

Market Cap.

Rs.229,674.3 Cr.

52 Week H/L

Rs.766/ 285

CMP

Rs.750

Target Price

Rs.841

BFSI

Axis Bank reported decent set of numbers with core operating profit growth of 9.6%, however higher provisions of Rs.46,000mn, resulted in dip in net profit for Q3FY21.

Key Highlights of Q3FY21 Results

- Gross proforma slippages were at Rs.67,360m, with retail contributing 84% of total slippage, while 10% was slippage from wholesale business and rest was Commercial Banking. Reported Gross NPA/ Net NPA was at 3.44%/0.74% respectively, while without SC standstill, proforma Gross NPA/Net NPA stood at 4.55%/1.19%. The reported credit cost for the quarter ended 31st December is 65 basis points as compared to 2% for the same quarter last year. This represents a decline of 135 basis points. However, the credit cost, including provisions made on 90-plus DPD not classified pursuant to the Supreme Court judgment, stood at 3.3% for Q3 compared to 2% for Q3FY20. Restructured loan book was at 0.42% with provision coverage ratio (PCR) at 26% on it. Bank has adopted a conservative approach on making provisions with PCR on (Standard loans+Additional+Covid related loans) at 116%. Demand resolution improved to 98% in December vs 94% in September and 97% pre-Covid levels. Management has guided that slippages will be lower in Q4 as compared to current quarter, while it will continue to provide higher to strengthen its balance sheet. BB and below book was at 1.5% of loan book as compared to 1.58% in Q2FY21, with dip in Investment, Fund based and Non fund based book.
- Bank was conservative due to pandemic as loan book grew by 6% yoy, with retail advances growing by 9% yoy. 83% of incremental retail loans are secured and within unsecured, 80% of loans are given to salaried customers and existing bank customers. In Corporate book, 94% of incremental loans are A- and above rated with almost 71% having rating of AA and above. Corporate book grew by 2% yoy and now stands at 34% of total loan book.
- On P&L front, NII grew by 14% yoy, with NIM at 3.59% during the quarter. Interest reversal for the quarter was Rs. 6140 m, representing a 30 basis point impact on the NIMs for the quarter as compared to 4 basis points in Q2FY 21. Other income was flat yoy, while operating expenses grew by 9%, as bank rolled out increment for employees effective from 1st October 2020.
- Bank is well capitalized with Tier-I at 16.5% and CAR at 19.3%. Bank has maintained excess liquidity with liquidity coverage ratio (LCR) of 119%.

STOCK DATA
HOLD

Reuters Code	AXBK.BO	
Bloomberg Code	AXSB IN	
BSE Code	532215	
NSE Symbol	AXISBANK	
Face Value	Rs. 2	
Shares Outstanding	306.23 Cr.	
Avg. Daily Volume (6m)	22,729,886 Shares	
Price Performance (%)		
1M	3M	6M
11	22	65
200 days EMA Rs.572		

SHARE HOLDING (%)

Promoters	13.6
FII	49.8
FI/MF	23.0
Body Corporate	1.2
Public & Others	12.4

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OUTLOOK AND VALUATION

Restructured loan book was lower than anticipated. Bank has been conservative by increasing its PCR and gone slow in lending. With its strong capital and healthy liability franchise and lower credit cost, it has all the ingredients to grow faster. In this context, we recommend 'Hold' with a revised price target of Rs.841 with investment horizon of 18-24 months.

Y/E	Net Income (Rs mn)	PAT (Rs mn)	AEPS (Rs)	NIM (%)	P/E (x)	P/ABV (%)	ROE (%)	ROA (%)
Mar.								
FY20	407,428	16,272	6.0	3.2	124.0	2.8	2.1	0.2
FY21E	434,221	49,543	17.6	3.4	42.6	2.5	5.7	0.5
FY22E	511,934	102,680	36.4	3.7	20.6	2.2	10.9	1.0
FY23E	607,894	163,509	57.9	3.9	12.9	1.9	15.2	1.4



QUARTERLY STATEMENT

(Rs.mn)

