1 September 2023
Annual Report Update | Sector: Financials

Axis Bank

BSE SENSEX	S&P CNX
65,387	19,435

Stock Info

Bloomberg	AXSB IN
Equity Shares (m)	3077
M.Cap.(INRb)/(USDb)	3054.1 / 36.9
52-Week Range (INR)	998 / 706
1, 6, 12 Rel. Per (%)	5/3/22
12M Avg Val (INR M)	9797
Free float (%)	92.1

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
NII	429.5	493.3	571.5
OP	321.4	381.0	457.3
NP	219.3	252.0	296.4
NIM (%)	3.7	3.7	3.7
EPS (INR)	71.4	80.0	92.1
EPS Gr. (%)	68.0	12.2	15.1
BV/Sh. (INR)	406	536	620
ABV/Sh. (INR)	388	517	599
Ratios			
RoE (%)	18.2	16.9	15.9
RoA (%)	1.8	1.8	1.8
Valuations			
P/E(X)	12.5	11.1	9.7
P/BV (X)	2.2	1.7	1.4
P/ABV (X)	2.3	1.7	1.5

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	8.0	8.0	9.5
DII	29.0	31.2	30.8
FII	53.4	50.3	47.8
Others	9.6	10.5	12.0

FII Includes depository receipts

CMP: INR991 TP:INR1,175 (+19%) BUY

Laying the foundation for sustainable growth

FY23 consol RoE improves to 18.8%

- **Axis Bank's (AXSB) annual report highlights the bank's focus on strengthening its retail franchise and investing in its distribution network and technological capabilities. The bank has laid special emphasis on increasing the mix of retail deposits. In FY23, it reported 21% growth in CASA deposits, surpassing its peers. This facilitated a 100bp improvement in the daily average CASA mix, reaching 44%.**
- **The bank continues to invest in digital initiatives to ensure sustainable long-term growth. In FY23, the bank sourced 55% of personal loans digitally vs. 22% in FY18. About 24% of credit cards were also issued through a fully digital end-to-end process. Also, the bank's market share in credit card has improved to 14.7%, strengthening its position as the fourth largest credit card issuer in the country.**
- **The concentration of top 20 advances/deposits improved 105bp/110bp YoY to 8.1%/9.0% in FY23 (11.8% in FY21). The bank has shifted its deposit strategy to 'CASA + retail term deposits' and has consciously pruned bulk deposits.**
- **AXSB has a strong management team and a well-articulated strategy aimed at delivering 18% sustainable RoE. Asset quality has improved significantly and we estimate RoA to recover further aided by steady loan growth and moderation in opex ratios.**
- **We thus estimate RoA/RoE to be ~1.8%/~15.9% by FY25 and we reiterate our BUY rating with a TP of INR1,175 (1.8x FY25E ABV + INR100 for subs).**

Retail franchise strengthens; deposit strategy focused on 'CASA + retail TD'

AXSB has reported steady traction in retail business with the mix increasing to 58% in 1QFY24 from 50% in FY19. This occurred even as the bank consciously lowered the share of mortgage in its retail mix to 43% from 47% in FY22. The proportion of higher-yielding retail loans – comprising mainly personal loans, rural loans, credit cards, and small business banking (SBB) – has increased to 28%. The rural and semi-urban market remains a key focus area, which we believe should enable sustainable loan growth over the medium term. AXSB is focusing on building a granular liability franchise, with 'CASA + retail term deposits' forming 79% of total deposits. The liability duration stands longer than that of assets, as bank does not want to raise short-term liability at a high cost and. the bank believes that maintaining a healthy ALM is far more important. An improving liability franchise has, thus, helped AXSB maintain strong control on its funding cost.

Business productivity improving; estimate C/I ratio to moderate to ~44% by FY25

Business per branch of AXSB has improved to INR3.7b in FY23 from INR3.2b in FY22, while business per employee has also improved to INR195m in FY23 from INR178m in FY22. AXSB's management has guided to add up to 500 branches in FY24, as it expects branches to play an important role in deposit mobilization from new customers. AXSB has been continuously investing in business and building digital capabilities to support growth. As a result, ~60% of incremental opex incurred in the past one year has been allocated toward technology and business enhancements. While the bank will continue to make investments, it expects revenues to grow faster than opex, which, coupled with improving efficiency, should reduce opex ratios. We thus estimate C/I ratio to decline to ~44% by FY25.

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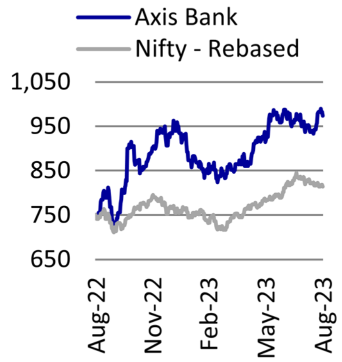
Stock Performance (1-year)



Fee income gaining granularity; retail banking forms ~68% of total fees

Retail and transaction banking fees now form ~93% of total fees, signifying the granularity of fee income. This was primarily driven by card fees (up 51% YoY) and other retail assets related fees (up 23% YoY), which together constituted ~68% of total fees. On the other hand, fees from transaction banking too grew at a healthy 24% YoY. The gradual revival in corporate banking fees, along with a pickup in the credit cycle, is likely to further boost overall fee intensity. AXSB's credit card business is reporting a robust performance and we believe that its partnership with Flipkart and its acquisition of Citi cards business will increase traction in the credit cards business, which will further boost the bank's profitability.

AXSB completes acquisition of Citi's consumer business for INR116b

AXSB has completed the acquisition of Citibank India's consumer business, including its credit cards, deposits, wealth management, loans, and other retail banking operations. It has also acquired the NBFC business of Citicorp Finance (India). It has acquired loans/deposits worth INR273b/INR399b, including the credit card book of INR86b. AXSB's credit card book has thus increased by 42% to INR292b. Wealth management AUM has risen ~33% to INR3.8t, making it the third largest player by combined AUM. AXSB added ~2.4m unique customers, complemented by Citibank's affluent customer segment, and gained access to 21 branches and 459 ATMs.

Asset quality outlook robust; credit cost to sustain at ~0.5% over FY23-25

Asset quality has improved significantly over the past few years, with slippages moderating to 1.9% in FY23 vs. 8.2% in FY18, which led to a decline in the GNPA ratio to 2.2% in FY23 vs. 5.1% in FY20. PCR has also improved to ~80% in FY23 (94% incl. TWO). Restructured book remains negligible at 0.24% of loans, which, along with lower BB & below book, will keep the slippages in control. Around 40% of the NPAs lie in the Doubtful category in FY23 vs. 70% as on FY18. We estimate credit cost to sustain at ~0.5% over FY23-25, thus enabling healthy earnings growth.

Subsidiaries performance on track; Consol RoE improves to 18.8%

AXSB's subsidiaries have exhibited healthy performance in FY23, barring Axis Capital, which reported modest performance amidst volatile markets. Over the past years, subsidiaries have demonstrated strong growth and reached a significant scale, yet their impact on overall profitability remains marginal. The bank aims to scale up its subsidiaries before focusing on profitability. Eventually, the bank aims to rank among the top-five across business segments. Axis subsidiaries thus reported a combined PAT of INR13b in FY23 (9.1% growth over FY22), while consol bank RoE improved to 18.8% (21.6% annualized based on 4QFY23).

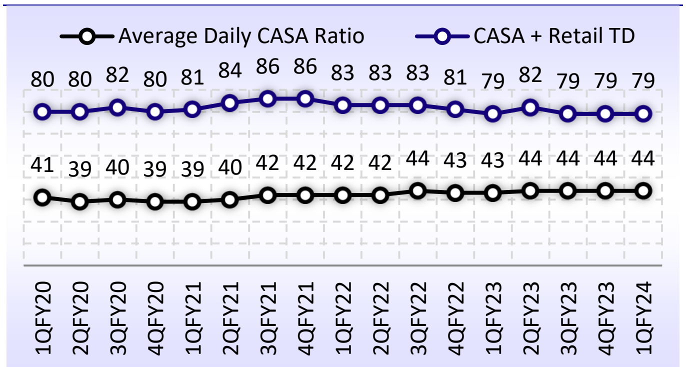
Valuation and view: Retain Buy with TP of INR1,175

AXSB remains focused on building a stronger, consistent, and sustainable franchise. With asset quality issues behind, slippages and credit costs are likely to stay under control. The rise in deposit cost will continue to exert pressure on margins; however, the focus on retail liabilities, improving mix of high-yielding loans and a gradual reduction in low-yielding RIDF bonds (2.3% of assets) should limit margin decline. We thus, estimate ~18% CAGR in loans over FY23-25. While the bank will continue to make investments in technology and branches, we estimate the cost-income ratio to moderate to ~43% by FY25E. Thus, we estimate AXSB to deliver FY25 RoA/RoE of 1.8%/15.9%. **We reiterate our BUY rating with a TP of INR1,175 (1.8x FY25E ABV+ INR100 for subs).**

Deposit strategy focused on 'CASA + retail term deposits'

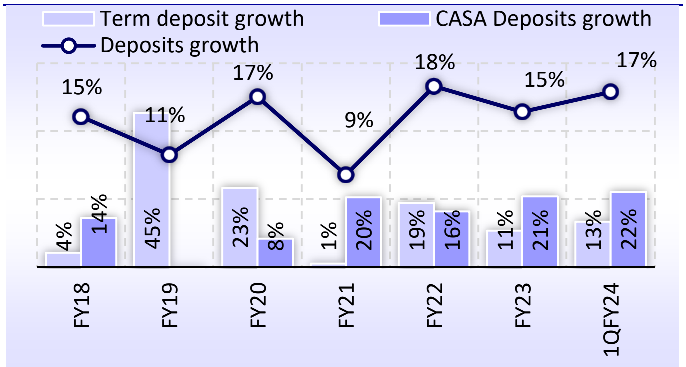
AXSB has been making strong progress toward building a granular and premium liability franchise. The focus remains on adding new liability relationships, which grew 43% YoY. The bank has shifted its deposit strategy to focus on CASA + retail term deposits. CASA + retail TD thus forms ~79% of total deposits, and has helped the bank to maintain a strong control on funding cost. In FY23, CASA deposits grew 21% YoY, exceeding overall deposit growth of 15% YoY. Also, cost of deposits/cost of funds for the bank increased by 8bp/24bp after bottoming out in FY22. The bank does not want to raise short-term liability at a high cost as maintaining healthy ALM is far more important. The bank thus maintains a positive duration match with liability duration being longer than that of assets.

