

Axis Bank (AXSB)

BUY

NIMs improved slightly QoQ; RoA sustained at 1.8% FY24

Summary

Axis Bank's NIM improved by 5bps QoQ to 4.06% on account of pricing improvements across the portfolio. Further, low yielding RIDF funds % of advances declined to lowest level to 1.5% supported the NIMs. Credit growth declined to 14% YoY in line with guidance due to base impact. Management guided for 300-400bps higher than industry average in medium to long term. Asset quality improved as GNPA stood at 1.43% vs 1.58% led by lower slippages. NII grew by 4% QoQ backed by improvement in NIMs. PPop grew by 15% QoQ due to higher other income. Provisions increased by 15% due to lower recoveries. We maintain estimates and 'BUY' rating with a TP of Rs.1,400, valuing parent business at Rs.1,340 at 2.1X P/ABV FY26E and rest for the subsidiaries.

Key Highlights and Investment Rationale

- **Credit growth declined:** Credit growth declined to 14% YoY (FY24) vs 19% YoY (FY23) led by merger of Citi portfolio. Deposits grew by 13% YoY with CASA ratio stood at 42.5% 43.6% YoY.
- **NIMs improved slightly:** NIMs improved by 5bpsQoQ at 4.06% led by price hike taken in fixed portfolio. Improvement was backed by change in portfolio mix and reducing share of low yielding RIDF funds.
- **Asset quality improved QoQ:** Asset quality improved with GNPA at 1.43% vs 1.58% QoQ; led by lower slippages. Slippage ratio declined to 1.48% (annualized) vs 1.62% QoQ. BB & below book stood at 0.28% vs 0.29% QoQ; restructured assets stood at 0.14% vs 0.16% QoQ of customer assets.
- **Outlook:** RoA has improved in last few quarters majorly led by improvement in margins. However, margin pressure is expected in next quarter or so as deposit rates to inch up thus need to watch for RoA to sustain at higher levels.

TP **Rs.1,400**
CMP **Rs.1,064**

Potential upside/downside **32%**
Previous Rating **BUY**

Price Performance (%)

	-1m	-3m	-12m
Absolute	2.9	0.5	20.5
Rel to Sensex	1.5	(3.5)	(2.4)

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	81.9	91.9
Consensus	86.8	100.9
% difference	(5.6)	(8.9)

Key Stock Data

Bloomberg / Reuters	AXSB IN / AXBK.BO
Sector	Banking
Shares o/s (mn)	3,087
Market cap. (Rs mn)	3,283,656
3-m daily avg Trd value (Rs mn)	1,022.2
52-week high / low	Rs1,152 / 854
Sensex / Nifty	73,853 / 22,402

Shareholding Pattern (%)

Promoters	8.2
FII	53.8
DII	27.4
Public	10.6

Financial snapshot

(Rs mn)

Year	FY2022	FY2023	FY2024	FY2025E	FY2026E
NII	3,31,322	4,29,457	4,98,945	5,64,789	6,38,429
Change (yoy, %)	13%	30%	16%	13%	13%
Net Profit	1,30,255	95,797	2,48,614	2,52,902	2,83,616
Change (yoy, %)	98%	-26%	160%	2%	12%
EPS (Rs)	42.4	31.1	80.5	81.9	91.9
Change (yoy, %)	97%	-27%	159%	2%	12%
ABV (Rs)	361.7	398.9	478.8	558.0	645.7
PER (x)	25.7	35.0	13.5	13.3	11.9
P/ABV (x)	3.0	2.7	2.3	2.0	1.7
ROE (%)	12.0	8.0	18.0	15.6	15.0
ROA (%)	1.2	0.8	1.8	1.6	1.6
GNPA (%)	3.0	2.2	1.5	1.5	1.6
NNPA (%)	0.8	0.4	0.3	0.3	0.4
CAR (%)	18.5	17.6	16.5	17.0	17.2

Source: IDBI Capital Research

Bunty Chawla

Bunty.chawla@idbicapital.com
+91-22-4069 1843

Rishit Savla

Rishit.savla@idbicapital.com
+91-22-4069 1819

Conference Call Highlights

Operational Performance:

- The management opined that the bank had a strong year of performance based on its 'GPS' strategy. The bank has been able to deliver ROE at greater than 18% consistently over the past 7 quarters.
- The bank witnessed an organic net accretion of 44 bps in CET1 capital In Q4FY24. The reported CET1 is after fully absorbing the impact of investment in 'Max life'
- The bank continued to deliver high growth in LCR accretive, retail and small business deposits which were up by 18% YoY. LCR has improved by ~500bps over the course of the last 2 years.
- CASA ratio as % of avg assets at 32% at the end of Q4FY24 which is amongst the best in the industry.
- The bank has strengthened its corporate savings account growth via its 'Suvidha' facility and has integrated the same for its Citi portfolio as well.
- Premiumization strategy is performing as expected with a growth rate of 32% CAGR over the last 5 years.
- The improvement in branch productivity is reflected by an an increase of 49% LCR accretive deposits per branch in the last 5 years.
- The high yielding segments of the bank have grown at a CAGR of 25% over the last 5 years.
- Granular fee income (up 600bps since Mar-19) comprises of 93% of the total fee income.
- Integration expenses account for 3% of the operational costs while the Tech & digital spends grew by 32% YoY.
- The improvement in NII and NIM is on account of pricing improvements across the portfolio.

Advances and deposits:

- Yield on interest earning assets improved to sufficiently negate the increase in cost of funds during the quarter as well as during the financial year as a whole, thus leading to stable spreads.
- Retail advances constituting 60% of overall advances. 72% of the total retail book is secured in nature.

- 70% of the loans given are floating in nature while the balance are fixed rated.

Asset Quality:

- The increase in credit cost was driven by lower recoveries and upgrades during the quarter.
- 35% of gross slippages attributable to linked accounts of borrowers which have been upgraded in the same quarter.
- The bank continues to see a healthy recovery from the covid era book and the management does not expect the trend to differ significantly.

