

BUY

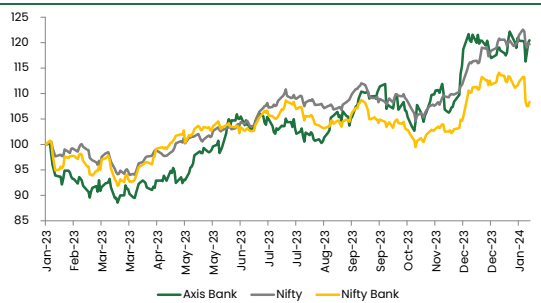
CMP (Rs)	1,089
Target Price (Rs)	1,275
Potential Upside	17.1%
Sensex	70,371
Nifty	21,239

Key Stock data	
BSE Code	532215
NSE Code	AXISBANK
Bloomberg	AXSB:IN
Shares o/s, Cr (FV 2)	308.40
Market Cap (Rs Cr)	335,963
3M Avg Volume	8,618,779
52 week H/L	1,152/814

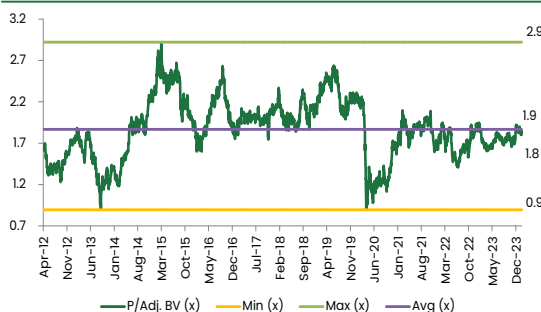
Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	8.2	8.2	8.2
FII	52.0	53.0	54.7
DII	29.9	29.0	28.8
Public	9.9	9.8	8.3

1 year relative price performance



1 year forward P/Adj. BV (x)



Research Analyst

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Steady growth in business continues; caution on deposits in estimates

Q3FY24 Result Update | Sector: Bank | January 24, 2024

Healthy growth in advances driven by retail segment: Axis Bank reported advances growth of 3.9% QoQ in Q3FY24 at Rs 9.3 Lakhs Cr which was led by retail and SME segment posting a growth of 5% QoQ and 4% QoQ, respectively. The growth in retail segment remained broad based as it was driven by secured products such as LAP and auto along with unsecured products such as credit cards and personal loans. Corporate segment which remained sluggish during the quarter is expected to pick up. The bank has seen an increase in its market share in terms of advances from 5.7% in December 2022 to 5.9% in December 2023 and the management expects to grow 500-600bps higher than the industry growth rate.

Single digit profit growth due to increase in provisions: Net profit after tax during the quarter increased by 3.5% QoQ to Rs 6,071 Cr mainly due to increase in provisions and contingencies by 26.2% QoQ. The bank made an additional provision of Rs 182 Cr relating to AIFs. The bank's top-line growth was in single digit as net interest income increased by 1.8% QoQ as interest expensed increased by 10.3% QoQ as cost of funds increased.

Decline in margins: Net interest margin during the quarter declined by 10bps QoQ/25bps YoY to 4% as cost of funds continue to increase by 18bps QoQ to 5.35%. Going forward, the management expect moderation in increase of cost of funds which shall aid margins partially. Along with increase in margins, the risk weighted assets to total assets increased by 400bps QoQ to 71% which mainly on account of RBI's increase in risk weights.

Deposits growth above industry levels: Deposits grew at a healthy rate as compared to the bank's peers. During the quarter, deposits increased by 5.2% QoQ to Rs 10 Lakhs Cr which was driven mainly by term deposits while CASA growth remained muted. The bank sees immense competition with respect to mobilization of deposits and expects deposits moderation during Q4FY24. Market share of deposits has increased from 4.8% in December 2022 to 5% in December 2023.

Asset quality improved as slippages remained under check: GNPA/NNPA stood at 1.6%/0.4% in Q3FY24 declining by 80bps/11bps YoY. Along with decline in NPA, slippages also declined along with recoveries and upgrades. Credit costs during the quarter declined by 16bps QoQ/41bps YoY to 0.5% mainly led by decline in provisions.