Exhibit 1: CASA + retail TD constitute ~79% of total deposits, enabling strong control on cost of funds



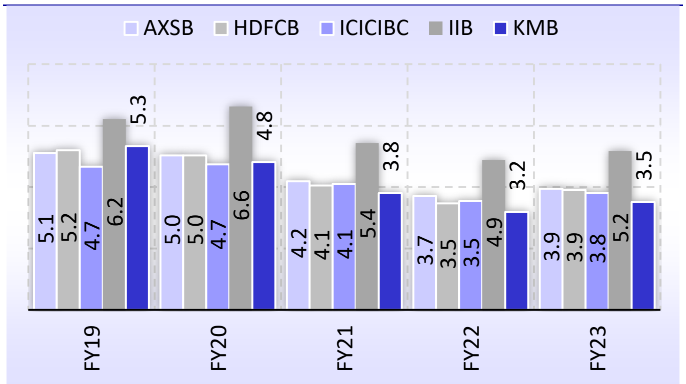
Source: Company, MOFSL

Exhibit 2: The bank has shifted its deposit strategy to focus more on CASA deposits



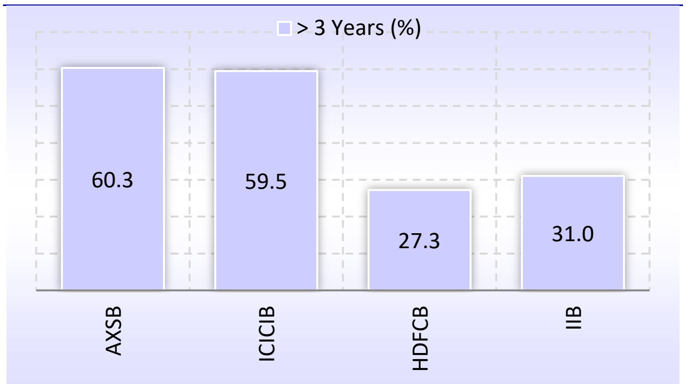
Source: Company, MOFSL

Exhibit 3: AXSB's funding cost compared to peers



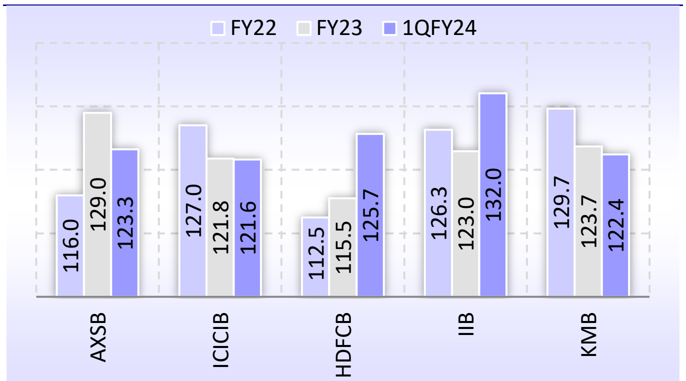
Source: Company, MOFSL

Exhibit 4: AXSB's liability duration compared to peers



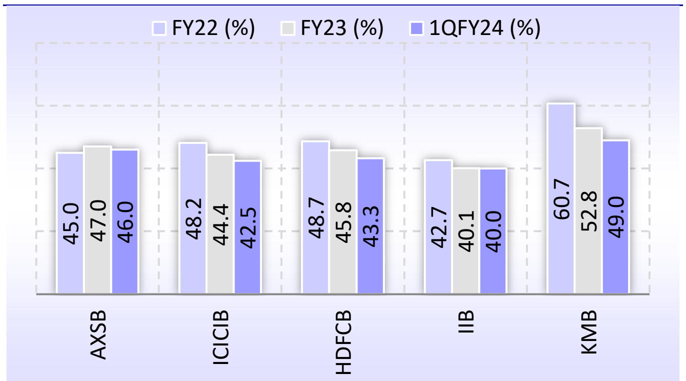
Source: Company, MOFSL

Exhibit 5: LCR ratio of AXSB stood at 123% in 1QFY24 (%)



Source: Company, MOFSL

Exhibit 6: AXSB's CASA ratio has improved unlike most peers

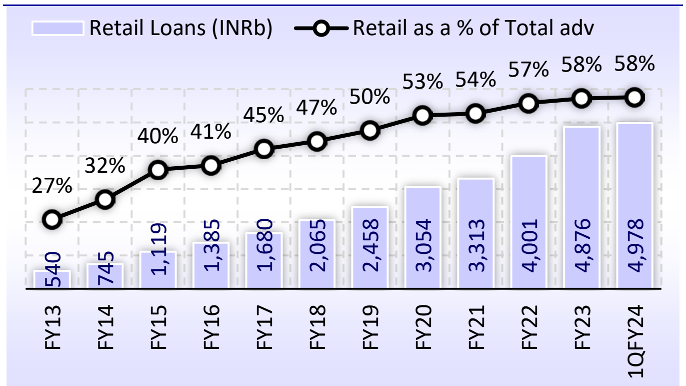


Source: Company, MOFSL

Loan growth driven by retail segment; healthy traction to continue

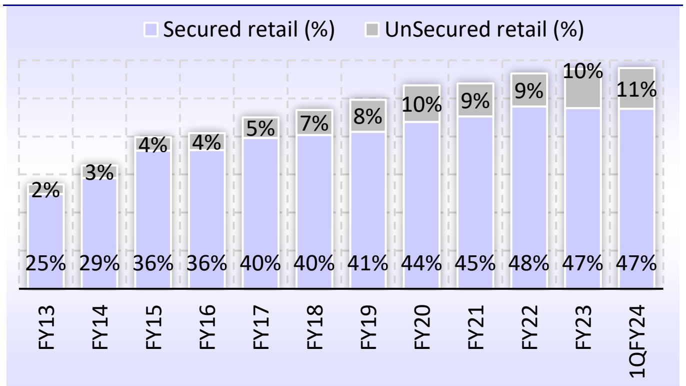
- AXSB delivered a loan book CAGR of 17% over FY21-23, driven largely by retail book, which registered a CAGR of 21%. Corporate book growth stood at ~14% over this period.
- The bank has been focusing on improving the granularisation of its retail portfolio with an aim to improve the high-yielding and unsecured segment. As a result, the mix of high-yielding retail loans (comprising personal loans, credit cards, SBB, and rural loans) has increased consistently to 28% in 1QFY24.
- Overall, the mix of the retail book has increased to 58% in FY23 (up 116bp YoY) from 50% in FY19, even as the bank has consciously lowered the share of housing loans to 43% from 55% in FY15. Furthermore, unsecured loans make up 18% of the total retail portfolio (10.2% of total loans).
- Proportion of overseas loan has declined to 4% in 1QFY24 from 12% in FY18.

Exhibit 7: Retail loan CAGR stood at 21% over FY21-23, as against 17% CAGR in total loans



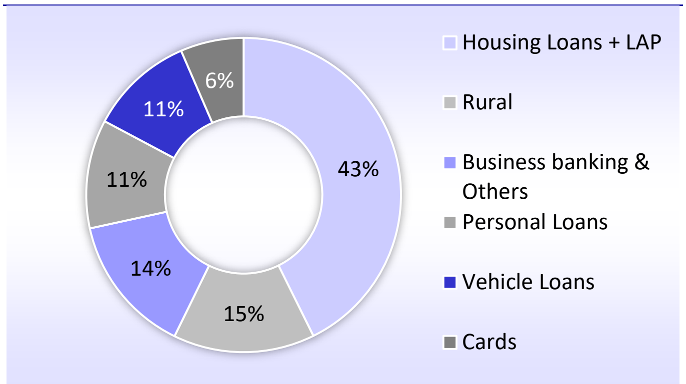
Source: Company, MOFSL

Exhibit 8: Within retail, majority of loans are secured in nature



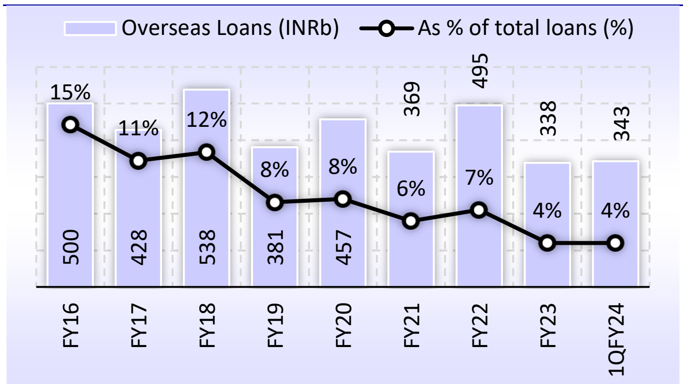
Note: as a % of total loans. Source: Company, MOFSL

Exhibit 9: Retail loan mix as on FY23: Mix of unsecured loans gradually increasing; stands at 18% of retail loans



Source: Company, MOFSL

Exhibit 10: Proportion of overseas loans has declined to 4% from 15% in FY16



Source: Company, MOFSL

Fee income getting granular – intensity also improving

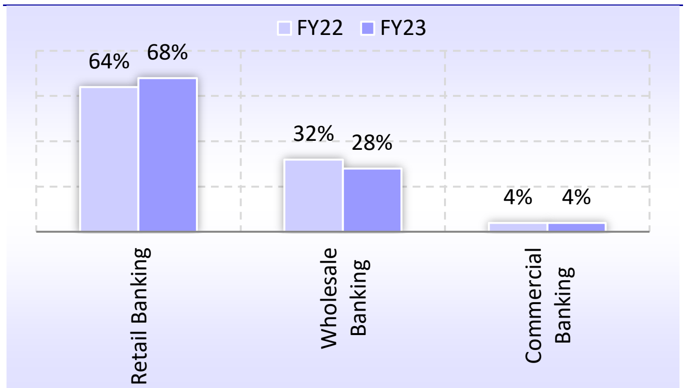
Retail banking forms ~68% of total fees

AXSB is the fourth largest credit card issuer with a market share of 14.7%

Retail and transaction banking fees formed ~93% of total fees in FY23, signifying the granularity of fee income. This was primarily driven by card fees (up 51% YoY) and other retail assets related fees (up 23% YoY), which together constituted ~68% of total fees. On the other hand, fees from transaction banking grew 24% YoY. Bancassurance income grew 25% YoY, led by insurance business and forms 16% of the total retail fees. The gradual revival in corporate banking fees, along with a pickup in the credit cycle, is likely to further boost overall fee intensity.