Future Guidance

- The management expects the interest rates to remain high in FY25. The management expects to finish its book re-pricing by Q2FY25.
- The government business is transitioning to a solution oriented approach which bodes well for the bank.
- The management expects the bank's overall growth to be ~300 to 400 bps higher than the industry growth rate in the medium to long term.
- In the shorter term, the deposits growth should be driven by the advances growth at ~13% in FY25.
- The rate increase has not been fully passed on to customers. The pass on is a function of competitive pressures and depends on whether if the other banks pass on the incremental borrowing costs to their customers.
- The management intends to continue to invest in growth of the franchise through continued investments in tech and digital platforms and its focus on customer banking experience.

Other key highlights:

- Branch network crossed a total of 5000 branches with 475 new branches opened in FY24 and 125 branches during Q4FY24.
- Citibank consumables integration remains on track. The bank is now live with IFC migration which enables payments to Citi bank accounts using Axis bank's IFC code.

Exhibit 1: Quarterly Snapshot

(Rs mn)

Year-end: March	Q4FY24	Q4FY23	Q3FY24	YoY (%)	QoQ (%)
Interest Income	2,92,245	2,39,698	2,79,611	21.9	4.5
Interest Expenses	1,61,355	1,22,276	1,54,290	32.0	4.6
Net Interest Income	1,30,890	1,17,422	1,25,322	11.5	4.4
NIM (%)	4.06	4.22	4.01	-16 bps	5 bps
Non-Interest Income	67,658	47,878	55,548	41.3	21.8
Operating Income	1,98,548	1,65,300	1,80,870	20.1	9.8
Staff Cost	29,235	21,636	27,113	35.1	7.8
Other Op Exp	63,956	51,987	62,344	23.0	2.6
Total Operating Expenses	93,191	73,624	89,457	26.6	4.2
<i>Cost to Income (%)</i>	<i>46.9</i>	<i>44.5</i>	<i>49.5</i>	<i>240 bps</i>	<i>-252 bps</i>
Operating Profit	1,05,357	91,676	91,412	14.9	15.3
Provisions	11,853	3,058	10,283	287.6	15.3
PBT	93,504	88,618	81,129	5.5	15.3
Tax	22,207	21,004	20,418	5.7	8.8
<i>-effective tax rate</i>	<i>23.8</i>	<i>23.7</i>	<i>25.2</i>	<i>5 bps</i>	<i>-142 bps</i>
PAT	71,297	67,614	60,711	5.4	17.4
Adjusted PAT	71,297	(57,284)	60,711	224.5	17.4
EPS (Rs)	23.1	-18.6	19.7	224.5	17.3
BV (Rs)	486.7	406.2	463.6	19.8	5.0
Deposits	1,06,86,414	94,69,452	1,00,48,995	12.9	6.3
Advances	96,50,684	84,53,028	93,22,864	14.2	3.5

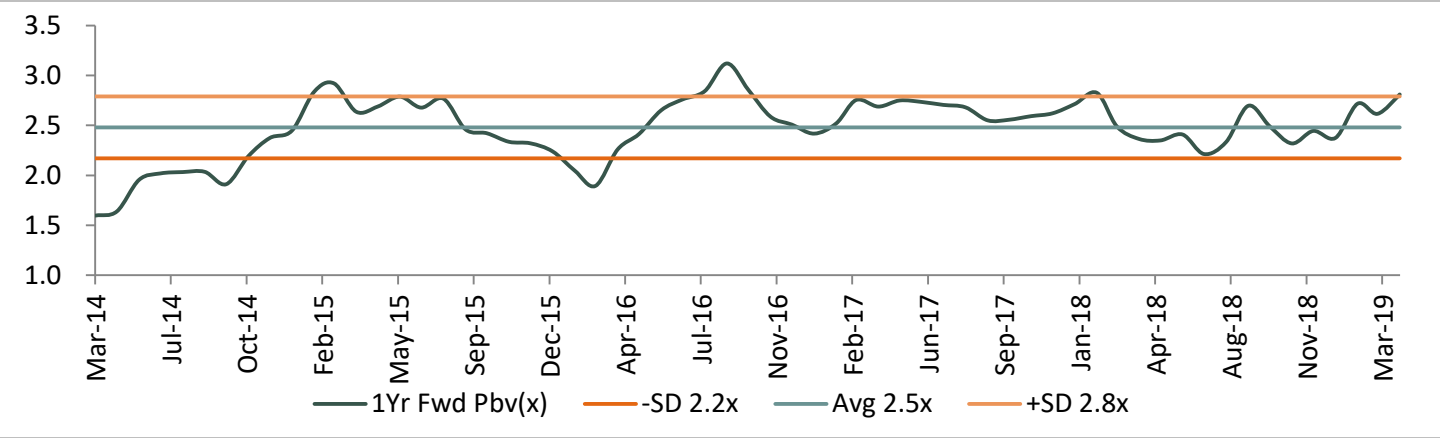
Source: Company; IDBI Capital Research

Exhibit 2: ROE Decomposition

(%)	FY22	FY23	FY24	FY25E	FY26E
NII	3.1	3.4	3.6	3.6	3.6
Fees	1.3	1.3	1.5	1.4	1.4
Other Income	0.1	0.0	0.1	0.2	0.2
Net Revenue	4.5	4.8	5.2	5.2	5.3
Op.Exp	2.2	3.2	2.5	2.5	2.6
Op.Profit	2.3	1.6	2.7	2.7	2.7
Provisions	0.7	0.2	0.3	0.5	0.5
PBT	1.6	1.4	2.4	2.2	2.2
Tax	0.4	0.6	0.6	0.5	0.5
PAT	1.2	0.8	1.8	1.6	1.6
Leverage (x)	10.0	10.4	10.1	9.6	9.3
ROE	12.0	8.0	18.0	15.6	15.0

