Axis Bank

BSE SENSEX	S&P CNX
66,018	19,802

CMP: INR999 TP: INR1,150 (+15%) Buy

Growing franchise with robust tech capabilities

Cost-assets to moderate ~2% by FY25 exit; aspires to deliver sustainable 18% RoE

We attended AXSB analyst day wherein the management demonstrated its ongoing investments in building robust digital capabilities to support sustainable business growth. The key focus revolves around delivering comprehensive digital journeys and enhancing customer experiences. Through diverse digital capabilities and strategic partnerships within the ecosystem, AXSB is experiencing significant growth and establishing itself as a robust customer acquisition engine. AXSB has been reporting strong growth in the Retail and Mid-corporate segment, which along with MSME would remain the key growth driver. The bank suggested for continued investment in the business, given a favorable environment, and thus, enabling 4-6% higher growth than the system over the medium term. We estimate AXSB to deliver FY25E RoA/RoE of 1.9%/16.6%. We reiterate our BUY rating with a TP of INR1,150.

Focused on steady implementation of the GPS strategy

AXSB has consistently focused on executing its GPS (growth, profitability, and sustainability) strategy with an aspiration to deliver RoA of 1.8%+ and RoE at 18% consistently. New customer acquisition remains strong and the bank focuses on growing its high yielding franchise, i.e., SBB, SME, Mid Corporates, Rural, PL, and CC. The company's key focus continues to be on a) advancing best-in-class digital, technology, and data analytics capabilities, b) fostering an integrated approach through strategic partnerships and ecosystems, and c) Higher RAROC business of Bharat Banking, MSME, and Mid-Corporates. "Sparsh" (Customer Obsession) and "Siddhi" (Empowering employees) are the key modules which will enable better customer engagement and capitalize on improved cross-selling opportunities. All this has resulted into a structurally improved margin trajectory for the bank (25bp improvement through cycle) and will have a multiplier effect on growth.

Axis 2.0 to be a key acquisition engine; aids margins with lower cost

AXSB is focused on ramping Axis 2.0 – a fully digital bank within the bank with a comprehensive end-to-end digital solution. The bank has made heavy tech investments over the past few years to become a digital consumer lending powerhouse. AXSB further aims to continue the investments to drive scalability and improve its productivity. At present, it has ~13m monthly active users, with average visits per user of 15 times a month. Axis 2.0 is witnessing healthy traction in business with deposits growing by 53%, and loans growing by 77% in 1HFY24. It provides a superior proposition with higher yields (up to 150bp) and better fee income (up to 50bp) vs. a physical disbursed loan. Further, the assets and liabilities acquired through the Axis 2.0 comes with a lower cost/opex, resulting in better RoA for the bank. Bank focuses to continue to scale its business in Axis 2.0, which forms 5% of the bank currently to take it up to 3-4X by FY27, while it plans to introduce new partnership and leveraging the existing partnerships.

Stock Info

Bloomberg	AXSB IN
Equity Shares (m)	3077
M.Cap.(INRb)/(USDb)	3079.6 / 37
52-Week Range (INR)	1048 / 814
1, 6, 12 Rel. Per (%)	1/1/6
12M Avg Val (INR M)	9346
Free float (%)	92.1

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
NII	429.5	505.1	598.1
OP	321.4	372.2	464.9
NP	219.3	249.7	308.5
NIM (%)	3.7	3.8	3.9
EPS (INR)	71.4	79.3	95.9
EPS Gr. (%)	68.0	11.2	20.8
BV/Sh. (INR)	406	535	623
ABV/Sh. (INR)	388	518	603
Ratios			
RoE (%)	18.2	16.8	16.6
RoA (%)	1.8	1.8	1.9
Valuations			
P/E(X)	12.6	11.3	9.4
P/BV (X)	2.2	1.7	1.4
P/ABV (X)	2.3	1.7	1.5

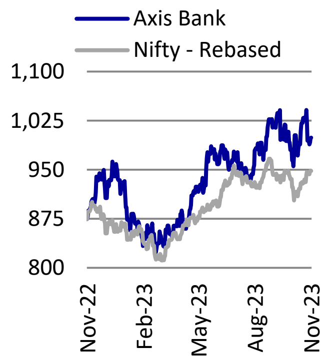
*Multiples adjusted for Subs

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	8.0	8.0	9.5
DII	28.1	29.0	31.6
FII	54.6	53.4	47.2
Others	9.4	9.6	11.7

FII Includes depository receipts

Stock Performance (1-year)



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Increased focus on Bharat Banking should reduce RIDF burden

Private banks have been growing at a faster pace vs. PSUs amid better growth opportunities. Rural and Semi Urban markets offer a better growth opportunity amid favorable external tailwinds (government inflows, increasing internet penetration). Hence, the growth in these segments remains higher than the industry average in RuSu markets. This, along with better yields (115b higher yields vs. non-bharat markets) has resulted in better risk-adjusted NIM. AXSB has ~2,372 bharat banking branches with reach across 700 districts. The bank is witnessing a strong 36% growth in MFI, 32% in Gold, 57% in bharat enterprise, while disbursals grew strong at 27% in retail assets. 90%+ of the portfolio is PSL accretive, which should help the bank achieve its PSL compliance and reduce the RIDF burden on the bank. Further, over the next three to four years, the bank is targeting substantial growth in PSL loans, while aspiring to achieve a 2X expansion compared to the industry average in this segment.

Retail lending and payments - Strong data analytics to keep traction healthy

Strong technological and digital capabilities along with data analytics is resulting in business mix optimization with a healthy growth in chosen segments. About 23% of personal loans are disbursed digitally. The digital sourcing within the PL segment yields an additional 150bp due to the absence of negotiation opportunities in physical mode, coupled with a 50bp increase in fees. Digital sourcing + digital processing comprises 23% and grew 59% YoY. The bank has witnessed 72% YoY growth in credit card portfolio (aided by Citi acquisition) and 39% YoY growth in retail cards and payments fees in 1HFY24. Further, AXSB is witnessing a robust traction in credit card business with a 34% of incremental card issuances from KTB customers. The bank has a strong presence in UPI and merchant payments and ranked 2nd in POS terminals with a market share of 18.6% as on 1HFY24. The proportion of the fee-bearing customers of the Citi customers is increasing and there has been a 15% YoY growth in balances per account and 20% YoY growth in monthly retail spends.

Focus remains on building a granular and premium liability franchise

The focus remains on building a granular and premium liability franchise with the bank, making a strong progress toward the same. Improvement in the quality of deposits franchise has structurally aided NIMs, which reported 15% CAGR in CASA deposits in the last three years and a 15% YoY growth in retail term deposits. AXSB has seen ~550bp improvement in outflow rates in the last two years, the best among large peers. New liability relationships grew 81% since Mar'20 with 52% increase in the number of districts having a market share of >5%. The focus remains on top 50 districts, which comprise 74% of total deposits. Lendable deposits have grown by 34% from Mar'22 to Sep'23, suggesting improving quality of liability franchise. The bank will continue to optimize the right kind of deposits mix from the perspective of LCR and LDR. The bank expects the LCR ratio to be ~115-120% going forward. The liability duration stands longer than that of assets, as the 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.

Wholesale Banking – Neo improving ease of doing business

AXSB is aspiring to be the banker of choice for corporates by providing the best and comprehensive solutions with a focus on building a strong relationship-led franchise rather than an asset-focused model. It is focusing on building the best in class digital corporate bank with the help of project Neo, which has gone live a couple of months back and has shown 35% increase in login active rate with 10k+ clients on-boarded in two months. This has helped deliver market share gains and cement the bank's position as a Transaction bank of choice. Neo for business works on current account proposition and has seen 11% YoY growth in current account quarterly average balances in 2QFY24. AXSB has improved the coverage and risk underwriting standards over the past years and is well poised to deliver a pick-up in loan growth. Among segments, mid corporates have grown by 40%, SME by 19%, MNC by 36%, and C&LC by 14% over the past three years with mid corporate remaining the key growth driver.

