

Retail Equity Research

Axis Bank Ltd

Banking

BSE CODE: 532215

NSE CODE: AXISBANK

Bloomberg CODE: AXSB:IN

SENSEX: 81,741

BUY

12 Months Investment Period Rating as per Large Cap
CMP Rs. 1,167 TARGET Rs. 1,349 RETURN 16%
(Closing: 31-07-24)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Credit growth prospects remain healthy

Axis Bank offers a wide range of banking services in India, including cash and credit management, retail banking, investment management and treasury services.

- In Q1FY25, the bank's net interest income (NII) rose 12.5% YoY to Rs. 13,448cr (+2.7% QoQ), driven by growth in higher yielding assets.
- Asset quality improved with net non-performing assets (NPAs) and gross NPA declining to 0.34% and 1.54%, respectively (vs. 0.41% and 1.96% in Q1FY24).
- Axis Bank reported a decent quarter, with its loan book and net profit rising. Asset quality continues to remain healthy despite higher slippages. Also, with better asset mix and granularisation of deposits, the bank has been able to keep NIM stable. Therefore, we continue to remain optimistic about its long-term growth prospects. Hence, we maintain our BUY rating on the stock with a revised target price of Rs. 1,349 based on 2.0x FY26E book value per share (BVPS).

Steady operating performance

In Q1FY25, Axis Bank's interest income grew 17.6% YoY (+2.9% QoQ) to Rs. 30,061cr, driven by higher yield on advances. Interest expense rose 22.2% YoY (+3.0% QoQ) to Rs. 16,613cr. As a result, NII grew 12.5% YoY (+2.7% QoQ) to Rs. 13,448cr. However, net interest margin (NIM) shrank 50bps YoY (-1bp QoQ) to 4.05%, owing to the rising cost of deposits. Further, pre-provision operating profit increased 14.7% YoY to Rs. 10,106cr, primarily owing to higher other income (+13.7% YoY). Subsequently, adjusted profit after tax rose 4.1% YoY to Rs. 6,035cr, as provisions increased 97.1% YoY owing to the tightening of provisioning policies.

Key concall highlights

- In Q1FY25, the bank added 50 branches taking the overall distribution network to 5,427 domestic branches.
- Integration of Citibank was successfully completed two months ahead of schedule.
- Management expects credit growth to be 300-400bps higher than that of the industry in the medium-to-long term.

Continue to maintain strong balance sheet

Advances rose 14.2% YoY (+1.6% QoQ) led by strong growth in retail and domestic corporate loans. Retail loans grew 41.7% YoY driven by home loans (+6% YoY), personal loans (+29% YoY) and credit cards (+22% YoY), while domestic corporate loans increased 6.6% YoY on rising economic activity. The bank managed to increase its deposits (+12.8% YoY/-0.6% QoQ), mainly owing to term deposits that grew 20.5% YoY and 1.4% QoQ. Additionally, asset quality improved with both gross NPA and net NPA declining on YoY basis. However, slippages were up 20% YoY owing to seasonal stress in the unsecured retail portfolio.

Valuation

Consistent growth momentum in advances and deposits is expected to continue as the bank, with its technological advancement and better reach, is well-equipped to capitalise on growing demand. Margin is expected to remain range bound, as the bank would be able to offset the effect of the rising cost of deposits with high-yielding assets. Additionally, the bank's sound asset quality, sufficient capitalization, and ongoing digital transformation are expected to enhance its future performance. Hence, we maintain our BUY rating on the stock with a revised target price of Rs. 1,349 based 2.0x FY26E BVPS.