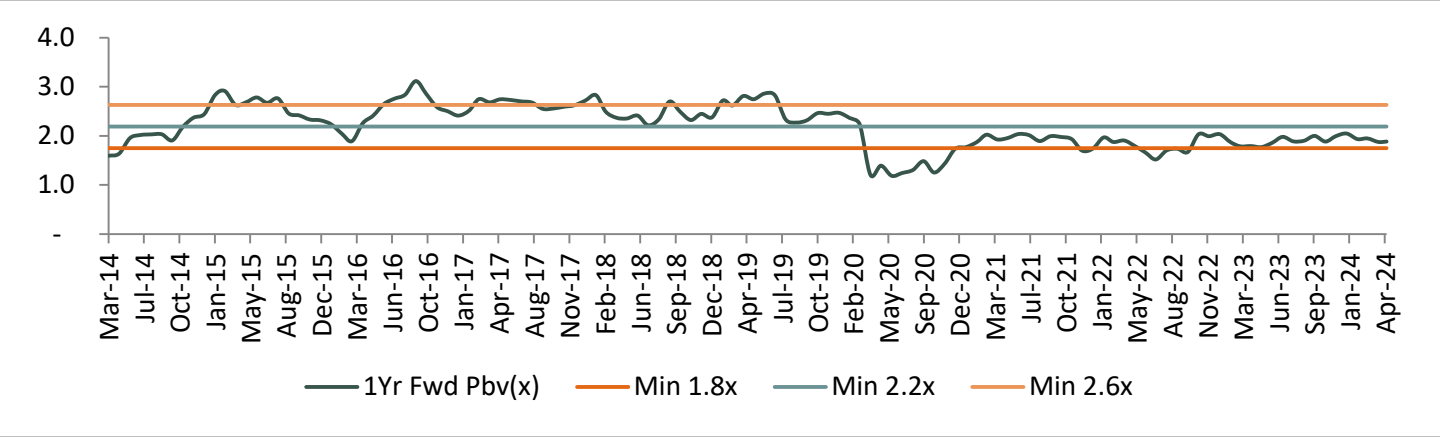
Source: Company; IDBI Capital Research

Exhibit 3: One-year forward P/ABV (FY14-19)



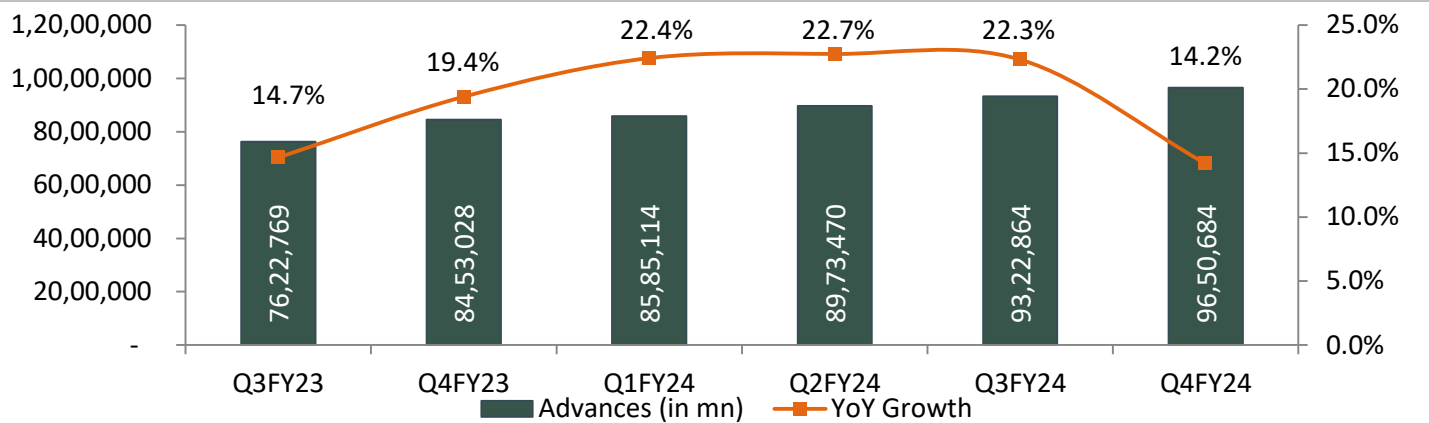
Source: Company; IDBI Capital Research

Exhibit 4: One-year forward P/ABV (FY15-25)