Cost-assets to moderate ~2% by FY25 exit; aspires to sustain ~18% RoE

AXSB remains focused on building a Stronger, Consistent, and Sustainable franchise. The bank will see a reduction in capital, due to introduction of the new Risk Weight Assets regulations; however, the bank is already accreting capital and may catch up the lost capital through internal accruals. And thereby, it may not see a requirement to raise capital in the near term. The asset quality issues too are behind which will keep the slippages and credit cost under control. NIMs have shown improvement and the bank believes that it has sufficient levers to maintain healthy margins. The bank eluded to continue making business investments due to favorable macro which will enable loan growth at 4-6% higher than the system over the medium term. We estimate AXSB to deliver FY25E RoA/RoE of 1.9%/16.6%. We reiterate our BUY rating **with a TP of INR1,150 (1.7x FY25E ABV).**

Key takeaways from the session with the top management

Session 1# Opening remarks by Mr. Amitabh Chaudhry- MD&CEO

- Consistent execution on the GPS strategy, resulting in the bank becoming an all-weather franchise.
- Deposits quality delivered; deposits composition witnessing visible improvement.
- The bank has created multiplicative forces through unification of One axis, partnership and new age tech platforms to win across businesses.
- Best-in-class digital capabilities puts the bank on the path to become India's Best Tech bank.
- Among the best and the most comprehensive wholesale banking franchise.
- The bank has a Consolidated RoE/ RoA of 19.04%/1.8% in 1HFY24.
- NNPA ratio of Axis bank stood at 0.36% vs. 0.35% for Peer 1 banks.
- 89% of Corporate loans on-boarding from A- & above.
- The bank is consistently growing faster than industry with improvement in the quality of LCR deposits. Outflow rates have reduced 550bp in the last two years and CASA ratio has been higher than peers at 33.9%.
- The bank has 100+ partnership across platforms and ecosystems, which is the highest among the peers. The bank has 400+ APIs and 285+ Retail APIs.
- Citi business has been feeding into the bank's existing franchise.
- The bank has 2,400 branches engaged in the bharat banking and has 75+ live partners. The bank has met PSL targets in the past three years; Bharat banking has helped the bank to achieve it.
- Axis Bank serves one out of every three wealthiest individuals in India and ranks as the third-largest player in the wealth management sector. Burgundy has recorded 31% CAGR over Mar'16.
- The bank has lifted the growth momentum across the business and earnings consistency, making the bank more sustainable.
- The establishment of a self-sustaining capital structure leads to increased value for all stakeholders involved.
- 24% CAGR (since FY20) in Focus Business segments and ~950bp increase in the share of focus business segments in the last three years.
- The proportion of focus business segments in the bank's total advances is 40% as of Sep'23.
- RWA growth (FY20 to FY23) of the bank is less than that of Peers at 11.9%; however, Credit RWA growth is consistent.
- There was a 25 basis points improvement in Net Interest Margins (NIMs) over the cycle, reaching 4.11% in 1HFY24.
- 94% of fees is granular retail & transaction banking related fee as on 1HFY24.
- The bank has 100+ partnership across platforms and Ecosystems – the highest among the peers.
- The bank has 13m mobile banking monthly active users.
- 34% contribution of KTB channels to sourcing of cards.
- Best-in-class digital and Analytics capabilities; puts on the path to become India's best tech bank.
- The first bank to go live on the RBI tech platform offering.
- 1.5x+ growth in total eligible for cross-sell programs.

- RoA has consistently moved to 1.8% and delivered 18%+ ROE for five continuous quarters.
- As business scaled up, the RoA and RoE metrics have improved considerably.
- 63% increase in overall PSL penetration since FY21.
- 2373 Bharat banking branches as of Sep'23
- In fintech partnership, the underwriting is taken by the bank for better risk management practices.
- 14.1% period-end market share for credit cards in force as of Sep'23
- 8% RTGS value payment market share in 1HFY24.
- The bank has observed the lowest growth in Risk-Weighted Assets (RWA), with credit RWA remaining relatively consistent. Expansion in various segments is being pursued while ensuring that the overall risk profile remains unchanged.
- NIMs has improved 25bp through the cycle; there is 17% CAGR in NII.
- 11% foreign LC market share and 21% market share in Bharat banking payment services.
- SBB+SME+MC book has grown at 2x the overall book growth, with over 600bp improvement in contribution mix.
- Consumer spending to register a CAGR of ~10% up to 2030.
- The impact of RBI regulations relating to RWA will predominantly affect CET-1 and may lead to adjustments in loan pricing. The implications will be more pronounced for NBFCs and fintech companies, areas where the bank maintained cautious approach. RBI aims to moderate growth; additional measures to limit overall growth may be considered. However, the bank anticipates its overall growth trajectory to remain unchanged.
- Bank credit has enough accretion to support for growth, and hence, there is no need to raise the capital.
- Attrition has come down in some areas which was a concern earlier; attrition can be majorly seen in branch banking side.
- The bank has 14.1% market share for credit cards in force as of Sep'23.
- The bank has seen a 72% YoY increase in retail card spends and is the fourth largest credit card player.
- The bank is 31bp higher than the structural NIMs today.
- The bank is the first to go live on Account aggregator framework.

Session 2# Bharat Banking- Mr.Munish Sharda

- Private sector banks are growing faster than the PSU banks, as the opportunity for growth is better.
- Favorable external tailwinds are providing the better opportunities to growth in the RuSu markets.
- Bharat Banking retail assets gross MEB showed +3x rate of growth in the last two years compared to the previous period.
- Net credit cost has come down 53% to 47bp in 1HFY24.
- Growth is across products; higher than the industry average of 16% YoY in FY23 and 13% - a five-year CAGR in RuSu markets.
- Gross book growth in 1HFY24: Microfinance retail at 36% YoY, Bharat enterprises at 57% YoY, Gold loans at 32% YoY.
- Distribution growth in 1HFY24: Other retail assets from BB branches at 27% YoY, Cards at 29% YoY, CSC distribution at 3x.

- The bank has +115bp higher yield in 1HFY24 in Bharat compared to non-Bharat markets.
- +90% PSL accretive portfolio of Bharat Banking, contributing 84% SMF and 66% Agri PSL assets at bank level.
- The bank has seen a 58% increase in penetration rates in 2QFY24 vs FY21.
- About 88% increase in Agri PSL penetration rates and 83% increase in SMF penetration rates in 2QFY24 vs FY21.
- 2x+ distribution in Sep'23 alone compared to the volumes in the entire FY22 from CSC.
- ~4 average unique products sourced by the Deep Geo channel in 1HFY24.
- CSC is backed by strong growth momentum:
  - 3x YoY growth in distribution in 1HFY24.
  - +90k liabilities NoA in 1HFY24
  - +24 products sourced from the channel
  - +63k strong VLE network
- Gold loan cross-sell distribution as % of overall is 10% in 1HFY24 and 2x YoY growth in gold loan distribution
- On Co-Lending – The bank has gone live in Mar-23 and now has 12+ partners live on the platform; the bank has registered 113% QoQ growth in 2QFY24. The bank is planning to increase the number of partners to 25.
- 30% of the distribution in Bharat enterprises business in 2QFY24 came from new products.
- Tractor refinancing has 40% NoA share in the disbursals in 2QFY24.
- Sourced 5.7L CASA NoA from the partner network since Aug'22.
- 12+ partners live on the platform across multiple secured products.
- Expanded pilot to 50 Mandis this year and 300 next year.
- NTC customers are a very small proportion of the overall customers.
- The bank is looking only for the PSL book that are margin accretive.
- 2-3% of the book is coming from the Co-Lending model. A large part of the market is doing co-lending model and the bank will be looking to bring the percentage up.
- Structural changes are there in the MFI business and there has been regulatory changes leading to growth in this segment.
- The bank is seeing higher growth in the TDs in this segment. The bank has to focus on rural affluent customers.
- Breakeven in branches is much lower and the cost of running the business is also lower vs the other branches, i.e., urban.
- The bank has started witnessing green shoots. Several partnerships ad has seen 3X YoY growth in the disbursements in H1FY24.
- Growing the balance sheet at 2x the industry average over the next 3-4 quarters
- The bank has INR800b of asset, which includes MSME, enterprise loan, microenterprise loan, co-lending, gold loan, farmer financing, etc.