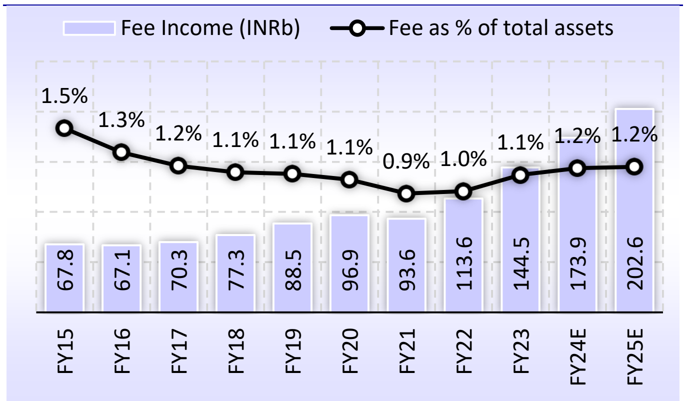
AXSB's credit card business is exhibiting robust performance over the past one year as the bank renewed its focus on expanding the same. It is currently the third largest credit card issuer, with a total card base of 12.5m along with Citibank India Consumer business (market share of 14.7%) as on Jun'23. Spends have grown 61% YoY in FY23, with a market share of 9.4%. There has been a 55% increase in credit card advances. Moreover, AXSB commands the highest market share of 68% in forex cards and 19% in POS terminals (ranks 2nd). We believe that partnership with Flipkart along with the acquisition of Citi cards business will result in continued traction in the credit cards business, which will further boost the bank's profitability.

Exhibit 11: 68% of total fee income is now driven by retail banking



Source: Company, MOFSL

Exhibit 12: Core fee income constitutes ~1.1% of average assets; expect it to increase to 1.2% of total assets by FY25



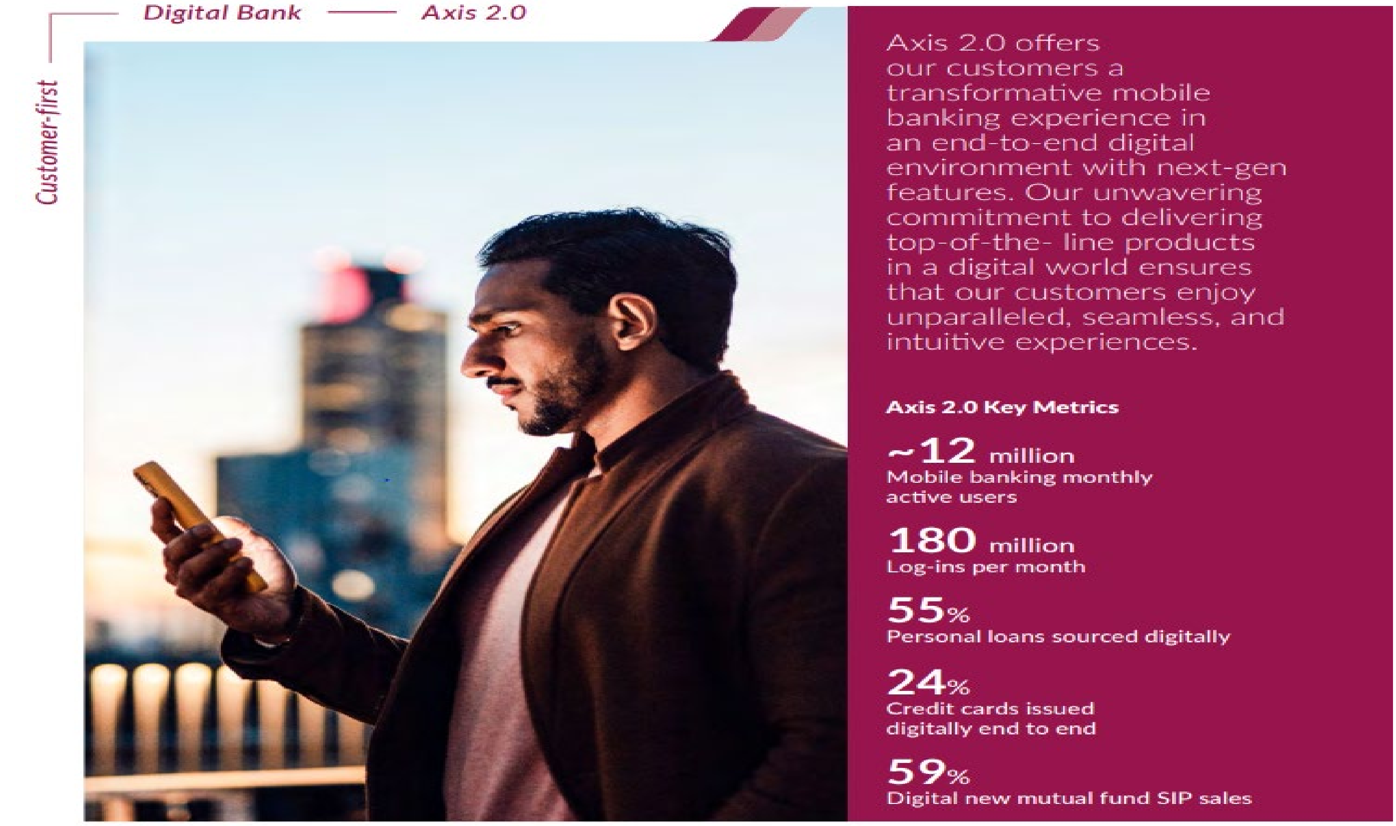
Source: Company, MOFSL

Exhibit 13: Bancassurance fees has doubled since FY19 – forms ~16% of total retail fees

Bancassurance Business (INRm)	FY19	FY20	FY21	FY22	FY23
Sale of Life insurance	6,405	6,920	9,635	11,873	13,594
sale of Non-Life insurance	686	762	1,233	1,332	1,370
Sale of MF	4,061	2,919	3,308	4,623	4,594
Others	991	571	432	995	3,929
Total	**12,143**	**11,172**	**14,609**	**18,824**	**23,486**

Source: Company, MOFSL

Exhibit 14: Strong market position across digital payments products



Source: MOFSL, Company

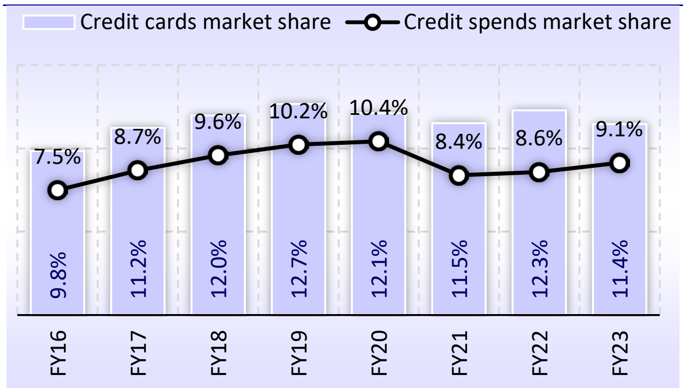
AXSB has ~68% market share in the forex cards business.

Exhibit 15: AXSB is the fourth largest issuer in terms of outstanding credit cards

Market Share (%)	FY20	FY21	FY22	FY23	Apr'23	May'23	Jun'23
HDFCB	25.1	24.2	22.5	20.6	21.0	21.2	21.5
SBIN	18.3	19.1	18.7	19.7	19.8	20.1	20.3
ICICIBC	15.8	17.1	17.6	16.9	17.1	17.2	17.4
AXSB	12.1	11.5	12.3	14.2	14.4	14.6	14.7
KMB	4.0	3.9	4.3	5.8	5.9	6.0	6.1

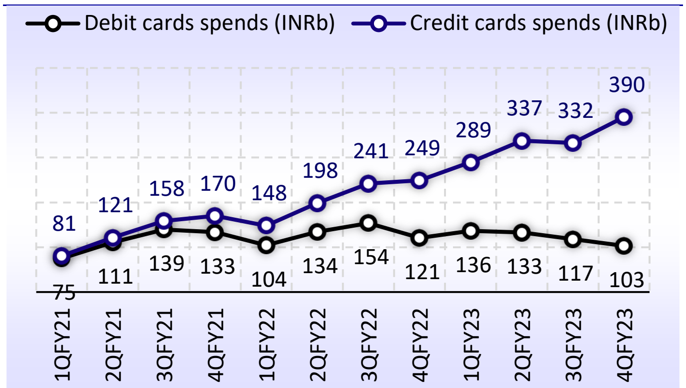
Source: Company, MOFSL

Exhibit 16: Credit cards spends market share stood at 9.4%...



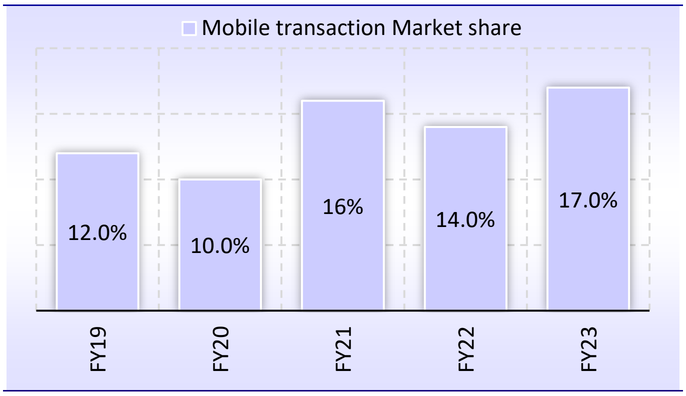
Source: Company, MOFSL

Exhibit 17: ...while debit card spends were down 5% YoY



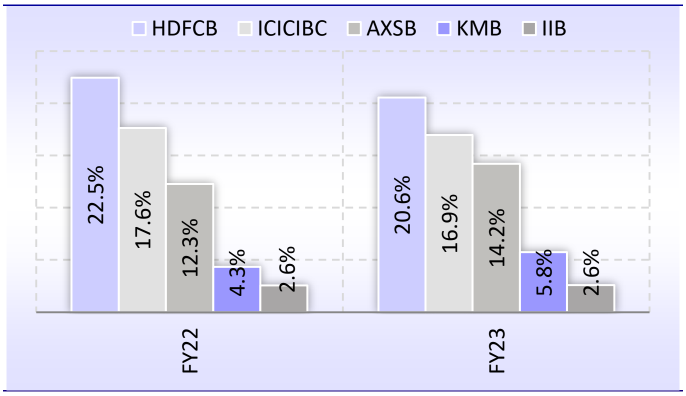
Source: Company, MOFSL

Exhibit 18: Mobile transaction market share continues to grow



Source: Company, MOFSL

Exhibit 19: AXSB has 14.2% market share in outstanding credit cards (14.7% market share as on Jun'23)