Y/E March	Q3FY20	Q2FY21	Q3FY21
Interest Income	157,083	160,629	154,984
Interest Expense	92,553	87,368	81,256
Net Interest Income	64,530	73,261	73,728
Other Income	37,866	38,072	37,760
-Core Fee Income	27,750	27,520	29,060
Operating Income	102,396	111,333	111,488
Employee Exps.	13,652	14,129	16,774
Other Operating Exps.	31,316	28,227	33,759
Operating Profit	57,427	68,976	60,955
Provisions & Cont.	34,709	45,807	46,043
-NPL Provisions	29,620	5,880	10,530
PBT	22,718	23,170	14,912
Tax	5,148	6,343	3,746
PAT	17,570	16,827	11,166

PROFIT & LOSS STATEMENT

(Rs.mn)

Y/E March	FY20	FY21E	FY22E	FY23E
Interest Income	626,352	698,243	781,350	891,893
Interest Expenses	374,290	400,761	426,842	461,209
Net Interest Income	252,062	297,483	354,508	430,685
Non- Interest Income	155,366	136,739	157,426	177,209
Operating Income	407,428	434,221	511,934	607,894
Total Operating Exp	173,046	183,786	201,228	222,509
Pre Provision Profit	234,381	250,435	310,706	385,385
Total Provisions	185,339	184,378	171,950	164,428
Profit before tax	49,042	66,057	138,756	220,957
Tax	32,770	16,514	36,077	57,449
Net Profit	16,272	49,543	102,680	163,509
Growth %	-65.2%	204.5%	107.3%	59.2%

Source: Company, Sushil Finance Research

FINANCIAL RATIO STATEMENT

Y/E March	FY20	FY21E	FY22E	FY23E
Profitability Ratios				
EPS	6.0	17.6	36.4	57.9
Earnings growth (%)	(66.8)	191.0%	107.3%	59.2%
PPP / Share	78.9	79.9	99.9	124.9
ROAA (%)	0.19%	0.51%	0.96%	1.37%
ROE (%)	2.1%	5.7%	10.9%	15.2%
Efficiency Ratios (%)				
C-I Ratio (Excl Treasury)	45	45	42	39
Other Inc/Total Inc	17.6	13.8	14.1	13.9
Cost Asset Ratio	1.9	1.9	1.8	1.8
CASA	41	42	42	42
Asset Quality Ratios (%)				
Gross NPLs	5.1	5.0	5.0	4.9
Net NPLs	1.6	0.7	0.5	0.5
Coverage	69	87	90	91
Provision/ Loans	2.49	2.65	2.00	1.80
Y/E March	FY20	FY21E	FY22E	FY23E
Asset-Liab. Profile (%)				
Capital Adequacy Ratio	17.5	15.3	15.3	15.3
- Tier I CAR	14.5	12.5	12.5	12.5
C/D ratio	89	88	88	89
Loan Growth	15	11	13	15
Deposit Growth	17	12	13	13
Balance Sheet Growth	14	8	12	13
Equity / Assets	9.3	9.1	9.0	9.2
Equity / Loans	14.9	14.1	13.9	14.0
Asset-Liab. Profile (%)				
Yield on Advances	9.1	9.1	9.1	9.1
Yield on Investments	6.8	6.8	6.8	6.8
Cost of funds	5.0	4.9	4.7	4.6
Net Interest Margin	3.2	3.4	3.6	3.9
Valuation				
BV / Share	301	317	352	409
Adjusted BV / Share	268	302	339	395
P/E (x)	124.0	42.6	20.6	12.9
P/PPP (x)	9.5	9.4	7.5	6.0
P/ABV (x)	2.79	2.48	2.20	1.89

Source: Company, Sushil Finance Research

Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
03 Aug-20	Q1FY21 Update	Hold	420	451
06-May-20	Q4FY20 Update	Hold	393	443
09-Jan-20	Initiating Coverage	Accumulate	743	841

Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 20%	HOLD : 0% to 20%	SELL : 0% to -20%
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