Session 3# Becoming a digital consumer powerhouse- Mr.Sameer Shetty

- Through a digital platform, the aim of the bank is to acquire customers at a faster pace and become a digital consumer lending powerhouse.
- The bank has monthly active users of ~13m on the mobile app and on average visits 15 times a month.
- Physical sourcing and physical processing is 44% of disbursements with a growth of 34%.
- Physical sourcing and digital processing is 34% of disbursements with a growth of 33%.
- Digital sourcing + Digital processing comprises 23% and grew 59% YoY.
- Deposits balance grew 53% and loans grew 77% in 1HFY24.
- 23% of personal loans disbursed is by open app; 43% physically and 57% physically assisted.
- Digital sourcing in the PL sector generates a 150bp higher yield and incurs 50bp higher fees compared to traditional methods. Additionally, opex are 46% lower in digital sourcing. The increased yields in digital sourcing are attributed to the absence of negotiation opportunities present in physical processes, which are eliminated in the digital realm.
- Last year, the newly launched products have experienced significant growth, with digital CASA growing 58%.
- The bank has launched new products this year with focus on increasing the engagements in the launched products.
- The focus will now also be on offering the secured loans (last year, focus was on the unsecured loans).
- The OPEN axis bank app is based on four pillars –
  - Create an open for existing and new customers
  - Revamp experience, design, and simplify customer journey
  - Hyper personalized nudges
  - Provide always on, low latency experience
- The bank will continue to scale business- from 5% of the bank currently to 3-4x by FY27.
- The bank has a large team focusing on the digital agenda and has 1700+ employees working on it. (Product team – 400+ employees, Engineering team – 350+ employees, Design Team – 55+ employees).
- The bank wants to focus on bringing the right quality of accounts rather than focusing on the number of accounts. Avg. Balance of Savings account opened fully digitally was INR 22k and is significantly higher for this year vs the previous year.
- Credit quality is at par and is not very different from the physical side. The underwriting criteria is slightly stringent vs the physical world. Collections are basically the same for the digital or the physical world.
- PL ticket size is INR 3.5 lacs and does not do INR 50k type of loans.

Session 4# Driving customer obsession (Sparsh) and employee empowerment (Siddhi) - Mr. Subrat Mohanty

- It allows employees to engage seamlessly with the customers and have a meaningful and dedicated conversation.
- The bank's aspiration is to bring the NPS score of 80. The rank has improved to no. 3 in 2022.
- 18% growth in TRV by consistent promoters vs 1.6% on detractors.
- 99% detractors close-looped by branch leaders.
- The core principle continues to be "Customers First".
- The bank expects frontline staff to exit FY24 at ~65%, which currently stands at ~40%.
- The vision is to add every colleague and services on Siddhi.
- Siddhi was live for ~3000 colleagues in FY23 and is now being scaled across the organization with 30k+ colleagues currently using the app.
- The measure will lead to 8-10% increase in the number of branches and geographical expansion. The bank will continue the investments for Axis 2.0.
- Siddhi is a super-app for the employees, focused on customer-first approach. The app shows an overview of the particular customers. The app also shows the sense of the overall team and how the performance of the team has been. Siddhi improves overall customer experience and enhances the services instantly. The app is used by 31,000 employees and by next year, should have 60,000 employees.

Session 5# Business Intelligence & Tech- Mr. Balaji & Mr. Avinash Raghavendra

- Focus for this year is to move the data platforms to the could platforms.
- Have seen 70% growth in the tech side, and there has been a lot of focus on the upscale.
- Generative AI – Vision is to be AI-empowered bank and AI-empowered solutions and the strategic themes is Conversational banking, Automation and Services enablement.
- Analytics continue to contribute significantly to the Bank's GPS agenda – with disbursals value growing 1.8X in FY24 over FY22.
- Through analytics, the bank has scaled retail business with coverage across all product life cycles.
- With the help of Analytics, the bank has scaled 2.5X in ETB and KTB customers cross sell offers.
- Tech spends is 8-10% of the total opex and is expected to be sticky at 8-10% going forward.
- The Opex investments are now structured on a recurring basis, particularly with software licenses, transitioning away from the previous model of one-time expenditures.

Session 6# Wholesale banking- Mr. Vivek Gupta & Mr. Neeraj Gambhir

- The bank has launched Project Neo with an ambition to build India's No.1 digital corporate bank.
- The bank has seen 2.3x jump in the API corporate integrations, 1.7X growth in linked CA Balances, and 5.0X increase in transaction count.
- Neo for the business has gone live a couple of months back and has shown 35% increase in login active rate, 10k clients on-boarded in the two months.
- 4x YoY growth in VCIP sole prop a/c opened.
- The bank aims to establish itself as the primary choice for MSME customers, a strategy expected to concurrently increase current account balances.
- RTCS value market share maintained at 8% and foreign LC market share at 11% in 1HFY24.
- 11% YoY growth in current account quarterly average balances in 2QFY24.
- 71% Current account customers registered for internet/mobile banking.
- 90% of digital transactions are done via APIs.
- Fintech works on wallet proposition, while Neo works on current account proposition.
- The bank is looking to scale up new client propositions with minimum frictions.
- Forex turnover market share increased to 6.2% in Aug'23 vs 4.1% in Aug'22.
- BBPS market share increased to 22% in Sep'23 vs 18% in Sep'22.
- IMPS volume market share increased to 33% in Sep'23 vs 31% in Sep'22.
- The bank has seen 1.7x YoY growth in overall SCF book.
- The bank is in the process of taking Neo 2.0 and will continue to go down the path and will take the journeys and platform significantly higher.
- The bank has lots of learnings in the capex cycle like infra. The bank now has the ability to syndicate a loan and raise the bonds for the infra sector. It's an evolving process; the funding structure will undergo changes, and as projects mature, the bank will consider refinancing options for those projects.
- PLI is the government expression of where the government wants the capital to flow in. But as the PLI evolves, the bank will evaluate about this in future.
- The bank has improved the coverage and underwriting standards within the wholesale business over the past years.

Session 7# Building on our leadership position: Cards, Wealth management and update on Citi integration – Mr. Arjun Chowdhry

- Employee integration with Citi - Diverse talent pool of 3200+ employees with exposure to Citi's global best practices. The attrition is 5-6% lower than the Citi in Mar'23 vs pre LD1.
- On Day 1- 80% of the customers and 97% of the employees on boarded to the Axis Bank.
- Citi customers accruing the combined benefits:
  - ~7% customers activated afresh in Oct
  - INR10b of sales in new investment products
  - 31% YoY growth in LI business
  - 30% YoY growth in GI business
  - INR6b build up in demat AUM
  - 1000+ new wealth customers acquired with INR7b+ of new money
- The bank has a large NRI client base across geographies (~6.5% market share).

- The bank has planned for minimal customer disruptions after LD2.
- Aspiration of the bank- To build a stable, non-cyclical franchise, Play to the bank's strength, Customer centric, Embrace innovations, Expand the talent pool and augment the capabilities.
- The coming together of the Axis and Citi has created one of the largest wealth management businesses with a customer asset of INR4.5t.
- Credit cards: From 40+ in FY21 to 150+ now ready APIs for acquisition & lifecycle management.
- In credit card spends, the bank has ranked no. 4 and has a market share of 12%.
- The bank is No. 4 and has a market share of 14% in cards in force. In UPI PSP, it is ranked No. 2 and has a 19% market share.
- The bank has seen a 40% growth in average Vintage of customers.
- ~5% overall improvement in NPS score in FY24.
- About 72% YoY and 3% QoQ growth in credit card portfolio and 39% YoY growth in retail cards and payments fees in 1HFY24.
- Axis bank is the second largest merchant acquiring the bank and has a 18.6% market share in POS terminals as on 1HFY24.
- Mix of spends being converted by EMI has grown faster than the overall spends growth.
- The second largest merchant acquiring partner in the country. This opens the ability to take deposits and lending loans to the merchants.
- Unsecured book is not a large part of the overall book for the bank. The bank does not expect any slowdown in the customer acquisition in the credit card business.
- The proportion of the fee-bearing customers of the Citi customers is increasing.
- There has been a 15% YoY growth in balances per account and 20% YoY growth in monthly retail spends.