Source: Company, MOFSL

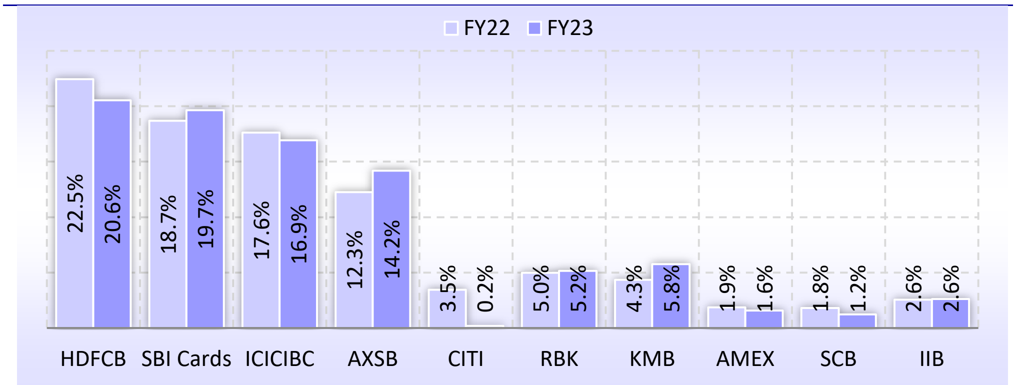
AXSB completes acquisition of Citi's consumer business for INR116b

AXSB has completed the acquisition of Citibank India's consumer business, including its credit cards, deposits, wealth management, loans, and other retail banking operations. It has also acquired the NBFC business of Citicorp Finance (India). It has acquired loans/deposits worth INR273b/INR399b, including the credit card book of INR86b. AXSB's credit card book has increased 42% to INR292b. Wealth management AUM has risen ~33% to INR3.8t, making it the third largest player by combined AUM. It added ~2.4m unique customers, complemented by Citibank's affluent customer segment, and gained access to 21 branches and 459 ATMs.

Exhibit 20: AXSB's market share in outstanding cards/spends increased 260bp/30bp

Market share (%)	Outstanding cards		Total spends	
	Before merger	Post Axis Citi merger	Before merger	Post Axis Citi merger
HDFCB	20.9	20.9	28.0	28.0
SBICARD	19.7	19.7	18.2	18.2
ICICIBC	16.6	16.6	18.1	18.1
AXSB	**11.6**	**14.2**	**9.1**	**9.4**
KMB	5.8	5.8	3.2	3.2
RBK	5.2	5.2	4.1	4.1
IIB	2.6	2.6	5.0	5.0
AMEX	1.6	1.6	2.7	2.7
SCB	1.3	1.3	1.0	1.0

Exhibit 21: Market share of outstanding credit cards across major players as of FY22/FY23



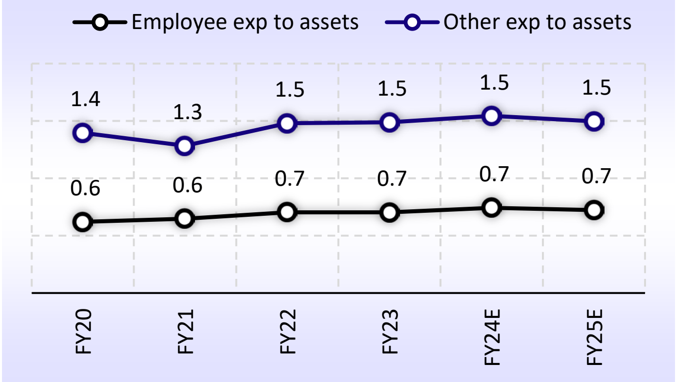
Source: Company, MOFSL

Tech + Future growth investments keep opex elevated

Cost-to-assets ratio to moderate to ~2% by exit FY25

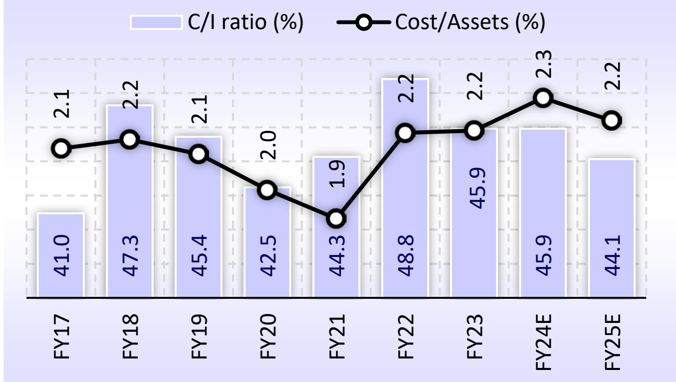
AXSB has been continuously investing in business and building technology capabilities to support business growth. As a result, ~38% of incremental opex over the past one year has been toward investment in technology and for future growth. The mix of retail loans has increased to 58% as of 1QFY24, which, coupled with the rapid expansion in the credit cards business, has resulted in elevated opex. As a result, the C/I ratio stood at 45.9% in FY23, while cost-to-assets ratio stood at 1.5%. While the bank will continue to make investments, it expects core operating revenue to grow faster than opex, which should gradually reduce opex. Thus, we estimate the C/I ratio to be ~44% by the end of FY25, while the bank has guided to bring down cost-to-assets ratio to ~2% by exit FY25.

Exhibit 22: Cost-to-asset ratio has increased over the years



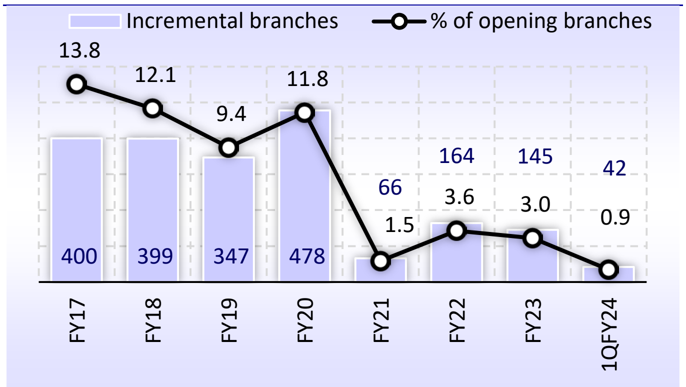
Source: Company, MOFSL

Exhibit 23: Expect C/I ratio to decline to ~44.1% by FY25E



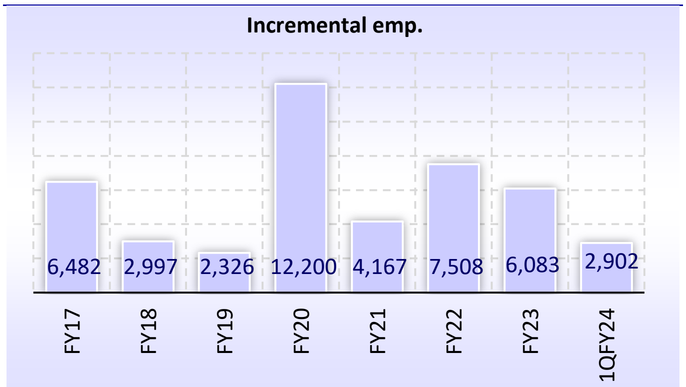
Source: Company, MOFSL

Exhibit 24: Pace of branch expansion to pick up; the bank has added 42 branches in 1QFY24



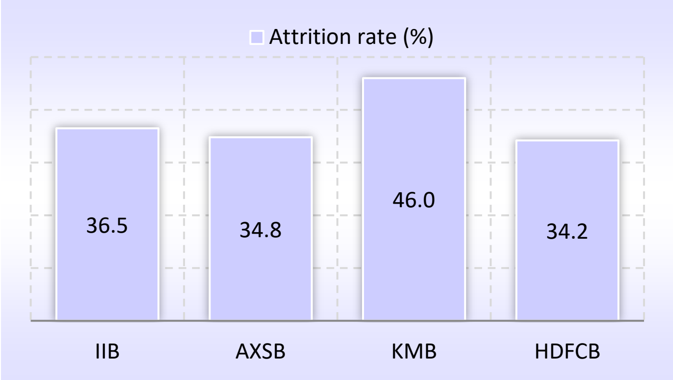
Source: Company, MOFSL

Exhibit 25: Pace of employee addition has also picked up – the bank added 2,902 employees in 1QFY24



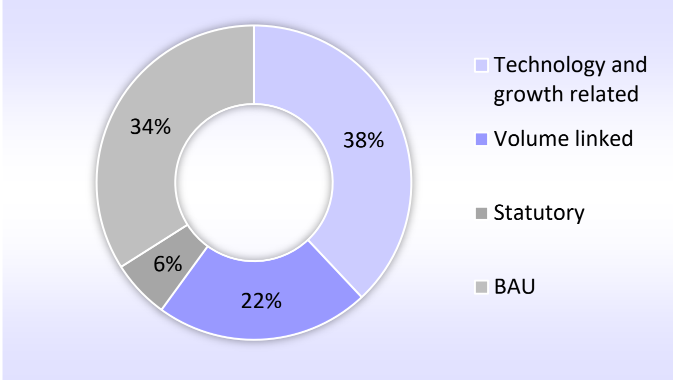
Source: Company, MOFSL

Exhibit 26: Attrition rate across peers - FY23



Source: Company, MOFSL

Exhibit 27: Incremental opex mix - FY23



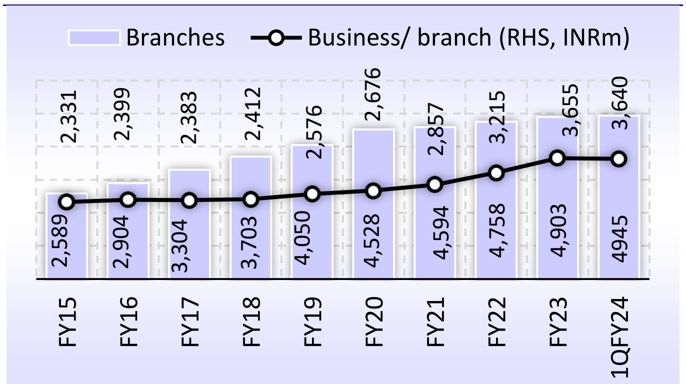
Source: Company, MOFSL

Business productivity improving; focus on increasing branch count

Business per branch of AXSB has improved to INR3.7b in FY23 from INR3.2b in FY22, while business per employee has also increased to INR195m in FY23 from INR178m in FY22. With ~53% of its branches concentrated in the semi-urban and urban regions, AXSB has been able to improve its business productivity.