Valuation and outlook: We remain positive on Axis Bank as the bank is seeing healthy credit growth along with increasing deposits along with gain in market share in terms of advances and deposits. In the medium term, the bank expects to grow 500-600bps higher than the industry. Margins which remained under pressure during the quarter is expected to improve going forward. Asset quality continue to improve for the bank as the credit costs has improved along with decline in slippages and corporate recoveries. We expect NII/PPOP/PAT to grow at 19%/22%/21% CAGR over FY23-26E. We maintain **Buy** on Axis Bank while revise our target price based on SOTP based valuation of **Rs 1,275** valuing the standalone bank at 1.7x of FY26E Adj. BV.

Financial Summary - standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Total income	101,664	125,323	149,905	175,619
Interest expensed	42,218	55,582	64,899	76,987
Net interest income (NII)	42,946	50,706	62,997	73,177
Total Expenditure	69,616	86,182	100,048	117,285
Operating profit (PPOP)	32,048	39,140	49,857	58,335
Provisions and contingencies	2,653	4,749	6,474	6,740
Profit before tax	16,906	34,392	43,383	51,595
Profit after tax	9,579	25,794	32,537	38,438
PAT (excl. exceptional items)	21,933	25,794	32,537	38,438
Adj. BVPS (Rs.)	446.0	490.3	595.0	718.7
P/Adj. BV (x)	2.4	2.2	1.8	1.5

Source : RBL Research

Con-call highlights: 1) In the cards and payment product, the bank has a terminal market share of 19% in merchant acquiring business. 2) In Q3FY24 the bank added 100 branches taking the overall branch addition count to 349 for 9MFY24. 3) The bank saw highest ever retail disbursements in Q3FY24 on the back of strong festive demand while the disbursement pipeline for Q4 continue healthy. 4) The combined portfolio of mid corporate, SME and small businesses grew 5% QoQ/30% YoY constituting 31% of total portfolio. 5) "Open by Axis Bank" saw balance sheet growth of 48% in deposits and 86% increase in loans. 6) LCR stood at 118% during December 2023. 7) The management expects pressure on deposits will continue going forward due to the liquidity constraint in the system. 8) The management believes that the bank remains adequately capitalised and does not foresee need to raise capital. 9) Currently, 75% of the retail book remains secured. 10) The bank expects deposits constraint to continue going forward and rate cut will take some time for now. 11) LDR, LCR and NSFR are few parameters for bank to optimize it's balance sheet. 12) As on December 2023, 69% of the loans are floating rates while the rest of loans are fixed rates. 13) The bank continues to maintain its guidance of loan growth higher than industry by 500-600bps in the medium term. 14) The bank maintained that the incremental cost of deposits have stabilized and expects base deposit book to get stabilized through Q4FY24 and Q1FY25E. 15) After RBIs notification on unsecured loans and NBFCs, the bank has increased pricing on incremental disbursements and seeing better yields coming through. On NBFCs, the bank is in the process of re-pricing.

