

Institutional Equity Research

# Axis Bank

BFSI | India

4QFY19 Result Update | April 26, 2019

CMP* (Rs)	741
Upside/ (Downside) (%)	8
Bloomberg Ticker	AXSB IN
Market Cap. (Rs bn)	1,905
Free Float (%)	82
Shares O/S (mn)	2,572

**HOLD** 

Target Price: Rs800

## Strong Performance on Asset Quality Front; Higher CoF Drag Margins

Axis Bank's operating metrics marginally missed out estimates in 4QFY19 led by lower than expected margin expansion and higher provisioning. Asset quality however improved with gross NPAs lower by 50 bps QoQ owing to lower slippages and healthy recoveries. Higher provisioning can be attributed to higher than required provisioning for SRs, 'BB and below' pool, SMA-2 accounts and increased provisioning requirements for an earlier debt swap deal. Domestic loan book grew by a healthy 18% YoY, even as lower growth in overseas book dragged overall loan growth (at 13% YoY). Retail loan growth was elevated at 19% YoY. Fee income growth at 23% was driven by increased share of retail fees which grew at 37% YoY. PCR improved by 200bps QoQ to 63% and excludes contingency provisioning made towards standard stressed advances.

### High Cost of Funds drag Margins; Decline in CD Ratio a Positive

Despite rising share of higher yielding retail book, lower interest reversals, lagged impact of MCLR increases, and a decline low margin overseas portfolio, NIMs was flat QoQ at 3.44% led by 25 bps increase in cost of funds and faster growth in deposits relative to advances with decline in CD ratio by 200 bps QoQ. Management has guided for a flattish margin for FY20 with a positive bias. A declining CASA share (by 10% ppts to 44% YoY) was a key behind the sharp rise in cost of funds, partly driven by SA cannibalization as TD rates increased. With sharp focus on strengthening the liability franchise and increasing share of granular deposits, the bank has created a separate retail liability vertical to drive new customer acquisition, with branches primarily focusing on existing customer relationships. Increased traction in CASA+ retail TD has led to an improved CD ratio of 90% in 4QFY19 against 97% a year ago. Developments in liability franchise and the bank's ability to strengthen CASA ratio remain critical for any meaningful improvement in margin.

### Asset Quality Improves; conservative provisioning lends comfort

Gross NPAs improved by 50 bps sequentially led by lower slippages at 2.7% (annualized) and improved recoveries and upgrades. About half of fresh slippages came from corporate portfolio, with 72% of these from the "BB & Below" pool, which declined by 14% QoQ. Recovery from accumulated PWO pool improved to 13% in FY19 as against 3% in FY18. Asset quality in the retail and agri segment continue to show resilience, with 66% degrowth in net retail slippages YoY. The bank has provided higher than required provisions for standard stressed assets during the quarter, including SRs, SMA-2 accounts, 'BB and below' pool, lowering future provisioning requirements.

### Outlook & Valuation

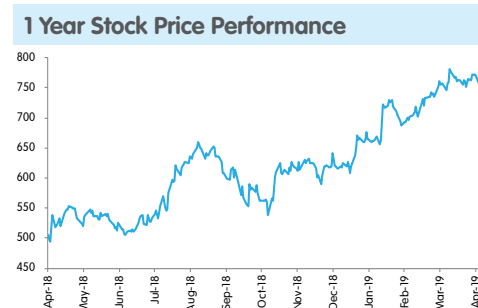
Looking ahead, we expect the Bank to deliver sustained improvement in operating metrics led by decline in credit costs, sustained balance sheet growth, and improvement in operating efficiency. Consequently, ROE/RoA is expected to improve to 16%/1.5% for FY21E against 7%/0.6% for FY19E. Our earnings estimate for FY20E has been revised lower, factoring in the additional provisioning requirements against non-banking asset over the next three quarters. **With positives largely priced in valuations, we maintain our HOLD recommendation on the stock with a revised Target Price of Rs800 (from 820 earlier), valuing the stock at 2.5x FY21E ABV.**

Share price (%)	1 mth	3 mth	12 mth
Absolute performance	(2.1)	12.0	48.7
Relative to Nifty	(3.5)	4.5	38.5

Shareholding Pattern (%)	Sep-18	Dec-18
Promoters	23.7	18.2
Custodian/DR	2.8	2.7
Institutions	64.9	69.0
Retail	4.9	5.0
NBFC & Bodies Corporate	4.4	5.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Key Financials (Rs mn)	FY19	FY20E	FY21E
Loan & Adv.	4,947,980	5,789,137	6,773,290
Nil	217,082	251,723	298,039
PPP ex Except.	190,048	222,860	270,512
Reported Profits	46,766	93,992	137,520
EPS	18.2	36.5	53.5
P/E (x)	41.5	20.7	14.1
Adj. BV	214.9	256.7	312.1
P/ABV (x)	3.5	2.9	2.4