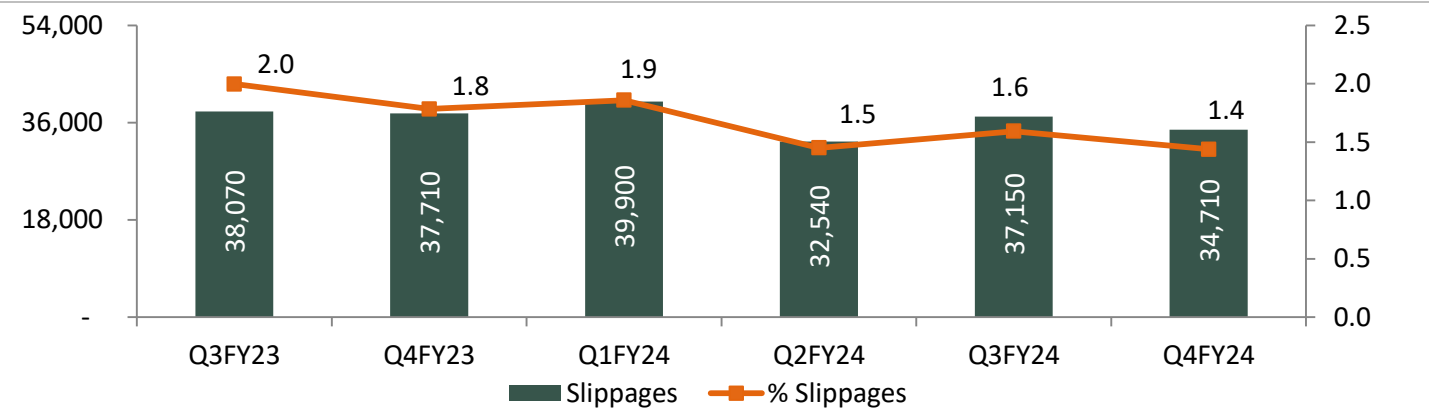
Source: Company; IDBI Capital Research

Exhibit 5: Advances growth continued to witness strong uptick during the qtr



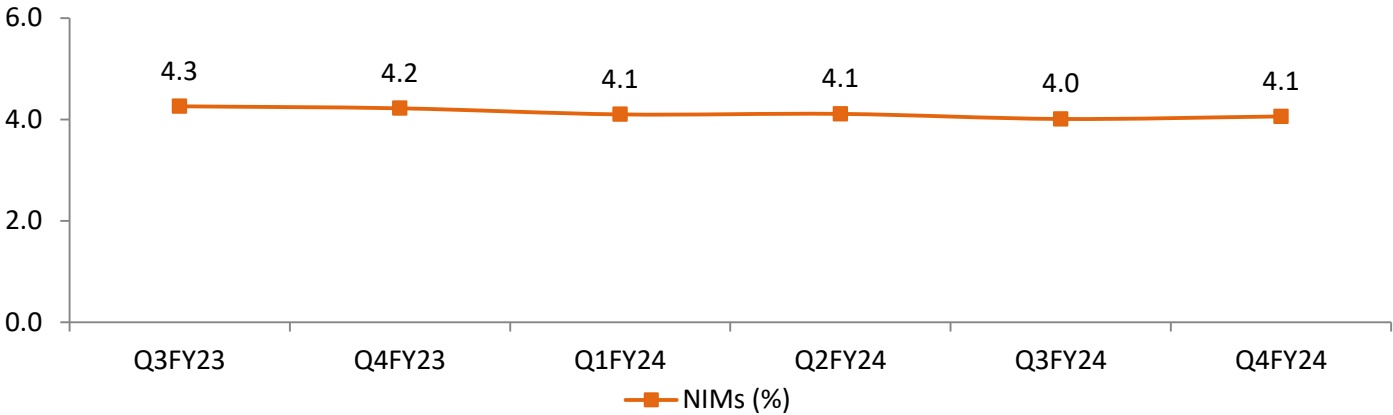
Source: Company; IDBI Capital Research

Exhibit 6: Slippage ratio declined QoQ



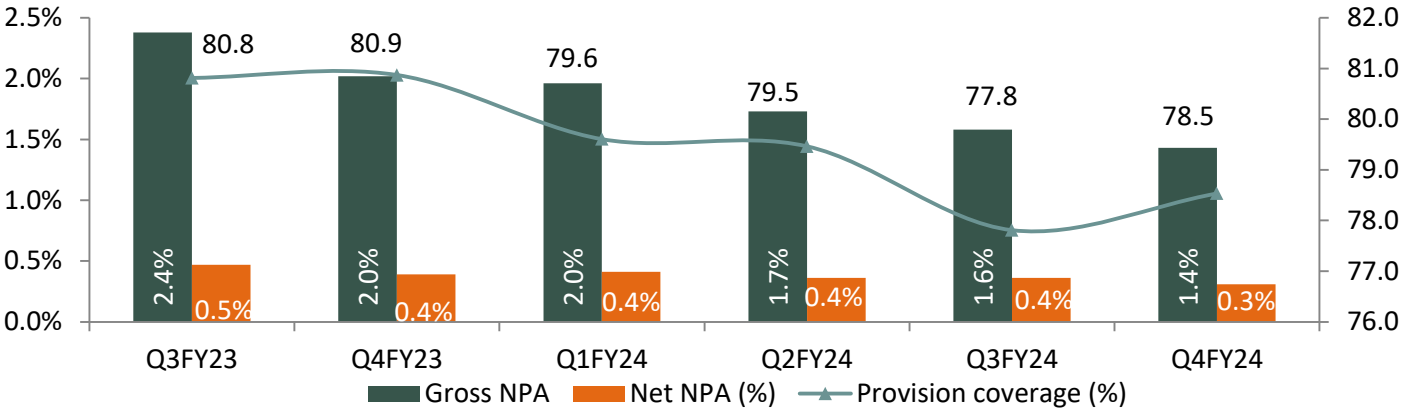
Source: Company; IDBI Capital Research

Exhibit 7: Net Interest margins remained stable QoQ



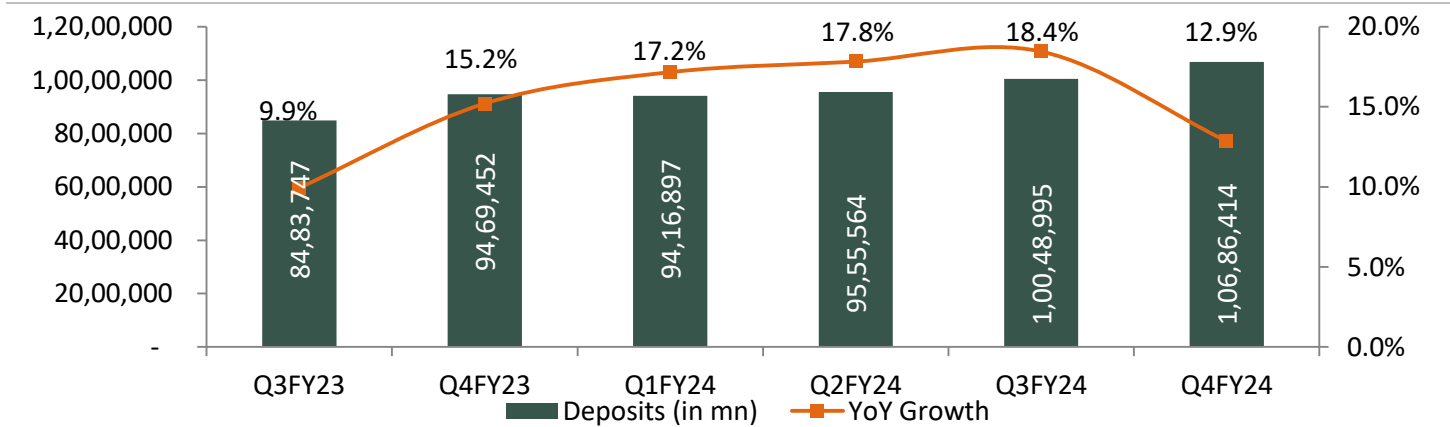
Source: Company; IDBI Capital Research

