

3QFY24: Tad Miss For Qtr; But Core Trends Hold Up

For 3QFY24, Axis' profit of Rs61bn, up 4% YoY, was tad below estimates due to weaker NII/ NIM. Credit costs stayed low & bank utilised some buffers into opex. We still feel that franchise is strong to deliver 16-18% growth in loans, improve deposit profile and sustain ROE of 18%. We tweak estimates and see 17% Cagr in profit over FY24-26. Vals at 1.8x FY25 Adj PB/ 10x PE are attractive & 20%+ disc to ICICI. It stays among our top picks. Buy.

3Q trends/ commentary indicates steady growth is deliverable in FY25 as well. During 3Q, bank has continued to deliver a healthy 22% YoY/ 4% QoQ growth in loans, led by retail (especially LAP, retail agri and credit cards), and even retained guidance of sustaining 400-600bps spread over sector loan growth. This implies mgt. sees scope to grow lows at 16-19% YoY over medium term. Deposits grew by 18% YoY/ 5% QoQ with retail deposits growing by 22% YoY/ 3% QoQ; wholesale deposits also grew faster in 3Q but the retailisation of deposits continues to be key theme. We note that share of retail deposits (LCR) has risen by 170bps YoY, it is offering term deposits rates inline with peers and wealth-platform continues to ramp-up well. Hence, we remain confident that bank should be able to sustain mid-high teens growth in loans and early-teens rise in NII even in FY25.

Opex stays high as bank chooses to utilise low credit costs; indicates orientation towards 18% ROE. Bank's asset quality has remained strong, with slippage ratio at 1.9% of past year loans and higher corporate recoveries. This helped to keep net NPL ratio stable at 0.4% of loans and credit costs low at 0.5% despite including one-time provisions for AIF exposures (Rs1.8bn). The bank continues to utilise its low credit cost to invest in franchise (staff/ branches/ digital), which kept cost growth elevated at 32% YoY and mgt indicated that costs can stay elevated till credit costs rise materially, probably reflecting that bank is oriented towards sustaining ROE of 18%.

Subs. performance. Consolidated profit for 3Q rose by 5% YoY and is 7% higher than standalone profit. Growth was led by Axis Finance that reported a 103% YoY rise in profit, followed by Axis Securities with rise of 67% whereas Axis AMC and Axis Capital lagged with decline of 1 and 13%, respectively.

Maintain Buy. We tweak estimates and see 17% Cagr in profits over FY24-26. Change in risk-weights for unsecured retail & NBFC loans consumed 70bps of capital, but mgt clarified that at 13.7% CET-1 CAR and ROE of 18%, they don't need to raise capital. At 1.8x FY25 adj. PB and 10x adj. PE, valuations are attractive and around 20% discount to ICICI Bank. Axis is among our top picks in the sector with price target of Rs1,380 based on 1.9x Mar-26 adjusted PB. Buy call stays.

(FY Mar)	2023A	2024E	2025E	2026E
Operating Profit (B)	320.5	369.3	444.4	527.9
Net Profit (B)	95.8	248.6	295.4	340.3
ROAA	0.77%	1.76%	1.82%	1.81%
ROAE	8.1%	18.5%	18.4%	17.9%

ESTIMATE CHANGE

RATING	BUY
PRICE	INR1,082.00*
PRICE TARGET % TO PT	INR1,380 +28%
52W HIGH-LOW	INR1,151.50 - INR814.25
FLOAT (%) ADV MM (USD)	99.5% 118.28
MARKET CAP	INR3.3T \$39.9B
TICKER	AXSB IN

*Prior trading day's closing price unless otherwise noted.

	CHANGE TO JEF		JEF vs CONS	
	2024	2025	2024	2025
REV	NA	NA	NA	NA
EPS	-2%	<-1%	NA	NA

2024 (INR)	Q1	Q2	Q3	Q4	FY
EPS	-	-	-	-	↓80.70
PREV					82.47

Exhibit 1 - Axis Bank: Key Metrics

Key metrics	FY22	FY23	FY24E	FY25E	FY26E
Net profit (Rs. mn)	130,255	95,797	248,553	295,392	340,313
EPS (Rs)	42	31	81	96	110
ROA (%)	1.2%	0.8%	1.8%	1.8%	1.8%
ROE (%)	12.3%	8.1%	18.5%	18.4%	17.9%
P/E	24	33	12	10	9
P/ABV	2.8	2.6	2.1	1.8	1.5

Source: Company Data, Jefferies

Prakhar Sharma * | Equity Analyst

91 22 4224 6129 | prakhar.sharma@jefferies.com

Vinayak Agarwal * | Equity Associate

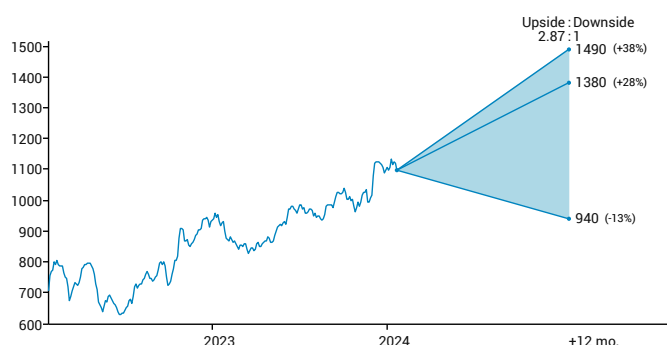
+91 22 4224 6178 | vagarwal2@jefferies.com