Change of Estimates (% change)	FY20E	FY21E
Net Operating Revenue	(2.0)	(1.6)
Pre Provision Profits	(3.0)	(1.4)
PAT	(9.6)	0.4



Note: \* CMP as on April 26, 2019

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### Key Financials

(Rs mn)	FY18	FY19E	FY20E	FY21E
Loan & Advances	43,96,503	50,99,944	59,66,934	69,81,313
Net Interest Income	1,86,177	2,18,244	2,62,214	3,14,970
PPP ex Except. Items	1,55,944	1,94,724	2,29,854	2,74,485
Reported Profits	12,756	51,901	1,04,158	1,37,130
Earnings Per Share (Rs)	5.0	19.9	39.9	52.5
P/E (x)	151.9	38.0	18.9	14.4
Adj. BV (Rs)	181.9	228.8	272.3	326.4
P/ABV (x)	4.2	3.3	2.8	2.3
Gross NPAs Ratio (%)	6.8	5.7	4.4	3.6
Adj. RoA	0.2	0.7	1.2	1.4
Adj. RoE	2.1	7.7	13.7	15.8

Source: Company, RSec Research

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**Other Important Concall Takeaways**

- ▶ On fee Income, a dedicated team focusing on third party products for retail fee has been set-up, corporate fee to be more granular in nature with increasing share of wallet within the segment
- ▶ Conservative view on provisioning- Provided Rs2.20 bn against SRs of Rs 29.1 bn, created a standardized rule-based provisioning policy of higher provisioning on 'BB and below' and SMA-2 than required, 2 more sectors recognized as stressed within the 'BB and below' pool aggregating to Rs 9.2 bn exposure against which Rs1.6 bn of incremental prov was made.
- ▶ Also, the bank provided Rs5.35 bn towards a large non-banking asset of Rs21.4 bn (a land parcel received as part of debt swap upon settlement with a stressed corporate borrower, where 100% provisioning is required which can be spread over 4 quarters (the rest of the hit taken via reserves and impacts CAR 35 bps)
- ▶ Overseas book, which de-grew by 29% YoY, has bottomed out and should stabilize from hereon, with stable sequential loanbook, though YoY degrowth could continue for the next three quarters
- ▶ Corp slippages at 13.7 constituted roughly 45% the total with RE, Infra, Power and shipping sectors contributing to slippages in the corporate segment, net slippages in the retail segment declined by 66% YoY and continue to show resilience
- ▶ Even though average CA and SA balances increased by 13% and 10% YoY, growth in quarter end balances were lower, driven by an elevated base as the bank shifted branch focus from maintaining high month end balances (which taper in subsequent days).
- ▶ 13% of opening prudential write-offs recovered during the fiscal against 3% for the previous fiscal. Accumulated PWO at Rs187.2 bn, out of which 84% of write-offs happened over the last eight quarters.
- ▶ The bank consumed 41 bps of capital during the year, about 35 bps of which was on account of a non-banking asset. While a quarter of the hit was taken via the P&L, the rest has been taken through reserves. The bank expects additional 46 bps of CET1 on conversion of warrants during first quarter of FY20.
- ▶ Cost efficiencies to be driven by lower growth in employee expenses, digital push, and a leaner cost architecture by removal of unnecessary costs.
- ▶ Guidance- 5-7% faster loan growth compared with industry, credit costs to settle below long-term average levels, cost to average assets to be below 2% by FY22, Margins expected to be in the 3.5-3.8% levels though FY20 margins to be flattish YoY with a positive bias.

**Risks to the View**

- ▶ Any major slowdown in economy may impact the expected business growth and asset quality.
- ▶ Intensifying competition in both Corporate and Retail segments could dampen our estimates.

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## Exhibit 1: Income Statement Analysis