Exhibit 8: Asset quality continued to witness improvement



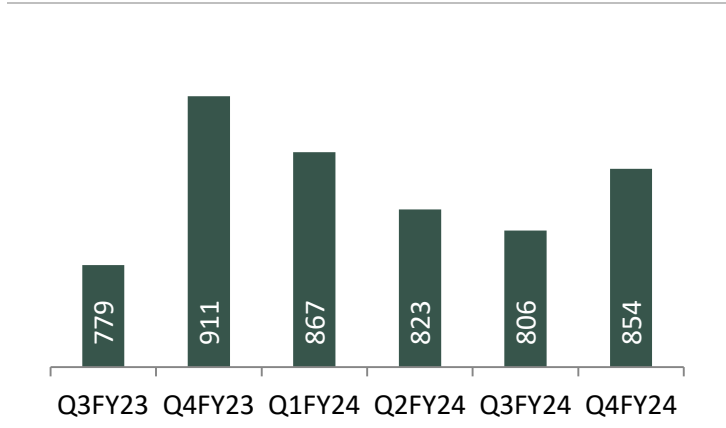
Source: Company; IDBI Capital Research

Exhibit 9: Deposits growth witnessed strong growth on a sequential basis



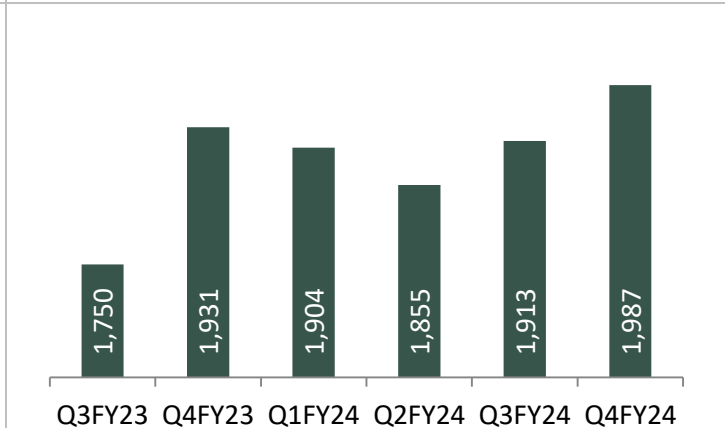
Source: Company; IDBI Capital Research

Exhibit 10: CASA per Branch



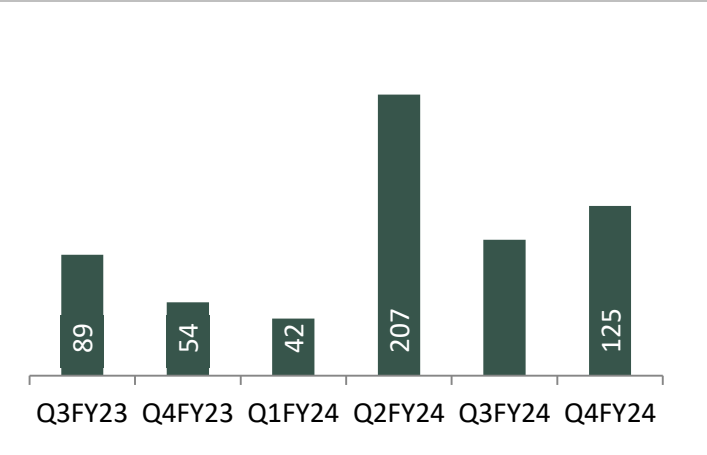
Source: Company; IDBI Capital Research

Exhibit 11: Deposit per Branch



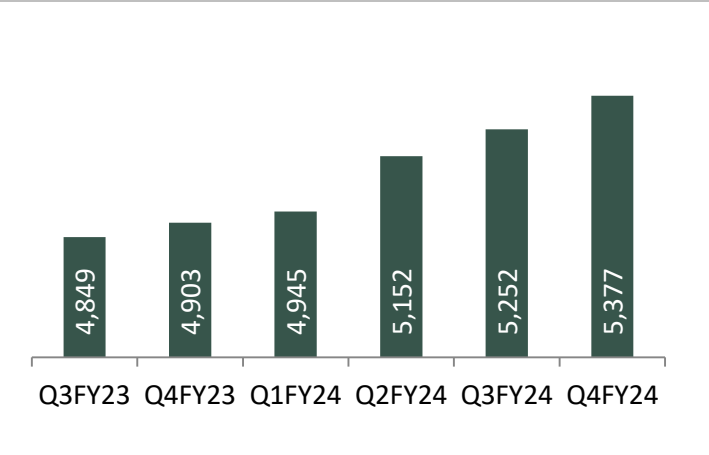