Session 8# Retail liabilities: Improvement in Deposit quality delivered; Deposit composition has seen visible improvement- Mr. Ravi Narayanan

- The bank has seen 52% increase in the no. of districts with a market share of over 5%.
- 81% increase in new liability relationship added since Mar'20.
- The bank is specially focused on top 50 districts:
  - SA share of >= 5% improved from 23 districts as on Mar'20 to 34 districts as on 4QFY23.
  - 74% of banks deposits are in top 50 districts.
  - CA share >=5% share in 49 out of top 50 districts as on 4QFY23.
- Share of retail + SBC increased to 56% as of Sep'23 from 48% as of Mar'22.
- The bank has seen ~25% YoY growth in non-callable deposits as on 2QFY24.
- 67% customer requests serviced digitally as part of the Branch of the future.
- LCR deposits per branch (Indexed to 100) is 148 as on 1HFY24.
- CASA deposits per branch (Indexed to 100) is 137 as on 1HFY24 with total deposits per branch at 139.
- The bank has improved the quality of deposits meaningfully:
  - 44.4% CASA ratio which is among the best in industry
  - ~550bp improvement in outflow rates in the last two years, which is the best among large peers.

- Deposits growth trends continue to improve steadily:
  - 15% CAGR in CASA deposits in the last three years.
  - 15% YoY growth in Retail term deposits.
  - 6.2% incremental deposits market share in the last three years.
- The bank has reported a 38% CAGR in overall Burgundy AUM since Mar'20.
- The bank has seen 48% improvement in LCR deposits per branch since Mar'19.
- 4.3% contribution to SA MDAB as on 1HFY24.
- Average LCR stood at ~118% during 2QFY24.
- The bank has opened 250 branches in 1HFY24 and plans to open 1000+ branches over the next 12 months.
- 67% of overall customer requests serviced digitally.
- SA new acquisitions grew 18% YoY in 1HFY24.
- Five thematic imperatives that are prioritized into large projects across segments to accelerate deposits growth are:
  - Accelerating NTB engine
  - Maximizing Corporate salary
  - Enhancing consideration
  - Deepening customers and building primacy
  - Emerging/ under- penetration pools
- Corporate salary- Focus to win employer mindshare and employee wallet share. The bank has seen 13% YoY growth in NoA acquisition, 5% YoY improvement in average salary credit, and 7% YoY growth in premium acquisition.
- The bank has a roadmap place for the next 7-8 quarters to realize the full potential of deposits franchise.
- The bank has been building a 100-day NTB programme, which has resulted in 1.2-5x increase in conversion of operating metrics and 6-12% increase in balances in 3rd month.
- The bank will not tinker the Savings rate vs the market where the peers are changing the SA rates. Bulk deposits is more kind of opportunistic in nature.
- Outflow rates have more or less optimized and likely stabilized around the current levels.
- For the LCR and LDR perspective, the bank will continue to optimize the right kind of deposits mix. The bank expects the LCR ratio to range between ~115% and 120% going forward.

Session #8: Retail assets by Mr. Sumit Bali

- The bank saw a ~2x growth in disbursement volumes; the mix of unsecured/high yielding segment disbursements have increased 690bp, while the mix of retail fee improved 600bp
- Many of the new transformation projects have been initiated with 90% of the business being digital
- Tech and digital capabilities along with data analytics is leading the customer acquisition engine, which will continue to drive the growth
- The mix of high yielding products such as Retail, Rural, and Business banking has increased to 39%
- Used car penetration is up 10%, while home loans are also witnessing healthy traction.

- 70% of home loans, 74% of credit cards, 55% of personal loans, 80% of unsecured business loans, and 60% of new car loans are processed digitally
- The mix of cards and payments fees have increased to 27%.
- 31% of incremental card issuances are from KTB customers.
- ~1.5m merchants are transacting on a daily basis on AXSB's stack.
- The bank is ranked 2nd in POS terminals with a market share of 18.1% as on Sep'22. The bank further cross-sells loans to these merchants, which is a high profit proposition.

Session 9# Closing remarks by Mr. Rajiv Anand

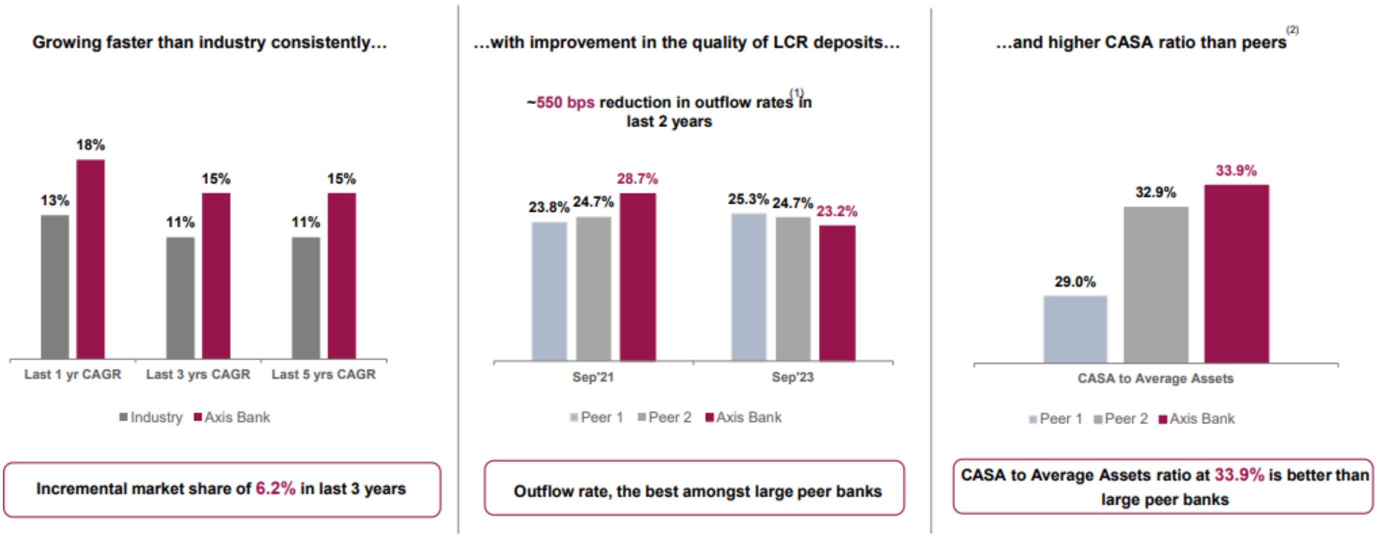
- Incremental CET-1 accretion has been better than peers at 3.29% for the bank vs 3.13% for the Pvt sector bank vs 1.41% for PSU banks.
- 304bp reduction in NNPA since Mar'18, which is the lowest in 41 quarters.
- CET-1 stood at 14.56% in Sep'23. CET-1 accretion is adequate to fund organic growth.
- The bank is well capitalized with additional cushion on account of Covid provision buffer of 48 bp.
- 700 bp improvement in the share of Retail and SME in overall book and 600bp reduction in the share of non-INR book with 300bp reduction in the share of low-yielding RIDF bonds.
- CASA to average asset ratio is the best among peers at 33.9% for the bank vs 29% for peer 1 banks, and 32.9% for Peer 2 banks.
- 400bp improvement in the share of average CASA % and a 600bp improvement in NII and fee income as a % of total income.
- Axis bank MSME incremental market share in the last three years stood at 15.6% in sep'23.
- The bank's asset quality metrics are now among the best in class at 0.5% for the bank.
- The bank has seen ~2700bp improvement in PCR since Mar'18. Standard asset provisions at 1.32% and not looking to release it going forward.
- Cards sourced every quarter in the last seven quarters are 1mn+.
- NIMs have structurally improved and 25bp improvement of NIMs throughout the cycle. The improvement is structural and specific for the Axis.
- Megatrends provide a long runway to drive sustained growth in identified high RAROC focus segments. Mega opportunities – 75mn SMEs in India, INR25t of credit gap in MSMEs and 3X growth in rural consumption.
- The deposits side is going to witness a battle over the next few years, and hence, garnering the deposits and gaining market share will be the key.
- The last five quarters have delivered 18% RoE, which is as per expectations of the bank.
- Max financial has lost some market share and has full support to bring back its share and for this, the bank is open for other banca channel too.
- Gross credit cost has been moving up, and has a large pool to recover from and as a result the recovery has been good.
- The bank has reported 27% CAGR in combined net worth (Mar'19 to Sep'23).