(Rs mn)	4Q FY19	4Q FY18	% yoy / bps	3Q FY19	% qoq / bps	FY19	FY18	% yoy / bps
<b>Interest Inc.</b>	<b>147,980</b>	<b>117,712</b>	<b>25.7</b>	<b>141,297</b>	<b>4.7</b>	<b>549,858</b>	<b>457,803</b>	<b>20.1</b>
<b>Interest Expenses</b>	<b>90,924</b>	<b>70,407</b>	<b>29.1</b>	<b>85,261</b>	<b>6.6</b>	<b>332,776</b>	<b>271,626</b>	<b>22.5</b>
<i>Cost of Fund (%)</i>	5.7	5.1	58	5.4	25	-	-	-
<b>Net Interest Income</b>	<b>57,056</b>	<b>47,305</b>	<b>20.6</b>	<b>56,036</b>	<b>1.8</b>	<b>217,082</b>	<b>186,177</b>	<b>16.6</b>
<i>NII to Net Operative Income</i>	61.8	62.9	(111)	58.3	346	62.3	62.9	(62)
<i>NIM (%)</i>	3.44	3.33	11	3.5	(3)	3.4	3.4	(1)
<i>Dom. NIM (%)</i>	3.6	3.6	2	3.7	(5)	3.6	3.6	2
Fee Income	30,200	24,480	23.4	26,150	15.5	101,280	88,669	14.2
Trading Income	3,540	2,160	63.9	3,790	(6.6)	9,720	16,171	(39.9)
Miscellaneous Income	1,520	1,247	21.9	10,070	(84.9)	20,300	4,830	320.3
<b>Other Income - Total</b>	<b>35,263</b>	<b>27,887</b>	<b>26.5</b>	<b>40,007</b>	<b>(11.9)</b>	<b>131,300</b>	<b>109,671</b>	<b>19.7</b>
<i>Other Income to Net Operative Income</i>	38.2	37.1	111	41.7	(346)	37.7	37.1	62
<b>Net Operating Revenue</b>	<b>92,319</b>	<b>75,191</b>	<b>22.8</b>	<b>96,043</b>	<b>(3.9)</b>	<b>348,382</b>	<b>295,848</b>	<b>17.8</b>
Employee Expenses	11,423	10,789	5.9	12,026	(5.0)	47,473	43,130	10.1
<i>Empl. Cost/Oper. Exps.</i>	12.4	14.3	(198)	12.5	(15)	13.6	14.6	(95)
Other Opex	30,752	27,680	11.1	28,771	6.9	110,861	96,774	14.6
<i>Other Opex/ Assets</i>	0.4	0.4	(2)	0.4	1	1.5	1.5	(1)
<b>Total Opex</b>	<b>42,175</b>	<b>38,469</b>	<b>9.6</b>	<b>40,797</b>	<b>3.4</b>	<b>158,334</b>	<b>139,903</b>	<b>13.2</b>
<i>Cost to Income Ratio (%)</i>	45.7	51.2	(548)	42.5	321	45.4	47.3	(184)
<b>Pre Provision Profits</b>	<b>50,144</b>	<b>36,722</b>	<b>36.6</b>	<b>55,246</b>	<b>(9.2)</b>	<b>190,048</b>	<b>155,945</b>	<b>21.9</b>
<b>Prov. &amp; Contingencies - Total</b>	<b>27,114</b>	<b>71,795</b>	<b>(62.2)</b>	<b>30,545</b>	<b>(11.2)</b>	<b>120,307</b>	<b>154,729</b>	<b>(22.2)</b>
<i>Credit Cost (%)</i>	1.26	6.73	(547)	2.1	(81)	-	3.57	-
<i>NPA Provisions as % Operating Inc.</i>	54.1	195.5	(14,144)	55.3	(122)	63.3	99.2	(3,592)
<b>Profit Before Tax</b>	<b>23,030</b>	<b>(35,073)</b>	<b>(165.7)</b>	<b>24,701</b>	<b>(6.8)</b>	<b>69,741</b>	<b>1,216</b>	<b>5,636.7</b>
Tax	7,979	(13,186)	(160.5)	7,893	1.1	22,975	(11,541)	(299.1)
<i>Effective Tax Rate (%)</i>	34.6	37.6	(295)	32.0	269.3	32.9	(949.3)	98,228
<b>Reported Profits</b>	<b>15,051</b>	<b>(21,887)</b>	<b>(168.8)</b>	<b>16,808</b>	<b>(10.5)</b>	<b>46,766</b>	<b>12,757</b>	<b>266.6</b>
<i>RoA (%)</i>	0.8	(1.3)	209	0.9	(10.0)	0.6	0.0	59
<i>RoE (%)</i>	10.3	(15.3)	2,558	11.3	(100)	8.1	0.5	756
Basic EPS	5.9	(8.5)	(168.6)	6.5	(10.6)	18.1	1.1	1,500.9
Diluted EPS	5.8	(8.5)	(168.4)	6.5	(10.7)	18.1	1.1	1,515.2

Source: Company, RSec Research

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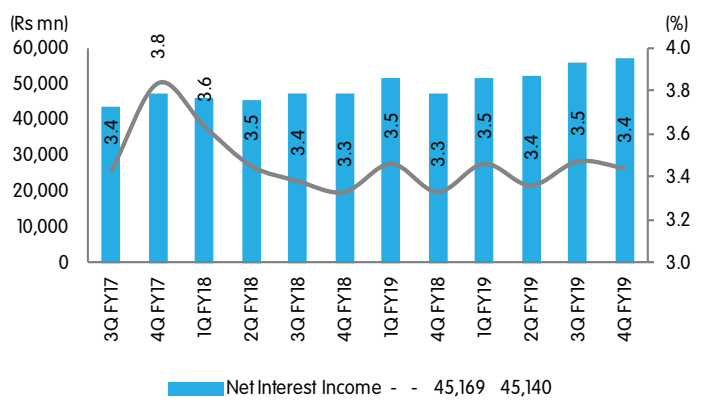
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Exhibit 2: NII Trend