The Long View: Axis Bank

Investment Thesis / Where We Differ

- SME book has risks, but initiatives to derisk the book are encouraging.
- Improvement in the deposit franchise will help growth/derisking.
- Cost controls and deposit rate cuts should support earnings.
- Asset quality concerns are largely priced in, in our view, and macro recovery could drive re-rating.

Risk/Reward - 12 Month View



Base Case, INR1380, +28%

- Loan CAGR of 17% (over FY24-26E).
- NIMs around 3.9% (avg. FY24-26E).
- GNPA 1.3% and NNPA 0.3% in FY25E.
- SOTP valuation with core bank valued at 1.9x Mar-26E adjusted PB - Rs1,380.

Upside Scenario, INR1490, +38%

- Loan CAGR of 19% (over FY24-26E).
- NIMs around 4% (avg. FY24-26E).
- GNPA 1.2% and NNPA 0.2% in FY25E.
- SOTP valuation with core bank valued at 2.1x Mar-26E adjusted PB - Rs1,490.

Downside Scenario, INR940, -13%

- Loan CAGR of 14% (over FY24-26E).
- NIMs around 3.8% (avg. FY24-26E).
- GNPA 1.6% and NNPA 0.4% in FY25E.
- SOTP valuation with core bank valued at 1.4x Mar-26E ABV - Rs940.

Sustainability Matters

Top Material Issue(s): 1) Incorporation of ESG into credit analysis. 2) Responsible Finance. 3) Lending / Selling Practices. 4) Customer Privacy & Data Security.

Company Target(s): 1) A carbon sink of 2m trees by FY27. 2) The Bank will deploy appropriate risk assessment toolkits covering ESG stress testing and scenario analysis, climate risk dashboard, and integrating ESG into its credit risk management and decision-making. 2) The Bank is working to implement structures and processes to help manage/govern climate-related risks by enhancing its disclosures. It has voluntarily disclosed all scopes of emissions, verified by a third-party agency.

Qs to Mgmt: 1) How do you plan to participate in the +US\$12tn green funding gap in India? What is the share of the company's revenues from sectors promoting socioeconomic causes and from non-metro & non-tier 1 locations? 2) What steps is the company taking to ensure strong data security and customer privacy? 3) What steps is the Company taking to promote gender diversity at different levels?

Catalysts

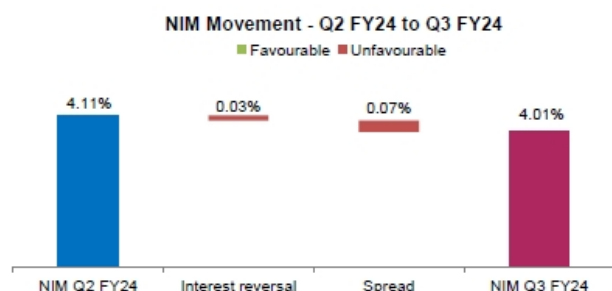
- Broader revival in the economy.
- Execution of derisking initiatives and strengthening of deposit franchise.
- Positive surprise on costs and slippages/asset quality.
- Resolution of stressed accounts.

