356	5,22,702
Growth(%)	9.7	19.9	11.5	13.3
Non Interest Income	1,52,205	1,53,052	1,85,385	2,09,745
Net Total Income	4,83,528	5,79,899	6,46,740	7,32,448
Growth(%)	5.2	22.3	22.7	17.9
Employee Expenses	76,126	92,886	1,01,710	1,11,438
Other Expenses	1,49,898	1,87,943	2,03,862	2,24,237
Operating Expenses	2,36,108	2,80,829	3,05,572	3,35,675
Operating Profit	2,47,420	2,99,070	3,41,169	3,96,772
Growth(%)	(3.7)	20.9	14.1	16.3
NPA Provision	47,974	35,168	27,390	34,125
Total Provisions	73,595	31,091	58,690	66,677
PBT	1,73,826	2,67,978	2,82,479	3,30,095
Tax Provision	43,571	68,355	71,185	83,184
Effective tax rate (%)	25.1	25.5	25.2	25.2
PAT	1,30,255	1,99,623	2,11,294	2,46,911
Growth(%)	97.7	53.3	5.8	16.9

Balance Sheet (Rs. m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Face value	2	2	2	2
No. of equity shares	3,070	3,072	3,082	3,088
Equity	6,139	6,145	6,163	6,175
Networth	11,50,255	13,53,695	14,31,310	16,51,073
Growth(%)	13.2	17.7	5.7	15.4
Adj. Networth to NNPA's	55,122	37,197	38,433	47,238
Deposits	82,17,209	90,39,219	1,03,12,306	1,17,09,144
Growth(%)	17.7	10.0	14.1	13.5
CASA Deposits	36,97,554	39,49,067	43,85,132	49,52,338
% of total deposits	45.0	43.7	42.5	42.3
Total Liabilities	1,17,51,781	1,29,06,688	1,45,73,341	1,64,20,207
Net Advances	70,76,960	80,08,748	92,10,535	1,05,99,485
Growth(%)	13.5	13.2	15.0	15.1
Investments	27,55,972	30,73,335	33,69,432	36,53,639
Total Assets	1,17,51,781	1,29,06,688	1,45,73,341	1,64,20,207
Growth (%)	18.0	9.8	12.9	12.7

Asset Quality

Y/e Mar	FY22	FY23E	FY24E	FY25E
Gross NPAs (Rs m)	2,18,223	1,88,675	1,80,468	2,02,070
Net NPAs (Rs m)	55,122	37,197	38,433	47,238
Gr. NPAs to Gross Adv.(%)	2.8	2.3	2.1	2.1
Net NPAs to Net Adv. (%)	0.7	0.4	0.4	0.5
NPA Coverage %	74.7	80.3	78.7	76.6

Profitability (%)

Y/e Mar	FY22	FY23E	FY24E	FY25E
NIM	3.6	4.0	3.8	3.8
RoAA	1.2	1.6	1.5	1.6
RoAE	12.0	15.9	15.2	16.0
Tier I	16.3	16.6	16.0	15.9
CRAR	18.5	18.6	18.0	17.7

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Interest Income	1,72,611	1,77,762	1,87,287	2,02,389
Interest Expenses	86,086	89,571	93,446	98,787
Net Interest Income	86,525	88,191	93,840	1,03,603
YoY growth (%)	17.4	16.7	20.9	31.1
CEB	33,440	37,580	35,760	38,620
Treasury	-	-	-	-
Non Interest Income	38,404	42,233	29,990	39,412
Total Income	2,11,015	2,19,996	2,17,276	2,41,801
Employee Expenses	19,386	18,865	21,861	21,667
Other expenses	43,928	46,900	43,099	44,186
Operating Expenses	63,314	65,765	64,960	65,852
Operating Profit	61,615	64,660	58,870	77,162
YoY growth (%)	1.1	(5.8)	(8.2)	30.2
Core Operating Profits	57,945	62,350	65,540	78,022
NPA Provision	7,900	6,020	7,770	7,510
Others Provisions	13,348	9,872	3,594	5,498
Total Provisions	13,348	9,872	3,594	5,498
Profit Before Tax	48,267	54,788	55,276	71,664
Tax	12,125	13,610	14,024	18,367
PAT	36,142	41,178	41,253	53,298
YoY growth (%)	223.7	53.8	91.0	71.1
Deposits	77,16,702	82,17,209	80,35,717	81,08,067
YoY growth (%)	20.3	17.7	12.6	10.1
Advances	66,48,656	70,76,960	70,11,299	73,08,748
YoY growth (%)	16.7	15.2	14.0	17.6