Source: Company, RSec Research

Exhibit 3: Total OPEX Trend

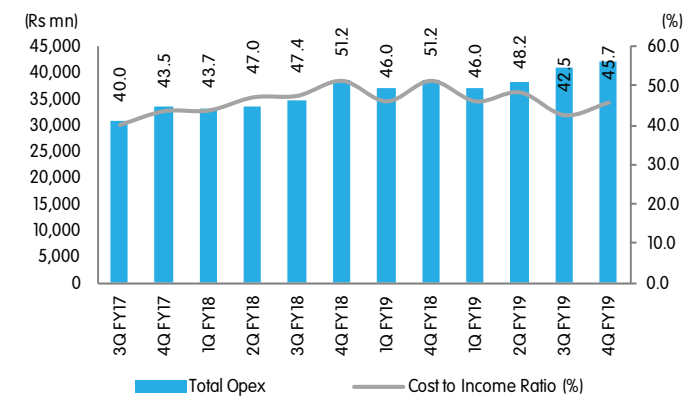
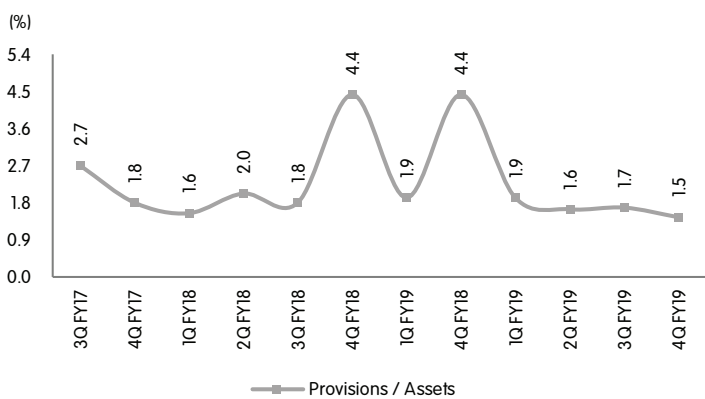


Exhibit 4: Provisions / Assets Trend



Source: Company, RSec Research

Exhibit 5: Return Ratio Trend

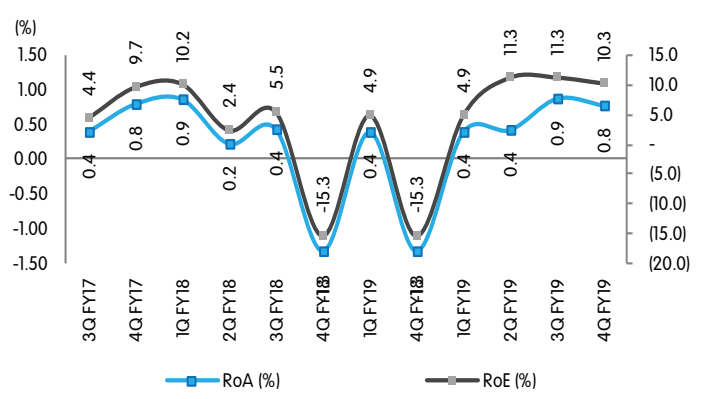
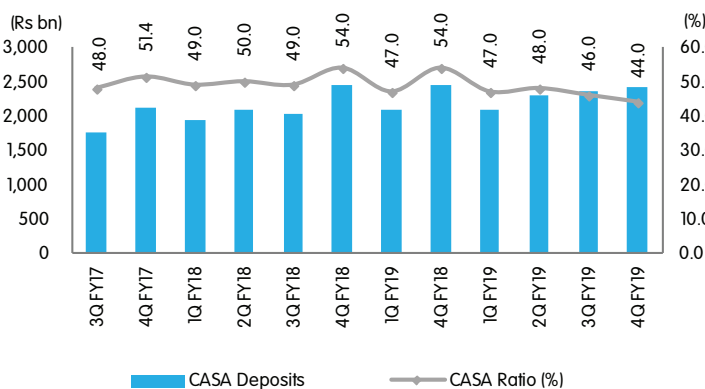
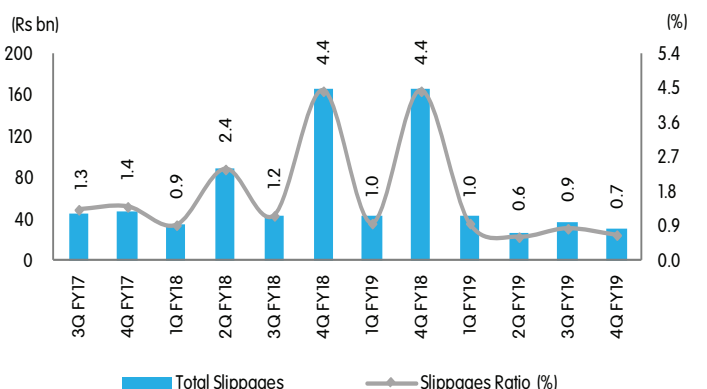


Exhibit 6: CASA Deposit Trend



Source: Company, RSec Research

Exhibit 7: Slippages Trend



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## Exhibit 8: Balance Sheet Analysis