Exhibit 2 - 3QFY24 Axis Bank : Key Results

Particular, Rsmn	3QFY23	2QFY24	3QFY24	% YoY	% QoQ
Income statement		Post-Merger	Post-Merger		
Interest earned	222,264	266,262	279,611	26%	5%
- on Advances / Bills	170,910	212,563	223,645	31%	5%
- Income on investments	45,849	47,998	50,894	11%	6%
- on bal with RBI and other banks	2,027	2,062	1,465	-28%	-29%
- Others	3,478	3,639	3,608	4%	-1%
Interest Expended	107,671	143,116	154,290	43%	8%
Net Interest Income	114,593	123,146	125,322	9%	2%
Other income	45,718	50,341	55,548	22%	10%
- Fee income	40,080	49,630	51,700	29%	4%
- Treasury income	4,280	-1,010	2,910	-32%	-388%
- Other income	1,360	1,730	940	-31%	-46%
Operating income	160,312	173,486	180,870	13%	4%
Operating expenses	67,537	87,168	89,457	32%	3%
Employee expenses	22,811	26,098	27,113	19%	4%
Other Operating expenses	44,726	61,070	62,344	39%	2%
Operating profit	92,775	86,319	91,412	-1%	6%
Provisions and contingencies	14,377	8,146	10,283	-28%	26%
PBT	78,398	78,173	81,129	3%	4%
Provision for Tax	19,867	19,537	20,418	3%	5%
PAT	58,531	58,636	60,711	4%	4%
PPP (ex treasury)	88,495	87,329	88,502	0%	1%
Balance sheet (Rsbn)					
Loans	7,623	8,973	9,323	22%	4%
Total Assets	12,237	13,389	13,985	14%	4%
Deposits	8,484	9,556	10,049	18%	5%
Casa	3,779	4,239	4,235	12%	0%
Loan quality					
Gross NPLs (Rsm)	199,610	167,567	158,930	-20%	-5%
Net NPLs (Rsm)	38,301	34,413	35,269	-8%	2%
Gross NPL (% of loans)	2.4%	1.7%	1.6%	-80bps	-15bps
Net NPL (% of loans)	0.5%	0.4%	0.4%	-11bps	0bps
Coverage ratio (%)	81%	79%	78%	-300bps	-165bps
Slippages (Rsbn)	38	33	37	-2%	14%
Delinquency ratio (% of past year loans)	2.3%	1.8%	1.9%	-34bps	17bps
Ratios					
NIMs	4.3%	4.1%	4.0%	-25bps	-10bps
ROA	1.9%	1.8%	1.8%	-17bps	-1bps
Provisions (% of avg. loans)	0.8%	0.4%	0.4%	-32bps	8bps
Casa ratio (% of deposits)	45%	44%	42%	-241bps	-222bps
Total Capital adequacy (%) - inc. profits	20%	18%	17%	-288bps	-121bps
of which Tier I CAR	16%	15%	14%	-197bps	-90bps

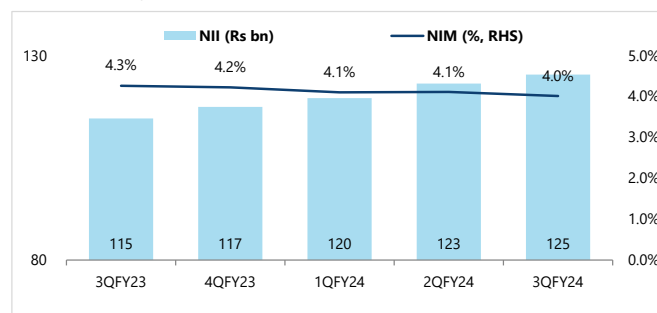
Source: Company data, Jefferies

Exhibit 3 - 3QFY24 NIM movement: Margins moderated tad more than expected



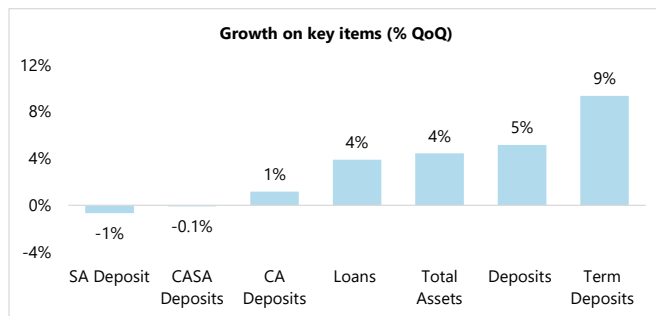
Source: Company Data, Jefferies

Exhibit 4 - Despite healthy loan growth, NII grew 9% YoY, due to moderation of 10bps QoQ margin



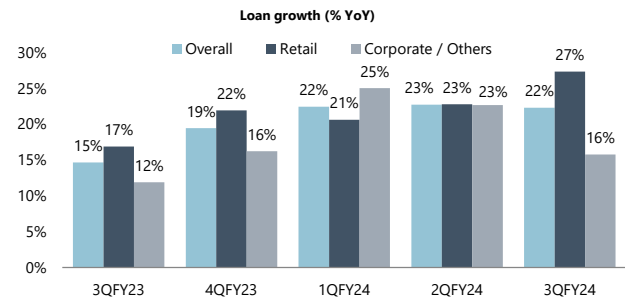
Source: Company Data, Jefferies

Exhibit 5 - Deposits grew well on a sequential basis, driven by term deposits



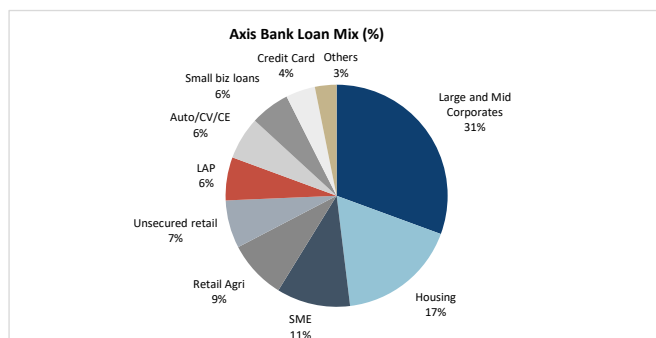
Source: Company data, Jefferies

Exhibit 6 - Improved loan growth momentum due to retail (inc. Citi) while corporate segment lagged