Exhibit 1: Consistently delivering GPS commitments

		FY19	FY23	H1FY24
Lifted the growth momentum	Advances mkt share	4.9%	6.0%	6.0%
	Deposits mkt share	4.3%	5.1%	4.8%
	Operating Revenue growth	8%[1]	16%[2]	30%
Improved profitability considerably	Cons ROE	8.58%	18.84%[3]	19.04%
	NIM	3.43%	4.02%	4.11%
	Core Op Profit growth	4%[1]	19%[2]	19%
Strengthened the Bank significantly	CET 1[5]	11.27%	14.02%[4]	14.56%[4]
	PCR[6]	62%	81%	79%
	Net NPA	2.06%	0.39%	0.36%

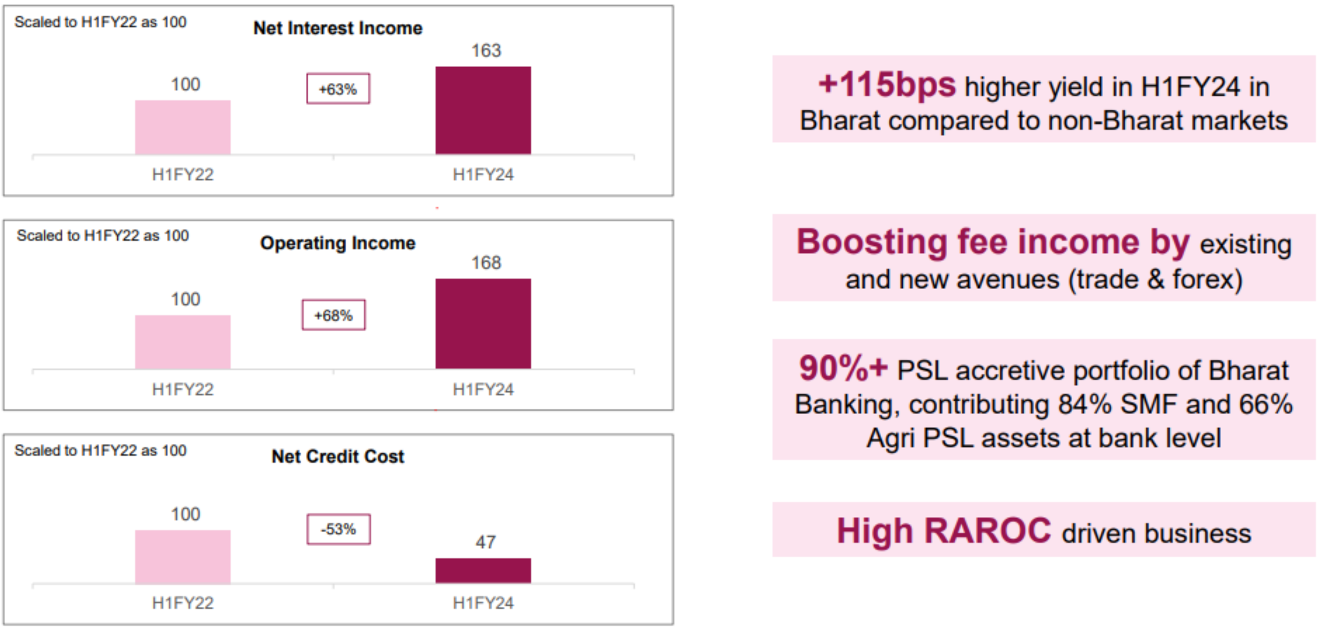
Source: MOFSL, Company

Exhibit 2: Bank is delivering better than industry deposit growth, which is complemented by an improvement in the quality of deposits



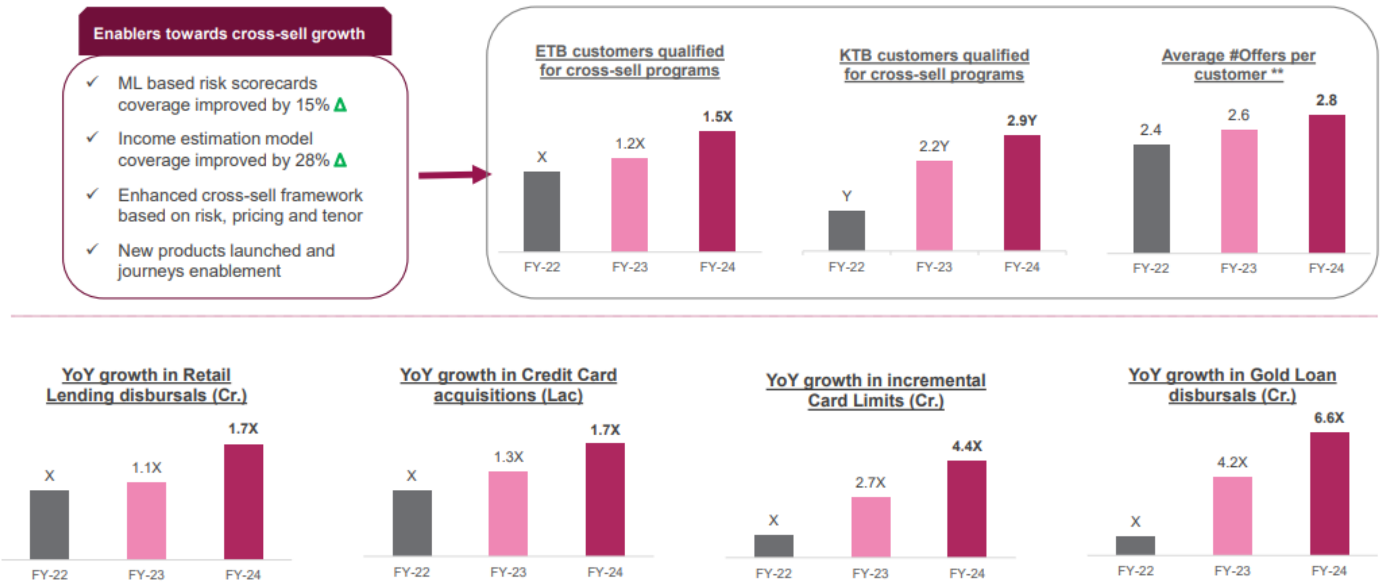
Source: MOFSL, Company

Exhibit 3: Bharat banking delivering better risk-adjusted NIM for the bank



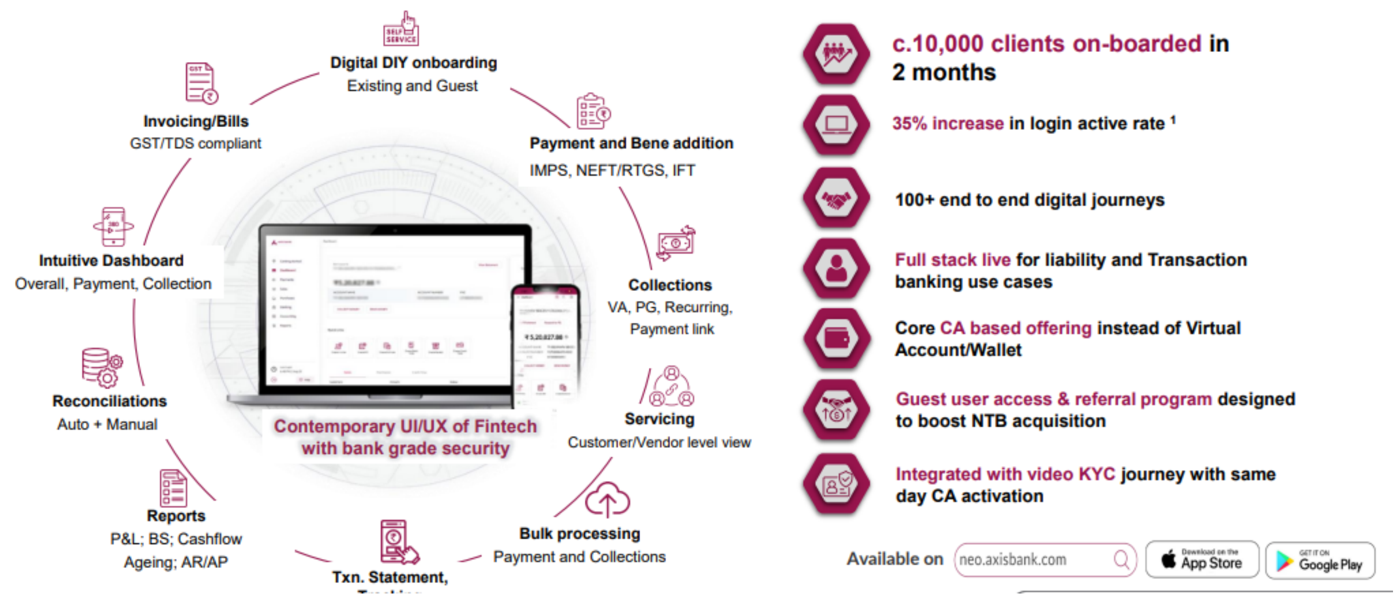
Source: MOFSL, Company

Exhibit 4: 2.5X growth in ETB + KTB cross-sell offers; and contributing to the bank's GPS agenda