(Rs mn)	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	QoQ % / bps	YTD % / bps	YoY % / bps
<b>Net Worth</b>	<b>655,480</b>	<b>634,453</b>	<b>641,861</b>	<b>650,591</b>	<b>666,979</b>	<b>666,763</b>	<b>(0.0)</b>	<b>2.5</b>	<b>5.1</b>
RoE (%)	5.5	(15.3)	4.9	11.3	11.3	10.3	(100)	(100)	2,558
CET1 %	12.7	11.7	11.9	11.7	11.8	11.3	(50)	(4)	(41)
Tier 1 %	14.1	13.0	13.2	13.0	12.5	12.5	6	(4)	(50)
Total CAR %	18.0	16.6	16.6	16.2	15.8	15.8	3	(2)	(73)
<b>RWA - Total</b>	<b>4,973,440</b>	<b>5,176,307</b>	<b>5,125,875</b>	<b>5,259,929</b>	<b>5,217,617</b>	<b>5,530,674</b>	<b>6.0</b>	<b>5.1</b>	<b>6.8</b>
Advances - Total	4,209,230	4,396,503	4,410,745	4,561,213	4,751,048	4,947,980	4.1	8.5	12.5
Investments	1,423,890	1,538,761	1,546,136	1,556,851	1,610,358	1,749,693	8.7	12.4	13.7
<b>Total Assets</b>	<b>6,439,380</b>	<b>6,913,296</b>	<b>6,926,858</b>	<b>7,305,456</b>	<b>7,561,764</b>	<b>8,009,965</b>	<b>5.9</b>	<b>9.6</b>	<b>15.9</b>
RoA (%)	0.44	(1.31)	0.40	0.43	0.88	0.78	(10)	81	209
<b>Deposits</b>	<b>4,089,670</b>	<b>4,536,227</b>	<b>4,470,793</b>	<b>4,796,796</b>	<b>5,140,921</b>	<b>5,484,713</b>	<b>6.7</b>	<b>14.3</b>	<b>20.9</b>
Saving Deposit	1,312,190	1,482,020	1,413,590	1,487,420	1,513,800	1,541,290	1.8	3.6	4.0
Current Deposit	704,920	956,500	682,780	801,280	841,720	892,650	6.1	11.4	(6.7)
<b>CASA Deposits</b>	<b>2,017,110</b>	<b>2,438,520</b>	<b>2,096,370</b>	<b>2,288,700</b>	<b>2,355,520</b>	<b>2,433,940</b>	<b>3.3</b>	<b>6.3</b>	<b>(0.2)</b>
CASA Ratio (%)	49.0	54.0	47.0	48.0	46.0	44.0	(200)	(8)	(1,000)
<b>Term Deposits</b>	<b>2,072,560</b>	<b>2,097,707</b>	<b>2,374,423</b>	<b>2,508,096</b>	<b>2,785,401</b>	<b>3,050,773</b>	<b>9.5</b>	<b>21.6</b>	<b>45.4</b>
<b>Interest Bearing</b>	<b>5,498,410</b>	<b>6,016,389</b>	<b>5,993,064</b>	<b>6,280,790</b>	<b>6,587,615</b>	<b>7,012,471</b>	<b>6.4</b>	<b>11.6</b>	<b>16.6</b>
<b>Liabilities - Total</b>									

Source: Company, RSec Research

## Exhibit 9: Earning Assets Mix & Incremental Contribution

(Rs mn)	As on				As % of Working Assets	YoY/ YTD growth (% / bps)			Incremental Contribution YoY/ YTD Growth (%)		
	FY16	FY17	FY18	FY19		FY17	FY18	FY19	FY17	FY18	FY19
Corporate Credit	1,553,840	1,559,040	1,744,460	1,834,020	24.9	0.3	11.9	5.1	1.1	21.8	9.0
SME	448,690	491,720	587,400	655,840	8.9	9.6	19.5	11.7	8.9	11.3	6.8
Retail Loan	1,385,210	1,679,930	2,064,640	2,458,120	33.4	21.3	22.9	19.1	60.8	45.3	39.4
Advances - Total	3,387,737	3,730,693	4,396,503	4,947,980	67.1	10.1	17.8	12.5	70.7	78.5	55.2
Investments	1,315,241	1,287,934	1,538,761	1,749,693	23.7	(2.1)	19.5	13.7	(5.6)	29.6	21.1
Cash & Cash Equivalent	333,254	502,562	434,549	672,046	9.1	50.8	(13.5)	54.7	34.9	(8.0)	23.8
<b>Working Assets</b>	<b>5,036,232</b>	<b>5,521,189</b>	<b>6,369,813</b>	<b>7,369,719</b>	<b>100.0</b>	<b>9.6</b>	<b>15.4</b>	<b>15.7</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, RSec Research