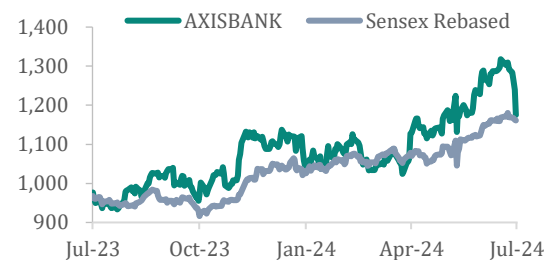
Company Data

Market Cap (cr)	Rs. 360,721
Outstanding Shares (cr)	310.4
Free Float	91.0%
Dividend Yield	0.1%
52 week high	Rs. 1,340
52 week low	Rs. 921
6m average volume (lacs)	6.4
Beta	1.2
Face value	Rs.2

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	8.2	8.2	8.3
FII's	54.7	53.8	53.4
MFs/Insti	28.8	30.1	31.6
Public	8.2	7.7	6.6
Others	0.1	0.1	0.1
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	4.2%	12.9%	20.6%
Absolute Sensex	10.3%	15.0%	21.9%
Relative Return*	-6.1%	-2.1%	-1.4%

*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Net Interest Income	49,894	56,907	65,377
Growth (%)	16.2	14.1	14.9
NIM (%)	4.1	4.1	4.2
Pre-Provision Profit	37,123	44,274	52,143
Net Profit	24,861	27,871	32,184
Growth (%)	12.7	12.1	15.5
Adj.EPS	80.1	89.8	103.7
Growth (%)	12.1	12.1	15.5
BVPS	486.7	573.8	674.4
P/E	14.7	13.1	11.4
P/B	2.4	2.1	1.7
RoE (%)	18.1	17.0	16.7
RoA (%)	1.8	1.8	1.8

Quarterly Financials (Standalone)

Profit & Loss Account

Rs. cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Interest Income	30,061	25,557	17.6	29,225	2.9
Interest Expense	16,613	13,598	22.2	16,136	3.0
Net Interest Income (NII)	13,448	11,959	12.5	13,089	2.7
Non-Interest Income	5,783	5,087	13.7	6,766	(14.5)
Total Net Income	19,232	17,046	12.8	19,855	(3.1)
Total Income	35,844	30,644	17.0	35,990	(0.4)
Operating Expenses	9,125	8,232	10.9	9,319	(2.1)
Total Expenditure	25,738	21,830	17.9	25,455	1.1
Pre-Provision Profit	10,106	8,814	14.7	10,536	(4.1)
Provisions	2,039	1,035	97.1	1,185	72.0
Profit Before Tax	8,067	7,779	3.7	9,350	(13.7)
Tax	2,032	1,982	2.5	2,221	(8.5)
Minority Interests	0	0	n.m.	0	n.m.
Net Profit	6,035	5,797	4.1	7,130	(15.4)
Adj.	0	0	-	0	-
Adj. PAT	6,035	5,797	4.1	7,130	(15.4)
Adj. EPS (Rs.)	19.4	18.8	3.5	23.0	(15.5)

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net Interest Income (NII)	57,618	63,883	56,907	65,377	(1.2)	2.3
Net Interest Margin (%)	4.3	4.3	4.1	4.2	(3)	(1)
Pre-Provision Profit	43,703	49,861	44,274	52,143	1.3	4.6
Net Profit	28,025	33,277	27,871	32,184	(0.5)	(3.3)
EPS (Rs)	90.3	107.3	89.8	103.7	(0.6)	(3.3)

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Interest Income	67,377	85,164	109,369	124,131	139,779
Interest Exp.	34245	42218	59474	67224	74402
Net Int. Income	33,132	42,946	49,894	56,907	65,377
% Change	13.3	29.6	16.2	14.1	14.9
Non-Int. Income	15,221	16,143	22,442	27,155	31,228
Net Income	48,353	59,089	72,336	84,062	96,605
Total Income	82,597	101,307	131,811	151,286	171,007
Operating Exp.	23,611	27,041	35,213	39,788	44,462
Total Exp.	57,855	69,259	94,687	107,012	118,864
Pre-Prov. Profit	24,742	32,048	37,123	44,274	52,143
Provisions	7,359	2,653	4,063	7,211	9,346
PBT	17,383	16,906	33,060	37,062	42,798
Tax	4,357	7,326	8,199	9,191	10,613
Tax Rate (%)	25.1	43.3	24.8	24.8	24.8
Minority Interests	-	-	-	-	-
Net Profit	13,025	9,580	24,861	27,871	32,184
% Change	97.7	(26.5)	159.5	12.1	15.5
Adj.	-	12489.8	-	-	-
Adj. Net Profit	13,025	22,070	24,861	27,871	32,184
No. of Shares (cr)	307.6	308.8	310.4	310.4	310.4
Adj. EPS (Rs.)	42.4	71.5	80.1	89.8	103.7
% Change	91.7	68.7	12.1	12.1	15.5
DPS (Rs.)	1.0	1.0	1.0	2.7	3.1