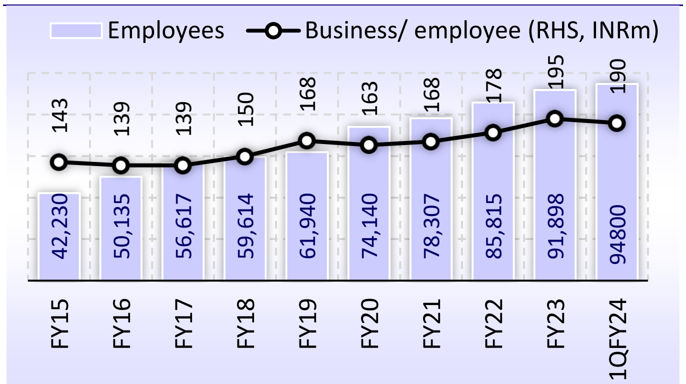
However, AXSB's branch productivity in terms of SA per branch remains lower than its peers, such as HDFC which has reflected the highest improvement on this front. The management has further guided to add ~500 branches in FY24 as it expects branches to play an important role in deposit mobilization from new customers. This will also help drive the bank's acquisition strategy across products/services and reinforce the brand among customers.

Exhibit 28: Business/branch consistently improving



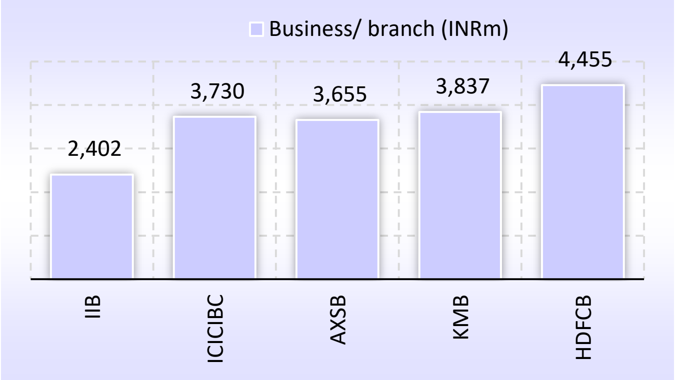
Source: Company, MOFSL

Exhibit 29: Business/employee improved to INR190m in 1QFY24 vs. INR163m in FY20



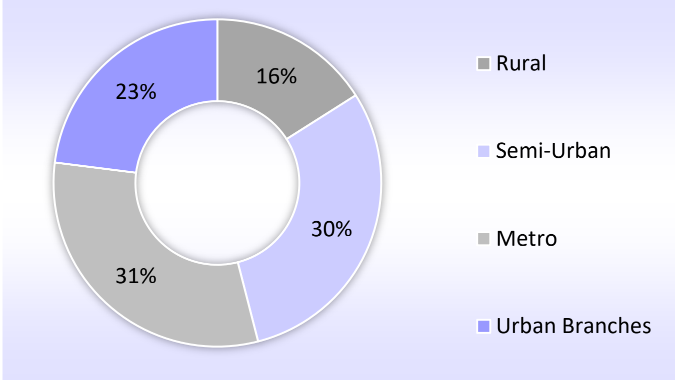
Source: Company, MOFSL

Exhibit 30: Business/branch across peers – FY23



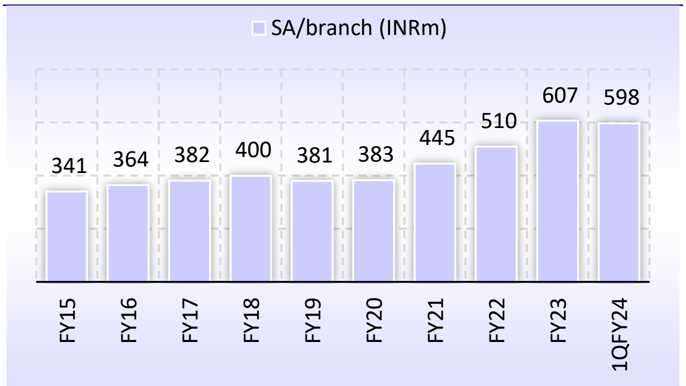
Source: Company, MOFSL

Exhibit 31: AXSB: Branch concentration across regions



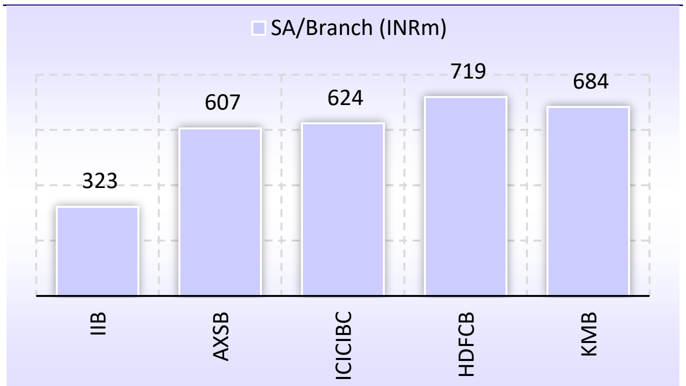
Source: Company, MOFSL

Exhibit 32: AXSB: SA per branch over the years…



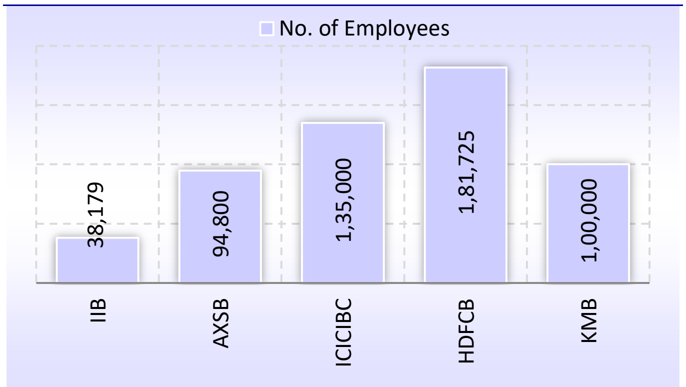
Source: Company, MOFSL

Exhibit 33: AXSB SA per branch stands comparable to ICICI though is lower than HDFCB



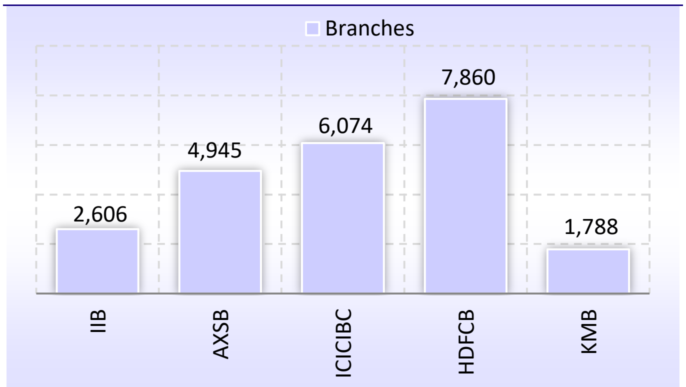
Source: Company, MOFSL

Exhibit 34: No. of employees across peers - 1QFY24



Source: Company, MOFSL

Exhibit 35: Branches across peers - 1QFY24



Source: Company, MOFSL

Asset quality steady; slippage ratio moderates to 1.9%

CBG GNPA/NNPA declines to 1.1%/0.3% as on FY23

Estimate credit cost to remain at ~0.5% over FY23-25E

Asset quality ratios improved significantly over the past few years with slippages moderating to ~INR146b in FY23 from INR334b in FY18. Slippages ratio thus moderated to 1.9% in FY23, which, coupled with healthy recoveries, led to a decline in GNPA ratio to 2.2% in FY23. The bank also improved its PCR to 80% (94% including tech. w/off) resulting in an improvement in NNPA ratio to 0.4%. The bank's asset quality remains well-maintained, with the restructured book standing at a mere 0.24% of advances. Coupled with a significant decrease in the BB and below pool to INR34b in FY23 (vs. INR58b in FY22), the bank continues to effectively manage its asset quality. We thus estimate slippage ratio of ~2% over FY23-FY25E.

Asset Quality in the CBG segment (MSME) remains stable due to continuous monitoring of exposure through various Early Warning Systems with NNPA of 0.33% and a PCR of 71% in FY23.

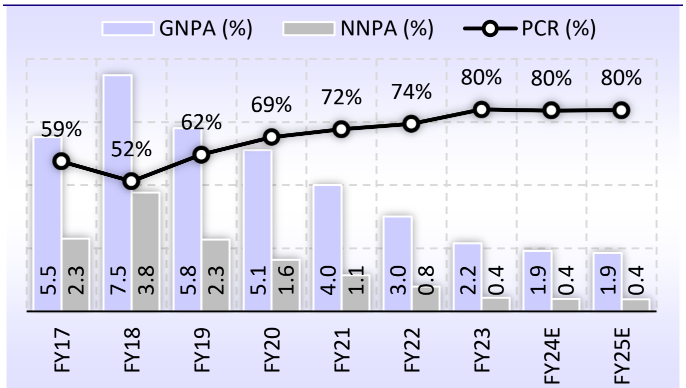
Corporate Book's asset quality has improved with GNPA Ratio moderating to 3.2% in FY23 from 5.7% in FY21. The bank has already created a PCR of 91% (excluding tech. w/off) resulting in an NNPA ratio of 0.3% for this segment.

Around 40% of the NPAs lie in the Doubtful category in FY23 vs. 70% as on FY18. Proportion of loss assets increased to 39% as the bank wrote down INR82b of loans in FY23 vs. ~INR98b in FY22.

Further the concentration of top 20 NPA accounts has increased to 45% in FY23 from 35% in FY21.

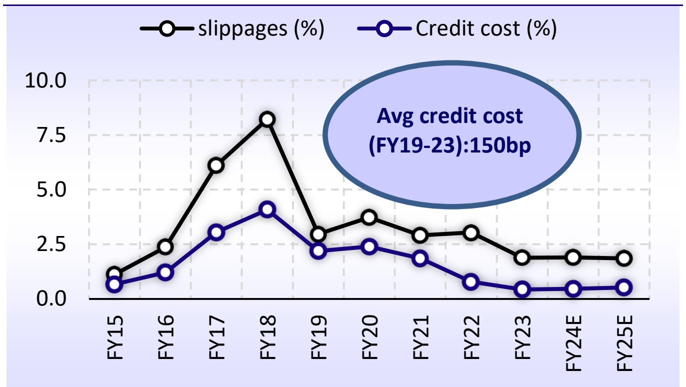
GNPAs for the priority and non-priority sectors have also improved with a major improvement seen in the industry sector. We estimate credit cost to remain in control at ~0.5% over FY23-25E, thus enabling healthy earnings growth.