## Exhibit 10: Funding Mix & Incremental Contribution

(Rs mn)	As on				As % of Total Working Fund	YoY/ YTD growth (% / bps)			Incremental Contribution YoY/ YTD Growth (%)		
	FY16	FY17	FY18	FY19		FY17	FY18	FY19	FY17	FY18	FY19
<b>Deposits</b>	<b>4,143,788</b>	<b>4,536,227</b>	<b>5,484,713</b>	<b>5,484,713</b>	<b>71.4</b>	<b>9.5</b>	<b>20.9</b>	<b>-</b>	<b>70.8</b>	<b>105.5</b>	<b>-</b>
Saving Deposit	1,260,483	1,482,020	1,581,023	1,541,290	20.1	17.6	6.7	(2.5)	39.9	11.0	(3.9)
Current Deposit	870,017	956,500	1,035,843	892,650	11.6	9.9	8.3	(13.8)	15.6	8.8	(13.9)
CASA Deposits	2,130,500	2,438,520	2,616,866	2,433,940	31.7	14.5	7.3	(7.0)	55.5	19.8	(17.8)
Term Deposits	2,013,288	2,097,707	2,867,847	3,050,773	39.7	4.2	36.7	6.4	15.2	85.7	17.8
<b>Borrowings</b>	<b>1,050,309</b>	<b>1,480,162</b>	<b>1,527,758</b>	<b>1,527,758</b>	<b>19.9</b>	<b>40.9</b>	<b>3.2</b>	<b>-</b>	<b>77.5</b>	<b>5.3</b>	<b>-</b>
Int. Bearing Liab. - Total	5,194,097	6,016,389	7,012,471	7,012,471	91.3	15.8	16.6	-	148.3	110.8	-
Net Worth	557,625	634,453	666,763	666,763	8.7	13.8	5.1	-	13.9	3.6	-
<b>Working Fund</b>	<b>5,197,128</b>	<b>5,751,722</b>	<b>6,650,841</b>	<b>7,679,234</b>	<b>100.0</b>	<b>10.7</b>	<b>15.6</b>	<b>15.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, RSec Research

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Target Price: Rs800

### Exhibit 11: Asset Quality Analysis

(Rs mn)	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	QoQ % / bps	YTD % / bps	YoY % / bps
Total Slippages	44,280	165,360	43,370	27,770	37,460	30,120	(19.6)	8.5	(81.8)
Slippages Ratio (%)	1.19	4.43	0.99	0.63	0.85	0.69	(17)	5	(375)
Gross NPA	250,005	342,486	326,624	309,383	308,547	297,894	(3.5)	(3.7)	(13.0)
Gross NPAs Ratio (%)	5.28	6.77	6.52	5.96	5.75	5.26	(49)	(70)	(151)
PCR - Calculated (%)	52.9	51.6	54.4	58.9	60.4	62.1	180	325	1,059
PCR - Inc. Tech w/o (%)	66.0	65.0	69.0	73.0	75.0	77.0	200	400	1,200
Net NPA	117,695	165,917	149,016	127,157	122,333	112,756	(7.8)	(11.3)	(32.0)
Net NPAs Ratio (%)	2.56	3.40	3.09	2.54	2.36	2.06	(30)	(48)	(134)

Source: Company, RSec Research

Institutional Equity Research

# Axis Bank

BFSI | India

CMP* (Rs)	741
Upside/ (Downside) (%)	8
Bloomberg Ticker	AXSB IN

**HOLD** 

Target Price: Rs800

## Profit & Loss Statement

Y/E March (Rs mn)	FY18	FY19	FY20E	FY21E
Int. Income	457,803	549,858	648,593	747,398
Interest Expenses	271,626	332,776	396,870	449,359
<b>Net Interest Income</b>	<b>186,177</b>	<b>217,082</b>	<b>251,723</b>	<b>298,039</b>
<i>NIM (%)</i>	<i>3.13</i>	<i>3.16</i>	<i>3.21</i>	<i>3.33</i>
<b>Other Income - Total</b>	<b>109,670</b>	<b>131,300</b>	<b>150,373</b>	<b>174,972</b>
<b>Net Operating Revenue</b>	<b>295,848</b>	<b>348,382</b>	<b>402,096</b>	<b>473,011</b>
Employee Exp.	43,130	47,473	51,746	55,885
Other Opex	96,774	110,861	127,490	146,614
<b>Total Opex</b>	<b>139,903</b>	<b>158,334</b>	<b>179,236</b>	<b>202,499</b>
<i>C/I Ratio</i>	<i>47.29</i>	<i>45.45</i>	<i>44.58</i>	<i>42.81</i>
<b>Pre Provision Profits</b>	<b>155,944</b>	<b>190,048</b>	<b>222,860</b>	<b>270,512</b>
<i>PPP Growth (yoy %)</i>	<i>(11.3)</i>	<i>21.9</i>	<i>17.3</i>	<i>21.4</i>
Core PPP	143,227	190,048	222,860	270,512
Provisions & Contingencies - Total	154,729	120,307	83,613	66,779
<i>Credit Cost (As % of Op. AUM)</i>	<i>4.30</i>	<i>2.32</i>	<i>1.06</i>	<i>0.84</i>
<b>Profit Before Tax</b>	<b>1,215</b>	<b>69,741</b>	<b>139,247</b>	<b>203,733</b>
<b>Tax</b>	<b>(11,541)</b>	<b>22,975</b>	<b>45,255</b>	<b>66,213</b>
Effective Tax Rate	(949.3)	32.9	32.5	32.5
<b>Reported Profits</b>	<b>12,756</b>	<b>46,766</b>	<b>93,992</b>	<b>137,520</b>
<i>PAT Growth (yoy %)</i>	<i>(65.3)</i>	<i>266.6</i>	<i>101.0</i>	<i>46.3</i>