Source: MOFSL, Company

Exhibit 5: Neo for the business has started to deliver liability and fee outcomes



Source: MOFSL, Company

Exhibit 6: Summary of integration that adds to Axis's Franchise

Employee Integration

Diverse talent pool of **3,200+** employees with **exposure to Citi's global best practices**
- **5-6%** lower attrition in Mar-Sep'23 vs pre-LD1

Experienced leadership with **deep domain expertise** leading **critical roles**[1] **in Axis**
- Employees have got meaningful roles focused on growing acquired business
- Enabling continued customer engagement, business momentum and realization of synergies from integration

Continued positive overall experience of the employees post LD1

Customers Transition

Immediate benefits to customers (e.g. higher TD rates, One Axis products)
- Attrition below usual trend in core segments (across Card, Wealth & NR)

High focus on customer experience
- Smooth transition experience at LD1 with minimal customer issues
  - Deposit book and wealth AUM stabilized and growing
- Anticipating risks & over-managing LD2 transition readiness
  - Decisions to "minimize customer level change" e.g. No change in CASA account & credit card no
  - Few inevitable changes (like IFSC)
  - Transition to improved digital CX with highest rated banking app

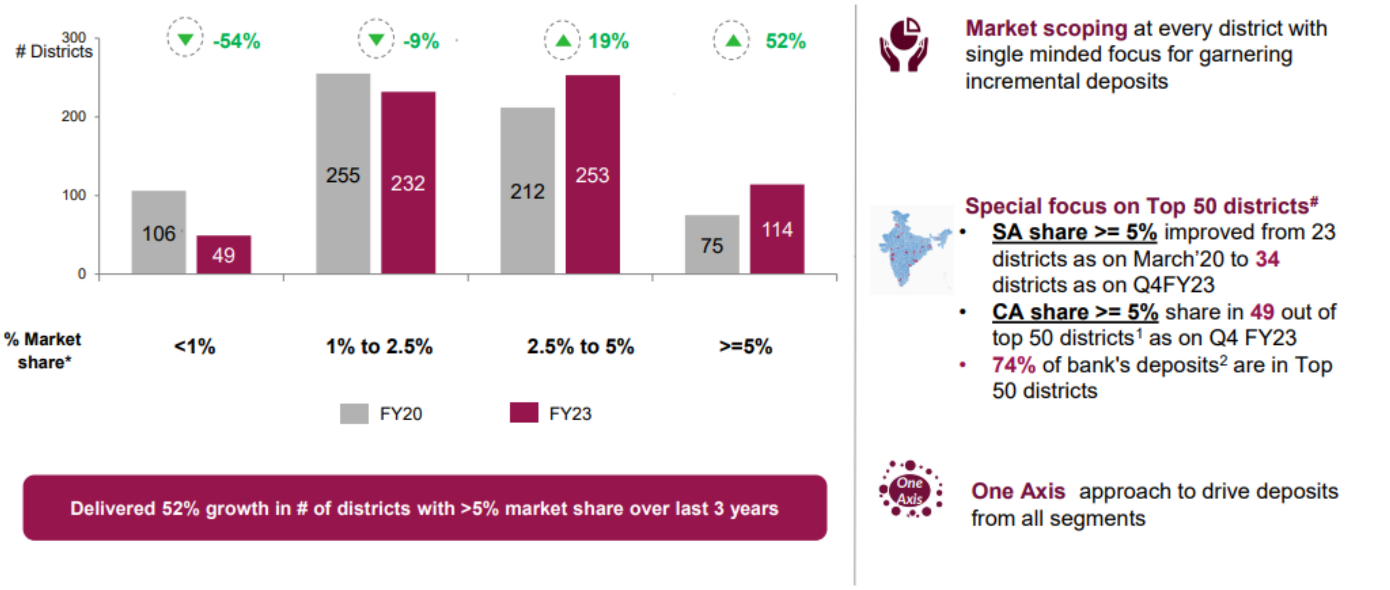
Synergy Unlock

70 synergy initiatives identified and implemented
- Across cross-sell, deepening, sales productivity & cost rationalization
- Accrual of identified synergy on track

4 themes of Citi's Best Practices identified and taken up for implementation
- Customer Obsession
- Enhancing Internal Controls
- Digital journeys & STP back-end processes
- In-sourcing of Phone Banking

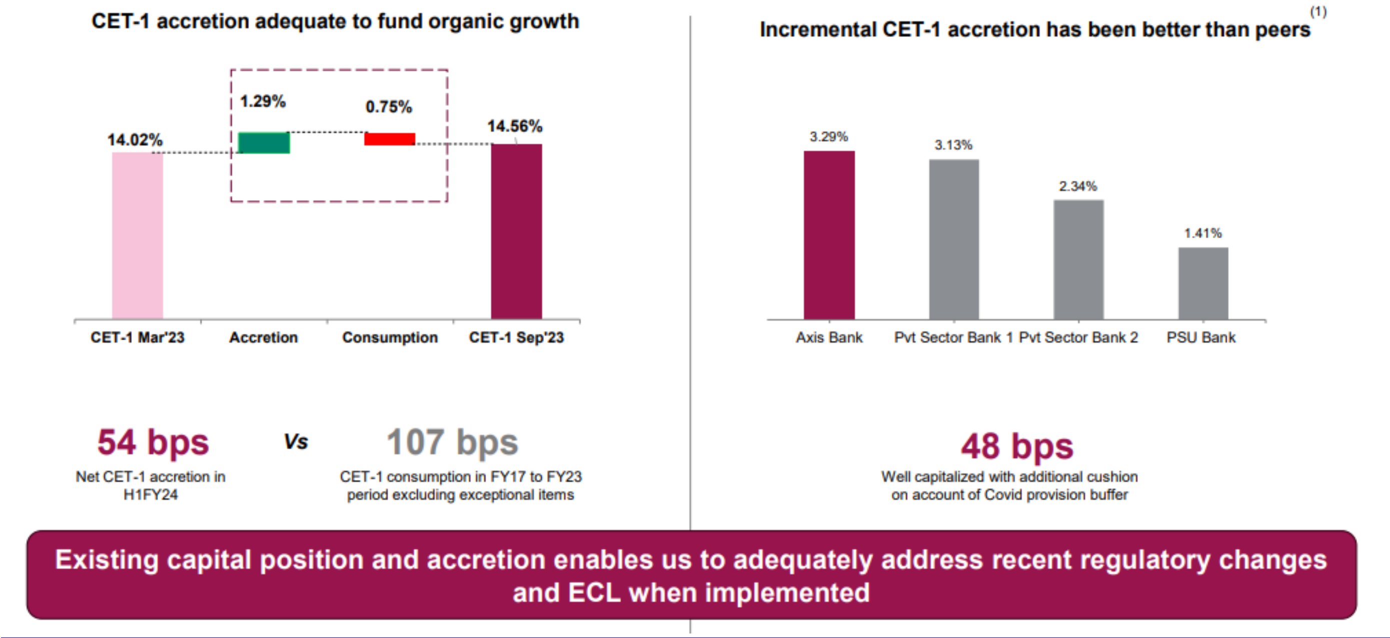
Source: MOFSL, Company

Exhibit 7: Bank has been steadily gaining share across districts, led by micro market focused approach