Net interest income increased by 1.8% QoQ/9.4% YoY in Q3FY24

Pre-operating profits increased by 6% QoQ, however, declined by 1.5% YoY

Profit after tax increased by 3.5% QoQ/3.7% YoY in Q3FY24

Quarterly performance - standalone

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Interest earned	27,961	22,226	25.8	26,626	5.0
Other income	5,555	4,665	19.1	5,034	10.3
Interest expended	15,429	10,767	43.3	14,312	7.8
Net interest income (NII)	12,532	11,459	9.4	12,315	1.8
Operating revenue	18,087	16,125	12.2	17,349	4.3
Staff cost	2,711	2,281	18.9	2,610	3.9
Non-staff cost	6,234	4,566	36.5	6,107	2.1
Operating Expenses	8,946	6,847	30.6	8,717	2.6
Operating profit (PPOP)	9,141	9,277	(1.5)	8,632	5.9
Operating profit margin(%)	32.7	41.7	-905bps	32.4	27bps
Provisions and contingencies	1,028	1,438	(28.5)	815	26.2
Profit before tax	8,113	7,840	3.5	7,817	3.8
Profit before tax (excl. exceptional items)	8,113	7,840	3.5	7,817	3.8
Tax expense	2,042	1,987	2.8	1,954	4.5
Profit after tax	6,071	5,853	3.7	5,863	3.5
PAT (excl. exceptional items)	6,071	5,853	3.7	5,863	3.5
PAT margin (%)	18.1	21.8	-365bps	18.5	-41bps
EPS (Rs)	19.6	18.8	77bps	18.9	65bps
EPS (excl. exceptional items) (Rs)	19.6	18.8	77bps	18.9	3.4

Source : RBL Research

Revenue from retail banking increased by 5.5% QoQ/35.8% YoY

Advances/deposits increased by 3.9%/5.2% QoQ

Net interest margin declined by 10bps QoQ/25bps YoY to 4%

Asset quality improved as GNPA/NNPA declined by 80bps/11bps YoY

Increase in retail advances in the overall loan mix

Increase in market share of deposits/advances on YoY basis by 20bps

Segments – standalone

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Revenue from operations					
Corporate / Wholesale Banking	11,301	9,060	24.7	10,822	4.4
Other Banking	915	670	36.5	936	(2.3)
Retail Banking	31,499	23,194	35.8	29,852	5.5
Treasury	7,067	7,118	(0.7)	6,348	11.3
Profits before tax					
Corporate / Wholesale Banking	3,594	2,614	37.5	3,311	8.5
Other Banking	861	594	44.8	923	(6.8)
Retail Banking	2,574	2,106	22.2	2,580	(0.2)
Treasury	1,085	2,525	(57.1)	1,003	8.1

Source : RBL Research

Business parameters – standalone

Particulars, Rs cr	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
Advances	932,286	762,075	22.3	897,347	3.9
Deposits	1,004,900	848,173	18.5	955,556	5.2
Credit deposit ratio (%)	92.8	89.8	293bps	93.9	-113bps
RoA (%)	1.8	1.9	-17bps	1.8	-1bps
RoE (%)	18.1	19.3	-127bps	18.3	-23bps
CASA (%)	42.0	44.0	-200bps	44.0	-200bps
NIM (%)	4.0	4.3	-25bps	4.1	-10bps

Source : RBL Research

Asset quality

Particulars, Rs cr	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
GNPA	15,893	19,961	(20.4)	16,756	(5.2)
NNPA	3,527	3,830	(7.9)	3,441	2.5
GNPA (%)	1.6	2.4	-80bps	1.7	-14bps
NNPA (%)	0.4	0.5	-11bps	0.4	0bps
Credit Cost (%)	0.5	1.0	-41bps	0.7	-16bps

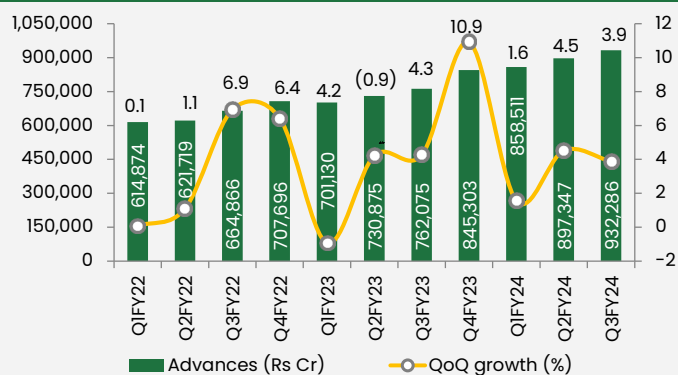
Source : RBL Research

Particulars	Q3FY24	Q3FY23	YoY (bps)	Q2FY24	QoQ (bps)
Loan mix (%)					
Corporate	30.6	33.2	(264.0)	31.4	(79.0)
SME	10.7	10.4	31.0	10.7	3.0
Retail	58.7	56.3	233.0	57.9	75.0
Deposits mix (%)					
Savings	28.9	29.6	(74.0)	30.6	(170.0)
Current	13.2	14.9	(165.0)	13.8	(52.0)
CASA	42.1	44.5	(239.0)	44.4	(222.0)
Term/Fixed	57.9	55.5	239.0	55.6	222.0
Market share (%)					
Assets	5.4	5.4	-	5.3	10.0
Deposits	5.0	4.8	20.0	4.8	20.0
Advances	5.9	5.7	20.0	6.0	(10.0)