## Balance Sheet

Y/E March (Rs mn)	FY18	FY19	FY20E	FY21E
Equity Share Capital	5,133	5,143	5,143	5,143
Reserves (ex Reval. Reserve)	629,320	661,620	752,490	877,522
<b>Net Worth - Ex Revaluation</b>	<b>634,453</b>	<b>666,763</b>	<b>757,633</b>	<b>882,665</b>
Deposits	4,536,227	5,484,713	6,346,452	7,423,807
Borrowings	1,480,162	1,527,758	1,586,613	1,741,387
<b>Interest Bearing Liabilities</b>	<b>6,016,389</b>	<b>7,012,471</b>	<b>7,933,065</b>	<b>9,165,193</b>
Other Lia. & Prov.	262,455	330,731	351,381	362,108
<b>Total Liabilities</b>	<b>6,913,296</b>	<b>8,009,965</b>	<b>9,042,079</b>	<b>10,409,967</b>

## Assets

Cash & Cash Equivalent	434,549	672,046	543,586	585,462
Investments	1,538,761	1,749,693	1,976,378	2,233,816
Loan & Advances	4,396,503	4,947,980	5,789,137	6,773,290
<i>Growth (yoy %)</i>	<i>17.8</i>	<i>12.5</i>	<i>17.0</i>	<i>17.0</i>
Fixed Assets	39,717	40,366	43,117	44,754
Other Assets	503,766	599,880	689,862	772,645
<b>Total Assets</b>	<b>6,913,296</b>	<b>8,009,965</b>	<b>9,042,079</b>	<b>10,409,967</b>

Institutional Equity Research

# Axis Bank

BFSI | India

CMP* (Rs)	741
Upside/ (Downside) (%)	8
Bloomberg Ticker	AXSB IN

**HOLD** 

Target Price: Rs800

## Per Share Data

Y/E March (Rs)	FY18	FY19	FY20E	FY21E
<b>Face Value</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Adjusted Share O/S (mn)	2,567	2,572	2,572	2,572
<b>Earnings Per Share</b>	<b>5.0</b>	<b>18.2</b>	<b>36.5</b>	<b>53.5</b>
EPS (% YoY)	(67.6)	265.9	101.0	46.3
P/E (x)	151.9	41.5	20.7	14.1
<b>Book Value</b>	<b>247.2</b>	<b>259.3</b>	<b>294.6</b>	<b>343.2</b>
BVPS (% YoY)	6.2	4.9	13.6	16.5
P/BV (x)	3.1	2.9	2.6	2.2
<b>Adj. BV</b>	<b>181.9</b>	<b>214.9</b>	<b>256.7</b>	<b>312.1</b>
Adj. BV (% YoY)	(6.0)	18.2	19.4	21.6
P/ABV (x)	4.2	3.5	2.9	2.4