Exhibit 36: Asset quality continues to improve; expect GNPA/NNPA ratio to decline to 1.9%/0.4% by FY25E



Source: Company, MOFSL

Exhibit 37: Slippages and credit costs have moderated to 1.9%/0.4% from a high of 8.2%/4.1% in FY18



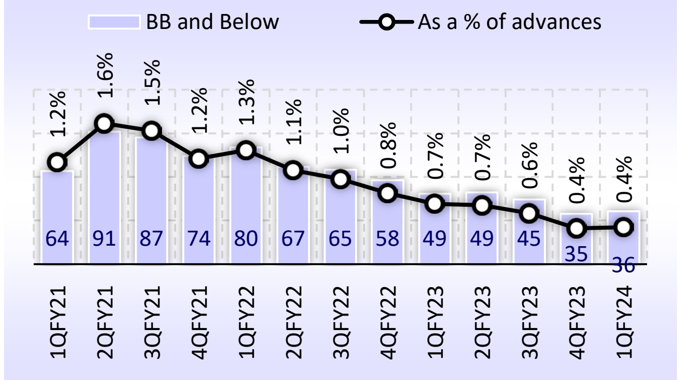
Source: Company, MOFSL

Exhibit 38: NPA classification under different buckets across banks

As a % of GNPA	AXISB		ICICIBC		SBI		BoB	
	FY21	FY23	FY21	FY23	FY21	FY23	FY21	FY23
Sub Standard	**27%**	**21%**	**31%**	**24%**	**16%**	**14%**	**23%**	**15%**
Doubtful	**37%**	**40%**	**58%**	**39%**	**65%**	**57%**	**53%**	**53%**
Doubtful 1	18%	16%	11%	15%	25%	13%	18%	12%
Doubtful 2	16%	18%	13%	14%	21%	24%	22%	24%
Doubtful 3	3%	6%	34%	10%	19%	20%	12%	17%
Loss	**37%**	**39%**	**11%**	**37%**	**20%**	**30%**	**24%**	**32%**
Total GNPL (INR b)	**257**	**187**	**415**	**300**	**1,282**	**919**	**679**	**379**

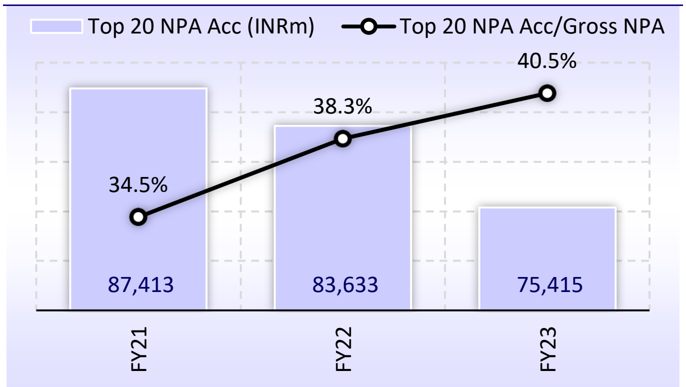
Source: MOFSL, Company

Exhibit 39: BB and below book declined to 0.4% of total advances



Source: Company, MOFSL

Exhibit 40: Concentration of top 20 NPA accounts have increased to ~41% of Gross NPA as on FY23



Source: Company, MOFSL

Exhibit 41: Overall GNPAs for priority and non-priority sector improved with significant improvement in the industry segment

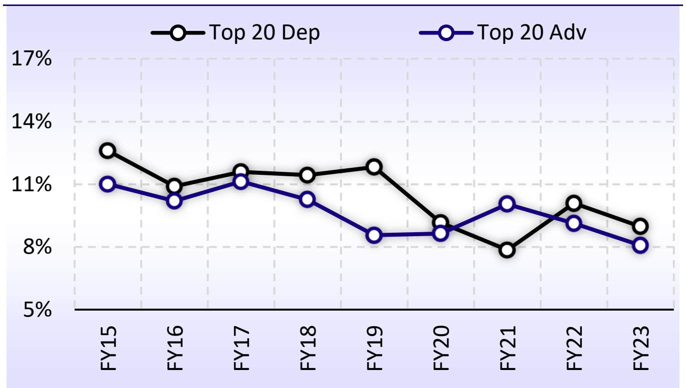
	FY20		FY21		FY22		FY23	
INR b	**O/s advances**	**GNPA (%)**	**O/s advances**	**GNPA (%)**	**O/s advances**	**GNPA (%)**	**O/s advances**	**GNPA (%)**
Priority Sector								
Agriculture	325	4.9%	443	4.2%	566	3.7%	868	2.4%
Industry	280	4.4%	471	3.2%	728	1.9%	751	1.3%
Services	212	4.1%	358	3.3%	529	1.5%	490	1.3%
Personal loans	642	0.8%	599	1.7%	750	1.6%	987	1.1%
Total (A)	**1,458**	**2.9%**	**1,871**	**3.0%**	**2,573**	**2.1%**	**3,097**	**1.5%**
Non-Priority Sector								
Agriculture	2	11.0%	10	1.4%	15	1.7%	NA	NA
Industry	1,638	9.9%	1,461	7.4%	1,457	5.5%	1,661	4.0%
Services	959	5.1%	974	3.4%	837	3.6%	1,133	2.4%
Personal loans	1,831	0.7%	2,082	1.4%	2,337	0.9%	2,698	1.1%
Total (B)	**4,430**	**5.1%**	**4,527**	**3.8%**	**4,645**	**2.8%**	**5,492**	**2.2%**
Total (A+B)	**5,888**	**4.5%**	**6,398**	**3.5%**	**7,218**	**2.6%**	**8,589**	**2.0%**

Source: Company, MOFSL,

RWA density deteriorates; deposit & advances concentration improves

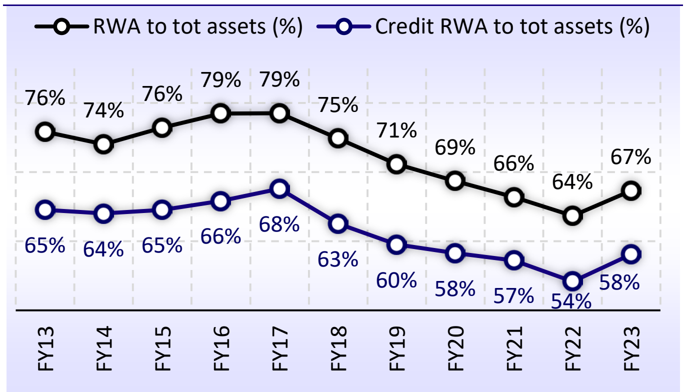
AXSB has a tier-1 ratio of 14.6% (CET 1 of 14.0%), while total CAR stands at 17.6%. During the year, the RWA density increased 370bp YoY, partly due to Citi merger and stronger growth in unsecured retail business. However, RWA density has seen overall improvement in the last few years to 67% in FY23 from 75% in FY18. Further, the concentration of top 20 advances/exposures declined 105bp/180bp during the year. On the liability side, the concentration of top-20 depositors declined 110bp to 9%.

Exhibit 42: Concentration of top 20 advances/deposits declined to 8.1%/9.0% in FY23



Source: MOFSL, Company

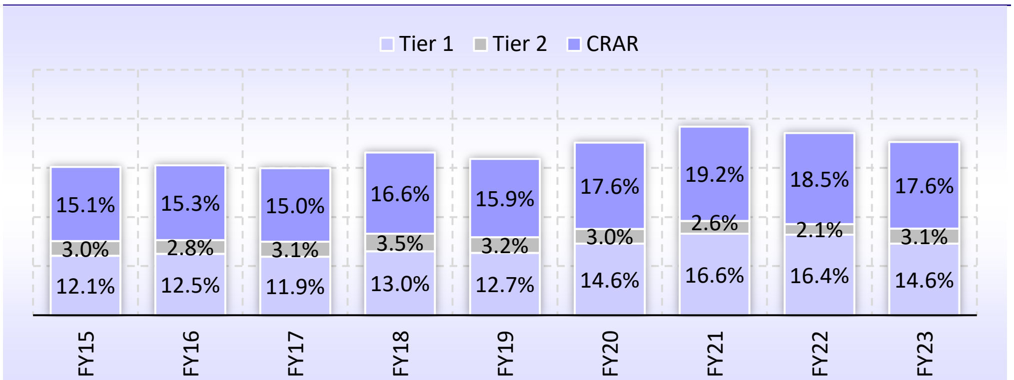
Exhibit 43: RWA density increased to 67% in FY23 from 64% in FY22



Source: MOFSL, Company

CET-1 ratio stood at 14.0%, while CRAR stands at 17.6%

Exhibit 44: AXSB has a tier-1/tier-2 ratio of 14.6%/3.1% in FY23



Source: MOFSL, Company

Exposure toward CM/CRE stood at 2.4%/6.2% as of FY23

Exhibit 45: Exposure toward Capital Market and commercial real estate

INR m	FY19	FY20	FY21	FY22	FY23
Capital Market	1,09,534	1,01,739	1,33,415	1,64,582	1,99,992
% of Fund based o/s	2.2%	1.8%	2.2%	2.3%	2.4%
Commercial Real Estate	2,39,828	2,61,556	2,69,910	3,33,575	5,20,317
% of Fund based o/s	4.8%	4.6%	4.4%	4.7%	6.2%

Source: MOFSL, Company

Contingent liability as a percentage of total assets declined in FY23

Contingent liabilities for the bank grew ~12% YoY in FY23 (17% CAGR over FY21-23), resulting in a decline in its proportion to 116% of total assets vs. 120% in FY22. This was primarily attributed to a reduction in acceptances and endorsements provided by the bank (8% YoY).

Exhibit 46: Contingent liabilities constitute 116% of total assets

Contingent Liabilities (INRb)	FY18	FY19	FY20	FY21	FY22	FY23
Claims not acknowledged as debt	5	6	20	21	9.5	20
Outstanding forward exch. contracts	3,148	3,297	8,027	8,820	11,084	12,278
Guarantees given in India	763	681	665	730	724	918
Guarantees given outside India	87	75	74	79	73	106
Acceptances, Endorsements etc.	324	324	252	378	569	524
Uncalled liability on investments	0.2	0	1.4	1.6	3.2	2.4
Others	472	335	191	498	458	565
Total	**7,353**	**7,558**	**9,230**	**10,527**	**12,921**	**14,412**
% of total assets	**106%**	**94%**	**108%**	**111%**	**120%**	**116%**

Source: MOFSL, Company

Subsidiaries performance on track

Consol RoE improves to 18.8% in FY23

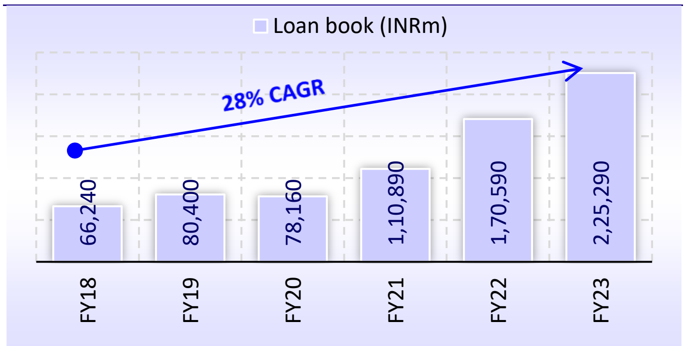
AXSB's subsidiaries have exhibited steady performance in FY23, barring Axis capital, which reported modest performance amidst volatile markets. Over the years, the bank's subsidiaries have demonstrated strong growth, achieving significant scale. However, their contribution to the overall profitability of the bank has been relatively modest. The bank's current strategy involves prioritizing the expansion of its subsidiaries before shifting its focus toward enhancing their profitability. Eventually, the bank aims to rank among the top-five across business segments.