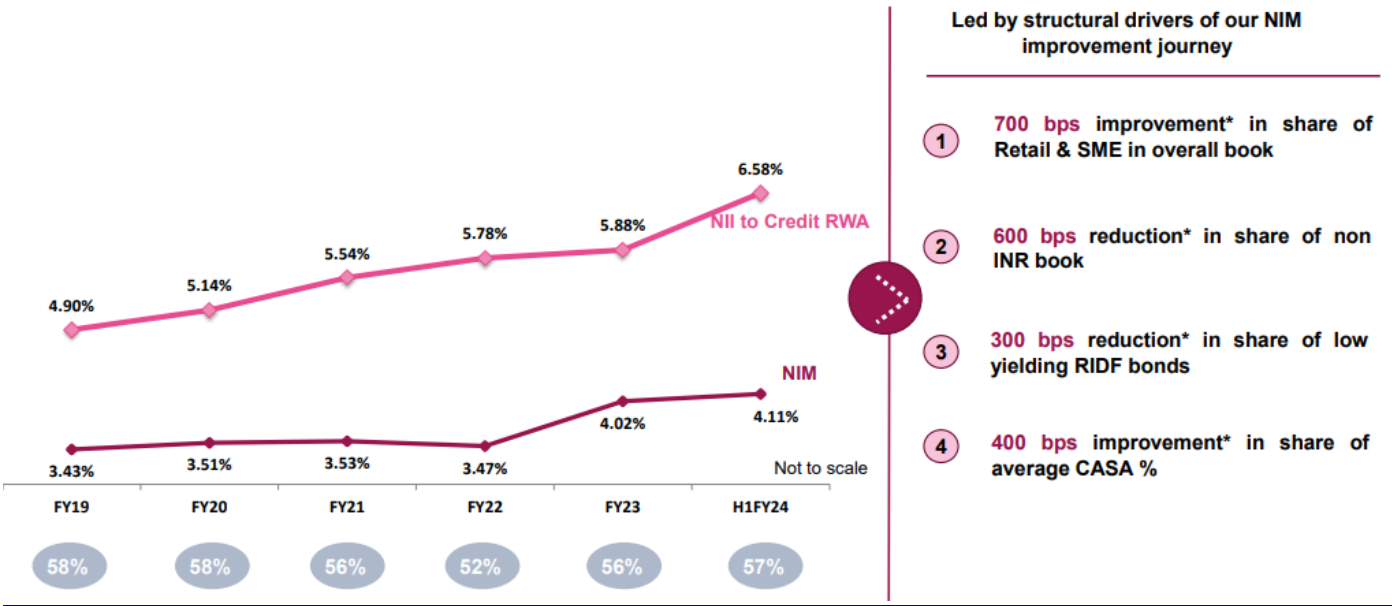
Source: MOFSL, Company

Exhibit 8: Self sufficient capital structure to fund growth



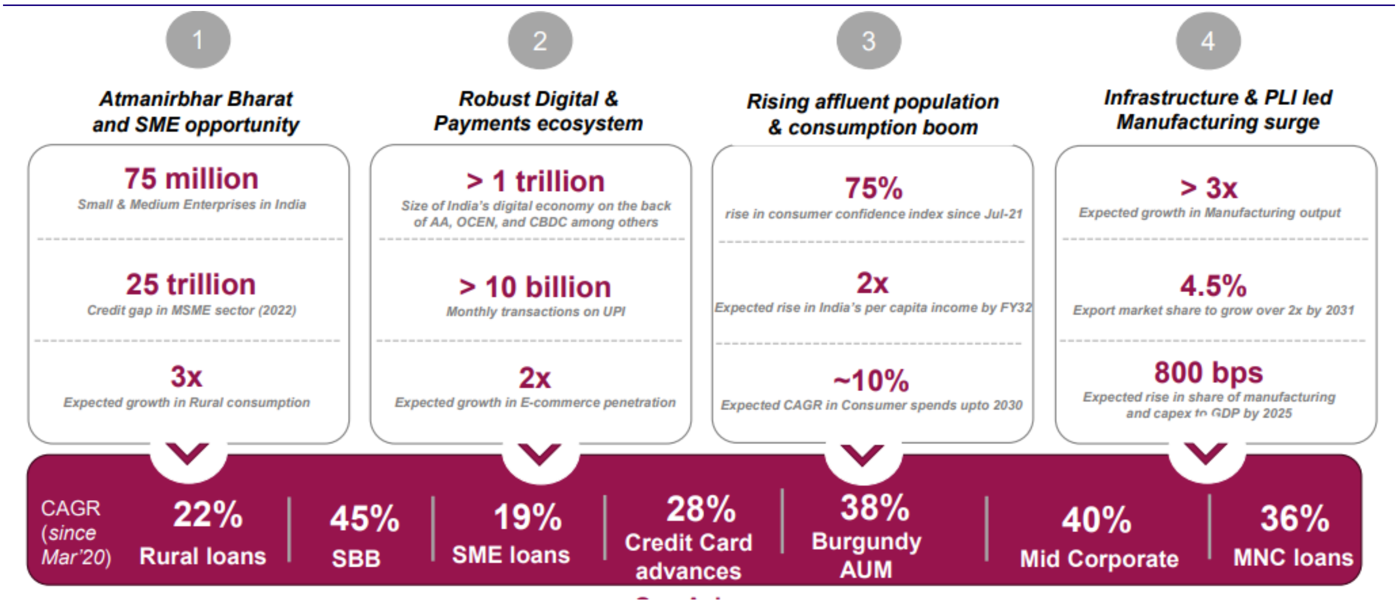
Source: MOFSL, Company

Exhibit 9: Improving margins structurally, while maintaining the credit RWA



Source: MOFSL, Company

Exhibit 10: Megatrends provide a long runway to drive sustained growth



Source: MOFSL, Company

Exhibit 11: DuPont Analysis: Return ratio to witness continuous increase

Y/E MARCH	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	7.30	6.66	6.23	6.83	8.01	8.01	7.93
Interest Expense	4.36	3.59	3.17	3.39	4.45	4.34	4.22
Net Interest Income	**2.94**	**3.07**	**3.06**	**3.45**	**3.57**	**3.67**	**3.71**
Fee income	1.56	1.19	1.28	1.35	1.54	1.59	1.63
Trading and others	0.25	0.10	0.13	-0.02	-0.02	-0.02	-0.03
Non Interest income	**1.81**	**1.29**	**1.41**	**1.32**	**1.52**	**1.57**	**1.60**
Total Income	**4.75**	**4.36**	**4.47**	**4.77**	**5.08**	**5.24**	**5.31**
Operating Expenses	**2.02**	**1.93**	**2.18**	**2.19**	**2.45**	**2.38**	**2.35**
Employee cost	0.62	0.65	0.70	0.70	0.76	0.73	0.71
Others	1.40	1.28	1.48	1.49	1.70	1.65	1.63
Operating Profit	**2.73**	**2.43**	**2.29**	**2.58**	**2.63**	**2.85**	**2.96**
Core Operating Profit	**2.48**	**2.33**	**2.16**	**2.60**	**2.65**	**2.88**	**2.99**
Provisions	**2.16**	**1.51**	**0.68**	**0.23**	**0.27**	**0.32**	**0.34**
NPA	1.49	1.15	0.48	0.27	0.26	0.30	0.31
Others	0.67	0.35	0.20	-0.04	0.01	0.03	0.03
PBT	**0.57**	**0.93**	**1.61**	**2.35**	**2.36**	**2.53**	**2.63**
Tax	0.38	0.23	0.40	0.59	0.59	0.64	0.66
RoA	**0.19**	**0.69**	**1.20**	**1.76**	**1.76**	**1.89**	**1.96**
Leverage (x)	11.3	10.2	10.0	10.4	9.5	8.7	8.7
RoE	**2.1**	**7.1**	**12.0**	**18.3**	**16.8**	**16.6**	**17.0**