Source: Company; IDBI Capital Research

Exhibit 12: Incremental No of Branches



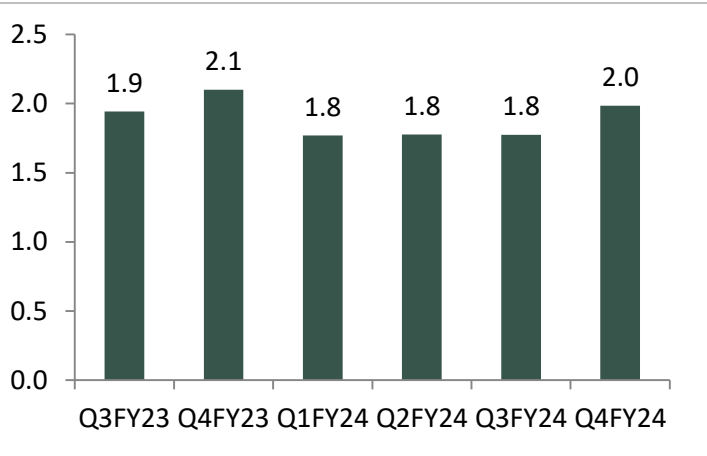
Source: Company; IDBI Capital Research

Exhibit 13: Branch Network



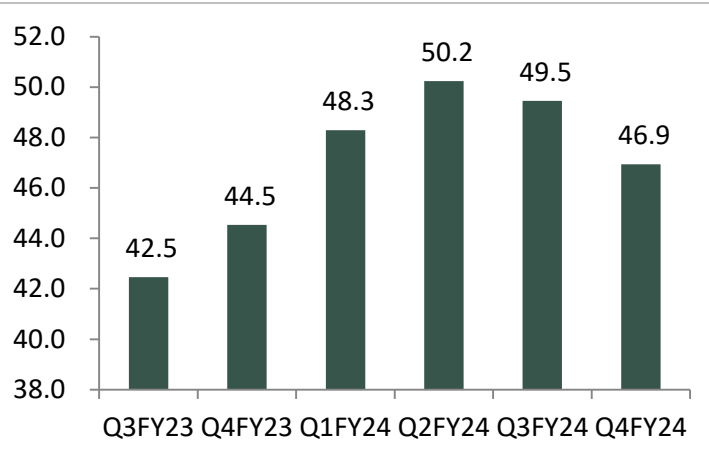
Source: Company; IDBI Capital Research

Exhibit 14: RoA improved on QoQ basis

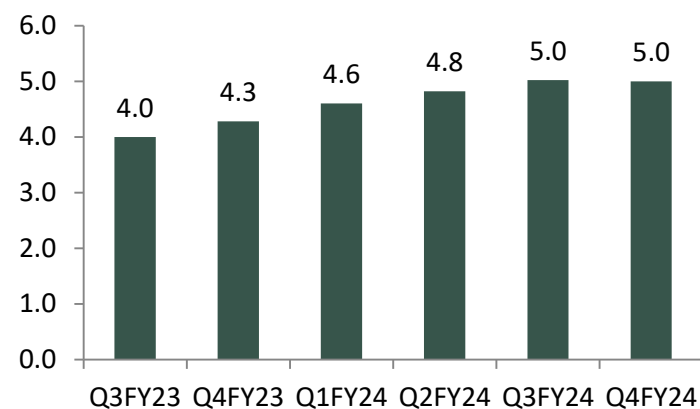


Source: Company; IDBI Capital Research

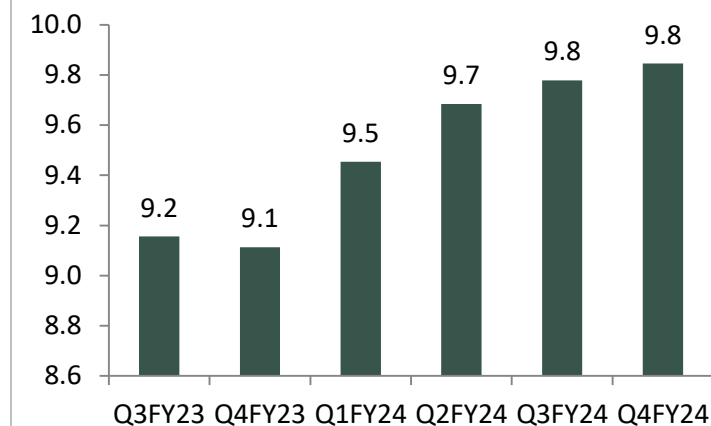
Exhibit 15: Cost to Income Ratio decreased