Axis Finance: Strong loan growth continues

Delivered loan book CAGR of 28% and PAT CAGR of 21% over FY18-23

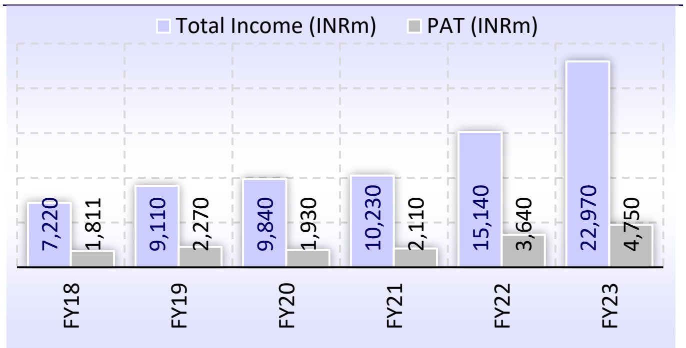
- Axis Finance Limited – the bank's fast growing NBFC catering to the unique financing requirement of retail and wholesale customers – carries on the activities of loan against shares, margin funding, IPO financing, etc.
- Axis Finance Limited delivered a loan book CAGR of 28% over FY18-FY23 to reach INR225b (59% Wholesale:41% Retail).
- PAT grew to INR4.8b in FY23 from INR1.8b in FY18 (CAGR of 21%), with 17% ROE in FY23. NPA ratio for the company stood at 0.36%, while the return ratios remained healthy.

Exhibit 47: Loan book CAGR of 28% over FY18-23...



Source: MOFSL, Company

Exhibit 48: .while total income/PAT CAGR stood at 26%/21%



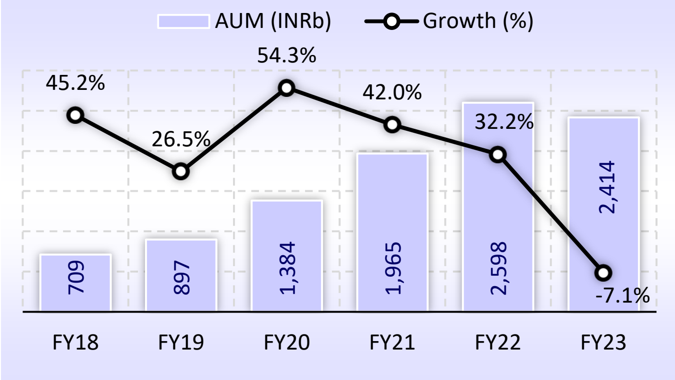
Source: MOFSL, Company

Axis AMC: AUMs decline; PAT growth steady

Total investor folio stood at 12.9m as on FY23

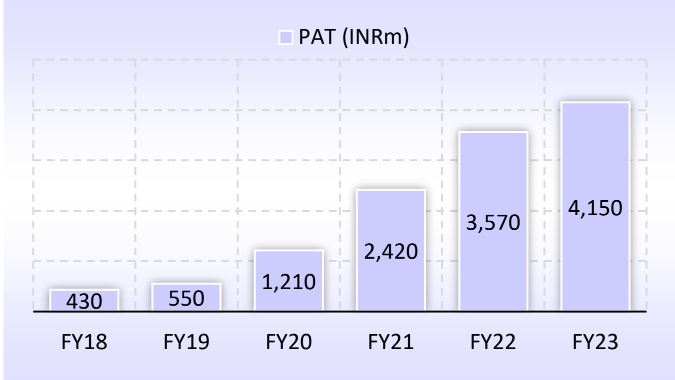
- Axis Asset Management Company reported a 7% YoY decline in AUM in FY23. However, the AMC has still reported 28% CAGR in average AUM over FY18-FY23 to reach INR2.4t in FY23. Out of the total, AUM Equity Average grew to INR1.37t in FY23 from INR0.44t in FY19.
- Profit for the entity grew to INR4.2b in FY23 from INR0.4b in FY18, growing at an annualized rate of 57%.
- Overall clients folio stood at 12.9m as on FY23, with its market share at 6% of Average AUM as of FY23.

Exhibit 49: AUM declined 7% YoY in FY23



Source: MOFSL, Company

Exhibit 50: PAT grew to INR4.15b (57% CAGR over FY18-23)



Source: MOFSL, Company

Axis Securities: Reporting gradual recovery in revenues

PAT CAGR of 27% over FY18-FY23

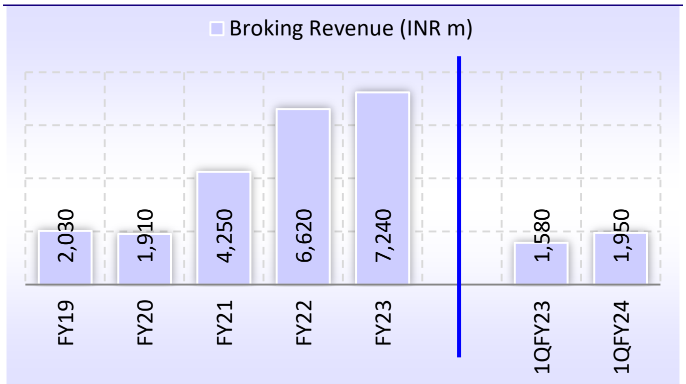
- Axis Securities continued contributing toward the bank's retail franchise building strategy and strengthening the bond with its customers.
- In FY23, Axis Securities reported 17% YoY growth in its cumulative client base to 4.86m (5m as on 1QFY24).
- The subsidiary delivered a CAGR of 27% in PAT over FY18-23, while revenue stood at INR7.2b in FY23 vs. INR6.6b in FY22.

Exhibit 51: PAT CAGR of 27% over FY18-23

	FY18	FY19	FY20	FY21	FY22	FY23
Total Income (INR m)	9,505	10,860	5,309	4,270	6,636	7,228
PAT (INR m)	604	726	290	1,660	2,320	2,030

Source: MOFSL, Company

Exhibit 52: Revenue grew 23.4% YoY to INR2b as on 1QFY24



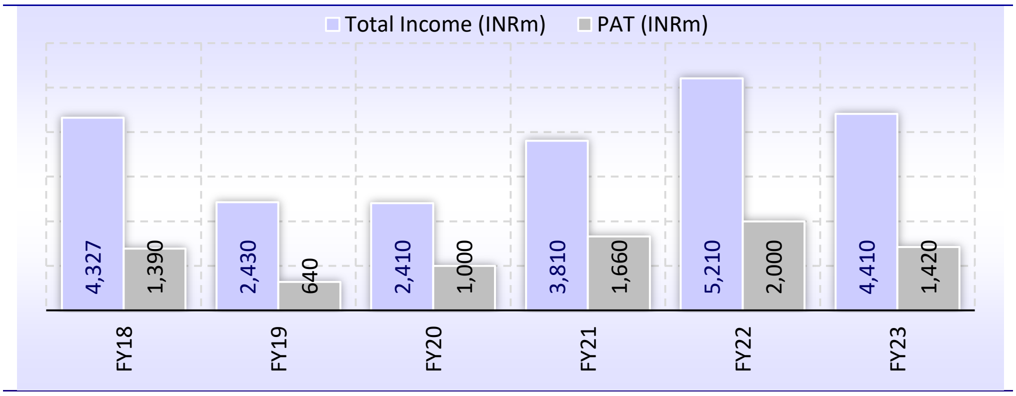
Source: MOFSL, Company

Axis Capital: Modest performance amid challenging markets

Axis Capital maintained its leadership in terms of the number of deals; successfully closed 18 deals in FY23.

- Axis Capital provides services relating to investment banking, equity capital markets, institutional broking, mergers and acquisition advisory, etc.
- This subsidiary has been the leader in equity and equity-linked deals over the last decade and successfully closed 18 deals in FY23.
- It delivered a CAGR of 16% in income and 22% in PAT over FY19-23. The performance was muted in FY23 amid volatile capital markets with earnings declining by 29%, but the company managed to maintain its leadership position.

Exhibit 53: FY23 witnessed a decline in total income and PAT, adversely impacted by muted activity and volatility in capital markets



Source: MOFSL, Company

Exhibit 54: SOTP-based valuation

Name	Total Value (INR)	Value per Share	% of total value	Rationale
Axis Bank	**3,307.4**	**1,075**	**91.5**	**1.8x P/ABV FY25E**
Axis Finance	116.8	38	3.2	2.5x Net worth FY25E
Axis Capital	34.3	11	0.9	15x PAT FY25E
Axis Securities	50.7	16	1.4	15x PAT FY25E
Axis Mutual Fund	136.3	44	3.8	30x PAT FY25E
Max Life Insurance	47.5	15	1.3	1.9x FY25E EV
Total Value of Subs	**385.6**	**125**	**10.7**	
Less: 20% holding disc	77.1	25	2.1	
Value of Subs (Post Holding Disc)	**308.5**	**100**	**8.5**	
Target Price	**3615.9**	**1,175**		