## Detail RoA Tree Analysis

Y/E March (%)	FY18	FY19	FY20E	FY21E
<b>Yields / Margins</b>				
Yield on Advance	8.4	8.8	9.2	9.2
Yield on Funds	7.7	8.0	8.3	8.4
Cost of Funds (CoF)	4.8	5.1	5.3	5.3
<b>NIM's</b>	<b>3.1</b>	<b>3.2</b>	<b>3.2</b>	<b>3.3</b>
Interest Income / Assets	7.1	7.4	7.6	7.7
Interest Exp. / Assets	4.2	4.5	4.7	4.6
<b>NII / Assets</b>	<b>2.9</b>	<b>2.9</b>	<b>3.0</b>	<b>3.1</b>
Fee Income / Assets	1.4	1.4	1.4	1.4
Other Income / Assets	1.7	1.8	1.8	1.8
Net Operating Income / Assets	4.6	4.7	4.7	4.9
<b>Operating Ratios</b>				
NII to Net Operative Income	62.9	62.3	62.6	63.0
Other Income to Net Operative Inc.	37.1	37.7	37.4	37.0
Empl. Cost/Oper. Exps.	30.8	30.0	28.9	27.6
Other Op. Exps./Oper. Exps.	69.2	70.0	71.1	72.4
<b>C/I Ratio</b>	<b>47.3</b>	<b>45.4</b>	<b>44.6</b>	<b>42.8</b>
<b>Provisions as % PPP</b>	<b>52.3</b>	<b>34.5</b>	<b>20.8</b>	<b>14.1</b>
<b>Credit Cost (As % of Op. AUM)</b>	<b>4.3</b>	<b>2.3</b>	<b>1.1</b>	<b>0.8</b>
<b>Effective Tax Rate</b>	<b>(949.3)</b>	<b>32.9</b>	<b>32.5</b>	<b>32.5</b>
Employee Exp. / Assets	0.7	0.6	0.6	0.6
Other Opex/ Assets	1.5	1.5	1.5	1.5
<b>Total Opex / Assets</b>	<b>2.2</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>
<b>Operating Profits / Assets</b>	<b>2.4</b>	<b>2.5</b>	<b>2.6</b>	<b>2.8</b>
Provisions / Assets	2.4	1.6	1.0	0.7
<b>Profit Before Tax / Assets</b>	<b>0.0</b>	<b>0.9</b>	<b>1.6</b>	<b>2.1</b>
Tax Expenses / Assets	(0.2)	0.3	0.5	0.7
<b>RoA</b>	<b>0.2</b>	<b>0.6</b>	<b>1.1</b>	<b>1.4</b>
Leverage (x)	10.9	12.0	11.9	11.8
<b>RoE</b>	<b>2.1</b>	<b>7.2</b>	<b>13.2</b>	<b>16.8</b>
<b>Adj. RoA</b>	<b>0.2</b>	<b>0.6</b>	<b>1.1</b>	<b>1.4</b>
<b>Adj. RoE</b>	<b>2.1</b>	<b>7.2</b>	<b>13.2</b>	<b>16.8</b>



Institutional Equity Research

# Axis Bank

BFSI | India

CMP* (Rs)	741
Upside/ (Downside) (%)	8
Bloomberg Ticker	AXSB IN

**HOLD** 

Target Price: Rs800

## Balance Sheet Ratio

Y/E March (%)	FY18	FY19	FY20E	FY21E
Credit / Deposit Ratio	96.9	90.2	91.2	91.2
Incremental C/D Ratio	169.7	58.1	97.6	91.3
Investment Deposit Ratio	33.9	31.9	31.1	30.1
Dom. SLR Investment / Deposits	24.1	22.8	22.0	21.1
CASA Ratio	54.2	48.0	49.0	50.0

## Credit Quality

Y/E March (%)	FY18	FY19	FY20E	FY21E
<i>Slippage Ratio</i>	<i>9.0</i>	<i>3.2</i>	<i>2.5</i>	<i>1.6</i>
Gross NPA (Cl Bal)	342,486	297,900	268,880	257,166
<i>Gross NPAs Ratio (%)</i>	<i>6.8</i>	<i>5.3</i>	<i>4.6</i>	<i>3.8</i>
<i>PCR (%)</i>	<i>51.6</i>	<i>62.1</i>	<i>64.0</i>	<i>66.0</i>
PCR - Inc. Tech w/o (%)	65.0	77.0	-	-
<i>Net NPA (Cl. Bal.)</i>	<i>165,917</i>	<i>112,756</i>	<i>96,797</i>	<i>79,721</i>
<i>Net NPAs Ratio (%)</i>	<i>3.4</i>	<i>2.1</i>	<i>1.7</i>	<i>1.2</i>

## Capital and Asset-Liability Profile

Y/E March (%)	FY18	FY19	FY20E	FY21E
<b>Risk Weighted Assets</b>	<b>5,176,307</b>	<b>5,523,604</b>	<b>6,281,680</b>	<b>7,232,796</b>
<i>RWA as % of Total Assets</i>	<i>74.9</i>	<i>69.0</i>	<i>69.5</i>	<i>69.5</i>
Total Shareholders' Equity to Assets	9.2	8.3	8.4	8.5
CET 1 Ratio	11.7	11.3	11.3	11.5
AT 1 Ratio	1.4	1.2	1.1	1.0
<b>Tier 1 Ratio</b>	<b>13.0</b>	<b>12.5</b>	<b>12.5</b>	<b>12.5</b>
<b>Tier 2 Ratio</b>	<b>3.5</b>	<b>3.3</b>	<b>3.2</b>	<b>3.1</b>
<b>Total CRAR Ratio</b>	<b>16.6</b>	<b>15.8</b>	<b>15.7</b>	<b>15.6</b>

Institutional Equity Research

Axis Bank

BFSI | India

CMP* (Rs)	741
Upside/ (Downside) (%)	8
Bloomberg Ticker	AXSB IN

**HOLD**   
Target Price: Rs800

Date	Reco	CMP	TP
20-Mar-19	HOLD	756	820
30-Jan-19	BUY	661	750
05-Nov-18	BUY	611	730
30-Jul-18	BUY	570	671
27-Apr-18	BUY	539	671
23-Jan-18	BUY	620	726
18-Oct-17	HOLD	469	506
26-Jul-17	BUY	545	600

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Rating Guides

Rating	Expected absolute returns (%) over 12 months
BUY	>10%
HOLD	-5% to 10%
REDUCE	>-5%

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