Financials and valuations

Income Statement							(INR b)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**
Interest Income	626.4	633.5	673.8	851.6	1,134.3	1,304.4	1,493.4
Interest Expense	374.3	341.1	342.4	422.2	629.3	706.3	794.7
Net Interest Income	**252.1**	**292.4**	**331.3**	**429.5**	**505.1**	**598.1**	**698.7**
Growth (%)	16.1	16.0	13.3	29.6	17.6	18.4	16.8
Non Interest Income	155.4	122.6	152.2	165.0	214.5	255.3	301.2
Total Income	**407.4**	**415.0**	**483.5**	**594.5**	**719.6**	**853.3**	**999.9**
Growth (%)	16.9	1.9	16.5	22.9	21.0	18.6	17.2
Operating Expenses	173.0	183.8	236.1	273.0	347.4	388.4	441.7
Pre Provision Profits	**234.4**	**231.3**	**247.4**	**321.4**	**372.2**	**464.9**	**558.1**
Growth (%)	23.3	(1.3)	7.0	29.9	15.8	24.9	20.1
Core PPoP	**212.7**	**221.5**	**233.6**	**324.2**	**375.5**	**468.9**	**562.9**
Growth (%)	16.5	4.2	5.5	38.8	15.8	24.9	20.1
Provisions	185.3	143.2	73.6	28.8	38.3	52.5	63.5
PBT	**49.0**	**88.1**	**173.8**	**292.6**	**333.9**	**412.4**	**494.6**
Tax	32.8	22.2	43.6	73.3	84.1	103.9	124.6
Tax Rate (%)	66.8	25.2	25.1	25.0	25.2	25.2	25.2
Extraordinary expense	-	-	-	123.5	-	-	-
PAT	**16.3**	**65.9**	**130.3**	**95.8**	**249.7**	**308.5**	**370.0**
Growth (%)	(65.2)	304.9	97.7	(26.5)	160.7	23.5	19.9

Balance Sheet							
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**
Equity Share Capital	5.6	6.1	6.1	6.2	6.4	6.4	6.4
Reserves & Surplus	843.8	1,009.9	1,144.1	1,243.8	1,715.0	1,997.6	2,341.7
Net Worth	**849.5**	**1,016.0**	**1,150.3**	**1,249.9**	**1,721.5**	**2,004.1**	**2,348.1**
Deposits	**6,401.0**	**6,979.9**	**8,219.7**	**9,469.5**	**10,747.8**	**12,467.5**	**14,587.0**
Growth (%)	16.7	9.0	17.8	15.2	13.5	16.0	17.0
of which CASA Dep	**2,637.1**	**3,177.5**	**3,700.1**	**4,465.4**	**4,610.8**	**5,498.2**	**6,564.1**
Growth (%)	8.3	20.5	16.4	20.7	3.3	19.2	19.4
Borrowings	1,479.5	1,428.7	1,851.3	1,863.0	2,020.8	2,229.1	2,462.3
Other Liabilities & Prov.	421.6	443.4	531.5	586.6	645.3	742.1	816.3
Total Liabilities	**9,151.6**	**9,868.0**	**11,752.8**	**13,169.0**	**15,135.4**	**17,442.7**	**20,213.7**
Current Assets	972.7	617.3	1,109.9	1,064.1	1,047.0	1,072.8	1,142.3
Investments	**1,567.3**	**2,261.2**	**2,756.0**	**2,888.1**	**3,350.3**	**3,886.3**	**4,539.2**
Growth (%)	-10.4	44.3	21.9	4.8	16.0	16.0	16.8
Loans	**5,714.2**	**6,144.0**	**7,079.5**	**8,453.0**	**9,864.7**	**11,541.7**	**13,503.8**
Growth (%)	15.5	7.5	15.2	19.4	16.7	17.0	17.0
Fixed Assets	43.1	42.5	45.7	47.3	51.1	53.2	55.3
Other Assets	854.3	803.0	763.3	720.6	822.3	888.7	973.2
Total Assets	**9,151.6**	**9,868.0**	**11,754.3**	**13,173.3**	**15,135.4**	**17,442.7**	**20,213.7**

Asset Quality	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**	**FY26E**
GNPA	302.3	253.1	218.2	186.0	169.6	203.3	243.1
NNPA	93.6	70.6	56.1	37.2	35.1	43.2	52.3
Slippages	199.2	172.5	201.1	146.5	160.3	194.8	232.9
GNPA Ratio	5.1	4.0	3.0	2.2	1.7	1.7	1.8
NNPA Ratio	1.6	1.1	0.8	0.4	0.4	0.4	0.4
Slippage Ratio	3.7	2.9	3.0	1.9	1.8	1.8	1.9
Credit Cost	2.4	1.8	0.8	0.4	0.4	0.5	0.5
PCR (Excl Tech. write off)	69.0	72.1	74.3	80.0	79.3	78.8	78.5

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Yield and Cost Ratios (%)							
Avg. Yield-Earning Assets	**8.0**	**7.3**	**6.7**	**7.3**	**8.5**	**8.5**	**8.4**
Avg. Yield on loans	9.1	8.0	7.5	8.3	9.8	9.6	9.4
Avg. Yield on Investments	6.9	6.7	5.9	6.5	6.8	6.9	7.0
Avg. Cost-Int. Bear. Liab.	**5.0**	**4.2**	**3.7**	**3.9**	**5.2**	**5.1**	**5.0**
Avg. Cost of Deposits	4.9	4.0	3.5	3.6	4.8	4.8	4.7
Avg. Cost of Borrowings	5.4	5.2	4.6	5.6	7.2	7.0	6.9
Interest Spread	**3.0**	**3.1**	**3.0**	**3.3**	**3.3**	**3.3**	**3.4**
Net Interest Margin	**3.2**	**3.4**	**3.3**	**3.7**	**3.8**	**3.9**	**3.9**
Capitalisation Ratios (%)							
CAR	17.6	19.2	18.5	17.6	18.3	17.7	17.2
Tier I	14.6	16.6	16.4	14.6	15.8	15.6	15.5
Tier II	3.0	2.6	2.1	3.1	2.5	2.1	1.8
CET-1	13.3	15.4	15.2	14.0			
Business and Efficiency Ratios (%)							
Loans/Deposit Ratio	89.3	88.0	86.1	89.3	91.8	92.6	92.6
CASA Ratio	41.2	45.5	45.0	47.2	42.9	44.1	45.0
Cost/Avg Assets	2.0	1.9	2.2	2.2	2.5	2.4	2.3
Cost/Total Income	42.5	44.3	48.8	45.9	48.3	45.5	44.2
Cost/Core Income	44.9	45.3	50.3	45.7	48.1	45.3	44.0
Int. Expense/Int.Income	59.8	53.8	50.8	49.6	55.5	54.1	53.2
Fee Income/Total Income	28.9	23.4	24.7	25.2	26.3	26.5	26.7
Non Int. Inc./Total Income	38.1	29.5	31.5	27.8	29.8	29.9	30.1
Empl. Cost/Total Expense	30.7	33.5	32.2	32.1	30.8	30.8	30.3
Business per Employee (INR m)	163.4	167.6	178.3	195.0	205.8	217.9	236.1
Profit per Employee (INR m)	0.2	0.8	1.5	2.4	2.5	2.8	3.1
Investment/Deposit Ratio	24.5	32.4	33.5	30.5	31.2	31.2	31.1
G-Sec/Investment Ratio	80.4	81.5	81.6	78.9	78.9	78.9	78.9
Profitability Ratios and Valuation							
RoE	2.1	7.1	12.0	18.2	16.8	16.6	17.0
RoA	0.2	0.7	1.2	1.8	1.8	1.9	2.0
RoRWA	0.3	1.0	1.7	2.5	2.4	2.5	2.5
Book Value (INR)	301.1	331.6	375.2	406.2	534.9	622.8	729.7
Growth (%)	16.1	10.2	13.1	8.3	31.7	16.4	17.2
Price-BV (x)	**3.0**	**2.7**	**2.4**	**2.2**	**1.7**	**1.4**	**1.2**
Adjusted BV (INR)	269.7	308.0	354.1	388.2	517.8	603.5	708.0
Price-ABV (x)	**3.3**	**2.9**	**2.5**	**2.3**	**1.7**	**1.5**	**1.3**
EPS (INR)	6.0	22.4	42.5	71.4	79.3	95.9	115.0
Growth (%)	-66.9	271.0	89.7	68.0	11.2	20.8	19.9
Price-Earnings (x)	**149.0**	**40.1**	**21.2**	**12.6**	**11.3**	**9.4**	**7.8**
Dividend Per Share (INR)	1.0	0.0	1.0	1.0	6.7	8.1	8.1
Dividend Yield (%)	**0.1**	**0.0**	**0.1**	**0.1**	**0.7**	**0.8**	**0.8**

E: MOSL Estimates

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
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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