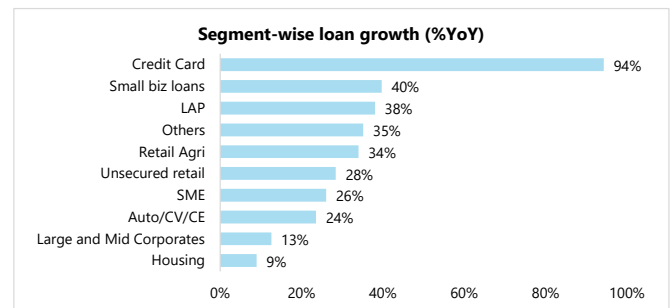
Source: Company data, Jefferies

Exhibit 7 - Diversified Loan mix



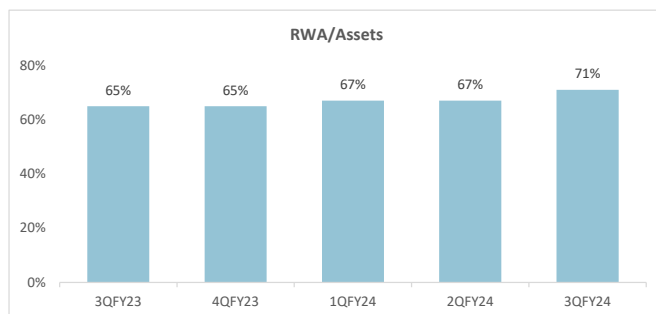
Source: Company Data, Jefferies

Exhibit 8 - Strong growth across segments; cards growth optically higher (Citi) while housing remains a drag



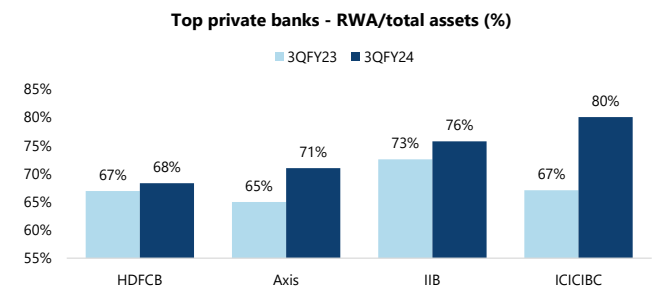
Source: Company data, Jefferies

Exhibit 9 - Risk intensity rose c.370bps due to impact of regulatory tightening of risk weights in unsecured loans



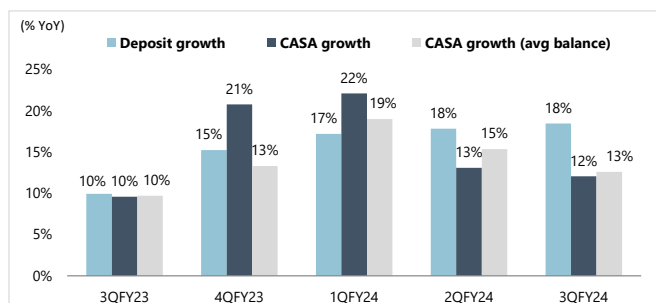
Source: Company data, Jefferies

Exhibit 10 - Axis has lower RWA/asset ratio to peers



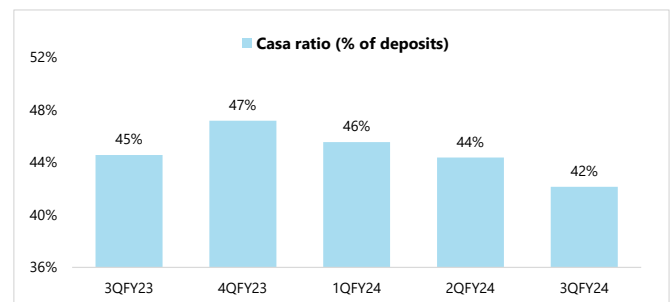
Source: Company data, Jefferies

Exhibit 11 - Deposit growth remains stable aided by Citi acquisition



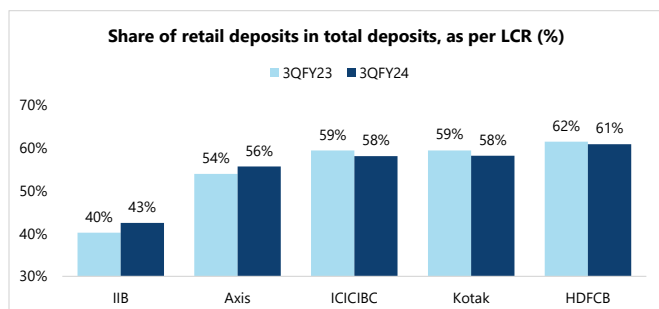
Source: Company data, Jefferies

Exhibit 12 - CASA continues to fall as customers shift preference to term deposits