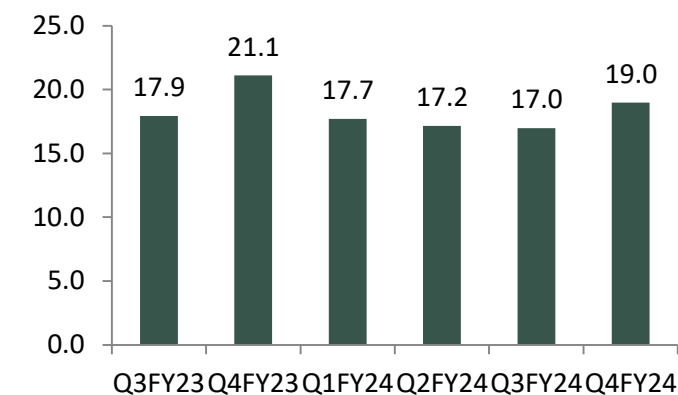
Source: Company; IDBI Capital Research

Exhibit 16: Cost of Funds remained stable QoQ

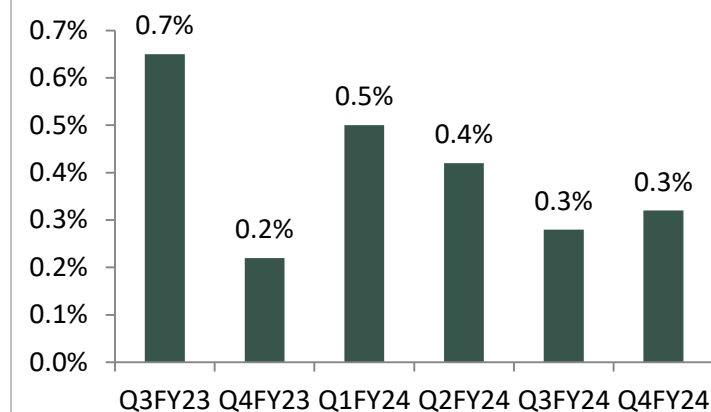
Source: Company; IDBI Capital Research

Exhibit 17: Yield on Advances remained stable sequentially

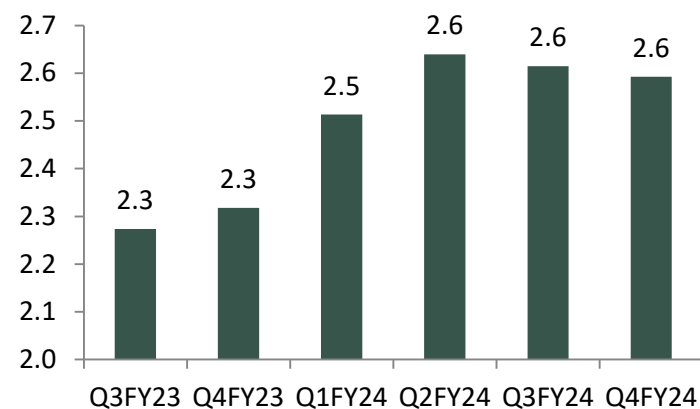
Source: Company; IDBI Capital Research

Exhibit 18: Return on Equity improved QoQ

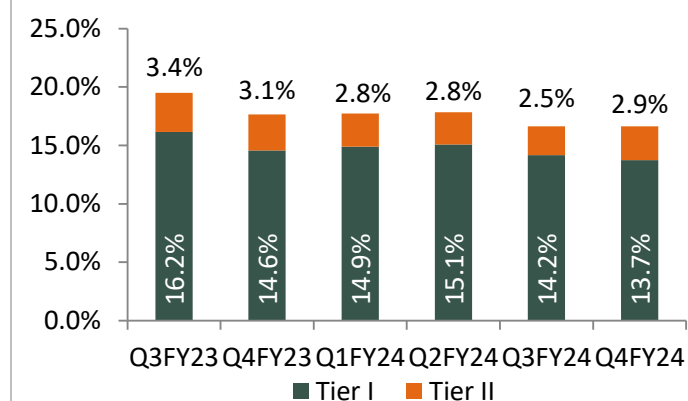
Source: Company; IDBI Capital Research

Exhibit 19: Credit Cost increased marginally QoQ

Source: Company; IDBI Capital Research

Exhibit 20: Cost to Assets remained range bound

Source: Company; IDBI Capital Research

Exhibit 21: CAR continues to remain strong

Source: Company; IDBI Capital Research

Exhibit 22: Statement of Restructured Assets-Segment Wise

Restructured Assets	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Retail	20,590	18,350	16,770	17,560	14,250	13,310
Wholesale	4,070	2,120	2,300	2,190	2,160	1,970
CBG	160	0.0	0.0	0.0	0.0	0.0
Total Bank	24,820	20,470	19,070	19,750	16,410	15,280
Bank as a % of GCA	0.3	0.2	0.2	0.2	0.2	0.14
Retail as a % of segment GCA	0.5	0.4	0.3	0.3	0.3	0.2
Wholesale as a % of segment GCA	0.2	0.1	0.1	0.1	0.1	0.1
CBG as a % of segment GCA	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company; IDBI Capital Research

Exhibit 23: Retail Assets Breakup (In Mn)

Retail Assets	Q4FY24	Q4FY23	Q3FY24	YoY (%)	QoQ (%)
Home Loans	16,58,990	15,73,920	16,28,130	5.4	1.9
LAP	6,36,730	5,07,560	5,86,040	25.4	8.6
Auto loans	5,87,470	5,22,780	5,78,740	12.4	1.5
SBB	5,72,190	4,29,820	5,35,350	33.1	6.9
Comm Equipment	1,21,700	1,09,350	1,18,250	11.3	2.9
Personal loans	7,15,920	5,45,610	6,50,830	31.2	10.0
Credit Cards	4,13,240	3,16,840	3,99,630	30.4	3.4
Rural loans	9,18,660	7,09,180	7,97,650	29.5	15.2
Others	2,07,750	1,60,650	1,75,370	29.3	18.5
Total Retail Asset	58,32,650	48,75,710	54,69,990	19.6	6.6

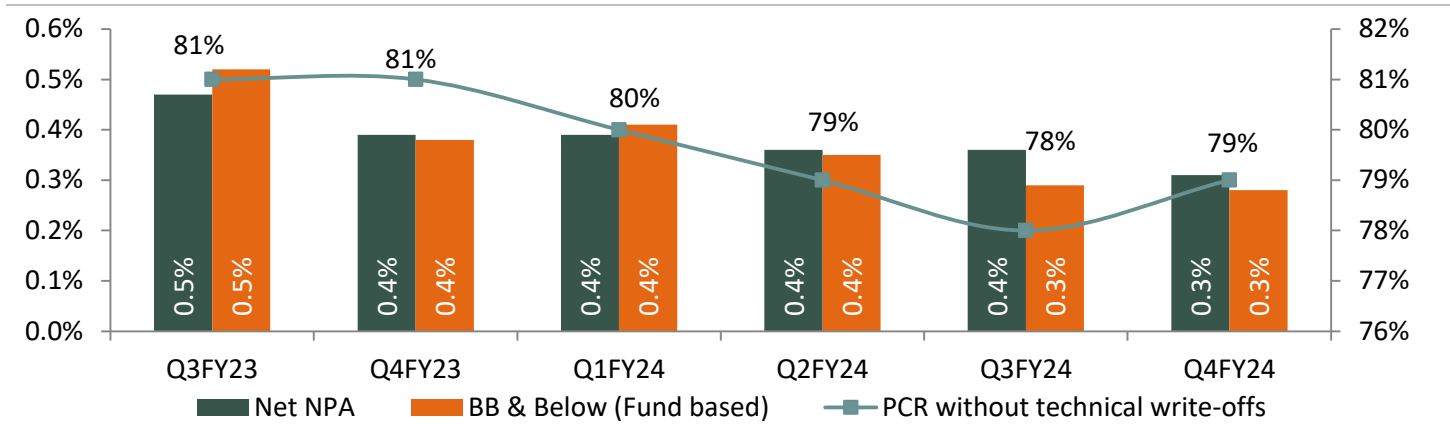
Source: Company; IDBI Capital Research

Exhibit 24: Retail Assets Breakup (In %)