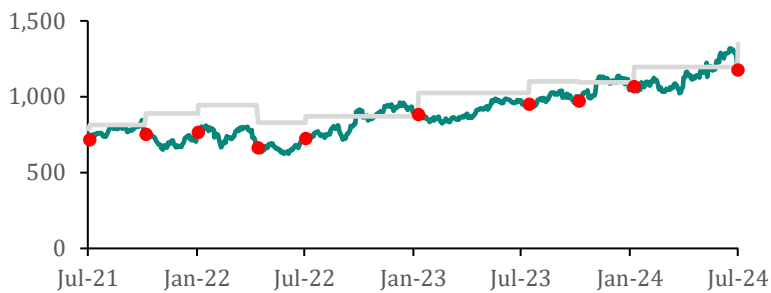
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash & Balances	110,987	106,411	114,454	130,129	163,333
Investments	275,597	288,815	331,527	364,017	398,599
Advances	707,696	845,303	965,068	1,095,353	1,241,035
Fixed Assets	4,572	4,734	5,685	5,969	6,267
Other Assets	76,325	72,063	60,474	68,033	76,537
Total Assets	1,175,178	1,317,326	1,477,209	1,663,501	1,885,771
Capital	614	615	617	617	617
Reserves & Surplus	114,412	124,378	149,618	176,653	207,872
Deposits	821,721	946,945	1,068,641	1,212,908	1,382,715
Borrowings	185,134	186,300	196,812	210,589	230,594
Other Liabilities	53,298	59,087	61,520	62,734	63,972
Total Liabilities	1,175,178	1,317,326	1,477,209	1,663,501	1,885,771
BVPS (Rs.)	374.5	406.1	486.7	573.8	674.4
Adj. BVPS (Rs.)	356.5	394.6	476.2	563.2	662.4
% Change	12.4	10.7	20.7	18.3	17.6

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Valuation					
P/E (x)	18.0	12.0	14.7	13.1	11.4
P/BV (x)	2.0	2.1	2.4	2.1	1.7
Div. Yield (%)	0.1	0.1	0.1	0.2	0.3
Profitability & Return (%)					
Yield on Advances	7.5	8.3	9.6	9.5	9.4
Cost of Deposits	3.7	3.9	5.0	5.0	4.9
Spread	3.8	4.4	4.7	4.5	4.5
NIM (calculated)	3.6	4.1	4.1	4.1	4.2
ROE	12.0	8.0	18.1	17.0	16.7
ROA	1.2	0.8	1.8	1.8	1.8
Capital Adequacy (%)					
CAR	18.5	17.6	16.6	16.8	16.8
Tier I	16.3	14.6	14.2	14.4	14.4
Tier II	2.2	3.1	2.4	2.4	2.4
Asset Quality (%)					
GNPA	2.8	2.0	1.4	1.5	1.4
NNPA	0.7	0.4	0.3	0.3	0.3
Operating Ratios (%)					
Credit/Deposit	86.1	89.3	90.3	90.3	89.8
Cost/Income	48.8	45.8	48.7	47.3	46.0
CASA	45.0	47.2	43.0	42.9	42.7

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
28-Jan-22	BUY	944
9-May-22	BUY	828
28-Jul-22	BUY	870
3-Feb-23	BUY	1,026
9-Aug-23	BUY	1,101
1-Nov-23	BUY	1,095
2-Feb-24	BUY	1,196
31-Jul-24	BUY	1,349

Source: Bloomberg, Geojit research

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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