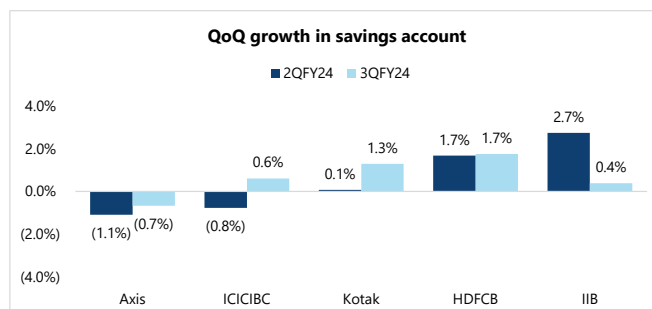
Source: Company Data, Jefferies

Exhibit 13 - Axis has scope to improve share of retail deposits



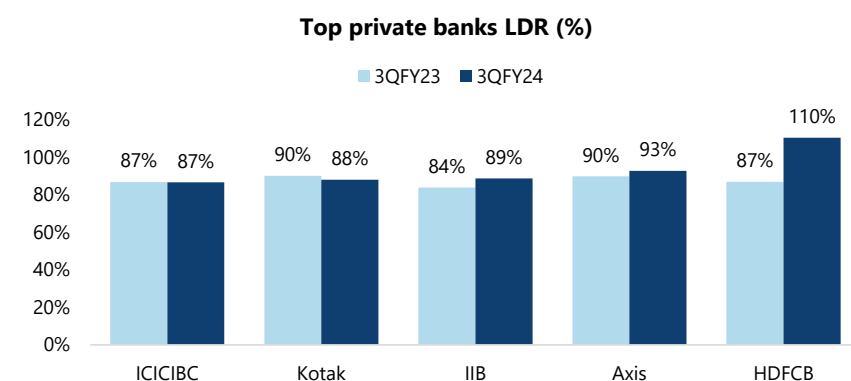
Source: Company Data, Jefferies

Exhibit 14 - Savings account accretion has been weak for all leading banks



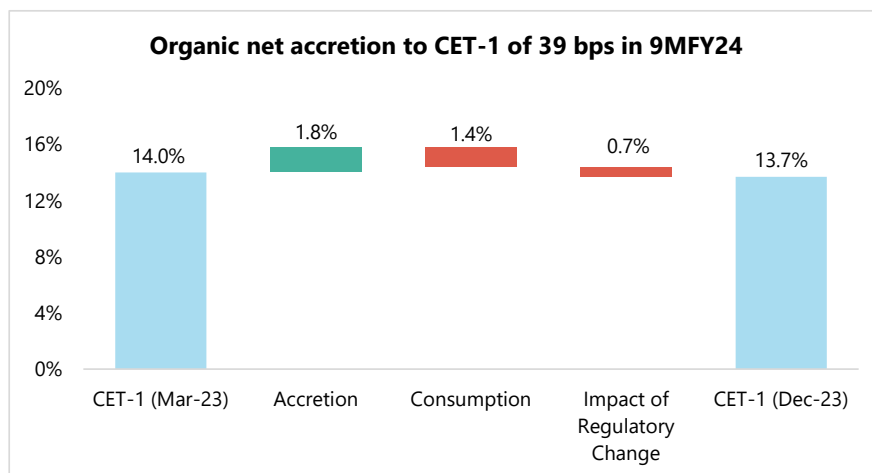
Source: Company Data, Jefferies

Exhibit 15 - Axis Banks' higher LDR than peers



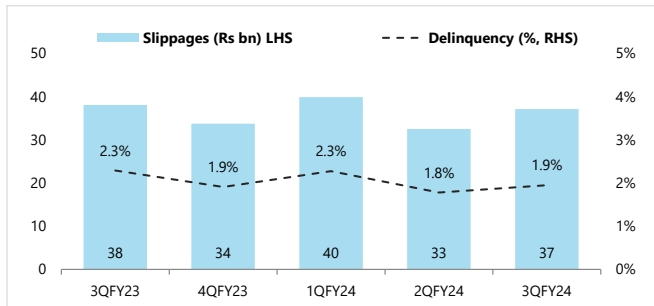
Source: Company Data, Jefferies

Exhibit 16 - Bank has also accreted capital of 39bps during 9M; CET-1 CAR is at 13.7% despite impact of regulatory tightening in unsecured loans