Key Ratios

Y/e Mar	FY22	FY23E	FY24E	FY25E
CMP (Rs)	888	888	888	888
EPS (Rs)	42.4	65.0	68.6	80.0
Book Value (Rs)	375	441	464	535
Adj. BV (70%)(Rs)	357	428	451	518
P/E (x)	20.9	13.7	12.9	11.1
P/BV (x)	2.4	2.0	1.9	1.7
P/ABV (x)	2.5	2.1	2.0	1.7
DPS (Rs)	-	5.8	7.5	8.8
Dividend Payout Ratio (%)	-	9.0	11.0	11.0
Dividend Yield (%)	-	0.7	0.8	1.0

Efficiency

Y/e Mar	FY22	FY23E	FY24E	FY25E
Cost-Income Ratio (%)	48.8	48.4	47.2	45.8
C-D Ratio (%)	86.1	88.6	89.3	90.5
Business per Emp. (Rs m)	145	152	167	184
Profit per Emp. (Rs lacs)	12	18	18	20
Business per Branch (Rs m)	2,823	3,035	3,327	3,646
Profit per Branch (Rs m)	24	36	36	40

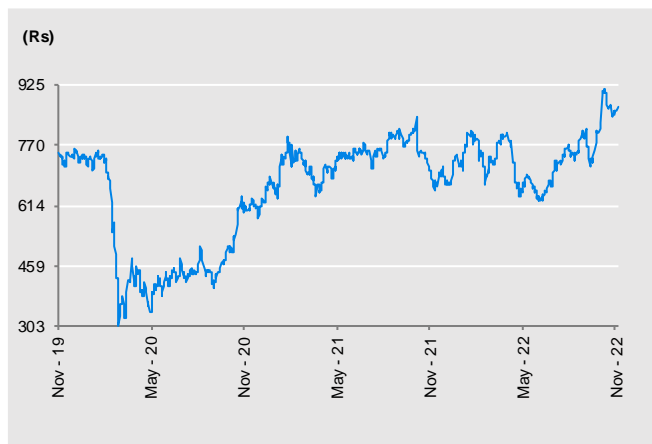
Du-Pont

Y/e Mar	FY22	FY23E	FY24E	FY25E
NII	3.06	3.46	3.36	3.37
Total Income	4.47	4.70	4.71	4.73
Operating Expenses	2.18	2.28	2.22	2.17
PPoP	2.29	2.43	2.48	2.56
Total provisions	0.68	0.25	0.43	0.43
RoAA	1.20	1.62	1.54	1.59
RoAE	11.45	16.65	15.27	16.10

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	21-Oct-22	BUY	1,080	826
2	05-Oct-22	BUY	940	743
3	26-Jul-22	BUY	940	727
4	08-Jul-22	BUY	940	658
5	29-Apr-22	BUY	940	780
6	09-Apr-22	BUY	975	795
7	31-Mar-22	BUY	975	750
8	12-Jan-22	Accumulate	860	743

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,250	1,990
2	Axis Bank	BUY	1,080	826
3	Bank of Baroda	BUY	190	145
4	Can Fin Homes	BUY	700	524
5	City Union Bank	BUY	220	190
6	DCB Bank	BUY	150	120
7	Federal Bank	BUY	165	130
8	HDFC	BUY	3,000	2,489
9	HDFC Bank	BUY	1,800	1,439
10	ICICI Bank	BUY	1,090	907
11	IDFC First Bank	UR	-	53
12	IndusInd Bank	BUY	1,450	1,218
13	Kotak Mahindra Bank	Accumulate	2,100	1,903
14	LIC Housing Finance	Accumulate	410	367
15	Punjab National Bank	BUY	50	36
16	State Bank of India	BUY	700	594

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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