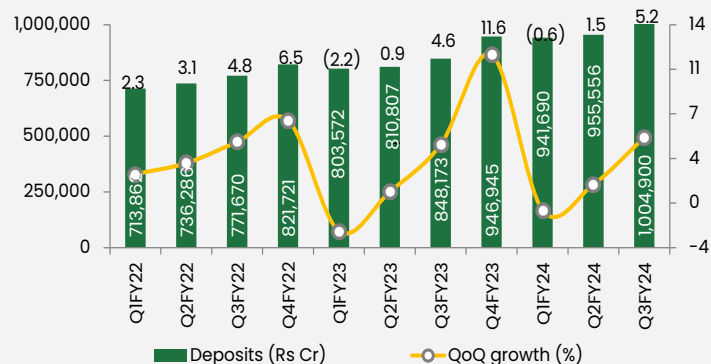
Source : RBL Research

Story in charts

Advances increased by 3.9% QoQ led by retail segment

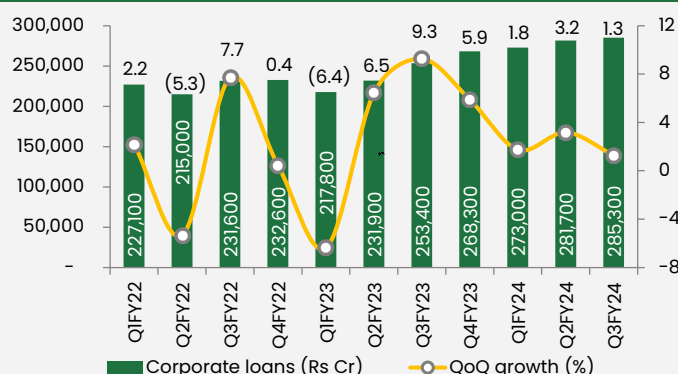


Deposit growth of 5.2% QoQ led by term deposits

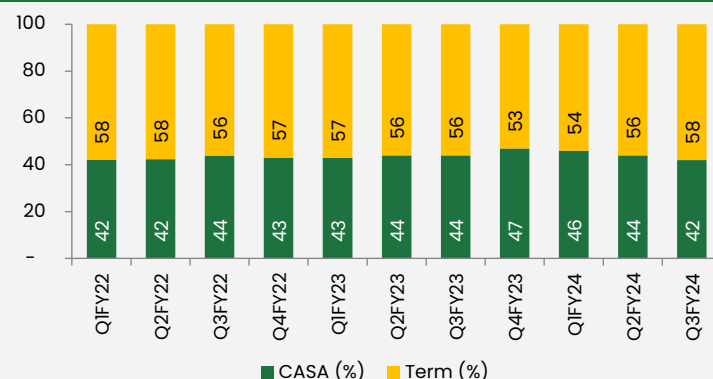


Source : RBL Research

Corporate loan growth remained moderate at 1.3% QoQ growth

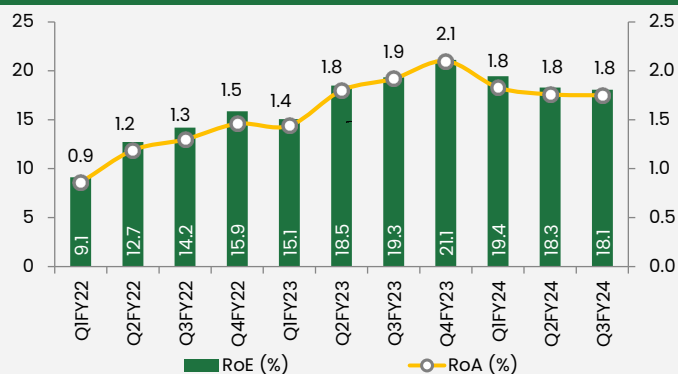


Increasing mix of term deposits in deposits mix

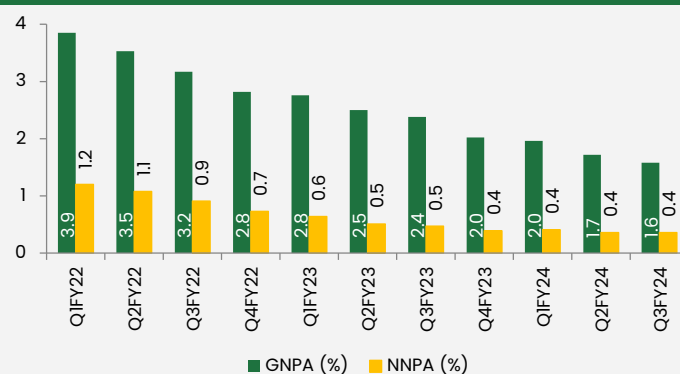


Source : RBL Research

RoA/RoE remained robust at 1.8%/18.1%

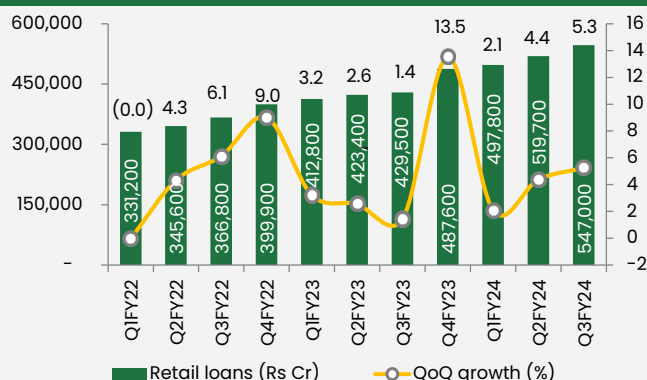


Asset quality improved as GNPA/NNPA stood at 1.6%/0.4%

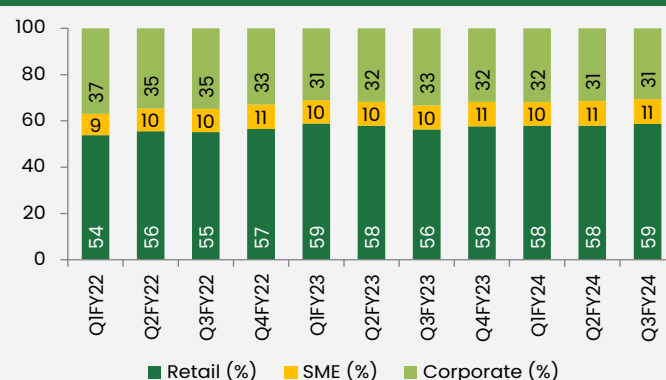


Source : RBL Research

Retail loan growth remained strong at 5.3% QoQ



Growing retail portion in overall loan mix



Source : RBL Research

Income statement – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Interest earned	85,164	106,289	127,897	150,163
Other income	16,501	19,034	22,008	25,456
Total income	101,664	125,323	149,905	175,619
Interest expended	42,218	55,582	64,899	76,987
Net interest income (NII)	42,946	50,706	62,997	73,177
Operating revenue	59,446	69,740	85,005	98,633
Operating Expenses	27,398	30,600	35,148	40,298
Total Expenditure	69,616	86,182	100,048	117,285
Operating profit (PPOP)	32,048	39,140	49,857	58,335
Provisions and contingencies	2,653	4,749	6,474	6,740
Profit before tax	16,906	34,392	43,383	51,595
Tax expense	7,326	8,598	10,846	13,157
Profit after tax	9,579	25,794	32,537	38,438
PAT (excl. exceptional items)	21,933	25,794	32,537	38,438
EPS - Basic (Rs)	31.2	83.8	105.7	124.9