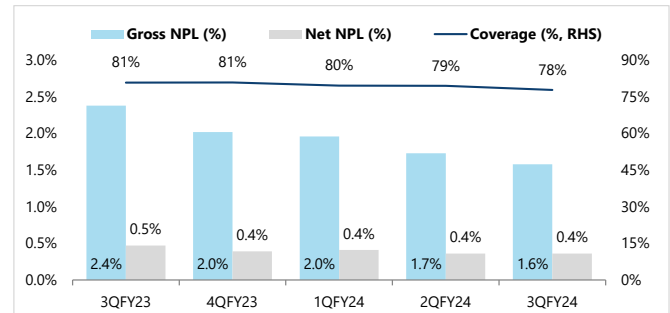
Source: Company data, Jefferies

Exhibit 17 - Delinquency ratio inched up marginally to 1.9%



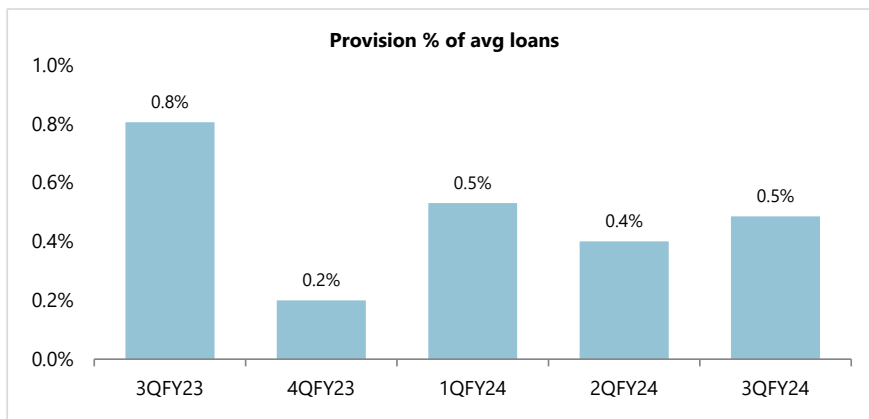
Source: Company data, Jefferies

Exhibit 18 - Net NPL ratio was flat as PCR dipped to 78%



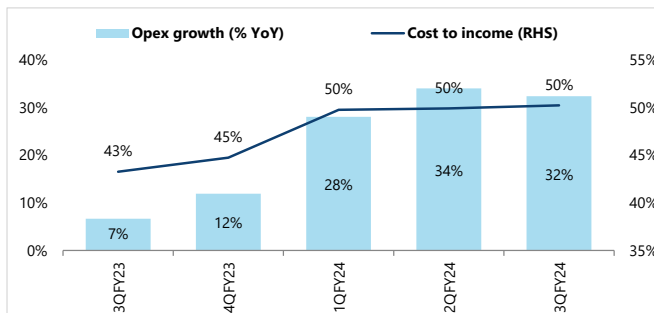
Source: Company data, Jefferies

Exhibit 19 - Credit costs rose due to one-time provisioning for AIF investments of Rs1.82bn



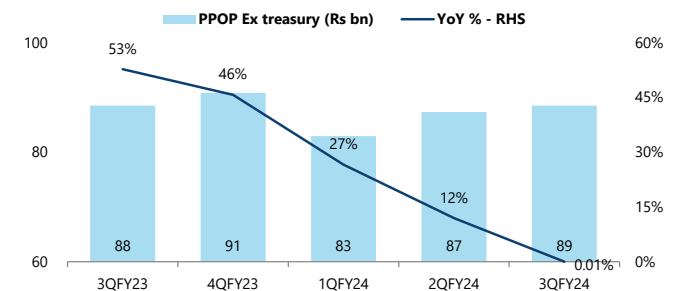
Source: Company Data, Jefferies

Exhibit 20 - Opex growth remains high as mgmt. utilises phase of low credit cost to invest in franchise