Source: MOFSL, Company

Exhibit 55: DuPont: Return ratios to improve gradually

Y/E MARCH	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	7.08	7.37	7.30	6.66	6.23	6.83	8.18	8.20
Interest Expense	4.20	4.46	4.36	3.59	3.17	3.39	4.69	4.69
Net Interest Income	**2.88**	**2.91**	**2.94**	**3.07**	**3.06**	**3.45**	**3.49**	**3.51**
Fee income	1.49	1.66	1.56	1.19	1.28	1.35	1.52	1.54
Trading and others	0.21	0.10	0.25	0.10	0.13	-0.02	-0.02	-0.02
Non Interest income	**1.70**	**1.76**	**1.81**	**1.29**	**1.41**	**1.32**	**1.49**	**1.52**
Total Income	**4.58**	**4.67**	**4.75**	**4.36**	**4.47**	**4.77**	**4.98**	**5.03**
Operating Expenses	**2.16**	**2.12**	**2.02**	**1.93**	**2.18**	**2.19**	**2.29**	**2.22**
Employee cost	0.67	0.64	0.62	0.65	0.70	0.70	0.74	0.72
Others	1.50	1.49	1.40	1.28	1.48	1.49	1.54	1.50
Operating Profit	**2.41**	**2.55**	**2.73**	**2.43**	**2.29**	**2.58**	**2.69**	**2.81**
Core Operating Profit	**2.21**	**2.45**	**2.48**	**2.33**	**2.16**	**2.60**	**2.72**	**2.83**
Provisions	**2.39**	**1.61**	**2.16**	**1.51**	**0.68**	**0.23**	**0.31**	**0.37**
NPA	2.57	1.37	1.49	1.15	0.48	0.27	0.30	0.35
Others	-0.17	0.24	0.67	0.35	0.20	-0.04	0.01	0.03
PBT	**0.02**	**0.93**	**0.57**	**0.93**	**1.61**	**2.35**	**2.38**	**2.43**
Tax	-0.02	0.31	0.38	0.23	0.40	0.59	0.60	0.61
RoA	**0.04**	**0.63**	**0.19**	**0.69**	**1.20**	**1.76**	**1.78**	**1.82**
Leverage (x)	10.8	11.5	11.3	10.2	10.0	10.4	9.5	8.8
RoE	**0.5**	**7.2**	**2.1**	**7.1**	**12.0**	**18.3**	**16.9**	**15.9**

Source: MOFSL, Company

Financials and Valuations

Income Statement								(INRb)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Interest Income	457.8	549.9	626.4	633.5	673.8	851.6	1,156.8	1,335.1
Interest Expense	271.6	332.8	374.3	341.1	342.4	422.2	663.5	763.6
Net Interest Income	**186.2**	**217.1**	**252.1**	**292.4**	**331.3**	**429.5**	**493.3**	**571.5**
Growth (%)	2.9	16.6	16.1	16.0	13.3	29.6	14.9	15.9
Non Interest Income	109.7	131.3	155.4	122.6	152.2	165.0	211.2	247.1
Total Income	**295.8**	**348.4**	**407.4**	**415.0**	**483.5**	**594.5**	**704.5**	**818.7**
Growth (%)	(0.7)	17.8	16.9	1.9	16.5	22.9	18.5	16.2
Operating Expenses	139.9	158.3	173.0	183.8	236.1	273.0	323.4	361.3
Pre Provision Profits	**155.9**	**190.1**	**234.4**	**231.3**	**247.4**	**321.4**	**381.0**	**457.3**
Growth (%)	(11.3)	21.9	23.3	(1.3)	7.0	29.9	18.5	20.0
Core PPP	**142.7**	**182.5**	**212.7**	**221.5**	**233.6**	**324.2**	**384.3**	**461.3**
Growth (%)	0.3	27.9	16.5	4.2	5.5	38.8	18.5	20.0
Provisions (excl tax)	154.7	120.3	185.3	143.2	73.6	28.8	44.2	61.0
PBT	**1.2**	**69.7**	**49.0**	**88.1**	**173.8**	**292.6**	**336.8**	**396.3**
Tax	(1.5)	23.0	32.8	22.2	43.6	73.3	84.9	99.9
Tax Rate (%)	(126.8)	32.9	66.8	25.2	25.1	25.0	25.2	25.2
Extraordinary expense	-	-	-	-	-	123.5	-	-
PAT	**2.8**	**46.8**	**16.3**	**65.9**	**130.3**	**95.8**	**252.0**	**296.4**
Growth (%)	(92.5)	1,596.4	(65.2)	304.9	97.7	(26.5)	163.0	17.7

Balance Sheet								
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Equity Share Capital	5.1	5.1	5.6	6.1	6.1	6.2	6.4	6.4
Reserves & Surplus	629.3	661.6	843.8	1,009.9	1,144.1	1,243.8	1,717.3	1,987.8
Net Worth	**634.5**	**666.8**	**849.5**	**1,016.0**	**1,150.3**	**1,249.9**	**1,723.7**	**1,994.2**
Deposits	**4,536.2**	**5,484.7**	**6,401.0**	**6,979.9**	**8,219.7**	**9,469.5**	**10,795.2**	**12,576.4**
Growth (%)	9.5	20.9	16.7	9.0	17.8	15.2	14.0	16.5
of which CASA Dep	**2,438.5**	**2,433.9**	**2,637.1**	**3,177.5**	**3,700.1**	**4,465.4**	**4,803.9**	**5,697.1**
Growth (%)	14.5	-0.2	8.3	20.5	16.4	20.7	7.6	18.6
Borrowings	1,480.2	1,527.8	1,479.5	1,428.7	1,851.3	1,863.0	1,973.5	2,176.1
Other Liabilities & Prov.	262.5	330.7	421.6	443.4	531.5	586.6	627.7	690.5
Total Liabilities	**6,913.3**	**8,010.0**	**9,151.6**	**9,868.0**	**11,752.8**	**13,169.0**	**15,120.0**	**17,437.1**
Current Assets	434.5	672.0	972.7	617.3	1,109.9	1,064.1	1,110.9	1,106.4
Investments	**1,538.8**	**1,749.7**	**1,567.3**	**2,261.2**	**2,756.0**	**2,888.1**	**3,379.1**	**3,953.6**
Growth (%)	19.5	13.7	-10.4	44.3	21.9	4.8	17.0	17.0
Loans	**4,396.5**	**4,948.0**	**5,714.2**	**6,144.0**	**7,079.5**	**8,453.0**	**9,932.3**	**11,720.1**
Growth (%)	17.8	12.5	15.5	7.5	15.2	19.4	17.5	18.0
Fixed Assets	39.7	40.4	43.1	42.5	45.7	47.3	51.1	53.2
Other Assets	503.8	599.9	854.3	803.0	763.3	720.6	646.6	603.8
Total Assets	**6,913.3**	**8,010.0**	**9,151.6**	**9,868.0**	**11,754.3**	**13,173.3**	**15,120.0**	**17,437.1**

Asset Quality	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
GNPA	342.5	297.9	302.3	253.1	218.2	186.0	193.3	220.7
NNPA	165.9	112.8	93.6	70.6	56.1	37.2	43.0	48.5
GNPA Ratio	7.5	5.8	5.1	4.0	3.0	2.2	1.9	1.9
NNPA Ratio	3.8	2.3	1.6	1.1	0.8	0.4	0.4	0.4
Slippage Ratio	8.2	3.0	3.7	2.9	3.0	1.9	1.9	1.9
Credit Cost	4.1	2.2	2.4	1.8	0.8	0.4	0.5	0.5
PCR (Excl Tech. write off)	51.6	62.1	69.0	72.1	74.3	80.0	77.8	78.0

E: MOFSL Estimates

Financials and Valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Yield and Cost Ratios (%)								
Avg. Yield-Earning Assets	**7.7**	**8.0**	**8.0**	**7.3**	**6.7**	**7.3**	**8.6**	**8.6**
Avg. Yield on loans	8.4	8.8	9.1	8.0	7.5	8.3	9.9	9.7
Avg. Yield on Investments	7.2	7.0	6.9	6.7	5.9	6.5	6.9	7.1
Avg. Cost-Int. Bear. Liab.	**4.8**	**5.1**	**5.0**	**4.2**	**3.7**	**3.9**	**5.5**	**5.5**
Avg. Cost of Deposits	4.4	4.7	4.9	4.0	3.5	3.6	4.5	4.6
Avg. Cost of Borrowings	6.3	6.4	5.4	5.2	4.6	5.6	10.6	10.8
Interest Spread	**2.9**	**2.9**	**3.0**	**3.1**	**3.0**	**3.3**	**3.1**	**3.0**
Net Interest Margin	**3.1**	**3.2**	**3.2**	**3.4**	**3.3**	**3.7**	**3.7**	**3.7**
Capitalisation Ratios (%)								
CAR	16.6	15.9	17.6	19.2	18.5	17.6	18.2	17.3
Tier I	13.0	12.7	14.6	16.6	16.4	14.6	15.7	15.3
Tier II	3.5	3.2	3.0	2.6	2.1	3.1	2.5	2.1
Business and Efficiency Ratios (%)								
Loans/Deposit Ratio	96.9	90.2	89.3	88.0	86.1	89.3	92.0	93.2
CASA Ratio	53.8	44.4	41.2	45.5	45.0	47.2	44.5	45.3
Cost/Avg Assets	2.2	2.1	2.0	1.9	2.2	2.2	2.3	2.2
Cost/Total Income	47.3	45.4	42.5	44.3	48.8	45.9	45.9	44.1
Cost/Core Income	49.5	46.5	44.9	45.3	50.3	45.7	45.7	43.9
Int. Expense/Int.Income	59.3	60.5	59.8	53.8	50.8	49.6	57.4	57.2
Fee Income/Total Income	27.8	31.2	28.9	23.4	24.7	25.2	26.3	26.5
Non Int. Inc./Total Income	37.1	37.7	38.1	29.5	31.5	27.8	30.0	30.2
Investment/Deposit Ratio	33.9	31.9	24.5	32.4	33.5	30.5	31.3	31.4
Profitability Ratios and Valuation								
RoE	0.5	7.2	2.1	7.1	12.0	18.2	16.9	15.9
RoA	0.0	0.6	0.2	0.7	1.2	1.8	1.8	1.8
RoRWA	0.1	0.8	0.3	1.0	1.7	2.5	2.4	2.3
Book Value (INR)	247.2	259.3	301.1	331.6	375.2	406.2	535.6	619.7
Growth (%)	6.2	4.9	16.1	10.2	13.1	8.3	31.9	15.7
Price-BV (x)	**3.6**	**3.4**	**3.0**	**2.7**	**2.4**	**2.2**	**1.7**	**1.4**
Adjusted BV (INR)	193.8	219.7	269.7	308.0	354.1	388.2	516.7	599.1
Price-ABV (x)	**4.6**	**4.0**	**3.3**	**2.9**	**2.5**	**2.3**	**1.7**	**1.5**
EPS (INR)	1.1	18.2	6.0	22.4	42.5	71.4	80.0	92.1
Growth (%)	-92.8	1,538.1	-66.9	271.0	89.7	68.0	12.2	15.1
Price-Earnings (x)	**800.7**	**48.9**	**147.5**	**39.7**	**20.9**	**12.5**	**11.1**	**9.7**
Dividend Per Share (INR)	5.5	0.0	1.0	0.0	1.0	1.0	6.7	8.1
Dividend Yield (%)	**0.6**	**0.0**	**0.1**	**0.0**	**0.1**	**0.1**	**0.7**	**0.8**

E: MOFSL Estimates

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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