Source : RBL Research

Efficiency Ratio (%) – standalone

Particulars	FY23	FY24E	FY25E	FY26E
Int Expended / Int Earned	49.6	52.3	50.7	51.3
Int Income / Total Funds	7.3	7.8	8.1	8.2
NII/ Total Income	42.2	40.5	42.0	41.7
Other Inc. / Total Income	16.2	15.2	14.7	14.5
Ope. Exp. / Total Income	26.9	24.4	23.4	22.9
Net Profit / Total Funds	1.1	2.6	2.9	2.9
Credit / Deposit	89.3	90.0	89.8	89.9
Investment / Deposit	30.5	30.8	30.3	29.5
RoA	1.8	1.8	2.0	2.0
RoE	18.4	18.7	19.5	19.0
Net interest margin	3.7	3.8	3.9	3.9

Source : RBL Research

Balance Sheet – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Capital	615	615	615	615
Employees stock options outstanding	423	423	423	423
Reserves and surplus	124,378	149,833	182,022	220,100
Total equity	125,417	150,872	183,060	221,139
Deposits	946,945	1,091,437	1,265,660	1,476,277
Borrowings	186,300	199,629	215,908	235,674
Other liabilities and provisions	58,664	66,877	75,073	82,696
Total equity and liabilities	1,317,326	1,508,815	1,739,702	2,015,786
Cash and balances	66,118	76,277	102,117	129,196
Balances with banks and money	40,293	46,484	62,231	78,733
Investments	288,815	336,218	383,917	435,697
Advances	845,303	982,104	1,136,624	1,327,427
Fixed assets	4,734	5,113	5,368	5,690
Other assets	72,063	62,619	49,445	39,043
Total assets	1,317,326	1,508,815	1,739,702	2,015,786
Book value per share (Rs)	406.0	490.3	595.0	718.7

Source : RBL Research

Growth ratios (%) – standalone

Particulars	FY23	FY24E	FY25E	FY26E
Interest Income	26.4	24.8	20.3	17.4
Interest Expenses	23.3	31.7	16.8	18.6
Other Income	8.4	15.4	15.6	15.7
Total Income	23.1	23.3	19.6	17.2
Operating profit (PPOP)	29.5	22.1	27.4	17.0
Deposits	15.2	15.3	16.0	16.6
Advances	19.4	16.2	15.7	16.8

Source : RBL Research

Per share (Rs)

Particulars	FY23	FY24E	FY25E	FY26E
EPS	71.4	83.8	105.7	124.9
BVPS	406.0	490.3	595.0	718.7
Adj. BVPS	446.0	490.3	595.0	718.7

Source : RBL Research

Asset Quality – standalone

Particulars	FY23	FY24E	FY25E	FY26E
Gross NPA (Rs Cr)	18,604	17,033	19,533	23,648
Net NPA (Rs Cr)	3,559	3,500	4,191	4,937
Gross NPA (%)	2.0	1.7	1.7	1.8
Net NPA (%)	0.4	0.4	0.4	0.4

Source : RBL Research

Valuation (x)

Particulars	FY23	FY24E	FY25E	FY26E
P/E	15.3	13.0	10.3	8.7
P/BV	2.7	2.2	1.8	1.5
P/Adj. BV	2.4	2.2	1.8	1.5

Source : RBL Research

Axis Bank sum of parts valuations, FY26E

Company	Stake (%)	Value per share (Rs)	% of value	Rationale
Axis Bank		1,195	94%	1.7x FY26E ABV
Axis Finance	100	21	2%	2.6x of FY26E net worth
Axis Capital	100	9	1%	12x of FY26E PAT
Axis Securities	100	11	1%	13x of FY26E PAT
Axis Mutual Fund	75	48	4%	29x of FY26E PAT
Max Life Insurance	20	12	1%	1.8x EV of FY26E
Total value of subsidiaries		101	8%	
Less: Holding discount		20	2%	
Value of subsidiaries		81	6%	
Target price		1,275		
Upside (%)		17%		

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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