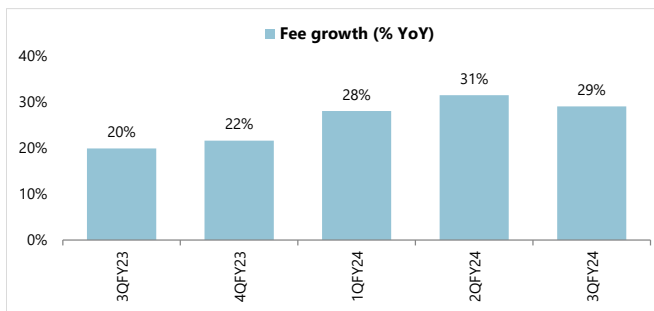
Source: Company Data, Jefferies

Exhibit 21 - As a result, core PPOP growth was flat YoY in 3QFY24



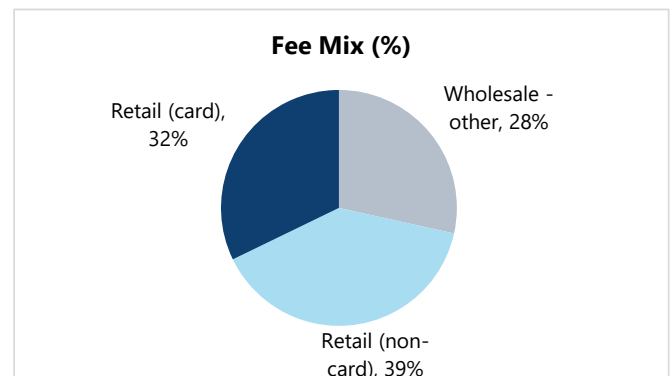
Source: Company data, Jefferies

Exhibit 22 - Fee growth is sustaining strong momentum



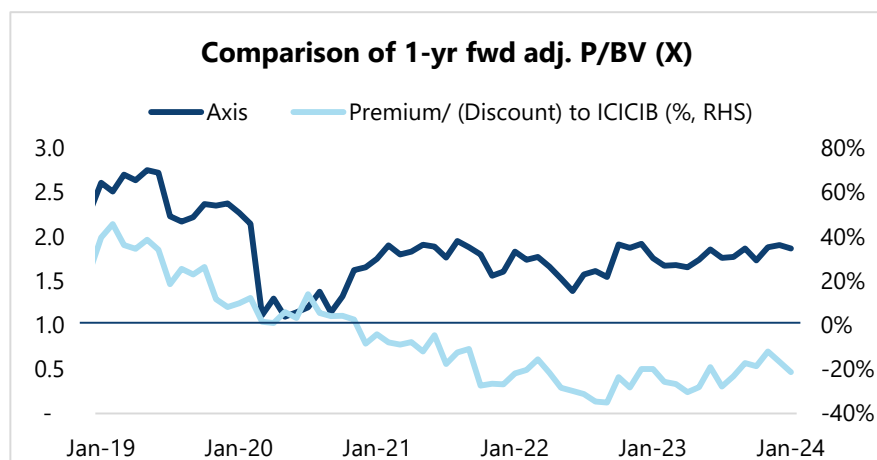
Source: Company data, Jefferies

Exhibit 23 - Retail fees constitutes 72% of total fee income



Source: Company data, Jefferies

Exhibit 24 - Axis Bank trades at attractive level of 1.9x 1-yr fwd adj. P/BV & at a discount of 20%+ to ICICI Bank



Source: FactSet, Company Data, Jefferies

Exhibit 25 - Mixed performance among subs with Axis Finance and Securities doing better vs. AMC and Axis Capital

Name of Subsidiary	3QFY23	3QFY24	YoY Growth (%)	9MFY23	9MFY24	YoY Growth (%)
Axis Finance	790	1,600	103%	3,400	4,250	25%
Axis Mutual Fund	1,090	1,080	-1%	2,920	2,970	2%
Axis Capital	460	400	-13%	1,100	1,080	-2%
Axis Securities	510	850	67%	1,510	1,980	31%

Source: Company Data, Jefferies

Exhibit 26 - Axis Bank: Summary Income Statement

Rs mn	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	673,768	851,638	1,051,077	1,222,743	1,399,886
Interest expense	342,446	422,180	552,824	660,938	751,515
Net interest income	331,322	429,457	498,254	561,805	648,371
Other income	152,205	165,009	219,350	265,956	313,343
Fees	132,710	162,484	204,730	249,771	294,730
Treasury income	13,777	(2,750)	8,832	9,240	10,626
Other income	5,718	5,275	5,788	6,946	7,987
Total income	483,528	594,466	717,604	827,761	961,714
Operating expenses	236,108	273,983	348,339	383,401	433,814
Employee costs	76,126	87,601	105,997	119,776	136,545
Other costs	159,982	186,383	242,343	263,625	297,269
Pre-provision Profit	247,420	320,483	369,265	444,360	527,900
Total Provision	73,595	151,425	37,820	50,518	74,149
Loan loss provisions	49,856	33,716	37,820	53,518	77,149
Pre-tax profit	173,826	169,059	331,445	393,842	453,751
Provision for Tax	43,571	73,262	82,861	98,461	113,438
Net profit	130,255	95,797	248,583	295,382	340,313

Source: Company Data, Jefferies

Exhibit 27 - Axis Bank: Summary Balance Sheet

Rs mn	FY22	FY23	FY24E	FY25E	FY26E
Equity Capital	6,139	6,154	6,168	6,168	6,168
Reserves & Surplus	1,145,601	1,248,013	1,493,523	1,778,123	2,106,101
Shareholders' funds	1,151,741	1,254,167	1,499,691	1,784,291	2,112,269
Deposits	8,219,715	9,469,452	10,968,775	12,809,031	15,016,146
Casa deposits	3,700,060	4,465,365	4,413,420	5,073,713	5,965,823
Term deposits	4,519,655	5,004,087	6,555,354	7,735,318	9,050,322
Borrowings	1,851,339	1,863,000	2,012,040	2,213,244	2,434,569
Other liabilities	531,493	586,636	557,304	585,170	614,428
Total Liabilities	11,754,288	13,173,255	15,037,810	17,391,736	20,177,411
Cash & bank balance	1,109,871	1,064,108	1,011,454	1,146,731	1,340,645
Investments	2,755,972	2,888,148	3,217,330	3,657,693	4,159,834
G-Secs	2,190,931	2,192,666	2,455,785	2,824,153	3,247,776
Loans	7,079,466	8,453,028	9,965,205	11,660,132	13,658,139
Fixed assets	45,724	47,339	51,126	55,216	59,633
Current assets	763,255	720,632	792,695	871,965	959,161
Total Assets	11,754,288	13,173,255	15,037,810	17,391,736	20,177,411