Retail Assets	Q4FY24	Q4FY23	Q3FY24	YoY (%)	QoQ (%)
Home Loans	28.4	32.3	29.8	-384 bps	-132 bps
LAP	10.9	10.4	10.7	51 bps	20 bps
Auto loans	10.1	10.7	10.6	-65 bps	-51 bps
SBB	9.8	8.8	9.8	99 bps	2 bps
Comm Equipment	2.1	2.2	2.2	-16 bps	-8 bps
Personal loans	12.3	11.2	11.9	108 bps	38 bps
Credit Cards	7.1	6.5	7.3	59 bps	-22 bps
Rural loans	15.8	14.5	14.6	121 bps	117 bps
Others	3.6	3.3	3.2	27 bps	36 bps
Total Retail Asset	100.0	100.0	100.0		

Source: Company; IDBI Capital Research

Exhibit 25: Bank’s Net NPA and Fund based BB and Below portfolio



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net interest income	2,92,391	3,31,322	4,29,457	4,98,945	5,64,789	6,38,429
<i>Change (yoy, %)</i>	16%	13%	30%	16%	13%	13%
Fees	1,12,972	1,38,477	1,67,827	2,07,120	2,15,838	2,45,041
Other Income	9,664	13,728	-2,818	17,300	38,765	43,801
Net Revenue	4,15,027	4,83,528	5,94,466	7,23,364	8,19,391	9,27,272
Operating expenses	1,83,751	2,36,108	3,96,560	3,52,133	3,97,261	4,51,839
Employee expenses	61,640	76,126	87,601	1,09,331	1,24,895	1,42,620
Other expenses	1,22,111	1,59,982	3,08,959	2,42,802	2,72,366	3,09,219
Pre-Provision Profit	2,31,276	2,47,420	1,97,906	3,71,232	4,22,129	4,75,433
<i>Change (yoy, %)</i>	-1%	7%	-20%	88%	14%	13%
Provision	1,43,218	73,595	28,848	40,631	84,161	96,420
PBT	88,058	1,73,826	1,69,058	3,30,601	3,37,969	3,79,013
Taxes	22,173	43,571	73,262	81,986	85,067	95,398
<i>Effective tax rate (%)</i>	25%	25%	43%	25%	25%	25%
Net profit	65,885	1,30,255	95,797	2,48,614	2,52,902	2,83,616
<i>Change (yoy, %)</i>	305%	98%	-26%	160%	2%	12%
EPS	21.5	42.4	31.1	80.5	81.9	91.9
Return on Equity (%)	7.1	12.0	8.0	18.0	15.6	15.0
Return on Assets (%)	0.7	1.2	0.8	1.8	1.6	1.6

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Capital	6,128	6,139	6,154	6,173	6,173	6,173
Reserves	10,09,903	11,45,602	12,48,013	14,96,177	17,43,303	20,20,745
Networth	10,16,031	11,51,741	12,54,167	15,02,350	17,49,476	20,26,918
Deposits	69,79,853	82,19,715	94,69,452	1,06,86,414	1,21,29,191	1,38,84,940
Current deposits	11,32,762	12,75,568	14,91,205	18,16,690	20,61,962	23,60,440
Saving deposits	20,44,725	24,24,492	29,74,160	28,85,332	32,74,882	37,48,934
Term deposit	38,02,366	45,19,655	50,04,087	59,84,392	67,92,347	77,75,566
Borrowings	14,28,732	18,51,339	18,63,000	19,68,118	21,13,995	23,13,975
Other liabilities	4,43,362	5,31,493	5,86,636	6,15,205	5,40,256	4,56,498
Total Liab. & Equity	98,67,977	1,17,54,288	1,31,73,256	1,47,72,086	1,65,32,919	1,86,82,331
Cash	6,17,299	11,09,872	10,64,109	11,44,544	12,00,130	12,89,935
Advances	61,43,994	70,79,466	84,53,028	96,50,684	1,09,05,273	1,24,32,011
Investments	22,61,196	27,55,972	28,88,148	33,15,273	37,32,851	42,30,987
Fixed Assets	42,450	45,724	47,339	56,846	59,688	62,672
Other Assets	8,03,038	7,63,255	7,20,632	6,04,740	6,34,977	6,66,726
Total assets	98,67,977	1,17,54,288	1,31,73,256	1,47,72,086	1,65,32,919	1,86,82,331

Financial Ratios

(%)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Growth						
Deposits	9.0	17.8	15.2	12.9	13.5	14.5
Advances	7.5	15.2	19.4	14.2	13.0	14.0
NII	16.0	13.3	29.6	16.2	13.2	13.0
Pre-Provision Profit	(1.3)	7.0	(20.0)	87.6	13.7	12.6
Net Profit	304.9	97.7	(26.5)	159.5	1.7	12.1
Spreads						
Yield on Assets	7.6	7.0	7.6	8.5	8.5	8.6
Cost of Funds	4.0	3.5	3.7	4.7	4.8	4.8
NIM	3.5	3.4	3.8	3.9	3.9	3.9
CASA	45.5	45.0	47.2	44.0	44.0	44.0
Operating Efficiency						
Cost-to-Income	44.3	48.8	66.7	48.7	48.5	48.7
Cost-to-Assets	1.9	2.2	3.2	2.5	2.5	2.6
Asset Quality						
GNPA	4.0	3.0	2.2	1.5	1.5	1.6
NNPA	1.1	0.8	0.4	0.3	0.3	0.4
Provision Coverage	72.4	74.7	80.9	78.5	78.7	77.5
Credit Cost	2.4	1.1	0.4	0.4	0.8	0.8
Capital Adequacy						
CAR	19.1	18.5	17.6	16.5	17.0	17.2
Tier I	16.5	16.3	14.6	13.7	14.2	14.4
Valuation						
EPS	22	42	31	81	82	92
ABV	315	362	399	479	558	646
P/E	49.5	25.1	34.2	13.2	13.0	11.6
P/ABV	3.4	2.9	2.7	2.2	1.9	1.6
ROE	7.1	12.0	8.0	18.0	15.6	15.0
ROA	0.7	1.2	0.8	1.8	1.6	1.6

Source: Company; IDBI Capital Research



Notes

Dealing

(91-22) 6836 1111

dealing@idbicapital.com

Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 4069 1700; Fax: (91-22) 2215 1787; Email: info@idbicapital.com

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