Source: Company Data, Jefferies

Exhibit 28 - Axis Bank: Key Ratios

	FY22	FY23	FY24E	FY25E	FY26E
EPS (Rs)	42	31	81	96	110
EPS growth (% YoY)	90%	-27%	159%	19%	15%
Profit growth (% YoY)	98%	-26%	159%	19%	15%
BV/share (Rs)	375	408	486	579	685
Adjusted BV / share (Rs)	362	396	472	558	660
ROAA (%)	1.2%	0.8%	1.8%	1.8%	1.8%
ROE (%)	12%	8%	18.5%	18.4%	17.9%
RORWA (%)	1.9%	1.2%	2.6%	2.5%	2.5%
NIM (%)	3.6%	4.0%	4.0%	3.9%	3.8%
Gross NPAs (% of loans)	3.0%	2.2%	1.5%	1.3%	1.3%
Net NPAs (% of loans)	0.8%	0.4%	0.3%	0.3%	0.3%
Coverage (% of gross NPA)	75%	81%	79%	75%	75%
Capital Adequacy Ratio (% of RWA)	19%	18%	16.4%	16.3%	16.2%
Tier I CAR (% of RWA)	16%	15%	13.8%	13.9%	14.0%
Fee growth (% YoY)	43%	22%	26%	22%	18%
Fee/ asset (% of avg assets)	1.2%	1.3%	1.5%	1.5%	1.6%
Fee (% total revenue)	27%	27%	29%	30%	31%
Cost-Income ratio (Excl Treasury) (%)	50%	46%	49%	47%	46%
Cost/ asset ratio (%)	2.2%	2.2%	2.5%	2.4%	2.3%
Loan growth (% YoY)	15%	19%	18%	17%	17%
Equity / assets (%)	10%	10%	10%	10%	10%
Equity / loans (%)	16%	15%	15%	15%	15%
Loan/deposit ratio (%)	86%	89%	91%	91%	91%
Loan provision/ avg. loans (%)	0.8%	0.4%	0.4%	0.49%	0.61%
CASA (% of deposits)	45%	47%	40%	40%	40%
CASA (% funds)	37%	39%	34%	34%	34%
Tax rates (% of PBT)	25%	43%	25%	25%	25%
Yield on loans (%)	7.5%	8.3%	8.8%	8.8%	8.7%
Yield on Investments (%)	5.9%	6.5%	6.9%	6.9%	6.7%
Cost of funds (%)	3.7%	3.9%	4.5%	4.7%	4.6%
PPP / share (Rs)	81	104	120	144	171
Dividend per share (Rs)	1.0	1.0	3.5	4.0	4.0
Dividend payout (% of PAT)	3%	3%	4%	4%	4%
Dividend yield (%)	0.1%	0.1%	0.3%	0.4%	0.4%
P/E (x)	24	33	12	10	9
P/ PPP (x)	13	10	8	7	6
P/BV (x)	2.9	2.7	2.2	1.9	1.6
P/ABV (x)	2.8	2.6	2.1	1.8	1.5

Source: Company Data, Jefferies

Exhibit 29 - Axis SOTP Valuation

SOTP valuation, Mar-26 basis	Rsbn	Rs/share	Basis
Axis AMC	107	35	25x PE
Axis Finance	74	24	1.8x PB
Axis Broking	46	15	15x PE
Axis Capital	31	10	15x PE
Stake in Max Life	61	20	Target valn.
Value of subs	319	104	
Value of subs (adj. for 20% disc. In listed cos)	307	100	
Value of bank	2,036	1,281	1.9x Adj. PB
Total	2,343	1,381	
Target price (rounded-off)		1,380	

Source: Bloomberg, Jefferies

Company Description

Axis Bank

Axis Bank is the third-largest private sector bank in India. It offers the entire spectrum of financial services to customer segments covering Large and Mid-Corporates, SME, Agriculture, and Retail Businesses. The bank has a large domestic branch footprint and has overseas branches/offices in Singapore, Hong Kong, Shanghai, Colombo, Dubai, DIFC — Dubai and Abu Dhabi. Axis Bank is one of the first new-generation private sector banks to have begun operations in 1994. It was promoted in 1993, jointly by Specified Undertaking of Unit Trust of India (SUUTI; then known as Unit Trust of India), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC), National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd., and United India Insurance Company Ltd. The shareholding of Unit Trust of India was subsequently transferred to SUUTI, an entity established in 2003.

Company Valuation/Risks

Axis Bank

We value AXSB at Rs1,380 - based on a SOTP valuation with core bank valued at 1.9x Mar-26E adjusted PB. **Downside Risks:** Higher slippages in the retail /corporate loan segment and NIM compression.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

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Ankur Pant holds a long position in HDFC Bank (HDFCB IN)

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- Axis Capital Holdings Limited (AXS: \$56.36, BUY)
- Citigroup Inc. (C: \$52.84, HOLD)
- HDFC Bank (HDFCB IN: INR1,470.70, BUY)
- Housing Development Finance Corp. Ltd. (HDFC IN: INR2,729.95, RESTRICTED)
- ICICI Bank (ICICIB IN: INR999.10, BUY)
- IndusInd Bank Limited (IIB IN: INR1,560.85, BUY)
- Kotak Mahindra Bank Limited (KMB IN: INR1,765.75, HOLD)



Distribution of Ratings

			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1947	58.31%	338	17.36%	111	5.70%
HOLD	1228	36.78%	117	9.53%	20	1.63%
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